



**APS 330 Capital adequacy and risk disclosures
as at 30 June 2017**

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Introduction and scope of application

This disclosure document has been prepared in accordance with Board approved policy and the reporting requirements contained within APS 330.

The information presented in this disclosure document is not audited, however it has been prepared based on information lodged with APRA and information contained within the Credit Union's annual report for the year ended 30 June 2017 which was subject to external audit.

Attachment A

Common disclosure template

The capital disclosures detailed in the template below represents the post 1 January 2018 Basel III common disclosure requirements. The Credit Union is applying the Basel III regulatory adjustments in full as implemented by APRA. This template should be read in conjunction with Annexure B Regulatory Capital Reconciliation. Amounts disclosed below are reported in millions unless otherwise stated.

| Details | | A\$m | Attach. B Ref No. |
|---|--|--------|-------------------|
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1 | Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital | | |
| 2 | Retained earnings | 35.973 | B.1 |
| 3 | Attachment A Common disclosure template | 1.941 | B.2 |
| 4 | <i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i> | | |
| 5 | Attachment B Regulatory capital reconciliation | | |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 37.914 | |
| Common Equity Tier 1 capital : regulatory adjustments | | | |
| 7 | Prudential valuation adjustments | | |
| 8 | Goodwill (net of related tax liability) | | |
| 9 | Other intangibles other than mortgage servicing rights (net of related tax liability) | | |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | 0.482 | B.3 |
| 11 | Cash-flow hedge reserve | | |
| 12 | Shortfall of provisions to expected losses | | |
| 13 | Securitisation gain on sale (as set out in paragraph 562 of Basel II framework) | | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | | |
| 15 | Defined benefit superannuation fund net assets | | |
| 16 | Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | | |
| 17 | Reciprocal cross-holdings in common equity | | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | | |
| 19 | Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) | | |
| 20 | Mortgage service rights (amount above 10% threshold) | | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | | |
| 22 | Amount exceeding the 15% threshold | | |
| 23 | of which: significant investments in the ordinary shares of financial entities | | |
| 24 | of which: mortgage servicing rights | | |
| 25 | of which: deferred tax assets arising from temporary differences | | |
| 26 | National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j) | 1.267 | B.5 |
| 26a | of which: treasury shares | | |
| 26b | of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI | | |
| 26c | of which: deferred fee income | | |
| 26d | of which: equity investments in financial institutions not reported in rows 18, 19 and 23 | | |
| 26e | of which: deferred tax assets not reported in rows 10, 21 and 25 | | |
| 26f | of which: capitalised expenses | 1.217 | |
| 26g | of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements | 0.050 | |
| 26h | of which: covered bonds in excess of asset cover in pools | | |
| 26i | of which: undercapitalisation of a non-consolidated subsidiary | | |
| 26j | of which: other national specific regulatory adjustments not reported in rows 26a to 26i | | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | | |
| 28 | Total regulatory adjustments to Common Equity Tier 1 | 1.749 | |
| 29 | Common Equity Tier 1 Capital (CET1) | 36.165 | |
| Additional Tier 1 Capital: instruments | | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments | 1.908 | B.6 |
| 31 | of which: classified as equity under applicable accounting standards | 1.908 | |
| 32 | of which: classified as liabilities under applicable accounting standards | | |
| 33 | <i>Directly issued capital instruments subject to phase out from Additional Tier 1</i> | 1.908 | |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | | |
| 35 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | | |
| 36 | Additional Tier 1 Capital before regulatory adjustments | 1.908 | |
| Additional Tier 1 Capital: regulatory adjustments | | | |
| 37 | Investments in own Additional Tier 1 instruments | | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | | |

| Details | | A\$m | Attach. B Ref No. |
|--|---|---------|-------------------|
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | | |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | | |
| 41 | National specific regulatory adjustments (sum of rows 41a, 41b and 41c) | | |
| 41a | of which: holdings of capital instruments in group members by other group members on behalf of third parties | | |
| 41b | of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40 | | |
| 41c | of which: other national specific regulatory adjustments not reported in rows 41a and 41b | | |
| 42 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | | |
| 43 | Total regulatory adjustments to Additional Tier 1 capital | - | |
| 44 | Additional Tier 1 capital (AT1) | 1.908 | |
| 45 | Tier 1 Capital (T1=CET1+AT1) | 38.073 | |
| Tier 2 Capital: instruments and provisions | | | |
| 46 | Directly issued qualifying Tier 2 instruments | | |
| 47 | <i>Directly issued capital instruments subject to phase out from Tier 2</i> | | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2) | | |
| 49 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | | |
| 50 | Provisions | 0.900 | B.7 |
| 51 | Tier 2 Capital before regulatory adjustments | 0.900 | |
| Tier 2 Capital: regulatory adjustments | | | |
| 52 | Investments in own Tier 2 instruments | | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | | |
| 54 | Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | | |
| 55 | Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | | |
| 56 | National specific regulatory adjustments (sum of rows 56a, 56b and 56c) | | |
| 56a | of which: holdings of capital instruments in group members by other group members on behalf of third parties | | |
| 56b | of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55 | | |
| 56c | of which: other national specific regulatory adjustments not reported in rows 56a and 56b | | |
| 57 | Total regulatory adjustments to Tier 2 capital | - | |
| 58 | Tier 2 capital (T2) | 0.900 | |
| 59 | Total capital (TC=T1+T2) | 38.973 | |
| 60 | Total risk-weighted assets based on APRA standards | 275.586 | |
| Capital ratios and buffers | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk-weighted assets) | 13.12% | |
| 62 | Tier 1 (as a percentage of risk-weighted assets) | 13.82% | |
| 63 | Total capital (as a percentage of risk-weighted assets) | 14.14% | |
| 64 | Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets) | 7.00% | |
| 65 | <i>of which: capital conservation buffer requirement</i> | 2.50% | |
| 66 | <i>of which: ADI-specific countercyclical buffer requirements</i> | - | |
| 67 | <i>of which: G-SIB buffer requirement (not applicable)</i> | | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets) | 6.14% | |
| National minima (if different from Basel III) | | | |
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | | |
| 70 | National Tier 1 minimum ratio (if different from Basel III minimum) | | |
| 71 | National total capital minimum ratio (if different from Basel III minimum) | | |
| Amount below thresholds for deductions (not risk-weighted) | | | |
| 72 | Non-significant investments in the capital of other financial entities | | |
| 73 | Significant investments in the ordinary shares of financial entities | | |
| 74 | Mortgage servicing rights (net of related tax liability) | | |
| 75 | Deferred tax assets arising from temporary differences (net of related tax liability) | | |
| Applicable caps on the inclusion of provisions in Tier 2 | | | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | 0.900 | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | | |
| 79 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | | |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022) | | | |
| 80 | <i>Current cap on CET1 instruments subject to phase out arrangements</i> | | |
| 81 | <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i> | | |
| 82 | <i>Current cap on AT1 instruments subject to phase out arrangements</i> | | |
| 83 | <i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i> | | |
| 84 | <i>Current cap on T2 instruments subject to phase out arrangements</i> | | |
| 85 | <i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i> | | |

Attachment B

Regulatory Capital Reconciliation

The following statement of financial position for the consolidated group has been extracted from the 2017 Financial Report for Holiday Coast Credit Union Ltd.

Statement of Financial Position

as at 30 June 2017

| | 2017 \$'000 |
|---|----------------|
| Assets | |
| Cash and cash equivalents | 19,452 |
| Due from other financial institutions | 118,575 |
| Receivables | 1,754 |
| Other financial assets | 50 |
| Investments | - |
| Loans and advances to members: | |
| Gross loans and advances to members | 443,499 |
| Upfront fee income | (145) |
| Provision for impaired loans | (110) |
| Property, plant and equipment | 4,278 |
| Taxation assets | 1,049 |
| Intangible assets | 681 |
| Total Assets | 589,083 |
| Liabilities | |
| Borrowings | - |
| Deposits from other financial institutions | - |
| Deposits from members | 539,854 |
| Payables, accruals and settlement accounts | 4,952 |
| Taxation liabilities: | |
| Provision for income tax | 272 |
| Deferred tax liabilities | 567 |
| Provisions | 1,490 |
| Total Liabilities | 547,135 |
| Net Assets | 41,948 |
| Equity | |
| Permanent share capital: | |
| Member Investment Securities | 3,815 |
| Costs associated with issuing capital instruments | (536) |
| Redeemed share capital account | 405 |
| Reserves: | |
| Asset revaluation reserve | 1,536 |
| General reserve for credit losses | 900 |
| Other reserve for credit losses | - |
| Retained profits | 35,828 |
| Total Equity | 41,948 |

Reconciliation between Common Disclosure Template (Attachment A) and Balance Sheet (Attachment B)

The following is a reconciliation between the balance sheet and the components of capital as reported in the common disclosure template (Attachment A) as at 30 June 2017.

| Attach. B Ref No. | Item Number in Common Disclosure Template | Break-up of component as per Balance Sheet | Amount as per Balance Sheet ('\$'000's) |
|-------------------|---|--|---|
| B.1 | 2 | Retained earnings: | |
| | | Retained earnings | 35,828 |
| | | Upfront fee income | 145 |
| | | Total | 35,973 |
| B.2 | 3 | Accumulated other comprehensive income (and other reserves): | |
| | | Redeemed share capital account | 405 |
| | | Asset revaluation reserve | 1,536 |
| | | Total | 1,941 |
| B.3 | 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability): | |
| | | Taxation assets | 1,049 |
| | | Deferred tax liabilities | (567) |
| | | Total | 482 |
| B.5 | 26 to 26j | National specific regulatory adjustments: | |
| | | Intangible assets | 681 |
| | | Costs associated with issuing capital instruments | 536 |
| | | Investments in commercial (non-financial) entities | 50 |
| | | Total | 1,267 |
| B.6 | 30 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1): | |
| | | Member Investment Securities | 3,815 |
| | | Less Basel III transitional relief amortisation for issued MIS instruments ^① | (1,907) |
| | | Total | 1,908 |
| B.7 | 50 | Provisions: | |
| | | General reserve for credit losses | 900 |
| | | Total | 900 |

^① Basel III transitional arrangements apply to those capital instruments not compliant with the new Basel III capital requirements.