

Orange Credit Union Limited
ABN 34 087 650 477
APS330 Quarter Disclosure
as at 30 September 2020

CAPITAL ADEQUACY DISCLOSURES

The capital requirements for Orange Credit Union are determined by the risk weights of the relevant assets held with the minimum required capital to over 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 30 September 2020 is 22.07%.

The risk weighted assets for each asset grouping as set out in Table C below are 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.

Table A Risk Weighted Assets by Asset Class

	30-Sep-20	
	Carrying Value	Weighted Value
(a) Credit Risk On Balance Sheet		
Loans Secured by Mortgage	137,732,175	52,455,556
Loans - Other Retail	10,410,639	10,909,565
Loans - Corporate	1,773,317	1,274,391
Liquid Investments	92,378,361	23,704,538
All Other Assets	3,247,684	3,149,099
Total credit risk on Balance Sheet	245,542,176	91,493,149
Total credit risk off balance sheet (commitments)		
Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	10,705,531	5,904,163
Capital requirements for securitisation	-	-
Total Credit Risk	256,247,707	97,397,313
(c) Capital requirements for operational risk.		12,802,632
Total Risk Weighted assets (Sum above components)		110,199,945

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.

	Capital Required
Capital requirements for credit risk assets (8% RWA)	7,791,785
Capital requirements for securitization credit risk (8% RWA)	-
Capital requirements for market risk	-
Capital requirements for operations risk (8% RWA)	1,024,211
Total Capital required (at 8% of Risk weighted assets)	8,815,996
Capital held by the credit union	24,317,290
Common Equity Tier 1 - % held by the credit union	20.96%
Total Tier 1 - % held by the credit union	20.96%
Total Capital	22.07%

CREDIT RISK DISCLOSURES

(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 APS112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step as at 30 September 2020 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 30/09/2020	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	14,849	14,022	-	-	-	-
ADIs rated AAA- or better	37,320	40,782	-	-	-	-
ADIs rated BBB- or better	11,746	13,750	-	-	-	-
Unrated institutions – ADIs	23,000	23,500	-	-	-	-
Total	86,915	92,054	-	-	-	-

(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 30 September 2020	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	136,442	7,469	143,911	138,121
Personal	12,161	786	12,947	12,458
Overdrafts / Credit cards	32	2	34	83
Business Loans	-	-	-	-
Total to natural persons	148,635	8,257	156,892	150,662
Commercial borrowers	1,773	1,576	3,349	2,483
Total Loans	150,408	9,833	160,241	153,145

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(iii) 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.

Table E

Loans Portfolio Current quarter 30 September 2020	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	136,442	-	597	-	-	-
Personal	12,161	-	171	144	10	9
Overdrafts / Credit cards	23	-	-	3	6	-
Business Loans	-	-	-	-	-	-
Total to natural persons	148,626	-	768	147	4	9
Commercial borrowers	1,773	-	-	-	-	-
Total Loans	150,399	-	768	147	4	9

GENERAL RESERVES 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 30-Sep-20	Previous quarter 30-Jun-20
Balance	\$2,861,193	\$2,777,840

SECURITISATION ARRANGEMENTS

Orange Credit Union does not have any securitisation exposures.