# AMP Bank Limited

ABN 15 081 596 009

# Annual Report for the year ended 31 December 2024

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Registered Office:
Level 29 Quay Quarter Tower, 50 Bridge Street
Sydney NSW 2000 Australia
AMP Bank Limited, a company limited by shares, is incorporated and domiciled in Australia.

# AMP Bank Limited

## Directors' Report
for the year ended 31 December 2024

The directors of AMP Bank Limited (the Company) present their report for the consolidated entity (the Bank) consisting of AMP Bank Limited and the entities it controlled during the financial year ended 31 December 2024.

### Directors

The directors of the Company during the year ended 31 December 2024 and up to the date of this report are shown below. The directors were in office for this entire period except where stated otherwise:

Mike Hirst (appointed as Chair on 12 April 2024)
Kathleen Bailey-Lord (appointed as a director on 1 January 2024)
Andrew Best
Rahoul Chowdry
Alexis George
Anna Leibel (appointed as a director on 1 January 2024)
Michael Sammells
Andrea Slattery
Debra Hazelton (resigned as Chair on 12 April 2024)

### Principal activities

AMP Bank Limited is an Australian retail bank offering housing loans, deposits, and transaction banking for around 185,000 customers. It also has a small business finance portfolio that supports the financial advisers and mortgage brokers' network. The Company distributes through brokers, financial advisers, and direct to retail customers via phone and internet banking.

### Review of operations and results

The result for the year ended 31 December 2024 was a consolidated net profit after tax of $33m (2023: $84m).

### Dividends & distributions

During the year ended 31 December 2024, the Company declared and paid $35m (2023: $40m) of dividends to its immediate parent company, AMP Financial Investment Group Holdings Limited, and paid $20m (2023: $19m) of distributions on capital notes to AMP Limited. Details of dividends and distributions paid and declared during the year are disclosed in Note 17 of the financial report.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs during the year.

### Environmental regulations

The Company's operations are not subject to any particular and significant environmental regulation under a Law of the Commonwealth or a State or Territory.

### Events occurring after reporting date

As at the date of this report and except as otherwise disclosed, the directors are not aware of any other matters or circumstances that have arisen since the reporting date that have significantly affected, or may significantly affect, the consolidated entity's operations; the results of those operations; or the consolidated entity's state of affairs in future periods.

### Likely developments

In the opinion of the directors, disclosure of further information about likely developments in the Company's business is commercially sensitive and would likely be detrimental and result in unreasonable prejudice to the Company.

# AMP Bank Limited

## Directors' Report (continued)
for the year ended 31 December 2024

### Indemnification and insurance of directors and officers

Under its Constitution, the Company indemnifies, to the extent permitted by law, all current and former officers of the Company (including the directors) against any liability (including the reasonable costs and expenses of defending proceedings for an actual or alleged liability) incurred in their capacity as an officer of the Company, unless the liability did not arise out of conduct in good faith. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the AMP Limited Board.

During, and since the end of, the year ended 31 December 2024, AMP Limited (the Company's ultimate parent company) maintained, and paid the premium for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the Company) against certain liabilities (including legal costs) as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

In addition, AMP Limited and each of the current and some former directors of the Company, and a subsidiary of AMP Limited and some former directors and each of the company secretaries of the Company are parties to deeds of indemnity, insurance and access. Those deeds provide that:

– these officers will have access to board papers and specified records of the Company (and of certain other companies) for their period of office and for at least ten (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);

– the relevant officers are indemnified to the extent permitted by law, and to the extent and for the amount that the relevant officer is not otherwise entitled to be, and is not actually, indemnified by another person;

– the indemnity covers liabilities (including legal costs) incurred by the relevant officer in their capacity as a current or former director or secretary of the Company, or of another AMP group company or, an AMP representative in relation to an external company; and

– the AMP group will maintain directors' and officers' insurance cover for those officers, to the extent permitted by law, for the period of their office and for at least ten years after they cease to hold office.

### Indemnification of auditors

To the extent permitted by law, the Company's ultimate parent company, AMP Limited, has agreed to indemnify the Company's auditor, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising out of or relating to the audit or the audit engagement agreement, other than where the claim is determined to have resulted from any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2024.

### Rounding

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in this directors' report and the accompanying financial report have been rounded to the nearest million Australian dollars, unless stated otherwise.

### Auditor's independence

The directors have obtained an independence declaration from the Company's auditor, Ernst & Young, a copy of which is attached to this report and forms part of the directors' report for the year ended 31 December 2024.

Signed in accordance with a resolution of the directors.

..............................................
Director

Sydney, 14 February 2025

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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## Auditor's independence declaration to the directors of AMP Bank Limited

As lead auditor for the audit of the financial report of AMP Bank Limited for the financial year ended 31 December 2024, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AMP Bank Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Anita Kariappa

Anita Kariappa
Partner
14 February 2025

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

# AMP Bank Limited

## Income statements

for the year ended 31 December

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | **2024** | **2023** | **2024** | **2023** |
| | **Note** | **$m** | **$m** | **$m** | **$m** |
| Interest income | 2 | **1,748** | 1,712 | **1,729** | 1,694 |
| Interest expense | 2 | **(1,528)** | (1,437) | **(1,523)** | (1,433) |
| **Net interest income** | | **220** | 275 | **206** | 261 |
| Fee and commission income | | **12** | 11 | **24** | 22 |
| Other (losses) / gains | 3 | **(29)** | 12 | **(29)** | 12 |
| Operating expenses | 4 | **(165)** | (174) | **(163)** | (171) |
| Impairment benefit / (charge) | | **10** | (2) | **10** | (2) |
| **Profit before tax** | | **48** | 122 | **48** | 122 |
| Income tax expense | 5 | **(15)** | (38) | **(15)** | (38) |
| **Profit after tax** | | **33** | 84 | **33** | 84 |
| **Net profit attributable to equity owners of AMP Bank Limited** | | **33** | 84 | **33** | 84 |

# AMP Bank Limited

## Statements of comprehensive income
for the year ended 31 December

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **$m** | **$m** | **$m** | **$m** |
| **Profit after tax** | **33** | 84 | **33** | 84 |
| **Other comprehensive expense:** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Cash flow hedging instruments[1] | | | | |
| - net loss from changes in fair value | **(27)** | (69) | **(27)** | (69) |
| - tax effect on net loss from changes in fair value | **(3)** | 21 | **(3)** | 21 |
| - net amount transferred to Income statement | **(71)** | (124) | **(71)** | (124) |
| - tax effect on amount transferred to Income statement | **21** | 37 | **21** | 37 |
| Total cash flow hedging instruments | **(80)** | (135) | **(80)** | (135) |
| Debt securities measured at fair value through other comprehensive income (FVOCI) | | | | |
| - net (loss) / gain from changes in fair value | **(29)** | 81 | **(29)** | 81 |
| - tax effect on net gain / (loss) from changes in fair value | **9** | (24) | **9** | (24) |
| - net amount transferred to Income statement | **17** | (1) | **17** | (1) |
| - tax effect on amount transferred to Income statement | **(5)** | - | **(5)** | - |
| Total debt securities measured at fair value through other comprehensive income (FVOCI) | **(8)** | 56 | **(8)** | 56 |
| **Total other comprehensive expense** | **(88)** | (79) | **(88)** | (79) |
| **Total comprehensive (expense) / income** | **(55)** | 5 | **(55)** | 5 |
| **Total comprehensive (expense) / income attributable to equity owners of AMP Bank Limited** | **(55)** | 5 | **(55)** | 5 |

[1] *Movements on cash flow hedging instruments relate to interest rate swaps used to manage the interest rate risk of AMP Bank Limited and its controlled entities.*

# AMP Bank Limited

## Statements of financial position
As at 31 December

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | Note | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| **Assets** | | | | | |
| Cash and balances with central banks | | **103** | 284 | **103** | 284 |
| Due from banks | 6 | **772** | 583 | **235** | 192 |
| Derivative financial assets | 23 | **43** | 185 | **43** | 185 |
| Debt securities | 7 | **4,569** | 3,819 | **4,569** | 3,819 |
| Loans and advances | 8 | **23,423** | 24,530 | **23,423** | 24,530 |
| Deferred tax assets | 5 | **36** | 8 | **36** | 8 |
| Intangibles | 9 | **11** | 16 | **11** | 16 |
| Other assets | 10 | **47** | 52 | **99** | 103 |
| **Total assets** | | **29,004** | 29,477 | **28,519** | 29,137 |
| **Liabilities** | | | | | |
| Due to banks | 11 | **248** | 634 | **248** | 634 |
| Derivative financial liabilities | 23 | **49** | 34 | **49** | 34 |
| Deposits and other borrowings | 12 | **20,920** | 21,557 | **20,920** | 21,557 |
| Intercompany tax payable to head entity | | **17** | 37 | **17** | 37 |
| Employee provisions | 13 | **14** | 16 | **14** | 16 |
| Debt securities on issue | 14 | **6,091** | 5,240 | **652** | 375 |
| Due to controlled entities | | **-** | - | **4,954** | 4,526 |
| Other liabilities | 15 | **111** | 44 | **111** | 43 |
| Subordinated debt | 16 | **202** | 453 | **202** | 453 |
| **Total liabilities** | | **27,652** | 28,015 | **27,167** | 27,675 |
| **Net assets** | | **1,352** | 1,462 | **1,352** | 1,462 |
| **Equity** | | | | | |
| Contributed equity | 18 | **619** | 619 | **619** | 619 |
| Reserves | | **(33)** | 46 | **(33)** | 46 |
| Retained earnings | | **766** | 797 | **766** | 797 |
| **Total equity** | | **1,352** | 1,462 | **1,352** | 1,462 |

# AMP Bank Limited

## Statements of changes in equity

for the year ended 31 December

| | | Attributable to equity owners of AMP Bank Limited | | | | | |
|---|---|---|---|---|---|---|---|
| | | Contributed equity | Share based payments reserve | Cash flow hedge reserve[1] | FVOCI reserve[1] | Retained earnings | Total equity |
| | Note | $m | $m | $m | $m | $m | $m |
| **Consolidated** | | | | | | | |
| **2024** | | | | | | | |
| **Balance at the beginning of the year** | | **619** | **5** | **109** | **(68)** | **797** | **1,462** |
| Adjustments[2] | | **-** | **-** | **9** | **-** | **(9)** | **-** |
| **Restated balance at the beginning of the year** | | **619** | **5** | **118** | **(68)** | **788** | **1,462** |
| Profit after tax | | **-** | **-** | **-** | **-** | **33** | **33** |
| Other comprehensive expense | | **-** | **-** | **(80)** | **(8)** | **-** | **(88)** |
| Total comprehensive (expense) / income | | **-** | **-** | **(80)** | **(8)** | **33** | **(55)** |
| Dividends paid on ordinary shares | 17 | **-** | **-** | **-** | **-** | **(35)** | **(35)** |
| Distributions paid on capital notes | 17 | **-** | **-** | **-** | **-** | **(20)** | **(20)** |
| **Balance at the end of the year** | | **619** | **5** | **38** | **(76)** | **766** | **1,352** |
| **2023** | | | | | | | |
| **Balance at the beginning of the year** | | 619 | 5 | 244 | (124) | 759 | 1,503 |
| Adjustments[3] | | - | - | - | - | 13 | 13 |
| **Restated balance at the beginning of the year** | | 619 | 5 | 244 | (124) | 772 | 1,516 |
| Profit after tax | | - | - | - | - | 84 | 84 |
| Other comprehensive (expense) / income | | - | - | (135) | 56 | - | (79) |
| Total comprehensive (expense) / income | | - | - | (135) | 56 | 84 | 5 |
| Dividends paid on ordinary shares | 17 | - | - | - | - | (40) | (40) |
| Distributions paid on capital notes | 17 | - | - | - | - | (19) | (19) |
| **Balance at the end of the year** | | 619 | 5 | 109 | (68) | 797 | 1,462 |

| | | Attributable to equity owners of AMP Bank Limited | | | | | |
|---|---|---|---|---|---|---|---|
| | | Contributed equity | Share based payments reserve | Cash flow hedge reserve[1] | FVOCI reserve[1] | Retained earnings | Total equity |
| | | $m | $m | $m | $m | $m | $m |
| **Company** | | | | | | | |
| **2024** | | | | | | | |
| **Balance at the beginning of the year** | | **619** | **5** | **109** | **(68)** | **797** | **1,462** |
| Adjustments[2] | | **-** | **-** | **9** | **-** | **(9)** | **-** |
| **Restated balance at the beginning of the year** | | **619** | **5** | **118** | **(68)** | **788** | **1,462** |
| Profit after tax | | **-** | **-** | **-** | **-** | **33** | **33** |
| Other comprehensive expense | | **-** | **-** | **(80)** | **(8)** | **-** | **(88)** |
| Total comprehensive (expense) / income | | **-** | **-** | **(80)** | **(8)** | **33** | **(55)** |
| Dividends paid on ordinary shares | 17 | **-** | **-** | **-** | **-** | **(35)** | **(35)** |
| Distributions paid on capital notes | 17 | **-** | **-** | **-** | **-** | **(20)** | **(20)** |
| **Balance at the end of the year** | | **619** | **5** | **38** | **(76)** | **766** | **1,352** |
| **2023** | | | | | | | |
| **Balance at the beginning of the year** | | 619 | 5 | 244 | (124) | 759 | 1,503 |
| Adjustments[3] | | - | - | - | - | 13 | 13 |
| **Restated balance at the beginning of the year** | | 619 | 5 | 244 | (124) | 772 | 1,516 |
| Profit after tax | | - | - | - | - | 84 | 84 |
| Other comprehensive (expense) / income | | - | - | (135) | 56 | - | (79) |
| Total comprehensive (expense) / income | | - | - | (135) | 56 | 84 | 5 |
| Dividends paid on ordinary shares | 17 | - | - | - | - | (40) | (40) |
| Distributions paid on capital notes | 17 | - | - | - | - | (19) | (19) |
| **Balance at the end of the year** | | 619 | 5 | 109 | (68) | 797 | 1,462 |

*[1] Cash flow hedge reserves represent the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective under hedge accounting rules. Hedging gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the hedged forecast transaction. FVOCI reserves represent the cumulative changes in the fair value of financial assets measured at fair value through other comprehensive income (FVOCI). When the financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified (i.e. recycled) from equity to the Income statement.*

*[2] In 2024, the Bank updated its accounting treatment of gains / losses relating to certain hedge instruments. This resulted in an immaterial adjustment to opening equity balances.*

*[3] In 2023, the Bank updated its accounting treatment of interest income on credit-impaired loans as well as gains / losses on collateral deposits. This resulted in an immaterial adjustment to opening equity balances.*

# AMP Bank Limited

## Statements of cash flows
for the year ended 31 December

| | Note | Consolidated 2024 $m | Consolidated 2023 $m | Company 2024 $m | Company 2023 $m |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Interest received | | **1,790** | 1,731 | **1,771** | 1,714 |
| Interest paid | | **(1,560)** | (1,341) | **(1,560)** | (1,345) |
| Fees and commissions received | | **12** | 11 | **24** | 22 |
| Payments to suppliers and employees | | **(154)** | (174) | **(152)** | (171) |
| Income tax paid | | **(40)** | (15) | **(40)** | (15) |
| **Cash flows from operating activities before changes in operating assets and liabilities** | | **48** | 212 | **43** | 205 |
| ***Changes in operating assets and liabilities arising from cash flow movements:*** | | | | | |
| Net decrease / (increase) in loans and advances | | **1,145** | (456) | **1,145** | (456) |
| Net increase in other assets[1] | | **(2)** | (5) | **(3)** | (14) |
| Net decrease in funds due to banks | | **(386)** | (988) | **(386)** | (988) |
| Net (decrease) / increase in deposits and other borrowings | | **(592)** | 467 | **(592)** | 467 |
| Net (decrease) / increase in other liabilities | | **(7)** | 17 | **(6)** | 16 |
| **Changes in operating assets and liabilities arising from cash flow movements** | | **158** | (965) | **158** | (975) |
| **Net cash provided by / (used in) operating activities** | 22(a) | **206** | (753) | **201** | (770) |
| **Cash flows from investing activities** | | | | | |
| Proceeds from debt securities | | **3,960** | 4,498 | **3,960** | 4,498 |
| Purchase of debt securities | | **(4,704)** | (4,084) | **(4,704)** | (4,084) |
| Payments for intangibles | | **(4)** | (8) | **(4)** | (8) |
| **Net cash (used in) / provided by investing activities** | | **(748)** | **406** | **(748)** | **406** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from debt securities on issue | | **3,727** | 3,337 | **500** | 150 |
| Repayment of debt securities on issue | | **(2,883)** | (2,984) | **(225)** | - |
| Redemption of subordinated debt | | **(250)** | - | **(250)** | - |
| Payment of dividends | | **(35)** | (40) | **(35)** | (40) |
| Payment of distributions on capital notes | | **(20)** | (19) | **(20)** | (19) |
| Net increase in loans due to controlled entities | | **-** | - | **428** | 368 |
| **Net cash provided by financing activities** | | **539** | 294 | **398** | 459 |
| Net (decrease) / increase in cash and cash equivalents | | **(3)** | (53) | **(149)** | 95 |
| Effect of foreign exchange rates on cash and cash equivalents | | **11** | - | **11** | - |
| Cash and cash equivalents at the beginning of the year | | **867** | 920 | **476** | 381 |
| **Cash and cash equivalents at the end of the year** | 22(c) | **875** | 867 | **338** | 476 |

[1] *This amount excludes the recovery of losses in relation to loans to financial advisers from related parties. See Note 10.*

# AMP Bank Limited
# Notes to the financial statements

## 1. Basis of preparation

The consolidated economic entity (the Bank) is comprised of AMP Bank Limited (the Company), an unlisted public company limited by shares, incorporated and domiciled in Australia, and the entities that it controls. The parent entity of AMP Bank Limited is AMP Financial Investment Group Holdings Limited. The ultimate parent entity is AMP Limited. The financial report of the Bank for the year ended 31 December 2024 was authorised for issue on 14 February 2025 in accordance with a resolution of the directors. The directors have the power to amend and reissue the financial statements.

### a) Basis of accounting

The financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($m), unless otherwise stated;
- has been prepared on a going concern basis generally using a historical cost basis, however where permitted under accounting standards, a different basis may be used, including the fair value basis;
- presents assets and liabilities on the face of the Statement of financial position in decreasing order of liquidity and therefore does not distinguish between current and non-current items; and
- presents reclassified comparative information where required for consistency with the current year's presentation within the financial report.

The Bank is a for-profit entity for the purpose of preparing financial statements.

### b) New accounting standards and other developments

#### i) New and amended accounting standards adopted

A number of new amendments to accounting standards have been adopted effective 1 January 2024. These have not had a material impact on the financial position or performance of the Bank.

#### ii) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Bank in the financial statement. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the Bank’s financial statements except for the below accounting standards, none of which is being early adopted by the Bank.

- **AASB 18 *Presentation and Disclosure in Financial Statements***

AASB 18 was issued in June 2024 replacing AASB 101 *Presentation of Financial Statements* and will be effective for the Bank from 1 January 2027. The standard has been issued to improve how entities communicate their results within their financial statements, with a particular focus on information about financial performance in the income statement. The key presentation and disclosure requirements are:

(i) The presentation of newly defined categories of income and expenses and subtotals in the income statement;
(ii) The disclosure of management-defined performance measures; and
(iii) Enhanced guidance on the grouping of information.

The Bank is currently assessing the impact of this new standard.

#### iii) Other developments

- **Australian Sustainability Reporting Standards**

• **AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information***
• **AASB S2 *Climate-related Disclosure***

AASB S1 & S2 are Australian Sustainability Reporting Standards issued by the AASB in September 2024. AASB S1 is a voluntary standard while AASB S2 is a mandatory. Both standards will be effective for the Bank from 1 January 2025. The standards set out the sustainability-related and climate-related financial disclosures for sustainability reports and general purpose financial reports. The key features and disclosure requirements of both standards are as follows:

*AASB S1*
This standard deals with general requirements for the disclosure of material information about significant sustainability-related risks and opportunities across an entity’s value chain. This adopts a four-pillar core content framework which requires an entity to provide disclosures around governance, strategy, risk management as well as metrics and targets related to sustainability matters.

## 1. Basis of preparation (continued)

### b) New accounting standards and other developments (continued)

### iii) Other developments (continued)

AASB S2
This standard deals with climate-related disclosures and sets out requirements for an entity to disclose information about its exposure to significant climate-related risks and opportunities that will facilitate users of its financial report to assess the impact of these risks and opportunities on the entity's financial position, performance and cash-flows, strategy and business model. The main climate-related financial disclosure requirements are structured around the four content pillars of governance, strategy, risk management, and metrics and targets. The standard also requires disclosures on scenario analysis and Scope 1, Scope 2 and Scope 3 greenhouse gas emissions.

The Bank is currently assessing the impact of these new standards, which have not been adopted for the financial year ended 31 December 2024.

There are no other new accounting standards or amendments that have been issued but are not yet effective which are expected to have a material effect on the financial position or performance of the Bank.

- ***Consolidated entity disclosure statement***

During 2024, the Federal Government passed legislation amending the *Corporations Act 2001* requiring Australian public companies to present mandatory disclosure of detailed information about each entity within the consolidated group, including tax residency, in a new Consolidated Entity Disclosure Statement (CEDS) in their financial reports. CEDS requires information about each entity's name, entity type/ legal structure, place of incorporation or formation, the public company's percentage of ownership and country of tax residency. The amendments apply to the Bank's 2024 financial report. Accordingly, the CEDS has been included in this financial report and is presented on page 49.

- ***International Tax Reform – Pillar Two Model Rules***

The Bank is subject to the global minimum top-up tax under Pillar Two tax legislation. On current assessment, the Bank does not expect any liability to Pillar Two top-up tax to arise. The Bank has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

### c) Basis of consolidation

Entities are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that control ceases. Control exists where the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income, expenses, assets, liabilities and cash flows of controlled entities are consolidated into the Bank's financial statements, along with those attributable to the shareholders of the parent entity. All inter-company transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

The Company sells housing loans to securitisation trusts (also referred to as special purpose entities) through its loan securitisation program. These securitisation trusts are controlled by the Company and are therefore consolidated.

**Materiality**
Information has only been included in the financial report to the extent that it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Bank;
- it helps explain the impact of significant changes in the Bank; and/or
- it relates to an aspect of the Bank's operations that is important to its future performance.

### d) Material accounting policies

The material accounting policies adopted in the preparation of the financial report are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where an accounting policy relates to more than one note or where no note is provided, the accounting policies are set out below.

## 1. Basis of preparation (continued)

### d) Material accounting policies (continued)

#### Foreign currency transactions

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars (the functional currency) using the following applicable exchange rates:

| Foreign currency transactions | Applicable exchange rate |
|---|---|
| Transactions | Transaction date |
| Monetary assets and liabilities | Reporting date |
| Non-monetary assets and liabilities carried at fair value | Fair value determination date |

Foreign exchange gains and losses resulting from translation of foreign exchange transactions are recognised in the Income statement, except for qualifying cash flow hedges which is recognised in other comprehensive income.

#### Operating segment

Operating segments are identified based on information which is provided internally to the Bank's key decision makers in assessing performance and determining the allocation of resources. As the Bank operates in only one segment, being banking, the consolidated results of the Bank are also its segment results. The Bank operates predominantly in one geographical segment, which is Australia. Revenue from overseas customers is not material to the Bank. The basis of segmentation and measurement of segment results are therefore the same as those applied by the Bank in its consolidated financial statements.

#### Fee and commission income

Fee and commission income includes servicing fees from housing loans and deposit accounts and is generally recognised as revenue over the service period.

#### Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the Bank becomes a party to the contractual provisions of the instrument. The Bank recognises regular way transactions on the trade date. At initial recognition, financial assets are classified as fair value through profit or loss, fair value through other comprehensive income, or amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. Non-derivative financial liabilities are initially recognised at fair value plus directly attributable incremental transaction costs and subsequently measured at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

#### Provisions and contingent liabilities

Provisions are recognised when:

- the Bank has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income statement net of any reimbursement.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employment entitlements, the discount rate used to determine the present value reflects the current market assessments of the time-value of money and the risks specific to the liability.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

## Critical accounting judgements and estimates

Preparation of the financial statements requires management to make judgements and assumptions about the future events. Information on critical judgement and estimates considered when applying the accounting policies can be found in the following notes:

- Note 2 - Net interest income
- Note 5 - Income tax
- Note 8 - Loans and advances
- Note 9 - Intangibles
- Note 15 - Other liabilities
- Note 27 - Fair value information

### 2. Net interest income

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **$m** | **$m** | **$m** | **$m** |
| **Interest income** | | | | |
| **Calculated using the effective interest method** | | | | |
| Cash and balances with central banks | **7** | 10 | **7** | 10 |
| Due from banks | **27** | 22 | **8** | 4 |
| Debt securities | **187** | 138 | **187** | 138 |
| Loans and advances | **1,356** | 1,229 | **1,356** | 1,229 |
| **Total interest income calculated using the effective interest method** | **1,577** | 1,399 | **1,558** | 1,381 |
| **Other** | | | | |
| Derivative financial instruments | **171** | 313 | **171** | 313 |
| **Total other interest income** | **171** | 313 | **171** | 313 |
| **Total interest income** | **1,748** | 1,712 | **1,729** | 1,694 |
| **Interest expense** | | | | |
| **Calculated using the effective interest method** | | | | |
| Due to banks | **(16)** | (11) | **(16)** | (11) |
| Deposits and other borrowings | **(1,077)** | (941) | **(1,077)** | (941) |
| Debt securities on issue | **(295)** | (256) | **(29)** | (19) |
| Due to controlled entities | **-** | - | **(261)** | (233) |
| Subordinated debt | **(21)** | (31) | **(21)** | (31) |
| **Total interest expense calculated using the effective interest method** | **(1,409)** | (1,239) | **(1,404)** | (1,235) |
| **Other** | | | | |
| Derivative financial instruments | **(119)** | (198) | **(119)** | (198) |
| **Total other interest expense** | **(119)** | (198) | **(119)** | (198) |
| **Total interest expense** | **(1,528)** | (1,437) | **(1,523)** | (1,433) |
| **Net interest income** | **220** | 275 | **206** | 261 |

### Accounting policy

Interest income and expense for all interest earning and interest-bearing financial instruments at amortised cost or FVOCI are recognised in the Income statement using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or liability using the effective interest rate and allocates the interest income or interest expense over its expected life.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees and other amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is calculated based on the gross carrying amount of financial assets in Stage 1 and Stage 2 of the expected credit loss (ECL) model and on the carrying amount net of the provision for ECL for financial assets in Stage 3.

Interest income and expense on financial assets and liabilities that are measured at fair value through profit or loss are accounted for on a contractual rate basis.

### Critical accounting estimates and judgements

Interest income and expense for all financial instruments measured at amortised cost and at FVOCI are recognised in the Income statement using the effective interest method which depends on assumptions for estimating the expected life of financial instruments. Management applies judgement in determining the expected life with regard to both historical performance and forward-looking expectations.

## 3. Other gains and losses

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| Net (loss) / gain on financial instruments measured at fair value | **(17)** | 1 | **(17)** | 1 |
| Net (loss) / gain on derivatives held for risk management purposes | **(23)** | 11 | **(23)** | 11 |
| Foreign currency translation gain | **11** | - | **11** | - |
| **Total other (losses) / gains** | **(29)** | 12 | **(29)** | 12 |

### Accounting policy

Other gains and losses include the amounts released from the FVOCI reserve when a debt instrument at FVOCI is sold, realised and unrealised gains or losses from changes in the fair value of derivatives held for risk management purposes and the impact of foreign currency revaluations for foreign currency monetary assets and liabilities, and are recognised in the period in which they arise.

## 4. Operating expenses

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| *Staff expenses* | | | | |
| Salaries and related on-costs | **(61)** | (60) | **(61)** | (60) |
| Contributions to defined contribution funds | **(7)** | (7) | **(7)** | (7) |
| *Other operating expenses* | | | | |
| Service charges - related party | **(29)** | (50) | **(29)** | (50) |
| Information technology and communication | **(18)** | (19) | **(18)** | (19) |
| Consultancy fee | **(9)** | (8) | **(9)** | (8) |
| Amortisation and impairment of intangibles | **(9)** | (4) | **(9)** | (4) |
| Advertising and marketing expenses | **(7)** | (4) | **(7)** | (4) |
| Legal and regulatory charges | **(4)** | (3) | **(4)** | (3) |
| Other expenses | **(21)** | (19) | **(19)** | (16) |
| **Total operating expenses** | **(165)** | (174) | **(163)** | (171) |

### Accounting policy

Salaries and related on-costs include annual leave, other employee entitlements and relevant taxes. Staff expenses are recognised over the period which the employee renders service.

Other operating expenses are recognised as the relevant services are provided to the Bank.

## 5. Income tax

### (a) Income tax expense

The following table provides a reconciliation of differences between prima facie tax calculated at 30% of the profit before income tax for the year and the income tax expense recognised in the Income statement for the year.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| Profit before tax | **48** | 122 | **48** | 122 |
| Prime facie income tax at 30% | **(14)** | (36) | **(14)** | (36) |
| Income tax over provided in prior years | **(1)** | (2) | **(1)** | (2) |
| **Income tax expense per Income statement** | **(15)** | (38) | **(15)** | (38) |
| Current tax expense | **(21)** | (37) | **(21)** | (37) |
| Deferred tax benefit / (expense) | **6** | (1) | **6** | (1) |
| **Income tax expense** | **(15)** | (38) | **(15)** | (38) |

### (b) Analysis of deferred tax balances

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| **Analysis of deferred tax assets** | | | | |
| Provisions and accruals | **27** | 31 | **27** | 31 |
| Fair value of debt securities | **33** | 30 | **33** | 30 |
| Intangibles | **12** | 8 | **12** | 8 |
| **Total deferred tax assets** | **72** | 69 | **72** | 69 |
| Offset to tax | **(35)** | (61) | **(35)** | (61) |
| **Net deferred tax assets** | **37** | 8 | **37** | 8 |
| **Analysis of deferred tax liabilities** | | | | |
| Fair value of derivatives | **(24)** | (47) | **(24)** | (47) |
| Other assets | **(11)** | (14) | **(11)** | (14) |
| **Total deferred tax liabilities** | **(35)** | (61) | **(35)** | (61) |
| Offset to tax | **35** | 61 | **35** | 61 |
| **Net deferred tax liabilities** | **-** | - | **-** | - |

### (c) Amount recognised directly in equity

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| Deferred income tax credit related to items taken directly to equity during the year | **22** | 34 | **22** | 34 |

## Accounting policy

*Income tax expense*

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities. These changes are attributable to:

- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts; and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or the manner in which these balances are expected to be realised.

Adjustments to income tax expense are also made for any differences between the amounts paid or expected to be paid in relation to prior periods and the amounts provided for these periods at the start of the current period.

Any tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

*Deferred tax*

Deferred tax assets and liabilities are recognised for temporary differences and are measured at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on tax rates which have been enacted or substantively enacted for each jurisdiction at the reporting date. Deferred tax assets and liabilities are not discounted to present value.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

## 5. Income tax (continued)

*Tax consolidation*
AMP Limited, AMP Bank Limited and other wholly owned Australian controlled entities of AMP Limited are part of a tax-consolidated group, with AMP Limited being the head entity. A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group and requires entities to fully compensate the head entity for current tax liabilities and to be fully compensated by the head entity for any current or deferred tax assets in respect of tax losses arising from external transactions occurring after 30 June 2003, the implementation date of the tax-consolidated group.

Assets and liabilities which arise as a result of balances transferred from entities within the tax-consolidated group to the head entity are recognised as related-party receivable and payable in the Statement of financial position. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

*Goods and services tax (GST)*
All income, expenses and assets are recognised net of any GST paid, except where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are recorded with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of financial position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

*Global minimum top-up tax*
In 2021, the Organisation for Economic Co-operation and Development (OECD) released Global Anti-Base Erosion (GLoBE) Model rules (Pillar Two) which introduced new ‘top-up’ taxing mechanisms for multinational enterprises (MNEs) that are within the scope of the rules. Under these rules, MNEs will be liable to pay a top-up tax reflecting the difference between their GLoBE effective tax rate per jurisdiction and the 15% minimum tax rate.

During 2024, the Australian equivalent Pillar Two legislation was enacted by the Federal Government which is effective for the Bank for the financial year ended 31 December 2024. On current assessment, the Bank does not expect any liability to Pillar Two top-up tax to arise. This assessment is based on the transitional safe harbour rules applying. The temporary exception to recognising and disclosing information about deferred tax assets and deferred tax liabilities in respect of Pillar Two is applied at 31 December 2024 as required by amendments to IAS 12 / AASB 112 *Income Taxes* issue by the International Accounting Standards Board and the Australian Accounting Standards Board respectively.

**Critical accounting estimates and judgements**

The application of tax law to the specific circumstances and transactions of the Bank requires the exercise of judgment by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgment is also applied by management in setting assumptions used to forecast future profitability in order to determine the extent to which the recovery of deductible temporary differences are probable for the purpose of meeting the criteria for recognition as deferred tax assets (DTAs). Future profitability may differ from forecasts which could impact management's expectations in future periods with respect to the recoverability of DTAs and result in DTA impairments or reversals of prior DTA impairments.

## 6. Due from banks

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **$m** | **$m** | **$m** | **$m** |
| Cash at bank | **476** | 316 | **52** | 36 |
| Collateral placed | **139** | 109 | **139** | 109 |
| Money market deposits | **114** | 112 | **1** | 1 |
| Settlement and clearing balances | **43** | 46 | **43** | 46 |
| **Total due from banks**[1] | **772** | 583 | **235** | 192 |

[1] *$772m (2023: $583m) is expected to be received within 12 months from the reporting date for the consolidated entity and the Company.*

### Accounting policy

Due from banks include short term money market deposits with a maturity date of less than three months, cash collateral placed in relation to derivative transactions and settlement account and clearing balances with other banks. Due from banks are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

## 7. Debt securities

The table below shows the distribution of debt securities by credit quality based on the Bank's internal credit rating grade:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Internal credit rating grade** | **$m** | **$m** | **$m** | **$m** |
| Senior investment grade | **4,538** | 3,746 | **4,538** | 3,746 |
| Investment grade | **31** | 73 | **31** | 73 |
| **Total debt securities**[1] | **4,569** | 3,819 | **4,569** | 3,819 |

[1] *$ 4,218m (2023: $3,372m) is contractually due to be received more than 12 months from the reporting date for the consolidated entity and the Company.*

All debt securities have been classified as Stage 1 for ECL calculation.

Significant changes in the gross carrying amount of debt securities were:

| | 2024 | 2023 |
|---|---|---|
| **Consolidated & Company** | **$m** | **$m** |
| New purchases | **4,704** | 4,084 |
| Debt securities derecognised | **3,960** | 4,498 |
| Net fair value changes | **(12)** | 81 |

### Accounting policy

Debt securities are measured at FVOCI as both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt securities are subsequently measured at fair value, with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the Income statement in the same manner as for financial assets measured at amortised cost. Impairment on debt instruments at FVOCI is determined using the ECL model described in Note 8 and is recognised in the Income statement with a corresponding amount in OCI. There is no reduction of the carrying amount of these financial assets which remains at fair value. The accumulated gain or loss recognised in OCI is recycled to the Income statement upon derecognition of the assets.

## 8. Loans and advances

| | Consolidated 2024 $m | Consolidated 2023 $m | Company 2024 $m | Company 2023 $m |
|---|---|---|---|---|
| Housing loans[1] | **23,280** | 24,386 | **23,280** | 24,386 |
| Business finance loans | **231** | 244 | **231** | 244 |
| **Total gross loans and advances[2, 3]** | **23,511** | 24,630 | **23,511** | 24,630 |
| Less: Provisions for impairment | | | | |
| Individually assessed provisions | | | | |
| - Housing loans | **(1)** | (2) | **(1)** | (2) |
| - Business finance loans | **(48)** | (54) | **(48)** | (54) |
| Collectively assessed provisions | **(39)** | (44) | **(39)** | (44) |
| **Total provisions for impairment** | **(88)** | (100) | **(88)** | (100) |
| **Total net loans and advances** | **23,423** | 24,530 | **23,423** | 24,530 |
| **Movement in provisions:** | | | | |
| ***Individually assessed provision*** | | | | |
| Balance at the beginning of the year | **56** | 66 | **56** | 66 |
| New and increase in provisions | **1** | 1 | **1** | 1 |
| Write-offs | **(1)** | (1) | **(1)** | (1) |
| Provision released[4] | **(7)** | (10) | **(7)** | (10) |
| **Balance at the end of the year** | **49** | 56 | **49** | 56 |
| ***Collectively assessed provisions*** | | | | |
| Balance at the beginning of the year | **44** | 35 | **44** | 35 |
| Net (decrease) / increase in provision | **(5)** | 9 | **(5)** | 9 |
| **Balance at the end of the year** | **39** | 44 | **39** | 44 |

*[1] Housing loans include residential mortgages that have been assigned to securitisation vehicles. Refer to Note 26 for further information.*
*[2] Total loans and advances include net capitalised costs of $189m (2023: $134m). The balance as at 31 December 2024 includes $74m of capitalised brokerage costs reflecting the revised accounting treatment of trail commission payable to mortgage brokers.*
*[3] $17,586m (2023: $18,498m) is expected to be received more than 12 months from the reporting date for the consolidated entity and the Company.*
*[4] This balance includes $7m (2023: $7m) of provision released and written off relating to loans to financial advisors recoverable in accordance with the deeds of indemnity with related parties.*

The following tables provide the changes to ECLs relating to loans and advances during the year:

**2024**

| Consolidated & Company | Stage 1 Performing $m | Stage 2 Performing $m | Stage 3 Non-performing $m | Total $m |
|---|---|---|---|---|
| Balance at the beginning of the year | **16** | **15** | **69** | **100** |
| Transferred to / (from) Stage 1 (12-month ECL) | **11** | **(4)** | **(7)** | **-** |
| Transferred to / (from) Stage 2 (lifetime ECL not credit impaired) | **(1)** | **3** | **(2)** | **-** |
| Transferred to / (from) Stage 3 (lifetime ECL credit impaired) | **-** | **(3)** | **3** | **-** |
| Net (released) / increased provisions | **(11)** | **2** | **5** | **(4)** |
| Amounts written off, previously provided for | **-** | **-** | **(1)** | **(1)** |
| Release and write-off of provision for loans to financial advisors recoverable in accordance with deeds of indemnity with related parties | **-** | **-** | **(7)** | **(7)** |
| **Balance at the end of the year** | **15** | **13** | **60** | **88** |

**2023**

| Consolidated & Company | Stage 1 Performing $m | Stage 2 Performing $m | Stage 3 Non-performing $m | Total $m |
|---|---|---|---|---|
| Balance at the beginning of the year | 18 | 12 | 71 | 101 |
| Transferred to / (from) Stage 1 (12-month ECL) | 7 | (4) | (3) | - |
| Transferred to / (from) Stage 2 (lifetime ECL not credit impaired) | (1) | 7 | (6) | - |
| Transferred to / (from) Stage 3 (lifetime ECL credit impaired) | (1) | (3) | 4 | - |
| Net (released) / increased provisions | (7) | 3 | 11 | 7 |
| Amounts written off, previously provided for | - | - | (1) | (1) |
| Release and write-off of provision for loans to financial advisors recoverable in accordance with deeds of indemnity with related parties | - | - | (7) | (7) |
| **Balance at the end of the year** | 16 | 15 | 69 | 100 |

## 8. Loans and advances (continued)

Significant changes in the gross carrying amount of loans and advances that have contributed to changes in the provision balance during the year were:

| Consolidated & Company | 2024 $m | 2023 $m |
|---|---|---|
| New loans originated | **4,780** | 6,424 |
| Loans partially or fully repaid | **5,951** | 6,023 |
| Loans transferred to Stage 1 | **473** | 390 |
| Loans transferred to Stage 2 | **430** | 456 |
| Loans transferred to Stage 3 | **198** | 236 |

The table below shows the credit quality of loans and advances based on the Bank's internal credit rating grades and year-end stage classification.

**Consolidated & Company**

| Housing loans | 2024 | | | |
|---|---|---|---|---|
| Internal credit rating grade | Stage 1 $m | Stage 2 $m | Stage 3 $m | Total $m |
| Performing | **20,826** | **593** | **-** | **21,419** |
| Past due but not impaired | **1,207** | **341** | **-** | **1,548** |
| Impaired | **-** | **-** | **313** | **313** |
| **Total** | **22,033** | **934** | **313** | **23,280** |

| Business finance loans | 2024 | | | |
|---|---|---|---|---|
| Internal credit rating grade | Stage 1 $m | Stage 2 $m | Stage 3 $m | Total $m |
| Sub-investment grade | **83** | **66** | **-** | **149** |
| Impaired | **-** | **-** | **82** | **82** |
| **Total** | **83** | **66** | **82** | **231** |

**Consolidated & Company**

| Housing loans | 2023 | | | |
|---|---|---|---|---|
| Internal credit rating grade | Stage 1 $m | Stage 2 $m | Stage 3 $m | Total $m |
| Performing | 21,952 | 671 | - | 22,623 |
| Past due but not impaired | 1,117 | 348 | - | 1,465 |
| Impaired | - | - | 298 | 298 |
| **Total** | 23,069 | 1,019 | 298 | 24,386 |

| Business finance loans | 2023 | | | |
|---|---|---|---|---|
| Internal credit rating grade | Stage 1 $m | Stage 2 $m | Stage 3 $m | Total $m |
| Sub-investment grade | 100 | 55 | - | 155 |
| Impaired | - | - | 89 | 89 |
| **Total** | 100 | 55 | 89 | 244 |

### Accounting policy

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money directly to a customer, including loans and advances to advisers, and with no intention of trading the financial asset.

Loans and advances are initially recognised at fair value including direct and incremental transaction costs relating to loan origination. They are subsequently measured at amortised cost using the effective interest method, less any provision for impairment when both the following conditions are met:

- The financial asset is held within a business model, the objective of which is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognised in the Income statement when the asset is derecognised, modified or impaired.

## 8. Loans and advances (continued)

*Impairment of financial assets*
An allowance for ECL is recognised for financial assets measured at amortised cost, debt securities measured at FVOCI and loan commitments. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. The key elements in the measurement of ECLs are as follows:

- Probability of default (PD): The probability of default is an estimate of the likelihood of default over a given time horizon.
- Exposure at default (EAD): The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- Loss given default (LGD): Loss given default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive, including from the realisation of any collateral.

The Bank estimates these elements using appropriate credit risk models taking into consideration a number of factors, including the internal and external credit ratings of the assets, nature and value of collaterals and forward looking macro-economic scenarios. The Bank applies a three-stage approach to measure ECLs as follows:

*Stage 1 (12-month ECL)*
The Bank collectively assesses and recognises a provision at an amount equal to 12-month ECLs when financial assets are current and/or have had a good performance history and are of low credit risk. It includes financial assets where the credit risk has improved, and the financial assets have been reclassified from Stage 2 or even Stage 3 based on improved performance observed over a predefined period of time. A financial asset is considered to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

*Stage 2 (Lifetime ECL - not credit impaired)*
The Bank collectively assesses and recognises a provision at an amount equal to lifetime ECLs on the financial assets where there has been a significant increase in credit risk since initial recognition but the financial assets are not credit impaired. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that were 30 days past due at least once over the last six months are deemed to have significant increase in credit risk since initial recognition. For loans and advances, other risk factors like hardship, Loan to Value Ratio (LVR) and Loan to Income Ratio (LTI) are also considered in order to determine a significant increase in credit risk.

*Stage 3 (Lifetime ECL - credit impaired)*
The Bank measures loss allowances at an amount equal to lifetime ECLs on financial assets that are determined to be credit impaired based on objective evidence of impairment. Financial assets are classified as impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

### Critical accounting estimates and judgements

The impairment provisions (individual and collective) are outputs of ECL models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting estimates and judgements include:

- The Bank’s internal credit grading which assigns PDs to the individual grades.
- The Bank's estimates of LGDs arising in the event of default.
- The Bank’s criteria for assessing if there has been a significant increase in credit risk.
- Development of ECL models, including the various formulae, choice of inputs and assumptions.
- Determination of associations between macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- Management overlay has been applied to best estimate where required.

Future outcomes and macro-economic conditions which differ from management's assumptions and estimates could result in changes to the timing and amount of credit losses to be recognised.

## 9. Intangibles

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **$m** | **$m** | **$m** | **$m** |
| **Capitalised costs** | | | | |
| Balance at the beginning of the year | **16** | 12 | **16** | 12 |
| Additions through internal development | **4** | 8 | **4** | 8 |
| Amortisation expense | **(7)** | (4) | **(7)** | (4) |
| Impairment loss | **(2)** | - | **(2)** | - |
| **Balance at the end of the year** | **11** | 16 | **11** | 16 |
| Cost | **33** | 29 | **33** | 29 |
| Accumulated amortisation and impairment | **(22)** | (13) | **(22)** | (13) |
| **Balance at the end of the year** | **11** | 16 | **11** | 16 |

### Accounting policy

Capitalised costs comprise strategic, regulatory and compliance project costs which are capitalised when the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Capitalised costs are finite life intangible assets and are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use, whichever is the earlier. The estimated useful lives are generally three years for capitalised costs. The useful life of each intangible asset is reviewed at the end of the period, and where necessary, adjusted to reflect current assessments. Capitalised costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### Critical accounting estimates and judgements

Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the assessment of whether there are any impairment indicators for internally generated intangibles, where required, in determining the recoverable amount.

## 10. Other assets

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **$m** | **$m** | **$m** | **$m** |
| Indemnity receivable | **43** | 50 | **43** | 50 |
| Prepayments and other receivables | **4** | 2 | **56** | 53 |
| **Total other assets**[1] | **47** | 52 | **99** | 103 |

[1] *$4m (2023: $2m) for the consolidated entity and $56m (2023: $53m) for the Company are expected to be received within 12 months from the reporting date.*

### Accounting policy

Other assets include the following indemnity receivable from related parties:

- As a part of the changes to the Buyer of Last Resort (planner registers held under buy back arrangements within the AMP Limited group) calculation, AMP Financial Planning Pty Limited (AMPFP) entered into a deed of indemnity with the Bank on 22 December 2016 under which AMPFP agreed to indemnify the Bank against any loss or liability, including all charges, costs and expenses it incurs, in relation to any loan agreement between certain specified borrowers and the Bank. AMPFP and the Bank have agreed to terminate the deed of indemnity during the year as part of the sale of the AMP Advice business. The loss or liability in relation to these loans is covered by the deed of indemnity between Bank and AMP Group Holdings Limited (AMPGH) upon termination.
- On 4 February 2019, the Bank entered into a deed of indemnity with AMPGH under which AMPGH agreed to unconditionally and irrevocably indemnify the Bank for losses up to $546m in excess of those provided for as at 31 January 2019 suffered in connection with loans provided to an authorised representative of an AMP licensee. As at 31 December 2024, the Bank provided for $43m (2023: $49m) of losses which are covered by the deed of indemnity with AMPGH.

Other assets also comprise of prepayments and sundry receivables and are recognised on an accrual or service performed basis and amortised over the period in which the economic benefits from these assets are received.

## 11. Due to banks

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $m | $m | $m | $m |
| Repurchase agreements | **-** | 418 | **-** | 418 |
| Negotiable certificates of deposit | **233** | 109 | **233** | 109 |
| Collateral received | **14** | 104 | **14** | 104 |
| Settlement and clearing balances | **1** | 3 | **1** | 3 |
| **Total due to banks**[1] | **248** | 634 | **248** | 634 |

[1] *$248m (2023: $634m) is expected to be settled within 12 months from the reporting date for the consolidated entity and the Company.*

### Accounting policy

Securities sold under repurchase agreements are retained on the Statement of financial position where substantially all the risks and rewards of ownership remain with the Bank. A liability for the agreed repurchase amount is recognised within Due to banks and is measured at amortised cost.

Due to banks also include collateral received in relation to derivative transactions, and negotiable certificates of deposit and settlement and clearing balances owed to other banks. Due to banks are initially recognised at fair value less any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

## 12. Deposits and other borrowings

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $m | $m | $m | $m |
| Customer deposits | **14,008** | 14,937 | **14,008** | 14,937 |
| Super and platform deposits[1, 2] | **6,620** | 6,433 | **6,620** | 6,433 |
| Negotiable certificates of deposit | **292** | 182 | **292** | 182 |
| Related party deposits | **-** | 5 | **-** | 5 |
| **Total deposits and other borrowings**[3] | **20,920** | 21,557 | **20,920** | 21,557 |

[1] *The Bank holds a $4,827m (2023: $4,547m) platform deposit on behalf of NMMT Limited (NMMT), which is considered a related party deposit. Interest is paid on the deposit at normal commercial terms. NMMT is required to provide the Bank with 13 months' notice prior to transferring the deposit arrangement.*

[2] *The Bank holds $1,793m (2023: $1,801m) including interest in super deposits on behalf of the AMP Super Fund.*

[3] *$494m (2023: $830m) is contractually due to be settled more than 12 months from the reporting date for the consolidated entity and the Company.*

### Accounting policy

Deposits and other borrowings comprise deposits from related parties, and negotiable certificates of deposit, term deposits and saving deposits from retail client and wholesale money market counterparties. Deposits and other borrowings are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

## 13. Employee provisions

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| Balance at the beginning of the year | **16** | 15 | **16** | 15 |
| Net provisions made during the year | **11** | 11 | **11** | 11 |
| Provisions used during the year | **(13)** | (10) | **(13)** | (10) |
| **Balance at the end of the year[1]** | **14** | 16 | **14** | 16 |

[1] *$1m (2023: $1m) is expected to be settled more than 12 months from the reporting date for the consolidated entity and the Company.*

### Accounting policy

Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. Liabilities arising in respect of salaries and wages, annual leave and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

## 14. Debt securities on issue

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| Medium-term notes | **652** | 375 | **652** | 375 |
| Term borrowings | **5,439** | 4,865 | **-** | - |
| **Total debt securities on issue[1]** | **6,091** | 5,240 | **652** | 375 |

[1] *$3,619m (2023: $3,104m) for the consolidated entity and $400m (2023: $150m) for the Company is expected to be settled more than 12 months from the reporting date.*

### Accounting policy

The Bank issues term debt to wholesale debt market counterparties. Debt securities on issue are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Premiums, discounts and associated issue expenses are recognised using the effective interest method through the Income statement using the effective interest method to ensure the carrying value of securities equals their redemption value by maturity date.

## 15. Other liabilities

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| Payables to related parties | **15** | 24 | **15** | 24 |
| Accrued expenses and other payables[1] | **88** | 9 | **88** | 9 |
| Others | **8** | 11 | **8** | 10 |
| **Total other liabilities[2]** | **111** | 44 | **111** | 43 |

[1] *In 2024, the Bank revised its treatment of trail commission payable to mortgage brokers to recognise a liability representing the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs within Loans and advances. The balance as at 31 December 2024 was $74m for the consolidated entity and the Company.*

[2] *$61m (2023: $33m) is expected to be settled within 12 months from the reporting date for the consolidated entity and the Company.*

### Accounting policy

Liabilities are recognised when the Bank has a present obligation to transfer economic resources as a result of past events.

Other liabilities include accrued expenses, payables to related parties and other payables and are measured at the nominal amount payable. Other liabilities also include trail commission liabilities which are measured based on the present value of expected future trail commission payments taking into consideration behavioural loan life and outstanding balances of broker originated loans.

### Critical accounting estimates and judgements

The measurement of trail commission liabilities is dependent on assumptions about the behavioural life and future outstanding balances of the underlying transactions. A provision for trail commissions is only recognised to the extent that the Bank can reliably estimate the future cash flows arising from a past event.

## 16. Subordinated debt

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $m | $m | $m | $m |
| Floating rate subordinated notes - related party | **-** | 251 | **-** | 251 |
| Floating rate subordinated notes - external party | **202** | 202 | **202** | 202 |
| **Total subordinated debt**[1] | **202** | 453 | **202** | 453 |

[1] *The Bank redeemed $250m of subordinated debt on 1 March 2024.The Bank has also issued $200m of subordinated debt to external investors with an original maturity date in October 2032.*

### Accounting policy

The Bank issues subordinated term debt with terms and conditions which qualify for inclusion as regulatory capital by the Australian Prudential Regulation Authority (APRA). Subordinated debt is initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Interest expense incurred is recognised in net interest income.

## 17. Dividends and distributions

Dividends proposed and paid during the year are shown in the table below:

| **Consolidated & Company** | 2024 | 2024 | 2023 | 2023 |
|---|---|---|---|---|
| | Final | Interim | Final | Interim |
| **Dividends proposed** | | | | |
| Dividend per share (cents) | **nil** | **nil** | 3.28 | 1.88 |
| Dividend amount ($m) | **nil** | **nil** | 35 | 20 |

| | 2024 | 2023 |
|---|---|---|
| | $m | $m |
| **Dividends paid** | | |
| Final dividend on ordinary shares | **35** | 20 |
| Interim dividend on ordinary shares | **nil** | 20 |
| **Total dividends paid on ordinary shares** | **35** | 40 |

Distributions paid during the year are shown in the table below:

| | 2024 | 2023 |
|---|---|---|
| | $m | $m |
| Distributions paid - capital notes | **20** | 19 |
| **Total distributions paid on capital notes** | **20** | 19 |

### Accounting policy

Dividends on ordinary shares and distributions on capital notes are recognised with a corresponding reduction of retained earnings on payment date.

## 18. Contributed equity

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **$m** | **$m** | **$m** | **$m** |
| Ordinary shares[1] | **394** | 394 | **394** | 394 |
| Capital notes | **225** | 225 | **225** | 225 |
| **Total contributed equity** | **619** | 619 | **619** | 619 |

*[1] Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The Company had 1,066,344,149 ordinary fully paid shares as at 31 December 2024 (2023: 1,066,344,149 shares). Fully paid ordinary shares carry the right to one vote per share. Ordinary shares have no par value.*

### Accounting policy

Ordinary shares and capital notes are recognised at the fair value of consideration received by the Company. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

The capital notes are non-cumulative, subordinated, perpetual and unsecured. Distributions on the capital notes are at the absolute discretion of the Company. In the event that APRA determines the Company to be non-viable, the notes may be written off. In a winding up of the Company, the capital notes will rank ahead of ordinary shares, but behind all other creditors for payment.

## 19. Commitments

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **$m** | **$m** | **$m** | **$m** |
| Bank | **2,491** | 2,139 | **2,491** | 2,139 |
| Securitisation trusts | **1,534** | 1,437 | **1,534** | 1,437 |
| **Commitments to provide credit facilities (1)** | **4,025** | 3,576 | **4,025** | 3,576 |
| Liquidity and redraw facilities to related entities | **-** | - | **58** | 59 |
| **Total commitments (2)** | **4,025** | 3,576 | **4,083** | 3,635 |

*(1) Commitments to provide credit facilities include all obligations on the Bank and securitisation trusts to provide credit facilities.*

*(2) Commitments are classified as ECL stage 1/2/3 depending on the staging at customer level based on the Bank's internal credit rating grades.*

The Bank enters into arrangements with customers to extend credit in the normal course of business and are only recognised in the Statement of financial position when called upon. As the commitments may expire without being drawn upon, the notional amounts do not necessarily reflect future cash payments.

The Company provides a liquidity facility to Progress Warehouse Trust No. 3 which fluctuates depending on the size of the asset pool. The liquidity facility limit as at 31 December 2024 was $10m (2023: $14m). The Company also provides redraw facilities to the securitisation trusts which are intended to fund redraws to the Company when insufficient monthly principal collections have been received. The redraw facility limit as at 31 December 2024 was $48m (2023: $45m).

## 20. Auditor's remuneration

| | Consolidated 2024 $'000 | Consolidated 2023 $'000 | Company 2024 $'000 | Company 2023 $'000 |
|---|---|---|---|---|
| **Audit services** | | | | |
| - Bank[1] | **-** | - | **-** | - |
| - Controlled entities | **214** | 186 | **-** | - |
| **Total audit services remuneration** | **214** | 186 | **-** | - |
| **Audit related assurance services** | | | | |
| Statutory assurance services[2] | **61** | 49 | **61** | 49 |
| Other assurance services[3] | **264** | 256 | **264** | 256 |
| **Total audit related assurance services remuneration** | **325** | 305 | **325** | 305 |
| **Total audit related services remuneration** | **539** | 491 | **325** | 305 |
| **Non-audit services** | | | | |
| - Other services | **-** | 131 | **-** | 131 |
| **Total other non-audit services remuneration** | **-** | 131 | **-** | 131 |
| **Total auditor's remuneration** | **539** | 622 | **325** | 436 |

[1] *The audit fee is paid by a related entity within the AMP Limited group on behalf of the Company.*
[2] *Statutory assurance services relate to AFSL audits and certain APRA reporting assurance required to be performed by the statutory auditor.*
[3] *Other assurance services primarily relate to other APRA compliance reporting.*

## 21. Related party disclosures

### a) Key management personnel compensation

The following table provides aggregate details of the compensation of key management personnel of the Company. With respect to non-executive directors, the compensation reflects compensation as directors of AMP Limited and the Bank in aggregate, although directors are not paid any additional fees for their membership or chairmanship of the Bank Board and Committee.

| | Short-term employee benefits $'000 | Post employment benefits $'000 | Share-based payments[3] $'000 | Other long-term benefits $'000 | Termination benefits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Non-executive directors[1, 2]** | | | | | | |
| 2024 | 4,608 | 204 | 1,345 | 10 | | 6,167 |
| 2023 | 4,465 | 182 | 1,514 | 7 | - | 6,168 |
| **Key management personnel excluding non-executive directors** | | | | | | |
| 2024 | 981 | 29 | 481 | 30 | | 1,521 |
| 2023 | 862 | 29 | 414 | 22 | - | 1,327 |
| **Total** | | | | | | |
| 2024 | 5,589 | 233 | 1,826 | 40 | - | 7,688 |
| 2023 | 5,327 | 211 | 1,928 | 29 | - | 7,495 |

[1] *Non-executive directors include the CEO and Managing Director of AMP Limited.*
[2] *Non-executive directors who are also non-executive directors of AMP Limited are not paid any additional fees for their membership or chairmanship of the AMP Bank Board and Committees. Their total remuneration earned from the AMP Limited group is disclosed (for their term as non-executive directors or key management personnel of the Company), although their responsibilities with respect to the Company are only a component of their overall responsibilities. The remuneration is paid by a related company, AMP Limited.*
[3] *Share-based payments include reversals of previously accrued awards that have lapsed, where individuals are no longer employees of AMP.*

## 21. Related party disclosures (continued)

### b) Transactions with key management personnel

During the year, key management personnel and their related entities have entered into transactions with the Company. All such transactions are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these transactions.

The following table provides details of loans made by the Company to key management personnel:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Balance as at the beginning of the year** | **2,091** | 2,230 | **2,091** | 2,230 |
| Net advances / (repayments) | **4,895** | (139) | **4,895** | (139) |
| **Balance as at the end of the year** | **6,986** | 2,091 | **6,986** | 2,091 |
| Interest charged | **350** | 114 | **350** | 114 |

No amounts were written off in respect to any loans made to key management personnel during the current or prior year.

### c) Transactions with related parties in the AMP Limited group

(i) AMP Services Limited provides the Company with certain administrative and management services including distribution, treasury, payroll, property, computing facilities, finance, human resources and project costs, charging the Company $46m (2023: $76m). The services were provided in the normal course of business and on normal commercial terms and conditions or on a full cost recovery basis.

(ii) AMPGH provides the Company with an unconditional and irrevocable guarantee. The Company pays a guarantee fee of $1m each year.

(iii) The Bank is a member of the AMP Limited tax consolidated group and has entered into a tax sharing agreement and tax funding agreement with AMP Limited. As at 31 December 2024, the intercompany tax payable is $17m (2023: $37m) and tax paid during the year was $40m (2023: $15m).

(iv) AMP Super Fund provides the Company with funding sourced from cash and term deposit facilities by superannuation customers. As at 31 December 2024, the balance including interest is $1,793m (2023: $1,801m). These deposits are provided on normal commercial terms. The interest expense on these deposits during the year was $91m (2023: $80m).

(v) The Company fully repaid the short-term deposit (2023: $4m) to AMPFP during the year.

(vi) The Company has amounts due to controlled securitisation trusts of $4,954m as at 31 December 2024 (2023: $4,526m). The interest expense during the year was $261m (2023: $233m).

(vii) The full year audit fee is paid on the Bank's behalf by a controlled entity within the AMP Limited group.

(viii) The Company holds a $4,827m deposit (2023: $4,547m) including interest from NMMT Limited consisting of platform deposits from customers of NMMT Limited on normal commercial terms. The interest expense for the year ended 31 December 2024 was $243m (2023: $197m).

(ix) As a part of the changes to the Buyer of Last Resort (planner registers held under buy back arrangements within the AMP Limited group) calculation, AMPFP entered into a deed of indemnity with the Company on 22 December 2016 under which AMPFP agreed to indemnify the Company against any loss or liability, including all charges, costs and expenses it incurs, in relation to any loan agreement between certain specified borrowers and the Company. AMPFP and the Company have agreed to terminate the deed of indemnity during the year as part of the sale of the AMP Advice business. The loss or liability in relation to these loans is covered by the deed of indemnity between Company and AMPGH upon termination.

## 21. Related party disclosures (continued)

(x) On 4 February 2019, the Company entered into a deed of indemnity with AMPGH under which AMPGH agreed to unconditionally and irrevocably indemnify the Company for losses up to $546m in excess of those provided for as at 31 January 2019 suffered in connection with loans provided to an authorised representative of an AMP licensee. As at 31 December 2024, the Company provided for $43m (2023: $49m) of losses which are covered by deed of indemnity.

(xi) As at 31 December 2024, the Company has an amount of $7m (2023: $7m) payable to AMP Finance Pty Ltd in relation to an intercompany facility. The facility is provided on normal commercial terms.

(xii) The Company redeemed a $250m (2023: $250m) subordinated debt instrument issued to AMP Limited on 1 March 2024.

(xiii) The Company provides Priority One Agency Services Pty Limited with certain administrative and management services. The services were provided in the normal course of business and on normal commercial terms and conditions or on a full cost recovery basis. Total fees paid during the year was $3m (2023: $3m).

(xiv) The Company has issued capital notes to AMP Limited of $225m (2023: $225m). The Company paid $20m (2023: $19m) of distributions on capital notes during the year.

(xv) The Company fully repaid the short-term deposit (2023: $1m) with AMP Group Finance Services Limited during the year.

(xvi) The Company paid dividends of $35m (2023: $40m) to its immediate parent company, AMP Financial Investment Group Holdings Limited during the year.

(xvii) The Bank has a portfolio of loans to adviser and mortgage broker practices, of which some are associates of AMP Limited.

## 22. Notes to the statements of cash flows

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2024 $m** | **2023 $m** | **2024 $m** | **2023 $m** |
| **a) Reconciliation of cash flow from operating activities** | | | | |
| Profit after tax | **33** | 84 | **33** | 84 |
| Fair value movement on derivatives | **33** | (16) | **33** | (16) |
| Impairment (benefit) / charge | **(10)** | 2 | **(10)** | 2 |
| Impairment of intangibles | **2** | - | **2** | - |
| Amortisation expenses | **55** | 50 | **52** | 46 |
| Increase in interest receivable | **(3)** | (20) | **(3)** | (20) |
| (Decrease) / increase in interest payable | **(35)** | 89 | **(37)** | 86 |
| (Decrease) / increase in income tax balances | **(25)** | 23 | **(25)** | 23 |
| Changes in operating assets and liabilities arising from cash flow movements | **158** | (965) | **158** | (975) |
| **Net cash provided by / (used in) operating activities** | **206** | (753) | **201** | (770) |
| **b) Changes in liabilities arising from financing activities** | | | | |
| Balance at the beginning of the year | **5,693** | 5,332 | **5,354** | 4,835 |
| Proceeds from issuance of debt securities | **3,727** | 3,337 | **500** | 150 |
| Repayment of debt securities on issue | **(2,883)** | (2,984) | **(225)** | - |
| Redemption of subordinated debt | **(250)** | - | **(250)** | - |
| Proceeds from loans due to controlled entities | **-** | - | **428** | 369 |
| Other | **6** | 8 | **1** | - |
| **Balance at the end of the year** | **6,293** | 5,693 | **5,808** | 5,354 |
| **c) Reconciliation of cash and cash equivalents** | | | | |
| Cash and balances with central banks | **103** | 284 | **103** | 284 |
| Due from banks | **772** | 583 | **235** | 192 |
| **Cash and cash equivalents per the Statements of cash flows** | **875** | 867 | **338** | 476 |

### Accounting policy

For the purpose of the Statement of cash flows, cash and cash equivalents comprise balances with the Reserve Bank of Australia (RBA) and amounts due from banks on demand or with an original maturity of three months or less. Cash and cash equivalents are initially recognised at fair value and subsequently measured at amortised cost.

## 23. Offsetting financial assets and financial liabilities

The table below identifies amounts that have been offset on the Statement of financial position and amounts covered by enforceable netting arrangements or similar agreements which have not been offset.

| Consolidated & Company | Gross amounts | Amounts offset | Net amounts reported on the Statement of financial position | Amounts not offset on the Statement of financial position | Net amounts |
|---|---|---|---|---|---|
| **2024** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Derivative financial assets | **111** | **(68)** | **43** | **(14)** | **29** |
| **Total assets** | **111** | **(68)** | **43** | **(14)** | **29** |
| Derivative financial liabilities | **117** | **(68)** | **49** | **(29)** | **20** |
| **Total liabilities** | **117** | **(68)** | **49** | **(29)** | **20** |
| **2023** | | | | | |
| Derivative financial assets | 245 | (60) | 185 | (35) | 150 |
| **Total assets** | 245 | (60) | 185 | (35) | 150 |
| Derivative financial liabilities | 94 | (60) | 34 | - | 34 |
| Repurchase agreements | 417 | - | 417 | (417) | - |
| **Total liabilities** | 511 | (60) | 451 | (417) | 34 |

*Non-centrally cleared derivatives*
Certain derivative financial assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. An ISDA agreement does not automatically meet the criteria for offsetting in the Statement of financial position. This is because the Bank, in most cases, does not have any currently legally enforceable right to offset recognised amounts.

*Centrally cleared derivatives*
The Bank has applied netting to certain centrally cleared derivatives which are deemed to satisfy the netting requirements of AASB 132 *Financial Instruments: Presentation*.

### Accounting policy

Financial assets and liabilities are offset and the net amount is reported on the Statement of financial position if there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 24. Derivative financial instruments and hedge accounting

The Bank is exposed to changes in interest and foreign exchange rates relating to its ongoing business operations. To mitigate the risks, the Bank uses derivative financial instruments such as interest rate swaps and foreign exchange forwards. Derivative financial instruments are held for risk and asset management purposes only and not for the purpose of speculation. When the Bank designates certain derivatives to be part of a hedging relationship and they meet the criteria for hedge accounting, the hedges are classified as cash flow hedges. The following table shows the notional amounts and fair value of derivative financial instruments.

| Consolidated | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Notional amount $m | Fair value assets $m | Fair value liabilities $m | Notional amount $m | Fair value assets $m | Fair value liabilities $m |
| *Derivatives at fair value through profit and loss* | | | | | | |
| Interest rate swaps | **7,407** | **9** | **(12)** | 10,192 | 36 | (34) |
| Foreign exchange forwards | **110** | **-** | **(8)** | 69 | 1 | - |
| | **7,517** | **9** | **(20)** | 10,261 | 37 | (34) |
| *Derivatives designated as cash flow hedges* | | | | | | |
| Interest rate swaps | **12,470** | **34** | **(29)** | 16,726 | 148 | - |
| | **12,470** | **34** | **(29)** | 16,726 | 148 | - |
| **Total derivatives assets / (liabilities)** | **19,987** | **43** | **(49)** | 26,987 | 185 | (34) |

| Company | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Notional amount $m | Fair value assets $m | Fair value liabilities $m | Notional amount $m | Fair value assets $m | Fair value liabilities $m |
| *Derivatives at fair value through profit and loss* | | | | | | |
| Interest rate swaps | **15,349** | **9** | **(12)** | 15,832 | 36 | (34) |
| Foreign exchange forwards | **110** | **-** | **(8)** | 69 | 1 | - |
| | **15,459** | **9** | **(20)** | 15,901 | 37 | (34) |
| *Derivatives designated as cash flow hedges* | | | | | | |
| Interest rate swaps | **12,470** | **34** | **(29)** | 16,726 | 148 | - |
| | **12,470** | **34** | **(29)** | 16,726 | 148 | - |
| **Total derivatives assets / (liabilities)** | **27,929** | **43** | **(49)** | 32,627 | 185 | (34) |

The following table sets out the maturity profile of the notional amounts of derivative financial instruments in a hedge relationship.

| Consolidated & Company | 0 to 3 months $m | 3 to 12 months $m | 1 to 5 years $m | Over 5 years $m | Total |
|---|---|---|---|---|---|
| **2024** | | | | | |
| **Interest rate swaps** | | | | | |
| Pay fixed | **380** | **867** | **1,394** | **3,375** | **6,016** |
| Receive fixed | **911** | **3,808** | **1,455** | **280** | **6,454** |
| **2023** | | | | | |
| **Interest rate swaps** | | | | | |
| Pay fixed | 1,182 | 2,631 | 1,972 | 1,999 | 7,784 |
| Receive fixed | 1,743 | 5,189 | 1,670 | 340 | 8,942 |

Methods used to test hedge effectiveness and establish the hedge ratio include regression analysis, and for some portfolio hedge relationships, a comparison to ensure the expected interest cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is mismatches in the terms of hedged items and hedging instruments, for example the frequency and timing of when interest rates are reset. The Bank did not recognise any amounts (2023: nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

## 24. Derivative financial instruments and hedge accounting (continued)

### Accounting policy

Derivative financial instruments are initially recognised at fair value exclusive of any transaction costs on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivatives are recognised as assets when fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the change in fair value of derivatives, except those that qualify as effective cash flow hedges, are immediately recognised in the Income statement.

*Hedge accounting*
The Bank continues to apply the hedge accounting requirements under AASB 139 *Financial Instruments: Recognition and Measurement*.

*Cash flow hedges*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised (including related tax impacts) in OCI. The balance of the cash flow hedge reserve in relation to each particular hedge is transferred to the Income statement in the period when the hedged item affects profit or loss. Any gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement. Hedge accounting is discontinued when a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income statement.

## 25. Risk management

### Financial Risk Management

The Bank adopts the AMP Group Enterprise Risk Management framework as articulated in AMP's Risk Management Strategy which outlines how financial risk management activities are to be conducted during the year ended 31 December 2024. The group defines financial risk as the effect of uncertainty on the achievement of objectives resulting from participation in financial markets, including credit risk arising from its Australian banking activities which are limited to housing loans and business finance loans to financial advisors and mortgage brokers.

### a) Board Governance

The Bank Board retains ultimate responsibility for risk management of the Bank. The Board's main risk objective is to provide approval and oversight of the Enterprise Risk Management (ERM) framework. Key risk management responsibilities include setting the Bank's risk appetite, assessing, monitoring, reviewing and objectively challenging the effectiveness of the system of risk, compliance and balance sheet management including the approval of the Risk Management Strategy (RMS), the Bank Risk Appetite Statement (RAS) and Internal Capital Adequacy Assessment Process (ICAAP), its Capital Management Framework, business plan and relevant risk policies.

Board committees serve as a source of specialised expertise in a defined area. The Bank has two board committees: the Board Audit Committee (BAC) and the Board Risk and Compliance Committee (BRCC). These committees support the Board in fulfilling its responsibilities by providing oversight, review and monitoring of various key risk management practices within the Bank. The BRCC assists the Board by providing objective oversight of the implementation and operation of the Bank's ERM framework whereas the BAC assists the Board by providing an objective review of the effectiveness of the Bank's financial reporting and ERM framework.

### b) Executive Governance

Bank Asset and Liability Committee (Bank ALCO) - oversees and monitors risks relating to asset and liability management within the Bank, including managing market, liquidity and funding risks within Management and Board approved limits and monitoring compliance with relevant Prudential Standards. The Bank ALCO also oversees and monitors the Bank's regulatory capital and target surplus position, and Wholesale Counterparty Credit Risk. The Group Stress Testing Committee (GSTC) – oversees the ICAAP and Bank Stress Testing.

Credit Risk Committee (CRC) - oversees and monitors retail credit risk arising primarily from housing loan mortgage lending within Australia but also through the provision of business finance loans to financial advisors and mortgage brokers. The CRC approves credit policies, processes and delegations which are consistent with Bank strategy and oversees adherence to policy; monitors the performance of third party suppliers in the credit process (mortgage insurers, credit bureau, solicitors and valuers); approves arrears management policies and approves and recommends specific and collective impairment methodologies to BAC; reviews and approves stress testing scenarios on the Bank's loan portfolios to understand the implications on profit and capital; and reviews and monitors emerging material risks that can impact the Bank's credit risk.

Product and Pricing Committee (PPC) - ensures the effective management and governance of product risk for the Bank. Product risk includes the risk of offering flawed, uncompetitive, outdated or unsuitable products. This includes managing interest rates, design features of and marketing campaigns for retail banking products and assessing and managing suitability obligations under the Design and Distribution Obligations. Specific responsibilities include anticipating and responding to changing customer behaviour and competitor activity; product specifications, design features and new product business cases; pricing for all retail products including interest rates, fees and charges; product profitability and portfolio mix and yield; and product marketing campaigns / promotions outside of agreed parameters. The PPC is also responsible for the new business mix in line with the Bank's risk appetite.

Bank Risk and Compliance Committee (BRCC) - monitors, reviews and acts as a decision-making committee for the implementation of effective operational risk and compliance management practices, processes and systems within the Bank, taking into account business goals and strategic objectives. The BRCC also maintains oversight over the Bank's ERM framework. Specific responsibilities include: promoting a risk aware culture; maintaining the Bank's Risk Appetite Statement; ensuring active management of operational risk within risk appetite; considering the impact of the Bank's strategy on its operational risk and compliance environment; reviewing and monitoring the current risk and control environment including emerging material operational and compliance issues; monitoring the implementation and effectiveness of the Bank's ERM practices; and reviewing and endorsing the Bank's Internal Audit plan.

Bank Change Governance Committee (BCGC) - oversees, monitors, reviews and acts as a decision-making committee for the governance of the Bank portfolio of projects, both Capex and Opex funded covering both in flight and project pipeline, as well as provides visibility and oversight of group projects impacting Bank operations and customers. Specific responsibilities include: provide a wholistic and end-to-end view on the Bank portfolio and group projects impacting Bank; act as a decision-making forum for the Bank portfolio of projects, initiatives and regulatory commitments that drive change across the business; maintain the Bank portfolio execution aligned to the Bank strategy and approved scope, funding and schedule commitments; evaluate and address risks, issues, and dependencies at a portfolio-level; and make decisions on portfolios, projects, risks, issues, and dependencies.

## 25. Risk management (continued)

### Financial Risk Management (continued)

### c) Risk and mitigation

Financial risks arising in the Bank include market risk (principally non-traded interest rate risk), liquidity and funding risk, and credit risk. These risks are managed according to the Enterprise Risk Management Framework and individual policies for each risk category. Financial risk management includes the use of derivatives such as interest rate swaps, basis swaps and forward rate agreements to hedge exposures arising from changes in interest rates. The Bank also uses Lenders' Mortgage Insurance (LMI) to limit retail credit risk exposures.

### d) Market risk

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument, will fluctuate due to movements in financial markets, including foreign exchange rates, interest rates and credit spreads.

The following table provides information on significant market risk exposures for the Bank, which could lead to an impact on profit after tax and equity, and the management of those exposures.

| Market risk | Exposures | Management of exposures and use of derivatives |
|---|---|---|
| *Interest rate risk*<br><br>The risk of an impact on the Bank's profit after tax and equity arising from fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates.<br><br>Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates. | Interest rate risk from mismatches in the repricing terms of assets and liabilities (term risk) and variable rate short-term repricing bases (basis risk). | The Bank uses natural offsets, interest rate swaps and basis swaps to hedge the mismatches within exposure limits. AMP Limited's Group Treasury function (Group Treasury) manages the exposure in the Bank by maintaining a net interest rate risk position within the limits delegated and approved by the Board. |
| *Currency risk*<br><br>The risk of an impact on the Bank's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates. | The Bank does not maintain unhedged foreign exchange exposures with the exception of exposures arising from the USD collateral posted for cleared swaps. | There is no trading in currencies, and any funding raised in a foreign currency is immediately hedged into the functional currency. |

### Interest rate risk sensitivity analysis

The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in interest rates. The analysis:

- shows the direct impact of a reasonably possible change in interest rates and is not intended to illustrate a remote, worst case stress test scenario;
- assumes that all underlying exposures and related hedges are included and the change in the interest rate risk variable occurs at the reporting date; and
- does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

The categories of risks faced and methods used for deriving sensitivity information did not change during the year.

**Consolidated & Company**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| Change in variables | Impact on profit after tax Increase / (decrease) $m | Impact on equity Increase / (decrease)[1] $m | Impact on profit after tax Increase / (decrease) $m | Impact on equity Increase / (decrease)[1] $m |
| +100 basis points | - | **(42)** | - | (41) |
| -100 basis points | - | **44** | - | 42 |

[1] *The impact on equity includes both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting.*

## 25. Risk management (continued)

### Financial Risk Management (continued)

### e) Liquidity and refinancing risk

Liquidity risk is the risk that the Bank is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required. Refinancing risk is the risk that the Bank is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.

The Bank operates under APRA's Basel III Prudential Standard APS 210 *Liquidity* which requires the Bank to maintain a Liquidity Coverage Ratio (LCR) and a Net Stable Funding Ratio (NSFR) of at least 100%.

### Funding mix

The Bank's liabilities comprise a mix of customer deposits, short and long term wholesale funding, securitisation and subordinated debts. The Bank manages its funding mix and liquidity profile within risk appetite settings to enable it to respond to changing market and regulatory conditions.

### Maturity analysis

Below is a summary of the maturity profiles of the Bank's undiscounted financial liabilities and off-balance sheet items at the reporting date, based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

| Consolidated 2024 | Up to 1 year or not specified $m | 1-5 years $m | Over 5 years $m | Total $m |
|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | |
| Due to banks | **258** | **-** | **-** | **258** |
| Deposits and other borrowings | **20,674** | **517** | **-** | **21,191** |
| Debt securities on issue | **2,758** | **3,489** | **606** | **6,853** |
| Subordinated debt | **20** | **232** | **-** | **252** |
| **Derivative financial instruments** | | | | |
| Interest rate swaps and FX forwards | **28** | **43** | **19** | **90** |
| **Off-balance sheet items** | | | | |
| Credit-related commitments[1] | **4,025** | **-** | **-** | **4,025** |
| **Total undiscounted financial liabilities and off-balance sheet items** | **27,763** | **4,281** | **625** | **32,669** |
| **2023** | **$m** | **$m** | **$m** | **$m** |
| **Non-derivative financial liabilities** | | | | |
| Due to banks | 635 | - | - | 635 |
| Deposits and other borrowings | 21,088 | 869 | - | 21,957 |
| Debt securities on issue | 2,373 | 2,981 | 504 | 5,858 |
| Subordinated debt | 273 | 249 | - | 522 |
| **Derivative financial instruments** | | | | |
| Interest rate swaps and FX forwards | 41 | 53 | 24 | 118 |
| **Off-balance sheet items** | | | | |
| Credit-related commitments[1] | 3,576 | - | - | 3,576 |
| **Total undiscounted financial liabilities and off-balance sheet items** | 27,986 | 4,152 | 528 | 32,666 |

[1] *The Bank expects that not all of the commitments will be drawn before their contractual expiry.*

## 25. Risk management (continued)

### Financial Risk Management (continued)

### e) Liquidity and refinancing risk (continued)

| Company 2024 | Up to 1 year or not specified $m | 1-5 years $m | Over 5 years $m | Total $m |
|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | |
| Due to banks | **258** | **-** | **-** | **258** |
| Deposits and other borrowings | **20,674** | **517** | **-** | **21,191** |
| Debt securities on issue | **287** | **429** | **-** | **716** |
| Due to controlled entities | **2,471** | **3,060** | **606** | **6,137** |
| Subordinated debt | **20** | **232** | **-** | **252** |
| **Derivative financial instruments** | | | | |
| Interest rate swaps and FX forwards | **28** | **43** | **19** | **90** |
| **Off-balance sheet items** | | | | |
| Credit-related commitments[1] | **4,025** | **-** | **-** | **4,025** |
| Other commitments | **58** | **-** | **-** | **58** |
| **Total undiscounted financial liabilities and off-balance sheet items** | **27,821** | **4,281** | **625** | **32,727** |
| **2023** | **$m** | **$m** | **$m** | **$m** |
| **Non-derivative financial liabilities** | | | | |
| Due to banks | 635 | - | - | 635 |
| Deposits and other borrowings | 21,088 | 869 | - | 21,957 |
| Debt securities on issue | 246 | 163 | - | 409 |
| Due to controlled entities | 2,127 | 2,818 | 504 | 5,449 |
| Subordinated debt | 273 | 249 | - | 522 |
| **Derivative financial instruments** | | | | |
| Interest rate swaps and FX forwards | 41 | 53 | 24 | 118 |
| **Off-balance sheet items** | | | | |
| Credit-related commitments[1] | 3,576 | - | - | 3,576 |
| Other commitments | 59 | - | - | 59 |
| **Total undiscounted financial liabilities and off-balance sheet items** | 28,045 | 4,152 | 528 | 32,725 |

[1] *The Company expects that not all of the commitments will be drawn before their contractual expiry.*

### f) Credit risk

The Board is responsible for setting the Bank's risk appetite and risk management strategy. Management is responsible for setting the Bank's credit policy, practices and procedures in line with the risk appetite. The Group Executive, the Bank holds delegated authority from the Board and chairs the Bank's Credit Risk Committee (CRC). The CRC's primary objective is to oversee and ensure effective oversight, monitoring and management, and participate in the governance of credit risk for the Bank.

Credit delegations are controlled by the Bank Chief Risk Officer and allocated based on experience and performance and governed by a Board-approved delegation framework. Compliance monitoring is in place to measure adherence to the delegations.

Credit risk in the Bank arises primarily through secured mortgage lending and cash-flow lending to financial advisers and mortgage brokers. The Bank's credit policies comply with Prudential Standards including APS 220 *Credit Risk Management* and APG 223 *Residential Mortgage Lending* (for housing loans) with ongoing strengthening of risk systems and processes.

For housing loans, the Bank undertakes a detailed credit assessment of the borrower, the ability of the borrower to meet their contractual obligations of repayment and a review of acceptable security. The Bank reduces its exposure to default losses via the requirement for lenders' mortgage insurance where the loan as a proportion of value exceeds 80% at inception or the securities are located in high-risk areas.

For business finance loans, financial analysis of the borrower's business is undertaken to perform a credit evaluation in accordance with defined policies and procedures which outline assessment criteria, the frequency at which counterparties are reviewed, and eligible forms of collateral (which are primarily in the form of the recurring cash flows of the borrower).

### 25. Risk management (continued)

**Financial Risk Management (continued)**

**f) Credit risk (continued)**

The Bank is licensed under the National Consumer Credit Protection Act which is regulated by Australian Securities and Investments Commission (ASIC) and complies with ASIC's responsible lending obligations.

Wholesale counterparty risk arises where the Bank is exposed to the creditworthiness of other financial institutions, governments, and other counterparties as a consequence of its funding, liquidity management and hedging of interest rate and foreign exchange risks. Credit limits for counterparties are based on external ratings provided by the rating agencies, consistent with policies of the AMP group. The Bank seeks to mitigate counterparty credit risk through diversification, the use of netting arrangements and the receipt of collateral where it is available.

The Bank Wholesale Counterparty Credit Risk Policy sets out how counterparty credit risk is managed and is aligned with the Bank Risk Appetite Statement. The policy establishes a framework for identifying, assessing, managing, quantifying, and escalating counterparty credit risks, including large exposures and exposures to related entities. Wholesale counterparty credit risk is monitored by the Bank Asset and Liability Committee (ALCO).

**Impairment assessment**

**Definition of default**

The Bank considers a financial asset defaulted, and hence Stage 3 impaired, the earlier of, when a loan obligation is contractually more than 90 days past due, or when it is considered that a borrower is unlikely to meet contractual credit obligations.

**The Bank's internal risk grading and Probability of default (PD) estimation process**

The Bank's Line 2 risk team, which is part of its second line of defence, runs expected credit loss models for the housing loan book as well as the business finance loans. The Bank's housing loan book is a portfolio with a low number of defaults. The PDs of this portfolio is determined using an internal behavioural scorecard model.

Internal risk grades for the housing loan book are as follows:

| Internal credit rating grade | Internal credit rating grade description |
|---|---|
| Performing | Not in arrears in the past six months |
| Past due but not impaired | Accounts in arrears but have not been past 90 days in the last six months |
| Impaired | 90 days past due over the past six months |

For business finance loans, a PD risk grade model is applied that includes weighted risk factors such as interest coverage ratio, revenue growth, licence compliance rating, experience in business and arrear levels. Businesses on watch-list are also downgraded. Credit judgement may be applied to arrive at the final risk grade.

Internal risk grades for the business finance loans book are as follows:

| Internal risk grade | Internal risk grade description | Broadly corresponds with Standard & Poor ratings of |
|---|---|---|
| A to H | Sub-investment grade | BB+ to CCC |
| I | Impaired | D |

### 25. Risk management (continued)

**Financial Risk Management (continued)**

**f) Credit risk (continued)**

The Bank's interbank and financial institutions exposures, as well as exposures to interest bearing securities is based on external credit rating of the counterparties as follows:

| Internal risk grade | Broadly corresponds with Standard & Poor ratings of |
|---|---|
| Senior investment grade | AAA to A- |
| Investment grade | BBB+ to BBB- |
| Sub-investment grade | BB+ up to but not including defaulted or impaired |

**Exposure at default (EAD)**

EAD is modelled by applying assumptions in relation to the amortisation of the loans based on scheduled principal and interest repayments, except for Stage 3 loans.

**Loss given default (LGD)**

For the housing loan portfolio, the key driver for the LGD calculation is the value of the underlying property since, in a foreclosure scenario, the proceeds from the sale of a property are used by the Bank to repay the loan. The value of the underlying residential property is captured via the Loan to Value Ratio (LVR), which applies both the changes in loan balance and estimated value of the collateral using market data and indices. A floor rate is applied to provide for model risk.

For business finance loans, the LGD is calculated via assumptions to the reduction in valuations of security values (being a multiple of their recurring cash flows) in the event of default, such as client run-off or deterioration in valuation due to compliance issues. In addition, haircuts are applied to capture the volatility observed in the register values in the event of default but also general volatility in valuations over time.

**Grouping of financial assets for ECL calculation**

The Bank calculates ECL on an individual basis on Stage 3 assets managed by the Collection team, and interbank and debt securities at FVOCI. For all other asset classes, ECL is calculated on a collective basis, by assessing risk factors for each loan to calculate the ECL estimate and then aggregating the number for each relevant portfolio.

**Forward-looking information**

The Bank's ECL model incorporates a number of forward-looking macroeconomic factors (MEF) that are reviewed on a quarterly basis and approved by the CRC. The MEF include unemployment, property prices, ASX All Ordinaries Index, and Reserve Bank of Australia cash rate.

At least three different scenarios with fixed weightings are used in the model, and are reviewed on an annual basis or more frequently if required and presented to the CRC for approval.

The ECL is calculated as the probability weighted average of the provision calculated for each economic scenario.

**Management overlay**

Management overlay is required to mitigate model risk and any systemic risk that is not recognised by the model.

The management overlays are reviewed on an annual basis or more frequently if required and presented to the CRC and BAC for endorsement.

**Write-offs**

Financial assets are written off either partially or in their entirety only when there is no reasonable expectation of recovery. Recovery actions may cease if no longer deemed as cost effective or in some situations, where the customer has filed for bankruptcy.

## 25. Risk management (continued)

### Financial Risk Management (continued)

### f) Credit risk (continued)

#### Management of credit risk concentration

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed through both aggregate credit rating limits and individual counterparty limits, which are determined predominantly on the basis of the counterparty's credit rating. The Bank's maximum credit exposure to any external non-sovereign and non-semi government counterparty was $177m (2023: $186m) with a AA- rated counterparty.

In order to avoid excessive concentrations of risk, the Bank's policies and standards include specific limits and guidelines on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

At the reporting date, the Bank had no specific concentration of credit risk with a single counterparty arising from the use of financial instruments, other than the normal clearing-house exposures associated with dealings through recognised exchanges.

#### Exposure to credit risk

The Bank's maximum exposure to credit risk on financial assets, excluding collateral or other credit enhancements, was $33,070m (2023: $33,129m). Maximum credit exposure includes gross loans and advances of $23,511m (2023: $24,630m), cash and balances with central banks and due from banks of $875m (2023: $867m), debt securities of $4,569m (2023: $3,819m), derivative financial assets of $43m (2023: $185m), other assets $47m (2023: $52m) and loan commitments of $4,025m (2023: $3,576m).

The exposures on the interest bearing securities and cash equivalents which impact the Bank's capital position are managed by Group Treasury within limits set by the Bank Wholesale Credit Counterparty Risk Policy.

Refer to Note 7 for additional information regarding the credit quality for debt securities based on the Bank's internal credit rating grades and year-end stage classification.

#### Credit risk of the loan portfolio

***Housing loans***

The Bank is predominantly a lender for owner occupied and investment residential properties. The Bank completes a credit assessment, including a cost of living expenses assessment, and requires valuation of the proposed security property for each loan application. The Bank's CRC and BRCC oversee trends in lending exposures and compliance with the Risk Appetite Statement. The Bank secures its housing loans with mortgages over relevant properties and as a result, manages credit risk on its loans with conservative lending policies and particular focus on the LVR. The LVR is calculated by dividing the total loan amount outstanding by the lower of the Bank's approved valuation amount or the purchase price. Typically loans with LVR greater than 80% (at inception) are fully mortgage insured. Mortgage insurance is provided by Helia Group Limited and QBE Lenders Mortgage Insurance Ltd, who are both regulated by APRA. The Bank has strong relationships with both insurers and has experienced minimal levels of historic claim rejections and reductions. The average LVR at origination of the Bank's loan portfolio for existing and new business is set out in the following table:

| LVR % | Existing business 2024 | New business 2024 | Existing business 2023 | New business 2023 |
|---|---|---|---|---|
| 0 - 50 | **21%** | **10%** | 20% | 22% |
| 51 - 60 | **14%** | **9%** | 14% | 13% |
| 61 - 70 | **19%** | **12%** | 20% | 16% |
| 71 - 80 | **36%** | **49%** | 36% | 39% |
| 81 - 90 | **9%** | **16%** | 8% | 8% |
| 91 - 95 | **1%** | **4%** | 1% | 2% |
| > 95 | **-** | - | 1% | - |

Refer to Note 8 for additional information regarding the asset quality for housing loans based on the Bank's internal credit rating grades and year-end stage classification.

## 25. Risk management (continued)

### Financial Risk Management (continued)

### f) Credit risk (continued)

***Business finance loans***

Business finance loans are loans to financial planners and mortgage brokers and secured against the recurring revenues generated by the businesses.

Refer to Note 8 for additional information regarding the assets quality for business finance loans based on the Bank's internal credit rating grades and year-end stage classification.

**Renegotiated loans**

Where possible, the Bank seeks to renegotiate loans for borrowers seeking hardship relief rather than take possession of collateral. This may involve capitalising interest repayments for a period and increasing the repayment arrangement for the remaining term of the loan. Once the terms have been renegotiated, the loan is no longer considered past due or impaired unless it was greater than 90 days in arrears in the previous six months or a specific provision has been raised for the loan. As at 31 December 2024, the Bank had assisted customers by renegotiating loans of $174m (2023: $155m).

**Collateral**

The Bank has collateral arrangements in place with some counterparties, such as mortgage interests over property, registered securities over assets and guarantees, and collateral deposits for derivative assets. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In the event of customer default, the Bank can enforce any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while the Bank seeks to realise its value through the sale of property. Therefore, the Bank does not hold any real estate or other assets acquired through the repossession of collateral.

## 26. Transferred assets

The Bank enters into transactions in the normal course of business that transfers financial assets to counterparties or structured entities. Financial assets that do not qualify for derecognition are typically associated with repurchase agreements and securitisation program agreements. The following table sets out the balance of financial assets that did not qualify for derecognition and their associated liabilities.

| Consolidated | | | For those liabilities that only have recourse to the transferred assets | | |
|---|---|---|---|---|---|
| | Carrying amounts of transferred assets | Carrying amounts of associated liabilities | Fair value of transferred assets | Fair value of associated liabilities | Net fair value position |
| **2024** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Securitisation | **5,385** | **4,902** | **5,385** | **4,975** | **410** |
| **Total** | **5,385** | **4,902** | **5,385** | **4,975** | **410** |
| **2023** | | | | | |
| Securitisation | 4,755 | 4,526 | 4,752 | 4,538 | 214 |
| Repurchase agreements | 579 | 417 | - | - | - |
| **Total** | 5,334 | 4,943 | 4,752 | 4,538 | 214 |

| Company | | | For those liabilities that only have recourse to the transferred assets | | |
|---|---|---|---|---|---|
| | Carrying amounts of transferred assets | Carrying amounts of associated liabilities | Fair value of transferred assets | Fair value of associated liabilities | Net fair value position |
| **2024** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Securitisation[1, 2] | **5,384** | **4,954** | **5,385** | **5,028** | **357** |
| **Total** | **5,384** | **4,954** | **5,385** | **5,028** | **357** |
| **2023** | | | | | |
| Securitisation[1, 2] | 4,755 | 4,526 | 4,752 | 4,538 | 214 |
| Repurchase agreements | 579 | 417 | - | - | - |
| **Total** | 5,334 | 4,943 | 4,752 | 4,538 | 214 |

[1] *Securitisation assets exclude transfers of assets where the Company holds all of the issued instruments of the securitisation trusts.*
[2] *The carrying amount of associated liabilities from securitisation trusts form part of loans due to controlled entities on the Statement of financial position.*

### Accounting policy

### Securitisation

The Bank engages in securitisation activities for funding capital and liquidity purposes and packages and sells housing loans as securities to investors through a series of securitisation vehicles. The Company is entitled to any residual income after all payments to investors and costs related to the program have been met. The note holders only have recourse to the pool of assets. The Company is considered to retain substantially all the risks and rewards of ownership of the transferred assets, and therefore continue to recognise the transferred assets on the Company's Statement of financial position with a liability recognised for the proceeds of the funding transaction.

### Repurchase agreements

Securities sold under repurchase agreements are retained on the Statement of financial position where substantially all the risks and rewards of ownership remain with the Bank. A liability for the agreed repurchase amount is recognised within Due to banks and is measured at amortised cost.

## 27. Fair value information

The below table shows the carrying amount and estimated fair values of financial instruments, and their levels in the fair value hierarchy.

| Consolidated<br>2024 | Carrying amount<br>$m | Level 1<br>$m | Level 2<br>$m | Level 3<br>$m | Total fair value<br>$m |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| Derivative financial assets | **43** | **-** | **43** | **-** | **43** |
| Debt securities | **4,569** | **4,400** | **169** | **-** | **4,569** |
| **Total financial assets measured at fair value** | **4,612** | **4,400** | **212** | **-** | **4,612** |
| **Financial assets not measured at fair value** | | | | | |
| Cash and balances with central banks | **103** | **103** | **-** | **-** | **103** |
| Due from banks | **772** | **772** | **-** | **-** | **772** |
| Other financial assets[1] | **43** | **-** | **-** | **43** | **43** |
| Loans and advances | **23,423** | **-** | **-** | **23,434** | **23,434** |
| **Total financial assets not measured at fair value** | **24,341** | **875** | **-** | **23,477** | **24,352** |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial liabilities | **49** | **-** | **49** | **-** | **49** |
| **Total financial liabilities measured at fair value** | **49** | **-** | **49** | **-** | **49** |
| **Financial liabilities not measured at fair value** | | | | | |
| Due to banks | **248** | **15** | **233** | **-** | **248** |
| Deposits and other borrowings | **20,920** | **-** | **21,018** | **-** | **21,018** |
| Debt securities on issue | **6,091** | **-** | **6,183** | **-** | **6,183** |
| Other financial liabilities[2] | **111** | **-** | **111** | **-** | **111** |
| Subordinated debt | **202** | **-** | **218** | **-** | **218** |
| **Total financial liabilities not measured at fair value** | **27,572** | **15** | **27,764** | **-** | **27,779** |

| Consolidated<br>2023 | Carrying amount<br>$m | Level 1<br>$m | Level 2<br>$m | Level 3<br>$m | Total fair value<br>$m |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| Derivative financial assets | 185 | - | 185 | - | 185 |
| Debt securities | 3,819 | 3,601 | 218 | - | 3,819 |
| **Total financial assets measured at fair value** | 4,004 | 3,601 | 403 | - | 4,004 |
| **Financial assets not measured at fair value** | | | | | |
| Cash and balances with central banks | 284 | 284 | - | - | 284 |
| Due from banks | 583 | 583 | - | - | 583 |
| Other financial assets[1] | 51 | - | 1 | 50 | 51 |
| Loans and advances | 24,530 | - | - | 24,499 | 24,499 |
| **Total financial assets not measured at fair value** | 25,448 | 867 | 1 | 24,549 | 25,417 |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial liabilities | 34 | - | 34 | - | 34 |
| **Total financial liabilities measured at fair value** | 34 | - | 34 | - | 34 |
| **Financial liabilities not measured at fair value** | | | | | |
| Due to banks | 634 | - | 634 | - | 634 |
| Deposits and other borrowings | 21,557 | - | 21,690 | - | 21,690 |
| Debt securities on issue | 5,240 | - | 5,253 | - | 5,253 |
| Other financial liabilities[2] | 44 | - | 44 | - | 44 |
| Subordinated debt | 453 | - | 437 | - | 437 |
| **Total financial liabilities not measured at fair value** | 27,928 | - | 28,058 | - | 28,058 |

[1] *Includes $43m (2023: $50m) of indemnity receivable from related parties and nil (2023: $1m) of other receivables.*
[2] *Includes $15m (2023: $24m) of payables to related parties, $88m (2023: $9m) of accrued expense and other payables, and $8m (2023: $11m) of other liabilities.*

# AMP Bank Limited
# Notes to the financial statements (continued)

## 27. Fair value information (continued)

| Company<br>2024 | Carrying amount $m | Level 1 $m | Level 2 $m | Level 3 $m | Total fair value $m |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| Derivative financial assets | **43** | **-** | **43** | **-** | **43** |
| Debt securities | **4,569** | **4,400** | **169** | **-** | **4,569** |
| **Total financial assets measured at fair value** | **4,612** | **4,400** | **212** | **-** | **4,612** |
| **Financial assets not measured at fair value** | | | | | |
| Cash and balances with central banks | **103** | **103** | **-** | **-** | **103** |
| Due from banks | **235** | **235** | **-** | **-** | **235** |
| Other financial assets[1] | **95** | **-** | **52** | **43** | **95** |
| Loans and advances | **23,423** | **-** | **-** | **23,434** | **23,434** |
| **Total financial assets not measured at fair value** | **23,856** | **338** | **52** | **23,477** | **23,867** |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial liabilities | **49** | **-** | **49** | **-** | **49** |
| **Total financial liabilities measured at fair value** | **49** | **-** | **49** | **-** | **49** |
| **Financial liabilities not measured at fair value** | | | | | |
| Due to banks | **248** | **15** | **233** | **-** | **248** |
| Deposits and other borrowings | **20,920** | **-** | **21,018** | **-** | **21,018** |
| Debt securities on issue | **652** | **-** | **655** | **-** | **655** |
| Due to controlled entities | **4,954** | **-** | **-** | **4,975** | **4,975** |
| Other financial liabilities[2] | **111** | **-** | **111** | **-** | **111** |
| Subordinated debt | **202** | **-** | **218** | **-** | **218** |
| **Total financial liabilities not measured at fair value** | **27,087** | **15** | **22,235** | **4,975** | **27,225** |

| Company<br>2023 | Carrying amount $m | Level 1 $m | Level 2 $m | Level 3 $m | Total fair value $m |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| Derivative financial assets | 185 | - | 185 | - | 185 |
| Debt securities | 3,819 | 3,601 | 218 | - | 3,819 |
| **Total financial assets measured at fair value** | 4,004 | 3,601 | 403 | - | 4,004 |
| **Financial assets not measured at fair value** | | | | | |
| Cash and balances with central banks | 284 | 284 | - | - | 284 |
| Due from banks | 192 | 192 | - | - | 192 |
| Other financial assets[1] | 102 | - | 52 | 50 | 102 |
| Loans and advances | 24,530 | - | - | 24,499 | 24,499 |
| **Total financial assets not measured at fair value** | 25,108 | 476 | 52 | 24,549 | 25,077 |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial liabilities | 34 | - | 34 | - | 34 |
| **Total financial liabilities measured at fair value** | 34 | - | 34 | - | 34 |
| **Financial liabilities not measured at fair value** | | | | | |
| Due to banks | 634 | - | 634 | - | 634 |
| Deposits and other borrowings | 21,557 | - | 21,690 | - | 21,690 |
| Debt securities on issue | 375 | - | 375 | - | 375 |
| Due to controlled entities | 4,526 | - | - | 4,538 | 4,538 |
| Other financial liabilities[2] | 43 | - | 43 | - | 43 |
| Subordinated debt | 453 | - | 437 | - | 437 |
| **Total financial liabilities not measured at fair value** | 27,588 | - | 23,179 | 4,538 | 27,717 |

[1] *Includes $43m (2023: $50m) of indemnity receivable from related parties and $52m (2023: $52m) of other receivables.*
[2] *Includes $15m (2023: $24m) of payables to related parties, $88m (2023: $9m) of accrued expense and other payables, and $8m (2023: $10m) of other liabilities.*

## 27. Fair value information (continued)

AMP group's methodology and assumptions used to estimate the fair value of financial instruments are described below:

*Cash and balances with central banks*
The carrying value of cash and balances with central banks approximates its fair value as they are short-term in nature.

*Due from banks*
The carrying amounts of due from banks approximate their fair value as they are short-term in nature or are receivable on demand.

*Debt securities*
The estimated fair value of debt securities is determined with reference to unadjusted quoted prices for identical assets or liabilities where the quoted price is readily available. Financial instruments included in this category are liquid government and semi-government bonds, financial institutions, and corporate bonds.

For debt securities where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. Financial instruments included in this category are certificates of deposit.

*Loans and advances*
The estimated fair value of loans and advances that are priced based on a variable rate are assumed to be equal to its carrying value. The estimated fair value of all other loans and advances represents the discounted amount of estimated future cash flows expected to be received based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans and advances. The loans and advances may, from time to time, be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. In these situations, as the fluctuations in fair value would not represent a permanent diminution and the carrying amounts of the loans and advances are recorded at recoverable amounts after assessing impairment, it would not be appropriate to restate their carrying amount.

*Due to banks*
The fair value of amounts due to other banks are the same as carrying value except for certificate of deposits, where the estimated fair value is determined with reference to interest rate yield curves.

*Deposits and other borrowings*
The estimated fair value of deposits and other borrowings represents the discounted amount of estimated future cash flows expected to be paid based on the residual maturity of these liabilities. The discount rate applied is based on a current yield curve appropriate for similar types of deposits and borrowings at the reporting date.

*Debt securities on issue*
The estimated fair value of debt securities on issue is determined with reference to quoted market prices. For debt securities on issue where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

*Subordinated debt*
The estimated fair value of subordinated debt is determined using a discounted cash flow model on a current yield curve appropriate for the remaining term to maturity.

*Derivative financial instruments*
The fair value of derivative financial assets and liabilities, including foreign exchange contracts and interest rate swaps, are determined using the discounted cash flow valuation technique. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Bank's own non-performance risk.

*Other financial assets and liabilities*
The carrying amounts of other financial assets and liabilities which are short-term in nature, receivable or payable on demand, or reprice frequently approximate their fair value. The fair value for all other financial assets and liabilities are based on valuation techniques appropriate to the nature and type of the underlying instrument.

*Fair value hierarchy*
Financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

## 27. Fair value information (continued)

*Fair value hierarchy (continued)*

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no significant transfers between levels of the fair value hierarchy during the year (2023: nil).

**Critical accounting estimates and judgements**

Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions.

## 28. Bank controlled entity holdings

Significant investments in controlled operating entities are as follows:

| Name of entity | Country of incorporation |
|---|---|
| AMP Lending Services Limited[1] | Australia |
| Priority One Agency Services Pty Ltd[1] | Australia |
| Progress Warehouse Trust No.3[2] | Australia |
| Progress Warehouse Trust No.4[2] | Australia |
| Progress Warehouse Trust No.5[2] | Australia |
| Progress 2008 - 1R Trust[2] | Australia |
| Progress 2016-1 Trust[2] | Australia |
| Progress 2017-1 Trust[2] | Australia |
| Progress 2017-2 Trust[2] | Australia |
| Progress 2018-1 Trust[2] | Australia |
| Progress 2019-1 Trust[2] | Australia |
| Progress 2020-1 Trust[2] | Australia |
| Progress 2021-1 Trust[2] | Australia |
| Progress 2022 1 Trust[2] | Australia |
| Progress 2022-2 Trust[2] | Australia |
| Progress 2023 1 Trust[2] | Australia |
| Progress 2023-2 Trust[2] | Australia |
| Progress 2024-1 Trust[2] | Australia |
| Progress 2024-2 Trust[2] | Australia |

*[1] The Bank holds 100% of the voting interests in these entities.*

*[2] Units issued by securitisation trusts include residual capital units and residual income units. The beneficial interest held by holders of the residual capital units is limited to the trust and each asset of the trust. Residual capital units have no right to receive distributions in respect of the trust other than the right to receive on the termination of the trust, the issue price paid for the residual capital unit and the entire beneficial interest of the trust subject to the right of the holders of residual income units. The beneficial interest held by the holder of a residual income unit is limited to the right to receive distributions. A residual income unit must not be issued to any person unless that person is also then the holder of a residual capital unit. The Company holds 100% of the residual income units.*

## 29. Capital adequacy

As an authorised deposit-taking institution (ADI), the Bank is subject to regulation by APRA under the authority of the *Banking Act 1959.* APRA has set minimum regulatory capital requirements and capital buffers for banks that are consistent with the Basel III Framework.

The Bank's capital structure comprises various forms of capital. Common Equity Tier 1 (CET1) comprises paid-up ordinary share capital, retained earnings, plus other items recognised as CET1 capital. The ratio of such capital to risk-weighted assets (Total RWA) is called the CET1 ratio. Additional Tier 1 capital comprises certain securities with required loss absorbing characteristics. Together, these components of capital make up Tier 1 capital and the ratio of such capital to Total RWA is called the Tier 1 capital ratio.

Tier 2 capital mainly comprises subordinated debt instruments and contributes to the overall capital framework.

CET1 contains the highest quality of capital, followed by Additional Tier 1 capital and then followed by Tier 2 capital. The Total Capital is the aggregate of CET1, Tier 1 capital and Tier 2 capital. The ratio of Total Capital to Total RWA is called the Total Capital ratio. The minimum CET1 ratio, Tier 1 capital ratio and Total Capital ratio under APRA's Basel III Prudential Standard APS 110 *Capital Adequacy* are 4.5%, 6.0% and 8.0% respectively. These minimum capital ratios are referred to as the Prudential Capital Requirements.

In addition to the Prudential Capital Requirements described above, banks are also required to hold a Regulatory Capital Buffer (RCB) comprising the aggregate of:

- A capital conservation buffer, equal to 2.5% of Total RWA for a standardised ADI; and
- A countercyclical capital buffer, which may vary over time in response to market conditions. This buffer may range between zero and 3.5% of Total RWA and, for Australian exposures, was set at a new default rate of 1% effective from 1 January 2023.

Where an individual ADI does not hold sufficient capital to meet its RCB, the ADI would be subject to constraints on its ability to make distributions from capital.

The Bank actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital while maintaining adequate capital ratios throughout the financial year. The Bank's capital ratios throughout the financial year ended 31 December 2024 were in compliance with both APRA and the Board minimum capital requirements and buffers. The Bank continues to operate at a buffer to the Board requirement.

The Bank's Basel III Pillar 3 capital disclosures are available at https://corporate.amp.com.au/about-amp/corporate-governance/Regulatory-Disclosures.

*Credit ratings*

The issuer credit ratings for the Bank, as published by Standard & Poor's, Moody's Investor Services and Fitch, at 31 December 2024 were as follows:

| Company | Standard & Poor's Credit Rating | Moody's Credit Rating | Fitch's Credit Rating |
|---|---|---|---|
| AMP Bank Limited | BBB+/Stable | Baa2/Stable | BBB+/Stable |

## 30. Events occurring after reporting date

As at the date of this report, the directors are not aware of any other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- the consolidated entity’s operation in future years;
- the results of those operations in future years; or
- the consolidated entity's state of affairs in future financial years.

# AMP Bank Limited

## Consolidated entity disclosure statement

The table below includes consolidated entity information required by section 295 of the *Corporations Act 2001* (Cth):

| Entity Registered Name | Entity Type | Place formed or Incorporated | Percentage of share capital held (%) | Tax residency | |
|---|---|---|---|---|---|
| | | | | Australian or foreign | Foreign jurisdiction |
| AMP Bank Limited | Body Corporate | Australia | 100 | Australia | NA |
| AMP Lending Services Limited | Body Corporate | Australia | 100 | Australia | NA |
| Priority One Agency Services Pty Ltd | Body Corporate | Australia | 100 | Australia | NA |
| Progress Warehouse Trust No.3 | Trust | Australia | NA | Australia | NA |
| Progress Warehouse Trust No.4 | Trust | Australia | NA | Australia | NA |
| Progress Warehouse Trust No.5 | Trust | Australia | NA | Australia | NA |
| Progress 2008 - 1R Trust | Trust | Australia | NA | Australia | NA |
| Progress 2016-1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2017-1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2017-2 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2018-1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2019-1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2020-1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2021-1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2022 1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2022-2 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2023 1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2023-2 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2024-1 Trust | Trust | Australia | NA | Australia | NA |
| Progress 2024-2 Trust | Trust | Australia | NA | Australia | NA |

# AMP BANK LIMITED
## Directors' declaration
for the year ended 31 December 2024

The directors of AMP Bank Limited declare that:

In the opinion of the directors:

(a) the financial statements and notes of AMP Bank Limited and the consolidated entity for the financial year ended 31 December 2024 are in accordance with the *Corporations Act 2001*, including:

(i) complying with the Australian Accounting Standards and any further requirements in the Corporations Regulations 2001; and

(ii) giving a true and fair view of AMP Bank Limited and the consolidated entity's financial position as at 31 December 2024 and their performance for the year ended 31 December 2024;

(b) the consolidated entity disclosure statement as at 31 December 2024 is true and correct; and

(c) there are reasonable grounds to believe that AMP Bank Limited will be able to pay its debts as and when they become due and payable.

Notes to the financial statements include a statement of compliance with the International Financial Reporting Standards, as set out in 'Basis of preparation'.

This declaration is made in accordance with a resolution of the directors.

…………………………………………
Director

Sydney, 14 February 2025

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# Independent auditor's report to the members of AMP Bank Limited

## Opinion

We have audited the financial report of AMP Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- The Group consolidated and Company statements of financial position as at 31 December 2024;
- The Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- Notes to the financial statements, including material accounting policy information;
- The consolidated entity disclosure statement; and
- The directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's and the Group's financial position as at 31 December 2024 and of their financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001;* and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

- The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Anita Kariappa

Anita Kariappa
Partner
Sydney
14 February 2025