2018

INTERIM FINANCIAL REPORT

WINNER

ABF ARBA

AUSTRALIAN RETAIL BANKING AWARDS 2018

BEST MUTUAL BANK OF THE YEAR

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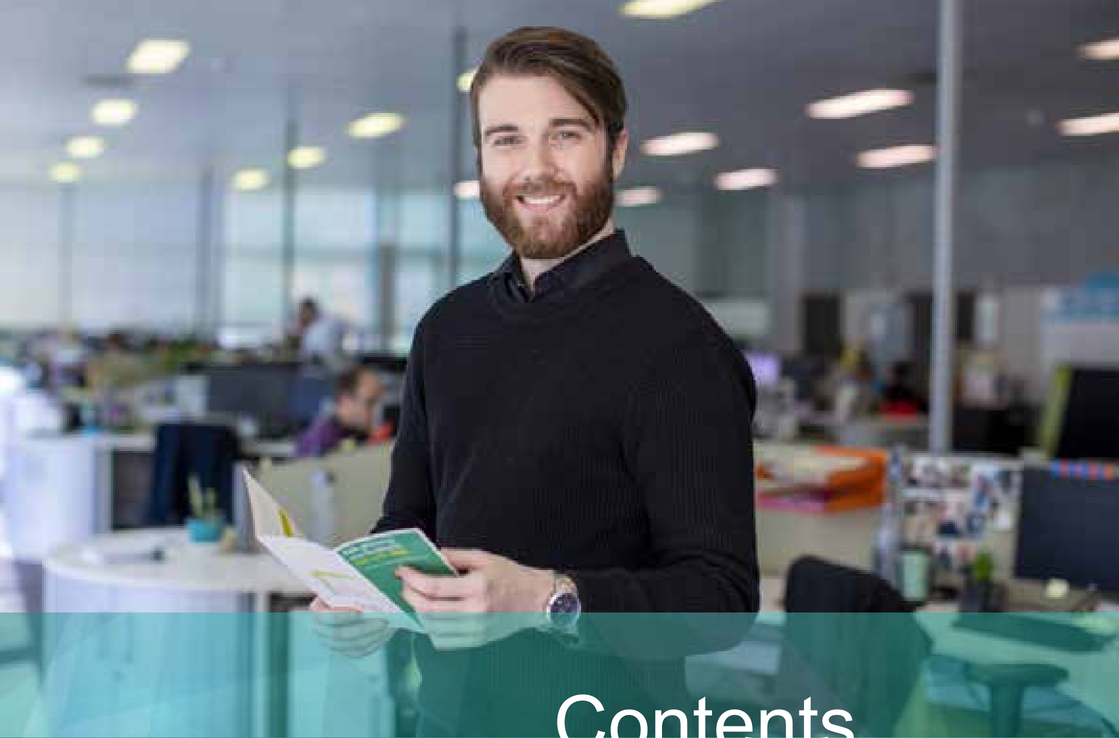

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The Board and management are pleased to report on IMB's half year financial result to 31 December 2018. The consistency of the result reflects our focus on maintaining sustainable financial performance while supporting IMB's commitment to business growth.

Entering new geographical markets and investment in digital initiatives to simplify and improve the banking experience for our members remain fundamental to IMB's long-term success and ability to compete against the major banks.

Accordingly, the first half of 2018-2019 saw IMB commence the execution phase of our Lending Transformation project which will enable faster online mortgage lending across all distribution channels and provide easier access to IMB's competitive range of lending products Australia-wide. IMB has also strengthened transactional banking through the recent launch of a comprehensive suite of mobile payments options and the use of real-time OSKO payments.

IMB's reach into new geographic markets continues, with an increasing number of lenders now operating in Sydney, and the NSW central coast and Hunter regions. We are pleased with the early successes in these communities. We have also secured a suitable location for our next branch at Rouse Hill. This will be IMB's 15th branch in the greater Sydney region. We are looking forward to welcoming members in north-west Sydney at this full service branch providing retail and business banking solutions.

The Board and Executive are enthusiastic about the progress achieved towards our vision to be NSW's Leading Mutual and we are committed to maintaining this momentum. We are also mindful that a strong and proactive response is required to changes arising out of the soon-to-be released Financial Services Royal Commission Report.

In this context, we have expanded the IMB Executive leadership team, enhancing IMB's ability to achieve further growth and meet the evolving expectations of our members, regulators and the communities IMB serves. The establishment of the new positions of Chief Digital Officer (held by Nathan Campbell) and General Manager People & Culture (held by Rachael Heald) together with the appointment of Michael King to the Chief Risk Officer role will help to drive IMB's digital transformation and organisational change alongside our commitment to maintaining a robust risk culture.

Across the organisation, preparations for the celebration of the 20th Anniversary of the IMB Community Foundation are underway, and in this coming year, the Foundation's historical contribution to projects that benefit IMB members and their communities will reach $10 million. We are proud of the difference the Foundation helps to make across a range of causes, including life-changing projects such as the Victor Chang Cardiac Research Institute's largest ever mobile public heart health check tour in NSW and the ACT, which will receive $150,000 from IMB in the current year.

Applications for funding close on 28 February 2019 and the remarkable work of the Foundation's funding recipients, past and present, will be recognised in June 2019.

Chairman's Review

IMB Ltd and its controlled entities

Overview of half year financial performance

The IMB group recorded a net profit after tax of $15.4 million for the half year to 31 December 2018, against $15.8 million for the previous corresponding period. The result is in line with expectations, and given we have been operating in a challenging market with significant competition for loans and deposits we are satisfied with the profit outcome and broader strategic progress achieved over the half year.

In a very competitive market, IMB was able to increase total assets to just under $6 billion, and grow the loan portfolio by 3.6% since June 2018. Encouragingly, APRA recently announced the removal of growth limits relating to investor lending and while demand in this market segment has materially declined, we expect to see performance for this part of the portfolio experience some growth in the second half of the year.

Despite the competitive environment, the continued effective management of IMB's funding base and asset book has resulted in a stable average interest margin of 2.12%.

With capital adequacy at 15.8% at 31 December, the Board and management are ensuring a balanced approach is taken so as to maintain appropriate capital ratios while supporting IMB's longer term success. We are enabling the development of digital systems and payments capabilities, planning for ongoing share buybacks and providing capacity for strategic investment, including the new head office premises and simplification of core business processes. Both IMB's capital adequacy and liquidity levels remain well in excess of minimum regulatory requirements and IMB remains in a strong position.

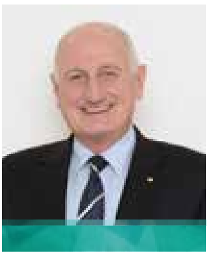
Dividend

The Board has declared an interim dividend of 9.5 cents per share, fully franked. This dividend will be paid after the close of trading on 27 February, 2019 to shareholders registered at that date. The effective dividend payout ratio is 75.21% of shareholders' interest in contributed funding.

Outlook

Competitive market conditions and an overall softening in demand for housing lending mean that the challenging operating environment is expected to prevail. IMB is confident we will be able to manage our performance well in these circumstances, however there will be ongoing pressure on growth in the loan portfolio and margin, meaning the overall outlook remains cautious.

On behalf of the Board and management, thank you to all IMB Members for your continued support.



NH Cornish AM, Chairman

Directors' Report

As at 31 December 2018

The directors have pleasure in presenting their report together with the consolidated interim financial report for the six months ended 31 December 2018 and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the six months ended 31 December 2018 are:

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

Review of operations

Members are referred to the Chairman's Review.

Interim dividend

Members are referred to the Chairman's Review.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 19 and forms part of the directors' report for the six months ended 31 December 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 Instrument, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Wollongong this thirty-first day of January 2019.

Signed in accordance with a resolution of the directors:

NH Cornish AM, Chairman

CA Aston, Director

Condensed Interim Income Statement

For the half year ended 31 December 2018

	CONSOLIDATED	
	31 Dec 2018 $000	**31 Dec 2017** $000
Interest revenue	**121,766**	116,302
Interest expense	**(59,189)**	(55,287)
Net interest income	**62,577**	61,015
Impairment losses	**(804)**	(421)
Net interest income after impairment losses	**61,773**	60,594
Fee and commission income	**6,735**	6,750
Other income	**302**	231
Net operating income	**68,810**	67,575
Operating expenses	**(46,785)**	(45,037)
Profit before tax	**22,025**	22,538
Income tax expense	**(6,626)**	(6,771)
Profit for the period attributable to members of the Company	**15,399**	15,767

The condensed interim income statement is to be read in conjunction with the condensed notes set out on pages 8 to 16.

IMB Ltd and its controlled entities

Condensed Interim Statement of Comprehensive Income

For the half year ended 31 December 2018

	CONSOLIDATED	
	31 Dec 2018 $000	**31 Dec 2017** $000
Profit for the period	**15,399**	15,767
Other comprehensive income/(expense):		
Items that are or may be reclassified subsequently to profit or loss:		
Net change in fair value of investments at FVOCI	**(1,380)**	648
Net change in fair value of cash flow hedges	**-**	21
Net change in fair value of investments at FVOCI transferred to profit and loss	**(559)**	(24)
Total other comprehensive income for the period, net of income tax	**(1,939)**	645
Total comprehensive income for the period	**13,460**	16,412

Amounts are stated net of tax

The condensed interim statement of comprehensive income is to be read in conjunction with the condensed notes set out on pages 8 to 16.

IMB Ltd and its controlled entities

Condensed Interim Statement of Financial Position

As at 31 December 2018

	CONSOLIDATED	
	31 Dec 2018 $000	**30 June 2018** $000
ASSETS		
Cash and cash equivalents	**45,039**	62,216
Investment securities	**891,261**	959,712
Loans and receivables to ADIs	**269,417**	277,005
Loans and advances	**4,732,625**	4,569,669
Other financial assets	**505**	505
Property, plant and equipment	**24,411**	12,366
Intangible assets	**983**	1,000
Net deferred tax assets	**4,681**	3,749
Other assets	**14,514**	25,960
Total Assets	**5,983,436**	5,912,182
LIABILITIES		
Trade and other payables	**22,266**	40,766
Deposits	**5,107,414**	4,993,265
Securitised loans funding	**366,735**	405,795
Interest bearing liabilities	**119,781**	114,739
Current tax liabilities	**2,390**	4,508
Provisions	**9,835**	9,422
Total Liabilities	**5,628,421**	5,568,495
Net Assets	**355,015**	343,687
EQUITY		
Share capital	**30,514**	30,514
Reserves	**46,060**	47,421
Retained earnings	**278,441**	265,752
Total equity attributable to members of the Company	**355,015**	343,687

The condensed interim statement of financial position is to be read in conjunction with the condensed notes set out on pages 8 to 16.

Condensed Interim Statement of Cash Flows

For the half year ended 31 December 2018

		CONSOLIDATED	
	Note	31 Dec 2018 $000	31 Dec 2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**122,862**	116,022
Other cash receipts in the course of operations		**8,707**	7,190
Interest paid on deposits		**(57,977)**	(56,504)
Net increase in deposits		**112,937**	143,959
Income taxes paid		**(9,887)**	(7,745)
Net loans funded		**(163,929)**	(83,764)
Other cash payments in the course of operations		**(53,671)**	(44,396)
Net cash flows from operating activities		**(40,958)**	74,762
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemptions of investment securities		**73,878**	2,111
Expenditure on property, plant and equipment, and intangibles		**(13,669)**	(2,548)
Proceeds from sale of property, plant and equipment		**215**	109
Net cash flows from investing activities		**60,424**	(328)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments from securitised loans funding		**(39,060)**	(56,196)
Net proceeds from/(payments for) interest bearing liabilities		**5,042**	(21,890)
Own shares acquired		**(28)**	(11,915)
Dividends paid	5	**(2,597)**	(2,555)
Net cash flows from financing activities		**(36,643)**	(92,556)
Net decrease in cash and cash equivalents held		**(17,177)**	(18,122)
Cash and cash equivalents at 1 July		**62,216**	65,237
Cash and cash equivalents at 31 December	6	**45,039**	47,115

The condensed interim statement of cash flows is to be read in conjunction with the condensed notes set out on pages 8 to 16.

IMB Ltd and its controlled entities

Condensed Interim Statement of Changes in Equity

For the half year ended 31 December 2018

		CONSOLIDATED							
In thousands of AUD	Note	Share capital	Investment securities 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 2017		33,345	4,334	(25)	5,098	25,255	12,894	249,347	330,248
Total comprehensive income for the period									
Profit after tax		-	-	-	-	-	-	15,767	15,767
Other comprehensive income									
Net revaluation movement due to change in fair value		-	648	21	-	-	-	-	669
Net change in fair value transferred to profit and loss		-	(24)	-	-	-	-	-	(24)
Total other comprehensive income		-	624	21	-	-	-	-	645
Total comprehensive income for the period		-	624	21	-	-	-	15,767	16,412
Transfer from retained profits		-	-	-	973	-	-	(973)	-
Transactions with owners, recorded in equity									
Own shares acquired		(2,831)	-	-	-	-	-	(9,084)	(11,915)
Dividends to shareholder members		-	-	-	-	-	-	(2,555)	(2,555)
Balance at 31 December 2017		**30,514**	**4,958**	**(4)**	**6,071**	**25,255**	**12,894**	**252,502**	**332,190**
Balance at 1 July 2018		30,514	3,001	-	6,271	25,255	12,894	265,752	343,687
Adjustment from adoption of AASB 9	4	-	-	-	603	-	-	(110)	493
Restated opening balance at 1 July 2018		30,514	3,001	-	6,874	25,255	12,894	265,642	344,180
Total comprehensive income for the period									
Profit after tax		-	-	-	-	-	-	15,399	15,399
Other comprehensive income									
Net revaluation movement due to change in fair value		-	(1,380)	-	-	-	-	-	(1,380)
Net change in fair value transferred to profit and loss		-	(559)	-	-	-	-	-	(559)
Total other comprehensive income		-	(1,939)	-	-	-	-	-	(1,939)
Total comprehensive income for the period		-	(1,939)	-	-	-	-	15,399	13,460
Transfer from retained profits		-	-	-	(25)	-	-	25	-
Transactions with owners, recorded in equity									
Own shares acquired		-	-	-	-	-	-	(28)	(28)
Dividends to shareholder members		-	-	-	-	-	-	(2,597)	(2,597)
Balance at 31 December 2018		**30,514**	**1,062**	**-**	**6,849**	**25,255**	**12,894**	**278,441**	**355,015**

Amounts are stated net of tax. The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes set out on pages 8 to 16.

Condensed Notes to the Consolidated Interim Financial Report

For the half year ended 31 December 2018

1 Reporting entity

IMB Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office at 253-259 Crown Street, Wollongong or at imb.com.au.

2 Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2018.

This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* has been applied. Changes to significant accounting policies are described in note 4.

This consolidated interim financial report was approved by the Board of Directors on 31 January 2019.

3 Estimates

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

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of AASB 9, which are described in note 4.

4 Changes in significant accounting policies

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

AASB 9 Financial Instruments
AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. The Group has initially adopted AASB 9 from 1 July 2018.

The effect of applying this standard is a decrease in the provision for impairment recognised on financial assets and an increase in the general reserve for credit losses.

The details of the new significant accounting policy and the nature and effect of the changes to previous accounting policies are set out below.

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.

Financial assets measured at amortised cost include cash and cash equivalents, loans and receivable to ADIs, loans and advances and trade and other receivables.

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.

Financial assets measured at FVOCI include investment securities.

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.

4 Changes in significant accounting policies (continued)

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

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

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 requires the exercise of judgement over how changes in economic factors affect ECLs, which are 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 applies 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 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.

Transition
As permitted by AASB 9, the Consolidated Entity has not restated its comparative financial statements and has recorded a transition adjustment to its opening balance sheet, retained earnings and OCI at 1 July 2018 for the impact of the adoption of AASB 9's classification and measurement, impairment and hedge accounting requirements.

The transition adjustment, which materially relates to AASB 9's ECL requirements, has decreased the Group's provision for impairment by $0.7 million, decreased deferred tax assets by $0.2 million, increased the general reserve for credit losses by $0.6 million after tax, decreased retained earnings by $0.1 million after tax and increased the Group's equity by $0.5 million after tax and does not have a material impact on the Group's minimum regulatory capital requirements.

AASB 15 *Revenue from Contracts with Customers* is effective from 1 July 2018 and replaces all the previous guidance on revenue recognition from contracts with customers. It requires the identification of discrete performance obligations within a customer contract and an associated transaction price that is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services is transferred to the customer. The Group has assessed the impact of the application of AASB 15 as having an immaterial effect on its consolidated financial statements.

Condensed Notes to the Consolidated Interim Financial Report

For the half year ended 31 December 2018

5 Dividends	DEC 2018 $000	DEC 2017 $000
Fully franked final dividend declared on 22 August 2017 - $0.09 per share franked to 100% at a tax rate of 30% paid on 4 September 2017 on 28,386,111 shares	**-**	2,555
Fully franked final dividend declared on 28 August 2018 - $0.10 per share franked to 100% at a tax rate of 30% paid on 4 September 2018 on 25,966,082 shares	**2,597**	-
	2,597	2,555

Subsequent events:
On 30 January 2019, the Board declared an interim dividend of 9.5 cents per share amounting to $2,467,000 franked to 100% at a tax rate of 30%, in respect to the six months ended 31 December 2018. The dividend is payable on 27 February 2019. The financial effect of this interim dividend has not been brought to account in the Group's financial report for the six months ended 31 December 2018 and will be recognised in the subsequent financial report.

6 Notes to the statement of cash flows	DEC 2018 $000	DEC 2017 $000
Reconciliation of cash Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash controlled by the Group	**21,485**	23,044
Cash controlled by SPEs	**23,554**	24,071
Total	**45,039**	47,115

7 Fair Value

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

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

Financial instruments carried at fair value

- Financial instruments classified as investment securities 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.

7 Fair Value (continued)

Fair value hierarchy

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

31 December 2018	Carrying Amount $000	Level 1 $000	Level 2 $000	Level 3 $000	Total consolidated $000
Financial assets measured at fair value					
Investment securities	891,261	-	891,261	-	891,261
	891,261				
Financial assets not measured at fair value					
Cash and cash equivalents	45,039				
Loans to other ADIs	269,417				
Loans and advances	4,732,625	-	4,748,314	-	4,748,314
Other financial assets	505				
Trade and other receivables	14,514				
	5,062,100				
Financial liabilities measured at fair value					
Derivative financial liabilities held for risk management	-	-	-	-	-
	-				
Financial liabilities not measured at fair value					
Deposits	5,107,414	-	5,113,519	-	5,113,519
Securitised loan funding	366,735				
Interest bearing liabilities	119,781				
Trade and other payables	22,266				
	5,616,196				

7 Fair Value (continued)

31 December 2017	Carrying Amount $000	Level 1 $000	Level 2 $000	Level 3 $000	Total consolidated $000
Financial assets measured at fair value					
Investment securities	**934,432**	-	**934,432**	-	**934,432**
	934,432				
Financial assets not measured at fair value					
Cash and cash equivalents	**47,115**				
Loans to other ADIs	**370,901**				
Loans and advances	**4,398,686**	-	**4,403,714**	-	**4,403,714**
Other financial assets	**505**				
Trade and other receivables	**14,148**				
	4,831,355				
Financial liabilities measured at fair value					
Derivative financial liabilities held for risk management	**4**	-	**4**	-	**4**
	4				
Financial liabilities not measured at fair value					
Deposits	**4,938,025**	-	**4,944,347**	-	**4,944,347**
Securitised loan funding	**374,375**				
Interest bearing liabilities	**94,665**				
Trade and other payables	**30,306**				
	5,437,371				

7 Fair Value (continued)

Valuation techniques

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

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

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**	1.85% - 2.52%
Loans and borrowings	**1.50% - 2.22%**	1.50% - 2.52%

8 Related parties

Arrangements with current related parties continue to be in place. For details on these arrangements, refer to the 30 June 2018 annual financial report.

9 Events Subsequent to Reporting Date

Dividends

For dividends declared by IMB Ltd after 31 December 2018 refer to note 5.

Other

There were no other events subsequent to balance date.

Directors' declaration

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

1. the condensed consolidated financial statements and notes set out on pages 4 to 16, are in accordance with the *Corporations Act 2001*, including:

    (a) giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance, for the six months ended on that date; and

    (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this thirty-first day of January 2019.

Signed in accordance with a resolution of the directors:

NH Cornish AM, Chairman

CA Aston, Director

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

KPMG

Independent auditor's review report to the members of IMB Ltd

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The *Interim Financial Report* comprises:

- Condensed consolidated statement of financial position as at 31 December 2018.
- Condensed consolidated income statement and condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the Interim Period ended on that date.
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

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

The Interim Period is the 6 months ended on 31 December 2018.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*. As auditor of IMB Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Richard Drinnan
Partner

Dated at Wollongong this 31st day of January 2019

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

KPMG

I declare that, to the best of my knowledge and belief, in relation to the review of IMB Ltd for the half year period ended 31 December 2018 there have been:

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

KPMG

Richard Drinnan
Partner

Dated at Wollongong this 31st day of January 2019.

Directors' Particulars

Noel Harold Cornish AM
BSC (MET) M ENGSC FAICD

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

Catherine Ann Aston
B.EC M. COMM TFASFA GAICD

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

James Randolph Coleman
BA MBA GAICD

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

Peter John Fitzgerald
BCOM FCA GAICD

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

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

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

Jan Margaret Swinhoe
BSC (HONS) AIAA GAICD

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

Margaret Elizabeth Towers
CA GAICD

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

Statistical Highlights

		CONSOLIDATED	
at 31 December		**2018**	**2017**
Net assets/total assets	%	**5.9**	5.7
Risk weighted capital adequacy	%	**15.8**	16.2
APRA high quality liquid assets	%	**17.5**	20.1
Total liquidity	%	**21.4**	25.4
Non interest expenses/operating income	%	**68.0**	66.6
for the half year ended 31 December			
Annualised after tax return on			
- average total assets	%	**0.5**	0.5
- average net assets	%	**9.0**	9.7
Interim dividend per share*	cents	**9.5**	10.0

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