

Disclosure of Prudential Information

This disclosure on the capital and credit risk refers to Family First Credit Union Limited trading as Family First Bank (Family First) (ABN 39 087 650 057).

The information in this report is prepared quarterly based on Family First's financial records. The financial records are not audited for the quarters ended 30 September, 31 December, and 31 March.

The report as at the 30 June is based on the financial statements as audited as at the 30 June.

There are no other legal entities that comprise a consolidated group.

Glossary of terms used in this guide is:

- 'AT1' refers to Additional Tier 1 Capital
- the Basel II framework' refers to the document *International Convergence of Capital Measurement and Capital Standards: A Revised Framework*, Comprehensive Version, June 2006, published by the Basel Committee on Banking Supervision (the Basel Committee);
- 'Basel III' refers to the document *Basel III: A global regulatory framework for more resilient banks and banking systems*, revised version, June 2011, published by the Basel Committee;
- 'CET1' refers to Common Equity Tier 1 Capital;
- 'T1' refers to Tier 1 Capital; and
- 'T2' refers to Tier 2 Capital.

The capital terms are further defined in the APRA Prudential Standards APS 110.

Capital Base

The details of the components of the capital base are set out below as at the financial year ended 30 June 2022. These amounts coincide with the audited accounts.

The following tables 1 and 2 set out the elements of the capital held by the Family First including the reconciliation of any adjustments required by the APRA Prudential Standards to the audited financial statements.

Adjustments are usually in the form of deductions of assets not regarded as recoverable in the short term (such as intangible assets and deferred tax assets) and or discounts made to eligible capital of a short term nature.

All regulatory capital elements are consistent with the audited financial statements as at the last reporting date.

CAPITAL WITHIN FAMILY FIRST

Table 1: Common Disclosure – Capital Base Elements		30 June 2022	Reference
Common Equity Tier 1 Capital: Instruments & Reserves		\$	
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	Nil	
2	Retained earnings	12,886,500	a
3	Accumulated other comprehensive income (and other reserves)	1,581,215	b
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	Nil	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	Nil	
6	Common Equity Tier 1 capital before regulatory adjustments	14,467,715	
Common Equity Tier 1 Capital before regulatory adjustments			
7	Prudential valuation adjustments	Nil	
8	Goodwill (net of related tax liability)	Nil	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	Nil	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	Nil	
11	Cash-flow hedge reserve	Nil	
12	Shortfall of provisions to expected losses	Nil	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	Nil	
14	Gains and losses due to changes in own credit risk on fair valued	Nil	
15	Defined Benefit superannuation fund net assets	Nil	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	Nil	
17	Reciprocal cross-holdings in common equity	Nil	
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)	Nil	c
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)	Nil	
20	Mortgage service rights (amount above 10% threshold)	Nil	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	113,576	d

Table 1: Common Disclosure - Capital Base Elements		30 June 2022	Reference
Common Equity Tier 1 Capital: Instruments & Reserves		\$	
Common Equity Tier 1 Capital before regulatory adjustments			
22	Amount exceeding the 15% threshold	Nil	
23	of which: significant investments in the ordinary shares of financial	Nil	
24	of which: mortgage servicing rights	Nil	
25	of which: deferred tax assets arising from temporary differences	Nil	
Common Equity Tier 1 Capital: Instruments & Reserves		\$	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	296,007	
26a	of which: treasury shares	Nil	
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP)	Nil	
26c	of which: used to purchase new ordinary	Nil	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	Nil	
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	Nil	
26f	of which: capitalised expenses	296,007	e
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	Nil	
26h	of which: covered bonds in excess of asset cover in pools	Nil	
26i	of which: undercapitalisation of a non-consolidated subsidiary	Nil	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	Nil	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	Nil	
28	Total regulatory adjustments to Common Equity Tier 1	409,583	
29	Common Equity Tier 1 Capital (CET1)	14,058,132	
Additional Tier 1 Capital: Instruments			
30	Directly issued qualifying Additional Tier 1 instruments	Nil	
31	of which: classified as equity under applicable accounting standards	Nil	
32	of which: classified as liabilities under applicable accounting standards	Nil	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	Nil	

Table 1: Common Disclosure - Capital Base Elements		30 June 2022	Reference
Common Equity Tier 1 Capital: Instruments & Reserves		\$	
Additional Tier 1 Capital: Instruments			
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)	Nil	
35	of which: instruments issued by subsidiaries subject to phase out	Nil	
36	Additional Tier 1 Capital before regulatory adjustments	0	
Additional Tier 1 Capital: Regulatory Adjustments			
37	Investments in own Additional Tier 1 instruments	Nil	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	Nil	
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)	Nil	
Additional Tier 1: Regulatory Adjustments		\$	
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)	Nil	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	Nil	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	Nil	
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	Nil	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	Nil	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	Nil	
43	Total regulatory adjustments to Additional Tier 1 capital	0	
44	Additional Tier 1 capital (AT1)	0	
45	Tier 1 Capital (T1=CET1+AT1)	14,058,132	

Table 1: Common Disclosure - Capital Base Elements		30 June 2022	Reference
Common Equity Tier 1 Capital: Instruments & Reserves		\$	
Tier 2 Capital: Instruments & Provisions			
46	Directly issued qualifying Tier 2 instruments	Nil	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	Nil	
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)	Nil	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	Nil	
50	Provisions	277,803	f
51	Tier 2 Capital before regulatory adjustments	277,803	
Tier 2 Capital: Regulatory Adjustments			
52	Investments in own Tier 2 instruments	Nil	
53	Reciprocal cross-holdings in Tier 2 instruments	Nil	
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)	Nil	
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.	Nil	
56	National specific regulatory adjustments	Nil	
56a	of which: holdings of capital instruments in group	Nil	
56b	of which: investments in the capital of financial institutions	Nil	
56c	Of which: other national specific regulatory adjustments not reported in rows 56a and 56	Nil	
57	Total regulatory adjustments to Tier 2 capital	0	
58	Tier 2 capital (T2)	277,803	
59	Total capital (TC=T1+T2)	14,335,935	
60	Total risk-weighted assets based on APRA standards	91,722,754	

Table 1: Common Disclosure - Capital Base Elements		30 June 2022	Reference
Common Equity Tier 1 Capital: Instruments & Reserves		\$	
Capital Ratios and Buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.33%	
62	Tier 1 (as a percentage of risk - weighted assets)	15.33%	
63	Total capital (as a percentage of risk-weighted assets)	15.63%	
64	Buffer requirement (minimum CET1 requirement of 7.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	10.00%	
65	of which: capital conservation buffer requirement	1.50%	
66	of which: ADI-specific countercyclical buffer	0.00%	
67	of which: SIB buffer requirement (not applicable)	N/A	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	7.63%	
National Minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	N/A	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	N/A	
71	National total capital minimum ratio (if different from Basel III minimum)	N/A	
Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial	N/A	
73	Significant investments in the ordinary shares of financial entities	N/A	
74	Mortgage servicing rights (net of related tax liability)	N/A	
75	Deferred tax assets arising from temporary differences	N/A	
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)	277,803	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,009,818	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach	N/A	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	N/A	

Table 1: Common Disclosure - Capital Base Elements		30 June 2022	Reference
Capital Instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 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

Family First is an Authorised Deposit Taking Institution. It does not consolidate any entities for accounting or regulatory purposes. Comparison of accounting and regulatory balance sheet as at 30 June 2022:

Table 2 Regulatory Capital Reconciliation	Balance Sheet as at 30 June 22	Under regulatory scope 30 June 22	Reference to Table 1 Common Disclosure
ASSETS			
Cash and cash equivalents	1,833,610	1,833,610	
Liquid investments	52,801,211	52,801,211	
Non liquid investments	47,876	47,876	
Receivables	131,953	131,953	
Loans to members	158,084,898	158,084,898	
Investment securities	5,083	5,083	c
Of which: commercial (non-financial) entities	5,083	5,083	
Property, plant & equipment	580,670	580,670	
Taxation assets	167,892	167,892	d
Of which: deferred tax assets	167,892	167,892	
Intangible assets	243,899	243,899	e
Other assets	1,554,709	1,554,709	
Right of Use Assets	236,662	236,662	
TOTAL ASSETS	215,688,463	215,688,463	
LIABILITIES			
Deposits from members	190,428,301	190,428,301	
Creditors accruals and settlement accounts	1,450,843	1,450,843	
Borrowings	8,453,041	8,453,041	
Tax liabilities	178,280	178,280	
Provisions	263,418	263,418	
Lease Liabilities	238,477	238,477	
TOTAL LIABILITIES	201,012,360	201,012,360	
NET ASSETS	14,676,103	14,676,103	
MEMBERS' EQUITY			
Asset revaluation reserve	371,298	371,298	
General reserve for credit losses	277,803	277,803	f
Retained earnings	14,027,002	14,027,002	a/b
TOTAL MEMBERS' EQUITY	14,676,103	14,676,103	

Capital Instruments Within Family First

Disclosure for main features of regulatory capital instruments. The regulatory capitals limited to:

- Retained earnings
- General reserve for credit losses
- Asset revaluation reserves

There are no capital instruments (shares, debt instruments) issued by the Credit Union.

1	Issuer	N/A
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	N/A
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	N/A
5	Post-transitional Basel III rules	N/A
6	Eligible at solo/group/group & solo	N/A
7	Instrument type (ordinary shares/preference shares/subordinated notes/other)	N/A
8	Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	N/A
9	Par value of instrument	N/A
10	Accounting classification	N/A
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons/dividends</i>	N/A
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A

Table 3 Disclosure for main features of Regulatory Capital instruments		
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument)	N/A
36	Non compliant transitioned feature	N/A
37	If yes, specify non-compliant features	N/A

CAPITAL REQUIREMENTS

Capital requirements in Family First is determined by the risk weights of the relevant assets held with the minimum required capital to over 12.5% of the risk weighted assets. The Credit Union maintains a capital policy level of minimum 14% and a capital target range of 14.25% and 17.25%.

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 are as follows:

Table 4 Risk Weighted Assets by asset class	RWA Current Qtr 30 Jun 22	RWA Current Qtr 31 Mar 22
a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio <ul style="list-style-type: none"> ▪ Loans - secured by residential mortgage ▪ Loans - other retail ▪ Loans - corporate ▪ Liquid investments ▪ All other assets Total credit risk on balance sheet <ul style="list-style-type: none"> ▪ Undrawn financial commitments (overdrafts, loans approved not advanced) ▪ Capital requirements for securitisation Total credit risk off balance sheet (commitments)	56,865,638 3,605,897 166,628 14,827,440 1,475,906 76,941,509 3,843,942 3,843,942	55,478,560 3,944,655 155,625 14,395,242 1,624,771 75,598,853 3,316,585 3,316,585
b) Capital requirements for market risk	-	-
c) Capital requirements for operational risk	10,937,303	10,420,984
Total Risk Weighted Assets	91,722,754	89,336,422

CAPITAL HELD BY FAMILY FIRST

The capital held by Family First exceeds the policy and minimum capital prescribed by the APRA Prudential standards. This excess facilitates future growth within Family First.

The capital ratio is the amount of capital described in Table 1 divided by the risk weighted assets.

Table 5 Capital held by Family First	Capital \$ Current Qtr 30 Jun 22	Capital \$ Current Qtr 31 Mar 22	Capital Ratio % Current Qtr 30 Jun 22	Capital Ratio % Current Qtr 31 Mar 22
Common Equity Tier 1	14,058,132	13,842,636	15.33%	15.49%
Tier 1	14,058,132	13,842,636	15.33%	15.49%
Total Capital	14,335,935	14,120,440	15.63%	15.81%

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 Family First.

Family First 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.

The Table 6 below excludes the equities, securitisation and shared loan exposures. Securitisation and shared loan exposures are set out in the Table 8 that follows.

The exposure values associated with each credit quality step are as follows in Table 6.

Table 6 Investments with banks and other ADI's	Current Quarter - 30 June 2022					
	Average Gross Exposure In Qtr (\$)	Carrying Value on Balance Sheet (\$)	Past due facilities	Impaired facilities	Specific provision as at the end of the qtr	Increase in specific provision and write offs in qtr
CUSCAL	5,403,004	4,416,887	-	-	-	-
Major Banks	11,837,690	11,584,990	-	-	-	-
Gov't Bonds	11,342,350	10,953,800				
Other rated ADI's	20,626,138	20,751,279	-	-	-	-
Unrated institutions - ADI's	6,753,764	7,185,212	-	-	-	-
Total	55,782,946	54,892,168	-	-	-	-

Table 6 Investments with banks and other ADI's	Previous Quarter - 31 March 2022					
	Average Gross Exposure In Qtr (\$)	Carrying Value on Balance Sheet (\$)	Past due facilities	Impaired facilities	Specific provision as at the end of the qtr	Increase in specific provision and write offs in qtr
CUSCAL	4,890,663	6,451,150	-	-	-	-
Major Banks	11,592,982	11,589,668	-	-	-	-
Govt Bonds	11,494,300	11,480,899				
Other rated ADI's	20,816,501	20,253,800	-	-	-	-
Unrated institutions - ADI's	5,123,566	5,203,976	-	-	-	-
Total	53,918,012	54,979,493	-	-	-	-

(ii) CREDIT RISK - LOANS

The classes of loans entered into by Family First are limited to loans, commitments and other non-market off-balance sheet exposures. Family First 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 Family First's loans by class is as follows in Table 7.

Table 7 Loans Portfolio (excludes securitisation / shared loans)	Current Quarter - 30 June 2022						
	Average Gross Exposure In Qtr (\$)	Gross Exposure on Balance Sheet (\$)	Commit- ments redraws, LOC's and overdraft facilities	Past due facilities	Impaired facilities	Specific provision as at the end of the qtr	Increase in specific provision and write offs in qtr
Mortgage secured	151,120,974	154,006,946	16,349,950	818,440	-	-	-
Personal	3,817,859	3,690,775	984,708	-	93,796	48,006	6,084
Overdrafts	107,246	100,467	149,821	-	8,737	4,873	(506)
Corporate borrowers	453,104	476,079	173,921	-	-	-	-
Total	155,499,183	158,274,267	17,658,400	818,440	102,533	52,879	5,578

(ii) CREDIT RISK - LOANS

Table 7 Loans Portfolio (excludes securitisation / shared loans)	Previous Quarter - 31 March 2022						
	Average Gross Exposure In Qtr (\$)	Gross Exposure on Balance Sheet (\$)	Commitments redraws, LOC's and overdraft facilities	Past due facilities	Impaired facilities	Specific provision as at the end of the qtr	Increase in specific provision and write offs in qtr
Mortgage secured	149,083,316	149,602,790	14,361,386	549,103	-	-	-
Personal	4,068,638	3,977,466	988,921	-	79,735	41,922	10,555
Overdrafts	113,167	103,917	122,542	-	9,713	6,190	429
Corporate borrowers	434,222	444,644	155,356	-			
Total	153,699,343	154,128,817	15,628,205	549,103	89,448	48,112	10,984

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.

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

	Current Quarter 30 June 2022	Previous Quarter 31 March 2022
Balance	\$277,803	\$277,803

SECURITISATION / SHARED LOAN ARRANGEMENTS

Family First has entered into arrangements for securitised / shared loans to support its liquidity and capital requirements from time to time. The table below states the current value of securitised / shared loans managed by Family First and the amount securitised / shared in the past quarter.

Table 8 Securitisation / Shared Loan Arrangements	Current Quarter - 30 June 2022		
	Loans securitised / shared in current quarter by type of securitisation	Aggregate amount of securitised / shared loans on balance sheet exposure (retained or purchased)	Securitized / shared loans off-balance sheet exposure
Mortgage loans	-	406,167	3,473,701
Personal loans	-	-	-
Credit Cards	-	-	-
Total	-	406,167	3,473,701

Table 8 Securitisation / Shared Loan Arrangements	Previous Quarter - 31 March 2022		
	Loans securitised / shared in current quarter by type of securitisation	Aggregate amount of securitised / shared loans on balance sheet exposure (retained or purchased)	Securitized / shared loans off-balance sheet exposure
Mortgage loans	-	461,946	3,973,778
Personal loans	-	-	-
Credit Cards	-	-	-
Total	-	461,946	3,973,778