GEELONG BANK - APS330 Prudential Disclosure - Capital and Credit Risk

Geelong Bank
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1: Common Disclosure - Capital

The Capital disclosures detailed in the template below represents the post 1 January 2018 Basel 111 common disclosure requirements.
Ford Co-Operative Credit Society Limited is applying the Basel 111 regulatory adjustments in full as implemented by APRA.

	Common Equity Tier 1 Capital : instruments and reserves	30-Jun-22	Reconciliation Table Reference
		$	
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-	
2	Retained earnings	8,000,365	
3	Accumulated other comprehensive income (and other reserves)	5,471,811	Table A
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**	**13,472,176**	
	Common Equity Tier 1 Capital : regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-	
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)	-	
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)	91,817	
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	-	Table B
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	-	Table C
26f	of which: capitalised expenses	-	Table D
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA rules	91,817	Table B
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**	**91,817**	
29	**Common Equity Tier 1 Capital (CET1)**	**13,380,359**	
	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*	-	Table E
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	-	

GEELONG BANK - APS330 Prudential Disclosure - Capital and Credit Risk

	Common Equity Tier 1 Capital : instruments and reserves	30-Jun-22	Reconciliation Table Reference
		$	
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)**	**13,380,359**	
	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	-	Table F
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	101,849	
51	**Tier 2 Capital before regulatory adjustments**	**101,849**	
	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)**	**101,849**	
59	**Total capital (TC=T1+T2)**	**13,482,208**	
60	**Total risk-weighted assets based on APRA standards**	**84,440,331**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.85%	
62	Tier 1 (as a percentage of risk-weighted assets)	15.85%	
63	Total capital (as a percentage of risk-weighted assets)	15.97%	
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)	7.00%	
65	*of which: capital conservation buffer requirement*	*2.50%*	
66	*of which: ADI-specific countercyclical buffer requirements*	*0.00%*	
67	*of which: G-SIB buffer requirement*	*N/A*	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	11.35%	
	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)	101,849	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	101,849	
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)*	-	

GEELONG BANK - APS330 Prudential Disclosure - Capital and Credit Risk

1.2: Regulatory Capital Reconciliation to Balance Sheet

	30-Jun-22	Template / Reconciliation Table Reference
Assets		
Cash and cash equivalents	13,549,976	
Financial instruments - held to maturity	48,777,698	
Receivables	326,836	
Prepayments	59,136	
Loans & advances to members	138,515,834	
Other financial investments	92,027	
Property, plant & equipment	4,368,721	
Deferred tax assets	89,620	
Intangible assets	-	
Loans to Capital investors	-	Row 41c
Total assets	**205,779,848**	
Liabilities		
Deposits	191,157,696	
Creditor accruals	263,755	
Current tax liabilities	32,613	
Provisions	227,725	
Deferred tax liabilities	524,034	
Long term borrowings	-	
Total liabilities	**192,205,823**	
Net assets	**13,574,025**	
Members' Equity		
Capital reserve	132,718	Row 3
General reserve	3,000,000	Row 3
Reserve for credit losses	101,849	Row 50
Asset revaluation reserve	2,339,093	Row 3
Retained earnings	8,000,365	Row 2
Total members' equity	**13,574,025**	

1.3: Reconciliation between detailed capital disclosures template and the Regulatory Balance Sheet

Table A

Accumulated other disclosed reserves		
Capital reserve per balance sheet	132,718	
General reserve per balance sheet	3,000,000	
Asset Revaluation Reserve per balance sheet	2,339,093	
Total per capital disclosures template	**5,471,811**	Row 3

Table B

Other financial investments		
Equity investments in financial institutions	-	Row 26d
Investments in commercial entities	91,817	Row 26g
Total per balance sheet	**91,817**	

GEELONG BANK - APS330 Prudential Disclosure - Capital and Credit Risk

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CAPITAL REQUIREMENTS

Capital requirements for Ford Co-Operative Credit Society Limited is determined by the risk weights of the relevant assets held with the minimum required capital to over 8% of the risk weighted assets. Ford Co-Operative Credit Society Limited maintains a capital policy level of Minimum 13% and a capital target of 14%. The current level of capital is 16.16%

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 ended 30 September 2022 is as follows

Table 3: Capital Adequacy

RISK WEIGHTED ASSETS (RWA) BY ASSET CLASS

	Prescribed RWA $	
	30-Sep-22	30-Jun-22
(a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio;		
Cash	-	-
Liquid investments	11,862,536	13,422,426
Loans - secured by residential mortgage	48,831,568	47,597,589
Loans - other retail	3,172,711	3,225,089
Loans - corporate	641,924	803,335
all other assets	4,876,817	4,721,149
Total credit risk on balance sheet	69,385,556	69,769,588
Total credit risk off balance sheet (commitments)	3,767,291	3,622,830
· Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	3,767,291	3,622,830
· Capital requirements for securitisation	-	-
(b) Capital requirements for market risk.	-	-
(c) Capital requirements for operational risk.	11,047,913	11,047,913
Total Risk Weighted assets (Sum above components)	84,200,760	84,440,331

CAPITAL HELD BY GEELONG BANK

The capital held by Ford Co-Operative Credit Society Limited exceeds the policy and minimum capital prescribed by the APRA Prudential standards. This excess facilitates future growth within Ford Co-Operative Credit Society Limited.
The capital ratio is the amount of capital described in Table 1 divided by the risk weighted assets :

	Capital		Capital Ratio	
	30-Sep-22	30-Jun-22	30-Sep-22	30-Jun-22
Common Equity Tier 1	13,503,607	13,380,357	16.04%	15.85%
Tier 1	13,503,607	13,380,357	16.04%	15.85%
Total Capital ratio	13,605,456	13,482,206	16.16%	15.97%

GEELONG BANK - APS330 Prudential Disclosure - Capital and Credit Risk

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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 Ford Co-Operative Credit Society Limited.
Ford Co-Operative Credit Society Limited 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.
Table 4 below excludes the Equities 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 follows in Table 4.

Table 4: Credit Risk (Investments)

Current Quarter - 30 Sep 22

	Current quarter					
Investments with banks and other ADI's	Average gross exposure in quarter	Carrying value on balance sheet at: 30 Jun 22	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	$	$	$	$	$	$
Cuscal - Rated A	3,600,000	3,600,000	-	-	-	-
Banks - Rated AA and above	6,380,449	6,369,894	-	-	-	-
Banks - Rated below AA	34,628,020	31,464,288	-	-	-	-
Unrated institutions – Credit Unions	13,500,000	14,000,000	-	-	-	-
Total	58,108,469	55,434,182	-	-	-	-

Previous quarter - 30 Jun 22

	Previous quarter					
Investments with banks and other ADI's	Average gross exposure in quarter	Carrying value on balance sheet at: 30 Jun 22	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	$	$	$	$	$	$
Cuscal - Rated A	3,600,000	3,600,000	-	-	-	-
Banks - Rated AA and above	7,907,346	6,391,003	-	-	-	-
Banks - Rated below AA	33,545,724	37,791,752	-	-	-	-
Unrated institutions – Credit Unions	15,250,000	13,000,000	-	-	-	-
Total	60,303,070	60,782,755	-	-	-	-

(ii) CREDIT RISK – LOANS

The classes of loans entered into by Ford Co-Operative Credit Society Limited are limited to loans; commitments and other non-market off-balance sheet exposures. Ford Co-Operative Credit Society Limited 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 Ford Co-Operative Credit Society Limited's loans by class, is as follows in Table 4.

Table 4: Credit Risk (Loans)

Current Quarter - 30 Sep 22

Loans Portfolio	Gross exposure value -Average for the period	Gross exposure value on balance sheet at current 30 Sep 22	Commitments – redraws, overdraft facilities undrawn	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase / (Decrease) in specific provision and write offs in qtr
	$	$	$	$	$	$	$
Mortgage secured	135,787,331	137,031,472	10,637,608	-	-	-	-
Personal	3,171,703	3,145,259	225,600	33,469	33,943	70,000	-
Overdrafts & Credit cards	41,187	41,210	812,485	-	-	-	-
Corporate borrowers	722,630	641,924	-	-	-	-	-
Total	139,722,851	140,859,865	11,675,693	33,469	33,943	70,000	-

Previous quarter - 30 Jun 22

Loans Portfolio	Gross exposure value -Average for the period	Gross exposure value on balance sheet at current 30 Jun 22	Commitments – redraws, overdraft facilities undrawn	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase / (Decrease) in specific provision and write offs in qtr
	$	$	$	$	$	$	$
Mortgage secured	120,797,190	134,543,190	10,891,858	426,154	-	-	-
Personal	3,166,516	3,198,147	174,269	34,518	35,115	70,000	-
Overdrafts & Credit cards	41,687	41,163	816,332	-	-	-	-
Corporate borrowers	807,454	803,335	-	-	-	-	-
Total	124,812,847	138,585,835	11,882,459	460,672	35,115	70,000	-

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, and the risk of loss on investments and other assets.

The reserve has been determined on the basis of the past experence 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.

	30-Sep-22	30-Jun-22
Balance	101,849	101,849

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SECURITISATION ARRANGEMENTS

Ford Co-Operative Credit Society Limited 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 Ford Co-Operative Credit Society Limited and the amount securitised in the past quarter ended 30 Sep 22

Table 5: Securitised Exposures

Current Quarter - 30 Sep 22

	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
	$	$	$
Mortgage loans	N/A	N/A	2,056,968
Personal loans	N/A	N/A	-
Credit cards	N/A	N/A	-
Total	N/A	N/A	2,056,968

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

Previous quarter - 30 Jun 22

	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
	$	$	$
Mortgage loans	N/A	N/A	2,388,921
Personal loans	N/A	N/A	-
Credit cards	N/A	N/A	-
Total	N/A	N/A	2,388,921