

Australian Defence Credit Union Limited, as an Authorised Deposit-Taking Institution (ADI), is regulated by the Australian Prudential Regulation Authority (APRA). APRA is the prudential regulator of the Australian financial services industry. The fundamental role of APRA is to ensure the stability of the financial industry, primarily through the establishment and enforcement of prudential standards.

One of APRA's main focus areas in ensuring that the member's funds are safe is to ensure that financial institutions hold adequate amounts of capital.

In 2008 Prudential Standard 'APS 330 Capital Adequacy: Public Disclosure of Prudential Information' became effective. The standard requires financial institutions 'to make high quality and timely disclosures of information on its risk management and capital adequacy to contribute to the transparency of financial markets and to enhance market discipline'.

The following disclosures on capital and credit risks are for Australian Defence Credit Union Limited (ADCU) ABN 48 087 649 741.

Capital Requirements

An ADI's capital is measured by means of risk based capital ratios calculated by dividing each of its Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital by its risk weighted assets.

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 31 December 2014 is as follows.

Table 3: Risk Weighted Assets (RWA) by Asset Class

	Prescribed	
	RWA	
	\$'000	
	31-Dec-14	30-Sep-14
(a) Capital requirements (in terms of risk-weighted		
Cash	-	-
Liquid investments	59,818	47,837
Loans - secured by residential mortgage	240,239	228,006
Loans - other retail	104,103	106,925
Loans - corporate	-	-
all other assets	4,130	4,121
Total credit risk on balance sheet	408,290	386,888
Total credit risk off balance sheet (commitments)		
Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	16,062	17,940
Capital requirements for securitisation	-	-
Total credit risk off balance sheet	16,062	17,940
(b) Capital requirements for market risk.	-	-
(c) Capital requirements for operational risk.	51,338	49,802
Total Risk Weighted assets	475,689	454,630

Capital Held by ADCU

ADCU maintains a capital policy and sets a capital target above the minimum as prescribed by the APRA Prudential Standards. Any excess facilitates future growth within the ADI.

The capital ratio is the amount of capital divided by the risk weighted assets in Table 3

Table 4: Capital

	Capital	
	\$' 000	
	31-Dec-14	30-Sep-14
Common Equity Tier 1 Capital Ratio	15.32%	15.81%
Tier 1 Capital Ratio	15.32%	15.81%
Total Capital ratio	16.38%	16.92%

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ADCU is using the post 1 January 2013 common disclosure template because it is fully applying the Basel III regulatory adjustments as implemented by APRA from 30 June 2013. This is a change from the previous quarterly reporting formats.

The information in this report is prepared quarterly based on ADCU financial records. The financial records are not audited for the quarters ended 30 September, 31 December and 31 March. The report for 30 June is based on the financial statements as audited at 30 June.

There are no other legal entities that comprise a consolidated group.

Glossary of terms used in this guide is

AT1' refers to Additional Tier 1 Capital

The Basel II framework' refers to the document International Convergence of Capital Measurement and Capital Standards: A Revised Framework, Comprehensive Version, June 2006, published by the Basel Committee on Banking Supervision (the Basel Committee);

'Basel III' refers to the document Basel III: A global regulatory framework for more resilient banks and banking systems, revised version, June 2011, published by the Basel Committee;

'CET1' refers to Common Equity Tier 1 Capital;

'T1' refers to Tier 1 Capital; and

'T2' refers to Tier 2 Capital.

The capital terms are further defined in the APRA Prudential Standards APS 110.

Capital Base

The details of the components of the capital base are set out below as at quarter end 31 December 2014.

Table 1: Common Disclosure

Common Equity Tier 1 Capital : instruments and reserves		31-Dec-14 \$,000	30-Sep-14 \$,000
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-	-
2	Retained earnings	74,823	73,840
3	Accumulated other comprehensive income (and other reserves)	118	118
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	Common Equity Tier 1 capital before regulatory adjustments on Equity Tier 1 capital : regulatory adjustments	74,941	73,958
Common Equity Tier 1 Capital : regulatory adjustments (rows 7 to 27)			
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	606	624
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,003	1,003
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 net 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 the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	453	453
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 and 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 rules	-	-
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	Total regulatory adjustments to Common Equity Tier 1	2,063	2,081
29	Common Equity Tier 1 Capital (CET1)	72,878	71,877
	Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	-	-
31	of which: classified as equity under applicable accounting standards	-	-
32	of which: classified as liabilities 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	Additional Tier 1 Capital before regulatory adjustments	-	-

Additional Tier 1 Capital: regulatory adjustments			
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 and 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	Total regulatory adjustments to Additional Tier 1 capital	-	-
44	Additional Tier 1 capital (AT1)	-	-
45	Tier 1 Capital (T1=CET1+AT1)	72,878	71,877
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	-	-
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	<i>4,000</i>	<i>4,000</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	1,506	1,506
51	Tier 2 Capital before regulatory adjustments	5,506	5,506

Tier 2 Capital: regulatory adjustments			
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)	453	453
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	453	453
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b		
57	Total regulatory adjustments to Tier 2 capital	453	453
58	Tier 2 capital (T2)	5,053	5,053
59	Total capital (TC=T1+T2)	77,931	76,930
60	Total risk-weighted assets based on APRA standards	475,689	454,630
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.32%	15.81%
62	Tier 1 (as a percentage of risk-weighted assets)	15.32%	15.81%
63	Total capital (as a percentage of risk-weighted assets)	16.38%	16.92%
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIBs buffer requirement, expressed as a percentage of risk-weighted assets)	7.0%	7.0%
65	of which: capital conservation buffer requirement	2.5%	2.5%
66	of which: ADI-specific countercyclical buffer requirements	-	-
67	of which: G-SIB buffer requirement	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	8.32%	8.81%

National minima (if different from Basel III)			
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 ratio (if different from Basel III minimum)	-	-
Amount below thresholds for deductions (not risk-weighted)			
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)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	974	962
78	Provisions eligible for inclusion in Tier 2 in 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	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
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 instruments 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)	-	-

Capital Instruments of ADCU

The regulatory capital of ADCU comprises

Retained Earnings
General Reserve for Credit Losses
Asset Revaluation Reserves

There are no capital instruments (shares, debt instruments) issued by ADCU.

Table 2: Main features of Regulatory Capital instruments

		Tier 1	Tier 2- Subordinated Debt
1	Issuer	-	Theta Asset Management Ltd ATF Australian Mutual Investment Trust (AMIT)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	N/A
3	Governing law(s) of the instrument	-	New South Wales
Regulatory treatment		-	
4	Transitional Basel III rules	-	Tier 2 Transitional
5	Post-transitional Basel III rules	-	Ineligible
6	Eligible at solo/group/group & solo	-	Solo
7	Instrument type (ordinary shares/preference shares/subordinated notes/other)	-	Subordinated Debt Loan
8	Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	-	4,000,000
9	Par value of instrument	-	5,000,000
10	Accounting classification	-	Liability- Amortised Cost
11	Original date of issuance	-	9/11/2012
12	Perpetual or dated	-	Dated
13	Original maturity date	-	9/11/2022
14	Issuer call subject to prior supervisory approval	-	No
15	Optional call date, contingent call dates and redemption amount	-	N/A
16	Subsequent call dates, if applicable	-	N/A
Coupons/dividends		-	
17	Fixed or floating dividend/coupon	-	Floating
18	Coupon rate and any related index	-	AUD 90D BBSW + 593bps
19	Existence of a dividend stopper	-	N/A
20	Fully discretionary, partially discretionary or mandatory	-	Mandatory
21	Existence of step up or other incentive to redeem	-	No
22	Noncumulative or cumulative	-	Non-cumulative
23	Convertible or non-convertible	-	Non-convertible
24	If convertible, conversion trigger (s)	-	N/A
25	If convertible, fully or partially	-	N/A
26	If convertible, conversion rate	-	N/A
27	If convertible, mandatory or optional conversion	-	N/A
28	If convertible, specify instrument type convertible into	-	N/A
29	If convertible, specify issuer of instrument it converts into	-	N/A
30	Write-down feature	-	No

31	If write-down, write-down trigger(s)	-	N/A
32	If write-down, full or partial	-	N/A
33	If write-down, permanent or temporary	-	N/A
34	If temporary write-down, description of wind up mechanism	-	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	Deposits
36	Non compliant transitioned features	-	Yes
37	If yes, specify non compliant features	-	No write down or convertible feature

Capital Requirements

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