

Credit Risk
Credit Risk- Investments

Surplus cash not invested in loans to members are held in high quality liquid assets. This includes the funds required to be held to meet withdrawal of deposits by members of Australian Military Bank.

Australian Military Bank uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA Prudential Guidance in APS112. The credit quality assessment scale within this standard has been complied with.

Table 5 below excludes equity and securitisation exposures. Securitisation exposures are set out in the Table 8 that follows.

The exposure values associated with each credit quality step are as per below in Table 5.

Table 5: Credit Risk Investments

30-Sep-16						
Investments with banks and other ADI's	Average gross exposure in quarter	Carrying value on balance sheet	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cuscal	24,300	17,500	-	-	-	-
Major Banks	14,638	7,431	-	-	-	-
Other rated ADIs	154,203	162,239	-	-	-	-
Unrated institutions – ADIs	16,821	9,536	-	-	-	-
Total	209,962	196,705	-	-	-	-

30-Jun-16						
Investments with banks and other ADI's	Average gross exposure in quarter	Carrying value on balance sheet	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cuscal	24,550	31,100	-	-	-	-
Major Banks	33,069	21,845	-	-	-	-
Other rated ADIs	129,599	146,168	-	-	-	-
Unrated institutions – ADIs	24,612	24,107	-	-	-	-
Total	211,830	223,220	-	-	-	-

Credit Risk- Loans

The classes of loans entered into by Australian Military Bank are limited to loans, commitments and other non-market off-balance sheet exposures. The ADI does not enter into debt securities and over-the-counter derivatives.

Impairment details

The level of impaired loans by class of loan is set out below. In the note below -

- Carrying Value is the amount of the balance sheet gross of provision (net of deferred fees).
- Past due loans is the 'on balance sheet' loan balances which are behind in repayments past due by 90 days or more but not impaired.
- Impaired loans are the 'on balance sheet' loan balances which are at risk of not meeting all principle and interest repayments over time.
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans.
- The losses in the period equate to the additional provisions set aside for impaired loans, and bad debts written off in excess of previous provision allowances.

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value all collateral as at the balance date due to the variety of assets and condition.

The analysis of the ADI's loans by class is as follows in Table 6

Table 6: Credit Risk Loans

30-Sep-16						
Loans Portfolio	Gross exposure value -Average for the period	Gross exposure value on balance sheet at	Commitments – redraws, overdraft facilities undrawn	Past due facilities	Impaired facilities	Specific Provision as at end of qtr
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage secured	780,318	796,557	78,783	443		
Personal	67,041	67,068	960	987	987	627
Overdrafts & Credit cards	24,043	23,928		504	504	303
Corporate borrowers						
Total	871,402	887,553	79,743	1,934	1,491	930

30-Jun-16						
Loans Portfolio	Gross exposure value -Average for the period	Gross exposure value on balance sheet	Commitments – redraws, overdraft facilities undrawn	Past due facilities	Impaired facilities	Specific Provision as at end of qtr
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage secured	750,963	764,078	74,831			
Personal	67,078	67,015	1,470	1,090	1,090	627
Overdrafts & Credit cards	24,112	24,158		504	504	303
Corporate borrowers						
Total	842,153	855,251	76,300	1,595	1,595	930

General Reserve for Credit Losses

This reserve is set aside to quantify the estimate for potential future losses in Australian Military Bank loans and investments.

In addition to the provision for impairment, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future, and the risk of loss on investments and other assets.

Table 7: General Reserve for Credit Losses

	30-Sep-16	30-Jun-16
Balance	1,506,419	1,506,419

Securitisation Arrangements

Australian Military Bank has entered into arrangements for securitised loans to support its liquidity requirements from time to time. The table below states the current value of securitised loans managed by the ADI and the amount securitised in the past quarter.

Table 8: Securitised Loans

30-Sep-16			
	Loans Securitised in Current qtr, by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off- balance sheet exposures
		Aggregate amount	Aggregate amount
	\$'000	\$'000	\$'000
Mortgage loans		156,207	47,724
Personal loans	-	-	-
Credit cards	-	-	-
Total		156,207	47,724

The recognised gain or loss on securitised arrangements entered into in the past quarter is \$ Nil

30-Jun-16			
	Loans Securitised in Current qtr, by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off- balance sheet exposures
		Aggregate amount	Aggregate amount
	\$'000	\$'000	\$'000
Mortgage loans		165,383	51,024
Personal loans	-	-	-
Credit cards	-	-	-
Total		165,383	51,024