



## **APS 330 Regulatory Disclosures**

## Overview

The Basel II Capital Framework (the Framework) came into effect in Australia on 1 January 2008 through APRA's prudential standards and applied to all authorised deposit-taking institutions (ADIs).

The Framework is based on three mutually reinforcing pillars:

- new and considerably more sophisticated minimum capital requirements, including specific capital charges for operational risk (Pillar 1);
- institutions' own assessment of their capital adequacy and enhanced supervision of capital management (Pillar 2); and
- materially increased disclosure requirements (Pillar 3).

The Pillar 3 (Market Discipline) disclosures complement the other two Pillars by encouraging market discipline through disclosure and enables market participants to assess the capital adequacy of ADIs.

IMB Ltd (IMB), being the Company and its controlled entities, adopted the Pillar 1 standardised approach to credit risk and operational risk from 1 January 2008. It also became subject to Pillars 2 and 3 from that date.

From 1 January 2012 APRA expanded the disclosure requirements in APS330 to provide certain disclosures on securitisation exposures.

From 30 June 2013 APRA introduced a package of reforms (Basel III) including expanded capital and remuneration disclosure measures in APS330 to improve the transparency of regulatory capital and to enhance market discipline.

APRA has implemented the Basel III approach to regulatory adjustments in full from 1 January 2013 and, accordingly, IMB are required to complete the 'post 1 January 2018 common disclosure template'. IMB is required to disclose that this template has been adopted due to the Basel III regulatory adjustments having been applied in full.

The disclosures in this document are on a standardised basis.

This document is unaudited, however it has been prepared consistent with the information otherwise published or supplied to APRA.

## Basis and Frequency of Disclosures

This disclosure document has been prepared by IMB in accordance with the requirements of Pillar 3. IMB must make high quality and timely disclosures of information on its risk management and capital adequacy to contribute to the transparency of financial markets and to enhance market discipline.

Basic public disclosure requirements relating to capital adequacy and credit risk will be published within 40 business days after the end of each quarter. Unless otherwise stated, figures will be published as at:

- 30 September;
- 31 December;
- 30 June; and
- 30 June.

Disclosure requirements relating to capital structure will be published as soon as practicable after the lodgement date for IMB's annual financial reports and unless otherwise stated will be as at 30 June, our financial year end.

**Regulatory Capital Reconciliation**

	Published financial statement 30-Jun-17 \$000	Regulatory scope of consolidation 30-Jun-17 \$000	Explanatory note	Reference*
<b>ASSETS</b>				
Cash and equivalents	65,237	364,041	1,2,3,4,15	
Available for sale investments	975,774	975,559	5	
Loans and receivables to ADIs	333,977	-	3,4,5,15	
Loans and receivables to members	4,312,141	3,871,003	1,6	
<i>of which: eligible collective provision</i>		(3,552)		a
<i>of which: DTA netted from eligible collective provision</i>		1,065		b
<i>of which: equity portion-general reserve for credit losses</i>		(3,506)		c
<i>of which: deferred fee income</i>		(158)		d
Other financial assets	505	507	1	
<i>of which: equity investments in financial institutions</i>		235		e
Property, plant and equipment	11,233	11,233		
Intangible assets	1,172	1,172		f
Net deferred tax assets	2,699	-	7	
Other assets	10,943	41,532	1,2,5,7,9,13	
<i>of which: deferred tax assets</i>		3,796		g
<i>of which: capitalised loan origination fees</i>		1,179		h
<i>of which: capitalised expenses</i>		1,550		i
<i>of which: other national specific regulatory adjustments</i>		450		j
<b>Total assets</b>	<b>5,713,681</b>	<b>5,265,047</b>		
<b>LIABILITIES</b>				
Trade and other payables	28,193	31,877	1,2,8,10,12	
Deposits	4,795,283	4,776,412	8	
Securitised loan funding	430,571	-	1	
Interest bearing liabilities	116,555	72,000	9	
<i>of which: qualifying Tier 2</i>		70,000		w
<i>of which: subject to phase out from Tier 2</i>		2,000		k
Derivative liability	35	-	10	
Current tax liabilities	3,512	-	11	
Income tax liabilities		5,674	11	
<i>of which: deferred tax liability</i>		2,078		l
Provisions	9,284	8,986	12,13	
Loans and other borrowings	-	44,961		
<b>Total liabilities</b>	<b>5,383,433</b>	<b>4,939,910</b>		
<b>Net assets</b>	<b>330,248</b>	<b>325,137</b>		
<b>EQUITY</b>				
Share capital	33,345	33,345		m
Reserves	47,556	32,372	6,14	
<i>of which: unrealised gains/(losses) on AFS</i>		6,180		n
<i>of which: gains/(losses) on cashflow hedges</i>		(35)		o
<i>of which: general reserve</i>		25,255		p
Retained earnings	249,347	259,420	14	q
<i>of which: securitisation income not irrevocably received</i>		1,181		r
<i>of which: property revaluation reserve</i>		2,113		s
<i>of which: securitisation reserve</i>		4,000		t
<b>Total equity attributable to the members of the Company</b>	<b>330,248</b>	<b>325,137</b>		

\* Reference letters are included to assist in identifying the source of each input in the "Capital Disclosures" table on Page 4.

**Items not directly found in the balance sheet.**

	Regulatory scope of consolidation 30-Jun-17 \$000	Explanatory note	Reference
Defined benefit superannuation fund net assets This information is sourced from the actuarial report	128		u
Transitional phase out of interest bearing liability 50% of base amount as per APS111	1,000		v

**Explanatory notes**

1	APRA securitisation deconsolidation of assets and liabilities held by SPV's
2	APRA reporting nets amounts due to/from clearing houses and reports them as Cash and Cash Equivalents
3	APRA reporting includes funds held in 11am with other institutions as Cash and Cash Equivalents
4	APRA reporting classifies amounts due from financial institutions as Cash and Cash Equivalents
5	APRA reports accrued interest income under Other Assets
6	APRA reporting nets the general reserve for credit losses from loans balances
7	Published financial statements report net deferred tax position. APRA separates tax asset and tax liability
8	APRA reporting includes accrued interest expense as Trade and Other Payables
9	APRA reports any costs associated with establishment of interest bearing liabilities under Other Assets
10	APRA reporting includes derivative liabilities under Trade and Other Payables
11	APRA reporting combines current and deferred tax liability as Income Tax Liability
12	APRA reporting includes make good provision under Trade and Other Payables
13	APRA reporting includes surplus in pension provision under Other Assets
14	APRA reporting includes property revaluation reserve as a Reserve
15	APRA reporting classifies Loans and Receivables to ADIs as Cash and Cash Equivalents

**Legal entities Items not directly found in the balance sheet.**

The following entities are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation under the securitisation deconsolidation principals that remove assets, liabilities, revenues and expenses of special purpose vehicles (SPV's) that meet the requirements of Prudential Standard APS 120 Securitisation.

Entity	Principal Activity	Assets \$000	Liabilities \$000
Illawarra Warehouse Trust No.2	Securitisation Trust	13,035	13,035
Illawarra Series 2011-1 CMBS Trust	Securitisation Trust	39,707	39,707
Illawarra Series 2013-1 RMBS Trust	Securitisation Trust	93,920	93,920
Illawarra Series 2017-1 RMBS Trust	Securitisation Trust	302,371	302,371
Illawarra IS Trust	Securitisation Trust	518,795	518,795

## Capital Disclosures

The information set out in the following table is only required to be disclosed when the relevant reporting period coincides with the ADIs normal statutory reporting period (ie annual for ADIs that are not listed). At 30 June 2017 and throughout the year, the Group complied with the capital requirements that were in force as set out by APRA.

The following table shows the breakdown of the total available capital for the IMB as at 30 June 2017.

Common Equity Tier 1 Capital: Instruments and Reserves		A\$m	Reference*
	Items included to the extent applicable to IMB Ltd		
1	Directly issued qualifying ordinary share (and equivalent for mutually-owned entities) capital	33	m
2	Retained earnings	254	q-r-t
3	Accumulated other comprehensive income (and other reserves)	34	n+o+p+s
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	n/a	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	n/a	
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>321</b>	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	n/a	
8	Goodwill (net of related tax liability)	n/a	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	n/a	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	n/a	
11	Cash-flow hedge reserve	n/a	
12	Shortfall of provisions to expected losses	n/a	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	n/a	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	n/a	
15	Defined benefit superannuation fund net assets	0	u
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	n/a	
17	Reciprocal cross-holdings in common equity	n/a	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	n/a	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	n/a	
20	Mortgage service rights (amount above 10% threshold)	n/a	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	n/a	
22	Amount exceeding the 15% threshold	n/a	
23	of which: significant investments in the ordinary shares of financial entities	n/a	
24	of which: mortgage servicing rights	n/a	
25	of which: deferred tax assets arising from temporary differences	n/a	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	7	
26a	of which: treasury shares	n/a	
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	n/a	

## Common Disclosure Template cont.

26c	of which: deferred fee income	n/a	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	0	e
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	3	b+g-l
26f	of which: capitalised expenses	4	d+f+h+i
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	n/a	
26h	of which: covered bonds in excess of asset cover in pools	n/a	
26i	of which: undercapitalisation of a non-consolidated subsidiary	n/a	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	0	j
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	n/a	
28	<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>7</b>	
29	<b>Common Equity Tier 1 Capital (CET1)</b>	<b>314</b>	
<b>Additional Tier 1 Capital: instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments	n/a	
31	of which: classified as equity under applicable accounting standards	n/a	
32	of which: classified as liabilities under applicable accounting standards	n/a	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	<i>n/a</i>	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	n/a	
35	of which: instruments issued by subsidiaries subject to phase out	n/a	
36	<b>Additional Tier 1 Capital before regulatory adjustments</b>	<b>0</b>	
<b>Additional Tier 1 Capital: regulatory adjustments</b>			
37	Investments in own Additional Tier 1 instruments	n/a	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	n/a	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	n/a	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	n/a	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	n/a	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	n/a	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	n/a	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	n/a	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	n/a	
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>0</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	<b>0</b>	
45	<b>Tier 1 Capital (T1=CET1+AT1)</b>	<b>314</b>	
<b>Tier 2 Capital: instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments	70	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	<i>1</i>	<i>k-v</i>
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	n/a	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	<i>n/a</i>	

## Common Disclosure Template cont.

50	Provisions	7	a+c
51	<b>Tier 2 Capital before regulatory adjustments</b>	<b>78</b>	
<b>Tier 2 Capital: regulatory adjustments</b>			
52	Investments in own Tier 2 instruments	n/a	
53	Reciprocal cross-holdings in Tier 2 instruments	n/a	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	n/a	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	n/a	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	n/a	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	n/a	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation and are not reported in rows 54 and 55	n/a	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	n/a	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>0</b>	
58	<b>Tier 2 Capital (T2)</b>	<b>78</b>	
59	<b>Total Capital (TC=T1+T2)</b>	<b>392</b>	
60	<b>Total risk-weighted assets based on APRA standards</b>	<b>2365</b>	
<b>Capital ratios and buffers</b>			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13.27%	
62	Tier 1 (as a percentage of risk-weighted assets)	13.27%	
63	Total capital (as a percentage of risk-weighted assets)	16.57%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%	
65	<i>of which: capital conservation buffer requirement</i>	2.50%	
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	n/a	
67	<i>of which: G-SIB buffer requirement (not applicable)</i>		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	7.27%	
<b>National minima (if different from Basel III)</b>			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		
70	National Tier 1 minimum ratio (if different from Basel III minimum)		
71	National total capital minimum ratio (if different from Basel III minimum)		
<b>Amount below thresholds for deductions (not risk-weighted)</b>			
72	Non-significant investments in the capital of other financial entities	n/a	
73	Significant investments in the ordinary shares of financial entities	n/a	
74	Mortgage servicing rights (net of related tax liability)	n/a	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	n/a	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	7	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	n/a	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	n/a	

## Common Disclosure Template cont.

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	n/a
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	<i>n/a</i>
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	<i>n/a</i>
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	<i>n/a</i>
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	<i>n/a</i>
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	<i>50%</i>
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	<i>1</i>

\* Refer to "Regulatory Capital Reconciliation" on page 2



**Capital Instruments**

The following table shows the main features for each capital instrument included in regulatory capital.

		Paid-up ordinary shares^	Tier 2	Tier 2
1	Issuer	IMB Ltd	IMB Ltd	IMB Ltd
2	Unique identifier	Unlisted	ISIN:-AU3FN0031621	ISIN:- AU3FN0036158
3	Governing law(s) of instrument	Corporations Act (C'th) 2001	Corporations Act (C'th) 2001 Banking Act (C'th) 1959	Corporations Act (C'th) 2001 Banking Act (C'th) 1959
	<b>Regulatory treatment</b>			
4	Transitional Basel III rules	Common Equity Tier 1^	N/A	N/A
5	Post-transitional rules	Common Equity Tier 1^	Tier 2	Tier 2
6	Eligible at solo/ group/ group & solo	Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Subordinated notes	Subordinated notes
8	Amount recognised in regulatory capital	\$30,513,455*	\$30,000,000	\$40,000,000
9	Par value of instrument	\$30,513,455*	\$30,000,000	\$40,000,000
10	Accounting classification	Shareholders' equity	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	6 September 1989	15 June 2016	26 May 2017
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	15 June 2026	26 May 2027
14	Issuer call subject to prior supervisor approval	No	Yes	Yes
15	Optional call date, contingent call date and redemption amount	N/A	15 June 2021 or subject to prior APRA approval for tax reasons, loss of tax deductibility or loss of regulatory treatment. \$30,000,000	26 May 2022 or subject to prior APRA approval for tax reasons, loss of tax deductibility or loss of regulatory treatment. \$40,000,000
16	Subsequent call dates (if applicable)	N/A	Each interest payment date there after	Each interest payment date there after
	<b>Coupons/dividends</b>			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	BBSW3M + 375 bps	BBSW3M + 300 bps
19	Existence of a dividend stopper	No	No	No

		Paid-up ordinary shares <sup>^</sup>	Tier 2	Tier 2
20	Fully discretionary, partially discretionary or mandatory	Full discretion	Mandatory	Mandatory
21	Existence of a step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative
23	<b>Convertible or non-convertible</b>	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	<b>Write-down feature</b>	No	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	If a non-viability trigger event occurs, the Notes will be subject to write-off	If a non-viability trigger event occurs, the Notes will be subject to write-off
32	If write-down, full or partial	N/A	Can be full or partial	Can be full or partial
33	If write-down, permanent or temporary	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	<b>Position in subordination hierarchy in liquidation</b>	Subordinated debt	Depositors and other liabilities	Depositors and other liabilities
36	<b>Non-compliant transitioned features</b>	Yes	No	No
37	If yes, specify non-compliant features	Certain requirements of Attachment B to APS 111 not met.	N/A	N/A

<sup>^</sup>APRA has determined that IMB'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

\* This document contains all disclosures required for the period ended 30 September 2017, however, it is noted that in accordance with APS 330, the Capital Instruments table above has been updated to reflect the reduction in paid-up ordinary shares due to the \$11.8m off market share buyback completed by IMB on 19 December 2017.

### Risk exposures and assessment

IMB has adopted the standardised approach to both credit and operational risk since 1 January 2008 in order to calculate the Basel II Pillar 1 minimum capital requirement.

The following table shows IMB's overall minimum capital requirement for credit risk under the standardised approach at 30 September 2017.

The information set out in the following table is required to be disclosed on a quarterly basis and is presented in terms of risk-weighted assets (RWA).

		RWA \$ 30 September 2017	RWA \$ 30 June 2017
<b>(a)</b>	<b>Capital requirements – credit risk</b>		
	Credit risk - by portfolio		
	Secured by residential mortgage	1,370,781,908	1,338,291,586
	Other retail	237,984,342	220,001,276
	Corporate	-	-
	Bank	330,749,200	351,271,435
	Government	-	-
	All other	124,817,826	137,587,364
	Securitisation	8,957,186	8,979,751
		2,073,290,462	2,056,131,412
<b>(b)</b>	<b>Capital requirements – market risk</b>	-	-
<b>(c)</b>	<b>Capital requirements – operational risk</b>	308,608,717	308,608,717
<b>(e)</b>	<b>Common Equity Tier 1 (consolidated)</b>	<b>13.41%</b>	<b>13.27%</b>
<b>(f)</b>	<b>Tier 1 capital ratio (consolidated)</b>	<b>13.41%</b>	<b>13.27%</b>
<b>(g)</b>	<b>Total capital ratio (consolidated)</b>	<b>16.70%</b>	<b>16.57%</b>

**Credit Risk Exposure**

The gross credit risk exposure (based on the definitions for regulatory capital purposes, before credit risk mitigation) is summarised as follows. The information set out in the following table is required to be disclosed on a quarterly basis.

<b>Credit Risk Exposures</b>	<b>Gross Total as at 30 September 2017</b> \$	<b>Average Gross Exposure over the Period</b> \$	<b>Gross Total as at 30 June 2017</b> \$
<b>By type of credit exposure</b>			
Loans and receivables to members	3,980,906,051	3,928,625,104	3,878,694,257
Loans and receivables to ADIs	332,567,908	366,683,285	363,534,126
Available for sale investments	935,217,902	949,214,285	975,773,785
Other assets	196,226,041	213,771,379	226,694,455
<b>By portfolio</b>			
Secured by residential mortgage	3,743,427,347	3,700,202,508	3,658,705,014
Other retail	237,478,703	228,422,595	219,989,244
Corporate	-	-	-
Bank	1,238,296,759	1,295,659,060	1,320,709,118
Government	-	-	-
All other	225,715,093	234,009,890	245,293,247

**Impairment Provisions**

The following table shows the past due loans and provisions for impaired exposures and charges to the income statement for the reported period.

For the period ended:	30 September 2017 \$	30 June 2017 \$
<b>Impaired facilities by portfolio</b>		
Secured by residential mortgage	4,187,470	2,289,137
Other retail	127,707	56,628
Corporate	-	-
Bank	-	-
Government	-	-
All other	-	-
<b>Past Due facilities by portfolio</b>		
Secured by residential mortgage	-	662,315
Other retail	-	-
Corporate	-	-
Bank	-	-
Government	-	-
All other	-	-
<b>Specific Provisions by portfolio</b>		
Secured by residential mortgage	83,856	73,593
Other retail	789,349	899,466
Corporate	-	-
Bank	-	-
Government	-	-
All other	-	-
<b>Charges for specific provisions during the period</b>		
Secured by residential mortgage	10,263	(161,907)
Other retail	(71,226)	81,651
Corporate	-	-
Bank	-	-
Government	-	-
All other	-	-
<b>General Reserve for Credit Losses</b>	7,208,616	7,057,438

**Securitisation Exposures**

The following table includes a summary of the total amount of exposures securitised, securitisation activity for the current period and amounts of securitisation exposures retained or purchased.

For the period ended:	30 September 2017 \$	30 June 2017 \$
<b>Securitized assets (value of assets in pool)</b>		
Housing loans	880,889,557	903,417,906
Commercial loans	35,839,733	38,473,319
<b>Holdings of securitisation securities</b>		
Securities held in banking book	-	-
<b>Facilities categorised as securitisation exposures (notional amount)</b>		
On Balance Sheet		
Liquidity facilities	15,482,761	15,719,355
Credit enhancements	450,000	450,000
Other	9,437,246	9,650,491
Off Balance Sheet		
Derivatives	65,882,813	68,837,008
<b>Loans sold into securitisation SPVs during the period</b>		
Recognised gain or loss on sale	-	299,994,179
<b>New facilities provided to securitisation SPVs during the period</b>		
Liquidity facilities	-	3,385,000
Credit enhancements	-	-
Derivatives	-	53,474,268
Other	-	3,000,000
<b>Credit risk capital requirement related to securitisation (risk weighted assets)</b>		
Securitisation exposures	-	-
Other unrated exposures	579,584	613,690
Unrated eligible facilities	5,190,002	5,302,462
Cash collateral	3,187,600	3,063,600
Total	8,957,186	8,979,752
<b>Deductions from capital</b>	1,606,389	1,593,286

## Remuneration Disclosures

### Qualitative Disclosures

(a) Information relating to the bodies that oversee remuneration.

IMB's Board Corporate Governance and Remuneration Committee is responsible for overseeing the remuneration arrangements for the Board and senior managers of IMB. This includes conducting regular reviews of, and making recommendations to the Board, on the company's Remuneration Policy, and making recommendations to the Board on the fixed and variable remuneration arrangements of the CEO and senior managers. The Committee is responsible for assessing the performance of the CEO and receiving reports of the performance of senior managers within IMB.

The Committee operates in accordance with its written charter which outlines the Committee's roles, responsibilities and terms of operation. The Committee generally acts in an advisory capacity only, unless powers are otherwise delegated to it by the Board from time to time.

The members of the Corporate Governance and Remuneration Committee during the year were: Mr MJ Cole (Chairman) - Independent Non-Executive director (retired as a Director on 28 September 2016)

Mr KR Biddle - Independent Non-Executive director (retired as a Director on 28 September 2016)

Mr NH Cornish - Independent Non-Executive director

Ms CA Aston – Independent Non-Executive director

Ms JM Swinhoe – Independent Non-Executive director

The Committee seeks the input and review of the Chairman of the Risk Committee and IMB's Chief Risk Officer in carrying out its duties.

The Committee generally meets twice annually or as is required to carry out its functions. The number of meetings during the year and the Committee members' attendance record is disclosed in the meeting of Directors table in the IMB 2017 annual report.

From time to time the Committee will obtain independent advice on the appropriateness of the remuneration arrangements for those covered by IMB's Remuneration Policy. Annette Gunnis of Reward Results was engaged to provide assistance to the Committee during the year.

The Remuneration Policy was last reviewed by the Committee in June 2017. The Remuneration Policy covers all directors of IMB and its subsidiaries, the Chief Executive, the Company Secretary, the senior executives that report directly to the Chief Executive and senior managers within IMB that are responsible for key risk and control functions. All persons covered by the Remuneration Policy are located within Australia.

Having reviewed IMB's corporate risks and remuneration structures, as at 30 June 2017 the Board considered the following employees to be 'senior managers' and/or 'material risk takers' as defined under paragraph 59 of CPS510 Governance:

Types of Employees	Number
<b>Senior managers</b>	
Chief executive officer	1
Executive officers	5
Other senior managers	2
<b>Material risk takers</b>	
N/A*	

\* Employees that would meet APRA's definition of 'material risk takers' are already captured under the definition of senior manager above.

(b) Information relating to the design and structure of remuneration processes.

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

- remuneration practices are aligned to the IMB's Group strategy and risk appetite;
- the attraction and retention of highly capable, motivated employees;
- the alignment of IMB's corporate interests with those of its employees, members and stakeholders;
- that there are appropriate incentives for outstanding performance;
- that there is transparency and fairness in remuneration policies and procedures;
- the encouragement of behaviours that support IMB's long-term financial soundness;
- that IMB's remuneration practices are compliant with regulatory requirements; and
- the support of an effective risk management framework.

The Remuneration Policy currently provides for remuneration arrangements made up of:

- Fixed Remuneration; and
- Variable remuneration (i.e. short-term performance based payments), dependant on the achievement of the objectives of the company, and individual performance, which is reviewed and rated annually.

The Remuneration Policy ensures that the remuneration of employees in compliance and risk management functions are designed in a way that avoids conflict of interests related to the business unit they are overseeing. Remuneration is reviewed and benchmarked against the market and internally to ensure that it is set at an appropriate level. The key performance indicators (KPIs) for risk and compliance employees are typically based on the achievement of sound regulatory reviews, and audit, compliance, risk management results (both financial and non-financial metrics) that are within pre-defined targets.

(c) Description of the ways in which current and future risks are taken into account in the remuneration process.

Fixed Remuneration:

Annual Salary increases are typically based on national indicators such as CPI or other relevant benchmarks for the finance industry. As part of IMB's strategy to attract and retain high quality, motivated employees, the Board generally aims to set fixed remuneration components at a level consistent with the remuneration amounts represented for each employment position using comparative data from other ADIs of a similar size and character to IMB.

Variable Performance Based remuneration payments:

IMB's Remuneration Policy allows for senior managers to have some portion of their remuneration at risk as a performance based payment or "short term incentive" (STI).

Variable performance based incentive payments are based on achievement of both financial and non-financial objectives, to reflect the extent to which annual objectives have been met at a company and individual level. 'Gate Openers' relating to risk, compliance and audit outcomes must be met in order for senior managers to be eligible to earn their variable remuneration component. Once it is determined that the 'gate openers' have been satisfied, measures applicable to calculation of variable remuneration include performance in areas such as: net profit after tax, efficiency, deposit growth, loan growth, member growth and satisfaction, delivery of strategic projects, regulatory ratios such as capital adequacy and liquidity, credit and fraud losses, risk management indicators, audit and compliance results, and workplace health and safety standards. Together these KPIs measure the key Credit, Market, Liquidity, Capital and



Operational Risks to which IMB is exposed. The KPIs are designed to be balanced and the metrics of certain senior managers may 'compete' or challenge the metrics of others.

(d) Description of the ways in which IMB seeks to link performance with levels of remuneration.

Each year the Corporate Governance and Remuneration Committee sets the key performance indicators for senior managers based on the target level of performance for IMB as a whole and relevant to the senior manager's area of operation. In setting these performance indicators consideration is given to the desired strategic outcomes of the business, the Board's risk appetite, and the time necessary for the outcomes of those business activities to be reliably measured.

The KPIs set for each employee will typically change from year to year to reflect changes in the Board's strategic or risk management focus. In order to determine the amount of performance-based remuneration, that is payable IMB adopts the following measures and procedures:

- Setting KPIs for each senior manager based on key strategic goals and risk management requirements at the commencement of each financial year relating to financial and non-financial outcomes;
- Undertaking a formal performance appraisal at the end of each financial year to calculate performance against KPIs;
- Requiring an independent review (for example, by the Internal or External Auditor) of the calculation of performance against KPIs; and
- Using reliable data to substantiate performance against KPIs.

These measures typically affect remuneration arrangements by determining the amount of the variable remuneration component (or STI) to which an employee covered by the Remuneration Policy is entitled, expressed as a % of their total fixed remuneration, while maintaining an appropriate balance between fixed and variable components.

In the past year, there have been no changes to the maximum amounts that may be received by employees covered by the Remuneration Policy as a variable remuneration component.

(e) Description of the ways in which IMB seeks to adjust remuneration to take account of longer-term performance.

In the past year, the Board considered that the current structure of remuneration arrangements and in particular, the holistic and balanced nature of performance based payments did not warrant the deferral of payments, on the basis that the arrangements are comprised of short term incentive payments, and the quantum of such payments is adequately contained. The Board will reconsider its position on deferral of payment in line with the introduction of the Banking Executive Accountability Regime which is planned for introduction in 2018.

Further, the Board has discretion to adjust the performance-based components of the remuneration of a person covered by this Policy downwards, to zero if appropriate, if such adjustment is considered necessary.

(f) Description of the different forms of variable remuneration that IMB utilises and the rationale for using these different forms.

As detailed in the Remuneration Policy, the structure of the remuneration arrangements comprise the following components:

- Fixed component
- Variable performance based components

Fixed components of remuneration for senior managers

Fixed compensation consists of base compensation in the form of cash salary (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), leave entitlements, as well as employer contributions to superannuation funds.

Variable components of remuneration for senior managers

The variable performance based payment is designed to encourage outstanding performance and to differentiate rewards by levels of performance. Performance based incentive compensation provides a system for aligning personal performance with the performance of the entity as a whole and rewards senior managers for meeting or exceeding their financial and non-financial personal objectives (key performance indicators). The financial and non financial performance objectives vary with position and responsibility. Performance is reviewed on a regular basis against the KPIs on a regular basis and through a formal annual performance appraisal.

As the employee with the prime responsibility for implementing IMB's Board approved strategy and for ensuring IMB's risk and control frameworks are observed on a day to day basis, the Chief Executive is provided with the opportunity to earn a maximum STI which represents 60% of total fixed remuneration. Those senior managers who report directly to Chief Executive are permitted to earn a maximum STI which represents 50% of total fixed remuneration. All STIs may be adjusted downwards at the discretion of the Board.

**Quantitative Disclosures**

(g) Number of meetings held by the main body overseeing remuneration during the financial year and the remuneration paid to its members.

During the year, the Board Corporate Governance and Remuneration Committee met twice. The members of the Committee are remunerated by IMB for their directorship. They do not receive any other remuneration for being a member of the Committee.

	2017
	\$
Remuneration of the Corporate Governance and Remuneration Committee	Nil

(h) The number of persons having received a variable remuneration award during the financial year.

	2017	
	No. of employees	Total (\$)
Variable remuneration award - discretionary bonus	8	820,379
Guaranteed bonuses	-	-
Sign-on award	-	-
Severance payment	-	-
<b>Total</b>	<b>8</b>	<b>820,379</b>

(i) Total amount of deferred remuneration paid out and outstanding during the financial year.

Deferred Remuneration	Outstanding at 30 June 2017 (\$)				
	Cash	Shares	Share-linked	Other	Total
<b>Deferred remuneration pre-adjustment</b>	-	-	-	-	-
Adjustments-implicit Mark-to-market value of shares	-	-	-	-	-
Adjustments-explicit Clawbacks	-	-	-	-	-
<b>Deferred remuneration post-adjustment</b>	-	-	-	-	-

Deferred Remuneration	Paid during the year (\$)				
	Cash	Shares	Share-linked	Other	Total
<b>Deferred remuneration pre-adjustment</b>	-	-	-	-	-
Adjustments-implicit Mark-to-market value of shares	-	-	-	-	-
Adjustments-explicit Clawbacks	-	-	-	-	-
<b>Deferred remuneration post-adjustment</b>	-	-	-	-	-

There was no deferred remuneration paid out in the financial year.

(j) Breakdown of the amount of remuneration awards for the financial year.

Total Value of remuneration awards for senior managers	Unrestricted	Deferred
Fixed remuneration		
- Cash-based	2,907,816	-
- Shares and share-linked instruments	-	-
- Other	240,821	-
	<b>3,148,637</b>	-
Variable remuneration		
- Cash-based	820,379	-
- Shares and share-linked instruments	-	-
- Other	-	11,663
	<b>820,379</b>	<b>11,663</b>
	<b>3,969,016</b>	<b>11,663<sup>1</sup></b>

<sup>1</sup> Represents movements in accrued long service leave entitlements

Total Value of remuneration awards for material risk takers	Unrestricted	Deferred
Fixed remuneration		
- Cash-based	-	-
- Shares and share-linked instruments	-	-
- Other	-	-
Variable remuneration		
- Cash-based	-	-
- Shares and share-linked instruments	-	-
- Other	-	-
	-	-

(k) Quantitative information on exposure to implicit and explicit adjustments of deferred and retained remuneration.

Refer to table at (i), there was no implicit or explicit adjustments to remuneration during the financial year.