



## **APS 330 - Public Disclosure**

**This disclosure on the capital and credit risk refers to the Family First Credit Union Limited (ABN 39 087 650 057)**

### **Capital Management**

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- Credit risk;
- Market risk (trading book); and
- Operations risk.

The market risk component is not required as Family First Credit Union is not engaged in a trading book for financial instruments.

### **Capital resources**

**Under the prudential standards capital is segregated into Tier 1 and Tier 2 components.**

#### **Tier 1 Capital**

The vast majority of Tier 1 capital comprises retained earnings and realised reserves.

#### **Tier 2 Capital**

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Available for sale reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital.
- A general reserve for Credit Losses.
- The Credit Union's available for sale (AFS) reserve, and an asset revaluation reserve on the land and buildings are discounted to 45% of the value net of any capital gains tax and estimated costs of sale.

## APS 330 - Public Disclosure

Capital in the Credit Union is made up as follows:

Table A

	31 Dec 2013 Unaudited \$'000	30 Sep 2013 Unaudited \$'000
<b>Tier 1</b>		
Retained earnings	8,918	8,864
<b>Less prescribed deductions</b>		
Intangible Assets	50	51
Equity in other ADI's	111	111
Deferred Tax assets	189	172
Net tier 1 capital	<u>8,568</u>	<u>8,530</u>
<b>Tier 2</b>		
Reserve for credit losses	208	218
Total	208	218
<b>Less prescribed deductions</b>	111	111
Net tier 2 capital	<u>97</u>	<u>107</u>
Total Capital	<u>8,665</u>	<u>8,637</u>

The Credit Union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The ratio is derived by the fraction of Total Capital divided by the risk weighted assets.

### **Risk Weighted Assets**

The total of risk weighted assets comprises

1. Credit risk weighted for on balance sheet assets
2. Credit risk weighted assets for commitments to issue bonds for loans and other guarantees
3. Operational risk charge as described in APS 114.

These components are described below.

## APS 330 - Public Disclosure

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance Note AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

Table B - 31 December 2013 (Current Quarter)

	Balance Sheet value	Commitments (at prescribed Credit equivalent)	Total risk Weighted assets	Risk Weight applied	Risk Weighted Value
	31 Dec 13 \$'000	31 Dec 13 \$'000	31 Dec 13 \$'000		31 Dec 13 \$'000
Cash	386	-	386	0%	-
Funds on Deposit in highly rated ADI's	18,139	-	18,139	20% - 50%	4,525
Loans secured against eligible residential mortgages up to 80% LVR	43,326	851	44,177	35% - 75%	16,214
Loans secured against eligible residential mortgages over 80% LVR	10,382	-	10,382	50% - 100%	5,191
Loans secured against eligible residential mortgages over 80% LVR (LMI Insured)	3,148	-	3,148	35% - 100%	1,426
Other loans	9,269	-	9,269	100%	9,269
Equity exposure not deducted from capital	5	-	5	400%	20
Fixed Assets	179	-	179	100%	179
Other Assets	207	-	207	100%	207
<b>Total Credit risk assets</b>	<b>85,041</b>	<b>851</b>	<b>85,892</b>		<b>37,031</b>
Securitisation	15	-	15	0%	-
Operational risk assets	4,536	-	4,536		4,536
<b>Total risk weighted assets</b>	<b>89,592</b>	<b>851</b>	<b>90,443</b>		<b>41,567</b>

*The risk weighted assets processes were modified by APRA as from the 1 January 2008 as part of the Basel 2 Prudential framework enhancements. Comparative data has not been available on the revised methods - the risk weighted assets for 2007 and prior reflect the previous methodology.*

## APS 330 - Public Disclosure

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance Note AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

Table B - 30 September 2013 (Previous Quarter)

	Balance Sheet value	Commitments (at prescribed Credit equivalent)	Total risk Weighted assets	Risk Weight applied	Risk Weighted Value
	30 Sep 13 \$'000	30 Sep 13 \$'000	30 Sep 13 \$'000		30 Sep 13 \$'000
Cash	329	-	329	0%	-
Funds on Deposit in highly rated ADI's	19,703	-	19,703	20% - 50%	5,283
Loans secured against eligible residential mortgages up to 80% LVR	39,844	1,294	41,138	35% - 75%	14,624
Loans secured against eligible residential mortgages over 80% LVR	8,811	-	8,811	50% - 100%	4,406
Loans secured against eligible residential mortgages over 80% LVR (LMI Insured)	2,308	-	2,308	35% - 100%	808
Other loans	13,854	-	13,854	100%	13,854
Equity exposure not deducted from capital	5	-	5	400%	20
Fixed Assets	188	-	188	100%	188
Other Assets	259	-	259	100%	259
<b>Total Credit risk assets</b>	<b>85,301</b>	<b>1,294</b>	<b>86,595</b>		<b>39,442</b>
Securitisation	16	-	16	0%	-
Operational risk assets	4,317	-	4,317		4,317
<b>Total risk weighted assets</b>	<b>89,634</b>	<b>1,294</b>	<b>90,928</b>		<b>43,759</b>

*The risk weighted assets processes were modified by APRA as from the 1 January 2008 as part of the Basel 2 Prudential framework enhancements. Comparative data has not been available on the revised methods - the risk weighted assets for 2007 and prior reflect the previous methodology.*

## APS 330 - Public Disclosure

The capital required and held as at the end of the financial year is as follows

Table C

	Current Qtr 31 Dec 2013 Unaudited \$'000	Current Qtr 30 Sep 2013 Unaudited \$'000
Capital requirements for credit risk on assets (8% RWA)	2,963	3,155
Capital requirements for securitisation credit risk (8%)	-	-
Capital requirements for market risk	-	-
Capital requirements for operations risk (8% RWA)	363	345
Total Capital required(at 8% of Risk weighted assets)	3,326	3,500
Capital held by credit union \$	8,665	8,637
Capital ratio Tier 1 - % held by the credit union	20.6%	19.6%
Total Capital ratio - % held by the credit union	20.8%	19.7%

The level of capital ratio can be affected by growth in asset relative to growth in reserves and by changes in the mix of assets.

### IMPAIRMENT OF ASSETS

#### (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 credit union.

#### External Credit Assessment for Investments

The credit union 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 APG112. The credit quality assessment scale within this standard has been complied with. The exposure values associated with each credit quality step are as follows:

Table D - 31 December 2013 (Current Quarter)

	31 December 2013 \$'000			
	Carrying value on Bal Sheet	Past due loans	Impaired	Provision
Investments with banks and other ADI's				
Cuscal - rated A-1 (short term)	3,265	-	-	-
Cuscal - rated A+ (long term)	2,992	-	-	-
Banks - rated A-1 (short term)	2,263	-	-	-
Banks - rated A-2 (short term)	4,261	-	-	-
Banks - rated AAA (long term)	2,032	-	-	-
Banks - rated A (long term)	1,319	-	-	-
Unrated ADI's	2,007	-	-	-
<b>Total</b>	<b>18,139</b>	-	-	-

Table D - 30 September 2013 (Previous Quarter)

Investments with banks and other ADI's	30 September 2013 \$'000			
	Carrying value on Bal Sheet	Past due loans	Impaired	Provision
Cuscal - rated A-1 (short term)	3,385	-	-	-
Cuscal - rated A+ (long term)	3,472	-	-	-
Banks - rated A-1 (short term)	2,758	-	-	-
Banks - rated A-2 (short term)	4,262	-	-	-
Banks - rated AAA (long term)	1,520	-	-	-
Banks - rated A (long term)	1,296	-	-	-
Unrated ADI's	3,010	-	-	-
<b>Total</b>	<b>19,703</b>	-	-	-

(ii) CREDIT RISK - LOANS

The classes of loans entered into by the credit union is limited to loans; commitments and other non-market off-balance sheet exposures. The credit union does not enter into debt securities and over the counter derivatives.

The analysis of the credit union's loans by class is as follows:

Table E - 31 December (Current Quarter)

Loans to	31 December 2013				6 months to 31 Dec 2013
	Carrying value on balance sheet	Commitments	Other non-market off balance sheet exposures	Max exposure	Average gross exposure in the period
	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage secured	58,127	6,031	-	64,158	62,628
Personal	8,585	1,438	-	10,023	10,188
<b>Total to natural persons</b>	<b>66,712</b>	<b>7,469</b>	<b>-</b>	<b>74,181</b>	<b>72,816</b>
Corporate borrowers	-	-	-	-	-
<b>Total</b>	<b>66,712</b>	<b>7,469</b>	<b>-</b>	<b>74,181</b>	<b>72,816</b>

Table E - 30 September 2013 (Previous Quarter)

Loans to	30 September 2013				3 months to 30 Sep 2013
	Carrying value on balance sheet	Commitments	Other non- market off balance sheet exposures	Max exposure	Average gross exposure in the period
	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage secured	56,664	6,104	-	62,768	61,864
Personal	8,717	1,785	-	10,502	10,270
<b>Total to natural persons</b>	<b>65,381</b>	<b>7,889</b>	<b>-</b>	<b>73,270</b>	<b>72,134</b>
Corporate borrowers	-	-	-	-	-
<b>Total</b>	<b>65,381</b>	<b>7,889</b>	<b>-</b>	<b>73,270</b>	<b>72,134</b>

The commitments set out above comprise

	31 Dec 2013 \$'000	30 Sep 2013 \$'000
<b>a. Outstanding loan commitments</b> The loans approved but not funded	851	1,294
<b>b. Loan redraw facilities</b> The loan redraw facilities available	3,956	3,861
<b>c. Undrawn loan facilities</b> Loan facilities available to members for overdrafts, and Line of Credit loans are as follows:		
Total value of facilities approved	4,366	4,387
Less: amounts advanced	1,704	1,653
Net undrawn value	<u>2,662</u>	<u>2,734</u>
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn		
<b>Total financial commitments</b>	<b>7,469</b>	<b>7,889</b>

## APS 330 - Public Disclosure

### 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 30 days or more but not impaired
- Impaired loans is the 'on balance sheet' loan balances which are at risk of not meeting all principal 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.

Table F - 31 December 2013 (Current Quarter)

	As at 31 December 2013				For the period ended 31 Dec 2013	
	Carrying value on balance sheet	Value of Loans that are past due	Value of loans that are impaired	Provision for impairment	Increase in provisions for impairment	Bad debts in the period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage Secured	58,127	222	-	-	-	-
Personal	8,585	-	227	148	56	54
<b>Total to natural persons</b>	<b>66,712</b>	<b>222</b>	<b>227</b>	<b>148</b>	<b>56</b>	<b>54</b>
Corporate borrowers	-	-	-	-	-	-
<b>Total</b>	<b>66,712</b>	<b>222</b>	<b>227</b>	<b>148</b>	<b>56</b>	<b>54</b>

Table F - 30 September 2013 (Previous Quarter)

	As at 30 September 2013				For the period ended 30 Sep 2013	
	Carrying value on balance sheet	Value of Loans that are past due	Value of loans that are impaired	Provision for impairment	Increase in provisions for impairment	Bad debts in the period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage Secured	56,664	224	-	-	-	-
Personal	8,717	-	232	130	29	33
<b>Total to natural persons</b>	<b>65,381</b>	<b>224</b>	<b>232</b>	<b>130</b>	<b>29</b>	<b>33</b>
Corporate borrowers	-	-	-	-	-	-
<b>Total</b>	<b>65,381</b>	<b>224</b>	<b>232</b>	<b>130</b>	<b>29</b>	<b>33</b>



## **APS 330 - Public Disclosure**

### **Reserve for credit losses**

In addition to the above 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 is based on estimation of potential risk in the loan portfolio based upon the level of security taken as collateral.

The reserve has been determined on the basis of the past experience with the loan delinquency and amounts written off. The amount of the reserve is currently \$207,803 (Previous Quarter - 30 September 2013 \$217,549).

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.