

**AMP BANK LIMITED**

**ABN 15 081 596 009**

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

**For the quarter ended 31 December 2016**

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# APS 330

For the quarter ended 31 December 2016

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

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

		As at 31 Dec 2016 A\$m	Regulatory Capital Reconciliation Reference
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	344	(a)
2	Retained earnings	411	(b)
3	Accumulated other comprehensive income (and other reserves)	(5)	(c)
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>750</b>	
<b>Common Equity Tier 1 capital : regulatory adjustments</b>			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	(5)	(c)
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit superannuation fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage service rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the ordinary shares of financial entities	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	

# APS 330

For the quarter ended 31 December 2016

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

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

		As at 31 Dec 2016 A\$m	Regulatory Capital Reconciliation Reference
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	155	
26a	of which: treasury shares	-	
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-	
26c	of which: deferred fee income	-	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	-	
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	8	(d)
26f	of which: capitalised expenses	83	(e) + (f)
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	-	
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	64	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>150</b>	
29	<b>Common Equity Tier 1 Capital (CET1)</b>	<b>600</b>	
<b>Additional Tier 1 Capital: instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments	140	(g)
31	of which: classified as equity under applicable accounting standards	140	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	<b>Additional Tier 1 Capital before regulatory adjustments</b>	<b>140</b>	
<b>Additional Tier 1 Capital: regulatory adjustments</b>			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	

# APS 330

For the quarter ended 31 December 2016

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

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

		As at 31 Dec 2016 A\$m	Regulatory Capital Reconciliation Reference
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	
44	<b>Additional Tier 1 capital (AT1)</b>	140	
45	<b>Tier 1 Capital (T1=CET1+AT1)</b>	<b>740</b>	
<b>Tier 2 Capital: instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments	-	
47	Directly issued capital instruments subject to phase out from Tier 2	150	(h)
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	27	(i)
51	<b>Tier 2 Capital before regulatory adjustments</b>	<b>177</b>	
<b>Tier 2 Capital: regulatory adjustments</b>			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
58	<b>Tier 2 capital (T2)</b>	<b>177</b>	
59	<b>Total capital (TC=T1+T2)</b>	<b>917</b>	
60	<b>Total risk-weighted assets based on APRA standards</b>	<b>7,262</b>	
<b>Capital ratios and buffers</b>			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	8.3%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.2%	
63	Total capital (as a percentage of risk-weighted assets)	12.6%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.0%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: ADI-specific countercyclical buffer requirements	-	
67	of which: G-SIB buffer requirement (not applicable)	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	-	

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For the quarter ended 31 December 2016

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

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

		As at 31 Dec 2016 A\$m	Regulatory Capital Reconciliation Reference
<b>National minima (if different from Basel III)</b>			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	n/a	
71	National total capital minimum ratio (if different from Basel III minimum) Amount below thresholds for deductions (not risk-weighted)	n/a	
<b>Amount below thresholds for deductions (not risk-weighted)</b>			
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	27	(i)
77	Cap on inclusion of provisions in Tier 2 under standardised approach	80	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	150	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

## APS 330

For the quarter ended 31 December 2016

### Regulatory Balance Sheet

The following table discloses AMP Banks Limited's Balance Sheet as published in its audited financial statements and the Regulatory Balance Sheet as at 31 December 2016.

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

	Bank Balance Sheet Per Published Financial Statements	Adjustments	Bank Regulatory Balance Sheet	Reference
	Dec-16 \$m	Dec-16 \$m	Dec-16 \$m	
<b>Assets</b>				
Cash and cash equivalents	-	-	-	
Due from banks	308	(7)	301	
Derivative financial assets	20	49	69	
Debt securities	1,421	-	1,421	
Loans and advances	17,200	(2,856)	14,344	
<i>of which: GRCL included in Tier 2 capital</i>			27	(i)
Other assets	3	255	258	
<i>of which: loan origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments</i>			73	(e)
<i>of which: Other Common Equity Tier 1 Specific Adjustments relating to securitisation</i>			10	(f)
Deferred tax assets	16	(5)	11	
<i>of which: arising from temporary differences included in CET1 regulatory adjustments</i>			8	(d)
<b>Total assets</b>	<b>18,968</b>	<b>(2,564)</b>	<b>16,404</b>	
<b>Liabilities</b>				
Due to banks	501	-	501	
Derivative financial liabilities	22	-	22	
Deposits and other borrowings	12,466	-	12,466	
Intercompany tax payable to head entity	9	-	9	
Debt securities on issue	1,904	(4)	1,900	
Employee provisions	3	-	3	
Due to controlled entities	3,052	(2,870)	182	
Subordinated debt	150	-	150	(h)
Other liabilities	3	278	281	
<b>Total liabilities</b>	<b>18,110</b>	<b>(2,596)</b>	<b>15,514</b>	
<b>Net assets</b>	<b>858</b>	<b>32</b>	<b>890</b>	
<b>Equity</b>				
Contributed equity	484	-	484	
<i>of which: amount included in eligible CET1</i>	344	-	344	(a)
<i>of which: amount included as Additional Tier 1 Capital</i>	140	-	140	(g)
Reserve	(4)	(1)	(5)	
<i>of which: equity component of GRCL in Tier 2 capital</i>			-	
<i>of which: cashflow hedge reserve</i>			(5)	(c)
Retained earnings	378	33	411	(b)
<b>Total equity</b>	<b>858</b>	<b>32</b>	<b>890</b>	

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For the quarter ended 31 December 2016

**Table 3 : Capital Adequacy****31 Dec 2016****\$M****Risk Weighted Assets****Subject to Standardised approach**

Residential mortgages	5,473.1
Other retail loans	325.2
Bank	223.1
Corporate	355.5
Other	3.4
Securitisation	47.1
<b>Total risk weighted assets for credit risk exposures</b>	<b>6,427.4</b>
<b>Operational risk</b>	<b>834.6</b>
<b>Total risk weighted assets</b>	<b>7,262.0</b>

**Capital Ratio (%)****31 Dec 2016**

<b>Common Equity Tier 1 ratio</b>	<b>8.3%</b>
<b>Tier 1 capital ratio</b>	<b>10.2%</b>
<b>Total Capital Ratio</b>	<b>12.6%</b>

**Table 4 : Credit Risk****Table 4 (a)****31 Dec 2016**

	<b>As At</b>	<b>Average</b>
	<b>\$M</b>	<b>\$M</b>
<b>Credit exposures by Types</b>		
Cash and balances with central banks	0.0	0.6
Loans and advances to banks	300.5	288.5
Equity securities	0.2	0.2
Debt Securities	1,233.2	1,276.3
Derivative financial assets	0.0	0.0
Loans and advances to customers	14,344.2	14,029.6
Other Assets	11.1	14.8
<b>Total gross credit risk</b>	<b>15,889.2</b>	<b>15,610.0</b>
Securitisation Exposures - RMBS Investments	187.9	192.6
Securitisation Exposures - Other	27.2	27.9
Non Market-related off-balance sheet credit exposures	630.0	511.8
Market-related off-balance sheet credit exposures	48.4	36.5
<b>Total Exposures</b>	<b>16,782.7</b>	<b>16,378.8</b>

**Credit exposures by Portfolio****\$M****\$M**

Residential Mortgage	13,652.4	13,335.4
Other Retail claims	340.2	351.7
Bank	802.6	891.2
Government	736.9	685.1
Corporate	355.5	345.2
Other Assets	1.6	1.4
<b>Total Exposures</b>	<b>15,889.2</b>	<b>15,610.0</b>

**31 Dec 2016****Table 4 (b)****As At****By Portfolios****\$M****Amount of impaired facilities:**

Residential Mortgage	14.1
Other Retail claims	0.0
Corporate/specialised lending	10.8

**Past due facilities:**

Residential Mortgage	47.9
Other Retail claims	0.0
Corporate/specialised lending	9.0

**Specific Provisions**

3.5

**Charges for specific provisions during the period**

1.7

**Write-offs during the period**

0.7

**Table 4 (c)****General Reserve for Credit Losses**

27.2

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For the quarter ended 31 December 2016

**Table 5 : Securitisation exposures**

31 Dec 2016

\$M

**Table 5 (a) - Total securitisation activity for the reporting period****Underlying asset type**

• Residential mortgages	-
• RMBS Investments	-

<b>Total securitisation activity for the reporting period</b>	-
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31 Dec 2016

As At

**Table 5 (b) - Summary of total securitisation exposures retained or purchased**

\$M

**Securitisation facility type****On-balance sheet securitisation exposures**

• Notes <sup>1</sup>	2,044.6
• RMBS Investments	187.9
• Other	16.8

<b>Total securitisation exposures</b>	2,249.3
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**Off-balance sheet securitisation exposures**

• Swaps	3.1
• Funding facilities	6.4
• Liquidity facilities	0.9

<b>Total securitisation exposures</b>	10.4
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<sup>1</sup> Exposures relate to notes held in the Bank's on balance sheet securitisation vehicles

# APS 330

For year ended 31 December 2016

**Table 20: Liquidity Coverage Ratio disclosure**

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

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

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

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

AMP Bank has been compliant with the LCR prudential requirements at all times since its introduction in January 2015. The average daily LCR for 2016 was 124%.

The Bank's average daily LCR for 2016 are presented in the following table.

		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
		Total unweighted value (average) (A\$m)	Total weighted value (average) (A\$m)	Total unweighted value (average) (A\$m)	Total weighted value (average) (A\$m)	Total unweighted value (average) (A\$m)	Total weighted value (average) (A\$m)	Total unweighted value (average) (A\$m)	Total weighted value (average) (A\$m)
<b>Liquid assets, of which:</b>									
1	High-quality liquid assets (HQLA)		816		756		801		681
2	Alternative liquid assets (ALA)		1,100		1,100		1,100		1,100
3	Reserve Bank of New Zealand (RBNZ) securities		0		0		0		0
<b>Cash outflows</b>									
4	Retail deposits and deposits from small business customers, of which:	4,505	565	4,491	565	4,650	585	4,719	586
5	stable deposits	946	47	969	48	1026	51	1098	55
6	less stable deposits	3,559	518	3,522	517	3,624	534	3621	531
7	Unsecured wholesale funding, of which:	1,350	844	1,164	717	1,326	813	1,157	646
8	operational deposits (all counterparties) and deposits in networks for cooperative banks	0	0	0	0	0	0	0	0
9	non-operational deposits (all counterparties)	1,059	553	1,010	563	963	450	959	448
10	unsecured debt	291	291	154	154	363	363	198	198
11	Secured wholesale funding	62	62	59	59	20	20	0	0
12	Additional requirements, of which:	2,628	398	2,879	402	2,431	380	2,880	410
13	outflows related to derivatives exposures	257	257	248	248	254	254	254	254
14	outflows related to loss of funding on debt	0	0	0	0	0	0	0	0
15	credit and liquidity facilities	2,371	141	2,631	154	2177	126	2626	156
16	Other contractual funding obligations	0	0	0	0	0	0	0	0
17	Other contingent funding obligations	2,752	217	2,866	271	2,915	228	2,681	199
18	<b>Total cash outflows</b>		2,086		2,014		2,026		1,841
<b>Cash inflows</b>									
19	Secured lending (e.g. reverse repos)								
20	Inflows from fully performing exposures	355	312	342	298	364	320	311	267
21	Other cash inflows	151	151	119	119	252	252	202	202
22	<b>Total cash inflows</b>	506	463	461	417	616	572	513	469
			<b>Total adjusted value</b>		<b>Total adjusted value</b>		<b>Total adjusted value</b>		<b>Total adjusted value</b>
23	Total liquid assets		1,916		1,856		1,901		1,781
24	Total net cash outflows		1,623		1,597		1,454		1,372
25	Liquidity Coverage ratio (%)		118		116		131		130
	Number of data points		62		63		64		62