

Capital Adequacy and Risk Disclosures

Victoria Teachers Limited, trading as Bank First, is the head corporate entity of the consolidated group to which this disclosed information applies.

Common disclosure template

| Common Equity Tier 1 capital: instruments and reserves | | A\$m |
|--|--|--------------|
| 1 | Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital | |
| 2 | Retained earnings | |
| 3 | Accumulated other comprehensive income (and other reserves) | 198.5 |
| 4 | <i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i> | |
| 5 | Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 198.5 |
| 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) | |
| 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 | -0.1 |
| 12 | Shortfall of provisions to expected losses | |
| 13 | Securitisation gain on sale (as set out in paragraph 562 of Basel II framework) | |
| 14 | Gains and losses due to changes in own credit risk on fair | |
| 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, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | |
| 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) | |
| 20 | Mortgage service rights (amount above 10% threshold) | |
| 21 | Deferred tax assets arising from temporary differences (amount above 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 servicing rights | |
| 25 | of which: deferred tax assets arising from temporary differences | |
| 26 | National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j) | 6.8 |
| 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 and 23 | 0.7 |
| 26e | of which: deferred tax assets not reported in rows 10, 21 and 25 | 1.9 |
| 26f | of which: capitalised expenses | 4.2 |

| | | |
|--|---|----------------|
| 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 in rows 26a to 26i | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | |
| 28 | Total regulatory adjustments to Common Equity Tier 1 | 6.6 |
| 29 | Common Equity Tier 1 Capital (CET1) | 191.9 |
| 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 | <i>Directly issued capital instruments subject to phase out from Additional Tier 1</i> | |
| 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 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | |
| 36 | Additional Tier 1 Capital before regulatory adjustments | |
| Additional Tier 1 Capital: regulatory adjustments | | |
| 37 | Investments in own Additional Tier 1 instruments | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | |
| 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) | |
| 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) | |
| 41 | National specific regulatory adjustments (sum of rows 41a, 41b and 41c) | |
| 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 | |
| 44 | Additional Tier 1 capital (AT1) | |
| 45 | Tier 1 Capital (T1=CET1+AT1) | 191.9 |
| Tier 2 Capital: instruments and provisions | | |
| 46 | Directly issued qualifying Tier 2 instruments | |
| 47 | <i>Directly issued capital instruments subject to phase out from Tier 2</i> | |
| 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 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | |
| 50 | Provisions | 7.2 |
| 51 | Tier 2 Capital before regulatory adjustments | 7.2 |
| 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 above 10% threshold) | |
| 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 | |
| 56 | National specific regulatory adjustments (sum of rows 56a, 56b and 56c) | |
| 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 consolidation not reported in rows 54 and 55 | |
| 56c | of which: other national specific regulatory adjustments not reported in rows 56a and 56b | |
| 57 | Total regulatory adjustments to Tier 2 capital | |
| 58 | Tier 2 capital (T2) | 7.2 |
| 59 | Total capital (TC=T1+T2) | 199.0 |
| 60 | Total risk-weighted assets based on APRA standards | 1,277.9 |

| Capital ratios and buffers | | |
|--|---|---------------|
| 61 | Common Equity Tier 1 (as a percentage of risk-weighted assets) | 15.02% |
| 62 | Tier 1 (as a percentage of risk-weighted assets) | 15.02% |
| 63 | Total capital (as a percentage of risk-weighted assets) | 15.58% |
| 64 | Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets) | 7.00% |
| 65 | <i>of which: capital conservation buffer requirement</i> | 2.50% |
| 66 | <i>of which: ADI-specific countercyclical buffer requirements</i> | 0.00% |
| 67 | <i>of which: G-SIB buffer requirement (not applicable)</i> | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets) | 7.58% |
| National minima (if different from Basel III) | | |
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | |
| 70 | National Tier 1 minimum ratio (if different from Basel III minimum) | |
| 71 | National total capital minimum ratio (if different from Basel 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) | 1.9 |
| 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) | 7.2 |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 14.2 |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach | |
| 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 | <i>Current cap on CET1 instruments subject to phase out arrangements</i> | |
| 81 | <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i> | |
| 82 | <i>Current cap on AT1 instruments subject to phase out arrangements</i> | |
| 83 | <i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i> | |
| 84 | <i>Current cap on T2 instruments subject to phase out arrangements</i> | |
| 85 | <i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i> | |

1.2 Regulatory Capital Reconciliation to Balance Sheet

| | Financial Statement Balance Sheet \$'M | Regulatory Adjustments | Regulatory Balance Sheet | Reference to Common disclosure template |
|--|---|---------------------------|-----------------------------|--|
| Assets | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 40.99 | | 40.99 | |
| Trade and other receivables | 2.97 | | 2.97 | |
| Held-to-maturity investments | 467.51 | | 467.51 | |
| Loans and advances | 1,950.00 | (7.16) | 1,942.84 | |
| <i>of which general reserve for credit losses</i> | | | <i>7.16</i> | Row 50 , 76 |
| <i>of which capitalised expenses</i> | | | <i>1.68</i> | Row 26f |
| Property, plant and equipment | 35.03 | | 35.03 | |
| Deferred tax assets | 2.80 | | 2.80 | Row 26e , 75 |
| Other assets | 9.87 | | 9.87 | |
| <i>of which equity investment in financial institution</i> | | | <i>0.69</i> | 26d |
| <i>of which intangible assets</i> | | | <i>2.49</i> | 26f |
| Total Assets | 2,509.17 | (7.16) | 2,502.01 | |
| Liabilities | | | | |
| Financial liabilities: | | | | |
| Deposits | 2,281.61 | | 2,281.61 | |
| Trade and other payables | 14.10 | | 14.10 | |
| Derivative financial instruments | 0.16 | | 0.16 | |
| Income tax payable | 1.94 | | 1.94 | |
| Provisions | 4.79 | | 4.79 | |
| Deferred tax liabilities | 0.90 | | 0.90 | Row 26e , 75 |
| Total Liabilities | 2,303.48 | 0.00 | 2,303.48 | |
| Net Assets | 205.69 | (7.16) | 198.53 | |
| Equity | | | | |
| Retained profits | | | | |
| Reserves | | | | |
| of which: <i>General Reserves</i> | 193.28 | | 193.28 | Row 3 |
| <i>Asset revaluation reserve</i> | 5.35 | | 5.35 | Row 3 |
| <i>Reserve for credit losses</i> | 7.16 | (7.16) | 0.00 | Row 50 , 76 |
| <i>Cash flow hedge reserve</i> | - 0.10 | | (0.10) | Row 11, Row 3 |
| | 205.69 | | 198.53 | |
| Total Equity | 205.69 | (7.16) | 198.53 | |

Remuneration Disclosures - 2018

Remuneration Committee

The Board has established a Remuneration Committee which comprises the Chair of the Board and two (2) other Directors.

The members of the Board Remuneration Committee during the year were:

- Bernadette Lloyd (Chair) – Independent Non-Executive
- Michael Monester – Independent Non – Executive
- Graeme Willis – Independent Non – Executive

The Board of Directors will retain overall and ultimate responsibility for remuneration and the Remuneration Committee will assist the Board by oversight, implementation and review of the remuneration policy and charter. The Remuneration Committee will make recommendations to the Board on the individual remuneration of, at a minimum, any person / s appointed as Executive Director, Chief Executive Officer (CEO) and his or her direct reports and Responsible Persons as defined in the Bank First's Fit & Proper Policy (excluding Non-Executive Directors and the External Auditor). This requirement excludes administrative direct reports of executives. The Committee will recommend on the remuneration of other persons who in the Committee's view may be able to affect the financial soundness of Bank First. The Remuneration Committee is able to obtain advice from both internal and external sources to facilitate remuneration management. The Remuneration Policy and Charter were reviewed during the period with no material changes made.

Bank First's remuneration framework has been developed to provide a consistent structure to remunerate management and to assist Bank First in the attraction, retention and reward of skilled personnel, and more specifically the achievement of its Strategic Vision and business objectives. The Bank First's approach to remuneration will also facilitate the capacity to compete externally and attract talent to the organisation. As is noted in the relevant table, the Bank First's remuneration framework is predominantly based on a fixed remuneration structure.

The Board Remuneration Committee has reviewed the risks and remuneration structures and considers the following employees responsible persons in accordance with its remuneration policy. Material risk takers include persons for whom a significant portion of total remuneration is subject to bonus or performance based remuneration that may affect the financial soundness of Bank First. No person has been identified as a material risk taker for the period.

| Responsible Persons | Number |
|----------------------------|--------|
| Chief Executive Officer | 1 |
| Chiefs of Departments | 6 |
| | |
| Head of Compliance | 1 |
| Head of Internal Audit | 1 |
| Treasurer | 1 |
| Head of Lending Operations | 1 |

During the year, the Board Remuneration Committee met two (2) times. The remuneration paid to its members is as follows:

| Remuneration of Board Remuneration Committee | Amount (\$) |
|--|-------------|
| 3 Directors | 272,349 |

Note: This amount is the total Director fee paid to those individuals for the period. Directors are not paid separate fees for committee duties.

Variable Remuneration

The table below represents variable remuneration in the form of non discretionary bonuses, guaranteed bonuses, sign on awards and severance payments during the financial year for one (1) employee. Variable remuneration is not pre-determined and is structured in a manner to encourage long term financial soundness, the Bank's risk management framework and appropriate behaviours.

| Variable Remuneration | Amount (\$) |
|-------------------------|-------------|
| Non Discretionary Bonus | 151,689 |
| Guaranteed Bonuses | - |
| Sign-on award | - |
| Severance Payment | - |
| Total | 151,689 |

Deferred Remuneration

Bank First does not have any employees eligible or receiving deferred remuneration.

Remuneration – Responsible Persons

| Remuneration Type | Unrestricted (\$) | Deferred (\$) | Total (\$) |
|-----------------------------------|-------------------|---------------|------------|
| Fixed Remuneration | | | |
| Package (TRP) | 3,377,559 | - | 3,377,559 |
| Shares & share-linked instruments | - | - | |
| Other | - | - | |
| Total | 3,377,559 | - | 3,377,559 |
| Variable Remuneration | | | |
| Bonus – cash | 151,689 | - | 151,689 |
| Shares & share-linked instruments | - | - | |
| Other | - | - | |
| Total | 151,689 | - | 151,689 |