Pulse Credit Union Limited

Annual Capital Disclosures as required by APRA Prudential Standard APS 330

As at 30 June 2014

The Credit Union is using the post 1 January 2018 common disclosure template (Attachment A to APS 330) because it is fully applying the Basel III regulatory adjustments as implemented by APRA.

		$'000
Common Equity Tier 1 capital: instruments & reserves		
1	Directly issued qualifying ordinary share (and equivalent for mutually-owned entities) capital	0
2	Retained Earnings	5,751
3	Accumulated other comprehensive income (and other reserves)	820
4	Directly issued capital subject to phase out from CET1 (mutually owned companies)	0
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0
6	**Common Equity Tier 1 capital before regulatory adjustments**	6,571
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0
8	Goodwill (net of related tax liability)	0
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	0
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0
11	Cash-flow hedge reserve	0
12	Shortfall of provisions to expected losses	0
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0
15	Defined benefits superannuation fund net assets	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0
17	Reciprocal cross-holdings in common equity	0
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)	0
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)	0
20	Mortgage service rights (amount above 10% threshold)	0
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0
22	Amount exceeding the 15% threshold	0
23	of which: significant investments in the ordinary shares of financial entities	0
24	of which: mortgage servicing rights	0
25	of which: deferred tax assets arising from temporary differences	0
26	National specific regulatory adjustments (sum of 26a to 26j below)	595
26a	of which: treasury shares	0
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	0
26c	of which: deferred fee income	0
26d	of which: equity investments in financial institutions not reported in rows 18,19 and 23	199
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	0
26f	of which: capitalised expenses	396
26g	of which: investments in commercial (non financial) entities that are deducted under APRA prudential requirements	0
26h	of which: covered bonds in excess of asset cover in pools	0
26i	of which: undercapitalisation of a non-consolidated subsidiary	0
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	0
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0
28	**Total regulatory adjustments to Common Equity Tier 1**	595
29	**Common Equity Tier 1 Capital (CET1)**	5,976
Additional Tier 1 Capital Instruments		
30	Directly issued qualifying Additional Tier 1 Instruments	0
31	of which: classified as equity under applicable accounting standards	0
32	of which: classified as liabilities under applicable accounting standards	0
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	0
34	Additional Tier 1 instruments (and CET1 instruments not inlcuded in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0
35	of which: instruments issued by subsidiaries subject to phase out	0
36	**Additional Tier 1 Capital before regulatory adjustments**	0
Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0
38	Reciprocal cross-holdings in Additional Tier 1 Instruments	0
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)	0
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)	0
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	0
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	0
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	0
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	0
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0
43	**Total regulatory adjustments to Additional Tier 1 Capital**	0
44	**Additional Tier 1 capital (AT1)**	0
45	**Tier 1 Capital (T1=CET1+AT1)**	5,976
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	0
47	Directly issued capital instruments subject to phase out from Tier 2	0
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)	0
49	of which: instruments issued by subsidiaries subject to phase out	0
50	Provisions	183
51	**Tier 2 Capital before regulatory adjustments**	183
Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	0

53	Reciprocal cross-holdings in Tier 2 instruments	0
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	0
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	0
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	0
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	0
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	0
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	0
57	**Total regulatory adjustments to Tier 2 capital**	0
58	**Tier 2 capital (T2)**	183
59	**Total capital (TC=T1+T2)**	6,159
60	**Total risk weighted assets based on APRA standards**	39,393
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.17%
62	Tier 1 (as a percentage of risk weighted assets)	15.17%
63	Total Capital (as a percentage of risk weighted assets)	15.63%
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: ADI-specific countercyclical buffer requirements	0.00%
67	of which: G-SIB buffer requirement (not applicable)	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	14.71%
National minima (if different from BASEL III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	0
70	National Tier 1 minimum ratio (if different from Basel III minimum)	0
71	National total capital minimum ratio (if different from Basel III minimum)	0
Amount below thresholds for deductions (not risk weighted)		
72	Non-significant investments in the capital of other financial entities	0
73	Significant investments in the ordinary shares of financial entities	0
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0
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)	0
77	Cap on inclusion of provisions in Tier 2 under standardised approach	0
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0
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	0
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0
82	Current cap on AT1 instruments subject to phase out arrangements	0
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	0
84	Current cap on T2 instruments subject to phase out arrangements	0
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	0

Reconciliation of the above regulatory capital elements to the reported audited Statement of Financial Position for 30 June 2014

	Statement of financial position	Capital elements	Item
	$'000	$'000	
Assets			
Cash and liquid assets	3,584		
Advances to other financial institutions	29,205		
Receivables	455		
Loans and advances	47,766		
Investments - not allowed as asset for capital adequacy calculation	199	-199	26d
Investments - other	495		
Investment / Dual Use Property	1,925		
Property, plant and equipment	171		
Deferred tax assets	210		
Intangible Assets	396	-396	26f
Other assets	121		
Total assets	84,527		
Liabilities			
Deposits and short term borrowings	76,120		
Creditor accruals and settlement accounts	923		
Deferred tax liability	352		
Provision for Tax	0		
Provisions	379		
Total liabilities	77,774		
Net assets	6,753		
Members' funds			
Retained earnings	5,751	5,751	2
Reserves for credit losses	183	183	50
Other reserves	820	820	3
Total members' funds	6,753		
Total capital elements		6,159	59

APS330 Prudential Disclosures - Remuneration

(a) The aggregate remuneration of the Board of Directors must be approved by members at the Annual General Meeting in accordance with the Credit Union's Constitution.

The remuneration of the CEO and executive staff is determined by the Board on the recommendation of the Board's Remuneration Committee. The members of the Remuneration Committee during the year were Neil McDonald, John Green and Peter Televski.

The Remuneration Policy applies to directors, the CEO, executive staff and any other employee whose primary role is risk management. Whilst the remuneration policy has broad coverage the minimum applicability of a policy under the prudential standard CPS 510 Governance is to employees classified as 'Senior Managers', of which Pulse Credit Union has 3 and 'Material Risk Takers', of which Pulse Credit Union has none, as follows:

Chief Executive Officer	1
General Managers	2

Remuneration disclosure in this report relates to these 3 employees.

(b) The Remuneration Policy was established to define the remuneration structure, policy and processes for the Board, CEO, executive staff and risk management employees of the Credit Union. The Credit Union's Remuneration Policy is reviewed by the Board of Directors annually, the latest version being adopted on 19 February 2014. The objective of the Remuneration Policy is to ensure compliance with generally accepted governance standards, including prudential standard CPS 510 Governance. The remuneration of the CEO and executive staff is based on fixed remuneration packages. There is no direct performance based components of remuneration made to either Directors or the CEO and executive staff.

(c) Information from applicable remuneration surveys is used by the Remuneration Committee to assist it in the determination of appropriate remuneration for the CEO and executive staff.

The Committee assesses the relevant remuneration on a case by case basis to ensure that remuneration reflects the skill and experience of the relevant employee to meet the Board's expectations and to respond to changes in the business as proposed in The Credit Union's Strategic Plan.

(d) The performance of the Credit Union is impacted by the market conditions at the time and by the level of adherence to policies and plans of the Credit Union, within the risk appetite of the Board.

The Board does not establish a direct link between the Credit Union's performance and the remuneration of the CEO and executive staff. In setting the fixed remuneration of these employees the Remuneration Committee considers several factors, including market levels of remuneration for similar roles, and compliance with regulatory requirements.

(e) There are no specific measures taken to reward longer term performance. There is no deferred remuneration arranged with the employees other than employee statutory and award entitlements.

Where a redundancy or termination payment becomes applicable a payment will be negotiated with each employee as set out within the Enterprise Bargaining Agreement and the award conditions. This applies to all employees.

(f) There are no elements of variable remuneration at the Credit Union that are pre-determined. No performance bonus arrangement for executive or risk management employees would be considered. In the past year bonus payments made to executive or risk management employees were nil.

(g) The Remuneration Committee met once during the 2013/14 financial year to consider Director Remuneration and senior management contracts. Total remuneration paid to the committee for the 2013/14 financial year was nil.

(h) The Credit Union's Remuneration Policy does not provide for variable remuneration or bonuses for the CEO and executive staff. There have been no discretionary bonuses, guarantee bonuses, sign-on awards or severance payments made to this group during the financial year.

(i) The Credit Union's Remuneration Policy does not provide for deferred remuneration for the CEO and executive staff.

(j) The total 2013/14 remuneration of the CEO and executive staff was $380,000 inclusive of Superannuation Guarantee contributions. The total remuneration is fixed and cash based.

(k) There are no deferred or retained remuneration exposures for employees.