imb bank

2022 Annual Report

Innovation. Sustainability.
A stronger future for our members.

Contents

About **IMB**

Established in 1880, IMB Bank has been helping people achieve their financial goals for 142 years. We are a proud, growing mutual bank that places our members' financial needs at the centre of our banking experience, and we work with our communities to help them thrive.

Our Purpose

IMB provides simple, authentic member-owned banking that helps our members and communities be better off.

Our Values

IMB's values reflect the way we do things. They are the guiding principles by which we run the business and conduct ourselves in all interactions with all our stakeholders.

Integrity

Respect

Performance

Member focused

Solutions

Notice of Annual General Meeting

The Annual General Meeting of IMB Ltd will be held at the Novotel Northbeach Hotel, 2-14 Cliff Road, North Wollongong on Tuesday, 25 October 2022 at 10.30am.

Acknowledgement of Country

IMB acknowledges the Traditional Custodians of the lands on which we operate and pay our respects to Elders past, present and emerging.

2021/22 **Highlights**

Results

Total assets grew to $7.1 billion

Our financial performance was sound in a very challenging environment. Group operating profit after tax of $29.5 million, 4.2% below the prior year.

Other results for the financial year include:

- Approving a record level of loans totalling $1.4 billion, an increase of 5.8%
- Retail deposits grew 5.2% to $5.5 billion.
- Average interest margin for the year was 2.11%, reflecting prudent management of the balance sheet in a low interest rate environment.
- The ratio of non-interest expense to operating income for the Group increased to 72.9%, up from 71.5% in the previous year.

Community Support

$11m support for 800+ projects

With over $11 million donated to more than 800 community projects since 1999, the IMB Bank Community Foundation committed once again in 2022 to supporting community needs with an additional $600,000 in grants to projects run by not-for-profit, charity and community groups.

Sixty-five projects were funded in FY22, with over one-third of projects involving mental health initiatives. We received a record number of applications with increasing representation from the ACT, the Hunter and Greater Sydney.

Sustainability and Environment

IMB is committed to a greener future

Recognising that climate change is a key challenge for our time, our Climate Working Group is considering actions to reduce the effects of climate change on our business, our members and our communities, and to reduce IMB's carbon footprint.

We are committed to making a positive impact for the benefit of current and future generations through our community support programs, a commitment to an equal and inclusive workplace, the continued development of more environmentally sustainable practices and continuous improvement in our policies and procedures.

Supporting Gender Equality

Equity and inclusion in the workplace

We are proud of the culture at IMB. Our commitment to the creation of a great place to work – based on inclusion, respect and integrity – is evidenced by our achievement of citation as an Employer of Choice for Gender Equality, which we maintained for a second year.

We implemented a Diversity Equity and Inclusion Working Group to develop our approach to inclusion even further in the year ahead. With representation from across our business, this group will bring the diverse perspectives of our people to the discussion.

Responding to the events of FY2022 and the needs of our members, IMB demonstrated innovation, equality and resilience.

Connecting With Our Members

Service and innovation

We are connecting with our members more easily and across more channels, through initiatives including the expansion of IMB Connect which enables customer service teams to engage with members across a range of channels, our refreshed mobile app and enhanced lending capability.

Once again, 2022 was a challenging year for our members. We continued our support for our customers who have experienced financial hardship due to the pandemic and the natural disasters of FY22.

IMB continued to work to protect our members from fraud and scams. We are committed to refining education for members on recognising scams and cyber-theft, and ensuring our systems are continuously improved to respond to evolving risks.

Recognition

Australia's Most Satisfied Customers

We have been independently recognised by Australia's largest financial products comparison site, Canstar, who bestowed on IMB both of its Most Satisfied Customers – Bank and Most Satisfied Customers – Customer Owned Bank awards for 2022.

Canstar have also acknowledged that it is unprecedented in its Awards history for a single bank to win both categories.

Innovation

Strength, security and simplicity

FY22 saw the completion and release to market of several long-term projects.

Launch of IMB's digital channel lending experience – Recognising changing customer preferences, IMB launched an all-new digital portal that allows customers to apply for their home loan online. Delivering fast conditional approvals and built on modern technology foundations, customers can interact digitally throughout the home loan experience, including receiving status updates, or uploading documents, on their phone or laptop at a time that suits their needs.

Expansion of IMB Connect – This year, we expanded our IMB Connect initiative, which leverages the expertise and service capabilities of our customer service teams and enables them to seamlessly engage with members over the phone or digitally. Utilising modern cloud-based platforms, the initiative is reducing wait times and creating better experiences and outcomes for our members.

Launch of Next Generation mobile app – IMB's mobile apps is now our most used service channel, with many members using the app several times a day. IMB's new app is built on highly secure and available infrastructure, and delivers a range of new features for Android and iOS devices. These include biometric ID, secure in-app messaging, easy payment manager, real-time payments in app, multi-sign transaction security, instant service updates and loan redraws – all from the convenience of your phone. We will be delivering many more new features over the year ahead.

Open Banking We reached another significant milestone, providing eligible individuals with consumer data sharing capability. This enables our members to initiate the sharing of their IMB data (for certain accounts) with accredited third parties if they wish to do so.

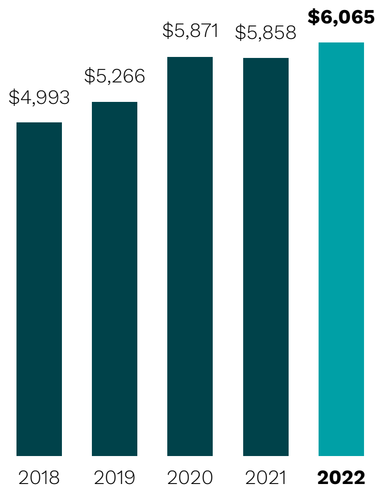
Five-Year **Summary**

		2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000
Financial performance						
Interest income		**171,411**	189,979	214,944	242,279	231,874
Interest expense		**28,248**	46,619	85,208	117,327	110,529
Interest margin		**143,163**	143,360	129,736	124,952	121,345
Non-interest income		**10,547**	11,062	13,756	13,573	14,086
Impairment (reversal)/losses		**(1,056)**	(603)	5,178	1,501	1,235
Non-interest expense		**112,809**	110,808	100,629	91,623	89,012
Profit before tax		**41,957**	44,217	37,685	45,401	45,184
Income tax expense		**12,410**	13,402	11,354	13,669	13,623
Profit after tax		**29,547**	30,815	26,331	31,732	31,561
Financial position						
Assets						
Loans and advances		**5,567,812**	5,458,598	5,390,648	4,924,283	4,569,669
Liquids		**1,367,645**	1,377,001	1,277,908	1,083,210	1,298,933
Other		**140,838**	129,276	118,034	69,584	43,580
		7,076,295	6,964,875	6,786,590	6,077,077	5,912,182
Liabilities						
Deposits		**6,065,549**	5,858,054	5,871,469	5,266,418	4,993,265
Securitised loans funding		**101,899**	178,866	240,198	324,004	405,795
Other		**471,601**	488,426	263,246	123,947	169,435
		6,639,049	6,525,346	6,374,913	5,714,369	5,568,495
Net assets		**437,246**	439,529	411,677	362,708	343,687
Total assets		**7,076,295**	6,964,875	6,786,590	6,077,077	5,912,182
Performance ratios						
Capital adequacy	%	**14.8**	17.4	16.0	15.5	16.1
Total asset growth	%	**1.6**	2.6	11.7	2.8	3.5
Net asset growth	%	**(0.5)**	6.8	13.5	5.5	4.1
After-tax return on average net assets	%	**5.5**	6.5	7.8	9.0	9.4
Non-interest income/average total assets	%	**0.15**	0.16	0.22	0.23	0.24
Non-interest expenses/average total assets	%	**1.57**	1.58	1.60	1.53	1.54
Non-interest expenses/operating income	%	**72.9**	71.5	72.8	66.9	66.3
Bad debts expense/average loans	%	**(0.02)**	(0.01)	0.10	0.03	0.03
Interest margin	%	**2.09**	2.13	2.09	2.12	2.13

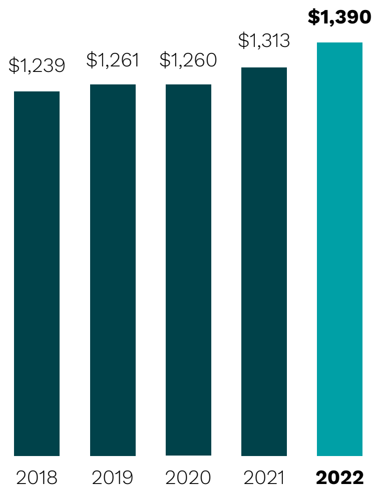
2022 **Results**

Total Assets ($m)

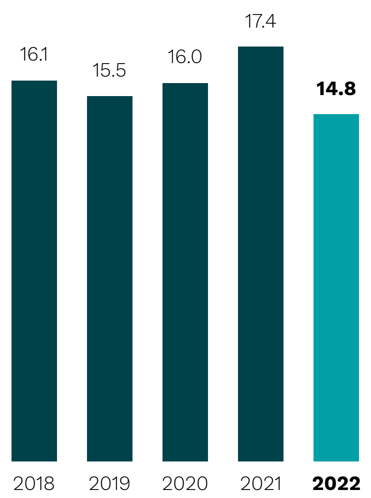
Members Deposits ($m)



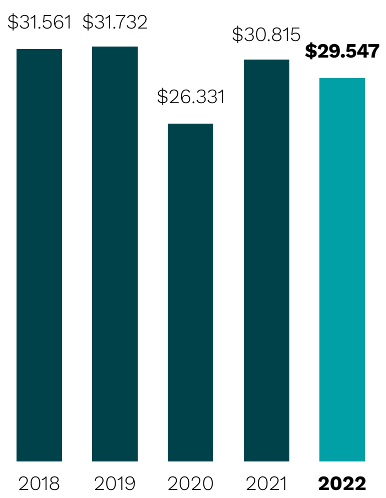
Total Loans Approved ($m)



Capital Ratio (%)



Profit After Tax ($m)



Employer of Choice for Gender Equality

Citation awarded to
IMB Bank for 2021/22

WGEA
Employer
of Choice for
Gender Equality

IMB Bank achieved an historic first, receiving Canstar's awards for Australia's Most Satisfied Customers in both the "Customer Owned Bank" and "Bank" categories.

A message from our **Chairman** and **Chief Executive**

In the 2021-2022 financial year, IMB entered a further period of economic and societal uncertainty in a position of strength. IMB has navigated the ongoing challenges in a way that has ensured the organisation continues to be financially strong and highly connected with members despite the prevailing disruption affecting the community.

$29.5m
Group operating profit

Over the last financial year, IMB maintained its commitment to serving and supporting members when they most needed it, prioritised the health and wellbeing of its people and delivered on an ambitious strategic agenda through exciting digital innovation that positions IMB well for the future.

We are delighted that these efforts have been independently recognised by Australia's largest financial products comparison site, Canstar, which bestowed on IMB both of its **Most Satisfied Customers – Bank** and **Most Satisfied Customers – Customer Owned Bank** awards for 2022. Canstar's criteria includes customer service, ability to meet banking needs, value for money, fees and charges, digital banking capability and interest rates. We consider these awards to be a positive reflection of IMB's strong member-focused culture and a reinforcement of its core purpose which is to help members and their communities to be better off.

That IMB has come through a rapidly changing environment exceptionally well demonstrates the resilience of IMB's people and organisational culture as well as the sustainability of the business model which has provided the foundations to withstand the difficult conditions of the past year.

Leading with digital transformation

Significant progress was made on the execution of strategic initiatives that enable IMB to meet the changing expectations of its members. The appropriate balance is being maintained between ensuring the underlying financial health of the business and investing in new products and experiences that increase IMB's competitiveness as a leading mutual bank.

IMB is proud to have been able to keep branches open during the pandemic, while enhancing its multi-channel offering with complementary technology and processes that are transforming the way it does business.

> "IMB's new lending technology platform was significantly expanded during the year, and we are excited by the opportunities created through the release of a digital mortgage experience."

Borrowers now have the ability to apply and receive a fast automated conditional approval for an IMB home loan, online.

The IMB Connect initiative is linking IMB's contact centre's telephony and online enquiry channels with the branch network, allowing members from all regions to interact with experienced frontline customer service staff, quickly and conveniently. We are delighted with the improved call response times, better member experience and increased productivity and employee engagement the organisation is seeing from these new ways of working.

IMB's upgraded mobile app provides elevated levels of accessibility with secure messaging functionality, multi-user transaction capability, and fast and easy-to-use payment systems. Investment has continued into the cybersecurity strategy to protect information

Left: **Noel Cornish AM** Chairman
Right: **Robert Ryan** Chief Executive

Providing members secure, simple, convenient **digital banking**

A message from our Chairman and Chief Executive continued

$7.1b
Total assets

assets and give IMB's members the comfort they need when they use digital banking tools. Acknowledging the increasing frequency and sophistication of scams, education of members to help them identify indicators of fraud and protect their funds was also bolstered.

IMB's systems now support the Australian Government's Consumer Data Right initiative with individual members having the choice to share their banking data with accredited third-party recipients in a simple and secure manner. Completion of the foundational compliance components of this extensive undertaking will occur in the next financial year and we are looking forward to exploring the strategic growth opportunities enabled by the data sharing technology we have established.

> "While IMB is providing members with more options to interact with it through new banking technologies, the investment in the 52-strong branch network has been maintained."

Following the merger with Hunter United Employees' Credit Union, IMB's customer service teams are enjoying connecting with members across the east coast of Australia and IMB is building its share in key markets such as Sydney, the Illawarra, Newcastle, Canberra, and Melbourne.

IMB is also expanding its business banking proposition to the small business segment. A growing relationship management team spanning Newcastle, Sydney, Canberra, and the Illawarra/South Coast, supported by product extensions into equipment finance and process improvements have already started to deliver growth in the business portfolio.

In July 2022, IMB was invited onto the National Housing Finance and Investment Corporation's panel of lenders, allowing participation in the Government's Home Guarantees Scheme. This provides eligible Australians, including first home buyers and single parents, with support to buy a home through a lower deposit requirement without lender's mortgage insurance. IMB's involvement with the Scheme aligns strongly with one of the organisation's core value propositions, which has been helping people achieve their goals of home ownership, for over 140 years.

A year of resilient performance

During the year, member needs were prioritised as disruption from the COVID-19 pandemic continued and serious floods also affected members and their communities. Against this backdrop, a net profit after tax of $29.5 million was achieved, being 4.2% below the result for the previous financial year.

Total assets grew 1.6% to $7.1 billion. While markets were very competitive, IMB achieved a new annual lending record with loan approvals increasing 5.8 % to $1.4 billion. In the low interest rate environment, net interest margin of 2.09% was well maintained, slightly below 2.13% at the end of the previous year.

IMB maintained its prudent lending practices and extended assistance to personal banking and business banking members who experienced financial hardship due to the difficult economic conditions. Pleasingly, despite the ongoing challenges, mortgage portfolios were not adversely affected, and loan arrears continued at industry-leading low levels. Having assessed the external environment, IMB released its COVID overlay provision of $2.9 million. Underlying provisioning was increased by $1.6 million, in recognition of the potential impacts that may flow from current economic conditions.

IMB's multichannel approach is providing a competitive advantage for attracting retail deposits with deposits increasing by 5.2% to $5.5 billion.

The cost-to-income ratio increased slightly to 72.9%, reflecting investment in strategic initiatives and higher risk and compliance costs as IMB meets its data sharing obligations under the Australian Government's Consumer Data Right regime and other regulatory requirements.

At 30 June, capital adequacy was 14.8% and high-quality liquid assets were 16.6%, well above regulatory requirements. A small improvement in total regulatory capital is expected when APRA's new bank capital framework becomes effective on 1 January 2023.

Capital management strategy

The Board and management are ensuring strong capital levels are maintained in preparation for the change in the regulatory capital treatment of IMB ordinary shares which occurs on 1 January 2025. As previously advised to members, because of amendments to the prudential standards relating to capital adequacy, IMB's ordinary shares will not be included in IMB's regulatory capital ratios from that date. The removal of ordinary shares through a series of buybacks over time has been an important part of the Board's longer-term capital management strategy, however, based on current capital levels the completion of further ordinary share buybacks is not planned.

As part of a robust capital management strategy, the Board continues to consider options that will optimise IMB's capital base, including how other forms of prudentially recognised capital such as mutual equity instruments, preference shares, subordinated debt and capital notes may play a role in future capital management strategies.

The Board has declared a final dividend of 9 cents per share, fully franked. The Board had previously indicated that the dividend was likely to be within an effective payout ratio range of 65% to 80% based on shareholders' interest in contributed funding. The full year dividend is in line with this guidance and represents a payout ratio of approximately 79.9% of shareholders' interest in contributed funding.

People and culture

IMB's people have always been passionate about serving members and the community with a commitment to doing the right thing. Throughout the pandemic our people have continued to deliver outstanding service to all members, while ensuring they keep themselves and others safe. We thank all staff for their dedicated service during this period of disruption. Their loyalty and resourcefulness have enabled IMB to continue to support our members and communities as significantly challenging conditions prevailed.

IMB remains focused on creating a workplace of care and connection – delivering a positive and caring experience for all employees so they can be at their best for IMB's members and their communities.

> "We are proud of the way IMB's teams work together to solve problems and implement innovative new ways of working."

The resilience and adaptability of the organisation has again shone through this year, and we look forward to seeing the growth and development of IMB's people in the year ahead.

Environmental, social and governance

IMB has a strong commitment to sustainable and ethical business practices and is continuously improving how environmental, social and governance (ESG) principles are incorporated into the enterprise-wide risk management framework for the benefit of the organisation, members, and communities. IMB's values and policy frameworks guide and inform the way business is conducted, and how it can contribute to a better future

$1.4b
Total loan approvals

A message from our Chairman and Chief Executive continued

through diversity and inclusion initiatives and ongoing investment in the communities which IMB serves.

> It was pleasing to see IMB maintain its Employer of Choice for Gender Equality citation from the Workplace Gender Equality Agency, demonstrating an active focus on achieving gender equality across the workforce.

Progress is continuing on diversity strategies that aim to close the gender pay gap, with a Diversity Equity and Inclusion Committee comprised of stakeholders from across the business recently formed to expedite our achievements.

Another important milestone IMB is working towards is the establishment of its first "Reflect' Reconciliation Action Plan which provides a framework for participation in the National Reconciliation movement with Aboriginal and Torres Strait Islander peoples and communities. This is a small step in an ongoing journey through which IMB aims to build respectful relationships and create meaningful opportunities with Aboriginal and Torres Strait Islander peoples.

An internal ESG Working Group continues to advance IMB's sustainability framework. The Working Group is developing the actions and relevant targets that will support the United Nations' Sustainability Development Goals (SDGs) that have been chosen to align with IMB's five key strategic focus areas – our Members, our People, our Community, our Environment, and our Governance.

In the community

Since it started in 1999, the IMB Bank Community Foundation has been a helping hand and funding partner for many community groups, donating over $11 million to more than 800 community groups and projects across NSW, ACT and Melbourne.

Highlights over the years have included $1.8 million in aggregate for 163 youth-centred projects, $1.6 million for education and training projects, and support for volunteer services including Rural Fire Brigades, State Emergency Services (SES), Marine Rescue, Surf Life Saving Clubs and St John's Ambulance.

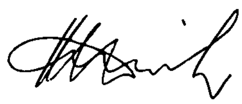
Some of the projects IMB supported this financial year were the Turbans4Australia community kitchen in Western Sydney, SCARF refugee support in the Illawarra, Canberra City Care community garden and affordable meals, and Survivors R Us mental health training in the Hunter region. Community support has also been provided through direct sponsorships such as the Newcastle Bikers Toy Run, South Coast Blaze Netball, Hills Football Association and St George Australian Football Club.

Outlook

IMB has a clear purpose – to build a stronger future for its members and their communities. While the operating environment remains challenging, the organisation has emerged from the pandemic as a more modern and agile bank that is well positioned for the future.

IMB's operations are financially strong and sustainable, enabling the delivery of the competitive products and convenient services being sought out by members. We believe the mutual banking sector continues to provide an important source of competition and choice for consumers as the leading alternative to the major banks.

There are significant opportunities for growth across the east coast of Australia as digital platforms allow more customers to experience the benefits of banking with IMB. IMB is committed to maintaining an award-winning customer experience through a multichannel banking offering, competitively priced products, and differentiating personalised service for members where, and when, they want it.



NH Cornish AM
Chairman

RJ Ryan
Chief Executive

Concluding thoughts from the Chairman – Noel Cornish AM

As part of the Board's planned renewal, I would like to inform IMB Bank's members that after 12 years as a director, and six years as Chair, I will retire from the Board just prior to the October 2022 Annual General Meeting.

It is my pleasure to announce that the new Chair will be Catherine Aston who joined the Board in 2016. Cathy is an outstanding choice to lead the Board, having highly valuable senior executive experience in business, financial management, technology, and marketing as well as an extensive career as a non-executive director and Board Chair of regulated entities. I wish Cathy every success and am confident of an effective transition given her organisational knowledge and enthusiasm for building on the progress achieved by IMB.

> "It has been a privilege to serve IMB and its members and I am grateful to have been given the opportunity to chair this organisation and work alongside so many talented people."

Throughout my interactions with staff across IMB's business, I have observed the close connections our employees share with our members and communities which differentiates IMB from its competitors. IMB's recent Canstar customer satisfaction awards are confirmation of this, and I am so pleased that our team has been recognised for their commitment to members.

When I joined the Board, IMB was in a strong position because of the contribution of those with the stewardship of the organisation before me. It is pleasing to reflect on the challenges we have navigated, and the significant progress achieved because of those solid foundations: growth through mergers, the transformation of the way we do business enabled by technology, and the agility and responsiveness of our workforce, who have put the needs of our members first throughout a uniquely difficult period of history. As I step down, IMB continues to be strong, secure, and ready for its next period of growth and service to members.

Over the course of my time on the Board, I have benefited from a tremendous amount of support from my fellow Board members, the Chief Executive, the executive team, and the entire IMB staff. It has been a pleasure to work with each of you and thank you for making my time with IMB so rewarding. I would also like to wish each of IMB's members well and hope you continue to remain part of the organisation's exciting journey ahead.

Our **ESG** commitment

IMB is committed to improving sustainable and ethical business practices in our operations.

Our approach to corporate social responsibility and ethical conduct has always been embedded through our core organisational values and governance frameworks, which are built on our mutual model of delivering benefits to our members and the communities in which we operate.

We are committed to making a positive impact for the benefit of current and future generations and are evolving our approach through our community support programs, a commitment to an equal and inclusive workplace, the development of more environmentally sustainable practices and continuous improvement in our policies and procedures.

IMB's values reflect the way we do things at IMB. They are the guiding principles by which we run the business and conduct ourselves in all interactions with all our stakeholders. The Environment, Social and Governance (ESG) focus areas identified within this report have been identified as they strongly align with our values.

IMB recognises the importance of considering the ESG implications of our activities and is committed to developing an ESG Framework as a reference point for considering IMB's ongoing impact.

Our approach to ESG will evolve to ensure it continues to align with expectations of all our stakeholders – our members, our people, the community, and relevant regulatory requirements including our response to climate change and good corporate governance.

Our **Members**

Working to create more options for our members to achieve their financial goals, IMB was found to have Australia's Most Satisfied Customers* in FY22.

Australia's Most Satisfied Customers

Recognising our enduring commitment to help Australians reach their financial objectives, IMB Bank was awarded two prestigious Canstar accolades in 2022: Most Satisfied Customers – Bank, and Most Satisfied Customers – Customer Owned Bank. A single bank winning both awards is unprecedented in Canstar's history.

According to Canstar research, IMB outperformed all other Australian banks in customer satisfaction taking into account many factors, including customer service, ability to meet banking needs, value for money, communication, fees and charges, digital banking capability and interest rates.

Canstar use accredited research panels and robust methodologies to survey thousands of consumers across Australia. All banks in the country were included in the survey. Given the competitiveness of the industry and meticulous research undertaken, winning both categories is an outstanding achievement, and the result of the exceptional effort and professionalism of our team.

Digital Home Loans for a better member experience

We released our digital mortgage platform, recognising the changing way our customers choose to conduct their banking. The platform assists our customers in applying for a home loan, wholly online, in as little as 30 minutes. A growing proportion of online home loan applications are now able to receive conditional approval, allowing those customers to pursue their home ownership goals in a fast and convenient way.

In addition, we digitised several components of our origination platform. This has included enhancements to automated credit decisioning to drive exception-based credit assessment and increasing our use of automated valuations, which improves our speed to YES. We continued to enable more mortgage application types to be accessed through the digital origination platform over the course of the year.

Protecting members from scams and fraud

With scams and cyber-theft at higher rates and more sophisticated than ever, IMB continues to build on its investment in technological safeguards for our members' security. We enhanced our programs for updating members on the evolving forms of scams and how best to combat them. We have put the spotlight on remote-access and investment scams and when banking online or making investment decisions, we urge members to ask themselves: "COULD THIS BE A SCAM?". An "Educate to Protect" program continues as a priority in FY2023, to help our members protect themselves.

Connecting with members wherever they are

FY22 saw the rollout of the IMB Connect initiative, which connects members calling on the phone or reaching out via digital service options with our branch team members. IMB Connect leverages the knowledge and exceptional service capabilities of our customer service teams while providing stimulating and varied work for our people to help members in new ways.

Helping our members get into their homes sooner

Through a combination of competitive rates, our new digital loan platform and IMB's customer-first service approach, we are continuously satisfying our home loan customers.

* The Canstar 2022 Most Satisfied Customers Awards were received in July 2022 for the Bank and Customer Owned Bank categories.

In June, the National Housing Finance and Investment Corporation made IMB Bank a member of the Home Guarantee Scheme, which supports eligible first home buyers and single-parent families into the property market sooner.

The Home Guarantee Scheme is a welcome addition to the service offer from IMB and aligns with our values; IMB has been helping people achieve their goals of home ownership for over 140 years.

Support through COVID and floods

Once again, 2022 was a challenging year for our members. We continued our support for our personal banking and business banking customers who have experienced financial hardship due to the pandemic and the natural disasters of FY22. Members have been assisted to restructure their loans and suspend payments, and a range of fees and charges were waived including transaction, dishonour and debit card replacement fees, and term deposit break costs.

Dedicated business banking specialists helping local businesses to grow

IMB is expanding its business banking presence and considers the small to medium business segment a key growth opportunity over coming years. We are developing a competitive, full service, relationship managed mutual offering to the SME sector, delivered with the personalised service expected from a leading mutual bank.

With a growing team of bankers across all regions in which we operate, we have expanded our product range, complementing our overdraft and term loans with asset finance solutions, and will be investing processes, people, and systems to support further growth in our small business customer base and associated portfolios.

Caption: Celebrating the Canstar Awards for Australia's Most Satisfied Customers – Bank and Customer Owned Bank. From left Paul Duggan (CCO, Canstar), Lauren Wise (GM Corporate Services, IMB), Robert Ryan (CEO, IMB), Andrew Spicer (CEO, Canstar), Kate Bell (National Client Specialist, Canstar), Michael Brannon (GM Sales and Marketing, IMB), Rachael Heald (GM People and Culture, IMB).

Opposite;
Members have taken advantage of the Next Generation IMB Mobile App.

Next Generation Mobile App

IMB's Mobile App has became the channel of choice for members to check their balances and transactions and to make payments. Over the last few years, we have seen a significant shift towards digital devices and experiences in our lives. Our members increasingly turn to mobile banking applications to manage their money and undertake their banking needs.

We set out to deliver a modern, fully featured mobile banking app. The refreshed app introduced new features, such as improved payment management, biometric ID for Android, multi-to-sign transactions, and the introduction of in-app messaging for all users.

IN FOCUS: Our Members

A smarter way to refinance

A combination of product, service and digital capability made refinancing with IMB a standout experience.

Nick and Kerrie Field are no strangers to the refinancing process. Since purchasing their Beresfield NSW home in 2011, they have refinanced their loan twice before choosing IMB in 2022.

"My first experience with IMB was refinancing a couple of personal loans in 2019," says Nick Field, who is General Manager of Singleton Stemming. "IMB had come recommended by a workmate at the time, so when we went to refinance this year, I checked out the rate and it was excellent."

There were other factors about the experience that impressed Nick. "The new online portal was brilliant – easy," he says. "There's nothing worse than having to apply for a loan and emailing stuff through bit by bit. With this there was one location, you send it all in, can look at the progress live, you can see how it's tracking – I enjoyed that part of it."

And when the Fields needed help, the IMB Contact Centre's personal service stood out. "We have refinanced our loan a couple of times in the past and IMB was the first place where the same person – Rhys Matthias – was with us from go to whoa. For example, at our previous bank, when we refinanced, every phone call and email were handled by a different person, and you were forever retelling the same story. You spend half your time on the phone explaining what's going on.

"Rhys was on hand to help as we needed it," adds Nick. "We even added a bit more cash to put a new roof on and he made that process easy too. The combination of the digital loan portal, the excellent rate and the personal, individual service was what really set IMB apart for us."

Our **People**

At IMB our people have always been passionate about serving members and the community with a commitment to doing the right thing.

IMB has a loyal and resourceful team who enjoy working together, and continue to focus on creating a workplace that cares and enables everyone to feel valued and recognised for who they are.

Our people priorities are:

- **Care and Connection** – creating a positive, caring experience for all of our people that reflects our diverse IMB Community
- **Collaboration** – building teams and leaders that are motivated and adaptable with a growth mindset
- **Capability** – developing digitally fluent, confident and enabled bankers that can deliver member outcomes simply and easily

Below;
Arielle Lundberg and Jay Burns in the IMB Contact Centre.

Care and connection

A workplace of Diversity Equity and Inclusion

We are proud of the culture at IMB. Our commitment to the creation of a great place to work – based on inclusion, respect and integrity – is evidenced by our achievement of citation as an Employer of Choice for Gender Equality, which we maintained for a second year.

Our employees have told us we have a safe and inclusive place to work, free of discrimination, harassment and bullying. Respect at Work is foundational to our ability to connect and collaborate with each other.

This year we have implemented a Diversity Equity and Inclusion Working Group to develop our approach to inclusion even further in the year ahead. With representation from across our business, this group will bring the diverse perspectives of our people to the discussion.

Care and wellbeing

In a year that started with pandemic lockdowns and restrictions, enabling our people to adapt to the changing circumstances while keeping them safe has been our focus. We are very proud of how all of our people have continued to provide high quality service to our members throughout. We have continued to provide support to our people to assist them in building resilience and maintaining their health and wellbeing, continuing our Mental Health Resilience and Awareness sessions this year.

With a new Employee Assistance Program provider partnering with us, we have been able to provide a wider range of wellbeing support services to our people, to enable a positive and proactive approach to their health and wellbeing. Digital tools and content about a range of health topics, as well as our annual flu vaccination program, and paid pandemic leave provide practical support to our people.

Top: Senior CSR Jessica McConville assists a member at an IMB kiosk.
Bottom: After two years of mostly remote working, members of the IMB team enjoy lunch in the head office cafeteria.

With flexibility to shape how, when and where our people work, they can balance their lifestyle and career to build a brighter future. As we look to our future we can see even more flexibility in what type of work our people do as our digital transformation efforts continue.

Collaboration

Equipping our leaders to lead their teams through change is critical to effective collaboration to enable our teams to adapt, learn and grow. We call it the "Development Edge" as we believe having skilled people and leaders will give us the edge in solving problems and delivering solutions.

Whether it be developing trust, understanding unconscious bias, or emotional intelligence, our leadership development programs build leaders who can lead diverse teams. Combined with a program of feedback to support a growth mindset, our teams are learning together how to make things happen for our members.

Capability

In a world that continues to change quickly, building capability is vital. It not only enables us to develop confident, digitally fluent bankers, it also builds careers. Building careers is in our DNA, with 36% of career opportunities filled internally.

As consumer behaviour continues to change, we are developing our people to be able to serve our members from anywhere, in the way they want to be served. So whether you're walking into one of our branches, calling in by phone or interacting online, our people are ready with the skills and knowledge to help you. Our focus on building knowledgeable and skilled people, with a passion for service, has supported our ability to keep our people engaged throughout the pandemic. We value personal connection, and we know our members do too, which is why we focus on upskilling our people and giving them opportunities to grow.

Building talent pipelines, whether through trainees or cadetships – we have a long history of giving people a go so they develop a long-term career with us. We recognise the value of providing our people with opportunities that enable them to build their careers – whether it be participation in the Leadership Illawarra Program, Women in Banking and Finance, or study assistance to complete tertiary education.

As the world of banking continues to change, we'll continue to build the skills needed to meet those changes.

Our **Community**

Through another challenging year, IMB has supported our communities across a range of endeavours, where and when it was needed.

$11m

Community Foundation support since 1999

Since our formation in 1880, IMB has endeavoured to build strong, resilient communities. Providing strategic grassroots financial support remains our primary focus, funding a range of charity, community, business advocacy and sporting organisations. These efforts are split between sponsorships, community engagement and enrichment, and the work of the IMB Bank Community Foundation.

Sponsorships

As in the previous two years, IMB's planned schedule has been impacted by the pandemic through periods of FY22. Our financial commitment remained consistent as many of the programs and initiatives were rescheduled or planned for the future.

Encouraging Participation

For the second consecutive season, we were extremely proud to again be the naming rights sponsor of the IMB South Coast Blaze Netball NSW Premier League Opens and U23s teams. The Blaze provides young people in the St George, Macarthur, Illawarra and Shoalhaven regions an accessible pathway to elite level participation. It's an exceptional program, crowned by a Grand Final appearance and Runners Up placing by the U23s team.

As part of our growing community engagement in the Newcastle region, we were active sponsors in the Newcastle Bikers Toy Run, with our Hunter branches receiving toys for the annual charity event.

Since 2007, we have been the naming sponsor of the IMB Bank Cook Community Classic in the Sutherland Shire, a sporting and charity fundraising calendar that culminates in a carnival day at Cronulla Beach. As in 2021, the 2022 scheduled events were cancelled due to the pandemic, but IMB maintained our commitment to the initiative and to the Shire.

We also invest in local junior sport including Football South Coast, St George AFL Football and Hills Shire Football Junior Competition. Junior sport is a vital component of diligent corporate citizenship, and essential for providing our young people valuable skills for a healthy and fulfilling life.

Supporting Business

Our dedication to supporting the business community and celebrating business excellence continued in 2021/22. We maintained our naming rights sponsorship of the IMB Bank Illawarra Business Awards and Illawarra Women in Business Awards, and our category sponsorship for the Shoalhaven Business Awards and Eurobodalla Business Awards.

As an organisation with a Board gender equality of more than 40% female, we are proud to prioritise sponsorship opportunities for professional women. In 2022, IMB was proud to take part in the Illawarra Women in Business Awards and the International Women's Day celebration. We will be looking to expand our advocacy for women in business in FY22.

Over the past 12 months IMB has been proud to support a range of initiatives in the places where we operate, including:

- IMB Cook Community Classic
- IMB South Coast Blaze Netball
- Day at the Lake ACT
- Bega Lions Christmas
- Eden Chamber of Commerce
- Eurobodalla Business Awards
- Football South Coast
- Hills Shire Football
- Illawarra Business Awards
- Illawarra Women in Business
- International Women's Day – Illawarra
- Kidzwish
- Lions Canberra
- Masters Builders Association Southern Region Awards

- Newcastle Bikers Toy Run
- RUOK Day
- Shoalhaven Business Awards
- St George AFL
- UOW: O-Week and O-Day
- Vax the Illawarra
- Vinnies Christmas Appeal
- Watch and Act.

Financial Literacy

The Money Tree by IMB Bank (www.imbmoneytree.com.au) is a financial literacy hub launched in 2017 to provide information and resources for teenagers. Designed in alignment with financial literacy curricula, The Money Tree gives teens insights on earning, saving, spending and managing their money. The program continues to be refined and will expand in FY23.

1: Buzzy joins the winners of the Hills District Football competition in Western Sydney. **2:** Students with IMB merchandise at University of Wollongong O-Week. **3:** We are proud to be principal sponsor of the IMB South Coast Blaze Netball. **4:** The Newcastle Toy Run charity ride. **5:** The IMB Moruya team set up shop supporting the Moruya Parade.

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IN FOCUS: Our Community

IMB Bank Community Foundation 2021-22

Delivering support where it is needed most, the IMB Bank Community Foundation provides funding for mental health and wellbeing projects in 2022.

In a telling reflection of the needs of our community, over one-third of the projects funded by the IMB Bank Community Foundation in 2021 focused on improving mental health and wellbeing in local communities. Projects including Men's Sheds, parent and families programs, seniors initiatives and health-and-fitness programs received funding to help combat isolation, disadvantage and mental strain caused by the global pandemic.

Alongside initiatives to bolster wellbeing, the IMB Bank Community Foundation was pleased to support projects covering teen driver education and youth mentoring. In addition, programs supporting refugees, those seeking shelter from domestic violence, and people with disabilities made up a total of 63 projects across IMB Bank's communities that received funding.

Funding of these projects enabled the IMB Bank Community Foundation to reach a major milestone, passing $11 million in total funds provided, to support over 800 community groups and projects helping to build stronger communities and brighter futures for the people living in them.

The public profile of the IMB Bank Community Foundation continued to grow with strong coverage of the Foundation and its supported projects across major media outlets. The increase in awareness and engagement with the Foundation has delivered a record 412 applications for consideration in the 2022 round of funding.

2022 recipients will be announced in October and our 2023 calendar will be determined by the Committee in the coming months. IMB remains committed to helping to build safer, more sustainable communities.

IMB Bank Community Foundation projects funded in 2021-22

NSW – Sydney

- **3Bridges Community:** Supporting new mothers who are vulnerable.
- **Dandelion Support Network:** Helping families across Sydney facing disadvantage caused by COVID.
- **Deadly Young Warriors:** Empowering young First Nations people aged 7-18 in Sydney.
- **Disabled Surfers (DSA):** Helping people of all abilities to enjoy the surf.
- **Heaps Decent:** Youth mental health first aid training for staff.
- **HeartKids:** Establishing eight regional hubs in NSW and ACT to support families living with congenital heart disease.
- **Lions Club of Penrith:** Infant View machine for the Neonatal Intensive Care Unit at Nepean Hospital.
- **Look Good Feel Better:** Funding for face-to-face workshops in the Sutherland Shire to support cancer patients.
- **Men's Shed Narellan:** Purchase of a precision glide saw.
- **Mentoring Men:** Training volunteers to mentor at-risk men of migrant communities in Southwest Sydney.
- **Nakango Vision:** Empowering African women from Culturally and Linguistically Diverse (CALD) communities in Western Sydney to build pathways to employment.
- **NSW Police Force:** Purchase doorbell video cameras to provide to vulnerable individuals.
- **PCYC NSW:** Purchase of new equipment for the Fit for Life early intervention program.
- **PCYC NSW:** Purchase of new equipment to support the Teen Gym youth program.
- **South West Sydney Men's Shed:** Replacement of workshop machinery.
- **St George Men's Shed:** Purchase of materials for members to create wooden items for community groups.
- **Technical Aid to the Disabled:** An online Learning Management System to deliver volunteer and staff education.
- **The Footpath Library:** Provides mobile library service books for people experiencing homelessness.
- **The Reconnect Project:** Refurbished laptops to young people.
- **Turbans 4 Australia:** A community pantry at Clyde in Western Sydney to supply culturally appropriate food.
- **U Turn the Wheel:** A program increases driver safety skills and awareness among Year 10 and 11 students.
- **Victor Chang Cardiac Research Institute / Heartbeat of Football:** Heart health testing days at sporting fields.

ACT

- **Belconnen Men's Shed:** Extending the working space.
- **Belconnen Senior Citizens Club:** Replacing all existing plants with frost hardy and drought-tolerant varieties.
- **Canberra City Care:** Purchase of a trailer to support work of community garden.
- **Parentline ACT:** Mental health training for volunteers in Canberra.

NSW – Hunter

- **Hunter Parents and Teachers Association of Community Languages Schools:** Financial literacy training videos for students of over 300 CALD community language school committees.
- **Survivor's R Us:** Training for volunteers and staff in suicide intervention skills and mental health first aid training.
- **Cows Create Careers:** Promote dairy industry careers and educational pathways to high school students.

NSW – Illawarra

- **Berkeley Life Centre:** Providing a mowing service to people in the Berkeley community.
- **CareSouth:** Health Hubs for free dental, eye, and hearing care for disadvantaged families.

800+
Projects supported since 1999

Captions;
6: Canberra City Care community garden project, **7:** Dandelion Support Network assisting disadvantaged family caused by COVID, **8:** Disabled Surfers (DSA), **9:** IMB CEO Robert Ryan (left) and Foundation Chair Jan Swinhoe (third from right) congratulate recipients for IMB Bank Community Grants in 2021.

- **Frame Running Wollongong:** Purchase of frames and equipment to support children with disabilities that affect mobility.
- **Goats Creek Longboarders:** Two gazebos for club events.
- **Illawarra Flame Tree Project:** Equipment and resources to support online delivery of a music and cultural program for Illawarra students.
- **Illawarra Suicide Prevention and Awareness Network (iSPAN):** New online psychological first aid training and bereavement resources.
- **Illawarra Wig Library:** New wigs and turbans to support those who have experienced hair loss due to medical conditions.
- **Lions Club of Kiama:** Recycling, fundraising and community support activities.
- **Need A Feed Australia:** Supporting volunteers to deliver food and essential item donations.
- **North Wollongong SLSC:** Purchase of Inflatable Rescue Boat.
- **Older Women's Network NSW:** Classes for fitness and connection post-COVID lockdowns.
- **One Door Illawarra:** A wellness program for Illawarra women who have experienced domestic violence.
- **Para Meadows School:** A new flexible learning space, for students to engage in STEM projects and robotics.
- **Rotary Youth Driver Awareness Illawarra:** Safe driver training programs for youth in the Illawarra.
- **Scarborough Wombarra SLSC:** Replacement of the Side-by-Side Vehicle (SBSV) to patrol beaches.
- **SCARF Refugee Support:** Mentoring refugees in the Illawarra to promote employment.
- **The Disability Trust:** A wheelchair-friendly trampoline for an all abilities playground in Wollongong.
- **The Shepherd Centre – For Deaf Children:** Purchase of equipment to monitor hearing and listening skills to support deaf children.
- **Thirroul Men's Shed:** Expanding the workspace area to assemble, paint and ship wheelchairs to developing countries.

NSW – South Coast and Far South Coast

- **Arts Council of Eurobodalla:** Funding art materials for classes.
- **Bega District Volunteer Rescue Group:** Defibrillation machine to respond to emergencies and provide CPR first aid.
- **Bega Men's Shed:** Dust extraction systems to improve health and safety of members.
- **Eurobodalla Woodcraft Guild:** Purchase of new equipment after it was destroyed in the 2019 bushfires.
- **Far South Coast Family Support Services:** Play Therapy to support children in the Bega Valley.
- **Narooma Men's Shed:** Replacement of the table saw.
- **Shoalhaven Heads Native Botanic Garden:** Installation of a G5 AED Defibrillator to improve public safety.
- **TeenSafe:** Upkeep of the vehicle fleet to operate safe driver training in Moruya.
- **Towamba Rural Fire Brigade:** Purchase of a generator cage and hose drying rack.
- **Wolumla Rural Fire Brigade:** Purchase of helmet-mounted torches.

NSW – Southern Highlands

- **Bowral Men's Shed:** Establishment of flammable goods storage.
- **Southern Highlands Computer Users Group:** Replacement of an iMac Computer.
- **The Hill Top Men's Shed:** Purchase of drum sander and large dust collection system equipment.
- **Wollondilly Support and Community Care:** Providing folding pedal exercisers for seniors.

VIC

- **300 Blankets:** Helping people in and around Glen Waverley experiencing homelessness.

Captions;
10: HeartKids supports families living with heart disease, **11:** The 3Bridges Community supports new mothers from a disadvantaged background, **12:** Goats Creek Longboarders, **13:** Thirroul Men's Shed making wheelchairs for developing countries.

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Support for National Reconciliation

IMB supports national reconciliation with our First Nations peoples and we look forward to the finalisation of our ‘Reflect’ Reconciliation Action Plan.

Diversity, equity and inclusion are at the heart of our culture and we are committed to continually increasing diversity across our workforce as well as supporting awareness and different ways of thinking.

One of the ways we are supporting this commitment is through the development of IMB’s first ‘Reflect’ Reconciliation Action Plan (RAP) which will provide a framework for IMB to support the National Reconciliation movement with First Nations peoples and communities.

Our Reflect RAP is currently being developed through a collaborative process between IMB and key community stakeholders. The aim is to develop a RAP that includes practical actions that will drive IMB Bank’s contribution to reconciliation, both internally and in the communities in which we operate.

We believe that the development of our first RAP conveys IMB Bank’s commitment to developing respectful relationships and creating meaningful opportunities with First Nations peoples and we look forward to contributing to the vision of National Reconciliation.

As part of our RAP development journey through the IMB Bank Community Foundation we have provided funding to the Deadly Young Warriors programme which supports children and young people aged 7-18 living in or connected to the Inner West and Inner City LGAs of Sydney through purpose-driven and culturally responsive mentoring, structured/unstructured activities and case management. The program is targeted towards First Nations young people who may be at risk and aims to provide early intervention, prevention and diversion.

We are also proud to be supporting the Dharawal Country Experience initiative at the Southern Gateway Centre Visitor Centre. This initiative promotes and informs visitors of the people, places and stories that make Dharawal Country and provides an opportunity for visitors to experience local Aboriginal heritage. The Experience includes visual presentations, additional Aboriginal interpretive signage that includes Indigenous place and attraction names together with a range of artworks.

Our **Environment**

IMB Bank recognises that climate change is one of the key challenges of our time.

Climate change impacts communities globally as well as the areas in which we live and work. We have seen this impact at a local level in recent years with increased average temperatures, devastating bushfires and unprecedented rain events.

We will seek to better understand and improve the resilience of our business to climate change risks including by strengthening our risk management frameworks, risk appetite measures and policies to ensure we can identify, measure, monitor, manage, and report on our exposure to climate change risks.

IMB has formed a Climate Change Working Group that is developing IMB's Climate Change Action Plan.

Understanding and managing the risks of climate change on the Bank

Climate change creates risks and opportunities for IMB and our members.

Below: Canberra City Care community garden and kitchen.

We will seek to factor these risks into our business decisions by assessing the potential impacts of climate risk on our members with regard to their geographic location and/or the industry their business is associated with.

We acknowledge that more severe and frequent extreme weather events increase the chances of direct damage to mortgaged properties, affecting property value and (in some instances) capacity for customers to continue repayments. IMB currently manages this risk through a range of strategies, including:

- Geographic diversification of mortgaged properties to avoid material portfolio impacts from a single extreme weather event in a single region
- Mandatory requirement for insurance to be held by mortgage customers, with processes in place to regularly review compliance.

Managing the risks of climate change to IMB's operations

More severe and frequent extreme weather events due to climate change increases the chance of direct damage to IMB's offices and branches, or disruptions to business continuity due to limited access for both staff and members, and/or supply of a critical business requirement (e.g. power, internet). IMB has Strategic Response Plans in place to respond to business disruption events including established capacity to work-from-home and redundancy plans for critical infrastructure. We also have multiple branch locations and an Australian-based contact centre, supported by a range of digital channels, to ensure our members have continued access to banking services.

Reducing our carbon footprint

As well as understanding the risks of climate change for our members, IMB is also committed to reducing the climate change impacts of our own operations.

IMB's new head office building has been designed to achieve a 5 star NABERS base building energy rating using elements such as:

- Energy efficient lighting incorporating LED lighting technologies. All general lighting is passive infrared motion sensor activated and perimeter lighting on the general floors are fitted with LUX sensors
- Low emissivity glazing and exterior sunshades to reduce light and UV transmittance and internal blinds to further improve the thermal properties of the building
- Located proximate to public transport options and includes parking for 33 bicycles with end-of-trip facilities to promote greener travel options
- The building fit-out incorporates low Volatile Organic Compounds materials, and plants have been provided throughout the building, reducing carbon dioxide and other chemicals and improving air quality
- Sensor taps in bathrooms, and rainwater re-use system installed for landscaping use
- Recycling/green waste bins.

IMB has also implemented a range of initiatives across its broader network:

- LED lighting technology has been fitted to almost half of IMB's leased/owned sites with remaining sites being progressed.
- 90% of all IMB sites have been fitted with quick boil hot water systems.
- IMB currently uses carbon neutral paper from a certified sustainable source.
- Paper consumption has been reduced significantly in conjunction with moving towards digital functionality.
- All paper based products are recycled through a third party and IMB partner with Shred-X for e-waste destruction and recycling.

Disclosure

Addressing climate change requires collective action, engagement and collaboration with a range of stakeholders. This includes members, government, investors, regulators, industry initiatives, non-government organisations and community groups.

In support of developing our ongoing reporting regime, IMB is participating in a COBA initiative to collaborate on a group climate risk inventory as a foundation for further bank-specific disclosures. We have also reviewed emerging regulatory expectations in this space, including APRA's prudential practice guide CPG 229 Climate Change Financial Risks and proposed sustainability disclosures issued by the International Sustainability Standards Board. As our working group's actions are progressed, our disclosures will be expanded in the next reporting period.

Our Governance

We believe that strong corporate governance is essential to IMB's sustainable long-term performance and delivering for our members.

The IMB Board adopts a best practice approach to corporate governance that meets prudential standards and is aligned with the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles).

IMB has been in existence as a mutual organisation since 1880. IMB is authorised under the *Banking Act 1959* (Cth) to carry on a banking business as an authorised deposit-taking institution and is registered as a mutual bank regulated by APRA. IMB is an unlisted public company limited by both guarantee and by shares, incorporated under the *Corporations Act 2001* (Cth) regulated by ASIC and has been granted Australian financial services and credit licences. IMB is committed to meeting all regulatory requirements.

Further detailed information relating to the Board's governance practices is set out in the Corporate Governance Statement on IMB's website.

Our **Board**

Information set out in this section relating to board committee memberships and positions held by each of IMB's directors relates to the financial year ended 30 June 2022.

Noel Harold Cornish AM

BSC(MET) M ENGSC FAICD

Mr Cornish, whose expertise is business management, has been a non-executive director of IMB Ltd since 2010 and was elected Chairman in September 2016. Mr Cornish is the Chair of the Capital and Securitisation Committee and is a member of the People and Culture Committee. He is currently a director of UOW Global Enterprises and is Chair of UOW Malaysia. Mr Cornish's previous roles include Chairman of Snowy Hydro Ltd, Deputy Chancellor of the University of Wollongong, director of Forests Corp NSW, National President Ai Group, Chief Executive of BlueScope Ltd's Australian and New Zealand businesses, President NorthstarBHP LLC in Ohio USA and Chairman of Hunter United Credit Union. As well as being a director of IMB Ltd, Mr Cornish is also a director of all entities wholly owned by IMB Ltd.

Catherine Ann Aston

B.EC M. COMM F FIN GAICD

Ms Aston has been a non-executive director of IMB Ltd since 2016. Ms Aston's experience is as an executive and non-executive director of digital and telecommunications businesses across Asia Pacific. She has a broad commercial background with senior roles in finance, marketing, strategy and business improvement. Ms Aston is the Chair of the Risk Committee and is a member of the Audit Committee and the Capital and Securitisation Committee. Ms Aston is currently a director of Macquarie Investment Management Limited, IVE Group Limited and Integrated Research Ltd where she is Chair of the Audit and Risk Management Committee. Ms Aston was previously a director of Over the Wire Holdings Limited and Virtus Health Limited with other positions formerly held by her including Chair of Pillar Administration, director of Southern Phone Company Ltd and various senior executive positions at Telstra Corporation, Telstra International (Hong Kong) and Mobitel Pvt Ltd (Sri Lanka). 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

B.COM FCA GAICD

Mr Fitzgerald has been a non-executive director of IMB Ltd since 2017. Mr Fitzgerald is a Chartered Accountant whose experience was gained as a tax and audit partner of KPMG, where he served as Managing Partner of the Wollongong office for over 20 years. Throughout his career he has been responsible for providing business advisory and taxation services to clients, with industry specialisations in professional services, aged care, property and construction and manufacturing. Mr Fitzgerald is the Chair of the IMB Audit Committee and is a member of the People and Culture Committee and the IMB Community Foundation Committee. He is currently a director of Peoplecare Health Insurance and the IRT Group and was previously a member of the Council of the University of Wollongong where he chaired the Risk, Audit and Compliance 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 Ltd since May 2020. Ms Gardner is an experienced litigation and insurance lawyer and the former Newcastle Managing Partner of Sparke Helmore Lawyers. Ms Gardner has held a number of management roles in professional services firms and is experienced in governance and risk, with recent non-executive experience in the infrastructure, government, insurance, university and health sectors. Ms Gardner is a member of the Audit Committee, the Capital and Securitisation Committee and the IMB Community Foundation Committee. Ms Gardner is the Chair of StateCover Mutual Ltd, and is a director of Arch Financial Holdings Australia Pty Ltd and subsidiaries, a member of the University of Newcastle Council, the Chair of the Audit and Risk Management Committee, SWSLHD and Chair of the Advisory Board for 2NURFM. 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 over 30 years' experience in the financial services sector in a career that spanned corporate superannuation, derivatives trading, capital markets origination and institutional relationship banking. Ms Swinhoe has been a non-executive director of IMB Ltd since 2014. Ms Swinhoe is the Chair of the IMB Community Foundation Committee and is a member of the People and Culture Committee. The last 16 years of her executive career were spent at Westpac where Ms Swinhoe held general management positions within the Institutional Bank and also BT Financial Group where she led Westpac's Private Bank. Ms Swinhoe is currently Chair of Mercer Superannuation Australia Limited, and is a director of Swiss Re Life & Health Australia Limited, and the Advisory Board of Swiss Reinsurance Company Limited, Australia Branch.
Ms Swinhoe is also President of Athletics Australia and is a director of Australian Philanthropic Services. She was formerly a director of Suncorp Portfolio Services Limited. 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 Ltd since July 2020. He has over 28 years of financial services industry experience, with extensive expertise in using technology to revolutionise customer experiences and transform business.
Dr Wendt is currently the Chair of the People and Culture Committee and is a member of the Risk Committee. Dr Wendt's previous roles include executive positions with Westpac Banking Corporation and he was formerly a non-executive director of Assembly Payments where he was Chair of the Audit, Risk and Compliance Committee. Dr Wendt is an adjunct research fellow of the University of Southern Queensland. 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 and is a member of the Audit Committee and the Risk Committee. He has been associated with the Australasian financial services industry for over 30 years and has extensive experience as a non-executive director including in the payments, wealth management, information technology and insurance sectors. Mr Whitehead is currently a member of the International Advisory Committee of the Chartered Banker Institute and his previous roles include CEO and Managing Director of the Financial Services Institute of Australasia, CEO of Australia's largest mutual ADI, Credit Union Australia (now Great Southern Bank), Regional Director, Bank of Scotland and CEO, Bankwest retail bank. Mr Whitehead commenced his career in Information Technology, working in a range of technical and leadership roles for a large multinational firm. He then successfully established the Australian subsidiary of an international software development and bureau service, prior to joining a Sydney-based regional bank as Chief Information Officer. As well as being a director of IMB Ltd, Mr Whitehead is also a director of all entities wholly owned by IMB Ltd.

Directors' **Report**

The directors have pleasure in presenting their report, together with the financial statements of IMB Ltd, ("the Company") and of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2022 and the auditor's report thereon.

Directors

The directors of the Company during or since the end of the financial year are:

Noel Harold Cornish AM

Catherine Ann Aston

Peter John Fitzgerald

Jann Angela Gardner

Jan Margaret Swinhoe

Harry Walter Wendt

Christopher Whitehead, appointed 1 December 2021

All of the directors are independent directors.

The particulars of the qualifications, experience and special responsibilities of each director holding office at any time during the year are set out on pages 28 to 31 of this report.

At the annual general meeting of the Company on 25th October 2022, Ms CA Aston and Mr CM Whitehead will retire in accordance with the constitution of the Company and, being eligible, offer themselves for re-appointment.

Executive Management

Robert Ryan – Chief Executive

Christopher Goodwin – Chief Financial Officer

Michael King – Chief Risk Officer

Michael Brannon – General Manager, Distribution and Marketing

Nathan Campbell – Chief Digital Officer

Rachael Heald – General Manager, People & Culture

Lauren Wise – General Manager, Corporate Services and Company Secretary (BA LLB Grad Dip. Legal Practice – appointed to the position of Company Secretary in 2007).

Principal Activities

The principal activities of the Group during the financial year were the provision to members of banking and financial services, including lending, savings, insurance and investment products.

There has been no significant change in the nature of these activities during the year ended 30 June 2022.

Operating and Financial Review

Consolidated profit after tax for the year attributable to members was $29.5 million (2021: $30.8 million), a decrease of $1.3 million or 4.2% on 2021, primarily due to a lower interest margin and higher non-interest expenses partially offset by the release of the remaining COVID-19 pandemic loan provision.

Total deposits increased to $6,066 million, up by $208 million or 3.6% on the previous year. Retail deposits grew by $271 million or 5.2%.

Loan approvals of $1,390 million were $77 million higher than the prior year (2021: $1,313 million). Total loans and advances to customers increased by 2.0% or $109 million to $5,568 million.

Net interest income for the year was $143.2 million, down $0.2 million, or 0.1% on the previous year. This decrease was predominantly due to a decrease in average interest margin from 2.13% to 2.11%.

Impairment reversals were $0.5 million higher than the net reversal of $0.6 million recognised in the prior year resulting in a reported gain of $1.1 million for the current period. This decrease was due to the release of the remaining COVID-19 pandemic collective provision partially offset by an increase in the forward-looking expected credit loss provision and management overlay.

Non-interest income for the year decreased by $0.6 million, or 5.4%, to $10.5 million, mainly due to a reduction in loan fee income.

Non-interest expense for the year increased by $2.0 million, or 1.8%, to $112.8 million (2021: $110.8 million). This was due to an increase in personnel and data processing costs, as well as an increase in depreciation and the commencement of amortisation on recently commissioned intangible software assets.

The non-interest expense to operating income ratio increased from 71.5% in 2021 to 72.9% in 2022.

Dividends

Dividends paid or declared by the Company to shareholders since the end of the previous financial year were:

- a final ordinary dividend of $0.09 per share amounting to $2.170 million franked to 100% at a tax rate of 30%, declared on 24 August 2021, in respect of the year ended 30 June 2021, paid on 1 September 2021.
- an interim dividend of $0.08 per share amounting to $1.929 million franked to 100% at a tax rate of 30%,

declared on 25 January 2022, in respect of the year ended 30 June 2022, paid on 25 February 2022; and

- a final ordinary dividend of $0.09 per share amounting to $2.170 million franked to 100% at a tax rate of 30%, declared on 30 August 2022, in respect of the year ended 30 June 2022, payable at the close of trade on 5 September 2022.

Total dividends paid or declared in respect of the year ended 30 June 2022 were $0.17 per share (2021: dividend of $0.18) amounting to $4.099 million (2021: $4.340 million).

Events Subsequent to Reporting Date

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely Developments

No other matters, circumstances or likely developments in the operations have arisen since the end of the financial year that have significantly affected or may significantly affect:

(i) The operations of the Group;

(ii) The results of those operations; or

(iii) The state of affairs of the Group,

in the financial years subsequent to this financial year.

State of Affairs

Details of any significant changes in the state of affairs of the Group are disclosed in the Chairman's and Chief Executive's Report on pages 6 to 11 of the annual report.

Directors' Interests

The relevant interests of each director in the share capital of the Company are:

Director	Holding at 30 August 2022
Mr NH Cornish	2,000
Ms CA Aston	–
Mr PJ Fitzgerald	2,000
Ms JA Gardner	–
Ms JM Swinhoe	–
Mr HW Wendt	–
Mr C Whitehead	–

The Constitution of the Group includes specific eligibility requirements to qualify as a Director that relate to minimum holdings of share capital of, or deposits with, the Company. All Directors have satisfied these eligibility requirements.

Environmental risk and regulation

The Group is exposed to a range of risks which are monitored and managed through the Risk Management Framework. Sustainability Risk, including environmental risk, is one of the categories of risk under the Risk Management Framework. IMB is exposed to environmental risk predominantly through the lending portfolio. This risk is managed via credit policies including an assessment process that identifies security properties located in pre-determined risk areas. An environmental assessment is incorporated in the valuation of security properties as well as a requirement that all security properties be adequately insured.

The Group's operations include the ownership of branch premises (land and buildings) which are subject to standard environmental regulations applicable to owners of property. Processes are in place for monitoring any associated environmental responsibilities in relation to these properties and the Board is not aware of any breach of environmental requirements as they apply to the Group.

Other than the matter discussed above, the Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

During the year APRA released its final *Prudential Practice Guide CPG 229 Climate Change Financial Risks (CPG 229).* The guide is designed to assist banks, insurers and superannuation trustees to manage the financial risks of climate change. The guide imposes no new regulatory requirements or obligations but will instead assist APRA-regulated entities to manage climate-related risks and opportunities within their existing risk management and governance practices.

IMB intends to develop guidance on the prudent management of climate change risks aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures, including aspects of governance, strategy, risk management, metrics and disclosures. IMB's approach to this area of risk management will continue to evolve, including having regard to the APRA guidance, proposed sustainability disclosures issued by the International Sustainability Standards Board and industry consultation.

Directors' **Report**

Directors' and Officers' Indemnification and Insurance

Indemnification

Every director and executive officer of the Company and its controlled entities is indemnified out of the property of the Company against any liability which the director or executive officer may incur while acting as a director or executive officer.

Insurance Premium

During the year, the Company paid a premium in respect of a contract insuring the current and former directors and executive officers of the Company and its controlled entities against certain liabilities that may be incurred in discharging their duties as directors and executive officers. The contract of insurance prohibits the disclosure of the nature of the liabilities insured and premium payable.

Corporate Governance Statement is online

IMB Bank complies with its constitution, the *Corporations Act 2001* (Cth), and has regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (ASX Principles), which is reflected in our Corporate Governance Statement.

As an APRA-regulated entity, IMB Bank also complies with the governance requirements prescribed by APRA under Prudential Standard CPS 510 Governance. Information about IMB Bank's Board and management, corporate governance policies and practices and enterprise Risk Management Framework can be found in the Corporate Governance Statement available at: www.imb.com.au/about-corporate.html

APS 330 Capital Instruments Disclosure

Regulatory disclosures required under Prudential Standard APS 330, including a reconciliation between the Group's regulatory capital and audited financial statements, and additional disclosures in the composition of the Group's regulatory capital, are available on the Company's website www.imb.com.au

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

The lead auditor's independence declaration is set out on page 36 and forms part of the directors' report for the financial year ended 30 June 2022.

Meetings of Directors

The following table sets out the number of meetings of the Company and its wholly owned subsidiaries held by the directors during the year ended 30 June 2022 and the number of meetings attended by each director.

	IMB Ltd		IMB Securitisation Services Pty Ltd		IMB Funeral Fund Management Pty Ltd		IMB Community Foundation Pty Ltd		IMB Financial Planning Ltd	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr NH Cornish	8	8	4	4	2	2	2	2	1	1
Ms CA Aston	8	8	4	4	2	2	2	2	1	1
Mr PJ Fitzgerald	8	8	4	4	2	2	2	2	1	1
Ms JA Gardner	8	8	4	4	2	2	2	2	1	1
Ms JM Swinhoe	7	8	4	4	2	2	2	2	1	1
Mr HW Wendt	8	8	4	4	2	2	2	2	1	1
Mr C Whitehead*	5	5	2	2	1	1	1	1	–	–

* Mr C Whitehead was appointed as Director of IMB Ltd on 1 December 2021.

The following table sets out the number of committee meetings of the Company's directors held during the year ended 30 June 2022 and the number of meetings attended by each director.

	Audit		Risk Management		People and Culture		IMB Community Foundation		Capital and Securitisation	
	Attended	Eligible to attend#	Attended	Eligible to attend#	Attended	Eligible to attend#	Attended	Eligible to attend#	Attended	Eligible to attend#
Mr NH Cornish	*2	–	*1	–	4	4	–	–	2	2
Ms CA Aston	4	4	4	4	*2	–	–	–	2	2
Mr PJ Fitzgerald	4	4	*1	–	3	3	3	3	1	1
Ms JA Gardner	4	4	*1	–	–	–	3	3	1	1
Ms JM Swinhoe	*1	–	1	1	4	4	3	3	–	–
Mr HW Wendt	*2	–	4	4	4	4	–	–	–	–
Mr C Whitehead	2	2	3	3	–	–	–	–	–	–

Number of meetings eligible to attend in a formal capacity as a committee member.

* Includes meetings attended as an observer, not in the capacity as a committee member. Ms JM Swinhoe resigned from the Risk Committee effective 31 October 2021. Mr PJ Fitzgerald resigned from the Capital and Securitisation Committee effective 31 October 2021 and was appointed to the People and Culture Committee from that date. Ms JA Gardner was appointed to the Capital and Securitisation Committee from 31 October 2021.

Rounding of amounts

The Company is of a kind referred to in ASIC Instrument 2016/191 dated 30 June 2016 and in accordance with that Class Order, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Wollongong this 30th day of August 2022.

Signed in accordance with a resolution of the directors:

NH Cornish AM
Chairman

PJ Fitzgerald
Director

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

KPMG

To the Directors of IMB Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of IMB Ltd for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Richard Drinnan
Partner
Wollongong
30 August 2022

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Financial **Statements**

Statements of Profit or Loss

For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
Interest revenue	2	**171,411**	189,979	**192,393**	210,211
Interest expense	2	**(28,248)**	(46,619)	**(49,230)**	(66,851)
Net interest income		**143,163**	143,360	**143,163**	143,360
Impairment reversal/(losses) on financial instruments	2	**1,056**	603	**1,056**	603
Net interest income after impairment losses		**144,219**	143,963	**144,219**	143,963
Fee and commission income	2	**9,663**	9,999	**9,663**	10,006
Fee and commission expense	2	**(269)**	(339)	**(269)**	(339)
Net fee and commission income		**9,394**	9,660	**9,394**	9,667
Profit from sale of property, plant and equipment	2	**114**	123	**114**	123
Other income	2	**1,039**	1,279	**1,689**	521
Net operating income		**154,766**	155,025	**155,416**	154,274
Operating expenses	3	**(112,809)**	(110,808)	**(112,762)**	(110,747)
Profit before tax		**41,957**	44,217	**42,654**	43,527
Income tax expense	4	**(12,410)**	(13,402)	**(12,264)**	(13,192)
Profit for the year attributable to members of the Company		**29,547**	30,815	**30,390**	30,335

The statements of profit or loss are to be read in conjunction with the notes to the financial statements set out on pages 44 to 98.

Statements of Comprehensive Income

For the year ended 30 June 2022

	Consolidated		Company	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Profit for the year	**29,547**	30,815	**30,390**	30,335
Other comprehensive (expense)/income				
Items that will never be reclassified to profit or loss:				
Remeasurement of defined benefit liability	**(403)**	1,558	**(403)**	1,558
Net change in fair value of other financial assets at FVOCI	**(4)**	242	**(4)**	242
Total items that will never be reclassified to profit or loss	**(407)**	1,800	**(407)**	1,800
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of investment debt securities at FVOCI	**(20,338)**	1,435	**(20,338)**	1,435
Net change in fair value of cash flow hedges	**(7,057)**	(1,662)	**(7,057)**	(1,662)
Net change in fair value of investment debt securities at FVOCI transferred to profit and loss	**71**	(413)	**71**	(413)
Total items that may be reclassified subsequently to profit or loss	**(27,324)**	(640)	**(27,324)**	(640)
Total other comprehensive income/(expense) for the year, net of income tax	**(27,731)**	1,160	**(27,731)**	1,160
Total comprehensive income for the year	**1,816**	31,975	**2,659**	31,495

Amounts are stated net of tax.

The statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 44 to 98.

Financial **Statements**

Statements of Financial Position

As at 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
ASSETS					
Cash and cash equivalents	26	**207,197**	134,558	**129,474**	56,148
Investment debt securities	6	**1,060,194**	1,134,349	**2,718,814**	2,792,183
Deposits with other ADIs	7	**100,254**	108,094	**100,254**	108,094
Loans and advances to customers	8	**5,567,812**	5,458,598	**5,567,812**	5,458,598
Other financial assets	9	**1,049**	1,294	**2,807**	3,052
Derivative assets	11	**–**	2,690	**–**	2,690
Property, plant and equipment	12	**96,031**	94,502	**96,031**	94,502
Intangible assets	13	**10,092**	8,774	**10,092**	8,774
Net deferred tax assets	4	**15,671**	4,174	**15,671**	4,163
Other assets	14	**17,995**	17,842	**90,680**	92,150
Total assets		**7,076,295**	6,964,875	**8,731,635**	8,620,354
LIABILITIES					
Trade and other payables	15	**45,472**	42,668	**40,576**	38,048
Deposits	16	**6,065,549**	5,858,054	**6,069,938**	5,863,881
Securitised loans funding	17	**101,899**	178,866	**1,759,737**	1,835,972
Interest-bearing liabilities	18	**405,707**	431,751	**405,707**	431,751
Derivative liabilities	11	**7,392**	–	**7,392**	–
Current tax liabilities	4	**152**	2,190	**152**	2,190
Provisions	19	**12,878**	11,817	**12,878**	11,817
Total liabilities		**6,639,049**	6,525,346	**8,296,380**	8,183,659
Net assets		**437,246**	439,529	**435,255**	436,695
EQUITY					
Share capital	20	**28,324**	28,324	**28,324**	28,324
Reserves		**46,957**	76,218	**46,957**	76,218
Retained earnings		**361,965**	334,987	**359,974**	332,153
Total equity attributable to members of the Company		**437,246**	439,529	**435,255**	436,695

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 44 to 98.

Statements of Cash Flows

For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
CASH FLOWS USED IN OPERATING ACTIVITIES					
Interest received		**170,393**	188,063	**191,375**	208,296
Other cash receipts in the course of operations		**10,549**	10,763	**12,824**	(10,083)
Interest paid on deposits		**(30,106)**	(52,496)	**(51,074)**	(72,725)
Income taxes paid		**(25,944)**	(13,522)	**(25,810)**	(13,331)
Net loans funded		**(108,158)**	(67,319)	**(108,158)**	(67,319)
Net increase/(decrease) in deposits		**209,339**	(7,543)	**207,902**	(7,110)
Other cash payments in the course of operations		**(95,864)**	(89,319)	**(96,107)**	(88,156)
Net cash flows from/(used in) operating activities	26	**130,209**	(31,373)	**130,952**	(50,428)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net redemptions of/(payments for) investment debt securities and Deposits with other ADIs		**66,013**	(187,534)	**65,226**	(187,505)
Expenditure on property, plant and equipment, and intangibles		**(16,638)**	(26,725)	**(16,638)**	(26,725)
Proceeds from sale of property, plant and equipment	12	**164**	222	**164**	222
Net cash flows from/(used) in investing activities		**49,539**	(214,037)	**48,752**	(214,008)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Net (repayments) from securitised loans funding		**(76,966)**	(61,333)	**(76,235)**	(61,809)
Net (payments for)/proceeds from interest-bearing liabilities		**(26,044)**	218,895	**(26,044)**	218,895
Dividends paid	5	**(4,099)**	(3,978)	**(4,099)**	(3,978)
Net cash flows (used in)/from financing activities		**(107,109)**	153,584	**(106,378)**	153,108
Net increase/(decrease) in cash and cash equivalents held		**72,639**	(91,826)	**73,326**	(111,328)
Cash and cash equivalents at the beginning of the year		**134,558**	226,384	**56,148**	167,476
Cash and cash equivalents at the end of the year	**26**	**207,197**	134,558	**129,474**	56,148

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 44 to 98.

Financial **Statements**

Statements of Changes in Equity

For the year ended 30 June 2022

Consolidated **In thousands of dollars**	**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	–	–	–	–	–	(145)	–	(145)
Total comprehensive income for the year								
Profit after tax	–	–	–	–	–	–	30,815	30,815
Other comprehensive income								
Remeasurement of defined benefit liability	–	–	–	–	–	–	1,558	1,558
Net revaluation movement due to change in fair value	–	1,677	(1,662)	–	–	–	–	15
Investment debt securities at FVOCI reclassified to profit or loss	–	(413)	–	–	–	–	–	(413)
Total other comprehensive income	–	1,264	(1,662)	–	–	–	1,558	1,160
Total comprehensive income for the year	–	1,264	(1,662)	–	–	–	32,373	31,975
Transfer to retained profits	–	–	–	(33)	–	–	33	–
Transactions with owners, recorded in equity								
Dividends to shareholder members	–	–	–	–	–	–	(3,978)	(3,978)
Balance at 30 June 2021	**28,324**	**4,036**	**1,883**	**7,484**	**25,255**	**37,560**	**334,987**	**439,529**
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 year								
Profit after tax	–	–	–	–	–	–	29,547	29,547
Other comprehensive income								
Remeasurement of defined benefit liability	–	–	–	–	–	–	(403)	(403)
Net revaluation movement due to change in fair value	–	(20,342)	(7,057)	–	–	–	–	(27,399)
Investment debt securities at FVOCI reclassified to profit or loss	–	71	–	–	–	–	–	71
Total other comprehensive income	–	(20,271)	(7,057)	–	–	–	(403)	(27,731)
Total comprehensive income for the year	–	(20,271)	(7,057)	–	–	–	29,144	1,816
Transfer to retained profits	–	–	–	(1,933)	–	–	1,933	–
Transactions with owners, recorded in equity								
Dividends to shareholder members	–	–	–	–	–	–	(4,099)	(4,099)
Balance at 30 June 2022	**28,324**	**(16,235)**	**(5,174)**	**5,551**	**25,255**	**37,560**	**361,965**	**437,246**

Amounts are stated net of tax.

Refer to Note 20 for details on each of the reserves. The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 44 to 98.

Statements of Changes in Equity

For the year ended 30 June 2022

Company In thousands of dollars	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**	**304,205**	**409,323**
Acquired on merger	–	–	–	–	–	(145)	–	(145)
Total comprehensive income for the year								
Profit after tax	–	–	–	–	–	–	30,335	30,335
Other comprehensive income								
Remeasurement of defined benefit liability	–	–	–	–	–	–	1,558	1,558
Net revaluation movement due to change in fair value	–	1,677	(1,662)	–	–	–	–	15
Investment debt securities at FVOCI reclassified to profit or loss	–	(413)	–	–	–	–	–	(413)
Total other comprehensive income	–	1,264	(1,662)	–	–	–	1,558	1,160
Total comprehensive income for the year	–	1,264	(1,662)	–	–	–	31,893	31,495
Transfer to retained profits	–	–	–	(33)	–	–	33	–
Transactions with owners, recorded in equity								
Dividends to shareholder members	–	–	–	–	–	–	(3,978)	(3,978)
Balance at 30 June 2021	**28,324**	**4,036**	**1,883**	**7,484**	**25,255**	**37,560**	**332,153**	**436,695**
Balance at 1 July 2021	**28,324**	**4,036**	**1,883**	**7,484**	**25,255**	**37,560**	**332,153**	**436,695**
Total comprehensive income for the year								
Profit after tax	–	–	–	–	–	–	30,390	30,390
Other comprehensive income								
Remeasurement of defined benefit liability	–	–	–	–	–	–	(403)	(403)
Net revaluation movement due to change in fair value	–	(20,342)	(7,057)	–	–	–	–	(27,399)
Investment debt securities at FVOCI reclassified to profit or loss	–	71	–	–	–	–	–	71
Total other comprehensive income	–	(20,271)	(7,057)	–	–	–	(403)	(27,731)
Total comprehensive income for the year	–	(20,271)	(7,057)	–	–	–	29,987	2,659
Transfer to retained profits	–	–	–	(1,933)	–	–	1,933	–
Transactions with owners, recorded in equity								
Dividends to shareholder members	–	–	–	–	–	–	(4,099)	(4,099)
Balance at 30 June 2022	**28,324**	**(16,235)**	**(5,174)**	**5,551**	**25,255**	**37,560**	**359,974**	**435,255**

Amounts are stated net of tax.

Refer to Note 20 for details on each of the reserves. The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 44 to 98.

Notes to the Consolidated **Financial Statements**

1 Significant accounting policies

(a) Reporting entity

IMB Ltd (the "Company") is a company domiciled in Australia.

The address of the Company's registered office is 47 Burelli Street, Wollongong NSW. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 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.

(b) Basis of preparation

(i) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. This financial report complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The Group has adopted Class Order 10/654, issued by the Australian Securities and Investments Commission, permitting entities to continue to include parent entity financial statements in their financial reports. Entities taking advantage of the relief are not required to present the summary parent entity information otherwise required by regulation 2M.3.01 of the *Corporation Regulations 2001.*

The Group has consistently applied the following accounting policies to all periods presented in these financial statements unless otherwise stated.

This financial report was authorised for issue by the directors on 30 August 2022.

(ii) Basis of measurement

This financial report was prepared on the historical cost basis, except for investment debt securities, equity investments and derivative instruments that are stated at their fair value.

(iii) Functional and presentation currency

This financial report is presented in Australian dollars, which is the Company's functional currency. 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 report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(iv) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The COVID-19 pandemic, together with measures implemented to contain the virus, has had a significant impact on the Australian economy. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Group's results and measurement of its assets and liabilities. The provision for impairment on loans and advances requires continued judgement as forecast macro-economic conditions are a key factor in determining the expected credit loss (ECL) on these assets. Refer to Note 10.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Loan impairment (Notes 1(g) and 10);
- Consolidation of special purpose entities (Notes 1(c) and 25);
- Valuation of financial instruments (1(b)(v)(e),6 and 9); and
- Defined benefit fund liability (Notes 1(o) and 21).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Loan impairment (Notes 1(g) and 10);
- Measurement of fair values (Notes 1(b)(v)(e) and 30).

(v) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not observable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(c) Basis of consolidation

(i) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the Company's financial statements, investments in subsidiaries are carried at cost.

(iii) Special Purpose Entities (SPEs)

The Group has securitised certain mortgage loans by the transfer of the loans to Special Purpose Entities (SPEs) controlled by the Group. The securitisation enables a subsequent issuance of debt by the SPEs to investors who gain security of the underlying assets as collateral. Those SPEs are fully consolidated into the Group's accounts.

The transfer of mortgage loans to the SPEs are not treated as a sale by the Company. The Company continues to recognise the mortgage loans on its own balance sheet after the transfer because it retains their risks and rewards through the receipt of substantially all of the profits or losses of the SPEs. In the accounts of the Company the proceeds from the transfer are accounted for as an imputed loan repayable to the SPEs.

The Group has also entered into self-issuances of debt to be used as collateral for repurchase ('repo') transactions. Investments in self-issued debt and the related obligation, together with the related income, expenditure and cash flows, are not recognised in the Group's financial statements.

To manage interest rate risk, the Company enters into derivative transactions with the SPEs, receiving a rate of interest based on the securitised mortgages and paying a rate inherent in the debt issuances. These internal derivatives are treated as part of the imputed loan and are not separately fair valued because the relevant mortgages have not been derecognised.

(iv) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents comprise notes and coins on hand and deposits at call with Authorised Deposit-taking Institutions and are stated at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

(e) Financial assets

(i) Classification and measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value adjusted by directly attributable transaction costs, except for those carried at fair value through profit or loss, which are measured

1 Significant accounting policies (continued)

initially at fair value. For the purposes of subsequent measurement, on initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost include cash and cash equivalents, deposits with other ADIs, loans and advances to customers and other assets.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at FVOCI include investment debt securities and equity investments. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent to initial recognition the following measurement principles and recognition of gains and losses are applied as follows:

- financial assets at amortised cost are measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss;
- investment debt securities at FVOCI are measured at fair value. Interest income calculated using the effective interest rate method and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss;
- equity investments at FVOCI are measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss; and
- financial assets at FVTPL are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

(ii) Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

(iii) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(v) Securities sold under repurchase agreements

Securities sold under an agreement to repurchase are not derecognised from the statements of financial position and an associated liability is recognised for the consideration received.

(f) Revenue and expense recognition

(i) Net interest income

Interest income and expense is recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost or investment debt securities classified as at FVOCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

Fees and transaction costs that are integral to the lending arrangement are recognised in the income statement over the expected life of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the remeasurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of EIR does not include expected credit losses (ECL). Interest income that is classified as credit impaired is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying amount after deducting the impairment loss).

(ii) Fees and commission income

Fees and commission income include fees other than those that are an integral part of EIR.

Fee income relating to deposit or loan accounts is either:

- transaction-based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
- related to performance obligations carried out over a period of time therefore recognised on a systematic basis over the life of the agreement as the services are provided.

Transaction fees and provision of services are defined within product terms and conditions.

Commission income, predominantly in relation to insurance protection products, is recognised when the performance obligation is satisfied and only at the point that the income is highly probable and not expected to be reversed in future periods.

(iii) Dividend income

Dividends and distributions from controlled entities are brought to account in profit or loss when they are declared. Dividends and distributions from other parties are brought to account in profit or loss when the right to receive income is established.

(iv) Expenses

Expenses are recognised in the income statement as and when the provision of goods and services is received.

(g) Impairment

Financial assets within the scope of AASB 9 expected credit loss (ECL) requirements comprise all financial debt instruments measured at either amortised cost or FVOCI. These include cash, deposits with other ADIs, investment debt securities and loans and advances to customers.

Financial assets are divided into homogeneous portfolios based on shared risk characteristics. These include on-balance sheet mortgage loans, commercial loans, personal loans and revolving credit and off-balance sheet undrawn loan commitments.

For investment debt securities and deposits with other ADIs, the Group has applied the AASB 9 'low credit risk' exemption given their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The ECL represents the present value of expected cash shortfalls following the default of a financial instrument.

A cash shortfall is the difference between the cash flows due in accordance with the contractual terms of the instrument and the cash flows the Group expects to receive.

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value. The estimation of ECLs is unbiased and probability weighted, taking into account all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes. ECLs are calculated from initial recognition of the financial asset for the behavioural life of the loan.

For financial assets recognised in the balance sheet at amortised cost, the allowance for ECLs is offset against the gross carrying value so that the amount presented in the statements of financial position is net of impairment provisions.

For financial assets classified as FVOCI, any credit losses are recognised in the fair value reserve.

Notes to the Consolidated **Financial Statements**

1 Significant accounting policies (continued)

(i) Forward-looking economic inputs

ECLs are calculated by reference to information on past events, current conditions and forecasts of future economic conditions. Multiple economic scenarios are incorporated into ECL calculation models. These scenarios are based on external sources where available and appropriate, and internally generated assumptions in all other cases. To capture any non-linear relationship between economic assumptions and credit losses, three scenarios are used.

This includes a central scenario which reflects the Group's view of the most likely future economic conditions, together with an upside and a downside scenario representing alternative plausible views of economic conditions, weighted based on management's view of their probability.

The economic scenarios and forward-looking macroeconomic assumptions underpinning the ECL calculation are outlined in Note 10.

(ii) Credit risk categorisation

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. Expected credit losses for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

Stage 2: significant increase in credit risk

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group uses the criteria of 30 days past due or loans under credit watch as the criteria to identify whether there has been a significant increase in credit risk.

Stage 3: credit-impaired (or defaulted) loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit-impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit-impaired when:

- significant financial difficulty of the borrower or issuer;
- a breach of contract as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition is different.

Interest income on stage 3 credit-impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets and continues to increase over time with the contractually accrued interest unless it is considered the loan will not be repaid in full.

Transfers between stages

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above. For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met.

(iii) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of

derecognition to the reporting date using the effective interest rate method of the existing financial asset.

(iv) Write-off

Loans remain on the statements of financial position, net of associated provisions, until they are deemed to have no reasonable expectation of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continuing attempts to recover are no longer likely to be successful.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the value of impairment losses recorded in the income statement.

(v) General reserve for credit losses

Under the Group's provisioning methodology a general reserve for credit losses is also held as an additional allowance for impairment losses.

(vi) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see Note 1(k)), are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of other non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Derivatives

(i) Cash flow hedges

The risk being hedged in a cash flow hedge is the potential variability in future cash flows that may affect profit or loss. The Group uses interest rate swaps to hedge its exposure to interest rate risks arising from operating, financing and investing activities. In accordance with its Interest Rate Risk management policy, the Group does not hold or issue derivative financial instruments for trading purposes.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the year for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below. The fair value of derivative financial instruments is determined by reference to market rates for similar instruments.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the cashflow hedge reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same year as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast

Notes to the Consolidated **Financial Statements**

1 Significant accounting policies (continued)

transaction the cumulative amount recognised in other comprehensive income from the year when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss. In other cases, the amount recognised in other income is transferred to the income statement in the same year that the hedge item affects profit or loss.

(i) Deposits

Deposits are the Group's primary source of debt funding. Deposits are initially recorded at fair value plus any directly attributable transaction costs and subsequently measured at their amortised cost using the effective interest method.

(j) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to shareholders.

(i) Tax consolidation

The Company is the head entity in a tax consolidated group comprising the Company and all its wholly-owned subsidiaries. Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'group allocation' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the Company as amounts payable (receivable) to (from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised. Any subsequent year adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/(from) the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-company receivable/(payable) equal in amount to the tax liability/(asset) assumed.

The inter-company receivables/(payables) are at call. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities. The head entity in conjunction with other members of the tax consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 1(g)(vi)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives in the current and comparative years are as follows:

• Buildings	40 years
• Leasehold Improvements	up to 7 years
• Plant and Equipment	3 – 15 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually and adjusted if appropriate.

(l) Intangibles

Computer software

Where computer software costs are not integrally related to associated hardware, the Group recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the Group controls. The Group carries capitalised computer software assets at cost less accumulated amortisation and any accumulated impairment losses. These assets are amortised over the estimated useful lives of the computer software (being between 3 and 5 years) on a straight-line basis. Computer software maintenance costs are expensed as incurred. Any impairment loss is recognised in the profit or loss when incurred. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Software as a service (SaaS) arrangement

SaaS arrangements are service contracts providing the Group with the right to access a cloud provider’s application service software over the contractual period. The Group does not receive an intangible asset at the contract commencement date. Fees for the use of application software and customisation costs are recognised as an operating expense over the term of the service contract. 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.

(m) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

(i) As a lessee

The Group recognises a right of use asset and lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

1 Significant accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

Previously, payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, spread over the lease term.

(n) Dividends payable

Dividends on ordinary shares are recognised as a liability in the year in which they are declared.

(o) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations including annual leave are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(iii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) Defined benefit plan

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(v) Other long term employee benefits

The Group's net obligation in respect of the long-term employee benefits including long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

(p) Interest bearing liabilities

Interest bearing liabilities are initially recorded at fair value less directly attributable transaction costs and subsequently measured at their amortised cost using the effective interest method.

(q) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Group. Payables are stated at cost and are normally settled within 30 days.

(r) Provision for make good costs

The provision for make good costs represents the present value of the estimated future cash outflows to be made by the Company arising from its obligations as a lessee should the relevant lease not be renewed.

The provision is calculated using estimated costs required to return leased premises to the condition in which they were initially provided, by using the Company's cost of capital as at reporting date.

The expected timing of the outflows is dependent upon whether the relevant lease is renewed.

(s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the asset or as a separate expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Where ordinary shares are repurchased, the amount of consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

(u) International Financial Reporting Standards Interpretations Committee final agenda decisions

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 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.

(v) 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 July 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.

Notes to the Consolidated **Financial Statements**

2 Operating income

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
Interest revenue calculated using the effective interest rate method					
Financial assets measured at amortised cost:					
Cash and cash equivalents		**104**	65	**104**	65
Deposits with other ADIs		**321**	652	**321**	652
Loans and advances to customers		**162,326**	179,318	**162,326**	179,318
Financial assets measured at FVOCI:					
Investment debt securities		**8,660**	9,944	**29,642**	30,176
		171,411	189,979	**192,393**	210,211
Interest expense					
Deposits		**22,136**	39,759	**22,136**	39,759
Securitised loans funding		**2,197**	3,383	**23,179**	23,615
Interest-bearing liabilities		**3,901**	3,473	**3,901**	3,473
Other interest expense		**14**	4	**14**	4
		28,248	46,619	**49,230**	66,851
Net interest income		**143,163**	143,360	**143,163**	143,360
Impairment (reversals)/losses on financial instruments					
Impairment (reversal)/charge	10	**(1,187)**	(846)	**(1,187)**	(846)
Release of impairment on losses written off directly		**(310)**	(1,551)	**(310)**	(1,551)
Impairment losses written off directly		**441**	1,794	**441**	1,794
		(1,056)	(603)	**(1,056)**	(603)
Net interest income after impairment (reversals)/losses		**144,219**	143,963	**144,219**	143,963
Fee and commission income					
Loan switch and breakout fees		**457**	838	**457**	838
Transaction fees		**5,015**	4,902	**5,015**	4,902
Payment system fees		**2,556**	2,591	**2,556**	2,591
Commissions		**1,635**	1,668	**1,635**	1,675
		9,663	9,999	**9,663**	10,006

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
Fee and commission expense					
Bank fees		**103**	160	**103**	160
Commission		**166**	179	**166**	179
		269	339	**269**	339
Net fee and commission income from contracts with customers		**9,394**	9,660	**9,394**	9,667
Profit from sale of property, plant and equipment					
Profit from sale of plant and equipment		**114**	123	**114**	123
		114	123	**114**	123
Other income					
Impairment losses recovered		**196**	176	**196**	176
Dividends		**–**	–	**1,182**	–
Rental income		**67**	119	**67**	119
Gain on sale – financial planning business		**–**	200	**–**	–
Other		**776**	784	**244**	226
		1,039	1,279	**1,689**	521
Net operating income		**154,766**	155,025	**155,416**	154,274

3 Operating expenses

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
Personnel expense					
Salaries		**52,073**	51,390	**52,073**	51,389
Payroll tax		**2,698**	2,922	**2,698**	2,921
Fringe benefits tax		**459**	662	**459**	659
Superannuation		**5,745**	5,559	**5,745**	5,559
		60,975	60,533	**60,975**	60,528
Occupancy expense					
Repairs and maintenance		**548**	443	**548**	443
Expenses on leases of short-term and low-value assets		**1,414**	1,036	**1,414**	1,036
Other		**3,293**	3,217	**3,293**	3,217
		5,255	4,696	**5,255**	4,696

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3 Operating expenses (continued)

		Consolidated		Company	
	Note	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Payment system expense		**4,484**	4,370	**4,484**	4,370
Marketing expense		**7,118**	7,167	**7,118**	7,167
Data processing expense		**9,577**	7,561	**9,577**	7,561
Postage and printing expense		**1,914**	2,625	**1,914**	2,625
Contributions to IMB and Shire Community Foundations		**550**	550	**550**	550
Goods and services tax not recovered		**3,232**	3,260	**3,232**	3,260
Sundry expenses					
Depreciation and amortisation					
– plant and equipment		**3,486**	4,663	**3,486**	4,663
– buildings		**1,379**	799	**1,379**	799
– intangibles		**2,151**	670	**2,151**	670
– leased properties		**6,636**	7,373	**6,636**	7,373
Legal and consulting		**2,102**	2,609	**2,102**	2,609
Loss from sale of property, plant and equipment		**78**	22	**78**	22
Other		**3,872**	3,910	**3,825**	3,854
		19,704	20,046	**19,657**	19,990
Total operating expenses		**112,809**	110,808	**112,762**	110,747

4 Taxation

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
a) Income tax expense					
Current tax expense					
– current year		**12,241**	13,622	**12,107**	13,431
– adjustment for prior years		**(220)**	(122)	**(220)**	(122)
		12,021	13,500	**11,887**	13,309
Deferred tax expense					
– origination and reversal of temporary differences		**389**	(98)	**377**	(117)
Total income tax expense		**12,410**	13,402	**12,264**	13,192
Reconciliation between income tax expense and profit before tax					
Profit before tax		**41,957**	44,217	**42,654**	43,527
Prima facie income tax expense at 30% on operating profit		**12,587**	13,265	**12,796**	13,058
Increase in income tax expense due to:					
– other non-deductible expenses		**10**	–	**10**	–
– depreciation of buildings		**20**	240	**20**	240
– non-deductible entertainment		**15**	22	**15**	21
Decrease in income tax expense due to:					
– income tax over-provided for in prior year		**(220)**	(120)	**(220)**	(122)
– non assessable inter Company dividend		**–**	–	**(355)**	–
– other deductible expenses		**(2)**	(5)	**(2)**	(5)
Income tax expense		**12,410**	13,402	**12,264**	13,192
Income tax recognised directly in other comprehensive income					
Relating to defined benefit fund		**(173)**	**667**	**(173)**	**667**
Relating to equity investments		**(2)**	**104**	**(2)**	**104**
Relating to investment debt securities		**(8,685)**	**438**	**(8,685)**	**438**
Relating to cash flow hedges		**(3,025)**	**(712)**	**(3,025)**	**(712)**
		(11,885)	**497**	**(11,885)**	**497**

b) Current tax liabilities

The current tax liability for the Group of $152,000 (2021: $2,190,000) and for the Company of $152,000 (2021: $2,190,000) represents the amount of income taxes payable in respect of current and prior financial years due to the relevant tax authority. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax consolidated group has assumed the current tax liability initially recognised by the members in the tax consolidated group.

Notes to the Consolidated **Financial Statements**

4 Taxation (continued)

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
Deferred tax assets/(liabilities)					
Deferred tax assets and liabilities are attributable to the following:					
– Investment debt securities		**7,120**	(1,565)	**7,120**	(1,565)
– Provisions and accrued expenses		**3,356**	3,841	**3,356**	3,830
– Employee benefits		**3,771**	3,308	**3,771**	3,308
– Lease liabilities		**5,380**	4,192	**5,380**	4,192
– Derivative assets		**2,218**	(807)	**2,218**	(807)
– Property, plant and equipment		**39**	244	**39**	244
– Deferred expenditure		**2**	29	**2**	29
– Consulting and legal fees		**29**	35	**29**	35
Total deferred tax assets		**21,915**	9,277	**21,915**	9,266
– Land and buildings		**(722)**	(749)	**(722)**	(749)
– Right of use assets		**(5,359)**	(4,189)	**(5,359)**	(4,189)
– Equity investments		**(163)**	(165)	**(163)**	(165)
Total deferred tax liabilities		**(6,244)**	(5,103)	**(6,244)**	(5,103)
Net deferred tax assets		**15,671**	4,174	**15,671**	4,163

Effective tax rates (ETR)

The ETR for the Group of 29.6% (2021: 30.3%) and the Company of 28.8% (2021: 30.3%) represents tax expense divided by total accounting profit.

5 Dividends

	Cents per Share	Total amount $'000	% Franked	Date of payment
Dividends recognised in current year by the Company are:				
2022				
2022 interim dividend	8.0	1,929	100%	25-Feb-22
2021 final dividend	9.0	2,170	100%	1-Sep-21
		4,099		
2021				
2021 interim dividend	9.0	2,170	100%	4-Mar-21
2020 final dividend	7.5	1,808	100%	21-Sep-20
		3,978		

Franked dividends paid were franked at the tax rate of 30%.

Subsequent events

On 30 August 2022 the Board declared a final ordinary dividend of 9 cents per share amounting to $2,170,000 franked at 100% at a tax rate of 30%, in respect of the year ended 30 June 2022. The dividend is payable on 5 September 2022. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial statements. The declaration and subsequent payment of dividends has no income tax consequences.

	Company	
	2022 $'000	2021 $'000
Dividend franking account		
30% franking credits available to members of the Company for dividends in subsequent financial years	**161,041**	150,749

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

(a) franking credits that will arise from the payment of the current tax liability;

(b) franking debits that will arise from the payment of dividends recognised as a liability at year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at year end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to use the franking credits is dependent upon the ability to declare dividends in accordance with the tax consolidation legislation.

6 Investment debt securities

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Investment debt securities at FVOCI *				
– certificates of deposit issued by banks	**128,389**	179,711	**128,389**	179,711
– government and semi-government securities	**212,632**	353,089	**212,632**	353,089
– other bonds	**109,047**	55,598	**109,047**	55,598
– floating rate notes**	**610,126**	545,951	**2,268,746**	2,203,785
Total investments	**1,060,194**	1,134,349	**2,718,814**	2,792,183

* All investment debt securities are measured at fair value (refer to Note 1(e) for details on accounting policy).

** The Company holds $1,650,000,000 (2021: $1,650,000,000) in bonds issued by the Illawarra Series IS Trust and $7,000,000 (2021: $7,000,000) in bonds issued by the Illawarra Warehouse Trust No. 3 as part of a contingency liquidity facility. These investments are eliminated on consolidation. Refer Note 25.

An ECL for investment debt securities of $429,000 is recognised in OCI at 30 June 2022 (2021: $449,000).

Of the above amounts, $339,160,000 (2021: $393,033,000) is expected to be recovered within 12 months of the balance date by the Group and the Company.

The Group's exposure to credit risk and interest rate risk is disclosed in Note 30.

7 Deposits with other ADIs

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Deposits with other Authorised Deposit-taking Institutions (ADIs) at amortised cost	**100,299**	108,152	**100,299**	108,152
Provision for impairment – expected credit losses	**(45)**	(58)	**(45)**	(58)
Total Deposits with other ADIs	**100,254**	108,094	**100,254**	108,094

Of the above amounts, $92,785,000 (2021: $100,639,000) is expected to be recovered within 12 months of the balance date by the Group and the Company.

8 Loans and advances to customers

		Consolidated		Company	
	Note	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Loans and advances to customers at amortised cost*		**5,573,368**	5,465,618	**5,573,368**	5,465,618
Provision for impairment – expected credit losses	10	**(5,556)**	(7,020)	**(5,556)**	(7,020)
Total loans net of provision for impairment		**5,567,812**	5,458,598	**5,567,812**	5,458,598

* Includes $1,759,777,000 of securitised residential loans (2021: $1,836,110,000).

Of the above amounts, $197,365,000 (2021: $213,129,000) is expected to be recovered within 12 months of the balance date by the Group and the Company.

9 Other financial assets

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Other equity investments – at FVOCI	**1,049**	1,294	**1,049**	1,294
Investments in controlled entities	**–**	–	**1,758**	1,758
Total other financial assets	**1,049**	1,294	**2,807**	3,052

10 Provision for impairment – expected credit losses

The table below represents the reconciliation of opening balance to closing balance of ECL allowances:

Consolidated and Company	Investment debt securities* $'000	Deposits with other ADIs $'000	Loans and advances to customers $'000	Total $'000
Balance as at 1 July 2021	**449**	**58**	**7,020**	**7,527**
Impairment charge/(reversal)	**(20)**	**(13)**	**(1,154)**	**(1,187)**
Amounts written off, previously provided for	**–**	**–**	**(310)**	**(310)**
Balance as at 30 June 2022	**429**	**45**	**5,556**	**6,030**

Consolidated and Company	$'000	$'000	$'000	$'000
Balance as at 1 July 2020	383	30	9,511	9,924
Impairment charge/(reversal)	66	28	(940)	(846)
Amounts written off, previously provided for	–	–	(1,551)	(1,551)
Balance as at 30 June 2021	449	58	7,020	7,527

* ECL for investment debt securities measured at FVOCI is recognised in OCI.

10 Provision for impairment – expected credit losses (continued)

The tables below represent the reconciliation from the opening balance to the closing balance of the ECL allowance for loan and advances to customers:

ECL on loans and advances to customers Consolidated and Company	Stage 1 12 month ECL $'000	Lifetime ECL Stage 2 not credit- impaired $'000	Lifetime ECL Stage 3 credit- impaired $'000	Total $'000
Balance as at 1 July 2021	**5,111**	**997**	**912**	**7,020**
Transfers during the period to:				
12 month ECL	238	(189)	(49)	–
Lifetime ECL not credit-impaired	(36)	120	(84)	–
Lifetime ECL credit-impaired	(2)	(70)	72	–
Net remeasurement of loss allowance	1,332	144	152	1,628
COVID-19 overlay	(1,632)	(914)	(338)	(2,884)
New financial assets originated	756	–	–	756
Financial assets that have been derecognised	(593)	(22)	(39)	(654)
Write-offs	(1)	(4)	(305)	(310)
Balance as at 30 June 2022*	**5,173**	**62**	**321**	**5,556**

ECL on loans and advances to customers Consolidated and Company	Stage 1 12 month ECL $'000	Lifetime ECL Stage 2 not credit- impaired $'000	Lifetime ECL Stage 3 credit- impaired $'000	Total $'000
Balance as at 1 July 2020	**5,983**	**1,188**	**2,340**	**9,511**
Transfers during the period to:				
12 month ECL	252	(149)	(103)	–
Lifetime ECL not credit-impaired	(51)	144	(93)	–
Lifetime ECL credit-impaired	(6)	(63)	69	–
Net remeasurement of loss allowance	(323)	54	681	412
COVID-19 overlay	(839)	(145)	(138)	(1,122)
New financial assets originated	632	–	–	632
Financial assets that have been derecognised	(533)	(30)	(299)	(862)
Write-offs	(4)	(2)	(1,545)	(1,551)
Balance as at 30 June 2021*	**5,111**	**997**	**912**	**7,020**

* Under the Group's provisioning methodology, a general reserve for credit losses is also held as an additional allowance for impairment losses.

The ECL on Investment debt securities and Deposits with other ADIs are classified at Stage 1 as there has been no significant increase in credit risk since initial recognition.

For a definition of Stage 1, 2 and 3 refer to Note 1(g).

The Group's exposure to credit risk and impairment losses related to loans and advances is disclosed in Note 30.

The expected credit loss for the financial year was driven by the release of the COVID-19 management overlay of $2,885,000 reflecting an improvement in credit quality and the underlying economic forecasts compared to the prior period and an associated decrease in the weightings assigned to the downside scenario, partly offset by an increase in the forward-looking provision, and management overlay for loans judged most susceptible to rising interest rates.

Critical accounting estimates and judgements

Impairment is measured as the impact of credit risk on the present value of management's estimates of future cash flows. In determining the required level of impairment provisions, the Group uses output from statistical models, incorporating a number of estimates and judgements to determine the Probability of Default (PD), the Exposure at Default (EAD), and the Loss Given Default (LGD) for each loan.

The most significant areas of estimation uncertainty are the impact of the rapid increase in interest rates and the use of forward-looking information. The most significant area of judgement is the impact rising inflation is likely to have on the forward-looking macro-economic factors.

The Group's approach to each of these estimates and judgements is described in more detail below.

Use of forward-looking macro-economic information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with information used by the Group for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Australia.

At 30 June 2022, the probability weightings for each scenario were reviewed and the probabilities allocated were revised in light of the more positive economic outlook. The changes made to the probability weightings applied to each scenario are shown in the table below:

Economic scenarios	2022 %	2021 %
Upside	**5**	5
Base	**50**	40
Downside	**45**	55

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10 Provision for impairment – expected credit losses (continued)

The table below provides a summary of the values of key Australian macro-economic assumptions used within the residential mortgage scenarios:

Macro-economic forecast asumptions	2023 %	2024 %	2025 %
GDP Growth			
Upside scenario	**3.0**	3.0	2.6
Base case scenario	**2.0**	1.0	1.5
Downside scenario	**0.8**	0.4	0.9
Unemployment			
Upside scenario	**2.9**	2.8	2.8
Base case scenario	**3.5**	3.5	3.5
Downside scenario	**4.3**	4.4	4.4
Housing Price Index			
Upside scenario	**(10.0)**	0.0	0.0
Base case scenario	**(10.0)**	(5.0)	0.0
Downside scenario	**(10.0)**	(10.0)	0.0
Cash rate			
Upside scenario	**2.2**	2.4	2.4
Base case scenario	**2.4**	2.6	2.6
Downside scenario	**3.0**	3.0	3.5

The movement in the Housing Price Index reflects different expectations as to the timing and amount of further increases to the cash rate and the likelihood as to when the RBA may pause this tightening cycle.

The commercial loan portfolio scenarios are based on the GDP macro-economic forecast with the assumptions used in the personal loan and revolving credit scenarios based solely on the cash rate macro-economic forecast.

Management overlay

In recognition of the current inflationary impact of supply chain disruptions and skill shortages that have been exacerbated by the war in Ukraine, and the aggressive front-end loading of interest rate increases by the RBA in response, a model risk overlay has been adopted to recognise those borrowers most susceptible to movements in interest rates that are considered at risk of default in terms of their ability to repay in the short to medium term.

Sensitivity analysis

Although the worst of the COVID-19 pandemic seems to have passed, uncertainty in relation to the measurement of the Group's ECL for loans and advances to customers remains high in comparison with historic levels. Inflation in Australia has increased significantly. While inflation is lower than in most other advanced economies, it is higher than earlier expected. Global factors, including COVID-related disruptions to supply chains and the war in Ukraine, account for much of this increase in inflation. But domestic factors are playing a role too, with capacity constraints in some sectors and the tight labour market contributing to the upward pressure on prices. The floods earlier this year have also affected some prices. This has contributed to the RBA decision to front-load the interest rate tightening cycle. Accordingly, significant adjustments to the ECL could occur in future periods as the full effects of the interest rate increases are better understood.

Identifying significant increase in credit risk (SICR)

The Group periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by quantitative and qualitative factors. For residential mortgages, SICR is determined by classifying loans into defined risk classes using loan characteristics and borrower behavioural variables or by whether the loan is

10 days past due. For commercial mortgages and personal loans the primary indicator is based on 30 day past due information. Other factors considered include whether an exposure has been identified and placed on credit watch and whether the loan has been subject to temporary modifications due to financial difficulty.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

11 Derivative (liabilities)/assets

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Interest rate swaps at fair value	**(7,392)**	2,690	**(7,392)**	2,690

The Group uses interest rate swaps to hedge interest rate risk resulting from the variability in interest cash flows caused by the changes in the benchmark interest rate (BBSW) applicable to a portfolio of Floating Rate Note (FRN) investments. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

At 30 June 2022, the Group held the following interest rate swaps to hedge exposures to changes in interest rates.

	Maturity		
	0-3 months $'000	3-12 months $'000	More than one year $'000
Interest rate swaps			
Net outflow	(895)	(1,613)	(894)
Average interest rate	(0.24%)	(0.26%)	(0.26%)

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12 Property, plant and equipment

	Consolidated		Company	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Freehold land				
– at cost	**13,781**	13,781	**13,781**	13,781
	13,781	13,781	**13,781**	13,781
Freehold buildings				
– at cost	**76,997**	75,134	**76,997**	75,134
– accumulated depreciation	**(10,177)**	(10,833)	**(10,177)**	(10,833)
	66,820	64,301	**66,820**	64,301
Total land and buildings	**80,601**	78,082	**80,601**	78,082
Plant and equipment				
– at cost	**45,183**	44,221	**45,183**	44,221
– accumulated depreciation	**(30,067)**	(28,321)	**(30,067)**	(28,321)
Total plant and equipment	**15,116**	15,900	**15,116**	15,900
Work in progress – at cost – other	**314**	520	**314**	520
Work in progress – at cost	**314**	520	**314**	520
Total property, plant and equipment – at cost	**136,275**	133,656	**136,275**	133,656
Total accumulated depreciation	**(40,244)**	(39,154)	**(40,244)**	(39,154)
Total property, plant and equipment – carrying amount	**96,031**	94,502	**96,031**	94,502
Reconciliations				
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at the beginning of the year	**13,781**	13,781	**13,781**	13,781
Carrying amount at the end of the year	**13,781**	13,781	**13,781**	13,781
Buildings				
Carrying amount at the beginning of the year	**64,301**	21,145	**64,301**	21,145
Additions	**–**	107	**–**	107
Transfers from work in progress	**–**	48,006	**–**	48,006
Additions – ROUA*	**10,534**	3,215	**10,534**	3,215
Depreciation – ROUA	**(6,636)**	(7,373)	**(6,636)**	(7,373)
Depreciation – buildings	**(1,379)**	(799)	**(1,379)**	(799)
Carrying amount at the end of the year	**66,820**	64,301	**66,820**	64,301

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Plant and equipment				
Carrying amount at the beginning of the year	**15,900**	7,990	**15,900**	7,990
Additions	**2,043**	2,222	**2,043**	2,222
Transfers from work in progress	**939**	10,526	**939**	10,526
Reclassification to software	**–**	(7)	**–**	(7)
(Adjustment)/Acquired on merger	**–**	(100)	**–**	(100)
Disposals	**(280)**	(68)	**(280)**	(68)
Depreciation	**(3,486)**	(4,663)	**(3,486)**	(4,663)
Carrying amount at the end of the year	**15,116**	15,900	**15,116**	15,900
Work in progress				
Carrying amount at the beginning of the year	**520**	42,689	**520**	42,689
Additions	**733**	16,363	**733**	16,363
Transfers to plant and equipment and buildings	**(939)**	(58,532)	**(939)**	(58,532)
Carrying amount at the end of the year	**314**	520	**314**	520

* Right of use assets.

13 Intangible assets

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Intangible computer software				
– at cost	**22,803**	14,497	**22,803**	14,497
– accumulated amortisation	**(15,631)**	(13,483)	**(15,631)**	(13,483)
Intangible computer software	**7,172**	1,014	**7,172**	1,014
Work in progress – at cost	**2,920**	7,760	**2,920**	7,760
Total intangible computer software	**10,092**	8,774	**10,092**	8,774

Notes to the Consolidated **Financial Statements**

13 Intangible assets (continued)

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Reconciliation				
Intangible computer software				
Carrying amount at the beginning of the year	**1,014**	1,132	**1,014**	1,132
Additions	**–**	84	**–**	84
Transfers from work in progress	**8,310**	559	**8,310**	559
Reclassification from property, plant and equipment	**–**	7	**–**	7
Disposals	**–**	(98)	**–**	(98)
Amortisation	**(2,152)**	(670)	**(2,152)**	(670)
Carrying amount at the end of the year	**7,172**	1,014	**7,172**	1,014
Work in progress				
Carrying amount at the beginning of the year	**7,760**	4,232	**7,760**	4,232
Additions	**3,470**	4,876	**3,470**	4,876
Reclassification	**–**	(789)	**–**	(789)
Transfers to intangible computer software	**(8,310)**	(559)	**(8,310)**	(559)
Carrying amount at the end of the year	**2,920**	7,760	**2,920**	7,760

14 Other assets

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Sundry debtors	**17,051**	17,053	**89,736**	91,361
Other assets	**944**	789	**944**	789
Total Other assets	**17,995**	17,842	**90,680**	92,150

15 Trade and other payables

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade creditors	**40,584**	38,480	**40,576**	38,048
Distributions payable by Special Purpose Entities	**4,437**	3,692	**–**	–
Fees payable by Special Purpose Entities	**451**	496	**–**	–
Total trade and other payables	**45,472**	42,668	**40,576**	38,048

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 30.

16 Deposits

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Retail deposits	**5,524,056**	5,252,819	**5,528,445**	5,258,646
Middle markets	**469,311**	501,604	**469,311**	501,604
Wholesale deposits	**67,333**	96,938	**67,333**	96,938
Accrued interest	**4,849**	6,693	**4,849**	6,693
Total deposits	**6,065,549**	5,858,054	**6,069,938**	5,863,881

The Group's exposure to liquidity risk related to deposits is disclosed in Note 30.

17 Securitised loans funding

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Notes payable	**101,899**	178,866	**–**	–
Loans from securitisation trusts*	**–**	–	**1,759,737**	1,835,972
Total securitised loans funding	**101,899**	178,866	**1,759,737**	1,835,972

* Includes $1,657,000,000 (2021: $1,657,000,000) in bonds issued by Consolidated SPEs. Refer Note 25.

The Group's exposure to liquidity risk related to securitised loans funding is disclosed in Note 30.

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18 Interest-bearing liabilities

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
Repurchase agreements*	1e				
Repurchase agreements		**317,959**	307,957	**317,959**	307,957
Total Repurchase agreements*		**317,959**	307,957	**317,959**	307,957
Lease liabilities					
Lease liabilities		**17,933**	13,973	**17,933**	13,973
Total lease liabilities		**17,933**	13,973	**17,933**	13,973
Subordinated floating rate notes	1p				
– Series 4		**–**	39,990	**–**	39,990
– Series 5		**69,815**	69,831	**69,815**	69,831
Total Subordinated floating rate notes		**69,815**	**109,821**	**69,815**	**109,821**
Total interest-bearing liabilities		**405,707**	431,751	**405,707**	431,751

* Represent securities repurchase agreements with the Reserve Bank of Australia.

Series 4 was issued for a 10-year period maturing 2027 with an option to redeem at par after five years subject to APRA approval. Interest is paid quarterly in arrears based on the 3 month Bank Bill Rate plus a margin of 300 basis points. Series 4 was redeemed in full on 26 May 2022, with the approval of APRA.

Series 5 was issued for a ten-year period maturing 2031 with an option to redeem at par after five years subject to APRA approval. Interest is paid quarterly in arrears based on the 3 month Bank Bill Rate plus a margin of 250 basis points.

In line with APRA's capital adequacy measurement rules the Subordinated Floating Rate Notes are included in lower tier 2 capital.

The Group's exposure to interest rate risk is disclosed in Note 30.

19 Provisions

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
Make-good provision					
Balance at the beginning of the year		**332**	474	**332**	474
Provisions used during the year		**(24)**	(142)	**(24)**	(142)
Balance at the end of the year		**308**	332	**308**	332
Employee benefits					
Balance at the beginning of the year		**11,485**	12,853	**11,485**	12,853
Provisions made during the year		**6,743**	5,554	**6,743**	5,554
Provisions used during the year		**(5,658)**	(6,922)	**(5,658)**	(6,922)
Balance at the end of the year	21	**12,570**	11,485	**12,570**	11,485
Total provisions		**12,878**	11,817	**12,878**	11,817

20 Share capital and reserves

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Share capital – Ordinary shares				
On issue at 1 July (24,110,261 ordinary shares)	**28,324**	28,324	**28,324**	28,324
On issue at 30 June (24,110,261 ordinary shares)	**28,324**	28,324	**28,324**	28,324

The Company does not have authorised capital or par value in respect of its issued shares. Under the constitution of the Company, no person may hold an entitlement in ordinary shares of more than five percent (5%) of the nominal value of all shares of that class. The Company has Members by way of guarantee and Shareholder Members by way of both shares and guarantee. Subject to basic voting qualifications, a Member of the Company is entitled to one vote only, irrespective of the number of shares or the number or amounts of deposits held. The holders of ordinary shares are entitled to receive dividends as declared from time to time. In assessing the dividend to be paid, the Board has regard to the Company's status as a mutual entity. All Members have an interest in the assets and earnings of the Company.

Fair value reserve

The fair value reserve includes the cumulative net change in fair value of investment debt securities and other financial assets until the investment or asset is derecognised or impaired, net of applicable income tax.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of applicable income tax.

General reserve for credit losses

Under the Group's provisioning methodology the general reserve for credit losses contains an additional allowance for impairment losses, above that calculated in accordance with Note 1(g). The general reserve for credit losses is held in support of regulatory expectations relating to sound credit risk management practices associated with the ongoing application of ECL accounting, and form part of the Group's broader approach to capital management.

General reserve

The general reserve includes retained profits from prior years.

Transfer of business reserve

Mergers with other mutual entities are accounted for by recognising the identifiable assets and liabilities of the transferred entity on the Statement of Financial Position at their fair value at the date of merger. The excess of the fair value of assets taken up over liabilities assumed is taken directly to equity as a reserve.

21 Employee benefits

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current				
Liability for annual leave	**5,563**	5,023	**5,563**	5,023
Liability for banked time	**2**	5	**2**	5
Liability for long service leave	**6,773**	6,111	**6,773**	6,111
Liability for purchased annual leave	**41**	55	**41**	55
Liability for termination payments	**–**	460	**–**	460
	12,379	11,654	**12,379**	11,654
Non Current				
Net defined benefit (asset)/liability	**(890)**	(1,493)	**(890)**	(1,493)
Liability for long service leave	**1,081**	1,324	**1,081**	1,324
	191	(169)	**191**	(169)
Total employee benefits	**12,570**	11,485	**12,570**	11,485

Liability for the IMB Staff Defined Benefit Superannuation Plan Obligations

The plan is a salary-related defined benefit superannuation plan. Benefits are payable on retirement, resignation, death or total and permanent disability as a lump sum. The plan also provides salary continuance insurance.

The Company makes contributions in respect of each plan member based on a fixed percentage of the member's salary. Each member is also required to contribute 5% of their salary during each financial year. The plan provides defined benefits on retirement based on years of service and the final average salary. In accordance with Superannuation Industry (Supervision) Regulations – Reg 9.04D, due to the membership of the fund being less than fifty on 12 May 2004, no new members have been accepted to the plan since that date. There are currently 8 members (2021: 8) in the plan. An actuarial assessment of the plan at 30 June 2022 was carried out by Ms S Sweeney FIAA on 13 July 2022.

The plan is administered by a separate Trust that is legally separate from the Company. The Company's main responsibility under the regulatory framework is to pay the funding contribution as recommended by the plan actuary. The Trustee is responsible for the day-to-day operation of the plan which includes administration, investment policy, governance, compliance and maintaining a minimum adequate level of financial solvency.

In Australia, legislation requires that defined benefit plans are funded to meet the Minimum Requisite Benefits (MRBs) and regulations require defined benefit plans to have a vested benefit index (VBI) of at least 100%. The plan actuary performs a triennial funding valuation which considers the plan's funding position and policies and the plan actuary recommends an employer contribution rate in order to target at least 100% of the MRBs are covered by the plan assets and to target the plan achieves a VBI of 100%. In the interim the plan is monitored regularly and the employer contribution rate is adjusted if required.

The Trustee is required by law to act in the best interest of the beneficiaries of the plan.

The defined benefit plan exposes the Company to actuarial risks, such as salary inflation risk and market (investment) risk.

	Consolidated		Company	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Movements in the net defined benefit asset/(liability)				
Net defined benefit asset at the beginning of the year	**1,493**	(668)	**1,493**	(668)
Total remeasurement recognised in other comprehensive income (loss)/gain	**(575)**	2,225	**(575)**	2,225
Contributions received from employer	**461**	454	**461**	454
Defined benefit cost recognised in the profit and loss	**(489)**	(518)	**(489)**	(518)
Net defined benefit asset at the end of the year	**890**	1,493	**890**	1,493

	Year Ending 30 June 2023 $'000
Expected contributions to the plan in the next reporting period	
Expected employer contributions*	–
Expected employee contributions	110

* The funding of the plan is based on a separate actuarial valuation. The Trustee recommended to the Company to apply a contribution holiday from 1 July 2022 and the Company has accepted this recommendation.

Maturity profile of the Defined Benefit Obligation as measured by weighted average duration

The weighted average term of the Defined Benefit Obligation is calculated as 4.3 years.

Projected benefit payments (defined benefit only)	2022 $'000	2021 $'000
Next year	**1,637**	1,834
Next year + 1 year	**1,819**	1,283
Next year + 2 years	**2,194**	1,433
Next year + 3 years	**3,187**	1,743
Next year + 4 years	**1,910**	2,436
Sum of next year + 5 – 9 years	**2,236**	3,174

Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was $4,814,000 for the financial year (2021: $4,497,000).

Notes to the Consolidated **Financial Statements**

22 Capital and other commitments

	Consolidated		Company	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Loan commitments approved but not advanced				
– not later than one year	**387,203**	396,808	**387,203**	396,808
– later than one year	**26,013**	12,929	**26,013**	12,929
Total	**413,216**	409,737	**413,216**	409,737
Capital expenditure commitments not taken up in the financial statements				
– not later than one year	**122**	185	**122**	185
Total	**122**	185	**122**	185

23 Financial arrangements

	Consolidated		Company	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Bank overdraft available	**2,500**	2,500	**2,500**	2,500
Other overdraft available	**–**	200	**–**	200
Facilities not utilised	**2,500**	2,700	**2,500**	2,700

The overdraft facility when drawn is secured by a charge over mortgage loans made by the Company to members. This facility is subject to annual review. The facility is subject to an annual interest rate of 6.49% (2021: 5.74%).

24 Contingent liabilities

Contingent liabilities considered remote

Guarantees given by IMB Ltd

Business Banking clients

Contingent liabilities include guarantees of $3,633,000 (2021: $3,943,000) issued on behalf of clients supporting performance, rental and other commercial obligations. The Company holds either term deposits or real estate as security against these performance guarantees.

These facilities are established on the basis that the beneficiary of the guarantee can call up the guarantee at any time and IMB is obliged to make good the value within the guarantee. In such circumstances the value of the payment under the guarantee is recovered from the security or a loan supported by the security.

Considering the contingent liability imposed upon IMB, fees are charged for the establishment and ongoing management of such facilities.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

25 Consolidated entities

Parent entity: IMB Ltd

Subsidiary	Principal Activity	Ownership interest 2022 %	2021 %
IMB Funeral Fund Management Pty Ltd	Dormant	**100.0**	100.0
IMB Community Foundation Pty Ltd	Dormant	**100.0**	100.0
IMB Securitisation Services Pty Limited	Securitisation trust management	**100.0**	100.0
IMB Financial Planning Limited	Dormant	**100.0**	100.0
Securitisation SPEs *			
Illawarra Warehouse Trust No. 3	Securitisation trust		
Illawarra Series 2017-1 RMBS Trust	Securitisation trust		
Illawarra Series IS Trust	Securitisation trust		

* Refer Note 1(c). These entities are consolidated on the basis of risk exposure, not control or ownership. IMB continues to reflect the securitised loans in their entirety and also recognises a financial liability to the Trust. The interest payable in the intercompany financial asset/liability represents the return on an imputed loan between IMB and the SPEs.

On 14 October 2021 all notes of the Illawarra Series 2013-1 RMBS Trust were redeemed in accordance with the clean-up provisions of the trust.

All entities are incorporated in Australia.

26 Notes to the statements of cash flows

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
RECONCILIATION OF CASH				
Cash and cash equivalents at the end of the year as shown in the statements of cash flows is reconciled to the related item in the balance sheets:				
Cash controlled by the Group	**129,475**	56,149	**129,474**	56,148
Cash controlled by SPEs	**77,722**	78,409	**–**	–
Total	**207,197**	134,558	**129,474**	56,148

The Group's exposure to interest rate risk for financial assets and liabilities is disclosed in Note 30.

Notes to the Consolidated **Financial Statements**

26 Notes to the statements of cash flows (continued)

	Consolidated		Company	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year attributable to members of the Company	**29,547**	30,815	**30,390**	30,335
Net (gain) on sale of property, plant and equipment	**(36)**	(101)	**(36)**	(101)
Remeasurement of defined benefit fund liability	**(403)**	1,558	**(403)**	1,558
Impairment (gains)/losses on financial instruments	**(1,056)**	(603)	**(1,056)**	(603)
Depreciation of property, plant and equipment, and amortisation of intangible assets	**13,662**	13,509	**13,662**	13,509
Operating profit before changes in assets and liabilities	**41,715**	45,178	**42,558**	44,698
Changes in assets and liabilities:				
(Increase) in accrued interest on investments	**(1,019)**	(1,918)	**(1,017)**	(1,915)
(Increase) in loans and advances to customers	**(108,159)**	(67,319)	**(108,159)**	(67,319)
(Increase)/Decrease in sundry debtors	**(153)**	(510)	**1,470**	(20,610)
(Increase)/Decrease in net deferred tax asset	**(11,497)**	326	**(11,508)**	307
(Decrease) in accrued interest on members' deposits	**(1,844)**	(5,874)	**(1,844)**	(5,874)
Increase in trade and other payables	**2,804**	8,242	**2,528**	9,351
Increase/(Decrease) in deposits	**209,339**	(7,541)	**207,901**	(7,109)
Increase/(Decrease) in provision for employee benefits	**1,085**	(1,368)	**1,085**	(1,368)
(Decrease) in current tax liabilities	**(2,038)**	(447)	**(2,038)**	(447)
(Decrease) in other provisions	**(24)**	(142)	**(24)**	(142)
Net cash flows from operating activities	**130,209**	(31,373)	**130,952**	(50,428)

CASH FLOWS PRESENTED ON A NET BASIS

Cash flows arising from loan advances and repayments, member deposits and withdrawals and from sales and purchases of investment debt securities have been presented on a net basis in the statements of cash flows.

27 Related party disclosures

The following were key management personnel of the Group and Company at any time during the year and unless otherwise indicated were key management personnel for the entire year.

Directors	Executive
Mr NH Cornish (Chairman)	Mr RJ Ryan (Chief Executive Officer)
Ms CA Aston	Mr M Brannon (General Manager, Sales and Marketing)
Mr PJ Fitzgerald	Mr N Campbell (Chief Digital Officer)
Ms JA Gardner	Mr CJ Goodwin (Chief Financial Officer)
Ms JM Swinhoe	Ms RJ Heald (General Manager People and Culture)
Mr HW Wendt	Mr MF King (Chief Risk Officer)
Mr C Whitehead appointed 1 December 2021	Ms LB Wise (General Manager, Corporate Services and Company Secretary)

	Consolidated		Company	
	2022 $	2021 $	2022 $	2021 $
The key management personnel compensation included in "personnel expense" (see Note 3) is as follows:				
Short-term employee benefits	**5,121,811**	5,014,185	**5,121,811**	5,014,185
Post-employment benefits	**437,350**	432,981	**437,350**	432,981
Termination benefits	**–**	616,265	**–**	616,265
Other long-term benefits – deferred compensation	**627,809**	713,519	**627,809**	713,519
Other long-term benefits – other	**103,813**	56,192	**103,813**	56,192
Total	**6,290,783**	6,833,142	**6,290,783**	6,833,142

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Company in relation to their services rendered to the Group. Compensation arrangements have been updated and structured to ensure compliance with the *Treasury Laws Amendment (Banking Executive Accountability Regime) Act 2018* and other regulatory guidance. Compensation arrangements have involved the setting of KPIs that balance financial and non-financial performance metrics and the application of deferral, malus and clawback provisions, which provide the Board with broad discretion to adjust remuneration outcomes. These compensation arrangements include the deferral of 40% of the short-term incentives awarded, for a period of not less than 4 years, in order for performance to be reliably measured over a longer period of time.

Directors' Remuneration

The maximum aggregate of the amount of remuneration, inclusive of superannuation, available to the Directors for the financial year was $960,000. Of this amount, $766,100 (2021: $708,131) was distributed to directors based on their roles and responsibilities on the Board and its Committees. Movements reflect changes in the composition of the Board and its Committees, and the benchmarking of Board remuneration levels and the method of distributing remuneration against those of comparable financial services entities.

Individual directors and executives compensation disclosures

Apart from the details disclosed in this note, no director has entered into a contract with the Group or the Company since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

Notes to the Consolidated
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27 Related party disclosures (continued)

	Opening Balance $	Closing Balance $	Interest and fees paid in the reporting year $	Number in group at 30 June
Total for key management personnel and their related parties 2022	**2,441,295**	**2,661,112**	**75,180**	**3**
Total for key management personnel and their related parties 2021	3,390,141	3,336,016	83,245	3

All loans to key management personnel and their related parties are made on an arm's length basis, on the same terms and conditions and at the same interest rates available to members. All loans are secured by residential mortgage, and no amounts have been written down or recorded as allowances, as the balances are considered fully collectible.

Key management personnel holdings of shares and deposits

Details regarding the aggregate of the number of ordinary shares in IMB Ltd held directly, indirectly or beneficially, by key management personnel and their related parties, and the number of individuals in each group are as follows:

	Opening Balance	Purchases	Sales	Closing Balance	Number in group at 30 June
Total for key management personnel and their related parties 2022	**13,420**	**–**	**–**	**13,420**	**7**
Total for key management personnel and their related parties 2021	13,420	–	–	13,420	7

No shares were granted to key management personnel during the year as compensation (2021: nil).

The Company has also received deposits from key management personnel and their related entities. These amounts were received on the same terms and conditions as are applicable to members generally.

Key management personnel transactions with the Company or its controlled entities

A number of key management personnel hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

28 Other related party disclosures

Subsidiaries

Due to the Company and its wholly owned subsidiaries forming a tax consolidated group, the liability for payments of income tax for all members of the tax consolidated group are the liability of the Company. However, the tax consolidated group has entered into a tax funding agreement as described in Note 1(j). The aggregate amount of loans provided (by)/to the Company (to)/from subsidiaries under the agreement is ($682,000) (2021: ($960,000)).

The total amount of deposits with the Company by controlled entities at the end of the relevant financial year was $4,389,000 (2021: $5,827,000). The total amount of borrowings with the Company by controlled entities at the end of the relevant financial year was $nil (2021: $nil). These are in accordance with normal commercial terms and conditions.

Securitisation

The Company, through its loan securitisation program, securitises residential and commercial mortgage loans to the Illawarra Trusts ("the Trusts") which in turn issue rated securities to investors. The Company holds income and capital units in the Trusts. These income and capital units are held at nominal values. The income units entitle the Company to receive excess income, if any, generated by the securitised assets, whilst the capital unitholder receives, upon termination of the Trust, the capital remaining after all other outgoings have been paid. Investors in the Trusts have no recourse against the Company if cash flows from the securitised loans are inadequate to service the obligations of the Trusts.

Any credit losses are first offset against the excess income payable to the Company, to the extent available, with any shortfalls written off against issued securities.

The securities issued by the Trusts do not represent liabilities of the Company. Neither the Company nor any of its subsidiaries stand behind the capital value and/or performance of the securities or assets of the Trusts.

The Company however does receive payment for services provided to the Trusts, including servicing of the loans, interest rate swaps, loan redraw and liquidity facilities. The Company and IMB Securitisation Services Pty Limited, a controlled entity, receives payment for managing the Trusts. All these transactions are entered into on an arm's length basis between the Company, Trust Manager and the Trusts.

A summary of the transactions between the Group and the Trusts during the year is as follows:

Payments received by the Company	**2022 $'000**	**2021 $'000**
Proceeds from the securitisation of loans	**699,703**	679,985
Servicing fees received	**4,435**	4,667
Management fees received	**532**	560
Excess income received	**21,583**	27,811
Note interest	**20,982**	20,252
Other	**412**	435

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29 Remuneration of Auditors

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Amounts received or due and receivable by KPMG for:				
Audit and review of financial statements	**396**	386	**345**	356
Regulatory audits and review	**50**	60	**43**	42
Other assurance services	**24**	25	**18**	18
	470	471	**406**	416
Taxation				
– compliance	**33**	30	**33**	30
Other advisory	**–**	46	**–**	46
	503	547	**439**	492

30 Risk management and financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Risk Committee is responsible for developing and monitoring Group risk management policies. The Risk Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in strategy, market conditions, and products and services offered. The Company and Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk Committee is responsible for monitoring compliance with the Company and Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Risk Committee is assisted in its oversight of these functions by the Chief Risk Officer, a centralised risk management function and an independent Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

In addition to the Audit Committee and Risk Committee, the Group has a number of senior management committees where specific risk management information is overseen. These include the Executive Risk Management Committee which has oversight of all risks encountered by the business, the Assets and Liabilities Committee (ALCO) which is responsible for managing liquidity and non-traded market risk, the Credit Quality Committee which reviews the risks in the various credit portfolios and the Credit Committee which is responsible for credit approvals which fall outside individual delegated authorities.

Credit risk

Credit risk is the risk of financial loss to the Group if a member or counterparty to the financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers, other authorised deposit-taking institutions and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

Management of credit risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's credit risk policies. The Board has delegated responsibility for the management of credit risk to the IMB Executive. Credit policies are prepared by the Risk Department, in accordance with Risk Appetite and with input from the business units. Formal approval of Credit Policy is retained by the Board.

A separate Origination Services Department and Lending Services Department reporting to the IMB Executive, are responsible for the implementation of the Group's credit risk policies, including:

- Drafting of operational guidelines and procedures covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Delegated Lending Authority limits are allocated to Credit Officers. Transactions outside delegated lending authority limits require approval by the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Origination Services assesses all credit exposures prior to facilities being committed to members. Any facilities in excess of designated limits are escalated through to the appropriate approval level. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposures to certain Board approved asset classes.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Treasury is responsible for managing IMB's liquidity investments including making investments, ensuring counterparty credit risk policy is adhered to and compliance with investment guidelines per our liquidity management strategies. These include limiting concentrations of exposures to investment term, asset class and counterparties. IMB's Accounting Department is responsible for risk oversight and compliance with these limits.

Regular audits of business units and credit processes are undertaken by the Internal Audit Department.

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30 Risk management and financial instruments (continued)

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The following table summarises the exposure to credit risk under AASB 9 at 30 June 2022:

		Consolidated			
30 June 2022	**Note**	**Loans and advances to customers $'000**	**Deposits with other ADIs $'000**	**Investment debt securities $'000**	**Cash and cash equivalents $'000**
Carrying amount	6,7,8,26	**5,567,812**	**100,254**	**1,060,194**	**207,197**
Stage 1: no significant increase in credit risk since initial recognition					
Secured by mortgage – current		5,388,442	–	–	–
Secured by mortgage – less than or equal to 30 days in arrears		47,811	–	–	–
Government securities		–	–	212,632	–
Investment grade		–	75,525	847,562	207,197
Unrated		–	13,281	–	–
Other		108,983	11,493	–	–
Net deferred income and expenses		1,588	–	–	–
Carrying amount		5,546,824	100,299	1,060,194	207,197
Stage 2: significant increase in credit risk					
Secured by mortgage		19,183	–	–	–
Other		409	–	–	–
Carrying amount		19,592	–	–	–
Stage 3: credit-impaired (or defaulted) loans					
Secured by mortgage		6,876	–	–	–
Other		76	–	–	–
Carrying amount		6,952	–	–	–
Expected credit loss	10	(5,556)	(45)	–	–
Total carrying amount	6,7,8,26	**5,567,812**	**100,254**	**1,060,194**	**207,197**
Includes restructured loans		2,033	–	–	–

For a definition of Stage 1, 2 and 3 refer to Note 1(g).

The carrying amount of the Group's financial assets represents the maximum credit exposure. The following table summarises the exposure to credit risk under AASB 9 at 30 June 2021:

		Consolidated			
30 June 2021	**Note**	**Loans and advances to customers $'000**	**Deposits with other ADIs $'000**	**Investment debt securities $'000**	**Cash and cash equivalents $'000**
Carrying amount	6,7,8,26	5,458,598	108,094	1,134,349	134,558
Stage 1: no significant increase in credit risk since initial recognition					
Secured by mortgage – current		5,245,839	–	–	–
Secured by mortgage – less than or equal to 30 days in arrears		53,381	–	–	–
Government securities		–	–	353,089	–
Investment grade		–	97,261	781,260	134,558
Unrated		–	2,766	–	–
Other		132,439	8,125	–	–
Net deferred income and expenses		1,249	–	–	–
Carrying amount		5,432,908	108,152	1,134,349	134,558
Stage 2: significant increase in credit risk					
Secured by mortgage		22,157	–	–	–
Other		544	–	–	–
Carrying amount		22,701	–	–	–
Stage 3: credit-impaired (or defaulted) loans					
Secured by mortgage		9,811	–	–	–
Other		198	–	–	–
Carrying amount		10,009	–	–	–
Expected credit loss	10	(7,020)	(58)	–	–
Total carrying amount	6,7,8,26	5,458,598	108,094	1,134,349	134,558
Includes restructured loans		5,472	–	–	–

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30 Risk management and financial instruments (continued)

The carrying amount of the Company's financial assets represents the maximum credit exposure. The following table summarises the exposure to credit risk under AASB 9 at 30 June 2022:

		Company			
30 June 2022	**Note**	**Loans and advances to customers $'000**	**Deposits with other ADIs $'000**	**Investment debt securities $'000**	**Cash and cash equivalents $'000**
Carrying Amount	6,7,8,26	**5,567,812**	**100,254**	**2,718,814**	**129,474**
Stage 1: no significant increase in credit risk since initial recognition					
Secured by mortgage – current		5,388,442	–	–	–
Secured by mortgage – less than or equal to 30 days in arrears		47,811	–	–	–
Government securities		–	–	212,632	–
Investment grade		–	75,525	2,506,182	129,474
Unrated		–	13,281	–	–
Other		108,983	11,493	–	–
Net deferred income and expenses		1,588	–	–	–
Carrying amount		5,546,824	100,299	2,718,814	129,474
Stage 2: significant increase in credit risk					
Secured by mortgage		19,183	–	–	–
Other		409	–	–	–
Carrying amount		19,592	–	–	–
Stage 3: credit-impaired (or defaulted) loans					
Secured by mortgage		6,876	–	–	–
Other		76	–	–	–
Carrying amount		6,952	–	–	–
Expected credit loss	10	(5,556)	(45)	–	–
Total carrying amount	6,7,8,26	**5,567,812**	**100,254**	**2,718,814**	**129,474**
Includes restructured loans		2,033	–	–	–

The carrying amount of the Company's financial assets represents the maximum credit exposure. The following table summarises the exposure to credit risk under AASB 9 at 30 June 2021:

		Company			
30 June 2021	**Note**	**Loans and advances to customers $'000**	**Deposits with other ADIs $'000**	**Investment debt securities $'000**	**Cash and cash equivalents $'000**
Carrying Amount	6,7,8,26	5,458,598	108,094	2,792,183	56,148
Stage 1: no significant increase in credit risk since initial recognition					
Secured by mortgage – current		5,245,839	–	–	–
Secured by mortgage – less than or equal to 30 days in arrears		53,381	–	–	–
Government securities		–	–	353,089	–
Investment grade		–	97,261	2,439,094	56,148
Unrated		–	2,766	–	–
Other		132,439	8,125	–	–
Net deferred income and expenses		1,249	–	–	–
Carrying amount		5,432,908	108,152	2,792,183	56,148
Stage 2: significant increase in credit risk					
Secured by mortgage		22,157	–	–	–
Other		544	–	–	–
Carrying amount		22,701	–	–	–
Stage 3: credit-impaired (or defaulted) loans					
Secured by mortgage		9,811	–	–	–
Other		198	–	–	–
Carrying amount		10,009	–	–	–
Expected credit loss	10	(7,020)	(58)	–	–
Total carrying amount	6,7,8,26	5,458,598	108,094	2,792,183	56,148
Includes restructured loans		5,472	–	–	–

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in relation to interest rate swap contracts, which is limited to the net fair value of the swap agreement at balance date, is NIL (2021: $2,690,000).

IMB issues guarantees to business banking clients with a maximum credit exposure of $3,633,000 (2021: $3,943,000). Refer Note 24 for more details.

30 Risk management and financial instruments (continued)

Restructured loans

Restructured loans have renegotiated terms due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category subject to satisfactory performance after restructuring for a period of at least six months.

Allowance for impairment

The Group establishes an allowance for impairment losses that represents its estimate of expected losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures subject to individual assessment for impairment, and a collective loan loss allowance established for groups of homogeneous assets in respect of expected credit losses on loans that are not subject to individual assessment for impairment.

Collateral and other credit enhancements

Mortgage Loans

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. For residential mortgages, where the Loan to Value Ratio (LVR) is greater than 80%, mortgage insurance contracts are entered into in order to manage the credit risk. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to other ADIs and investment debt securities.

The tables below provide information on credit exposures from residential and commercial mortgage lending by stratifications of LVRs. The LVR is calculated as the ratio of the current balance of the loan to the most recent valuation of the collateral.

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Residential mortgages				
LVR ratio				
<= 25%	**273,098**	253,485	**273,098**	253,485
>25%<=50%	**1,198,523**	1,076,160	**1,198,523**	1,076,160
>50%<=70%	**1,817,684**	1,714,474	**1,817,684**	1,714,474
>70%<=80%	**1,141,475**	1,154,591	**1,141,475**	1,154,591
>80%<=90%	**491,599**	560,149	**491,599**	560,149
>90%<=100%	**284,652**	304,220	**284,652**	304,220
>100%	**8,726**	18,720	**8,726**	18,720
Total	**5,215,757**	5,081,799	**5,215,757**	5,081,799

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Commercial mortgages				
LVR ratio				
<= 25%	**18,343**	20,649	**18,343**	20,649
>25%<=50%	**68,096**	59,883	**68,096**	59,883
>50%<=70%	**113,616**	109,658	**113,616**	109,658
>70%<=80%	**42,885**	46,090	**42,885**	46,090
>80%<=90%	**3,579**	–	**3,579**	–
>90%<=100%	**40**	–	**40**	–
>100%	**–**	–	**–**	–
Total	**246,559**	236,280	**246,559**	236,280

Credit-impaired loans

The estimated fair value of collateral and other security enhancements held by the group against loans and advances to customers at 30 June 2022 that were credit-impaired and not well secured is $571,000 (2021: $1,756,000) with the amount outstanding on these loans being $279,000 (2021: $418,000).

Repossessed collateral

In the event of member default on a mortgage facility, any loan security is usually held as mortgagee in possession and therefore the Company does not usually hold any real estate or other assets acquired through the enforcement of security. During the year the Company took possession of property assets with a carrying value of $nil (2021: $450,000).

The Group monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances to customers		Deposits with other ADIs		Investment debt securities		Cash and cash equivalents	
Consolidated	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Carrying amount	**5,567,812**	5,458,598	**100,254**	108,094	**1,060,194**	1,134,349	**207,197**	134,558
Concentration by location								
New South Wales	**4,376,866**	4,306,181	**65,123**	87,866	**624,483**	627,644	**206,116**	133,592
Australian Capital Territory	**686,543**	682,862	**11,493**	8,125	**–**	–	**995**	789
Queensland	**126,230**	123,434	**250**	2,766	**61,667**	27,274	**–**	–
Victoria	**295,521**	270,516	**23,433**	3,391	**194,335**	152,448	**86**	177
Western Australia	**45,508**	44,651	**–**	–	**–**	83,118	**–**	–
South Australia	**14,942**	15,887	**–**	–	**24,673**	31,338	**–**	–
Tasmania	**27,758**	22,087	**–**	6,004	**155,036**	212,527	**–**	–
Provision for impairment	**(5,556)**	(7,020)	**(45)**	(58)	**–**	–	**–**	–
Total	**5,567,812**	5,458,598	**100,254**	108,094	**1,060,194**	1,134,349	**207,197**	134,558

30 Risk management and financial instruments (continued)

Company	Loans and advances to customers 2022 $'000	Loans and advances to customers 2021 $'000	Deposits with other ADIs 2022 $'000	Deposits with other ADIs 2021 $'000	Investment debt securities 2022 $'000	Investment debt securities 2021 $'000	Cash and cash equivalents 2022 $'000	Cash and cash equivalents 2021 $'000
Carrying amount	**5,567,812**	5,458,598	**100,254**	108,094	**2,718,814**	2,792,183	**129,474**	56,148
Concentration by location								
New South Wales	**4,376,866**	4,306,181	**65,123**	87,866	**2,283,103**	2,285,478	**128,393**	55,182
Australian Capital Territory	**686,543**	682,862	**11,493**	8,125	**–**	–	**995**	789
Queensland	**126,230**	123,434	**250**	2,766	**61,667**	27,274	**–**	–
Victoria	**295,521**	270,516	**23,433**	3,391	**194,335**	152,448	**86**	177
Western Australia	**45,508**	44,651	**–**	–	**–**	83,118	**–**	–
South Australia	**14,942**	15,887	**–**	–	**24,673**	31,338	**–**	–
Tasmania	**27,758**	22,087	**–**	6,004	**155,036**	212,527	**–**	–
Provision for impairment	**(5,556)**	(7,020)	**(45)**	(58)	**–**	–	**–**	–
Total	**5,567,812**	5,458,598	**100,254**	108,094	**2,718,814**	2,792,183	**129,474**	56,148

Concentration by location for loans and advances is measured based on the location of the borrower. Concentration by location for loans and advances to other ADIs and investment debt securities is measured based on the location of the counterparty.

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement and clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring process.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to efficiently meet both expected and unexpected current and future cash flow commitments under all operating scenarios without negatively affecting the Group's daily operations or its financial condition.

Management of liquidity risk

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity available to meet its liabilities and cash flow demands when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Treasury's risk management function performs cash flow projections to determine future net funding requirements reflective of various expected and alternative market and business conditions. Treasury then maintains a portfolio of liquid investments, largely made up of high-quality liquid assets (HQLA), other contingent liquidity and funding sources (e.g self-securitisation assets available as collateral under repurchase agreement) and other investment debt securities. This is to ensure that sufficient liquidity is maintained and to avoid large funding mismatches. The liquidity and funding positions are monitored and managed daily.

The Group relies on deposits from Members as its primary source of funding. Members deposits generally have maturities less than one year and a large proportion of them are contractually payable on demand. However, most of these deposits are in transactional, savings and term deposit products that display the behaviour of more stable longer term funding sources. In addition, Treasury source funding as required in the middle and wholesale markets to meet the daily net funding requirements of the Group. The securitisation of residential mortgage loans further supports diversification of the funding base. The Group also have available a number of other contingent funding sources. This includes a securitisation warehouse facility with Westpac up to a limit of $31.6 million (2021: $52.2 million) and securities issued under the Group's self-securitisation program as repurchase eligible securities in the open market or with the RBA. The utilised balance of the Westpac securitisation warehouse at 30 June 2022 was $31.6 million (2021: $45.2 million). The Term Funding Facility (TFF) made available to banks as part of the RBA monetary policy response to the COVID-19 pandemic was fully utilised with $268 million (2021: $268 million) remaining drawn down. At balance date $318.4 million was held as collateral for these facilities (2021: $318.4 million) of securities were subject to repurchase agreement under the RBA TFF.

To manage its funding and liquidity risk profile, the Group pursues through its funding and liquidity management strategy, a well-diversified funding base in terms of products, maturity terms and funding segment (i.e. wholesale and retail member funding). This is to avoid large concentrations that increases funding liquidity risk and puts a higher demand on the availability of contingent liquidity. This is controlled through funding and liquidity risk limits monitored weekly by senior management and monthly by the ALCO and quarterly by the Risk Committee. Mitigation of liquidity risk is further supported by a liquidity stress-testing framework which is reported on a weekly basis with monthly oversight by the ALCO and quarterly by the Risk Committee. Various stress tests measure the liquidity coverage of cash outflows under a variety of scenarios. These stress scenarios reflect various levels of severity in disrupted market and depositor behaviour.

The contingency funding plan forms an integral part of the framework that enables the Group to proactively manage its liquidity risk profile under all conditions. All liquidity policies and procedures are subject to oversight and approval by the ALCO and ultimately the Board.

Exposure to liquidity risk

A key measure used by the Group for managing liquidity risk is the ratio of high-quality liquid assets (as defined by APRA) to total adjusted liabilities, excluding any liability elements that qualify as Tier 1 or Tier 2 capital for prudential regulatory purposes. The Group has limits in place to ensure a sufficient buffer above the prudential minimum is held at all times. For the purposes of APRA's prudential minimum liquidity holding requirement the Group holds HQLA including cash, bank deposits on a call basis, securities eligible for repurchase with the RBA and other eligible deposits, as determined by APRA, issued by ADIs. In addition, the Liquidity Coverage Ratio under the APRA APS210 stress test is used to determine the amount of contingent liquidity buffer held is sufficient under the stated stress scenario. The reported Group HQLA ratio to total adjusted liabilities at the reporting date was as follows:

Liquidity ratios

	2022 %	2021 %
At 30 June		
APRA High-Quality Liquid Assets	**16.6**	18.0

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30 Risk management and financial instruments (continued)

Residual contractual maturities of financial liabilities

	At call		Excluding call less than 3 months maturity		Greater than 3 months less than 12 months maturity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Consolidated						
Financial Liabilities						
Deposits	**3,859,645**	3,414,389	**1,244,789**	1,447,738	**923,841**	935,527
Trade and other payables	**–**	–	**45,472**	42,668	**–**	–
Securitised loans funding*	**–**	–	**7,032**	11,477	**18,477**	30,332
Lease liabilities	**–**	–	**1,706**	1,589	**4,672**	3,881
Interest-bearing liabilities	**–**	–	**50,642**	40,761	**52,131**	2,240
Total financial liabilities	**3,859,645**	3,414,389	**1,349,641**	1,544,233	**999,121**	971,980
Unrecognised loan commitments			**236,665**	249,172		
Company						
Financial Liabilities						
Deposits	**3,864,034**	3,420,216	**1,244,789**	1,447,738	**923,841**	935,527
Trade and other payables	**–**	–	**40,576**	38,048	**–**	–
Securitised loans funding*	**–**	–	**15,910**	16,423	**44,820**	45,008
Lease liabilities	**–**	–	**1,706**	1,589	**4,672**	3,881
Interest-bearing liabilities	**–**	–	**50,642**	40,761	**52,131**	2,240
Total financial liabilities	**3,864,034**	3,420,216	**1,353,623**	1,544,559	**1,025,464**	986,656
Unrecognised loan commitments			**236,665**	249,172		

* Included in this balance are amounts payable to mortgage SPE noteholders. The contractual maturity of the notes is dependent on the repayment of the underlying mortgages.

	Greater than 1 year less than 5 years maturity		Greater than 5 years maturity		Gross nominal outflow		Total carrying amount	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
	51,113	70,448	**–**	107	**6,079,388**	5,868,209	**6,065,549**	5,858,054
	–	–	**–**	–	**45,472**	42,668	**45,472**	42,668
	57,942	96,452	**25,360**	49,121	**108,811**	187,382	**101,899**	178,866
	10,175	8,097	**2,000**	1,032	**18,553**	14,599	**17,933**	13,973
	228,543	281,474	**79,435**	120,123	**410,751**	444,598	**387,774**	417,778
	347,773	456,471	**106,795**	170,383	**6,662,975**	6,557,456	**6,618,627**	6,511,339
					236,665	249,172		
	51,113	70,448	**–**	107	**6,083,777**	5,874,036	**6,069,938**	5,863,881
	–	–	**–**	–	**40,576**	38,048	**40,576**	38,048
	198,923	174,997	**1,683,198**	1,706,228	**1,942,851**	1,942,656	**1,759,737**	1,835,972
	10,175	8,097	**2,000**	1,032	**18,553**	14,599	**17,933**	13,973
	228,543	281,474	**79,435**	120,123	**410,751**	444,598	**387,774**	417,778
	488,754	535,016	**1,764,633**	1,827,490	**8,496,508**	8,313,937	**8,275,958**	8,169,652
					236,665	249,172		

Notes to the Consolidated **Financial Statements**

30 Risk management and financial instruments (continued)

The previous table shows the undiscounted cash flows on the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, at call deposits from members are expected to maintain a stable or increasing balance and unrecognised loan commitments are not expected to be drawn down immediately.

The gross nominal outflow disclosed is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled.

Market Risk

Adverse changes in prices, foreign exchange rates, interest rates and credit spreads of financial instruments will negatively impact the income and value derived from holding such instruments. This is generally referred to as Market Risk.

The Group's core business activities are centred on making loans, taking deposits and investing in liquid assets (APRA requirement) and other ADI term deposits, only in Australian dollars. The intent is to hold these banking products to maturity and is commonly referred to as the banking book.

The banking book has exposure to adverse changes to interest rates, which will negatively affect the Group's profit in current and future periods derived from net interest income (interest earned less interest paid). This risk is known as Interest Rate Risk in the Banking Book (IRRBB).

The Group does not conduct any proprietary trading activities (buying and selling securities for short-term capital gains) or operate any trading books that expose it to any other form of market risk.

Management of Interest Rate Risk in the Banking Book

The Group measure and manage IRRBB from two perspectives (as required by APRA): firstly, from an earnings perspective quantified in terms of potential changes to its net interest income (NII) as reported in the profit or loss; and secondly from an economic value of equity (EVE) perspective, by quantifying the change in the net present value of the balance sheet's future earnings potential. The objectives in managing IRRBB are to optimise the trade-off between earnings and economic value whilst managing the risk within levels which are acceptable by the Board.

Overall authority for managing IRRBB is vested in the risk oversight and governance performed by the Assets and Liabilities Committee (ALCO). Treasury is responsible for the development of detailed risk management policies (subject to review and approval by the ALCO, Risk Committee and the Board) and for its day-to-day implementation which includes the development and implementation of hedging strategies.

Exposure to IRRBB

Treasury, under the oversight from the ALCO, uses a number of risk measures to monitor and manage IRRBB exposure from both a NII and EVE perspective. A primary and secondary metric to which Board limits are calibrated are used to make hedging decisions, supported by a range of additional risk metrics and analyses.

Net Interest Income Sensitivity

The primary metric the Group use to measure and manage IRRBB exposure is the Net Interest Income Sensitivity to a 100 basis point move in interest rates. The Net Interest Income model simulates the balance sheet over a 12 month period and derives by how much the NII will change to an instantaneous 100 basis point move in market and product rates. The model assumes the current volume and mix of the portfolio are maintained and applies current observed pricing and margins to the Group's banking products. The model therefore does not incorporate further changes to external variables (i.e. loan growth from member demand for credit etc.) or internal variables (i.e. management actions in terms of changes to product pricing etc.). This captures the impact to the net interest income because of mismatches in the timing and balances of loans and deposits that will reprice to higher and lower rates over the forecast time period.

The Net Interest Income Sensitivity measure is supported by further analyses and risk metrics that include reprice gap analyses and interest rate scenario stress tests (e.g Basel standardised rate shocks and historic calibrations) to measure the impact of repricing mismatches in the balance to the Group's net interest income. In addition, the impact to NII from loan prepayments and basis risk (which is a source of IRRBB manifesting from the imperfect correlation in the changes in loan and deposit rates that otherwise have the same repricing characteristics) are measured and monitored by Treasury and the ALCO.

A summary of the Earnings risk as measured by NII-Sensitivity expressed as a percentage of capital, as at 30 June 2022 follows:

Earnings Risk (Net Interest Income Sensitivity – 100 bps Movement)	2022 %	2021 %
At 30 June	**(1.36)**	(0.30)
Average NII-Sensitivity for the period	**(0.66)**	(0.18)
Minimum NII-Sensitivity for the period	**(0.18)**	(0.07)
Maximum NII-Sensitivity for the period	**(1.38)**	(0.31)

Value-at-Risk

Value-at-Risk (VaR) is the secondary metric used by Treasury and the ALCO to manage IRRBB exposure and impact from the economic value perspective. The change in the balance sheet's net economic (present) value, also known as the economic value of equity (EVE) is quantified using a historical simulation approach known as HS-VaR. The change in the EVE over a 20-day period is analysed using the past 2 years of actual changes in interest rates. The risk is derived at a 99% confidence level. The HS-VaR is an estimate based upon a 99% confidence level that the loss in value of the balance sheet due to interest rate risk over a 20-day period will not be exceeded.

Managing IRRBB exposure from an EVE perspective is further supported with sensitivity and scenario-based stress testing. This includes stressed HS-VaR which applies a 1-year holding period and 6 years of interest rate data (consistent with the soundness standard embedded within the APS117 IRRBB regulatory capital requirements to which the internal models accredited banks' capital adequacy requirements are subjected).

A summary of the Group's Historical Simulation VaR position, expressed as a percentage of capital, as at 30 June 2022 and during the year is as follows:

VaR (Historical Simulation Method)	2022 %	2021 %
At 30 June	**1.00**	0.47
Average VaR for the period	**0.50**	0.89
Minimum VaR for the period	**0.06**	0.14
Maximum VaR for the period	**1.13**	2.22

The system-based Net Interest Income Sensitivity and HS-VaR model and limits are subjected to review and approval by the Risk Committee. Weekly reports on Net Interest Income Sensitivity and HS-VaR limit utilisation, stress testing and IRRBB analyses are used by Treasury and reported to senior management and monthly to the ALCO and Risk Committee.

Exposure to other market risks

Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by the Group is subject to regular monitoring by the Executive Risk Management Committee but is not currently significant in relation to the overall results and financial position of the Group.

Operational risk

Operational risk is the risk of the direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness.

The Operational Risk Management Framework (ORMF) is designed to identify, assess and manage operational risks within the organisation. The key objectives of the ORMF are as follows:

- Understand the operational risks across the organisation.

30 Risk management and financial instruments (continued)

- Ensure appropriate controls and mitigation are in place to manage the risks within appetite.
- Provide meaningful information to decision-makers.
- Facilitate oversight.
- Encourage a proactive risk management culture.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

These activities are overseen by the Executive Risk Management Committee; while the Risk Management function and Legal & Compliance Department provide business units with support and guidance in managing their operational and compliance risks.

Compliance with Group policies is supported by a program of periodic reviews undertaken by Internal Audit. The results of these Internal Audit reviews are discussed with management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Climate-related risk

'Climate-related risks' are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e. credit, liquidity, market and operational risks), but due to their pervasive nature are being managed by the Group on an overall basis.

The Group distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as cyclones, floods, bushfire and coastal erosion, and longer-term shifts in climate patterns, such as sustained higher temperature, heat waves, droughts, and rising sea levels. Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The Risk Committee is responsible for developing group-wide policies, processes, and controls to incorporate climate risks in the management of principal risk categories. A senior management climate change working group has been established to consider appropriate timeframes in which to set and achieve emissions targets and to develop and implement action plans to:

- Understand and manage the risks of climate change on the Group.
- Reduce the carbon and environmental footprint of the Group's own operations.
- Support members and their communities in the transition to a low carbon economy.
- Disclose the Group's material climate related risks, impacts and steps being taken.

Fair value

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 values of liquid assets and other assets maturing within 12 months approximate their carrying amounts. 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 is approximately 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 under AASB 9, including their levels in the fair value hierarchy.

			Fair Value			
30 June 2022	**Note**	**Carrying Amount $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total consolidated $'000**
Financial assets measured at FVOCI						
Investment debt securities	6	**1,060,194**	**–**	**1,060,194**	**–**	**1,060,194**
Equity investments	9	**1,049**	**–**	**–**	**1,049**	**1,049**
		1,061,243				
Financial assets at amortised cost						
Cash and cash equivalents	26	**207,197**				
Deposits with other ADIs	7	**100,254**				
Loans and advances to customers	8	**5,567,812**	**–**	**–**	**5,605,222**	**5,605,222**
Other assets	14	**17,995**				
		5,893,258				
Financial liabilities measured at FVOCI						
Derivative financial liabilities held for risk management	11	**7,392**	**–**	**7,392**	**–**	**7,392**
		7,392				
Financial liabilities measured at amortised cost						
Deposits	16	**6,065,549**	**–**	**6,054,507**	**–**	**6,054,507**
Securitised loan funding	17	**101,899**				
Interest-bearing liabilities	18	**405,707**				
Trade and other payables	15	**45,472**				
		6,618,627				

For an explanation of fair value levels refer to Note 1(b)(v).

Notes to the Consolidated **Financial Statements**

30 Risk management and financial instruments (continued)

30 June 2021	Note	Carrying Amount $'000	Fair Value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total consolidated $'000
Financial assets measured at FVOCI						
Investment debt securities	6	1,134,349	–	1,134,349	–	1,134,349
Derivative financial assets	11	2,690	–	2,690	–	2,690
Equity investments	9	1,294	–	–	1,294	1,294
		1,138,333				
Financial assets at amortised cost						
Cash and cash equivalents	26	134,558				
Deposits with other ADIs	7	108,094				
Loans and advances to customers	8	5,458,598	–	–	5,477,406	5,477,406
Other assets	14	17,053				
		5,718,303				
Financial liabilities measured at amortised cost						
Deposits	16	5,858,054	–	5,863,035	–	5,863,035
Securitised loan funding	17	178,866				
Interest-bearing liabilities	18	431,751				
Trade and other payables	15	42,668				
		6,511,339				

For an explanation of fair value levels refer to Note 1(b)(v).

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 flow, the discount factors are derived from the term structure of interest rates corresponding to the term of the cash flow 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:

	2022 %	2021 %
Loans and borrowings	**0.85 – 3.96**	0.10 – 0.92
Derivatives	**3.12 – 3.96**	0.08 – 0.92

Capital management – regulatory capital

The Group's regulator (APRA) sets and monitors capital requirements for the Group as a whole. The Group reports to APRA under Basel III capital requirements and has adopted the standardised approach for credit risk and operational risk.

In implementing current capital requirements APRA requires the Group to maintain a prescribed ratio of total capital to total risk weighted assets.

The Group's regulatory capital is analysed in two tiers:

- Tier 1 capital, consisting of: Common Equity Tier 1 capital – which includes ordinary share capital, retained earnings, general reserves, property revaluation reserves, unrealised gains and losses on readily marketable securities classified as FVOCI and gains and losses on cashflow hedges; regulatory adjustments to Common Equity Tier 1 capital; Additional Tier 1 capital; and other Additional Tier 1 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital, which includes subordinated liabilities, collective impairment allowances and other Tier 2 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Various limits are applied to elements of the capital base. The minimum prudential capital requirements (PCRs) that an ADI must maintain at all times are: a Common Equity Tier 1 Capital ratio of 4.5 percent; a Tier 1 Capital ratio of 6.0 percent; and a Total Capital ratio of 8.0 percent.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also acknowledged as the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and Company have complied with all externally imposed capital requirements throughout the year.

APRA sets a prudential capital requirement (PCR) for each ADI that sets capital requirements in excess of the minimum capital requirement of 8%. A key input into the PCR setting process is the Group's Internal Capital Adequacy Assessment Process (ICAAP). The PCR remains confidential between each ADI and APRA in accordance with accepted practice.

APRA has determined that the Group's ordinary shares will maintain their current regulatory capital treatment of Common Equity Tier 1 (CET1) until 1 January 2025 by Instrument issued under paragraph 42 of APS 111 Capital Adequacy – Measurement of Capital. This transitional period provides IMB the opportunity to structure its capital management plans and actions having regard to the change in regulatory treatment that will occur in future, and to date this has included conducting a series of ordinary share buybacks.

Notes to the Consolidated **Financial Statements**

30 Risk management and financial instruments (continued)

The Group's and Company's regulatory capital position at 30 June was as follows:

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Tier 1 capital				
Ordinary share capital	**28,324**	28,324	**28,324**	28,324
General reserves	**25,255**	25,255	**25,255**	25,255
Asset revaluation reserves	**(28,995)**	10,051	**(28,995)**	10,051
Retained earnings	**368,765**	341,895	**365,931**	339,541
Current year earnings	**25,752**	26,870	**26,594**	26,389
(Less) Capitalised expenses	**(12,849)**	(11,267)	**(12,849)**	(11,267)
(Less) Other	**(23,013)**	(12,880)	**(23,015)**	(12,872)
Total	**383,239**	408,248	**381,245**	405,421
Tier 2 capital				
General reserve for credit loss	**8,872**	12,105	**8,872**	12,105
Subordinated debt	**70,000**	110,000	**70,000**	110,000
Total	**78,872**	122,105	**78,872**	122,105
Total regulatory capital	**462,111**	530,353	**460,117**	527,526
Capital requirements (in terms of risk-weighted assets) for:				
Credit risk	**2,686,666**	2,641,530	**2,689,054**	2,644,100
Operational risk	**438,389**	399,491	**435,910**	396,326
Total risk-weighted assets	**3,125,055**	3,041,021	**3,124,964**	3,040,426
Capital ratios				
Total regulatory capital expressed as a percentage of total risk- weighted assets	**14.8%**	17.4%	**14.7%**	17.4%
Total Tier 1 capital expressed as a percentage of risk-weighted assets	**12.3%**	13.4%	**12.2%**	13.3%

31 Subsequent Events

Dividends

For dividends declared by IMB Ltd after 30 June 2022 refer to Note 5.

Directors' **Declaration**

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

(a) the financial statements and notes, set out on pages 37 to 98, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Company and the Group as at 30 June 2022 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b);

(c) 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 30th day of August 2022.

Signed in accordance with a resolution of the directors:

NH Cornish AM
Chairman

PJ Fitzgerald
Director

Independent Auditor's **Report**

Opinions

We have audited the consolidated Financial Report of IMB Ltd (the Group Financial Report). We have also audited the Financial Report of IMB Ltd (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of IMB Ltd are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's and Company's financial position as at 30 June 2022 and of their financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The respective ***Financial Reports*** of the Group and the Company comprise:

- Statements of financial position as at 30 June 2022
- Statements of profit or loss, Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of IMB Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with *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 audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in IMB Ltd's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

The other information we obtained prior to the date of this Auditor's Report was the Chairman's and Chief Executive's Address and the Directors' Report.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Richard Drinnan
Partner
Wollongong
30 August 2022

IMB Bank **Branches**

Locations

IMB Bank Branches

New South Wales

- **Albion Park** – Shop 14, Albion Park Shopping Village, ALBION PARK NSW 2527
- **Batemans Bay** – 21 Orient Street, BATEMANS BAY NSW 2536
- **Bega** – 193-195 Carp Street, BEGA NSW 2550
- **Bowral** – Shop 1, 320 Bong Bong Street, BOWRAL NSW 2576
- **Broadmeadow** – 130 Lambton Rd, BROADMEADOW NSW 2292
- **Camden** – Shop 26, Camden Village Court, 180-186 Argyle Street, CAMDEN NSW 2570
- **Charlestown** – Level 2, Shop 2092, Charlestown Shopping Centre, CHARLESTOWN NSW 2290
- **Corrimal** – Shop 2-4, Stocklands Corrimal, Princes Highway, CORRIMAL NSW 2518
- **Cronulla** – 80 Cronulla Street, CRONULLA NSW 2230
- **Dapto** – 2-4 Bong Bong Road, DAPTO NSW 2530
- **Eden** – 199 Imlay Street, EDEN NSW 2551
- **Engadine** – Cnr Old Princes Hwy & Station St, ENGADINE NSW 2233
- **Fairy Meadow** – 2/84 Princes Highway, FAIRY MEADOW NSW 2519
- **Figtree** – Shop 32 & 33 Figtree Grove, Princes Highway, FIGTREE NSW 2525
- **Glendale** – Shop 31 Glendale Shopping Centre, GLENDALE NSW 2285
- **Goulburn** – Shop 27 Centro Goulburn, Auburn Street, GOULBURN NSW 2580
- **Green Hills** – Shop 1037/1, Green Hills Shopping Centre, Molly Morgon Dr, EAST MAITLAND NSW 2323
- **Kiama** – 86 Terralong Street, KIAMA NSW 2533
- **Liverpool** – Shop 19, Liverpool Plaza, 165-191 Macquarie Street, LIVERPOOL NSW 2170
- **Macarthur Square** – Shop L10-L11, Lvl 2, Macarthur Square Shopping Centre, AMBARVALE NSW 2560
- **Menai** – Shop 19, Menai Marketplace, 152-194 Allison Road, MENAI NSW 2234
- **Merimbula** – Cnr Merimbula Drive & Market Street, MERIMBULA NSW 2548
- **Miranda** – Shop G105 Westfield Miranda, 105 Kiora Road, MIRANDA NSW 2228
- **Moruya** – 55 Vulcan Street, MORUYA NSW 2537
- **Narellan** – Shop 310/326 Camden Valley Way, NARELLAN NSW 2567
- **Narooma** – Shop 9/185 Princes Hwy, NAROOMA NSW 2546
- **Nowra** – 86 Kinghorn Street, NOWRA NSW 2541
- **Oran Park** – Shop 4C, Oran Park Town Centre, 351 Oran Park Drive, ORAN PARK. NSW 2570
- **Parramatta** – Shop 1, 207 Church Street, PARRAMATTA NSW 2150
- **Penrith** – 25 Riley Street, PENRITH NSW 2750
- **Picton** – Shop 1A, 148 Argyle Street, PICTON NSW 2571
- **Queanbeyan** – Shop 7 Riverside Plaza, Monaro Street, QUEANBEYAN NSW 2620
- **Rouse Hill** – Shop B-GR93, Rouse Hill Town Centre, Windsor Road and White Hard Drive, ROUSE HILL NSW 2155
- **Shellharbour** – Shop 46, Stockland Shopping Centre, SHELLHARBOUR NSW 2529
- **Sutherland** – 740 Princes Hwy, SUTHERLAND NSW 2232
- **Sylvania** – Shop 47, Southgate Shopping Centre, Cnr Princes Highway and Port Hacking Road, SYLVANIA NSW 2224
- **Thirroul** – Shop 6, Anita Theatre, King Street, THIRROUL NSW 2515
- **Ulladulla** – 89 Princes Highway, ULLADULLA NSW 2539
- **Unanderra** – 102 Princes Highway, UNANDERRA NSW 2526
- **University of Wollongong –** Ground Floor, Building 17, University of Wollongong NSW 2500
- **Vincentia** – Shop 17, Burton Mall, Burton Street, VINCENTIA NSW 2540
- **Warilla** – 6 George Street, WARILLA NSW 2528
- **Warrawong** – Cnr King and Cowper Sts, WARRAWONG NSW 2502
- **Wollongong** – 205 Crown Street, WOLLONGONG NSW 2500
- **Woonona** – 367-369 Princes Highway, WOONONA NSW 2517
- **Wynyard** – Shop 20, 20 Hunter Street, WYNYARD NSW 2000

ACT

- **Belconnen** – Level 3, Shop 162-163 Westfield Shopping Town, Benjamin Way, BELCONNEN ACT 2617
- **Canberra City** – Shop GC04, Canberra Centre City Walk, CANBERRA ACT 2600
- **Gungahlin** – Shop 18 The Market Place, 33 Hibberson St, GUNGAHLIN ACT 2912
- **Tuggeranong** – Lvl 1 Shop 175-177, Cnr Anketell and Reed Sts, Tuggeranong Hyperdome Shopping Centre, GREENWAY ACT 2900
- **Woden** – Shop 1 Plaza Level, Woden Churches Centre, WODEN ACT 2606

Victoria

- **Glen Waverley** – 55 Railway Parade North, GLEN WAVERLEY VIC 3150

IMB Business Banking

- Level 1, 47 Burelli Street, WOLLONGONG NSW 2500

Corporate **Directory**

Members' Diary and other information

Payment of final dividend 5 September 2022

Notice of Annual General Meeting

The Annual General Meeting of IMB Ltd will be held at the Novotel Northbeach Hotel, 2-14 Cliff Road, North Wollongong on Tuesday, 25 October 2022 at 10.30am.

Company Secretary

Lauren Wise (BA LLB Grad Dip. Legal Practice)

Registered Office

47 Burelli Street
Wollongong NSW 2500

Share Registry

IMB Ltd is not listed on the Australian Stock Exchange.

Shares are traded under an Australian Market Licence held by the Company

The share register is available for inspection at:

Level 5 Executive Services
47 Burelli Street
Wollongong NSW 2500

Advisors

Solicitors

Watson Mangioni
23/85 Castlereagh Street
Sydney NSW 2000

Auditors

KPMG
Level 7
77 Market Street
Wollongong NSW 2500

Regulatory disclosures

Disclosures required under Prudential Standard APS330, including a reconciliation between the Group's regulatory capital and audited financial statements, and additional disclosures on the composition of the Group's regulatory capital, are available on the Company's website (http://www.imb.com.au/about-us-corporate-governance.html).

Gender Equality Reports

Reports completed by IMB Ltd under the Workplace Gender Equality Act 2012 (Act) can be accessed from the Company's website (http://www.imb.com.au/about-us-investor-centre-financial-reports.html).

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