



APRA Basel III Pillar 3 Disclosures

Year ending 30 June 2025

Introduction

Heritage and People's Choice Limited (trading as People First Bank) is an Authorised Deposit-taking Institution regulated by the Australian Prudential Regulation Authority (**APRA**) under the authority of the Banking Act 1959.

This report has been prepared by People First Bank to meet the Pillar 3 disclosure requirements set out in APRA's prudential standard APS 330 *Public Disclosure*.

People First Bank maintain a Board approved Public Disclosure policy to ensure it remains compliant with the APS 330 prudential disclosure requirements. The policy outlines People First Bank's approach in determining the content of prudential disclosures and the internal controls and processes for making those disclosures, including the review and validation process.

Attestation

As the Chief Financial Officer of People First Bank, I attest that the information presented in the attached APS 330 Pillar 3 disclosures for the year ending 30 June 2025 have been prepared in accordance with People First Bank's Board approved APS 330 Public Disclosure policy to meet the disclosure requirements as set out in APRA's prudential standard APS 330 *Public Disclosure*.



Vince Pace
Chief Financial Officer

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KM1: Key metrics (at consolidated group level)
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The following table provides an overview of People First Bank's key metrics.

		a	b	c	d	e
		30/06/2025	31/03/2025	31/12/2024	30/09/2024	30/06/2024
		\$m	\$m	\$m	\$m	\$m
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	1,345	1,320	1,299	1,239	1,228
2	Tier 1	1,345	1,320	1,299	1,239	1,228
3	Total capital	1,535	1,461	1,441	1,381	1,370
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	8,766	8,777	8,892	9,013	8,849
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	15.35%	15.04%	14.61%	13.74%	13.88%
6	Tier 1 ratio (%)	15.35%	15.04%	14.61%	13.74%	13.88%
7	Total capital ratio (%)	17.51%	16.64%	16.21%	15.32%	15.49%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	1.00%	1.00%	1.00%	1.00%	1.00%
11	Total of bank CET1 specific buffer requirements (%)	3.50%	3.50%	3.50%	3.50%	3.50%
12	CET1 available after meeting the bank's minimum capital requirements (%) ⁽¹⁾	10.85%	10.54%	10.11%	9.24%	9.38%

Notes

⁽¹⁾ CET1 available after meeting the bank's minimum capital requirements is calculated as the CET1 ratio, less the minimum CET1 capital requirement (4.5%)

OVA: Bank risk management approach

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To assist with the effective management of risks, People First Bank has defined a robust governance and accountability model. The accountability model relies on three distinct groups, each with defined responsibilities for effective management and oversight of risks and controls. The different roles and responsibilities for managing risks and controls are set out below:

- Line One: Primary ownership, responsibility, and accountability for identifying, evaluating, mitigating, monitoring, controlling, and managing risks within the approved risk appetite and in line with risk related policies and procedures. Line One consists of all Divisions except Internal Audit and Group Risk.
- Line Two: Establishes and maintains key elements of the Enterprise Risk Management Framework (Risk Framework) to promote a consistent and effective approach to risk management in line with the Board's risk appetite. Line Two supports Line One to manage risk by bringing expertise and oversight (including challenge) of how risk is managed by Line One. Line Two includes the Group Risk Division.
- Line Three: The People First Bank Internal Audit function provides independent assurance over how effectively Line One and Line Two are managing risks and controls.

The role of the Board

The Board is responsible for setting the strategic direction of People First Bank and for overseeing the management of risks through the operation of the Risk Framework by management. People First Bank's risk governance structure has been designed to effectively monitor and manage the risks that could have a material impact on People First Bank or its members. To facilitate the Board in discharging its responsibilities, Board sub-committees have been formed that support effective risk management. The Board sub-committees and the key risk management role of each is included below:

- Board Audit Committee: Assists the Board to oversee the effectiveness of People First Bank's prudential and statutory financial reporting, accounting activities and related policies and control frameworks as well as the internal and external audit activities and functions. This Committee oversees internal and external audit activities covering all material risk categories.
- Board Risk and Compliance Committee: Assists the Board to oversee the implementation and operation of the People First Bank risk management and compliance frameworks. This Committee oversees the management of all material risk categories except Information Security Risk and Cyber Risk.
- Board Remuneration and Governance Committee: Assists the Board to oversee the design, operation, and monitoring of People First Bank's remuneration and corporate governance frameworks. This Committee supports the prevention and mitigation of Conduct Risk.
- Board Technology and Integration Committee: Assists the Board to oversee the formulation, implementation, and delivery of People First Bank's technology and integration strategies. This Committee oversees the management of the Information Security Risk, Cyber Risk and Operational Risk material risk categories.

The role of Management

The People First Bank CEO has the authority to form Management Committees to monitor and oversee key risks within People First Bank. The Executive Committees and the key risk management role of each is included below:

- Executive Committee: The role of the Committee is to discuss, challenge, review, and refer matters arising that are beneficial to People First Bank's performance and strategy by ensuring that People First Bank operates in accordance with its regulatory requirements and in its members' interests and assesses and manages all material risk categories.
- Asset and Liability Committee: The role of the Committee is to monitor and review financial performance and resilience and to oversee the principles, strategies, processes, and control frameworks associated with Credit Risk, Funding and Liquidity Risk and Market Risk.
- Non-Financial Risk Committee: The role of the Committee is to provide a structured forum to review, advise, oversee, approve and endorse matters relating to People First Bank's non-financial risks (including strategic risk, operational risk, compliance risk, information security risk, and cyber risk management), including the adequacy of related frameworks.
- Executive Investment and Integration Committee: The role of the Committee is to provide a structured forum to review, discuss, approve, oversee, and provide advice, and recommendations on matters relating to merger integration, People First Bank's project portfolio and operational expenditure programs, including making optimal resource allocation decisions aligned to People First Bank's strategic objectives in the interests of members.

Risk strategy and appetite

People First Bank's strategic planning process is integrated with People First Bank's risk framework and setting of risk appetite to ensure risk outcomes are considered when making strategic choices. People First Bank recognises that in pursuing its strategic objectives and carrying on banking operations, it is exposed to, and must effectively manage financial and non financial risks. The Board has defined a risk appetite for material risks that encourages taking the right amount of risk in an informed and proactive manner while managing and mitigating downside risks to protect the business. The risk appetite is expressed in qualitative statements and quantitative risk measures. The Board monitors People First Bank's risk profile and oversees management's risk taking activities to ensure the bank operates within an acceptable risk appetite.

The Board's risk appetite is a key consideration in capital management and setting minimum capital requirements. The capital level must be adequate to support all material risks, allowing People First Bank to remain solvent under extreme circumstances, and to survive an extreme stress event. Scenario analysis and stress testing must be performed periodically against the risk appetite and tolerance limits to confirm that the risk appetite does not overstate risk capacity.

Risk Culture

Risk Culture is the influence corporate culture has on how we manage risk. Risk culture is fundamental to the achievement of People First Bank's strategic and business objectives. Our Values and Code of Conduct underpin the desired risk culture and the way we want people to do things. The Board and Executive are committed to establishing and maintaining a corporate culture that is guided by strong risk management and promotes appropriate ethical standards for the conduct of business and responsible behaviour.

OV1: Overview of risk-weighted assets (RWA)
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The following table provides an overview of People First Bank's risk weighted assets (RWA) and the related minimum capital requirement.

		a	b	c
		RWA		Minimum capital requirements
		30/06/2025	31/03/2025	30/06/2025
		\$m	\$m	\$m
1	Credit risk (excluding counterparty credit risk)	7,911	7,924	633
2	Of which: standardised approach (SA)	7,911	7,924	633
6	Counterparty credit risk (CCR)	8	5	1
9	Of which: other CCR	8	5	1
16	Securitisation exposures in banking book	18	19	1
18	Of which: securitisation external ratings-based approach	17	18	1
19	Of which: securitisation standardised approach (SEC-SA)	1	1	-
24	Operational risk	829	829	66
29	Total	8,766	8,777	701

CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

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The following table provides an overview of People First Bank's regulatory capital instruments.

	Subordinated Debt	Subordinated Debt
1 Issuer	Heritage and People's Choice Limited	Heritage and People's Choice Limited
2 Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement)	AU3FN0062915	AU3FN0098836
3 Governing law(s) of the instrument	NSW	NSW
3a Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	N/A	N/A
Regulatory treatment		
4 Transitional Basel III rules	Tier 2	Tier 2
5 Post-transitional Basel III rules	Tier 2	Tier 2
6 Eligible at solo/group/group and solo	Solo and Group	Solo and Group
7 Instrument type (types to be specified by each jurisdiction)	Subordinated notes	Subordinated notes
8 Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	A\$75m	A\$100m
9 Par value of instrument	A\$10,000	A\$10,000
10 Accounting classification	Liability - amortised cost	Liability - amortised cost
11 Original date of issuance	16/09/2021	23/05/2025
12 Perpetual or dated	Dated	Dated
13 Original maturity date	16/09/2031	23/05/2035
14 Issuer call subject to prior supervisory approval	Yes	Yes
15 Optional call date, contingent call dates and redemption amount	16/09/2026	23/05/2030
16 Subsequent call dates, if applicable	Any Interest Payment Date on or after the fifth anniversary of the Issue Date	Any Interest Payment Date on or after the fifth anniversary of the Issue Date
Coupons/dividends		
17 Fixed or floating dividend/coupon	Floating	Floating
18 Coupon rate and any related index	3 month BBSW +240 bps paid quarterly in arrears	3 month BBSW +250 bps paid quarterly in arrears
19 Existence of a dividend stopper	No	No
20 Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21 Existence of step-up or other incentive to redeem	No	No
22 Non-cumulative or cumulative	Cumulative	Cumulative
23 Convertible or non-convertible	Non-convertible	Non-convertible
24 If convertible, conversion trigger(s)	N/A	N/A
25 If convertible, fully or partially	N/A	N/A
26 If convertible, conversion rate	N/A	N/A
27 If convertible, mandatory or optional conversion	N/A	N/A
28 If convertible, specify instrument type convertible into	N/A	N/A
29 If convertible, specify issuer of instrument it converts into	N/A	N/A
30 Writedown feature	Yes	Yes
31 If writedown, writedown trigger(s)	A Non-Viability Trigger Event occurs on the earlier of; (i) the issuance of a notice, in writing, by APRA to the issuer that the write-off of Relevant Capital Instruments is necessary because without the write-off, the Issuer would become non-viable, or (ii) a determination by APRA notified in writing to the Issuer that without a public sector injection of capital (or equivalent support) into the Issuer, the Issuer would become non-viable.	A Non-Viability Trigger Event occurs on the earlier of; (i) the issuance of a notice, in writing, by APRA to the issuer that the write-off of Relevant Capital Instruments is necessary because without the write-off, the Issuer would become non-viable, or (ii) a determination by APRA notified in writing to the Issuer that without a public sector injection of capital (or equivalent support) into the Issuer, the Issuer would become non-viable.
32 If writedown, full or partial	Full, except where the Non-Viability Trigger Event arises under (ii) above, such an amount shall be written off as is necessary to satisfy APRA that the Issuer will not become non-viable.	Full, except where the Non-Viability Trigger Event arises under (ii) above, such an amount shall be written off as is necessary to satisfy APRA that the Issuer will not become non-viable.
33 If writedown, permanent or temporary	Permanent	Permanent
34 If temporary write-down, description of writeup mechanism	N/A	N/A
34a Type of subordination	Contractual	Contractual
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Ranks behind Senior Creditors	Ranks behind Senior Creditors
36 Non-compliant transitioned features	No	No
37 If yes, specify non-compliant features	N/A	N/A

CC1 – Composition of regulatory capital

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The following table provides a breakdown of the constituent elements of a People First Bank's capital.

	a	a1	b
	30/06/2025	31/12/2024	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	\$m	\$m	
Common Equity Tier 1 capital: instruments and reserves			
2 Retained earnings	482	464	a
3 Accumulated other comprehensive income (and other reserves)	1,008	987	a
6 Common Equity Tier 1 capital before regulatory adjustments	1,490	1,451	
Common Equity Tier 1 capital: regulatory adjustments			
11 Cash flow hedge reserve	14	3	b
26 National specific regulatory adjustments	131	149	
26b <i>Of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	-	-	c
26c <i>Of which: deferred tax assets not reported in rows 10, 21 and 25</i>	64	70	d
26d <i>Of which: capitalised expenses</i>	48	48	e
26e <i>Of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	4	13	f
26f <i>Of which: other national specific regulatory adjustments not reported in rows 26b to 26e</i>	15	18	g
28 Total regulatory adjustments to Common Equity Tier 1 capital	145	152	
29 Common Equity Tier 1 capital (CET1)	1,345	1,299	
Additional Tier 1 capital: instruments			
36 Additional Tier 1 capital before regulatory adjustments	-	-	
Additional Tier 1 capital: regulatory adjustments			
43 Total regulatory adjustments to additional Tier 1 capital	-	-	
44 Additional Tier 1 capital (AT1)	-	-	
45 Tier 1 capital (T1 = CET1 + AT1)	1,345	1,299	
Tier 2 capital: instruments and provisions			
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 Tier 2)	175	125	
50 Provisions	15	17	
51 Tier 2 capital before regulatory adjustments	190	142	
Tier 2 capital: regulatory adjustments			
57 Total regulatory adjustments to Tier 2 capital	-	-	
58 Tier 2 capital	190	142	
59 Total regulatory capital (= Tier 1 + Tier2)	1,535	1,441	
60 Total risk-weighted assets	8,766	8,892	
Capital adequacy ratios and buffers			
61 Common Equity Tier 1 capital (as a percentage of risk-weighted assets)	15.35%	14.61%	
62 Tier 1 capital (as a percentage of risk-weighted assets)	15.35%	14.61%	
63 Total capital (as a percentage of risk-weighted assets)	17.51%	16.21%	
64 Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	3.50%	3.50%	
65 <i>Of which: capital conservation buffer requirement</i>	<i>2.50%</i>	<i>2.50%</i>	
66 <i>Of which: bank-specific countercyclical buffer requirement</i>	<i>1.00%</i>	<i>1.00%</i>	
67 <i>Of which: higher loss absorbency requirement</i>	<i>0.00%</i>	<i>0.00%</i>	
68 Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements ⁽¹⁾	10.85%	10.11%	
Applicable caps on the inclusion of provisions in Tier 2 capital			
76 Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap)	15	17	

Notes

⁽¹⁾ CET1 available after meeting the bank's minimum capital requirements is calculated as the CET1 ratio, less the minimum CET1 capital requirement (4.5%)

CC2: Reconciliation of regulatory capital to balance sheet

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The following table provides a reconciliation of the capital amounts reported in CC1 to the consolidated balance sheet.

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	30/06/2025	30/06/2025	
Assets	\$m	\$m	
Cash and cash equivalents	309	309	
Loans and advances	21,072	18,993	
<i>of which: Loan and lease origination fees and commissions paid to mortgage originators and brokers</i>	36	36	e
<i>of which: Adjustments and exclusions to Common Equity Tier 1 Capital</i>	3	3	g
Derivative assets	20	20	
Investment securities	3,668	3,668	
Other investments	42	42	
<i>of which: Other ADIs or overseas equivalents, and their subsidiaries</i>	-	-	c
<i>of which: Common Equity Tier 1 specific adjustments relating to securitisation</i>	7	7	g
Property, plant and equipment	58	58	
Intangible assets	11	11	
<i>of which: Information Technology</i>	7	7	e
<i>of which: Other intangibles</i>	5	5	g
Interest in equity accounted investees	4	4	
<i>of which: Investments in commercial (non-financial) entities that are deducted under APRA rules</i>	4	4	f
Deferred tax assets	59	59	
<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>	64	64	d
Other assets	87	87	
<i>of which: Costs associated with issuing capital instruments</i>	1	1	e
<i>of which: Securitisation start up costs</i>	4	4	e
Total assets	25,330	23,251	
Liabilities			
Deposits	20,478	20,478	
Derivative liabilities	2	2	
Other payables	238	238	
Current tax payable	1	1	
Lease liabilities	29	29	
Borrowings	3,043	963	
Provisions	52	52	
Total liabilities	23,843	21,763	
Equity			
Retained earnings	604	604	a
Reserves	884	884	a
<i>of which: Gains/(losses) on effective cash flow hedges</i>	14	14	b
Total equity	1,488	1,488	
Other items included in retained earnings for capital purposes	-	2	a
Total Common Equity Tier 1 capital before regulatory adjustments	1,488	1,490	

LIA: Explanations of differences between accounting and regulatory exposure amounts[Back to Contents](#)

The difference between the accounting carrying value (shown in Template L11) and the exposure amounts used for regulatory purposes (shown in Template L12) is due to the notional amount of interest rate swaps for which only the market value is recognised on balance sheet for accounting purposes. Fixed and basis swaps between People First Bank and the securitisation trusts are off balance sheet for accounting purposes and securitised loans that have achieved capital relief are recognised on balance sheet for accounting purposes but off balance sheet for regulatory purposes. In addition, the exposure amounts used for regulatory purposes includes other off balance sheet exposures not included in the accounting carrying value on Template L11, such as loans approved but not yet advanced and unused credit limits.

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories
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The following table provides details on the differences between the scope of accounting consolidation and the scope of regulatory consolidation; and the corresponding regulatory risk categories.

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets							
Cash and cash equivalents	309	309	311	-	-	-	(2)
Loans and advances	21,072	18,993	18,986	-	-	-	7
Derivative assets	20	20	-	20	-	-	-
Investment securities	3,668	3,668	3,668	-	-	-	-
Other investments	42	42	45	-	-	-	(3)
Property, plant and equipment	58	58	58	-	-	-	-
Intangible assets	11	11	-	-	-	-	11
Interest in equity accounted investees	4	4	-	-	-	-	4
Deferred tax assets	59	59	-	-	-	-	59
Other assets	87	87	92	-	-	-	(5)
Total assets	25,330	23,251	23,160	20	-	-	71
Liabilities							
Deposits	20,478	20,478	-	-	-	-	20,478
Derivative liabilities	2	2	-	2	-	-	-
Other payables	238	238	(31)	-	-	-	269
Current tax payable	1	1	-	-	-	-	1
Lease liabilities	29	29	-	-	-	-	29
Borrowings	3,043	963	-	-	-	-	963
Provisions	52	52	-	-	-	-	52
Total liabilities	23,843	21,763	(31)	2	-	-	21,792

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements
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The following table provides details on the main sources of differences between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

		a	b	c		d	e
		Total	Items subject to:				
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework	
		\$m	\$m	\$m	\$m	\$m	
1	Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)	23,180	23,160	-	20	-	
2	Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1)	(29)	(31)	-	2	-	
3	Total net amount under regulatory scope of consolidation (Row 1 – Row 2)	23,209	23,191	-	18	-	
4	Off-balance sheet amounts	6,886	1,414	2,128	3,344	-	
9	Differences due to credit conversion factors	(5,363)	-	(2,040)	(3,323)	-	
10	Exposure amounts considered for regulatory purposes	24,732	24,605	88	39	-	

ENC: Asset encumbrance
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The following table provides details on People First Bank's encumbered assets.

	a	c	d
	Encumbered assets	Unencumbered assets	Total
	\$m	\$m	\$m
Investment securities	-	3,668	3,668
Loans and advances	5,102	15,970	21,072
Other assets	1	589	590
Total assets	5,103	20,227	25,330

CRA: General qualitative information about credit risk[Back to Contents](#)

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to People First Bank. People First Bank has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Board is responsible for setting the credit risk appetite and ensuring People First Bank employs prudent management practices to manage credit risk. The credit risk profile is monitored by Board and Management governance committees as outlined below.

The Board Risk and Compliance Committee (BRCC) reviews the appropriateness of key credit risk policies annually or in the event of a material change in risk appetite, market conditions or prudential regulation and is responsible for the adoption of prudent credit risk management policies and procedures at a minimum covering the recognition, measurement, and reporting of, and provisioning for impaired facilities.

The Asset and Liability Committee (ALCO) is responsible for ensuring People First Bank has effective policies and procedures in place to prudently manage credit risk and oversees the implementation of management level policies.

The Board Audit Committee (BAC) is responsible for:

- Reviewing reports from internal and external auditors on People First Bank's adherence to prudential obligations and on the effective implementation of appropriate actions; and
- Escalating material credit risk issues arising from these reports to other Board committees or Board as appropriate.

The ALCO is responsible for:

- The operational management of credit risk, write offs and impaired assets; and review of collective provision calculations;
- Reviewing the above in conjunction with credit risk trends to ensure the provisioning procedures and results are fit for purpose;
- Reviewing and approving changes to management policies and procedures to ensure provisioning is calculated, reviewed, and reported in line with regulatory and accounting standards; and
- Reviewing and approving forward looking macroeconomic inputs and assumptions within provisioning models and calculations.

CR1: Credit quality of assets
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The following table provides a summary of the credit quality of People First Bank's on and off balance sheet assets.

		a		b	c			d		e	f	g
		Gross carrying values		Non-defaulted exposures	Of which ECL accounting provisions for credit losses on SA exposures			Allocated in regulatory category of		Allocated in regulatory category of General	Of which ECL accounting provisions for credit losses on IRB exposures	Net values
		Defaulted exposures ⁽¹⁾			Allowances/ impairments	Allocated in regulatory category of Specific		Allocated in regulatory category of Specific				
		\$m	\$m		\$m	\$m		\$m		\$m	\$m	\$m
1	Loans	255	18,761		23			1		22	-	18,993
2	Debt securities	-	3,604		-	-		-		-	-	3,604
3	Off-balance sheet exposures	3	2,817		-	-		-		-	-	2,820
4	Total	258	25,183		23	1		22		-		25,417

Notes

⁽¹⁾ Defaulted exposures are defined as non-performing exposures in accordance with APRA Prudential Standard APS 220 Credit Risk Management.

CR2: Changes in stock of defaulted loans and debt securities
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The following table provides a summary of the changes in People First Bank's non-performing exposures, the flows between non-performing and performing exposure categories and reductions in non-performing exposures due to write-offs.

	a
	\$m
1 Defaulted ⁽¹⁾ loans and debt securities at end of the previous reporting period	229
2 Loans and debt securities that have defaulted since the last reporting period	93
3 Returned to non-defaulted status	34
4 Amounts written off	3
5 Other changes	(27)
6 Defaulted ⁽¹⁾ loans and debt securities at end of the reporting period (1+2-3-4+5)	258

Notes

⁽¹⁾ Defaulted exposures are defined as non-performing exposures in accordance with APRA Prudential Standard APS 220 Credit Risk Management.

The definition of “past due” exposures is aligned to the definition of non-performing loan exposures as per APRA Prudential Standard APS 220 Credit Risk Management.

Loan exposures are deemed impaired when there is objective evidence in relation to the ability to collect future cash flows such that People First Bank is susceptible to a loss. A facility is considered as impaired even when the full extent of the potential loss cannot be clearly determined. Consideration is given to lenders mortgage insurance and the collateral position when determining if a loss is expected. Loans which are currently under an approved hardship remedy can still be considered impaired, if objective evidence exists that a loss will be sustained. An impairment test will be conducted when objective evidence of credit loss exists. In the event that a single facility is deemed as impaired and there are multiple facilities or related borrowings, assessments are made to determine if these should also be classified as impaired. An impaired facility is deemed to be restored to performing or non-impaired status when there is no longer a reason for People First Bank to believe a loss will be sustained on the facility.

The definition of “restructured” exposures is aligned to APRA Prudential Standard APS 220 Credit Risk Management.

Past due loans are not considered to be impaired if loss is unlikely to occur. This is mainly due to expected realisation of collateral or mortgage insurance.

Expected Credit Losses

Impairment losses are provided for using an Expected Credit Losses (ECL) model. The measurement of ECL reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions. ECLs are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

Stage 1: 12 month ECL

People First Bank collectively assesses ECLs on exposures that have not significantly increased in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, People First Bank recognises a collective provision equal to the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months.

Stage 2: Lifetime ECL – asset is not impaired

People First Bank collectively assesses, based on shared credit risk characteristics, ECLs on exposures that have significantly increased in credit risk since initial recognition but are not credit impaired. Credit risk is considered to have significantly increased when contractual payments are 30 days past due at some time in the last 6 months, there is significant change in serviceability, financial hardship or default events. For these exposures, People First Bank recognises a collective provision equal to the lifetime ECL.

Stage 3: Lifetime ECL – asset is impaired

People First Bank assesses ECLs both collectively and individually on those exposures that are assessed as credit impaired. Exposures are credit impaired when they are equal to or greater than 90 days past due or where one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, including loan modifications. For exposures that have become credit impaired, a lifetime ECL is recognised as a collective or specific provision.

Stage 3: Purchased or originated credit-impaired (POCI)

For financial assets that are credit-impaired on initial recognition, lifetime ECL is recognised within collective provisions regardless of the performance status of the account as at the reporting date.

ECL is calculated as the product of the following credit risk factors, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macroeconomic variables.

The provision for impairment of loans and advances is categorised as follows:

Specific Provision

Loans and advances that meet significant delinquency and loan size criteria are individually assessed for impairment to estimate the expected credit loss on the loan.

Collective Provision

Loans and advances that are not individually assessed are placed into portfolios of assets with similar credit risk characteristics, taking into account product and borrower type and a collective assessment of impairment is performed based on objective evidence from historical experience and other forward-looking indicators.

CRB: Additional disclosure related to the credit quality of assets
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The following tables provide a summary of the total credit exposures by geography, industry, past-due status and restructured status.

Exposures by geography	Total Exposure (loans, debt securities and off balance sheet) ⁽¹⁾ \$m	Of which:	
		Impaired Exposures \$m	Provisions relating to impaired exposures \$m
Australian Capital Territory	242	-	-
New South Wales	3,143	-	-
Northern Territory	1,488	1	-
Queensland	7,533	1	1
South Australia	10,075	1	1
Tasmania	118	-	-
Victoria	4,547	-	-
Western Australia	644	-	-
Total	27,790	3	2

Exposures by industry	Total Exposure (loans, debt securities and off balance sheet) ⁽¹⁾ \$m	Of which:	
		Impaired Exposures \$m	Provisions relating to impaired exposures \$m
Individual	23,860	3	2
Financial and Insurance Services	3,659	-	-
Rental Hiring and Real Estate Services	76	-	-
Other	195	-	-
Total	27,790	3	2

Past-due exposures by residual maturity	Total \$m
Up to 1 year	-
1 to 5 Years	3
Over 5 Years	248
Revolving	7
Total	258

Restructured Loans	Total \$m
Restructured and impaired	-
Restructured and not impaired	188
Total	188

Notes

⁽¹⁾ Total exposure includes the outstanding balance and amounts available for redraw for loans, debt securities and off balance sheet exposures.

CRC: Qualitative disclosure related to credit risk mitigation techniques[Back to Contents](#)

People First Bank employ a number of credit risk mitigation techniques including physical collateral, margining and insurance.

People First Bank takes a range of collateral of which only a portion is eligible under APS 112 to mitigate regulatory exposure. All collateral is recorded in the core banking system and ineligible collateral under APRA standards is excluded from the capital calculation process.

Prior to approval, all real estate collateral will undergo a valuation assessment in line with approved policy requirements. The value of all real estate collateral is assessed regularly and is re-valued where a loan is assessed as impaired. All prior claims on the property collateral are recorded and taken into consideration when calculating the available security value.

To mitigate credit risk, People First Bank also makes use of margining arrangements. In these cases, counterparties post cash collateral to cover outstanding trading positions. People First Bank is compliant with OTC Margin reforms in all legal jurisdictions with respect to thresholds, minimum transfer amounts and rounding for affected counterparties in those jurisdictions.

CR3: Credit risk mitigation techniques – overview
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The following table provides an overview of secured and unsecured loans and debt securities and the credit mitigation techniques used to secure these exposures.

		a	b	c	d	e
		Exposures unsecured: carrying amount \$m	Exposures to be secured \$m	Exposures secured by collateral \$m	Exposures secured by financial guarantees \$m	Exposures secured by credit derivatives \$m
1	Loans	225	18,768	18,768	-	-
2	Debt securities	3,532	72	72	-	-
3	Total	3,757	18,840	18,840	-	-
4	Of which: defaulted ⁽¹⁾	14	240	240	-	-

Notes

⁽¹⁾ Defaulted exposures are defined as non-performing exposures in accordance with APRA Prudential Standard APS 220 Credit Risk Management.

People First Bank utilises ratings from the external credit assessment institutions (ECAI) recognised by APRA, currently Standard & Poor's Global Ratings, Moody's Investors Service and Fitch Ratings. The ECAI ratings are used for the Debt Securities asset class. The mapping of credit rating grades is consistent with the Table 21/22 in Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk.

CR4: Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects
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The following table provides an overview of the impact of credit risk management (CRM) on capital requirement calculations under the standardised approach for credit risk.

		a		b		c		d	e		f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM					RWA and RWA density		
Asset classes		On-balance sheet amount \$m	Off-balance sheet amount \$m	On-balance sheet amount \$m	Off-balance sheet amount \$m				RWA \$m	RWA density	
1	Sovereigns and their central banks	32	-	32	-				-	0%	
2	Non-central government public sector entities	2,281	-	2,281	-				-	0%	
4	Banks	1,691	-	1,691	-				527	31%	
8	Retail	538	322	538	129				623	93%	
9	Real estate	18,218	2,492	18,218	1,282				6,389	33%	
	Of which: general RRE	18,104	2,430	18,104	1,243				6,234	32%	
	Of which: general CRE	14	11	14	5				14	75%	
	Of which: IPCRE	81	32	81	15				84	88%	
	Of which: land acquisition, development and construction	19	19	19	19				57	150%	
10	Defaulted exposures ⁽¹⁾	228	3	228	1				229	100%	
11	Other assets	195	3	195	10				151	74%	
12	Total	23,183	2,820	23,183	1,422				7,919		

Notes

⁽¹⁾ Defaulted exposures are defined as non-performing exposures in accordance with APRA Prudential Standard APS 220 Credit Risk Management.

CR5: Standardised approach – exposures by asset classes and risk weights

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The following table presents a breakdown of credit risk exposures under the standardised approach by asset class and risk weight. This table excludes securitisation exposures.

\$m		Risk weight																							Total credit exposure amount (post-CCF and post-CRM)
		0%	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%	105%	110%	120%	150%	Other	
Asset Classes																									
1	Sovereigns and their central banks	32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32
2	Non-central government public sector entities	2,281	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,281
4	Banks	-	383	-	1,019	-	-	-	289	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,691
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	176	-	-	-	-	491	-	-	-	-	-	667
9	Real estate	-	3,283	3,380	4,188	4,270	1,773	1,149	715	189	-	245	107	18	-	36	20	-	58	10	3	-	53	-	19,497
	Of which: general RRE	-	3,283	3,380	4,188	4,270	1,773	1,149	715	189	-	245	50	-	-	36	-	-	58	10	-	-	-	-	19,346
	Of which: general CRE	-	-	-	-	-	-	-	-	-	-	-	-	18	-	-	-	-	-	-	-	-	-	-	18
	Of which: IPCRE	-	-	-	-	-	-	-	-	-	-	-	57	-	-	-	20	-	-	-	3	-	15	-	95
	Of which: land acquisition, development and construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38	-	38
10	Defaulted exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	49	-	-	4	139	-	-	30	7	-	229
11	Other assets	30	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145	-	-	-	-	-	204

The following table presents the exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures.

		a	b	c	d
		On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF ⁽¹⁾	Exposure (post-CCF and post-CRM)
Risk weight		\$m	\$m		\$m
1	Less than 40%	17,823	2,143	50%	18,896
2	40–70%	4,295	296	46%	4,467
3	75%	103	229	40%	195
3a	80%	49	-	40%	49
4	85%	33	4	81%	36
5	90–100%	801	120	45%	859
6	105–130%	42	3	49%	43
7	150%	37	25	92%	60
11	Total exposures	23,183	2,820	49%	24,605

Notes

⁽¹⁾ Weighting is based on off-balance sheet exposure (pre-CCF).

CCRA: Qualitative disclosure related to CCR[Back to Contents](#)

Counterparty Credit Risk refers to the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. A loss could occur if the transaction/s with the counterparty has a positive economic value at the time of default. The assignment of credit limits for derivative exposures is consistent with the bank's process for the establishment of wholesale counterparty limits, documented in People First Bank's Board approved policy, and are set as a percentage of Tier 1 capital.

Credit exposure arising in connection with derivative instruments are monitored and reported daily, and are assessed as the greater of the mark to market valuation or zero plus the potential future credit exposure. Exposures may be collateralised with eligible credit support (currently AUD cash) where there is an ISDA master agreement and associated Credit Support Annex in place.

Margining and risk mitigation processes are in place for non-centrally cleared derivative transactions and documented in People First Bank's Board approved policy.

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights
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The following table provides a breakdown of counterparty credit risk exposures calculated according to the standardised approach: by portfolio (type of counterparties) and by risk weight (riskiness attributed according to standardised approach).

	a	b	c	d		e	f	g	h	i
				Risk weight						Total credit exposure (1)
	0%	10%	20%	50%	75%	100%	150%	Others		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regulatory portfolio										
Banks	-	-	38	-	-	-	-	-	-	38
Total	-	-	38	-	-	-	-	-	-	38

Notes

(1) Total credit exposure is the amount relevant for the capital requirements calculation, having applied CRM techniques.

CCR5: Composition of collateral for CCR exposure
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The following table provides a breakdown of all types of collateral posted or received by banks to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP.

	a		b		c		d		e		f	
	Collateral used in derivative transactions						Collateral used in SFTs					
	Fair value of collateral received				Fair value of posted collateral				Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cash – domestic currency	-	16	-	-	-	1	-	-	-	-	-	-
Total	-	16	-	-	-	1	-	-	-	-	-	-

SECA: Qualitative disclosure requirements related to securitisation exposures

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Securitisation arrangements are used by People First Bank as part of its diversified funding strategy; raising debt funding and in some cases achieving prudential capital relief. Compliance with prudential standards and in particular APS 120 *Securitisation* is a core objective of any securitisation activity. The credit risk of underlying exposures is either partially retained via People First Bank's interest in certain securities issued by a given SPE or fully transferred via the sale of all securities, as the case may be.

Special purpose entities (SPEs) where People First Bank acts as originator include:

- HBS Trust 2008-1R
- HBS Trust 2017-1
- HBS Trust No.4
- Light Trust 5R
- Light Trust No.6
- Light Trust 2017-1
- Light Trust 2018-1
- Light Trust 2019-1
- Light Trust 2021-1
- Light Trust 2023-1
- Light Trust 2024-1
- Light Trust 2016-2
- Light Trust 2017-2

The external credit assessment institution (ECAIs) used for rating classes of securitisation notes are Standard and Poors, Fitch and Moodys.

In People First Bank's securitisation program, mortgage loans equitably assigned to a SPE are converted to debt securities which are purchased by investors. The holders of the issued debt securities have full recourse to the pool of mortgages which have been securitised and People First Bank cannot otherwise pledge or dispose of the transferred assets. The securitised assets remain on People First Bank's balance sheet for accounting purposes as People First Bank retains substantially all of the risks and rewards of ownership.

In some instances People First Bank is also the holder of the securitised notes.

Fees are received for various services provided to the SPEs on an arms-length basis, including servicing fees and management fees and are reported in profit or loss. People First Bank also provides arms-length interest rate swaps and loan facilities to the SPEs. Costs incurred in the establishment of a securitisation issue are amortised over the expected life of the issue.

SEC1: Securitisation exposures in the banking book

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The following table presents the breakdown of balance sheet banking book carrying values by People First Bank's role and underlying asset type.

		a	b	c	d	e	f	g	h	i	j	k	l
		Bank acts as originator ⁽¹⁾				Bank acts as sponsor				Banks acts as investor			
		Traditional	Of which simple, transparent and comparable (STC)	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1	Retail (total)	3,022	-	-	3,022	-	-	-	-	-	-	-	-
	– of which												
2	Residential mortgage	3,022	-	-	3,022	-	-	-	-	-	-	-	-

Notes

⁽¹⁾ 'Bank acts as originator' reflects securitisation activities in which we securitise our own assets. This includes internal securitisation and funding only securitisation transactions where People First Bank retains all/partial notes issued by the securitisation vehicle, and excludes securitisation transactions that qualify for capital relief.

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

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The following table present securitisation exposures in the banking book when the bank acts as originator or sponsor and the associated capital requirements.

		a	b	c	d	e	g			k			l			j		
		Exposure values (by risk weight bands)				1250%	Exposure values (by regulatory approach)			RWA (by regulatory approach)			Capital charge after cap					
		≤20%	>20% to 50%	>50% to 100%	>100% to <1250% RW		SEC- IRBA	SEC- ERBA & SEC-IAA	SEC-SA	1250%	SEC- IRBA	SEC- ERBA & SEC-IAA	SEC-SA	1250%	SEC- IRBA	SEC- ERBA & SEC-IAA	SEC-SA	1250%
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1	Total exposures	86	2	-	-	-	-	-	-	-	-	17	1	-	-	-	-	-
2	Traditional securitisation	86	2	-	-	-	-	-	-	-	-	17	1	-	-	-	-	-
3	Of which securitisation	86	2	-	-	-	-	-	-	-	-	17	1	-	-	-	-	-
4	Of which retail underlying	86	2	-	-	-	-	-	-	-	-	17	1	-	-	-	-	-

ORA: General qualitative information on a bank's operational risk framework

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Operational risk is defined as the risk of loss, whether direct or indirect, due to inadequate or failed internal processes, systems, human error, or external events. Operational risk includes internal and external fraud, vendor management, products and business practice, damage to physical assets, business disruption and service delivery.

Operational risk is inherent in all banking products activities, processes, and systems. People First Bank is committed to ensuring its operational risk management practices are appropriate for the size and nature of its business operations and that the practices support making informed risk-based decisions.

The Operational Risk Management Framework (ORMF) sets out People First Bank's approach to identifying, assessing, managing, and mitigating operational risks. The framework supports People First Bank's Risk Management Strategy (RMS) and is designed to operate alongside and complement other policies and procedures adopted by People First Bank.

The sub-risk types captured under the operational risk definitions are included in a risk taxonomy. The risk taxonomy is used to define risk types and classify them consistently.

Due to their importance to People First Bank, a number of operational risk sub-categories are governed via a specific, dedicated framework. Where this is the case, the frameworks relating to these risk sub-categories adhere to the requirements of the ORMF.

The risk sub-categories that have a specific framework are:

- Compliance
- Sustainability
- Conduct
- Cyber Security
- Information Security
- Workplace Health & Safety Management System

People First Bank operates the Three Lines of risk governance model of accountability, which is described fully in the RMS.

An overview of each line's responsibilities as it relates to operational risk is:

- Line 1: This line has primary ownership, responsibility, and accountability for identifying, evaluating, mitigating, monitoring, controlling, and managing risks within the approved risk appetite and in line with risk related policies and procedures.
- Line 2: Monitors compliance with the ORMF and escalates gaps for remedial actions. Provides insight and advisory on operational risk performance and monitors industry developments, external and environmental factors, emerging risks. Recommends changes and supports the settling of operational risk appetite measures and tolerance limits in conjunction with maintaining the ORMF.
- Line 3: Provides an independent and objective assurance and advisory function which evaluates the adequacy and effectiveness of operational risk and internal control frameworks of Line 1 and Line 2.

People First Bank has a Governance Risk & Compliance System used to record the risk and control self-assessment process, risk events/incidents (including compliance breaches), assurance actions, and monitoring of compliance obligations. The system also provides modules for risk management processes such as business continuity management, vendor risk management, critical process risk management etc.

People First Bank has a suite of operational risk management reporting to Divisional Risk Committees, the Executive Non-Financial Risk Committee, Board Risk and Compliance Committee, Board Technology and Integration Committee, and the Board.

The management of operational risks is through a system of internal controls which is supported by the effective and timely execution of operational risk and control procedures. To ensure the effectiveness of internal controls, the ORMF requires on-going and diligent control testing. Control testing is performed by Line 1, as per control testing schedules. Independent review and objective challenge on the operational risk controls is then provided by Line 2. Assurance on the controls put in place by Line 1 and Line 2 is completed by Line 3. The objective of this assurance is to ensure the controls are designed appropriately, implemented effectively, and operating as intended to mitigate risks to the achievement of objectives to acceptable levels.

OR2: Business Indicator and subcomponents
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This table presents the business indicator (BI) and its subcomponents, which inform the operational risk capital calculation.

		a	b	c
		30/06/2025	30/06/2024	30/06/2023
		\$m	\$m	\$m
1	Interest, lease and dividend component	430		
1a	Interest and lease income	1,244	889	499
1b	Interest and lease expense	775	457	117
1c	Interest earning assets	23,932	22,317	21,931
1d	Dividend income	2	2	5
2	Services component	80		
2a	Fee and commission income	72	79	86
2b	Fee and commission expense	43	43	38
2c	Other operating income	1	1	1
2d	Other operating expense	-	-	-
3	Financial component	1		
3a	Net P&L on the trading book	-	-	-
3b	Net P&L on the banking book	-	-	2
4	BI	511		
5	Business indicator component (BIC)	829		

		a
		\$m
6a	BI gross of excluded divested activities	829
6b	Reduction in BI due to excluded divested activities	-

OR3: Minimum required operational risk capital[Back to Contents](#)

This table presents People First Bank's operational risk regulatory capital requirements.

		a \$m
1	Business indicator component (BIC)	829
2	Internal loss multiplier (ILM)	1
3	Minimum required operational risk capital (ORC)	829
4	Operational risk RWA	829

IRRBB: Interest rate risk in the banking book (IRRBB) risk management objective and policies

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Interest Rate Risk is the risk of volatility in income or Economic Value resulting from changes to interest rates. It includes:

- Repricing Risk;
- Yield Curve Risk;
- Basis Risk; and
- Optionality Risk.

People First Bank maintain an Interest Rate Risk Management Policy to measure, manage and monitor exposure to interest rate risk. The Policy meets the requirements of APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book*.

The Board has established limits on the interest rate volatility of net interest income and economic value exposures. Monitoring of adherence to policies, limits and procedures is controlled through the ALCO and the Board Risk and Compliance Committee.

Limits and triggers are in place for Economic Value Sensitivity and Earnings at Risk and for each bucket in the Interest Rate gap profile. Compliance with these limits is reviewed at each ALCO and BRCC meeting. Exposures are managed through the use of derivative instruments which are approved by the Board and executed by Treasury. The level of hedging is reviewed at each ALCO meeting.

Internal Audit conducts reviews in relation to Interest Rate Risk management as required and the Interest Rate Risk model is reviewed every three years by a suitable independent party. Assumptions used in measuring Interest Rate Risk are reviewed at least annually.

IRRBB metrics are calculated monthly. They include:

- Earnings at Risk
- Interest Rate gap profile

Economic Value Sensitivity is calculated based on a 2% shock and applies to the starting portfolio only. Earnings at Risk is calculated based on a 1% parallel shock and applies to both the starting portfolio and new business over a twelve month period. Interest Rate gap profile is calculated based on a 2% parallel shock applied to each bucket using the starting portfolio only.

Key modelling assumptions

- Cash flows are based on the characteristics of the product. The market rate (yield curve at reporting date) is the discount rate used.
- People First Bank uses a single replicating portfolio method to model low-cost deposits. This approach assumes that there is a 'non-stable' portion of funds (based on detailed analysis of historical low-cost deposits) that may be utilised by depositors and immediately runoff in the first month. The remaining 'stable' portion (based on survival analysis of low-cost deposit balances) runs off by an equal proportion each month over an assumed term.
- Prepayment rates take into account that a full economic break fee is charged and is estimated on partial prepayments only.
- An investment term of capital of five years, with an average of 2.5 years is deployed in assessing interest rate risk.

Average repricing assigned to stable low-cost deposits	2 years
Longest repricing assigned to stable low-cost deposits	4 years

IRRBB1: Quantitative information on IRRBB
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The following table provides information on the bank's changes in Economic Value of equity and net interest income under each of the prescribed interest rate shock scenarios.

	Δ EVE		Δ NII	
	30/06/2025	30/06/2024	30/06/2025	30/06/2024
	\$m	\$m	\$m	\$m
Parallel up	(22)	(43)	36	12
Parallel down	22	43	(44)	(12)
Steeper	1	6		
Flattener	(6)	(15)		
Short rate up	(14)	(32)		
Short rate down	14	32		
Maximum	(22)	(43)	(44)	(12)
	30/06/2025		30/06/2024	
Tier 1 capital	1,345		1,228	

CCyB1: Geographical distribution of credit exposures used in the calculation of the bank-specific countercyclical capital buffer requirement
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The following table provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the bank's countercyclical capital buffer.

Geographical breakdown	a	b	c	d	e
	Countercyclical capital buffer rate %	Exposure values and/or risk-weighted assets (RWA) used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical capital buffer amount
		Exposure values \$m	RWA \$m		
Australia	1.0%	22,687	7,164		
Sum		22,687	7,164		
Total		22,687	7,164	1%	72

LIQA: Liquidity risk management

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Liquidity risk is the risk of suffering financial loss resulting from either the inability to meet financial obligations as they arise (primarily repaying deposits or maturing wholesale debt) due to a lack of liquid resources or the inability to quickly sell financial instruments at market value if required.

The Board's risk appetite for funding and liquidity risk is expressed in the form of statements that seek to minimise and/or reduce the bank's exposure to such risk:

- Holding liquid assets above prudential minimums to meet obligations as they fall due.
- Holding liquid assets in a diversified portfolio of MLH Eligible Assets across a range of counterparties, assets, and tenors.
- Maintaining access to a diversified range of funding sources and having adequate contingency funding arrangements.

Funding and liquidity risks are governed by Board approved frameworks and policies, and are reviewed at least annually by the Board Risk and Compliance Committee.

Processes to support the identification, mitigation and management of funding and liquidity risk are embedded within the Risk Appetite Statement (RAS), Funding and Liquidity Risk Management Framework, Liquidity Risk Management Policy, Wholesale Credit Risk and Concentrations Policy, Securitisation Policy, Stress Testing Policy, Three-year Funding Strategy and the Contingency Funding Plan.

The RAS includes specific tolerance limits relating to liquidity and funding risk set to protect and grow the bank in line with its risk appetite, to act as early warning indicators of excessive risk taking, and as a tool to encourage a strong culture around good behaviour and ethics. These metrics are further informed by the outcomes of scenario analysis and stress testing.

Core metrics include MLH ratio (minimum proportion of liabilities in specified liquid assets), coverage ratio stress test (short-term forecast liquidity stress scenario), and wholesale and short-term funding ratios.

The Asset and Liability Committee is responsible for monitoring the bank's exposure to funding and liquidity risk, with the Chief Financial Officer responsible for its management. Funding and Liquidity risk is measured and monitored daily to assess alignment with risk appetite and limit settings, with escalation procedures defined should any settings be triggered.

Liquid Assets

Liquid assets are held in a diversified portfolio of MLH Eligible Assets, to cater for any unexpected liquidity pressures under both normal and adverse operating conditions with exposure settings in place to support diversification across sector, geography, asset type, and issuer. Liquid assets comprise the following:

- Cash
- Australian Commonwealth Government and semi-government securities
- Supranational debt securities
- Certificates of deposits and debt securities issued by ADIs
- Deposits (at call) held with ADIs or settlement services providers (incl. the RBA)

Funding

The bank monitors its funding composition to ensure it remains within risk appetite, with concentration settings in place to maintain a diversified base from which to source funding and manage refinancing risk, encompassing both customer/retail and wholesale sources. A three-year funding strategy is prepared and approved by the Board on an annual basis, which details the approach to volume, diversity, and tenor of the funding mix within risk appetite settings. Key sources of funding are:

- Customer deposits across transaction, savings and term products
- Wholesale funding (AUD) including securitisation (RMBS), medium term notes (senior / subordinated) and certificates of deposit/term deposits

A Contingency Funding Plan is maintained that sets out the strategies, policies, framework, action plan and supporting information for addressing liquidity shortfalls in emergency situations. Early warning indicators are monitored daily to identify potential causes of liquidity stress which could require the activation of the plan. The Contingent Funding Plan is tested and updated at least annually.

Market Risk

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Market Risk is considered a material risk category in People First Bank's Risk Appetite Statement and interest rate risk is the material risk within the Market Risk category. Refer to 'IRRBB Interest rate risk in the banking book (IRRBB) risk management objective and policies' for details on interest rate risk management.

People First Bank does not hold capital against interest rate risk, equity position risk, foreign exchange risk and commodity risk as it is subject to APS112 *Capital Adequacy: Standardised Approach to Credit Risk*.