AMP BANK LIMITED

ABN 15 081 596 009

BASEL III Pillar 3 (APS 330) - Capital Adequacy and Risk Disclosures

For the quarter ended 31 December 2017

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For the quarter ended 31 December 2017

Table 1: Common disclosure template (APS 330: Attachment A)

This table provides the post 1 January 2018 Basel III common disclosure requirements for APS 330 (Attachment A). Regulatory adjustments under Basel III are disclosed in full as implemented by APRA. The information contained within the table below should be read in conjunction with the Regulatory Balance Sheet.

		As at 31 December 2017 A$m	Regulatory Capital Reconciliation Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	374	(a)
2	Retained earnings	565	(b)
3	Accumulated other comprehensive income (and other reserves)	5	(c)
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	
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**	**944**	
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	5	(c)
12	Shortfall of provisions to expected losses	19	(j)
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 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, 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	-	

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Table 1: Common disclosure template (APS 330: Attachment A) (continued)

This table provides the post 1 January 2018 Basel III common disclosure requirements for APS 330 (Attachment A). Regulatory adjustments under Basel III are disclosed in full as implemented by APRA. The information contained within the table below should be read in conjunction with the Regulatory Balance Sheet.

		As at 31 December 2017 A$m	Regulatory Capital Reconciliation Reference
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	194	
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	-	
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	10	(d)
26f	of which: capitalised expenses	101	(e) + (f)
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	83	
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**	218	
29	**Common Equity Tier 1 Capital (CET1)**	**726**	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments	140	(g)
31	of which: classified as equity under applicable accounting standards	140	
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	**Additional Tier 1 Capital before regulatory adjustments**	140	
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)	-	

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Table 1: Common disclosure template (APS 330: Attachment A) (continued)

This table provides the post 1 January 2018 Basel III common disclosure requirements for APS 330 (Attachment A). Regulatory adjustments under Basel III are disclosed in full as implemented by APRA. The information contained within the table below should be read in conjunction with the Regulatory Balance Sheet.

		As at 31 December 2017 A$m	Regulatory Capital Reconciliation Reference
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)**	140	
45	**Tier 1 Capital (T1=CET1+AT1)**	**866**	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	250	(h)
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	29	(i)
51	**Tier 2 Capital before regulatory adjustments**	**279**	
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)**	**279**	
59	**Total capital (TC=T1+T2)**	**1,145**	
60	**Total risk-weighted assets based on APRA standards**	**7,521**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	**9.7%**	
62	Tier 1 (as a percentage of risk-weighted assets)	**11.5%**	
63	Total capital (as a percentage of risk-weighted assets)	**15.2%**	
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)	**7.0%**	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: ADI-specific countercyclical buffer requirements	-	
67	of which: G-SIB buffer requirement (not applicable)		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)		

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Table 1: Common disclosure template (APS 330: Attachment A) (continued)

This table provides the post 1 January 2018 Basel III common disclosure requirements for APS 330 (Attachment A). Regulatory adjustments under Basel III are disclosed in full as implemented by APRA. The information contained within the table below should be read in conjunction with the Regulatory Balance Sheet.

		As at 31 December 2017 A$m	Regulatory Capital Reconciliation Reference
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	n/a	
71	National total capital minimum ratio (if different from Basel III minimum) Amount below thresholds for deductions (not risk-weighted)	n/a	
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)	29	(i)
77	Cap on inclusion of provisions in Tier 2 under standardised approach	82	
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)	-	
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 Balance Sheet

The following table discloses AMP Banks Limited's Balance Sheet as published in its audited financial statements and the Regulatory Balance Sheet as at 31 December 2017.

The component of the capital reported in *Table 1: Common disclosures template* can be reconciled to the balance sheets below using the reference letters included where possible.

	Bank Balance Sheet Per Published Financial Statements	Adjustments	Bank Regulatory Balance Sheet	Reference
	Dec-17 $m	Dec-17 $m	Dec-17 $m	
Assets				
Cash and cash equivalents	-	1	1	
Due from banks	250	(16)	234	
Derivative financial assets	23	97	120	
Debt securities	2,528	-	2,528	
Loans and advances	19,549	(4,321)	15,228	
of which: GRCL included in Tier 2 capital			*29*	(i)
Other assets	17	173	190	
of which: loan origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments			*84*	(e)
of which: Other Common Equity Tier 1 Specific Adjustments relating to securitisation			*17*	(f)
Deferred tax assets	12	(2)	10	
of which: arising from temporary differences included in CET1 regulatory adjustments			*10*	(d)
Total assets	**22,379**	**(4,068)**	**18,311**	
Liabilities				
Due to banks	740	-	740	
Derivative financial liabilities	27	(10)	17	
Deposits and other borrowings	13,753	-	13,753	
Intercompany tax payable to head entity	34	-	34	
Debt securities on issue	2,206	(6)	2,200	
Employee provisions	6	-	6	
Due to controlled entities	4,330	(4,236)	94	
Subordinated debt	249	1	250	(h)
Other liabilities	16	136	152	
Total liabilities	**21,361**	**(4,115)**	**17,246**	
			-	
Net assets	**1,018**	**47**	**1,065**	
			-	
Equity			-	
Contributed equity	514	-	514	
of which: amount included in eligible CET1	374	-	*374*	(a)
of which: amount included as Additional Tier 1 Capital	140	-	*140*	(g)
Reserve	6	(1)	5	
of which: equity component of GRCL in Tier 2 capital				
of which: cashflow hedge reserve			*5*	(c)
Retained earnings	498	67	565	(b)
GRCL shortfall		(19)	(19)	(j)
Total equity	**1,018**	**47**	**1,065**	

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Table 3 : Capital Adequacy

	31 Dec 2017 $M
Risk Weighted Assets	
Subject to Standardised approach	
Residential mortgages	5,694.9
Other retail loans	326.4
Bank	152.4
Corporate	351.1
Other	3.0
Securitisation	52.4
Total risk weighted assets for credit risk exposures	6,580.2
Operational risk	940.7
Total risk weighted assets	7,520.9

Capital Ratio (%)	**31 Dec 2017**
Common Equity Tier 1 ratio	9.7%
Tier 1 capital ratio	11.5%
Total Capital Ratio	15.2%

Table 4 : Credit Risk

Table 4 (a)

	31 Dec 2017 As At $M	Average $M
Credit exposures by Types		
Cash and balances with central banks	1.1	0.4
Loans and advances to banks	233.9	271.1
Equity securities	0.2	0.2
Debt Securities	2,315.4	2,054.0
Derivative financial assets	0.0	0.0
Loans and advances to customers	15,261.4	15,787.9
Other Assets	21.2	21.2
Total gross credit risk	17,833.2	18,134.8
Non Market-related off-balance sheet credit exposures	373.0	395.3
Market-related off-balance sheet credit exposures	47.6	46.0
Total Exposures	18,253.8	18,576.1
Credit exposures by Portfolio	**$M**	**$M**
Residential Mortgage	14,944.6	15,492.4
Other Retail claims	342.4	341.5
Bank	652.3	701.5
Government	1,961.3	1,687.2
Corporate	351.1	351.5
Other Assets	2.1	2.0
Total Exposures	18,253.8	18,576.1

Table 4 (b)

By Portfolios	**31 Dec 2017 As At $M**
Amount of impaired facilities:	
Residential Mortgage	44.4
Other Retail claims	0.0
Corporate/specialised lending	19.0
Past due facilities:	
Residential Mortgage	35.3
Other Retail claims	0.0
Corporate/specialised lending	14.8
Specific Provisions	6.7
Charges for specific provisions during the period	3.2
Write-offs during the period	1.4

Table 4 (c)

General Reserve for Credit Losses	28.8

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Table 5 : Securitisation exposures

	31 Dec 2017 $M
Table 5 (a) - Total securitisation activity for the reporting period	
Underlying asset type	
• Loans sold into securitisation SPVs	1,077.5
• RMBS Investments	20.0
Total securitisation activity for the reporting period	1,097.5

	31 Dec 2017 As At $M
Table 5 (b) - Summary of total securitisation exposures retained or purchased	
Securitisation facility type	
On-balance sheet securitisation exposures	
• RMBS Investments	217.3
• Other	98.0
Total securitisation exposures	315.3
Off-balance sheet securitisation exposures	
• Funding facilities	20.8
• Liquidity facilities	1.4
Total securitisation exposures	22.2

[1] Exposures relate to notes held in the Bank's on balance sheet securitisation vehicles

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For year ending 31 December 2017

Table 20: Liquidity Coverage Ratio disclosure

From 1 January 2015, in accordance with APS 210 Liquidity, AMP Bank has been required to maintain a minimum Liquidity Coverage Ratio (LCR) of 100%. The LCR requires banks to hold sufficient High Quality Liquid Assets (HQLA) to meet expected net cash outflows under an APRA-prescribed 30 calendar day stress scenario.

AMP Bank manages its daily LCR requirement to board and management level buffers consistent with the Bank's risk appetite. The LCR changes on a daily basis in the ordinary course of business due to changes in the Bank's expected net cash outflows and its composition of liquid assets.

Cash inflows and outflows are calculated in accordance with APS 210. APRA-prescribed run-off factors are applied to AMP Bank's liabilities based on the nature, stability and source of the funding. AMP Bank maintains a diversified deposit and funding mix without undue concentration.

AMP Bank holds a diversified portfolio of liquid assets consisting of HQLA, cash and repo-eligible securities with the Reserve Bank of Australia (RBA). HQLA includes Commonwealth Government Securities, Australian Semi-Government Securities and deposits with the RBA.

AMP Bank has been compliant with the LCR prudential requirements at all times since its introduction in January 2015. The average daily LCR for 2017 was 130%.

The Bank's average daily LCR for 2017 are presented in the following table.

		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
		Total unweighted value (average) (A$m)	Total weighted value (average) (A$m)	Total unweighted value (average) (A$m)	Total weighted value (average) (A$m)	Total unweighted value (average) (A$m)	Total weighted value (average) (A$m)	Total unweighted value (average) (A$m)	Total weighted value (average) (A$m)
Liquid assets, of which:									
1	High-quality liquid assets (HQLA)		854		1,295		1,418		1,570
2	Alternative liquid assets (ALA)		1,000		1,000		1,000		1,000
3	Reserve Bank of New Zealand (RBNZ) securities		0		0		0		0
Cash outflows									
4	Retail deposits and deposits from small business customers, of which:	4,838	606	5,013	603	5,302	653	5,590	677
5	stable deposits	1194	60	1247	62	1106	55	1210	60
6	less stable deposits	3,644	546	3,766	541	4,196	598	4380	617
7	Unsecured wholesale funding, of which:	1,347	776	1,546	953	1,467	819	1,592	971
8	operational deposits (all counterparties) and deposits in networks for cooperative banks	0	0	0	0	0	0	0	0
9	non-operational deposits (all counterparties)	1,063	492	1,059	466	1,138	490	1,302	681
10	unsecured debt	284	284	487	487	329	329	290	290
11	Secured wholesale funding	0	0	0	38	0	1	0	0
12	Additional requirements, of which:	2,373	369	3,218	422	3,117	443	3,100	459
13	outflows related to derivatives exposures	240	240	235	235	279	279	294	295
14	outflows related to loss of funding on debt	0	0	16	16	0	0	0	0
15	credit and liquidity facilities	2,133	129	2,967	171	2838	164	2806	164
16	Other contractual funding obligations	0	0	0	0	0	0	0	0
17	Other contingent funding obligations	3,765	288	3,128	258	3,249	286	3,831	291
18	**Total cash outflows**		2,039		2,274		2,202		2,398
Cash inflows									
19	Secured lending (e.g. reverse repos)								
20	Inflows from fully performing exposures	351	304	249	201	225	179	306	259
21	Other cash inflows	275	275	310	310	140	140	203	203
22	**Total cash inflows**	626	579	559	511	365	319	509	462
			Total adjusted value		**Total adjusted value**		**Total adjusted value**		**Total adjusted value**
23	Total liquid assets		1,854		2,295		2,418		2,570
24	Total net cash outflows		1,460		1,763		1,883		1,936
25	Liquidity Coverage ratio (%)		127		130		128		133
	Number of data points		63		61		64		62