Disclosure of Prudential Information

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

The information in this report is prepared quarterly based on the Credit Union's financial records. 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.

Glossary of terms used in this guide is:

- AT1' refers to **Additional Tier 1 Capital**
- the Basel II framework' refers to the document *International Convergence of Capital Measurement and Capital Standards*: *A Revised Framework*, Comprehensive Version, June 2006, published by the Basel Committee on Banking Supervision (the Basel Committee);
- 'Basel III' refers to the document *Basel III: A global regulatory framework for more resilient banks and banking systems*, revised version, June 2011, published by the Basel Committee;
- 'CET1' refers to **Common Equity Tier 1 Capital**;
- 'T1' refers to **Tier 1 Capital**; and
- 'T2' refers to **Tier 2 Capital**.

The capital terms are further defined in the APRA Prudential Standards APS 110.

Capital Base

The details of the components of the capital base are set out below as at the quarter ended 31 December 2020.

The following tables 1 and 2 set out the elements of the capital held by the Credit Union 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.

CAPITAL REQUIREMENTS

Capital requirements in the Credit Union is determined by the risk weights of the relevant assets held with the minimum required capital to over 8% of the risk weighted assets. The Credit Union maintains a capital policy level of minimum 14% and a capital target range of 15.25 to 18.50%.

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 of based on the nature and level of security supporting the assets recovery.

The risk weighted assets held as at the end of the quarter are as follows:

Table 4 **Risk Weighted Assets by asset class**	**RWA Current Qtr 31 Dec 20**	**RWA Previous Qtr 30 Sep 20**
a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio		
▪ Loans – secured by residential mortgage	52,327,393	49,761,311
▪ Loans – other retail	5,090,508	5,494,220
▪ Loans – corporate	112,524	-
▪ Liquid investments	12,177,361	12,530,182
▪ All other assets	1,957,017	2,079,013
Total credit risk on balance sheet	71,664,803	69,864,726
▪ Undrawn financial commitments (overdrafts, loans approved not advanced)	2,305,670	4,127,149
▪ Capital requirements for securitisation	-	-
Total credit risk off balance sheet (commitments)	2,305,670	4,127,149
b) Capital requirements for market risk	-	-
c) Capital requirements for operational risk	9,201,529	8,714,346
Total Risk Weighted Assets	**83,172,002**	**82,706,221**

CAPITAL HELD BY THE CREDIT UNION

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

The capital ratio is the amount of capital described in Table 1 divided by the risk weighted assets.

Table 5 Capital held by the Credit Union	Capital $ Current Qtr 31 Dec 20	Capital $ Previous Qtr 30 Sep 20	Capital Ratio % Current Qtr 31 Dec 20	Capital Ratio % Previous Qtr 30 Sep 20
Common Equity Tier 1	12,351,513	12,196,536	14.85%	14.75%
Tier 1	12,351,513	12,196,536	14.85%	14.75%
Total Capital	**12,629,316**	**12,474,340**	**15.18%**	**15.08%**

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 Credit Union.

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 in APS112. The credit quality assessment scale within this standard has been complied with. The Table 6 below excludes the equities and securitisation exposures. Securitisation exposures are set out in the Table 8 that follows.

The exposure values associated with each credit quality step are as follows in Table 6.

Table 6 Investments with banks and other ADI's	Current Quarter – 31 Dec 20					
	Average Gross Exposure In Qtr ($)	Carrying Value on Balance Sheet ($)	Past due facilities	Impaired facilities	Specific provision as at the end of the Qtr	Increase in specific provision and write offs in Qtr
CUSCAL	4,538,998	4,395,235	-	-	-	-
Major Banks	8,017,186	8,017,333	-	-	-	-
Govt Bonds	2,790,347	4,422,355				
Other rated ADI's	20,275,168	18,221,610	-	-	-	-
Unrated institutions – ADI's	4,389,160	7,061,908	-	-	-	-
Total	**40,010,859**	**42,118,441**	**-**	**-**	**-**	**-**

Table 6 Investments with banks and other ADI's	Previous Quarter – 30 September 2020					
	Average Gross Exposure In Qtr ($)	Carrying Value on Balance Sheet ($)	Past due facilities	Impaired facilities	Specific provision as at the end of the qtr	Increase in specific provision and write offs in qtr
CUSCAL	5,835,277	5,648,665	-	-	-	-
Major Banks	7,394,482	8,016,956	-	-	-	-
Govt Bonds	-	-	-	-	-	-
Other rated ADI's	20,356,516	21,378,255	-	-	-	-
Unrated institutions – ADI's	6,312,394	5,524,058	-	-	-	-
Total	**39,898,669**	**40,567,934**	**-**	**-**	**-**	**-**

(ii) CREDIT RISK – LOANS

The classes of loans entered into by the Credit Union are 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.

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 all collateral as at the balance date due to the variety of assets and condition

The analysis of the Credit Union's loans by class is as follows in Table 7.

Table 7 Loans Portfolio (excludes securitisation)	Current Quarter – 31 Dec 2020						
	Average Gross Exposure In Qtr ($)	Gross Exposure on Balance Sheet ($)	Commit-ments redraws, LOC's and overdraft facilities	Past due facilities	Impaired facilities	Specific provision as at the end of the qtr	Increase in specific provision and write offs in qtr
Mortgage secured	136,404,204	140,450,012	11,615,354	-	-	-	-
Personal	5,393,023	5,180,506	1,065,139	-	4,970	2,890	(1,101)
Overdrafts	360,242	410,330	143,260	-	2,846	1,816	634
Corporate borrowers	240,592	321,499	278,501	-	-	-	-
Total	**142,398,061**	**146,362,347**	**13,102,254**	**-**	**7,816**	**4,706**	**(467)**

(ii) CREDIT RISK – LOANS

Table 7 Loans Portfolio (excludes securitisation)	Previous Quarter – 30 September 2020						
	Average Gross Exposure In Qtr ($)	Gross Exposure on Balance Sheet ($)	Commit-ments redraws, LOC's and overdraft facilities	Past due facilities	Impaired facilities	Specific provision as at the end of the qtr	Increase in specific provision and write offs in qtr
Mortgage secured	130,045,749	132,730,501	16,612,248	137,832	59,884	-	-
Personal	5,807,390	5,549,804	508,349	-	26,612	21,771	5,466
Overdrafts	357,813	319,107	7,676	-	13,142	2,932	16
Corporate borrowers	-	-	600,000	-	-	-	-
Total	**136,210,952**	**138,599,412**	**17,728,273**	**137,832**	**99,638**	**24,703**	**5,482**

General Reserve for Credit Losses

This 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 31 December 2020	Previous Quarter 30 September 2020
Balance	$277,803	$277,803

SECURITISATION ARRANGEMENTS

The Credit Union 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 Credit Union and the amount securitised in the past quarter.

Table 8 Securitisation Arrangements	Current Quarter – 31 December 2020		
	Loans securitised in current quarter by type of securitisation	Aggregate amount of securitised loans on balance sheet exposure (retained or purchased)	Securitised loans off-balance sheet exposure
Mortgage loans	-	24,159	24,159
Personal loans	-	-	-
Credit Cards	-	-	-
Total	**-**	**24,159**	**24,159**

Table 8 Securitisation Arrangements	Previous Quarter – 30 September 2020		
	Loans securitised in current quarter by type of securitisation	Aggregate amount of securitised loans on balance sheet exposure (retained or purchased)	Securitised loans off-balance sheet exposure
Mortgage loans	-	24,389	24,389
Personal loans	-	-	-
Credit Cards	-	-	-
Total	**-**	**24,389**	**24,389**