



# APRA Basel III Pillar 3 Disclosures

Quarter ended  
31 March 2022



This report has been prepared by Police & Nurses Limited (PNL) to meet its disclosure requirements under the Australian Prudential Regulation Authority (APRA) Australian Prudential Standard (APS) 330 Capital Adequacy: Public Disclosure of Prudential Information.

These tables should be read in conjunction with the PNL regulatory balance sheet and the reconciliation between detailed capital disclosure template and the regulatory balance sheet.

Table 2 'Regulatory capital instruments' is not included as PNL does not have any such facilities.

Information is prepared using 31 March 2022 data.

PNL seeks to ensure that it is adequately capitalised at all times, both on a stand-alone and Group basis.

APRA applies a tiered approach to measuring PNL's capital adequacy by assessing financial strength at three levels:

Level 1, comprising of Police & Nurses Limited and its subsidiary entities that have been approved by APRA as being part of a single 'Extended Licensed Entity' (ELE) for the purposes of measuring capital adequacy; and

Level 2, the consolidation of Police & Nurses Limited and all its subsidiary entities except those entities specifically excluded by APRA regulations; and

ADI Consolidated Group is PNL Group at the widest level which includes PNL Landreach Pty Ltd whose principle activities are financing property development.

The Pinnacle Series Trust 2013 T1, The Pinnacle Series Trust 2017 T1 and The Pinnacle Series Trust 2021 T1 meet all the operational requirements (APS 120) for regulatory capital relief and are excluded for credit risk under Prudential Standard APS 112 Capital Adequacy. For statutory reporting purposes, all securitisation trusts are consolidated in the Group.

Unless otherwise specified, all quantitative disclosures in this report refer to the prudential assessment of PNL's strength on a Level 2 basis using a statutory valuation.

## Key Points

This disclosure has been prepared in accordance with the changes to APRA's capital rules (effective 1 January 2013). The Bank's total capital ratio was 14.06% as at 31 December 2021 to 13.85% as at 31 March 2022.

## Table 1: Capital structure

APRA row ref	Common disclosure template	Mar-22 \$m	Dec-21 \$m
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-	-
2	Retained earnings	99.4	87.7
3	Accumulated other comprehensive income (and other reserves)	377.3	375.7
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)	0.8	0.7
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>477.5</b>	<b>464.1</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	3.2	1.0
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)	7.0	10.8
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	-	-



## Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Mar-22 \$m	Dec-21 \$m
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	36.6	31.6
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	8.7	8.7
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	-	-
26f	of which: capitalised expenses	25.0	20.0
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	2.4	2.4
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	0.5	0.5
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>46.8</b>	<b>43.4</b>
29	<b>Common Equity Tier 1 Capital (CET1)</b>	<b>430.7</b>	<b>420.7</b>
<b>Additional Tier 1 Capital: instruments</b>			
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	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	-
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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
36	<b>Additional Tier 1 Capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>

## Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Mar-22 \$m	Dec-21 \$m
<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)	-	-
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>	-	-
45	<b>Tier 1 Capital (T1=CET1+AT1)</b>	430.7	420.7
<b>Tier 2 Capital: instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments	-	-
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-	-
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	6.3	17.0
51	<b>Tier 2 Capital before regulatory adjustments</b>	6.3	17.0

## Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Mar-22 \$m	Dec-21 \$m
<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>	6.3	17.0
59	<b>Total capital (TC=T1+T2)</b>	437.0	437.7
60	<b>Total risk-weighted assets based on APRA standards</b>	3,146.8	3,114.6
<b>Capital ratios and buffers</b>			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13.7%	13.5%
62	Tier 1 (as a percentage of risk-weighted assets)	13.7%	13.5%
63	Total capital (as a percentage of risk-weighted assets)	13.9%	14.1%
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%	7.0%
65	of which: capital conservation buffer requirement	2.5%	2.5%
66	of which: ADI-specific countercyclical buffer requirements	0.0%	0.0%
67	of which: G-SIB buffer requirement (not applicable)	n/a	n/a
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	6.7%	6.5%



## Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Mar-22 \$m	Dec-21 \$m
<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	n/a
70	National Tier 1 minimum ratio (if different from Basel III minimum)	n/a	n/a
71	National total capital minimum ratio (if different from Basel III minimum)	n/a	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)	-	-
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	-	-
<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	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

### Table 3: Capital adequacy

Risk-weighted assets (\$m)	Mar-22	Dec-21
Subject to the standardised approach		
Residential mortgage	1,897.4	1,855.1
Other retail	203.7	220.4
Property finance loans	264.5	250.4
Deposits with banks and ADIs	308.0	332.4
Government	-	-
All other	93.8	86.0
Securitisation	2.9	1.6
<b>Total capital requirements - credit risk</b>	<b>2,770.3</b>	<b>2,745.9</b>
<b>Capital requirements - market risk</b>	<b>-</b>	<b>-</b>
<b>Capital requirements - operational risk</b>	<b>376.5</b>	<b>368.7</b>
<b>Total risk-weighted assets</b>	<b>3,146.8</b>	<b>3,114.6</b>
<b>Capital adequacy ratios</b>	<b>%</b>	<b>%</b>
Level 2 common equity tier 1 capital ratio	13.7%	13.5%
Tier 1 net tier 1 capital ratio	13.7%	13.5%
Level 2 total capital ratio	13.9%	14.1%



## Table 4: Credit risk

### Exposures by major type

Residential mortgages	
Notes and coin	
Claims (other than equity) on ADIs & overseas banks	
Investments in premises, plant & equipment and all other fixed assets	
All other assets and claims not specified elsewhere	
Off balance sheet: Commitments	
Off balance sheet: Interest rate contracts	
<b>Total exposures</b>	

Gross credit exposure \$m		Average gross credit exposure \$m	
Mar-22	Dec-21	Mar-22	Dec-21
4,899.9	4,718.5	4,809.2	4,829.6
4.9	6.6	5.8	5.8
965.1	1,043.5	1,004.3	998.5
24.8	25.8	25.3	26.3
945.5	826.6	886.1	816.4
845.5	832.3	838.9	829.0
664.8	509.1	587.0	454.3
<b>8,350.5</b>	<b>7,962.4</b>	<b>8,156.6</b>	<b>7,959.9</b>

### Exposures by portfolio subject to standardised approach

Residential mortgage	
Other retail	
Property finance loans	
Deposits with banks and ADIs	
Government	
All other	
<b>Total exposures</b>	

Gross credit exposure \$m		Average gross credit exposure \$m	
Mar-22	Dec-21	Mar-22	Dec-21
4,899.9	4,718.5	4,809.2	4,829.6
203.7	220.4	212.1	229.5
334.3	330.3	332.3	320.5
965.1	1,043.5	1,004.3	998.5
478.7	377.2	428.0	373.8
1,468.8	1,272.5	1,370.7	1,208.0
<b>8,350.5</b>	<b>7,962.4</b>	<b>8,156.6</b>	<b>7,959.9</b>

### General reserve for credit losses

6.3	17.0
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### Mar-22

Residential mortgage	
Other retail	
Property finance loans	
<b>Total</b>	

Non-Performing Loans \$m	Past due loans >90 days \$m	Specific provision balance \$m	Charges for specific provisions	Write-offs \$m
15.5	8.0	1.2	0.3	0.2
1.1	0.9	0.8	0.0	-
30.5	30.1	10.3	0.3	0.2
<b>47.1</b>	<b>39.0</b>	<b>12.3</b>	<b>0.6</b>	<b>0.4</b>

### Dec-21

Residential mortgage	
Other retail	
Property finance loans	
<b>Total</b>	

Impaired loans \$m	Past due loans >90 days \$m	Specific provision balance \$m	Charges for specific provisions	Write-offs \$m
22.7	10.9	1.1	-	0.1
1.4	-	0.8	0.1	-
30.7	-	10.2	0.2	0.2
<b>54.8</b>	<b>10.9</b>	<b>12.1</b>	<b>0.3</b>	<b>0.3</b>

## Table 5: Securitisation exposures

### Securitisation exposure type

On balance sheet drawn securitisation
Off balance sheet drawn securitisation
Securities in the banking book
Securities in the trading book
Liquidity facilities
Funding facilities
Swap facilities
<b>Total</b>

Mar-22		Dec-21	
Current period securitisation activity \$m	Gain or loss on sale \$m	Current period securitisation activity \$m	Gain or loss on sale \$m
(2.2)	-	(338.4)	-
(35.8)	-	299.4	-
-	-	(217.7)	-
-	-	-	-
-	-	-	-
(0.2)	-	(3.8)	-
-	-	-	-
<b>(38.2)</b>	<b>-</b>	<b>(260.5)</b>	<b>-</b>

<b>Mar-22</b>
On-balance sheet securitisation exposure
Off balance sheet securitisation exposure
<b>Total</b>

Securities held in the banking book \$m	Securities held in the trading book \$m	Liquidity facilities \$m	Funding facilities \$m	Swap facilities \$m	Securitisation drawn (1) \$m
(1,459.9)	-	-	14.9	-	1,423.3
-	-	-	1.3	-	413.0
<b>(1,459.9)</b>	<b>-</b>	<b>-</b>	<b>16.2</b>	<b>-</b>	<b>1,836.3</b>

<b>Dec-21</b>
On-balance sheet securitisation exposure
Off balance sheet securitisation exposure
<b>Total</b>

Securities held in the banking book \$m	Securities held in the trading book \$m	Liquidity facilities \$m	Funding facilities \$m	Swap facilities \$m	Securitisation drawn (1) \$m
1,459.9	-	-	15.0	-	1,425.5
-	-	-	1.4	-	448.8
<b>1,459.9</b>	<b>-</b>	<b>-</b>	<b>16.4</b>	<b>-</b>	<b>1,874.3</b>

(1) - Exposures relate to the Bank's on and off balance sheet securitisation vehicles.