

CAPITAL ADEQUACY DISCLOSURES AS AT 30 SEPTEMBER 2021

The capital requirements for Macquarie Credit Union are determined by the risk weights of the relevant assets held with the minimum required capital to over 8% of the risk weighted assets. Macquarie Credit Union maintains a capital policy level of minimum 15% and a capital target of 20%. The current level of capital as at 30 September 2021 is 19.94%.

The risk weighted assets for each asset grouping as set out in the table below are determined by the APRA Prudential Standards APS 112. These are prescribed risk weights to measure the level of risk of based on the nature and level of security supporting the assets recovery.

Table A Risk Weighted Assets by Asset Class

	30 September 2021	
	Carrying Value	Risk weighted value
(a) Capital requirements (in terms of risk-weighted assets) for credit risk by portfolio;		
• Loans - secured by residential mortgage	88,046,593	33,493,978
• Loans - other retail	6,803,547	6,659,105
• Loans – corporate	184,009	184,009
• Liquid investments	34,894,932	10,481,843
• all other assets	1,262,835	1,262,835
Total credit risk on balance sheet	131,191,916	52,081,770
Total credit risk off balance sheet (commitments)		
• Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	14,541,298	7,322,481
• Capital requirements for securitisation	77,607	nil
Total Credit Risk	145,810,821	59,404,251
(b) Capital requirements for market risk.	nil	nil
(c) Capital requirements for operational risk.	nil	7,072,617
Total Risk Weighted assets (Sum above components)	145,810,821	66,476,868

CAPITAL HELD BY MACQUARIE CREDIT UNION

The capital held by Macquarie Credit Union exceeds the policy and minimum capital prescribed by the APRA Prudential standards. This excess facilitates future growth within Macquarie Credit Union.

Table B Capital Requirements as at 30 September 2021

	Capital Required
Capital requirements for credit risk assets (8% RWA)	4,752,340
Capital requirements for securitization credit risk (8% RWA)	-
Capital requirements for market risk	-
Capital requirements for operations risk (8% RWA)	565,809
Total Capital required (at 8% of Risk weighted assets)	5,318,149
Capital held by the credit union	13,259,363
Common Equity Tier I - % held by the credit union	19.06%
Total Tier I - % held by the credit union	19.06%
Total Capital Ratio - % held by the credit union	19.94%

CREDIT RISK

(i) CREDIT RISK – INVESTMENTS

Surplus cash not invested in loans to members are held in high quality liquid assets. This includes the funds required to be held to meet withdrawal of deposits by members of Macquarie Credit Union.

Macquarie Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Guidance in APS112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step are as follows in Table C:

Table C

Current Quarter 30 September 2021

Investments with banks and other ADIs	Average gross exposure in quarter \$'000	Carrying value on balance sheet at 30 Sep 21 \$'000	Past due facilities \$'000	Impaired facilities \$'000	Specific Provision as at end of qtr \$'000	Increase in specific provision and write offs in qtr \$'000
Cuscal	7,866,215	9,756,111	-	-	-	-
ADIs rated A-I or better	13,377,630	13,626,074	-	-	-	-
ADIs rated BBB- or better	5,762,578	7,012,747	-	-	-	-
Unrated institutions – ADIs	3,750,000	4,500,000	-	-	-	-
Total	30,756,423	34,894,932	-	-	-	-

(ii) CREDIT RISK – LOANS

The classes of loans entered into by the credit union are limited to loans, commitments and other non-market off-balance sheet exposures. The credit union does not enter into debt securities and over-the-counter derivatives.

Impairment details

The level of impaired loans by class of loan is set out below. In the note below -

- Carrying Value is the amount of the balance sheet gross of provision (net of deferred fees)
- Past due loans is the 'on balance sheet' loan balances which are behind in repayments past due by 90 days or more but not impaired
- Impaired loans are the 'on balance sheet' loan balances which are at risk of not meeting all principal and interest repayments over time
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans
- The losses in the period equate to the additional provisions set aside for impaired loans, and bad debts written off in excess of previous provision allowances.

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value all collateral as at the balance date due to the variety of assets and condition.

The analysis of Macquarie Credit Union's loans by class is as follows in Table D:

Table D

Current quarter 30 September 2021

Loans Portfolio	Gross exposure value – Average for the period	Gross exposure value on balance sheet at 30 Sep 21	Commitments – redraws, overdraft facilities undrawn	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage Secured	87,718	88,047	11,169	-	-	-	-
Personal	6,251	6,090	600	-	18	12	2
Overdrafts / Credit cards	775	713	2,772	-	-	-	-
Total to natural persons	94,744	94,850	14,451	-	18	12	2
Commercial borrowers	189	184	0	-	-	-	-
Total Loans	94,933	95,034	14,451	-	18	12	2

General Reserve for Credit Losses

In addition to the provision for impairment, the board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future.

	Current quarter 30 September 2021	Current quarter 30 June 2021
Balance	\$589,310	\$589,310

SECURITISATION ARRANGEMENTS

Macquarie Credit Union has entered into arrangements for securitised loans to support its liquidity requirements from time to time. The table below states the current value of securitised loans managed by Macquarie Credit Union and the amount securitised in the past quarter.

Table E

Current Quarter 30 September 2021

	Loans Securitised in Current qtr, by type of securitisation	Securitised Loans On- balance sheet exposure retained or purchased	Securitised Loans Off- balance sheet exposures
		Aggregate amount	Aggregate amount
Mortgage loans			77,607
Personal loans			
Credit cards			
Total			77,607

The recognised gain or loss on securitised arrangements entered into in the past quarter is \$ Nil