

*Supporting our members'
financial journey*



2016

INTERIM
FINANCIAL
REPORT



IMB Ltd trading as IMB Bank ABN 92 087 651 974

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CHAIRMAN'S REVIEW

The Board and management are pleased to report that we have made good progress on our key strategic goals during the half year.

This financial year started with the completion of the merger with Sutherland Credit Union Ltd (SCU) and I again warmly welcome the former SCU members to the IMB community. Our aim is to deliver more benefits and value across our combined membership. This merger has lifted our branch numbers to 48, and we now have 190,000 Members, 550 employees and total assets in excess of \$5.4 billion.

In December, your Bank successfully completed the fourth off market share buyback. The Board remains firmly committed to buying back all shares on issue to provide IMB Bank with the most effective capital structure to support our growth, and to underpin our status as a strong mutual financial institution. This buyback was very well subscribed, resulting in the cancellation of 3.49 million shares. The buyback value was \$16.5 million.

During the six months, we continued to make significant investments to enhance our digital platform and distribution channels and to ensure our products and services are meeting Member needs.

The IMB and Shire Community Foundation committees are currently very busy. Applications for 2017 grants to support community based projects have been submitted from many groups across our areas of operation, and assessment of these projects is currently underway.

Performance

The IMB Bank group recorded a net profit after tax of \$12.8 million for the half year to 31 December 2016. This is an 8.3% decrease on the previous corresponding period. As noted in previous communications to Members, we have been operating in a challenging market with RBA reductions to official interest rates and continuing intense competition for loans and deposits. This profit outcome is in line with expectations and is considered an acceptable result in the current circumstances.

The continued effective management of IMB's funding base and asset book has resulted in an average interest margin of 1.98%. This slight decrease in margin over the corresponding period last year reflects the adverse impact from official interest rate reductions in the calendar year and competition for deposits. In recent months, the margin has shown some improvement.

The liquidity ratio at 26% is well in excess of minimum prudential requirements and places IMB in a strong position in an environment of heightened competition.

After the share buyback in December, the capital adequacy ratio at calendar year end was 15.5%, comfortably above IMB's stated goal of 15% and well in excess of prudential requirements.

CHAIRMAN'S REVIEW

Dividend

In September 2016, the Board announced a revised non-binding Dividend Guideline, being that while IMB's capital adequacy ratio is above 14% and profits are maintained or increased, the Board's current intention is to pay a full year dividend of 20 cents per share for 2016/17.

As previously noted, the ability to maintain profits at the 2015-2016 level will be challenging.

The Board has declared an interim dividend of 9 cents per share, fully franked. The dividend will be paid on 27th February, 2017.

Outlook

Competitive market conditions mean that the challenging operating environment is expected to prevail, and therefore the outlook is cautious. Housing lending growth remains strong but is highly competitive and similar conditions also exist for retail deposits. As a result, there will be ongoing pressure on margin, however, we expect to see this ease in the current half with the adverse impacts of official interest rate reductions being offset as mitigating actions begin to take effect.

On behalf of the Board, I express our gratitude to all Members for their continued support of IMB.



A handwritten signature in black ink, appearing to read 'NH Cornish', written in a cursive style.

NH Cornish,
Chairman

DIRECTORS' REPORT

AS AT 31 DECEMBER 2016

The directors have pleasure in presenting their report together with the consolidated interim financial report for the six months ended 31 December 2016 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 2016 are:

| Name | Period of directorship |
|----------------------------------|---|
| Noel Harold Cornish AM, Chairman | Director since 2010, appointed Chairman September 2016 |
| Catherine Ann Aston | Director since September 2016 |
| Kieran Robert Biddle | Director since 2007, retired September 2016 |
| Michael John Cole | Director since 2003, retired September 2016 |
| James Randolph Coleman | Director since 2012 |
| Robert Hillis Page Elvy | Director since 2008, appointed Deputy Chairman September 2016 |
| Gai Marie McGrath | Director since May 2016 |
| Jan Margaret Swinhoe | Director since 2014 |
| Margaret Elizabeth Towers | Director since 2011 |

Review of operations

Members are referred to the Chairman's Review.

Dated at Wollongong this thirty first day of January 2017.

Interim dividend

Members are referred to the Chairman's Review.

Signed in accordance with a resolution of the directors:

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 15 and forms part of the directors' report for the six months ended 31 December 2016.



NH Cornish, Chairman

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.



RHP Elvy, Deputy Chairman

CONDENSED INTERIM INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

| | CONSOLIDATED | |
|---|---------------------|--------------------|
| | 31 DEC 2016 | 31 DEC 2015 |
| | \$000 | \$000 |
| Interest revenue | 110,300 | 111,072 |
| Interest expense | (56,400) | (60,135) |
| Net interest income | 53,900 | 50,937 |
| Impairment (losses)/recoveries | (613) | 62 |
| Net interest income after impairment losses | 53,287 | 50,999 |
| Fee and commission income | 7,021 | 6,738 |
| Other income | 656 | 409 |
| Net operating income | 60,964 | 58,146 |
| Operating expenses | (42,701) | (38,182) |
| Profit before tax | 18,263 | 19,964 |
| Income tax expense | (5,481) | (6,024) |
| Profit for the period attributable to members of the Company | 12,782 | 13,940 |

The condensed interim income statement is to be read in conjunction with the condensed notes set out on pages 8 to 12.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

| | CONSOLIDATED | |
|---|---------------------|--------------------|
| | 31 DEC 2016 | 31 DEC 2015 |
| | \$000 | \$000 |
| Profit for the period | 12,782 | 13,940 |
| Other comprehensive income/(expense): | | |
| Items that are or may be reclassified subsequently to profit or loss: | | |
| Net change in fair value of available for sale investments | 1,291 | (2,101) |
| Net change in fair value of cash flow hedges | (86) | (8) |
| Net change in fair value of available for sale investments transferred to profit and loss | (264) | (665) |
| Total other comprehensive income for the period, net of income tax | 941 | (2,774) |
| Total comprehensive income for the period | 13,723 | 11,166 |

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 12.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

| | CONSOLIDATED | |
|--|------------------|------------------|
| | 31 DEC 2016 | 30 JUNE 2016 |
| | \$000 | \$000 |
| ASSETS | | |
| Cash and cash equivalents | 55,154 | 55,730 |
| Available for sale investments | 1,005,766 | 1,031,746 |
| Loans and receivables to ADIs | 222,908 | 232,922 |
| Loans and receivables to members | 4,116,549 | 3,879,221 |
| Other financial assets | 505 | 505 |
| Property, plant and equipment | 11,256 | 8,947 |
| Intangible assets | 1,467 | 999 |
| Net deferred tax assets | 4,961 | 4,238 |
| Other assets | 14,135 | 9,810 |
| Total Assets | 5,432,701 | 5,224,118 |
| LIABILITIES | | |
| Trade and other payables | 31,568 | 25,190 |
| Deposits | 4,543,911 | 4,268,430 |
| Securitised loans funding | 417,733 | 535,303 |
| Interest bearing liabilities | 111,720 | 74,716 |
| Derivative liabilities | 222 | 99 |
| Current tax liabilities | 2,353 | 2,846 |
| Provisions | 10,247 | 8,955 |
| Total Liabilities | 5,117,754 | 4,915,539 |
| Net Assets | 314,947 | 308,579 |
| EQUITY | | |
| Share capital | 33,345 | 37,460 |
| Reserves | 31,066 | 29,017 |
| Retained earnings | 250,536 | 242,102 |
| Total equity attributable to members of the Company | 314,947 | 308,579 |

The condensed interim statement of financial position is to be read in conjunction with the condensed notes set out on pages 8 to 12.

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

| | | CONSOLIDATED | |
|---|------|----------------------|----------------------|
| | Note | 31 DEC 2016 \$000 | 31 DEC 2015 \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Interest received | | 111,424 | 108,987 |
| Other cash receipts in the course of operations | | 4,195 | 11,305 |
| Interest paid on deposits | | (60,104) | (63,426) |
| Net increase in deposits | | 83,228 | 207,580 |
| Income taxes paid | | (6,672) | (6,929) |
| Net loans funded | | (65,043) | (69,967) |
| Other cash payments in the course of operations | | (36,533) | (46,443) |
| Net cash flows from operating activities | | 30,495 | 141,107 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Redemptions of/ (Payments for) available for sale investments | | 71,679 | (166,821) |
| Expenditure on property, plant and equipment, and intangibles | | (3,762) | (987) |
| Net cash received on merger | | 4,810 | - |
| Proceeds from sale of property, plant and equipment | | 77 | 12 |
| Net cash flows from investing activities | | 72,804 | (167,796) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net (repayments)/ proceeds from securitised loans funding | | (117,570) | 46,040 |
| Net proceeds from/(payments for) interest bearing liabilities | | 35,018 | (55) |
| Own shares acquired | | (16,542) | - |
| Dividends paid | 5 | (4,781) | (4,781) |
| Net cash flows from financing activities | | (103,875) | 41,204 |
| Net (decrease)/increase in cash and cash equivalents held | | (576) | 14,515 |
| Cash and cash equivalents at 1 July | | 55,730 | 44,398 |
| Cash and cash equivalents at 31 December | 6 | 55,154 | 58,913 |

The condensed interim statement of cash flows is to be read in conjunction with the condensed notes set out on pages 8 to 12.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

| | CONSOLIDATED | | | | | | |
|---|------------------|--|----------------------------------|---|--------------------|----------------------|-----------------|
| | Share capital | Available for sale investments revaluation reserve | Cash flow hedge reserve | General reserve for credit losses | General reserve | Retained earnings | Total equity |
| <i>In thousands of AUD</i> | | | | | | | |
| Balance at 1 July 2015 | 37,460 | 3,566 | (30) | 3,200 | 25,255 | 221,931 | 291,382 |
| Total comprehensive income for the period | | | | | | | |
| Profit after tax | - | - | - | - | - | 13,940 | 13,940 |
| Other comprehensive income | | | | | | | |
| Net revaluation movement due to change in fair value | - | (2,101) | (8) | - | - | - | (2,109) |
| Net change in fair value transferred to profit and loss | - | (665) | - | - | - | - | (665) |
| Total other comprehensive income | - | (2,766) | (8) | - | - | - | (2,774) |
| Total comprehensive income for the period | - | (2,766) | (8) | - | - | 13,940 | 11,166 |
| Transfer from retained profits | - | - | - | 243 | - | (243) | - |
| Transactions with owners, recorded in equity | | | | | | | |
| Own shares acquired | - | - | - | - | - | - | - |
| Dividends to shareholder members | - | - | - | - | - | (4,781) | (4,781) |
| Balance at 31 December 2015 | 37,460 | 800 | (38) | 3,443 | 25,255 | 230,847 | 297,767 |
| Balance at 1 July 2016 | 37,460 | (161) | (70) | 3,993 | 25,255 | 242,102 | 308,579 |
| Total comprehensive income for the period | | | | | | | |
| Profit after tax | - | - | - | - | - | 12,782 | 12,782 |
| Other comprehensive income | | | | | | | |
| Net revaluation movement due to change in fair value | - | 1,291 | (86) | - | - | - | 1,205 |
| Net change in fair value transferred to profit and loss | - | (264) | - | - | - | - | (264) |
| Total other comprehensive income | - | 1,027 | (86) | - | - | - | 941 |
| Total comprehensive income for the period | - | 1,027 | (86) | - | - | 12,782 | 13,723 |
| Transfer from retained profits | - | - | - | 428 | - | (428) | - |
| Transactions with owners, recorded in equity | | | | | | | |
| Merger with Sutherland Credit Union | - | - | - | 400 | 280 | 13,288 | 13,968 |
| Own shares acquired | (4,115) | - | - | - | - | (12,427) | (16,542) |
| Dividends to shareholder members | - | - | - | - | - | (4,781) | (4,781) |
| Balance at 31 December 2016 | 33,345 | 866 | (156) | 4,821 | 25,535 | 250,536 | 314,947 |

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 12.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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 2016 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 2016 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 2016.

This consolidated interim financial report was approved by the Board of Directors on 31 January 2017.

5 Dividends

Fully franked final dividend declared on 26 August 2015
- \$0.15 per share franked to 100% at a tax rate of 30% paid on 3 September 2015 on 31,873,148 shares

Fully franked final dividend declared on 24 August 2016
- \$0.15 per share franked to 100% at a tax rate of 30% paid on 2 September 2016 on 31,873,148 shares

| | DEC 2016 | DEC 2015 |
|--|----------|----------|
| | \$000 | \$000 |
| | - | 4,781 |
| | 4,781 | - |
| | 4,781 | 4,781 |

3 Significant accounting policies

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 2016.

4 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 2016.

Subsequent events:

On 31 January 2017, the Board declared an interim dividend of 9 cents per share amounting to \$2,555,000 franked to 100% at a tax rate of 30%, in respect to the six months ended 31 December 2016. The dividend is payable on 27 February 2017. 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 2016 and will be recognised in the subsequent financial report.

6 Notes to the statement of cash flows

DEC 2016
\$000

DEC 2015
\$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 | 21,304 | 25,471 |
| Cash controlled by SPEs | 33,850 | 33,442 |
| Total | 55,154 | 58,913 |

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 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.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

7 Fair Value (continued)

Fair value hierarchy

The following tables show the carrying amount and 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 liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying Amount \$000 | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | Total consolidated \$000 |
|---|-----------------------------|------------------|------------------|------------------|--------------------------------|
| 31 December 2016 | | | | | |
| Financial assets measured at fair value | | | | | |
| Available for sale financial assets | 1,005,766 | - | 1,005,766 | - | 1,005,766 |
| | 1,005,766 | | | | |
| Financial assets not measured at fair value | | | | | |
| Cash and cash equivalents | 55,154 | | | | |
| Loans to other ADIs | 222,908 | | | | |
| Loans and receivables to members | 4,116,549 | - | 4,122,562 | - | 4,122,562 |
| Equity investments held at cost | 505 | | | | |
| Trade and other receivables | 14,135 | | | | |
| | 4,409,251 | | | | |
| Financial liabilities measured at fair value | | | | | |
| Derivative financial liabilities held for risk management | 222 | - | 222 | - | 222 |
| | 222 | | | | |
| Financial liabilities not measured at fair value | | | | | |
| Deposits | 4,543,911 | - | 4,552,085 | - | 4,552,085 |
| Securitised loan funding | 417,733 | | | | |
| Interest bearing liabilities | 111,720 | | | | |
| Trade and other payables | 31,568 | | | | |
| | 5,104,932 | | | | |
| 31 December 2015 | | | | | |
| Financial assets measured at fair value | | | | | |
| Available for sale financial assets | 994,166 | - | 994,166 | - | 994,166 |
| | 994,166 | | | | |
| Financial assets not measured at fair value | | | | | |
| Cash and cash equivalents | 58,913 | | | | |
| Loans to other ADIs | 335,086 | | | | |
| Loans and receivables to members | 3,816,978 | - | 3,824,275 | - | 3,824,275 |
| Equity investments held at cost | 505 | | | | |
| Trade and other receivables | 7,845 | | | | |
| | 4,219,327 | | | | |

| 31 December 2015 | Carrying Amount \$000 | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | Total consolidated \$000 |
|---|--------------------------|------------------|------------------|------------------|-----------------------------|
| Financial liabilities measured at fair value | | | | | |
| Derivative financial liabilities held for risk management | 54 | - | 54 | - | 54 |
| | 54 | | | | |
| Financial liabilities not measured at fair value | | | | | |
| Deposits | 4,243,095 | - | 4,248,148 | - | 4,248,148 |
| Securitised loan funding | 608,720 | | | | |
| Interest bearing liabilities | 44,916 | | | | |
| Trade and other payables | 23,069 | | | | |
| | 4,919,800 | | | | |

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:

| | 2016 | 2015 |
|----------------------|---------------|---------------|
| Derivatives | 1.88% - 2.63% | 2.21% - 2.46% |
| Loans and borrowings | 1.50% - 2.63% | 2.00% - 2.46% |

8 Related parties

Arrangements with current related parties continue to be in place. For details on these arrangements, refer to the 30 June 2016 annual financial report.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

9 Business Combinations

Sutherland Credit Union Limited

On 1 July 2016, Sutherland Credit Union Limited merged with IMB Ltd by way of a voluntary Transfer of Business pursuant to the Financial Sector (Business Transfer and Group Restructure) Act of 1999 (Cth). The primary reason for the merger is to deliver greater benefits to the Members of the combined organisation, and to strengthen the position of IMB Ltd as a competitive alternative to the major banks in the Sutherland Shire.

The merger, originally announced on 1 December 2015, was approved by Members of Sutherland Credit Union Limited on 12 May 2016. The transaction was effective from 1 July 2016 with the transfer of the Sutherland Credit Union Limited assets and liabilities to IMB Ltd being legally undertaken on that date. Each Member of Sutherland Credit Union became a Guarantee Member of IMB Ltd on 1 July 2016 unless the Member was already a Member of IMB Ltd. Each Member share in Sutherland Credit Union was redeemed and cancelled, and the amount paid on their Member share repaid.

For the six months ended 31 December 2016, Sutherland Credit Union Limited contributed revenue of \$2,554,000 and profit of \$167,000 to the Group's result.

The fair values currently determined are subject to further review during the twelve month period following the merger and may alter from the carrying values of the assets and liabilities currently disclosed.

b) Contingent liabilities

There are no other contingent liabilities other than potential staff redundancy liabilities that may arise should impacted employees elect voluntary redundancy.

10 Share buy back

On 15 December 2016, in the fourth of a series of voluntary buybacks, IMB Ltd bought back 3.49 million shares for a total cash consideration, including transaction costs, of \$16.5 million. Shares tendered at a discount of 14% or as a final price tender were bought back in full.

a) Identifiable assets and liabilities assumed

The effective fair value of the identifiable assets and liabilities of Sutherland Credit Union Limited as at the date of merger 1 July 2016 were:

| | Recognised values on merger 1 July 2016 \$000 |
|--|--|
| ASSETS | |
| Cash and cash equivalents | 4,810 |
| Liquid investments | 35,672 |
| Receivables | 723 |
| Loans | 172,899 |
| Other assets | 972 |
| Total assets | 215,076 |
| LIABILITIES | |
| Deposits from Members | 195,956 |
| Creditors | 2,223 |
| Subordinated debt | 1,986 |
| Other liabilities | 943 |
| Total liabilities | 201,108 |
| Fair value of identifiable net assets attributable to Sutherland Credit Union Limited | 13,968 |

11 Events Subsequent to Reporting Date

Dividends

For dividends declared by IMB Ltd after 31 December 2016 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 to12, 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 2016 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 2017.

Signed in accordance with a resolution of the directors:



NH Cornish, Chairman



RHP Elvy, Deputy Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IMB LTD



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

Report on the Interim Financial Report

Conclusion

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:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the Half-year ended on that date; and

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

We have reviewed the accompanying half-year Financial Report of IMB Ltd. The Interim Financial Report comprises:

- the condensed consolidated statement of financial position as at 31 December 2016.
- 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 Half-year ended on that date.
- Notes 1 to 11 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 Half-year's end or from time to time during the Interim Period.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

- for 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 2016 and its performance for the half-year 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 a Half-year 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.

Independence

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

KPMG

Warwick Shanks
Partner

Dated at Wollongong this 31st day of January 2017

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF IMB LTD



I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'Warwick Shanks'.

Warwick Shanks
Partner

Dated at Wollongong this 31st day of January 2017.

DIRECTORS' PARTICULARS

Noel Harold Cornish AM

BSC (MET) M ENGSC FAICD

Mr Cornish has been a director since 2010 and was elected Chairman in September 2016. Mr Cornish is Chairman of the Corporate Governance and Remuneration Committee and Capital and Securitisation 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 since September 2016. Ms Aston is a member of the Audit Committee, IMB Community Foundation Committee and the Corporate Governance and Remuneration 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 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.

Robert Hillis Page Elvy

B SC(ENG) B COM(ACCY) FIEAUST FCPA FCIS FAICD

Mr Elvy has been a director since 2008 and was elected Deputy Chairman in September 2016. Mr Elvy is the Chairman of the Audit Committee and is a member of the Risk Committee and the Capital and Securitisation Committee. As well as being a director of IMB Ltd, Mr Elvy 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 is 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 since 2014. Ms Swinhoe is the Chairperson of the IMB Community Foundation Committee and is a member of the Risk Committee and Corporate Governance and Remuneration 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 since 2011. Ms Towers is the Chairperson of the Risk Committee and is a member of the IMB Financial Planning Committee and 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 | | 2016 | 2015 |
| Net assets/total assets | % | 5.8 | 5.7 |
| Risk weighted capital adequacy | % | 15.5 | 15.6 |
| APRA high quality liquid assets | % | 22.6 | 24.5 |
| Total liquidity | % | 25.9 | 30.3 |
| Non interest expenses/operating income | % | 70.0 | 65.7 |
| for the half year ended 31 December | | | |
| Annualised after tax return on | | | |
| - average total assets | % | 0.5 | 0.5 |
| - average net assets | % | 8.2 | 9.4 |
| Interim dividend per share* | cents | 9.0 | 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.



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