



Volt Bank Limited

APRA

Basel III

Pillar 3 Disclosures

Quarter Ended 30 September 2020

Volt Bank Limited, Basel III Pillar 3 Disclosures For the Quarter ended 30 September 2020

The Basel Capital Accord principles took effect in Australia on 1 January 2008. The framework for the application is comprised of three pillars:

- Pillar 1: More sophisticated calculation of minimum capital requirements;
- Pillar 2: Institutions' own assessments of their capital adequacy and enhanced supervision of capital management; and
- Pillar 3: Materially increased disclosure requirements

Volt Bank Limited (Volt Bank), as an approved Authorised Deposit Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA), is required to comply with the disclosure requirements of APS 330 on a Level 2 basis. Reporting levels are in accordance with APRA definitions as per APRA Prudential Standard APS110: Capital Adequacy.

Volt Bank is reported to APRA as Level 1. Level 2 consists of the non-operating holding company Volt Corporation Limited and its subsidiaries which includes Volt Bank.

Volt Bank, in accordance with Australian Prudential Standard APS 330, is a locally incorporated ADI's adopting the standardised approach under the Basel III regulatory regime. Volt Bank will be updating components of its Pillar 3 disclosures on a quarterly basis. The Capital Instrument disclosures will be updated continuously throughout the year as changes to the instruments occur. The timing for the release of the APS 330 Remuneration disclosures is within three months of the lodgement of the Bank's annual financial report.

References to Volt Corporation Limited refer to the Level 2 regulatory group described above.

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Table 1: Capital Disclosures - Composition of Capital

The disclosures below are presented using the post 1 January 2018 common disclosure template as Volt Corporation Limited and its subsidiaries has applied the Basel III regulatory adjustments from 1 March 2013, pursuant to APRA guidelines.

Common Equity Tier 1 capital: instruments and reserves		30-Sep-2020 \$m	Reference to Reconc- iliation
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	114.5	(a)
2	Retained earnings	-90.8	(b) & (g)
3	Accumulated other comprehensive income (and other reserves)	2.3	(c)
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	0.0	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.0	
6	Common Equity Tier 1 capital before regulatory adjustments	26.0	(a) + (b)+ (c)
Common Equity Tier 1 capital : regulatory adjustments			
7	Prudential valuation adjustments	0.0	
8	Goodwill (net of related tax liability)	0.0	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	0.0	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3.7	(d)
11	Cash-flow hedge reserve	0.0	
12	Shortfall of provisions to expected losses	0.0	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	0.0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-3.5	(g)
15	Defined benefit superannuation fund net assets	0.0	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0.0	
17	Reciprocal cross-holdings in common equity	0.0	
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 above 10% threshold)own more than 10% of the issued share capital (amount	0.0	
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)	0.0	
20	Mortgage service rights (amount above 10% threshold)	0.0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.0	
22	Amount exceeding the 15% threshold	0.0	
23	of which: significant investments in the ordinary shares of financial entities	0.0	
24	of which: mortgage servicing rights	0.0	
25	of which: deferred tax assets arising from temporary differences	0.0	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	13.8	(e)
26a	of which: treasury shares	0.0	
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	0.0	
26c	of which: deferred fee income	0.0	

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Table 1: Capital Disclosures - Composition of Capital (continued)

Common Equity Tier 1 capital: instruments and reserves	30-Sep-2020 \$m	Reference to Recon- ciliation
26d of which: equity investments in financial institutions not reported in rows 18, 19 and 23	0.0	
26e of which: deferred tax assets not reported in rows 10, 21 and 25	0.0	
26f of which: capitalised expenses	13.8	(e)
26g of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	0.0	
26h of which: covered bonds in excess of asset cover in pools	0.0	
26i of which: undercapitalisation of a non-consolidated subsidiary	0.0	
26j of which: other national specific regulatory adjustments not reported in rows 26a to 26i	0.0	
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.0	
28 Total regulatory adjustments to Common Equity Tier 1	14.0	
29 Common Equity Tier 1 Capital (CET1)	12.0	
Additional Tier 1 Capital: instruments		
30 Directly issued qualifying Additional Tier 1 instruments	0.0	
31 of which: classified as equity under applicable accounting standards	0.0	
32 of which: classified as liabilities under applicable accounting standards	0.0	
33 Directly issued capital instruments subject to phase out from Additional Tier 1	0.0	
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)	0.0	
35 of which: instruments issued by subsidiaries subject to phase out	0.0	
36 Additional Tier 1 Capital before regulatory adjustments	0.0	
Additional Tier 1 Capital: regulatory adjustments		
37 Investments in own Additional Tier 1 instruments	0.0	
38 Reciprocal cross-holdings in additional Tier 1 instruments	0.0	
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)	0.0	
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)	0.0	
41 National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	0.0	
41a of which: holdings of capital instruments in group members by other group members on behalf of third parties	0.0	
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	0.0	
41c of which: other national specific regulatory adjustments not reported in rows 41a and 41b	0.0	
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.0	
43 Total regulatory adjustments to Additional Tier 1 capital	0.0	
44 Additional Tier 1 capital (AT1)	0.0	
45 Tier 1 Capital (T1=CET1+AT1)	12.0	

Table 1: Capital Disclosures - Composition of Capital (continued)

Common Equity Tier 1 capital: instruments and reserves		30-Sep-2020 \$m	Reference to Reconc- iliation
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	0.0	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	0.0	
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	0.0	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	0.0	
50	Provisions	0.0	(f)
51	Tier 2 Capital before regulatory adjustments	0.0	
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	0.0	
53	Reciprocal cross-holdings in Tier 2 instruments	0.0	
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)	0.0	
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	0.0	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	0.0	
56a	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	0.0	
56b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and</i>	0.0	
56c	<i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>	0.0	
57	Total regulatory adjustments to Tier 2 capital	0.0	
58	Tier 2 capital (T2)	0.0	
59	Total capital (TC=T1+T2)	12.0	
60	Total risk-weighted assets based on APRA standards	26.7	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	44.94%	
62	Tier 1 (as a percentage of risk-weighted assets)	44.94%	
63	Total capital (as a percentage of risk-weighted assets)	44.94%	
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	<i>of which: capital conservation buffer requirement</i>	2.50%	
66	<i>of which : ADI-specific countercyclical buffer requirements</i>	0.00%	
67	<i>of which: G-SIB buffer requirement (not applicable)</i>	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets) National minima (if different from Basel III)	36.94%	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	n/a	
71	National total capital minimum ratio (if different from Basel III minimum)	n/a	

Table 1: Capital Disclosures - Composition of Capital (continued)

Common Equity Tier 1 capital: instruments and reserves		30-Sep-2020 \$m	Reference to Reconc- iliation
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)	n/a	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	n/a	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	n/a	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	n/a	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	-	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	-	
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	-	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	-	

(f) The general reserve for credit losses adjustments is less than \$0.1M so it was excluded from the table

(g) APRA agreed that the \$3.5m fair value expense recognised in the profit and loss for 30 September 2020 half year relating to share warrants on issue should be reversed when calculating regulatory capital. This is on the basis that the fair adjustment is not settled in cash and the impact on shareholders equity for accounting purposes is temporary and reversed in full when all the share warrants were exercised in November and December 2020.

Reconciliation between Consolidated Balance Sheet and the Regulatory Balance Sheet

The following table discloses the consolidated Balance Sheet of Volt Corporation Limited and its subsidiaries as published in its audited financial statements.

	Balance Sheet per published Audited Financial Statements	Adjustments*	Balance Sheet under Regulatory Scope of Consolidation	Reference
	30-Sep-2020 \$m	30-Sep-2020 \$m	30-Sep-2020 \$m	
ASSETS				
Cash and deposits at call	3.9	-	3.9	
Loans receivables	-	-	-	
Due from other financial institutions	2.3	-	2.3	
Debt securities at amortised cost	77.5	-	77.5	
Trade and other receivables	0.6	-	0.6	
Plant and equipment	0.6	-	0.6	
Intangible assets	14.1	-	14.1	(e)
Right-of-use-assets	4.9	-	4.9	
Deferred tax assets	3.7	-	3.7	(d)
Other assets	2.3	-	2.3	
Total Assets	109.9	-	109.9	
LIABILITIES				
Deposits	67.8	-	67.8	
Warrants derivative financial liability	3.5	-	3.5	(g)
Trade and other payables	4.6	-	4.6	
Lease liabilities	5.1	-	5.1	
Deferred revenue	4.1	-	4.1	(e)
Provisions	1.5	-	1.5	
Total Liabilities	86.6	-	86.6	
Net Assets	23.3	-	23.3	
EQUITY				
Share Capital	111.8	-	111.8	(a) & (e)
Reserves	2.3	0.0	2.3	(c) & (f)
Retained earnings	(90.8)	(0.0)	(90.8)	(b) & (g)
Total Equity	23.3	-	23.3	

(f) The general reserve for credit losses adjustments is less than \$0.1M

(g) APRA agreed that the \$3.5m fair value expense recognised in the profit and loss for 30 September 2020 half year relating to share warrants on issue should be reversed when calculating regulatory capital. This is on the basis that the fair adjustment is not settled in cash and the impact on shareholders equity for accounting purposes is temporary and reversed in full when all the share warrants were exercised in November and December 2020.

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Table 2: Main Features of Capital Instruments

The main features of capital instruments for Volt Corporation Limited are updated on an ongoing basis and are available at the Regulatory Disclosures section of the Volt Bank website at the following address:

<https://www.voltbank.com.au/regulatory-disclosures/>

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Table 3: Capital Adequacy

Capital requirements (in terms of risk-weighted assets) for credit risk by portfolio for:	30-Sep-20	30-Jun-20
	\$m	\$m
Claims secured by residential mortgage	-	-
Other retail loans	-	-
Corporate	-	-
Banks and Other ADI's	4.9	4.8
Government	-	-
Securitisation	-	-
Other	8.3	16.5
Total Credit Risk exposures	13.2	21.3
Capital requirements (in terms of risk-weighted assets) for equity exposures in the IRB approach	N/A	N/A
Capital requirements (in terms of risk-weighted assets) for market risk	N/A	N/A
Capital requirements (in terms of risk-weighted assets) for operational risk	13.5	28.2
Capital requirements (in terms of risk-weighted assets) for interest rate risk in the banking book (IRRBB) (IRB/AMA-approved Australian-owned ADI's only)	N/A	N/A
Total risk weighted assets	26.7	49.5
Common Equity Tier 1 capital ratio	44.94%	41.03%
Tier 1 Capital Ratio	44.94%	41.03%
Total Capital ratio	44.94%	41.06%

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Table 4: Credit Risk

Credit Risk Exposures	Gross Exposure		Average Gross Exposure	
	30-Sep-20	30-Jun-20	30-Sep-20	30-Jun-20
	\$m	\$m	\$m	\$m
Claims secured by residential mortgage ⁽¹⁾	-	-	-	-
Other retail loans ⁽¹⁾	-	-	-	-
Corporate	-	-	-	-
Bank and Other ADI's	17.7	17.2	17.5	23.8
Government	66.1	40.1	53.1	34.6
Securitisation	-	-	-	-
Other ⁽¹⁾	8.3	16.5	12.4	16.4
Total by portfolio	92.1	73.8	83.0	74.8
Loans and advances	14.5	24.3	19.4	23.3
Debt securities	77.6	49.5	63.6	51.5
Commitments and other non-market off-balance sheet exposures ⁽¹⁾	-	-	-	-
Market-related off-balance sheet exposures ⁽¹⁾	-	-	-	-
Total by exposure	92.1	73.8	83.0	74.8

General reserve for credit losses \$0.0 \$0.0 m *

* The general reserve for credit losses is less than \$0.1m

(1) Off-balance sheet exposures have been converted to their credit equivalent amounts.

Impaired and Past Due Facilities by Portfolio	Value of loans that are Impaired		Value of loans that are Past Due		Specific Provisioning		Bad Debts Written-off	
	30-Sep-20	30-Jun-20	30-Sep-20	30-Jun-20	30-Sep-20	30-Jun-20	30-Sep-20	30-Jun-20
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Claims secured by residential mortgage ⁽¹⁾	-	-	-	-	-	-	-	-
Other retail loans ⁽¹⁾	-	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-	-
Bank and Other ADI's	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-
Securitisation	-	-	-	-	-	-	-	-
Other ⁽¹⁾	-	-	-	-	-	-	-	-
Total by portfolio	-	-	-	-	-	-	-	-

(1) Off-balance sheet exposures have been converted to their credit equivalent amounts.

Table 5: Securitisation

Securitisation Exposure				
Summary of current period's securitisation activity, including the total amount of exposures securitised (by exposure type) and recognised gain or loss on sale by exposure type:	Total exposures securitised		Recognised gain or loss on sale	
	30-Sep-20	30-Jun-20	30-Sep-20	30-Jun-20
	\$m	\$m	\$m	\$m
Residential Mortgage	\$ NIL	\$ NIL	\$ NIL	\$ NIL
Aggregate amount of total securitisation exposures retained or purchased:	On-balance sheet		Off-balance sheet	
	30-Sep-20	30-Jun-20	30-Sep-20	30-Jun-20
	\$m	\$m	\$m	\$m
Residential Mortgage	\$ NIL	\$ NIL	\$ NIL	\$ NIL