

2019

Interim Financial Report



Supporting Communities | Driving Innovation

IMB Ltd trading as IMB Bank ABN 92 087 651 974

Contents

Chairman's Review.....	1	Condensed Notes to the Consolidated Interim Financial Statements.....	10
Directors' Report.....	3	Directors' Declaration.....	19
Condensed Interim Income Statement.....	4	Independent Auditor's Review Report.....	20
Condensed Interim Statement of Comprehensive Income.....	5	Lead Auditor's Independence Declaration.....	22
Condensed Interim Statement of Financial Position.....	6	Directors' Particulars.....	23
Condensed Interim Statement of Cash Flows.....	7	Statistical Highlights.....	24
Condensed Interim Statement of Changes in Equity.....	8	Corporate Directory.....	25





Chairman's Review

On behalf of the Board and management, I am pleased to report on the progress of IMB Bank's strategic growth plans and financial performance for the six months to 31 December 2019.

In April this year, we will celebrate IMB Bank's 140th anniversary. This exceptional milestone is testament to the financial strength of the business which has been long-supported by prudent financial management and the deep connections between IMB Bank, our members and the communities in which we operate.

Overview of half year financial performance

The IMB group recorded a net profit after tax of \$13.2 million for the half year to 31 December 2019, against \$15.4 million for the previous corresponding period. Although lower than the previous corresponding period, the result is in line with expectations, and reflects the very low rate environment, our commitment to delivering strategic initiatives for the benefit of members and the continuous improvement of our risk and compliance frameworks.

In a competitive market, IMB Bank increased total assets to \$6.3 billion, and grew the loan portfolio by 3.2% since June 2019. Although net interest income was maintained at \$63.3 million as compared to the six months to June 2019, IMB Bank's average interest margin slightly reduced from 2.12% for the 2019 financial year to 2.08% for the six months to December 2019. This reduction reflects the Bank's objective to balance the interests of our borrower members with the interests of our depositor members when determining interest rates.

With capital adequacy at 15.1% at 31 December, the Board and management are ensuring a balanced approach is taken so as to maintain appropriate capital ratios while supporting IMB Bank's longer term success.

Our thoughts are with all the communities that have been devastated by the recent bushfire crisis across multiple states. While a preliminary allowance has been made in the half year results, the financial impact to IMB Bank and its members arising in connection with the bushfires continues to be monitored and will have emerged more clearly by 30 June 2020.

Strategy and Operations

We are very pleased with the strategic progress IMB Bank made over the first half of the year. The proposed merger with Hunter United Employees' Credit Union is advancing well through the regulatory approval processes and we anticipate that the transaction will complete in the coming months. Through the merger with Hunter United, IMB Bank will welcome 9,000 members, and gain five branches, \$334 million in total assets and 35 employees with strong connections and knowledge of the Hunter region.

Our new Rouse Hill branch experienced good growth in its first six months of operation, with a number of new members being attracted to IMB Bank through the community support we provide to the Hills District Football Association. An increasing number of members are using the full range of mobile payments options IMB Bank has available, and we are now better equipped to help our members keep their money safe when they bank online having invested in advanced fraud technology that uses machine learning to prevent and detect fraud.

IMB Bank has an exciting period ahead, in which we plan to deliver a new digital lending platform to transform the way we originate and fulfil loans, providing a 20-minute conditional loan approval for a new customer, and an even faster experience for existing members. We will also commence operating from our new head office premises which will bring with it the simplification of several core business processes. This will enable us to provide our people with a leading employee experience and to deliver products and services to our members more efficiently.

Community

Our NSW South Coast and Southern Highlands members and employees have been significantly impacted by the recent bushfire crisis, with some experiencing total loss of homes and businesses. We are working tirelessly to provide support to our members through financial hardship assistance, emergency funding and the distribution of \$50,000 in grants to grassroots organisations that are contributing to the rebuilding and renewal of these communities.

In addition, through the IMB Community Foundation, a donation of \$50,000 has been made to the Vinnies Bushfire Appeal to support the incredible work it is doing on the ground to provide assistance to people, businesses and communities affected by the bushfires.

Applications for the 2020 round of IMB Bank Community Foundation grants are closing on 28 February 2020. We encourage applications from community groups and not-for-profit entities that are improving the lives of others and making our communities more sustainable and prosperous.

Dividend

The Board has declared an interim dividend of eight (8.0) cents per share, fully franked. This dividend will be paid after the close of trading on 27 February 2020 to shareholders registered

at that date. The effective dividend payout ratio is 74.61% of shareholders' interest in contributed funding.

Outlook

Competitive market conditions mean that the challenging operating environment is expected to prevail for the medium term. As previously commented on, the delivery of a range of important strategic initiatives will place increased pressure on costs in the short term, however the Board and management are confident that these will return significant benefits to IMB Bank and its members when delivered. Further, while we have seen solid demand for lending over the last six months, continued pressure on interest rate margins will impact performance in the second half of the financial year.

We know that IMB Bank has a strong future ahead, and will continue to deliver value to its members well beyond its 140th anniversary. The Board and management are committed to working hard to ensure that this customer-owned organisation adapts and evolves to meet the changing needs of our members, communities and employees.

Thank you to all IMB members for your continued support.



NH Cornish AM
Chairman

Directors' Report

As at 31 December 2019

The directors have pleasure in presenting their report together with the consolidated interim financial report for the six months ended 31 December 2019 and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the six months ended 31 December 2019 are:

Name	Period of directorship
Noel Harold Cornish AM, Chairman	Director since 2010
Catherine Ann Aston	Director since 2016
James Randolph Coleman	Director since 2012
Peter John Fitzgerald	Director since 2017
Gai Marie McGrath	Director since 2016
Jan Margaret Swinhoe	Director since 2014
Margaret Elizabeth Towers	Director since 2011

Review of operations

Members are referred to the Chairman's Review.

Interim dividend

Members are referred to the Chairman's Review.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for the six months ended 31 December 2019.

Rounding of amounts

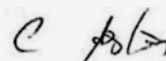
The Company is of a kind referred to in ASIC Instrument 2016/191 dated 30 June 2016 and in accordance with that Instrument, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Wollongong this 30th day of January 2020.

Signed in accordance with a resolution of the directors:



NH Cornish AM
Chairman



CA Aston
Director

Condensed Interim Income Statement

For the half year ended 31 December 2019

	Consolidated	
	For the six months ended 31 Dec 2019 \$'000	For the six months ended 31 Dec 2018 \$'000
Interest revenue calculated using the effective interest rate method	111,370	121,766
Interest expense	(48,035)	(59,189)
Net interest income	63,335	62,577
Impairment losses on financial instruments	(604)	(804)
Net interest income after impairment losses	62,731	61,773
Fee and commission income	6,365	6,735
Fee and commission expense	(157)	(155)
Net fee and commission income	6,208	6,580
Other income	495	302
Net operating income	69,434	68,655
Operating expenses*	(50,534)	(46,630)
Profit before tax	18,900	22,025
Income tax expense	(5,695)	(6,626)
Profit for the period attributable to members of the Company	13,205	15,399

The condensed interim income statement is to be read in conjunction with the condensed notes set out on pages 10 to 18.

* The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 4.

Condensed Interim Statement of Comprehensive Income

For the half year ended 31 December 2019

	Consolidated	
	For the six months ended 31 Dec 2019 \$'000	For the six months ended 31 Dec 2018 \$'000
Profit for the period	13,205	15,399
Other comprehensive income/(expense):		
Items that will never be reclassified to profit or loss:		
Net change in fair value of other financial asset at FVOCI	(8)	-
<i>Total items that will never be reclassified to profit or loss</i>	(8)	-
Items that are or may be reclassified subsequently to profit or loss:		
Net change in fair value of derivative liabilities	(565)	-
Net change in fair value of investment debt securities at FVOCI	(368)	(1,380)
Net change in fair value of investment debt securities at FVOCI transferred to profit and loss	-	(559)
<i>Total items that may be reclassified subsequently to profit or loss</i>	(933)	(1,939)
Total other comprehensive expense for the period, net of income tax	(941)	(1,939)
Total comprehensive income for the period	12,264	13,460

Amounts are stated net of tax.

The condensed interim statement of comprehensive income is to be read in conjunction with the condensed notes set out on pages 10 to 18.

Condensed Interim Statement of Financial Position

As at 31 December 2019

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
ASSETS		
Cash and cash equivalents	131,111	96,306
Investment debt securities	848,415	822,464
Loans and advances to ADIs	150,394	164,440
Loans and advances to customers	5,080,479	4,924,283
Other financial assets	793	805
Property, plant and equipment*	63,327	30,216
Intangible assets	3,439	2,281
Net deferred tax assets	4,560	3,744
Other assets	14,552	32,538
Total assets	6,297,070	6,077,077
LIABILITIES		
Trade and other payables	28,052	40,523
Deposits	5,501,549	5,266,418
Securitised loans funding	267,293	324,004
Interest bearing liabilities*	114,598	69,853
Derivative liabilities	807	-
Current tax liabilities	1,350	3,502
Provisions	10,984	10,069
Total liabilities	5,924,633	5,714,369
Net assets	372,437	362,708
EQUITY		
Share capital	28,324	28,324
Reserves	48,008	48,734
Retained earnings	296,105	285,650
Total equity attributable to members of the Company	372,437	362,708

The condensed interim statement of financial position is to be read in conjunction with the condensed notes set out on pages 10 to 18.

*The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 4.

Condensed Interim Statement of Cash Flows

For the half year ended 31 December 2019

	Note	Consolidated	
		For the six months ended 31 Dec 2019 \$'000	For the six months ended 31 Dec 2018 \$'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Interest received		110,989	122,862
Other cash receipts in the course of operations		6,802	8,707
Interest paid on deposits		(55,006)	(57,977)
Net increase in deposits		241,891	112,937
Income taxes paid		(8,662)	(9,887)
Net loans funded		(156,575)	(163,929)
Other cash payments in the course of operations		(38,843)	(53,671)
Net cash flows from/(used in) operating activities		100,596	(40,958)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Net (payments for)/redemptions of investment debt securities and loans and advances to ADIs		(11,879)	105,327
Expenditure on property, plant and equipment, and intangibles		(16,143)	(13,669)
Proceeds from sale of property, plant and equipment		242	215
Net cash flows from/(used in) investing activities		(27,780)	91,873
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Net repayments from securitised loans funding		(56,711)	(39,060)
Net proceeds from interest bearing liabilities		21,235	5,042
Own shares acquired		(3)	(28)
Dividends paid	5	(2,532)	(2,597)
Net cash flows from/(used in) financing activities		(38,011)	(36,643)
Net increase/(decrease) in cash and cash equivalents held		34,805	14,272
Cash and cash equivalents at 1 July		96,306	103,761
Cash and cash equivalents at 31 December	6	131,111	118,033

The condensed interim statement of cash flows is to be read in conjunction with the condensed notes set out on pages 10 to 18.

*The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 4.

Condensed Interim Statement of Changes in Equity

For the half year ended 31 December 2019

	Consolidated							
	Share capital	Fair value reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Transfer of business reserve	Retained earnings	Total equity
Balance at 1 July 2018	30,514	3,001	-	6,874	25,255	12,894	265,642	344,180
Total comprehensive income for the period								
Profit after tax	-	-	-	-	-	-	15,399	15,399
Other comprehensive income								
Net revaluation movement due to change in fair value	-	(1,380)	-	-	-	-	-	(1,380)
Net change in fair value transferred to profit or loss	-	(559)	-	-	-	-	-	(559)
Total other comprehensive income	-	(1,939)	-	-	-	-	-	(1,939)
Total comprehensive income for the period	-	(1,939)	-	-	-	-	15,399	13,460
Transfer from retained profits	-	-	-	(25)	-	-	25	-
Transactions with owners, recorded in equity								
Own shares acquired	-	-	-	-	-	-	(28)	(28)
Dividends to shareholder members	-	-	-	-	-	-	(2,597)	(2,597)
Balance at 31 December 2018	30,514	1,062	-	6,849	25,255	12,894	278,441	355,015

	Consolidated							
	Share capital \$'000	Fair value reserve \$'000	Cash flow hedge reserve \$'000	General reserve for credit losses \$'000	General reserve \$'000	Transfer of business reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019	28,324	3,445	-	7,140	25,255	12,894	285,650	362,708
Total comprehensive income for the period								
Profit after tax	-	-	-	-	-	-	13,205	13,205
Other comprehensive income								
Net revaluation movement due to change in fair value	-	(376)	(565)	-	-	-	-	(941)
Net change in fair value transferred to profit and loss	-	-	-	-	-	-	-	-
Total other comprehensive income	-	(376)	(565)	-	-	-	-	(941)
Total comprehensive income for the period	-	(376)	(565)	-	-	-	13,205	12,264
Transfer from retained profits	-	-	-	215	-	-	(215)	-
Transactions with owners, recorded in equity								
Own shares acquired	-	-	-	-	-	-	(3)	(3)
Dividends to shareholder members	-	-	-	-	-	-	(2,532)	(2,532)
Balance at 31 December 2019	28,324	3,069	(565)	7,355	25,255	12,894	296,105	372,437

Amounts are stated net of tax.

The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes set out on pages 10 to 18.

Condensed Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2019

1 Reporting entity

IMB Ltd (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the “Group”).

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

The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 is available upon request from the Company’s registered office at 253-259 Crown Street, Wollongong or at imb.com.au.

2 Statement of compliance

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

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

This is the first set of the Group’s financial statements where AASB 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 4.

This consolidated interim financial report was approved by the Board of Directors on 29 January 2020.

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

3 Use of judgements and estimates

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

In preparing the consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2019, except for the new significant judgements related to lease accounting under AASB 16 which are described in Note 4.

4 Changes in significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020. The Group has initially adopted AASB 16 *Leases* from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

AASB 16 *Leases*

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right of use assets, representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied AASB 16 using the modified retrospective approach, under which the right of use asset is equal to the lease liability at the date of initial application. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under *Interpretation 4 Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and *Interpretation 4* were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

b) As a lessee

The Group leases many assets, including properties and IT equipment.

As a lessee, the Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under AASB 16, the Group recognises right of use assets and lease liabilities for most leases, i.e. these leases are on balance sheet.

However, the Group has elected not to recognise right of use assets and lease liabilities for some leases of low-value items (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense over the lease term.

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. The carrying amounts of right of use assets are as below:

Property, plant and equipment

	Land and buildings \$'000
Balance at 1 July 2019	21,487
Balance at 31 December 2019	20,115

Significant accounting policies

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 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 re-measured 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.

Transition

Previously, the Group classified property leases as operating leases under AASB 117. These include real property and IT equipment. The leases typically run for a period of 5 years. Some leases include an option to renew the lease for an additional 2 to 10 years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right of use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains an option to extend or terminate the lease.

c) Impacts on financial statements

Impacts on transition

On transition to AASB 16, the Group recognised additional right of use assets and lease liabilities. The impact on transition is summarised below.

	1 July 2019 \$'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	18,650
Discounted using the incremental borrowing rate at 1 July 2019	17,881
- GST considered under operating lease commitments	(1,695)
- Rent paid in advance and other adjustments	(847)
- Extension options reasonably certain to be exercised	6,148
Lease liabilities recognised at 1 July 2019	21,487

Impacts for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised \$20,115,000 of right of use assets and \$19,728,000 of lease liabilities as at 31 December 2019.

Also in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised \$3,604,000 of depreciation charges and \$210,000 of interest costs from these leases.

During the six months ended 31 December 2019, the Group entered into 3 new lease agreements for use of real property for up to 6 years. The Group makes fixed payments and additional variable payments during the contract period. On lease commencement, the Group recognised \$1,586,000 as a right of use asset and lease liability.

5 Dividends

	31 Dec 2019 \$000	31 Dec 2018 \$000
Fully franked final dividend declared on 28 August 2018		
- \$0.10 per share franked to 100% at a tax rate of 30% paid on 4 September 2018 on 25,966,082 shares	-	2,597
Fully franked final dividend declared on 26 August 2019		
- \$0.105 per share franked to 100% at a tax rate of 30% paid on 3 September 2019 on 24,110,261 shares	2,532	-
	2,532	2,597

Subsequent events:

On 29 January 2020, the Board declared an interim dividend of 8 cents per share amounting to \$1,929,000 franked to 100% at a tax rate of 30%, in respect to the six months ended 31 December 2019. The dividend is payable on 27 February 2020. The financial effect of this interim dividend has not been brought to account in the Group's financial report for the six months ended 31 December 2019 and will be recognised in the subsequent financial report.

6 Notes to the statement of cash flows

Reconciliation of cash

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

	31 Dec 2019 \$000	31 Dec 2018 \$000
Cash controlled by the Group	83,906	94,479
Cash controlled by SPEs	47,205	23,554
Total	131,111	118,033

7 Fair Value

Fair value

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

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

Financial instruments carried at fair value

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

Financial instruments carried at amortised cost

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

Fair value hierarchy

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

31 December 2019	Carrying amount \$000	Fair value			Total consolidated \$000
		Level 1 \$000	Level 2 \$000	Level 3 \$000	
Financial assets measured at FVOCI					
Investment debt securities	848,415	-	848,415	-	848,415
Equity investments	793	-	-	793	793
	849,208				
Financial assets measured at amortised cost					
Cash and cash equivalents	131,111				
Loans and advances to ADIs	150,394				
Loans and advances to customers	5,080,479	-	-	5,098,998	5,098,998
Trade and other receivables	14,552				
	5,376,536				
Derivative financial liabilities held for risk management	807	-	807	-	807
	807				
Financial liabilities measured at amortised cost					
Deposits	5,501,549	-	5,511,848	-	5,511,848
Securitised loan funding	267,293				
Interest bearing liabilities	114,598				
Trade and other payables	28,052				
	5,911,492				

30 June 2019	Carrying amount \$000	Fair value			Total consolidated \$000
		Level 1 \$000	Level 2 \$000	Level 3 \$000	
Financial assets measured at FVOCI					
Investment debt securities	822,464	–	822,464	–	822,464
Equity investments	805	–	–	805	805
	823,269				
Financial assets measured at amortised cost					
Cash and cash equivalents	96,306				
Loans and advances to ADIs	164,440				
Loans and advances to customers	4,924,283	–	–	4,946,048	4,946,048
Trade and other receivables	32,538				
	5,217,567				
Financial liabilities measured at amortised cost					
Deposits	5,266,418	–	5,281,430	–	5,281,430
Securitised loan funding	324,004				
Interest bearing liabilities	69,853				
Trade and other payables	40,523				
	5,700,798				

Valuation techniques

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

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

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:

	31 Dec 2019	30 June 2019
Derivatives	0.84%–1.13%	n/a
Loans, investments and deposits	0.75%–1.13%	1.18%–1.25%

8 Related parties

Arrangements with current related parties continue to be in place. For details on these arrangements, refer to the 30 June 2019 annual financial report.

9 Events Subsequent to Reporting Date

Dividends

For dividends declared by IMB Ltd after 31 December 2019 refer to note 5.

Other

There were no other events subsequent to balance date.

Directors' Declaration

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

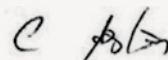
1. the condensed consolidated interim financial statements and notes set out on pages 4 to 18, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance, for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this 30th day of January 2020.

Signed in accordance with a resolution of the directors:



NH Cornish AM
Chairman



CA Aston
Director



Independent Auditor's Review Report to the Members of IMB Ltd

Report on the Interim Financial Report

Conclusion

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

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six months ended on that date; and
- (ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The *Interim Financial Report* comprises:

- Condensed Interim Statement of Financial Position as at 31 December 2019.
- Condensed Interim Income Statement and Condensed Interim Statement of Comprehensive Income, Condensed Interim Statement of Changes in Equity and Condensed Interim Statement of Cash Flows for the six months ended on that date.
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of IMB Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Richard Drinnan
Partner

Dated at Wollongong this 30th day of January 2020.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of IMB Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of IMB Ltd for the half-year period ended 31 December 2019 there have been:

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

A handwritten signature in black ink that reads 'KPMG' with a horizontal line underneath.

KPMG

A handwritten signature in black ink that reads 'Richard Drinnan'.

Richard Drinnan
Partner

Dated at Wollongong this 30th day of January 2020.

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Directors' Particulars

Noel Harold Cornish AM **BSC (MET) MENGSC FAICD**

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

Catherine Ann Aston **B.EC M. COMM TFASFA GAICD**

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

James Randolph Coleman **BA MBA GAICD**

Mr Coleman has been a director of IMB Ltd since 2012. Mr Coleman is a member of the Risk Committee and the Capital and Securitisation Committee. As well as being a director of IMB Ltd, Mr Coleman is also a director of all entities wholly owned by IMB Ltd.

Peter John Fitzgerald **BCOM FCA GAICD**

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

Gai Marie McGrath **BA LLB (HONS) LLM (DISTINCTION) GAICD**

Ms McGrath has been a director of IMB Ltd since 2016. Ms McGrath is the Chairperson of the IMB Financial Planning Committee and the People and Culture Committee. Ms McGrath is also a member of the Risk Committee and the Capital and Securitisation Committee. As well as being a director of IMB Ltd, Ms McGrath is also a director of all entities wholly owned by IMB Ltd.

Jan Margaret Swinhoe **BSC (HONS) AIAA GAICD**

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

Margaret Elizabeth Towers **CA GAICD**

Ms Towers has been a director of IMB Ltd since 2011. Ms Towers is the Chairperson of the Risk Committee and is a member of the IMB Financial Planning Committee and the Audit Committee. As well as being a director of IMB Ltd, Ms Towers is also a director of all entities wholly owned by IMB Ltd.

Statistical Highlights

		Consolidated	
		2019	2018
at 31 December			
Net assets/total assets	%	5.9	5.9
Risk weighted capital adequacy	%	15.1	15.8
APRA high quality liquid assets	%	15.8	17.5
Total liquidity	%	18.8	21.4
Non-interest expenses/operating income	%	72.6	68.0
for the half year ended 31 December			
Annualised after tax return on			
- average total assets	%	0.4	0.5
- average net assets	%	7.3	9.0
Interim dividend per share*	cents	8.0	9.5

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

Corporate Directory

Members' diary and other information

Payment of interim dividend 27 February 2020.

Company Secretary

Lauren Wise (BA LLB Grad Dip. Legal Practice)

Registered office

253-259 Crown 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 6 Executive Services
253-259 Crown Street
Wollongong NSW 2500

Advisors

Solicitors

Watson Mangioni
23/85 Castlereagh Street
Sydney NSW 2000

Auditors

KPMG
Level 7
77 Market St
Wollongong NSW 2500



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