

Prudential Disclosures as required by APS 330 Capital Adequacy
This disclosure on the Capital and Credit Risk refers to the
Lysaght Credit Union Limited (A.B.N: 79 087 650 226).

The information in this report is prepared quarterly based on the ADI financial records. The financial records are not audited for the Quarters ended 30 September, 31 December, and 30 June.

There are no other legal entities that comprise a consolidated group.

Capital Base

The details of the components of the capital base are set out below as at the quarter ended **31st Mar 2020**

The following **table A** sets out the elements of the capital held by Lysaght Credit Union including the reconciliation of any adjustments required by the APRA Prudential Standards to the audited financial statements. Adjustments are usually in the form of deductions of assets not regarded as recoverable in the short term (such as intangible assets and deferred tax assets), and/or discounts made to eligible capital of a short term nature.

All regulatory capital elements are consistent with the audited financial statements as at the last reporting date.

Table A - Capital Base Elements	Current Quarter 31st Mar 2020	Previous Quarter 31st Dec 2019
Retained earnings	7,827,123	7,827,123
Accumulated other comprehensive income (and other reserves)	781,393	705,939
Common Equity Tier 1 capital before regulatory adjustments on Equity Tier 1 capital : regulatory adjustments	8,608,516	8,533,062
Deferred tax assets in excess of deferred tax liabilities	0	0
Capitalised expenses		
Loan fees and commissions	(44,254)	(61,881)
Information technology software costs	(34,852)	(42,288)
Equity exposures (non-additional Tier 1 or Tier 2 instruments) and other capital support provided to :		
• Financial institutions of which:		
Other ADI's or overseas equivalent and their subsidiaries	(258,881)	(258,881)
Total regulatory adjustments to Common Equity Tier 1	(337,987)	(363,050)
Common Equity Tier 1 Capital (CET1)	8,270,529	8,170,012
Additional Tier 1 Capital: instruments		
Additional Tier 1 Capital before regulatory adjustments		
Additional Tier 1 Capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital (AT1)		
Tier 1 Capital (T1=CET1+AT1)	8,270,529	8,170,012
Tier 2 Capital: instruments and provisions		
General Reserve for Credit Losses:		
Standardised approach (to a maximum of 1.25% of total credit RWA)	360,000	360,000
Tier 2 Capital before regulatory adjustments	360,000	360,000
Tier 2 Capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 capital		
Tier 2 capital (T2)	360,000	360,000
Total capital (TC=T1+T2)	8,630,529	8,530,012
Total risk-weighted assets based on APRA standards	44,107,374	42,104,567
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of risk-weighted assets)	18.75%	19.40%
Tier 1 (as a percentage of risk-weighted assets)	18.75%	19.40%
Total capital (as a percentage of risk-weighted assets)	19.57%	20.26%

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Table B – Capital within the ADI

The elements of the regulatory capital as set out above are summarised as follows in Table B

Items (AUD m)	31 st Mar 2020	31 st Dec 2019
CET1 after regulatory adjustments (CET1)	8,270,529	8,170,012
Additional Tier 1 capital after regulatory adjustments (AT1)		
Tier 1 capital (Tier 1 = CET1 + AT1)	8,270,529	8,170,012
Tier 2 capital after regulatory adjustments (T2)	360,000	360,000
Total capital (Total capital = Tier 1 +Tier 2)	8,630,529	8,530,012
Total Risk Weighted Assets (RWA)	44,107,374	42,104,567
Capital ratios (%)		
CET1 Ratio (CET1/Total RWA)	18.75%	19.40%
Tier 1 Ratio (Tier 1/Total RWA)	18.75%	19.40%
Total Capital Ratio (Total capital/Total RWA)	19.57%	20.26%

CAPITAL INSTRUMENTS WITHIN THE ADI

Disclosure for main features of regulatory capital instruments

The regulatory capital is limited to

- Retained earnings
- General reserve for Credit Losses
- Asset revaluation reserves

There are no capital instruments (shares, debt instruments) issued by the ADI.

CAPITAL REQUIREMENTS

Capital requirements in the ADI is determined by the risk weights of the relevant assets held with the minimum required capital to over 8% of the risk weighted assets. The ADI maintains a capital policy level of Minimum 14% and a capital target of 18%. The current level of capital is [19.57%](#).

The risk weighted assets for each asset grouping as set out in the table below is 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.

The risk weighted assets held as at the end of the quarter ended [31st Mar 2020](#) is as follows:

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Table C - RISK WEIGHTED ASSETS BY ASSET CLASS

	31 st Mar 2020		31 st Dec 2019	
	Carrying Value	Risk Weighted Value	Carrying Value	Risk Weighted Value
(a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio;				
• Loans - secured by residential mortgage	73,406,839	26,679,300	71,324,236	25,515,617
• Loans - other retail	3,274,007	3,274,007	3,367,857	3,367,857
• Loans - corporate				
• Liquid investments	16,846,576	4,517,303	15,323,711	3,912,117
• all other assets	966,752	966,752	953,466	953,466
Total credit risk on balance sheet	94,494,174	35,437,362	90,969,270	33,749,057
Total credit risk off balance sheet (commitments)				
• Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	6,969,456	2,941,340	6,980,133	2,724,913
• Capital requirements for securitisation				
(b) Capital requirements for market risk.				
(c) Capital requirements for operational risk.		5,728,672		5,745,924
Total Risk Weighted assets (Sum above components)	101,463,630	44,107,374	97,949,403	42,104,567

CAPITAL HELD BY THE ADI

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

The capital ratio is the amount of capital described in Table A divided by the risk weighted assets

Table D

	Capital \$		Capital Ratio	
	Current Qtr 31 st Mar 2020	Previous Qtr 31 st Dec 2019	Current Qtr 31 st Mar 2020	Previous Qtr 31 st Dec 2019
Common Equity Tier 1	8,270,529	8,170,012	18.75%	19.40%
Tier 1	8,270,529	8,170,012	18.75%	19.40%
Total Capital ratio	8,630,529	8,530,012	19.57%	20.26%

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CREDIT RISK

CREDIT RISK – INVESTMENTS

Surplus cash not invested in loans to members are held in deposits with other financial institutions. This includes the funds required to be held to meet withdrawal of deposits by members of the ADI.

The ADI 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 table E below excludes the Equities and securitisation exposures. Securitisation exposures are set out in the table G that follows

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

Table E

Current Quarter 31st Mar 2020

Investments with banks and other ADI's	Average gross exposure in quarter	Carrying value on balance sheet	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
Cuscal	7,739	8,005				
Major Banks	1,000	500				
Other rated ADIs	7,235	8,235				
Unrated institutions – ADIs						
Total	15,975	16,740				

Previous quarter 31st Dec 2019

Investments with banks and other ADI's	Average gross exposure in quarter	Carrying value on balance sheet	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
Cuscal	7,272	7,474				
Major Banks	1,500	1,500				
Other rated ADIs	7,483	6,236				
Unrated institutions – ADIs						
Total	16,255	15,211				

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CREDIT RISK – LOANS

The classes of loans entered into by the ADI are limited to loans; commitments and other non-market off-balance sheet exposures. The ADI 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 principle 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 the ADI's loans by class, is as follows in **Table F** (*Table F excludes securitisation exposures or equities. Securitisation exposures are set out in the table G that follows*)

Current Quarter 31st Mar 2020

Loans Portfolio	Gross exposure value - Average for the period	Gross exposure value on balance sheet	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	72,622	73,657	6,089	0	306		
Personal	3,043	3,002		25	40	22	0
Overdrafts & Credit cards	43	44	73				
Corporate borrowers							
Total	75,708	76,703	6,188	25	345	22	0

Previous quarter 31st Dec 2019

Loans Portfolio	Gross exposure value - Average for the period	Gross exposure value on balance sheet	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	69,986	71,588	6,434	302			
Personal	3,166	3,085		9	43	23	4
Overdrafts & Credit cards	49	41	73				
Corporate borrowers							
Total	73,201	74,715	6,507	311	43	23	4

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General Reserve for Credit Losses

This reserve is set aside to quantify the estimate for potential future losses in the loans and investments.

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.

The reserve has been determined on the basis of the past experience with the loan delinquency and amounts written off.

The value of the reserve is amended to reflect the changes in economic conditions, and the relevant concentrations in specific regions and industries of employment within the loan book.

	Current quarter	Previous quarter
Balance	360,000	360,000

SECURITISATION ARRANGEMENTS

The ADI 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 the ADI and the amount securitised in the past quarter ended **31st Mar 2020**.

Table G

Current Quarter 31st Mar 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
	\$'000	\$'000	\$'000
Mortgage loans	-	-	-
Personal loans	-	-	-
Credit cards	-	-	-
Total	-	-	-

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

Previous Quarter 31st Dec 2019

	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
	\$'000	\$'000	\$'000
Mortgage loans	-	-	-
Personal loans	-	-	-
Credit cards	-	-	-
Total	-	-	-