



**Nova Credit Union Ltd**

**40 087 650 440**

**APS330 Capital Adequacy and Risk Disclosures**

**As at 30 June 2014**

## Introduction

These disclosure documents have been prepared in accordance with Board approved policy and the reporting requirements of APS330. The disclosures contained within are for Nova Credit Union as an individual entity. There are no subsidiary entities as at 30 June 2014.

The information in this report is prepared quarterly based on Nova Credit Union's financial records. The financial records are not audited for the quarters ended 30 September, 31 December and 31 March.

The report as at 30<sup>th</sup> June 2014 is based on the financial statements as audited as at the 30<sup>th</sup> June 2014.

## Attachment A

### Common Disclosure Template

Nova Credit Union is using the post 1 January 2018 common disclosure template because we are fully applying the Basel III regulatory adjustments as implemented by APRA.

<b>Common Equity Tier 1 Capital : instruments and reserves</b>		<b>A\$</b>
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	
2	Retained earnings	2,695,070
3	Accumulated other comprehensive income ( and other reserves)	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>2,695,070</b>
<b>Common Equity Tier 1 Capital : regulatory adjustments</b>		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	118,045
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	49,015
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 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 ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	65,216
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,26j )	

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	
26g	of which : investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	
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	<b>Total regulatory adjustments to Common Equity Tier 1</b>	232,276
29	<b>Common Equity Tier 1 Capital (CET1)</b>	2,462,794
<b>Additional Tier 1 Capital : instruments</b>		
30	Directly issued qualifying Additional Tier 1 instruments	
31	of which : classified as equity under applicable accounting standards	
32	of which : classified under applicable accounting standards	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	
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	<b>Additional Tier 1 Capital before regulatory adjustments</b>	
<b>Additional Tier 1 Capital : regulatory adjustments</b>		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
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, 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	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	
44	<b>Additional tier 1 capital (AT1)</b>	
45	<b>Tier 1 Capital ( T1+CET1+AT1)</b>	2,462,794
<b>Tier 2 Capital : instruments and provisions</b>		
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	61,516
51	<b>Tier 2 Capital before regulatory adjustments</b>	61,516
<b>Tier 2 Capital : regulatory adjustments</b>		
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	<b>Total regulatory adjustments to Tier 2 capital</b>	
58	<b>Tier 2 capital (T2)</b>	61,516
59	<b>Total capital (TC = T1 +T2)</b>	2,524,310
60	<b>Total risk-weighted assets based on APRA standards</b>	12,390,813
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 ( as a percentage of risk-weighted assets)	19.87%
62	Tier 1 ( as a percentage of risk-weighted assets)	19.87%
63	Total capital (as a percentage of risk-weighted assets)	20.37%
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	of which : capital conservation buffer requirement	2.50%
66	of which : ADI specific countercyclical buffer requirements	0.00%
67	of which : G –SIB buffer requirement (not applicable)	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	12.37%
<b>National minima (if different from Basel III )</b>		
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 ration (if different from Basel III minimum)	
<b>Amount below thresholds for deductions (not risk-weighted)</b>		
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)	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	61,516
77	Cap on inclusion of provisions in Tier 2 under standardised approach	
78	Provisions eligible for inclusion in Tier 2in 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	
<b>Capital instruments subject to phase-out arrangements ( only applicable between 1 Jan 2018 and 1 Jan 2022</b>		
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap ( excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap ( excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap ( excess over cap after redemptions and maturities)	

## Attachment B

### Capital Reconciliation

The regulatory capital in the credit union is limited to:

- Retained earnings
- General Reserve for Credit Losses

There are no capital instruments (shares, debt instruments) issued by Nova Credit Union Limited.

	Balance sheet per published audited financial statements As at 30 June 2014	Regulatory Scope of consolidation As at 30 June 2014	Reference to Common Disclosure Template
<b>Assets</b>			
Cash and cash equivalents	2,292,486	2,292,486	
Receivables due from other financial institutions	2,247,437	2,247,437	
Accrued receivables	36,643	36,643	
Loans and advances	18,750,158	18,750,158	
Other financial assets	65,216	65,216	Row 18
Property, plant and equipment	32,383	32,383	
Deferred tax asset	49,015	49,015	Row 10
Intangible assets	118,045	118,045	Row 9
Other assets	33,789	33,789	
<b>Total assets</b>	<b>23,625,172</b>	<b>23,625,172</b>	
<b>Liabilities</b>			
Deposits from members	20,563,745	20,563,745	
Deposits from other financial institutions			
Payables and other liabilities	206,828	206,828	
Taxation liabilities	10,419	10,419	
Provisions	87,594	87,594	
<b>Total Liabilities</b>	<b>20,868,586</b>	<b>20,868,586</b>	
<b>NET ASSETS</b>	<b>2,756,586</b>	<b>2,756,586</b>	
<b>Equity</b>			
Reserves	61,516	61,516	Row 50
Retained Earnings	2,695,070	2,695,070	Row 2
<b>TOTAL EQUITY</b>	<b>2,756,586</b>	<b>2,756,586</b>	

## Attachment C

### Main Features of Regulatory Capital Instruments

The regulatory capital instruments of Nova Credit Union Ltd comprise the following:

*Retained profits*- Retained profits represent the accumulated net earnings of the Credit Union. They are primarily used by the Credit Union to be reinvested in its primary activities.

*General Reserve for Credit Losses*- this records the balance of the general provision for impairment.

Item Number	Item Details	
1	Issuer	Nova Credit Union Limited
2	Unique identifier( e.g. CUSIP,ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Not applicable
	<b>Regulatory treatment</b>	
4	Transitional Basel III rules	Not applicable
5	Post-transitional Basel III rules	Not applicable
6	Eligible at solo/group/group & solo	Not applicable
7	Instrument type (ordinary shares/preference shares/subordinated notes/other)	Not applicable
8	Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	Not applicable
9	Par value of instrument	Not applicable
10	Accounting classification	Not applicable
11	Original date of issuance	Not applicable
12	Perpetual or dated	Not applicable
13	Original maturity date	Not applicable
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<b>Coupons/dividends</b>	
17	Fixed or floating dividend/coupon	Not applicable
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Not applicable
21	Existence of step up or other incentive to redeem	Not applicable
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation(specify instruments type immediately senior to instruments)	Not applicable
36	Non-compliance transitional features	Not applicable
37	If Yes, specify non-compliant features	Not applicable

## **Attachment E**

### **Remuneration**

The credit union has a remuneration committee to oversee the remuneration of the General Manager [GM] and the Assistant General Manager [AGM].

The General Manager has the responsibility for the remuneration of the employees. The remuneration of the Board must be approved by the members at the Annual General meeting before being effective.

The remuneration committee comprises

- . Mr. Martin Cushing
- . Mrs. Rosalie Taggart
- . Mr. Ron Brooks

The remuneration policy covers the entire organisation.

The remuneration policy is established to oversee the remuneration of the senior managers of the credit union with the objective to ensure it is comparable to like organisations.

The policy is reviewed annually and was last reviewed on December 2014.

The Senior Managers are on a fixed salary which is evaluated by the remuneration committee to ensure that reporting obligations are not compromised by financial incentives.

The policy seeks to ensure that quality employees are employed, and retained and are remunerated in accordance with their responsibilities and experience.

The remuneration committee can seek the input from external remuneration consultants and applicable surveys to guide the committee on the appropriate remuneration for the senior management team.

The remuneration committee assesses the relevant remuneration on a case by case basis to ensure the remuneration reflects the skill and experience of the managers to meet the board expectations and changes in the business proposed by the strategic plan.

The performance of the credit union is impacted by the market conditions at the time and by the level of adherence to policies of the credit union, so as to remain with the risk appetite of the board.

The credit union does not have a direct link between the performance and remuneration. The remuneration committee takes into account a combination of factors, such as financial performance in the economic environment, compliance with regulatory requirements and the results of member satisfaction feedback, in assessing the performance of the General Manager.

There are no specific measures taken to reward longer term performance. Remuneration is based on the salary agreed in consultation with the General Manager. There is no deferred remuneration arranged other than the employee statutory entitlements and award conditions.

A redundancy or termination payment will be negotiated with each employee as required by the Award conditions and in consultation with the board of directors.

There are no elements of variable remuneration at the credit union that are pre-determined. Any performance bonus arrangements are discussed at board level to reward exceptional performance where applicable.

Bonus payments paid to senior managers was \$5,000.

## Quantitative Disclosures

<ul style="list-style-type: none"> <li>Number of meetings held by the main body overseeing remuneration during the financial year and the remuneration paid to its members</li> </ul>	The remuneration committee meets on an as needs basis and at least annually
<ul style="list-style-type: none"> <li>The number of employees having received a variable remuneration award during the financial year</li> <li>Number and total amount of guaranteed bonuses awarded during the financial year</li> <li>Number and total amount of sign-on awards made during the financial year</li> <li>Number and total amount of severance payments made during the financial year</li> </ul>	<p>Nil</p> <p>Nil</p> <p>Nil</p> <p>Nil</p>
<ul style="list-style-type: none"> <li>Total amount of outstanding deferred remuneration, (split into cash, shares and share-linked instruments and other forms)</li> <li>Total amount of deferred remuneration paid out in the year</li> </ul>	<p>Nil</p> <p>Nil</p>

## REMUNERATION

### Senior Managers

<b>Number of Managers</b>	<b>2</b>
<b>Total value of remuneration awards for the current financial year</b>	<b>Unrestricted</b>
Fixed remuneration	
<ul style="list-style-type: none"> <li>Cash based</li> </ul>	\$176,898

<b>Number of Directors</b>	<b>6</b>	
<b>Total value of remuneration awards for the current financial year</b>	<b>Unrestricted</b>	<b>Deferred</b>
Fixed remuneration		
<ul style="list-style-type: none"> <li>Cash based</li> </ul>	\$22,600	Nil

### Material risk-takers

There are no managers, employees or consultants that are substantially remunerated on a commission nor incentive basis.