

First Option Bank – Annual Regulatory Disclosures – 30th June 2021

Capital Base as at 30th June 2021		
		\$'000 (audited)
Common Equity Tier 1 Capital: Instruments and Reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	
2	Retained earnings	15,048
3	Accumulated other comprehensive income (and other reserves)	
4	Directly issued capital subject to phase out from CET1	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	CET1 capital before regulatory adjustments	15,048
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)	(120)
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	
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 - amount >10% threshold	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation - amount >10% threshold	
20	Mortgage service rights - amount >10% threshold	
21	Deferred tax assets arising from temporary differences - amount >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 serving rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments	(228)
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, & 23	0
26e	of which: deferred tax assets not reported in rows 10,21 & 25	(228)
26f	of which: capitalised expenses	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	
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 rows 26a to 26i	
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	Total Regulatory Adjustments to Common Equity Tier 1	(348)
29	Common Equity Tier 1 Capital (CET1)	14,700

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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	
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	AT1 Capital before regulatory adjustments	0
Additional Tier 1 Capital: Regulatory Adjustments		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Instruments in the capital of banking, financial & insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions where the ADI does not own more the 10% of the issued share capital (amount > 10% threshold)	
40	Significant investments in the capital of banking, financial & insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
41	National specific regulatory adjustments	
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	
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	0
44	Additional Tier 1 Capital (AT1)	0
45	Tier 1 Capital (T1 = CET1 + AT1)	14,700
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	
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	453
51	Tier 2 Capital before regulatory adjustments	453
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 > 10% threshold)	
55	Significant investments in the Tier 2 capital of banking, financial & insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	
56	National specific regulatory adjustments	
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 consolidations not reported in rows 54 and 55	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	

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57	Total regulatory adjustments to Tier 2 Capital	0
58	Tier 2 Capital (T2)	453
59	Total Capital (TC = T1 + T2)	15,153
60	Total risk-weighted assets based on APRA standards	104,052
Capital Ratios and Buffers		
61	Common Equity Tier 1 (as a % of risk-weighted assets)	14.13%
62	Tier 1 (as a % of risk-weighted assets)	14.13%
63	Total Capital (as a % of risk-weighted assets)	14.56%
64	Capital Conservation Buffer	2.50%
65	of which: capital conservation buffer requirement	
66	of which: ADI specific counter cyclical buffer requirements	
67	of which: G-SIB buffer requirement (not applicable)	
68	CET1 Available to meet Capital Conservation Buffer	7.00%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Base III minimum)	
70	National Tier 1 minimum ratio (if different from Base III minimum)	
71	National total capital minimum ratio (if different from Base 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)	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	
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)	

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Regulatory Capital Reconciliation	Balance Sheet as per Financial Statements 30-Jun-21	Under Regulatory Scope of Consolidation 30-Jun-21
Assets		
Cash and balances at central banks	6,915,878	6,915,878
Loans and advances to banks	50,909,549	50,909,549
Loans and advances to members	191,556,080	191,556,080
Current and deferred tax assets	228,434	228,434
Prepayments, accrued income and other assets	255,970	255,970
Intangible assets	119,663	119,663
Property, lease, plant and equipment	246,484	246,484
Total assets	250,232,058	250,232,058
Liabilities		
Member deposits	227,672,715	227,672,715
Accruals and other liabilities	2,754,540	2,754,540
Current tax liability	0	0
Provisions	728,536	728,536
Borrowings	3,575,179	3,575,179
Total liabilities	234,730,970	234,730,970
Shareholders' Equity		
Retained earnings	15,501,088	15,501,088
Of which Common Equity Tier 1 Capital	15,048,419	15,048,419
Of which Additional Tier 1 Capital	0	0
Of which Tier 2 Capital	452,669	452,669
Total shareholders' equity	15,501,088	15,501,088

Main Features of Capital Instruments (Table 2)

Regulatory capital is limited to Retained Earnings and the General Reserve for Credit Losses. There are no capital instruments issued by First Option Bank.

Remuneration Disclosures – as at 30th June 2021

Information relating to those that oversee remuneration:

First Option Bank has a Remuneration Committee to oversee the remuneration as per the bank's Remuneration Policy. The remuneration of the Board must be approved by the members in general meeting before being effective.

The Remuneration Committee comprises the Board of Directors of the bank.

For the purposes of APS 330, the management team is divided into:

	Description	Number
Executive directors		Nil
Senior managers	Managers including the functions of Lending, Risk and Compliance	3
Material risk-taker	Persons subject to bonus or performance based remuneration	Nil

Information relating to the design and structure of remuneration:

The Board of First Option Bank has approved a Remuneration Policy covering the entire organisation. The policy has been established to oversee the remuneration of the senior managers of credit union in line with the requirements of CPS 510 Governance. The policy was last reviewed in December 2020. No major changes were made to the policy.

The risk and compliance area is overseen by the Chief Risk Officer who is on a fixed salary which is evaluated under the Remuneration Policy to ensure that the reporting obligations are not compromised by financial incentives.

How current and future risks are taken into account in the remuneration process:

The Remuneration Policy seeks to ensure that quality employees are employed, and retained and are remunerated in accordance with their responsibilities and experience.

The Remuneration Committee assess the relevant remuneration on a case by case basis to ensure the remuneration reflects the skill and experience of the managers to meet the board expectations and changes in the business proposed by the strategic plan.

How First Option seeks to link performance during a performance measurement period with levels of remuneration:

First Option's performance is impacted by the market conditions at the time and by the level of adherence to its policies, so as to remain within the Board's risk appetite.

First Option does not have a direct link between the performance and remuneration. The Remuneration Committee takes into account a combination of factors, such as financial performance in the economic environment, compliance with regulatory requirements and the results of other strategic goals, in assessing the performance of the CEO.

Adjustments to remuneration to account for longer-term performance:

There are no specific measures taken to reward longer term performance. Remuneration is based on the salary agreed in consultation with the senior manager. There is no deferred remuneration arranged with the managers other than the employee statutory entitlements and award conditions as amended.

Variable remuneration:

There are no elements of variable remuneration at First Option that are pre-determined. A performance bonus may be awarded in the event of exceptional performance.

Remuneration Disclosures – as at 30th June 2021

Quantitative Disclosures for the Period Ended 30th June 2021	
Number of meetings of the Remuneration Committee	2
Total remuneration paid to Remuneration Committee members	Nil
Number of employees receiving a variable remuneration award	Nil
Number and total amount of guaranteed bonuses awarded	Nil
Number and total amount of sign-on awards made	Nil
Number and total amount of termination payments made	Nil
Total amount of outstanding deferred remuneration	Nil
Total amount of deferred remuneration paid out in the year	Nil

Remuneration Awards for Senior Managers		
	Unrestricted	Deferred
Fixed remuneration:		
Cash	552,988	Nil
Non-cash	Nil	Nil
Variable remuneration		
Cash	Nil	Nil
Non-cash	Nil	Nil