2018

ANNUAL REPORT

WINNER

RFi AB+F

ARBA

AUSTRALIAN RETAIL BANKING AWARDS 2018

BEST MUTUAL BANK OF THE YEAR

imb BANK

IMB Ltd trading as IMB Bank ABN 92 087 651 974

Contents

About IMB

Established in 1880, IMB has been helping people achieve their financial goals for 138 years. We do this by offering competitive products, practical solutions and superior customer service.

IMB offers a full range of banking solutions, including home and personal lending, savings and transaction accounts, term deposits, business banking, financial planning and can arrange a wide range of insurance and travel products.

IMB has a growing branch network throughout the Illawarra, Sydney, NSW South Coast, the ACT and Melbourne. We have a lending specialist in every branch and a team of mobile lending specialists who will come to you.

IMB members enjoy access to free Internet, Mobile and Phone banking 24/7 and a team of professionals who are just a phone call away at our Australian based contact centre. IMB is also proud to be one of the first Australian banks to introduce real time payments through Osko®.

IMB is regulated by the Australian Prudential Regulation Authority and is a member of the Customer Owned Banking Association, an independent organisation representing mutual banks, building societies and credit unions. We have around 195,000 members and assets of $5.9 billion.

We're also supporting the communities in which we operate. The IMB Community Foundation was established in 1999 and since that time has provided around $9.3million to support almost 680 projects.

Our Purpose

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

Our Values

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

They comprise:

- demonstrating integrity
- showing respect
- valuing performance
- focusing on our members
- striving to offer solutions

Notice of Annual General Meeting

The Annual General Meeting of IMB Ltd will be held at the Novotel Northbeach Hotel, 2-14 Cliff Road, North Wollongong on Tuesday 30 October 2018 at 10.30 am.

2018 **Highlights**

Recognition

We are delighted that in 2018 we received the following recognition:

- Mutual Bank of the Year at the RFi Group Retail Banking Awards 2018 - based on IMB's business performance, competitive products and services, service excellence and our member and community focus.
- Outstanding Value Home Lender from independent ratings company, Canstar, for owner occupier home loans across both fixed and variable home loan categories.

Community

IMB continues to provide significant support to community projects through the IMB Bank Community Foundation and Shire Community Foundation.

Total grants have now reached $9.3 million over almost 680 projects with a diverse range of themes and purposes throughout our local communities.

Digitisation and Growth

Digital enhancements and growth initiatives for the benefit of members and staff have been a key focus with:

- IMB being the first Australian bank to introduce authenticated in-app messaging
- Members amongst the first in market to be able to access Real Time Payments (Osko®) and transfer and receive funds in a matter of seconds
- improved security and functionality to debit cards
- the enhancement of IMB Smart ATMs to support next generation banknotes and ATM cash deposits
- an ongoing commitment to face to face banking – including the completion of updates to our Goulburn and Nowra branches and additional IMB mobile lenders now operating in the Sydney, Central Coast and Hunter regions.

Connecting with our members

This year we continued to find meaningful ways to support and connect with our members:

- 95% Member Satisfaction rating
- release of a Financial Abuse Prevention Program designed to increase awareness and understanding of financial abuse, particularly for older people in our communities who are particularly vulnerable
- funding the “Mad about Money” programme to high schools - over 5,000 Year 9 a 10 students have now received important money management messages delivered through a fun and interactive theatrical performance
- expansion of IMB’s financial literacy programme with a new website for 18-25 year olds. Our imbkickstart.com.au website offers 12 self-guided interactive modules including moving out of home, buying your first car, budgeting and dealing with stress
- IMB School Banking continued to grow with just over 2,000 students registered for school banking in 23 primary schools across the Illawarra, Sutherland Shire, South Coast and Queanbeyan.

Developing our people

IMB welcomed seven new financial services trainees to a new career:

- since 2005 we have helped 120 employees to further their qualifications and complete a 12-month traineeship
- Trainee Bronwyn Needham was awarded Business Trainee of the Year 2018, Illawarra & South Eastern NSW Region.

Corporate

We are pleased to have completed arrangements for the purchase and development of a site for the construction of a new Head Office at 47 Burelli Street in the heart of Wollongong’s CBD.

And finally, IMB completed its fifth off-market share buyback. A total of 14 million shares (35% of the shares on issue prior to commencement of the buyback program) have now been bought back. The Board remains committed to future buybacks.

Five-year **Summary**

		2018	2017	2016	2015*	2014
		$000	$000	$000	$000	$000
FINANCIAL PERFORMANCE						
Interest income		**231,874**	220,867	223,587	232,289	239,939
Interest expense		**110,529**	110,439	119,756	134,006	144,912
Interest margin		**121,345**	110,428	103,831	98,283	95,027
Non-interest income		**14,086**	15,029	14,227	21,990	18,147
Bad and doubtful debts expense		**1,235**	1,066	333	366	876
Non-interest expense		**89,012**	85,139	75,503	74,613	70,674
Profit before tax		**45,184**	39,252	42,222	45,294	41,624
Income tax expense		**13,623**	11,800	12,666	12,795	12,555
Profit after tax		**31,561**	27,452	29,556	32,499	29,069
* includes profit from the sale of head office premises.						
FINANCIAL POSITION						
Assets						
Loans and advances		**4,569,669**	4,312,141	3,879,221	3,746,949	3,698,709
Liquids		**1,298,933**	1,374,988	1,320,398	1,207,508	1,104,711
Other		**43,580**	26,552	24,499	20,706	28,319
		5,912,182	5,713,681	5,224,118	4,975,163	4,831,739
Liabilities						
Deposits		**4,993,265**	4,795,283	4,268,430	4,038,803	3,756,015
Securitised loans funding		**405,795**	430,571	535,303	562,680	700,642
Other		**169,435**	157,579	111,806	82,298	90,380
		5,568,495	5,383,433	4,915,539	4,683,781	4,547,037
Net assets		**343,687**	330,248	308,579	291,382	284,702
Total assets		**5,912,182**	5,713,681	5,224,118	4,975,163	4,831,739
PERFORMANCE RATIOS						
Capital adequacy	%	**16.1**	16.6	16.9	15.5	16.0
Total asset growth	%	**3.5**	9.4	5.0	3.0	-1.3
Net asset growth	%	**4.1**	7.0	5.9	2.3	4.2
After tax return on average net assets	%	**9.45**	8.51	9.92	11.05	10.58
Non-interest income/average total assets	%	**0.24**	0.27	0.28	0.45	0.38
Non-interest expense/average total assets	%	**1.54**	1.54	1.46	1.52	1.49
Non-interest expense/operating income	%	**66.3**	68.4	64.1	62.2	62.9
Bad debts expense/average loans	%	**0.03**	0.03	0.01	0.01	0.02
Interest margin	%	**2.13**	2.03	2.04	2.04	2.04

2018	**5,912**
2017	5,713
2016	5,224
2015	4,975
2014	4,831

TOTAL ASSETS ($M)

3.5% INCREASE

2018	**4,993**
2017	4,795
2016	4,268
2015	4,039
2014	3,756

MEMBERS' DEPOSITS ($M)

4.1% INCREASE

2018	**31.561**
2017	27.452
2016	29.556
2015	32.499
2014	29.069

PROFIT AFTER TAX ($M)

15.0% INCREASE

2018	**1,239**
2017	1,168
2016	1,011
2015	850
2014	753

TOTAL LOANS APPROVED ($M)

6.1% INCREASE

2018	**16.1**
2017	16.6
2016	16.9
2015	15.5
2014	16.0

CAPITAL RATIO (%)

0.5% DECREASE

*2017 Member Satisfaction Survey, Discovery Research.

Chairman's Letter

I am pleased to present IMB's 2017-2018 Annual Financial Report and to reflect on a year which is expected to be regarded as one of historical significance for the Australian financial services industry.

We have been closely observing the proceedings of the *Royal Commission into Banking, Superannuation and the Financial Services Industry*, where there have been many examples of misconduct and repeated failures to meet community standards and expectations, particularly in the larger financial institutions. There is an underlying theme emerging in these examples where the interests of the financial institution is prioritised above those of the customer and regulatory requirements.

As a mutual organisation, IMB's purpose, our "reason for being", is to help our members and the communities in which we operate to be better off. Profits are primarily reinvested back into the business to improve systems, to enhance our products and services and ultimately, deliver member value through competitive pricing and fees.

While we pride ourselves on our strong member ethos, this does not mean that we can be complacent; we cannot consider ourselves immune to intense scrutiny about the way we do business – but at the heart of our culture is a passionate member service ethic which guides how our staff behave and what we deliver. We believe that given the unique circumstances facing the industry, there is an opportunity for mutual banking entities to attract new members away from the major banks and show the value in a mutual banking relationship.

We expect that there will be wide ranging consequences and challenges arising out of the findings of the Royal Commission. The business models of large banks are already undergoing changes, and their focus on retail banking customer segments where IMB traditionally competes, will sharpen. In addition, there will inevitably be further regulatory reforms which require financial services entities to invest in further improvement of risk management and compliance resources and systems.

In devising these requirements, we are hopeful that the Government will be cognisant of the regulatory burden already faced by smaller financial institutions and that regulatory initiatives designed to enhance the competitive position of the mutual banking sector will gain momentum.

The Board is very pleased that in the 2017-2018 year, with the significant level of attention directed at financial institutions and continued strong competition for both retail funds and lending, that IMB performed strongly, with improvement in all key metrics.

Capital ratios are being managed to enable ongoing share buybacks and a balanced approach to investment in initiatives which support IMB's competitive position.

IMB achieved a 15% increase in profit over the previous year with net profit after tax at $31.56m. Record lending volumes were reached for residential, business and personal loans and growth in new members was driven by our expanding school banking program and a leading online personal lending experience.

The constraints on lending flowing from regulatory limits around investor and interest only lending were well handled, and the Board recognises the efforts of employees who managed the member experience around these changes.

We have made further progress on our vision to be NSW's Leading Mutual bank and have taken IMB's mutual banking proposition outside our traditional areas of operation. Our organic growth strategies are seeing results, with increased volumes of online business and additional mobile lenders operating in Sydney, the Central Coast and Hunter Valley.

Having fully integrated the operations and systems of Sutherland Credit Union following the merger which was completed in 2016, we are enthusiastic about partnering with other mutuals to complete mergers to achieve greater scale and strengthen our position as an alternative to the major banks. Through a merger with another mutual entity, we know that we can generate more significant benefits and an enhanced member experience for the members of both organisations.

As recently announced, IMB has received a Development Consent for the construction of a new Head Office in Wollongong's CBD. The Board is proud that the company will continue to have a significant presence in the Illawarra at the same time as growth across new areas of NSW is occurring. The building will accommodate employees currently working from IMB's Crown St office, and the consolidation of operations spread over multiple locations, with capacity for future growth.

The Board has declared a final dividend of 10 cents per share. In setting the level of dividend, the Board considered a range of matters such as previous announcements regarding IMB's Dividend Guideline, the capital treatment of the ordinary shares, the profit for the financial year, and the capital and strategic needs of the business over the medium term.

The Board has indicated that the dividend is likely to be within an effective payout ratio range of 65% to 80% based on shareholders' interest in contributed funding. The dividend paid is in line with this guidance, and represents a payout ratio of approximately 76.2% of shareholders' interest in contributed funding.

IMB completed a successful off-market share buyback in December 2017 with 2.41 million shares bought back. This was the fifth buyback, bringing the total shares bought back to just under 14 million, representing 35% of the 40 million shares on issue prior to the commencement of the buyback program.

The Board remains committed to the buyback of all shares on issue with the amount of capital attributed to each future buyback to be determined with regard to the strategic and operational requirements of the business.

IMB announced the successful recipients of IMB Community Foundation and Shire Community Foundation funding grants in June, distributing over $600,000 to community based projects in IMB's areas of operation. Thank you to the IMB staff who help to promote the work of the Foundation throughout their own networks, and to those who generously give their time to volunteer with funding recipients throughout the year. Next year is the 20th anniversary of the IMB Community Foundation and the Board looks forward to celebrating this wonderful milestone with our members and their communities.

On behalf of the Board, I would like to thank the Chief Executive, Robert Ryan, the executive management team and all the staff at IMB for a very successful year.

NH Cornish
Chairman AM

Chief Executive's
Review of Operations

2017/18 – a strong year for IMB Bank

IMB Bank performed strongly across a range of areas in 2017/18 reflecting our commitment to providing members with simple and authentic member owned banking.

In June, IMB Bank was awarded the Mutual Bank of the Year at the RFi Group Australian Retail Banking Awards 2018. This award recognises IMB's business performance, our competitive products and services, excellence in customer service and our community focus. IMB was also recognised throughout the year for our product range, being awarded Canstar's 5-Star Rating for Outstanding Value Home Lender in March 2018.

Given the ongoing scrutiny being directed at the Australian banking and financial services industry, many customers are evaluating their banking relationships with major financial institutions. We are encouraged that through recognition such as the Mutual Bank of Year Award, together with our long-term sustainable financial performance, IMB Bank has a strong opportunity to attract new customer segments.

Financial Highlights

Our financial performance was strong given the challenging market and competitive environment in which we operated.

During the last 12 months we have approved loans worth over $1.2 billion – a record level. Our residential loan portfolio grew more than 5% and our business lending portfolio grew by over 9%. Despite this growth our level of loan arrears remains at industry lows, reflecting our responsible approach to lending. IMB's deposits increased by 4.1% in support of our asset growth which was a good result in a very competitive deposit market.

Group operating profit after tax of $31.6 million was $4.1 million, or 15.0%, higher than the previous year, our total assets reached $5.9 billion and we welcomed over 12,000 new members.

IMB's average interest margin for the year improved from 2.03% in 2016/17 to 2.13% and reflects our close management of interest margin and balance sheet growth. Bad and doubtful debts expense was $1.2 million, and although slightly higher than the previous year, this remains an excellent result reflecting the quality of IMB's loan book across both the secured and unsecured loan portfolios. The Group's capital adequacy ratio at 30 June was 16.1%.

Total expenses amounted to $89.0 million for the year, an increase of 4.5% on the previous year. Non-interest expense as a proportion of average total assets for the Group remained constant at 1.5%. The ratio of non-interest expense to operating income for the Group improved on the previous year to 66.3%. IMB's efficiency ratio continues to be one of the lowest amongst our peer set.

Noting the regulatory and media scrutiny on poor lending practices at some financial institutions, IMB members can be assured that IMB's lending results are underpinned by responsible lending practices which require loan applications to undergo stringent review. The robust standards maintained by IMB's lending practices are reflected in our bad debts expense and arrears position. The level of mortgage arrears also continues to be well below the national averages in all categories.

Strategic Priorities

In 2017/18, we further progressed a number of IMB's key strategic priorities as part of our ongoing response to meet members' changing banking needs and in support of sustainable growth. These are outlined below.

Digital Transformation

Digital transformation is at the heart of IMB's strategy. We continue to focus on meeting the increasing demand from our members to transact, interact and engage with IMB online.

We were among the first financial institutions in Australia to launch Osko® services on the New Payments Platform, providing members with the capability to make real time payments by sending funds directly to a mobile phone number or email address.

IMB was also the first Australian bank to introduce an authenticated 'in-app' messaging service providing members with a highly convenient and secure way to engage with us via their mobile phone or tablet.

We upgraded our website to a responsive platform which provides an improved experience on smartphones and tablets and we have continued to bring new capabilities to our mobile apps, internet banking and application platforms.

A significant operational achievement was the increased security, capacity and resilience we brought to our digital customer-facing assets by migrating these to cloud infrastructure. We also invested in upgrades to our fraud and cyber-risk systems to ensure our members continue to bank safely with IMB.

We‘ve worked hard to meet new compliance obligations, including implementing systems updates to meet the Common Reporting Standards legislation, evolving lending obligations and increased regulatory reporting requirements.

Looking forward, we will continue to invest in our digital banking solutions for members and explore new technologies such as machine learning and artificial intelligence, bringing these to life for the benefit of our members and to deliver greater efficiency into our operations.

Growth and Expansion

In an environment where larger banks are closing branches, IMB remains committed to extending our physical presence. As part of our organic growth strategy, we are expanding our footprint in Sydney, as well as expanding distribution to the Central Coast and Hunter regions.

We have established branch business banking hubs that are focusing on bringing the IMB service difference to the small business segment in the areas in which these hubs operate, with further expansion planned across more branches next year.

We also introduced reverse mortgage and aged care lending options during the year to meet the growing demand from members for these solutions and we will increase the distribution of these products in the year ahead.

Supporting our growth ambitions, our branding is under review to ensure our image reflects a modern, customer owned alternative and is effective in raising awareness of the offer to new customers who seek a viable and competitive alternative to the major banks.

The coming 12 months we see us simplifying our products and processes to support easier banking with IMB, while undertaking the replacement of our loan origination platform which will allow members to receive quicker responses to their lending applications.

People and Culture

Our people are our most important asset. It is their focus on delivering improvements for members that is reflected in our consistently high member satisfaction rating, which remains above 95%, and an increased Net Promoter Score which has moved from 38 in 2015 to an impressive 49 this year.

Our continuous improvement focus will see our culture become more collaborative, our people being more empowered and working with greater agility. We will also leverage our organisational data to become more proactive at meeting the needs of our members, ensuring we consistently deliver excellent levels of service.

Our Board, management and staff remain deeply committed to delivering the highest standards of ethical conduct and ensuring a robust risk culture. We ensure our staff are properly trained and equipped with the right technology to succeed in their roles and deliver good outcomes to IMB’s members.

During the year, we welcomed a further seven new financial services trainees to a career at IMB. Since we introduced traineeships in 2005 we have helped 120 young people to further their qualifications after they complete their HSC or to add to their education with a 12-month traineeship.

Supporting the Community

Supporting the communities in which IMB operates is an important part of our 138 year history. Together with the support IMB provides to a variety of charity, community and sporting organisations, we provide significant support to community projects through IMB’s Community Foundations.

The IMB Bank Community Foundation, established in 1999, was augmented in 2016 by the addition of the IMB Bank Shire Community Foundation, which has enabled us to expand our reach and provide support for more community projects. Through the Foundations, IMB has now granted $9.3 million to support around 680 projects with a diverse range of themes and purposes throughout our local communities.

Chief Executive's
Review of Operations

The Victor Chang Cardiac Research Institute (VCCRI) has been a recipient of IMB Community Foundation funding for a number of years and we were delighted to be recognised at the annual VCCRI Awards night as an Ambassador for providing over $200,000 in support of their 'health check booth' community programme.

Supporting financial literacy for young people is also a key component of our community support. Our School Banking initiative continues to grow with 23 primary schools across the Illawarra, Sutherland Shire, West Sydney, South Coast and Queanbeyan now participating in the program, and over 2,000 students registered.

We continued to fund the "Mad about Money" programme to high schools in 2018. Over 5,000 Year 9 and 10 students have now received important money management messages delivered through a fun and interactive theatrical performance.

We have expanded our financial literacy programme with a new website for 18-25 year olds. Our *imbkickstart.com.au* website offers 12 self-guided interactive modules on topics including moving out of home for the first time, buying your first car and budgeting and dealing with stress.

We were also pleased to introduce a *Financial Abuse Prevention Program* this year. Designed to increase awareness of financial abuse, particularly for older people who are often vulnerable to this risk, we have trained front line staff on the issue and developed information to educate and support members and their families.

Looking Ahead

In the year ahead, we expect operating conditions to remain challenging. Competition for retail funds will remain fierce which will likely drive up the cost of loan funding, placing further pressure on margins and loan rates.

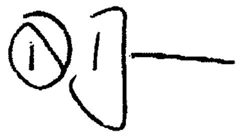
In light of tighter lending criteria and restrictions around investment loans, housing prices are likely to remain subdued. There will be strong competition for high quality loans as the major banks tighten their lending criteria in response to observations made within the *Royal Commission into Banking, Superannuation and the Financial Services industry.*

In addition to any findings from the Royal Commission, we anticipate that there will be a range of changes affecting the financial services industry following the government's consideration of the Productivity Commission's Report on *Competition in the Australian Financial System*, together with progress on the implementation of recommendations contained within the Report on *Reforms for Cooperatives, Mutuals and Member-owned Firms*. Our risk and compliance regimes are well positioned to enable us to adapt to any new requirements affecting IMB.

I would like to thank IMB's management and staff for their dedication and commitment to delivering our members with outstanding service. As we continue to evolve our business through the use of technology and establishing operations outside our traditional areas, I am impressed by their ability to respond to, and embrace change.

I would also like to thank IMB's Board for their continued support and the significant contribution they make to IMB Bank's strategic direction and risk management.

Most importantly, I would like to thank our loyal members for their continued support of IMB and we look forward to continuing to meet their financial needs.



RJ Ryan
Chief Executive

7,302
new loans

12,000
new members

2,000
students registered for school banking

First bank to have in-app messaging

33,000
Mobile banking App users

60,000
IMB website users

2.1 MILLION
INTERNET BANKING SESSIONS

OVER 50,000
REAL TIME PAYMENTS TRANSACTIONS

Among the first institutions in Australia to launch Osko® services on the New Payments Platform

Arch and Karin talk retirement and financial planning.

Arch and Karin Reinfrank from Kiama have been long-term IMB Bank customers, starting with their first home loan in 1979 and continuing with various accounts and other home loans ever since.

2017 was a big year for Arch and Karin. In August last year, Arch turned 60 and, in October, he took voluntary redundancy from Bluescope Steel. With retirement stretching out ahead of them, Arch and Karin realised they needed help to maximise their retirement income and began looking for a financial planner to assist.

“We settled on IMB Bank Financial Planning because they could provide us with what everyone else was offering plus more and it seemed to make sense when they had all our records,” Arch said.

Rob Weston, Practice Manager – Financial Planning for IMB Bank met with the couple, and after determining what Arch and Karin needed, Rob developed a plan to ensure they lived comfortably without money worries by accessing Arch’s superannuation.

“Rob’s plan has been very good for us,” Arch said.

“I would certainly recommend that anyone facing retirement should seek help from a financial planner to give them peace of mind as well as make sure they are making the most of their hard-earned money.”

Directors' Particulars

Information set out in this section relating to board committee memberships and positions held by each of IMB's directors relates to the financial year ended 30 June 2018.

Noel Harold Cornish AM

BSC(MET) M ENGSC FAICD

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

James Randolph Coleman

BA MBA GAICD

Mr Coleman is a career banker with extensive experience in risk management, commercial and corporate banking. Mr Coleman has been a non executive director of IMB Ltd since 2012 and is a member of the Risk Committee and the Capital and Securitisation Committee. Mr Coleman was formerly Group Chief Credit Officer of Westpac Banking Corporation where he had previously held the roles of General Manager Risk Management, General Manager Corporate Finance and General Manager Corporate Banking in the Westpac Institutional Bank. Mr Coleman has previously been a director of Delhi Petroleum and has acted as an expert witness in relation to credit and banking related matters. As well as being a director of IMB Ltd, Mr Coleman is also a director of all entities wholly owned by IMB Ltd.

Catherine Ann Aston

B.EC. M. COMM TFASFA F FIN GAICD

Ms Aston has been a non executive director since September 2016. Ms Aston's experience is as an executive and non-executive director of digital and telecommunications businesses across Asia Pacific. She has a broad commercial background with senior roles in finance, marketing, strategy and business improvement. Ms Aston is Chair of the Audit Committee and is a member of the People and Culture Committee. Her previous positions include Chair of Pillar Administration and various senior executive positions at Telstra Corporation, Telstra International (Hong Kong) and Mobitel Pvt Ltd (Sri Lanka). Ms Aston is currently a director of Macquarie Investment Management Limited, Southern Phone Company Ltd, and the Financial Services Institute of Australasia (FINSIA). She is also a Committee member of the Illawarra division of the AICD, an advisor on the NSW Treasury's Banking Tender Project and is an advisory board member of Avanseus Holding Pte Ltd (Singapore). As well as being a director of IMB Ltd, Ms Aston is also a director of all entities wholly owned by IMB Ltd.

Peter John Fitzgerald

B.COM FCA GAICD

Mr Fitzgerald has been a non executive director of IMB since September 2017. Mr Fitzgerald is a Chartered Accountant whose experience was gained as a tax and audit partner of KPMG, where he served as Managing Partner of the Wollongong office for over 20 years. Throughout his career he has been responsible for providing business advisory and taxation services to clients, with industry specialisations in professional services, aged care, property and construction and manufacturing. Mr Fitzgerald is a member of the IMB Audit Committee, the Capital and Securitisation Committee and the IMB Community Foundation Committee. He is currently a director of Peoplecare Health Insurance and the IRT Group and was previously a member of the Council of the University of Wollongong where he chaired the Risk, Audit and Compliance Committee. As well as being a director of IMB Ltd, Mr Fitzgerald is also a director of all entities wholly owned by IMB Ltd.

Gai Marie McGrath

BA LLB (HONS) LLM (DISTINCTION) GAICD

Ms McGrath, has been a non-executive director of IMB Ltd since May 2016. Ms McGrath is Chair of the People and Culture Committee and the IMB Financial Planning Committee, and is a member of the Risk Committee and the Capital and Securitisation Committee. Ms McGrath began her career as a lawyer before moving into financial services where she spent 12 years with the Westpac Group, and was most recently the General Manager of Westpac's flagship retail business. She previously held senior positions with Westpac New Zealand, BT Financial Group and Perpetual. Ms McGrath is a director of Genworth Mortgage Insurance Australia Limited, Investa Office Fund, Steadfast Group Limited and Toyota Finance Australia Limited. She is also a member of the Council of the State Library of NSW and the board of its Foundation, the Salvation Army's Territorial Appeal & Fund Development Committee (Australia East Territory) and is a director of Humantix. 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 over thirty years' experience in the financial services sector in a career that spanned corporate superannuation, derivatives trading, capital markets origination and institutional relationship banking. Ms Swinhoe has been a non executive director of IMB Ltd since October 2014. Ms Swinhoe is Chair of the IMB Community Foundation Committee and is a member of the Risk Committee and the People and Culture Committee. The last sixteen years of her executive career were spent at Westpac where Ms Swinhoe held General Management positions within the Institutional Bank and also BT Financial Group where she led Westpac's Private Bank. Ms Swinhoe is currently Chair of Mercer Superannuation Australia Limited, and is a director of Suncorp Portfolio Services Limited, Swiss Re Life & Health Australia Limited, and the Advisory Board of Swiss Reinsurance Company Limited, Australia Branch. Ms Swinhoe is also Deputy Chair of Athletics Australia and is a director of Australian Philanthropic Services. 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, is a Chartered Accountant with over thirty years' experience in the Australian finance sector. Ms Towers has been a non executive director of IMB since 2011, and is currently Chair of the Risk Committee and is a member of the Financial Planning Committee and the Audit Committee. Ms Towers' previous roles include senior positions at Price Waterhouse, Executive Vice President at Bankers Trust Australia, and she was also a non-executive Director and Chairperson of the Audit and Risk Management Committee of Platinum Asset Management Limited. Ms Towers is Chair of Platinum Capital Limited and Platinum Asia Investments Ltd and continues to provide independent consulting services to the finance sector. As well as being a director of IMB Ltd, Ms Towers is also a director of all entities wholly owned by IMB Ltd.

Without IMB, we wouldn't have been able to buy our home

Danielle and Chris Blanch are nothing if not persistent. Determined to own their own home in the Newcastle area, they had contacted and spoken to eight different lenders on and off for two years trying to secure a home loan.

Chris was self employed and it was proving a challenge to find a lender who could meet their needs.

“I had been a customer for 26 years with CommBank and I couldn’t even get them to talk to me even though we had a deposit.”

In despair, Danielle googled, self-employed, home loans, and during that search she stumbled across contact details for IMB Bank’s Hunter Valley lender, Vanessa.

When Vanessa called her, they had just made the difficult choice to put Chris’ lawn-mowing business on hold so he could get a full-time job to help them meet the conditions required by other financial institutions.

“Vanessa persuaded us that it would only take a few minutes of our time – and we had the information anyway because of all the other applications – to send it to her,” Danielle explains.

“She came to see us a few days later – on a Saturday – and spent several hours with us guiding us through an application.”

Chris takes up the story, saying that Vanessa did not promise anything but said she would do her best to help them achieve home ownership.

Two days later – on the Monday – the couple had conditional approval and they put an offer in on the house they had looked at. Within 21 days, they were formally approved and were finally the proud owners of a three-bedroom home.

Chris and Danielle were delighted: “Without Vanessa, we would never have been able to do this. She under-promised and over-delivered, doing everything she could to help us. We would definitely recommend anyone wanting a home loan to talk to IMB.”

" IMB Bank made a dream come true for us."

Our Community

Supporting the communities in which IMB operates is also a very important part of our culture and has been since IMB was established in 1880. Together with the support IMB provides to a variety of charity, community and sporting organisations, we also provide significant support to community projects through the IMB Bank Community Foundations.

The IMB Bank Community Foundation, established in 1999, was augmented in 2016 by the addition of the IMB Bank Shire Community Foundation, which has enabled us to expand our reach and support for community projects. IMB has now granted around $9.3 million to support almost 680 projects with a diverse range of themes and purposes throughout our local communities.

The IMB Community Foundation has supported the Victor Chang Cardiac Research Institute's (VCCRI) Health Check Booth for the last six years and we were delighted to have been recognised at the annual VCCRI Christmas Awards night as an Ambassador for providing more than $200,000 of funds to this worthwhile community program.

Supporting the Community

We continued to support many local events this year, including the IMB Sunset Cinema in the Illawarra, Canberra and North Sydney; the IMB Cook Community Classic in the Sutherland Shire and via our sponsorship of the UOW Early Start Discovery Space, Australia's only children's museum.

IMB also continued its support of Football South Coast as their official Community Partner, and we are excited to continue our Moment of the Week competition, where we celebrate those who love being a part of football each week. At IMB Bank, we believe that supporting grassroots sport is crucial for the development of our children; from nurturing leadership skills, to encouraging health and fitness and promoting a sense of community spirit.

We are passionate about supporting business excellence and are very proud to once again be the naming rights sponsor of the IBC Illawarra Business Awards and Illawarra Women in Business Awards, and category sponsor for the Shoalhaven Business Awards.






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

- Early Start Discovery Space
- Football South Coast
- Cook Community Classic
- Sunset Cinema
- UOW; O-Week and O-Day
- Australia's Biggest Morning Tea
- Jeans for Genes
- Envie Kid's Fun Run
- Sutherland 2 Surf
- Tathra Bushfire Relief Concert
- Illawarra Business Awards
- Shoalhaven Business Awards
- Illawarra Women in Business

Educating the Next Generation

Sound financial literacy is the platform that will enable the next generation to make financial decisions that will help them be better off. This year we were pleased to extend our range of financial literacy initiatives to support young people in our communities.

IMB School Banking
IMB's School Banking Program continues to grow with 23 primary schools across the Illawarra, Shire, South Coast and Queanbeyan now participating in the program. That's over 2,000 students learning positive saving behaviours early in life.

High School Financial Literacy
In 2018, we continued to grow our financial literacy offering with a website for 18-25s. *www.imbkickstart.com.au* offers 12 self-guided interactive modules on topics including moving out of home for the first time, buying your first car and managing on a tight budget as well as managing time and dealing with stress.

We teamed up with the National Theatre for Children to deliver 'Mad About Money', an educational Financial Literacy program comprised of an in-school performance, teacher guide, lesson plans, a student workbook and online activities. We visited 10 high schools with our first Mad About Money tour and were able to reach more than 2,100 students.

The Money Tree by IMB Bank
We also excited to launch our new financial literacy hub for teenagers, The Money Tree by IMB Bank *(www.imbmoneytree.com.au)*. The Money Tree provides information and resources for teenagers, to help them learn about earning, saving, spending and managing their money.

"You can't get personal advice from an ATM, can you?"

Robert Skeen appreciates having someone to talk to face-to-face.

Katungul Aboriginal Medical Services, based on the South Coast of NSW, became an IMB Bank business customer last year.

Providing culturally appropriate healthcare services to Aboriginal and Torres Strait Islander communities from Eden to Ulladulla, Katungul came to IMB from one of the major banks.

Katungul CEO Robert Skeen said one of his aims in changing banks was to seek personal service and a branch presence in Narooma. Following a spate of branch closures by other financial institutions, Robert turned to IMB Bank.

“What happens if you need advice about a home loan – you can’t get that from an ATM, can you?” he said.

Robert has been delighted with the IMB Bank experience so much so that he is planning in-house education sessions for his staff so they can learn what services they can access.

“Young kids who have just left school need help to set up a savings account; another person might need a home loan; while older people still want help in the branch to carry out their banking".

IMB Bank
Community Foundation Projects

IMB Bank's commitment to our Community Foundations is an investment in people and in community, and is a responsibility we are wholly committed to as an organisation. We strive to remain engaged and connected with the communities around us, and we've found that by working together we can achieve things that add value to our communities and create better outcomes for the people living in them. We are very committed to the projects we support and have seen first-hand the difference they make to many people. Since the IMB Bank Community Foundation was established in 1999 we have supported 650 community projects and through the Shire Community Foundation, established in 2016, we have supported 29 projects. Together our foundations have donated $9.3 million to improving our communities.

Illawarra

Banana Circle at Preschool
Warilla Baptist Church Preschool

Sandon Point IRB Replacement
Sandon Point Surf Life Saving Club Inc

Community Action Team Trailer
State Emergency Service (Shellharbour)

Rescue Stretcher Wheel
State Emergency Service (Wollongong)

Football Program for Refugees
Football South Coast Ltd

Kind Hearts Illawarra Outreach
Kind Hearts Illawarra

Sharpest Tool in the Shed
Multicultural Communities Council of Illawarra Inc

Road Safety Education Illawarra (RYDA)
The Rotary Club of West Wollongong Inc

Training Room Refurbishment
South Coast Rescue Squad Inc

Camp Kitchen
Illawarra Light Railway Museum Society Ltd

Communications Centre Upgrade
Volunteer Marine Rescue NSW (Port Kembla)

Chemo Care Kits
Raise The Gong Inc

Kitchen on Wheels
State Emergency Service (Kiama)

Carer Crisis Manual
Mental Health Carers Arafmi Illawarra Inc

Stepping Up - Illawarra
The Trustee for Top Blokes Foundation

CareSouth Health Hub
CareSouth

Taking Therapy into the Sunshine
Wollongong West Street Centre

IMB Roger Soden Musical Scholarship
Wollongong Conservatorium of Music Ltd

Need A Feed
Need A Feed Australia Inc

THE GIFT - Remembering Bob Sredersas
Wollongong City Gallery Ltd

Life Education Illawarra Truck
Illawarra Drug Awareness Group Ltd

ACT and Goulburn

Swim 4 Life
Royal Life Saving Society Australia Act Branch Inc

U Turn The Wheel
Rotary Club of Goulburn Inc

Community Solar Benches
Crace Community Association

Arts Access Workshops
Goulburn Mulwaree Council

Digital Access Project
Vision Australia Ltd

Mental Health Training
South Canberra Veterans Shed Inc

Dungeons And Dragons
Marymead Child and Family Centre

New Club BBQ
Vikings Junior Rugby Club Inc

Qupcakes
Queanbeyan Enterprise Centre Inc

Coaching Support
My Coaching My Future

After School Chinese Program
Fccci Chinese School

Club Trailer
Canberra Model Railway Club

Southern Highlands

U Turn The Wheel
Rotary Club of Moss Vale Inc

SES Vertical Rescue Training Tower
State Emergency Service (Wingecarribee)

Mount Druitt Children's Healing Garden
The Trustee for Blacktown and Mount Druitt Hospitals Foundation Trust

IMB BANK COMMUNITY FOUNDATION

SHIRE COMMUNITY FOUNDATION IMB BANK

Shire

Sensory Garden & Outdoor Learning Area
Woronora River Primary Parents and Citizens Association

Tools For Growth
Menai Men's Shed Inc

Construct a Paved Pathway
Shire Woodworking Club Inc

Water Safety Project
1st Grays Point Scout Group

Capturing History
Sutherland Shire Historical Society Inc

Look Good Feel Better
Cancer Patients Foundation Ltd

Marine Rescue Volunteer Training
Volunteer Marine Rescue NSW (Port Hacking)

Defibrillator for Engadine Public School
Engadine Public School

Flexible Furniture for Better Learning
Endeavour Skwad

Water Activities Training Centre
2nd Caringbah Scout Group

Mental Health Resources For Kids
Australian Kookaburra Kids Foundation Ltd

Midwifery Group Practice
Sutherland Hospital and Community Health Service

Extraction Room Renovation
The Illawarra Beekeepers Association Inc

New Horizons Community Band
The Shire Bands Inc

Love Bites
Sutherland Shire Family Services Inc

Sylvanvale Kids Club
Sylvanvale Foundation

Sydney and Sydney West

Small Tools Replacement and Trailer
Men's Shed Narellan Inc

Prevent Alcohol & Risk Related Trauma in Youth
(P.A.R.T.Y) Program
Liverpool Hospital

Intensive Care Unit
Campbelltown Hospital

Bereavement Support For Young Adults
National Centre for Childhood Grief Australia Ltd

ADHD - We Have The Answers
Westmead Medical Research Foundation

Holter Event Monitors
The Heart Centre for Children

RSPS's Greenhouse Classroom
Revesby South Public School Parents and Citizens Association

Heart Health Check Booth
Victor Chang Cardiac Research Institute Ltd

South Coast

Re-Roof The Men's Shed
Tuross Head Men's Shed Inc

Purchase of Equipment For Shed
Ulladulla Men's Shed Inc

Veggies For All 2018
Sustainable Agriculture and Gardening Eurobodalla

Cows Create Careers
Lions Club of Strzelecki Inc

Tathra Bushfire Donation
Mayoral Appeal for Tathra

Solar Power for Evans Park
Clean Energy for Eternity Inc

IMB Bank
Community Foundation Projects

Feature Project - Marine Rescue NSW (Port Kembla)

IMB Bank Community Foundation Funding Doubles Marine Rescue Radio Coverage

Marine Rescue NSW (Port Kembla) will be able to undertake a major communications centre upgrade thanks to funding provided by the IMB Bank Community Foundation.

The new communications centre will extend VHF radio coverage from 23.22 to 48.6 nautical miles off the coast of Port Kembla. The increase in coverage is set to benefit the boating public of the Illawarra and Shoalhaven regions in waters between Sydney and Batemans Bay, including Jervis Bay, St Georges Basin and Sussex Inlet areas from November 2018.

Marine Rescue NSW (Cronulla) also received a boost with funding from the IMB Bank Shire Community Foundation enabling them to train an additional 70 marine rescue radio operators and rescue vessel crew, as well as equip six current volunteer members with training and assessment qualifications so they can teach. The volunteer services provided by Marine Rescue NSW are increasingly called upon as more people take to our waterways each year.

"The support from the IMB Bank as a community partner makes a significant and positive impact on all our organisations and the public we serve," Deputy Commissioner Storey said.

In the last year alone, Marine Rescue NSW rescued 6,500 people. Volunteers fielded more than 306,000 radio calls for help, resulting in 3,257 rescue missions, 827 of which were responses to life-threatening situations – all increases on the same incidents from the year before.

Deputy Commissioner, Dean Storey, outlined the massive remit of the Marine Rescue NSW Volunteer Service as an area along the coastline from the Tweed in the north to Eden in the south, inland on the Lakes around Jindabyne and along the Murray river.

"The support from the IMB Bank as a community partner makes a significant and positive impact on all our organisations and the public we serve," Deputy Commissioner Storey said.

IMB Community Foundation

19 YEARS RUNNING

650 PROJECTS

$9.1 MILLION

Shire Community Foundation

2 YEARS RUNNING

29 PROJECTS

$200 THOUSAND

Our People

Through our aspirational People and Culture agenda, we have an exciting opportunity to engage our people in bringing IMB's Enterprise Value Proposition (Simple, Authentic, Connected, Value) to life, shaping our culture and building new and enhanced capabilities that will enable the transformation and growth that IMB is pursuing through digitisation, geographic expansion and mergers.

The foundations of IMB's success have been built upon our core organisational strengths including member focus, risk management and strong operational and financial management capability. Our people consistently deliver on the 'authentic' and 'connected' pillars of our Enterprise Value Proposition with very strong ties within the communities in which IMB operates. We are proud of the integrity and trust inherent in the way we do business and our people regularly go above and beyond for our members to deliver excellent service outcomes - evident in our high levels of customer satisfaction and advocacy across the member base and among colleagues.

Our People and Culture strategy includes a range of transformation initiatives to support our longer term success as we grow and achieve greater scale. These include proving new ways of working, leveraging our Head Office relocation to increase collaboration between business units around the member experience and a strong commitment to process improvement. A new Enterprise Agreement is currently under negotiation, and this is designed to provide more flexibility in the way we organise our workforce to serve our members and support the business strategy.

Whilst we recognise that we need to build capabilities to enable our people to engage with our members in more modern ways and to support new business via digital channels, we have a 138 year history of helping our members to reach their financial goals and know the importance of maintaining a connected culture based on trust and personal service.

Learning and Development

In the past year, HR has partnered with the business to progress and deliver on a range of corporate and strategic initiatives including IMB's Digital Transformation, the provision of Reverse Mortgages and Aged Care finance, and equipping key branches to operate as small business banking 'Hubs'.

We understand our responsibilities to our members and the communities in which we operate and have expanded our training programs to respond to emerging areas of importance. This year all staff commenced participation in a comprehensive Cyber Risk awareness program that will become part of our regular training cycle. Aimed at ensuring employees at all levels of the organisation understand how to detect and manage threats to the security of information and data, our programs involve a combination of traditional learning and exercises which simulate attacks such as phishing and social engineering.

We used World Elder Abuse Day to launch IMB's own initiatives to help combat financial abuse against vulnerable members. As a financial institution, we know that we are in the best (and sometimes only) position to detect financial abuse, and we rolled out a range of learning modules and tools to help our staff identify the warning signs of at-risk members and take steps to help or prevent loss to them.

Building on capabilities we see as key for leaders and emerging talent in our business, we completed a LEAN Change Program with a broader group of employees across the business who identified key member processes that could be re-engineered to improve both the member experience and business efficiencies. The program provided formal certifications for program participants and has provided momentum on our goal to embed a continuous improvement mindset in our organisational culture.

Our Traineeship, Cadetship and Tertiary Education programs continue to be important for us as we build the next generation of key contributors to take IMB into the future. Since 2005 IMB has recruited 120 trainees, with 93% having taken up a permanent role with us on completion of their traineeship, and almost 35% of those still employed by IMB. This year, IMB has welcomed seven new Trainees across the Retail Network, Digital & Direct, Banking Services, Risk, Project Management Office and Information Technology - all gaining valuable knowledge and on-the-job experience within their key business areas.

We have also continued our focus on activities to support talent, career and organisational succession planning efforts, to provide pathways to support the professional development needs of individuals and IMB. We have provided staff with targeted career growth opportunities such as project placements, higher duties assignments and secondments to support their development and better utilise their capability and potential. We had a strong internal promotion rate of 59% and a turnover rate of 9.15% at the end of the financial year.

Bronwyn Needham – Business Trainee of the Year 2018, Illawarra & South Eastern NSW Region.

Health and Safety

IMB continues to strive towards the goal of Zero Harm, by promoting a safety and wellbeing culture, where health and safety is the responsibility of all staff and is central to how we operate. The health and safety of our people is paramount and we have robust risk management programs and systems in place to support our staff, contractors and visitors.

Our more recent focus has been on the importance of our employees being vigilant in identifying potential wellbeing and safety concerns before an injury or incident occurs. We have 'Near Miss' reporting campaigns that encourage the identification of potential hazards, no matter how insignificant, so that corrective actions and enhancements can be made across our business. This approach has been very successful in raising awareness of day to day practices which have the potential to result in an injury and the sharing of initiatives which help to keep us all safe at work.

Linda Banovich - Pride of Workmanship Award from Corrimal Rotary Club

Diversity

We are setting a positive tone from the top about the value of gender diversity with four of our seven directors being female. 67% of all management positions are held by women and we recognise the importance of providing more opportunities in our most senior management ranks for our female workforce, so it is pleasing that 83% of all manager promotions in the past year were awarded to women.

Under our refreshed People & Culture strategy, we have set a goal to be recognised as an Employer of Choice with the Workplace Gender Equality Agency. In support of this goal, we are currently focused on ensuring we have fundamental elements established like paid parental leave, the inclusion of periods of parental leave in calculating length of service, and paid domestic violence leave.

Our People

Recognition

Our Staff are recognised through formal awards in which staff are nominated and recognised by peers or IMB members. These awards aim to reward high performance, outstanding member service and actions that reflect our organisational values.

Terry Widdicombe, National Manager Commercial Lending & Business Banking was celebrated as the winner of the 2016-2017 Chief Executive Award.

Terry has a genuine passion for his role, his customers and staff. Terry exemplifies how providing excellent service delivers great outcomes for our business and for our members, demonstrating an unquestionable work ethic and the highest integrity, and is respected by all those who deal with him.

IMB's Outstanding Service Award recognises those staff members who consistently provide excellent service to external and internal customers of IMB.

The winner of this year's award was Jane Pogson – Senior Underwriter, Origination Services.

Jane was recognised for her professionalism, and for always looking for solutions that are good for our members and for IMB. Jane provides great support to new staff, including providing constructive feedback for future learning. Jane brings a consistent approach to her role and always "keeps in mind that there is a member at the end of all their transactions".

IMB also recognised the following staff for their outstanding achievements in the below categories;

- Lender of the Year
  Zoran Miceski, Mobile Lender - South Illawarra

- Sales Team of the Year
  Dapto Branch (for the 2nd consecutive year)

- Sales Person of the Year
  Sarah Nikolich, Unanderra Branch

- IMB Financial Planning Referrer of the Year
  Donna Smith, Bowral Branch

- IMB Business Banking Referrer of the Year
  Prue O'Brien, Goulburn Branch

- Divisional Recognition Awards
  - Michael Bernardi, Project Management Office
  - Jason Lima, Marketing.

The 2017 CEO's Award winner was Terry Widdicombe National Manager Commercial Lending & Business Banking.

The winner of the 2017 Outstanding Service Award was Jane Pogson, Senior Underwriter, Origination Services.

Community Involvement

Our employees are attracted to working in an organisation that is dedicated to building strong relationships with the community and we love seeing the personal commitment they have to making a positive difference in the lives of others.

Kate Mitrovski (Senior Internal Auditor) exemplifies the wonderful work performed by so many of our employees. Kate was nominated by a colleague for this year's Illawarra International Womens' Day Cate Stephenson Scholarship which recognises excellence in Education, Business or Community. Kate takes every opportunity to acquire new skills and knowledge to deliver self-improvement and to allow her to make a significant contribution beyond her professional life. Kate responded to the loss of her father to brain cancer by creating a movement within the Illawarra local community called Wollongong's "Walk for Brain Cancer" - an initiative for the Cure Brain Cancer Foundation. This now annual event has raised over $100,000 in 3 years for brain cancer research, advocacy and awareness.

Bowral Branch Manager, Diane Manley, is a highly regarded member of the IMB retail network and the local Bowral community. Di is well-known for her passionate support of community organisations and has been a member of Rotary since 2009. Di gives her time to various Rotary projects, including those that have received funding from the IMB Community Foundation such as the youth driver education program 'U-Turn the Wheel' and the Bowel Scan project which she helps to co-ordinate across three clubs. On top of managing a busy branch and her Rotary work, Di also enjoys her role as a member of the Southern Highlands Youth Arts Council.

IMB has many exceptional employees like Kate and Diane and we recognise all those who give their time to contribute to the activities that IMB supports through the IMB Community Foundation and grass-roots sponsorships and events which are often after hours and on weekends. Our employees value the rewarding experience of spending time with community groups and students and the mutual benefits that come from these connections. Examples from the past year include our sponsorship and judging of the Illawarra Business Awards and Illawarra Women in Business Awards, hosting activities at the Kidtopia children's festival in Western Sydney and numerous school banking and financial literacy events in primary and high schools.

"It was refreshing to be treated like a human being and not a number."

Jenny and Jim talk refinancing their home

Jenny Brown and Jim Eadie from Narooma recently transferred all their banking from one of the major banks to IMB due to fustrations with lack of service.

“We needed to refinance a home loan and the interest rate our original bank offered us, even after many years of loyalty, was more than they were offering new customers.

“They weren’t prepared to negotiate so we moved everything to IMB,” Jenny explained.

Jim is delighted with the service they have received.

“We have received exceptional service provided to us by our Branch Manager, Helen.

“From the outset Helen made us feel welcome and relaxed and nothing was too much trouble. Helen was very informative and helpful with our dealings,” Jim said in a letter to IMB.

“In these days of ‘sterile get-them-in, get-them-out attitudes’, it was refreshing to be treated as a human being and not a number,” he said.

“I would highly recommend to anyone who asks or mentions dealing with a bank to go to IMB Bank.”

Directors' Report

The directors have pleasure in presenting their report, together with the financial statements of IMB Ltd, ("the Company") and of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2018 and the auditor's report thereon.

Directors

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

Noel Harold Cornish AM
Catherine Ann Aston
James Randolph Coleman
Robert Hillis Page Elvy, retired Aug 2017
Peter John Fitzgerald, appointed Sep 2017
Gai Marie McGrath
Jan Margaret Swinhoe
Margaret Elizabeth Towers

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 16 to 17 of this report.

At the annual general meeting of the Company on 30 October 2018 Mr JR Coleman will retire in accordance with the constitution of the Company and, being eligible, offers himself 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 and financial services, including lending, savings, insurance and investment products.

There has been no significant change in the nature of these activities during the year ended 30 June 2018.

Operating and Financial Review

Consolidated profit after tax for the year attributable to members was $31.6 million (2017: $27.5 million), an increase of $4.1 million or 14.9% on 2017.

Total deposits increased to $4,993 million up by $198 million or 4.1% on the previous year. Securitised loan funding decreased by $25 million or 5.8% to $406 million.

Loan approvals increased by $71 million or 6.1% to $1,239 million (2017: $1,168 million). This was due to higher residential lending approvals which increased by $56 million on 2017 levels, and an increase in other lending of $15 million.

Net interest income for the year was $121.3 million, up $10.9 million, or 9.9% on the previous year. This increase was predominantly due to an increase in average earning assets and an increase in interest margin.

Impairment losses were $1.2 million, $0.2 million higher than the previous year. This increase was due to an increase in the collective provision for impairment of loans.

Non interest income for the year decreased by $0.9 million, or 6.3%, to $14.1 million, mainly due to lower transaction fees and other income.

Non interest expense for the year increased by $3.9 million, or 4.6%, to $89.0 million (2017: $85.1 million). This increase was due to an increase in personnel and marketing expenses, and legal and consulting costs.

The non interest expense to operating income ratio decreased from 68.4% in 2017 to 66.3% in 2018, predominantly due to an increase in operating income and efficiencies achieved following the SCU merger.

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 $2.555 million franked to 100% at a tax rate of 30%, declared on 22 August 2017, in respect of the year ended 30 June 2017, paid on 4 September 2017.
- an interim dividend of $0.10 per share amounting to $2.597 million franked to 100% at a tax rate of 30%, declared on 31 January 2018, in respect of the year ended 30 June 2018, paid on 27 February 2018; and
- a final ordinary dividend of $0.10 per share amounting to $2.597 million franked to 100% at a tax rate of 30%, declared on 28 August 2018, in respect of the year ended 30 June 2018, payable at the close of trade on 4 September 2018.

Total dividends paid or declared in respect of the year ended 30 June 2018 were $0.20 per share (2017: dividend of $0.18) amounting to $5.194 million (2017: $5.110 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 matter, circumstances or likely development in the operations has arisen since the end of the financial year that have significantly affected or may significantly affect:

(i) the operations of the Group;
(ii) the results of those operations; or
(iii) the state of affairs of the Group

in the financial years subsequent to this financial year.

State of Affairs

Details of any significant changes in the state of affairs of the Group are disclosed in the Chairman's Letter and Chief Executive's Review of Operations on pages 8 to 14 of the annual report.

Directors' Interests

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

Director	Holding at 28 August 2018
Mr NH Cornish	2,000
Ms CA Aston	-
Mr JR Coleman	2,000
Mr PJ Fitzgerald	2,000
Ms GM McGrath	-
Ms JM Swinhoe	-
Ms ME Towers	-

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.

Directors' and Officers' Indemnification and Insurance

Indemnification

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

Insurance Premium

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

Environmental Regulation

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.

Directors' Report

Meeting 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 2018 and the number of meetings attended by each director.

	IMB Ltd		ACN 003 207 841 Pty Ltd		ACN 132 157 192 Pty Ltd		IMB Securitisation Services Pty Ltd		IMB Funeral Fund Management Pty Ltd		IMB Bank 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	Attended	Eligible to attend	Attended	Eligible to attend
Mr NH Cornish	10	10	2	2	1	1	6	6	2	2	2	2	1	1
Ms CA Aston	10	10	2	2	1	1	6	6	2	2	2	2	1	1
Mr JR Coleman	9	10	2	2	1	1	6	6	2	2	2	2	1	1
Mr RHP Elvy	2	2	1	1	1	1	1	1	1	1	1	1	1	1
Mr PJ Fitzgerald	7	7	1	1	-	-	5	5	1	1	1	1	-	-
Ms GM McGrath	10	10	2	2	1	1	6	6	2	2	2	2	1	1
Ms JM Swinhoe	9	10	2	2	1	1	5	6	2	2	2	2	1	1
Ms ME Towers	10	10	2	2	1	1	5	6	2	2	2	2	1	1

The following table sets out the number of committee meetings of the Company's directors held during the year ended 30 June 2018 and the number of meetings attended by each director.

	IMB Financial Planning		Audit		Risk Management		People and Culture		IMB Bank Community Foundation		Capital & Securitisation	
	Attended	Eligible to attend #	Attended	Eligible to attend #	Attended	Eligible to attend #	Attended	Eligible to attend #	Attended	Eligible to attend #	Attended	Eligible to attend #
Mr NH Cornish	-	-	4*	-	3*	-	5	5	-	-	4	4
Ms CA Aston	-	-	4	4	3*	-	5	5	1	1	-	-
Mr JR Coleman	-	-	1*	-	5	5	-	-	-	-	4	4
Mr RHP Elvy	-	-	1	1	-	-	-	-	-	-	1	1
Mr PJ Fitzgerald	-	-	3	3	3*	-	-	-	2	2	2	2
Ms GM McGrath	3	3	1*	-	5	5	3	3	-	-	4	4
Ms JM Swinhoe	-	-	2*	-	4	5	5	5	3	3	-	-
Ms ME Towers	3	3	4	4	5	5	-	-	-	-	-	-

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.

2017-18 Corporate Governance Statement is online

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

As an APRA-regulated entity, IMB Bank also complies with the governance requirements prescribed by APRA under Prudential Standard CPS 510 Governance. Information about IMB Bank's Board and management, corporate governance policies and practices and enterprise Risk Management Framework can be found in the 2017-18 Corporate Governance Statement available at: www.imb.com.au/about-us-corporate-governance.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 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 38 and forms part of the directors' report for the financial year ended 30 June 2018.

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 28th day of August 2018

Signed in accordance with a resolution of the directors:

NH Cornish Chairman	CA Aston Director

Lead Auditor's
Independence Declaration

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 for the financial year ended 30 June 2018 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

KPMG

Warwick Shanks
Partner

Dated at Wollongong this 28th day of August 2018

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.

Financial Statements
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Statements of **Profit or Loss**

For The Year Ended 30 June 2018

		CONSOLIDATED		COMPANY	
		2018	**2017**	**2018**	**2017**
	Note	**$000**	$000	**$000**	$000
Interest revenue	2	**231,874**	220,867	**246,297**	235,019
Interest expense	2	**(110,529)**	(110,439)	**(124,953)**	(124,591)
Net interest income		**121,345**	110,428	**121,344**	110,428
Impairment losses	2	**(1,235)**	(1,066)	**(954)**	(1,066)
Net interest income after impairment losses		**120,110**	109,362	**120,390**	109,362
Fee and commission income	2	**13,288**	13,838	**12,088**	12,650
Profit from sale of property, plant and equipment	2	**77**	20	**77**	20
Other income	2	**720**	1,171	**449**	885
Net operating income		**134,195**	124,391	**133,004**	122,917
Operating expenses	3	**(89,011)**	(85,139)	**(87,971)**	(84,068)
Profit before tax		**45,184**	39,252	**45,033**	38,849
Income tax expense	4	**(13,623)**	(11,800)	**(13,445)**	(11,679)
Profit for the year attributable to members of the Company		**31,561**	27,452	**31,588**	27,170

The statements of profit or loss are to be read in conjunction with the Notes to the financial statements set out on pages 46 to 93.

Statements of
Comprehensive Income

For The Year Ended 30 June 2018

	CONSOLIDATED		COMPANY	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Profit for the year	**31,561**	27,452	**31,588**	27,170
Other comprehensive (expense)/income				
Items that will never be reclassified to profit or loss:				
Remeasurement of defined benefit liability	**280**	665	**280**	665
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of available-for-sale investments	**(1,235)**	4,839	**(1,235)**	4,839
Net change in fair value of cash flow hedges	**25**	45	**25**	45
Net change in fair value of available-for-sale investments transferred to profit and loss	**(98)**	(344)	**(98)**	(344)
Total items that may be reclassified subsequently to profit or loss	**(1,308)**	4,540	**(1,308)**	4,540
Total other comprehensive (expense)/income for the year, net of income tax	**(1,028)**	5,205	**(1,028)**	5,205
Total comprehensive income for the year	**30,533**	32,657	**30,560**	32,375

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 in pages 46 to 93.

Statements of **Financial Position**

As At 30 June 2018

		CONSOLIDATED		COMPANY	
		2018	**2017**	**2018**	**2017**
	Note	**$000**	$000	**$000**	$000
ASSETS					
Cash and cash equivalents	26	**62,216**	65,237	**29,779**	28,823
Available-for-sale investments	6	**959,712**	975,774	**1,467,487**	1,476,437
Loans and receivables to ADIs	7	**277,005**	333,977	**277,005**	333,977
Loans and advances	8	**4,569,669**	4,312,141	**4,569,669**	4,312,327
Other financial assets	9	**505**	505	**2,264**	2,264
Property, plant and equipment	12	**12,366**	11,233	**12,250**	11,132
Intangible assets	13	**1,000**	1,172	**1,000**	1,172
Net deferred tax assets	4	**3,749**	2,699	**3,723**	2,659
Other assets	14	**25,960**	10,943	**42,499**	33,790
Total assets		**5,912,182**	5,713,681	**6,405,676**	6,202,581
LIABILITIES					
Trade and other payables	15	**40,766**	28,193	**25,254**	15,738
Deposits	16	**4,993,265**	4,795,283	**4,996,765**	4,798,323
Securitised loans funding	17	**405,795**	430,571	**912,699**	930,297
Interest bearing liabilities	18	**114,739**	116,555	**114,739**	116,555
Derivative liabilities	11	**-**	35	**-**	35
Current tax liabilities	4	**4,508**	3,512	**4,508**	3,512
Provisions	19	**9,422**	9,284	**9,352**	9,228
Total liabilities		**5,568,495**	5,383,433	**6,063,317**	5,873,688
Net assets		**343,687**	330,248	**342,359**	328,893
EQUITY					
Share capital	20	**30,514**	33,345	**30,514**	33,345
Reserves		**47,421**	47,556	**47,421**	47,556
Retained earnings		**265,752**	249,347	**264,424**	247,992
Total equity attributable to members of the Company		**343,687**	330,248	**342,359**	328,893

The statements of financial position are to be read in conjunction with the Notes to the financial statements set out on pages 46 to 93.

Statements of
Cash Flows

For The Year Ended 30 June 2018

		CONSOLIDATED		COMPANY	
		2018	**2017**	**2018**	**2017**
	Note	**$000**	$000	**$000**	$000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES					
Interest received		**232,064**	220,088	**246,488**	234,239
Other cash receipts in the course of operations		**23,278**	11,278	**16,065**	9,807
Interest paid on deposits		**(108,403)**	(110,170)	**(122,827)**	(124,322)
Income taxes paid		**(13,676)**	(9,571)	**(13,512)**	(9,434)
Net loans funded		**(251,761)**	(257,538)	**(251,294)**	(257,538)
Net increase in deposits		**195,856**	330,627	**196,317**	330,983
Other cash payments in the course of operations		**(97,484)**	(78,072)	**(87,498)**	(81,769)
Net cash flows (used in)/from operating activities	26	**(20,126)**	106,642	**(16,261)**	101,966
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Redemptions of/(Payments for) available for sale investments		**64,775**	(8,252)	**57,663**	(8,198)
Net cash received on merger		**-**	4,810	**-**	4,810
Expenditure on property, plant and equipment, and intangibles		**(4,261)**	(5,075)	**(4,203)**	(4,984)
Proceeds from sale of property, plant and equipment	12	**277**	144	**265**	115
Net cash flows from/(used in) investing activities		**60,791**	(8,373)	**53,725**	(8,257)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Net repayments from securitised loans funding		**(24,776)**	(104,733)	**(17,598)**	(104,757)
Net (payments for)/proceeds from interest bearing liabilities		**(1,816)**	39,853	**(1,816)**	39,853
Own shares acquired		**(11,942)**	(16,546)	**(11,942)**	(16,546)
Dividends paid	5	**(5,152)**	(7,336)	**(5,152)**	(7,336)
Net cash flows used in financing activities		**(43,686)**	(88,762)	**(36,508)**	(88,786)
Net (decrease)/increase in cash and cash equivalents held		**(3,021)**	9,507	**956**	4,923
Cash and cash equivalents at the beginning of the year		**65,237**	55,730	**28,823**	23,900
Cash and cash equivalents at the end of the year	26	**62,216**	65,237	**29,779**	28,823

The statements of cash flows are to be read in conjunction with the Notes to the financial statements set out in pages 46 to 93.

Statements of Changes in Equity

For The Year Ended 30 June 2018

CONSOLIDATED

In thousands of AUD	Share capital	Available-for-sale investments revaluation reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Transfer of business reserve	Retained earnings	Total equity
Balance at 1 July 2016	37,460	(161)	(70)	3,993	25,255	-	242,102	308,579
Total comprehensive income for the year								
Profit after tax	-	-	-	-	-	-	27,452	27,452
Other comprehensive income								
Remeasurement of defined benefit liability	-	-	-	-	-	-	665	665
Net revaluation movement due to change in fair value	-	4,839	45	-	-	-	-	4,884
Net change in fair value transferred to profit & loss	-	(344)	-	-	-	-	-	(344)
Total other comprehensive income	-	4,495	45	-	-	-	665	5,205
Total comprehensive income for the year	-	4,495	45	-	-	-	28,117	32,657
Transfer from retained profits	-	-	-	1,105	-	-	(1,105)	-
Transactions with owners, recorded in equity								
Merger with Sutherland Credit Union	-	-	-	-	-	12,894	-	12,894
Dividends to shareholder members	-	-	-	-	-	-	(7,336)	(7,336)
Own shares acquired	(4,115)	-	-	-	-	-	(12,431)	(16,546)
Balance at 30 June 2017	**33,345**	**4,334**	**(25)**	**5,098**	**25,255**	**12,894**	**249,347**	**330,248**
Balance at 1 July 2017	33,345	4,334	(25)	5,098	25,255	12,894	249,347	330,248
Total comprehensive income for the year								
Profit after tax	-	-	-	-	-	-	31,561	31,561
Other comprehensive income								
Remeasurement of defined benefit liability	-	-	-	-	-	-	280	280
Net revaluation movement due to change in fair value	-	(1,235)	25	-	-	-	-	(1,210)
Net change in fair value transferred to profit & loss	-	(98)	-	-	-	-	-	(98)
Total other comprehensive income	-	(1,333)	25	-	-	-	280	(1,028)
Total comprehensive income for the year	-	(1,333)	25	-	-	-	31,841	30,533
Transfer from retained profits	-	-	-	1,173	-	-	(1,173)	-
Transactions with owners, recorded in equity								
Dividends to shareholder members	-	-	-	-	-	-	(5,152)	(5,152)
Own shares acquired	(2,831)	-	-	-	-	-	(9,111)	(11,942)
Balance at 30 June 2018	**30,514**	**3,001**	**-**	**6,271**	**25,255**	**12,894**	**265,752**	**343,687**

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 in pages 46 to 93.

COMPANY

In thousands of AUD	Share capital	Available-for-sale investments revaluation reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Transfer of business reserve	Retained earnings	Total equity
Balance at 1 July 2016	37,460	(161)	(70)	3,993	25,255	-	241,029	307,506
Total comprehensive income for the year								
Profit after tax	-	-	-	-	-	-	27,170	27,170
Other comprehensive income								
Remeasurement of defined benefit liability	-	-	-	-	-	-	665	665
Net revaluation movement due to change in fair value	-	4,839	45	-	-	-	-	4,884
Net change in fair value transferred to profit & loss	-	(344)	-	-	-	-	-	(344)
Total other comprehensive income	-	4,495	45	-	-	-	665	5,205
Total comprehensive income for the year	-	4,495	45	-	-	-	27,835	32,375
Transfer from retained profits	-	-	-	1,105	-	-	(1,105)	-
Transactions with owners, recorded in equity								
Merger with Sutherland Credit Union	-	-	-	-	-	12,894	-	12,894
Dividends to shareholder members	-	-	-	-	-	-	(7,336)	(7,336)
Own shares acquired	(4,115)	-	-	-	-	-	(12,431)	(16,546)
Balance at 30 June 2017	**33,345**	**4,334**	**(25)**	**5,098**	**25,255**	**12,894**	**247,992**	**328,893**
Balance at 1 July 2017	33,345	4,334	(25)	5,098	25,255	12,894	247,992	328,893
Total comprehensive income for the year								
Profit after tax	-	-	-	-	-	-	31,588	31,588
Other comprehensive income								
Remeasurement of defined benefit liability	-	-	-	-	-	-	280	280
Net revaluation movement due to change in fair value	-	(1,235)	25	-	-	-	-	(1,210)
Net change in fair value transferred to profit & loss	-	(98)	-	-	-	-	-	(98)
Total other comprehensive income	-	(1,333)	25	-	-	-	280	(1,028)
Total comprehensive income for the year	-	(1,333)	25	-	-	-	31,868	30,560
Transfer from retained profits	-	-	-	1,173	-	-	(1,173)	-
Transactions with owners, recorded in equity								
Dividends to shareholder members	-	-	-	-	-	-	(5,152)	(5,152)
Own shares acquired	(2,831)	-	-	-	-	-	(9,111)	(11,942)
Balance at 30 June 2018	**30,514**	**3,001**	**-**	**6,271**	**25,255**	**12,894**	**264,424**	**342,359**

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 in pages 46 to 93.

Notes to the
Consolidated Financial Statements

For The Year Ended 30 June 2018

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 253-259 Crown Street, Wollongong NSW. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprises the Company and its subsidiaries (together referred to as the "Group"). The Group is a for-profit entity primarily involved in the provision to members of banking and financial services, including lending, savings, insurance and investment products.

(b) Basis of preparation

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

This financial report was authorised for issue by the directors on 28 August 2018.

This financial report was prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value:

- derivative financial instruments (note 1g) and available for sale investments (note 1f and 6).

(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 Instrument 2016/191 dated 30 June 2016 and in accordance with the Class Order, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

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

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 (notes1j and 10);
- Consolidation of special purpose entities (notes 1d and 9);
- Valuation of financial instruments (notes 1b(iv),1j, 6, 9 and 11); and
- Defined benefit fund liability (notes 1q 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 (notes1j and 10);
- Measurement of fair values (notes 1b(v),1f 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 value based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

(c) Changes in accounting policy

The Group has consistently applied the accounting policies set out in note 1 to all periods presented in these consolidated financial statements.

(d) 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 statement 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 Company conducts a loan securitisation program whereby residential and commercial mortgage loans are packaged and sold to Special Purpose Entities (SPEs).

Group
The Group receives the residual income distributed by the SPEs after all payments due to investors and associated costs of the program have been met. The Group is considered to retain the risks and rewards of the SPEs and as a result does not meet the de-recognition criteria of AASB 139 *Financial Instruments: Recognition and Measurement.*

The SPEs fund their purchase of the loans by issuing floating rate debt securities. The securities are issued by the SPEs. These are represented as borrowings of the Group; however, the Group does not stand behind the capital value or the performance of the securities or the assets of the SPEs.

The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the SPEs. The Group is not obliged to support any losses that may be suffered by investors and does not intend to provide such support.

The Company does however, provide the securitisation programs with arm's length services and facilities including the management and servicing of the loans securitised. The Company has no right to repurchase any of the securitised assets and no obligation to do so, other than in certain circumstances where there is a breach of warranty within 120 days of the sale or when certain criteria are met under the Clean-up Provision per the Trust Deed Series Supplement.

The transferred assets are equitably assigned to the SPEs. The investors in the securities issued by the SPEs have full recourse to the assets transferred to the SPEs. The Company receives the residual income distributed by the SPEs after all payments due to investors and associated costs of the program have been met and as a result the Company is considered to retain the risks and rewards of the SPEs.

Company
Interest rate risk from the SPEs is transferred back to the Company by way of interest rate and basis swaps. Accordingly, under AASB 139 the original sale of the mortgages from the Company to the SPEs does not meet the de-recognition criteria set out in AASB 139. The Company continues to reflect the securitised loans in their entirety and also recognises a financial liability to the SPEs. The interest payable on the intercompany financial asset/liability represents the return on an imputed loan between the Company and the SPEs and is based on the interest income under the mortgages, the fees payable by the SPEs and the interest income or expense not separately recognised under the interest rate and basis swaps transactions between the Company and the SPEs.

All transactions between the Company and the SPEs are eliminated on consolidation.

(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.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances in the Group's bank accounts and cash on hand with original maturities of three months or less from date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments. 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.

(f) Non-derivative financial assets

The Group initially recognises loans and advances and deposits on the date that they are originated. All other financial assets, excluding available for sale investments, are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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.

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. The Group has the following non-derivative financial assets: loans and advances, and available for sale investments.

(i) Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans are initially recorded at fair value net of origination income and expenses. Subsequent measurement is at amortised cost under the effective interest method, after assessing required provisions for impairment as described in note 1j.

(ii) Available-for-sale investments
Available-for-sale investments are non-derivative financial assets consisting of debt securities that are not actively traded and are intended to be held until maturity. Such securities are available for sale and may be sold should the need arise, including liquidity needs, or impacts of changes in interest rates, or equity prices.

Available-for-sale investments are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the available-for-sale reserve. When the investment is derecognised the cumulative gain or loss in equity is transferred to profit or loss. Fair values of quoted investments in active markets are based on current mid-prices. If the relevant market is not considered active, and other methods of determining fair value do not result in a reasonable estimate, then the investment is measured at cost less impairment losses. Available-for-sale investments are accounted for on the date of settlement.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) 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.

(g) 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.

(h) Revenue recognition

(i) Interest income and fees for services rendered
Except as described below, revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The principal sources of revenue are interest income, commission income and fee income. Interest income arising from loans and investments is brought to account using the effective interest rate method. Commission and fee income is recognised in profit or loss when the service is provided (except as described in part (ii) below).

(ii) Loan origination income
Revenue received in relation to the origination of loans is deferred and recognised in profit or loss, as an increase in loan interest income, on an effective interest basis over the expected life of the relevant loans. The balance outstanding of the deferred origination income is recognised in the statement of financial position as a decrease in the value of loans outstanding.

(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 they are received.

(i) Expenses

(i) Loan origination expenses
Expenses incurred directly in the origination of loans are deferred and recognised in profit or loss, as a reduction to loan interest income, on an effective interest basis over the expected life of the relevant loans. The balance outstanding of the deferred origination expenses is recognised in the statement of financial position as an increase in the value of loans outstanding.

(ii) Securitisation set-up expenses
Expenses incurred directly in the establishment and marketing of securitisation vehicles are deferred and recognised in profit or loss on an effective interest basis over the expected life of the relevant liability to note holders. The balance outstanding of deferred securitisation expenses is recognised in the statement of financial position as a reduction in securitised loans funding.

(j) Impairment

(i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers evidence of impairment for receivables and available-for-sale investment securities at both a specific asset and collective level. All individually significant receivables and available-for-sale investment securities are assessed for specific impairment. All individually significant receivables and available-for-sale investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and available-for-sale investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and available-for-sale investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income. If, in a subsequent year, the fair value of an impaired available-for-sale investment security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

(ii) Loan impairment

All loan assets are subject to recurring review and assessed for possible impairment. All bad debts are written off in the year in which they are identified. Provisions for loan losses are based on an incurred loss model, which recognises a provision where there is objective evidence of impairment at each balance date, even where the impairment event cannot be attributed to individual exposures. The required provision is estimated on the basis of historical loss experience, and an assessment of the impact of current economic conditions.

Specific provisions are recognised where specific impairment is identified. Where individual loans are found not to be impaired, they are placed into pools of assets with similar risk profiles and collectively assessed for losses that have been incurred but not yet identified. The Group makes judgements as to whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows from a portfolio of loans. The evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that are likely to have triggered a worsening of the loan quality, which will eventually lead to losses. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio. The methodology and assumptions used for estimating likely future losses are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in the assumptions used for estimating likely future losses could result in a change in provisions for loan losses and have a direct impact on the impairment charge.

A general reserve for credit losses is also held as an additional allowance for impairment losses to meet prudential requirements.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets (see note 1l), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

(k) Deposits and interest expense

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. Interest expense on deposits is calculated daily based on the closing balance for each day and is brought to account on an accruals basis.

(l) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (continued)

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. As a consequence, all members of the tax consolidated group have been taxed as a single entity from 1 July 2003. 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.

(m) 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 1j).

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

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

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

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

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

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

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

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

(n) Intangibles

Computer software
Where computer software costs are not integrally related to associated hardware, the Group recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the Group controls. The Group carries capitalised computer software assets at cost less accumulated amortisation and any accumulated impairment losses. These assets are amortised over the estimated useful lives of the computer software (being between 3 to 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.

(o) Lease payments

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

(i) Determining whether an arrangement contains a finance lease
At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of the specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

(p) Dividends payable

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

(q) Employee benefits

(i) Short-term benefits
Short-term employee benefit obligations 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) 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.

(iii) 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.

(iv) Other long-term employee benefits
The Group's net obligation in respect of the long-term employee benefits 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.

(v) 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.

(r) Interest bearing liabilities

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

(s) 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.

(t) 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.

(u) Goods and services tax

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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.

(w) 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 2017 and earlier application is permitted, however, the Group has not early adopted the following new or amended standards in preparing this financial report.

AASB 9 Financial Instruments

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces AASB 139 Financial Instruments: Recognition and Measurement.

The Group will first apply AASB 9 in the financial year beginning 1 July 2018. Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of AASB 9 on the opening balance of the Group's equity at 1 July 2018 is an increase of approximately $1.2 million.

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting AASB 9 on 1 July 2018 may change because:

- The Group is refining and finalising its models for Expected Credit Loss (ECL) calculations; and
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

i. Classification – Financial assets
AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 includes three principal classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit and loss (FVTPL). It eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available-for-sale.

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

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:
The Group will make 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 that will be 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.

Impact assessment:
The standard will affect the classification and measurement of financial assets held as at 1 July 2018 as follows:
- Loans and advances to banks and to members that are classified as loans and receivables and measured at amortised cost under AASB 139 will in general also be measured at amortised cost under AASB 9.
- Held-to-maturity investment securities measured at amortised cost under AASB 139 will in general also be measured at amortised cost under AASB 9.
- Debt investment securities that are classified as available-for-sale under AASB 139 may, under AASB 9, be measured at amortised cost or at FVOCI.

ii. Impairment – Financial assets, loan commitments and financial guarantee contracts

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' model. This will require judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. An ECL can generally be thought of as the difference between the contractual and expected cash flows of an exposure, discounted to allow for the time-value of money.

AASB 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Under the expected credit loss model, the Group will apply a three-stage approach to measuring the ECL based on migration between stages. Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of probability of default (PD), loss given default (LGD) and exposure at default (EAD). The assessment of credit risk, and estimation of ECL, will be unbiased and probability weighted, and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportive information about future events and economic conditions at the reporting date.

The impairment allowance is intended to be more forward-looking under AASB 9.

Stage 1 – 12 month ECL
At initial recognition, ECL is measured as the product of the 12-month PD, LGD and EAD, adjusted for forward-looking information.

Stage 2 – Lifetime ECL not credit-impaired
When there has been a significant increase in credit risk, the ECL is increased to reflect the product of lifetime PD, LGD and EAD, adjusted for forward-looking information.

Stage 3 – Lifetime ECL credit-impaired
For credit-impaired exposures that are modelled collectively, ECL is measured as the product of lifetime PD, LGD and EAD, adjusted for forward-looking information. For exposures measured individually it is the difference between the contractual and expected cash flows for that exposure.

Credit impaired assets generally match the APRA definition of impairment which includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

iii. Hedge accounting
When initially applying AASB 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of AASB 139 instead of the requirements of AASB 9. The Group has elected to continue to apply AASB 139. However, the Group will provide the expanded disclosures on hedge accounting introduced by AASB 9's amendments to AASB 7 Financial Instruments: Disclosures because the accounting policy election does not provide an exemption from these new disclosure requirements.

iv. Transition
The Group will record a transition adjustment to the opening balance sheet, retained earnings and other comprehensive income at 1 July 2018 for the impact of the adoption of impairment requirements of AASB 9.

The transition adjustment is estimated to increase the Group's total equity by approximately $1.2 million and will result in the transfer of approximately $1.1 million from retained earnings to the general reserve for credit loss. The estimated transition adjustment relates to the implementation of the impairment requirements which will increase opening retained earnings by approximately $0.1 million. The Group will not restate comparatives. The Group will continue to refine and validate components of the ECL impairment model during the financial year ended 30 June 2019.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for the recognition of revenue and additional disclosures about revenue. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group does not expect the application of AASB 15 will have any material impact on its consolidated financial statements.

AASB 16 Leases

AASB 16 replaces the current AASB 117 Leases standard and sets out a comprehensive model for identifying lease arrangements and the subsequent measurement. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The majority of leases from the lessee perspective within the scope of AASB 16 will require the recognition of a 'right-of-use' asset and a related lease liability, being the present value of future lease payments. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense. Classification of leases from the Group's perspective as lessor remains unchanged under AASB 16. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019.

An initial assessment has been performed based on operating leases that exist in the current reporting period. Based on this assessment it is not anticipated that there will be a material impact to retained earnings. This assessment is subject to the composition of operating leases at the date of transition.

	CONSOLIDATED		COMPANY	
	2018	2017	**2018**	2017
2 OPERATING INCOME	**$000**	$000	**$000**	$000
Interest revenue				
Loans and advances	**197,338**	184,613	**197,338**	184,613
Consolidated entities	**-**	-	**1**	1
ADIs	**8,104**	7,590	**8,104**	7,590
Available-for-sale investments	**26,432**	28,664	**40,854**	42,815
	231,874	220,867	**246,297**	235,019
Interest expense				
Deposits				
- from members	**93,661**	91,638	**93,661**	91,638
- consolidated entities	**-**	-	**14,424**	14,152
- interest bearing liabilities	**4,362**	4,496	**4,362**	4,496
Securitised loans funding	**12,506**	14,305	**12,506**	14,305
	110,529	110,439	**124,953**	124,591
Net interest income	**121,345**	110,428	**121,344**	110,428
Impairment losses				
Impairment of loans and advances	**1,235**	1,066	**954**	1,066
Net interest income after impairment losses	**120,110**	109,362	**120,390**	109,362
Fees and commission income				
Loan switch and breakout fees	**371**	453	**371**	453
Transaction fees	**6,082**	6,415	**6,082**	6,415
Payment system fees	**2,348**	2,392	**2,348**	2,392
Financial planning revenue	**1,200**	1,188	**-**	-
Commissions	**3,287**	3,390	**3,287**	3,390
	13,288	13,838	**12,088**	12,650
Profit from sale of property, plant and equipment				
Profit from sale of plant and equipment	**77**	20	**77**	20
	77	20	**77**	20
Other income				
Impairment losses recovered	**175**	109	**175**	109
Rental income	**149**	150	**149**	150
Other	**396**	912	**125**	626
	720	1,171	**449**	885
Net operating income	**134,195**	124,391	**133,004**	122,917

3 OPERATING EXPENSES	CONSOLIDATED 2018 $000	CONSOLIDATED 2017 $000	COMPANY 2018 $000	COMPANY 2017 $000
Personnel expense				
Salaries	**42,981**	40,193	**42,387**	39,563
Payroll tax	**2,481**	2,294	**2,442**	2,254
Fringe benefits tax	**622**	636	**598**	608
Superannuation	**4,713**	4,440	**4,656**	4,381
	50,797	47,563	**50,083**	46,806
Occupancy expense				
Repairs and maintenance	**389**	487	**388**	486
Rental on operating leases	**7,101**	7,191	**7,068**	7,158
Other	**2,071**	2,029	**2,014**	1,986
	9,561	9,707	**9,470**	9,630
Payment system expense	**3,290**	3,655	**3,290**	3,655
Marketing expense	**6,493**	5,755	**6,484**	5,752
Data processing expense	**4,274**	4,807	**4,242**	4,775
Postage and printing expense	**2,139**	2,374	**2,138**	2,357
Contributions to IMB and Shire Community Foundations	**600**	500	**600**	500
Goods and services tax not recovered	**2,670**	2,482	**2,670**	2,482
Sundry expenses				
Depreciation and amortisation				
- plant and equipment	**2,363**	2,191	**2,332**	2,160
- buildings	**65**	65	**65**	65
- intangibles	**638**	672	**638**	672
Legal and consulting	**2,362**	1,575	**2,344**	1,562
Loss from sale of property, plant and equipment	**34**	103	**34**	103
Other	**3,725**	3,690	**3,581**	3,549
	9,287	8,296	**9,094**	8,111
Total operating expenses	**89,011**	85,139	**87,971**	84,068

	CONSOLIDATED		COMPANY	
	2018	**2017**	**2018**	**2017**
4 TAXATION	**$000**	$000	**$000**	$000
a) Income tax expense				
Current tax expense				
- current year	**13,897**	12,492	**13,734**	12,356
- adjustment for prior years	**3**	-	**3**	-
	13,900	12,492	**13,737**	12,356
Deferred tax expense				
- origination and reversal of temporary differences	**(277)**	(692)	**(292)**	(677)
Total income tax expense	**13,623**	11,800	**13,445**	11,679
Reconciliation between income tax expense and profit before tax				
Profit before tax	**45,184**	39,252	**45,033**	38,849
Prima facie income tax expense at 30% on operating profit	**13,555**	11,776	**13,510**	11,655
Increase in income tax expense due to:				
- income tax under provided for in prior year	**3**	-	**3**	-
- other non deductible expenses	**31**	-	**31**	-
- depreciation of buildings	**20**	19	**20**	19
- non deductible entertainment	**43**	37	**43**	37
Decrease in income tax expense due to:				
- non assessable income	**-**	-	**(133)**	-
- other deductible expenses	**(29)**	(32)	**(29)**	(32)
Income tax expense	**13,623**	11,800	**13,445**	11,679
Income tax recognised directly in other comprehensive income				
Relating to defined benefit fund	**120**	285	**120**	285
Relating to available-for-sale investments	**(571)**	1,926	**(571)**	1,926
Relating to cashflow hedges	**10**	19	**10**	19
	(441)	2,230	**(441)**	2,230

b) Current tax liabilities

The current tax liability for the Group of $4,508,000 (2017: $3,512,000) and for the Company of $4,508,000 (2017: $3,512,000) 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 2018 $000	CONSOLIDATED 2017 $000	COMPANY 2018 $000	COMPANY 2017 $000
Deferred tax assets/(liabilities)				
Deferred tax assets and liabilities are attributable to the following:				
Provisions and accrued expenses	**2,558**	2,182	**2,553**	2,159
Employee benefits	**2,705**	2,624	**2,684**	2,607
Derivative liabilities	**-**	10	**-**	10
Consulting and legal fees	**19**	21	**19**	21
Deferred lending fees	**-**	42	**-**	42
Total deferred tax assets	**5,282**	4,879	**5,256**	4,839
Available for sale investments	**(1,286)**	(1,859)	**(1,286)**	(1,859)
Property, plant and equipment	**(46)**	15	**(46)**	15
Unearned income	**-**	7	**-**	7
Deferred expenditure	**(201)**	(343)	**(201)**	(343)
Total deferred tax liabilities	**(1,533)**	(2,180)	**(1,533)**	(2,180)
Net deferred tax assets	**3,749**	2,699	**3,723**	2,659

5 DIVIDENDS	Cents per Share	Total amount $000	% Franked	Date of payment
Dividends recognised in current year by the Company are:				
2018				
2018 interim dividend	**10.0**	**2,597**	**100%**	**27-Feb-18**
2017 final dividend	**9.0**	**2,555**	**100%**	**4-Sep-17**
		5,152		
2017				
2017 interim dividend	9.0	2,555	100%	27-Feb-17
2016 final dividend	15.0	4,781	100%	2-Sep-16
		7,336		

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

Subsequent events

On 28 August 2018 the Board declared a final ordinary dividend of 10.0 cents per share amounting to $2,597,000 franked at 100% at a tax rate of 30%, in respect of the year ended 30 June 2018. The dividend is payable on 4 September 2018. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 30 June 2018 and will be recognised in subsequent financial statements. The declaration and subsequent payment of dividends has no income tax consequences.

	COMPANY	
5 DIVIDENDS (CONTINUED)	**2018 $000**	2017 $000
Dividend franking account		
30% franking credits available to members of the Company for dividends in subsequent financial years	**118,012**	109,939

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, the Company as the head entity in the tax consolidated group has also assumed the benefit of $nil (2017: $nil) franking credits.

	CONSOLIDATED		COMPANY	
6 AVAILABLE-FOR-SALE INVESTMENTS	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Available-for-sale investments *				
- certificates of deposit issued by banks	**79,760**	49,896	**79,760**	49,896
- floating rate notes**	**879,952**	925,878	**1,387,727**	1,426,541
Total investments	**959,712**	975,774	**1,467,487**	1,476,437

* All available-for-sale investments are measured at fair value (refer to note 1f for details on accounting policy).
** The Company holds $500,000,000 (2017: $500,000,000) in bonds issued by the Illawarra Series IS Trust and $7,000,000 (2017: $nil) 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.

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

7 LOANS AND RECEIVABLES TO ADIs	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Loans to Authorised Deposit-taking Institutions ('ADIs')	**277,005**	333,977	**277,005**	333,977
Total loans and receivables to ADIs	**277,005**	333,977	**277,005**	333,977
LOANS BY MATURITY				
- up to three months	**160,542**	161,975	**160,542**	161,975
- from three to six months	**21,312**	6,114	**21,312**	6,114
- from six to nine months	**53,877**	121,202	**53,877**	121,202
- from nine to twelve months	**-**	3,392	**-**	3,392
- from one to five years	**41,274**	41,294	**41,274**	41,294
Total loans and receivables to ADIs	**277,005**	333,977	**277,005**	333,977

		CONSOLIDATED		COMPANY	
8 LOANS AND ADVANCES	**Note**	**2018 $000**	**2017** $000	**2018 $000**	**2017** $000
Loans and advances*		**4,574,781**	4,316,666	**4,574,781**	4,316,852
Provision for impairment	10	**(5,112)**	(4,525)	**(5,112)**	(4,525)
Total loans net of provision for impairment		**4,569,669**	4,312,141	**4,569,669**	4,312,327
LOANS BY MATURITY					
Loans maturing					
- revolving credit		**5,868**	6,310	**5,868**	6,310
- up to three months		**33,363**	28,292	**33,363**	28,292
- from three to six months		**33,828**	26,980	**33,828**	26,980
- from six to nine months		**35,307**	27,796	**35,307**	27,796
- from nine to twelve months		**35,114**	28,146	**35,114**	28,146
- from one to five years		**576,744**	452,229	**576,744**	452,415
- over five years		**3,854,557**	3,746,913	**3,854,557**	3,746,913
Provision for impairment	10	**(5,112)**	(4,525)	**(5,112)**	(4,525)
Total loans net of provision for impairment		**4,569,669**	4,312,141	**4,569,669**	4,312,327

* Includes $884,221,000 of securitised residential loans and $29,382,000 of securitised commercial loans (2017: $893,814,000 of securitised residential loans and $37,626,000 of securitised commercial loans).

9 OTHER FINANCIAL ASSETS	**2018 $000**	**2017** $000	**2018 $000**	**2017** $000
Other equity investments – at cost*	**505**	505	**505**	505
Investments in controlled entities	**-**	-	**1,759**	1,759
Total other financial assets	**505**	505	**2,264**	2,264

* Other equity investments are measured at cost as there is no quoted market price in an active market and the fair value cannot be reliably estimated.

	CONSOLIDATED		COMPANY	
	2018	**2017**	**2018**	**2017**
10 PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES	**$000**	$000	**$000**	$000
Specific provision				
Opening balance	**739**	287	**739**	287
Additions to specific provision	**431**	927	**431**	927
Loans written off, previously provided for	**(299)**	(241)	**(299)**	(241)
Reversal of provision	**(49)**	(234)	**(49)**	(234)
Closing balance	**822**	739	**822**	739
Collective provision				
Opening balance	**3,786**	3,786	**3,786**	3,786
Additions to collective provision	**504**	-	**504**	-
Loans written off	**-**	-	**-**	-
Reversal of provision	**-**	-	**-**	-
Closing balance *	**4,290**	3,786	**4,290**	3,786
Total provision for impairment	**5,112**	4,525	**5,112**	4,525
Impairment of loans and advances				
Movement in specific provision	**382**	693	**382**	693
Movement in collective provision	**504**	-	**504**	-
Impairment losses written off directly	**349**	373	**68**	373
	1,235	1,066	**954**	1,066

* The Company also holds a general reserve for credit losses as an additional allowance for impairment losses to comply with prudential requirements.

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

	CONSOLIDATED		COMPANY	
11 DERIVATIVE LIABILITIES	**2018 $000**	**2017** $000	**2018 $000**	**2017** $000
Interest rate swaps at fair value	**-**	35	**-**	35

12 PROPERTY, PLANT AND EQUIPMENT	**2018 $000**	**2017** $000	**2018 $000**	**2017** $000
Freehold land				
- at cost	**2,315**	2,315	**2,315**	2,315
Freehold buildings				
- at cost	**2,614**	2,604	**2,614**	2,604
- accumulated depreciation	**(1,232)**	(1,167)	**(1,232)**	(1,167)
	1,382	1,437	**1,382**	1,437
Total land and buildings	**3,697**	3,752	**3,697**	3,752
Plant and equipment				
- at cost	**32,854**	32,307	**32,583**	32,044
- accumulated depreciation	**(25,723)**	(25,008)	**(25,568)**	(24,846)
Total plant and equipment	**7,131**	7,299	**7,015**	7,198
Work in progress – at cost	**1,538**	182	**1,538**	182
Total property, plant and equipment – at cost	**39,321**	37,408	**39,050**	37,145
Total accumulated depreciation	**(26,955)**	(26,175)	**(26,800)**	(26,013)
Total property, plant and equipment – carrying amount	**12,366**	11,233	**12,250**	11,132

	CONSOLIDATED		COMPANY	
	2018	2017	**2018**	2017
12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	**$000**	$000	**$000**	$000
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	**2,315**	2,315	**2,315**	2,315
Carrying amount at the end of the year	**2,315**	2,315	**2,315**	2,315
Buildings				
Carrying amount at the beginning of the year	**1,437**	1,502	**1,437**	1,502
Additions	**10**	-	**10**	-
Depreciation	**(65)**	(65)	**(65)**	(65)
Carrying amount at the end of the year	**1,382**	1,437	**1,382**	1,437
Plant and equipment				
Carrying amount at the beginning of the year	**7,299**	3,930	**7,198**	3,860
Additions	**1,173**	672	**1,115**	581
Assets acquired on merger	**-**	498	**-**	498
Transfers from work in progress	**1,256**	4,617	**1,256**	4,617
Disposals	**(234)**	(227)	**(222)**	(198)
Depreciation	**(2,363)**	(2,191)	**(2,332)**	(2,160)
Carrying amount at the end of the year	**7,131**	7,299	**7,015**	7,198
Work in progress				
Carrying amount at the beginning of the year	**182**	1,200	**182**	1,200
Additions	**2,612**	3,599	**2,612**	3,599
Transfers to plant and equipment	**(1,256)**	(4,617)	**(1,256)**	(4,617)
Carrying amount at the end of the year	**1,538**	182	**1,538**	182

	CONSOLIDATED		COMPANY	
13 INTANGIBLE ASSETS	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Intangible computer software				
- at cost	**10,604**	10,224	**10,604**	10,224
- accumulated amortisation	**(9,604)**	(9,052)	**(9,604)**	(9,052)
Total intangible computer software	**1,000**	1,172	**1,000**	1,172
Reconciliation				
Intangible computer software				
Carrying amount at the beginning of the year	**1,172**	999	**1,172**	999
Additions	**466**	804	**466**	804
Assets acquired on merger	**-**	41	**-**	41
Amortisation	**(638)**	(672)	**(638)**	(672)
Carrying amount at the end of the year	**1,000**	1,172	**1,000**	1,172

14 OTHER ASSETS	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Sundry debtors	**25,960**	10,943	**42,499**	33,790

15 TRADE AND OTHER PAYABLES	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Trade creditors	**25,423**	15,857	**25,254**	15,738
Distributions payable by Special Purpose Entities	**15,079**	12,046	**-**	-
Fees payable by Special Purpose Entities	**264**	290	**-**	-
Total trade and other payables	**40,766**	28,193	**25,254**	15,738

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

	CONSOLIDATED		COMPANY	
16 DEPOSITS	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Retail deposits	**3,597,810**	3,508,775	**3,601,310**	3,511,815
Middle markets	**937,031**	808,871	**937,031**	808,871
Wholesale deposits	**437,427**	458,766	**437,427**	458,766
Accrued interest	**20,997**	18,871	**20,997**	18,871
Total deposits	**4,993,265**	4,795,283	**4,996,765**	4,798,323
CONCENTRATION OF DEPOSITS				
New South Wales	**3,995,314**	3,858,053	**3,998,814**	3,861,093
Australian Capital Territory	**184,258**	225,960	**184,258**	225,960
Queensland	**252,598**	153,746	**252,598**	153,746
South Australia	**37,294**	40,843	**37,294**	40,843
Victoria	**389,979**	395,640	**389,979**	395,640
Western Australia	**54,946**	45,325	**54,946**	45,325
Tasmania	**53,843**	47,989	**53,843**	47,989
Northern Territory	**25,033**	27,727	**25,033**	27,727
Total deposits	**4,993,265**	4,795,283	**4,996,765**	4,798,323

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

17 SECURITISED LOANS FUNDING	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Notes payable	**405,795**	430,571	**-**	-
Loans from securitisation trusts*	**-**	-	**912,699**	930,297
Total securitised loans funding	**405,795**	430,571	**912,699**	930,297

* Includes $500,000,000 (2017: $500,000,000) in bonds issued by the Illawarra Series IS Trust. Refer note 25.

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

		CONSOLIDATED		COMPANY	
		2018	2017	2018	2017
18 INTEREST-BEARING LIABILITIES	Note	$000	$000	$000	$000
Repurchase agreements*					
Repurchase agreements		**45,019**	44,961	**45,019**	44,961
		45,019	44,961	**45,019**	44,961
Subordinated Floating Rate Notes	1r				
- Series 3		**29,888**	29,805	**29,888**	29,805
- Series 4		**39,832**	39,793	**39,832**	39,793
- Series A LT2		**-**	1,996	**-**	1,996
Total Subordinated floating rate notes		**69,720**	71,594	**69,720**	71,594
Total interest-bearing liabilities		**114,739**	116,555	**114,739**	116,555

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

Series 3 was issued for a ten year period maturing 2026 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 day Bank Bill Rate plus a margin of 375 basis points.

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

Series A LT2 4 was called in full at the optional redemption date with the approval of APRA on 29 December 2017.

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

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

		2018	2017	2018	2017
19 PROVISIONS		$000	$000	$000	$000
Make good provision					
Balance at the beginning of the year		**479**	450	**479**	450
Provisions made during the year		**-**	48	**-**	48
Provisions acquired on merger		**-**	66	**-**	66
Provisions used during the year		**(74)**	(85)	**(74)**	(85)
Balance at the end of the year		**405**	479	**405**	479
Employee benefits					
Balance at the beginning of the year		**8,805**	8,505	**8,749**	8,449
Provisions made during the year		**4,006**	3,271	**3,952**	3,216
Provisions acquired on merger		**-**	495	**-**	495
Provisions used during the year		**(3,794)**	(3,466)	**(3,754)**	(3,411)
Balance at the end of the year	21	**9,017**	8,805	**8,947**	8,749
Total provisions		**9,422**	9,284	**9,352**	9,228

	CONSOLIDATED		COMPANY	
	2018	2017	2018	2017
20 SHARE CAPITAL AND RESERVES	$000	$000	$000	$000
Share capital – Ordinary shares				
On issue at 1 July (28,386,111 ordinary shares)	**33,345**	37,460	**33,345**	37,460
Own shares acquired (2,420,029 ordinary shares)	**(2,831)**	(4,115)	**(2,831)**	(4,115)
On issue at 30 June (25,966,082 ordinary shares)	**30,514**	33,345	**30,514**	33,345

On 19 December 2017 the Company bought back 2.42 million shares for a total cash consideration, including transaction costs of $11.94 million. All shares tendered were accepted in full.

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 Shareholders 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.

Available-for-sale investments revaluation reserve
The available-for-sale investments revaluation reserve includes the cumulative net change in fair value of available-for-sale debt investments until the investment is derecognised or impaired, net of applicable income tax.

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

General reserve for credit losses
The general reserve for credit losses contains an additional allowance for impairment losses, above that calculated in accordance with note 1j. The general reserve for credit losses together with the amounts calculated in accordance with note 1j must be adequate to comply with prudential requirements.

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 2018 $000	2017 $000	COMPANY 2018 $000	2017 $000
Current				
Liability for annual leave	**3,619**	3,420	**3,577**	3,388
Liability for banked time	**5**	4	**5**	4
Liability for long service leave	**5,003**	4,504	**5,003**	4,504
Liability for purchased annual leave	**54**	56	**54**	56
	8,681	7,984	**8,639**	7,952
Non-Current				
Present value of defined benefit fund obligations	**10,386**	9,553	**10,386**	9,553
Fair value of defined benefit fund assets	**(10,978)**	(9,735)	**(10,978)**	(9,735)
Present value of net obligations	**(592)**	(182)	**(592)**	(182)
Unrecognised actuarial losses	**-**	-	**-**	-
Net defined benefit (asset)/ liability	**(592)**	(182)	**(592)**	(182)
Liability for long service leave	**928**	1,003	**900**	979
	336	821	**308**	797
Total employee benefits	**9,017**	8,805	**8,947**	8,749

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 percent 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 10 members (2017: 10) in the plan. An actuarial assessment of the plan at 30 June 2018 was carried out by Ms J Dean FIAA on 12 July 2018.

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

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

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

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

	CONSOLIDATED		COMPANY	
21 EMPLOYEE BENEFITS (CONTINUED)	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Movements in the net defined benefit asset/(liability)				
Net defined benefit asset/(liability) at the beginning of the year	**182**	(742)	**182**	(742)
Total remeasurement recognised in other comprehensive income gain/(loss)	**399**	951	**399**	951
Contributions received from employer	**468**	449	**468**	449
Defined benefit cost recognised in the profit and loss	**(457)**	(476)	**(457)**	(476)
Net defined benefit asset/(liability) at the end of the year	**592**	182	**592**	182
Movement in the present value of the defined benefit obligations are as follows:				
Defined benefit obligation at the beginning of the year	**9,553**	9,170	**9,553**	9,170
Current service cost	**375**	368	**375**	368
Past service cost	**-**	-	**-**	-
Interest cost	**353**	275	**353**	275
Actuarial (gains)/losses arising from:				
- demographic assumptions	**-**	-	**-**	-
- financial assumptions	**55**	(287)	**55**	(287)
- experience adjustment	**14**	(25)	**14**	(25)
Contributions by employees	**113**	116	**113**	116
Benefits paid	**-**	-	**-**	-
Other	**(77)**	(64)	**(77)**	(64)
Defined benefit obligation at the end of the year	**10,386**	9,553	**10,386**	9,553
Movement in the present value of fund assets are as follows:				
Fair value of fund assets at the beginning of the year	**9,735**	8,428	**9,735**	8,428
Interest income on plan assets	**366**	261	**366**	261
Remeasurements: return on plan assets	**467**	638	**467**	638
Contributions by employer	**468**	449	**468**	449
Contributions by employees	**113**	116	**113**	116
Benefits paid	**-**	-	**-**	-
Taxes paid	**(69)**	(69)	**(69)**	(69)
Administrative expenses and insurance premiums	**(102)**	(88)	**(102)**	(88)
Fund assets at the end of the year	**10,978**	9,735	**10,978**	9,735

21 EMPLOYEE BENEFITS (CONTINUED)

Fair value of the plan assets disaggregated by nature and risk

The plan assets are invested in a pool managed investment distributing unit trust. The unit trust investment manager invests funds in the asset classes outlined in the table below:

	2018 $000	2017 $000
Cash and cash equivalents		
- Cash	**514**	399
Equity		
- Domestic	**3,357**	3,089
- International (currency hedged)	**1,004**	1,001
- International (currency unhedged)	**2,437**	2,145
Fixed income		
- Domestic	**1,038**	821
- International	**1,030**	862
Real estate/property		
- Domestic indirect property	**334**	272
- International property	**316**	287
Other		
- Alternate growth	**424**	380
- Alternate defensive	**524**	479
Total	**10,978**	9,735

The plan assets do not consist of any employer's own financial instruments or any property or other assets used by the employer.

The plan assets are managed in accordance with the Trustee's investment policy. In setting and reviewing the investment policy, consideration is given to the risk-return characteristics of the available-for-sale asset classes, concentration risk, liquidity management and the suitability of the assets to the plan's liability duration. At the request of the employer, the investment policy can be reviewed to match the degree of risk-appetite preference of the employer. The actual funding policy and contribution arrangements incorporate the asset-liability risk and return profile.

Actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	CONSOLIDATED		COMPANY	
	2018 %	2017 %	2018 %	2017 %
Discount rate at 30 June	**3.7**	3.8	**3.7**	3.8
Expected return on fund assets at 30 June	**3.7**	3.8	**3.7**	3.8
Future salary increases	**4.0**	4.0	**4.0**	4.0

Assumptions regarding future retirement, resignation and mortality rates are based on statistical and mortality tables as adopted in the most recent triennial actuarial investigation as at 1 July 2015.

21 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2018		2017	
Effect in $000	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(527)**	**573**	(537)	588
Future salary growth (1% movement)	**387**	**(366)**	413	(388)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

	Year ending 30 June 2019
Expected contributions to the plan in the next reporting period	$000
Expected employer contributions	431
Expected employee contributions	102

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 5.4 years

	2018	2017
Projected benefit payments (defined benefit only)	$000	$000
Next year	**1,514**	637
Next year + 1 year	**966**	776
Next year + 2 years	**1,423**	990
Next year + 3 years	**1,345**	1,363
Next year + 4 years	**825**	1,279
Sum of next year + 5 – 9 years	**5,516**	5,992

Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was $3,628,000 for the financial year (2017: $3,489,000).

	CONSOLIDATED		COMPANY	
	2018	**2017**	**2018**	**2017**
22 CAPITAL AND OTHER COMMITMENTS	**\$000**	\$000	**\$000**	\$000
Loan commitments approved but not advanced				
- not later than one year	**365,260**	378,199	**365,260**	378,199
- later than one year	**12,071**	11,442	**12,071**	11,442
Total	**377,331**	389,641	**377,331**	389,641
Capital expenditure commitments not taken up in the financial statements				
- not later than one year	**45,079**	1,017	**45,079**	1,017
- later than one year	**16,980**	-	**16,980**	-
Total	**62,059**	1,017	**62,059**	1,017
Non-cancellable operating lease rentals payable				
- not later than one year	**7,688**	6,674	**7,688**	6,674
- later than one year but not later than five years	**13,638**	11,330	**13,638**	11,330
- later than five years	**116**	-	**116**	-
Total	**21,442**	18,004	**21,442**	18,004

On 6 November 2017, the Company entered into as purchaser, a Contract for Sale of Land to purchase land at 47 Burelli Street, Wollongong, for $8 million (plus GST). The settlement of this purchase was conditional upon the receipt of a development consent from Wollongong City Council to the Company's satisfaction, which was received by the Company in July 2018. Following settlement of the Contract for Sale of Land, the Company has completed contractual arrangements for the development and construction of a purpose built head office under a maximum sum contract.

The Company leases property under operating leases for terms up to seven years. Leases generally provide the Company with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movement in the Consumer Price Index or operating criteria.

The Company has lease commitments resulting from the sale and lease back of its head office premises at 253-259 Crown Street Wollongong. The lease term is for two years and six months with three one year options to extend.

	2018	**2017**	**2018**	**2017**
23 FINANCING ARRANGEMENTS	**\$000**	\$000	**\$000**	\$000
Bank overdraft available	**2,500**	2,500	**2,500**	2,500
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 8.40% (2017: 8.40%).

24 CONTINGENT LIABILITIES

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.

Contingent liabilities considered remote
Guarantees given by IMB Ltd

Business Banking clients
Contingent liabilities include guarantees of $4,397,000 (2017: $5,327,000) 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.

25 CONSOLIDATED ENTITIES

Parent entity

IMB Ltd

		Ownership Interest	
		2018	**2017**
Subsidiaries	**Principal Activity**	**%**	**%**
IMB Funeral Fund Management Pty Ltd	Trustee	**100.0**	100.0
ACN 003 207 841 Pty Ltd	Dormant	**100.0**	100.0
ACN 132 157 192 Pty Ltd	Dormant	**100.0**	100.0
IMB Community Foundation Pty Ltd	Dormant	**100.0**	100.0
IMB Securitisation Services Pty Limited	Securitisation trust management	**100.0**	100.0
IMB Financial Planning Limited	Financial Planning	**100.0**	100.0
Securitisation SPEs *			
Illawarra Warehouse Trust No. 2	Securitisation trust		
Illawarra Warehouse Trust No. 3	Securitisation trust		
Illawarra Series 2011-1 CMBS Trust	Securitisation trust		
Illawarra Series 2013-1 RMBS Trust	Securitisation trust		
Illawarra Series 2017-1 RMBS Trust	Securitisation trust		
Illawarra Series IS Trust	Securitisation trust		

*Refer note 1d. 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.

Change in the composition of the consolidated entity

On 19 December 2017 all notes of the Illawarra Warehouse Trust No. 2 were redeemed in accordance with the clean-up provisions of the trust.

On 6 April 2018 a subsidiary Company, IMB Securitisation Services Pty Limited, established the Illawarra Series Warehouse Trust No. 3 and paid an amount of $300 to constitute the trust. The purpose of establishing this entity was to allow the securitisation of residential mortgage loans. In April 2018 the entity issued $100,000,000 in notes.

	CONSOLIDATED		COMPANY	
26 NOTES TO THE STATEMENTS OF CASH FLOWS	**2018 $000**	**2017** $000	**2018 $000**	**2017** $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	**29,780**	28,824	**29,779**	28,823
Cash controlled by SPEs	**32,436**	36,413	**-**	-
Total	**62,216**	65,237	**29,779**	28,823

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

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year attributable to members of the Company	**31,561**	27,452	**31,588**	27,170
Net (gain)/loss on sale of property, plant and equipment	**(43)**	83	**(43)**	83
Impairment of loans and advances	**1,235**	1,066	**954**	1,066
Depreciation of property, plant and equipment, and amortisation of intangibles	**3,066**	2,928	**3,035**	2,897
Operating profit before changes in assets and liabilities	**35,819**	31,529	**35,534**	31,216
Changes in assets and liabilities:				
Decrease/(Increase) in accrued interest on investments	**192**	(781)	**194**	(781)
(Increase) in loans and advances	**(251,761)**	(257,538)	**(251,294)**	(257,538)
(Increase) in sundry debtors	**(15,017)**	(281)	**(8,709)**	(4,326)
(Increase)/Decrease in net deferred tax asset	**(1,050)**	1,844	**(1,064)**	1,859
Increase in accrued interest on members' deposits	**2,126**	270	**2,126**	270
Increase in trade and other payables	**12,573**	783	**9,516**	94
Increase in deposits	**195,856**	330,627	**196,316**	330,983
Increase/(Decrease) in provision for employee benefits	**214**	(226)	**198**	(226)
Increase in provision for income tax	**996**	386	**996**	386
(Decrease)/Increase in other provisions	**(74)**	29	**(74)**	29
Net cash flows from operating activities	**(20,126)**	106,642	**(16,261)**	101,966

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 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

Mr NH Cornish (Chairman)
Ms CA Aston
Mr JR Coleman
Mr RHP Elvy (retired August 2017)
Mr PJ Fitzgerald (appointed September 2017)
Ms GM McGrath
Ms ME Towers
Ms JM Swinhoe

Executives

Mr RJ Ryan (Chief Executive Officer)
Mr M Brannon (General Manager, Sales and Marketing)
Mr N Campbell (Chief Risk Officer)
Mr CJ Goodwin (Chief Financial Officer)
Ms LB Wise (General Manager, Corporate Services and Company Secretary)
Mr S Griffiths (General Manager Memberships and Alliances)

	CONSOLIDATED		COMPANY	
	2018 **$**	**2017** **$**	**2018** **$**	**2017** **$**
The key management personnel compensation included in 'personnel expense' (see note 3) is as follows:				
Short-term employee benefits	**4,012,185**	3,663,513	**4,012,185**	3,663,513
Post-employment benefits	**352,531**	371,026	**352,531**	371,026
Other long-term benefits	**79,513**	83,025	**79,513**	83,025
Total	**4,444,229**	4,117,564	**4,444,229**	4,117,564

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.

Directors' Remuneration

The aggregate amount of remuneration, inclusive of superannuation, distributed between the Directors for the financial year was $671,028 (2017: $647,999), having increased by 1.9%, in line with the movement in the All Groups CPI. This amount is divided between the seven directors in accordance with their various responsibilities on the Board and its Committees.

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:

27 RELATED PARTY DISCLOSURES (CONTINUED)

	Opening Balance $	Closing Balance $	Interest and fees paid in the reporting year $	Number in group at 30 June
Total for key management personnel and their related parties 2018	**1,849,564**	**1,795,944**	**63,924**	**4**
Total for key management personnel and their related parties 2017*	2,167,387	2,417,711	60,706	5

*Closing balance includes $568,147 in loans for key management personnel and their related parties that were not classified as key management personnel in the 2018 financial year.

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

Key management personnel holdings of shares and deposits

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

	Opening Balance	Purchases	Sales	Closing Balance	Number in group at 30 June
Total for key management personnel and their related parties 2018	**13,178**	**2,000**	**-**	**15,178**	**12**
Total for key management personnel and their related parties 2017*	385,507	-	18,800	366,707	12

*Closing balance includes $353,529 in shares for key management personnel and their related parties that were not classified as key management personnel in the 2018 financial year.

No shares were granted to key management personnel during the year as compensation (2017: 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 directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Five of these entities transacted with the Company or its controlled entities in the reporting year. 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. Details of the transactions are as follows:

Mr RJ Ryan is a director of The Flagstaff Group Limited (a not for profit organisation providing employment for people with disabilities), which has provided services to the Company throughout the year under normal commercial terms. Purchases during the year under this arrangement were $49,166 (2017: $58,030).

Mr RJ Ryan is a director of Australian Settlements Ltd (a provider of specialised wholesale payment services), a company the Group has an ownership interest in, which has provided services to the Company throughout the year under normal commercial terms. Fees paid during the year under this arrangement were $991,773 (2017: $1,441,445). In payment for Mr Ryan's services, the Company received $4,400 (2017: $4,400).

Mr M Brannon is a director of IRIS Research which has provided services to the Company throughout the year under normal commercial terms. Purchases during the year under this arrangement were $1,870 (2017: $1,870).

Mr RJ Ryan had a performance guarantee from the Company. The Company held cash as security against the performance guarantee. Fees paid during the year were $1,030 (2017: $nil).

Mr NH Cornish was deputy chancellor (until 31 December 2017) of the University of Wollongong, and Mr RJ Ryan was a director (until 31 December 2017) and is currently deputy chancellor (from 1 January 2018) of the University of Wollongong, which has provided services to the Company under normal commercial terms. Purchases, comprising branch rental and sponsorship, through the year under these arrangements were $164,598 (2017: $165,233).

Mr NH Cornish is a director of the University of Wollongong Enterprises Board, a wholly owned subsidiary of the University of Wollongong. Mr RJ Ryan is also a director of the University of Wollongong Enterprises Board. In payment for Mr RJ Ryan's services, the Company received $40,000 (2017: $40,000).

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 1l. The aggregate amount of loans provided (by)/to the Company (to)/from subsidiaries under the agreement is ($329,000) (2017: $278,000).

The following table provides the total amount of transactions that were entered into by the Company with controlled entities for the relevant financial year. These transactions were all carried out under normal commercial terms and conditions.

	COMPANY	
	2018	**2017**
	$000	$000
Accounting services	**8**	8
Computer maintenance services	**8**	8
Operating lease revenue	**33**	33

The total amount of deposits with the Company by controlled entities at the end of the relevant financial year was $3,496,000 (2017: $3,049,000). The total amount of borrowings with the Company by controlled entities at the end of the relevant financial year was $nil (2017: $nil). These are in accordance with normal commercial terms and conditions.

The net amounts receivable from/(payable to) controlled entities as at 30 June were:

	COMPANY	
	2018	**2017**
	$000	$000
IMB Financial Planning Ltd	**90**	119

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:

	COMPANY	
	2018	**2017**
	$000	$000
Proceeds from securitisation of loans	**243,350**	242,426
Servicing fees received	**2,259**	2,381
Management fees received	**271**	286
Excess income received	**10,014**	10,133
Note interest	**14,435**	14,151
Other	**258**	223

29 SEGMENT REPORTING

The Group operates predominantly in the banking and financial services industry in Australia.

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Credit Risk
Liquidity Risk
Market Risk
Operational Risk

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

Risk management framework

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

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

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

In addition to the Audit Committee and Risk Committee, the Group has a number of senior management committees where specific risk management information is overseen. These include the Executive Risk Management Committee which oversees the risk management framework, the Assets and Liabilities Committee (ALCO) which is responsible for managing liquidity and market risk, 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 members, other authorised deposit-taking institutions and available for sale investments. 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. 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 credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements. Formal approval of Credit Policy is retained by the Board.
- 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 and exceptions require approval by the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Origination Services assesses all credit exposures prior to facilities being committed to members. Any facilities in excess of designated limits are escalated through to the appropriate approval level. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposures to certain board approved asset classes.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

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

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to credit risk
The carrying amount of the Group's financial assets represents the maximum credit exposure.
The Group's maximum exposure to credit risk at the reporting date was:

		CONSOLIDATED							
		Loans & advances		Loans & receivables to ADIs		Available-for-sale investments		Cash and cash equivalents	
	Note	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Carrying Amount	6,7,8,26	**4,569,669**	4,312,141	**277,005**	333,977	**959,712**	975,774	**62,216**	65,237
Individually impaired									
Gross amount		**1,783**	1,966	**-**	-	**-**	-	**-**	-
Provision for impairment	10	**(822)**	(739)	**-**	-	**-**	-	**-**	-
Carrying amount		**961**	1,227	**-**	-	**-**	-	**-**	-
Past due but not impaired									
Days in arrears:									
Less than one month		**63,335**	57,910	**-**	-	**-**	-	**-**	-
Greater than one month and less than two months		**6,981**	2,066	**-**	-	**-**	-	**-**	-
Greater than two months and less than three months		**3,954**	2,095	**-**	-	**-**	-	**-**	-
Greater than three months		**4,747**	1,412	**-**	-	**-**	-	**-**	-
Carrying amount		**79,017**	63,483	**-**	-	**-**	-	**-**	-
Neither past due nor impaired									
Secured by mortgage		**4,365,474**	4,149,762	**-**	-	**-**	-	**-**	-
Government securities		**-**	-	**-**	-	**-**	-	**-**	-
Investment grade		**-**	-	**238,538**	317,750	**959,712**	975,774	**62,216**	65,237
Unrated		**-**	-	**38,467**	16,227	**-**	-	**-**	-
Other		**126,935**	100,434	**-**	-	**-**	-	**-**	-
Net deferred income & expense		**1,572**	1,021	**-**	-	**-**	-	**-**	-
Carrying amount		**4,493,981**	4,251,217	**277,005**	333,977	**959,712**	975,774	**62,216**	65,237
Collective impairment provision	10	**(4,290)**	(3,786)	**-**	-	**-**	-	**-**	-
Total carrying amount	6,7,8,26	**4,569,669**	4,312,141	**277,005**	333,977	**959,712**	975,774	**62,216**	65,237
Includes restructured loans		**5,346**	1,311	**-**	-	**-**	-	**-**	-

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure.
The Company's maximum exposure to credit risk at the reporting date was:

COMPANY		Loans & advances		Loans & receivables to ADIs		Available-for-sale investments		Cash and cash equivalents	
	Note	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Carrying Amount	6,7,8,26	**4,569,669**	4,312,327	**277,005**	333,977	**1,467,487**	1,476,437	**29,779**	28,823
Individually impaired									
Gross amount		**1,783**	1,966	**-**	-	**-**	-	**-**	-
Provision for impairment	10	**(822)**	(739)	**-**	-	**-**	-	**-**	-
Carrying amount		**961**	1,227	**-**	-	**-**	-	**-**	-
Past due but not impaired									
Days in arrears:									
Less than one month		**63,335**	57,910	**-**	-	**-**	-	**-**	-
Greater than one month and less than two months		**6,981**	2,066	**-**	-	**-**	-	**-**	-
Greater than two months and less than three months		**3,954**	2,095	**-**	-	**-**	-	**-**	-
Greater than three months		**4,747**	1,412	**-**	-	**-**	-	**-**	-
Carrying amount		**79,017**	63,483	**-**	-	**-**	-	**-**	-
Neither past due nor impaired									
Secured by mortgage		**4,365,474**	4,149,948	**-**	-	**-**	-	**-**	-
Government securities		**-**	-	**-**	-	**-**	-	**-**	-
Investment grade		**-**	-	**238,538**	317,750	**1,467,487**	1,476,437	**29,779**	28,823
Unrated		**-**	-	**38,467**	16,227	**-**	-	**-**	-
Other		**126,935**	100,434	**-**	-	**-**	-	**-**	-
Net deferred income & expense		**1,572**	1,021	**-**	-	**-**	-	**-**	-
Carrying amount		**4,493,981**	4,251,403	**277,005**	333,977	**1,467,487**	1,476,437	**29,779**	28,823
Collective impairment provision	10	**(4,290)**	(3,786)	**-**	-	**-**	-	**-**	-
Total carrying amount	6,7,8,26	**4,569,669**	4,312,327	**277,005**	333,977	**1,467,487**	1,476,437	**29,779**	28,823
Includes restructured loans		**5,346**	1,311	**-**	-	**-**	-	**-**	-

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 fair value of the swap agreement at balance date, is $nil (2017: $nil).

IMB issues guarantees to business banking clients with a maximum credit exposure of $4,397,000 (2017: $5,327,000). Refer Note 24 for more details.

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

Past due loans but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Restructured loans

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

Allowance for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred 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 losses that have been incurred but have not been identified on loans that are not subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when the loans/securities are determined to be uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral and other credit enhancements

The Group holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Mortgage insurance contracts are entered into in order to manage the credit risk around the residential loan mortgage portfolio. 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 available for sale investments.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Loans and advances

	CONSOLIDATED		COMPANY	
	2018	**2017**	**2018**	**2017**
	$000	$000	**$000**	$000
Against individually impaired				
Property value	**1,229**	1,467	**1,229**	1,467
Against past due but not impaired				
Property value	**94,589**	73,009	**94,589**	73,009
Other	**2,577**	2,005	**2,577**	2,005
Total	**98,395**	76,481	**98,395**	76,481

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 $1,255,000 (2017: $1,775,000).

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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		Loans & receivables to ADIs		Available-for-sale investments		Cash and cash equivalents	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
CONSOLIDATED								
Carrying amount	**4,569,669**	4,312,141	**277,005**	333,977	**959,712**	975,774	**62,216**	65,237
Concentration by location								
New South Wales	**3,576,286**	3,407,011	**194,600**	275,907	**523,499**	508,026	**59,282**	64,564
Australian Capital Territory	**584,522**	532,665	**16,328**	2,421	**-**	-	**2,806**	540
Queensland	**110,947**	98,883	**20,024**	10,012	**95,757**	85,820	**-**	-
Victoria	**232,436**	207,904	**44,048**	45,637	**300,576**	351,999	**128**	133
Western Australia	**41,131**	43,469	**-**	-	**29,926**	24,941	**-**	-
South Australia	**11,245**	7,685	**2,005**	-	**4,959**	4,988	**-**	-
Tasmania	**18,214**	19,049	**-**	-	**4,995**	-	**-**	-
Overseas	**-**	-	**-**	-	**-**	-	**-**	-
Provision for impairment	**(5,112)**	(4,525)	**-**	-	**-**	-	**-**	-
Total	**4,569,669**	4,312,141	**277,005**	333,977	**959,712**	975,774	**62,216**	65,237
COMPANY								
Carrying amount	**4,569,669**	4,312,327	**277,005**	333,977	**1,467,487**	1,476,437	**29,779**	28,823
Concentration by location								
New South Wales	**3,576,286**	3,407,197	**194,600**	275,907	**1,031,274**	1,008,689	**26,845**	28,150
Australian Capital Territory	**584,522**	532,665	**16,328**	2,421	**-**	-	**2,806**	540
Queensland	**110,947**	98,883	**20,024**	10,012	**95,757**	85,820	**-**	-
Victoria	**232,436**	207,904	**44,048**	45,637	**300,576**	351,999	**128**	133
Western Australia	**41,131**	43,469	**-**	-	**29,926**	24,941	**-**	-
South Australia	**11,245**	7,685	**2,005**	-	**4,959**	4,988	**-**	-
Tasmania	**18,214**	19,049	**-**	-	**4,995**	-	**-**	-
Overseas	**-**	-	**-**	-	**-**	-	**-**	-
Provision for impairment	**(5,112)**	(4,525)	**-**	-	**-**	-	**-**	-
Total	**4,569,669**	4,312,327	**277,005**	333,977	**1,467,487**	1,476,437	**29,779**	28,823

Concentration by location for loans and advances is measured based on the location of the borrower. Concentration by location for loans and receivables to other ADIs and for available for sale investments is measured based on the location of the counterparty.

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/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/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 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 when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

IMB's Treasury 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 internal securitisation assets available as collateral under repurchase agreement) and other investment securities to ensure that sufficient liquidity is maintained and to avoid large funding mismatches. The liquidity and funding position is monitored and managed daily.

The Group relies on deposits from Members as its primary source of funding. Deposits from Members 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 investment products that display the behaviour of more stable funding sources. In addition, Treasury performs funding as required in the middle and wholesale markets in order to meet daily net funding requirements of the Group. The securitisation of residential mortgage loans and commercial 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 $100 million (2017: $10 million) and securities issued under the Group's internal 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 2018 was $93 million (2017: $9.7 million). No internal securitisation securities were subjected under repurchase agreement for the period to 30 June 2018.

Overall, 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) so as to avoid large concentrations that increases funding liquidity risk. This is controlled through funding and liquidity risk limits monitored weekly by Treasury and monthly by the ALCO. Mitigation of liquidity risk is further supported by a liquidity stress testing framework which is reported by Treasury on a weekly basis with monthly oversight by the ALCO and the Risk Committee. Various stress tests measure the liquidity coverage of cash outflows under a variety of scenarios. These scenarios are reflective of differing levels of severity in disrupted and abnormal market and depositor behaviour and business conditions. 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 liquid assets to total adjusted liabilities, excluding any liability elements that qualify as Tier 1 or Tier 2 capital for prudential regulatory purposes. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity requirements established by the Group's regulator (APRA). 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. IMB's total liquidity includes HQLA and other deposits with banks or other ADIs not on a call basis that are ineligible to be classified as HQLA for regulatory or liquidity management purposes. Details of the reported Group HQLA ratio and ratio of total investments to total adjusted liabilities at the reporting date were as follows:

Liquidity ratios	**2018**	**2017**
At 30 June	**%**	%
APRA High Quality Liquid Assets	**19.08**	20.20
Total liquidity	**23.63**	26.15

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	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$000	$000	**$000**	$000	**$000**	$000
CONSOLIDATED						
Financial Liabilities						
Deposits	**2,046,204**	2,060,634	**1,761,444**	1,589,834	**1,134,667**	1,083,689
Trade and other payables	**-**	-	**40,766**	28,193	**-**	-
Securitised loans funding *	**-**	-	**22,069**	31,159	**59,320**	80,889
Interest bearing liabilities	**-**	-	**46,113**	46,122	**2,780**	2,758
Total financial liabilities	**2,046,204**	2,060,634	**1,870,392**	1,695,308	**1,196,767**	1,167,336
COMPANY						
Financial Liabilities						
Deposits	**2,049,704**	2,063,674	**1,761,444**	1,589,834	**1,134,667**	1,083,689
Trade and other payables	**-**	-	**25,254**	15,738	**-**	-
Securitised loans funding *	**-**	-	**25,903**	34,677	**70,698**	91,329
Interest bearing liabilities	**-**	-	**46,113**	46,122	**2,780**	2,758
Total financial liabilities	**2,049,704**	2,063,674	**1,858,714**	1,686,371	**1,208,145**	1,177,776
Consolidated and Company						
Derivative financial instruments						
Interest rate swaps (hedging relationship) net **	**-**	-	**-**	17	**-**	35
Unrecognised loan commitments	**-**	-	**203,929**	212,453	**-**	-

The following table indicates the years in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss.

Derivative financial instruments						
Interest rate swaps (hedging relationship) net **	**-**	-	**-**	17	**-**	23

* 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.
** Represents contractual cash flows to maturity on interest rate swaps in a pay position. Based on current market rates.

Greater than 1 year less than 5 years maturity		Greater than 5 years maturity		Gross nominal outflow		Total carrying amount	
2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
94,412	101,478	**-**	-	**5,036,727**	4,835,635	**4,993,265**	4,795,283
-	-	**-**	-	**40,766**	28,193	**40,766**	28,193
206,268	242,054	**164,972**	115,616	**452,629**	469,718	**405,795**	430,571
14,862	14,751	**83,134**	88,099	**146,889**	151,730	**114,739**	116,555
315,542	358,283	**248,106**	203,715	**5,677,011**	5,485,276	**5,554,565**	5,370,602
94,412	101,478	**-**	-	**5,040,227**	4,838,675	**4,996,765**	4,798,323
-	-	**-**	-	**25,254**	15,738	**25,254**	15,738
267,157	297,928	**671,876**	615,342	**1,035,634**	1,039,276	**912,699**	930,297
14,862	14,751	**83,134**	88,099	**146,889**	151,730	**114,739**	116,555
376,431	414,157	**755,010**	703,441	**6,248,004**	6,045,419	**6,049,457**	5,860,913
-	-	**-**	-	**-**	52	**-**	35
-	-	**-**	-	**203,929**	212,453	**-**	-
-	-	**-**	-	**-**	40	**-**	35

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

The gross nominal outflow disclosed in the previous table 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 activities are centred around making loans, taking deposits and investing in liquid assets (APRA requirement) and other ADI term deposits, in Australian Dollars. The intent is to hold these banking products to maturity and is commonly referred to as the banking book.

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

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

Management of Interest Rate Risk in the Banking Book

The Group measure and manage IRRBB from two perspectives: 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 (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 earnings and economic value whilst managing the risk within levels which are acceptable by the Board.

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

Exposure to IRRBB

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

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

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 has the same repricing characteristics) are measured and monitored by Treasury and the ALCO.

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

A summary of the Earnings risk as measured by NII-Sensitivity expressed as a percentage of capital, as at 30 June 2018 follows:

Earnings Risk (NII Simulation - 100 bps Movement)	**2018**	**2017**
	%	%
At 30 June	**(2.64)**	(2.47)
Average EaR for the period	**(2.61)**	(2.81)
Minimum EaR for the period	**(2.32)**	(2.23)
Maximum EaR for the period	**(2.91)**	(3.45)

Value-at-Risk
Value-at-Risk (VaR) is the secondary metric used by Treasury and the ALCO to manage IRRBB exposure and impact from the economic value perspective. The change in the balance sheet's net economic (present) value, also known as the economic value of equity (EVE) is quantified using a historical simulation approach known as HS-VaR. The change in the EVE over a 20 day period is analysed using the past 2 years of actual changes in interest rates. The risk is derived at a 99 percent confidence level. The HS-VaR is an estimate based upon a 99 percent 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 a 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 major banks' capital adequacy requirements are subjected).

A summary of the Historical Simulation VaR position of the Group's banking book, expressed as a percentage of capital, as at 30 June 2018 and during the year is as follows:

VaR (Historical Simulation Method)	**2018**	**2017**
	%	%
At 30 June	**0.66**	1.09
Average VaR for the period	**1.07**	1.22
Minimum VaR for the period	**0.61**	1.02
Maximum VaR for the period	**1.31**	1.45

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 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.
- Provide meaningful information to decision makers.
- Facilitate oversight.
- Encourage a proactive risk management culture.

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

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

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Financial instruments carried at amortised cost

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

Fair value hierarchy

The following tables show the carrying amount and the fair values of financial assets and financial liabilities, 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.

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2018	Note	Carrying Amount $000	Level 1 $000	Level 2 $000	Level 3 $000	Total consolidated $000
Financial assets measured at fair value						
Available-for-sale financial assets	6	**959,712**	-	959,712	-	959,712
		959,712				
Financial assets not measured at fair value						
Cash and cash equivalents	26	**62,216**				
Loans to other ADIs	7	**277,005**				
Loans and advances	8	**4,569,669**	-	4,581,657	-	4,581,657
Equity investments held at cost	9	**505**				
Trade and other receivables	14	**25,960**				
		4,935,355				
Financial liabilities measured at fair value						
Derivative financial liabilities held for risk management	11	**-**	-	-	-	-
		-				
Financial liabilities not measured at fair value						
Deposits	16	**4,993,265**	-	4,997,777	-	4,997,777
Securitised loan funding	17	**405,795**				
Interest bearing liabilities	18	**114,739**				
Trade and other payables	15	**40,766**				
		5,554,565				

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2017	Note	Carrying Amount $000	Level 1 $000	Level 2 $000	Level 3 $000	Total consolidated $000
Financial assets measured at fair value						
Available-for-sale financial assets	6	**975,774**	-	975,774	-	975,774
		975,774				
Financial assets not measured at fair value						
Cash and cash equivalents	26	**65,237**				
Loans to other ADIs	7	**333,977**				
Loans and advances	8	**4,312,141**	-	4,328,014	-	4,328,014
Equity investments held at cost	9	**505**				
Trade and other receivables	14	**10,943**				
		4,722,803				
Financial liabilities measured at fair value						
Derivative financial liabilities held for risk management	11	**35**	-	35	-	35
		35				
Financial liabilities not measured at fair value						
Deposits	16	**4,795,283**	-	4,802,824	-	4,802,824
Securitised loan funding	17	**430,571**				
Interest bearing liabilities	18	**116,555**				
Trade and other payables	15	**28,193**				
		5,370,602				

Valuation techniques

Financial instruments classified as available for sale 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.

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:

	2018	2017
Derivatives	**n/a**	1.78% - 2.46%
Loans and borrowings	**1.50% - 2.49%**	1.50% - 2.46%

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Capital management - regulatory capital

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

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

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

- Tier 1 capital, consisting of: Common Equity Tier 1 capital - which includes ordinary share capital, retained earnings, general reserves, property revaluation reserves, unrealised gains and losses on readily marketable securities classified as available for sale 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 transitional 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 recognised 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 is consistent with the period over which IMB intends to continue the buyback of all ordinary shares on issue.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect a differing risk profile, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

	CONSOLIDATED		COMPANY	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Tier 1 capital				
Ordinary share capital	**30,513**	33,345	**30,513**	33,345
General reserves	**25,255**	25,255	**25,255**	25,255
Asset revaluation reserves	**6,360**	8,258	**6,360**	8,258
Retained earnings	**250,753**	241,037	**248,954**	239,963
Current year earnings	**18,805**	13,203	**19,277**	12,921
(Less) Capitalised expenses	**(3,757)**	(3,743)	**(3,757)**	(3,743)
(Less) Other	**(4,808)**	(3,597)	**(4,814)**	(3,560)
Total	**323,121**	313,758	**321,788**	312,439
Tier 2 capital				
General reserve for credit loss	**9,848**	7,057	**9,848**	7,057
Subordinated debt	**70,000**	71,000	**70,000**	71,000
Total	**79,848**	78,057	**79,848**	78,057
Total regulatory capital	**402,969**	391,815	**401,636**	390,496
Capital requirements (in terms of risk weighted assets) for:				
Credit risk	**2,186,436**	2,056,131	**2,187,950**	2,057,678
Operational risk	**321,967**	308,609	**318,691**	301,618
Total risk weighted assets	**2,508,403**	2,364,740	**2,506,641**	2,359,296
Capital ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	**16.1%**	16.6%	**16.0%**	16.6%
Total Tier 1 capital expressed as a percentage of risk weighted assets	**12.9%**	13.3%	**12.8%**	13.2%

31 REMUNERATION OF AUDITORS	CONSOLIDATED 2018 $000	CONSOLIDATED 2017 $000	COMPANY 2018 $000	COMPANY 2017 $000
Amounts received or due and receivable by KPMG for:				
Audit and review of financial statements	**368**	380	**309**	321
Regulatory audits and review	**55**	68	**46**	59
Other assurance services	**22**	19	**10**	7
	445	467	**365**	387
Taxation				
- compliance	**17**	30	**17**	30
- advisory	**54**	16	**54**	15
Other advisory	**85**	153	**85**	154
	601	666	**521**	586

32 EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

For dividends declared by IMB Ltd after 30 June 2018 refer to note 5.

Directors' **Declaration**

For The Year Ended 30 June 2018

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

(a) the financial statements and Notes, set out on pages 40 to 93, 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 2018 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 28th day of August 2018.

Signed in accordance with a resolution of the directors:

NH Cornish
Chairman

CA Aston
Director

Independent Auditor's Report to the Members of IMB Ltd

KPMG

Report on the financial report

Opinions

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

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

- giving a true and fair view of the *Group* and *Company's* financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards and the Corporations Regulations 2001.*

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

- *Statements of financial position* as at 30 June 2018
- *Statements of profit or loss*, *Statements of comprehensive income, Statement of changes in equity, and Statement of cash flows* for the year then ended
- Notes including a summary of significant accounting policies
- *Directors' Declaration.*

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

Basis for opinions

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities* for the *audit 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 (the Code) that are relevant to our audits of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of IMB Ltd, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

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.

Our opinions on the Financial Report does 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 audit, 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 Report

The Directors are responsible for:

- preparing the Financial Report that gives 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 a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern. 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 the Financial Reports as a whole is 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 this 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_files/ar3.pdf.
This description forms part of our Auditor's Report.

KPMG

KPMG

Warwick Shanks
Partner

Dated at Wollongong, this 28th day of August 2018.

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.

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
- Camden - Shop 26, Camden Village Court 180-186 Argyle Street, CAMDEN NSW 2570
- 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 - Corner of Old Princes Highway and Station Street, ENGADINE NSW 2233
- Fairy Meadow - 2/84 Princes Highway, FAIRY MEADOW NSW 2519
- Figtree - Shop 32 & 33 Figtree Grove, Princes Highway, FIGTREE NSW 2525
- Goulburn - Shop 27 Centro Goulburn, Auburn Street, GOULBURN NSW 2580
- Kiama - 86 Terralong Street, KIAMA NSW 2533
- Liverpool - Shop 19, Liverpool Plaza 165-191 Macquarie Street, LIVERPOOL NSW 2170
- Macarthur Square - Shop L10-L11, Level 2, Macarthur Square Shopping Centre, AMBARVALE NSW 2560
- Menai - Shop 19, Menai Marketplace, 152-194 Allison Road, MENAI NSW 2234
- Merimbula - Corner of Merimbula Drive and 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 -127 Wagonga Street, 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 - Shop1, 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
- Stockland Shellharbour - Shop 46, Stockland Shopping Centre, SHELLHARBOUR NSW 2529
- Sutherland - 740 Princes Highway, SUTHERLAND NSW 2232
- Sylvania - Shop 47, Southgate Shopping Centre, Corner 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 - Corner of King Street and Cowper Street, WARRAWONG NSW 2502
- Wollongong - 205 Crown Street, WOLLONGONG NSW 2500
- Woonona - 367 - 369 Princes Highway, WOONONA NSW 2517
- Wynyard - Shop 20, 20 Hunter Street, WYNYARD NSW 2000

ACT

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

Victoria

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

IMB Financial Planning

- Level 1, 205 Crown Street WOLLONGONG NSW 2500

IMB Business Banking

- Level 1, 205 Crown Street WOLLONGONG NSW 2500

Corporate Directory

Members' Diary and other information

Payment of final dividend 4 September 2018
Annual General Meeting 30 October 2018 at 10:30 am

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, 30 October 2018 at 10.30 am.

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

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

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

BANK