

Capital disclosures as at: 30 June 2021	
	Common Equity Tier 1 capital: Instruments and Reserves
	\$m
1.	Directly issued qualifying ordinary shares (and equivalent for mutually owned entities) capital
2.	Retained earnings
3.	Accumulated other comprehensive income
4.	Directly issued capital subject to phase out from CET1 <i>(only applicable to mutually owned companies)</i>
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
	Common Equity Tier 1 Capital: Regulatory adjustments
7.	Prudential valuation adjustments
8.	Goodwill
9.	Other intangible assets
10.	Deferred tax assets, excluding those arising from temporary differences
11.	Cash flow hedge reserve
12.	Shortfall of provisions to expected losses
13.	Securitisation gain on sale
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
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
19.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions
20.	Mortgage service rights
21.	Deferred tax assets arising from temporary differences
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
26(a)	of which: treasury shares
26(b)	of which: offset to dividends declared due to a dividend reinvestment plan, to the extent that the dividends are used to purchase new ordinary shares issued by the ADI
26(c)	of which: deferred fee income
26(d)	of which: equity investments in financial institutions not reported at 18, 19 or 23
26(e)	of which: deferred tax assets not reported at 10, 21 or 25
26(f)	of which: capitalised expenses
26(g)	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements
26(h)	of which: covered bonds in excess of asset cover in pools
26(i)	of which: undercapitalisation of a non-consolidated subsidiary
26(j)	of which: other national specific regulatory adjustments not reported from 26(a) to 26(i)
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
29.	Common Equity Tier 1 Capital (CET1)
	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
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
41(a)	of which: holdings of capital instruments in group members by other group members on behalf of third parties
41(b)	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not at 39 or 40
41(c)	of which: other national specific regulatory adjustments not at 41a or 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)
45.	Tier 1 Capital (T1 = CET1 + AT1)

Table 1

Table 1

	Tier 2 Capital: Instruments and Provisions	
46.	Directly issued qualifying Tier 2 instruments	15.0
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	6.0
51.	Tier 2 Capital before regulatory adjustments	21.0
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	-
56(a)	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
56(b)	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not at 54 or 55	-
56(c)	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)	21.0
59.	TOTAL CAPITAL (TC = T1 +T2)	207.4
60.	Total risk-weighted assets based on APRA standards	1,298.1
61.	Common Equity Tier 1 (as a percentage of risk-weighted assets)	14.36%
62.	Tier 1 (as a percentage of risk-weighted assets)	14.36%
63.	Total capital (as a percentage of risk-weighted assets)	15.98%
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)	7.00%
65.	of which: capital conservation buffer requirement	2.50%
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)	8.98%
	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 threshold 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 Tier2	
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)	-

Regulatory Capital Reconciliation as at 30 June 2021

Statement of Financial Position as at 30 June 2021

	\$m	Notes	Ref.
Assets			
Cash and cash equivalents	117.6		
Investments	396.4		
Equity investments	1.6		Line 18
Trade and other receivables	0.5		
Loans and advances	2,496.1	Note 3	
Property, plant and equipment	3.4		
Right of use assets	2.8		
Current tax assets	-		
Deferred tax assets	2.4		Line 10
Intangible assets	0.8	Note 2	
Other assets	1.2		
	3,022.8		
Liabilities			
Borrowings	475.9		
Lease Liabilities	2.8		
Deposits	2,330.8		
Trade and other payables	4.6		
Current tax liabilities	0.7		
Provisions	5.1		
	2,819.9		
Net Assets	202.9		
Equity			
Share capital	1.1	Note 1	
Reserves	201.8	Note 1	
Retained earnings	-		
	202.9		

Note 1	Share capital	1.1	Line 2
	Reserves		
	General reserve	195.8	Line 2
	Transfer from retained earnings	-	
	General reserve for credit losses	6.0	Line 50
	Reserves per statement of financial position	201.8	

Note 2	Intangible assets		
	Intangible assets at cost	5.7	Line 9
	Accumulated depreciation	(5.0)	Line 9
	Works in progress	0.1	Line 9
	Intangible assets per statement of financial position	0.8	

Note 3	Loans and advances		
	Overdrafts	3.7	
	Credit Cards	9.7	
	Term Loans	2,479.1	
	Gross loans and advances	2,492.5	
	Provision for Impairment	(0.3)	
	Deferred loan fee income	(0.9)	
	Deferred loan origination expenses	4.8	Line 26f
	Loans and advances as per statement of financial position	2,496.1	

Note 4	Borrowings		
	Securities sold under agreement to repurchase	112.6	
	Secured borrowings	349.1	
	Subordinated notes	15.1	
	Deferred borrowing costs	(0.9)	Line 26f
	Intangible assets per statement of financial position	475.9	

Main features of capital instruments as at 30 September 2021		
1.	Issuer	Defence Bank Limited (ABN 57 087 651 385)
2.	Unique identifier	ISIN: AU3FN0058244
3.	Governing law(s) of the instrument	New South Wales
Regulatory treatment		
4.	Transitional Basel III rules	Not Applicable
5.	Post-transitional Basel III rules	Tier 2
6.	Eligible at solo/group/group & solo	Solo
7.	Instrument type	Subordinated Notes
8.	Amount recognised in Regulatory Capital	A\$15 million
9.	Par value of instrument	A\$15 million
10.	Accounting classification	Liability - amortised cost
11.	Original date of issuance	17 February 2021
12.	Perpetual or dated	Dated
13.	Original maturity date	17 February 2031
14.	Issuer call subject to prior supervisory approval	Yes
15.	Optional call date, contingent call dates and redemption amount	Prior to the maturity date, Defence Bank may, with the prior written approval of APRA, redeem the Notes on 17 February 2026 and every interest payment date thereafter.
16.	Subsequent call dates	Not applicable, refer item 15 above
Coupons/dividends		
17.	Fixed or floating dividend/coupon	Floating
18.	Coupon rate and any related index	3-month BBSW +3.15% per annum paid quarterly in arrears
19.	Existence of a dividend stopper	No
20.	Fully discretionary, partially discretionary or mandatory	Mandatory
21.	Existence of step up or other incentive to redeem	No
22.	Noncumulative or cumulative	Cumulative
23.	Convertible or non-convertible	Non-convertible
24.	If convertible, conversion trigger (s)	Not applicable
25.	If convertible, fully or partially	Not applicable
26.	If convertible, conversion rate	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable
30.	Write-down feature	Yes
31.	If write-down, write-down trigger(s)	If a non-viability trigger event occurs, the Notes will be subject to write-
32.	If write-down, full or partial	Can be full or partial
33.	If write-down, permanent or temporary	Permanent
34.	If temporary write-down, description of write-up mechanism	Not applicable
35.	Position in subordination hierarchy in liquidation	In the event of a winding-up of Defence Bank, the claims of holders against Defence Bank in respect of the Notes rank ahead of the claims of all members of Defence Bank, other than in their capacity as depositors, and behind the claims of unsubordinated creditors.
36.	Non-compliant transitioned features	No
37.	If yes, specify non-compliant features	Not applicable

Capital Adequacy as at 30 September 2021		Risk-weighted Assets
		\$m
a(i)	Subject to the standardised approach	
	Residential mortgage	857.1
	Other retail	151.4
	Corporate	-
	Bank	148.9
	Government	-
	Other	7.4
a(ii)	Capital requirement for credit risk relating to securitisation exposure	-
b	Capital requirements for equity exposures in the IRB approach	-
	Capital requirements for credit risk by portfolio	1,164.8
c	Capital requirement for market risk	-
d	Capital requirement for operational risk	149.1
e	Capital requirement for interest rate risk in the banking book (IRRBB)	-
	Total risk-weighted assets and capital requirement	1,313.9
	Capital Adequacy ratio	
f(i)	On Common Equity Tier 1 Capital base	14.48%
f(ii)	On Tier 1 Capital base	14.48%
f(iii)	On Total Capital base	16.07%

		Credit Risk Exposure for the period ended 30 September 2021							
		Gross Credit Exposure	Avg. Gross Exposure	Risk-weighted	Specific provisions	Impaired facilities	Past due facilities	Bad debts written off	
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Table 4	a(i)	Exposure Type							
		Cash and cash equivalents	184.5	179.3	21.8	-	-	-	-
		Investments	318.8	325.0	127.1	-	-	-	-
		Loans and advances	2,262.4	2,246.5	912.6	0.3	0.5	0.7	-
		Other On-Balance Sheet exposures	7.4	7.4	7.4	-	-	-	-
		Off-Balance Sheet exposures	353.3	349.9	95.9	-	-	-	-
		Total Exposures	3,126.4	3,108.1	1,164.8	0.3	0.5	0.7	-
		a(ii)	Portfolios subject to standardised approach						
		Residential mortgage	2,417.6	2,398.2	857.1	-	0.2	0.7	-
		Other retail	198.1	198.2	151.4	0.3	0.3	-	-
	Corporate	-	-	-	-	-	-	-	
	Banks or ADIs	430.3	435.3	148.9	-	-	-	-	
	Government	73.0	69.0	-	-	-	-	-	
	Other portfolios	7.4	7.4	7.4	-	-	-	-	
	Total Exposures	3,126.4	3,108.1	1,164.8	0.3	0.5	0.7	-	
c	The general reserve for credit losses is \$6,037,915 at 30 September 2021								

		Securitisation exposures as at 30 September 2021		
		Securitized exposure	Gain or loss on sale	
		\$m	\$m	
Table 5	a	Securitisation activity by exposure type		
		Securitisation of Loans and advances	9.5	-
		Total activity	9.5	-
	b(i)	Securitisation exposures: On-balance sheet		
		Loans and advances	599.1	-
		Total exposures	599.1	-
	b(ii)	Securitisation exposures: Off-balance sheet		
		Loans and advances	248.5	-
		Total exposures	248.5	-