

Prudential Disclosures as required by APS 330 Capital Adequacy: Public Disclosure of Prudential Information.
The Prudential Disclosures contained herein apply to Horizon Credit Union Limited (ABN 66 087 650 173)

The information in this report is prepared quarterly based on the ADI financial records and uses the post 1 January 2018 capital disclosure template to fully comply with Basel III regulatory adjustments as implemented by APRA. The financial records are not audited for the Quarters ended 30 September, 31 December and 31 March.

The report as at the 30 June is based on the financial statements as audited as at the 30 June.

There are no other legal entities that comprise a consolidated group.

CAPITAL BASE

If the details of the components of the capital base set out below are for the financial year ended 30th June, these amounts coincide with the audited accounts.

The following table A sets out the elements of the capital held by the ADI including the reconciliation of any adjustments required by the APRA Prudential Standards to the audited financial statements. Adjustments are usually in the form of deductions of assets not regarded as recoverable in the short term (such as intangible assets and deferred tax assets), and or discounts made to eligible capital of a short term nature.

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

TABLE A CAPITAL BASE ELEMENTS

Common Equity Tier 1 Capital: instruments and reserves		Current quarter 30 Sep 2021	Previous quarter 30 Jun 2021
		\$,000	\$,000
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-	-
2	Retained earnings	26,566	26,211
3	Accumulated other comprehensive income (and other reserves)	10,763	10,763
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 on Equity Tier 1 capital: regulatory adjustments	37,329	36,974
Common Equity Tier 1 Capital : regulatory adjustments (rows 7 to 27)			
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 in excess of deferred tax liabilities	-	-
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)	1,216	1,216
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)	211	238
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 and 23	-	-
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	-	-
26f	of which: capitalised expenses	143	171
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA rules	68	68
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	1,427	1,455
29	Common Equity Tier 1 Capital (CET1)	35,902	35,520

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	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)	-	-
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 consolidations 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)	35,902	35,520
	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	1,033	1,033
51	Tier 2 Capital before regulatory adjustments	1,033	1,033
	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)	-	-
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 consolidation 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	-	-
58	Tier 2 Capital (T2)	1,033	1,033
59	Total Capital (TC = T1 + T2)	36,934	36,552
60	Total risk-weighted assets based on APRA standards	255,659	240,521
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	14.04%	14.77%
62	Tier 1 (as a percentage of risk-weighted assets)	14.04%	14.77%
63	Total Capital (as a percentage of risk-weighted assets)	14.45%	15.20%
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIBs buffer requirement, expressed as a percentage of risk-weighted assets)	9.00%	9.00%
65	of which: capital conservation buffer requirement	1.50%	1.50%
66	of which: ADI-specific countercyclical buffer requirements	Not applicable	Not applicable
67	of which: G-SIB buffer requirement	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	5.04%	5.77%
	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 on inclusion of provisions in Tier 2 under standardised approach)	-	-
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 cap for inclusion of provisions in Tier 2 under internal ratings-based approach)	-	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

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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	-
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 B CAPITAL WITHIN THE ADI

The elements of the regulatory capital as set out above are summarised as follows in Table B

Items (AUD)	APRA (After applying national discretions)	Basel III (Not applying national discretions)
	\$,000	\$,000
CET1 after regulatory adjustments (CET1)	35,902	35,902
Additional Tier 1 capital after regulatory adjustments (AT1)	-	-
Tier 1 capital (Tier 1 = CET1 + AT1)	35,902	35,902
Tier 2 capital after regulatory adjustments (T2)	1,033	1,033
Total capital (Total capital = Tier 1 + Tier 2)	36,934	36,934
Total Risk Weighted Assets (RWA)	255,659	255,659
Capital ratios (5)		
CET1 Ratio (CET1/Total RWA)	14.04%	14.04%
Tier 1 Ratio (Tier 1/Total RWA)	14.04%	14.04%
Total Capital Ratio (Total capital/Total RWA)	14.45%	14.45%

CAPITAL INSTRUMENTS WITHIN THE ADI

Disclosure for main features of regulatory capital instruments

The regulatory capital is limited to

- Retained earnings
- General reserve for Credit Losses
- Asset revaluation reserves

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

	Tier 1	Tier 2
1 Issuer	Not applicable	
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	
3 Governing law(s) of the instrument	Not applicable	
Regulatory treatment	Not applicable	
4 Transitional Basel III rules	Not applicable	
5 Post-transitional Basel III rules	Not applicable	
6 Eligible at solo/group/group & solo	Not applicable	
7 Instrument type (ordinary shares/preference shares/subordinated notes/other)	Not applicable	
8 Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	Not applicable	
9 Par value of instrument	Not applicable	
10 Accounting classification	Not applicable	
11 Original date of issuance	Not applicable	
12 Perpetual or dated	Not applicable	
13 Original maturity date	Not applicable	
14 Issuer call subject to prior supervisory approval	Not applicable	
15 Optional call date, contingent call dates and redemption amount	Not applicable	
16 Subsequent call dates, if applicable	Not applicable	
Coupons/dividends	Not applicable	
17 Fixed or floating dividend/coupon	Not applicable	
18 Coupon rate and any related index	Not applicable	
19 Existence of a dividend stopper	Not applicable	
20 Fully discretionary, partially discretionary or mandatory	Not applicable	
21 Existence of step up or other incentive to redeem	Not applicable	
22 Noncumulative or cumulative	Not applicable	
23 Convertible or non-convertible	Not applicable	
24 If convertible, conversion trigger (s)	Not applicable	
25 If convertible, fully or partially	Not applicable	
26 If convertible, conversion rate	Not applicable	
27 If convertible, mandatory or optional conversion	Not applicable	
28 If convertible, specify instrument type convertible into	Not applicable	
29 If convertible, specify issuer of instrument it converts into	Not applicable	
30 Write-down feature	Not applicable	
31 If write-down, write-down trigger(s)	Not applicable	
32 If write-down, full or partial	Not applicable	
33 If write-down, permanent or temporary	Not applicable	
34 If temporary write-down, description of write-up mechanism	Not applicable	
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	
36 Non-compliant transitioned features	Not applicable	
37 If yes, specify non-compliant features	Not applicable	

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CAPITAL REQUIREMENTS

Capital requirements in the ADI is determined by the risk weights of the relevant assets held with the minimum required capital to cover 9% of the risk weighted assets. The ADI maintains a capital policy level of minimum 12% and a capital target of 15%. The current level of capital is 14.45%

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

The risk weighted assets held as at the end of the quarter ended 30 Sep 2021 is as follows:

TABLE C RISK WEIGHTED ASSETS BY ASSET CLASS

	Current quarter 30 Sep 2021		Previous quarter 30 Jun 2021	
	Carrying Value	Risk Weighted Value	Carrying Value	Risk Weighted Value
	\$,000	\$,000	\$,000	\$,000
(a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio;				
• Loans - secured by residential mortgage	449,411	168,480	433,709	162,017
• Loans - other retail	16,117	16,117	15,765	15,765
• Loans - corporate	-	-	-	-
• Liquid investments	153,560	28,858	124,279	23,005
• all other assets	9,692	6,845	9,912	6,856
Total credit risk on balance sheet	628,780	220,301	583,665	207,643
Total credit risk off balance sheet (commitments)				
• Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	46,154	10,698	37,030	8,218
• Capital requirements for securitisation	-	-	-	-
(b) Capital requirements for market risk.	-	-	-	-
(C) Capital requirements for operational risk.		24,660		24,660
Total Risk Weighted assets (Sum above components)	674,934	255,659	620,695	240,521

CAPITAL HELD BY THE ADI

The capital held by the ADI exceeds the policy and minimum capital prescribed by the APRA Prudential standards. This excess facilitates future growth within the ADI.

The capital ratio is the amount of capital described in Table A divided by the risk weighted assets

TABLE D

	Capital \$		Capital Ratio \$	
	Current quarter 30 Sep 2021	Previous quarter 30 Jun 2021	Current quarter 30 Sep 2021	Previous quarter 30 Jun 2021
	\$,000	\$,000		
Common Equity Tier 1	35,902	35,520	14.04%	14.77%
Tier 1	35,902	35,520	14.04%	14.77%
Total Capital ratio	36,934	36,552	14.45%	15.20%

CREDIT RISK

(i) CREDIT RISK - INVESTMENTS

Surplus cash not invested in loans to members are held in high quality liquid assets. This included the funds required to be held to meet withdrawal of deposits by members of the ADI.

The ADI uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Guidance in APS112. The credit quality assessment scale within this standard has been complied with.

The Table E below excludes the Equities and securitisation exposures. Securitisation exposures are set out in the table G that follows.

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

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TABLE E

Current quarter 30 Sep 2021

Liquid Investments	Average gross exposure in quarter	Carrying value on balance sheet at 30 Sep 2021	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Banks	102,074	111,577	-	-	-	-
Other ADIs	14,214	19,339	-	-	-	-
Government	22,500	22,500	-	-	-	-
Total	138,788	153,415	-	-	-	-

Previous quarter 30 Jun 2021

Liquid Investments	Average gross exposure in quarter	Carrying value on balance sheet at 30 Jun 2021	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Banks	88,442	92,571	-	-	-	-
Other ADIs	9,412	9,089	-	-	-	-
Government	22,500	22,500	-	-	-	-
Total	120,354	124,160	-	-	-	-

(ii) CREDIT RISK - INVESTMENTS

The classes of loans entered into by the credit union are limited to loans, commitments and other off-balance sheet exposures. The credit union 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 (net of deferred fees)
- 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 balance date due to the variety of assets and condition.

The analysis of the ADI's loans by class, is as follows in Table F

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TABLE F [excludes securitisation exposures or equities. Securitisation exposures are set out in the Table G that follows]

Current quarter 30 Sep 2021

Loans Portfolio	Gross exposure value - Average for the period	Gross exposure value on balance sheet at 30 Sep 2021	Commitments - redraws, overdraft facilities undrawn	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Mortgage secured	427,417	434,232	29,074	-	-	-	-
Personal	12,852	12,019	805	6	12	27	(4)
Overdrafts & Credit cards	2,314	2,370	15,134	3	17	51	9
Corporate borrowers	15,052	17,040	1,141	8	19	17	-
Total	457,636	465,661	46,154	16	48	95	5

Previous quarter 30 Jun 2021

Loans Portfolio	Gross exposure value - Average for the period	Gross exposure value on balance sheet at 30 Jun 2021	Commitments - redraws, overdraft facilities undrawn	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Mortgage secured	369,278	420,603	22,079	-	-	-	-
Personal	11,364	13,686	718	0	0	31	1
Overdrafts & Credit cards	2,312	2,258	13,547	1	6	42	26
Corporate borrowers	12,825	13,064	686	-	-	17	17
Total	395,779	449,611	37,030	1	6	90	44

General Reserve for Credit Losses

The reserve is set aside to quantify the estimate for potential future losses in the loans and investments.

In addition to the 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.

The reserve has been determined on the basis of the past experience with the loan delinquency and amounts written off.

The value of the reserve is amended to reflect the changes in economic conditions, and the relevant concentrations in specific regions and industries of employment within the loan book.

	Current quarter 30 Sep 2021 \$,000	Previous quarter 30 Jun 2021 \$,000
Balance	1,033	1,033

SECURITISATION ARRANGEMENTS

The ADI has entered into arrangements for securitised loans to support its liquidity requirements from time to time. The table below states the current value of securitised loans managed by the ADI and the amount securitised in the past quarter ended 30 Sep 2021.

TABLE G

Current quarter 30 Sep 2021

	Loans Securitised in Current qtr, by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off-balance sheet exposures
	\$,000	Aggregate amount \$,000	Aggregate amount \$,000
Mortgage loans			-
Personal loans			
Credit cards			
Total	-	-	-

The recognised gain or loss on securitised arrangements entered into in the past quarter is \$Nil.

Previous quarter 30 Jun 2021

	Loans Securitised in Current qtr, by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off-balance sheet exposures
	\$,000	Aggregate amount \$,000	Aggregate amount \$,000
Mortgage loans			-
Personal loans			
Credit cards			
Total	-	-	-