AMP Bank Limited

ABN 15 081 596 009

Annual Report for the year ended 31 December 2023

AMP Bank Limited
ABN 15 081 596 009
FULL YEAR ANNUAL REPORT
31 December 2023

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Registered Office:
Level 29 Quay Quarter Tower, 50 Bridge Street
Sydney NSW 2000 Australia

AMP Bank Limited, a company limited by shares, is incorporated and domiciled in Australia.

AMP Bank Limited

Directors' Report

for the year ended 31 December 2023

The directors of AMP Bank Limited (the Company) present their report for the consolidated entity (the Bank) consisting of AMP Bank Limited and the entities it controlled during the financial year ended 31 December 2023.

Directors

The directors of the Company during the year ended 31 December 2023 and up to the date of this report are shown below. The directors were in office for this entire period except where stated otherwise:

Debra Hazelton (Chair)
Kathleen Bailey-Lord (appointed as a director on 1 January 2024)
Andrew Best
Rahoul Chowdry
Alexis George
Mike Hirst
Anna Leibel (appointed as a director on 1 January 2024)
Michael Sammells
Andrea Slattery
Kate McKenzie (resigned as a director on 31 December 2023)

Principal activities

AMP Bank Limited is an Australian retail bank offering housing loans, deposits, and transaction banking for around 193,000 customers. It also has a small business finance portfolio that supports AMP's financial advisers and mortgage brokers' network. The Company distributes through brokers, financial advisers, and direct to retail customers via phone and internet banking.

Review of operations and results

The result for the year ended 31 December 2023 was a consolidated net profit after tax of $84m (FY22: $99m).

Dividends & distributions

During the year ended 31 December 2023, the Company declared and paid $40m (FY22: nil) of dividends to its immediate parent company, AMP Financial Investment Group Holdings Limited, and paid $19m (FY22: $13m) of distributions on capital notes to AMP Limited. Details of dividends and distributions paid and declared during the year are disclosed in Note 17 of the financial report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs during the year.

Environmental regulations

The Company's operations are not subject to any particular and significant environmental regulation under a Law of the Commonwealth or a State or Territory.

Events occurring after reporting date

On 13 February 2024, the Company declared a final dividend of $35m.

As at the date of this report and except as otherwise disclosed, the directors are not aware of any other matters or circumstances that have arisen since the reporting date that have significantly affected, or may significantly affect, the consolidated entity's operations; the results of those operations; or the consolidated entity's state of affairs in future periods.

Likely developments

In the opinion of the directors, disclosure of further information about likely developments in the Company's business is commercially sensitive and would likely be detrimental and result in unreasonable prejudice to the Company.

Indemnification and insurance of directors and officers

Under its Constitution, the Company indemnifies, to the extent permitted by law, all current and former officers of the Company (including the directors) against any liability (including the reasonable costs and expenses of defending proceedings for an actual or alleged liability) incurred in their capacity as an officer of the Company, unless the liability did not arise out of conduct in good faith. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the AMP Limited Board.

During, and since the end of, the year ended 31 December 2023, AMP Limited (the Company's ultimate parent company) maintained, and paid the premium for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the Company) against certain liabilities (including legal costs) as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

In addition, AMP Limited and each of the current and some former directors of the Company, and a subsidiary of AMP Limited and some former directors and each of the company secretaries of the Company are parties to deeds of indemnity, insurance and access. Those deeds provide that:

- these officers will have access to board papers and specified records of the Company (and of certain other companies) for their period of office and for at least ten (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- the relevant officers are indemnified to the extent permitted by law, and to the extent and for the amount that the relevant officer is not otherwise entitled to be, and is not actually, indemnified by another person;
- the indemnity covers liabilities (including legal costs) incurred by the relevant officer in their capacity as a current or former director or secretary of the Company, or of another AMP group company or, an AMP representative in relation to an external company; and
- the AMP group will maintain directors' and officers' insurance cover for those officers, to the extent permitted by law, for the period of their office and for at least ten years after they cease to hold office.

Indemnification of auditors

To the extent permitted by law, the Company's ultimate parent company, AMP Limited, has agreed to indemnify the Company's auditor, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising out of or relating to the audit or the audit engagement agreement, other than where the claim is determined to have resulted from any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2023.

Rounding

In accordance with the Australian Securities and Investments Commission Corporations Instrument 2016/191, amounts in this directors' report and the accompanying financial report have been rounded to the nearest million Australian dollars, unless stated otherwise.

Auditor's independence

The directors have obtained an independence declaration from the Company's auditor, Ernst & Young, a copy of which is attached to this report and forms part of the directors' report for the year ended 31 December 2023.

Signed in accordance with a resolution of the directors.

....

Director

Sydney, 14 February 2024

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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Auditor's independence declaration to the directors of AMP Bank Limited

As lead auditor for the audit of the financial report of AMP Bank Limited for the financial year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AMP Bank Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Anita Kariappa

Anita Kariappa
Partner
14 February 2024

AMP Bank Limited

Income statements

for the year ended 31 December

		Consolidated		Company	
		2023	2022	2023	2022
	Note	$m	$m	$m	$m
Interest income	3	**1,712**	962	**1,694**	957
Interest expense	3	**(1,437)**	(666)	**(1,433)**	(674)
Net interest income		**275**	296	**261**	283
Fee and commission income		**11**	10	**22**	21
Other income	4	**12**	9	**12**	9
Loan impairment charge		**(2)**	(3)	**(2)**	(3)
Operating expenses	5	**(174)**	(169)	**(171)**	(167)
Profit before tax		**122**	143	**122**	143
Income tax expense	6	**(38)**	(44)	**(38)**	(44)
Profit after tax		**84**	99	**84**	99

AMP Bank Limited

Statements of comprehensive income

for the year ended 31 December

	Consolidated		Company	
	2023 **$m**	**2022** **$m**	**2023** **$m**	**2022** **$m**
Profit after tax	**84**	99	**84**	99
Other comprehensive (loss) / income:				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedging instruments [(1)]				
- Net (loss) / gain from changes in fair value	**(69)**	338	**(69)**	338
- Tax effect on net loss / (gain) from changes in fair value	**21**	(101)	**21**	(101)
- Net amount transferred to Income statement	**(124)**	(13)	**(124)**	(13)
- Tax effect on amount transferred to Income statement	**37**	4	**37**	4
Debt securities measured at fair value through other comprehensive income (FVOCI)				
- Net gain / (loss) from changes in fair value	**81**	(228)	**81**	(228)
- Tax effect on net (gain) / loss from changes in fair value	**(24)**	69	**(24)**	69
- Net amount transferred to Income statement	**(1)**	(1)	**(1)**	(1)
- Tax effect on amount transferred to Income statement	**-**	-	**-**	-
Other comprehensive (loss) / income	**(79)**	68	**(79)**	68
Total comprehensive income	**5**	167	**5**	167

[(1)] Movements on cash flow hedging instruments relate to interest rate swaps used to manage the Bank's interest rate risk.

AMP Bank Limited

Statements of financial position

As at 31 December

		Consolidated		Company	
		2023	2022	2023	2022
	Note	$m	$m	$m	$m
Assets					
Cash and cash equivalents		**284**	142	**284**	142
Due from banks		**571**	766	**180**	227
Derivative financial assets		**185**	364	**185**	364
Debt securities	7	**3,819**	4,150	**3,819**	4,150
Loans and advances	8	**24,530**	24,080	**24,530**	24,080
Deferred tax assets	6	**8**	-	**8**	-
Intangibles assets	10	**16**	12	**16**	12
Other assets	11	**64**	66	**115**	108
Total assets		**29,477**	29,580	**29,137**	29,083
Liabilities					
Due to banks		**634**	1,622	**634**	1,622
Derivative financial liabilities		**34**	32	**34**	32
Deposits and other borrowings	12	**21,557**	21,011	**21,557**	21,011
Intercompany tax payable to head entity		**37**	13	**37**	13
Employee provisions	13	**16**	15	**16**	15
Deferred tax liabilities	6	**-**	25	**-**	25
Debt securities on issue	14	**5,240**	4,880	**375**	225
Due to controlled entities		**-**	-	**4,526**	4,158
Other liabilities	15	**44**	27	**43**	27
Subordinated debt	16	**453**	452	**453**	452
Total liabilities		**28,015**	28,077	**27,675**	27,580
Net assets		**1,462**	1,503	**1,462**	1,503
Equity					
Contributed equity	18	**619**	619	**619**	619
Reserves		**46**	125	**46**	125
Retained earnings		**797**	759	**797**	759
Total equity		**1,462**	1,503	**1,462**	1,503

AMP Bank Limited

Statements of changes in equity
for the year ended 31 December

		Equity attributable to shareholders of AMP Bank Limited			
		Contributed equity	Other reserves [1]	Retained earnings	Total equity
	Note	$m	$m	$m	$m
Consolidated					
2023					
Balance at the beginning of the year		**619**	**125**	**759**	**1,503**
Retained earnings adjustments [2]		**-**	**-**	**13**	**13**
Restated balance at the beginning of the year		**619**	**125**	**772**	**1,516**
Profit after tax		**-**	**-**	**84**	**84**
Other comprehensive loss		**-**	**(79)**	**-**	**(79)**
Total comprehensive (loss)/ income		**-**	**(79)**	**84**	**5**
Dividends paid on ordinary shares	17	**-**	**-**	**(40)**	**(40)**
Distributions paid on capital notes	17	**-**	**-**	**(19)**	**(19)**
Balance at the end of the year		**619**	**46**	**797**	**1,462**
Consolidated					
2022					
Balance at the beginning of the year		599	57	673	1,329
Profit after tax		-	-	99	99
Other comprehensive income		-	68	-	68
Total comprehensive income		-	68	99	167
Issue of ordinary share capital		20	-	-	20
Distributions paid on capital notes	17	-	-	(13)	(13)
Balance at the end of the year		619	125	759	1,503

		Equity attributable to shareholders of AMP Bank Limited			
		Contributed equity	Other reserves [1]	Retained earnings	Total equity
		$m	$m	$m	$m
Company					
2023					
Balance at the beginning of the year		**619**	**125**	**759**	**1,503**
Retained earnings adjustments [2]		**-**	**-**	**13**	**13**
Restated balance at the beginning of the year		**619**	**125**	**772**	**1,516**
Profit after tax		**-**	**-**	**84**	**84**
Other comprehensive loss		**-**	**(79)**	**-**	**(79)**
Total comprehensive (loss)/ income		**-**	**(79)**	**84**	**5**
Dividends paid on ordinary shares	17	**-**	**-**	**(40)**	**(40)**
Distributions paid on capital notes	17	**-**	**-**	**(19)**	**(19)**
Balance at the end of the year		**619**	**46**	**797**	**1,462**
Company					
2022					
Balance at the beginning of the year		599	57	673	1,329
Profit after tax		-	-	99	99
Other comprehensive income		-	68	-	68
Total comprehensive income		-	68	99	167
Issue of ordinary share capital		20	-	-	20
Distributions paid on capital notes	17	-	-	(13)	(13)
Balance at the end of the year		619	125	759	1,503

(1) Other reserves comprise of cash flow hedge reserves, share based payment reserves and fair value asset reserves. Cash flow hedge reserves represent the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective under hedge accounting rules. Hedging gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the hedged forecast transaction. Fair value asset reserves represent the cumulative changes in the fair value of financial assets measured at fair value through other comprehensive income (FVOCI). When the financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified (i.e. recycled) from equity to the Income statement.

(2) In 2023, the Bank aligned its accounting treatments of interest income recognised on credit-impaired loans, and realised losses on collateral deposits collected, with the treatment outlined in Note 1(q) and Note 1(t) respectively. The adjustment to 2023 opening retained earnings reflects the impact of these changes on prior years. Prior years' numbers have not been restated as the impact was not material.

AMP Bank Limited

Statements of cash flows

for the year ended 31 December

	Note	Consolidated 2023 $m	Consolidated 2022 $m	Company 2023 $m	Company 2022 $m
Cash flows from operating activities					
Interest received		**1,731**	970	**1,714**	965
Interest paid		**(1,341)**	(561)	**(1,345)**	(578)
Fees and commissions received		**11**	12	**22**	23
Payments to suppliers and employees		**(174)**	(148)	**(171)**	(145)
Income tax paid		**(15)**	(8)	**(15)**	(8)
Cash flows from operating activities before changes in operating assets and liabilities		**212**	265	**205**	257
Changes in operating assets and liabilities:					
Net increase in loans and advances		**(456)**	(1,605)	**(456)**	(1,605)
Net increase in other assets[(1)]		**(5)**	(6)	**(14)**	(29)
Net (decrease) / increase in funds due to banks		**(988)**	212	**(988)**	212
Net increase in deposits and other borrowings		**467**	3,014	**467**	3,014
Net increase / (decrease) in other liabilities		**17**	(18)	**16**	(18)
Net cash (used in) / provided by operating activities	22(a)	**(753)**	1,862	**(770)**	1,831
Cash flows from investing activities					
Proceeds from debt securities		**4,498**	5,394	**4,498**	5,394
Purchase of debt securities		**(4,084)**	(7,591)	**(4,084)**	(7,591)
Payments for intangible assets		**(8)**	(9)	**(8)**	(9)
Payment for loan book acquisition		**-**	(434)	**-**	(434)
Net cash provided by / (used in) investing activities		**406**	**(2,640)**	**406**	**(2,640)**
Cash flows from financing activities					
Proceeds from debt securities on issue		**3,337**	5,207	**150**	250
Repayment of debt securities on issue		**(2,984)**	(5,438)	**-**	(600)
Proceeds from issuance of subordinated debt		**-**	200	**-**	200
Issue of ordinary shares		**-**	20	**-**	20
Payment of dividends		**(40)**	-	**(40)**	-
Payment of distributions on capital notes		**(19)**	(13)	**(19)**	(13)
Net increase / (decrease) in loans due to controlled entities		**-**	-	**368**	(37)
Net cash provided by / (used in) financing activities		**294**	(24)	**459**	(180)
Net (decrease) / increase in cash and cash equivalents		**(53)**	(802)	**95**	(989)
Increase in effect of foreign exchange rates on cash and cash equivalents		**-**	3	**-**	3
Cash and cash equivalents at the beginning of the year		**908**	1,707	**369**	1,355
Cash and cash equivalents at the end of the year	22(c)	**855**	908	**464**	369

(1) *This amount excludes the recovery of losses in relation to loans to financial advisers from related parties. See Note 1(l).*

1. Basis of preparation and summary of material accounting policies

The consolidated economic entity (the Bank) is comprised of AMP Bank Limited (the Company), an unlisted public company limited by shares, incorporated and domiciled in Australia, and the entities that it controls. The parent entity of AMP Bank Limited is AMP Financial Investment Group Holdings Limited. The ultimate parent entity is AMP Limited. The financial report of the Bank for the year ended 31 December 2023 was authorised for issue on 14 February 2024 in accordance with a resolution of the directors. The directors have the power to amend and reissue the financial statements.

a) Basis of preparation

The financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($m), unless otherwise stated;
- has been prepared on a going concern basis generally using a historical cost basis, however where permitted under accounting standards, a different basis may be used, including the fair value basis;
- presents assets and liabilities on the face of the Statement of financial position in decreasing order of liquidity and therefore does not distinguish between current and non-current items; and
- presents reclassified comparative information where required for consistency with the current year's presentation within the financial report.

The Bank is a for-profit entity for the purpose of preparing financial statements.

The material accounting policies adopted in the preparation of the financial report are set out below. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated.

New accounting standards

(i) New and amended accounting standards adopted

A number of new accounting standards amendments have been adopted effective 1 January 2023. These have not had a material effect on the financial position or performance of the Bank.

(ii) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Bank in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the Bank.

b) Basis of consolidation

Entities are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that control ceases. Control exists where the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income, expenses, assets, liabilities and cash flows of controlled entities are consolidated into the Bank's financial statements, along with those attributable to the shareholders of the parent entity. All inter-company transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

The Company sells housing loans to securitisation trusts (also referred as special purpose entities) through its loan securitisation program. These securitisation trusts are controlled by the Company and are therefore consolidated.

1. Basis of preparation and summary of material accounting policies (continued)

c) Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents comprise balances with the Reserve Bank of Australia (RBA) and amounts due from banks on demand or with an original maturity of three months or less. Cash and cash equivalents are initially recognised at fair value and subsequently measured at amortised cost.

d) Contributed equity

Ordinary shares and capital notes are recognised at the fair value of consideration received by the Company. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds. Dividends are recognised as a distribution from equity in the year that they are declared.

e) Derivative financial instruments and hedging

The Bank is exposed to changes in interest and foreign exchange rates relating to its ongoing business operations. To mitigate the risks the Bank uses derivative financial instruments such as foreign exchange forwards and interest rate swaps. Derivative financial instruments are held for risk and asset management purposes only and not for the purpose of speculation.

Derivative financial instruments are initially recognised at fair value exclusive of any transaction costs on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivatives are recognised as assets when fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the change in fair value of derivatives, except those that qualify as effective cash flow hedges, are immediately recognised in the Income statement.

Hedge accounting

When the Bank designates certain derivatives to be part of a hedging relationship and they meet the criteria for hedge accounting, the hedges are classified as cash flow hedges. The Bank continues to apply the hedge accounting requirements under AASB 139 *Financial Instruments: Recognition and Measurement*.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised (including related tax impacts) in OCI. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to the Income statement in the period when the hedged item affects profit or loss. Any gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement. Hedge accounting is discontinued when a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income statement in the period in which they arise.

f) Financial assets

Due from banks

Due from banks include short term money market deposits with a maturity date of less than three months, collateral placed and settlement account balances with other banks. Balances are initially recognised at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Debt securities

Debt securities are measured at fair value through other comprehensive income (FVOCI) when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1. Basis of preparation and summary of material accounting policies (continued)

f) Financial assets (continued)

FVOCI instruments are subsequently measured at fair value, with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognised in the Income statement in the same manner as for financial assets measured at amortised cost. Impairment on debt instruments at FVOCI is determined using the expected credit loss (ECL) model and is recognised in the Income statement with a corresponding amount in OCI. There is no reduction of the carrying amount of these financial assets which remains at fair value. The accumulated gain or loss recognised in OCI is recycled to the Income statement upon derecognition of the assets.

Loans and advances

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money directly to a customer, including loans and advances to advisers, and with no intention of trading the financial asset.

Loans and advances are initially recognised at fair value including direct and incremental transaction costs relating to loan origination. They are subsequently measured at amortised cost using the effective interest method, less any provision for impairment when both the following conditions are met:

- The financial asset is held within a business model, the objective of which is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognised in the Income statement when the asset is derecognised, modified or impaired.

Impairment of financial assets

An allowance for expected credit losses (ECLs) is recognised for financial assets measured at amortised cost, debt securities measured at fair value through other comprehensive income (FVOCI) and loan commitments. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. The key elements in the measurement of ECLs are as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD - Loss given default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive, including from the realisation of any collateral.

The Bank estimates these elements using appropriate credit risk models taking into consideration a number of factors, including the internal and external credit ratings of the assets, nature and value of collaterals and forward looking macro-economic scenarios.

The Bank applies a three-stage approach to measure ECLs as follows:

Stage 1 (12-month ECL)
The Bank collectively assesses and recognises a provision at an amount equal to 12-month ECLs when financial assets are current and/or have had a good performance history and are of low credit risk. It includes financial assets where the credit risk has improved, and the financial assets have been reclassified from Stage 2 or even Stage 3 based on improved performance observed over a predefined period of time. A financial asset is considered to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2 (Lifetime ECL - not credit impaired)
The Bank collectively assesses and recognises a provision at an amount equal to lifetime ECLs on the financial assets where there has been a significant increase in credit risk since initial recognition but the financial assets are not credit impaired. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that were 30 days past due at least once over the last six months are deemed to have significant increase in credit risk since initial recognition. For loans and advances, other risk factors like hardship, Loan to Value Ratio (LVR) and Loan to Income Ratio (LTI) are also considered in order to determine a significant increase in credit risk.

Stage 3 (Lifetime ECL - credit impaired)
The Bank measures loss allowances at an amount equal to lifetime ECLs on financial assets that are determined to be credit impaired based on objective evidence of impairment. Financial assets are classified as impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

1. Basis of preparation and summary of material accounting policies (continued)

f) Financial assets (continued)

Recognition and derecognition

Financial assets are recognised when the Bank becomes a party to the contractual provisions of the instrument. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. Financial assets are initially recognised at fair value and subsequently measured at fair value through profit or loss, fair value through other comprehensive income or amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party.

g) Financial liabilities

Financial liabilities are initially recognised at fair value plus directly attributable incremental transaction costs and subsequently measured at amortised cost. Any difference between the proceeds net of transaction costs and the redemption amount is recognised in the Income statement over the life of the financial liability using the effective interest method.

Due to banks
Due to banks includes money market deposits, certificate of deposits, collateral received and settlement account balance due to other banks.

Deposits and other borrowings
Deposits and other borrowings comprise deposits from related parties, certificates of deposit, term deposits and savings deposits from retail client and wholesale money market counterparties.

Debt securities on issue
The Bank issues term debt to wholesale debt market counterparties. Debt issued includes short-term and long-term borrowings, medium-term notes and floating rate notes.

Due to controlled entities
Due to controlled entities comprise interest-bearing loans due to entities controlled by the Company.

Other liabilities
Other liabilities mainly include payables to controlled entities and related parties. These are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount approximates fair value.

Subordinated debt
The Bank issues subordinated term debt with terms and conditions that qualify the debt issue as Tier 2 capital as defined by the Australian Prudential Regulation Authority (APRA) for capital adequacy purposes.

Recognition and derecognition

Financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument and are derecognised when the obligation specified in the contract is discharged, cancelled, or expires.

h) Foreign currency transactions

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the translation of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are recognised in the Income statement, except for qualifying cash flow hedges which are recognised in OCI. Non-monetary items carried at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

i) Intangible assets

Capitalised costs
Costs are capitalised when the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use, whichever is the earlier.

1. Basis of preparation and summary of material accounting policies (continued)

i) Intangible assets (continued)

Amortisation
Intangible assets with finite useful lives are amortised on a straight-line basis over the useful life of the intangible asset. The estimated useful lives are generally three years for capitalised costs. The useful life of each intangible asset is reviewed at the end of the period, and where necessary, adjusted to reflect current assessments.

Impairment testing
Intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

j) Investments in controlled entities

Investments by the Company in controlled entities are measured at cost less any accumulated impairment loss. The aggregated amount of these investments is less than $1m and is therefore not disclosed separately in the financial statements. Further detail is provided in Note 23.

k) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously.

l) Other assets

On 4 February 2019, the Company entered into a deed of indemnity with AMP Group Holdings Limited (AMPGH) under which AMPGH agreed to unconditionally and irrevocably indemnify the Company for losses up to $546m in excess of those provided for as at 31 January 2019 suffered in connection with loans provided to an authorised representative of an AMP licensee. The indemnity receivable from AMPGH is included in Other assets. As at 31 December 2023, the Company provided for $49m (FY22: $55m) of losses which are covered by the deed of indemnity with AMPGH.

As a part of the changes to the Buyer of Last Resort (planner registers held under buy back arrangements within the AMP Limited group) calculation, AMP Financial Planning Pty Limited (AMPFP) has agreed to provide an indemnity to the Company. AMPFP has indemnified the Company against any loss or liability, including all charges, costs and expenses it incurs, in relation to any loan agreement between certain specified borrowers and the Company. The indemnity receivable from AMPFP is included in Other assets. As at 31 December 2023, the Company provided for $1m (FY22: $2m) of losses which are covered by the deed of indemnity with AMPFP.

Other assets also comprise of prepayments and sundry receivables and are initially recognised at fair value and subsequently measured at amortised cost.

Impairment
The carrying amounts of the Bank’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indicator exists, the asset’s recoverable amount is estimated. Impairment is recognised in the Income statement, measured as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use.

m) Provisions and contingent liabilities

Provisions are recognised when:
- the Bank has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income statement net of any reimbursement.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employment entitlements, the discount rate used to determine the present value reflects the current market assessments of the time-value of money and the risks specific to the liability.

1. Basis of preparation and summary of material accounting policies (continued)

m) Provisions and contingent liabilities (continued)

Employee provisions
Liabilities arising in respect of salaries and wages, annual leave and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable; or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

n) Securitisation

The Bank engages in securitisation activities for funding capital and liquidity purposes. The Bank principally packages and sells housing loans as securities to investors through a series of securitisation vehicles. The Company is entitled to any residual income after all payments to investors and costs related to the program have been met. The note holders only have recourse to the pool of assets. The Company is considered to retain substantially all the risks and rewards of ownership of the transferred assets, and therefore continue to recognise the transferred assets on the Company's Statement of financial position with a liability recognised for the proceeds of the funding transaction.

The Company provides a liquidity facility to Progress Warehouse Trust No. 3 which fluctuates depending on the size of the asset pool. The liquidity facility limit as at 31 December 2023 was $14m (FY22: $9m). The Company also provides redraw facilities to the securitisation trusts which are intended to fund redraws to the Company when insufficient monthly principal collections have been received. The redraw facility limit as at 31 December 2023 was $45m (FY22: $44m).

o) Taxes

Income tax expense
Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities. These changes are attributable to:

- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts; and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or the manner in which these balances are expected to be realised.

Adjustments to income tax expense are also made for any differences between the amounts paid or expected to be paid in relation to prior periods and the amounts provided for these periods at the start of the current period.

Any tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Deferred tax
Deferred tax assets and liabilities are recognised for temporary differences and are measured at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on tax rates which have been enacted or substantively enacted for each jurisdiction at the reporting date. Deferred tax assets and liabilities are not discounted to present value.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Tax consolidation
AMP Limited, AMP Bank Limited and other wholly owned Australian controlled entities of AMP Limited are part of a tax-consolidated group, with AMP Limited being the head entity. A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group and requires entities to fully compensate the head entity for current tax liabilities and to be fully compensated by the head entity for any current or deferred tax assets in respect of tax losses arising from external transactions occurring after 30 June 2003, the implementation date of the tax-consolidated group.

Assets and liabilities which arise as a result of balances transferred from entities within the tax-consolidated group to the head entity are recognised as related-party receivable and payable in the Statement of financial position. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

Goods and services tax (GST)
All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

1. Basis of preparation and summary of material accounting policies (continued)

o) Taxes (continued)

Receivables and payables are recorded with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of financial position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

p) Fee and commission income

Fee and commission income includes servicing fees from housing loans and deposit accounts and is generally recognised as revenue over the service period.

q) Interest income and expense

Interest income and expense for all interest earning and interest-bearing financial instruments at amortised cost or FVOCI is recognised in the Income statement using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or liability using the effective interest rate and allocates the interest income or interest expense over its expected life.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees and other amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is calculated based on the gross carrying amount of financial assets in Stage 1 and Stage 2 of the ECL model and on the carrying amount net of the provision for ECL for financial assets in Stage 3.

Interest income and expense on financial assets and liabilities that are measured at fair value through profit or loss are accounted for on a contractual rate basis.

r) Operating expenses

Operating expenses are expensed as incurred.

Defined contribution funds

The Bank pays contributions to superannuation funds when they become due. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised in the Income statement as an expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

s) Operating segment

Operating segments are identified based on information which is provided internally to the Bank's key decision makers in assessing performance and determining the allocation of resources. As the Bank operates in only one segment, being banking, the consolidated results of the Bank are also its segment results. The Bank operates predominantly in one geographical segment, which is Australia. Revenue from overseas customers is not material to the Bank. The basis of segmentation and measurement of segment results are therefore the same as those applied by the Bank in its consolidated financial statements.

t) Other income

Other income includes the impact of foreign currency revaluations for foreign currency monetary assets and liabilities, realised and unrealised gains or losses from changes in the fair value of derivatives held for risk management purposes, realised gains or losses on collateral deposits placed and/or collected to satisfy margin requirements for centrally cleared derivatives, and are recognised in the period in which they arise.

2. Critical judgements and estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions about future events. Critical judgements and estimates considered when applying the accounting policies include but are not limited to:

(a) Fair value of financial instruments
Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions. Further detail on the determination of fair values of financial instruments is set out in Note 25.

(b) Provisions
(i) Provisions for impairment
The impairment provisions (individual and collective) are outputs of ECL models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank’s internal credit grading which assigns PDs to the individual grades.
- The Bank's estimates of LGDs arising in the event of default.
- The Bank’s criteria for assessing if there has been a significant increase in credit risk.
- Development of ECL models, including the various formulae, choice of inputs and assumptions.
- Determination of associations between macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- Management overlay has been applied to best estimate where required.

Future outcomes and macro-economic conditions which differ from management's assumptions and estimates could result in changes to the timing and amount of credit losses to be recognised.

(ii) Other provisions
The Bank recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Provisions are reviewed on a regular basis and adjusted for management's best estimates, however significant judgment is required to estimate likely outcomes and future cash flows. The judgmental nature of these items means that future amounts settled may be different from those provided for. Note 13 sets out further information on employee provisions.

(c) Interest income and expense
Interest income and expense for all financial instruments measured at amortised cost and at FVOCI is recognised in the Income statement using the effective interest method which depends on assumptions for estimating the expected life of financial instruments. Management applies judgement in determining the expected life with regard to both historical performance and forward-looking expectations.

(d) Taxes
The application of tax law to the specific circumstances and transactions of the Bank requires the exercise of judgment by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgment is also applied by management in setting assumptions used to forecast future profitability in order to determine the extent to which the recovery of deductible temporary differences are probable for the purpose of meeting the criteria for recognition as deferred tax assets (DTAs). Future profitability may differ from forecasts which could impact management's expectations in future periods with respect to the recoverability of DTAs and result in DTA impairments or reversals of prior DTA impairments.

(e) Intangible assets
Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the assessment of whether there are any impairment indicators for internally generated intangibles, where required, in determining the recoverable amount.

3. Net interest income

	Consolidated 2023 $m	Consolidated 2022 $m	Company 2023 $m	Company 2022 $m
Interest income				
Calculated using the effective interest method				
Cash and cash equivalents	**10**	3	**10**	3
Due from banks	**22**	7	**4**	2
Debt securities	**138**	83	**138**	83
Loans and advances	**1,229**	712	**1,229**	712
Total interest income calculated using the effective interest method	**1,399**	805	**1,381**	800
Other				
Derivative financial instruments	**313**	157	**313**	157
Total other interest income	**313**	157	**313**	157
Total interest income	**1,712**	962	**1,694**	957
Interest expense				
Calculated using the effective interest method				
Due to banks	**(11)**	(7)	**(11)**	(7)
Deposits and other borrowings	**(941)**	(389)	**(941)**	(389)
Debt securities on issue	**(256)**	(113)	**(19)**	(10)
Subordinated debt	**(31)**	(11)	**(31)**	(11)
Due to controlled entities	**-**	-	**(233)**	(111)
Total interest expense calculated using the effective interest method	**(1,239)**	(520)	**(1,235)**	(528)
Other				
Derivative financial instruments	**(198)**	(146)	**(198)**	(146)
Total other interest expense	**(198)**	(146)	**(198)**	(146)
Total interest expense	**(1,437)**	(666)	**(1,433)**	(674)
Net interest income	**275**	296	**261**	283

4. Other income

	Consolidated		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Net gain on sale of debt securities	**1**	1	**1**	1
Net gain on non-trading financial instruments [(1)]	**11**	1	**11**	1
Foreign currency translation gain	**-**	7	**-**	7
Total other income	**12**	9	**12**	9

[(1)] This amount includes realised and unrealised gains and losses on non-trading derivatives held for risk management purposes, and realised gains and losses on collateral deposits for derivatives.

5. Operating expenses

	Consolidated		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Staff and related expenses				
Wages and salaries	**(60)**	(58)	**(60)**	(58)
Contributions to defined contribution funds	**(7)**	(6)	**(7)**	(6)
Other operating expenses				
Service charges - related party	**(50)**	(44)	**(50)**	(44)
Other expenses	**(19)**	(18)	**(16)**	(16)
Information technology and communication	**(19)**	(19)	**(19)**	(19)
Legal and regulatory charges	**(11)**	(13)	**(11)**	(13)
Advertising and marketing expenses	**(4)**	(5)	**(4)**	(5)
Amortisation and impairment of intangible assets	**(4)**	(6)	**(4)**	(6)
Total operating expenses	**(174)**	(169)	**(171)**	(167)

6. Income tax

(a) Income tax expense

The following table provides a reconciliation of differences between prima facie tax calculated at 30% of the profit before income tax for the year and the income tax expense recognised in the Income statement for the year.

	Consolidated		Company	
	2023 $m	**2022 $m**	**2023 $m**	**2022 $m**
Profit before income tax	**122**	143	**122**	143
Tax at the Australian tax rate of 30% (FY22: 30%)	**(36)**	(43)	**(36)**	(43)
Income tax under provided in prior years	**(2)**	(1)	**(2)**	(1)
Income tax expense per Income statement	**(38)**	(44)	**(38)**	(44)
(b) Analysis of income tax expense				
Current tax (expense) / credit	**(37)**	(14)	**(37)**	(45)
Decrease in deferred tax assets	**(26)**	(33)	**(26)**	(2)
Decrease in deferred tax liabilities	**25**	3	**25**	3
Income tax expense	**(38)**	(44)	**(38)**	(44)
(c) Analysis of deferred tax balances				
Analysis of deferred tax assets				
Provisions and accruals	**31**	37	**31**	37
Fair value of debt securities	**30**	53	**30**	53
Intangibles assets	**8**	6	**8**	6
Total deferred tax assets	**69**	96	**69**	96
Offset to tax	**(61)**	(96)	**(61)**	(96)
Net deferred tax assets	**8**	-	**8**	-
Analysis of deferred tax liabilities				
Fair value of derivatives	**(47)**	(104)	**(47)**	(104)
Other	**(14)**	(17)	**(14)**	(17)
Total deferred tax liabilities	**(61)**	(121)	**(61)**	(121)
Offset to tax	**61**	96	**61**	96
Net deferred tax liabilities	**-**	(25)	**-**	(25)
(d) Amount recognised directly in equity				
Deferred income tax credit / (expense) related to items taken directly to equity during the year	**34**	(28)	**34**	(28)

7. Debt securities

The table below shows the distribution of debt securities by credit quality based on the Bank's internal credit rating grades:

	Consolidated		Company	
Internal credit rating grade	**2023 $m**	**2022 $m**	**2023 $m**	**2022 $m**
Senior investment grade	**3,746**	4,141	**3,746**	4,141
Investment grade	**73**	9	**73**	9
Total debt securities - FVOCI [(1)]	**3,819**	4,150	**3,819**	4,150

[(1)] *$ 3,372m (FY22: $3,157m) is expected to be received more than 12 months from the reporting date for the consolidated entity and the Company.*

All debt securities have been classified as Stage 1 for ECL calculation.

Significant changes in the gross carrying amount of debt securities were:

Consolidated & Company	**2023 $m**	**2022 $m**
New purchases	**4,084**	7,591
Debt securities derecognised or matured	**4,498**	5,394
Net fair value changes	**81**	(228)

8. Loans and advances

	Consolidated 2023 $m	Consolidated 2022 $m	Company 2023 $m	Company 2022 $m
Housing loans [1]	**24,386**	23,929	**24,386**	23,929
Business finance loans	**244**	252	**244**	252
Total gross loans and advances [2][3]	**24,630**	24,181	**24,630**	24,181
Less: Provisions for impairment				
Individually assessed provisions				
- Housing loans	**(2)**	(2)	**(2)**	(2)
- Business finance loans	**(54)**	(64)	**(54)**	(64)
Collective provisions	**(44)**	(35)	**(44)**	(35)
Total provisions for impairment	**(100)**	(101)	**(100)**	(101)
Total net loans and advances	**24,530**	24,080	**24,530**	24,080
Movement in provisions:				
Individually assessed provision				
Balance at the beginning of the year	**66**	90	**66**	90
New and increased provision - housing loans	**1**	-	**1**	-
Write-offs	**(1)**	(1)	**(1)**	(1)
Provision released[4]	**(10)**	(23)	**(10)**	(23)
Balance at the end of the year	**56**	66	**56**	66
Collective provision				
Balance at the beginning of the year	**35**	26	**35**	26
Net new and increased provision	**9**	9	**9**	9
Balance at the end of the year	**44**	35	**44**	35

[1] During the year, housing loans totalling $5,071m (FY22: $3,118m) were assigned from the Company to the securitisation trusts. At 31 December 2023, the Bank has outstanding securitised assets of $8,566m (FY22: $8,300m).
[2] Total loans and advances include net capitalised costs of $134m (FY22: $119m) .
[3] $18,498m (FY22: $18,691m) is expected to be received more than 12 months after the reporting date for the consolidated entity and the Company.
[4] This balance includes $7m (FY22: $16m) of provision released relating to loans to financial advisors recoverable in accordance with the deeds of indemnity with related parties.

The following tables provide the changes to Expected Credit Losses (ECLs) relating to loans and advances during the year:

Consolidated & Company	2023 Stage 1 Performing $m	Stage 2 Performing $m	Stage 3 Non-performing $m	Total $m
Balance at the beginning of the year	**18**	**12**	**71**	**101**
Transfers to / (from) Stage 1 (12-month ECL)	**7**	**(4)**	**(3)**	**-**
Transfers to / (from) Stage 2 (lifetime ECL)	**(1)**	**7**	**(6)**	**-**
Transfers to / (from) Stage 3 (lifetime ECL)	**(1)**	**(3)**	**4**	**-**
Net (release) / increase in provisions during the year	**(7)**	**3**	**11**	**7**
Write-offs from individually assessed provision	**-**	**-**	**(1)**	**(1)**
Release of provision for loans to financial advisors recoverable in accordance with deeds of indemnity with related parties	**-**	**-**	**(7)**	**(7)**
Balance at the end of the year	**16**	**15**	**69**	**100**

8. Loans and advances (continued)

	2022			
Consolidated & Company	**Stage 1 Performing $m**	**Stage 2 Performing $m**	**Stage 3 Non-performing $m**	**Total $m**
Balance at the beginning of the year	18	8	90	116
Transfers to / (from) Stage 1 (12-month ECL)	12	(2)	(10)	-
Transfers to / (from) Stage 2 (lifetime ECL)	(1)	2	(1)	-
Transfers to / (from) Stage 3 (lifetime ECL)	-	(1)	1	-
Net (release) / increase in provisions during the year	(11)	5	8	2
Write-offs from individually assessed provision	-	-	(1)	(1)
Release of provision for loans to financial advisors recoverable in accordance with deeds of indemnity with related parties	-	-	(16)	(16)
Balance at the end of the year	18	12	71	101

Significant changes in the gross carrying amount of loans and advances that have contributed to changes in the provision balance during the year were:

Consolidated & Company	2023 $m	2022 $m
New loans originated	**6,424**	7,011
Loans partially or fully repaid	**6,023**	5,036
Loans transferred to Stage 1	**390**	290
Loans transferred to Stage 2 and 3	**554**	400

9. Asset quality

The table below shows the credit quality of Loans and advances based on the Bank's internal credit rating grades and year-end stage classification.

Consolidated & Company
Housing loans

	2023			
Internal credit rating grade	**Stage 1 $m**	**Stage 2 $m**	**Stage 3 $m**	**Total $m**
Performing	**21,952**	**671**	**-**	**22,623**
Past due but not impaired	**1,117**	**348**	**-**	**1,465**
Impaired	**-**	**-**	**298**	**298**
Total	**23,069**	**1,019**	**298**	**24,386**

Business finance loans

	2023			
Internal credit rating grade	**Stage 1 $m**	**Stage 2 $m**	**Stage 3 $m**	**Total $m**
Sub-investment grade	**100**	**55**	**-**	**155**
Impaired	**-**	**-**	**89**	**89**
Total	**100**	**55**	**89**	**244**

Consolidated & Company
Housing loans

	2022			
Internal credit rating grade	**Stage 1 $m**	**Stage 2 $m**	**Stage 3 $m**	**Total $m**
Performing	21,718	728	-	22,446
Past due but not impaired	1,103	244	-	1,347
Impaired	-	-	136	136
Total	22,821	972	136	23,929

Business finance loans

	2022			
Internal credit rating grade	**Stage 1 $m**	**Stage 2 $m**	**Stage 3 $m**	**Total $m**
Sub-investment grade	97	8	-	105
Impaired	-	-	147	147
Total	97	8	147	252

10. Intangible assets

	Consolidated		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Capitalised costs[1]				
Balance at the beginning of the year	**12**	9	**12**	9
Additions through internal development	**8**	9	**8**	9
Amortisation expense	**(4)**	(2)	**(4)**	(2)
Impairment loss	**-**	(4)	**-**	(4)
Balance at the end of the year	**16**	12	**16**	12

[1] This balance comprises of strategic, regulatory and compliance project costs capitalised.

11. Other assets

	Consolidated		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Indemnity receivable [1]	**50**	57	**50**	57
Prepayments and other receivables	**14**	9	**65**	51
Total other assets [2]	**64**	66	**115**	108

[1] This balance relates to the recovery of losses on loans to financial advisors in accordance with the deeds of indemnity with related parties. See Note 1(l).
[2] $14m (FY22: $9m) for the consolidated entity and $65m (FY22: $51m) for the Company are expected to be received within 12 months after the reporting date.

12. Deposits and other borrowings

	Consolidated		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Customer deposits	**14,937**	14,531	**14,937**	14,531
Super and platform deposits [1][2]	**6,433**	6,206	**6,433**	6,206
Related party deposits	**5**	7	**5**	7
Negotiable certificates of deposit (NCDs)	**182**	267	**182**	267
Total deposits and other borrowings [3]	**21,557**	21,011	**21,557**	21,011

[1] The Company holds a $4,547m (FY22: $4,265m) platform deposit on behalf of NMMT Limited (NMMT), which is considered a related party deposit. Interest is paid on the deposit at normal commercial terms. NMMT is required to provide the Company with 13 months' notice prior to transferring the deposit arrangement.
[2] The Company holds $1,791m (FY22: $1,853m) in super deposits on behalf of the AMP Super Fund.
[3] $830m (FY22: $754m) is contractually due to be settled more than 12 months from the reporting date for the consolidated entity and the Company.

13. Employee provisions

	Consolidated		Company	
	2023 $m	**2022 $m**	**2023 $m**	**2022 $m**
Employee entitlements [1]				
Balance at the beginning of the year	**15**	12	**15**	12
Net provisions made during the year	**11**	10	**11**	10
Provisions used during the year	**(10)**	(7)	**(10)**	(7)
Balance at the end of the year [2]	**16**	15	**16**	15

[1] Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave, long service leave, but exclude share-based payments.

[2] $1m (FY22: $1m) is expected to be settled more than 12 months from the reporting date for the consolidated entity and the Company.

14. Debt securities on issue

	Consolidated		Company	
	2023 $m	**2022 $m**	**2023 $m**	**2022 $m**
Medium-term notes	**375**	225	**375**	225
Term borrowings	**4,865**	4,655	**-**	-
Total debt securities on issue [1]	**5,240**	4,880	**375**	225

[1] $3,104m (FY22: $3,124m) for the consolidated entity and $150m (FY22: $225m) for the Company are expected to be settled more than 12 months from the reporting date.

15. Other liabilities

	Consolidated		Company	
	2023 $m	**2022 $m**	**2023 $m**	**2022 $m**
Payables to related parties	**24**	13	**24**	13
Accrued expenses and other payables	**9**	7	**9**	7
Others	**11**	7	**10**	7
Total other liabilities [1]	**44**	27	**43**	27

[1] $33m (FY22: $21m) are expected to be paid within 12 months after the reporting date for the consolidated entity and the Company.

16. Subordinated debt

	Consolidated		Company	
	2023 $m	**2022 $m**	**2023 $m**	**2022 $m**
Floating rate subordinated notes - related party	**251**	251	**251**	251
Floating rate subordinated notes - external party	**202**	201	**202**	201
Total subordinated debt [1]	**453**	452	**453**	452

[1] This balance includes interest accrual and is net of transaction costs. The Company issued subordinated debt with a face value of $250m to AMP Limited in September 2017. The original maturity date for this debt is in December 2027, however the Company has the option to call this debt at each quarterly payment date subject to approval from APRA. The Company has also issued $200m of subordinated debt to external investors with an original maturity date in October 2032.

17. Dividends and distributions

	Consolidated		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Dividends and distributions paid during the year				
Final dividend paid				
Prior year final dividend per share of 1.88 cents (FY22: nil cents) paid in current year	**20**	-	**20**	-
Interim dividend paid				
Interim dividend per share of 1.88 cents (FY22: nil cents) paid in current year	**20**	-	**20**	-
Total dividends paid - ordinary shares	**40**	**-**	**40**	**-**
Distributions paid - capital notes				
Distributions paid - capital notes	**19**	13	**19**	13
Total dividends and distributions paid during the year	**59**	**13**	**59**	**13**
Dividends proposed but not recognised				
Dividend per share of 3.28 cents (FY22: 1.88 cents)	35	20	35	20
Total dividends proposed but not recognised	**35**	20	**35**	20

18. Contributed equity

	Consolidated		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Ordinary shares	**394**	394	**394**	394
Capital notes	**225**	225	**225**	225
Total contributed equity at the end of the year	**619**	619	**619**	619
Movements in ordinary shares				
Balance at the beginning of the year	**394**	374	**394**	374
Issue of ordinary shares [1]	**-**	20	**-**	20
Balance at the end of the year [2]	**394**	394	**394**	394

[1] The Company issued nil shares in FY23 (FY22: 10 ordinary shares for $20m to AMP Financial Investment Group Holdings Limited).

[2] Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares have no par value. The Company had 1,066,344,149 ordinary fully paid shares as at 31 December 2023 (FY22: 1,066,344,149 shares). Ordinary shares entitle their holders to one vote per share.

19. Commitments

	Consolidated		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Bank	**2,139**	2,062	**2,139**	2,062
Securitisation trusts	**1,437**	1,402	**1,437**	1,402
Commitments to provide credit facilities [1]	**3,576**	3,464	**3,576**	3,464
Liquidity and redraw facilities to related entities	**-**	-	**59**	53
Total commitments [2]	**3,576**	3,464	**3,635**	3,517

[1] Commitments to provide credit facilities include all obligations on the Bank and securitisation trusts to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash payments.

[2] Commitments are classified as ECL stage 1/2/3 depending on the staging at customer level based on the Bank's internal credit rating grades.

20. Auditor's remuneration

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Audit services				
Bank [1]	-	-	-	-
Controlled entities	186	176	-	-
Audit related services				
Statutory assurance services [2]	49	83	49	83
Other assurance services [3]	256	244	256	244
Total audit related services remuneration	**491**	503	305	327
Non-audit services				
Other services [4]	131	58	131	58
Total other non-audit services remuneration	**131**	58	131	58
Total auditors' remuneration	**622**	561	436	385

(1) The full year audit and half year review fee is paid on the Company's behalf by a related entity within the AMP Limited group.
(2) Statutory assurance services relate to Australian Financial Services (AFS) licensee audits and certain APRA reporting assurance required to be performed by the statutory auditor.
(3) Other assurance services primarily relate to other APRA compliance reporting.
(4) Other services include risk advisory and benchmarking services.

21. Related party disclosures

a) Key management personnel compensation

The following table provides aggregate details of the compensation of key management personnel of the Company. With respect to non-executive directors, the compensation reflects compensation as directors of AMP Limited and the Bank in aggregate, although directors are not paid any additional fees for their membership or chairmanship of the AMP Bank Board and Committee.

	Short-term employee benefits $'000	Post employment benefits $'000	Share-based payments [3] $'000	Other long-term benefits [4] $'000	Termination benefits $'000	Total $'000
Non-executive directors [1][2]						
2023	4,465	182	1,514	7	-	6,168
2022	4,727	183	1,360	5	-	6,275
Key management personnel excluding non-executive directors						
2023	862	29	414	22	-	1,327
2022	895	26	467	27	-	1,415
Total						
2023	5,327	211	1,928	29	-	7,495
2022	5,622	209	1,827	32	-	7,690

(1) Non-executive directors include the CEO and Managing Director of AMP Limited.
(2) Non-executive directors who are also non-executive directors of AMP Limited are not paid any additional fees for their membership or chairmanship of the AMP Bank Board and Committees. Their total remuneration earned from the AMP Limited group is disclosed (for their term as non-executive directors or key management personnel of the Company), although their responsibilities with respect to the Company are only a component of their overall responsibilities. The remuneration is paid by a related company, AMP Limited.
(3) Share-based payments include reversals of previously accrued awards that have lapsed, where individuals are no longer employees of AMP.
(4) Other long-term benefits include reversals of long-service-leave provisions where individuals are no longer employees of AMP and their respective length of service requirements have not been met.

21. Related party disclosures (continued)

b) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions which include personal banking, with the Company. All such transactions are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these transactions. Loans have been made to two key management personnel and their related parties.

The following table provides details of loans made by the Company to key management personnel of the entity:

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Balance as at the beginning of the year	**2,230**	1,622	**2,230**	1,622
Net (repayments) / advances	**(139)**	608	**(139)**	608
Balance as at the end of the year	**2,091**	2,230	**2,091**	2,230
Interest charged	**114**	62	**114**	62

c) Transactions with related parties in the AMP Limited group

(i) AMP Services Limited provides the Company with certain administrative and management services including distribution, treasury, payroll, property, computing facilities, finance, human resources and project costs, charging the Company $76m (FY22: $70m). The services were provided in the normal course of business and on normal commercial terms and conditions or on a full cost recovery basis.

(ii) AMPGH provides the Company with an unconditional and irrevocable guarantee. The Company pays a guarantee fee of $1m each year.

(iii) The Bank is a member of the AMP Limited tax consolidated group and has entered into a tax sharing agreement and tax funding agreement with AMP Limited. As at 31 December 2023, the intercompany tax payable is $37m (FY22: $13m) and tax paid during the year was $15m (FY22: $8m).

(iv) AMP Super Fund provides the Company with funding sourced from cash and term deposit facilities by superannuation customers. As at 31 December 2023, the balance including interest is $1,801m (FY22: $1,858m). These deposits are provided on normal commercial terms. The interest expense on these deposits for FY23 was $80m (FY22: $32m).

(v) The brokerage commissions paid to AMP aligned advisers for FY23 was $1m (FY22: $2m).

(vi) As at 31 December 2023, AMPFP provided the Company with $4m (FY22: $5m) short-term deposits. The Company pays market rates on the short-term deposits.

(vii) The Company has amounts due to controlled securitisation trusts of $4,526m as at 31 December 2023 (FY22: $4,158m). The interest expense during the year was $233m (FY22: $111m).

(viii) The full year audit fee is paid on the Bank's behalf by a controlled entity within the AMP Limited group.

21. Related party disclosures (continued)

d) Transactions with related parties in the AMP Limited Group (continued)

(ix) The Company holds a $4,547m deposit (FY22: $4,265m) including interest from NMMT Limited consisting of platform deposits from customers of NMMT Limited on normal commercial terms. The interest expense for FY23 was $197m (FY22: $73m).

(x) As a part of the changes to the Buyer of Last Resort (planner registers held under buy back arrangements within the AMP Limited Group) calculation, AMPFP has agreed to provide an indemnity to the Company. AMPFP has indemnified the Company against any loss or liability, including all charges, costs and expenses it incurs, in relation to any loan agreement between certain specified borrowers and the Company. The indemnity receivable from AMPFP is included in other assets. As at 31 December 2023, the Company provided for $1m (FY22: $2m) of losses which are covered by deed of indemnity.

(xi) On 4 February 2019, the Company entered into a deed of indemnity with AMPGH under which AMPGH agreed to unconditionally and irrevocably indemnify the Company for losses up to $546m in excess of those provided for as at 31 January 2019 suffered in connection with loans provided to an authorised representative of an AMP licensee. The indemnity receivable from AMPGH is included in other assets. As at 31 December 2023, the Company provided for $49m (FY22: $55m) of losses which are covered by deed of indemnity.

(xii) As at 31 December 2023, the Company has an amount of $7m (FY22: $7m) payable to AMP Finance Pty Ltd in relation to an intercompany facility. The facility is provided on normal commercial terms.

(xiii) The Company has a subordinated debt instrument issued to AMP Limited on which the Company pays interest at a rate of 3-month BBSW plus 180 basis points. As at 31 December 2023, the balance is $251m (FY22: $251m) including interest of $1m (FY22: $1m).

(xiv) The Bank has a portfolio of loans to adviser and mortgage broker practices, of which some are associates of AMP Limited.

(xv) The Company provides Priority One Agency Services Pty Limited with certain administrative and management services. The services were provided in the normal course of business and on normal commercial terms and conditions or on a full cost recovery basis. Total fees paid during the year was $3m (FY22: $3m).

(xvi) The Company has issued capital notes to AMP Limited of $225m (FY22: $225m). The Company paid $19m (FY22: $13m) of distributions on capital notes during the year.

(xvii) AMP Group Finance Services Limited provided the Company with a short-term deposit of $1m as at 31 December 2023 (FY22: $1m). The Company pays market rates on the short-term deposits.

(xviii) The Company fully repaid the short-term deposits (FY22: $2m) to Australian Securities Administration Pty Limited in June 2023.

(xvix) The Company paid dividends of $40m (FY22: nil) to its immediate parent company, AMP Financial Investment Group Holdings Limited during the year.

22. Notes to the statements of cash flows

	Consolidated		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
a) Reconciliation of cash flow from operating activities				
Profit after tax	**84**	99	**84**	99
Fair value movement on derivatives	**(16)**	4	**(16)**	4
Loan impairment charge	**2**	3	**2**	3
Impairment of intangible assets	**-**	4	**-**	4
Amortisation expenses	**50**	56	**46**	52
Increase in interest receivable	**(20)**	(40)	**(20)**	(40)
Increase in interest payable	**89**	99	**86**	95
Increase in income tax balances	**23**	35	**23**	35
Increase in provisions	**-**	5	**-**	5
Changes in operating assets and liabilities arising from cash flow movements	**(965)**	1,597	**(975)**	1,574
Net cash (used in) / provided by operating activities	**(753)**	1,862	**(770)**	1,831
b) Changes in liabilities arising from financing activities				
Balance at the beginning of the year	**5,332**	5,352	**4,835**	4,987
Proceeds from issuance of debt securities	**3,337**	5,207	**150**	250
Repayment of debt securities on issue	**(2,984)**	(5,438)	**-**	(600)
Proceeds from issuance of subordinated debt	**-**	200	**-**	200
Proceeds from / (payment to) loans due to controlled entities	**-**	-	**369**	(36)
Other	**8**	11	**-**	34
Balance at the end of the year	**5,693**	5,332	**5,354**	4,835
c) Reconciliation of cash and cash equivalents				
Cash and cash equivalents	**284**	142	**284**	142
Due from banks	**571**	766	**180**	227
Cash and cash equivalents per the Statements of Cash Flows	**855**	**908**	**464**	**369**

23. Bank controlled entity holdings

Significant investments in controlled operating entities are as follows:

Name of entity	Country of incorporation	Share type	Footnote	% HOLDINGS 2023	2022
AMP Lending Services Limited	Australia	Ordinary		100	100
Priority One Agency Services Limited	Australia	Ordinary		100	100
Progress Warehouse Trust No. 3	Australia	-	(1)	90	90
Progress Warehouse Trust No. 4	Australia	-	(1)	90	90
Progress 2008-1R Trust	Australia	-	(1)	100	100
Progress 2014-1 Trust	Australia	-	(1), (3)	-	90
Progress 2014-2 Trust	Australia	-	(1), (3)	90	90
Progress 2016-1 Trust	Australia	-	(1)	90	90
Progress 2017-1 Trust	Australia	-	(1)	90	90
Progress 2017-2 Trust	Australia	-	(1)	90	90
Progress 2018-1 Trust	Australia	-	(1)	90	90
Progress 2019-1 Trust	Australia	-	(1)	90	90
Progress 2020-1 Trust	Australia	-	(1)	90	90
Progress 2021-1 Trust	Australia	-	(1)	90	90
Progress 2022-1 Trust	Australia	-	(1)	90	90
Progress 2022-2 Trust	Australia	-	(1)	90	90
Progress 2023-1 Trust	Australia	-	(1), (2)	90	-
Progress 2023-2 Trust	Australia	-	(1), (2)	90	-

(1) Units issued by securitisation trusts include residual capital units and residual income units. The beneficial interest held by holders of the residual capital units is limited to the trust and each asset of the trust. Residual capital units have no right to receive distributions in respect of the trust other than the right to receive on the termination of the trust, the issue price paid for the residual capital unit and the entire beneficial interest of the trust subject to the right of the holders of residual income units. The beneficial interest held by the holder of a residual income unit is limited to the right to receive distributions. A residual income unit must not be issued to any person unless that person is also then the holder of a residual capital unit. The Company holds 100% of the residual income units.

(2) Progress 2023-1 Trust commenced in March 2023 and Progress 2023-2 Trust commenced in September 2023.

(3) The Trust Manager, Priority One Agency Services Limited, exercised its call option to redeem all debt securities on issue in Progress 2014-1 Trust in April 2023 and Progress 2014-2 in January 2024.

24. Risk management and financial instruments information

Financial Risk Management

The Bank adopts the AMP Group Enterprise Risk Management framework as articulated in AMP's Risk Management Strategy which outlines how financial risk management activities are to be conducted during the year ended 31 December 2023. The group defines financial risk as the potential for variance of performance against an expected outcome resulting from participation in financial markets, including credit risk arising from its Australian banking activities which are limited to housing loans and business finance loans to financial advisors and mortgage brokers.

a) Board Governance

The Bank Board retains ultimate responsibility for risk management of the Bank. The Board's main risk objective is to provide approval and oversight of the Enterprise Risk Management (ERM) framework. Key risk management responsibilities include setting the Bank's risk appetite, assessing, monitoring, reviewing and objectively challenging the effectiveness of the system of risk, compliance and balance sheet management including the approval of the Risk Management Strategy (RMS), the AMP Bank Risk Appetite Statement (RAS) and Internal Capital Adequacy Assessment Process (ICAAP), its Capital Management Framework, business plan and relevant risk policies.

Board committees serve as a source of specialised expertise in a defined area. The Bank has two board committees: the Board Audit Committee (BAC) and the Board Risk and Compliance Committee (BRC). These committees support the Board in fulfilling its responsibilities by providing oversight, review and monitoring of various key risk management practices within the Bank. The BRC assists the Board by providing objective oversight of the implementation and operation of the Bank's ERM framework whereas the BAC assists the Board by providing an objective review of the effectiveness of the Bank's financial reporting and ERM framework.

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

b) Executive Governance

Bank Asset and Liability Committee (Bank ALCO) – oversees and monitors risks relating to asset and liability management within the Bank, including managing market, liquidity and funding risks within Management and Board approved limits and monitoring compliance with relevant Prudential Standards. The Bank ALCO also oversees and monitors the Bank's regulatory capital and target surplus position. The Stress Testing Steering Committee (STSC) – oversees the ICAAP and Bank Stress Testing.

Credit Risk Committee (CRC) - oversees and monitors retail credit risk arising primarily from hosing loan mortgage lending within Australia but also through the provision of business finance loans to financial advisors and mortgage brokers. The CRC approves credit policies, processes and delegations which are consistent with Bank strategy and oversees adherence to policy; monitors the performance of third party suppliers in the credit process (mortgage insurers, credit bureau, solicitors and valuers); approves arrears management policies and approves and recommends specifics and collective impairment methodologies to BAC; reviews and approves stress testing scenarios on the Bank's loan portfolios to understand the implications on profit and capital; and reviews and monitors emerging material risks that can impact the Bank's credit risk.

Product and Pricing Committee (PPC) - ensures the effective management and governance of product risk for the Bank. Product risk includes the risk of offering flawed, uncompetitive, outdated or unsuitable products This includes managing interest rates, design features of and marketing campaigns for retail banking products and assessing and managing suitability obligations under the Design and Distribution Obligations. Specific responsibilities include anticipating and responding to changing customer behaviour and competitor activity; product specifications, design features and new product business cases; pricing for all retail products including interest rates, fees and charges; product profitability and portfolio mix and yield; and product marketing campaigns / promotions outside of agreed parameters. The PPC is also responsible for the new business mix in line with the Bank's risk appetite.

Bank Risk and Compliance Committee (BRCC) - monitors, reviews and acts as a decision-making committee for the implementation of effective operational risk and compliance management practices, processes and systems within the Bank, taking into account business goals and strategic objectives. The BRCC also maintains oversight over the Bank's ERM framework. Specific responsibilities include: promoting a risk aware culture; maintaining the Bank's Risk Appetite Statement; ensuring active management of operational risk within risk appetite; considering the impact of the Bank's strategy on its operational risk and compliance environment; reviewing and monitoring the current risk and control environment including emerging material operational and compliance issues; monitoring the implementation and effectiveness of the Bank's ERM practices; and reviewing and endorsing the Bank's Internal Audit plan.

Bank Change Governance Committee (BCGC) – oversees, monitors, reviews and acts as a decision-making committee for the governance of the Bank portfolio of projects, both Capex and Opex funded covering both in flight and project pipeline, as well as provides visibility and oversight of group projects impacting Bank operations and customers. Specific responsibilities include: provide a wholistic and end-to-end view on the Bank portfolio and group projects impacting Bank; act as a decision-making forum for the Bank portfolio of projects, initiatives and regulatory commitments that drive change across the business; maintain the Bank portfolio execution aligned to the Bank strategy and approved scope, funding and schedule commitments; evaluate and address risks, issues, and dependencies at a portfolio-level; and make decisions on portfolios, projects, risks, issues, and dependencies.

c) Risk and mitigation

Financial risks arising in the Bank include market risk (principally non-traded interest rate risk), liquidity and funding risk, and credit risk. These risks are managed according to the Enterprise Risk Management Framework and individual policies for each risk category. Financial risk management includes the use of derivatives such as interest rate swaps, basis swaps and forward rate agreements to hedge exposures arising from changes in interest rates. The Bank also uses Lenders' Mortgage Insurance (LMI) to limit retail credit risk exposures.

d) Market risk

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument, will fluctuate due to movements in the financial markets, including foreign exchange rates, interest rates and credit spreads.

The following table provides information on significant market risk exposures for the Bank, which could lead to an impact on profit after tax and equity, and the management of those exposures.

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

d) Market risk (continued)

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk The risk of an impact on the Bank's profit after tax and equity arising from fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates. Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	Interest rate risk from mismatches in the repricing terms of assets and liabilities (term risk) and variable rate short-term repricing bases (basis risk).	The Bank uses natural offsets, interest rate swaps and basis swaps to hedge the mismatches within exposure limits. AMP Limited's Group Treasury function (Group Treasury) manages the exposure in the Bank by maintaining a net interest rate risk position within the limits delegated and approved by the Board.
Currency risk The risk of an impact on the Bank's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	The Bank does not maintain unhedged foreign exchange exposures with the exception of exposures arising from the USD collateral posted for cleared swaps.	There is no trading in currencies, and any funding raised in a foreign currency is immediately hedged into the functional currency.

Interest rate risk sensitivity analysis

The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in interest rates. The analysis:

- shows the direct impact of a reasonably possible change in interest rates and is not intended to illustrate a remote, worst case stress test scenario;
- assumes that all underlying exposures and related hedges are included and the change in the interest rate risk variable occurs at the reporting date; and
- does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

The categories of risks faced and methods used for deriving sensitivity information did not change during the year.

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

d) Market risk (continued)

Consolidated & Company

	2023		2022	
Change in variables	Impact on profit after tax Increase / (decrease) $m	Impact on equity Increase / (decrease) [1] $m	Impact on profit after tax Increase / (decrease) $m	Impact on equity Increase / (decrease) [1] $m
+100 basis points	**-**	**(41)**	-	(7)
-100 basis points	**-**	**42**	-	7

[1] The impact on equity includes both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting.

e) Liquidity risk and refinancing risk

Liquidity risk is the risk that the Bank is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required. Refinancing risk is the risk that the Bank is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.

The Bank operates under APRA's Basel III Prudential Standard APS 210 *Liquidity* which requires the Bank to maintain a Liquidity Coverage Ratio (LCR) and a Net Stable Funding Ratio (NSFR) of at least 100%.

Funding mix

The Bank's liabilities comprise a mix of customer deposits, short and long term wholesale funding, securitisation and subordinated debts. The Bank manages its funding mix and liquidity profile within risk appetite settings to enable it to respond to changing market and regulatory conditions.

Maturity analysis

Below is a summary of the maturity profiles of the Bank's undiscounted financial liabilities and off-balance sheet items at the reporting date, based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

e) Liquidity and refinancing risk (continued)

Consolidated 2023	Up to 1 year or not specified $m	1-5 years $m	Over 5 years $m	Total $m
Non-derivative financial liabilities				
Due to banks	**635**	**-**	**-**	**635**
Deposits and other borrowings	**21,088**	**869**	**-**	**21,957**
Debt securities on issue	**2,373**	**2,981**	**504**	**5,858**
Subordinated debt	**273**	**249**	**-**	**522**
Derivative financial instruments				
Interest rate swaps and FX forwards	**41**	**53**	**24**	**118**
Off-balance sheet items				
Credit-related commitments [1]	**3,576**	**-**	**-**	**3,576**
Total undiscounted financial liabilities and off-balance sheet items	**27,986**	**4,152**	**528**	**32,666**

2022	$m	$m	$m	$m
Non-derivative financial liabilities				
Due to banks	1,206	416	-	1,622
Deposits and other borrowings	20,478	784	-	21,262
Debt securities on issue	1,932	3,276	137	5,345
Subordinated debt	268	257	-	525
Derivative financial instruments				
Interest rate swaps and FX forwards	47	46	34	127
Off-balance sheet items				
Credit-related commitments [1]	3,464	-	-	3,464
Total undiscounted financial liabilities and off-balance sheet items	27,395	4,779	171	32,345

[1] *The Bank expects that not all of the commitments will be drawn before their contractual expiry.*

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

e) Liquidity and refinancing risk (continued)

Company 2023	Up to 1 year or not specified $m	1-5 years $m	Over 5 years $m	Total $m
Non-derivative financial liabilities				
Due to banks	**635**	**-**	**-**	**635**
Deposits and other borrowings	**21,088**	**869**	**-**	**21,957**
Debt securities on issue	**246**	**163**	**-**	**409**
Due to controlled entities	**2,127**	**2,818**	**504**	**5,449**
Subordinated debt	**273**	**249**	**-**	**522**
Derivative financial instruments				
Interest rate swaps and FX forwards	**41**	**53**	**24**	**118**
Off-balance sheet items				
Credit-related commitments[1]	**3,576**	**-**	**-**	**3,576**
Other commitments	**59**	**-**	**-**	**59**
Total undiscounted financial liabilities and off-balance sheet items	**28,045**	**4,152**	**528**	**32,725**
2022	**$m**	**$m**	**$m**	**$m**
Non-derivative financial liabilities				
Due to banks	1,206	416	-	1,622
Deposits and other borrowings	20,478	784	-	21,262
Debt securities on issue	10	234	-	244
Due to controlled entities	1,923	3,043	137	5,103
Subordinated debt	268	257	-	525
Derivative financial instruments				
Interest rate swaps and FX forwards	47	46	34	127
Off-balance sheet items				
Credit-related commitments[1]	3,464	-	-	3,464
Other commitments	53	-	-	53
Total undiscounted financial liabilities and off-balance sheet items	27,449	4,780	171	32,400

[1] *The Company expects that not all of the commitments will be drawn before their contractual expiry.*

f) Credit risk

The Board is responsible for setting the Bank's risk appetite and risk management strategy. Management is responsible for setting the Bank's credit policy, practices and procedures in line with the risk appetite. The Group Executive, AMP Bank holds delegated authority from the Board and presides over the Bank's Credit Risk Committee (CRC). The CRC's primary objective is to oversee and ensure effective oversight, monitoring and management, and participate in the governance of credit risk for the Bank.

Credit delegations are controlled by the Bank Chief Risk Officer and allocated based on experience and performance and governed by a Board-approved delegation framework. Compliance monitoring is in place to measure adherence to the delegations.

Credit risk in the Bank arises primarily through secured mortgage lending and cash-flow lending to financial advisers and mortgage brokers. The Bank's credit policies are complying with Prudential Standards including APS 220 *Credit Risk Management* and APG 223 *Residential Mortgage Lending* (for housing loans) with ongoing strengthening of risk systems and processes.

For housing loans, the Bank undertakes a detailed credit assessment of the borrower, the ability of the borrower to meet their contractual obligations of repayment and a review of acceptable security. The Bank reduces its exposure to default losses via the requirement for lenders' mortgage insurance where the loan as a proportion of value exceeds 80% at inception or the securities are located in high-risk areas or (in general) where the loan is securitised.

For business finance loans, financial analysis of the borrower's business is undertaken to perform a thorough credit evaluation in accordance with defined policies and procedures which outline assessment criteria, the frequency at which counterparties are reviewed, and eligible forms of collateral (which are primarily in the form of the recurring cash flows of the borrower).

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

f) Credit risk (continued)

The Bank is licensed under the National Consumer Credit Protection Act which is regulated by Australian Securities and Investments Commission (ASIC) and complies with ASIC's responsible lending obligations.

Wholesale counterparty risk arises where the Bank is exposed to the creditworthiness of other financial institutions, governments, and other counterparties as a consequence of its funding, liquidity management and hedging of interest rate and foreign exchange risks. Credit limits for counterparties are based on external ratings provided by the rating agencies, consistent with policies of the AMP group. The Bank seeks to mitigate counterparty credit risk through diversification (reducing concentration or credit risk), the use of netting arrangements and the receipt of collateral where it is available.

The AMP Bank Wholesale Counterparty Credit Risk Policy sets out how counterparty credit risk is managed and is aligned with the Bank Risk Appetite Statement. The policy establishes a framework for identifying, assessing, managing, quantifying, and escalating counterparty credit risks, including large exposures and exposures to related entities. Wholesale counterparty credit risk is monitored by the Bank Asset and Liability Committee (ALCO).

Impairment assessment

Definition of default

The Bank considers a financial asset defaulted, and hence Stage 3 impaired, when a loan obligation is contractually more than 90 days past due, or when it is considered that a borrower is unlikely to meet contractual credit obligations.

The Bank's internal risk grading and Probability of default (PD) estimation process

The Bank's credit risk management department runs expected credit loss models for the housing loan book as well as the business finance loans. The Bank's housing loan book is a portfolio with a low number of defaults. In recent times, the Bank's housing loan book has grown significantly, and a larger history of default data has been captured. This has enabled the Bank to successfully develop its internal behavioural scorecards which have been used to replace the benchmark PDs to better stratify the portfolio by credit risk worthiness.

Internal risk grades for the housing loan book are as follows:

Internal credit rating grade	Internal credit rating grade description
Performing	Not in arrears in the past six months
Past due but not impaired	Accounts in arrears but have not been past 90 days in the last six months
Impaired	90 days past due over the past six months

For business finance loans, a PD risk grade model is applied that includes weighted risk factors such as interest coverage ratio, revenue growth, licence compliance rating, experience in business and arrear levels. Practices on watch-list are also downgraded. Credit judgement may be applied to arrive at the final risk grade.

Internal risk grades for the business finance loans book are as follows:

Internal risk grade	Internal risk grade description	Broadly corresponds with Standard & Poor ratings of
A to H	Sub-investment grade	BB+ to CCC
I	Impaired	D

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

f) Credit risk (continued)

The Bank's interbank and financial institutions exposures, as well as exposures to interest-bearing securities is based on external credit rating of the counterparties as follows:

Internal risk grade	Broadly corresponds with Standard & Poor ratings of
Senior investment grade	AAA to A-
Investment grade	BBB+ to BBB-
Sub-investment grade	BB+ up to but not including defaulted or impaired

Exposure at default (EAD)

EAD is modelled by applying assumptions in relation to the amortisation of the loans based on scheduled principal and interest repayments, except for Stage 3 loans.

Loss given default (LGD)

For the housing loan portfolio, the key driver for the LGD calculation is the value of the underlying property since, in a foreclosure scenario, the proceeds from the sale of a property are secured by the Bank to repay the loan. The value of the underlying residential property is captured via the LVR, which applies both the changes in loan balance and estimated value of the collateral using market data and indices. Both floor and haircuts are applied to provide for model risk.

For business finance loans, the LGD is calculated via assumptions to the reduction in valuations of practices (being a multiple of their recurring cash flows) in the event of default, such as client run-off or deterioration in valuation due to compliance issues. In addition, haircuts are applied to capture the volatility observed in the register values in the event of default but also general volatility in valuations over time.

Grouping of financial assets for ECL calculation

The Bank calculates ECL on an individual basis on Stage 3 assets, and interbank and debt securities at FVOCI. For all other asset classes, ECL is calculated on a collective basis, taking into account risk factors for each loan to calculate the ECL estimate and then aggregating the number for each relevant portfolio.

Forward-looking information

The Bank's ECL model incorporates a number of forward-looking macroeconomic factors (MEF) that are reviewed on a quarterly basis and approved by the CRC. The MEF include unemployment, property prices, ASX Index, and cash rate.

At least three different scenarios with fixed weightings are used in the model, and are reviewed on an annual basis or more frequently if required and presented to the CRC for approval.

The ECL is calculated as the probability weighted average of the provision calculated for each economic scenario.

Management overlay

Management overlay is required to mitigate model risk and any systemic risk that is not recognised by the model.

The management overlays are reviewed on an annual basis or more frequently if required and presented to the CRC and BAC for endorsement.

Write-offs

Financial assets are written off either partially or in their entirety only when there is no reasonable expectation of recovery. Recovery actions can cease if they are determined as being no longer cost effective or in some situations, where the customer has filed for bankruptcy.

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

f) Credit risk (continued)

Management of credit risk concentration

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed through both aggregate credit rating limits and individual counterparty limits, which are determined predominantly on the basis of the counterparty's credit rating. The Bank’s maximum credit exposure to any external non-sovereign and non-semi government counterparty was $186m (FY22: $212m) with a AA- rated counterparty.

In order to avoid excessive concentrations of risk, the Bank’s policies and standards include specific limits and guidelines on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

At the reporting date, the Bank had no specific concentration of credit risk with a single counterparty arising from the use of financial instruments, other than the normal clearing-house exposures associated with dealings through recognised exchanges.

Exposure to credit risk

The Bank’s maximum exposure to credit risk on recognised financial assets, without taking account of any collateral or other credit enhancements, was $33,029m (FY22: $33,032m). Maximum credit exposure includes loans and advances of $24,530m (FY22: $24,080m), cash and cash equivalents and due from banks of $855m (FY22: $908m), debt securities of $3,819m (FY22: $4,150m), derivative financial assets of $185m (FY22: $364m), other assets $63m (FY22: $65m) and loan commitments of $3,576m (FY22: $3,464m).

The exposures on the interest-bearing securities and cash equivalents which impact the Bank’s capital position are managed by Group Treasury within limits set by the AMP Bank Wholesale Credit Counterparty Risk Policy.

Refer to Note 7 for additional information regarding the credit quality for debt securities based on the Bank’s internal credit rating grades and year-end stage classification.

Credit risk of the loan portfolio – housing loans

The Bank is predominantly a lender for owner occupied and investment residential properties. In every case the Bank completes a credit assessment, including a cost of living expenses assessment, and requires valuation of the proposed security property. The Bank's CRC and BRC oversee trends in lending exposures and compliance with the Risk Appetite Statement. The Bank secures its housing loans with mortgages over relevant properties and as a result, manages credit risk on its loans with conservative lending policies and particular focus on the LVR. The LVR is calculated by dividing the total loan amount outstanding by the lower of the Bank’s approved valuation amount or the purchase price. Loans with LVR greater than 80% are fully mortgage insured. Mortgage insurance is provided by Genworth Mortgage Insurance Australia Ltd and QBE Lenders Mortgage Insurance Ltd, who are both regulated by APRA. The Bank has strong relationships with both insurers and has experienced minimal levels of historic claim rejections and reductions. The average LVR at origination of the Bank’s loan portfolio for existing and new business is set out in the following table:

LVR %	Existing business 2023	New business 2023	Existing business 2022	New business 2022
0 - 50	**20%**	**22%**	18%	14%
51 - 60	**14%**	**13%**	13%	11%
61 - 70	**20%**	**16%**	20%	15%
71 - 80	**36%**	**39%**	37%	49%
81 - 90	**8%**	**8%**	10%	8%
91 - 95	**1%**	**2%**	1%	3%
> 95	**1%**	-	1%	-

Refer to Note 9 for additional information regarding the asset quality for housing loans based on the Bank’s internal credit rating grades and year-end stage classification.

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

f) Credit risk (continued)

Business finance loans

Business finance loans are loans to AMP aligned financial advisors and mortgage brokers and secured against the recurring revenues generated by the practices.

Refer to Note 9 for additional information regarding the assets quality for business finance loans based on the Bank's internal credit rating grades and year-end stage classification.

Renegotiated loans

Where possible, the Bank seeks to restructure loans for borrowers seeking hardship relief rather than take possession of collateral. This may involve capitalising interest repayments for a period and increasing the repayment arrangement for the remaining term of the loan. Once the terms have been renegotiated, the loan is no longer considered past due or impaired unless it was greater than 90 days in arrears in the previous six months or a specific provision has been raised for the loan. As at 31 December 2023, the Bank had assisted customers by renegotiating loans of $155m (FY22: $81m).

Collateral

The Bank has collateral arrangements in place with some counterparties, such as mortgage interests over property, registered securities over assets and guarantees, and collateral deposits for derivative assets. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In the event of customer default, the Bank can enforce any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while the Bank seeks to realise its value through the sale of property. Therefore, the Bank does not hold any real estate or other assets acquired through the repossession of collateral.

g) Master netting or similar agreements

The credit risk of derivatives is managed in the context of the Bank's credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bilateral posting of collateral as well as the clearing of derivative positions on the London Clearing House.

Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not automatically meet the criteria for offsetting in the Statement of financial position. This is because the Bank, in most cases, does not have any currently legally enforceable right to offset recognised amounts.

The table below identifies amounts that have been offset on the Statement of financial position and amounts covered by enforceable netting arrangements or similar agreements which have not been offset. The Bank has applied netting to certain centrally cleared derivatives which are deemed to satisfy the netting requirement of Australian Accounting Standard AASB *132 Financial Instruments: Presentation.*

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

g) Master netting or similar agreements (continued)

Consolidated & Company	Gross amounts	Amounts offset	Net amounts reported on the Statement of financial position	Amounts not offset on the Statement of financial position	Net amounts
2023	**$m**	**$m**	**$m**	**$m**	**$m**
Derivative financial assets	**245**	**(60)**	**185**	**(35)**	**150**
Total assets	**245**	**(60)**	**185**	**(35)**	**150**
Derivative financial liabilities	**94**	**(60)**	**34**	**-**	**34**
Repurchase agreements [1]	**417**	**-**	**417**	**(417)**	**-**
Total liabilities	**511**	**(60)**	**451**	**(417)**	**34**

Consolidated & Company	Gross amounts	Amounts offset	Net amounts reported on the Statement of financial position	Amounts not offset on the Statement of financial position	Net amounts
2022	**$m**	**$m**	**$m**	**$m**	**$m**
Derivative financial assets	451	(87)	364	(213)	151
Total assets	451	(87)	364	(213)	151
Derivative financial liabilities	119	(87)	32	(4)	28
Repurchase agreements [1]	1,094	-	1,094	(1,094)	-
Total liabilities	1,213	(87)	1,126	(1,098)	28

[1] *Repurchase agreements form part of amounts due to banks on the Statement of financial position.*

h) Derivatives and hedge accounting

The Bank is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The Bank uses interest rate swaps to manage interest rate risks and many of the swaps are cash flow hedges for accounting purposes.

Methods used to test hedge effectiveness and establish the hedge ratio include regression analysis, and for some portfolio hedge relationships, a comparison to ensure the expected interest cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is mismatches in the terms of hedged items and hedging instruments, for example the frequency and timing of when interest rates are reset. The Bank did not recognise any amounts (FY22: nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

The following table sets out the maturity profile of the notional amounts of derivative instruments in a hedge relationship.

Consolidated & Company	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total
2023					
Interest rate swaps					
Pay fixed	**1,182**	**2,631**	**1,972**	**1,999**	**7,784**
Receive fixed	**1,743**	**5,189**	**1,670**	**340**	**8,942**
2022					
Interest rate swaps					
Pay fixed	488	3,063	4,530	1,763	9,844
Receive fixed	1,059	5,078	1,925	144	8,206

24. Risk management and financial instruments information (continued)

Financial Risk Management (continued)

h) Derivatives and hedge accounting (continued)

The following table shows the notional amounts of derivative instruments designated in a hedge relationship by relationship type as well as the related carrying amounts.

2023		Consolidated & Company		
Hedge type	**Hedging instrument**	**Notional amount**	**Fair value assets**	**Fair value liabilities**
		$m	**$m**	**$m**
Cash flow	Interest rate swaps	16,726	148	-
	Total	**16,726**	**148**	**-**

2022		Consolidated & Company		
Hedge type	**Hedging instrument**	**Notional amounts**	**Fair Value assets**	**Fair Value liabilities**
		$m	**$m**	**$m**
Cash flow	Interest rate swaps	18,050	337	-
	Total	18,050	337	-

i) Transferred assets

The Bank enters into transactions in the normal course of business that transfers financial assets to counterparties or structured entities. Financial assets that do not qualify for derecognition are typically associated with repurchase agreements and securitisation program agreements. The following table sets out the balance of financial assets that did not qualify for derecognition and their associated liabilities.

Consolidated			For those liabilities that only have recourse to the transferred assets		
	Carrying amounts of transferred assets	**Carrying amounts of associated liabilities**	**Fair value of transferred assets**	**Fair value of associated liabilities**	**Net fair value position**
2023	**$m**	**$m**	**$m**	**$m**	**$m**
Securitisation	**4,755**	**4,526**	**4,752**	**4,538**	**214**
Repurchase agreements	**579**	**417**	**-**	**-**	**-**
Total	**5,334**	**4,943**	**4,752**	**4,538**	**214**
2022					
Securitisation	4,641	4,158	4,628	4,142	486
Repurchase agreements	1,396	1,094	-	-	-
Total	6,037	5,252	4,628	4,142	486

Company			For those liabilities that only have recourse to the transferred assets		
	Carrying amounts of transferred assets	**Carrying amounts of associated liabilities**	**Fair value of transferred assets**	**Fair value of associated liabilities**	**Net fair value position**
2023	**$m**	**$m**	**$m**	**$m**	**$m**
Securitisation [1][2]	**4,755**	**4,526**	**4,752**	**4,538**	**214**
Repurchase agreements	**579**	**417**	**-**	**-**	**-**
Total	**5,334**	**4,943**	**4,752**	**4,538**	**214**
2022					
Securitisation [1][2]	4,641	4,158	4,628	4,142	486
Repurchase agreements	1,396	1,094	-	-	**-**
Total	6,037	5,252	4,628	4,142	486

(1) *Securitisation assets exclude transfers of assets where the Company holds all of the issued instruments of the securitisation trusts.*
(2) *The carrying amount of associated liabilities from securitisation trusts form part of loans due to controlled entities on the Statement of financial position.*

25. Fair values

The below table shows the carrying amount and estimated fair values of financial instruments, and their levels in the fair value hierarchy.

Consolidated 2023	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Derivative financial assets	**185**	**-**	**185**	**-**	**185**
Debt securities	**3,819**	**3,601**	**218**	**-**	**3,819**
Total financial assets measured at fair value	**4,004**	**3,601**	**403**	**-**	**4,004**
Financial assets not measured at fair value					
Cash and cash equivalents	**284**	**284**	**-**	**-**	**284**
Due from banks	**571**	**571**	**-**	**-**	**571**
Other financial assets[(1)]	**63**	**-**	**13**	**50**	**63**
Loans and advances	**24,530**	**-**	**-**	**24,499**	**24,499**
Total financial assets not measured at fair value	**25,448**	**855**	**13**	**24,549**	**25,417**
Financial liabilities measured at fair value					
Derivative financial liabilities	**34**	**-**	**34**	**-**	**34**
Total financial liabilities measured at fair value	**34**	**-**	**34**	**-**	**34**
Financial liabilities not measured at fair value					
Due to banks	**634**	**-**	**634**	**-**	**634**
Deposits and other borrowings	**21,557**	**-**	**21,690**	**-**	**21,690**
Debt securities on issue	**5,240**	**-**	**5,253**	**-**	**5,253**
Other financial liabilities [(2)]	**44**	**-**	**44**	**-**	**44**
Subordinated debt	**453**	**-**	**437**	**-**	**437**
Total financial liabilities not measured at fair value	**27,928**	**-**	**28,058**	**-**	**28,058**

Consolidated 2022	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Derivative financial assets	364	-	364	-	364
Debt securities	4,150	3,260	890	-	4,150
Total financial assets measured at fair value	4,514	3,260	1,254	-	4,514
Financial assets not measured at fair value					
Cash and cash equivalents	142	142	-	-	142
Due from banks	766	766	-	-	766
Other financial assets[(1)]	65	-	8	57	65
Loans and advances	24,080	-	-	23,963	23,963
Total financial assets not measured at fair value	25,053	908	8	24,020	24,936
Financial liabilities measured at fair value					
Derivative financial liabilities	32	-	32	-	32
Total financial liabilities measured at fair value	32	-	32	-	32
Financial liabilities not measured at fair value					
Due to banks	1,622	-	1,622	-	1,622
Deposits and other borrowings	21,011	-	21,052	-	21,052
Debt securities on issue	4,880	-	4,863	-	4,863
Other financial liabilities [(2)]	27	-	27	-	27
Subordinated debt	452	-	447	-	447
Total financial liabilities not measured at fair value	27,992	-	28,011	-	28,011

(1) *Includes $50m (FY22: $57m) of indemnity receivable from related parties.*
(2) *Includes $24m (FY22: $13m) of payable to related parties and $9m (FY22: $7m) of accrued expenses and other payables.*

25. Fair Values (continued)

Company 2023	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Derivative financial assets	**185**	**-**	**185**	**-**	**185**
Debt securities	**3,819**	**3,601**	**218**	**-**	**3,819**
Total financial assets measured at fair value	**4,004**	**3,601**	**403**	**-**	**4,004**
Financial assets not measured at fair value					
Cash and cash equivalents	**284**	**284**	**-**	**-**	**284**
Due from banks	**180**	**180**	**-**	**-**	**180**
Other financial assets[(1)]	**114**	**-**	**64**	**50**	**114**
Loans and advances	**24,530**	**-**	**-**	**24,499**	**24,499**
Total financial assets not measured at fair value	**25,108**	**464**	**64**	**24,549**	**25,077**
Financial liabilities measured at fair value					
Derivative financial liabilities	**34**	**-**	**34**	**-**	**34**
Total financial liabilities measured at fair value	**34**	**-**	**34**	**-**	**34**
Financial liabilities not measured at fair value					
Due to banks	**634**	**-**	**634**	**-**	**634**
Deposits and other borrowings	**21,557**	**-**	**21,690**	**-**	**21,690**
Debt securities on issue	**375**	**-**	**375**	**-**	**375**
Due to controlled entities	**4,526**	**-**	**-**	**4,538**	**4,538**
Other financial liabilities [(2)]	**43**	**-**	**43**	**-**	**43**
Subordinated debt	**453**	**-**	**437**	**-**	**437**
Total financial liabilities not measured at fair value	**27,588**	**-**	**23,179**	**4,538**	**27,717**

Company 2022	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Derivative financial assets	364	-	364	-	364
Debt securities	4,150	3,260	890	-	4,150
Total financial assets measured at fair value	4,514	3,260	1,254	-	4,514
Financial assets not measured at fair value					
Cash and cash equivalents	142	142	-	-	142
Due from banks	227	227	-	-	227
Other financial assets[(1)]	106	-	49	57	106
Loans and advances	24,080	-	-	23,963	23,963
Total financial assets not measured at fair value	24,555	369	49	24,020	24,438
Financial liabilities measured at fair value					
Derivative financial liabilities	32	-	32	-	32
Total financial liabilities measured at fair value	32	-	32	-	32
Financial liabilities not measured at fair value					
Due to banks	1,622	-	1,622	-	1,622
Deposits and other borrowings	21,011	-	21,052	-	21,052
Debt securities on issue	225	-	225	-	225
Due to controlled entities	4,158	-	-	4,142	4,142
Other financial liabilities [(2)]	27	-	27	-	27
Subordinated debt	452	-	447	-	447
Total financial liabilities not measured at fair value	27,495	-	23,373	4,142	27,515

(1) *Includes $50m (FY22: $57m) of indemnity receivable from related parties.*
(2) *Includes $24m (FY22: $13m) of payable to related parties and $9m (FY22: $7m) of accrued expenses and other payables.*

25. Fair Values (continued)

AMP group's methodology and assumptions used to estimate the fair value of financial instruments are described below:

Cash and Cash equivalents and Due from banks
The carrying value of cash and cash equivalents and amounts due from other banks approximates their fair value as they are short-term in nature.

Debt securities
The estimated fair value of debt securities is determined with reference to unadjusted quoted prices for identical assets or liabilities where the quoted price is readily available. Financial instruments included in this category are liquid government and semi-government bonds, financial institutions, and corporate bonds.

For debt securities where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. Financial instruments included in this category are certificates of deposit.

Loans and advances
The estimated fair value of loans and advances that are priced based on a variable rate are assumed to be equal to its carrying value. The estimated fair value of all other loans and advances represents the discounted amount of estimated future cash flows expected to be received based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans and advances. The loans and advances may, from time to time, be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. In these situations, as the fluctuations in fair value would not represent a permanent diminution and the carrying amounts of the loans and advances are recorded at recoverable amounts after assessing impairment, it would not be appropriate to restate their carrying amount.

Due to banks
The fair value of amounts due to other banks are the same as carrying value except for certificate of deposits, where the estimated fair value is determined with reference to interest rate yield curves.

Deposit and other borrowings
The estimated fair value of deposits and other borrowings represents the discounted amount of estimated future cash flows expected to be paid based on the residual maturity of these liabilities. The discount rate applied is based on a current yield curve appropriate for similar types of deposits and borrowings at the reporting date.

Debt securities on issue
The estimated fair value of debt securities on issue is determined with reference to quoted market prices. For debt securities on issue where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Subordinated debt
The estimated fair value of subordinated debt is determined using a discounted cash flow model on a current yield curve appropriate for the remaining term to maturity.

Derivative financial instruments
The fair value of derivative financial assets and liabilities, including foreign exchange contracts and interest rate swaps, are determined using the discounted cash flow valuation technique. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Bank's own non-performance risk.

Fair value hierarchy

Financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no significant transfers between levels of the fair value hierarchy during the year (FY22: nil).

26. Capital adequacy

As an authorised deposit-taking institution (ADI), the Bank is subject to regulation by APRA under the authority of the *Banking Act 1959.* APRA has set minimum regulatory capital requirements and capital buffers for banks that are consistent with the Basel III Framework.

The Bank's capital structure comprises various forms of capital. Common Equity Tier 1 (CET1) comprises paid-up ordinary share capital, retained earnings, plus other items recognised as CET1 capital. The ratio of such capital to risk-weighted assets (Total RWA) is called the CET1 ratio. Additional Tier 1 capital comprises certain securities with required loss absorbing characteristics. Together, these components of capital make up Tier 1 capital and the ratio of such capital to Total RWA is called the Tier 1 capital ratio.

Tier 2 capital mainly comprises subordinated debt instruments and contributes to the overall capital framework.

CET1 contains the highest quality of capital, followed by Additional Tier 1 capital and then followed by Tier 2 capital. The Total Capital is the aggregate of CET1, Tier 1 capital and Tier 2 capital. The ratio of Total Capital to Total RWA is called the Total Capital ratio. The minimum CET1 ratio, Tier 1 capital ratio and Total Capital ratio under APRA's Basel III Prudential Standard APS 110 *Capital Adequacy* are 4.5%, 6.0% and 8.0% respectively. These minimum capital ratios are referred to as the Prudential Capital Requirements.

In addition to the Prudential Capital Requirements described above, banks are also required to hold a Regulatory Capital Buffer (RCB) comprising the aggregate of:

- A capital conservation buffer, equal to 2.5% of Total RWA for a standardised ADI; and
- A countercyclical capital buffer, which may vary over time in response to market conditions. This buffer may range between zero and 3.5% of Total RWA and, for Australian exposures, was set at a new default rate of 1% effective from 1 January 2023.

Where an individual ADI does not hold sufficient capital to meet its RCB, the ADI would be subject to constraints on its ability to make distributions from capital.

The Bank actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital while maintaining adequate capital ratios throughout the financial year. The Bank's capital ratios throughout the financial year ended 31 December 2023 were in compliance with both APRA and the Board minimum capital requirements and buffers. The Bank continues to operate at a buffer to the Board requirement.

The Bank's Basel III Pillar 3 capital disclosures are available at https://corporate.amp.com.au/about-amp/corporate-governance/Regulatory-Disclosures.

Credit ratings

The issuer credit ratings for the Bank, as published by Standard & Poor's and Moody's Investor Services, at 31 December 2023 were as follows:

Company	Standard & Poor's Credit Rating	Moody's Credit Rating
AMP Bank Limited	BBB / Positive	Baa2 / Negative

27. Events occurring after reporting date

On 13 February 2024, the Company declared a final dividend of $35m.

As at the date of this report, the directors are not aware of any other matters or circumstances other than those described in the report that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- the consolidated entity’s operation in future years;
- the results of those operations in future years; or
- the consolidated entity's state of affairs in future financial years.

AMP BANK LIMITED
Directors' declaration
for the year ended 31 December 2023

In accordance with a resolution of the directors of AMP Bank Limited, for the purposes of Section 295(4) of the *Corporations Act 2001,* the directors declare that:

(a) in the opinion of the directors there are reasonable grounds to believe that AMP Bank Limited will be able to pay its debts as and when they become due and payable;

(b) in the opinion of the directors the financial statements and notes of AMP Bank Limited and the consolidated entity for the financial year ended 31 December 2023 are in accordance with the *Corporations Act 2001*, including section 296 (compliance with accounting standards) and section 297 (true and fair view); and

(c) the notes to the financial statements of AMP Bank Limited and the consolidated entity for the financial year ended 31 December 2023 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards, as set out in Note 1(a) of the financial statements.

....
Director

Sydney, 14 February 2024

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Independent auditor's report to the members of AMP Bank Limited

Opinion

We have audited the financial report of AMP Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- The Group consolidated and Company statements of financial position as at 31 December 2023;
- The Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- Notes to the financial statements, including a summary of material accounting policy information; and
- The directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's and the Group's financial position as at 31 December 2023 and of their financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Anita Kariappa

Anita Kariappa
Partner
Sydney
14 February 2024