



APS 330 Prudential Disclosures

Overview

The Basel II Capital Framework (the Framework) came into effect in Australia on 1 January 2008 through APRA's prudential standards and applied to all authorised deposit-taking institutions (ADIs).

The Framework is based on three mutually reinforcing pillars:

- new and considerably more sophisticated minimum capital requirements, including specific capital charges for operational risk (Pillar 1);
- institutions' own assessment of their capital adequacy and enhanced supervision of capital management (Pillar 2); and
- materially increased disclosure requirements (Pillar 3).

The Pillar 3 (Market Discipline) disclosures complement the other two Pillars by encouraging market discipline through disclosure and enables market participants to assess the capital adequacy of ADI's.

IMB Ltd (IMB), being the Company and its controlled entities, adopted the Pillar 1 standardised approach to credit risk and operational risk from 1 January 2008. It also became subject to Pillars 2 and 3 from that date.

From 1 January 2012 APRA expanded the disclosure requirements in APS330 to provide certain disclosures on securitisation exposures.

The disclosures in this document are on a standardised basis.

This document is unaudited, however it has been prepared consistent with the information otherwise published or supplied to APRA.

More detailed qualitative and quantitative disclosure of IMB Ltd's capital adequacy and risk disclosures for the year ended 30 June 2012 are available on the website imb.com.au.

Basis and Frequency of Disclosures

This disclosure document has been prepared by IMB in accordance with the requirements of Pillar 3. IMB must make high quality and timely disclosures of information on its risk management and capital adequacy to contribute to the transparency of financial markets and to enhance market discipline.

Basic public disclosure requirements relating to capital adequacy and credit risk will be published within 40 business days after the end of each quarter. Unless otherwise stated, figures will be published as at:

- 30 September;
- 31 December;
- 31 March; and
- 30 June.

Disclosure requirements relating to capital structure will be published as soon as practicable after the lodgement date for IMB's annual financial reports and unless otherwise stated will be as at 30 June, our financial year end.

Capital Structure

The information set out in the following table is only required to be disclosed when the relevant reporting period coincides with the ADI's normal statutory reporting period (ie annual for ADIs that are not listed).

At 30 June 2012 and throughout the year, the Group complied with the capital requirements that were in force as set out by APRA. The following table shows the breakdown of the total available capital for the IMB as at 30 June 2012.

	\$
Tier 1	
Paid up ordinary shares	46,935,770
Reserves	24,942,255
Retained earnings (including current year earnings)	173,575,715
Deductions from Tier 1 Capital	(10,638,778)
Total Net Tier 1 Capital	234,814,962
Total Net Tier 2 Capital	51,559,305
Total Capital Base	286,374,267

Capital Adequacy

IMB has adopted the standardised approach to both credit and operational risk since 1 January 2008 in order to calculate the Basel II Pillar 1 minimum capital requirement.

The following table shows IMB's overall minimum capital requirement for credit risk under the standardised approach at 30 September 2012.

The information set out in the following table is required to be disclosed on a quarterly basis and is presented in terms of risk-weighted assets (RWA).

	RWA \$
Capital requirements – credit risk	
Credit risk - by portfolio	
Secured by residential mortgage	1,046,480,961
Other retail	175,505,946
Corporate	-
Bank	214,449,145
Government	-
All other	86,933,106
Securitisation	22,346,268
Total Capital requirements – credit risk	1,545,715,426
Capital requirements – market risk	-
Capital requirements – operational risk	257,705,443
Total Capital ratio (consolidated Group)	15.60%
Tier 1 Capital ratio (consolidated Group)	12.76%

Credit Risk Exposure

The gross credit risk exposure (based on the definitions for regulatory capital purposes, before credit risk mitigation) and the average for the period is summarised as follows. The information set out in the following table is required to be disclosed on a quarterly basis.

For the period ended 30 September 2012	Gross Total as at 30 September 2012 \$	Period Average \$
Credit Risk Exposures		
By type of credit exposure		
Loans and receivables to members	2,858,998,425	2,835,645,945
Loans and receivables to ADI's	427,608,350	415,860,474
Available for sale investments	490,631,166	488,627,275
Other assets	123,041,136	134,301,474
By portfolio		
Secured by residential mortgage	2,683,609,129	2,660,391,154
Other retail	175,389,296	175,254,791
Corporate	-	-
Bank	901,070,339	886,704,041
Government	-	-
All other	140,210,313	152,085,182

Impairment Provisions

The following table shows the past due loans and provisions for impaired exposures and charges to the income statement for the reported period.

For the period ended 30 September 2012	\$
Impaired facilities by portfolio	
Secured by residential mortgage	1,360,328
Other retail	10,983,778
Corporate	-
Bank	-
Government	-
All other	-
Past Due facilities by portfolio	
Secured by residential mortgage	3,056,725
Other retail	-
Corporate	-
Bank	-
Government	-
All other	-
Specific Provisions by portfolio	
Secured by residential mortgage	7,819
Other retail	2,611,420
Corporate	-
Bank	-
Government	-
All other	-
Charges for specific provisions during the period	
Secured by residential mortgage	(871,308)
Other retail	-
Corporate	-
Bank	-
Government	-
All other	-
General Reserve for Credit Losses	4,838,321

Securitisation Exposures

The following table includes a summary of the total amount of exposures securitised, securitisation activity for the current period and amounts of securitisation exposures retained or purchased.

For the period ended 30 September 2012	\$
Securitized assets (value of assets in pool)	
Housing loans	676,674,301
Commercial loans	235,528,261
Holdings of securitisation securities	
Securities held in banking book	-
Facilities categorised as securitisation exposures (notional amount)	
Liquidity facilities	14,852,000
Funding facilities	14,037,000
Credit enhancements	300,000
Derivatives	464,939,539
Other	-
Loans sold into securitisation SPVs during the period	
N/A	-
New facilities provided to securitisation SPVs during the period	
Liquidity facilities	-
Credit enhancements	-
Derivatives	-
Other	-
Credit risk capital requirement related to securitisation (risk weighted assets)	
Securitisation exposures	1,237,555
Other unrated exposures	8,388,563
Unrated eligible facilities	7,676,750
Cash collateral	5,043,400
Total	22,346,268
Deductions from capital	4,344,980