

CAPITAL ADEQUACY DISCLOSURES AS AT 30 SEPTEMBER 2020

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 21%. The current level of capital as at 30 September 2020 is 21.50%.

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 2020	
	Carrying Value	Risk weighted value
(a) Capital requirements (in terms of risk-weighted assets) for credit risk by portfolio;		
• Loans - secured by residential mortgage	81,568,808	30,391,616
• Loans - other retail	6,959,930	6,719,111
• Loans – corporate	326,975	326,975
• Liquid investments	29,910,952	9,029,991
• all other assets	1,691,440	1,691,440
Total credit risk on balance sheet	120,458,105	48,159,133
Total credit risk off balance sheet (commitments)		
• Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	13,297,104	5,890,649
• Capital requirements for securitisation	91,686	nil
Total Credit Risk	133,846,895	54,049,782
(b) Capital requirements for market risk.	nil	nil
(c) Capital requirements for operational risk.	nil	6,586,002
Total Risk Weighted assets (Sum above components)	133,846,895	60,635,784

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 2020

	Capital Required
Capital requirements for credit risk assets (8% RWA)	4,323,983
Capital requirements for securitization credit risk (8% RWA)	-
Capital requirements for market risk	-
Capital requirements for operations risk (8% RWA)	526,880
Total Capital required (at 8% of Risk weighted assets)	4,850,863
Capital held by the credit union	13,040,982
Common Equity Tier I - % held by the credit union	20.55%
Total Tier I - % held by the credit union	20.55%
Total Capital Ratio - % held by the credit union	21.50%

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 2020

Investments with banks and other ADIs	Average gross exposure in quarter \$'000	Carrying value on balance sheet at 30 Sep 20 \$'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	8,034,181	8,783,269	-	-	-	-
ADIs rated A-I or better	11,630,983	13,138,821	-	-	-	-
ADIs rated BBB- or better	4,489,161	4,488,862	-	-	-	-
Unrated institutions – ADIs	3,500,000	3,500,000	-	-	-	-
Total	27,654,325	29,910,952	-	-	-	-

(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 2020

Loans Portfolio	Gross exposure value – Average for the period	Gross exposure value on balance sheet at 30 Sep 20	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	81,933	81,569	10,162	-	414	25	-
Personal	6,024	6,216	353	-	49	12	-13
Overdrafts / Credit cards	795	743	2,782	-	-	-	-
Total to natural persons	88,752	88,528	13,297	-	463	37	-13
Commercial borrowers	344	327	0	-	-	-	-
Total Loans	89,095	88,855	13,297	-	463	37	-13

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 2020	Current quarter 30 June 2020
Balance	\$574,999	\$574,999

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 2020

	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			91,686
Personal loans			
Credit cards			
Total			91,686

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