2023 Annual Report

Banking when
you need us,
wherever you are

IMB Bank

Member focused, digitally led

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Established in 1880, IMB Bank has been helping people achieve their financial goals for 143 years. We are a proud, growing mutual bank that places our members' financial needs at the centre of our banking experience, and works with our communities to help them thrive.

Our Purpose

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

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 31 October 2023 at 10.30am.

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

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.

2023 **Highlights**

$7.5b

total assets

$36.3m

in profit after tax

2nd

consecutive term Employer of Choice for Gender Equality citation achieved

4+

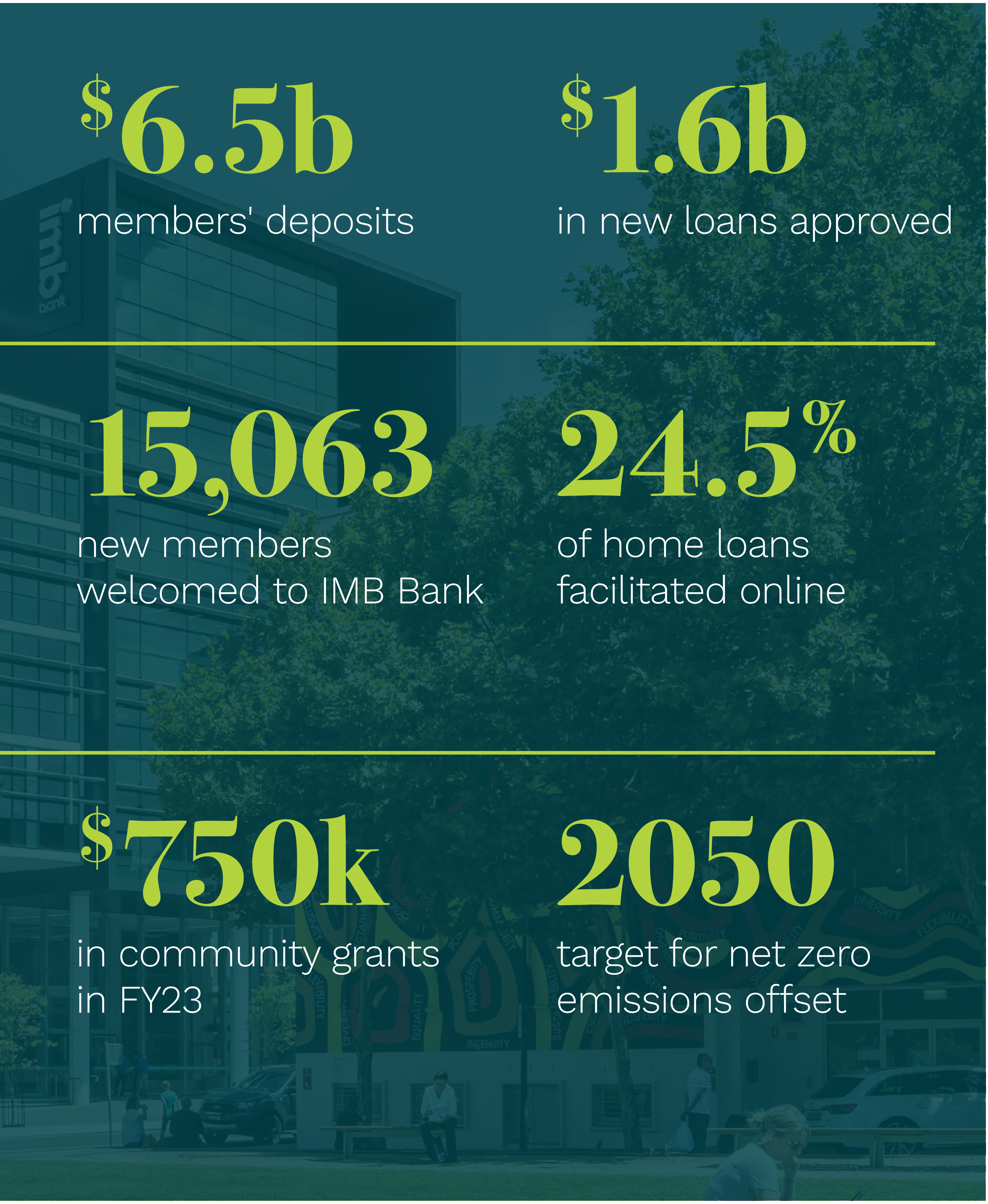
user rating out of 5 stars for IMB Bank Mobile App

Australia's Most Satisfied Customers for Mutual Bank and for any Bank in Australia, 2022

95%

satisfied members

Discovery Survey, December 2022



$6.5b

members' deposits

$1.6b

in new loans approved

15,063

new members welcomed to IMB Bank

24.5%

of home loans facilitated online

$750k

in community grants in FY23

2050

target for net zero emissions offset

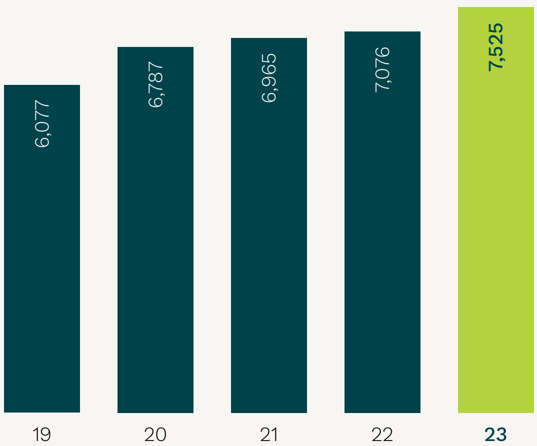
Five-year **Summary**

As at 30 June 2023

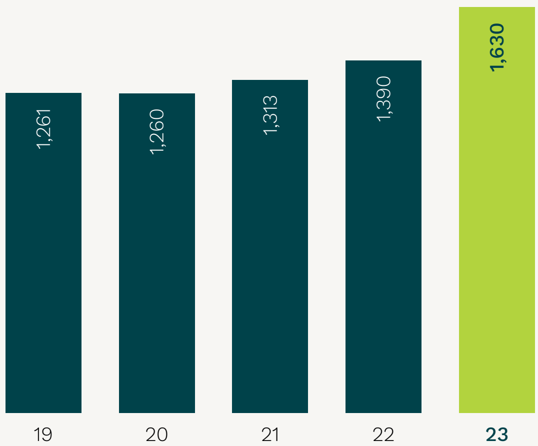
		2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Financial performance						
Interest income		**288,161**	171,411	189,979	214,944	242,279
Interest expense		**118,746**	28,248	46,619	85,208	117,327
Interest margin		**169,415**	143,163	143,360	129,736	124,952
Non-interest income		**10,793**	10,547	11,062	13,756	13,573
Impairment losses/(reversal)		**1,784**	(1,056)	(603)	5,178	1,501
Non-interest expense		**126,477**	112,809	110,808	100,629	91,623
Profit before tax		**51,947**	41,957	44,217	37,685	45,401
Income tax expense		**15,644**	12,410	13,402	11,354	13,669
Profit after tax		**36,303**	29,547	30,815	26,331	31,732
Financial position						
Assets						
Loans and advances		**5,973,753**	5,567,812	5,458,598	5,390,648	4,924,283
Liquids		**1,416,707**	1,367,645	1,377,001	1,277,908	1,083,210
Other		**134,671**	140,838	129,276	118,034	69,584
		7,525,131	7,076,295	6,964,875	6,786,590	6,077,077
Liabilities						
Deposits		**6,502,194**	6,065,549	5,858,054	5,871,469	5,266,418
Securitised loans funding		**74,072**	101,899	178,866	240,198	324,004
Other		**469,220**	471,601	488,426	263,246	123,947
		7,045,486	6,639,049	6,525,346	6,374,913	5,714,369
Net assets		**479,645**	437,246	439,529	411,677	362,708
Total assets		**7,525,131**	7,076,295	6,964,875	6,786,590	6,077,077
Performance ratios						
Capital adequacy	%	**15.8**	14.8	17.4	16.0	15.5
Total asset growth	%	**6.3**	1.6	2.6	11.7	2.8
Net asset growth	%	**9.7**	(0.5)	6.8	13.5	5.5
After-tax return on average net assets	%	**6.7**	5.5	6.5	7.8	9.0
Non-interest income/average total assets	%	**0.15**	0.15	0.16	0.22	0.23
Non-interest expenses/average total assets	%	**1.72**	1.57	1.58	1.60	1.53
Non-interest expenses/operating income	%	**70.9**	72.9	71.5	72.8	66.9
Bad debts expense/average loans	%	**0.03**	(0.02)	(0.01)	0.10	0.03
Interest margin	%	**2.40**	2.09	2.13	2.09	2.12

2023 **Results**

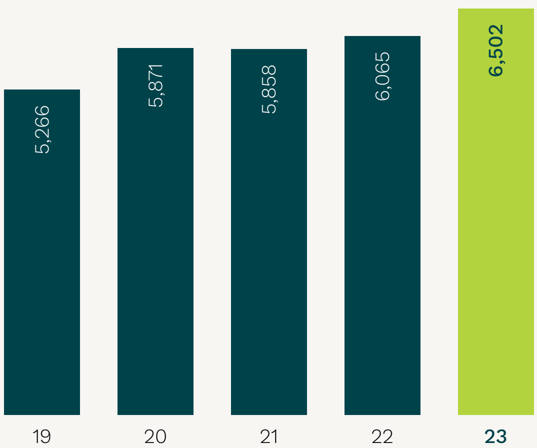
Total Assets ($m)



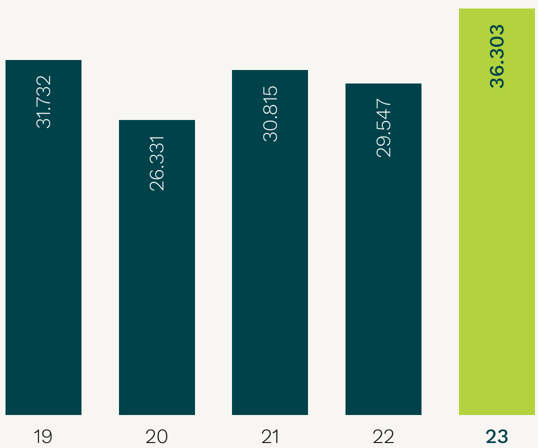
Total Loans Approved ($m)



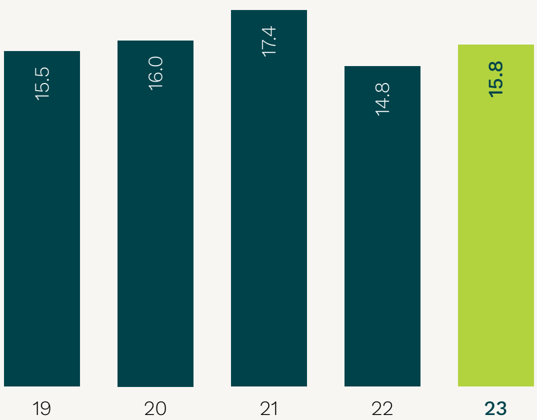
Members' Deposits ($m)



Profit After Tax ($m)



Capital Ratio (%)



WGEA
Employer
of Choice for
Gender Equality

Employer of Choice for Gender Equality

Citation awarded to IMB Bank for 2023/24

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

We are delighted to present the annual financial report for 2022-2023, which has been a period of transformation and strong growth for your Bank.

Catherine Aston Chair | **Robert Ryan** Chief Executive

$36.3m
Profit after tax

Our results are reflective of the successful delivery of our digital transformation strategy and enhanced member experiences, which have helped to drive increased net profit after tax, record lending, and a lift in deposits.

Member focus

The year began with IMB Bank earning Canstar's awards for both the Bank and Customer-Owned Bank with the Most Satisfied Customers in Australia—a first for any bank. These awards reflect our historical commitment to providing outstanding customer service, and our innovative approaches tailored to changing member needs. We are delighted that in the past year we have welcomed over 15,000 new members, assisting them to achieve their goals through our highly competitive range of deposit and lending solutions.

For over 143 years, IMB Bank's purpose has been to help our members and the communities in which they live to be better off. In the current environment, this purpose has never been more relevant and guides the decisions we make as we strive to deliver good outcomes for all IMB stakeholders. We are doing this by providing fast, secure, and convenient banking options, maintaining fair pricing and returns for our borrowers, depositors and shareholder members and amplifying our support in the communities we serve.

It has been satisfying to re-establish close connections and collaboration across our business operations and to move ahead with the execution of our strategy with greater confidence as the impacts from the pandemic subsided. New challenges stemming from macroeconomic conditions have arisen, and because of our sustained financial strength and stability we are able to provide the service and support that our members need, including those that may experience financial pressure from rising costs of living and economic uncertainties.

Executing on our strategy

This year marked significant strides in moulding our business model into a digitally led bank that is highly connected with our members, however they choose to engage with us.

Recognising changing customer trends and surging demand for digital products and services, IMB Bank has continued to invest in highly secure and available technologies that streamline our operations, provide greater efficiency and opportunity for scale.

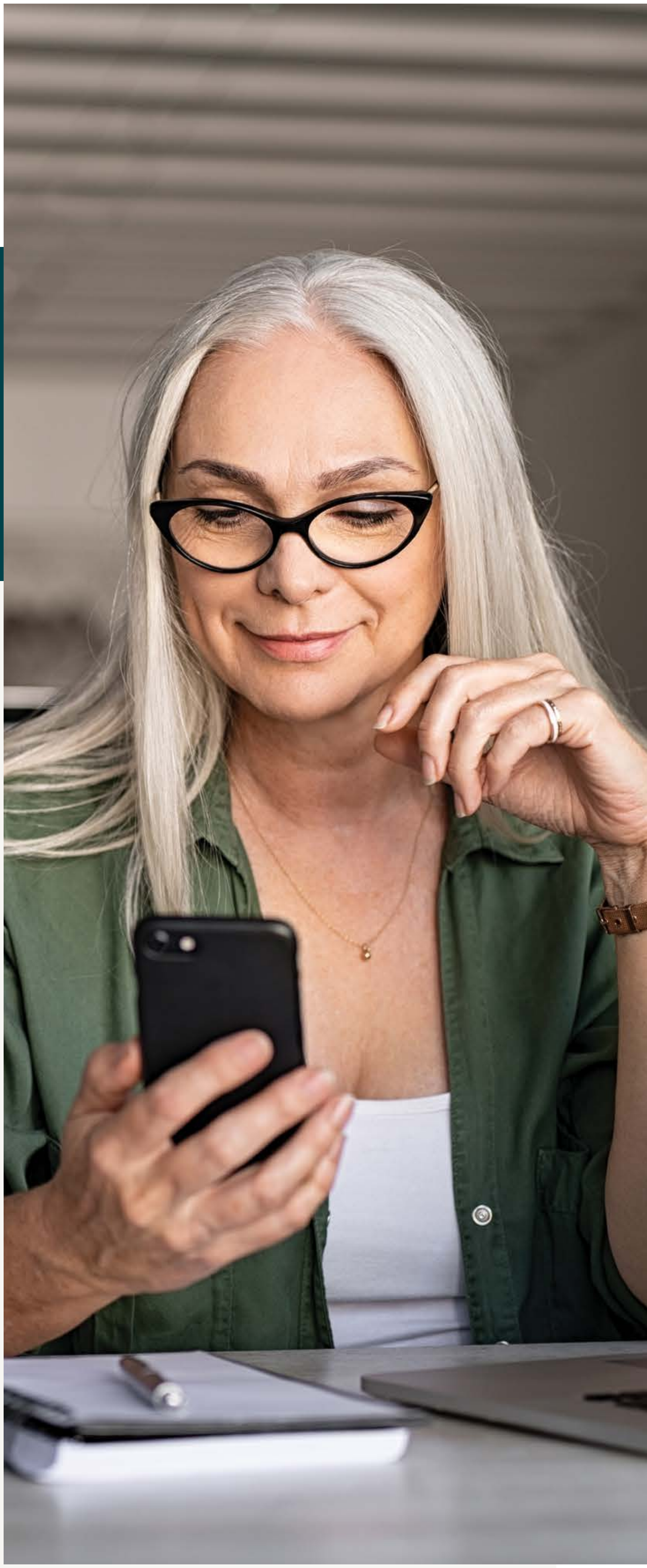
During the year, we completed an upgrade of the technology that supports our branch-based banking capabilities. This has not only strengthened resilience and security, it has also enabled our branch employees to operate as an extension of our Digital and Contact Centre banking channels through a common operating platform and our 'IMB Connect' member service strategy. This strategically significant initiative empowers IMB Bank to deliver superior and consistent member service across face-to-face and virtual channels and is critical to our branches

This year marked significant strides in moulding our business model into a digitally led bank that is highly connected with our members, however they choose to engage with us."

remaining productive and connected with our members as transactional habits and banking preferences change. Up to 25% of members' calls to IMB Bank's contact centre are being answered by our branch teams, improving the timeliness of response and quality of service received. We are excited to build on the foundations we have established and to be there for our members how and when they need us.

Our digital mortgage lending platform has enabled a step change in productivity, a vastly improved customer experience over the lending journey and has enabled us to deliver record lending growth over the past year. In June 2023, 24.5% of our home loan approvals and 70.4% of personal loans were facilitated online. This platform gives borrowers the flexibility to select their preferred application channel and receive conditional approvals in under 20 minutes, including for more complex lending scenarios. A transformational upgrade to the personal lending platform is nearing completion, with a similar upgrade to our deposit account online capabilities also underway.

IMB's growth will continue to be boosted by the greater penetration of the small to medium business segment we achieved during the year. We have enhanced our relationship-based business banking proposition with additional relationship managers in Sydney, Newcastle and the Illawarra and see our business banking capability as an important differentiator for IMB in the customer-owned banking sector.



23.1%

Increase on previous year profit result

IMB Bank's mobile banking apps have undergone regular updates, as we delivered new features requested by members, pushing our app store ratings past four (4) stars. In the forthcoming year, we aim to elevate our digital experience further, revamping our corporate website, modernising our payments infrastructure, and enhancing our analytics capabilities through machine learning and artificial intelligence.

As we deliver on our digital transformation, we are acutely aware that the cyber risk landscape is changing constantly and demands that we meaningfully invest in the strength of our cybersecurity capabilities. We also recognise that there is much to be done to combat the ever-rising occurrence and sophistication of financial crimes that target customers of financial organisations. We have significantly progressed the upgrade of our fraud monitoring systems and tightened review mechanisms for certain payment types. Regular communication with members about their own cyber risk and how they can remain vigilant to the threat of fraud and scams is occurring and we are continuously reviewing the ways that we can improve our prevention and detection capabilities so that our members can conduct their banking with confidence.

Consolidation across the mutual ADI industry remains in view as many look to grow and deal with rising technology and regulatory costs through mergers. IMB Bank is a compelling merger partner, and our merger capability is strong, incorporating proven strategies for managing the challenges that can arise when bringing unique technology and payments systems together. While our organic growth strategies are performing well, we remain open to considering merger opportunities where they deliver tangible benefits for our members and their communities.

Strong financial performance

IMB Bank's achievement of strong financial outcomes in FY2022-2023 has occurred alongside a cautious approach to managing emerging financial risks, recognising that we must remain well-positioned to continue to support our members as we adapt to the tougher economic conditions that are expected to prevail in the next financial year.

As the conditions of the COVID-19 pandemic began to ease, the external market dynamics have continuously shifted, with successive increases in official interest rates being used as a countermeasure to mitigate inflation and stabilise the economy.

Against this backdrop, we are pleased to report that IMB Bank recorded a net profit after tax of $36.3 million, a solid increase of 23.1% on last year's result.

Our continuing focus on operational efficiency was evident with the cost-to-income ratio improving to 70.9%, at the same time as we continued with important investment in strategic initiatives and met increasing risk mitigation and compliance costs. The average net interest margin of 2.40% reflects a pleasing improvement from the previous year's 2.11%, however it is being kept in balance as we endeavour to maintain competitive options for borrowers and improved rates for our depositor members.

Total assets grew by 6.3% reaching $7.5 billion, a strong result amidst fierce market competition for higher quality loans. IMB Bank achieved a new lending record with loan approvals increasing by 17.3% to $1.6 billion, with more borrowers now able to easily access an IMB loan through our digital lending capability.

This growth has been attained while we continue to apply prudent lending practices, and despite the potential impacts of the rising rate environment, mortgage portfolio arrears remain at industry-low levels. While we are highly committed to providing appropriate support to any borrowers that may experience financial difficulty in the coming period, as yet we are not seeing any concerning indicators of mortgage stress within IMB's portfolios.

Maintaining a strong depositor base remains key, and IMB Bank was successful in raising funds by 7.2% over the year to $6.5 billion,

Our digital mortgage lending platform has vastly improved customer experience over the lending journey."

A message from our **Chair** and **Chief Executive** continued

$7.5b
Total assets

with this result being a significant contributor to our net membership growth.

As of 30 June, high-quality liquid assets were at 17.7% and capital adequacy was 15.8%, both comfortably above regulatory benchmarks.

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 significance of APRA's determination is that the ordinary shares cannot be viewed as an efficient form of capital as there is an outflow of dividends on an instrument that, from 2025, has no regulatory capital value.

At the 2022 Annual General Meeting, members approved updates to the Constitution so that the terms relating to preference shares are now aligned with current Prudential Standards which was beneficial in providing IMB Bank with more avenues for raising regulatory capital in the future. The Board continues to consider how best to optimise IMB Bank's capital base so as to provide balanced outcomes for all stakeholders. Having moved through the COVID-19 operating conditions where there were limitations imposed by APRA on certain capital actions, the Board can now revisit the strategic capital options that are available to it.

The Board has declared a final dividend of eleven (11) cents per share, fully franked, taking the full year dividend to twenty (20) cents, up from seventeen (17) cents for the prior year. 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% of shareholders' interest in contributed funding.

People and community

At the core of IMB lies an organisational culture built around care and connection. With the easing of the pandemic, we have continued our focus on employee wellbeing initiatives and reinvigorated our approach to employee development and fostering strong leadership to drive enhancements in the employee experience.

We are exceptionally proud to have been awarded an Employer of Choice for Gender Equality citation for a second consecutive term in FY2023 by the Workplace Gender Equality Agency, recognising our inclusive culture and commitment to providing meaningful development and career opportunities for the women and men who make IMB Bank so successful.

Our ESG strategy has been built around relevant UN Sustainable Development Goals, helping us to shape actions of meaningful impact in respect to important outcomes such as decent work, economic growth, reduced inequalities and wellbeing. We have prepared our inaugural Reconciliation Action Plan which reflects the steps in our journey to reconciliation with First Nations peoples and we are building our climate emission reduction plan, embracing the transition to becoming a carbon-neutral business. This year we increased our investment in the IMB Bank Community Foundation to $750,000 and have supported over fifty (50) remarkable community projects that will deliver community assets for years to come.

This year has seen notable transition at the board level. We extend our gratitude to IMB Bank's outgoing Board Chair, Noel Cornish, for his invaluable leadership. Noel's period as Chair coincided with a number of significant challenges and achievements for the organisation, including IMB's expansion through two successful mergers, and our response to the unique circumstances of the global pandemic. We also thank retiring Director Jan Swinhoe, for her broad contribution to IMB's governance frameworks and to the success of the IMB Bank Community Foundation, which Jan will continue to Chair until the conclusion of the funding activities in late 2023.

The Board has welcomed two highly skilled directors, Christine Traquair and Brian Bissaker, who both have distinguished careers in the banking and financial services industry and are well-placed to make a strong contribution to the oversight of IMB's growth strategies and risk management frameworks. Christine and Brian will stand for re-appointment by members at the 2023 AGM with the Board's full support.

Looking ahead

We enter the new financial year with cautious optimism and confidence that our strategy positions IMB Bank well to continue supporting our members while achieving sustainable growth and adaptability.

We are mindful of the challenges of the higher interest rate environment and its potential adverse implications for our members and our own operating costs. However, it is reassuring that IMB Bank's credit quality is excellent, with arrears well below industry averages. Over the course of 143 years, we have proven our capability to guide our members through difficult economic conditions, and we will do so again.

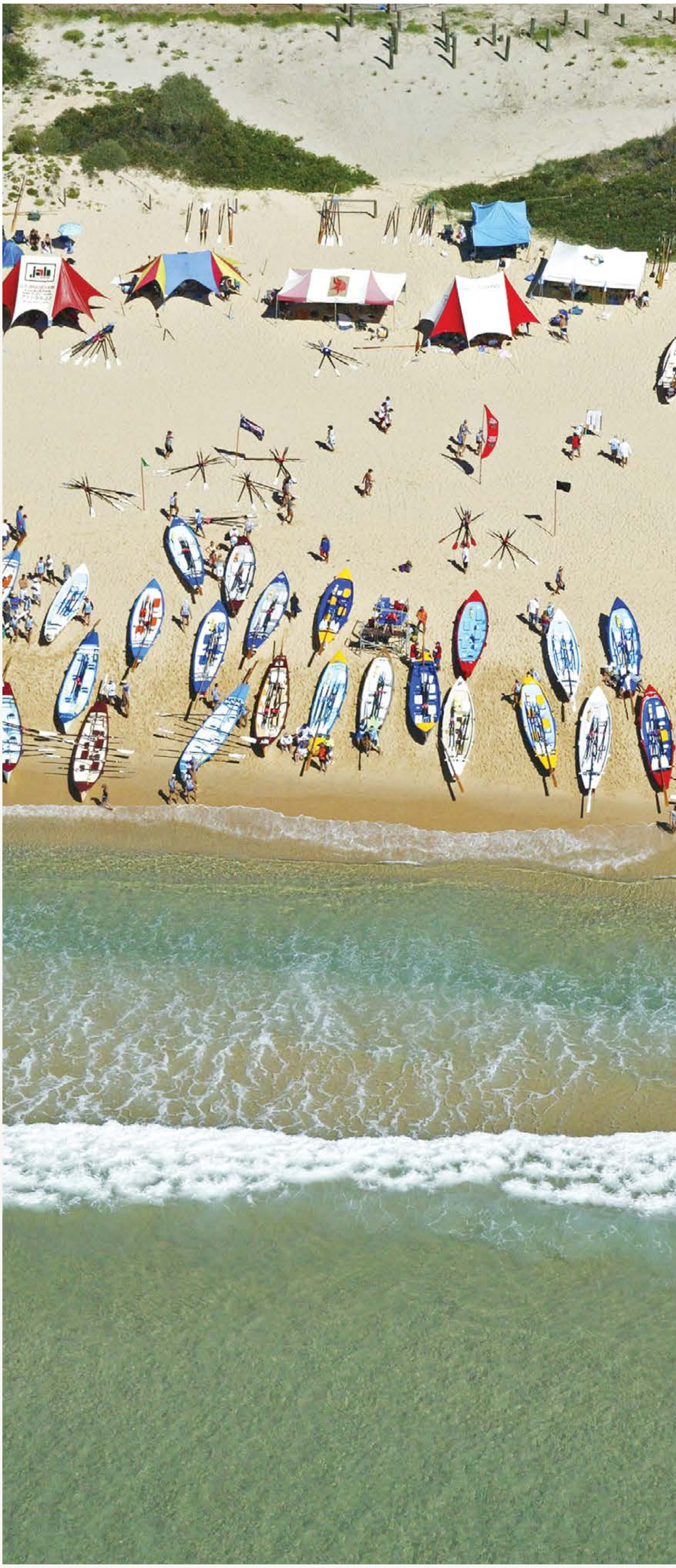
We remain committed to executing our digital transformation and providing the leading customer service experience that together are proving successful in attracting new members, delivering strong portfolio growth in home lending and deposits, and improved performance across a range of financial health metrics.

We would like to express our gratitude to all our stakeholders for their support of IMB Bank over the past year, as we strive to make our members and their communities better off.

C Aston

CA Aston
Chair

RJ Ryan
Chief Executive



Our **ESG commitment**

IMB is committed to embedding sustainable practices in our operations.

Our approach to corporate social responsibility and ethical conduct has always been reflected in 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 promoting Environmental, Social and Governance (ESG) factors in all aspects of our business. We recognise that our operations, lending practices, and investments can have a significant impact on the environment and the communities we serve. As a responsible financial institution, we pledge to uphold the following ESG principles.

Environmental

- **We will work** to reduce our environmental footprint by minimising our carbon emissions, promoting energy efficiency and using sustainable materials whenever possible.
- **We will conduct** climate risk assessments to identify and manage potential risks within our lending and investment portfolios.
- **We will ensure** our products support sustainable business practices and will explore how we can assist our Members to reduce their own impact on the environment.

Social

- **We will promote** diversity and inclusion in our workforce and provide our Members with competitive products, and practical solutions and excellent service.
- **We will support** local communities through charitable donations, community investment initiatives, and financial education programs.
- **We will support** national reconciliation with our First Nations peoples with the delivery of our 'Reflect' Reconciliation Action Plan.

Governance

- **We will maintain** the highest standards of ethical conduct and transparency in our operations and decision-making processes.
- **We will establish** and maintain robust risk management practices to identify and manage risks associated with ESG factors and other emerging risks.
- **We will provide** regular updates to our stakeholders on our ESG performance and progress towards our goals.

"We are embracing the transition to becoming a net zero emissions business."

Our **ESG framework**

IMB recognises the importance of considering the ESG implications of our activities and has established an ESG Framework to enable us to reflect on IMB's ongoing impact and guide our future activities.

The ESG Framework will be influenced by a range of the United Nations' Sustainable Development Goals (UN SDGs). The UN SDGs that have been selected reflect IMB's culture and business model, and we have linked those SDGs to our strategic pillars – our members, our people, our community, our environment and our governance.

imb bank

ESG pillars

Our members

The strategic pillar for members focuses on the provision of products and services that help our members achieve their financial goals, as well as promoting financial inclusion and literacy. The following SDGs are linked to this pillar:

Our people

The people pillar focuses on IMB's employees, who are crucial to the success of the bank, and creating a safe, inclusive, and equitable workplace, promoting employee wellbeing, and encouraging diversity and inclusion. The following SDGs are linked to this pillar:

Our community

The community pillar focuses on the impact IMB has on the communities in which it operates. This includes promoting economic and social development, supporting local businesses and organisations, and investing in programs that benefit the community. The following SDGs are linked to this pillar:

Environment

The environment pillar focuses on IMB's impact on the environment and our efforts to reduce our carbon footprint and support sustainable practices. This includes promoting sustainability, reducing waste, and using renewable energy and other environmentally-friendly initiatives. The following SDGs are linked to this pillar:

Governance

The governance pillar focuses on IMB's overall governance structure, including its policies, procedures, and decision-making processes. This includes promoting transparency, accountability, and ethical behaviour, as well as ensuring compliance with regulatory requirements. The following SDGs are linked to this pillar:

Linking IMB's strategic pillars to the United Nations' SDGs is a critical step in demonstrating our commitment to sustainability and responsible business practices. By progressing initiatives represented by these strategic pillars we can demonstrate how our business supports the SDGs and how we can contribute to the efforts to achieve a more sustainable future and drive positive impacts for our members and their communities.

Our **Members**

Contributes towards UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

As a member-owned bank, IMB's primary goal is to serve the interests of our members. For over 140 years, IMB has prioritised superior service, innovation, convenience and security for its customers across a full range of retail and business banking solutions.

95%
Member Satisfaction

15,063
New members welcomed to IMB

Connecting with our members

We are connecting with our members more easily and across more channels, through a range of initiatives, including our refreshed mobile app, enhanced lending capability, and the extension of IMB Connect. IMB Connect enables branch-based customer service teams to assist our contact centre teams by engaging with members across a range of channels, while maintaining a local community branch presence and much-appreciated service in regional centres.

Through our digital channels, contact centre, branch network, mobile lenders and business bankers, IMB is providing a complete and compelling experience, enabling our customers to bank from any location and via the channel that best suits their needs.

Satisfied customers

At IMB we're committed to delivering outstanding member experiences and serving our members better. We are always looking for ways to improve our service, and that's why listening to the feedback and opinions of our members is so important.

In July 2022 we celebrated being 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 Customer – Customer Owned Bank awards for 2022.

During the year, we also surveyed a selection of members through our Discovery Member Satisfaction Survey. The survey is critical to helping us understand our members' needs and improving the quality of our products, services, and experiences we offer.

The survey results told us 95% of IMB members are satisfied with IMB and our net promoter score continues to be in the upper range of all banks in Australia, and well ahead of the major banks. This is testament to the dedication of our team and the superior customer experience we seek to offer our members.

IMB has strived to deliver better digital experiences for our customers and it was pleasing to see the survey results reflected this, with over 90% of our members agreeing that Internet Banking and the Mobile App are 'meeting their needs' and 'easy to use'. The most recent update to the Mobile App was favourably received and is scored highly by users on the App Stores.

We would like to thank those members who provided their valuable feedback for the Discovery Members Satisfaction Survey. This feedback is important to IMB and does make a difference in helping shape and refine the quality of our products, services and experiences we offer.

Help for first home buyers

As a participating lender for the Home Guarantee Scheme, an Australian Government initiative, IMB is supporting eligible home buyers to enter the property market sooner. The Home Guarantee Scheme includes multiple initiatives – the First Home Guarantee, Regional First Home Guarantee and the Family Home Guarantee.

Pictured below:

As the first in a series of $10,000 Account top-up competition winners in 2023, member Jacqueline was presented her "big cheque" by Bowral Branch Manager Dianne Manley and Regional Manager Robert Bozinoski.

- The First Home Guarantee helps first home buyers purchase their first home sooner with a 5% deposit. In June 2023 this included those who have not owned a home in 10 years or more.
- The Regional First Home Guarantee helps first home buyers living in regional Australia to purchase their first home sooner.
- The Family Home Guarantee supports eligible single-parent families to buy a home with as little as 2% deposit.

The Home Guarantee Scheme is a welcome addition to the services offered by IMB, aligning with our goal of helping members achieve home ownership, as we have done for over 140 years.

Welcoming our new members

This year we've welcomed over 15,000 new members to IMB from across Australia.

Our online deposit account opening, and digital lending solutions allow customers anywhere in Australia to commence a banking relationship with IMB and enjoy our highly competitive products. In addition, our 52 strong branch network continues to deliver a service option for those members who prefer to interact with IMB in person.

Educating and protecting our customers from scams and fraud

With scams and cybercrime at high rates and becoming more and more sophisticated, IMB continues to build on its investment in technological safeguards for our members' financial security. We enhanced our programs for updating members on the evolving forms of scams and how best to combat them. Putting the spotlight on remote-access and investment scams, we urge members to ask themselves: "COULD THIS BE A SCAM?"

We are focused on creating awareness and education for our customers on how to identify and see through scams and frauds. An "Educate to Protect" program continues as a priority in the year ahead, to help our members protect themselves. We regularly update members through email, social media and our website on current and emerging scams, frauds or cybersecurity threats, and share tips on how to protect against scams. We have also enabled service messaging within our mobile banking app, which allows time sensitive scam information to be shared directly with users,

4.6

Rating out of 5 stars for IMB Bank Mobile App

adding another channel for IMB to communicate with members and assist them to stay safe when banking.

Building our Business Banking portfolio

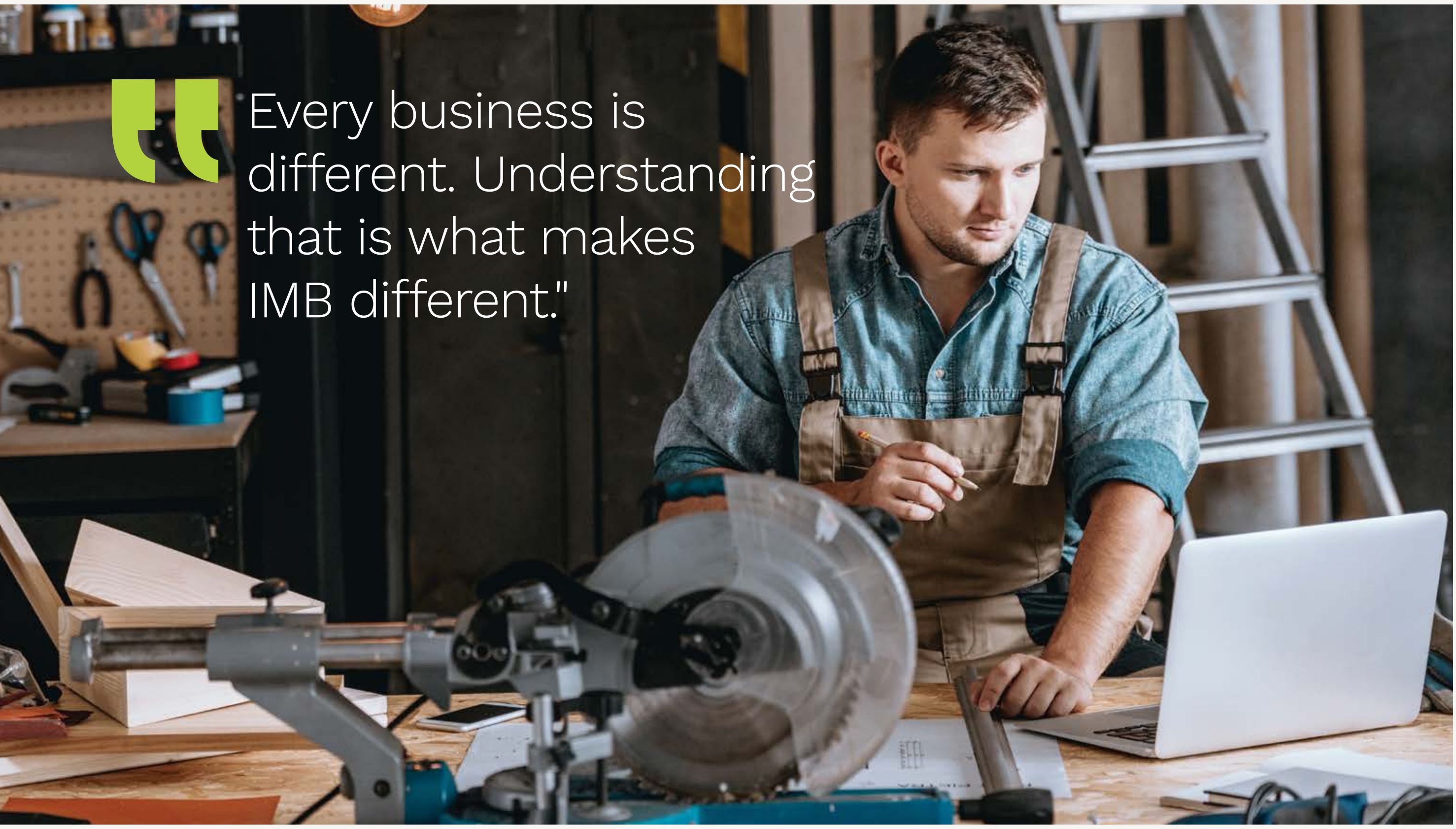
IMB's business banking portfolio and customer base continued to grow over the past year, as we bring our mutual difference to the small-to-medium enterprise segment. In response, we have continued to grow our team with more relationship managers across Sydney, Illawarra, South Coast and Newcastle.

In the year ahead, we will invest in marketing to raise awareness of our competitive SME banking solutions. We will also introduce new systems and technology to ensure we remain easy to do business with as we grow. This will also assist us in maintaining our prudent approach to risk management as the small business segment navigates the economic challenges in the year ahead.

Future Initiatives

- Launch a new personal lending origination system, upgrade our online deposit account opening solution and undertake regular upgrades of our mobile banking app
- Connect our branch network to deliver improved service levels for members with digital and phone based inquiries
- Further enhance our cybersecurity and fraud capabilities, keeping our member data and money safe
- Develop a Vulnerable Customers Framework

"Every business is different. Understanding that is what makes IMB different."



IN FOCUS: Generative AI

Asking AI the hard questions

In conjunction with the University of Wollongong, IMB is investigating how generative AI can improve customer service and member outcomes.

IMB recognises that AI is redefining the technological landscape, and has partnered with the University of Wollongong to conduct research and help identify best practices to safely inform the introduction of generative AI into our customer service workflow as a tool to assist our people.

In particular, IMB is exploring how the technology can be used to improve our customer service across a range of channels.

Chief Executive Robert Ryan says that by first completing the research with UOW to analyse the ways generative AI can assist our business, and then engaging with our people to understand their questions and sentiments towards using AI to assist them as they interact with members, IMB is aiming to introduce generative AI into our business in a safe and ethical way.

“By combining UOW’s academic excellence and our team’s expertise to develop research into the use of generative AI in financial services, we will have the confidence to provide generative AI tools that assist our people to address not only the customer’s immediate needs but their unspoken needs that may prove essential to long-term success. It’s an exciting project,” Mr Ryan said.

IN FOCUS: Innovation

Whenever, wherever banking through **digital transformation**

FY23 saw a significant step forward in the availability, use, and member ratings for IMB's digital assets.

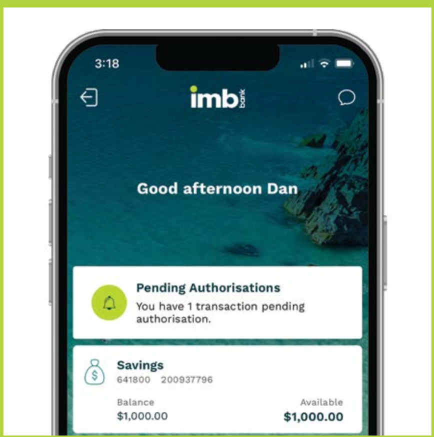
IMB's Award winning customer service

is in part due to our dedicated and expert customer service teams, who combine knowledge, empathy and a desire to deliver the right outcomes for our members. Our highly competitive banking products and cohesive technology lay the foundation for our people to deliver market leading service and satisfaction levels which were recognised in our 2022 Member Survey and Canstar's independent acknowledgement of member satisfaction. These results reflect the investment in strategic technology initiatives and validate the member-focused digital journey we are undertaking.

Digital Lending

Our digital mortgage platform was rolled out in FY22 has achieved breakthrough growth in the second half of FY23, particularly in the home loan refinance market, extending IMB's reach to a national market.

Conditional approval is in many cases achieved in as little as 20 minutes, and in June 2023, 24% of all home loans began as digital applications. Similarly, our Personal loans platform continues to deliver strong performance.



IMB Mobile App

Reflecting evolving customer preferences to bank via their mobile phones, a significant priority for our digital transformation has been the next generation of the mobile app which we released to members in July 2022. Since then, we have delivered five additional updates adding requested features and inviting members to share what they would like to see next. This level of engagement and response has supported strong app store ratings for our mobile apps. They are now among the best-in-class for digital banking, and we have plans in place to continue to improve them.

IMB Connect

Responding to changing consumer trends of lower branch traffic and higher digital channel usage, we are adapting our retail distribution model. Under our IMB Connect strategy, digital and physical channels are converging, with technology allowing improved customer experience and efficiencies as workloads are shared across the retail network. Through IMB Connect, our digitally enabled branches are now becoming `service hubs' for digital and telephone-based inquiries, as well as face-to-face interactions, delivering faster responses from highly skilled employees. Branch teams are now handling up to 25% of customer calls to IMB's contact centre and fulfilling digital home and personal lending inquiries, agnostic of their location.

Our **People**

Contributes towards UN SDGs

At IMB, our people have always been passionate about serving members and the community with a commitment to doing the right thing. With a loyal and resourceful team who enjoy working together, we continue to focus on creating a workplace that cares and enables everyone to feel valued and recognised.

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 motivated teams and leaders who work together effectively by fostering a culture of open communication, trust and shared goals.
- **Capability** – developing digitally fluent, confident and enabled team members that can deliver member outcomes simply and easily.

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 consecutive term. IMB is one of only 129 companies in Australia to hold the citation, a rigorous, evidence-based evaluation of gender equality workplace policies and actions. As an Employer of Choice for Gender Equality, we've set important goals and targets and are making progress against these, including:

- Improving career and promotional opportunities for our people.
- Increasing female representation in senior leadership roles.
- Increasing the proportion of men in our customer-facing and administration roles.
- a commitment to equal pay and improving and reporting on the progress of our organisation-wide pay gap year-on-year.
- Ensuring gender-balanced approaches to recruitment and promotion decisions.
- Providing more flexibility to enable both women and men to balance work and family commitments.
- Increasing paid parental leave provisions for primary and secondary carers.
- Improving our policies to reflect our practices and support our employees.

Our Listening Strategy incorporates methods that allow us to actively listen to our employees in order to understand, acknowledge and target actions that address employee moments that matter, creating a strong social connection and sense of community. Across our organisational surveys, 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 and we are proud that our employees consider some of the most positive elements of their work experience to be our member-focused culture, the strength of our teams and the close personal connections between colleagues

This year we have continued to build on our agenda through the Diversity Equity and Inclusion Working Group to develop our approach to inclusion further in the year ahead with a particular focus on cultural diversity given the wonderful multiculturalism

Clockwise from left:

Hunter team members Corynne Dwyer, Vanessa Muddiman and Katie Henshelwood; members of the IMB senior team celebrating at the International Women's Day 2023 luncheon; IMB's Head Office Concierge team Francesca Gafa and Kellie Brady.

that exists across IMB's areas of operation. With representation from across our business, this group is bringing the diverse perspectives of our people to the discussion.

Care and wellbeing

We have continued to provide support to our people to assist them in building resilience and maintaining their health and wellbeing, progressing our Mental Health Strategy through the delivery of Mental Health Resilience workshops this year.

With a new Employee Assistance Program partner, we have been able to provide a wider range of support services to our people, to enable a positive and proactive approach to their health and wellbeing. These include digital tools and content about health topics, our annual Flu Vaccination program, and a Wellbeing Day leave initiative. These measures provide practical support to our people.

With flexibility to shape how, when and where our people work, they can balance their lifestyle and career. 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. We focus on building change resilience by bringing the whole workforce on the journey by explaining change simply, removing anxiety, making it real to our employees individually and supporting them wholly.

Whether it be developing trust, understanding unconscious bias, or emotional intelligence, our leadership development programs aim to develop leaders who can lead diverse teams who work effectively together by fostering a culture of open communication, trust, and shared goals. Combined with an organisational approach of continuous learning and growth mindsets, our teams learn and collaborate together to continuously improve on our products and service and overall member experience.

Capability

In a world that continues to change quickly, building teams and leaders that are motivated and performance-driven is vital. It not only enables us to develop confident, digitally fluent employees, it also builds careers. This year, we increased our focus on the importance of development planning for our

Our **People**

continued

Pictured below and right:

Right: Executive team members Lauren Wise, Robert Ryan, Rachael Heald and Michael Brannon upon presentation of the Canstar Most Satisfied Customer Awards.

Below: CEO Robert Ryan and Chair Catherine Aston are joined by members of the IMB team to "#EmbraceEquality" for International Women's Day.

WGEA Employer of Choice for Gender Equality

2nd consecutive term Employer of Choice for Gender Equality citation achieved

workforce. We've engaged our employees and managers through interactive sessions addressing how to have meaningful, relevant and ongoing development conversations that deliver feedback, clarity and direction. We continue to provide our people with development opportunities that best meet their needs whether that be on-the-job or formal training to enhance and build skills and capability, coaching and mentoring arrangements or experience-based learning including job shadowing and secondments.

As consumer behaviour continues to change, we executed our member service strategy which relies on us transforming the capabilities of our people to be able to serve our members from anywhere in the way they want to be served, using new channels and technologies. By investing in our people to ensure they have the skills to succeed in a digitally led world we are enhancing the resilience of our workforce and providing engaging work that drives motivated and confident employees.

Building talent pipelines through regular internships, cadetships and graduate opportunities, we're partnering with Universities to attract talent of the future and offer exciting career paths, as well as working on mutually beneficial research projects that are bringing new skills and fresh perspectives to our strategic initiatives. We have continued to support key talent including through participation in the Leadership Illawarra Program, the COBA Emerging Leaders Program, Women in Banking and Finance, Credit Coach for Commercial Lending certifications, and other forms of study assistance to complete tertiary education.

Future Initiatives

- Enhance IMB's Remuneration Framework in line with the new requirements of CPS 511 Remuneration effective in 2024
- Develop a Volunteering Policy
- Progress our Mental Health Strategy that supports our staff
- Further develop our approach to inclusion

IN FOCUS: Recognition

Building satisfaction: inside and out

FY2023 was highlighted by two accolades that exemplify our priority commitments to community, connection and better banking.

IMB is dedicated to helping our members achieve their financial goals and building brighter communities. Awards and citations that recognise these commitments are a welcome reflection of the dedication of the IMB Team to our members, communities, and each other.

For our products and services, financial comparison business Canstar awarded IMB Bank with Australia's "Most Satisfied Customers – Bank" and "Most Satisfied Customers – Customer Owned Bank" in 2022. This was an historic first, Canstar CEO Andrew Spicer, said at the time.

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

Upon receiving the awards, IMB Bank CEO Robert Ryan said, "We take pride in our service, competitive products and the convenient and secure banking options we offer. Whether it's via our 24/7 digital platform, in a branch or with one of our mobile lending specialists, our commitment to deliver products and services that meet the needs of our customers is, and has always been, our top priority."

In February of 2023, IMB was for the second time affirmed as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency. IMB is one of only 129 companies in Australia to hold the citation – a rigorous, evidence-based evaluation of workplace policies and actions – and reflects a Diversity and Inclusion program that is delivering meaningful, lasting change to our workplace.

Awards are not our measure of success, but independent recognition of our member sentiment in a demanding and competitive marketplace is always appreciated, and a highlight of FY23.

Our **Community**

Contributes towards UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Since our formation in 1880, IMB has endeavoured to build strong, resilient communities. Strategic grassroots financial support remains our focus for community engagement, and we are proud to fund a range of charity, community, business advocacy and sporting organisations.

$750k
in Foundation Community Grants in 2022

IMB's support of the community is directed to sponsorships, community participation, partnered events and the projects supported by the IMB Bank Community Foundation.

Support for National Reconciliation

IMB supports national reconciliation with our First Nations peoples and we are excited to commence delivering the initiatives outlined in our 'Reflect' Reconciliation Action Plan.

IMB Bank is pleased to have submitted our 'Reflect' Reconciliation Action Plan (RAP) to Reconciliation Australia for endorsement. The Reflect RAP was developed through a collaborative process between IMB and key community stakeholders and provides a framework for IMB to support the National Reconciliation movement. The RAP includes practical actions that will drive IMB Bank's contribution to reconciliation, both internally and in the communities in which we operate.

Our Reflect RAP seeks to deliver on a range of actions across the coming year including:

- Increasing employees' understanding and knowledge of Aboriginal and Torres Strait Islander relations and cultures through cultural learning.
- Strengthening relationships with Aboriginal and Torres Strait Islander stakeholders and organisations to collaborate on delivering beneficial outcomes for Aboriginal and Torres Strait Islander communities, our customers and our business.
- Creating a culture that respects and acknowledges Aboriginal and Torres Strait Islander cultures, heritage, values and beliefs.
- Committing to increasing work opportunities that are culturally inclusive of Aboriginal and Torres Strait Islander peoples.

Our RAP Working Group (RWG) is a team of passionate and dedicated staff from all areas within the business, brought together by a drive to improve the experience of Aboriginal and Torres Strait Islander staff and stakeholders. The RWG is overseeing the development and implementation of the RAP and regularly reports on the progress of our Reflect RAP journey to the Executive and the Board.

Sponsorships

With the societal effects of the COVID-19 pandemic subsiding, FY23 saw our sponsorship programs thrive.

Encouraging Participation and Development

We were very 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, Shoalhaven and NSW South Coast regions an accessible pathway to elite level participation, backed by an exceptional development program.

As part of our growing community engagement in the Newcastle region, we were again active sponsors in the Newcastle Toy

Pictured from top:

IMB South Coast Blaze leadership group with IMB General Manager Corporate Services, Lauren Wise (right); Hunter team members at the 2022 Bikers Toy Run; IMB Bank Community 2022 Foundation launch; Victor Chang Cardiac Research Institute Heart Health Tour at IMB Oran Park, filmed by SBS News.

> IMB's support is vital to developing elite sport pathways."
>
> **IMB South Coast Blaze**

Run, which delivers timely Christmas gifts to families in need in the region.

In the Sutherland Shire, IMB is the naming sponsor of the IMB Bank Cook Community Classic, a sporting and charity fundraising event. In the Shoalhaven, we were also proud to sponsor the Mussel Rowers Red Nose Bass Strait Crossing – the first all-female rowing team to accomplish the crossing.

We continued our support of 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; 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 FY23 and expanded into new markets. We maintained our sponsorship of the IMB Bank Illawarra Business Awards and Illawarra Women in Business Awards, and made connections with the Hunter Business Awards and Forum.

As an organisation that prioritises equality, diversity and inclusion in the workplace, we are proud to continue our support for the Illawarra Women in Business Awards and the International Women's Day celebration. We continue to seek opportunities for the advocacy of women across our community footprint.

Our **Community**

continued

Over the past 12 months IMB has been proud to support:

- IMB Bank Cook Community Classic
- IMB South Coast Blaze Netball
- Bega Lions Christmas
- Circus Quirkus ACT
- Eden Chamber of Commerce
- Football South Coast
- Hills Shire Football
- Hunter Business Awards
- Hunter Business Forum
- Illawarra Business Awards
- Illawarra Women in Business Awards
- International Women's Day – Illawarra
- Legacy
- Master Builders Association Southern Region Awards
- Mussel Rowers Red Nose Bass Strait Crossing
- Newcastle Toy Run
- RUOK Day
- St George AFL
- Sutherland Shire Business Chamber
- UOW: O-Week
- Salvation Army Red Shield Christmas Appeal

Financial Literacy

The Money Tree by IMB Bank

(www.imbmoneytree.com.au) is a financial literacy hub that provides 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.

Pictured below:

The all-female Red Nose Mussel Rowers after their record-breaking crossing of Bass Strait.

Image credit: Damian McIntyre ©2023 ABC

IMB Bank Community Foundation recipients in 2022. Pictured from top: Camden Mens Shed; Australian Wildlife Sanctuary; Dress for Success. **Below left:** Manooka Valley Community Preschool.

IMB Bank Community Foundation 2022-23

Since 1999, IMB Bank's Community Foundation has allocated over $11.5 million in funding to a diverse range of community groups including school, sporting, charity and volunteer organisations, with an overarching goal of improving outcomes for our local communities and the people living in them.

In its 23rd year supporting volunteer, not-for-profit and charity organisations, the IMB Bank Community Foundation funded 51 community-building initiatives, addressing a diverse range of local needs and issues. Projects across NSW and Melbourne took on local solutions addressing food insecurity, support for the vulnerable and Australians living with disability, youth education, and survivors of domestic violence.

We have supported more initiatives that bolster mental health wellbeing, and the IMB Bank Community Foundation was pleased to again fund projects covering teen driver education and support for the economically disadvantaged. In addition, grants were offered to programs across IMB Bank's communities to men's sheds, those seeking shelter from domestic violence, as well as free heart health testing days in NSW and the ACT.

Our **Community**

continued

$11.5m

in community grants since 1999, helping communities thrive

Community groups funded in FY23

NSW – Sydney

- **Assistance Dogs Australia**
  A space for neurodivergent people to engage with animals.
- **Camden Men's Shed**
  New construction of a shed lost in the floods of 2021.
- **Dress for Success Sydney**
  Assisting women to secure employment through face-to-face and online programs and styling guidance.
- **Fair Fight Foundation**
  "Supertee" medical garments for children who are undergoing treatment in hospital for life-threatening medical conditions.
- **Harman Foundation**
  Her House, a shelter supporting women experiencing family violence.
- **Macarthur Sunrise Rotary Club**
  Providing children with a book a month from Dolly Parton's Imagination Library.
- **Manooka Valley Community Preschool**
  A sensory calming area, to help children with developmental and emotional needs.
- **NSW Police Force**
  Doorbell video cameras for vulnerable individuals affected by crime.
- **The Footpath Library**
  A mobile library service for people experiencing homelessness.
- **One Meal – It Makes a Difference**
  Healthy food program to the most vulnerable people in the Sutherland Shire.
- **Phoenix Community Project**
  Pathways and training for young adults at The Treehouse Café.
- **Project Displaced**
  New website for the unemployed providing career coaching and mental health support.
- **Project Youth**
  RAISE (Recovery and Independent Self-Care and Emotional regulation) support packs for young people recovering from trauma.
- **Rotary Club of Camden**
  U Turn the Wheel youth driver program for Year 10 and 11 students.
- **The Shepherd Centre for Deaf Children**
  Equipping a new clinic in Oran Park for young people with hearing loss.
- **The Shire Bands**
  Building the repertoire of volunteer musicians in Sydney's south.
- **Solve-TAD**
  Online tutorials to provide tech solutions for people living with disability.
- **South West Community Services**
  A custom-built trailer for storage of equipment such as walking frames, wheelchairs and medical aids.
- **Sylvanvale**
  Creation of sensory spaces at Mikarie Child Care Centre.

Pictured from left:

One Meal – Makes a Difference; The Fair Fight Foundation.

2022 Foundation projects, from top: Harman Foundation; Adamus Nexus; LIVEfree Project; The Nappy Collective. **Below left:** Macarthur Sunrise Rotary Club.

- **Turning Point Camden**
  New uniforms for drop-in welfare centre volunteer team.
- **Victor Chang Cardiac Research Institute**
  Free heart health check tour of 15 stops through NSW.

ACT

- **Adamas Nexus**
  Service providers and secure spaces to support women who have been the victims of domestic violence and sexual abuse.
- **Canberra Blind Society Inc (Eyes For Life Canberra)**
  300 vision impairment kits for hospitals in southern NSW and the ACT.
- **Canberra Society of Model and Experimental Engineers**
  Wheelchair-accommodating disability-friendly carriage for the Canberra Miniature Railway.
- **Lids4Kids Australia**
  A Community Recycling Education Centre and Workshop, repurposing plastic bottle lids.
- **Pegasus (Riding for the Disabled)**
  Disability Education and Resources for kids with physical, social and emotional disability through engaging with horses.
- **Scullin Community Group**
  Functional and warm community spaces for residents to gather, including seats, a bike hub and repair shop.

Our **Community**

continued

- **WaterWombats Aquatic Disability Services**
  An AquaAerobics program to provide water-based exercise for children with a disability.

NSW – Hunter

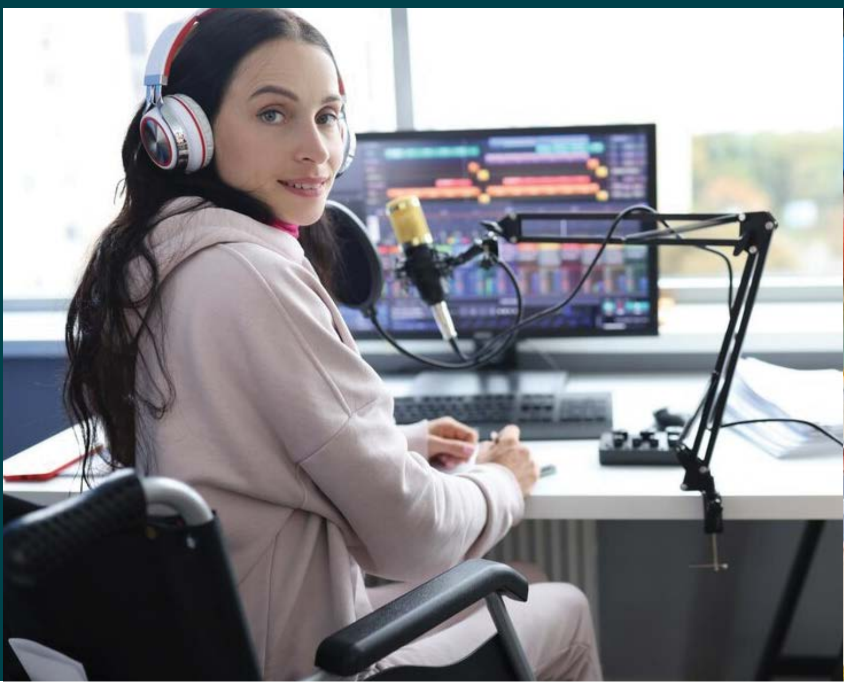
- **Angel Gowns for Australian Angel Babies**
  Transforming donated wedding dresses into Angel Gowns for babies who have sadly passed away.
- **Hunter Breast Cancer Foundation**
  Essential house cleaning service to support people and families as they journey through breast cancer.
- **Lions Club of East Maitland**
  Mobile coolroom enabling more fund-raising barbecues that benefit a variety of local charities and community causes.
- **LIVEfree Project**
  The Shine Bright Program, a weekly education program for at-risk students and their carers.
- **The Nappy Collective**
  Mobilising volunteers to collect and distribute nappies to those in need.
- **Survivor's R Us**
  Shelving to increase storage capacity for the food bank.

NSW – Illawarra

- **Food for Life**
  Commercial freezer to store goods that make up over 150 low-cost hampers per week for families.
- **Frame Running Wollongong**
  Purchase of frames and equipment to support children with disabilities to enjoy sporting games.
- **Illawarra Wig Library**
  Free transportation and new wigs and turbans for people who experience hair loss due to medical reasons.
- **Lifeline South Coast**
  Training for volunteer ambassadors providing counselling and community engagement regarding suicide.
- **Lions Club of Wollongong**
  Canopy for the mobile barbecue to protect volunteers and clients.
- **The Man Walk**
  Creating additional weekly 45-minute walk locations for men to engage in regular physical activity and social interaction.
- **Radio for the Print Handicapped of NSW**
  Engaging volunteers to create content broadcasting to those with low levels of literacy.

Fom left:

Foundation recipients Radio for the Print Handicapped; Rainbow Club Australia, Lions Club of Wollongong; The Man Walk.



- **Rainbow Club Australia**
  Educate qualified swim teachers in specialised swim programs for children living with disability.
- **Wollongong Volunteer Rescue Association**
  Purchase of new dummies and props, to keep abreast of the latest first aid and trauma procedures.

NSW – South Coast & Far South Coast

- **Narooma Men's Shed**
  New tools to encourage women into the Shed community.
- **Rally for Recovery**
  Construction of an external awning for the second-hand goods shop.
- **TeenSafe**
  Upkeep of the vehicle fleet to operate safe-driver training courses for teen L and P plate drivers in Moruya.

NSW – Southern Highlands

- **Australian Wildlife Sanctuary**
  Outdoor amphitheatre for flora and fauna education programs and presentations for schools.

FY24 Applications Open

Against a documented drop in volunteering and philanthropic donations in the national economic environment, the IMB Bank Community Foundation increased the funds available for the 2023 round of grants to $700,000. In June, the Foundation received a record number of applications for consideration.

2023 recipients will be announced in October and our 2024 calendar will be determined by the Committee in the coming months. IMB remains committed to helping build safer, more sustainable communities.

Future Outlook

- Deliver "Reflect" Reconciliation Action Plan
- Develop a Procurement Policy which includes the consideration of First Nations businesses
- Align IMB Community Foundation criteria with ESG framework and our sustainable development goals

Our **Environment**

Contributes towards UN SDGs

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

2050
Target for net zero emissions

Environmental sustainability and climate consciousness are closely aligned to our mutual purpose. We aim to take meaningful action by limiting the environmental impact of our business operations. Our environmental strategy will focus on reducing our carbon footprint, while supporting our members to transition to a lower emissions environment. We will also look to reduce waste and resource consumption within our operations.

Our members, communities and other stakeholders are increasingly expecting greater action from governments and companies on climate change, and as a member-owned bank, we believe it is important that IMB is taking action on climate-related matters.

IMB is committed to managing our business in alignment with the Paris Agreement and support the long-term goals limiting global warming to 1.5 degrees Celsius this century and the responsible global transition to net zero emissions.

The information set out in this section is provided in consideration of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and includes an overview of progress made to date, our current focus, and future plans for addressing climate risk across the four TCFD elements of Governance, Strategy, Risk Management and Metrics and targets.

Governance

The Board has oversight of the climate-related risks within our business. The Board Risk Committee (BRC) monitors the Bank's risk profile, including emerging risks. The BRC ensures that climate-related risks and opportunities are integrated into our overall risk management and business strategy and receives and reviews climate-related risk reports from management.

IMB has formed a Management Climate Change Working Group that is overseeing the three streams of work related to climate change:

1. Understanding the risk of climate change on IMB's operations and lending portfolio
2. Consideration of how IMB can support the transition to a low-carbon economy, particularly through product initiatives
3. Reducing the carbon and environmental footprint of our own operations.

As part of this work, IMB has also participated in a Customer Owned Banking Association (COBA) initiative to collaborate on a group climate risk inventory to facilitate understanding and agreement of the key climate-related matters relevant to the industry and to present opportunities to reduce risk.

continues page 34

Warddeken ranger Ted Maralngurra conducts a burning program on the Arnhem Land plateau.

IN FOCUS: Emissions Offset Investment

Community-led Emissions Reduction

One of the emissions reductions projects in which IMB has purchased carbon credits is Indigenous Fire Management.

Arnhem Land in the Northern Territory is prone to extreme, devastating wildfires that affect the landscape, cultural sites and biodiversity. Through Arnhem Land Fire Abatement (ALFA), local Indigenous Ranger groups support Traditional Owners to utilise customary fire knowledge with contemporary technology to accomplish highly sophisticated landscape scale fire management to deliver significant emissions reductions.

These projects are owned exclusively by Aboriginal people with custodial responsibility for those parts of Arnhem Land under active bushfire management. Local rangers and Traditional Owners conduct controlled burns early in the dry season to reduce fuel on the ground and establish a mosaic of natural firebreaks, helping to prevent uncontrolled wildfires.

The projects provide employment and training opportunities for local rangers while supporting Aboriginal people in returning to, remaining on and managing their Country. Communities are supported in the preservation and transfer of knowledge, the maintenance of Aboriginal languages and the wellbeing of Traditional Custodians.

IMB is very pleased to be a small part of ALFA's valuable emissions projects in Arnhem Land and the co-benefits it provides communities.

Image credit: David Hancock Photography

5,748

tCO_2e greenhouse gas emissions offset

Strategy

IMB proposes to support the global transition to net zero emissions by 2050 in a staged approach:

- Commit to reducing Scope 1 and 2 emissions by 90% by 2030 based on a 2021 baseline (in our control);
- Measure Scope 3 financed emissions footprint (lending and investment portfolios) and understand the implications of a science-based target and a net zero commitment, currently excluding financed emissions; and
- By 2025, commit to Scope 3 emissions reduction targets.

Managing physical risks

Physical climate risks, including both longer-term changes in climate as well as changes to the frequency and magnitude of extreme weather events, can cause direct damage to assets or property, changes to income and costs, and changes to the cost and availability of insurance.

In April 2023, Finity Consulting Limited were retained to carry out a physical climate risk assessment of the impact of natural perils (floods, storms, cyclones and bushfires) on IMB's residential mortgage loan portfolio. This assessment is consistent with APRA's Prudential Practice Guide CPG 229 Climate Change Financial Risks (CPG 229) and considered two future climate scenarios at time horizons to 2030 and 2050:

- Low emissions: based on Representative Concentration Pathway (RCP) 2.6 and with a 2/3 probability of limiting global warming to less than 2°C by 2100; and
- High emissions: based on RCP 8.5 and resulting in global warming exceeding 2°C by 2100.

This analysis was performed using models of climate physical risk at an individual property level and found that less than 1% of the bank's residential loan portfolio is exposed to medium physical risk under a low or high emissions scenario at 2050, with no loans classified as high risk.

Managing transition risks

Transition climate risks include risks related to a transition to a lower-emissions economy, such as changes in domestic and international policy and regulatory settings, technological innovation, social adaptation and market changes, which can result in changes to costs, income and profits, investment preferences and asset viability.

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 inputs. We also have multiple branch locations and an Australian-based contact centre, supported by a range of digital channels, to provide our members with continued access to banking services.

IMB also ensures that we have adequate insurance in place for our premises.

Supporting members

Climate change creates risks and opportunities for IMB and our members. We will seek to factor these risks into our business decisions by assessing the potential impacts of climate risk on our members regarding 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; and
- Mandatory requirement for property insurance to be held by mortgage customers.

Since 1880, IMB's core philosophy has been to help build strong, resilient communities. Every day we strive to help our members achieve their individual financial goals while also actively supporting community groups and projects that foster inclusion, encourage volunteering and create sustainable outcomes, enabling communities to thrive.

In times of need, IMB supports our members and their communities whether it be via repayment moratoriums on loans or waiving of fees, through to financial support from the IMB Bank Community Foundation for communities affected by extreme events such as bushfires and floods. In response to the bushfires in 2020, the IMB Bank Community Foundation donated $50,000 to the Vinnies Bushfire Appeal and allocated another $50,000 to projects to rebuild and regenerate impacted communities.

IMB is also committed to helping individual customers and communities to understand and respond to the impacts of climate change. We will do this by:

- Introducing products and services supporting a transition to green technologies;
- Identifying opportunities for the IMB Bank Community Foundation to fund projects that support environmental initiatives;
- Supporting our business clients to transition to lower carbon footprint through financing energy efficient equipment; and
- Continuing to support members and communities after experiencing a natural disaster event.

Reducing carbon footprint

IMB is also committed to reducing the climate change impacts of our own operations.

During the year we worked with Ndevr Environmental to develop a greenhouse

100%
Renewable energy use by 2025

gas inventory and formulate an emissions reduction plan with a view to achieving Climate Active Carbon Neutral certification.

Following this work IMB is looking to progress our climate journey and conduct a Greenhouse Gas Assessment of our financed emissions in alignment with the Partnership for Carbon Accounting Financials (PCAF) framework.

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 (VOC) 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; and
- Recycling/green waste bins.

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

- LED lighting technology has been fitted to 42% of IMB's lease/owned sites with LED lamps fitted in the customer zones in a further 22% of branches. It is anticipated all sites will be fully fitted with LED lighting by 2025;
- 90% of all IMB sites fitted with quick boil hot water systems;
- IMB currently uses carbon neutral paper made from 20% recycled product and from a certified sustainable source. Paper consumption has reduced significantly with the increasing digitisation of our business and the hybrid working model; and
- All paper-based products are recycled through a third party and IMB partner with Shred-X for E-waste destruction and recycling.

Risk management

IMB's Risk Management Framework outlines the systems, structures, policies, processes and people within IMB that identify, assess, mitigate, monitor and report all internal and external sources of risk that could have a material impact on operations. The framework includes the risk to the reputational, operational and financial sustainability of IMB from a failure to align IMB's strategic objectives with existing or emerging environmental, social and governance risks (including climate change).

This risk is considered in lending and investment decisions, third party/vendor due diligence, operations and contributions to the community.

Property valuations include consideration of environmental factors including bushfire threat or flood.

Metrics and targets

During the year Ndevr Environmental was engaged to assist IMB in undertaking its Greenhouse Gas (GHG) inventory (with consideration to certify its organisational operations as carbon neutral under the Australian Government's Climate Active carbon neutral standard), and in the development of IMB's Emission Reduction Plan to 2030.

This included an assessment of IMB's own direct emissions (scope 1) and indirect (scope 2 and 3) emissions. Total emissions for the base year FY 2022/23 (projected) were 5,748 tCO_2e.

Scope	Description	Emissions (tCO_2e)	Emissions (%)
1	Direct emissions from owned sources. This includes the emissions resulting from Company facilities and vehicles.	276	5
2	Indirect emissions from the generation and consumption of purchased electricity. This includes electricity bought by IMB to power its buildings.	1,787	31
3	Indirect upstream emissions that occur in the value chain from our suppliers. This includes emissions resulting from IMB's spend across goods and services, transportation, waste and equipment.	3,685	64
Gross GHG emissions*		**5,748**	**100**
Offsets retired		**(5,748)**	
Total net GHG emissions		**0**	

**The FY21 inventory was used to project total emissions for base year FY23. IMB is undertaking a true up of its FY23 inventory for the purposes of Climate Active certification.*

We are currently developing an Emissions Reduction Plan to identify ways we can reduce these emissions including a commitment to purchase 100% of electricity from renewable sources by 2025.

IMB is also in the process of being certified carbon neutral under the Australian Government Climate Standard for Organisations. Climate Active is an ongoing partnership between the Australian Government and Australian businesses to drive voluntary climate action enabling businesses to account for their GHG emissions and seek independent verification and certification. To achieve carbon neutral status, our GHG emissions must be fully offset through the purchase of carbon credits.

To assist with the purchase and help navigate the carbon offset market, IMB engaged Ndevr Environmental to conduct due diligence on prospective carbon offset projects offered by carbon brokers. This work involved applying a best practice assessment framework developed by Ndevr Environmental to assess Australian and international projects to ensure IMB purchased high-quality carbon offsets.

Following this due diligence process IMB selected the following offsetting projects:

- Arnhem Land Fire Abatement: an Aboriginal-owned, not-for-profit carbon farming business that supports Aboriginal Traditional Owners and rangers to utilise customary fire knowledge and skills in tandem with contemporary technology to accomplish highly sophisticated landscape scale fire management;
- Boobera Carbon Project: native forest regeneration in Queensland to restore forest cover that had been lost to grazing and invasive species; and
- 'Gunare' Forest Plantations on Degraded Grasslands Under Extensive Grazing: The project will comprise a total of 21,298 ha of land previously under extensive grazing by beef cattle, on which forest plantations for obtaining high-value, long-lived timber products and for sequestering large amounts of carbon dioxide from the atmosphere will be established.

Future Initiatives

- Finalise our Emissions Reduction Plan for Scope 1, 2 and 3 (excluding financed emissions)
- Source 100% of our electricity requirements from renewable sources
- Develop a Procurement Policy which considers environmental criteria including carbon neutral products and services
- Conduct a Greenhouse Gas Assessment of our financed emissions in alignment with the PCAF framework

Our **Governance**

Contributes towards UN SDGs

We believe that strong corporate governance is essential to IMB's sustainable long-term performance and is an important part of our values of integrity, respect and member focus. 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).

Skills, experience, and attributes required in Directors and senior management

IMB values its talented and diverse workforce and knows that having the right people in the right roles is crucial to IMB delivering on its purpose and meeting the expectations of our members and community.

The Board recognises that as the primary governing function within IMB, it is important that the processes that determine the Board's composition welcome differences in religion, race, ethnicity, language, gender, sexual orientation, disability, age, or any other area of potential difference. Diversity also encompasses the many ways people differ in terms of their education, life experience, job function, work experience, personality, location, marital status, and carer responsibilities.

The spread of skills sought for non-executive board members are formally documented and maintained in a Board Skills Matrix which is regularly reviewed by the Board. Skills are sought to stem from general governance competencies, industry specific and/or specialist expertise and those skills that are required to support IMB's strategic objectives and whose personal attributes align with IMB's values as a member-owned organisation.

The Board is committed to attracting and retaining talented individuals on the Board and in senior management positions, particularly as the breadth and complexity of the responsibilities involved in governing the organisation continues to increase. In the case of each of the non-executive directors appointed to fill casual vacancies on the Board in the financial year, the Board engaged a specialist recruitment firm to support it in securing high calibre candidates with distinguished careers in financial services, risk management and strategy development.

Directors and Executives must be assessed as eligible to hold both a fit and proper person and an accountable person position before they are appointed in accordance with CPS 520 'Fit & Proper Persons', IMB's Fit & Proper Policy, IMB's BEAR Policy and IMB's Constitution. On an annual basis, Directors and Executives must be assessed to confirm they continue to be fit and proper to hold their position and to be registered as an accountable person. This includes IMB regularly seeking attestations, conducting performance reviews and background screening.

IMB's Directors and Executives are committed to ongoing professional development and continuous learning and have accessed external and internal learning opportunities and experiential professional development across the year on relevant issues such as cybersecurity, climate action, global market conditions and emerging regulatory priorities for banks.

Directors and Executives also regularly take the opportunity to visit IMB branches and business units to meet in person with employees to gain a better understanding of business operations, the employee experience and what IMB's members are seeking from IMB. In the past year, this included Directors conducting branch visits in the Illawarra and Sydney regions, meeting with IMB's Lending Transformation team for walkthroughs of IMB's online lending processes and listening-in to calls received to IMB's contact centre covering transactional and member retention requests. Through these hands-on experiences our Board and senior leaders gain deeper insights into the culture of the organisation and how our employees can be best supported to deliver for our members.

Board Committees

To assist in the execution of its responsibilities, the Board has established a number of Board committees including an Audit Committee, a Risk Committee, a People & Culture Committee, an IMB Bank Community Foundation Committee, and a Capital and Securitisation Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis, ensuring the work of the Committees evolves over time and addresses issues of most importance.

In the previous financial year, in addition to their more standard governance responsibilities, IMB's Committees undertook work such as:

- **People and Culture Committee** – reviewing IMB's progress against its Diversity & Inclusion Strategy, including pay equity and parental leave approaches;
- **Risk Committee** – considering the inherent risks posed by the external environment, including rising interest rates and climate risk, fraud and cyber risks, and ensuring that IMB has robust frameworks in place to monitor and manage these risks;
- **Audit Committee** – overseeing an independent review of IMB's approach to internal audit to ensure IMB continues to maintain leading practices that are dynamic and deliver thematic insights around risk and control practices;
- **Capital and Securitisation** – overseeing updates to IMB's Constitution to provide IMB with more options for raising regulatory capital;
- **IMB Bank Community Foundation Committee** – reviewing the total contribution of the Foundation and increasing the amount available to support community-based initiatives in line with the improvement in IMB's key financial health metrics.

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

Risk Management

The Board oversees the establishment, implementation and annual review of the Group's Risk Management Framework.

IMB's approach to risk management is embedded across all business units under the three lines of defence model. The Risk function assists the Board Risk Committee oversee the risk appetite and profile of the Group and ensures that business developments are consistent with the risk appetite and goals of the Group. As the third line of defence, Internal Audit provides an independent review and challenge of IMB's risk management framework and supporting processes and systems to ensure they remain effective.

The Board is expected to set the appropriate 'tone at the top' with respect to risk culture and ensure that directors and senior managers model strong risk management behaviours and maintain a consistent approach to risk management through varying business conditions.

The Board receives formal reports in relation to matters that will assist it to form a view of IMB's culture and whether this supports the ability for IMB to operate consistently within its risk appetite, and to identify any necessary changes which will enhance IMB's risk culture on an ongoing basis. This occurs through a range of formal and informal mechanisms, including but not limited to reports from management, culture surveys, specific inquiry in Board evaluation processes, meeting with staff at all levels of the organisation and engaging external parties to review particular topics.

Further detailed information relating to Risk Management is set out in Note 30 to the financial statements.

Remuneration Practices

IMB's Remuneration Policy is considered an important factor in attracting and retaining employees who have the necessary skills for the effective and prudent operation of IMB. The core aims of the Remuneration Policy are to:

- motivate senior leaders to manage and lead the business successfully and to drive strong long-term organisational growth in line with strategy and business objectives.
- in relation to variable or performance-based components of remuneration, encourage decision-making and behaviour that supports and is consistent with, the delivery of appropriate member outcomes and IMB's long-term financial soundness, desired culture and risk management framework.
- ensure IMB's remuneration arrangements are, and remain, compliant with corporate governance requirements.

The Remuneration Policy currently provides for remuneration arrangements that are made up of fixed remuneration and variable remuneration (i.e., short-term performance based payments).

Fixed remuneration is reviewed and benchmarked against the market and internally to ensure that it is set at an appropriate level that supports IMB in attracting and retaining capable and motivated employees.

Variable performance-based incentive payments are based on achievement of both financial and non-financial objectives, to reflect the extent to which annual objectives have been met at a company and individual level. 'Gate Openers' relating to risk, compliance, audit and minimum performance outcomes must be met in order for senior managers to be eligible to earn their variable remuneration component. Measures applicable to the calculation of variable remuneration include performance in areas such as: net profit after tax, efficiency, deposit growth, loan portfolio growth, member growth and engagement, delivery of strategic projects, regulatory ratios such as capital adequacy, credit and fraud losses, risk management indicators, audit and compliance results and employee engagement. The KPIs are designed to represent a balanced scorecard approach.

In order to determine the amount of performance-based remuneration that is payable, IMB adopts the following measures and procedures:

- Undertaking a formal performance appraisal at the end of each financial year to calculate performance against KPIs which in the case of IMB's Executive Managers is overseen by the People & Culture Committee;
- Requiring an independent review (for example, by the Internal or External Auditor) of the calculation of performance against KPIs;
- Requiring a review of matters relevant to conduct and risk culture by the Chief Risk Officer and Risk Committee with respect to each person covered by the Remuneration Policy; and
- Using reliable data to substantiate performance against KPIs.

In determining the amount of any variable remuneration, the Board will give consideration to the deferral of such payment to enable results and performance to be reliably measured over a longer period of time and at a minimum will defer such amounts as required by applicable legislation or in order to account for uncertainty in the measurement of a particular performance metric. The Board also retains the discretion to adjust the performance-based components of the remuneration of a person covered by the Remuneration Policy upwards and downwards (including to zero) if appropriate. The Board can apply malus and claw back arrangements where the Board will adjust or eliminate the remuneration variable component of a person covered by the Remuneration Policy either because of the performance by an individual or in order to ensure sound risk outcomes for the organisation as a whole.

Ethical Standards

Code of Conduct

All directors and staff of IMB are expected to exercise the highest standards of integrity and behaviour in the course of their employment with IMB. The IMB Code of Conduct articulates IMB's values, ethics and philosophy that underpin risk culture, business decision-making and behaviour. The Code provides guidelines that outline expected standards of conduct. Directors are also expected to abide by the Australian Institute of Company Directors' Code of Conduct.

Whistleblowing

Under the IMB Whistleblower Policy, staff are encouraged, and have the responsibility to report any known or suspected incidences of improper conduct. Reportable conduct may include suspected breaches of policy or compliance obligations, fraudulent or dishonest behaviour, as well as other types of unethical behaviour or serious improper conduct. Employees who raise concerns may choose to involve the Whistleblower Protection Officer, who is responsible for protecting the employee or contractor against reprisal as a result of making a report.

Any concerns are investigated in a manner that is fair and objective to all people involved. If the investigation shows that wrongdoing has occurred, IMB is committed to changing processes and acting in relation to employees or contractors who have behaved incorrectly. Outcomes may also involve reporting the matter to relevant authorities and regulators.

Modern Slavery

IMB values human rights and rejects any form of modern slavery in our operations. We recognise that modern slavery is a growing and complex problem and are committed to implementing controls and raising awareness about it in our own business and supply chain. We will identify and manage risks related to modern slavery and monitor the effectiveness of the actions we take in response to such risks. IMB maintains policies and procedures which are aimed at:

- increasing our employees' awareness of the risks of modern slavery;
- increasing our efforts to address modern slavery as a financial crime;
- increasing awareness of modern slavery as part of procurement and contract management processes;
- encouraging the reporting of any (actual or potential) modern slavery practices that may occur within IMB's operations and supply chains;
- enabling IMB to identify and assess modern slavery practices and implement actions to deal with such risks (including due diligence and remediation processes).

In the past year, IMB continued to focus on addressing the potential risk of modern slavery occurring in its supply chain, establishing a risk assessment for contract managers to complete before entering into contracts with suppliers, setting minimum standards for contractual provisions and having an independent firm undertake a review of IMB's supply chain and investments.

Future Initiatives

- Enhance IMB's Remuneration Framework in line with the new requirements of CPS 511 Remuneration effective in 2024
- Develop a Procurement Policy which supports IMB's ESG related objectives
- Continue to refine the remit of each of IMB's Board Committees to ensure ESG objectives have effective oversight and monitoring frameworks in place

Our **Board**

Information set out in this section relating to board committee memberships and positions held by each of IMB Bank's directors relates to the financial year ended 30 June 2023.

Catherine Ann Aston – Board Chair

B.EC M.COMM F FIN GAICD

Ms Aston has been a non-executive director of IMB Ltd since 2016 and was elected Chair in October 2022. 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. As well as being the Chair of the Board, Ms Aston is the Chair of the IMB Capital & Securitisation Committee and a member of the IMB People & Culture Committee. Ms Aston is currently a director of Macquarie Investment Management Limited, as well as Chair of its Board Audit, Risk & Compliance Committee, a director of IVE Group Limited, as well as Chair of its Board Audit, Risk & Compliance Committee and a director of 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.

Brian Vincent Bissaker

B.EC FCA GAICD

Mr Bissaker has been a director of IMB Ltd since May 2023 and is a member of the IMB Capital and Securitisation Committee and IMB Community Foundation Committee.
Mr Bissaker has over 30 years of experience in the financial services industry including as the CEO of Colonial First State and Virgin Money Australia and as a Group Executive of the Bank of Queensland. Mr Bissaker has a background in funds management, superannuation and banking across retail and institutional markets and has held a number of senior executive positions with responsibilities spanning product development, marketing, customer experience, strategic advice, mergers and acquisitions and end-to-end business management. Mr Bissaker has extensive Board and Committee experience gained through his work as an executive and non-executive director. He is currently a director of MetLife Insurance Limited where he also chairs the Audit Committee and is chair of the board of Artega Investment Administration Pty Ltd, Monte Sant Angelo Mercy College and Year 13 Pty Ltd. Mr Bissaker was formerly a director of Citigroup Pty Limited and MyState Limited. As well as being a director of IMB Ltd, Mr Bissaker 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 and is the Chair of the IMB Audit Committee and a member of the IMB People and Culture Committee. 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

Back row from left: Christopher Whitehead, Catherine Aston, Brian Bissaker, Peter Fitzgerald.
Front row from left: Dr Harry Wendt, Christine Traquair and Jann Gardner.

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 currently a director of Peoplecare Health Insurance where he chairs the Audit Committee and is a director of the IRT Group. He 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 and is a member of the IMB Capital and Securitisation Committee and the IMB Community Foundation Committee. Ms Gardner is an experienced litigation and insurance lawyer and the former Newcastle Managing Partner of Sparke Helmore Lawyers. She 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 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 and Chair of its Risk Committee. In addition, she Chairs the Audit and Risk Management Committee for South West Sydney Local Health District and Chairs 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.

Christine Stewart Traquair

BSC PGDip SAD MCIBS Chartered Banker SA FIN MAF GAICD FGIA

Ms Traquair has been a director of IMB Ltd since December 2022 and is a member of the IMB Risk Committee and IMB Audit Committee. Ms Traquair has over 40 years' experience in the financial services industry and has held diverse senior leadership roles in risk, retail, business, wealth and institutional banking. Ms Traquair has deep risk management and credit expertise and extensive experience in governance, compliance, financial management, regulatory engagement and organisational simplification. Most recently, Ms Traquair held the role of Chief Risk Officer, Banking and Wealth for Suncorp Bank and prior to this, had a lengthy career at NAB with responsibilities across banking, wealth, risk, and credit related functions. Ms Traquair is currently a member of the Audit, Risk & Compliance Sub-Committee of James Cook University Council. As well as being a director of IMB Ltd, Ms Traquair 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 and is the Chair of the IMB People and Culture Committee and a member of the IMB Risk Committee. 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'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 Michael Whitehead

F FIN BSC FAICD Chartered Banker

Mr Whitehead has been a director of IMB Ltd since December 2021 and is the Chair of the IMB Risk Committee and member of the IMB Audit 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 the Chair of 1st Group Limited, a member of the International Advisory Committee of the Chartered Banker Institute and a member of the Defence Bank Director Nominations Committee. 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.

Retired Directors

Noel Harold Cornish AM

BSC(MET) M ENGSC FAICD

Mr Cornish retired from the IMB Ltd Board and its subsidiaries in October 2022, having served as a non-executive director of IMB Ltd from 2010 and Chair from September 2016. Mr Cornish was the Chair of the Capital and Securitisation Committee and was a member of the People and Culture Committee. As well as being a director of IMB Ltd, Mr Cornish was also a director of all entities wholly owned by IMB Ltd.

Jan Margaret Swinhoe

BSC (HONS) AIAA GAICD

Ms Swinhoe retired from the IMB Ltd Board and its subsidiaries in May 2023, having served as a non-executive director since 2014. Ms Swinhoe was the Chair of the IMB Community Foundation Committee and was a member of the People and Culture Committee. As well as being a director of IMB Ltd, Ms Swinhoe was also a director of all entities wholly owned by IMB Ltd.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Directors' **Report**

for the year ended 30 June 2023

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 2023 and the auditor's report thereon.

Directors

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

Catherine Ann Aston, appointed Chair October 2022

Brian Vincent Bissaker, appointed May 2023

Noel Harold Cornish AM, retired October 2022

Peter John Fitzgerald

Jann Angela Gardner

Jan Margaret Swinhoe, retired May 2023

Christine Stewart Traquair, appointed December 2022

Harry Walter Wendt

Christopher Michael Whitehead

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 44 to 46 of this report.

At the annual general meeting of the Company on 31st October 2023, Mr BV Bissaker, Mr PJ Fitzgerald, Mr HW Wendt and Ms CS Traquair will retire in accordance with the constitution of the Company and, being eligible, offer themselves for re-appointment.

Company Secretary

Ms Lauren Wise (BA LLB Grad Dip. Legal Practice) was 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 services, including home and personal lending, savings and transaction accounts, term deposits, business banking and arrangement of financial planning and insurance and travel products.

There has been no significant change in the nature of these activities during the year ended 30 June 2023.

Operating and Financial Review

Consolidated profit after tax for the year attributable to members was $36.3 million (2022: $29.5 million), an increase of $6.8 million or 23.1% on 2022, primarily due to a higher interest margin and balance sheet growth partially offset by higher non-interest expenses.

Total deposits increased to $6,502 million, up by $436 million or 7.2% on the previous year mainly due to an increase in middle markets and wholesale deposits. Retail deposits decreased by $37 million or 0.7%.

Loan approvals of $1,630 million were $240 million or 17.3% higher than the prior year (2022: $1,390 million). Total loans and advances to customers increased by 7.3% or $406 million to $5,974 million.

Net interest income for the year was $169.4 million, an increase of $26.2 million, or 18.3% on the previous year. This increase was predominantly due to an increase in average interest margin from 2.11% to 2.40%.

Non-interest income for the year increased by $0.3 million, or 2.9%, to $10.8 million, mainly due to an increase in transaction fee income.

Impairment expense was $1.8 million, compared to the $1.0 million release in the prior year, a net increase of $2.8 million year on year. This increase was due to the growth in loans and advances to customers and an increase in the forward-looking expected credit loss provision, partially offset by a decrease in the management overlay. The prior year reversal included the release of the remaining COVID-19 pandemic collective provision.

Non-interest expense for the year increased by $13.7 million, or 12.1%, to $126.5 million (2022: $112.8 million). This was due to an increase in personnel, data processing costs, as well as an increase in payment system charges and marketing expense.

The non-interest expense to operating income ratio decreased from 72.9% in 2022 to 70.9% in 2023.

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 30 August 2022, in respect of the year ended 30 June 2022, paid on 5 September 2022.
- an interim dividend of $0.09 per share amounting to $2.170 million franked to 100% at a tax rate of 30%, declared on 31 January 2023, in respect of the year ended 30 June 2023, paid on 27 February 2023; and
- a final ordinary dividend of $0.11 per share amounting to $2.652 million franked to 100% at a tax rate of 30%, declared on 30 August 2023, in respect of the year ended 30 June 2023, payable at the close of trade on 6 September 2023.

Total dividends paid or declared in respect of the year ended 30 June 2023 were $0.20 per share (2022: dividend of $0.17) amounting to $4.822 million (2022: $4.099 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 Chair'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 2023
Ms CA Aston	–
Mr BV Bissaker	–
Mr PJ Fitzgerald	2,000
Ms JA Gardner	–
Ms CS Traquair	–
Mr HW Wendt	–
Mr CM 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 predetermined risk areas. An environmental risk 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 has considered the management of climate change risks 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 sustainability disclosures issued by the International Sustainability Standards Board, APRA guidance and industry consultation.

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.

Directors' **Report** continued

for the year ended 30 June 2023

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.

Non-Audit Services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out in Note 29.

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 (4th 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 53 and forms part of the directors' report for the financial year ended 30 June 2023.

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 2023 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*	2	2	1	1	1	1	1	1	1	1
Ms CA Aston	8	8	3	3	2	2	2	2	1	1
Mr BV Bissaker*	2	2	–	–	–	–	–	–	–	–
Mr PJ Fitzgerald	8	8	3	3	2	2	2	2	1	1
Ms JA Gardner	8	8	3	3	2	2	2	2	1	1
Ms JM Swinhoe*	7	8	3	3	2	2	2	2	1	1
Ms CS Traquair*	4	4	1	1	1	1	1	1	–	–
Mr HW Wendt	8	8	3	3	2	2	2	2	1	1
Mr CM Whitehead	8	8	3	3	2	2	2	2	1	1

* Ms C Traquair was appointed as Director of IMB Ltd on 1 December 2022 and Mr B Bissaker was appointed as Director of IMB Ltd on 1 May 2023. Mr N Cornish resigned as Director and Chair of IMB Ltd on 24 October 2022 and Ms J Swinhoe resigned as Director of IMB Ltd on 31 May 2023.

The following table sets out the number of committee meetings of the Company's directors held during the year ended 30 June 2023 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	*1	–	–	–	2	2	–	–	1	1
Ms CA Aston	*3	1	*3	2	*5	3	–	–	2	2
Mr BV Bissaker	*1	–	*1	–	*1	–	–	–	–	–
Mr PJ Fitzgerald	4	4	*3	–	5	5	3	4	1	1
Ms JA Gardner	4	4	*1	–	–	–	4	4	2	2
Ms JM Swinhoe	*1	–	–	–	4	4	4	4	–	–
Ms CS Traquair	*2	–	2	2	–	–	–	–	*1	–
Mr HW Wendt	*2	–	4	4	5	5	–	–	–	–
Mr CM Whitehead	4	4	4	4	–	–	–	–	–	–

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 C Aston resigned from the Audit Committee effective 27 September 2022 and from the Risk Committee effective 15 December 2022 and was appointed to the People and Culture Committee effective 25 October 2022. Mr C Whitehead was appointed to the Risk Committee effective from 24 October 2022 and became Chair of that Committee in December 2023. Ms C Traquair was appointed to the Risk Committee effective from 15 December 2022.

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 2023

Signed in accordance with a resolution of the directors:

CA Aston
Chair

PJ Fitzgerald
Director

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

To the Directors of IMB Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of IMB Ltd for the financial year ended 30 June 2023 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 2023

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Financial **Statements**

Statements of Profit or Loss

for the year ended 30 June 2023

		Consolidated		Company	
	Note	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Interest revenue	2	**288,161**	171,411	**355,088**	192,393
Interest expense	2	**(118,746)**	(28,248)	**(185,673)**	(49,230)
Net interest income		**169,415**	143,163	**169,415**	143,163
Fee and commission income	2	**9,636**	9,663	**9,636**	9,663
Fee and commission expense	2	**(284)**	(269)	**(284)**	(269)
Net fee and commission income		**9,352**	9,394	**9,352**	9,394
Other income	2	**1,441**	1,075	**917**	1,725
Net operating income		**180,208**	153,632	**179,684**	154,282
Impairment (losses)/reversal on financial instruments	3	**(1,784)**	1,056	**(1,784)**	1,056
Operating expenses	3	**(126,477)**	(112,731)	**(126,434)**	(112,684)
Profit before tax		**51,947**	41,957	**51,466**	42,654
Income tax expense	4	**(15,644)**	(12,410)	**(15,500)**	(12,264)
Profit for the year attributable to members of the Company		**36,303**	29,547	**35,966**	30,390

The statements of profit or loss are to be read in conjunction with the notes to the financial statements set out on pages 61 to 113.

Statements of Comprehensive Income

for the year ended 30 June 2023

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Profit for the year	**36,303**	29,547	**35,966**	30,390
Other comprehensive (expense)/income				
Items that will never be reclassified to profit or loss:				
Remeasurement of defined benefit liability	**199**	(403)	**199**	(403)
Net change in fair value of other financial assets at FVOCI	**192**	(4)	**192**	(4)
Total items that will never be reclassified to profit or loss	**391**	(407)	**391**	(407)
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of investment debt securities at FVOCI	**7,217**	(20,338)	**7,217**	(20,338)
Net change in fair value of cash flow hedges	**2,902**	(7,057)	**2,902**	(7,057)
Net change in fair value of investment debt securities at FVOCI transferred to profit and loss	**(74)**	71	**(74)**	71
Total items that may be reclassified subsequently to profit or loss	**10,045**	(27,324)	**10,045**	(27,324)
Total other comprehensive income/(expense) for the year, net of income tax	**10,436**	**(27,731)**	**10,436**	**(27,731)**
Total comprehensive income for the year	**46,739**	**1,816**	**46,402**	**2,659**

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 61 to 113.

Statements of Financial Position

as at 30 June 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
ASSETS					
Cash and cash equivalents	26	**189,749**	207,197	**118,501**	129,474
Investment in debt securities	6	**1,184,554**	1,060,194	**2,845,576**	2,718,814
Deposits with other ADIs	7	**42,404**	100,254	**42,404**	100,254
Loans and advances to customers	8	**5,973,753**	5,567,812	**5,973,753**	5,567,812
Other investments	9	**1,323**	1,049	**3,081**	2,807
Property, plant and equipment	12	**90,647**	96,031	**90,647**	96,031
Intangible assets	13	**8,442**	10,092	**8,442**	10,092
Net deferred tax assets	4	**12,603**	15,671	**12,603**	15,671
Other assets	14	**21,656**	17,995	**86,519**	90,680
Total assets		**7,525,131**	7,076,295	**9,181,526**	8,731,635
LIABILITIES					
Trade and other payables	15	**45,731**	45,472	**39,781**	40,576
Deposits	16	**6,502,194**	6,065,549	**6,506,707**	6,069,938
Securitised loans funding	17	**74,072**	101,899	**1,734,232**	1,759,737
Interest-bearing liabilities	18	**401,820**	405,707	**401,820**	405,707
Derivative liabilities	11	**3,247**	7,392	**3,247**	7,392
Current tax liabilities	4	**5,146**	152	**5,146**	152
Provisions	19	**13,276**	12,878	**13,276**	12,878
Total liabilities		**7,045,486**	6,639,049	**8,704,209**	8,296,380
Net assets		**479,645**	437,246	**477,317**	435,255
EQUITY					
Share capital	20	**28,324**	28,324	**28,324**	28,324
Reserves		**57,276**	46,957	**57,276**	46,957
Retained earnings		**394,045**	361,965	**391,717**	359,974
Total equity attributable to members of the Company		**479,645**	437,246	**477,317**	435,255

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 61 to 113.

Statements of Cash Flows

for the year ended 30 June 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
CASH FLOWS USED IN OPERATING ACTIVITIES					
Interest received		**281,871**	170,393	**348,797**	191,375
Other cash receipts in the course of operations		**7,652**	10,549	**14,950**	12,824
Interest paid on deposits		**(82,581)**	(29,857)	**(149,499)**	(50,825)
Income taxes paid		**(7,582)**	(25,944)	**(7,437)**	(25,810)
Net loans funded		**(407,725)**	(108,158)	**(407,725)**	(108,158)
Net increase in deposits		**400,942**	209,339	**401,066**	207,902
Other cash payments in the course of operations		**(110,587)**	(95,864)	**(111,606)**	(96,107)
Net cash flows from operating activities	26	**81,990**	130,458	**88,546**	131,201
CASH FLOWS FROM INVESTING ACTIVITIES					
Net (payments for)/redemptions of investment in debt securities and Deposits with other ADIs		**(54,402)**	66,013	**(56,805)**	65,226
Payments for property, plant and equipment, and intangibles		**(5,771)**	(6,269)	**(5,771)**	(6,269)
Proceeds from sale of property, plant and equipment		**332**	316	**332**	316
Net cash flows (used in)/from investing activities		**(59,841)**	60,060	**(62,244)**	59,273
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Repayments of securitised loans		**(612,356)**	(776,668)	**(610,034)**	(775,937)
Proceeds from securitised loans funding		**584,529**	699,703	**584,529**	699,703
Repayments of interest-bearing liabilities		**(99,995)**	(40,008)	**(99,995)**	(40,008)
Proceeds from interest-bearing liabilities		**100,082**	10,001	**100,082**	10,001
Repayments of lease liabilities	18	**(7,517)**	(6,808)	**(7,517)**	(6,808)
Dividends paid	5	**(4,340)**	(4,099)	**(4,340)**	(4,099)
Net cash flows used in financing activities		**(39,597)**	(117,879)	**(37,275)**	(117,148)
Net (decrease)/increase in cash and cash equivalents held		**(17,448)**	72,639	**(10,973)**	73,326
Cash and cash equivalents at the beginning of the year		**207,197**	134,558	**129,474**	56,148
Cash and cash equivalents at the end of the year	26	**189,749**	207,197	**118,501**	129,474

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 61 to 113.

Statements of Changes in Equity

for the year ended 30 June 2023

Consolidated ***In thousands of dollars (AUD)***	**Share capital**	**Fair value reserve**	**Cash flow hedge reserve**	**General reserve for credit losses**	**General reserve**	**Transfer of business earnings reserve**	**Retained earnings**	**Total equity**
Balance at 1 July 2021	**28,324**	**4,036**	**1,883**	**7,484**	**25,255**	**37,560**	**334,987**	**439,529**
Total comprehensive income for the 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**
Balance at 1 July 2022	**28,324**	**(16,235)**	**(5,174)**	**5,551**	**25,255**	**37,560**	**361,965**	**437,246**
Total comprehensive income for the year								
Profit after tax	–	–	–	–	–	–	36,303	36,303
Other comprehensive income								
Remeasurement of defined benefit liability	–	–	–	–	–	–	199	199
Net revaluation movement due to change in fair value	–	7,409	2,902	–	–	–	–	10,311
Investment debt securities at FVOCI reclassified to profit or loss	–	(74)	–	–	–	–	–	(74)
Total other comprehensive income	–	7,335	2,902	–	–	–	199	10,436
Total comprehensive income for the year	–	7,335	2,902	–	–	–	36,502	46,739
Transfer to retained profits	–	–	–	82	–	–	(82)	–
Transactions with owners, recorded in equity								
Dividends to shareholder members	–	–	–	–	–	–	(4,340)	(4,340)
Balance at 30 June 2023	**28,324**	**(8,900)**	**(2,272)**	**5,633**	**25,255**	**37,560**	**394,045**	**479,645**

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 61 to 113.

Statements of Changes in Equity

for the year ended 30 June 2023

Company ***In thousands of dollars (AUD)***	**Share capital**	**Fair value reserve**	**Cash flow hedge reserve**	**General reserve for credit losses**	**General reserve**	**Transfer of business earnings reserve**	**Retained earnings**	**Total equity**
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**
Balance at 1 July 2022	**28,324**	**(16,235)**	**(5,174)**	**5,551**	**25,255**	**37,560**	**359,974**	**435,255**
Total comprehensive income for the year								
Profit after tax	–	–	–	–	–	–	35,966	35,966
Other comprehensive income								
Remeasurement of defined benefit liability	–	–	–	–	–	–	199	199
Net revaluation movement due to change in fair value	–	7,409	2,902	–	–	–	–	10,311
Investment debt securities at FVOCI reclassified to profit or loss	–	(74)	–	–	–	–	–	(74)
Total other comprehensive income	–	7,335	2,902	–	–	–	199	10,436
Total comprehensive income for the year	–	7,335	2,902	–	–	–	36,165	46,402
Transfer to retained profits	–	–	–	82	–	–	(82)	–
Transactions with owners, recorded in equity								
Dividends to shareholder members	–	–	–	–	–	–	(4,340)	(4,340)
Balance at 30 June 2023	**28,324**	**(8,900)**	**(2,272)**	**5,633**	**25,255**	**37,560**	**391,717**	**477,317**

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 61 to 113.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

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 2023 comprises the Company and its subsidiaries (together referred to as the "Group").

The Group is a for-profit entity primarily involved in the provision of banking services, including home and personal lending, savings and transaction accounts, term deposits and business banking.

(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 2023.

(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 Australian Accounting Standards 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 prospectively.

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 (Notes 1(b)(v),1(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),1(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

1 Significant accounting policies (continued)

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 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.

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; and
- 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.

(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.

1 Significant accounting policies (continued)

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.

(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 occurs;
- there is a breach of contract as a default or past due event;
- there is 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
- there is 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 policy 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(j)), are reviewed at each reporting date to determine whether there is any indication of impairment.

1 Significant accounting policies (continued)

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 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

1 Significant accounting policies (continued)

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

(i) 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.

(ii) 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. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

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.

The Group presents right-of-use assets in Property, Plant and Equipment and lease liabilities in Interest-bearing liabilities in the statement of financial position.

(ii) Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis 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.

1 Significant accounting policies (continued)

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) 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.

2 Operating income

		Consolidated		Company	
	Note	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Interest revenue calculated using the effective interest rate method					
Financial assets measured at amortised cost:					
Cash and cash equivalents		**3,274**	104	**3,274**	104
Deposits with other ADIs		**1,607**	321	**1,607**	321
Loans and advances to customers		**248,346**	162,326	**248,346**	162,326
Financial assets measured at FVOCI:					
Investment debt securities		**34,934**	8,660	**101,861**	29,642
		288,161	171,411	**355,088**	192,393
Interest expense					
Deposits		**110,146**	22,136	**110,146**	22,136
Securitised loans funding		**3,138**	2,197	**70,065**	23,179
Interest-bearing liabilities		**5,454**	3,901	**5,454**	3,901
Other interest expense		**8**	14	**8**	14
		118,746	28,248	**185,673**	49,230
Net interest income		**169,415**	143,163	**169,415**	143,163
Fee and commission income					
Loan switch and breakout fees		**226**	457	**226**	457
Transaction fees		**5,586**	5,015	**5,586**	5,015
Payment system fees		**2,629**	2,556	**2,629**	2,556
Commissions		**1,195**	1,635	**1,195**	1,635
		9,636	9,663	**9,636**	9,663

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Fee and commission expense					
Bank fees		**112**	103	**112**	103
Commission		**172**	166	**172**	166
		284	269	**284**	269
Net fee and commission income from contracts with customers		**9,352**	9,394	**9,352**	9,394
Other income					
Impairment losses recovered		**255**	196	**255**	196
Dividends		**–**	–	**–**	1,182
Profit from sale of plant and equipment		**99**	36	**99**	36
Rental income		**56**	67	**56**	67
Gain on insurance claim		**267**	–	**267**	–
Securitisation services income		**524**	532	**–**	–
Other		**240**	244	**240**	244
		1,441	1,075	**917**	1,725
Net operating income		**180,208**	153,632	**179,684**	154,282

Notes to the Consolidated **Financial Statements** continued – for the year ended 30 June 2023

3 Expenses

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Impairment losses/(reversals) on financial instruments					
Impairment charge/(reversal)	10	**1,518**	(1,187)	**1,518**	(1,187)
Release of impairment on losses written off directly		**(106)**	(310)	**(106)**	(310)
Impairment losses written off directly		**372**	441	**372**	441
Total Impairment losses/(reversals) on financial instruments		**1,784**	(1,056)	**1,784**	(1,056)
Personnel expense					
Salaries		**57,091**	52,073	**57,091**	52,073
Payroll tax		**3,416**	2,698	**3,416**	2,698
Fringe benefits tax		**598**	459	**598**	459
Superannuation		**6,643**	5,745	**6,643**	5,745
		67,748	60,975	**67,748**	60,975
Occupancy expense					
Repairs and maintenance		**606**	548	**606**	548
Expenses on leases of short-term and low-value assets		**707**	1,414	**707**	1,414
Other		**3,723**	3,293	**3,723**	3,293
		5,036	5,255	**5,036**	5,255
Payment system expense		**5,040**	4,484	**5,040**	4,484
Marketing expense		**8,184**	7,118	**8,184**	7,118
Data processing expense		**11,478**	9,577	**11,478**	9,577
Postage and printing expense		**2,384**	1,914	**2,384**	1,914
Contributions to IMB and Shire Community Foundations		**750**	550	**750**	550
Goods and services tax not recovered		**3,330**	3,232	**3,330**	3,232
Sundry expenses					
Depreciation and amortisation					
– plant and equipment		**4,116**	3,486	**4,116**	3,486
– buildings		**1,379**	1,380	**1,379**	1,380
– intangibles		**2,718**	2,152	**2,718**	2,152
– leased properties		**7,081**	6,636	**7,081**	6,636
Legal and consulting		**3,361**	2,102	**3,361**	2,102
Other		**3,872**	3,870	**3,829**	3,823
		22,527	19,626	**22,484**	19,579
Total operating expenses		**126,477**	112,731	**126,434**	112,684

4 Taxation

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
a) Income tax expense				
Current tax expense				
– current year	**17,048**	12,241	**16,904**	12,107
– adjustment for prior years	**–**	(220)	**–**	(220)
	17,048	12,021	**16,904**	11,887
Deferred tax expense				
– origination and reversal of temporary differences	**(1,404)**	389	**(1,404)**	377
Total income tax expense	**15,644**	12,410	**15,500**	12,264
Reconciliation between income tax expense and profit before tax				
Profit before tax	**51,947**	41,957	**51,466**	42,654
Prima facie income tax expense at 30% on operating profit	**15,584**	12,587	**15,440**	12,796
Increase in income tax expense due to:				
– other non-deductible expenses	**4**	10	**4**	10
– depreciation of buildings	**27**	20	**27**	20
– non-deductible entertainment	**30**	15	**30**	15
Decrease in income tax expense due to:				
– income tax over-provided for in prior year	**–**	(220)	**–**	(220)
– non assessable inter Company dividend	**–**	–	**–**	(355)
– other deductible expenses	**(1)**	(2)	**(1)**	(2)
Income tax expense	**15,644**	12,410	**15,500**	12,264
Income tax recognised directly in other comprehensive income				
Relating to defined benefit fund	**85**	(173)	**85**	(173)
Relating to equity investments	**82**	(2)	**82**	(2)
Relating to investment debt securities	**3,061**	(8,685)	**3,061**	(8,685)
Relating to derivative liabilities	**1,244**	(3,025)	**1,244**	(3,025)
	4,472	(11,885)	**4,472**	(11,885)

b) Current tax liabilities

The current tax liability for the Group of $5,146,000 (2022: $152,000) and for the Company of $5,146,000 (2022: $152,000) 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.

4 Taxation (continued)

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Deferred tax assets/(liabilities)				
Deferred tax assets and liabilities are attributable to the following:				
– Investment debt securities	**4,060**	7,120	**4,060**	7,120
– Provisions and accrued expenses	**4,713**	3,356	**4,713**	3,356
– Employee benefits	**4,203**	4,038	**4,203**	4,038
– Lease liabilities	**4,187**	5,380	**4,187**	5,380
– Derivative liabilities	**974**	2,218	**974**	2,218
– Deferred expenditure	**–**	2	**–**	2
– Consulting and legal fees	**27**	29	**27**	29
Total deferred tax assets	**18,164**	22,143	**18,164**	22,143
– Land and buildings	**(749)**	(722)	**(749)**	(722)
– Right-of-use assets	**(4,152)**	(5,359)	**(4,152)**	(5,359)
– Defined benefit fund	**(313)**	(267)	**(313)**	(267)
– Equity investments	**(245)**	(163)	**(245)**	(163)
– Property, plant and equipment	**(102)**	39	**(102)**	39
Total deferred tax liabilities	**(5,561)**	(6,472)	**(5,561)**	(6,472)
Net deferred tax assets	**12,603**	15,671	**12,603**	15,671

Movements in deferred tax balances arising from the defined benefit liability, equity investments, investment debt securities and derivative liabilities are recognised directly in other comprehensive income. The movement in deferred tax balances arising from the other items listed above are recognised in profit or loss.

Effective tax rates (ETR)

The ETR for the Group of 30.1% (2022: 29.6%) and the Company of 30.1% (2022: 29.6%) 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:				
2023				
2023 interim dividend	**9.0**	2,170	100%	27-Feb-23
2022 final dividend	**9.0**	2,170	100%	5-Sep-22
		4,340		
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		

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

Subsequent events

On 30 August 2023 the Board declared a final ordinary dividend of 11 cents per share amounting to $2,652,000 franked at 100% at a tax rate of 30%, in respect of the year ended 30 June 2023. The dividend is payable on 6 September 2023. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 30 June 2023 and will be recognised in subsequent financial statements.

The declaration and subsequent payment of dividends has no income tax consequences.

	Company	
	2023 $'000	**2022 $'000**
Dividend franking account		
30% franking credits available to members of the Company for dividends in subsequent financial years	**176,445**	161,041

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 in debt securities

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Investment in debt securities at FVOCI*				
– certificates of deposit issued by banks	**88,353**	128,389	**88,353**	128,389
– government and semi–government securities	**203,986**	212,632	**203,986**	212,632
– other bonds	**186,978**	109,047	**186,978**	109,047
– floating rate notes**	**705,237**	610,126	**2,366,259**	2,268,746
Total investments	**1,184,554**	1,060,194	**2,845,576**	2,718,814

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

** The Company holds $1,650,000,000 (2022: $1,650,000,000) in bonds issued by the Illawarra Series IS Trust and $7,000,000 (2022: $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 in debt securities of $489,000 is recognised in OCI at 30 June 2023 (2022: $429,000).

Of the above amounts, $244,025,000 (2022: $339,160,000) 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deposits with other Authorised Deposit-taking Institutions (ADIs) at amortised cost	**42,417**	100,299	**42,417**	100,299
Provision for impairment – expected credit losses	**(13)**	(45)	**(13)**	(45)
Total Deposits with other ADIs	**42,404**	100,254	**42,404**	100,254

Of the above amounts, $42,417,000 (2022: $92,785,000) 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	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Loans and advances to customers at amortised cost*		**5,980,693**	5,573,368	**5,980,693**	5,573,368
Provision for impairment – expected credit losses	10	**(6,940)**	(5,556)	**(6,940)**	(5,556)
Total loans net of provision for impairment		**5,973,753**	5,567,812	**5,973,753**	5,567,812

* Includes $1,734,235,000 of securitised residential loans (2022: $1,759,777,000).

Of the above amounts, $195,782,000 (2022: $197,365,000) is expected to be recovered within 12 months of the balance date by the Group and the Company.

	2023			2022		
	Gross carrying amount $'000	ECL allowance $'000	Carrying amount $'000	Gross carrying amount $'000	ECL allowance $'000	Carrying amount $'000
Mortgage Lending	**5,494,436**	**(3,894)**	**5,490,542**	5,180,026	(2,892)	5,177,134
Commercial	**300,065**	**(1,533)**	**298,532**	243,291	(1,286)	242,005
Personal Loans	**145,398**	**(1,329)**	**144,069**	104,287	(1,233)	103,054
Revolving Credit	**40,794**	**(184)**	**40,610**	45,764	(145)	45,619
Total	**5,980,693**	**(6,940)**	**5,973,753**	5,573,368	(5,556)	5,567,812

9 Other investments

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Other equity investments – at FVOCI	**1,323**	1,049	**1,323**	1,049
Investments in controlled entities	**–**	–	**1,758**	1,758
Total other investments	**1,323**	1,049	**3,081**	2,807

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 in debt securities* $'000	Deposits with other ADIs $'000	Loans and advances to customers $'000	Total $'000
Balance as at 1 July 2022	**429**	**45**	**5,556**	**6,030**
Impairment charge/(reversal)	**60**	**(32)**	**1,490**	**1,518**
Amounts written off, previously provided for	**–**	**–**	**(106)**	**(106)**
Balance as at 30 June 2023	**489**	**13**	**6,940**	**7,442**

Consolidated and Company	$'000	$'000	$'000	$'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

* ECL for investment in 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 2022	**5,173**	**62**	**321**	**5,556**
Transfers during the period to:				
12 month ECL	**159**	**(148)**	**(11)**	**–**
Lifetime ECL not credit-impaired	**(47)**	**49**	**(2)**	**–**
Lifetime ECL credit-impaired	**–**	**(66)**	**66**	**–**
Net remeasurement of loss allowance	**419**	**212**	**121**	**752**
New financial assets originated	**1,480**	**–**	**–**	**1,480**
Financial assets that have been derecognised	**(712)**	**(28)**	**(2)**	**(742)**
Write-offs	**(2)**	**(3)**	**(101)**	**(106)**
Balance as at 30 June 2023*	**6,470**	**78**	**392**	**6,940**

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 reversal	(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**

* Under the Group's provisioning policy, 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 & 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 increase in the expected credit loss for the financial year was driven by the growth in the loan book and the deterioration in the underlying economic forecasts compared to the prior period. This was partly offset by a reduction in the management overlay given the resilience shown by borrowers to the increase in interest rates whilst still retaining an adjustment for loans judged most susceptible to inflationary pressures and rising interest rates.

Critical accounting estimates and judgements

Where appropriate, the Group makes adjustments to the ECL estimate outside the Group's regular modelling process to reflect management judgements. Changes to the assumptions underlying these judgemental adjustments could materially affect ECL within the next 12 months. These adjustments include post-model adjustments (PMAs) and overlays.

- PMAs are adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust the stage allocation outcomes.
- Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Group's definition of PMAs because they are not calculated at a granular level through modelled analysis.

The Group has internal governance frameworks and controls in place to assess the appropriateness of all judgemental adjustments. The aim of the Group is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Judgemental adjustments

Total judgemental adjustments as at 30 June 2023 increased the loss allowance by $918,000 (2022: $1,442,000).

	2023 $'000	2022 $'000
Loss allowance before judgemental adjustments	**6,022**	4,114
Post model adjustment (PMA)	**–**	–
Overlays and adjustments	**918**	1,442
Loss allowance after judgemental adjustments	**6,940**	5,556

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 2023, the probability weightings for each scenario were reviewed and the probabilities allocated were held at the same level as the prior year. While it is increasingly likely households will experience more debt stress, low unemployment and high savings levels are mitigating factors. Rising unemployment is the key downside risk. The probability weightings applied to each scenario are shown in the table below:

10 Provision for impairment – expected credit losses (continued)

Economic scenarios	2023 %	2022 %
Upside	**5**	5
Base	**50**	50
Downside	**45**	45

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

Macro-economic forecast assumptions	2024 %	2025 %	2026 %
GDP Growth			
Upside scenario	**1.0**	1.9	2.3
Base case scenario	**0.7**	1.3	1.7
Downside scenario	**0.5**	0.9	1.3
Unemployment			
Upside scenario	**4.0**	4.4	4.4
Base case scenario	**4.2**	4.8	4.8
Downside scenario	**4.4**	5.3	5.3
Housing Price Index			
Upside scenario	**5.0**	0.0	0.0
Base case scenario	**0.0**	0.0	0.0
Downside scenario	**(5.0)**	0.0	0.0
Cash rate			
Upside scenario	**4.1**	2.9	3.2
Base case scenario	**4.4**	3.6	3.9
Downside scenario	**4.9**	4.4	4.4

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 upside risk to the inflation outlook and the potential for further tightening of monetary policy, together with the lag effect of past increases in interest rates on borrowers loan repayments, a lower management overlay has been retained to recognise those borrowers considered at risk of default in terms of their ability to repay in the short to medium term.

Sensitivity analysis

Central banks around the world have embarked on their most aggressive monetary policy tightening in decades in a bid to bring inflation back down to their target levels. Despite fears that would trigger a global recession the world economy has so far held up. But underlying inflation has also been persistent. Given the outlook for productivity, wage increases, a resurgent house market and the stickiness of inflation further increases in the cash rate are expected. Uncertainty in relation to the measurement of the Group's ECL for loans and advances to customers remains high in comparison with historic levels. Accordingly, significant adjustments to the ECL could occur in future periods as the full effects of inflation and interest rate increases are borne out.

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

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Interest rate swaps at fair value	**3,247**	7,392	**3,247**	7,392

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 2023, 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	(539)	(1,276)	(1,300)
Average interest rate	(0.66%)	(2.59%)	(3.52%)

12 Property, plant and equipment

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'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	**52,533**	52,499	**52,533**	52,499
– accumulated depreciation	**(4,920)**	(3,541)	**(4,920)**	(3,541)
	47,613	48,958	**47,613**	48,958
Total land and buildings	**61,394**	62,739	**61,394**	62,739
Right-of-use assets				
– at cost	**30,993**	31,581	**30,993**	31,581
– accumulated depreciation	**(17,154)**	(13,719)	**(17,154)**	(13,719)
Total right-of-use assets	**13,839**	17,862	**13,839**	17,862
Plant and equipment				
– at cost	**45,998**	45,183	**45,998**	45,183
– accumulated depreciation	**(30,591)**	(30,067)	**(30,591)**	(30,067)
Total plant and equipment	**15,407**	15,116	**15,407**	15,116
Work in progress – at cost – other	**7**	314	**7**	314
Work in progress – at cost	**7**	314	**7**	314
Total property, plant and equipment – at cost	**143,312**	143,358	**143,312**	143,358
Total accumulated depreciation	**(52,665)**	(47,327)	**(52,665)**	(47,327)
Total property, plant and equipment – carrying amount	**90,647**	96,031	**90,647**	96,031
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	**48,958**	50,338	**48,958**	50,338
Additions	**34**	–	**34**	–
Transfers from work in progress	**–**	–	**–**	–
Depreciation – buildings	**(1,379)**	(1,380)	**(1,379)**	(1,380)
Carrying amount at the end of the year	**47,613**	48,958	**47,613**	48,958

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Plant and equipment				
Carrying amount at the beginning of the year	**15,116**	15,900	**15,116**	15,900
Additions	**3,539**	2,043	**3,539**	2,043
Transfers from work in progress	**1,101**	939	**1,101**	939
Disposals	**(233)**	(280)	**(233)**	(280)
Depreciation	**(4,116)**	(3,486)	**(4,116)**	(3,486)
Carrying amount at the end of the year	**15,407**	15,116	**15,407**	15,116
Work in progress				
Carrying amount at the beginning of the year	**314**	520	**314**	520
Additions	**794**	733	**794**	733
Transfers to plant and equipment and buildings	**(1,101)**	(939)	**(1,101)**	(939)
Carrying amount at the end of the year	**7**	314	**7**	314

Valuations of land and buildings

Independent valuations were carried out as at 30 June 2023 on the open market valuation of the properties based on their existing use. The independent valuation valued freehold land and buildings at $73,495,000. The Company's policy is to obtain an independent valuation of freehold land and buildings every three years. As freehold land and buildings are carried at cost, the valuation has not been brought to account.

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 1(m)).

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Right-of-use assets				
Buildings	**13,820**	17,766	**13,820**	17,766
Plant and equipment	**19**	96	**19**	96
Total right-of-use assets	**13,839**	17,862	**13,839**	17,862
Reconciliation of carrying amount				
Carrying amount at the beginning of the year	**17,862**	13,963	**17,862**	13,963
Additions	**3,058**	10,535	**3,058**	10,535
Depreciation				
– Buildings	**(7,004)**	(6,560)	**(7,004)**	(6,560)
– Plant and equipment	**(77)**	(76)	**(77)**	(76)
Carrying amount at the end of the year	**13,839**	17,862	**13,839**	17,862

13 Intangible assets

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Intangible computer software				
– at cost	**26,173**	22,803	**26,173**	22,803
– accumulated amortisation	**(18,349)**	(15,631)	**(18,349)**	(15,631)
Intangible computer software	**7,824**	7,172	**7,824**	7,172
Work in progress – at cost	**618**	2,920	**618**	2,920
Total intangible computer software	**8,442**	10,092	**8,442**	10,092
Reconciliation				
Intangible computer software				
Carrying amount at the beginning of the year	**7,172**	1,014	**7,172**	1,014
Additions	**–**	–	**–**	–
Transfers from work in progress	**3,370**	8,310	**3,370**	8,310
Disposals	**–**	–	**–**	–
Amortisation	**(2,718)**	(2,152)	**(2,718)**	(2,152)
Carrying amount at the end of the year	**7,824**	7,172	**7,824**	7,172
Work in progress				
Carrying amount at the beginning of the year	**2,920**	7,760	**2,920**	7,760
Additions	**1,152**	3,470	**1,152**	3,470
Reclassification to other assets	**(84)**	–	**(84)**	–
Transfers to intangible computer software	**(3,370)**	(8,310)	**(3,370)**	(8,310)
Carrying amount at the end of the year	**618**	2,920	**618**	2,920

14 Other assets

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Sundry debtors	**20,598**	17,051	**85,461**	89,736
Prepayments	**1,058**	944	**1,058**	944
Total Other assets	**21,656**	17,995	**86,519**	90,680

15 Trade and other payables

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade creditors	**39,789**	40,584	**39,781**	40,576
Distributions payable by Special Purpose Entities	**5,498**	4,437	**–**	–
Fees payable by Special Purpose Entities	**444**	451	**–**	–
Total trade and other payables	**45,731**	45,472	**39,781**	40,576

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

16 Deposits

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Retail deposits	**5,486,835**	5,524,056	**5,491,348**	5,528,445
Middle markets	**778,911**	469,311	**778,911**	469,311
Wholesale deposits	**195,896**	67,333	**195,896**	67,333
Accrued interest	**40,552**	4,849	**40,552**	4,849
Total deposits	**6,502,194**	6,065,549	**6,506,707**	6,069,938

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

17 Securitised loans funding

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Notes payable	**74,072**	101,899	**–**	–
Loans from securitisation trusts*	**–**	–	**1,734,232**	1,759,737
Total securitised loans funding	**74,072**	101,899	**1,734,232**	1,759,737

* Includes $1,657,000,000 (2022: $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.

18 Interest-bearing liabilities

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Repurchase agreements*	1e				
Repurchase agreements		**217,964**	317,959	**217,964**	317,959
Total Repurchase agreements*		**217,964**	317,959	**217,964**	317,959
Senior unsecured debt					
– Series 6		**100,000**	–	**100,000**	–
Total Senior unsecured debt		**100,000**	–	**100,000**	–
Lease liabilities					
Lease liabilities		**13,958**	17,933	**13,958**	17,933
Total lease liabilities		**13,958**	17,933	**13,958**	17,933
Subordinated floating rate notes	1p				
– Series 5		**69,898**	69,815	**69,898**	69,815
Total Subordinated floating rate notes		**69,898**	69,815	**69,898**	69,815
Total interest-bearing liabilities		**401,820**	405,707	**401,820**	405,707
Lease liabilities					
Current lease liabilities		**5,475**	6,143	**5,475**	6,143
Non-current lease liabilities		**8,483**	11,790	**8,483**	11,790
Total lease liabilities		**13,958**	17,933	**13,958**	17,933
Reconciliation of carrying amount					
Carrying amount at the beginning of the year		**17,933**	13,973	**17,933**	13,973
Net additions		**3,071**	10,519	**3,071**	10,519
Lease payments					
– Gross lease payments		**(7,517)**	(6,808)	**(7,517)**	(6,808)
– Interest portion of lease payments		**471**	249	**471**	249
		(7,046)	(6,559)	**(7,046)**	(6,559)
Carrying amount at the end of the year		**13,958**	17,933	**13,958**	17,933
Expenses related to short-term leases and low value assets		**707**	1,414	**707**	1,414
Total cash outflow for leases		**8,224**	8,222	**8,224**	8,222

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

Senior unsecured debt and subordinated floating rate notes

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.

Series 6 was issued for a one-year period, maturing June 2024. Interest is paid quarterly in arrears based on the 3 month Bank Bill Rate plus a margin of 95 basis points.

Leases

The Group leases branch office facilities. The leases run for a period of between 1 and 5 years with some leases containing an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group leases IT equipment with a contract term of 3 years with an option to renew for an additional two years after that date. Some of the leases are low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for those leases.

Some property leases contain extension options exercisable by the Group. Where practicable, the Group seeks to include extensions options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extensions options. The Group reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group leases out property consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective.

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

Reconciliation of interest-bearing liabilities

The Group and Company's reconciliation of movements of interest-bearing liabilities to cash flows arising from financing activities is as follows:

30 June 2023	Lease liabilities $'000	Sub-ordinated notes $'000	Repurchase agreements $'000	Senior unsecured debt $'000
Balance at the beginning of the year	**17,933**	**69,815**	**317,959**	**–**
Changes from financing cash flows				
Repayments of interest–bearing liabilities	–	–	(310,020)	–
Proceeds from interest–bearing liabilities	–	–	210,025	100,000
Repayments of lease liabilities	(7,517)	–	–	–
Total changes from financing cash flows	**(7,517)**	**–**	**217,964**	**100,000**
Other changes				
Liability related				
New leases	3,071	–	–	–
Capitalised borrowing costs	–	83	–	–
Interest paid	–	(3,828)	(910)	(245)
Interest expense	471	3,828	910	245
Total liability related other changes	3,542	83	–	–
Balance at the end of the year	**13,958**	**69,898**	**217,964**	**100,000**

18 Interest-bearing liabilities (continued)

30 June 2022	Lease liabilities $'000	Sub-ordinated notes $'000	Repurchase agreements $'000
Balance at the beginning of the year	**13,973**	**109,821**	**307,957**
Changes from financing cash flows			
Repayments of interest-bearing liabilities	–	(40,000)	(130,059)
Proceeds from interest-bearing liabilities	–	–	140,061
Repayments of lease liabilities	(6,808)	–	–
Total changes from financing cash flows	**(6,808)**	**–**	**10,002**
Other changes			
Liability related			
New leases	10,519	–	–
Capitalised borrowing costs	–	(6)	–
Interest paid	–	(3,110)	(542)
Interest expense	249	3,110	542
Total liability related other changes	10,768	(6)	–
Balance at the end of the year	**17,933**	**69,815**	**317,959**

19 Provisions

		Consolidated		Company	
	Note	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Make-good provision					
Balance at the beginning of the year		**308**	332	**308**	332
Provisions used during the year		**–**	(24)	**–**	(24)
Balance at the end of the year		**308**	308	**308**	308
Employee benefits					
Balance at the beginning of the year		**12,570**	11,485	**12,570**	11,485
Provisions made during the year		**5,784**	6,743	**5,784**	6,743
Provisions used during the year		**(5,386)**	(5,658)	**(5,386)**	(5,658)
Balance at the end of the year	21	**12,968**	12,570	**12,968**	12,570
Total provisions		**13,276**	12,878	**13,276**	12,878

20 Share capital and reserves

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'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	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Current				
Liability for annual leave	**5,681**	5,563	**5,681**	5,563
Liability for banked time	**1**	2	**1**	2
Liability for long service leave	**7,106**	6,773	**7,106**	6,773
Liability for purchased annual leave	**37**	41	**37**	41
	12,825	12,379	**12,825**	12,379
Non Current				
Net defined benefit (asset)/liability	**(1,042)**	(890)	**(1,042)**	(890)
Liability for long service leave	**1,185**	1,081	**1,185**	1,081
	143	191	**143**	191
Total employee benefits	**12,968**	12,570	**12,968**	12,570

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 7 members (2022: 8) in the plan. An actuarial assessment of the plan at 30 June 2023 was carried out by Ms S Sweeney FIAA on 12 July 2023.

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 Trust 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Movements in the net defined benefit asset/(liability)				
Net defined benefit asset at the beginning of the year	**890**	1,493	**890**	1,493
Total remeasurement recognised in other comprehensive income (loss)/gain	**284**	(575)	**284**	(575)
Contributions received from employer	**344**	461	**344**	461
Defined benefit cost recognised in the profit and loss	**(476)**	(489)	**(476)**	(489)
Net defined benefit asset at the end of the year	**1,042**	890	**1,042**	890

	Year ending 30 June 2024 $'000
Expected contributions to the plan in the next reporting period	
Expected employer contributions	461
Expected employee contributions	108

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 2.9 years.

Projected benefit payments (defined benefit only)	2023 $'000	2022 $'000
Next year	**2,076**	1,637
Next year + 1 year	**2,437**	1,819
Next year + 2 years	**3,608**	2,194
Next year + 3 years	**2,200**	3,187
Next year + 4 years	**468**	1,910
Sum of next year + 5 – 9 years	**2,368**	2,236

Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was $5,440,000 for the financial year (2022: $4,814,000).

22 Capital and other commitments

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Loan commitments approved but not advanced				
– not later than one year	**481,401**	387,203	**481,401**	387,203
– later than one year	**35,006**	26,013	**35,006**	26,013
Total	**516,407**	413,216	**516,407**	413,216
Capital expenditure commitments not taken up in the financial statements				
– not later than one year	**664**	122	**664**	122
– later than one year	**–**	–	**–**	–
Total	**664**	122	**664**	122

23 Financial arrangements

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Bank overdraft available	**2,500**	2,500	**2,500**	2,500
Other overdraft available	**–**	–	**–**	–
Facilities not utilised	**2,500**	2,500	**2,500**	2,500

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 9.74% (2022: 6.49%).

24 Contingent liabilities

Contingent liabilities considered remote

Guarantees given by IMB Ltd

Business Banking clients

Contingent liabilities include guarantees of $3,631,000 (2022: $3,633,000) 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 2023 %	Ownership interest 2022 %
IMB Funeral Fund Management Pty Ltd	Dormant (in external administration)	**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 (in external administration)	**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 1c. 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.

All entities are incorporated in Australia.

26 Notes to the statements of cash flows

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'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	**118,861**	129,475	**118,501**	129,474
Cash controlled by SPEs	**70,888**	77,722	**–**	–
Total	**189,749**	207,197	**118,501**	129,474

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

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year attributable to members of the Company	**36,303**	29,547	**35,966**	30,390
Net (gain) on sale of property, plant and equipment	**(99)**	(36)	**(99)**	(36)
Interest in lease liabilities	**471**	249	**471**	249
Remeasurement of defined benefit fund liability	**199**	(403)	**199**	(403)
Impairment losses/(gains) on financial instruments	**1,784**	(1,056)	**1,784**	(1,056)
Depreciation of property, plant and equipment, and amortisation of intangible assets	**15,309**	13,662	**15,309**	13,662
Operating profit before changes in assets and liabilities	**53,967**	41,963	**53,630**	42,806

26 Notes to the statements of cash flows (continued)

	Consolidated		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Changes in assets and liabilities:				
(Increase) in accrued interest on investments	**(6,291)**	(1,018)	**(6,291)**	(1,016)
(Increase) in loans and advances to customers	**(407,725)**	(108,159)	**(407,725)**	(108,159)
(Increase)/Decrease in sundry debtors	**(3,325)**	(153)	**4,498**	1,470
Decrease/(Increase) in net deferred tax asset	**3,068**	(11,497)	**3,068**	(11,508)
Increase/(Decrease) in accrued interest on members' deposits	**35,703**	(1,844)	**35,703**	(1,844)
Increase/(Decrease) in trade and other payables	**259**	2,804	**(795)**	2,528
Increase/(Decrease) in deposits	**400,942**	209,339	**401,066**	207,901
Increase/(Decrease) in provision for employee benefits	**398**	1,085	**398**	1,085
Increase/(Decrease) in current tax liabilities	**4,994**	(2,038)	**4,994**	(2,038)
(Decrease) in other provisions	**-**	(24)	**-**	(24)
Net cash flows from operating activities	**81,990**	130,457	**88,546**	131,200

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	Executives
Ms CA Aston, appointed Chair 24 October 2022	Mr RJ Ryan (Chief Executive Officer)
Mr NH Cornish, retired 24 October 2022	Mr M Brannon (General Manager, Sales and Marketing)
Mr BV Bissaker, appointed 1 May 2023	Mr N Campbell (Chief Digital Officer)
Mr PJ Fitzgerald	Mr CJ Goodwin (Chief Financial Officer)
Ms JA Gardner	Ms RJ Heald (General Manager People and Culture)
Ms JM Swinhoe, retired 31 May 2023	Mr MF King (Chief Risk Officer)
Ms CS Traquair, appointed 15 December 2022	Ms LB Wise (General Manager, Corporate Services and Company Secretary)
Mr HW Wendt	
Mr CM Whitehead	

	Consolidated		Company	
	2023 $	2022 $	2023 $	2022 $
The key management personnel compensation included in "personnel expense" (see Note 3) is as follows				
Short-term employee benefits	**5,430,478**	5,121,811	**5,430,478**	5,121,811
Post-employment benefits	**434,050**	437,350	**434,050**	437,350
Other long-term benefits – deferred compensation	**686,178**	627,809	**686,178**	627,809
Other long-term benefits – other	**95,289**	103,813	**95,289**	103,813
Total	**6,645,995**	6,290,783	**6,645,995**	6,290,783

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, $826,484 (2022: $766,100) 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:

	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 2023	**2,661,112**	**1,987,683**	**77,585**	**3**
Total for key management personnel and their related parties 2022	2,441,295	2,661,112	75,180	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.

Notes to the Consolidated Financial Statements continued – for the year ended 30 June 2023

27 Related party disclosures (continued)

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 2023	**11,420**	**–**	**–**	**11,420**	**6**
Total for key management personnel and their related parties 2022	13,420	–	–	13,420	7

No shares were granted to key management personnel during the year as compensation (2022: 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 ($826,000) (2022: ($682,000)).

The total amount of deposits with the Company by controlled entities at the end of the relevant financial year was $4,513,000 (2022: $4,389,000). The total amount of borrowings with the Company by controlled entities at the end of the relevant financial year was $nil (2022: $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	2023 $'000	2022 $'000
Proceeds from the securitisation of loans	**584,529**	699,703
Servicing fees received	**4,367**	4,435
Management fees received	**524**	532
Excess income received	**8,564**	21,583
Note interest	**66,927**	20,982
Other	**399**	412

29 Remuneration of Auditors

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Amounts received or due and receivable by KPMG for:				
Audit and review of financial statements	**412**	396	**384**	345
Regulatory audits and review	**54**	50	**46**	43
Other assurance services	**26**	24	**19**	18
Total fees for audit and assurance services	**492**	470	**449**	406
Non-audit services				
Taxation				
– compliance	**18**	33	**18**	33
– advisory	**–**	–	**–**	–
Total fees for non-audit services	**18**	33	**18**	33
Total fees	**510**	503	**467**	439
Fees for non-audit services as a percentage of total fees	**3.53%**	6.56%	**3.85%**	7.52%

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 Board Risk Committee is responsible for developing and monitoring Group risk management policies. The Board 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 Board Risk Committee is responsible for monitoring compliance with the Company and Group's risk

30 Risk management and financial instruments (continued)

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 Board 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 Board Audit Committee.

In addition to the Board Audit Committee and Board 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 set 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 borrowers. 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 the Group's liquidity management strategies. These include limiting concentrations of exposures to investment term, asset class and counterparties. IMB's Accounting Department is responsible for monitoring and compliance with these limits.

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

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 2023:

		Consolidated			
30 June 2023	**Note**	**Loans & advances to customers $'000**	**Deposits with other ADIs $'000**	**Investment in debt securities $'000**	**Cash and cash equivalents $'000**
Carrying Amount	6,7,8,26	**5,973,753**	**42,404**	**1,184,554**	**189,749**
Stage 1: no significant increase in credit risk since initial recognition					
Secured by mortgage – current		5,693,723	–	–	–
Secured by mortgage – less than or equal to 30 days in arrears		105,803	–	–	–
Government securities		–	–	203,986	–
Investment grade		–	26,266	980,568	189,749
Unrated		–	–	–	–
Other		149,980	16,151	–	–
Net deferred income and expenses		3,659	–	–	–
Provision for impairment	10	(6,470)	(13)	–	–
Carrying amount		**5,946,695**	**42,404**	**1,184,554**	**189,749**
Stage 2: significant increase in credit risk					
Secured by mortgage		18,426	–	–	–
Other		388	–	–	–
Provision for impairment	10	(78)	–	–	–
Carrying amount		**18,736**	**–**	**–**	**–**
Stage 3: credit-impaired (or defaulted) loans					
Secured by mortgage		8,639	–	–	–
Other		75	–	–	–
Provision for impairment	10	(392)	–	–	–
Carrying amount		8,322	–	–	–
Total carrying amount	6,7,8,26	**5,973,753**	**42,404**	**1,184,554**	**189,749**
Includes restructured loans		2,349	–	–	–

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

30 Risk management and financial instruments (continued)

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 & advances to customers $'000**	**Deposits with other ADIs $'000**	**Investment in 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	–	–	–
Provision for impairment	10	(5,173)	(45)	–	–
Carrying amount		**5,541,651**	**100,254**	**1,060,194**	**207,197**
Stage 2: significant increase in credit risk					
Secured by mortgage		19,183	–	–	–
Other		409	–	–	–
Provision for impairment	10	(62)	–	–	–
Carrying amount		**19,530**	**–**	**–**	**–**
Stage 3: credit-impaired (or defaulted) loans					
Secured by mortgage		6,876	–	–	–
Other		76	–	–	–
Provision for impairment	10	(321)	–	–	–
Carrying amount		6,631	–	–	–
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 & 3 refer to Note 1(g).

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 2023:

		Company			
30 June 2023	**Note**	**Loans & advances to customers $'000**	**Deposits with other ADIs $'000**	**Investment in debt securities $'000**	**Cash and cash equivalents $'000**
Carrying Amount	6,7,8,26	**5,973,753**	**42,404**	**2,845,576**	**118,501**
Stage 1: no significant increase in credit risk since initial recognition					
Secured by mortgage – current		5,693,723	–	–	–
Secured by mortgage – less than or equal to 30 days in arrears		105,803	–	–	–
Government securities		–	–	203,986	–
Investment grade		–	26,266	2,641,590	118,501
Unrated		–	–	–	–
Other		149,980	16,151	–	–
Net deferred income and expenses		3,659	–	–	–
Provision for impairment	10	(6,470)	(13)	–	–
Carrying amount		**5,946,695**	**42,404**	**2,845,576**	**118,501**
Stage 2: significant increase in credit risk					
Secured by mortgage		18,426	–	–	–
Other		388	–	–	–
Provision for impairment	10	(78)	–	–	–
Carrying amount		**18,736**	**–**	**–**	**–**
Stage 3: credit-impaired (or defaulted) loans					
Secured by mortgage		8,639	–	–	–
Other		75	–	–	–
Provision for impairment	10	(392)	–	–	–
Carrying amount		8,322	–	–	–
Total carrying amount	6,7,8,26	**5,973,753**	**42,404**	**2,845,576**	**118,501**
Includes restructured loans		2,349	–	–	–

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 & advances to customers $'000**	**Deposits with other ADIs $'000**	**Investment in 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	–	–	–
Provision for impairment	10	(5,173)	(45)	–	–
Carrying amount		**5,541,651**	**100,254**	**2,718,814**	**129,474**
Stage 2: significant increase in credit risk					
Secured by mortgage		19,183	–	–	–
Other		409	–	–	–
Provision for impairment	10	(62)	–	–	–
Carrying amount		**19,530**	**–**	**–**	**–**
Stage 3: credit-impaired (or defaulted) loans					
Secured by mortgage		6,876	–	–	–
Other		76	–	–	–
Provision for impairment	10	(321)	–	–	–
Carrying amount		6,631	–	–	–
Total carrying amount	6,7,8,26	**5,567,812**	**100,254**	**2,718,814**	**129,474**
Includes restructured loans		2,033	–	–	–

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 $3,247,000 (2022: $7,392,000).

IMB issues guarantees to business banking clients with a maximum credit exposure of $3,631,000 (2022: $3,633,000). Refer Note 24 for more details.

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	
Residential mortgages LVR ratio	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
<= 25%	**282,023**	273,098	**282,023**	273,098
>25%<=50%	**1,326,382**	1,198,523	**1,326,382**	1,198,523
>50%<=70%	**1,983,379**	1,817,684	**1,983,379**	1,817,684
>70%<=80%	**1,160,964**	1,141,475	**1,160,964**	1,141,475
>80%<=90%	**467,565**	491,599	**467,565**	491,599
>90%<=100%	**280,628**	284,652	**280,628**	284,652
>100%	**10,518**	8,726	**10,518**	8,726
Total	**5,511,459**	5,215,757	**5,511,459**	5,215,757

	Consolidated		Company	
Commercial mortgages LVR ratio	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
<= 25%	**16,943**	18,343	**16,943**	18,343
>25%<=50%	**86,361**	68,096	**86,361**	68,096
>50%<=70%	**132,065**	113,616	**132,065**	113,616
>70%<=80%	**65,930**	42,885	**65,930**	42,885
>80%<=90%	**–**	3,579	**–**	3,579
>90%<=100%	**–**	40	**–**	40
>100%	**–**	–	**–**	–
Total	**301,299**	246,559	**301,299**	246,559

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 2023 that were credit-impaired and not well secured is $1,177,000 (2022: $571,000) with the amount outstanding on these loans being $824,000 (2022: $279,000).

Notes to the Consolidated **Financial Statements** continued – for the year ended 30 June 2023

30 Risk management and financial instruments (continued)

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 $192,000 (2022: $nil).

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 & advances to customers		Deposits with other ADIs		Investment in debt securities		Cash and cash equivalents	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
CONSOLIDATED								
Carrying amount	**5,973,753**	5,567,812	**42,404**	100,254	**1,184,554**	1,060,194	**189,749**	207,197
Concentration by location								
New South Wales	**4,635,924**	4,376,866	**22,760**	65,123	**645,452**	624,483	**188,927**	206,116
Australian Capital Territory	**719,133**	686,543	**16,151**	11,493	**–**	–	**731**	995
Queensland	**170,523**	126,230	**–**	250	**95,913**	61,667	**–**	–
Victoria	**346,856**	295,521	**3,506**	23,433	**246,363**	194,335	**91**	86
Western Australia	**53,629**	45,508	**–**	–	**4,944**	–	**–**	–
South Australia	**23,568**	14,942	**–**	–	**24,608**	24,673	**–**	–
Tasmania	**31,060**	27,758	**–**	–	**167,274**	155,036	**–**	–
Provision for impairment	**(6,940)**	(5,556)	**(13)**	(45)	**–**	–	**–**	–
Total	**5,973,753**	5,567,812	**42,404**	100,254	**1,184,554**	1,060,194	**189,749**	207,197
COMPANY								
Carrying amount	**5,973,753**	5,567,812	**42,404**	100,254	**2,845,576**	2,718,814	**118,501**	129,474
Concentration by location								
New South Wales	**4,635,924**	4,376,866	**22,760**	65,123	**2,306,474**	2,283,103	**117,679**	128,393
Australian Capital Territory	**719,133**	686,543	**16,151**	11,493	**–**	–	**731**	995
Queensland	**170,523**	126,230	**–**	250	**95,913**	61,667	**–**	–
Victoria	**346,856**	295,521	**3,506**	23,433	**246,363**	194,335	**91**	86
Western Australia	**53,629**	45,508	**–**	–	**4,944**	–	**–**	–
South Australia	**23,568**	14,942	**–**	–	**24,608**	24,673	**–**	–
Tasmania	**31,060**	27,758	**–**	–	**167,274**	155,036	**–**	–
Provision for impairment	**(6,940)**	(5,556)	**(13)**	(45)	**–**	–	**–**	–
Total	**5,973,753**	5,567,812	**42,404**	100,254	**2,845,576**	2,718,814	**118,501**	129,474

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 an entity 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 committed facilities) 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 operational 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 $22.8 million (2022: $31.6 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 2023 was $22.8 million (2022: $31.6 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. At balance date $218 million (2022: $268 million) was outstanding for which the RBA held $262.4 million (2022: $318.4 million) as collateral.

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 **At 30 June**	**2023** **%**	**2022** **%**
APRA High-Quality Liquid Assets	**17.7**	16.6

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
CONSOLIDATED						
Financial Liabilities						
Deposits	**3,209,109**	3,859,645	**1,793,944**	1,244,789	**1,550,823**	923,841
Trade and other payables	**–**	–	**45,731**	45,472	**–**	–
Securitised loans funding*	**–**	–	**5,611**	7,032	**15,005**	18,477
Lease liabilities	**–**	–	**1,446**	1,706	**4,228**	4,672
Interest-bearing liabilities	**–**	–	**113,588**	50,642	**215,208**	52,131
Total financial liabilities	**3,209,109**	3,859,645	**1,960,320**	1,349,641	**1,785,264**	999,121
Unrecognised loan commitments			**341,903**	236,665		
COMPANY						
Financial Liabilities						
Deposits	**3,213,622**	3,864,034	**1,793,944**	1,244,789	**1,550,823**	923,841
Trade and other payables	**–**	–	**39,781**	40,576	**–**	–
Securitised loans funding*	**–**	–	**27,704**	15,910	**80,801**	44,820
Lease liabilities	**–**	–	**1,446**	1,706	**4,228**	4,672
Interest-bearing liabilities	**–**	–	**113,588**	50,642	**215,208**	52,131
Total financial liabilities	**3,213,622**	3,864,034	**1,976,463**	1,353,623	**1,851,060**	1,025,464
Unrecognised loan commitments			**341,903**	236,665		

* 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.

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

Greater than 1 year less than 5 years maturity		Greater than 5 years maturity		Gross nominal outflow		Total carrying amount	
2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
30,571	51,113	**–**	–	**6,584,447**	6,079,388	**6,502,194**	6,065,549
–	–	**–**	–	**45,731**	45,472	**45,731**	45,472
49,129	57,942	**17,437**	25,360	**87,182**	108,811	**74,072**	101,899
7,319	10,175	**1,474**	2,000	**14,467**	18,553	**13,958**	17,933
17,829	228,543	**83,393**	79,435	**430,018**	410,751	**387,862**	387,774
104,848	347,773	**102,304**	106,795	**7,161,845**	6,662,975	**7,023,817**	6,618,627
				341,903	236,665		
30,571	51,113	**–**	–	**6,588,960**	6,083,777	**6,506,707**	6,069,938
–	–	**–**	–	**39,781**	40,576	**39,781**	40,576
399,962	198,923	**1,677,598**	1,683,198	**2,186,065**	1,942,851	**1,734,232**	1,759,737
7,319	10,175	**1,474**	2,000	**14,467**	18,553	**13,958**	17,933
17,829	228,543	**83,393**	79,435	**430,018**	410,751	**387,862**	387,774
455,681	488,754	**1,762,465**	1,764,633	**9,259,291**	8,496,508	**8,682,540**	8,275,958
				341,903	236,665		

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 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, utilises a number of risk measures to monitor and manage IRRBB

30 Risk management and financial instruments (continued)

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 2023 follows:

Earnings Risk (Net Interest Income Sensitivity – 100 bps Movement)	2023 %	2022 %
At 30 June	**(1.60)**	(1.36)
Average NII-Sensitivity for the period	**(1.56)**	(0.66)
Minimum NII-Sensitivity for the period	**(1.20)**	(0.18)
Maximum NII-Sensitivity for the period	**(1.91)**	(1.38)

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 6 years (2022: 2 years) of actual changes in interest rates. The risk is derived at a 97.5% (2022: 99%) confidence level. The HS-VaR is an estimate based upon a 97.5% (2022: 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 2023 and during the year is as follows:

VaR (Historical Simulation Method)	2023 %	2022 %
At 30 June	**2.78**	1.00
Average VaR for the period	**2.45**	0.50
Minimum VaR for the period	**0.99**	0.06
Maximum VaR for the period	**3.24**	1.13

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.
- 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 risk events, including any 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 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 reduction 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.

30 Risk management and financial instruments (continued)

- 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.
- The fair value of interest-bearing liabilities is approximated at their carrying value being amortised cost base.
- The fair value of securitised loan funding at amortised cost is estimated utilising historical margins due to their non trading nature.

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 2023	**Note**	**Carrying amount $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total consolidated $'000**
Financial assets measured at FVOCI						
Investment in debt securities	6	**1,184,554**	**–**	**1,184,554**	**–**	**1,184,554**
Equity investments	9	**1,323**	**–**	**–**	**1,323**	**1,323**
		1,185,877				
Financial assets at amortised cost						
Cash and cash equivalents	26	**189,749**				
Deposits with other ADIs	7	**42,404**				
Loans and advances to customers	8	**5,973,753**	**–**	**–**	**5,950,076**	**5,950,076**
Other assets	14	**21,656**				
		6,227,562				
Financial liabilities measured at FVOCI						
Derivative financial liabilities held for risk management	11	**3,247**	**–**	**3,247**	**–**	**3,247**
		3,247				
Financial liabilities measured at amortised cost						
Deposits	16	**6,502,194**	**–**	**6,496,689**	**–**	**6,496,689**
Securitised loan funding	17	**74,072**				
Interest-bearing liabilities	18	**401,820**				
Trade and other payables	15	**45,731**				
		7,023,817				

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

30 June 2022	Note	Carrying amount $'000	Fair value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total consolidated $'000
Financial assets measured at FVOCI						
Investment in 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).

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:

	2023 %	2022 %
Loans and borrowings	**4.10 – 4.34**	0.85 – 3.96
Derivatives	**4.34 – 4.60**	3.12 – 3.96

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.

30 Risk management and financial instruments (continued)

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.

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'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	**(14,633)**	(28,995)	**(14,633)**	(28,995)
Retained earnings	**396,146**	368,765	**394,154**	365,931
Current year earnings	**27,847**	25,752	**27,510**	26,594
(Less) Capitalised expenses	**(13,265)**	(12,849)	**(13,265)**	(12,849)
(Less) Other	**(19,354)**	(23,013)	**(19,356)**	(23,015)
Total	**430,320**	383,239	**427,989**	381,245
Tier 2 capital				
General reserve for credit loss	**11,441**	8,872	**11,441**	8,872
Subordinated debt	**70,000**	70,000	**70,000**	70,000
Total	**81,441**	78,872	**81,441**	78,872
Total regulatory capital	**511,761**	462,111	**509,430**	460,117
Capital requirements (in terms of risk-weighted assets) for:				
Credit risk	**2,948,013**	2,686,666	**2,950,548**	2,689,054
Operational risk	**294,801**	438,389	**295,055**	435,910
Total risk-weighted assets	**3,242,814**	3,125,055	**3,245,603**	3,124,964
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	**15.8%**	14.8%	**15.7%**	14.7%
Total Tier 1 capital expressed as a percentage of risk-weighted assets	**13.3%**	12.3%	**13.2%**	12.2%

31 Subsequent Events

Dividends

For dividends declared by IMB Ltd after 30 June 2023 refer to Note 5.

Directors' **Declaration**

for the year ended 30 June 2023

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

(a) the financial statements and notes, set out on pages 55 to 113, 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 2023 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 2023.

Signed in accordance with a resolution of the directors:

CA Aston
Chair

PJ Fitzgerald
Director

Independent Auditor's Report

To the members of IMB Ltd

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 2023 and of its 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 2023;
- 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; and
- 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 these requirements.

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, Directors' Particulars 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; and

• 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

Richard Drinnan
Partner
Wollongong
30 August 2023

IMB Bank **Branches**

for the year ended 30 June 2023

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** – 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

IMB Bank **Branches** continued

for the year ended 30 June 2023

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** – 1/6-10 Kingsway, GLEN WAVERLEY VIC 3150

IMB Business Banking

- Level 1, 47 Burelli Street, WOLLONGONG NSW 2500

Corporate Directory

for the year ended 30 June 2023

Members' Diary and other information

Payment of final dividend 6 September 2023

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, 31 October 2023 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 Biggs & Co
Level 5, 179 Elizabeth Street
Sydney NSW 2000

Auditors

KPMG
Level 7
77 Market Street
Wollongong NSW 2500

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-usinvestor- centre-financial-reports.html