SGE CREDIT UNION
Prudential Disclosure Document

ABN 72 087 650 637

As at 30 September 2011

sge creditunion
servicing government employees, family & friends

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

SGE maintains an actively managed capital base to cover risks inherent in its business. The adequacy of SGE's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulation Authority. SGE has complied in full with all its externally imposed capital requirements.The primary objectives of SGE's capital management are to ensure that the business complies with externally imposed capital requirements and that SGE maintains healthy capital ratios in order to support its activities.

Although the credit union actively monitors and manages its risk exposure in each of these areas, the credit union does not calculate and determine its minimum capital needs by allocating a specific value or 'capital charge' to each type of risk. Rather, the Board has resolved that the credit union will maintain, based on the outcomes of its annual capital planning processes, an 'internal minimum' prudential capital ratio (PCR) of 13%.

For capital adequacy purposes, authorised deposit-taking institutions must hold a minimum amount of Tier 1 capital. In addition, they may include an amount of Tier 2 capital as part of their required capital holdings, up to the limits specified in the Prudential Standards. 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 but nonetheless contribute to the overall strength of a financial institution as a going concern. 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 2011

	June 2010	June 2011
Tier 1 capital:	**$'000**	**$'000**
Reserves (excluding credit loss reserve)	-	-
Retained earnings (including current year)	60,171	63,145
Minority interests arising from consolidation of Tier 1 capital of subsidiaries	-	-
Innovative instruments	1,973	1,978
Non-innovative residual instruments	-	-
Deduction – goodwill	-	-
Deduction – investments	(890)	(300)
Deduction – other	(2,191)	(1,972)
Tier 1 capital net of deductions	**59,063**	**62,850**
Tier 2 capital	4,994	5,010
Deductions from Tier 2 capital	(996)	(349)
Tier 2 capital net of deductions	**3,998**	**4,661**
Total capital base	**63,061**	**67,511**

Table 16 - Capital Adequacy

Quarterly Disclosure from 30 June 2011 to 30 September 2011

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

Credit Risk	**Gross Assets**	**Risk Weighted Assets**
Residential mortgages	$392,868,264	$148,744,213
Other retail loans	$55,677,012	$43,295,145
Corporate loans	$30,244	$6,049
Funds deposited with ADI's	$160,066,811	$57,360,400
Government	-	-
Securitisation	-	-
Fixed Assets	$10,627,031	$10,627,031
Other Assets	$23,160,087	$4,149,837
Total Credit Risk	**$642,429,449**	**$264,182,675**
Market Risk	-	-
Operational Risk	-	**$32,776,059**
Total capital ratio for the Credit Union	**23.26%**	
Tier 1 capital ratio for the Credit Union	**22.80%**	

Table 17 - Credit Risk

Quarterly Disclosure from 30 June 2011 - 30 September 2011

Credit Risk	Gross Amount	Average Amount	Value of loans that are Impaired / Past Due	Loan Loss Provisioning	Bad Debts Written-off
Residential mortgages	$392,868,264	$405,423,035	$4,527,133	$-	$-
Other retail loans	$55,677,012	$57,566,704	$707,336	$415,305	$280,184
Total Loans	**$448,545,276**	**$462,989,739**	**$5,234,469**	**$415,305**	**$280,184**
Corporate loans	$30,244	$235,539	$-	$-	$-
Funds deposited with ADI's	$160,066,811	$123,957,219	$-	$-	$-
Government	$-	$-	$-	$-	$-
Commitments	$-	$-	$-	$-	$-
Other non-market off-balance sheet exposures	$19,010,250	$19,010,250	$-	$-	$-
Debt securities	$-	$-	$-	$-	$-
Over-the-counter derivatives	$-	$-	$-	$-	$-
Fixed Assets	$10,627,031	$10,706,468	$-	$-	$-
Other Assets	$4,149,837	$4,244,611	$-	$-	$-
Total Exposures	**$642,429,449**	**$621,143,825**	**$5,234,469**	**$415,305**	**$280,184**

General reserve for credit losses $1,051,141