

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 2014

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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 2014 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	444	(a)
2	Retained earnings	229	(b)
3	Accumulated other comprehensive income (and other reserves)	(13)	(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	660	
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	(13)	(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	-	

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

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

		As at 31 Dec 2014 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)	140	
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	5	(d)
26f	of which: capitalised expenses	68	(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	67	
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	127	
29	Common Equity Tier 1 Capital (CET1)	533	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	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	-	
Additional Tier 1 Capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	

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

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

		As at 31 Dec 2014 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)	-	
45	Tier 1 Capital (T1=CET1+AT1)	533	
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	(g)
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	17	(h)
51	Tier 2 Capital before regulatory adjustments	167	
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)	167	
59	Total capital (TC=T1+T2)	700	
60	Total risk-weighted assets based on APRA standards	5,602	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	9.51%	
62	Tier 1 (as a percentage of risk-weighted assets)	9.51%	
63	Total capital (as a percentage of risk-weighted assets)	12.49%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: ADI-specific countercyclical buffer requirements	-	
67	of which: G-SIB buffer requirement (not applicable)	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	-	

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

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

		As at 31 Dec 2014 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	-	
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)	-	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
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	200	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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Regulatory Balance Sheet

The following table discloses AMP Banks Limited's Balance Sheet as published in its audited financial statements and the Regulatory Balance Sheet as at 31 December 2014.

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-14 \$m	Dec-14 \$m	Dec-14 \$m	
Assets				
Cash and cash equivalents	2	-	2	
Due from banks	353	(13)	340	
Derivative financial assets	37	40	77	
Debt securities	2,334	-	2,334	
Loans and advances	14,569	(4,060)	10,509	
<i>of which: eligible collective provision component GRCL in tier 2 capital</i>			(17)	(h)
<i>of which: loan origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments</i>			54	(e)
Other assets	7	189	196	
Deferred tax assets	29	(18)	11	
<i>of which: arising from temporary differences included in CET1 regulatory adjustments</i>			5	(d)
Total assets	17,331	(3,862)	13,469	
Liabilities				
Due to banks	698	(698)	-	
Derivative financial liabilities	40	(20)	20	
Deposits and other borrowings	9,977	633	10,610	
Intercompany tax payable to head entity	24	-	24	
Debt securities on issue	1,658	(8)	1,650	
<i>of which: securitisation start-up costs in CET1 regulatory adjustments</i>			14	(f)
Provisions	4	-	4	
Due to controlled entities	3,977	(3,977)	-	
Subordinated debt	150	-	150	(g)
Other liabilities	178	173	351	
Deferred tax liabilities	-	-	-	
Total liabilities	16,706	(3,897)	12,809	
Net assets	625	35	660	
Equity				
Contributed equity	444	-	444	(a)
Reserve	(12)	(1)	(13)	(c)
Retained earnings	193	36	229	(b)
Total equity	625	35	660	

Not included in totals, for information only.

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Table 3: Capital Adequacy**31 Dec 2014****\$M****Risk Weighted Assets****Subject to Standardised approach**

Residential mortgages	3,717.2
Other retail loans	354.3
Bank	428.1
Corporate	310.5
Other	0.9
Securitisation	92.6
Total risk weighted assets for credit risk exposures	4,903.6
Operational risk	698.1
Total risk weighted assets	5,601.7

Capital Ratio (%)**31 Dec 2014**

Common Equity Tier 1 ratio	9.51%
Tier 1 capital ratio	9.51%
Total Capital Ratio	12.49%

Table 4: Credit Risk**Table 4 (a)****31 Dec 2014**

	As At	Average
	\$M	\$M
Credit exposures by Types		
Cash and balances with central banks	1.8	0.7
Loans and advances to banks	340.3	386.2
Equity securities	0.2	0.2
Debt Securities	1,958.5	1,969.8
Derivative financial assets	0.0	0.0
Loans and advances to customers	10,508.5	10,648.2
Other Assets	15.5	16.2
Total gross credit risk	12,824.8	13,021.3
Securitisation Exposures - RMBS Investments	375.8	386.7
Securitisation Exposures - Other	54.1	49.4
Non Market-related off-balance sheet credit exposures	25.8	23.2
Market-related off-balance sheet credit exposures	60.8	54.1
Total Exposures	13,341.3	13,534.7
Credit exposures by Portfolio	\$M	\$M
Residential Mortgage	9,832.7	9,536.0
Other Retail claims	366.0	804.5
Bank	1,335.9	1,381.8
Government	979.1	988.3
Corporate	310.7	310.1
Other Assets	0.3	0.6
Total Exposures	12,824.7	13,021.3

31 Dec 2014**Table 4 (b)****As At**

By Portfolios	\$M
Amount of impaired facilities:	
Residential Mortgage	2.9
Other Retail claims	0.0
Corporate/specialised lending	10.7
Past due facilities:	
Residential Mortgage	40.3
Other Retail claims	0.0
Corporate/specialised lending	0.0
Specific Provisions	1.3
Charges for specific provisions during the period	-0.7
Write-offs during the period	2.3

Table 4 (c)

General Reserve for Credit Losses	17
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Table 5: Securitisation exposures31 Dec 2014
\$M**Table 5 (a) - Total securitisation activity for the reporting period****Underlying asset type**

• Residential mortgages	976.3
• RMBS Investments	-

Total securitisation activity for the reporting period	976.3
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31 Dec 2014

As At

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

\$M

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

• Notes ¹	2,045.2
• RMBS Investments	375.8
• Other	37.6

Total securitisation exposures	2,458.6
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Off-balance sheet securitisation exposures

• Swaps	6.6
• Funding facilities	8.4
• Liquidity facilities	1.5

Total securitisation exposures	16.5
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¹ Exposures relate to notes held in the Bank's on balance sheet securitisation vehicles² Off-balance sheet exposures have been converted to their credit equivalent amounts.