

BANK OF SYDNEY LTD

APS 330 PILLAR 3 CAPITAL DISCLOSURE

Bank of Sydney Ltd is an Authorised deposit-taking institution (ADI) which is regulated by the Australian Prudential Regulation Authority (APRA). Authority is granted to APRA under the Banking Act 1959.

The following disclosures are presented in accordance with APRA standard APS 330 *Public Disclosure*. APRA maintains standards in Capital Adequacy under APS 110. The aim of APS 110 is to ensure ADI's maintain adequate capital to act as a buffer against the risks associated with their activities.

The capital disclosures detailed in the Common Disclosure template represent the post January 2018 Basel III regulatory adjustments, as implemented by APRA. The information in the lines of the template have been mapped to the Bank of Sydney Ltd balance sheet. Where this information cannot be mapped on a one to one basis, it is provided in an explanatory table.

COMMON DISCLOSURE TEMPLATE

	Common Equity Tier 1 capital: instruments and reserves	A\$m	Reconciliation table reference
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	230.0	
2	Retained earnings	77.3	TABLE C
3	Accumulated other comprehensive income (and other reserves)	-3.1	TABLE A
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)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	304.2	
	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)	13.5	TABLE B
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-3.1	TABLE A
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	
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	-	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	-	
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	-	
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	-	
26f	of which: capitalised expenses	-	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	-	
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	-	
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	14.6	
29	Common Equity Tier 1 Capital (CET1)	289.6	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	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			
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	43 Total regulatory adjustments to Additional Tier 1 capital	-	
44	44 Additional Tier 1 capital (AT1)	-	
45	45 Tier 1 Capital (T1=CET1+AT1)	289.6	

	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	9.1	TABLE A
51	Tier 2 Capital before regulatory adjustments	9.1	
	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)	9.1	
59	Total capital (TC=T1+T2)	298.7	
60	Total risk-weighted assets based on APRA standards	1369.4	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	21.15%	
62	Tier 1 (as a percentage of risk-weighted assets)	21.15%	
63	Total capital (as a percentage of risk-weighted assets)	21.82%	
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)	-	
65	of which: capital conservation buffer requirement	-	
66	of which: ADI-specific countercyclical buffer requirements	-	
67	of which: G-SIB buffer requirement (not applicable)	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	-	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	
	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	-	
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)	-	

GEOGRAPHICAL BREAKDOWN		
Private sector credit exposures	31/12/2020	31/12/2019
Australia	1837.7	1908.5
Dubai	2.6	2.7
United Kingdom	3.3	1.0
Canada	0.9	0.0
Hongkong	0.5	0.4
Brazil	0.2	0.2
Lebanon	0.1	0.1
	1845.3	1912.9

BALANCE SHEET

The following table shows the Bank of Sydney's balance sheet, as reported in the December 2020 published financial statements.

	Balance Sheet as in published financial statements	Common Disclosure Template Reference
	\$m	
Assets		
Cash and liquid assets	35.3	
Due from other financial institutions	72.0	
Investment at amortised cost	455.4	
Loans and advances	1,977.7	
Derivative financial assets	5.3	
Intangible assets	10.5	TABLE B
Property, plant and equipment	51.6	
Investment Property	20.5	
Deferred tax assets	4.1	Row 21
Other assets	10.1	
Total assets	2,642.5	
Liabilities		
Due to other financial institutions	3.7	
Borrowings	62.5	
Deposits	2,231.6	
Derivative liabilities	4.0	
Provisions	3.8	
Lease liabilities	8.1	
Other liabilities	20.2	
Total liabilities	2,333.9	
Net assets	308.6	
Equity		
Contributed equity	230.0	Row 1
Reserves	3.3	Row 2
Retained earnings	75.3	TABLE A and C
Total equity	308.6	

The following reconciliation tables provide additional information on the difference between the Common Disclosure template and the balance sheet.

	2020 \$m	Common Disclosure Template Reference
TABLE A		
General Reserves for Credit Losses ¹	9.1	Row 50
Less Tax Effect	-2.7	
Closing Balance	<u>6.4</u>	
Cash flow hedge reserve	-3.1	Rows 3 & 11
Total Reserves	<u>3.3</u>	
TABLE B		
Software	10.5	
Other intangible assets (in other assets)	3.0	
Total Per Common Disclosure Template	<u>13.5</u>	Row 9
TABLE C		
Retained earnings	75.3	
ECL adjustment	2.0	
Total Per Common Disclosure Template	<u>77.3</u>	Row 2

RISK EXPOSURE AND ASSESSMENT

1. CAPITAL STRUCTURE

	2020	2019
As at December	(\$m)	(\$m)
Paid-up ordinary shares	230.0	230.0
Reserves	(3.1)	(3.1)
Retained earnings, including current year earnings	77.3	74.1
Deductions from Tier 1 capital	(14.6)	(12.6)
Net Tier 1 Capital	289.6	288.4
Total Tier 2 capital (net of deductions)	9.1	9.4
Total Capital Base	298.7	297.8

2. CAPITAL ADEQUACY

	2020	2019
As at December	Risk Weighted Assets (\$m)	Risk Weighted Assets (\$m)
Credit Risk ¹ :		
Claims on other banks	236.6	253.4
Claims secured by residential mortgage	655.3	668.3
Other claims	327.2	333.0
Total Risk Weighted Assets On and Off Balance Sheet	1,219.1	1,254.7
Market Risk ²	0.1	0.2
Operational Risk ³	150.2	137.3
Total Risk Weighted Assets	1,369.4	1,392.2

3. CAPITAL RATIOS

As at December		
Tier 1 Capital Ratio	21.15%	20.72%
Total Capital Adequacy Ratio ⁴	21.82%	21.39%

¹ Bank of Sydney Ltd uses a standardised approach to Credit Risk under APS 112. The Moody's credit rating grades are used for risk-weighting purposes.

² Bank of Sydney Ltd is exposed to market risk by operating in the foreign exchange market and uses the standard approach as outlined in APS 113.

³ Bank of Sydney Ltd uses the standard methodology to Operational Risk under APS 114, whereby total operational risk is determined by the capital requirements of the three business areas namely retail banking, commercial banking and all other activities.

⁴ The total capital ratio is calculated by dividing the total risk-weighted assets by the capital base. For capital adequacy purposes, the capital base is the sum of Tier 1 and Tier 2 capital net of any specific deductions.

4. CREDIT RISK EXPOSURES

Credit Exposure⁵	31/12/20	Average for quarter ended 31/12/20	As at 31/12/2019 (\$m)	Average for quarter ended 31/12/2019 (\$m)
Housing	1,386.8	1,391.9	1,618.2	1,561.7
Business/Commercial	457.0	463.6	292.4	293.0
Personal	1.5	1.5	2.3	2.3
Banks	657.8	676.8	635.0	688.3
Off-Balance Sheet assets	266.1	263.1	281.7	292.9
All other assets	127.1	127.1	231.7	185.0
TOTAL	2,896.3	2,924.0	3,061.3	3,023.2

Past Due Facilities⁶	As at 31/12/2020 (\$m)	As at 31/12/2019 (\$m)
Housing	1.7	0.8
Business/Commercial	1.3	0.7
Personal	0.0	0.3
TOTAL	3.0	1.8

Impaired Facilities⁷	As at 31/12/2020 (\$m)	As at 31/12/2019 (\$m)
Housing	0.4	0.8
Business/Commercial	0.3	0.0
Personal	0.0	0.1
TOTAL	0.7	0.9

Specific Provision	As at 31/12/2020 (\$m)	As at 31/12/2019 (\$m)
Housing	0.0	0.0
Business/Commercial	0.0	0.0
Personal	0.0	0.1
TOTAL	0.0	0.1

There were no material write-offs for the December 2020 and December 2019 periods.

General Reserve for Credit Losses⁸	As at 31/12/2020 (\$m)	As at 31/12/2019 (\$m)
General Reserves for Credit Losses	9.1	9.4

⁵ Total credit exposure includes all outstanding loan balances and un-drawn commitments.

⁶ Past Due Items are those that are 90 days past due but well secured and not considered as impaired facilities.

⁷ As per APRA standard APS 220, Impaired Facilities are those that are not well secured and are 90 days past due, or where it has been determined that the Bank is unlikely to receive the full and timely amount due of such outstanding facilities.

⁸ The General Reserve for Credit Losses is maintained as a prudent measure to absorb existing and estimated future credit losses. It is based on the total credit risk-weighted assets attributable to the period.

5. SECURITISATION EXPOSURES

Exposure securitised	31/12/2020 (\$m)	31/12/2019 (\$m)
Residential mortgages	702.6	530.4
Other	50.2	23.7
TOTAL	752.8	554.1

Gain or loss on sale	31/12/2020 (\$m)	31/12/2019 (\$m)
Residential mortgages	-	-
Other	-	-
TOTAL	-	-

Aggregate amount of on-balance sheet securitisation exposures	31/12/2020 (\$m)	31/12/2019 (\$m)
Debt securities	729.9	537.2
TOTAL	729.9	537.2

Aggregate amount of off-balance sheet securitisation exposures	31/12/2020 (\$m)	31/12/2019 (\$m)
Liquidity facilities	-	-
TOTAL	-	-