



2021

**Interim
Financial
Report**

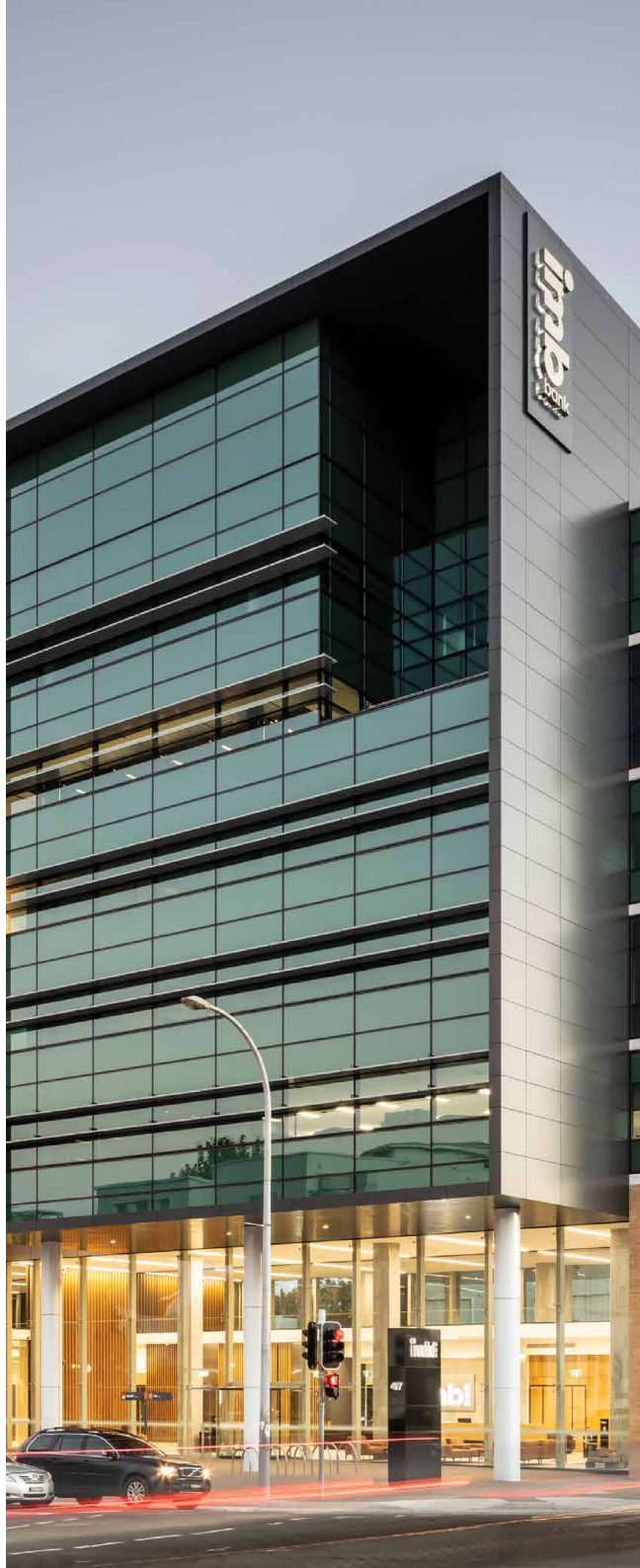
**Building a
stronger future
for our members**



2021

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Chairman's and CEO's Report

IMB Bank's half year results for December 2021 demonstrate consistent performance over another challenging and disrupted period.



Noel Cornish AM Chairman

Robert Ryan Chief Executive

As the pandemic moves into its third year, we continue to focus on providing support for our members and keeping our employees safe, maintaining continuity in our operations, and implementing our strategic priorities.

Overview of half year financial performance

The IMB group recorded a net profit after tax of \$14.4 million for the half year to 31 December 2021, in line with expectations. While down on the \$16 million result for the previous corresponding period, this is considered to be a solid outcome reflecting the highly competitive environment and the fluctuating economic conditions associated with COVID, together with the costs of important initiatives such as our relocation to a new head office building and our lending transformation project as these became operational.

IMB Bank's average interest margin is being well managed despite significant competitive pressure and was held at an average of 2.11%, consistent with the previous corresponding period. This outcome is reflective of our commitment to maintaining the underlying financial strength of the business and delivering balanced outcomes for all of our members.

Retail Deposits increased by \$224 million and in the low rate environment, we are focused on maintaining our competitive position as an alternative to the major banks. The loan portfolio was broadly maintained, and overall total assets increased to \$7.13 billion. We achieved loan approvals of \$690 million, continuing the momentum of the previous half to 30 June 2021 (loan approvals: \$676 million).

Chairman's and CEO's Report

continued



\$7.13
billion in
assets

This was an improvement of 8.3% compared to loan approvals of \$637 million for the corresponding half year to 31 December 2020.

We are closely monitoring our loan portfolios and the needs of our borrower members given the potential impacts of lockdowns and the more recent challenges as the virus drives many members of the community into isolation. We are pleased to report that as of 31 December there has been only a slight deterioration in the rate of financial hardship assistance required by our members as against 30 June 2021, which remains very low at 0.9%. Given the current environment, we are cautious about the renewed pressure that some of our members may face, and the COVID related provision of \$2.9 million set at 30 June 2021 has therefore been maintained.

At 31 December, capital adequacy remained strong at 17.4% and regulatory liquidity was 19.5%, with the Board and management ensuring appropriate buffers are being maintained to manage the risks of the uncertain environment. In November 2021, APRA finalised the new bank capital framework under APS 111 Capital Adequacy which is designed to strengthen financial system resilience. We are preparing for the proposed changes and expect a small improvement in total regulatory capital upon the

changes becoming effective from 1 January 2023.

Strategy and Operations

We have made considerable progress on our strategic initiatives with the period to 31 December 2021 seeing the successful delivery of several key projects that support IMB's ongoing competitiveness as a leading mutual ADI.

Following the establishment of a new lending system in FY2021 that provides a streamlined lending experience for our members and enhanced productivity across our lending processes, we are delighted that IMB's mortgage products are now available Australia-wide through our recently launched digital platform. This is a major milestone in IMB's digital transformation roadmap. Delivering greater convenience for our borrowers, the platform makes it easy to apply for a loan digitally, with a simple, faster, and secure user interface, that works on any device, 24/7. IMB's lenders are available across extended hours to assist borrowers at any stage of the process via web chat or phone, or in person.

Recognising the continuous shift by customers to banking online, we are pushing forward with the upgrade of our mobile app and our online personal lending and

deposit platforms, as well as enhancing our fraud prevention systems and scam awareness initiatives. We are providing members with more options for how they can engage with us, including self-serve capabilities to deliver greater efficiency and convenience, at the same time as optimising our physical branches and expanding our team of Business Bankers.

Our people and community

Our commitment to member-focus means that we have worked hard to minimise disruption in our operations, while ensuring we can keep our members and employees safe.

Our employees have demonstrated high levels of flexibility and resilience in extraordinary circumstances, and because of this, our members have been able to continue to bank with confidence. We thank all IMB employees for the care and commitment they have displayed throughout continuously changing and demanding conditions. As we enter the second half facing another set of challenges, we will continue to prioritise the wellbeing of our employees and members, doing what is needed to help families, businesses, and communities through these difficult times.

In late 2021 the IMB Bank Community Foundation funding program was delivered with 64 local community groups and projects across NSW and the ACT sharing in \$550,000 in grants that support people in need. Since its establishment, the Foundation has provided funding of over \$11 million to more than 800 community groups, striving to engage and connect with our communities through volunteer organisations, not-for-profit groups and charities, funding projects that help create better outcomes for the people living in them.

In December 2021, we welcomed non-executive director, Christopher Whitehead to the Board, to fill a casual vacancy. We welcome the deep financial services experience that Chris will bring to IMB's retail banking and digital strategies and confirm that Chris will be required to stand for re-appointment by members at the 2022 AGM.

Dividends

Having considered a range of factors such as the interim profit result, prudential guidance, the economic outlook and ongoing challenges for the full-year profit outcome, and balancing the varying interests of all IMB Bank members, the Board has declared an interim dividend of eight (8.0) cents per share, fully franked. The effective dividend payout ratio is

Chairman's and CEO's Report

continued



\$550k
grants
supporting
the
community

77% of shareholders' interest in contributed funding.

The dividend will be paid after the close of trading on 25 February 2022 to IMB Bank shareholders registered at that date.

On the basis that it would not be an effective use of capital in the current environment, as previously announced, there are no current plans for a buyback of IMB ordinary shares to be undertaken.

Outlook

As we approached the end of the first half of FY21, with high vaccination rates and rebounding consumer confidence, it was hoped that the impacts of the pandemic were largely in the past. This is unfortunately not the case, and the resilience of the Australian economy is once again being tested. The underlying strength and sustainability of our business means that IMB is positioned well to navigate these uncertain conditions, however ongoing margin pressure and any effects of COVID on credit outcomes will challenge our ability to achieve a full-year profit for FY22 at the same level as FY21.

As a result of the ongoing impacts of the omicron virus, it is reasonable to expect that the foreshadowed economic recovery will be subdued through

workforce shortages and restraint in consumer spending. However, ongoing demand for housing means that lending activity is likely to remain strong and we are encouraged by our ability to serve newer markets through our digital channels.

We are confident in IMB Bank's ability to continue to deliver sustainable outcomes for all of our stakeholders and thank our members for your continued support.

NH Cornish AM
Chairman

RJ Ryan
Chief Executive

Directors' Report

As at 31 December 2021

The directors have pleasure in presenting their report together with the consolidated interim financial report for the six months ended 31 December 2021 and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the six months ended 31 December 2021 are:

Name	Period of directorship
Noel Harold Cornish AM, Chairman	Since 2010
Catherine Ann Aston	Since 2016
Peter John Fitzgerald	Since 2017
Jann Angela Gardner	Since 2020
Jan Margaret Swinhoe	Since 2014
Harry Walter Wendt	Since 2020
Christopher Whitehead	Since Dec 2021

Review of operations

Members are referred to the Chairman's and CEO's Report on page 3.

Interim dividend

Members are referred to the Chairman's and CEO's Report on page 3.

Lead Auditor's Independence Declaration

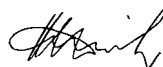
The lead auditor's independence declaration is set out on page 25 and forms part of the directors' report for the six months ended 31 December 2021.

Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that Instrument, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Wollongong this 25th day of January 2022.

Signed in accordance with a resolution of the directors:



NH Cornish AM
Chairman



PJ Fitzgerald
Director

Condensed Interim Profit or Loss Statement

For the six months ended 31 December 2021

	Consolidated	
	For the six months ended 31 Dec 2021 \$'000	For the six months ended 31 Dec 2020 \$'000
Interest revenue	86,837	98,918
Interest expense	(15,248)	(27,021)
Net interest income	71,589	71,897
Impairment recoveries/(losses) on financial instruments	54	134
Net interest income after impairment losses	71,643	72,031
Fee and commission income	4,764	5,264
Fee and commission expense	(124)	(132)
Net fee and commission income	4,640	5,132
Other income	597	551
Net operating income	76,880	77,714
Operating expenses	(56,577)	(54,849)
Profit before tax	20,303	22,865
Income tax expense	(5,861)	(6,884)
Profit for the year attributable to members of the Company	14,442	15,981

The condensed interim profit or loss statement is to be read in conjunction with the condensed notes set out on pages 14 to 21.

Condensed Interim Statement of Comprehensive Income

For the six months ended 31 December 2021

	Consolidated	
	For the six months ended 31 Dec 2021 \$'000	For the six months ended 31 Dec 2020 \$'000
Profit for the period	14,442	15,981
Other comprehensive income/(expense):		
Items that will never be reclassified to profit or loss:		
Net change in fair value of other financial assets at FVOCI	-	-
<i>Total items that will never be reclassified to profit or loss</i>	<i>-</i>	<i>-</i>
Items that are or may be reclassified subsequently to profit or loss:		
Net change in fair value of derivative liabilities	(1,965)	63
Net change in fair value of investment debt securities at FVOCI	(5,350)	6,003
Net change in fair value of investment debt securities at FVOCI transferred to profit and loss	65	(506)
<i>Total items that may be reclassified subsequently to profit or loss</i>	<i>(7,250)</i>	<i>5,560</i>
Total other comprehensive expense for the period, net of income tax	(7,250)	5,560
Total comprehensive income for the period	7,192	21,541

Amounts are stated net of tax.

The condensed interim statement of comprehensive income is to be read in conjunction with the condensed notes set out on pages 14 to 21.

Condensed Interim Statement of Financial Position

As at 31 December 2021

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
ASSETS		
Cash and cash equivalents	255,820	134,558
Investment debt securities	1,215,230	1,134,349
Deposits with other ADIs	83,618	108,094
Loans and advances to customers	5,445,415	5,458,598
Other financial assets	1,294	1,294
Derivative assets	-	2,690
Property, plant and equipment	95,708	94,502
Intangible assets	9,664	8,774
Net deferred tax assets	6,964	4,174
Other assets	16,128	17,842
Total Assets	7,129,841	6,964,875
LIABILITIES		
Trade and other payables	36,071	42,668
Deposits	6,082,358	5,858,054
Securitised loans funding	119,909	178,866
Interest bearing liabilities	434,552	431,751
Derivative liabilities	117	-
Current tax liabilities	210	2,190
Provisions	12,073	11,817
Total Liabilities	6,685,290	6,525,346
Net Assets	444,551	439,529
EQUITY		
Share capital	28,324	28,324
Reserves	68,258	76,218
Retained earnings	347,969	334,987
Total equity attributable to members of the Company	444,551	439,529

The condensed interim statement of financial position is to be read in conjunction with the condensed notes set out on pages 14 to 21.

Condensed Interim Statement of Cash Flows

For the six months ended 31 December 2021

		Consolidated	
		For the six months ended 31 Dec 2021	For the six months ended 31 Dec 2020
	Note	\$'000	\$'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Interest received		87,042	95,512
Other cash receipts in the course of operations		7,346	6,580
Interest paid on deposits		(17,950)	(30,515)
Net increase in deposits		227,006	142,141
Income taxes paid		(10,632)	(4,667)
Net loan repayments from members		16,549	(15,240)
Other cash payments in the course of operations		(56,144)	(35,866)
Net cash flows from/(used in) operating activities		253,217	157,945
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Net (payments for)/redemptions of investment debt securities and loans and advances to ADIs		(64,362)	(280,560)
Expenditure on property, plant and equipment, and intangibles		(9,407)	(14,465)
Proceeds from sale of property, plant and equipment		139	179
Net cash flows (used in)/from investing activities		(73,630)	(294,846)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Net repayments of securitised loans funding		(58,956)	(33,013)
Net proceeds from interest bearing liabilities		2,801	111,558
Own shares acquired		-	-
Dividends paid	5	(2,170)	(1,808)
Net cash flows (used in)/from financing activities		(58,325)	76,737
Net increase/(decrease) in cash and cash equivalents held		121,262	(60,164)
Cash and cash equivalents at 1 July		134,558	226,384
Cash and cash equivalents at 31 December	6	255,820	166,220

The condensed interim statement of cash flows is to be read in conjunction with the condensed notes set out on pages 14 to 21.

Condensed Interim Statement of Changes in Equity

For the six months ended 31 December 2020

<i>In thousands of AUD</i>	Consolidated							
	Share capital	Fair value reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Transfer of business reserve	Retained earnings	Total equity
Balance at 1 July 2020	28,324	2,772	3,545	7,517	25,255	37,705	306,559	411,677
Acquired on merger	-	-	-	-	-	56	-	56
Total comprehensive income for the period								
Profit after tax	-	-	-	-	-	-	15,981	15,981
Other comprehensive income								
Net revaluation movement due to change in fair value	-	6,003	63	-	-	-	-	6,066
Investment debt securities at FVOCI reclassified to profit or loss	-	(506)	-	-	-	-	-	(506)
Total other comprehensive income	-	5,497	63	-	-	-	-	5,560
Total comprehensive income for the period	-	5,497	63	-	-	-	15,981	21,541
Transfer to retained profits	-	-	-	(376)	-	-	376	-
Transactions with owners, recorded in equity								
Dividends to shareholder members	-	-	-	-	-	-	(1,808)	(1,808)
Balance at 31 December 2020	28,324	8,269	3,608	7,141	25,255	37,761	321,108	431,466

Condensed Interim Statement of Changes in Equity

For the six months ended 31 December 2021

<i>In thousands of AUD</i>	Consolidated							
	Share capital	Fair value reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Transfer of business reserve	Retained earnings	Total equity
Balance at 1 July 2021	28,324	4,036	1,883	7,484	25,255	37,560	334,987	439,529
Total comprehensive income for the period								
Profit after tax	-	-	-	-	-	-	14,442	14,442
Other comprehensive income								
Net revaluation movement due to change in fair value	-	(5,350)	(1,965)	-	-	-	-	(7,315)
Investment debt securities at FVOCI reclassified to profit or loss	-	65	-	-	-	-	-	65
Total other comprehensive income	-	(5,285)	(1,965)	-	-	-	-	(7,250)
Total comprehensive income for the period	-	(5,285)	(1,965)	-	-	-	14,442	7,192
Transfer to retained profits	-	-	-	(710)	-	-	710	-
Transactions with owners, recorded in equity								
Dividends to shareholder members	-	-	-	-	-	-	(2,170)	(2,170)
Balance at 31 December 2021	28,324	(1,249)	(82)	6,774	25,255	37,560	347,969	444,551

Amounts are stated net of tax. The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes set out on pages 14 to 21.

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2021

1 Reporting entity

IMB Ltd (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2021 comprises the Company and its subsidiaries (together referred to as the “Group”).

The Group is a for-profit entity primarily involved in the provision to members of banking and financial services, including lending, savings, insurance and investment products.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2021 is available upon request from the Company’s registered office at 47 Burelli Street, Wollongong or at www.imb.com.au.

2 Statement of compliance

These consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 134 *Interim Financial Reporting*.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2021.

This consolidated interim financial report was approved by the Board of Directors on 25th January 2022.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191* and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Use of judgements and estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated interim financial statements, other than the matters discussed below, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2021.

COVID-19

The Novel Coronavirus (COVID-19) continues to have an impact on global economies and financial markets. It has also led to material structural shifts in the behaviour of the economy and unprecedented actions by financial markets, governments, and regulators.

Where applicable, the impact of COVID-19 has been incorporated into the determination of the Group's results of operations and measurement of its assets and liabilities at the reporting date.

The Group's processes to determine the impact of COVID-19 for this interim financial report are consistent with the processes disclosed and applied in its 30 June 2021 financial reports.

The COVID-19 overlay, included in the provision for expected credit losses to reflect the estimated impact of the COVID-19 pandemic, at 31 December 2021 was \$2,845,000 (30 June 2021: \$2,885,000).

Software-as-a-Service (SaaS) arrangements

Note 4 describes the Group's accounting policy in respect of configuration and customisation costs incurred in implementing SaaS arrangements. In applying the Group's accounting policy, the directors made the following key judgements that may have the most significant effect on the amounts recognised in financial statements.

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Group has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application.

Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets.

For the six months ended 31 December 2021, the Group recognised \$522,000 (2020: nil) as intangible assets in respect of developed software code.

Condensed Notes to the Consolidated Interim Financial Statements

continued

4 Changes in significant accounting policies

Software-as-a-Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- *Customer's right to receive access to the supplier's software hosted on the cloud (March 2019)* – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- *Configuration or customisation costs in a cloud computing arrangement (April 2021)* – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position.

The Group has reconsidered its accounting treatment and adopted the treatment set out in this IFRIC agenda decision.

The accounting treatment of costs incurred in relation to SaaS arrangements is as follows:

- Fees for the use of application software and customisation costs are recognised as an operating expense over the term of the service contract; and
- Any configuration costs, data conversion and migration costs, testing costs and training costs are recognised as an operating expense as the service is received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

The change in policy has been applied retrospectively and has resulted in the reclassification of \$789,000 in Intangible Assets to Other Assets in the Statement of Financial Position at 30 June 2021. This has not resulted in a change to the previously reported Profit or Loss statement.

Other than the matter discussed above, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2021.

5 Dividends

	For the six months ended Dec 2021 \$'000	For the six months ended Dec 2020 \$'000
Fully franked final dividend declared on 14 September 2020 - \$0.075 per share franked to 100% at a tax rate of 30% paid on 21 September 2020 on 24,110,261 shares	-	1,808
Fully franked final dividend declared on 24 August 2021 - \$0.09 per share franked to 100% at a tax rate of 30% paid on 1 September 2021 on 24,110,261 shares	2,170	-
	2,170	1,808

Subsequent events:

On 25 January 2022, the Board declared an interim dividend of 8 cents per share amounting to \$1,929,000 franked to 100% at a tax rate of 30%, in respect to the six months ended 31 December 2021. The dividend is payable on 25 February 2022. The financial effect of this interim dividend has not been brought to account in the Group's financial report for the six months ended 31 December 2021 and will be recognised in the subsequent financial report.

6 Notes to the statement of cash flows

Reconciliation of cash

Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	For the six months ended Dec 2021 \$'000	For the six months ended Dec 2020 \$'000
Cash controlled by the Group	131,696	85,635
Cash controlled by SPEs	124,124	80,585
Total	255,820	166,220

Condensed Notes to the Consolidated Interim Financial Statements

continued

7 Fair Value

Fair value

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial instrument is not active, fair values are estimated using present value cash flows or other valuation techniques.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Financial instruments carried at fair value

- Financial instruments classified as FVOCI are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated based on pricing models or other recognised valuation techniques.
- Derivative instruments used for the purpose of hedging interest rate risk, are carried at fair value. Fair value is measured by a method of forecasting future cash flows, with reference to relevant closing market prices and formula conventions at balance date.

Financial instruments carried at amortised cost

- The fair value of liquid assets and other assets maturing within 12 months approximates their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- The fair value of at call deposits with no specific maturity approximates their carrying amount as they are short-term in nature or are payable on demand.
- The fair value of term deposits at amortised cost is estimated by reference to current market rates offered on similar deposits.
- The fair value of variable rate financial instruments, including loan assets and liabilities carried at amortised cost are approximated by their carrying value. In the case of loan assets held at amortised cost, changes in the fair value do not reflect changes in credit quality, as the impact of credit risk is largely recognised separately by deducting the amount of an allowance for credit losses.
- The fair value of fixed rate loans at amortised cost is estimated by reference to current market rates offered on similar loans.

Fair value hierarchy

The following tables show the carrying amount and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2021	Carrying Amount \$'000	Fair Value			Total consolidated \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets measured at FVOCI					
Investment debt securities	1,215,230	-	1,215,230	-	1,215,230
Other financial assets	1,294	-	-	1,294	1,294
	1,216,524				
Financial assets measured at amortised cost					
Cash and cash equivalents	255,820				
Deposits with other ADIs	83,618				
Loans and advances to customers	5,445,415	-	-	5,454,322	5,454,322
Trade and other receivables	16,128				
	5,800,981				
Financial liabilities measured at FVOCI					
Derivative financial liabilities	117	-	117	-	117
Financial liabilities measured at amortised cost					
Deposits	6,082,358	-	6,084,300	-	6,084,300
Securitised loan funding	119,909				
Interest bearing liabilities	434,552				
Trade and other payables	36,071				
	6,672,890				

Condensed Notes to the Consolidated Interim Financial Statements

continued

30 June 2021	Carrying Amount \$'000		Fair Value		Total consolidated \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets measured at FVOCI					
Investment debt securities	1,134,349	-	1,134,349	-	1,134,349
Derivative financial assets	2,690	-	2,690	-	2,690
Other financial assets	1,294	-	-	1,294	1,294
	1,138,333				
Financial assets measured at amortised cost					
Cash and cash equivalents	134,558				
Deposits with other ADIs	108,094				
Loans and advances to customers	5,458,598	-	-	5,477,406	5,477,406
Other assets	17,842				
	5,719,092				
Financial liabilities measured at amortised cost					
Deposits	5,858,054	-	5,863,035	-	5,863,035
Securitised loan funding	178,866				
Interest bearing liabilities	431,751				
Trade and other payables	42,668				
	6,511,339				

Valuation techniques

Financial instruments classified as investment debt securities are valued by a market comparison technique of like securities, using market interest rates and credit trading margins.

Deposits and loans are valued by means of a discounted cash flow model which considers the present value of future cash flows. The discount factors are derived from the term structure of interest rates corresponding to the term of the cash flows being present valued. A yield curve is constructed from benchmark market rates. Also, for fixed rate mortgages, cash flows are adjusted for the effect of principal prepayment.

Loans and advances to customers, measured at FVTPL due to the no negative equity guarantee component of these loans, are valued based on assumptions around mortality, property prices and interest rates at balance date and throughout the life of the loan.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on current market rates at the reporting date which incorporate an appropriate credit spread, and were as follows:

	Dec 2021	June 2021
Derivatives	0.40% – 1.64%	0.08% – 0.92%
Loans and borrowings	0.10% – 1.64%	0.10% – 0.92%

8 Related parties

Arrangements with current related parties continue to be in place. For details on these arrangements, refer to the 30 June 2021 annual financial report.

9 Events Subsequent to Reporting Date

Dividends

For dividends declared by IMB Ltd after 31 December 2021 refer to note 5.

COVID-19

The Group continues to monitor the impact of COVID-19 on the financial statements with levels of assistance provided to Members impacted by the pandemic remaining very low.

Other

There were no other events subsequent to balance date.

10 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and earlier application is permitted, however the Group has not early adopted the new or amended standards in preparing these financial statements. None of these are expected to have a material impact on the Group's financial statements in the period of initial adoption.

Directors' Declaration

In the opinion of the directors of IMB Ltd ("the Company"):

1. the condensed consolidated interim financial statements and notes set out on pages 14 to 21, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2021 and of its performance, for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this 25th day of January 2022.

Signed in accordance with a resolution of the directors:



NH Cornish AM

Chairman



PJ Fitzgerald

Director



Independent Auditor's Review Report

To the members of IMB Ltd

Conclusion

We have reviewed the accompanying Interim Financial Report of IMB Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of IMB Ltd does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Interim Financial Report comprises:

- Condensed Interim Statement of Financial Position as at 31 December 2021
- Condensed Interim Profit or Loss Statement, Condensed Interim Statement of Comprehensive Income, Condensed Interim Statement of Changes in Equity and Condensed Interim Statement of Cash Flows for the Interim Period ended on that date
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The Group comprises IMB Ltd (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The Interim Period is the 6 months ended on 31 December 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Richard Drinnan

Partner

Wollongong

25 January 2022



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of IMB Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of IMB Ltd for the half-year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Richard Drinnan

Partner

Wollongong

25 January 2022

Directors' Particulars

Noel Harold Cornish AM

BSC (MET) M ENGSC FAICD

Mr Cornish has been a director of IMB Ltd since 2010 and was elected Chairman in 2016. Mr Cornish is Chairperson of the Capital and Securitisation Committee and is a member of the People and Culture Committee. As well as being Chairman of IMB Ltd, Mr Cornish is also Chairman of all entities wholly owned by IMB Ltd.

Catherine Ann Aston

B.EC M. COMM TFASFA GAICD

Ms Aston has been a director of IMB Ltd since 2016. Ms Aston is the Chairperson of the Risk Committee and is a member of the Audit Committee and the Capital & Securitisation Committee. As well as being a director of IMB Ltd, Ms Aston is also a director of all entities wholly owned by IMB Ltd.

Peter John Fitzgerald

BCOM FCA GAICD

Mr Fitzgerald has been a director of IMB Ltd since 2017. Mr Fitzgerald is the Chairperson of the Audit Committee, and is a member of the People and Culture Committee and the IMB Bank Community Foundation Committee. As well as being a director of IMB Ltd, Mr Fitzgerald is also a director of all entities wholly owned by IMB Ltd.

Jann Angela Gardner

BA LLB, MBA, GAICD

Ms Gardner has been a non-executive director of IMB since May 2020. Ms Gardner is a member of the Audit Committee, the Capital & Securitisation Committee and the IMB Bank Community Foundation Committee. As well as being a director of IMB Ltd, Ms Gardner is also a director of all entities wholly owned by IMB Ltd.

Jan Margaret Swinhoe

BSC (HONS) AIAA GAICD

Ms Swinhoe has been a director of IMB Ltd since 2014. Ms Swinhoe is the Chairperson of the IMB Bank Community Foundation Committee and is a member of the People and Culture Committee. As well as being a director of IMB Ltd, Ms Swinhoe is also a director of all entities wholly owned by IMB Ltd.

Harry Walter Wendt

BSC (COMPSC) MSC (Astronomy) PHD GAICD

Dr. Wendt has been a non-executive director of IMB since July 2020. Dr. Wendt is currently the Chair of the People and Culture Committee and is a member of the Risk Committee. As well as being a director of IMB Ltd, Dr. Wendt is also a director of all entities wholly owned by IMB Ltd.

Christopher Whitehead

Chartered Banker F FIN BSC FAICD

Mr Whitehead has been a director of IMB Ltd since December 2021. Mr Whitehead is a member of the Audit Committee and the Risk Committee. As well as being a director of IMB Ltd, Mr Whitehead is also a director of all entities wholly owned by IMB Ltd.

Statistical Highlights

		Consolidated	
at 31 December		2021	2020
Net assets/total assets	%	6.2	6.1
Risk weighted capital adequacy	%	17.4	16.5
APRA high quality liquid assets	%	19.5	20.0
Non-interest expenses/operating income	%	73.6	70.6
for the half year ended 31 December			
Annualised after tax return on			
- average total assets	%	0.4	0.5
- average net assets	%	6.6	8.0
Interim dividend per share*	cents	8.0	9.0

* Interim dividend relating to the profit for the period was declared after the end of the reporting period but before the signing of this report.



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IMB Ltd trading as IMB Bank ABN 92 087 651 974