

FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2019 (Unaudited)

COMMON DISCLOSURE TEMPLATE

First Choice Credit Union is using the post 1 January 2018 common disclosure template when making its capital disclosures so as to fully apply the Basel III regulatory adjustments as implemented by the Australian Prudential Regulatory Authority (APRA)

Common Equity Tier 1 capital: instruments and reserves		A\$
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	n/a
2	Retained Earnings	7,184,252
3	Accumulated other comprehensive income (and other reserves)	267,139
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	n/a
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	n/a
6	Common Equity Tier 1 capital before regulatory adjustments	7,451,391
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	n/a
8	Goodwill (net of related tax liability)	n/a
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	100,159
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0
11	Cash-flow hedge reserve	n/a
12	Shortfall of provisions to expected losses	n/a
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II)	n/a
14	Gains and losses due to changes in own credit risk on fair valued liabilities	n/a
15	Defined benefit superannuation fund net assets	n/a
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	n/a
17	Reciprocal cross-holdings in common equity	n/a
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)	n/a
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)	n/a
20	Mortgage service rights (amount above 10% threshold)	n/a
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	44,348
22	Amount exceeding the 15% threshold	n/a
23	of which: significant investments in the ordinary shares of financial entities	n/a
24	of which: mortgage servicing rights	n/a
25	of which: deferred tax assets arising from temporary differences	n/a
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	78,938
26a	of which: treasury shares	0
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	0
26c	of which: deferred fee income	0
26d	and 23	78,938
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	0
26f	of which: capitalised expenses	0
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	0
26h	of which: covered bonds in excess of asset cover in pools	0
26i	of which: undercapitalisation of a non-consolidated subsidiary	0
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	0
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	n/a
28	Total regulatory adjustments to Common Equity Tier 1	223,445
29	Common Equity Tier 1 Capital	7,227,946

Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	n/a
31	of which: classified as equity under applicable accounting standards	n/a
32	of which: classified as liabilities under applicable accounting standards	n/a
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	n/a
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)	n/a
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	n/a
36	Additional Tier 1 Capital before regulatory adjustments	0
Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	n/a
38	Reciprocal cross-holdings in Additional Tier 1 instruments	n/a
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)	n/a
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)	n/a
41	National specific regulatory adjustments (sum of rows 41a, 41b & 41c)	n/a
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	n/a
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	n/a
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	n/a
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	n/a
43	Total regulatory adjustments to Additional Tier 1 capital	0
44	Additional Tier 1 capital (AT1)	0
45	Tier 1 Capital (T1=CET1 + AT1)	7,227,946

Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	n/a
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	n/a
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)	n/a
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	n/a
50	Provisions	447,443
51	Tier 2 Capital before regulatory adjustments	447,443
Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	n/a
53	Reciprocal cross-holdings in Tier 2 instruments	n/a
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)	n/a
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.	n/a
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	n/a
56a	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	n/a
56b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 54 and 55</i>	n/a
56c	<i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>	n/a
57	Total regulatory adjustments to Tier 2 capital	0
58	Tier 2 capital (T2)	447,443
59	Total capital (TC=T1+T2)	7,675,389
60	Total risk-weighted assets based on APRA standards	39,854,374
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	18.14%
62	Tier 1 (as a percentage of risk-weighted assets)	18.14%
63	Total capital (as a percentage of risk-weighted assets)	19.26%
64	Buffer requirement (minimum CET1 requirements of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%
65	<i>of which: capital conservation buffer requirements</i>	2.50%
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	0.00%
67	<i>of which: G-SIB buffer requirement (not applicable)</i>	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	11.26%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III)	
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	n/a
73	Significant investments in the ordinary shares of financial entities	n/a
74	Mortgage service rights (net of related tax liability)	n/a
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0
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)	447,443
77	Cap on inclusion of provisions in Tier 2 under standardised approach	447,443
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	n/a
79	Cap for inclusion of provisions in tier 2 under internal ratings-based approach	n/a
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	n/a
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	n/a
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	n/a
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	n/a
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	n/a
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	n/a

REGULATORY CAPITAL RECONCILIATION

First Choice Credit Union Ltd Audited Balance Sheet as at 30 June 2018

	\$	Mapping to Common Disclosure Template Item #
ASSETS		
Cash and liquid assets	3,564,493	
Receivables due from financial institutions	25,030,194	
Receivables	159,806	
Prepayments	30,713	
Loans and advances to members	41,637,448	
Available for sale investments	78,938	26
Property, plant and equipment	966,469	
Intangibles	100,159	9
Deferred tax assets	64,418	21
TOTAL ASSETS	71,632,638	
LIABILITIES		
Deposits from members	63,153,043	
Creditor accruals and settlement accounts	427,859	
Current tax liabilities	25,634	
Provisions	107,202	
Deferred tax liabilities	20,070	21
TOTAL LIABILITIES	63,733,808	
NET ASSETS	7,898,830	
MEMBERS' EQUITY		
Asset revaluation reserve	267,139	3
Reserve for credit losses	447,443	50/76/77
Retained Earnings	7,184,248	2
TOTAL MEMBERS' EQUITY	7,898,830	

Additional Commentary for reconciliation for capital items 2, 21

Item 2	Retained Earnings	<u>7,184,252</u>
Balance Sheet	Retained Earnings	<u>7,184,248</u>
	Rounding	<u>4</u>
Item 21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	<u>44,348</u>
Balance Sheet	Deferred tax assets	64,418
	Deferred tax liabilities	<u>(20,070)</u>
		<u>44,348</u>

**FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2019**

MAIN FEATURES OF CAPITAL INSTRUMENTS

At the current time First Choice has no capital instruments included as part of regulatory capital.

FIRST CHOICE CREDIT UNION LTD
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RISK EXPOSURES AND ASSESSMENT
CAPITAL ADEQUACY

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

	Assets 30/06/2019	Risk Weighted Assets 30/06/2019	Assets 31/03/2019	Risk Weighted Assets 31/03/2019
	\$	\$	\$	\$
Cash	297,757	0	245,017	0
Claims on ADIs	28,454,412	11,102,978	28,428,204	10,626,625
Eligible Residential Mortgages	31,751,991	13,143,324	30,387,910	12,429,556
Past Due Loans	54,336	54,336	101,678	101,678
Other claims on private sector counterparties (other loans)	9,831,120	9,831,120	9,851,407	9,851,407
Fixed Assets	966,469	966,469	968,878	968,878
Other Assets	33,037	33,037	51,708	51,708
Securitised assets	0	0	0	0
Loans not yet funded	2,022,254	735,136	2,429,319	890,662
Loans available for redraw and undrawn overdraft facilities	2,747,407	0	2,947,770	0
Irrevocable standby commitments	2,277,926	0	2,334,423	0
Total capital requirements (in terms of risk-weighted assets) for credit risk and securitisation		35,866,400		34,920,514
Total capital requirements (in terms of risk-weighted assets) for operational risk		3,988,035		3,913,746
Total capital requirements (in terms of risk-weighted assets)		39,854,435		38,834,260
Common Equity Tier 1 ratio		18.14%		18.53%
Tier 1 ratio		18.14%		18.53%
Total Capital ratio		19.26%		19.65%

FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2019 (Unaudited)

RISK EXPOSURES AND ASSESSMENT

CREDIT RISK

TOTAL GROSS CREDIT RISK EXPOSURE AND AVERAGE GROSS EXPOSURE OVER PERIOD

	Gross Credit Risk Exposure 30-Jun-19	Average Gross Exposure over the period 30-Jun-19	Gross Credit Risk Exposure 31-Mar-19	Average Gross Exposure over the period 31-Mar-19
Gross exposures by portfolio	\$	\$	\$	\$
Authorised Deposit Taking Institutions	28,454,412	28,809,845	28,428,004	29,144,919
Loans	41,668,148	39,988,960	40,424,262	38,550,734
Commitments	7,047,587	7,153,797	7,611,512	6,984,995
Other non-market off-balance sheet exposures	-	-	-	-

FIRST CHOICE CREDIT UNION LTD
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RISK EXPOSURES AND ASSESSMENT

CREDIT RISK

CREDIT RISK BY PORTFOLIO

Credit Exposure	Balance 30/06/2019	Balance 31/03/2019	Impaired 30/06/2019	Impaired 31/03/2019	Past Due 30/06/2019	Past Due 31/03/2019	Specific Provision 30/06/2019	Specific Provision 31/03/2019	Specific Provision Charges 30/06/2019	Specific Provision Charges 31/03/2019	Write Offs 30/06/2019	Write Offs 31/03/2019
ADIs	28,454,412	28,428,004	-	-	-	-	-	-	-	-	-	-
Residential mortgages	32,182,014	30,411,354	-	-	-	-	-	-	-	-	-	-
Other retail	8,964,268	9,071,790	54,336	101,737	-	-	30,701	83,267	22,097	23,450	81,411	1,128
Corporate	521,866	777,169	-	-	-	-	-	-	-	-	-	-
Total Loans	41,668,148	37,603,116	54,336	101,737	-	-	30,701	83,267	22,097	16,289	81,411	1,128
Commitments	7,047,587	7,611,512	-	-	-	-	-	-	-	-	-	-
Other non-market off- balance sheet exposures	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	77,170,147	73,642,632	54,336	101,737	-	-	30,701	42,487	22,097	16,289	81,411	1,128

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RISK EXPOSURES AND ASSESSMENT
CREDIT RISK
GENERAL RESERVE FOR CREDIT LOSSES

	30-Jun-19	31-Mar-19
	\$	\$
General Reserve for credit losses	447,443	447,443

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RISK EXPOSURES AND ASSESSMENT
 Securitisation Activity

a) Summary of current period's securitisation activity:

Total amount of exposures securitised	Nil
Recognised gain or loss on sale	n/a - no sales

b) Aggregate on-balance sheet and off-balance sheet exposures

	30-Jun-19	31-Mar-19
	\$	\$
On-balance sheet securitisation exposures retained or purchased by exposure type	-	-
On-balance sheet securitisation exposures retained or purchased by exposure type - mortgage secured housing loan	-	-



FIRST CHOICE CREDIT UNION LTD

APS 330 PUBLIC DISCLOSURES

REMUNERATION

30 JUNE 2019

Qualitative Disclosures

(a)	<p><u>Remuneration Committee</u></p> <p>The Remuneration Committee oversees remuneration at First Choice Credit Union Ltd (First Choice).</p> <p>The Remuneration Committee is the instrument First Choice uses to ensure that the Remuneration Policy is properly enforced.</p> <p>The committee currently comprises three Board Directors in accordance with the Committee's Terms of Reference being:</p> <ul style="list-style-type: none">• Priscilla Taberner (Chair)• Donald Butler• Paul Thornberry• Tim Robinson <p>First Choice consults McGuirk Management Consultants who publish an annual survey of personal remuneration for mututals.</p>
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Remuneration Policy Scope

The Remuneration policy captures all forms of remuneration and specifically applies to the following employees:

- a) Directors
- b) General Manager
- c) Assistant General Manager
- d) Chief Risk Officer
- e) Credit Manager
- f) Other personnel deemed to affect the financial soundness of First Choice
- g) Other persons as specified by APRA

The Internal Auditors are excluded from the Remuneration policy as they do not receive any performance based payments.

No incentive payments are made to third party contractors and consequently third party contractors are not within the scope of the Remuneration policy.

Description of the types of persons considered as senior managers and material risk takers per Prudential Standard APS 330 Public Disclosures

A 'Senior Manager', under APS 330, para 22(a), refers to each responsible person within the scope of a ADIs Remuneration Policy under CPS 510 Governance.

CPS 520 Fit and Proper defines *responsible person* for First Choice as the:

- Directors of First Choice
- Senior managers of First Choice
- Consultants and contractors performing the functions and duties of a senior manager
- The appointed auditor who provides any report in relation to First Choice to be prepared by an auditor under the Banking Act, Prudential Standards made under the Banking Act or Reporting Standards under the Financial Sector (Collection of Data) Act 2001.
- A person who performs activities for a subsidiary where those activities may affect the whole, or a substantial part, of the business of First Choice

- persons specified in writing by APRA upon it being satisfied that they play a significant role in the management or control of First Choice, or that the person's activities may materially impact on prudential matters.

APS 330 Public Disclosures, para. 22 (b), deems a 'material risk-taker' to be persons included in an ADI's Remuneration Policy under CPS 510 Governance, other than responsible persons and risk and financial control personnel as defined under CPS 510.

Within First Choice's Remuneration Policy no such persons have been identified and to this length no 'material risk-takers' have been identified for the purpose of Prudential Standard APS 330 Public Disclosures.

CPS 510, Governance, defines 'senior manager' as a person other than a director who:

- a) participates in decisions that affect the whole or a substantial part of First Choice's business
- b) has the capacity to significantly affect First Choice's financial standing
- c) may materially affect the whole, or a substantial part of, First Choice's business or financial standing through their responsibility for:
 - i. enforcing policies and implementing strategies approved by the Board
 - ii. developing and implementing processes or systems that identify, assess, manage or monitor risks in relation to business activities and operations
 - iii. monitoring the appropriateness, adequacy or effectiveness of risk management systems.

By applying these definitions, the Board has identified the following as Senior Managers for the purposes of the APS 330 disclosures:

- **The Board of Directors**
- **Paul Dawson (General Manager)**
- **Andrew Bartimote (Assistant General Manager)**
- **Joanna Balcomb (Chief Risk Officer)**

CPS 510 does not require the '*Appointed Auditor*' following to be within the scope of the Remuneration Policy and as such the appointed auditor is not deemed a Senior Managers for the purposes of the disclosures required by APS 330 Public Disclosures.

<p>(b)</p>	<p><u>Design and structure of remuneration processes</u></p> <p>The remuneration policies critical objectives are:</p> <ul style="list-style-type: none"> - To ensure compliance with remuneration practice requirements under APRA Standard CPS 510 Governance - To outline the structure of remuneration arrangements - Ensure the remuneration policy fosters a prudent and risk based organisational culture within First Choice consistent with the Board Risk Management Strategy. The policy actively seeks to lower incentives for Senior Managers to behave in a manner that heightens overall organisational risk. - Ensure the independence of risk and control personnel - Attract and retain capable and motivated Senior Managers <p>The policy was last reviewed in February 2019. The review emphasised the significant role the policy plays in First Choice’s governance framework and driving a prudent organisational culture.</p> <p>First Choice ensures that risk and financial control personnel are remunerated independently of the businesses they oversee, through the provision of remuneration packages that only include a fixed component.</p>
<p>(c)</p>	<p>The main risk areas considered when implementing remuneration practices are those where there are critical day to day policy and procedural decisions to be made e.g. loan approval. The material risks considered include:</p> <ul style="list-style-type: none"> ○ Credit Risk ○ Operational Risk ○ Liquidity Risk ○ Interest Rate Risk ○ Cyber risk and data protection ○ Conduct Risk ○ Business Continuity Risk ○ Culture and Governance Risk ○ Fraud Risk ○ Strategic Risk ○ Insurance Risk <p>The remuneration practices are engineered to encourage behaviours which support the Boards expected values of integrity and honesty and a compliance and risk based decision making culture. This obviously extends to respecting the Board’s risk appetite for all material risks and specific key risk indicators.</p> <p>The primary remuneration practices used to manage risk are:</p>

	<ul style="list-style-type: none"> • Maintenance of a prudentially compliant and prudently sound, Board Remuneration Policy and Board Risk Management Framework • that all person's remuneration covered by the policy consists of only a fixed component • that the Board Remuneration Committee is the Board's instrument for ensuring the policy is complied with.
(d)	Refer commentary under (c).
(e)	Refer commentary under (c).
(f)	Nil.

Quantitative Disclosures

(g)	Number of Remuneration Committee Meetings: 1 Remuneration: Donald Butler: \$0 Paul Thornberry: \$0 Timothy Robinson: \$0 Priscilla Taberner: \$0
(h)	<ul style="list-style-type: none"> • Number of persons entitled to receive a variable remuneration award during the financial year: 0 • Number of guaranteed bonuses awarded during the financial year: Nil • Number and total of sign-on awards made during the financial year: Nil • Number and total amount of termination payments made during the financial year: Nil
(i)	Deferred remuneration: not applicable
(j)	Refer Table 21A below
(k)	Pertains to deferred remuneration: Nil

Table 22A: Total value of remuneration awards for Senior Managers/
Material Risk-Takers

<i>Total value of remuneration awards for the current financial year</i>	<i>Unrestricted (\$)</i>	<i>Deferred (\$)</i>
Fixed remuneration		
- Cash-based	383,261	-
- Shares and share-linked instruments	-	-
- Other	-	-
Variable remuneration		
- Cash-based	-	-
- Shares and share-linked instruments	-	-
- Other	-	-