



**Nova Credit Union Limited**  
**APS 330 Public Disclosure of Prudential Information**  
**As at 31 December 2016**

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 31 March.

**Capital Base**

The following table A sets out the elements of the capital held by the ADI 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.

**Table A Capital Base Elements**

| <b>Capital Structure – Annual Disclosure as at 31 December 2016</b>                |                                      |  |
|--|--------------------------------------|--|
|  | <b>Current Qtr<br/>December 2016</b> | <b>Previous Qtr<br/>September 2016</b> |
| <b>Tier 1 Capital</b>  |                                      |  |
| Retained earnings  | 2,763,292                            | 2,749,267                              |
| Common Equity Tier 1 capital before regulatory adjustments                         | <b>2,763,292</b>                     | <b>2,749,267</b>                       |
| <b>Equity Tier 1 capital: regulatory adjustments</b>                               |                                      |  |
| Other intangible assets  | 44,073                               | 54,230                                 |
| Deferred tax asset in excess of deferred tax liabilities                           | 57,219                               | 57,219                                 |
| Equity investments in financial institutions (CUSCAL)                              | 65,216                               | 65,216                                 |
| Total regulatory adjustments to Common Equity Tier 1                               | <b>166,508</b>                       | <b>176,665</b>                         |
| Common Equity Tier 1 Capital (CET1)  | <b>2,596,784</b>                     | <b>2,572,602</b>                       |
| <b>Additional Tier 1 Capital: instruments</b>                                      |                                      |  |
| Tier 1 Capital ( T1= CET1+ AT1)  | <b>2,596,784</b>                     | <b>2,572,602</b>                       |
| Directly issued qualifying Tier 2 instruments (General Reserve for Credit Losses). | 72,519                               | 73,261                                 |
| Tier 2 Capital (T2)  | <b>72,519</b>                        | <b>73,261</b>                          |
| Total Capital (TC = T1 + T2)   | <b>2,669,303</b>                     | <b>2,645,863</b>                       |
| Total risk-weighted assets based on APRA standards                                 | <b>14,658,793</b>                    | <b>14,626,775</b>                      |
| <b>Capital ratios</b>  |                                      |  |
| Common Equity Tier 1 ( as a percentage of risk-weighted assets)                    | 17.71%                               | 17.59%                                 |
| Tier1 ( as a percentage of risk-weighted assets)                                   | 17.71%                               | 17.59%                                 |
| Total capital (as a percentage of risk-weighted assets)                            | 18.21%                               | 18.09%                                 |

## **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 15% and a capital target of 18.5%. The level of capital at 31<sup>st</sup> December 2016 is 18.21%.

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 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 31<sup>st</sup> December 2016 is as follows:

**Table B Risk Weighted Assets by Asset Class**

|   | RWA<br>\$                    | RWA<br>\$                      |
|---|------------------------------|--------------------------------|
|   | Current Qtr<br>December 2016 | Previous Qtr<br>September 2016 |
| <b>(a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio:</b> | \$                           | \$                             |
| - Loans - secured by residential mortgage   | 5,275,030                    | 5,157,253                      |
| - Loans - other retail  | 5,765,431                    | 5,736,685                      |
| - Loans - corporate   | -                            | -                              |
| - Liquid investments  | 1,021,013                    | 1,199,619                      |
| - all other assets  | 727,615                      | 747,561                        |
| <b>Total credit risk on balance sheet</b>   | <b>12,789,089</b>            | <b>12,841,118</b>              |
| Total credit risk off balance sheet (commitments)   | 524,235                      | 447,649                        |
| (a) Capital requirements for securitisation   | -                            | -                              |
| (b) Capital requirements for market risk.   | -                            | -                              |
| (c) Capital requirements for operational risk.  | 1,345,469                    | 1,338,008                      |
| <b>Total Risk Weighted assets</b>   | <b>14,658,793</b>            | <b>14,626,775</b>              |

### 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.

### Capital Ratios

|                            | Capital<br>\$    |                  | Capital Ratio |               |
|----------------------------|------------------|------------------|---------------|---------------|
|                            | Dec-16           | Sep-16           | Dec-16        | Sep-16        |
| Common Equity Tier 1       | 2,596,784        | 2,572,602        | 17.71%        | 17.59%        |
| Tier 1                     | 2,596,784        | 2,572,602        | 17.71%        | 17.59%        |
| <b>Total Capital Ratio</b> | <b>2,669,303</b> | <b>2,645,863</b> | <b>18.21%</b> | <b>18.09%</b> |

## CREDIT RISK

### (i) Credit Risk - Investments

Surplus cash not invested in loans to members are held in high quality liquid assets. This included 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 exposure values associated with each credit quality step are as follows in Table C (i):

**Table C(i) Credit Risk – Investments**

| Current Quarter                        | 31-Dec-16                       |                     |                     |                                   |   |
|--|---------------------------------|---------------------|---------------------|-----------------------------------|---|
|  | \$                              |                     |                     |                                   |   |
| Investments with banks and other ADI's | Carrying value on balance sheet | Past Due facilities | Impaired facilities | Specific provisions at end of qtr | Increase in specific provision and write off's in qtr |
|  | \$                              | \$                  | \$                  | \$                                | \$  |
| Cuscal                                 | 553,166                         | -                   | -                   | -                                 | -   |
| Banks rated A- and above               | 4,551,901                       | -                   | -                   | -                                 | -   |
| Other rated ADI's                      | 0                               | -                   | -                   | -                                 | -   |
| Unrated institutions                   | 0                               | -                   | -                   | -                                 | -   |
| <b>Total</b>                           | <b>5,105,067</b>                | <b>0</b>            | <b>0</b>            | <b>0</b>                          | <b>0</b>  |

| Previous Quarter                       | 30-Sep-16                       |                     |                     |                                   |   |
|--|---------------------------------|---------------------|---------------------|-----------------------------------|---|
|  | \$                              |                     |                     |                                   |   |
| Investments with banks and other ADI's | Carrying value on balance sheet | Past Due facilities | Impaired facilities | Specific provisions at end of qtr | Increase in specific provision and write off's in qtr |
|  | \$                              | \$                  | \$                  | \$                                | \$  |
| Cuscal                                 | 699,782                         | -                   | -                   | -                                 | -   |
| Banks rated A- and above               | 0                               | -                   | -                   | -                                 | -   |
| Other rated ADI's                      | 5,298,312                       | -                   | -                   | -                                 | -   |
| Unrated institutions                   | 0                               | -                   | -                   | -                                 | -   |
| <b>Total</b>                           | <b>5,998,094</b>                | <b>0</b>            | <b>0</b>            | <b>0</b>                          | <b>0</b>  |

## **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 C(ii):

**Table C(ii) Credit Risk – Loans- excludes securitisation exposures**

| Current Quarter                 | 31-Dec-16                       |                                       |                     |                     |                                   |                         |
|---------------------------------|---------------------------------|---------------------------------------|---------------------|---------------------|-----------------------------------|-------------------------|
|                                 | Carrying value on balance sheet | Redraws, overdraft facilities undrawn | Past Due facilities | Impaired facilities | Specific provisions at end of qtr | Write off 's in quarter |
| <b>Loans</b>                    | \$                              | \$                                    | \$                  | \$                  | \$                                |                         |
| Mortgage Secured                | 13,324,454                      | -                                     | -                   | -                   | -                                 | -                       |
| Personal                        | 5,855,934                       | -                                     | 25,267              | 10,107              | 12,416                            | 1,693                   |
| Overdrafts and Lines of Credit  | 685,623                         | -                                     | -                   | -                   | 0                                 | -                       |
| <b>Total to natural persons</b> | <b>19,866,011</b>               | <b>0</b>                              | <b>25,267</b>       | <b>10,107</b>       | <b>12,416</b>                     | <b>1,693</b>            |
| Corporate Borrowers             | -                               | -                                     | -                   | -                   | -                                 | -                       |
| <b>Total</b>                    | <b>19,866,011</b>               | <b>0</b>                              | <b>25,267</b>       | <b>10,107</b>       | <b>12,416</b>                     | <b>1,693</b>            |

| Previous Quarter                | 30-Sep-16                       |                                       |                     |                     |                                   |                         |
|---------------------------------|---------------------------------|---------------------------------------|---------------------|---------------------|-----------------------------------|-------------------------|
|                                 | Carrying value on balance sheet | Redraws, overdraft facilities undrawn | Past Due facilities | Impaired facilities | Specific provisions at end of qtr | Write off 's in quarter |
| <b>Loans</b>                    | \$                              | \$                                    | \$                  | \$                  | \$                                |                         |
| Mortgage secured                | 13,166,286                      | -                                     | -                   | -                   | -                                 | -                       |
| Personal                        | 5,832,108                       | -                                     | 28,608              | 12,416              | 12,416                            | 0                       |
| Overdrafts and Lines of Credit  | 672,489                         | -                                     | -                   | -                   | -                                 | -                       |
| <b>Total to natural persons</b> | <b>19,670,883</b>               | <b>0</b>                              | <b>28,608</b>       | <b>12,416</b>       | <b>12,416</b>                     | <b>0</b>                |
| Corporate Borrowers             | -                               | -                                     | -                   | -                   | -                                 | -                       |
| <b>Total</b>                    | <b>19,670,883</b>               | <b>0</b>                              | <b>28,608</b>       | <b>12,416</b>       | <b>12,416</b>                     | <b>0</b>                |

## 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.

| <u>General Reserve for Credit Losses</u> | 31st December 2016 | 30th September 2016 |
|--|--------------------|---------------------|
| Balance                                  | 72,519             | 73,261              |

## Securitisation Arrangements

The credit union has entered into arrangements for securitised loans to support its liquidity requirements from time to time. Nova Credit Union's exposure to securitisation relates to the Integris Securitisation programme and the Trinity Securitisation programme. A summary of activity and balances of securitised loans is as follows in Table D:

**Table D Securitisation**

| Securitisation  | Dec-16              | Sep-16              |
|---|---------------------|---------------------|
| Opening Balance of securitised loans at beginning of quarter  | \$18,810,234        | \$18,145,878        |
| Add: New loans securitised during quarter                     | \$279,200           | \$964,604           |
| Add: Interest charged for the quarter                         | \$200,350           | \$208,173           |
| Less: Repayments for quarter                                  | -\$1,459,378        | -\$508,421          |
| <b>Closing balance of securitised loans at end of quarter</b> | <b>\$17,830,406</b> | <b>\$18,810,234</b> |

## Remuneration Disclosures

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
- . Mrs. Karen Keegan

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 November 2016.

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 assess 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.



## 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>             | \$193,702           |

|  |                     |                 |
|--|---------------------|-----------------|
| <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>             | \$26,500            | Nil             |

### Material risk-takers

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