Better Value Banking

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 2011 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 June 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	1,030,859,015
Other retail	176,103,092
Corporate	-
Bank	226,940,206
Government	-
All other	94,815,843
Securitisation	22,724,826
Total Capital requirements – credit risk	1,551,442,982
Capital requirements – market risk	-
Capital requirements – operational risk	257,705,443
Total Capital ratio (consolidated Group)	**15.83%**
Tier 1 Capital ratio (consolidated Group)	**12.98%**

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 June 2012	Gross Total as at 30 June 2012 $	Period Average $
Credit Risk Exposures		
By type of credit exposure		
Loans and receivables to members	2,811,389,963	2,706,002,161
Loans and receivables to ADI's	397,115,570	493,114,836
Available for sale investments	518,639,686	515,329,801
Other assets	139,299,729	141,209,283
By portfolio		
Secured by residential mortgage	2,635,387,764	2,501,557,701
Other retail	176,002,199	204,444,462
Corporate	-	-
Bank	895,374,698	942,741,141
Government	-	46,304,639
All other	159,680,287	160,608,138

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 June 2012	$
Impaired facilities by portfolio	
Secured by residential mortgage	3,587,331
Other retail	11,512,778
Corporate	-
Bank	-
Government	-
All other	-
Past Due facilities by portfolio	
Secured by residential mortgage	3,727,734
Other retail	-
Corporate	-
Bank	-
Government	-
All other	-
Specific Provisions by portfolio	
Secured by residential mortgage	941,376
Other retail	2,396,232
Corporate	-
Bank	-
Government	-
All other	-
Charges for specific provisions during the period	
Secured by residential mortgage	226,700
Other retail	-
Corporate	-
Bank	-
Government	-
All other	-
General Reserve for Credit Losses	4,873,249

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 June 2012	$
Securitised assets (value of assets in pool)	
Housing loans	713,993,562
Commercial loans	256,162,038
Holdings of securitisation securities	
Securities held in banking book	-
Facilities categorised as securitisation exposures (notional amount)	
Liquidity facilities	14,550,640
Funding facilities	16,398,000
Credit enhancements	300,000
Derivatives	482,474,617
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 securitsation (risk weighted assets)	
Securitisation exposures	1,083,253
Other unrated exposures	7,957,625
Unrated eligible facilities	8,538,820
Cash collateral	5,145,128
Total	22,724,826
Deductions from capital	4,801,831