

FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2017

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	6,789,283
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	7,056,422
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)	105,242
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)	44,687
22	Amount exceeding the 15% threshold	n/a
23	of which: significant investments in the ordinary shares of financial	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	of which: equity investments in financial institutions not reported in rows	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	228,867
29	Common Equity Tier 1 Capital	6,827,555
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	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	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)	6,827,555
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	438,788
51	Tier 2 Capital before regulatory adjustments	438,788
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	of which: holdings of capital instruments in group members by other group members on behalf of third parties	n/a
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 54	n/a
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	n/a
57	Total regulatory adjustments to Tier 2 capital	0
58	Tier 2 capital (T2)	438,788
59	Total capital (TC=T1+T2)	7,266,343
60	Total risk-weighted assets based on APRA standards	38,743,066

Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	17.62%
62	Tier 1 (as a percentage of risk-weighted assets)	17.62%
63	Total capital (as a percentage of risk-weighted assets)	18.76%
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)	10.75%
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	438,788
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	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 2017**

	\$	Mapping to Common Disclosure Template Item #
ASSETS		
Cash and liquid assets	1,288,648	
Receivables due from financial institutions	27,843,547	
Receivables	223,948	
Prepayments	35,735	
Loans and advances to members	33,989,693	
Available for sale investments	78,938	26
Property, plant and equipment	957,112	
Intangibles	105,243	9
Deferred tax assets	68,246	21
TOTAL ASSETS	64,591,110	
LIABILITIES		
Deposits from members	56,366,752	
Creditor accruals and settlement accounts	614,743	
Current tax liabilities	13,281	
Provisions	68,912	
Deferred tax liabilities	23,558	21
TOTAL LIABILITIES	57,087,246	
NET ASSETS	7,503,864	
MEMBERS' EQUITY		
Asset revaluation reserve	267,139	3
Reserve for credit losses	447,443	50/76/77
Retained Earnings	6,789,282	2
TOTAL MEMBERS' EQUITY	7,503,864	

Additional Commentary for reconciliation for capital items 2, 9, 21, 50, 76 and 77

Item 2	Retained Earnings	<u>6,789,283</u>
Balance Sheet	Retained Earnings	<u>6,789,282</u>
	Rounding	<u>1</u>
Item 9	Other intangibles other than mortgage servicing rights (net of related tax liability)	<u>105,242</u>
Balance Sheet	Intangibles	<u>105,243</u>
	Rounding	<u>(1)</u>
Item 21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	<u>44,687</u>
Balance Sheet	Deferred tax assets	68,246
	Deferred tax liabilities	<u>(23,558)</u>
		<u>44,688</u>
	Rounding	<u>(1)</u>
Item 50	Provisions	<u>438,788</u>
Balance Sheet	Reserve for Credit Losses	<u>447,443</u>
Item 76 and 77	Portion of Reserve for Credit Losses in excess of 1.25% of Credit Risk Weighted Assets	<u>(8,655)</u>
		<u>438,788</u>

**FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2017**

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
PUBLIC DISCLOSURES 30 JUNE 2017**

**RISK EXPOSURES AND ASSESSMENT
CAPITAL ADEQUACY**

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

	Assets 30/06/17	Risk Weighted Assets 30/06/17	Assets 31/03/2017	Risk Weighted Assets 31/03/2017
	\$	\$	\$	\$
Cash	181,503	0	219,046	0
Claims on ADIs	29,172,820	13,805,161	30,343,000	13,568,693
Eligible Residential Mortgages	24,078,446	10,183,708	23,234,242	9,603,195
Past Due Loans	213,914	213,914	130,812	130,812
Other claims on private sector counterparties (other loans)	9,697,333	9,697,333	9,526,405	9,526,405
Fixed Assets	957,111	957,111	869,534	869,534
Other Assets	37,555	37,555	54,917	54,917
Securitised assets	0	0	0	0
Loans not yet funded	595,007	208,252	1,564,020	547,407
Loans available for redraw and undrawn overdraft facilities	2,820,782	0	2,706,143	0
Irrevocable standby commitments	2,052,597	0	2,055,079	0
Total capital requirements (in terms of risk-weighted assets) for credit risk and securitisation		35,103,034		34,300,963
Total capital requirements (in terms of risk-weighted assets) for operational risk		3,640,032		3,522,171
Total capital requirements (in terms of risk-weighted assets)		38,743,066		37,823,134
Common Equity Tier 1 ratio		17.62%		17.72%
Tier 1 ratio		17.62%		17.72%
Total Capital ratio		18.76%		18.85%

**FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2017**

**RISK EXPOSURES AND ASSESSMENT
CREDIT RISK**

TOTAL GROSS CREDIT RISK EXPOSURE AND AVERAGE GROSS EXPOSURE OVER PERIOD

	Gross Credit Risk Exposure 30-Jun-17	Average Gross Exposure over the period 30-Jun-17	Gross Credit Risk Exposure 31-Mar-17	Average Gross Exposure over the period 31-Mar-17
Gross exposures by portfolio	\$	\$	\$	\$
Authorised Deposit Taking Institutions	29,172,820	30,275,017	30,343,000	30,167,278
Loans	34,068,352	32,132,113	32,965,989	31,265,227
Commitments	5,468,386	6,351,152	6,325,242	6,371,439
Other non-market off-balance sheet exposures	-	-	-	-

**FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2017**

RISK EXPOSURES AND ASSESSMENT

CREDIT RISK

CREDIT RISK BY PORTFOLIO

Credit Exposure	Balance 30/06/2017	Balance 31/03/2017	Impaired 30/06/2017	Impaired 31/03/2017	Past Due 30/06/2017	Past Due 31/03/2017	Specific Provision 30/06/2017	Specific Provision 31/03/2017	Specific Provision Charges 30/06/2017	Specific Provision Charges 31/03/2017	Write Offs 30/06/2017	Write Offs 31/03/2017
ADIs	29,172,820	30,343,000	-	-	-	-	-	-	-	-	-	-
Residential mortgages	24,797,788	23,781,610	-	-	-	-	-	-	-	-	-	-
Other retail	7,921,886	7,777,825	202,486	206,600	-	-	78,659	74,532	17,190	20,102	13,062	-
Corporate	1,348,678	1,406,554	11,428	10,932	-	-	-	-	-	-	-	-
Total Loans	34,068,352	32,965,989	213,914	217,532	-	-	78,659	74,532	17,190	20,102	13,062	-
Commitments	5,468,386	6,325,242	-	-	-	-	-	-	-	-	-	-
Other non-market off- balance sheet exposures	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	68,709,558	69,634,231	213,914	217,532	-	-	78,659	74,532	17,190	20,102	13,062	-

**FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2017**

**RISK EXPOSURES AND ASSESSMENT
CREDIT RISK
GENERAL RESERVE FOR CREDIT LOSSES**

	30-Jun-17	31-Mar-17
	\$	\$
General Reserve for credit losses	447,443	447,443

**FIRST CHOICE CREDIT UNION LTD
PUBLIC DISCLOSURES 30 JUNE 2017**

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-17	31-Mar-17
	\$	\$
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

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">• Robin Dunkley (Chair)• Timothy Robinson• Paul Thornberry <p>First Choice consults McGuirk Management Consultants who publish an annual survey of personal remuneration for mutuals.</p> <p><u>Remuneration Policy Scope</u></p> <p>The Remuneration policy captures all forms of remuneration and specifically applies to the following employees:</p> <ul style="list-style-type: none">a) The Directorsb) The General Managerc) The Assistant General Managerd) The Chief Risk Officere) The Credit Managerf) Other personnel deemed to affect the financial soundness of First Choiceg) Other persons as specified by APRA
-----	--

The Internal Auditors are excluded from the policy as they do not receive any performance based payments, and their functions are covered by the Risk Management Framework Policy and Internal Audit Policy.

No third party contracts include any form of incentive payments and are therefore not covered by the policy.

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

Per Prudential Standard APS 330 Public Disclosures a 'Senior Manager' refers to each responsible person in an Authorised Deposit Taking Institutions (ADI) Remuneration Policy under paragraph 48(a) of Prudential Standard CPS 510 Governance.

Prudential Standard CPS 520 **Fit and Proper** defines 'responsible person' for First Choice as:

- 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.

Per Prudential Standard APS 330 Public Disclosures a 'material risk-taker' refers to persons included in an ADIs Remuneration Policy CPS 510 paragraph 48(c), which are other persons for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the financial soundness of the regulated institution.

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.

	<p>CPS 520 defines 'senior manager' as a person other than a director who:</p> <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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. <p>By applying these definitions, the Board has identified the following as Senior Managers for the purposes of the disclosures required by Prudential Standard APS 330:</p> <ul style="list-style-type: none"> • The Board of Directors • Paul Dawson (General Manager) • Narelle Carr (Assistant General Manager) • Joanna Balcomb (Risk and Compliance Manager) • Andrew Bartimote (Credit Manager) <p>CPS 510 does not require the following to be covered by the Remuneration Policy and as such these individuals are not deemed Senior Managers for the purposes of the disclosures required by Prudential Standard APS 330 Public Disclosures.</p> <ul style="list-style-type: none"> • Non-executive Directors • The 'Appointed' Auditor
(b)	<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

	<p>incentives for Senior Managers to behave in a manner that heightens overall organisational risk.</p> <ul style="list-style-type: none"> - Ensure the independence of risk and control personnel - Attract and retain capable and motivated Senior Managers <p>The policy was reviewed in May 2017 and no changes were made to the policy.</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>
(c)	<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"> o Credit Risk o Operational Risk o Liquidity Risk o Market Risk o Compliance and Regulatory Risk o Business Continuity Risk o Governance Risk o Fraud Risk o Strategic 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 include:</p> <ul style="list-style-type: none"> • that all person’s remuneration covered by the policy consists of only a fixed component • that the 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: Robin Dunkley: \$0 Timothy Robinson: \$0 Paul Thornberry: \$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 21A: 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	480,547	-
- Shares and share-linked instruments	-	-
- Other	-	-
Variable remuneration		
- Cash-based	-	-
- Shares and share-linked instruments	-	-
- Other	-	-