

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 31 December 2022.

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 quarter ended 31 December 2022.

The following tables 1 and 2 set out the elements of the capital held by 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 REQUIREMENTS

Capital requirements in Family First is determined by the risk weights of the relevant assets held with the minimum required capital to over 8% of the risk weighted assets. Family First maintains a capital policy level of minimum 14% and a capital target range of 14.25 to 17.50%.

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 31 Dec 22	RWA Previous Qtr 30 Sep 22
a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio		
▪ Loans – secured by residential mortgage	59,090,924	57,373,875
▪ Loans – other retail	3,232,788	3,453,725
▪ Loans – corporate	8,626	14,759
▪ Liquid investments	13,949,915	14,225,018
▪ All other assets	1,464,908	1,433,690
Total credit risk on balance sheet	77,747,161	76,501,067
▪ Undrawn financial commitments (overdrafts, loans approved not advanced)	3,571,479	3,283,628
▪ Capital requirements for securitisation		
Total credit risk off balance sheet (commitments)	3,571,479	3,283,628
b) Capital requirements for market risk	-	-
c) Capital requirements for operational risk	11,410,388	10,937,303
Total Risk Weighted Assets	92,729,028	90,721,998



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	Capital \$ Current Qtr 31 Dec 22	Capital \$ Previous Qtr 30 Sep 22	Capital Ratio % Current Qtr 31 Dec 22	Capital Ratio % Previous Qtr 30 Sep 22
Common Equity Tier 1	14,762,774	14,423,741	15.92%	15.90%
Tier 1	14,762,774	14,423,741	15.92%	15.90%
Total Capital	15,040,578	14,701,545	16.22%	16.21%

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 and securitisation exposures. Securitisation 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 - 31 Dec 22					
	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	4,340,536	3,495,323	-	-	-	-
Major Banks	10,568,947	10,565,478	-	-	-	-
Govt Bonds	10,912,705	10,899,006				
Other rated ADI's	19,506,056	19,507,681	-	-	-	-
Unrated institutions - ADI's	6,008,932	5,317,304	-	-	-	-
Total	51,337,176	49,784,792	-	-	-	-

Table 6 Investments with banks and other ADI's	Previous Quarter - 30 Sep 22					
	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	4,225,264	3,040,000	-	-	-	-
Major Banks	11,078,722	10,572,415	-	-	-	-
Govt Bonds	10,940,027	19,504,433	-	-	-	-
Other rated ADI's	20,440,359	10,926,403	-	-	-	-
Unrated institutions - ADI's	7,412,598	7,257,435	-	-	-	-
Total	54,096,970	51,300,686	-	-	-	-

(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)	Current Quarter - 31 Dec 22						
	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	158,305,440	162,851,184	16,663,670	386,724	-	-	-
Personal	3,472,609	3,350,584	864,584	-	84,431	41,518	(72)
Overdrafts	104,744	104,666	78,118	-	8,673	4,742	(6,578)
Corporate borrowers	36,831	24,646	625,354	-			
Total	161,919,624	166,331,080	18,231,726	386,724	93,104	46,260	(6,650)

(ii) CREDIT RISK - LOANS

Table 7 Loans Portfolio (excludes securitisation)	Previous Quarter - 30 Sep 22						
	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	156,032,443	157,030,799	15,083,569	814,057	-	-	-
Personal	3,638,767	3,563,830	894,334	-	62,909	48,130	124
Overdrafts	104,670	104,256	147,670	-	15,127	11,386	6,532
Corporate borrowers	160,945	42,170	607,830	-			
Total	159,936,825	160,741,055	16,733,403	814,057	78,036	59,516	6,656

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 31 Dec 22	Previous Quarter 30 Sep 22
Balance	\$277,803	\$277,803

SECURITISATION ARRANGEMENTS

Family First has entered into arrangements for securitised / shared loans to support its liquidity 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 Loans Arrangements	Current Quarter - 31 Dec 22		
	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	-	399,825	3,419,990
Personal loans	-	-	-
Credit Cards	-	-	-
Total	-	399,825	3,419,990

Table 8 Securitisation / Shared Loans Arrangements	Previous Quarter - 30 Sep 22		
	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	-	402,420	3,441,743
Personal loans	-	-	-
Credit Cards	-	-	-
Total	-	402,420	3,441,743