

# AMP BANK FACT SHEET

MAY 2024

I A M  
INCOME ASSET  
MANAGEMENT

## Issuer Outline

AMP Bank Limited provides a range of commercial banking services for retail and institutional customers. The Bank offers consumer and commercial loans, mortgages, deposit products, internet banking, credit and debit cards, insurance, and wealth management services. AMP Bank serves customers in Australia.

<b>Sector:</b>	Financial
<b>Sub-Sector:</b>	Banks
<b>Country:</b>	AU
<b>Ownership:</b>	Public

## IAM Credit View

AMP Bank has been performing well, notwithstanding impairment expenses will rise. With increasing competition for loans and deposits in a rising rate environment, NIM will remain under pressure. However, AMP Bank has adequate capital and good underwriting standards which are key credit strengths.

During the year, AMP Bank has helped over 191,000 customers with their banking needs and enabled over 9,100 Australians to purchase their own home. The bank's residential mortgage book grew at 1.7% or 0.61x system, while maintaining strong credit quality. This was underpinned by ongoing service improvements to drive organic growth, as well as the partnership with UK-based Engine by Starling for a new digital bank offering for SMEs. The residential mortgage book grew by 1.7% to \$24.4 billion. Net interest margin (NIM) of 1.27% in FY 23, compared to 1.38% in FY 22, was primarily driven by continued margin pressures which led to the bank pivoting towards lower residential loan book growth. This was partially offset by nominal loan growth in volumes as AMP bank successfully attracted new customers through its digital and direct channels. AMP Bank's NPAT (underlying) of \$93 million reflects the competitive environment from a funding and lending perspective, as well as continued NIM compression. We see AMP Bank as BBB credit with low downgrade risk to high-yield (BB+).

## Issuer Credit Rating & Outlook

Agency	Rating	Outlook
S&P	BBB	POS
Moody's	Baa2	NEG
Fitch	-	-

## Key Financials (AUD m)

	FY23	FY22
Net interest income	373	382
Non-interest income	16	15
NPAT	93	103
Gross mortgage loans	24,197	23,781
Customer deposits	21,278	20,922
Cost to income ratio	48.7%	47.4%
Loan Impairment Expense (%)	0.03	0.02
CET 1 ratio (%)	10.8	10.5

### Relative value trade opportunities

AMP Bank has 3 outstanding notes including 2 senior unsecured and 1 subordinated which are fairly liquid. Compared to similar issues by its larger peers, the bank's issues are priced cheaply and attractively. These notes are trading at healthy levels in the market, reflecting a positive investor sentiment to the bank's credit quality driven by its strong regional market presence.

ISIN	Issue Amount	Ranking	Coupon	Coupon Frequency	First Call Date	Maturity Date	Issue Rating (S&P/Moody's)
AU3FN0065330	AUD125m	Senior Unsecured	3mBBSW +90bps	Quarterly	16 December 2024	16 December 2024	BBB / Baa2
XS2712618615	AUD275m	Senior Unsecured	3mBBSW +315bps	Quarterly	9 November 2026	9 November 2026	BBB- / -
AU3FN0072161	AUD200m	Subordinated	3mBBSW +465bps	Quarterly	7 October 2027	7 October 2032	BB+ / -

Note: the trade opportunities reflects a point-in-time perspective and require reassessment as market movements are linked to the credit cycle and/or idiosyncrasies.

### FY23 Update

The Bank is predominantly a lender for residential properties – both owner-occupied and for investment. In every case the Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property.

The Bank's CRC and Board Risk Committee (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 experienced minimal levels of historic claim rejections and reductions.

The average LVR at origination of AMP Bank's loan portfolio for existing and new business is set out below:

	2023%		2022%	
	Existing	New	Existing	New
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	-

AMP Bank continued to take a disciplined approach to growing its loan book, supported by improving service, turnaround time, and competitive pricing. AMP Bank continues to maintain a conservative approach to lending; 90+ day arrears was 0.62%, and 43% of customers are ahead of their mortgage repayments by more than three months. In terms of growth initiatives, AMP Bank also continued its strategic investment in technology, enhancing its offering to further digitise and automate the lending experience for brokers, advisers and customers. Continued investment in home loan processing technology improved customer cycle times to loan approvals by 22%. Partnerships with innovative fintechs position AMP Bank to reach a broader direct-to-consumer base. AMP Bank partnered with Bricklet, a shared equity home platform, to enable more Australians to get into the property market earlier in life. A partnership with fintech platform Nano enables AMP Bank to offer fully digital mortgages, with unconditional approval in as little as 10 minutes. In November 2023, AMP Bank announced a partnership with UK-based Engine by Starling, to use its platform to bring a compelling digital bank offering to the Australian small business market.

### Loan growth vs system

- AMP Bank's residential mortgage book grew by 1.7% or 0.61x system in FY23 in a highly competitive lending environment exacerbated by continued margin compression.
- Continued growth supported by consistent service and strengthened digital capability.
- Median customer cycle time to approval remains largely unchanged at 8.7 days YoY.

### Mortgage book

- The Bank continues to focus on maintaining book quality with 64% of mortgages being owner-occupied.
- Interest only lending as a percentage of the total book slightly grew by 2% at 17% in FY 23.
- Average book loan to value ratio (LVR) of 62% and dynamic LVR weighted average for existing mortgage business at 54% in FY 23.

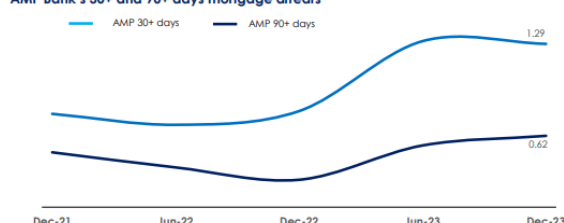
### Credit quality

- Improved capital positioning as the bank's total capital resources increased by 3.2% to \$1,196m alongside a stronger CET1 ratio of 10.8% (+0.03%) in FY23.
- Strong credit quality maintained; 90+ days arrears was 0.62% (+ in FY23, comparing favourably to peers. 30+ days arrears increased by ~50bps to .62% in FY 23, alike to peers.
- 43% of AMP Bank mortgage repayments were ahead of schedule by more than three months at FY 23, increased by 2\$ from FY22.

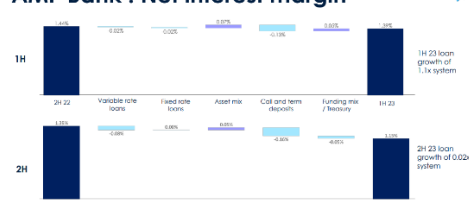
Common Equity Tier 1 (%)



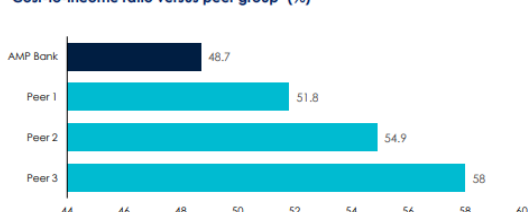
AMP Bank's 30+ and 90+ days mortgage arrears



AMP Bank : Net interest margin



Cost-to-income ratio versus peer group<sup>1</sup> (%)



Source: AMP Investor Presentation

### Disclosure

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