



# APRA Basel III Pillar 3 Disclosures

## Quarter ended 30 June 2020

**25 August 2020**

This report has been prepared by P&N Bank 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 P&N 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 P&N Bank does not have any such facilities.

Information is prepared using 30 June 2020 data.

P&N Bank 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 P&N Bank's capital adequacy by assessing financial strength at three levels:

Level 1, comprising of P&N Bank 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 P&N Bank and all its subsidiary entities except those entities specifically excluded by APRA regulations; and

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

The Pinnacle Series Trust 2013 T1 and The Pinnacle Series Trust 2017 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 P&N Bank'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 decreased from 15.1% at 31 March 2020 to 14.8% at 30 June 2020.

**Table 1: Capital structure**

APRA row ref	Common disclosure template	Jun-20 \$m	Mar-20 \$m	Reconciliation:
<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	62.6	175.4	
3	Accumulated other comprehensive income (and other reserves)	374.7	262.8	
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)	0.7	0.6	
<b>6</b>	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>438.0</b>	<b>438.8</b>	Table A
<b>Common Equity Tier 1 capital : regulatory adjustments</b>				
7	Prudential valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	1.6	1.6	
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	(0.3)	-	
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)	14.8	7.9	Table D
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	Jun-20 \$m	Mar-20 \$m	Reconciliation:
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	22.4	21.9	
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	8.8	8.3	Item 5
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	-	-	
26f	of which: capitalised expenses	11.0	11.2	Table B
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	2.3	2.3	
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	0.3	0.3	
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>38.5</b>	<b>31.4</b>	
29	<b>Common Equity Tier 1 Capital (CET1)</b>	<b>399.5</b>	<b>407.4</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	Jun-20 \$m	Mar-20 \$m	Reconciliation:
<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>	<b>399.5</b>	<b>407.4</b>	
<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	23.3	13.8	Tables C
51	<b>Tier 2 Capital before regulatory adjustments</b>	<b>23.3</b>	<b>13.8</b>	

**Table 1: Capital structure (continued)**

APRA row ref	Common disclosure template	Jun-20 \$m	Mar-20 \$m	Reconciliation:
<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>23.3</b>	<b>13.8</b>	
59	<b>Total capital (TC=T1+T2)</b>	<b>422.8</b>	<b>421.2</b>	
60	<b>Total risk-weighted assets based on APRA standards</b>	<b>2,851.6</b>	<b>2,792.8</b>	
<b>Capital ratios and buffers</b>				
61	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>	14.0%	14.6%	
62	<b>Tier 1 (as a percentage of risk-weighted assets)</b>	14.0%	14.6%	
63	<b>Total capital (as a percentage of risk-weighted assets)</b>	14.8%	15.1%	
64	<b>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)</b>	7.0%	7.0%	
65	<i>of which: capital conservation buffer requirement</i>	2.5%	2.5%	
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	0.0%	0.0%	
67	<i>of which: G-SIB buffer requirement (not applicable)</i>	n/a	n/a	
68	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)</b>	6.8%	7.1%	

**Table 1: Capital structure (continued)**

APRA row ref	Common disclosure template	Jun-20 \$m	Mar-20 \$m	Reconciliation:
<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 1.1: Balance Sheet : P&N Bank Standalone Statutory Valuation and Scope**

Item	Balance sheet	Jun-20 \$m	Mar-20 \$m	Reconciliation:
<b>Assets</b>				
1	Cash and cash equivalents	177.1	138.4	
2	Receivables due from other financial institutions	810.6	707.6	
3	Trade and other receivables	19.9	14.2	
4	Loan and advances	4,834.3	5,099.9	
5	Financial assets held at FVOCI	9.0	8.4	Row 26d
6	Due from controlled entities	21.0	70.5	
7	Property, plant and equipment	55.6	59.9	
8	Investments in controlled entities	3.6	4.7	
9	Intangible assets	8.9	5.1	
10	Deferred tax assets	22.7	10.5	Table D
11	Derivative financial instruments	0.4	0.2	
<b>Total assets</b>		<b>5,963.1</b>	<b>6,119.4</b>	
<b>Liabilities</b>				
12	Members' deposits	5,367.9	5,277.3	
13	Trade and other payables	55.6	56.0	
14	Derivative financial instruments	0.7	0.5	
15	Current tax liabilities	8.7	(1.7)	
16	Borrowings	73.4	332.4	
17	Provisions	18.7	9.2	
<b>Total liabilities</b>		<b>5,525.0</b>	<b>5,673.7</b>	
<b>Net assets</b>		<b>438.1</b>	<b>445.7</b>	
<b>Members' funds</b>				
18	Reserves	375.4	265.3	
19	Retained earnings	62.6	180.3	
20	Non-controlling interest	-	-	
<b>Total members' funds</b>		<b>438.0</b>	<b>445.6</b>	Table A

**Table 1.2: Reconciliation between detailed capital template and regulatory scope balance sheet**

Reconciliation between common disclosures template and balance sheet	Jun-20 \$m	Mar-20 \$m	Reconciliation:
<b>Table A: Reserves</b>			
P&N Bank Statutory Balance Sheet	438.0	445.6	Items 18 & 19
Add: Additional Entities included in Group Statutory Balance Sheet	7.0	0.3	
Group Statutory Balance Sheet	445.0	445.9	
Deduct: Entities not within the APRA Level 2 Scope of Consolidation	(0.3)	(0.5)	
APRA Level 2 Scope of Consolidation and Statutory Valuation	<b>444.7</b>	<b>445.4</b>	
Deduct; Additional Regulatory Provision	9.6	7.1	Table C
Add; Tax effect of Additional Regulatory Provision	(2.9)	(2.1)	
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>438.0</b>	<b>436.6</b>	Row 6
<b>Table B: Capitalised expenses</b>			
Information technology software costs	3.1	3.6	
Other capitalised expenses	2.2	1.5	
<b>Intangible assets per balance sheet</b>	<b>5.3</b>	<b>5.1</b>	
<b>Loan and Lease Origination Fees</b>	<b>5.0</b>	<b>5.6</b>	
<b>Securitisation start-up costs</b>	<b>0.8</b>	<b>0.8</b>	
<b>Total capitalised expenses</b>	<b>11.1</b>	<b>11.5</b>	Row 26f
<b>Table C: Provisions</b>			
Balance Sheet Provision for Credit Losses	2.6	18.9	Row 50 Table D
Additional regulatory provision	9.6	(7.1)	
General reserve for credit losses	23.3	13.8	
Less tax effect	-	-	
<b>Total regulatory provisions</b>	<b>35.5</b>	<b>25.6</b>	
Additional tax on regulatory provision	2.9	(2.1)	
Additional tax on General reserve for credit losses	7.0	4.1	
<b>Table D: Deferred tax</b>			
Balance Sheet Deferred Tax Asset	11.9	10.5	Table D
Tax effect for general reserve for credit losses	-	-	
Tax effect of Additional regulatory provision	2.9	(2.1)	Table C
<b>Total deferred tax assets (Tier 1 adjustment)</b>	<b>14.8</b>	<b>8.4</b>	Row 21



Disclosure template for main features of Regulatory Capital instruments

Jun-20  
\$m

Mar-20  
\$m

**Table 2: Capital Instruments**

	Jun-20 \$m	Mar-20 \$m
1 Issuer	n/a	n/a
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a
3 Governing law(s) of the instrument	n/a	n/a
<i>Regulatory treatment</i>	n/a	n/a
4 Transitional Basel III rules	n/a	n/a
5 Post-transitional Basel II rules	n/a	n/a
6 Eligible at solo/group/group & solo	n/a	n/a
7 Instrument type	n/a	n/a
8 Amount recognised in Regulatory Capital	n/a	n/a
9 Par value of instrument	n/a	n/a
10 Accounting classification	n/a	n/a
11 Original date of issuance	n/a	n/a
12 Perpetual or dated	n/a	n/a
13 Original maturity date	n/a	n/a
14 Issuer call subject to prior supervisory approval	n/a	n/a
15 Optional call date, contingent call dates and redemption amount	n/a	n/a
16 Susequent call dates	n/a	n/a
<i>Coupons/dividends</i>	n/a	n/a
17 Fixed or floating	n/a	n/a
18 Coupon rate	n/a	n/a
19 Existence of dividend stopper	n/a	n/a
20 Fully discretionary, partially discretionary or mandatory	n/a	n/a
21 Existence of step up or other incentive to redeem	n/a	n/a
22 Noncumulative or cumulative	n/a	n/a
23 Convertible or non-convertible	n/a	n/a
24 If convertible, conversion triqger(s)	n/a	n/a
25 If convertible, fully or partially	n/a	n/a
26 If convertible, conversion rate	n/a	n/a
27 If convertible, mandatory or optional conversion	n/a	n/a
28 If convertible, specify instrument type convertible into	n/a	n/a
29 If convertible, specify issuer of instrument it converts into	n/a	n/a
30 Write-down feature	n/a	n/a
31 If write-down, write-down triqger(s)	n/a	n/a
32 If write-down, full or partial	n/a	n/a
33 If write down, permanent or temporary	n/a	n/a
34 If temporary write down, description of write up mechanism	n/a	n/a
35 Position in subordination hierarchy in liquidation	n/a	n/a
36 Non-compliant transitioned features	n/a	n/a
37 If yes, specify non-compliant features	n/a	n/a

**Table 3: Capital adequacy**

<b>Risk-weighted assets (\$m)</b>	<b>Jun-20</b>	<b>Mar-20</b>
<b>Subject to the standardised approach</b>		
Residential mortgage	1,805.6	1,789.0
Other retail	100.4	110.8
Property finance loans	195.7	201.3
Deposits with banks and ADIs	337.4	283.8
Government	-	-
All other	86.0	87.6
Securitisation	0.3	0.2
<b>Total capital requirements - credit risk</b>	<b>2,525.4</b>	<b>2,472.7</b>
<b>Capital requirements – market risk</b>	-	-
<b>Capital requirements – operational risk</b>	<b>326.2</b>	<b>320.1</b>
<b>Total risk-weighted assets</b>	<b>2,851.6</b>	<b>2,792.8</b>
<b>Capital adequacy ratios</b>	<b>%</b>	<b>%</b>
Level 2 common equity tier 1 capital ratio	<b>14.0%</b>	14.6%
Tier 1 net tier 1 capital ratio	<b>14.0%</b>	14.6%
Level 2 total capital ratio	<b>14.8%</b>	15.1%

**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	
Jun-20	Mar-20	Jun-20	Mar-20
4,574.8	4,643.5	4,609.2	4,623.1
5.7	6.7	6.2	5.9
982.4	879.6	931.0	871.3
25.2	28.4	26.8	28.9
340.7	377.1	358.9	383.3
571.2	468.4	519.8	466.0
86.9	87.0	87.0	83.6
<b>6,586.9</b>	<b>6,490.7</b>	<b>6,538.9</b>	<b>6,462.1</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	
Jun-20	Mar-20	Jun-20	Mar-20
4,574.8	4,643.5	4,609.2	4,623.1
100.4	110.8	105.6	101.9
206.8	212.4	209.6	225.5
982.4	879.6	931.0	871.3
-	-	-	-
722.5	644.4	683.5	640.3
<b>6,586.9</b>	<b>6,490.7</b>	<b>6,538.9</b>	<b>6,462.1</b>

**General reserve for credit losses**

<b>23.3</b>	<b>13.8</b>
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**Jun-20**

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
12.9	11.2	3.9	1.2	0.6
1.9	0.5	1.2	-0.5	-
30.8	1.2	7.1	0.9	0.6
<b>45.6</b>	<b>12.9</b>	<b>12.2</b>	<b>1.6</b>	<b>1.2</b>

**Mar-20**

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
11.8	12.3	3.3	0.3	0.5
3.0	0.6	1.7	0.4	-
28.7	0.4	6.8	0.1	0.1
<b>43.5</b>	<b>13.3</b>	<b>11.8</b>	<b>0.7</b>	<b>0.6</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>

Jun-20		Mar-20	
Current period securitisation activity \$m	Gain or loss on sale \$m	Current period securitisation activity \$m	Gain or loss on sale \$m
106.1	-	395.6	-
(14.1)	-	(12.8)	-
400.0	-	202.0	-
-	-	-	-
-	-	-	-
1.7	-	3.9	-
-	-	-	-
<b>493.7</b>	<b>-</b>	<b>588.7</b>	<b>-</b>

<b>Jun-20</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	Total securitisation drawn (1) \$m
1,665.9	-	-	17.4	-	1,668.1
-	-	-	2.3	-	224.7
<b>1,665.9</b>	<b>-</b>	<b>-</b>	<b>19.7</b>	<b>-</b>	<b>1,892.8</b>

<b>Mar-20</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	Total securitisation drawn (1) \$m
1,265.9	-	-	15.6	-	1,562.0
-	-	-	2.4	-	238.8
<b>1,265.9</b>	<b>-</b>	<b>-</b>	<b>18.0</b>	<b>-</b>	<b>1,800.8</b>

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

## APS 330 Remuneration Disclosures Financial Year Ended 30 June 2020

### Qualitative Disclosures

- a. The following remuneration disclosures have been prepared to comply with the Australian Prudential Regulatory Authority's (APRA's) prudential standard APS 330 Public Disclosure and Board approved Remuneration Policy. (Note: The content of this report predates the merger with bcu and is contained to P&N Bank).

Responsibility for the development and ongoing effectiveness of remuneration policy falls to the Board Governance and Remuneration Committee (the Committee). The Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in respect of Governance and remuneration matters. The Committee is made up of four non executive directors. The CEO of P&N, the General Manager People & Culture and the General Counsel/Company Secretary also attend Committee meetings.

The Committee makes recommendations to the Board on the categories of individuals specified in the remuneration policy. The qualitative disclosures relating to application of the remuneration policy applies to all employees of P&N Bank and its controlled entities.

For the purposes of the quantitative disclosures reflected in this report, eight Senior Managers have been classified according to CPS 520 which includes:

Chief Executive Officer  
General Manager Member Experience  
Chief Risk Officer  
Chief Information Officer  
General Manager People and Culture  
General Manager Strategy and Development  
Chief Financial Officer  
General Manager Business Transformation

There are currently no other employees outside of the Executive team that are considered material risk takers as defined by the Prudential Standards.

On an annual basis the Committee makes recommendations to the Board in respect of the remuneration of the Chief Executive Officer and Executive Management. The Committee has the option of engaging independent advisors in the discharging of its roles and responsibilities. For the reporting period the Committee engaged Korn Ferry Hay group to assist with remuneration benchmarking.

- b. P&N Bank acknowledges the importance of establishing remuneration arrangements that align with its objectives and Board Risk appetite, whilst providing adequate transparency to ensure compliance with regulation and the expectations of all stakeholders.

Administering the Remuneration Policy Committee members have regard for the following principles:

- A formalised system of job evaluation is used to establish the relative work value of every position within the Bank;
- Every position is graded within a set of remuneration bands that are used as benchmarks against similar roles in comparable companies;
- Employee remuneration is established according to individual competence and performance; Fixed remuneration for an employee meeting the requirements of their role is targeted at the market median. There will be occasions where the Bank is pursuing an uplift in a specific capability or skill set that demands remuneration levels above the median.
- Short term incentives are provided based on a combination of Company performance and achievement of individual objectives; Threshold, target, stretch and risk gateways are approved by the Board. There are currently no long term incentive schemes in use.
- CEO and Executive remuneration is based on market data relative to specific roles and performance levels and is approved by the Board;

During the year the Board reviewed the remuneration policy and made changes to ensure ongoing compliance with CPS 510 and the Banking Executive Accountability Regime (BEAR);

Risk and Compliance staff

The performance and remuneration of risk and compliance staff is assessed according to objectives and responsibilities specific to their roles and independent of the business areas they oversee. Remuneration is reviewed and benchmarked both externally and internally to ensure appropriate relativities. The aim is to ensure remuneration arrangements for individuals involved in risk management, compliance, internal audit or financial control do not in any way influence their ability to independently discharge their duties;

c. P&N maintains a risk appetite statement which describes the type and quantum of risks it is prepared to take in executing its strategy. The risk management framework and performance against key risk measures can have significant influence on how employees are remunerated. The Committee considers individual performance against key risk measures and seeks to be satisfied that remuneration is appropriate relative to the achievement of performance outcomes and the individuals conduct and behaviour. Risk management and performance against defined risk management standards forms a key element of remuneration policy. Compliance with minimum risk management standards is a foundation requirement against which all employees are measured. The Committee has regard for ongoing performance against operational, financial and compliance risk indicators that are monitored and reported on a monthly basis.

At all times the Committee retains the right to override or adjust variable remuneration arrangements should specific events or risk thresholds occur that expose the Bank to unanticipated levels of risk that impact the financial soundness of the Bank.

d. Under the P&N Incentive Plan, participants are eligible to receive an incentive payment based on a combination of individual performance and the corporate performance over the annual review period. Each participant has a corporate performance component, measured and monitored according to a 'Corporate Balanced Scorecard' plus an individual incentive opportunity derived from their own performance against individual key performance indicators including conduct and values. The individual performance measures include adherence to the bank's risk management framework.

e./f. As a Mutual, P&N Bank only offers short term incentives as a cash payment. There are no shares or share linked reward instruments. Equally there are currently no arrangements (Outside of mandatory standards reflected in BEAR) allowing for deferral or vesting of variable remuneration payments.

## Quantitative Disclosures

For the most recent APS330 Quantitative Schedule of Remuneration, please see the below link to Regulatory Disclosures, Current:

[APS330 Schedule of Remuneration](#)