APRA Basel III Pillar 3 Disclosures

Quarter ended
30 June 2022

Police & Nurses Limited
ABN 69 087 651 876 ASFL/Australian Credit Licence 240701
pnbank.com.au

19 September 2022

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

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

Information is prepared using 30 June 2022 data.

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

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

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

Level 2, the consolidation of PNL and all its subsidiary entities except those entities specifically excluded by APRA regulations; and

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

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

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

Key Points

This disclosure has been prepared in accordance with the changes to APRA's capital rules (effective 1 January 2013). The Bank's total capital ratio has improved from 13.9% in 31 March 2022 to 16.0% as at 30 June 2022.

Table 1: Capital structure

APRA row ref	Common disclosure template	Jun-22 $m	Mar-22 $m
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-	-
2	Retained earnings	101.6	99.4
3	Accumulated other comprehensive income (and other reserves)	383.4	377.3
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	-
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.8	0.8
6	**Common Equity Tier 1 capital before regulatory adjustments**	**485.8**	**477.5**
	Common Equity Tier 1 capital : regulatory adjustments		
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
11	Cash-flow hedge reserve	8.6	3.2
12	Shortfall of provisions to expected losses	-	-
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15	Defined benefit superannuation fund net assets	-	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-
20	Mortgage service rights (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	4.2	7.0
22	Amount exceeding the 15% threshold	-	-
23	of which: significant investments in the ordinary shares of financial entities	-	-
24	of which: mortgage servicing rights	-	-
25	of which: deferred tax assets arising from temporary differences	-	-

Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Jun-22 $m	Mar-22 $m
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	41.7	36.6
26a	of which: treasury shares	-	-
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-	-
26c	of which: deferred fee income	-	-
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	10.4	8.7
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	-	-
26f	of which: capitalised expenses	28.6	25.0
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	2.4	2.4
26h	of which: covered bonds in excess of asset cover in pools	-	-
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	-
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	0.3	0.5
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
28	**Total regulatory adjustments to Common Equity Tier 1**	**54.5**	**46.8**
29	**Common Equity Tier 1 Capital (CET1)**	**431.3**	**430.7**

Additional Tier 1 Capital: instruments

APRA row ref	Common disclosure template	Jun-22 $m	Mar-22 $m
30	Directly issued qualifying Additional Tier 1 instruments	74.0	-
31	of which: classified as equity under applicable accounting standards	-	-
32	of which: classified as liabilities under applicable accounting standards	-	-
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
35	*of which: instruments issued by subsidiaries subject to phase out*	-	-
36	**Additional Tier 1 Capital before regulatory adjustments**	**74.0**	-

Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Jun-22 $m	Mar-22 $m
	Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	-
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	-
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	-
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**	**-**
44	**Additional Tier 1 capital (AT1)**	**74.0**	**-**
45	**Tier 1 Capital (T1=CET1+AT1)**	**505.3**	**430.7**
	Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	-	-
47	*Directly issued capital instruments subject to phase out from Tier 2*	-	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Provisions	4.2	6.3
51	**Tier 2 Capital before regulatory adjustments**	**4.2**	**6.3**

Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Jun-22 $m	Mar-22 $m
	Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	-
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	-
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	-
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	-
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	-
57	**Total regulatory adjustments to Tier 2 capital**	**-**	**-**
58	**Tier 2 capital (T2)**	**4.2**	**6.3**
59	**Total capital (TC=T1+T2)**	**509.5**	**437.0**
60	**Total risk-weighted assets based on APRA standards**	**3,184.8**	**3,146.8**
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	13.5%	13.7%
62	**Tier 1 (as a percentage of risk-weighted assets)**	15.9%	13.7%
63	**Total capital (as a percentage of risk-weighted assets)**	16.0%	13.9%
64	**Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)**	7.0%	7.0%
65	*of which: capital conservation buffer requirement*	2.5%	2.5%
66	*of which: ADI-specific countercyclical buffer requirements*	0.0%	0.0%
67	*of which: G-SIB buffer requirement (not applicable)*	n/a	n/a
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)**	6.5%	6.7%

Table 1: Capital structure (continued)

APRA row ref	Common disclosure template	Jun-22 $m	Mar-22 $m
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a	n/a
70	National Tier 1 minimum ratio (if different from Basel III minimum)	n/a	n/a
71	National total capital minimum ratio (if different from Basel III minimum)	n/a	n/a
	Amount below thresholds for deductions (not risk-weighted)		
72	Non-significant investments in the capital of other financial entities	-	-
73	Significant investments in the ordinary shares of financial entities	-	-
74	Mortgage servicing rights (net of related tax liability)	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

Table 1.1: Reconciliation of Regulatory Capital

Item No	Balance sheet	Statement of Financial Position Jun-22 $m	Adjustments Jun-22 $m	Level 2 Regulatory Balance Sheet Jun-22 $m	Reference - Common Disclosure Template
	Assets				
1	Cash and cash equivalents	**167.9**	**(4.6)**	**163.3**	
2	Receivables due from other financial institutions	**1,217.3**	-	**1,217.3**	
3	Financial assets held at FVOCI (i)	**10.7**	-	**10.7**	
	of which: investments in commercial entities that are deducted under APRA prudential requirements	*10.4*	-	*10.4*	*item 26d*
	of which: Commercial (non-financial) entities	*0.4*	-	*0.4*	*item 26g*
	Assets held for sale	-	-	-	
4	Other assets	**18.7**	**0.1**	**18.8**	
	of which: Securitisation start-up costs	*1.0*	-	*1.0*	*item 26f*
5	Other financial assets held at AC (ii)	**1.1**	**(0.5)**	**0.6**	
6	Other financial assets held at FVPL (iii)	**0.1**	**(0.1)**	-	
7	Loans and advances	**5,839.9**	**(321.8)**	**5,518.1**	
	of which: Provisions	*6.4*	*(2.2)*	*4.2*	*item 50*
	of which: Loan and lease origination fees and commissions paid to mortgage originators and brokers	*14.4*	-	*14.4*	*item 26f*
8	Derivative financial instruments	**16.7**	-	**16.7**	
9	Current tax assets	**3.4**	**(1.9)**	**1.5**	
10	Due from controlled entities	-	**(0.2)**	**(0.2)**	
11	Property and equipment	**27.0**	**(1.9)**	**25.1**	
12	Right-of-use assets	**29.1**	-	**29.1**	
13	Investments in controlled entities	-	**2.0**	**2.0**	
	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	-	*2.0*	*2.0*	*item 26g*
14	Intangible assets	**13.3**	-	**13.3**	
	of which: Goodwill(net of related tax liability)	-	-	-	*item 8*
	of which: capitalised expenses	*13.2*	-	*13.2*	*item 26f*
15	Deferred tax assets	**4.0**	**0.2**	**4.2**	
	of which: deferred tax assets arising from temporary differences deducted from CET1	*4.0*	*0.2*	*4.2*	*item 21*
	Total assets	**7,349.2**	**(328.7)**	**7,020.5**	

Table 1.1: Reconciliation of Regulatory Capital (continued)

Item No	Balance sheet	Statement of Financial Position Jun-22 $m	Adjustments Jun-22 $m	Level 2 Regulatory Balance Sheet Jun-22 $m	Reference - Common Disclosure Template
	Liabilities				
16	Members' deposits	5,747.4	-	5,747.4	
	Accrued interest and other payables	-	-	-	
17	Other payable	21.3	(0.1)	21.2	
18	Lease liabilities	34.7	-	34.7	
19	Derivative financial instruments	8.2	-	8.2	
20	Current tax liabilities	-	-	-	
21	Borrowings	968.8	(95.3)	873.5	
	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	*0.3*	-	*0.3*	*item 26j*
22	Due to controlled entities	-	(232.6)	(232.6)	
23	Provisions	8.5	-	8.5	
	Deferred tax liabilities	-	-	-	
	Total liabilities	6,788.9	(328.0)	6,460.9	
	Net assets	560.3	(0.7)	559.6	
	Members' funds				
24	Reserves	304.6	1.6	306.2	*item 3*
	of which: Cash-flow hedge reserve	*8.6*	-	*8.6*	*item 11*
25	Retained earnings	104.2	(2.4)	101.8	*item 2*
26	Contributed equity	150.7	-	150.7	*item 3*
27	Non-controlling interests	0.8	-	0.8	*item 5*
	Total members' funds	560.3	(0.8)	559.5	

Table 1.2: Entities excluded from the Regulatory Scope of Consolidation (Level 2 Basis)

	Total Assets Jun-22 $m	Total Liabilities Jun-22 $m	Principal Activities
SECURITISATION TRUSTS			
Pinnacle Series Trust 2017 - T1	95.8	95.8	Securitisation
Pinnacle Series Trust 2021 - T1	271.1	271.1	Securitisation
PROPERTY DEVELOPMENT ENTITY			
PNL Landreach Pty Ltd	0.7	-	Property Development

Table 2: Capital Instruments

	Disclosure template for main features of Regulatory Capital instruments	Jun-22 $m	Mar-22 $m
1	Issuer	Police & Nurses Limited (ABN 69 087 651 876)	n/a
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN AU3FN0069290	n/a
3	Governing law(s) of the instrument	NSW	n/a
	Regulatory treatment		n/a
4	Transitional Basel III rules	Not applicable	n/a
5	Post-transitional Basel II rules	Additional Tier 1 Capital	n/a
6	Eligible at solo/group/group & solo	Solo and Group	n/a
7	Instrument type	Subordinated Notes	n/a
8	Amount recognised in Regulatory Capital	AUD $75 million	n/a
9	Par value of instrument	AUD $75 million	n/a
10	Accounting classification	Shareholders' equity	n/a
11	Original date of issuance	26/05/2022	n/a
12	Perpetual or dated	Perpetual	n/a
13	Original maturity date	No maturity	n/a
14	Issuer call subject to prior supervisory approval	Yes	n/a
15	Optional call date, contingent call dates and redemption amount	PNL has the right (but not an obligation) to Redeem all or some of the Capital Notes. PNL will only have a right to Redeem the Capital Notes: a) on the fifth anniversary of the date of issue of the Capital Notes, 26 May 2027. b) following the occurrence of a Tax Event or a Regulatory Event. The Capital Notes may not be Redeemed on the occurrence of a Non-Viability Event. PNL may only Redeem the Capital Notes if it has received APRA's prior written approval (which may or may not be given). APRA must be satisfied that, before or concurrently with Redemption: a) the Capital Notes will be replaced with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than the Capital Notes, and the replacement must be done under conditions that are sustainable for PNL's income capacity; or b) the capital position of the PNL Level 1 Group and PNL Level 2 Group will remain adequate after the Issuer elects to Redeem the Capital Notes.	n/a
16	Subsequent call dates	Not applicable. One call date on the fifth anniversary of the issue date.	n/a
	Coupons/dividends		n/a
17	Fixed or floating	Floating	n/a
18	Coupon rate	3M BBSW mid + 5.75 bps area, quarterly in arrears	n/a
19	Existence of dividend stopper	Yes	n/a
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	n/a
21	Existence of step up or other incentive to redeem	No	n/a
22	Noncumulative or cumulative	Non-cumulative	n/a
23	Convertible or non-convertible	Convertible	n/a

Table 2: Capital Instruments (continued)

	Disclosure template for main features of Regulatory Capital instruments	Jun-22 $m	Mar-22 $m
24	If convertible, conversion trigger(s)	Non-Viability Event A Non-Viability Event means APRA has notified PNL that APRA considers that: a) the conversion into PNL MCIs or write off of Relevant Securities (including Capital Notes) is necessary because without the conversion or write off, PNL would become non-viable; or b) without a public sector injection of capital into, or equivalent support with respect to, PNL would become non-viable. If a Non-Viability Event occurs, PNL must immediately Convert into PNL MCIs or Write off all Relevant Securities or, if a Non-Viability Event occurs which does not involve a determination by APRA that a public sector injection of capital would be required and APRA is satisfied that conversion or write off of a proportion of Relevant Securities will be sufficient to ensure that PNL will not become non-viable, that proportion of Relevant Securities.	n/a
25	If convertible, fully or partially	May convert fully or partially Each Capital Note that is required to be converted will be converted fully. The issuer will convert the amount of Capital Notes required in order to make it viable.	n/a
26	If convertible, conversion rate	On Conversion, holders of Capital Notes will receive the Conversion Number of PNL MCIs for each Capital Note held. The Conversion Number is calculated using the following formula, such that the aggregate nominal value of the PNL MCIs received by a Holder will not exceed the aggregate Face Value of the Capital Notes Converted: Face Value Nominal Value of PNL MCI where, Nominal Value of PNL MCI is deemed to be the Face Value. The effect of the conversion formula is that holders of Capital Notes would receive 1 MCI for each Capital Note held.	n/a
27	If convertible, mandatory or optional conversion	Mandatory (If Non-Viability Event occurs)	n/a
28	If convertible, specify instrument type convertible into	Mutual Capital Instrument (MCI) - which meets the requirements for Mutual Equity Interests under APS 111	n/a
29	If convertible, specify issuer of instrument it converts into	Police & Nurses Limited (ABN 69 087 651 876)	n/a
30	Write-down feature	Yes (if conversion is not effected for any reason on occurrence of Non-Viability Event)	n/a
31	If write-down, write-down trigger(s)	If, following a Non-Viability Event, Conversion has not been effected within 5 Business Days after the Non-Viability Conversion Date for any reason (including where PNL is prevented by applicable law or court order or for any other reason from Converting Capital Notes or if the Holder is a Foreign Holder (broadly an Inability Event)), those Capital Notes will not be Converted but instead will be Written-off.	n/a
32	If write-down, full or partial	May be written down partially Each Capital Note that is required to be written off will be written off fully. The Issuer will write off the amount of Capital Notes required in order to make it viable.	n/a
33	If write down, permanent or temporary	Permanent	n/a
34	If temporary write down, description of write up mechanism	Not applicable	n/a
35	Position in subordination hierarchy in liquidation	Subordinated to all creditors except holders of Member Shares and MCIs	n/a
36	Non-compliant transitioned features	No	n/a
37	If yes, specify non-compliant features	Not applicable	n/a

Table 3: Capital adequacy

Risk-weighted assets ($m)	Jun-22	Mar-22
Subject to the standardised approach		
Residential mortgage	1,961.7	1,897.4
Other retail	140.8	203.7
Commercial loans	262.2	264.5
Deposits with banks and ADIs	352.3	308.0
Government	-	-
All other	77.5	93.8
Securitisation	4.8	2.9
Total capital requirements - credit risk	**2,799.3**	**2,770.3**
Capital requirements – market risk	-	-
Capital requirements – operational risk	**385.5**	**376.5**
Total risk-weighted assets	**3,184.8**	**3,146.8**

Capital adequacy ratios	%	%
Level 2 common equity tier 1 capital ratio	**13.5%**	13.7%
Tier 1 net tier 1 capital ratio	**15.9%**	13.7%
Level 2 total capital ratio	**16.0%**	13.9%

Table 4: Credit risk

Exposures by major type	Gross credit exposure $m Jun-22	Gross credit exposure $m Mar-22	Average gross credit exposure $m Jun-22	Average gross credit exposure $m Mar-22
Residential mortgages	5,085.9	4,899.9	4,992.9	4,809.2
Notes and coin	4.8	4.9	4.9	5.8
Claims (other than equity) on ADIs & overseas banks	962.9	965.1	964.0	1,004.3
Investments in premises, plant & equipment and all other fixed assets	24.8	24.8	24.8	25.3
All other assets and claims not specified elsewhere	862.0	945.5	903.8	886.1
Off balance sheet: Commitments	845.1	845.5	845.3	838.9
Off balance sheet: Interest rate contracts	800.5	664.8	732.7	587.0
Total exposures	**8,586.0**	**8,350.5**	**8,468.4**	**8,156.6**

Exposures by portfolio subject to standardised approach	Gross credit exposure $m Jun-22	Gross credit exposure $m Mar-22	Average gross credit exposure $m Jun-22	Average gross credit exposure $m Mar-22
Residential mortgage	5,085.9	4,899.9	4,992.9	4,809.2
Other retail	140.8	203.7	172.3	212.1
Commercial loans	318.0	334.3	326.2	332.3
Deposits with banks and ADIs	962.9	965.1	964.0	1,004.3
Government	419.6	478.7	449.2	428.0
All other	1,658.8	1,468.8	1,563.8	1,370.7
Total exposures	**8,586.0**	**8,350.5**	**8,468.4**	**8,156.6**

	Jun-22	Mar-22
General reserve for credit losses	**4.2**	**6.3**

Jun-22	Impaired loans $m	Past due loans >90 days $m	Specific provision balance $m	Charges for specific provisions	Write-offs $m
Residential mortgage	24.7	10.9	1.2	0.1	0.1
Other retail	0.9	-	0.5	-0.3	-
Commercial loans	3.8	-	0.5	2.0	11.8
Total	**29.4**	**10.9**	**2.2**	**1.8**	**11.9**

Mar-22	Impaired loans $m	Past due loans >90 days $m	Specific provision balance $m	Charges for specific provisions	Write-offs $m
Residential mortgage	15.5	8.0	1.2	0.3	0.2
Other retail	1.1	0.9	0.8	-	-
Commercial loans	30.5	30.1	10.3	0.3	0.2
Total	**47.1**	**39.0**	**12.3**	**0.6**	**0.4**

Table 5: Securitisation exposures

Securitisation exposure type	Jun-22 Current period securitisation activity $m	Jun-22 Gain or loss on sale $m	Mar-22 Current period securitisation activity $m	Mar-22 Gain or loss on sale $m
On balance sheet drawn securitisation	(0.7)	-	(2.2)	-
Off balance sheet drawn securitisation	(60.3)	-	(35.8)	-
Securities in the banking book	-	-	-	-
Securities in the trading book	-	-	-	-
Liquidity facilities	-	-	-	-
Funding facilities	2.3	-	(0.2)	-
Swap facilities	-	-	-	-
Total	**(58.7)**	-	**(38.2)**	-

Jun-22	Securities held in the banking book $m	Securities held in the trading book $m	Liquidity facilities $m	Funding facilities $m	Swap facilities $m	Total securitisation drawn (1) $m
On-balance sheet securitisation exposure	1,459.9	-	-	14.9	-	1,422.6
Off balance sheet securitisation exposure	-	-	-	3.6	-	352.7
Total	**1,459.9**	-	-	**18.5**	-	**1,775.3**

Mar-22	Securities held in the banking book $m	Securities held in the trading book $m	Liquidity facilities $m	Funding facilities $m	Swap facilities $m	Securitisation drawn (1) $m
On-balance sheet securitisation exposure	1,459.9	-	-	14.9	-	1,423.3
Off balance sheet securitisation exposure	-	-	-	1.3	-	413.0
Total	**1,459.9**	-	-	**16.2**	-	**1,836.3**

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

APS 330 Remuneration Disclosures Financial Year Ended 30 June 2022

Qualitative Disclosures	
a.	The following remuneration disclosures have been prepared to comply with the Australian Prudential Regulatory Authority's (APRA's) prudential standard APS 330 Public Disclosure and Board approved Remuneration Policy. Responsibility for the development and ongoing effectiveness of remuneration policy falls to the Board Governance and Remuneration Committee (the Committee). The Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilites in respect of Governance and Remuneration matters. The Committee is made up of three Non- Executive Directors. The Board Chair, CEO, Chief People Officer, and Company Secretary of PNL also attend Committee meetings. The Committee makes recommendations to the Board on the categories of individuals specified in the Remuneration Policy. The qualitative disclosures relating to application of the Remuneration Policy applies to all employees of PNL and its controlled entities. For the purposes of the quantitative disclosures reflected in this report, seventeen Senior Managers have been classified according to CPS 520, five more than disclosed in the FY21 report, reflecting the increase in senior roles at PNL, and resulting in the aggregate YoY increase seen in Section j: Chief Executive Officer Chief Transformation Officer Chief Financial Officer Chief Information Officer Chief People Officer Chief Risk Officer General Manager P&N Bank General Manager bcu Brand General Manager Business Optimisation General Manager Corporate Strategy and Development General Manager Technology Transformation General Manager Broker General Manager Legal General Manager Business Banking General Manager Transformation Delivery Company Secretary General Manager Operations On an annual basis the Committee makes recommendations to the Board in respect of the remuneration of the Chief Executive Officer and Executive Management. The Committee has the option of engaging independent advisors in the discharging of its roles and responsibiltes. For the reporting period the Committee engaged Mercer to assist with remuneration benchmarking.
b.	PNL acknowledges the importance of establishing remuneration arrangements that align with its objectives and Board Risk appetite, whilst providing adequate transparency to ensure compliance with regulation and the expectations of all stakeholders. Administering the Remuneration Policy Committee members have regard for the following principles: • A formalised sytem of job evaluation is used to establish the relative work value of every position within the Bank; • Every position is graded within a set of remuneration bands that are used as benchmarks against simlar roles in comparable companies; • Employee remuneration is based on market data relative to specific roles and performance levels and aligned to the organisation's Remuneration Strategy; • Short term incentives are provided based on a combination of Organisational and Business Unit performance and achievement of individual objectives. There are currently no long term incentive schemes in use. • CEO and Executive remuneration is based on market data relative to specific roles and performance levels and is approved by the Board; During the year the Board reviews the Remuneration policy to ensure ongoing compliance with CPS 510 and the Banking Executive Accountability Regime (BEAR). Risk and Compliance staff The performance and remuneration of risk and compliance staff is assessed according to objectives and responsibilities specific to their roles and independent of the business areas they oversee. Remuneration is reviewed and benchmarked both externally and internally to ensure appropriate relativities. The aim is to ensure remuneration arrangements for individuals involved in risk management, compliance, internal audit or financial control do not in any way influence their ability to independently discharge their duties.

APS 330 Remuneration Disclosures Financial Year Ended 30 June 2022

c.	PNL maintains a risk appetite statement which describes the type and quantum of risks it is prepared to take in executing its strategy. The risk management framework and performance against key risk measures can have significant influence on how employees are remunerated. The Committee considers individual performance against key risk measures and seeks to be satisfied that remuneration is appropriate relative to the achievement of performance outcomes and the individuals conduct and behaviour, including operating in line with organisational values. Risk management and performance against defined risk management standards forms a key element of remuneration policy. Compliance with minimum risk management standards is a foundation requirement against which all employees are measured. The Committee has regard for ongoing performance against operational, financial and compliance risk indicators that are monitored and reported on a monthly basis. At all times the Committee retains the right to override or adjust variable remuneration arrangements should specific events or risk thresholds occur that expose the Bank to unanticipated levels of risk that impact the financial soundness of the Bank.
d.	Under the PNL Incentive Scheme, participants are eligible to receive an incentive payment based on a combination of Individual, Organisational & Business Unit performance over the review period. Each participant is assessed based on their performance against individual key performance indicators as well as values and behaviours, including risk behaviours aligned to the bank's risk management framework.
e./f.	As a Mutual, PNL only offers short term incentives as a cash payment. There are no shares or share linked reward instruments. Equally there are currently no arrangements (outside of mandatory standards reflected in BEAR) allowing for deferral or vesting of variable remuneration payments.

APS 330 Remuneration Disclosures Financial Year Ended 30 June 2022

Quantitative Disclosures

g. During the reporting period the Board Governance and Remuneration Committee met 5 times. The remuneration paid to its members is as follows:

Table 1: Remuneration of the Board Governance & Remuneration Committee	2020 financial year $	2021 financial year $	2022 financial year $
Total	317,257	384,219**	501,197**

** The Committee saw membership changes over FY22. Under normal circumstances this calculation would include three Directors rather than the six Directors involved in the Committee. All remuneration paid to any Director who participated for all or part of the reporting period has been included in this calculation.

h. The table below presents the number of employees who received variable remuneration payments or severance payments during the year:

Table 2: Variable remuneration and severance payments	2020 financial year		2021 financial year		2022 financial year	
	Number of employees	$	Number of employees	$	Number of employees	$
Variable remuneration award	37	444,622	4	23,000	286	2,833,663
Guaranteed bonus	Nil	Nil	Nil	Nil	Nil	Nil
Sign on award	Nil	Nil	1	25,000	Nil	Nil
Severance payment*	0	0	9	613,646	5	127,294
Total	**37**	**444,622**	**13**	**661,646**	**289**	**2,960,957**

*Payments made in accordance with contractual commitments

i. Total amount of outstanding deferred remuneration: $74,000 cash

Total amount of deferred remuneration paid out in this financial year: Nil

j. The table below presents total value of remuneration paid to senior managers during the reporting period:

Table 3: Value of remuneration	2020 financial year		2021 financial year		2022 financial year	
	Unrestricted ($)	Total ($)	Unrestricted ($)	Total ($)	Unrestricted ($)	Total ($)
Fixed remuneration	2,980,940	2,980,940	4,115,547	4,115,547	5,063,188	5,063,188
Variable remuneration	275,261	275,261	10,000	10,000	903,154	977,154
Other	Nil	Nil	Nil	Nil	Nil	Nil
Total	3,256,201	3,256,201	4,125,547	4,125,547	5,966,342	6,040,342

k. Total amount of outstanding deferred remuneration exposed to ex post explicit and / or implicit adjustments: $74,000 cash

Total amount of reductions during the financial year due to ex pose explicit / implicit adjustments: Nil