

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 2015

Table Of contents

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

Regulatory Balance Sheet

Table 3 : Capital Adequacy (APS 330: Attachment C)

Table 4 : Credit Risk (APS 330: Attachment C)

Table 5 : Securitisation exposures (APS 330: Attachment C)

Table 20: Liquidity Coverage Ratio disclosure (APS 330: Attachment F)

APS 330

For the quarter ended 31 December 2015

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 2015 A\$m	Regulatory Capital Reconciliation Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	344	(a)
2	Retained earnings	318	(b)
3	Accumulated other comprehensive income (and other reserves)	(9)	(c)
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	653	
Common Equity Tier 1 capital : regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	(9)	(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 2015

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 2015 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)	154	
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	7	(d)
26f	of which: capitalised expenses	71	(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	76	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common Equity Tier 1	145	
29	Common Equity Tier 1 Capital (CET1)	508	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments	140	(g)
31	of which: classified as equity under applicable accounting standards	140	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 Capital before regulatory adjustments	140	
Additional Tier 1 Capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	

APS 330

For the quarter ended 31 December 2015

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 2015 A\$m	Regulatory Capital Reconciliation Reference
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	140	
45	Tier 1 Capital (T1=CET1+AT1)	648	
Tier 2 Capital: instruments and provisions			
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	21	(i)
51	Tier 2 Capital before regulatory adjustments	171	
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	171	
59	Total capital (TC=T1+T2)	819	
60	Total risk-weighted assets based on APRA standards	6,406	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	7.9%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.1%	
63	Total capital (as a percentage of risk-weighted assets)	12.8%	
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)	-	

APS 330

For the quarter ended 31 December 2015

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 2015 A\$m	Regulatory Capital Reconciliation Reference
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	n/a	
71	National total capital minimum ratio (if different from Basel III minimum) Amount below thresholds for deductions (not risk-weighted)	n/a	
Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	21	(i)
77	Cap on inclusion of provisions in Tier 2 under standardised approach	71	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	175	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

APS 330

For the quarter ended 31 December 2015

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 2015.

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-15 \$m	Dec-15 \$m	Dec-15 \$m	
Assets				
Cash and cash equivalents	-	-	-	
Due from banks	239	(23)	216	
Derivative financial assets	20	69	89	
Debt securities	1,689	-	1,689	
Loans and advances	15,275	(2,848)	12,427	
<i>of which: GRCL included in Tier 2 capital</i>			21	(i)
Other assets	9	152	161	
<i>of which: loan origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments</i>			60	(e)
<i>of which: Other Common Equity Tier 1 Specific Adjustments relating to securitisation</i>			11	(f)
Deferred tax assets	16	(5)	11	
<i>of which: arising from temporary differences included in CET1 regulatory adjustments</i>			7	(d)
Total assets	17,248	(2,655)	14,593	
Liabilities				
Due to banks	784	-	784	
Derivative financial liabilities	41	(2)	39	
Deposits and other borrowings	10,594	-	10,594	
Intercompany tax payable to head entity	10	-	10	
Debt securities on issue	1,805	(4)	1,801	
Employee provisions	4	-	4	
Due to controlled entities	2,968	(2,968)	-	
Subordinated debt	150	-	150	(h)
Other liabilities	143	290	433	
Total liabilities	16,499	(2,684)	13,815	
Net assets	749	29	778	
Equity				
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	(7)	(17)	(24)	
<i>of which: equity component of GRCL in Tier 2 capital</i>			(15)	
<i>of which: cashflow hedge reserve</i>			(9)	(c)
Retained earnings	272	46	318	(b)
Total equity	749	29	778	

APS 330

For the quarter ended 31 December 2015

Table 3 : Capital Adequacy**31 Dec 2015**
\$M**Risk Weighted Assets****Subject to Standardised approach**

Residential mortgages	4,583.7
Other retail loans	367.8
Bank	301.0
Corporate	344.4
Other	1.6
Securitisation	61.6
Total risk weighted assets for credit risk exposures	5,660.1
Operational risk	745.5
Total risk weighted assets	6,405.6

Capital Ratio (%)**31 Dec 2015**

Common Equity Tier 1 ratio	7.9%
Tier 1 capital ratio	10.1%
Total Capital Ratio	12.8%

Table 4 : Credit Risk**Table 4 (a)****31 Dec 2015**

	As At	Average
	\$M	\$M
Credit exposures by Types		
Cash and balances with central banks	0.1	0.1
Loans and advances to banks	215.5	186.6
Equity securities	0.2	0.2
Debt Securities	1,427.0	1,374.9
Derivative financial assets	0.0	0.0
Loans and advances to customers	12,427.0	12,364.3
Other Assets	25.8	26.8
Total gross credit risk	14,095.6	13,952.9
Securitisation Exposures - RMBS Investments	262.1	277.5
Securitisation Exposures - Other	29.8	31.8
Non Market-related off-balance sheet credit exposures	176.2	129.9
Market-related off-balance sheet credit exposures	42.5	48.6
Total Exposures	14,606.2	14,440.7

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

Residential Mortgage	11,708.0	11,640.9
Other Retail claims	378.7	384.0
Bank	874.0	828.5
Government	789.8	757.6
Corporate	344.3	341.5
Other Assets	0.8	0.4
Total Exposures	14,095.6	13,952.9

31 Dec 2015**Table 4 (b)****As At****By Portfolios****\$M****Amount of impaired facilities:**

Residential Mortgage	2.3
Other Retail claims	0.0
Corporate/specialised lending	6.9

Past due facilities:

Residential Mortgage	41.2
Other Retail claims	0.0
Corporate/specialised lending	2.0

Specific Provisions

Charges for specific provisions during the period	1.8
Write-offs during the period	0.5

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

21.4

APS 330

For the quarter ended 31 December 2015

Table 5 : Securitisation exposures**31 Dec 2015****\$M****Table 5 (a) - Total securitisation activity for the reporting period****Underlying asset type**

• Residential mortgages	-
• RMBS Investments	-

Total securitisation activity for the reporting period	-
---------------------------------------------------------------	----------

31 Dec 2015**As At****Table 5 (b) - Summary of total securitisation exposures retained or purchased****\$M****Securitisation facility type****On-balance sheet securitisation exposures**

• Notes ¹	2,044.9
• RMBS Investments	262.1
• Other	19.5

Total securitisation exposures	2,326.5
---------------------------------------	----------------

Off-balance sheet securitisation exposures

• Swaps	3.0
• Funding facilities	6.2
• Liquidity facilities	1.1

Total securitisation exposures	10.3
---------------------------------------	-------------

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

APS 330

For year ended 31 December 2015

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 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 during the second half of 2015 was 151%.

The Bank's average daily LCR for the quarters ending 30 September 2015 and 31 December 2015 are presented in the following table.

		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)
Liquid assets, of which:					
1	High-quality liquid assets (HQLA)		695		750
2	Alternative liquid assets (ALA)		1672		1690
3	Reserve Bank of New Zealand (RBNZ) securities		0		0
Cash outflows					
4	Retail deposits and deposits from small ' business customers, of which:	4,465	557	4,440	552
5	stable deposits	900	45	922	46
6	less stable deposits	3,565	512	3,518	506
7	Unsecured wholesale funding, of which:	1,471	847	1,452	871
8	operational deposits (all counterparties) and deposits in networks for cooperative banks	0	0	0	0
9	non-operational deposits (all counterparties)	1,366	742	1,385	804
10	unsecured debt	105	105	67	67
11	Secured wholesale funding	0	0	0	21
12	Additional requirements, of which:	302	275	385	277
13	outflows related to derivatives exposures	273	273	271	271
14	outflows related to loss of funding on debt	0	0	0	0
15	credit and liquidity facilities	29	2	114	6
16	Other contractual funding obligations	0	0	0	0
17	Other contingent funding obligations	2,575	201	2,550	193
18	Total cash outflows	0	1880	0	1914
Cash inflows					
19	Secured lending (e.g. reverse repos)	0	0	0	0
20	Inflows from fully performing exposures	301	260	321	278
21	Other cash inflows	27	27	48	48
22	Total cash inflows	328	287	369	326
			Total adjusted value (\$m)		Total adjusted value (\$m)
23	Total liquid assets		2,367		2,440
24	Total net cash outflows		1,593		1,588
25	Liquidity Coverage ratio (%)		149%		154%
	Number of data points ¹		65		63

¹ Number of data points in the quarter based on the number of business days in the quarter