

SGE CREDIT UNION Prudential Disclosure Document

ABN 72 087 650 637

As at 30 June 2010



Introduction

In accordance with Australian Prudential Standard APS 330, locally incorporated ADI's using the standardised approach under the Basel II regulatory regime such as SGE Credit Union are required to disclose information about their Capital and Credit Risk exposure.

Capital Management

The Credit Union maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Credit Union's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulation Authority.

The primary objectives of the Credit Union's capital management are to ensure that the Credit Union complies with externally imposed capital requirements and that the Credit Union maintains healthy capital ratios in order to support its activities. For capital adequacy purposes, authorised deposit-taking institutions must hold a minimum amount of Tier 1 capital and capital base on both an individual authorised deposit-taking institution (Level 1) basis and consolidated banking group (Level 2) basis. In addition, they may include an amount of Tier 2 capital as part of their required capital holdings, up to the limits specified in this Prudential Standard. Tier 1 capital comprises the highest quality components of capital for the purpose of providing a permanent and unrestricted commitment of funds that are freely available to absorb any losses. For SGE Tier 1 capital comprises general reserves, non redeemable preference shares, retained profits and current year earnings. Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital. Tier 2 capital includes general reserve for credit losses and subordinated debt. Certain capital deductions are made from Tier 1 and Tier 2 capital in accordance with the APRA Prudential Standard APS 111 'Capital Adequacy: Measurement of Capital'.

Table 15 - Capital Structure

Annual Disclosure as at 30 June 2010

	June 2009	June 2010
	\$'000	\$'000
Tier 1 capital		
Reserves (excluding credit loss reserve)	6,458	6,458
Retained earnings (including current year)	53,735	53,719
Minority interests arising from consolidation of Tier 1 capital of subsidiaries	62	-
Innovative instruments	1,970	1,973
Non-innovative residual instrument	-	-
Deduction – goodwill	-	-
Deduction – investments	(733)	(890)
Deduction – other	(2,254)	(2,032)
Tier 1 capital net of deductions	59,238	59,228
Tier 2 capital	4,986	4,994
Deductions from Tier 2 capital	(964)	(996)
Tier 2 capital net of deductions	4,022	3,998
Total capital base	63,260	63,226

Table 16 - Capital Adequacy

Quarterly Disclosure from 01 April 2010 to 30 June 2010

Capital requirements (in terms of risk-weighted assets by portfolio) for:

Credit Risk	Risk Weighted Assets	Charge
Residential mortgages	\$417,977,806	\$164,682,201
Other retail loans	\$59,456,395	\$47,763,484
Corporate loans	\$440,833	\$182,711
Funds deposited with ADI's	\$87,846,626	\$17,238,210
Government	-	-
Securitisation	-	-
Fixed Assets	\$11,053,613	\$11,053,613
Other Assets	\$20,690,916	\$3,380,833
Total Credit Risk	\$597,466,189	\$244,301,052
Market Risk	-	-
Operational Risk	-	\$28,779,282
Total capital ratio for the Credit Union	23.15%	
Tier 1 capital ratio for the Credit Union	21.69%	

Table 17 - Credit Risk

Quarterly Disclosure from 01 April 2010 to 30 June 2010

Credit Risk	Gross Amount	Average Amount	Value of loans that are Impaired / Past Due	Loan Loss Provisioning	Bad Debts Written-off
Residential mortgages	\$417,977,806	\$407,469,086	\$1,706,972	\$25,607	\$ -
Other retail	\$59,456,395	\$61,395,730	\$841,764	\$517,869	\$188,579
Total Loans	\$477,434,201	\$468,864,815	\$2,548,736	\$768,422	\$188,579
Corporate loans	\$440,833	\$368,077	\$ -	\$ -	\$ -
Funds deposited with ADI's	\$87,846,626	\$87,257,452	\$ -	\$ -	\$ -
Government	\$ -	\$ -	\$ -	\$ -	\$ -
Commitments	\$ -	\$ -	\$ -	\$ -	\$ -
Other non-market off-balance sheet exposures	\$17,309,083	\$17,088,517	\$ -	\$ -	\$ -
Debt securities	\$ -	\$ -	\$ -	\$ -	\$ -
Over-the-counter derivatives	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets	\$11,053,613	\$11,838,594	\$ -	\$ -	\$ -
Other Assets	\$3,381,833	\$4,940,815	\$ -	\$ -	\$ -
Total Exposures	\$597,466,189	\$590,358,268	\$2,548,736	\$768,422	\$188,579

General reserve for credit losses \$1,073,669