

BASEL III PILLAR 3

Capital Adequacy and Risk

Disclosures as at 31 December 2019



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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 December 2019	Regulatory Capital Reconciliation Reference
	\$M	
Common Equity Tier 1 capital: instruments and reserves		
1 Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	374	(a)
2 Retained earnings	702	(b)
3 Accumulated other comprehensive income (and other reserves)	11	(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	1,087	
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	(53)	(k)
12 Shortfall of provisions to expected losses	12	(j)
13 Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15 Defined benefit superannuation fund net assets	-	
16 Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17 Reciprocal cross-holdings in common equity	-	
18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19 Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20 Mortgage service rights (amount above 10% threshold)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22 Amount exceeding the 15% threshold	-	
23 of which: significant investments in the ordinary shares of financial entities	-	
24 of which: mortgage servicing rights	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	232	
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	17	(d)
26f of which: capitalised expenses	99	(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	116	
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	191	
29 Common Equity Tier 1 Capital (CET1)	896	

Table 1: Common Disclosure Template (APS 330: Attachment A) (continued)

	As at 31 December 2019	Regulatory Capital Reconciliation Reference
Common Equity Tier 1 capital : regulatory adjustments		
31 of which: classified as equity under applicable accounting standards	240	
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	240	
Additional Tier 1 Capital: instruments		
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)	-	
41a of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not	-	
41b 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 Common Equity Tier 1	-	
44 Additional Tier 1 capital (AT1)	240	
45 Tier 1 Capital (T1=CET1+AT1)	1,136	
Tier 2 Capital: instruments and provisions		
46 Directly issued qualifying Tier 2 instruments	250	(h)
47 Directly issued capital instruments subject to phase out from Tier 2	-	
48 Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-	
49 of which: instruments issued by subsidiaries subject to phase out	-	
50 Provisions	32	(i)
51 Tier 2 Capital before regulatory adjustments	282	
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)	282	
59 Total capital (TC=T1+T2)	1,418	
60 Total risk-weighted assets based on APRA standards	8,343	

Table 1: Common Disclosure Template (APS 330: Attachment A) (continued)

	As at 31 December 2019	Regulatory Capital Reconciliation Reference
Capital ratios and buffers		
61 Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.74%	
62 Tier 1 (as a percentage of risk-weighted assets)	13.61%	
63 Total capital (as a percentage of risk-weighted assets)	16.99%	
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)	-	
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)	32	(i)
77 Cap on inclusion of provisions in Tier 2 under standardised approach	91	
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)		
80 Current cap on CET1 instruments subject to phase out arrangements	-	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82 Current cap on AT1 instruments subject to phase out arrangements	-	
83 Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	
84 Current cap on T2 instruments subject to phase out arrangements	-	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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Regulatory Balance Sheet

The following table discloses AMP Banks Limited's Balance Sheet as published in its audited financial statements and the Regulatory Balance Sheet as at 31 December 2019. 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 Dec-19 \$M	Adjustments Dec-19 \$M	Bank Regulatory Balance Sheet Dec-19 \$M	Reference
Assets				
Cash and cash equivalents	58	-	58	
Due from banks	511	(326)	185	
Derivative financial assets	8	128	136	
Debt securities	1,960	(1)	1,959	
Loans and advances	20,660	(4,003)	16,657	
<i>of which: GRCL included in Tier 2 capital</i>			32	(i)
Other Assets	113	535	648	
<i>of which: loan origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments</i>			80	(e)
<i>of which: Other Common Equity Tier 1 Specific Adjustments relating to securitisation</i>			19	(f)
Deferred tax assets	19	(2)	17	
<i>of which: arising from temporary differences included in CET1 regulatory adjustments</i>			17	(d)
Total assets	23,329	(3,669)	19,660	
Liabilities				
Due to banks	439	-	439	
Derivative financial liabilities	100	8	108	
Deposits and other borrowings	14,607	-	14,607	
Intercompany tax payable to head entity	25	-	25	
Debt securities on issue	2,246	(21)	2,225	
Employee provisions	6	-	6	
Due to controlled entities	4,381	(4,395)	(14)	
Subordinated debt	250	-	250	(h)
Other liabilities	23	664	687	
Total liabilities	22,077	(3,744)	18,333	
Net assets	1,252	75	1,327	
Equity				
Contributed equity	614	-	614	
<i>of which: amount included in eligible CET1</i>	374	-	374	(a)
<i>of which: amount included in Additional Tier 1 Capital</i>	240	-	240	(g)
Reserves	11	-	11	
<i>of which: equity component of GRCL in Tier 2 capital</i>	-	-	(53)	
<i>of which: cashflow hedge reserve</i>	-	-	-	(c)
Retained earnings	627	75	702	(b)
<i>of which: retained earnings and current year profit</i>	-	-	-	
<i>of which: adjustment for shortfall in provision for credit losses</i>	-	-	-	(j)
Total equity	1,252	75	1,327	

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Table 3 Capital Adequacy

	31 December 2019
	\$M
Risk Weighted Assets (RWA)	
Subject to Standardised Approach	
Residential Mortgages	6,267.7
Other Retail Loans	331.9
Bank	214.4
Corporate	372.9
Other	3.3
Securitisation	51.1
Total Risk Weighted Assets for Credit Risk Exposures	7,241.3
Market Risk RWA	1.8
Operational Risk RWA	1,100.3
Total Risk Weighted Assets	8,343.4
Capital Ratios (%)	%
Common Equity Tier 1 Ratio	10.7%
Tier 1 Capital Ratio	13.6%
Total Capital Ratio	17.0%

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Table 4 Credit Risk

Table 4 (A)	31 December 2019	
	As At \$M	Average \$M
Credit Exposure by Types		
Cash and balances with Central Banks	58.0	41.2
Loans and advances to banks	185.2	120.9
Equity securities	0.2	0.2
Debt securities	1,731.0	1,766.0
Loans and advances to customers	16,657.3	16,452.6
Other assets	396.4	306.1
Total Gross Credit Risk	19,028.1	18,687.0
Non-market related off-balance sheet credit exposures	502.9	512.1
Market related off-balance sheet credit exposures	20.7	31.8
Total Exposures	19,551.7	19,230.9
Credit Exposure by Portfolios		
Residential mortgages	16,624.6	16,412.4
Other retail claims	252.3	237.8
Bank	839.3	840.7
Government	1,460.9	1,341.8
Corporate	372.9	396.7
Other assets	1.7	1.5
Total Exposures	19,551.7	19,230.9

Table 4 (B)	31 December 2019
By Portfolios	As At \$M
Amount of Impaired Facilities	
Residential Mortgages	149
Corporate/ Specialised Lending	388.3
Past Due Facilities	
Residential Mortgages	35.2
Corporate/ Specialised Lending	3.7
Specific Provisions	110.8
Charges for specific provisions during the period	90.9
Write-offs during the period	1.8

Table 4 (C)	
General Reserve for Credit Losses	32

Table 5 Securitisation

	31 December 2019	
	Total amount of exposure securitised	Recognised gain or loss on sale
\$M		
Table 5 (A) - Total securitisation activity		
Loans sold into securitisation SPVs	-	-
RMBS investments	40.0	-
Total securitisation activity for the reporting period	40.0	-
Table 5 (B) - Total securitisation exposures retained or purchased		
Securitisation Facility Type		
On-balance sheet securitisation exposures		
RMBS investments	233.3	
Other	130.4	
Total securitisation exposures	363.7	
Off-balance sheet securitisation exposures		
Funding facilities	20.3	
Liquidity facilities	-	
Total securitisation exposures	20.3	

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Liquidity Coverage Ratio Disclosure

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. The average LCR for the quarter was 131% (30 September 2019: 146%).

Table 20 Liquidity Coverage Ratio

	31 December 2019		30 September 2019	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
	\$M	\$M	\$M	\$M
Liquid assets, of which:				
1 High-quality liquid assets (HQLA)		1,291		1,283
2 Alternate liquid assets (ALA)		1,650		1,650
3 Reserve Bank of New Zealand (RNBZ) securities		-		-
Cash outflows				
4 Retail deposits and deposits from small business customers, of which;	8,914	1,229	8,309	1,079
5 stable deposits	1,699	85	1,675	84
6 less stable deposits	7,215	1,144	6,634	995
7 Unsecured wholesale funding	1,389	756	1,368	755
8 operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-
9 non-operational deposits (all counterparties)	1,354	721	1,269	656
10 unsecured debt	35	35	99	99
11 Secured wholesale funding		66		-
12 Additional requirements, of which:	2,733	220	2,574	244
13 outflows related to derivatives exposures and other collateral requirements	59	59	64	64
14 outflows related to loss of funding on debt products	-	-	34	34
15 credit and liquidity facilities	2,674	161	2,476	146
16 Other contractual funding obligations	-	-	-	-
17 Other contingent funding obligations	2,518	205	2,490	180
18 Total cash outflows		2,476		2,258
Cash inflows				
19 Secured lending	-	-	-	-
20 Inflows from fully performing exposures	178	119	180	119
21 Other cash inflows	100	100	126	126
22 Total cash inflows	278	219	306	245
		Total Adjusted Value		Total Adjusted Value
		\$M		\$M
23 Total liquid assets		2,941		2,933
24 Total net cash outflows		2,257		2,013
25 Liquidity coverage ratio		131		146
Number of data points used (Business Days)		63		65

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Net Stable Funding Ratio Disclosure

Table 21 : NSFR disclosure template

		31 December 2019				Weighted Value \$M
		Unweighted value by residual maturity				
		No Maturity	6 months to <1	>= 1 year		
		\$M	\$M	\$M	\$M	\$M
Available Stable Funding (ASF) Item						
1	Capital	-	-	-	1,609	1,609
2	Regulatory capital				1,359	1,359
3	Other capital instruments				250	250
4	Retail deposits and deposits from small business customers	-	11,093	-	-	10,077
5	Stable deposits		1,877	-	-	1,783
6	Less stable deposits		9,216	-	-	8,294
7	Wholesale funding	-	4,325	545	1,914	3,044
8	Operational deposits		-	-	-	-
9	Other wholesale funding		4,325	545	1,914	3,044
10	Liabilities with matching interdependent assets				-	-
11	Other liabilities		759	-	-	-
12	NSFR derivative liabilities		67	-	-	-
13	All other liabilities and equity not included in the above categories		692	-	-	-
14	Total ASF		16,177	545	3,523	14,730
Required Stable Funding (RSF) Item						
15 (a)	Total NSFR (HQLA)		298	-	1,163	70
15 (b)	ALA		140	-	1,510	165
15 (c)	RBNZ securities		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		18	-	-	9
17	Performing loans and securities	-	279	-	410	454
18	Performing loans to financial institutions secured by Level 1 HQLA		-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		276	-	2	43
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:				-	-
21	With a risk weight of less than or equal to 35% under APS 112		13	15	1,546	1,328
22	Performing residential mortgages, of which:				-	-
23	With a risk weight equal to 35% under APS 112		143	125	13,389	9,047
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		3	-	408	411
25	Assets with matching interdependent liabilities		-	-	-	-
26	Other assets:	-	330	53	266	622
27	Physical traded commodities, including gold		-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		-	-	-	-
29	NSFR derivative assets				-	-
30	NSFR derivative liabilities before deduction of variation margin posted				51	24
31	All other assets not included in the above categories		330	53	215	598
32	Off-balance sheet items		2,698	-	-	135
33	Total RSF	-	3,919	193	18,283	11,830
34	Net Stable Funding Ratio (%)					124.51%

Net Stable Funding Ratio Disclosure (continued)

Table 21 : NSFR disclosure template

		30 September 2019				
		Unweighted value by residual maturity			Weighted Value	
		6 months to < 1				
		No Maturity	< 6 months	year	>= 1 year	
		\$M	\$M	\$M	\$M	\$M
Available Stable Funding (ASF) Item						
1	Capital	-	-	-	1,481	1,481
2	Regulatory capital				1,231	1,231
3	Other capital instruments				250	250
4	Retail deposits and deposits from small business customers	-	11,153	-	-	10,130
5	Stable deposits		1,852	-	-	1,760
6	Less stable deposits		9,301	-	-	8,371
7	Wholesale funding	-	3,653	310	2,060	3,041
8	Operational deposits		-	-	-	-
9	Other wholesale funding		3,653	310	2,060	3,041
10	Liabilities with matching interdependent assets				-	-
11	Other liabilities		413	-	-	-
12	NSFR derivative liabilities		77	-	-	-
13	All other liabilities and equity not included in the above categories		336	-	-	-
14	Total ASF		15,219	310	3,541	14,652
Required Stable Funding (RSF) Item						
15 (a)	Total NSFR (HQLA)		96	-	1,235	65
15 (b)	ALA		214	-	1,436	165
15 (c)	RBNZ securities		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		16	-	-	8
17	Performing loans and securities	-	215	-	419	454
18	Performing loans to financial institutions secured by Level 1 HQLA		-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		212	-	2	34
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:				-	-
21	With a risk weight of less than or equal to 35% under APS 112		11	13	1,525	1,309
22	Performing residential mortgages, of which:				-	-
23	With a risk weight equal to 35% under APS 112		132	107	12,840	8,537
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		3	-	417	420
25	Assets with matching interdependent liabilities		-	-	-	-
26	Other assets:	-	318	56	301	640
27	Physical traded commodities, including gold		-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		-	-	-	-
29	NSFR derivative assets				-	-
30	NSFR derivative liabilities before deduction of variation margin posted				63	28
31	All other assets not included in the above categories		318	56	238	611
32	Off-balance sheet items		2,647	-	-	132
33	Total RSF	-	3,649	176	17,757	11,310
34	Net Stable Funding Ratio (%)					129.55%