APRA Prudential Standard APS 330
Capital and Credit Risk Disclosures
31 March 2020

Community First Credit Union Limited, as an Authorised Deposit-Taking Institution (ADI), is regulated by the Australian Prudential Regulation Authority (APRA). APRA is the prudential regulator of the Australian financial services industry. The fundamental role of APRA is to ensure the stability of the financial industry, primarily through the establishment and enforcement of prudential standards.

One of APRA's main focus areas in ensuring that the member's funds are safe is to ensure that financial institutions hold adequate amounts of capital.

In 2008 Prudential Standard 'APS 330 Capital Adequacy: Public Disclosure of Prudential Information' became effective. The standard requires financial institutions 'to make high quality and timely disclosures of information on its risk management and capital adequacy to contribute to the transparency of financial markets and to enhance market discipline'.

The following disclosures on capital and credit risks are for Community First Credit Union Limited (CFCU) ABN 80 087 649 938.

CFCU is using the post 1 January 2013 common disclosure template because it is fully applying the Basel III regulatory adjustments as implemented by APRA from 30 June 2013. This is a change from the previous quarterly reporting formats.

The information in this report is prepared quarterly based on CFCU financial records. The financial records are not audited for the quarters ended 30 September, 31 December and 31 March. The report for 30 June is based on the financial statements as audited at 30 June.

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 quarter end 31 March 2020

Table 1: Common Disclosure

Common Equity Tier 1 Capital : instruments and reserves		31-Mar-20 $,000	31-Dec-19 $,000
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-	-
2	Retained earnings	74,330	74,086
3	Accumulated other comprehensive income (and other reserves)	19,142	19,107
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**	**93,472**	**93,194**
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)	499	622
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
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)	5,432	5,432
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)	4,129	4,083
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	103	58
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA rules	4,025	4,025
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**	**10,059**	**10,137**
29	**Common Equity Tier 1 Capital (CET1)**	**83,413**	**83,057**
	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)**	**83,413**	**83,057**
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	3,653	3,649
51	**Tier 2 Capital before regulatory adjustments**	**3,653**	**3,649**

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)**	**3,653**	**3,649**
59	**Total capital (TC=T1+T2)**	**87,067**	**86,706**
60	**Total risk-weighted assets based on APRA standards**	**581,453**	**569,094**
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	14.35%	14.59%
62	Tier 1 (as a percentage of risk-weighted assets)	14.35%	14.59%
63	Total capital (as a percentage of risk-weighted assets)	14.97%	15.24%
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)	7.0%	7.0%
65	*of which: capital conservation buffer requirement*	*2.5%*	*2.5%*
66	*of which: ADI-specific countercyclical buffer requirements*	-	-
67	*of which: G-SIB buffer requirement*	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	7.35%	7.59%

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)	-	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,088	1,084
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-
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)*	-	-

Capital Instruments of CFCU

The regulatory capital of CFCU comprises

Retained Earnings
General Reserve for Credit Losses
Asset Revaluation Reserves

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

Table 2: Main features of Regulatory Capital instruments

		Tier 1	Tier 2- Subordinated Debt
1	Issuer	-	-
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
3	Governing law(s) of the instrument	-	-
Regulatory treatment		-	
4	Transitional Basel III rules	-	-
5	Post-transitional Basel III rules	-	-
6	Eligible at solo/group/group & solo	-	-
7	Instrument type (ordinary shares/preference shares/subordinated notes/other)	-	-
8	Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	-	-
9	Par value of instrument	-	-
10	Accounting classification	-	-
11	Original date of issuance	-	-
12	Perpetual or dated	-	-
13	Original maturity date	-	-
14	Issuer call subject to prior supervisory approval	-	-
15	Optional call date, contingent call dates and redemption amount	-	-
16	Subsequent call dates, if applicable	-	-
Coupons/dividends			
17	Fixed or floating dividend/coupon	-	-
18	Coupon rate and any related index	-	-
19	Existence of a dividend stopper	-	-
20	Fully discretionary, partially discretionary or mandatory	-	-
21	Existence of step up or other incentive to redeem	-	-
22	Noncumulative or cumulative	-	-
23	Convertible or non-convertible	-	-
24	If convertible, conversion trigger (s)	-	-
25	If convertible, fully or partially	-	-
26	If convertible, conversion rate	-	-
27	If convertible, mandatory or optional conversion	-	-
28	If convertible, specify instrument type convertible into	-	-
29	If convertible, specify issuer of instrument it converts into	-	-
30	Write-down feature	-	-

31	If write-down, write-down trigger(s)	-	-
32	If write-down, full or partial	-	-
33	If write-down, permanent or temporary	-	-
34	If temporary write-down, description of wind up mechanism	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-
36	Non compliant transitioned features	-	-
37	If yes, specify non compliant features	-	-

Capital Requirements

An ADI's capital is measured by means of risk based capital ratios calculated by dividing each of its Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital by its risk weighted assets.

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 31 March 2020 is as follows.

Table 3a: Risk Weighted Assets (RWA) by Asset Class

	Prescribed RWA $'000	
	31-Mar-20	**31-Dec-19**
(a) Capital requirements (in terms of risk-weighted		
Cash	-	-
Liquid investments	96,226	89,974
Loans - secured by residential mortgage	277,344	282,234
Loans - other retail	92,038	84,172
Loans - corporate	-	-
all other assets	19,367	20,516
Total credit risk on balance sheet	**484,975**	**476,897**
Total credit risk off balance sheet (commitments)		
Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	27,281	23,000
Capital requirements for securitisation	-	-
Total credit risk off balance sheet	**27,281**	**23,000**
(b) Capital requirements for market risk	**-**	**-**
(c) Capital requirements for operational risk	**69,197**	**69,197**
Total Risk Weighted assets	**581,453**	**569,094**

Capital Held by CFCU

CFCU maintains a capital policy and sets a capital target above the minimum as prescribed by the APRA Prudential Standards. Any excess facilitates future growth within the ADI.

The capital ratio is the amount of capital described in Table 1 divided by the risk weighted assets in Table 3

Table 3b: Capital

	Capital $' 000	
	31-Mar-20	**31-Dec-19**
Common Equity Tier 1 Capital Ratio	14.35%	14.59%
Tier 1 Capital Ratio	14.35%	14.59%
Total Capital ratio	**14.97%**	**15.24%**

Credit Risk

Credit Risk- Investments

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

CFCU uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, 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.

Table 4 below excludes equity and securitisation exposures. Securitisation exposures are set out in the Table 5 that follows.

The exposure values associated with each credit quality step are as per below in Table 4a.

Table 4a: Credit Risk Investments

31-Mar-20						
Investments with banks and other ADI's	Average gross exposure in quarter	Carrying value on balance sheet at 31 Mar 20	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
Cuscal	23,470	23,970	-	-	-	-
Major Banks	36,485	33,956	-	-	-	-
Other rated ADIs	122,286	128,800	-	-	-	-
Unrated institutions – ADIs	47,000	45,000	-	-	-	-
Total	**229,241**	**231,725**	**-**	**-**	**-**	**-**

31-Dec-19						
Investments with banks and other ADI's	Average gross exposure in quarter	Carrying value on balance sheet at 31 Dec 19	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
Cuscal	22,720	22,970	-	-	-	-
Major Banks	38,930	39,014	-	-	-	-
Other rated ADIs	112,995	115,773	-	-	-	-
Unrated institutions – ADIs	46,500	49,000	-	-	-	-
Total	**221,145**	**226,757**	**-**	**-**	**-**	**-**

Credit Risk- Loans

The classes of loans entered into by CFCU are limited to loans, commitments and other non-market off-balance sheet exposures. The ADI 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 ADI's loans by class is as follows in Table 4b.

Table 4b: Credit Risk Loans

31-Mar-20							
Loans Portfolio	**Gross exposure value -Average for the period**	**Gross exposure value on balance sheet**	**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	782,357	776,425	59,898	817	7,326		
Personal	45,986	47,070	5,783		384	116	25
Overdrafts & Credit cards	27,735	27,462			286	170	133
Corporate borrowers	3,599	3,879	357				
Total	**859,678**	**854,835**	**66,038**	**817**	**7,996**	**286**	**159**

31-Dec-19							
Loans Portfolio	**Gross exposure value -Average for the period**	**Gross exposure value on balance sheet**	**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	795,076	788,290	61,378	742	1,777	27	
Personal	43,712	44,902	4,456		193	118	21
Overdrafts & Credit cards	27,690	28,008	0		282	171	30
Corporate borrowers	3,396	3,319	409		21	21	
Total	**869,875**	**864,520**	**66,243**	**742**	**2,273**	**337**	**51**

General Reserve for Credit Losses

This reserve is set aside to quantify the estimate for potential future losses in CFCU 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, and the risk of loss on investments and other assets.

Table 4c: General Reserve for Credit Losses

	31-Mar-20	31-Dec-19
Balance	3,653,239	3,649,203

Securitisation Arrangements

CFCU 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 31 March 2020

Table 5: Securitised Loans

31-Mar-20			
	Loans Securitised in Current qtr, by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off- balance sheet exposures
		Aggregate amount	Aggregate amount
	$'000	$'000	$'000
Mortgage loans	-	-	4,819
Personal loans	-	-	-
Credit cards	-	-	-
Total	**-**	**-**	**4,819**

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

31-Dec-19			
	Loans Securitised in Current qtr, by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off- balance sheet exposures
		Aggregate amount	Aggregate amount
	$'000	$'000	$'000
Mortgage loans	-	-	5,177
Personal loans	-	-	-
Credit cards	-	-	-
Total	**-**	**-**	**5,177**