

First Credit Union

("Credit Union")

Financial Information

The Credit Union is required by law and its Trust Deed to meet certain financial requirements. This table shows how the Credit Union is currently meeting those requirements. These are minimum requirements. Meeting them does not mean that the Credit Union is safe. The section on specific risks relating to First Credit Union's creditworthiness sets out risk factors that could cause its financial position to deteriorate. The Disclose Register provides a breakdown of how the figures in this table are calculated, as well as full financial statements.

Key ratios

Capital Ratio	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
Capital ratio	19.15%	17.50%	16.78%
Minimum capital ratio as per the Trust Deed	8%	8%	8%
Minimum capital ratio that must be set out in the Trust Deed under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010	8%	8%	8%

The capital ratio is a measure of the extent to which First Credit Union is able to absorb losses without becoming insolvent. The lower the capital ratio, the fewer financial assets First Credit Union has to absorb unexpected losses arising out of its business activities.

Related Party Exposures	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
Aggregate exposure to related parties as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010	7.04%	6.73%	7.79%
Maximum limit on aggregate exposures to related parties under the Trust Deed	15%	15%	15%
Maximum limit on aggregate exposures to related parties under the Trust Deed that must be included under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010	15%	15%	15%

Related party exposures are financial exposures that First Credit Union has to related parties. A related party is an entity that is related to the Credit Union through common control or some other connection that may give the party influence over First Credit Union. These related parties include directors.

Liquidity Ratio	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
Liquidity calculated in accordance with the quantitative liquidity requirements in Trust Deed	1.72	1.67	34.88%
Minimum liquidity requirements required by the Trust Deed	<p>To ensure that the liquidity coverage ratio shall not fall below 1.3 at any time where:</p> <p>Liquidity Coverage Ratio means in respect of the immediately following month, the ratio of:</p> $\frac{L + LR + SC}{SR}$ <p>L means Liquid Assets;</p> <p>LR means expected loan receivables within that month;</p> <p>SC means expected gross share contributions within that month; and</p> <p>SR means expected gross share redemptions within that month.</p>	<p>To ensure that the liquidity coverage ratio shall not fall below 1.3 at any time where:</p> <p>Liquidity Coverage Ratio means in respect of the immediately following month, the ratio of:</p> $\frac{L + LR + SC}{SR}$ <p>L means Liquid Assets;</p> <p>LR means expected loan receivables within that month;</p> <p>SC means expected gross share contributions within that month; and</p> <p>SR means expected gross share redemptions within that month.</p>	10%

Liquidity requirements help to ensure that First Credit Union has sufficient realisable assets on hand to pay its debts as they become due in the ordinary course of business. Failure to comply with liquidity requirements may mean that First Credit Union is unable to repay investors on time, and may indicate other financial problems in its business.

Selected financial information

	Year ended 30 June 2016 \$000	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Total assets determined in accordance with GAAP	334,421	295,007	249,216
Total liabilities determined in accordance with GAAP	280,738	245,052	209,222
Net profit after tax determined in accordance with GAAP	3,728	2,425	1,535
Net cash flows from operating activities determined in accordance with GAAP	4,200	3,446	2,961

	Year ended 30 June 2016 \$000	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Cash and cash equivalents determined in accordance with GAAP	3,836	4,475	2,672
Capital calculated in accordance with the Deposit Takers Regulations 2010	47,165	44,239	34,973

Other restrictions

Borrowing

In addition to the financial covenants set out above, the Credit Union is required under the Trust Deed not to permit its creditor liabilities (for amounts other than payable to members on the accounts) to exceed 10% of total liabilities. The actual creditor liabilities for the year ended 30 June 2016 were 1.55%.

The Credit Union's ability to borrow is also restricted by sections 101(2) and 109 to 117 of the FCU Act.

Section 101(2) of the FCU Act provides that a credit union may take no action or do anything which is not directly pursuant to or incidental to its objects or in furtherance of them or is in contravention of the FCU Act or its Rules. The objects of the Credit Union are set out in Section 3 (First Credit Union and what it does) of this document.

Section 109 of the FCU Act provides that a credit union may borrow money if that borrowing is authorised by, and in accordance with, its Rules and the Trust Deed. The Rules allow the Credit Union to borrow as approved by the trustees and is in accordance with the Trust Deed.

Land and Buildings

Section 113 of the FCU Act provides that the Credit Union may only hold an interest in land or buildings if authorised by, and in accordance with, the Rules and the Trust Deed. The Trust Deed and the Rules allow the Credit Union to own land and buildings for the purposes of conducting its business.

Investment

Under section 117 of the FCU Act, the Credit Union may invest its funds only if authorised by, and in accordance with, the Rules and the Trust Deed. The Credit Union is authorised to invest funds under its Rules and the Trust Deed.

KEY RATIO WORKINGS
FIRST CREDIT UNION

30 JUNE 2016

Calculation of Risk-Weighted Capital Adequacy:

		\$M
Capital & Reserves		
Issued and fully paid-up ordinary share capital		0.000
Retained earnings		50.476
Reserves / minority interests		3.207
Preference shares		0.000
Other capital		0.000
Total Gross Capital	[1]	53.683
Regulatory Deductions from Capital		
Subordinated loans to related parties or financial institutions		0.000
Equity investment in a related party or financial institution		5.410
Intangibles / goodwill / deferred tax / future tax benefits		1.108
Other deductions from capital		0.000
Total Deductions from Capital	[2]	6.518
Net Regulatory Capital	(in accordance with the Deposit Takers Regulations 2010)	[3] = [1] - [2]
		47.165

		\$M	Risk weight	Risk Weighted Exposure \$M
Risk Weighted Exposures for Balance Sheet Assets				
Loans				
Residential mortgages (owner occupied and investment)				
	LVR			
<i>Secured by 1st mortgage over land & buildings</i>	<i><=70%</i>	45.462	35%	15.912
<i>Secured by 1st mortgage over land & buildings</i>	<i>>70% to <=80%</i>	16.077	50%	8.039
<i>Secured by 1st mortgage over land & buildings</i>	<i>>80% to <=90%</i>	15.279	100%	15.279
<i>Secured by 1st mortgage over land & buildings</i>	<i>>90% to <=100%</i>	7.279	125%	9.099
<i>Secured by 1st mortgage over land & buildings</i>	<i>>100%</i>	3.845	150%	5.768
<i>Other mortgage security over land & buildings</i>	<i>Any</i>	0.387	150%	0.581
<i>Mortgage Insured by Housing New Zealand Corp</i>	<i>Any</i>	3.156	20%	0.631
Consumer loans - to individuals with loan balance less than \$40,000				
	LVR			
<i>Secured by a PPSR charge over a motor vehicle / boat</i>	<i>Any</i>	53.144	100%	53.144
<i>Secured by a PPSR charge over any other asset</i>	<i>Any</i>	5.174	100%	5.174
<i>Other security</i>	<i>Any</i>	0.524	150%	0.786
<i>Unsecured</i>	<i>Any</i>	5.899	150%	8.849
All other loans				
	LVR			
<i>Secured by a PPSR charge over a motor vehicle / boat</i>	<i><=70%</i>	0.128	100%	0.128
<i>Secured by a PPSR charge over a motor vehicle / boat</i>	<i>>70%</i>	2.487	150%	3.731
<i>Secured by a PPSR charge over an asset not a motor vehicle / boat</i>	<i>Any</i>	0.039	150%	0.059
<i>Other security</i>	<i>Any</i>	0.087	200%	0.174
<i>Unsecured</i>	<i>Any</i>	0.047	200%	0.094
<i>Deposit Set-offs</i>		19.822	0%	0.000
Total Net Loan Book (after provisions)	[4]	178.836		127.445
Other Assets				
Cash (includes notes, coins and gold bullion)		2.128	0%	0.000
NZ registered bank deposits and securities		125.865	20%	25.173
Claim on government securities		0.000	0%	0.000
Claim on public sector entities		0.000	20%	0.000
Trade and receivables		1.198	350%	4.193
Operating leases		0.000	175%	0.000
Fixed assets		9.176	350%	32.116
Equity investment		0.000	600%	0.000
Equity investment in a related party or financial institution		5.410	0%	0.000
Intangibles / goodwill / deferred tax / future tax benefits		1.108	0%	0.000
Deposits with Co-Op Money NZ (BB+)		10.700	100%	10.700
Total Other Assets	[5]	155.585		72.182
Total Assets	[6] = [4] + [5]	334.421		
Off Balance Sheet Assets	[7]	0.000	100%	0.000
Total Risk Weighted Assets	[8] = [4] + [5] + [7]			199.627
Market and Operating Risk Requirement	[9] = ([6]+[8])/2*17.5%			46.729
Total Exposures	[10] = [8] + [9]			246.356
Risk-Weighted Capital Adequacy Ratio	= [3] / [10] * 100			19.15%

Calculation of Related Party Exposure Ratio:

		\$M
Aggregate Related Party Exposure	[11]	3.320
Net Regulatory Capital	[3]	47.165
Related Party Exposure Ratio	= [11] / [3] * 100	7.04%
Maximum Limit		15%

Calculation of Liquidity Ratios:

Liquidity Coverage Ratio	Liquidity Coverage Ratio means in respect of the immediately following month, the ratio of (all with terms less than 90 days):	$\frac{L + LR + SC}{SR}$	
L means Liquid Assets		L	
LR means expected loan receivables within that month		LR	
SC means expected gross share contributions within that month		SC	
SR means expected gross share redemptions within that month		SR	
			\$M
L means Liquid Assets (terms less than 90 days)			
Cash and cash Equivalents			3.836
Call Deposits with Trading Banks/NZACU			39.833
Term Deposits with Trading Banks/NZACU			52.212
Undrawn Overdraft Facility with NZACU			0.050
		L	<u>95.931</u>
LR means expected loan receivables within that month (Quarterly Forecast)		LR	<u>14.501</u>
SC means expected gross share contributions within that month (Quarterly Forecast):			
Expected regular contributions to be received (i.e AP's, DDs, SD's)			164.147
Total expected term deposit reinvestment			37.964
		SC	<u>202.111</u>
SR means expected gross share redemptions within that month (Quarterly Forecast)			
Expected regular deductions to be repaid (i.e AP's, DDs, SD's)			138.017
Expected special account withdrawals (if relevant)			0.000
Expected term deposit maturing in next quarter			44.144
		SR	<u>182.161</u>
Liquidity Coverage Ratio		$\frac{L + LR + SC}{SR}$	1.72

Calculation of Creditor Liabilities:

		\$M
Trade and Other Payables	[12]	4.356
Total Liabilities	[13]	280.738
Creditor Liabilities (as % of Total Liabilities)	= [12] / [13] * 100	1.55%