

Capital Adequacy

Victoria Teachers Credit Union is regulated by the Australian Prudential Regulation Authority (APRA). APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies, and most members of the superannuation industry. All authorised deposit-taking institutions (ADIs) are required to hold sufficient capital to cover unanticipated losses. As set out in Prudential Standard APS110 Capital Adequacy:

“Capital is the cornerstone of an ADI’s financial strength. It supports an ADI’s operations by providing a buffer to absorb unanticipated losses from its activities and, in the event of problems, enables the ADI to continue to operate in a sound and viable manner while the problems are addressed or resolved. The Board of directors (Board) of an ADI has a duty to ensure that the ADI maintains an appropriate level and quality of capital commensurate with the level and extent of risks to which the ADI is exposed from its activities”.

APRA Prudential Standard APS 330 Capital Adequacy Public Disclosure of Public Information requires all ADI’s including Victoria Teachers Credit Union to display on its web site information on its capital adequacy. These disclosures will show the assets of the credit union and their appropriate risk weightings and the capital base. Capital Adequacy is calculated as the capital base divided by the risk weighted assets. The minimum capital adequacy required by APS110 is 8%.

Public Disclosures of Prudential Information As at 30 June 2009

Victoria Teachers Credit Union is the head corporate entity in the consolidated entity to which this disclosed information applies.

Capital Structure

| | \$000's |
|---|----------------|
| Capital Structure | |
| Reserves | 82,796 |
| Retained Earnings, including current year | 6,618 |
| Innovative Instruments | 2,902 |
| Less Prescribed Deductions | (816) |
| Tier 1 Capital (net of deductions) | 91,500 |
| Total Tier 2 Capital (net of deductions) | 8,704 |
| Total Eligible Capital | 100,204 |

Capital Adequacy

| | Risk Weighted Exposures |
|--------------------------------------|-------------------------|
| | \$000's |
| Total Risk Weighted Exposures | 609,573 |
| Capital Base | |
| o Net Tier 1 capital | 91,500 |
| o Total Capital Base | 100,204 |
| Capital adequacy ratio | |
| On net tier 1 capital | 15.01% |
| On total capital base | 16.44% |
| Board Minimum Tier 1 Target | 12.00% |
| APRA minimum total capital | 8.00% |

Credit Risk Exposure

| Type of Credit Exposure \$000's | Gross Exposures at 30 June 2009 | Quarterly Average Gross Exposures | Risk Weighted Assets | Internally Assessed Minimum Capital Requirements | Amount Impaired | Amount Past 90 days | Specific provision | Charge for specific provisions and write- off's for the period |
|---|---------------------------------------|--|----------------------------|--|--------------------|---------------------------|-----------------------|---|
| Secured loans and advances | 681,888 | 669,076 | 256,544 | 30,785 | 901 | 901 | 0 | -133 |
| Unsecured loans and advances | 120,950 | 120,573 | 120,544 | 14,465 | 595 | 595 | 406 | 122 |
| Total Loans and Advances | 802,838 | 789,649 | 377,089 | 45,251 | 1,496 | 1,496 | 406 | -11 |
| Cash and Liquid Assets | 336 | 467 | - | - | - | - | - | - |
| Investments and Other Deposits | 283,231 | 300,630 | 111,226 | 13,347 | - | - | - | - |
| Total Liquid Investments | 283,567 | 301,097 | 111,226 | 13,347 | - | - | - | - |
| Other Assets | 23,315 | 21,952 | 17,386 | 2,086 | - | - | - | - |
| Total Credit Risk | 1,109,720 | 1,112,699 | 505,701 | 60,684 | - | - | - | - |
| Off-Balance Sheet Risk | 224,598 | 221,925 | 39,824 | 4,779 | - | - | - | - |
| Operational Risk | - | - | 64,049 | 7,686 | - | - | - | - |
| Grand Total Risk Weighted Assets | 1,334,318 | 1,334,624 | 609,573 | 73,149 | 1,496 | 1,496 | 406 | -11 |

Total Eligible Capital Holdings **\$100,204**

Eligible capital holdings in excess of Board minimum **\$27,055**

General Reserve for Credit Losses **\$3,242**