Nova Credit Union Limited
APS 330 Public Disclosure of Prudential Information
As at 31 March 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

Capital Structure – Annual Disclosure as at 31 March 2016		
Tier 1 Capital	**Current Qtr March 2016**	**Previous Qtr December 2015**
Retained earnings	2,740,404	2,750,290
Common Equity Tier 1 capital before regulatory adjustments	**2,740,404**	**2,750,290**
Equity Tier 1 capital: regulatory adjustments		
Other intangible assets	66,475	63,224
Deferred tax asset in excess of deferred tax liabilities	56,287	56,287
Equity investments in financial institutions (CUSCAL)	65,216	65,216
Total regulatory adjustments to Common Equity Tier 1	**187,978**	**184,727**
Common Equity Tier 1 Capital (CET1)	**2,552,426**	**2,565,563**
Additional Tier 1 Capital: instruments		
Tier 1 Capital (T1= CET1+ AT1)	**2,552,426**	**2,565,563**
Directly issued qualifying Tier 2 instruments (General Reserve for Credit Losses).	68,768	64,919
Tier 2 Capital (T2)	**68,768**	**64,919**
Total Capital (TC = T1 + T2)	**2,621,194**	**2,630,482**
Total risk-weighted assets based on APRA standards	**14,474,824**	**13,840,374**
Capital ratios		
Common Equity Tier 1 (as a percentage of risk-weighted assets)	17.63%	18.54%
Tier1 (as a percentage of risk-weighted assets)	17.63%	18.54%
Total capital (as a percentage of risk-weighted assets)	18.11%	19.01%

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 minimum15% and a capital target of 18.5%. The level of capital at 31st March 2016 is 18.11%.

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 31st March 2016 is as follows:

Table B Risk Weighted Assets by Asset Class

	RWA $	RWA $
	Current Qtr March 2016	Previous Qtr December 2015
(a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio:	$	$
- Loans - secured by residential mortgage	5,159,230	4,886,527
- Loans - other retail	5,244,731	4,803,638
- Loans - corporate	-	-
- Liquid investments	1,396,424	1,739,574
- all other assets	730,246	227,259
Total credit risk on balance sheet	**12,530,631**	**11,656,998**
Total credit risk off balance sheet (commitments)	606,559	845,742
(a) Capital requirements for securitisation	-	-
(b) Capital requirements for market risk.	-	-
(c) Capital requirements for operational risk.	1,337,634	1,337,634
Total Risk Weighted assets	**14,474,824**	**13,840,374**

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 $		Capital Ratio	
	Mar-16	**Dec-15**	**Mar-16**	**Dec-15**
Common Equity Tier 1	2,552,426	2,565,563	17.63%	18.54%
Tier 1	2,552,426	2,565,563	17.63%	18.54%
Total Capital Ratio	2,621,194	2,630,482	18.11%	19.01%

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 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-Mar-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	695,621	-	-	-	-
Banks rated A- and above	0	-	-	-	-
Other rated ADI's	3,419,517	-	-	-	-
Unrated institutions	500,000	-	-	-	-
Total	**4,615,138**	**0**	**0**	**0**	**0**

Previous 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	989,585	-	-	-	-
Banks rated A- and above	0	-	-	-	-
Other rated ADI's	4,840,433	-	-	-	-
Unrated institutions	500,000	-	-	-	-
Total	**6,330,018**	**0**	**0**	**0**	**0**

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-Mar-16					
Loans	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
	$	$	$	$	$	
Mortgage Secured	13,298,332	-	-	-	-	
Personal	5,242,220	-	34,319	18,094	18,094	11
and Lines of Credit	963,851				0	
Total to natural persons	**19,504,403**	**0**	**34,319**	**18,094**	**18,094**	**11**
Corporate Borrowers	-	-	-	-	-	
Total	**19,504,403**	**0**	**34,319**	**18,094**	**18,094**	**11**

Previous Quarter	31-Dec-15					
Loans	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
	$	$	$	$	$	
Mortgage secured	12,563,420	-	-	-	-	
Personal	4,751,205		8,135	6,362	6,362	0
Overdrafts and Lines of Credit	912,116	-	-	-	-	
Total to natural persons	**18,226,741**	**0**	**8,135**	**6,362**	**6,362**	**0**
Corporate Borrowers	-	-	-	-	-	
Total	**18,226,741**	**0**	**8,135**	**6,362**	**6,362**	**0**

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.

General Reserve for Credit Losses	31st March 2016	31st December 2015
Balance	68,768	64,919

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	Mar-16	Dec-15
Opening Balance of securitised loans at beginning of quarter	$16,516,866	$16,885,578
Add: New loans securitised during quarter	$733,628	$248,000
Add: Interest charged for the quarter	$197,364	$200,098
Less: Repayments for quarter	-$817,697	-$816,810
Closing balance of securitised loans at end of quarter	**$16,630,161**	$16,516,866

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
- 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 in November 2015.

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

• Number of meetings held by the main body overseeing remuneration during eth financial year and the remuneration paid to its members	The remuneration committee meets on an as needs basis and at least annually
• The number of employees having received a variable remuneration award during the financial year • Number and total amount of guaranteed bonuses awarded during the financial year • Number and total amount of sign-on awards made during the financial year • Number and total amount of severance payments made during the financial year	Nil Nil Nil Nil
• Total amount of outstanding deferred remuneration, (split into cash, shares and share-linked instruments and other forms) • Total amount of deferred remuneration paid out in the year	Nil Nil

REMUNERATION

Senior Managers

Number of Managers	**2**
Total value of remuneration awards for the current financial year	**Unrestricted**
Fixed remuneration	
• Cash based	$176,898

Number of Directors	**6**	
Total value of remuneration awards for the current financial year	**Unrestricted**	**Deferred**
Fixed remuneration		
• Cash based	$22,600	Nil

Material risk-takers

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