



# APRA Basel III Pillar 3 Disclosures

Quarter ended  
31 December 2022



## 16 February 2023

This report has been prepared by 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.

Information is prepared using 31 December 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 PNL 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 PNL 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 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 has decreased from 15.6% as at 30 September 2022 to 15.3% as at 31 December 2022.

# Table 1: Capital structure

APRA Common disclosure template		Dec-22	Sep-22
row ref		\$m	\$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	110.2	104.4
3	Accumulated other comprehensive income (and other reserves)	385.4	386.2
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	0.8
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>496.4</b>	<b>491.4</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	8.4	9.2
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)	3.3	2.7
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 Common disclosure template		Dec-22	Sep-22
row ref		\$m	\$m
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	55.2	48.8
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	10.4	10.4
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	-	-
26f	of which: capitalised expenses	42.1	35.7
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	0.3	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>66.9</b>	<b>60.7</b>
29	<b>Common Equity Tier 1 Capital (CET1)</b>	<b>429.5</b>	<b>430.7</b>
<b>Additional Tier 1 Capital: instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments	75.0	75.0
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>75.0</b>	<b>75.0</b>

## Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Dec-22 \$m	Sep-22 \$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>	<b>75.0</b>	<b>75.0</b>
45	<b>Tier 1 Capital (T1=CET1+AT1)</b>	<b>504.5</b>	<b>505.7</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	4.2	4.6
51	<b>Tier 2 Capital before regulatory adjustments</b>	<b>4.2</b>	<b>4.6</b>

## Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Dec-22 \$m	Sep-22 \$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>	<b>4.2</b>	<b>4.6</b>
59	<b>Total capital (TC=T1+T2)</b>	<b>508.7</b>	<b>510.3</b>
60	<b>Total risk-weighted assets based on APRA standards</b>	<b>3,332.6</b>	<b>3,269.8</b>
<b>Capital ratios and buffers</b>			
61	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>	12.9%	13.2%
62	<b>Tier 1 (as a percentage of risk-weighted assets)</b>	15.1%	15.5%
63	<b>Total capital (as a percentage of risk-weighted assets)</b>	15.3%	15.6%
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>	5.9%	6.2%

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

APRA Common disclosure template		Dec-22	Sep-22
row ref		\$m	\$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 2: Capital Instruments

### Disclosure template for main features of Regulatory Capital Instruments

1	Issuer
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)
3	Governing law(s) of the instrument
	<i>Regulatory treatment</i>
4	Transitional Basel III rules
5	Post-transitional Basel II rules
6	Eligible at solo/group/group & solo
7	Instrument type
8	Amount recognised in Regulatory Capital
9	Par value of instrument
10	Accounting classification
11	Original date of issuance
12	Perpetual or dated
13	Original maturity date
14	Issuer call subject to prior supervisory approval
15	Optional call date, contingent call dates and redemption amount
16	Subsequent call dates
	<i>Coupons/dividends</i>
17	Fixed or floating
18	Coupon rate
19	Existence of dividend stopper
20	Fully discretionary, partially discretionary or mandatory
21	Existence of step up or other incentive to redeem
22	Noncumulative or cumulative
23	Convertible or non-convertible

December 2022 \$m	September 2022 \$m
Police & Nurses Limited (ABN 69 087 651 876)	
ISIN AU3FN0069290	
NSW	
Not applicable	
Additional Tier 1 Capital	
Solo and Group	
Subordinated Notes	
AUD \$75 million	
AUD \$75 million	
Shareholders' equity	
26/05/2022	
Perpetual	
No maturity	
Yes	
<p>PNL has the right (but not an obligation) to Redeem all or some of the Capital Notes. PNL will only have a right to Redeem the Capital Notes:</p> <p>a) on the fifth anniversary of the date of issue of the Capital Notes, 26 May 2027.</p> <p>b) following the occurrence of a Tax Event or a Regulatory Event.</p> <p>The Capital Notes may not be Redeemed on the occurrence of a Non-Viability Event. PNL may only Redeem the Capital Notes if it has received APRA's prior written approval (which may or may not be given). APRA must be satisfied that, before or concurrently with Redemption:</p> <p>a) the Capital Notes will be replaced with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than the Capital Notes, and the replacement must be done under conditions that are sustainable for PNL's income capacity; or</p> <p>b) the capital position of the PNL Level 1 Group and PNL Level 2 Group will remain adequate after the Issuer elects to Redeem the Capital Notes.</p>	
Not applicable. One call date on the fifth anniversary of the issue date.	
Floating	
3M BBSW mid + 5.75 bps area, quarterly in arrears	
Yes	
Fully discretionary	
No	
Non-cumulative	
Convertible	



## Table 2: Capital Instruments (continued)

Disclosure template for main features of Regulatory Capital Instruments		December 2022 \$m	September 2022 \$m
24	If convertible, conversion trigger(s)	<p style="text-align: center;">Non-Viability Event</p> <p>A Non-Viability Event means APRA has notified PNL that APRA considers that:</p> <p>a) the conversion into PNL MCIs or write off of Relevant Securities (including Capital Notes) is necessary because without the conversion or write off, PNL would become non-viable; or</p> <p>b) without a public sector injection of capital into, or equivalent support with respect to, PNL would become non-viable.</p> <p>If a Non-Viability Event occurs, PNL must immediately Convert into PNL MCIs or Write off all Relevant Securities or, if a Non-Viability Event occurs which does not involve a determination by APRA that a public sector injection of capital would be required and APRA is satisfied that conversion or write off of a proportion of Relevant Securities will be sufficient to ensure that PNL will not become non-viable, that proportion of Relevant Securities.</p>	
25	If convertible, fully or partially	May convert fully or partially	
		Each Capital Note that is required to be converted will be converted fully. The issuer will convert the amount of Capital Notes required in order to make it viable.	
26	If convertible, conversion rate	<p>On Conversion, holders of Capital Notes will receive the Conversion Number of PNL MCIs for each Capital Note held. The Conversion Number is calculated using the following formula, such that the aggregate nominal value of the PNL MCIs received by a Holder will not exceed the aggregate Face Value of the Capital Notes Converted:</p> $\frac{\text{Face Value}}{\text{Nominal Value of PNL MCI}}$ <p>where, Nominal Value of PNL MCI is deemed to be the Face Value.</p> <p>The effect of the conversion formula is that holders of Capital Notes would receive 1 MCI for each Capital Note held.</p>	
27	If convertible, mandatory or optional conversion	Mandatory (If Non-Viability Event occurs)	
28	If convertible, specify instrument type convertible into	Mutual Capital Instrument (MCI) - which meets the requirements for Mutual Equity Interests under APS 111	
29	If convertible, specify issuer of instrument it converts into	Police & Nurses Limited (ABN 69 087 651 876)	
30	Write-down feature	Yes (if conversion is not effected for any reason on occurrence of Non-Viability Event)	
31	If write-down, write-down trigger(s)	If, following a Non-Viability Event, Conversion has not been effected within 5 Business Days after the Non-Viability Conversion Date for any reason (including where PNL is prevented by applicable law or court order or for any other reason from Converting Capital Notes or if the Holder is a Foreign Holder (broadly an Inability Event)), those Capital Notes will not be Converted but instead will be Written-off.	
32	If write-down, full or partial	May be written down partially	
		Each Capital Note that is required to be written off will be written off fully. The Issuer will write off the amount of Capital Notes required in order to make it viable.	
33	If write down, permanent or temporary	Permanent	
34	If temporary write down, description of write up mechanism	Not applicable	
35	Position in subordination hierarchy in liquidation	Subordinated to all creditors except holders of Member Shares and MCIs	
36	Non-compliant transitioned features	No	
37	If yes, specify non-compliant features	Not applicable	

## Table 3: Capital adequacy

### Risk-weighted assets (\$m)

#### Subject to the standardised approach

	Dec-22	Sep-22
Residential mortgage	2,154.6	2,073.9
Other retail	87.3	119.9
Commercial loans	301.6	277.3
Deposits with banks and ADIs	288.7	300.4
Government	-	-
All other	78.9	84.6
Securitisation	5.4	5.9
<b>Total capital requirements - credit risk</b>	<b>2,916.5</b>	<b>2,862.0</b>

#### Capital requirements – market risk

	-	-
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#### Capital requirements – operational risk

	416.1	407.8
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#### Total risk-weighted assets

	3,332.6	3,269.8
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#### Capital adequacy ratios

	Dec-22	Sep-22
Level 2 common equity tier 1 capital ratio	12.9%	13.2%
Tier 1 capital ratio	15.1%	15.5%
Level 2 total capital ratio	15.3%	15.6%

## 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	Gross credit exposure \$m	Average gross credit exposure \$m	
		Dec-22	Sep-22
5,744.3	5,394.4	5,569.4	5,240.2
6.6	4.8	5.7	4.8
923.3	933.1	928.2	948.0
23.6	24.6	24.1	24.7
694.9	711.8	703.4	788.6
787.8	940.7	864.3	892.9
1,061.3	1,062.8	1,062.1	931.7
<b>9,241.8</b>	<b>9,072.2</b>	<b>9,157.2</b>	<b>8,830.9</b>

### Exposures by portfolio subject to standardised approach

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

Gross credit exposure \$m	Gross credit exposure \$m	Average gross credit exposure \$m	
		Dec-22	Sep-22
5,744.3	5,394.4	5,569.4	5,240.2
87.3	119.9	103.6	152.1
315.9	324.9	320.4	321.5
923.3	933.1	928.2	948.0
305.1	314.3	309.7	367.0
1,865.9	1,985.6	1,925.8	1,802.1
<b>9,241.8</b>	<b>9,072.2</b>	<b>9,157.1</b>	<b>8,830.9</b>

### General reserve for credit losses

4.2	4.6
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### Dec-22

Residential mortgage
Other retail
Commercial 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
16.6	11.1	2.4	1.1	-
0.5	0.4	0.4	0.1	-
3.2	0.1	0.1	0.1	0.1
<b>20.3</b>	<b>11.6</b>	<b>2.9</b>	<b>1.3</b>	<b>0.1</b>

### Sep-22

Residential mortgage
Other retail
Commercial 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
24.2	11.9	1.3	0.2	0.1
0.9	0.4	0.3	(0.2)	-
3.2	0.1	0.1	0.1	0.5
<b>28.3</b>	<b>12.4</b>	<b>1.7</b>	<b>0.1</b>	<b>0.6</b>

## Table 5: Securitisation exposures

Securitisation exposure type	Dec-22		Sep-22	
	Current period securitisation activity	Gain or loss on sale	Current period securitisation activity	Gain or loss on sale
	\$m	\$m	\$m	\$m
On balance sheet drawn securitisation	109.9	-	44.2	-
Off balance sheet drawn securitisation	(25.0)	-	(28.0)	-
Securities in the banking book	9.8	-	(8.2)	-
Securities in the trading book	-	-	-	-
Liquidity facilities	-	-	-	-
Funding facilities	1.0	-	0.1	-
Swap facilities	-	-	-	-
<b>Total</b>	<b>95.7</b>	<b>-</b>	<b>8.1</b>	<b>-</b>

Dec-22
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 (T) \$m
1,461.5	-	-	16.5	-	1,576.7
-	-	-	3.1	-	299.7
<b>1,461.5</b>	<b>-</b>	<b>-</b>	<b>19.6</b>	<b>-</b>	<b>1,876.4</b>

Sep-22
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 (T) \$m
1,451.7	-	-	15.3	-	1,466.8
-	-	-	3.3	-	324.7
<b>1,451.7</b>	<b>-</b>	<b>-</b>	<b>18.6</b>	<b>-</b>	<b>1,791.5</b>