traditional CREDIT UNION

Annual Capital Adequacy and Risk Disclosures

For the Year Ended 30 June 2014

Introduction

As a locally incorporated ADI using the standardised approach under Basel III regulatory requirement, Traditional Credit Union Ltd (the "Credit Union") is required to disclose information about their capital and risk exposure under Australian Prudential Standard APS 330. These disclosures show the assets of Credit Union, their appropriate risk weighing and the capital base. Capital Adequacy is calculated as total regulatory capital base divided by risk weighted assets. The minimum regulatory capital ratio of the Credit Union is 50%.

Table 1: Capital Disclosure Template

The details of the components of the capital base of Traditional Credit Union (the "Credit Union") are set out below as at the financial year ended 30 June 2014. These amounts are in line with the audited accounts.

The following Table 1 sets out the elements of the capital held by the Credit Union including the reconciliation of any adjustments required by the APRA Prudential Standards to the audited financial statements. The Credit Union is using post January 2018 common disclosure template.

All regulatory capital elements are consistent with the audited financial statements as at the last reporting date.

Common Equity Tier 1 capital: instruments		**$**
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-
2	Retained earnings	2,082,292
3	Accumulated other comprehensive income (and other reserves	597,546
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-
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**	**2,679,838**
Common Equity Tier 1 capital : regulatory adjustments		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
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)	-

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	a 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	557,083
26f	of which: capitalised expenses	64,853
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	-
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	-
29	**Common Equity Tier 1 Capital (CET1)**	**2,057,902**

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	Directly issued capital instruments subject to phase out from Additional Tier 1	-
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	of which: instruments issued by subsidiaries subject to phase out	-
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)	-
41	a of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
41	b of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-
41	c 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)**	**2,057,902**
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
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	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	-
51	Tier 2 Capital before regulatory adjustments	

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)	-
56	a of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
56	b of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-
56	c of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	**Total regulatory adjustments to Tier 2 capital**	-
58	**Tier 2 capital (T2)**	-
59	**Total capital (TC=T1+T2)**	**2,057,902**
60	**Total risk-weighted assets based on APRA standards**	**2,833,736**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	72.62%
62	Tier 1 (as a percentage of risk-weighted assets)	72.62%
63	Total capital (as a percentage of risk-weighted assets)	**72.62%**
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer of plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	**50%**
65	of which: capital conservation buffer requirement	1.5%
66	of which: ADI-specific countercyclical buffer requirements	-
67	of which: G-SIB buffer requirement (not applicable)	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	77.62%
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	-
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+A39	-
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	-

Table 2: Regulatory Capital Reconciliation to Balance Sheet

As the scope for capital for regulatory purposes and accounting purposes is often different, locally incorporated ADIs are required to prepare reconciliation between the two bases of preparation. The below reconciliation contains the regulatory and accounting capital for Traditional Credit Union, which does not incorporate any consolidated entities and the principal activity of which is the provision of financial products, services and associated activities to members.

Audited Balance Sheet	in $	Capital Structure Reference
ASSETS		
Cash and cash equivalents	**2,654,258**	
Trade and other receivables	**35,071**	
Investments	**5,560,528**	
Loans and advances	**139,606**	
Current tax receivable	**0**	
Deferred tax assets	**557,083**	Row 26e
Property, plant and equipment	**858,560**	
Intangible assets	**64,853**	Row 26f
Other assets	**201,415**	
TOTAL ASSETS	**10,071,374**	
LIABILITIES		
Trade and other payables	**344,607**	
Current tax liabilities	**162,115**	
Provisions	**261,763**	
Other liabilities	**960,941**	
Deposits	**5,662,110**	
TOTAL LIABILITIES	**7,391,536**	
NET ASSETS	**2,679,838**	
EQUITY		
Redeemable Preference Share Reserve	**22,546**	
Reserves	**575,000**	
Retained earnings	**2,082,292**	
TOTAL EQUITY	**2,679,838**	
Regulatory Adjustment	**in $**	**Capital Structure Reference**
Other intangible	(64,853)	Row 26f
Net deferred tax assets	(557,083)	Row 26e
Expanded Balance Sheet Under Regulatory Scope of APS 330	**2,057,902**	

Capital Instruments of Traditional Credit Union

The regulatory capital of the Credit Union comprises:

- Retained Earnings
- Capital and Other Reserves

There are not capital instruments (shares, debt instruments) issued by the Credit Union.