

Orange Credit Union Limited (ABN 34 087 650 477)

APS 330 Prudential Disclosures

CAPITAL ADEQUACY DISCLOSURES AS AT 31 DECEMBER 2019

The capital requirements for Orange Credit Union are determined by the risk weights of the relevant assets held with the minimum required capital to cover 8% of the risk weighted assets.

Orange Credit Union maintains a capital policy minimum level of 14.25% and its current budgeted target level of 24%.

The current level of capital as at 31 December 2019 is 23.63%.

Table A Risk Weighted Assets by Asset Class

	31-Dec-19	
	Carrying Value	Risk Weighted Value
(a) Credit Risk On Balance Sheet		
Loans Secured by Mortgage	129,695,863	49,398,956
Loans - Other Retail	13,680,680	13,654,875
Loans - Corporate	1,438,081	1,387,249
Liquid Investments	72,274,518	22,079,149
All Other Assets	978,746	1,007,707
Total credit risk on Balance Sheet	218,067,887	87,527,936
Total credit risk off balance sheet (commitments)		
Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	102,986,352	5,373,712
Capital requirements for securitisation	-	-
Total Credit Risk	228,366,522	92,901,647
(b) Capital requirements for market risk.		-
(c) Capital requirements for operational risk.		12,223,170
Total Risk Weighted assets (Sum above components)		105,124,817

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CAPITAL HELD BY ORANGE CREDIT UNION

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

Table B shows capital held by the Credit Union against capital requirements.

Table B Capital Requirements as at 31 December 2019

	Capital Required
Capital requirements for credit risk assets (8% RWA)	7,432,132
Capital requirements for securitization credit risk (8% RWA)	-
Capital requirements for market risk	-
Capital requirements for operations risk (8% RWA)	993,569
Total Capital required (at 8% of Risk weighted assets)	8,425,700
Capital held by the credit union	24,447,488
Common Equity Tier I - % held by the credit union	22.53%
Total Tier I - % held by the credit union	22.53%
Total Capital Ratio - % held by the credit union	23.63%

CREDIT RISK DISCLOSURES AS AT 31 DECEMBER 2019

(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 Orange Credit Union.

Orange Credit Union 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 APSI 12. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step as at 31 December 2019 are as follows in Table C:

Table C

Investments with banks and other ADIs	Average gross exposure in quarter	Carrying value on balance sheet at 31/12/2019	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	7,120	7,720	-	-	-	-
ADIs rated AAA- or better	26,560	12,509	-	-	-	-
ADIs rated BBB- or better	17,623	31,245	-	-	-	-
Unrated institutions – ADIs	19,750	19,500	-	-	-	-
Total	71,053	70,974	-	-	-	-

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(ii) Credit Risk - Loans

The classes of loans entered into by the credit union are limited to loans, commitments and other non-market off-balance sheet exposures. The credit union does not enter into debt securities and over-the-counter derivatives. The analysis of Orange Credit Union's loans by class, is as follows in Table D

Table D

Loans Portfolio 31 December 2019	Carrying value on balance sheet	Commitments redraws overdraft facilities undrawn	Maximum Exposure	Gross exposure value Average for the period
	\$'000	\$'000	\$'000	\$'000
Mortgage Secured	131,801	10,988	142,789	135,765
Personal	11,509	762	12,271	12,284
Overdrafts / Credit cards	66	41	107	124
Business Loans	-	-	-	-
Total to natural persons	143,376	11,791	155,167	148,173
Commercial borrowers	1,438	-	-	-
Total Loans	144,814	11,791	155,167	148,173

Impairment details

The level of impaired loans by class of loan is set out in table E.

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 principal 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.

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Table E

Loans Portfolio Current quarter 31 December 2019	Carrying value on balance sheet	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision in qtr	Write offs in qtr
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage Secured	131,801	-	668	33	-	-
Personal	11,509	-	162	107	69	32
Overdrafts / Credit cards	66	-	-	5	-	-
Business Loans	-	-	-	-	-	-
Total to natural persons	143,376	-	830	145	69	32
Commercial borrowers	1,438	-	-	-	-	-
Total Loans	144,814	-	830	145	69	32

General Reserve for Credit Losses

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.

	Current quarter 31-Dec-19	Previous quarter 30-Sep-19
Balance	\$2,750,984	\$2,586,907

SECURITISATION ARRANGEMENTS

Orange Credit Union does not have any securitisation exposures.