

South-West Credit Union Co-operative Ltd  
 APS 330 Public Disclosure of Prudential Information as at June 2017  
 Capital Structure as at 30<sup>th</sup> June 2017

The capital disclosures detailed in the Common Disclosure Template represents the post 1 January 2018 Basel III common disclosure requirements. South-West Credit Co-Operative Limited is applying the Basel III regulatory adjustments in full as implemented by APRA.

**Common Equity Tier 1 Capital: Instruments and Reserves** \$ '000

1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	
2	Retained earnings	8,905
3	Accumulated other comprehensive income (and other reserves)	1,250
4	Directly issued capital subject to phase out from CET1	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	CET capital before regulatory adjustments	10,155

**Common Equity Tier 1 Capital: Regulatory Adjustments**

7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Other intangible 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	
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 - amount > 10% threshold	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation - amount >10% threshold	
20	Mortgage service rights - amount >10% threshold	
21	Deferred tax assets arising from temporary differences - amount >10% threshold	
22	Amount exceeding the 15% threshold	
23	of which: significant investments in the ordinary shares of financial entities	
24	of which: mortgage serving rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments	
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 & 23	
26e	of which: deferred tax assets not reported in rows 10,21 & 25	
26f	of which: capitalised expenses	141
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 rows 26a to 26i	168
27	Regulatory adjustments applied to CET1 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)	9,846

**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	n/a
34	Additional Tier 1 instruments (and CET 1 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	AT1 Capital before regulatory adjustments	Nil

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**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 >10% threshold)	
40 Significant investments in the capital of banking, financial & insurance entities that are outside the scope of regulatory consolidation (net of eligible short position)	
41 National specific regulatory adjustments	
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 considerations 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)	<u>9,846</u>

**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	<u>513</u>

**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 >10% threshold)	
55 Significant investments in the Tier 2 capital of banking, financial & insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	
56 National specific regulatory adjustments	
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 consolidations not reported in rows 54 and 55	
56c of which: other national specific regulatory adjustments not reported in rows 56a and 56b	
57 Total regulatory adjustments to Tier 2 Capital	<u>Nil</u>
58 Tier 2 Capital (T2)	<u>513</u>
59 Total Capital (TC = T1 + T2)	<u>10,359</u>
60 Total risk-weighted assets based on APRA standards	<u>55,837</u>

**Capital Ratios and Buffers**

61 Common Equity Tier 1 (as a % of risk-weighted assets)	n/a
62 Tier 1 (as a % of risk-weighted assets)	17.6%
63 Total Capital (as a % of risk-weighted assets)	18.5%
64 Buffer requirement	2.5%
65 of which: capital conservation buffer requirement	
66 of which: ADI specific counter cyclical buffer requirements	
67 of which: G-SIB buffer requirement (not applicable)	
68 CET1 Available to meet Capital Conservation Buffer	

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**National minima (if different from Basel III)**

69 National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a
70 National Tier 1 minimum ratio (if different from Basel III minimum)	n/a
71 National total capital minimum ratio (if different from Basel III minimum)	n/a

**Amount below thresholds for deductions (not risk-weighted)**

72 Non-significant investments in the capital of other financial entities	n/a
73 Significant investments in the ordinary shares of financial entities	n/a
74 Mortgage servicing rights (net of related tax liability)	n/a
75 Deferred tax assets arising from temporary differences (net of related tax liability)	n/a

**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)	n/a
77 Cap on inclusion of provisions in Tier under standardised approach	n/a
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	n/a
79 Cap for inclusion of provision in Tier 2 under internal ratings-based approach	n/a

**Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2020)**

80 Current cap on CET 1 instruments subject to phase out arrangements	n/a
81 Amount excluded from CET 1 due to cap (excess over cap after redemptions and maturities)	n/a
82 Current cap on AT1 instruments subject to phase out arrangements	n/a
83 Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	n/a
84 Current cap on T2 instruments subject to phase out arrangements	n/a
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	n/a

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Statement of financial position

	30 June 2017 \$	Details \$	Common Disclosure Table
<b>ASSETS</b>			
Cash and cash equivalents	18,845		
Other receivables	267		
Financial assets held to maturity	9,443		(B)
Loans and advances to members	91,601		
Deferred tax assets	86		
Property, plant and equipment	2,259		
Intangibles	140		(B)
<b>TOTAL ASSETS</b>	<u><u>122,641</u></u>		
<b>LIABILITIES</b>			
Deposits from members	110,312		
Other payables	1,138		
Income tax payable	8		
Borrowings			
Of which: Debt instruments			(D)
Of which: Borrowing costs			
Of which: Accrued interest			
Deferred tax liabilities	255		
Provisions	260		
<b>TOTAL LIABILITIES</b>	<u><u>111,973</u></u>		
<b>NET ASSETS</b>	<u><u>10,668</u></u>		
<b>MEMBERS FUNDS</b>			
Reserves	1,763		
Of which: Asset revaluation reserve		1,250	3
Of which: General reserve for credit losses		513	50
Of which: Redeemed preference shares			
Retained earnings	8,905		(A), (C)
<b>TOTAL MEMBERS FUNDS</b>	<u><u>10,668</u></u>		(A)
A Redeemable preference shares			
A Retained earnings	8,905		2
B Investments in other ADIs	168		26d
B Intangibles - software costs	141		26f
C Redeemed preference shares			
Adjustment for borrowing cost	Nil		26j
D Debt instruments			
Of which: Preference shares Prudential adjustment:	Nil		33 41c
Subordinated debt			47
Prudential adjustment:			56c

QUALITATIVE DISCLOSURES

a) Information relating to the bodies that oversee remuneration:

South-West Credit Union Co-operative Ltd (SWC) has a Remuneration Committee to review and make recommendations to the Board relating to Directors' Fees and the remuneration of the Chief Executive Officer and the Executive Management Team. The Remuneration Committee consists of three members:

- Mr Robert Lane (Chair of Remuneration Committee, Director, Independent);
- Mr Gary Parsons (Chair of the Board, Director, Independent);
- Mr Lex McDowell (Director, Independent).

SWC's Remuneration Policy (the Policy) provides a framework for remunerating senior management and encourages behaviour that supports SWC's long term financial soundness and risk management framework, which the Remuneration Committee enforces. The Policy aims to ensure that SWC is managed soundly and prudently in line with Prudential Standard CPS510 Governance. The Policy covers all responsible persons and risk and financial control personnel of SWC.

For the purposes of APS 330, the types of persons considered as material risk takers and senior management are:

Type of persons per prudential standard	Description	Number of persons
Senior management	Chief Executive Officer and Chief Financial Officer	2
Material risk takers	Persons whose primary role is risk management, compliance, internal audit and/or financial control	4

SWC sources base salaries information from an external and independent provider, McGurk Management Consultants who, in collaboration with the Australian Mutuals Institute, provide annual salary survey details for Directors and all staff positions.

b) Information relating to the design and structure of remuneration processes:

The objective of the Remuneration Policy (the Policy) is to provide guidance for a remuneration framework that will attract, retain and motivate appropriately qualified and experienced executive managers.

The design of the Policy is to encourage behaviour that supports the SWC's financial soundness and the risk management framework and to be aligned to the appropriate risk appetite that relate to all business activities.

The policy was last updated in July 2017 and there were no major changes to the policy based on this review.

The Policy is reviewed once a year by the Risk and Compliance Committee. The CEO is responsible to the Board for monitoring compliance with the Policy. All base salaries and incentive payments of Executive Managers are to be approved by the Board.

The risk and financial control personnel are on a fixed salary which is evaluated annually under the Policy to ensure they are remunerated independently and not compromised by financial incentive.

c) How current and future risks are taken into account in the remuneration process:

Risk management is built into the framework for Executive Managers to ensure specific risk management outcomes and actions. The nature of the risk management framework associated with remuneration varies from senior executive to senior executive depending on area of responsibility.

For executives, any performance based component of remuneration is designed to align remuneration with the performance of SWC.

The key measures relating to remuneration are seen as appropriate for the environment and business objectives, and have not changed in the past twelve months.

d) How SWC seeks to link performance during a performance measurement period with levels of remuneration:

Executives are paid a competitive fixed component of remuneration that reflects their core performance requirements and the expectations associated with their particular position. Aspects considered in the performance based pay for all executives, which are weighted depending on primary areas of focus, including: financial results, achievement of business plans, risk and compliance, and member and staff satisfaction.

The opportunity for executives to be granted a yearly incentive payment is designed to support SWC's overall Remuneration Policy by focusing executives on achieving yearly personal performance goals which contribute to sustainable growth and member value.

The Board will reduce performance-based components of executive remuneration, to zero if appropriate, if financial metrics are weak.

e) Forms of variable remuneration:

Any variable remuneration for senior management is paid in cash.

QUANTITATIVE DISCLOSURES

There were three meetings held by the Remuneration Committee during the year ended 30 June 2017. Details in connection with the remuneration paid to its members are available in SWC's Key Management Personnel disclosures in its Financial Statements.

Remuneration awards for senior managers/material risk takers

Total value of remuneration awards for the current financial year	Unrestricted \$	Deferred \$
Fixed remuneration		
Cash-based	458,736	Not applicable
Shares and share-linked instruments	Not applicable	Not applicable
Other	Not applicable	Not applicable
Variable remuneration		
Cash-based	Not applicable	Not applicable
Shares and share-linked instruments	Not applicable	Not applicable
Other	Not applicable	Not applicable