

APS 330 Prudential Disclosure - 30 June 2021

Public Disclosure on capital and credit risk refers to Transport Mutual Credit Union Limited (ABN 78 087 650 600)

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

Capital Instruments within the ADI

The regulatory capital comprises:

- Retained Earnings
- General Reserve for Credit Losses
- Capital Reserve Account
- Asset Revaluation Reserve

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

Capital requirements for Transport Mutual Credit Union are determined by the risk weights of the relevant assets held, with the minimum required capital to over 8% of risk weighted assets. Transport Mutual maintains a capital policy level of a capital target of 13.00%. The current level of capital as at 30 June 2021 is 20.22%.

The risk weighted assets for each asset grouping as set out in the table below is determined by APRA Prudential Standard APS 112. These are prescribed risk weights to measure the level of risk based on the nature and level of underlying security.

The risk weighted assets held as at the end of the quarter ended 30 June 2021 is described in table below.

	Risk Weighted Assets	
	\$'000	
	30 Jun 21	31 Mar 21
Capital requirements (in terms of risk-weighted assets) for credit risk by portfolio;		
· Cash	-	-
· Liquid investments	5,916	7,099
· Loans - secured by residential mortgage	24,618	24,055
· Loans - other retail	-	-
· Loans - corporate	-	-
· All other assets	10,103	9,932
Total credit risk on balance sheet	40,637	41,086
Total credit risk off balance sheet (commitments)		
· Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	846	513
Capital requirements for securitisation	-	-
Capital requirements (in terms of risk-weighted assets) for equity exposures in the IRB approach (simple risk-weighted method).	-	-
Capital requirements for market risk	-	-
Capital requirements for operational risk	5,296	5,076
Capital requirements (in terms of risk-weighted assets) for interest rate risk in the banking book (IRRBB) (IRB/AMA approved Australian owned ADIs only)	-	-
Total Risk Weighted Assets	46,779	46,675

Capital

The capital held by Transport Mutual exceeds the policy and minimum capital prescribed by APRA Prudential Standards.

The capital ratio is the amount of capital described in the table below divided by total risk weighted assets.

	Capital \$ '000	
	30 Jun 21	31 Mar 21
Common Equity Tier 1	8,943	8,814
Tier 1	8,943	8,814
Total Capital	9,404	9,275

	Capital %	
	30 Jun 21	31 Mar 21
Common Equity Tier 1	19.12%	19.01%
Tier 1	19.12%	19.01%
Total Capital	20.10%	20.00%

CREDIT RISK – INVESTMENTS

Surplus cash not invested in loans to members are held in high quality liquid assets (HQLA) or other investments according to Transport Mutual's Liquidity Policy. This includes the funds required to be held to meet withdrawal of deposits by members.

Transport Mutual uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA prudential Guidance in APS112.

The exposure values associated with each credit quality step are as follows.

Credit Risk Investments

30 Jun 21					
Credit Ratings	Carrying Value	Past Due Value	Impaired Facilities	Provision	Average Gross Exposure in the Quarter
	\$'000	\$'000	\$'000	\$'000	\$'000
Credit Rating Grade 1	7,848	-	-	-	7,053
Credit Rating Grade 2	6,992	-	-	-	3,746
Credit Rating Grade 3	1,700	-	-	-	6,598
Credit Rating Grade 4	-	-	-	-	-
Credit Rating Grade 5	-	-	-	-	-
Total	16,540	-	-	-	17,397

31 Mar 21					
Credit Ratings	Carrying Value	Past Due Value	Impaired Facilities	Provision	Average Gross Exposure in the Quarter
	\$'000	\$'000	\$'000	\$'000	\$'000
Credit Rating Grade 1	6,258	-	-	-	8,619
Credit Rating Grade 2	500	-	-	-	500
Credit Rating Grade 3	11,495	-	-	-	8,992
Credit Rating Grade 4	-	-	-	-	-
Credit Rating Grade 5	-	-	-	-	-
Total	18,253	-	-	-	18,111

CREDIT RISK – LOANS

The classes of loans entered into is limited to loans, commitments and other non-market off-balance sheet exposures. Transport Mutual 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.
- 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 of all collateral as at the balance date due to the variety of assets and their condition. The analysis of Transport Mutual's loans by class is as follows:

Credit Risk Loans

30 Jun 21						
Loans Portfolio	Gross exposure value- Average for the period	Carrying value on Statement of Financial Position	Commitments (redraws, credit facilities undrawn)	Past Due facilities	Specific Provision as at end of quarter	Increase in specific provision and write- offs in quarter
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage secured	67,710	68,257	2,418	-	-	-
Personal	7,071	7,188	-	-	126	(2)
Overdrafts & Credit Cards	57	58	-	-	-	-
Corporate borrowers	-	-	-	-	-	-
Total	74,837	75,503	2,418	-	126	(2)

31 Mar 21						
Loans Portfolio	Gross exposure value- Average for the period	Carrying value on Statement of Financial Position	Commitments (redraws, credit facilities undrawn)	Past Due facilities	Specific Provision as at end of quarter	Increase in specific provision and write- offs in quarter
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage secured	67,548	67,163	1,465	-	-	-
Personal	6,932	6,953	-	-	128	12
Overdrafts & Credit Cards	55	55	-	-	-	-
Corporate borrowers	-	-	-	-	-	-
Total	74,534	74,171	1,465	-	128	12

GENERAL RESERVE FOR CREDIT LOSSES

In addition to the above 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.

General Reserve for Credit Losses

	30 Jun 21	31 Mar 21
	\$'000	\$'000
General Reserve for Credit Losses	461	461

APS 330 Public Disclosures	Transport Mutual Credit Union – Remuneration Disclosures
(a)	<ul style="list-style-type: none"> • As required under the TMCU Corporate Governance Policy, the entire Board serves as the Remuneration Committee (RC). The RC operates under its own Charter and meets once per year and considers executive remuneration matters. • The RC may employ external data from a number of sources to inform decisions on executive remuneration. • The scope of the TMCU Remuneration Policy is to ensure that the Credit Union’s remuneration arrangements align with its own circumstances and advance the Credit Union’s mission of serving the interests of its Members. • The RC considers remuneration matters in relation to three senior managers / responsible officers of TMCU, as defined in APRA standard CPS 510. TMCU has no ‘material risk takers’ as defined in APRA standard APS 330.
(b)	<ul style="list-style-type: none"> • Key features and objectives of TMCU’s Remuneration Policy include encouraging behaviour that supports the Credit Union’s long-term financial soundness and its risk management framework, and to align with prudent risk-taking and incorporate adjustments which reflect the outcomes of business activities. • The RC reviewed the Remuneration Policy in the past 12 months. There were no material changes made to the policy. • The Credit Union policy is to mitigate the risk that the remuneration of employees may conflict with the objectives of this policy by not paying performance based remuneration.
(c)	<ul style="list-style-type: none"> • The RC considers the risk management framework to which TMCU is exposed and the degree to which the senior managers have addressed those material risks in the performance of their duties, when assessing performance and remuneration. Consideration may be given to data from external sources including internal and external audit, and regulatory reporting. • These data may be qualitative or quantitative in nature. • Ad-hoc projects or events may also factor into the consideration of senior management performance.
(d)	<ul style="list-style-type: none"> • The RC takes into account key budgetary performance indicators including capital adequacy, after-tax surplus, asset growth and lending data to inform senior management performance assessment. An individual senior manager’s remuneration may also reflect their own performance achievements in relation to their employment contract, if warranted. • Remuneration adjustments are not automatic and in a weak year of performance or at the RC discretion, adjustments may be declined.
(e) and (f)	<ul style="list-style-type: none"> • TMCU does not pay variable or deferred remuneration.
(g)	<ul style="list-style-type: none"> • TMCU does not remunerate the RC. The RC met once during the past year.
(h)	<ul style="list-style-type: none"> • No TMCU employee received variable remuneration during the past year. • No TMCU employee received a guaranteed bonus during the past year. • No TMCU employee received a sign-on award during the past year. • No TMCU employee received a termination payment during the past year.

(i)	<ul style="list-style-type: none"> • There is no outstanding deferred remuneration payable to any employee, nor was any deferred remuneration paid to any employee during the past year.
(j)	<ul style="list-style-type: none"> • Remuneration awarded during the past year was: <ul style="list-style-type: none"> ○ 100% fixed ○ 100% non-deferred ○ 100% cash
(k)	<ul style="list-style-type: none"> • No senior manager was exposed to implicit or explicit adjustments in deferred or retained remuneration during the past year.

Total value of remuneration awards for three Senior Managers / Responsible Officers:

Total value of remuneration awards for the current financial year	Unrestricted	Deferred
Fixed remuneration		
<ul style="list-style-type: none"> • Cash-based 	\$ 415,282	\$0
<ul style="list-style-type: none"> • Shares and share-linked instruments 	\$0	\$0
<ul style="list-style-type: none"> • Other 	\$0	\$0
Variable remuneration		
<ul style="list-style-type: none"> • Cash-based 	\$0	\$0
<ul style="list-style-type: none"> • Shares and share-linked instruments 	\$0	\$0
<ul style="list-style-type: none"> • Other 	\$0	\$0

Loans with COVID-19 related repayment deferrals as at 30th Jun 2021

Number of mortgage loans with *fully deferred* repayments due to COVID-19 impacts – Nil
Value of mortgage loans with *fully deferred* repayments due to COVID-19 impacts – \$0

Number of mortgage loans with *partially deferred* repayments due to COVID-19 impacts -Nil
Value of mortgage loans with *partially deferred* repayments due to COVID-19 impacts – \$0

Number of personal loans with *fully deferred* repayments due to COVID-19 impacts – Nil
Value of personal loans with *fully deferred* repayments due to COVID-19 impacts – \$0

Number of personal loans with *partially deferred* repayments due to COVID-19 impacts -Nil
Value of personal loans with *partially deferred* repayments due to COVID-19 impacts – \$0