



IMB Ltd trading as IMB Bank ABN 92 087 651 974



2017

ANNUAL REPORT



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ABOUT IMB

Established in 1880, IMB has been helping people achieve their financial goals for 137 years. We do this by offering competitive products, practical solutions and superior customer service.

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

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

IMB members enjoy access to over 3,000 ATMs that are free from direct-charge fees, free automated phone and internet banking and a team of professionals who are just a phone call away at our locally based call centre.

IMB is regulated by the Australian Prudential Regulation Authority, the Australian Securities and Investment Commission, and is a member of the Customer Owned Banking Association, an independent organisation representing mutual banks, building societies and credit unions. We have around 190,000 members and total assets of more than \$5.7 billion.

We're also supporting your community. The IMB Bank Community Foundation was established in 1999 and since that time has provided \$8.6 million to support more than 600 projects.

Our Purpose

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

Our Values

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

IMB's values comprise comprise:

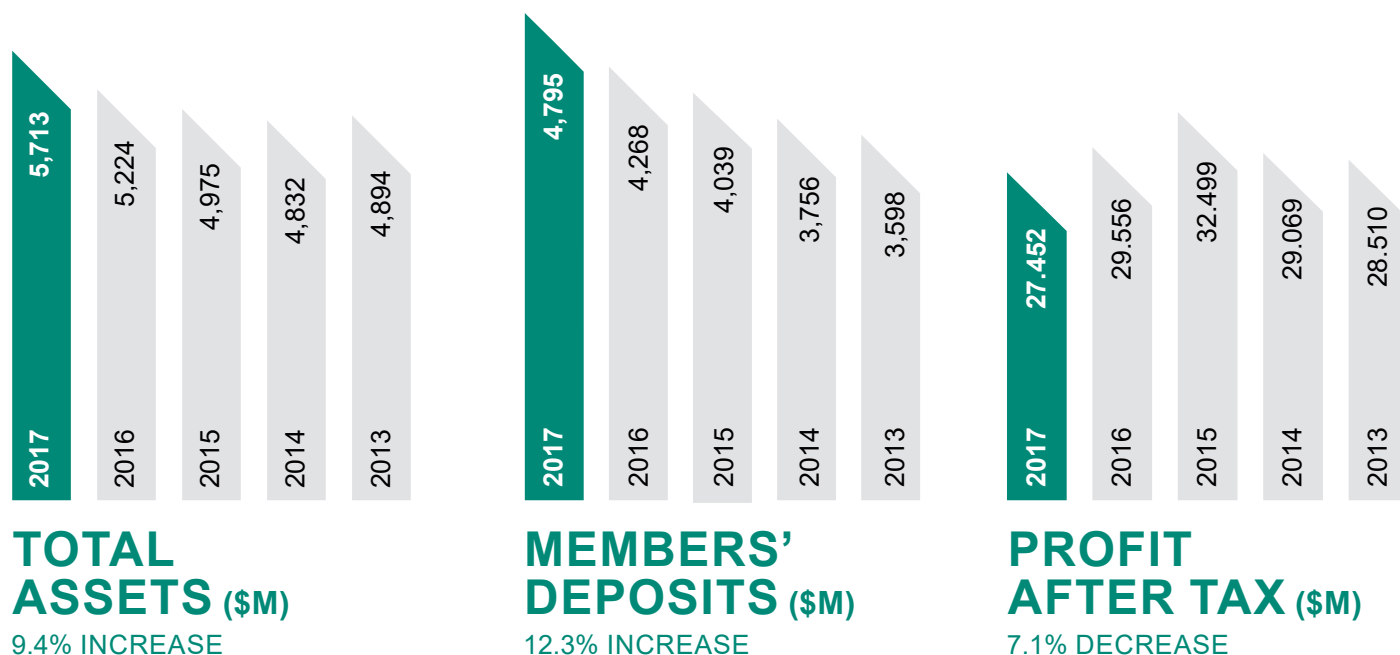
- demonstrating integrity
- showing respect
- valuing performance
- focusing on our members
- striving to offer solutions.

Notice of Annual General Meeting

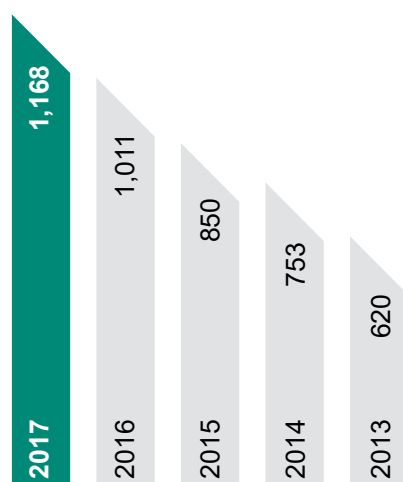
The Annual General Meeting of IMB Ltd will be held at the Novotel Northbeach Hotel, 2-14 Cliff Road, North Wollongong on Tuesday, 31 October 2017 at 10.00 am.

2017 HIGHLIGHTS

- We completed the merger with Sutherland Credit Union (SCU), adding Sutherland and Engadine branches, as well as welcoming 10,000 new members to IMB giving them increased access to banking services and highly competitive banking products.
- We received a 5-star rating from independent ratings company, Canstar, confirming our market position as one of Australia's best-value financial institutions. Our home loans were awarded five stars by Canstar are Budget <90% (Owner Occupied), Essentials (Investment), Fixed Home Loans <90% (Owner Occupied) and Construction Loan (Owner Occupier).
- We have had a lower variable interest rate for our home loans than the major banks for more than six years and we are focused on ensuring our members get the home loan that best suits their needs.
- Our Personal Loans were also recognised this year when IMB was announced the Australian Lending Awards Best Secured Personal Loan Lender of the Year for the second year in a row.
- We launched a new suite of retirement products, including a traditional Reverse Mortgage product that can be used to borrow money against the equity in your home and also an Aged Care Loan to reduce the stress and worry out of transitioning into an aged care facility.
- We continued our investment in our digital service assets to make banking easier for our members with upgrades for internet banking and our mobile app, improving security and functionality.
- We continue to streamline our members' account opening processes and have piloted new tablets and software at our branches, reducing new member on-boarding time to just three minutes.
- We completed an upgrade of IMB's ATM fleet, which included a number of Smart ATMs that accept both cash and cheque deposits for IMB members.

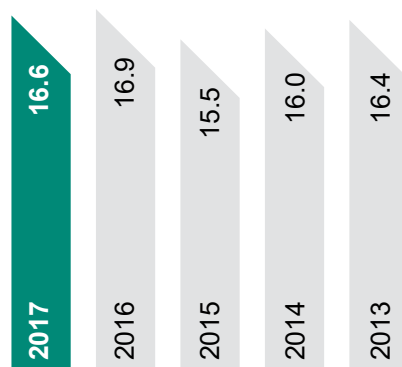


- We achieved EMV compliance (chip processing) and commenced issuing of chip cashcards for enhanced security with tap-and-go functionality.
- We introduced e-statements, an initiative that offers members a choice in how they receive their bank statements while reducing paper consumption.
- Our IMB School Banking continued to grow, with 18 primary schools across the Illawarra, Sutherland Shire, South Coast and Queanbeyan now participating in the program. We have just over 1,600 students registered for school banking.
- We welcomed eight new financial services trainees to a new career at IMB. Over the past 12 years, we have helped more than 112 young people further their qualifications after they complete their HSC or to add to their education with a 12-month traineeship. More than 94% of our previous trainees have taken up permanent roles with IMB, some of whom are now in senior leadership positions.
- We also launched a new Shire Foundation with \$100,000 provided to 13 local initiatives in the Sutherland Shire. We maintained our commitment to supporting local communities. Since its inception in 1999, the IMB Bank Community Foundation has granted around \$8.6 million to support over 600 projects, with a diverse range of themes and purposes throughout our local communities.
- We successfully completed the issue of \$40 million of a 10 Non-Call 5-year, Tier-2 Subordinated Floating Rate Notes under our existing AU\$2 billion Debt Issuance Program. The Notes are eligible for inclusion as Tier 2 capital.
- We maintained our commitment to face-to-face banking, opening a new branch at Menai, relocating our Warrawong branch and completing significant refurbishments of Picton, Narellan, Macarthur Square and Warilla branches.
- We successfully completed our fourth off-market share buyback, which saw 3.49 million shares bought back through the voluntary share tender mechanism. We have now bought back 11.5 million shares over the off-market buybacks and the Board remains committed to future buybacks that continue to strengthen our mutual structure.



**TOTAL LOANS
APPROVED (\$M)**

15.5% INCREASE



**CAPITAL
RATIO (%)**

0.3% DECREASE



FIVE-YEAR SUMMARY

		2017	2016	2015*	2014	2013
		\$000	\$000	\$000	\$000	\$000
FINANCIAL PERFORMANCE						
Interest income		220,867	223,587	232,289	239,939	272,746
Interest expense		110,439	119,756	134,006	144,912	180,272
Interest margin		110,428	103,831	98,283	95,027	92,474
Non-interest income		15,029	14,227	21,990	18,147	18,577
Bad and doubtful debts expense		1,066	333	366	876	849
Non-interest expense		85,139	75,503	74,613	70,674	69,424
Profit before tax		39,252	42,222	45,294	41,624	40,778
Income tax expense		11,800	12,666	12,795	12,555	12,268
Profit after tax		27,452	29,556	32,499	29,069	28,510
* includes profit from the sale of head office premises						
FINANCIAL POSITION						
Assets						
Loans and advances		4,312,141	3,879,221	3,746,949	3,698,709	3,722,492
Liquids		1,374,988	1,320,398	1,207,508	1,104,711	1,133,328
Other		26,552	24,499	20,706	28,319	38,138
		5,713,681	5,224,118	4,975,163	4,831,739	4,893,958
Liabilities						
Deposits		4,795,283	4,268,430	4,038,803	3,756,015	3,598,296
Securitised loans funding		430,571	535,303	562,680	700,642	926,706
Other		157,579	111,806	82,298	90,380	95,836
		5,383,433	4,915,539	4,683,781	4,547,037	4,620,838
Net assets		330,248	308,579	291,382	284,702	273,120
Total assets		5,713,681	5,224,118	4,975,163	4,831,739	4,893,958
PERFORMANCE RATIOS						
Capital adequacy	%	16.6	16.9	15.5	16.0	16.4
Total asset growth	%	9.4	5.0	3.0	-1.3	2.5
Net asset growth	%	7.0	5.9	2.3	4.2	4.6
After tax return on average net assets	%	8.51	9.92	11.05	10.58	10.92
Non-interest income/average total assets	%	0.27	0.28	0.45	0.38	0.39
Non-interest expense/average total assets	%	1.54	1.46	1.52	1.49	1.46
Non-interest expense/operating income	%	68.4	64.1	62.2	62.9	63.0
Bad debts expense/average loans	%	0.03	0.01	0.01	0.02	0.02
Interest margin	%	2.03	2.04	2.04	2.04	1.97



2017 saw the 6th IMB Bank branch opened within the Shire region.

CHAIRMAN'S LETTER

On behalf of the Board, I am pleased to present the 2016–17 Annual Report in IMB Bank's 137th year. During the period, the organisation has achieved strong levels of growth and completed a number of important strategic initiatives in support of our vision to be NSW's leading mutual bank.

Growing the Business

We have made solid progress on our organic growth strategies throughout 2016–17 and are well placed to drive further growth through geographical expansion via new branches, additional mobile lenders and the ongoing digitisation of the business.

Our aim is to continue to deliver competitive products and services to assist members access to convenient banking options, when and how they want.

On 1 July 2016, the merger transaction with SCU took place and former SCU members and staff were warmly welcomed to the IMB group. It is pleasing to report that in under 12 months from the merger date, we have completed the systems migration, and successfully transitioned former SCU members to IMB's core banking platform. This means that former SCU members can transact at all IMB branches and ATMs, and access a broader range of products and services, including our internet banking system and digital applications.

We are enthusiastic about having an increased presence in the Sutherland Shire, enabling us to provide a compelling alternative to the major banks. We are proud to contribute further in this region, including through the establishment of the Shire Community Foundation.

As part of our merger commitment to our Shire members, we have recently opened a new branch in Menai. We now have six branches in the Sutherland Shire including those at Engadine, Sutherland, Cronulla, Sylvania and Miranda and we are evaluating further opportunities to expand our footprint throughout the Sydney region.

The cost associated with the SCU systems migration impacted IMB's profit and efficiency results for 2016–17 with additional temporary resourcing being required to support this significant integration. We are confident that the merger will deliver the projected synergies and build value through deeper relationships with former SCU members.

On behalf of the Board and management, I wish to recognise the staff who worked so hard to deliver this change in a way that minimised disruption to our members. I would also like to express our thanks to members for their support during this time.

In addition to our organic growth strategies, conducting mergers with other mutuals that are committed to providing superior service and member benefits remains a strategic priority for IMB.

Sustainable Performance

The Board is satisfied with the financial results for the 2016–17 financial year. The net profit after tax of AU\$27.5 million, down 7% on the prior year, reflects the challenging low interest rate environment, and the one-off aforementioned costs associated with the integration of SCU into the broader IMB business.

We have achieved an improved performance across a range of financial and corporate metrics, including balance sheet and membership growth, record loan approval volumes and solid deposit growth, while maintaining strong capital and liquidity levels. Despite the fiercely competitive environment in which we operate, IMB remains well positioned for growth as we continue to offer members market leading products and services.

We have announced a final dividend of 9 cents per share. In setting the level of dividend, the Board's considerations included previous announcements regarding IMB's Dividend Guideline, the reduced profit for the financial year, and the capital needs of the business over the medium term.

IMB's Dividend Guideline announced in September 2016 indicated that while IMB's capital adequacy ratio is above 14% and profits are maintained or increased, the Board's intention was to pay a full-year dividend of 20 cents per share for 2016–17, and that the dividend is likely to be within an effective payout ratio range of 65% to 80% based on shareholders' interest in contributed funding. Taking into account the reduced profit result, the dividend paid is in line with the above guidelines, and represents a payout ratio of approximately 79% of shareholders' interest in contributed funding.

We completed a successful off-market share buyback in December 2016 with 3.5 million shares bought back. This was the fourth buyback, bringing the total shares bought back to 11.5 million, or 29% of the shares on issue prior to the commencement of the buyback program. The Board remains committed to the buyback of all shares on issue with the amount of capital attributed to each future buyback to be determined with regard to the strategic and operational requirements of the business.

Evolving Regulatory Environment

Like all Authorised Deposit-taking Institutions (ADIs), IMB continues to be impacted by a high volume of change in the prudential and legislative frameworks under which IMB operates. Following the Financial System Inquiry in 2014, there have been a number of reviews on the banking sector generally and the mutual sector, including the Productivity Commission's *'Review of Competition in the Financial System'*, the Senate Economic References Committee's report on *'Cooperative, Mutual and Member-owned Firms'*, as well as the well-publicised House of Representatives Standing Committee on Economics' *'Review of the Four Major Banks'*.

IMB supports regulatory initiatives that seek to increase competition in the banking sector, reduce the benefit of the Federal government's implicit backing of Australia's major banks as "too big to fail" and provide stronger protections for consumers.

APRA has also recently announced additional capital measures that are designed to ensure that Australian ADIs have unquestionably strong capital ratios. The biggest impact of these measures will be on the major banks; however, measures have also been proposed that may affect ADIs such as IMB. Notwithstanding full details are yet to be released, we expect that IMB is well placed to meet any changed capital requirements.

In the light of the recent focus on accountability and culture within the banking industry, I would like to reassure members that IMB has robust governance and risk frameworks in place that are underpinned by our mutual ethos. The Board is committed to ensuring we maintain a strong risk culture, which is supported by our corporate values of Respect, Integrity, Member Focus, Offering Solutions and Performance.

Our Code of Conduct provides a set of guidelines that clearly articulate the expectation that all employees will behave in a way that provides the best member outcomes possible, ensures that IMB follows sound banking practices and achieves high standards in everything we do, as individuals and as an organisation. We know that the trust of our members is the foundation of our business, and we will work hard to demonstrate how we deliver on our purpose to help our members to be better off.

Community Connections

IMB is characterised by a long history of supporting the communities in which we operate. Since IMB's formation in 1880, our decisions have been based on ensuring that we remain a viable, sustainable, competitive banking alternative to the major banks, delivering value to all stakeholders, and making a positive difference to our members and their communities.

Directors regularly visit IMB's branches, and are continually impressed by the strength of the connections that our people have with members and their local communities. We are proud of the lengths to which our people go to provide personalised service and solutions.

Since inception, the IMB Bank Community Foundation has granted \$8.6 million in support of over 600 projects with a diverse range of themes and purposes. Each year, we look forward to meeting with funding applicants to hear how they are giving back and effecting positive social change. We are inspired by the work that the various projects undertake for the benefit of their communities, as well as the significant efforts of many dedicated volunteers.

Finally, on behalf of the Board, I would like to thank the Chief Executive, Robert Ryan, the executive management team and all the staff at IMB for their dedication to our members and the results that have been achieved in a year that has involved significant change and challenges.



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

NH Cornish AM
Chairman

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

In the past 12 months, IMB has grown and remains financially strong, relevant and well positioned for the future, despite a challenging operating environment, rapidly changing competitive landscape, and prevailing low rates that continue to compress interest margins.

On 1 July, 2016 we merged with SCU. In May this year we successfully integrated all SCU members across to IMB's systems, providing them with greater access to more ATMs and branches, and additional features such as mobile banking. In conjunction with the integration of SCU members onto IMB's banking platform, we also opened a new branch at Menai, providing members with increased branch representation, and further strengthening IMB's offering in southern Sydney.



From a financial perspective, IMB's total assets increased by 9.4% on the previous year to \$5.7 billion, assisted by strong growth in loans and members' deposits and the migration of SCU's portfolios. Loan approval levels for the year were \$1.17 billion, 15.5% higher than the previous year. The continued year-on-year increase in loan writings is a reflection of IMB's competitive loan offering and focus on improving productivity.

We were pleased to see the growth in members' deposits continued in 2016–17 with total deposits increasing by \$527 million to \$4.8 billion. Retail deposits grew by 10.8% during the year, ahead of system growth, reflecting IMB's broad product suite and competitive pricing. IMB's liquidity ratio remains well in excess of regulatory requirements.

Member Focus Driving Strategy

IMB prides itself on providing our members with competitive products, practical solutions and excellent service. Understanding the banking needs of our members in a rapidly changing banking environment helps to set the strategic priorities for the bank. Over the last 12 months, we have delivered a range of initiatives that have improved our members' banking experience.

- We continued our investment in digital banking assets to make banking more convenient and secure for our members with upgrades to internet banking and our mobile banking app.
- We refined our online Deposit and Personal Loan application platforms making them easier to navigate.
- We introduced e-statements through internet banking, providing our members with greater choice in how they receive their bank statements.
- We continue to streamline our member and account opening processes and have piloted new tablets and software at our branches, reducing new member onboarding time to just three minutes.
- IMB's ATM fleet has been upgraded, including the provision of a number of Smart ATMs that will accept both cash and cheque deposits for IMB Members.
- We commenced issuing chip cashcards for enhanced security with tap-and-go functionality, achieving EMV compliance for members' security.
- We maintained our commitment to face-to-face banking, relocating our Warawong branch, opening a new branch at Menai and completing significant refurbishments of Picton, Narellan, Macarthur Square and Warilla branches.

Members will see that we have modernised our branch design to reflect the changing needs of our members, with more open spaces, increased use of technology and more contemporary design.

IMB has a diverse and competitive product range that is the result of listening to what our members require to support their financial needs.

During the year, we introduced a suite of loans to meet the needs of our older members. These products include a traditional Reverse Mortgage Loan that can be used to borrow money against the equity in a home, as well as an Aged Care Loan to reduce the stress and worry out of transitioning into an aged care facility.

It is pleasing when our products receive external recognition. During the past 12 months, IMB received a number of awards and external recognition including:

- a 5-star rating from independent ratings company, Canstar for our Budget (Owner Occupied), Essentials (Investment), Fixed Home Loans (Owner Occupied) and Construction Loan (Owner Occupier)



- being announced the Australian Lending Awards Best Secured Personal Loans Lender of the Year for the second year in a row.



IMB's standard variable Owner Occupier Home Loan rate was maintained at a lower rate than that of the four major banks, as it has been for many years.

This commitment to providing our members with better products and services has seen a strong increase in membership, with around 13,000 new members joining IMB during the year, in addition to the 8,000 members we welcomed following our merger with SCU.

Our focus on our members is reflected in our Member Satisfaction Surveys demonstrating that over the last seven years IMB has maintained overall member satisfaction levels in excess of 95%. We are very proud of this result and continually strive to maintain it.

We continue to look for ways to meet the evolving needs of our members, including simplifying and streamlining our processes and adopting technologies that remove the friction from banking.

As I foreshadowed last year, we have commenced a major transformation of our lending processes. We are now using PEXA, an electronic conveyancing platform, for an increasing number of transactions and we are building a wholly digital lending platform for the future, which will significantly simplify and improve the lending process for members by automating and connecting the many complex processes involved in getting a home loan.

We are also expanding our digital payments capabilities, preparing to offer real-time payments to members by connecting to the New Payments Platform. We will also be bringing a range of new mobile payments options to members in the coming year as well as messaging through our mobile banking app, which will provide members another channel through which they can be serviced.

People and Culture

Our Board, management and staff are all deeply committed to delivering the highest standards of ethical conduct and ensuring we maintain an excellent risk culture.

The way we run the business and conduct ourselves in all interactions with all our stakeholders is guided by IMB's values which include:

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

The strong member satisfaction levels enjoyed by IMB would not be achieved without the commitment of our staff to exemplifying these values and providing our members with great products and service.

Supporting the communities in which we operate is a core value for IMB and our Traineeship Program is an important part of that support.

During the year, we welcomed eight new financial services trainees to a new career at IMB. Over the past 12 years, we have helped more than 112 young people to further their qualifications after they complete their HSC or to add to their education with a 12-month traineeship. More than 94% of our previous trainees have taken up permanent roles with IMB, some of whom are now in senior leadership positions.

Over the next year, we will continue to provide specialist training to our staff and make sure that they have systems and tools in place to meet the changing needs of their roles and of our members.

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

Financial Highlights

Group operating profit after tax of \$27.5 million was \$2.1 million, or 7.1% lower than the previous year.

IMB's average interest margin for the year was maintained at 2.03% and reflects our management of interest margin and balance sheet growth. Bad and doubtful debts expense was \$1.1 million. Although higher than the previous year (which was the lowest result for IMB in over 20 years), this remains an excellent result, reflecting the quality of IMB's loan book across both the secured and unsecured loan portfolios. IMB's level of mortgage arrears continues to be well below the national averages in all categories. The value of our loans in arrears by 90 days or more was only 0.04% of total loans at 30 June 2017.

Total expenses amounted to \$85.1 million for the year. While this is an increase at the headline level of approximately 12%, when excluding the effects of the SCU cost base adopted on merger and the integration costs unable to be fair value accounted, underlying expenses have increased by approximately 6%. The remaining increase in expenses reflects the costs associated with the implementation of a number of key strategies including organic growth via new branches and our digital banking initiatives. IMB also increased its investment in training for our staff and an increase in our marketing spend has supported the strong growth in both loans and deposits.

Non-interest expense as a proportion of average total assets for the Group was 1.5%, similar to the previous year. The ratio of non-interest expense to operating income for the Group was 68.4%, up from 64.1% in the previous year. Despite this increase, IMB's efficiency ratio continues to be one of the lowest amongst our peer set.

We successfully completed the issue of A\$40 million Subordinated Floating Rate Notes under our existing \$2 billion Debt Issuance Program. The Notes are eligible for inclusion as Tier 2 capital. The Group's capital adequacy ratio at 30 June was 16.6%.

Supporting the Community

As well as meeting the financial needs of our members, IMB strives to make a positive difference in the communities in which we operate. Together with the support IMB provides to a variety of charity, community and sporting organisations, we also provide significant support to community projects through the IMB Community Foundation. The IMB Community Foundation has granted around \$8.6 million to projects with a diverse range of themes and purposes throughout our local communities. Following the merger with SCU, we also launched a new Shire Community Foundation with \$100,000 provided to 13 local initiatives in the Sutherland Shire.

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

IMB also continued its support of Football South Coast as their official Community Partner, and we are excited to be sponsoring the Illawarra District Netball Association this year. At IMB Bank, we believe that supporting grassroots sport is crucial for the development of our children, from nurturing leadership skills to encouraging health and fitness and promoting a sense of community spirit.

Our IMB School Banking continues to grow, with 18 primary schools across the Illawarra, Sutherland Shire, South Coast and Queanbeyan now participating in the program. We have just over 1,600 students registered for school banking.

In March, we teamed up with the National Theatre for Children to deliver 'Mad About Money', an educational Financial Literacy Program comprising an in-school performance, teacher guide, lesson plans, a student workbook and online activities. We visited ten high schools in the first tour and reached more than 2,100 students.

At the same time, we launched The Money Tree by IMB Bank (www.imbmoneytree.com.au), a website built for teens to provide information and resources to help them learn about earning, saving, spending and managing their money. Both the 'Money Tree' and 'Mad About Money' are aligned to the Australian Curriculum and ASIC's National Financial Literacy Framework.

Focusing on Our Long-Term Strategy

We expect the current low rate environment to continue for the year ahead. Competition for retail funds, coupled with historically low lending rates, will continue pressure on interest margins for all institutions. Lending growth may be curtailed in some areas due to emerging regulatory boundaries.

IMB will continue to focus on prudently managing and growing our business, including maintaining excellent credit quality, disciplined cost management and pursuing productivity gains.

We also intend to pursue additional inorganic growth opportunities. Our merger with SCU has created a larger, more competitive and capable organisation, that will continue to deliver further benefits for both members and staff. We hope that our successful integration will lead to additional mergers with like-minded organisations in the near term.

IMB intends to benefit from the disruption that is currently impacting larger, more established banking models. There are significant opportunities for agile and innovative banks to attract new customers seeking an authentic alternative.

IMB's critical focus on our members, and very close connection to our communities, differentiates us from our competitors. Simplification of our products and processes will make it easier to bank with IMB. Our excellent pricing and commitment to delivering value back to our members, together with continued digitisation and payments innovation, will see us continue to grow our member base and balance sheet.

Conclusion

I would like to thank all IMB's management and staff for their ongoing commitment and dedication in providing our members with a great banking experience.

I would also like to thank IMB's Board for the significant contribution they make to IMB.

Finally, I would like to thank our members for their ongoing support of IMB Bank. We look forward to continuing to help them achieve their financial goals.



A stylized, handwritten signature in black ink, consisting of a circle with a vertical line through it, followed by a horizontal line and a short vertical stroke.

RJ Ryan
Chief Executive

DIRECTORS' PARTICULARS

Information set out in this section relating to board committee memberships and position held by each of IMB's directors relates to the period ending 30 June 2017.



L-R: Margaret Elizabeth Towers, James Randolph Coleman, Catherine Ann Aston, Robert Hillis Page Elvy, Jan Margaret Swinhoe, Noel Harold Cornish & Gai Marie McGrath

Noel Harold Cornish AM

BSC(MET) M ENGSC FAICD

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

James Randolph Coleman

BA MBA GAICD

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

Catherine Ann Aston

B.EC. M. COMM TFASFA F FIN GAICD

Ms Aston has been a non-executive director since September 2016. Ms Aston's experience is as an executive and non-executive director of digital and telecommunications businesses across Asia Pacific. She has a broad commercial background with senior roles in finance, marketing, strategy and business improvement. Her previous positions include Executive Director, Digital Business at Telstra Corporation, Finance Director, Telstra International (Hong Kong) and CEO/Managing Director, Mobitel Pvt Ltd (Sri Lanka). Ms Aston is currently a director of Southern Phone Company Ltd, the Financial Services Institute of Australasia (FINSIA), an advisory board member of Avanseus Holding Pte Ltd (Singapore) and was previously the Chair of Pillar Administration. As well as being a director of IMB Ltd, Ms Aston 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, whose expertise is business management particularly in the building and construction industry, has been a non-executive director of IMB Ltd since 2008 and was appointed Deputy Chairman in September 2016. Mr Elvy is Chairman of the Audit Committee and a member of the Capital and Securitisation Committee. Mr Elvy is a director of BlueCHP Ltd, was the former CEO, and is now a director of the Cleary Bros Group, Chairman of Illawarra Sports Stadium Ltd, former Chairman of the Port Kembla Port Corporation and has also served on the boards of other sporting and charitable organisations. 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 non-executive director of IMB Ltd since May 2016. Ms McGrath began her career as a lawyer before moving into the financial services industry in 1996. Over her thirty-year career, Ms McGrath spent 12 years with the Westpac Group, where most recently, she was General Manager of Westpac's flagship retail business. She previously held senior positions with Westpac New Zealand, BT Financial Group and Perpetual and was partner in a Sydney law firm. Ms McGrath is a director of Genworth Mortgage Insurance Australia Limited, Landcom and Toyota Finance Australia Limited. She is also a member of the Council of the State Library of NSW and the board of its Foundation, the Salvation Army's Territorial Appeal & Fund Development Committee (Australia East Territory) and is Chair of the Advisory Board of Nexa Group. As well as being a director of IMB Ltd, Ms McGrath is also a director of all entities wholly owned by IMB Ltd.

Jan Margaret Swinhoe

BSC (HONS) AIAA GAICD

Ms Swinhoe has over 30 years' experience in the financial services sector in a career that spanned corporate superannuation, derivatives trading, capital markets origination and institutional relationship banking. Ms Swinhoe has been a non-executive director of IMB Ltd since October 2014. Ms Swinhoe is Chairman of the IMB Community Foundation Committee and a member of the Risk Committee and the Corporate Governance and Remuneration Committee. The last 16 years of her executive career were spent at Westpac where Ms Swinhoe held General Management positions within the Institutional Bank and also BT Financial Group where she led Westpac's Private Bank. Ms Swinhoe is currently Chair of Mercer Superannuation Australia Limited, and is a director of Suncorp Portfolio Services Limited, Swiss Re Life & Health Australia Limited, and the Advisory Board of Swiss Reinsurance Company Limited, Australia Branch. Ms Swinhoe is also Deputy Chair of Athletics Australia and is a director of Australian Philanthropic Services. As well as being a director of IMB Ltd, Ms Swinhoe is also a director of all entities wholly owned by IMB Ltd.

Margaret Elizabeth Towers

CA GAICD

Ms Towers, is a chartered accountant with over 30 years' experience in the Australian finance sector. Ms Towers has been a non-executive director of IMB since 2011, and is currently Chairperson of the Risk Committee and is a member of the Financial Planning Committee and the Audit Committee. Ms Towers' previous roles include senior positions at Price Waterhouse, Executive Vice President at Bankers Trust Australia, and she was also a non-executive director and Chairperson of the Audit and Risk Management Committee of Platinum Asset Management Limited. Ms Towers continues to provide independent consulting services to the finance sector. As well as being a director of IMB Ltd, Ms Towers is also a director of all entities wholly owned by IMB Ltd.

OUR COMMUNITY



IMB continues to be a proud member of our local community. We have a long history of supporting the communities around us and remain dedicated to helping those communities grow stronger. Every day we aim to help our members and their communities be better off, while actively supporting the events, projects, supporting groups and organisations that make our communities what they are.

Our Community Foundations

This year, we were pleased to introduce the Shire Community Foundation, pledging \$100,000 to Shire-based projects each year for the next three years. We also maintained our commitment to supporting projects and organisations across our broader communities through funding from the IMB Bank Community Foundation.

We continue to be inspired by the people and initiatives that make a real difference in the lives of people in our communities. This year, we are proud to support 58 projects across our two foundations: 45 projects received funding from the IMB Bank Community Foundation, while an additional 13 projects received funding from the Shire Community Foundation with our grants totalling \$460,000 this year.



Active In Our Community

In addition to our community foundations, we are proud to be involved in a broad range of other community initiatives, including major events, sporting team, corporate and cultural activities, business awards and more. Our branches are also providing individual support for local activities.

In the past 12 months, projects we have been proud to support include:

- Early Start Discovery Space
- Football South Coast
- Illawarra District Netball
- Cook Community Classic
- Sunset Cinema
- UOW; O-Week and O-Day
- Australia's Biggest Business Morning Tea
- Footy Boot Camps
- Kiama Outdoor Movies
- Envie Kids Fun Run
- St Mary's Football Club
- Oakdale Football Club
- ACT Cancer Support Group
- Convoy
- Celebrating Gungahlin Festival
- Dapto Community Carols
- Thirroul Community Carols

Educating The Next Generation

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

IMB School Banking

IMB's School Banking Program continues to grow, with 18 primary schools across the Illawarra, Shire, South Coast and Queanbeyan now participating in the program. That's over 1,600 students learning positive saving behaviours early in life.

High School Financial Literacy

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

The Money Tree by IMB Bank

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

IMB BANK COMMUNITY FOUNDATION PROJECTS

ILLAWARRA

Break Free Café Beautification

PCYC Wollongong



Established in 2014, the BreakFree Café provides learning and employment opportunities for disadvantaged youth, young offenders and youth at risk. The Beautification Project will expand the café's current barista and safe food training to incorporate building, construction and horticulture.

Community Volunteering Project

Wollongong UOW Pulse Ltd



Connecting students with projects needing volunteers is at the heart of the Community Volunteering Project. Through this project, around 50 students from UOW provide much-needed volunteer resources to up to five community projects.

Covered Work Area

Churches of Christ Community Care



The Kanahooka Men's Shed is an active part of the local community, providing woodworking skills to projects for local schools and service clubs among others. The Men's Shed will install a covered area to double their woodworking space and allow them to support more community projects.

Cows Create Careers

Lions Club of Strzelecki

Hands-on learning at its best. Students learn about the dairy industry while caring for dairy calves on loan from local farmers. Cows Create Careers connects farmers and students and provides opportunities for students to learn about careers within the industry.

Defibrillator Funding

Football South Coast Ltd



Without treatment, a cardiac arrest victim's chances of survival decrease by 10% per minute. Football South Coast are aiming to have a defibrillator at every sporting ground in the Illawarra with the purchase of 38 defibrillators and training in their use.

Growing Jobs and Fair Food

Green Connect Illawarra



In the last financial year, Green Connect employed and supported 114 refugees and young people. They grew and distributed 7,268 kg of local, chemical free food and kept 1,462 tonnes of waste out of landfill. Green Connect now plans to extend their Urban Farm by another 4,000 square metres to increase food production, employment opportunities and their connection with the community.

High School Mental Health Intervention

Rotary Club of Kiama

Kiama Rotary have more than 10 years' experience providing Mental Health First Aid courses to the community. This project extends the program to students of Kiama High School and aims to give both teachers and students additional tools to support ongoing efforts for student wellbeing and welfare.

Need a Feed

NZ House NSW

Need a Feed partners with several organisations to identify and connect with local families who are struggling or who are in need. Need a Feed assist with emergency relief to these families by providing one of life's basics ... food.

Halfway Hear

The Shepherd Centre



Children with partial hearing loss can be ineligible for government support. The Shepherd Centre aims to bridge this gap by providing early intervention support programs to partially deaf children and their families. The program provides education, assessments, therapy and support across online and face-to-face sessions.

Life Education Illawarra Truck

Illawarra Drug Awareness Group Ltd



Life Education delivers educational programs on site at various primary and pre-schools throughout the Illawarra. The Life Education Truck is a mobile classroom where students learn about making the best choices for a safe and healthy life.

Music Education Through African Drumming

Jamberoo Public School
P&C Association



How do you manage a school band when you have a small school? Take up African drumming! Jamberoo Public School's innovative approach to the school band delivers in-school drumming lessons to all students. Extra Djembe drums will provide all students the opportunity to be involved.

Sensory Garden

Fairy Meadow Demonstration School



Imagine a special place where your senses can come alive. Welcome to the Fairy Meadow Demonstration School Sensory Garden. Aromatic plants and flowers, as well as playground equipment including a special swing, trampolines, and a slippery dip and tunnel, will make this garden a great teaching and learning space for children at FMDS.

Staying Home Leaving Violence

Family Services Illawarra



One in six Australian women and one in 20 Australian men 15 years and older, have experienced violence at the hands of a partner. Staying Home Leaving Violence provides residential security upgrades to enable women and children who are victims of domestic violence to remain in their own homes.

U&Me Online Documentary Series

Multicultural Communities Council
of Illawarra Inc.



Taking steps to reduce racism and to increase positive intercultural interaction between members of the Wollongong Community, U&Me is the celebration of stories about friendships between people from diverse cultural backgrounds. U&Me plan to tell four new stories over four new documentaries.

IMB BANK COMMUNITY FOUNDATION PROJECTS

Students and Seniors Get Appy

Illawarra Sports High School

Students and seniors get together for this great program aimed at teaching seniors how to use iPads. Seniors learn how to FaceTime, use apps and to engage using social media. Student Tech Leaders are paired with a Tech Senior for fortnightly lessons. Funding will enable purchase of new equipment to support the program.

IMB Financial Literacy Programs

Mad About Money



Financial decisions are a part of everyday life and the decisions we make can have a huge impact on our quality of life and our ability to achieve our financial goals. IMB Financial Literacy Programs seek to give more people the opportunity to learn about managing money. Current programs provide education, tools and resources for primary and secondary school-aged students. An online education hub for 18–25s will be released later this year.

Roger Soden Scholarship Year 5

Wollongong Conservatorium of Music

The Roger Soden Scholarship provides funding for one student at the Wollongong Conservatorium of Music.

SOUTH COAST

Accessible Barbecue Pavilion

Friends of Eurobodalla Regional Botanic Gardens

An increasing number of people are visiting the Eurobodalla Regional Botanic Gardens, with more than 65,000 visitors expected this year. Current access is difficult for visitors with limited mobility. The Accessible Barbecue Pavilion will provide undercover seating for 40–50 people and access to two free electric barbecues.

Fire Appliance Upgrade

Dalmeny Rural Fire Brigade



There is no question that firefighting is labour intensive. The Dalmeny Rural Fire Brigade plans to combat operational fatigue and improve efficiencies with the installation of electric hose reels. Firefighters can deploy a 60-metre long live reel in 8–10 minutes using electric hose reels.

The Big Freezer

Bega Valley Meals on Wheels

Every year, more than 200 volunteers from Bega Valley Meals on Wheels provide over 24,000 nutritious meals to people unable to leave their homes. The purchase of new freestanding upright freezers and upgrades to electrical work (including installation of an emergency generator) will allow for increased food safety and distribution.

Birdcall Newsreel DVD

Merimbula–Imlay Historical Society



During the period 1953 to 1962, a team of bird callers from bush schools in the Far South Coast of NSW won the State Birdcall Championships six times. The Merimbula–Imlay Historical Society wants to recreate some of that magic with a DVD showcasing newsreel footage from the original competitions.

Rotary Youth Driver Awareness

Rotary Club of Bega

Targeting young people about to apply for their driver's licence, the Rotary Youth Driver Awareness program aims to increase young driver awareness about their safety on the road. With over six modules, Year 11 students learn about hazard perception, vehicle braking and design and the impact of their choices.

Fire Ground Radios

Wolumla Rural Fire Brigade



In a fire event, clear communication between firefighting crews is essential. New VHF Fire Ground Radios provide designated frequencies for firefighters to use allowing better and more efficient communication that is free of interference.

Signage for Plants of WA

Friends of the Curtis Park Arboretum Inc.



Curtis Park Arboretum displays an increasing range of Australian native plants providing an inspiring and educational space for people to see and learn about our natural fauna. The Arboretum recently introduced West Australian plants. Signage of these plants will provide botanical and general information about these plants that are rarely seen this side of the Nullarbor Plain.

Fresh Veggies for Everyone

SAGE

Everyone can benefit from a backyard veggie garden, but not everyone has the means or the expertise. This project aims to tackle that issue with low-cost workshops and free installation of ready-to-go backyard veggie gardens for low-income earners. SAGE also provide ongoing support in management of veggie gardens.

Rescue Wharf Repair

Volunteer Marine Rescue NSW

The boating community across the state relies on the efforts of the Marine Rescue NSW volunteers. The Tuross Marine Rescue unit will upgrade their 30-year-old decking to allow Marine Rescue Vessels to be ready for quick response to anyone in need.

Metal Workshop Sand Blaster Purchase

Narooma Men's Shed

Using existing skills and developing new ones is a big part of the Narooma Men's Shed. With a 300% increase in requests for metalwork from various local groups, the Men's Shed plans to install a sand blaster cabinet to enable a safe, efficient environment to broaden their metalwork area capabilities.

Fun and Fresh

Noah's Ark Centre of Shoalhaven Inc.



Fun and Fresh addresses many needs for the 800 children and young people supported by Noah's Inclusion Services. An educational chicken and vegetable area aims to improve children's health, wellbeing and skill development through experience, therapy and education.

SOUTHERN HIGHLANDS

Bandsaw Replacement

Bowral Men's Shed

Comprising 70 members, the Bowral Men's Shed provides companionship, support, education and assistance for its members. It also supports individuals and groups in the local community. The purchase of a new Bandsaw will increase woodworking capability, safety and efficiency, and enable more members to learn a new skillset.

Gateway to the Garden

Southern Highlands Botanic Gardens Ltd

It is well documented that gardening is therapeutic with mental, physical and social health benefits; the Southern Highlands Botanic Garden is designed to cater for all members of the community. The Gateway to the Garden will be built from locally sourced basalt and will provide a clear and welcoming entrance to the gardens.

U Turn the Wheel

Rotary Club of Moss Vale



Sixteen to 25-year-old drivers have a crash risk eight to ten times higher than experienced drivers. In conjunction with the Road Safety Office, schools, police and emergency services, U Turn the Wheel provides free workshops for Year 11 students regarding Attitude and Awareness of driver related issues like speed, fatigue, alcohol, drugs and the use of seat belts.

IMB BANK COMMUNITY FOUNDATION PROJECTS

SYDNEY

Buxton Hall Kitchen Refurbishment

Buxton Community Association



Built in 1947, the Buxton Community Hall provides a space for various community groups in Buxton and Picton. This kitchen refurbishment will replace the original kitchen with a modern, safe and functional kitchen that is able to support more community activities.

Dolly Parton Imagination Library

Macarthur Sunrise Rotary Club Inc.

Directed to low socio-economic and disadvantaged communities, The Imagination Library addresses and nurtures early childhood literacy. Every month, registered children up to five years old receive a specially chosen book giving literacy support to children who may not have the opportunity to access it.

Hydrating Firefighters

Lynwood Park Rural Fire Brigade

Bravo 1, housed at Lynwood Park RFS Brigade Station, is Macarthur Zone's spare fire truck. Bravo 1 replaces firetrucks undergoing maintenance or deployed elsewhere right across the zone. Bravo 1 is set to get a fridge to enable firefighting crews and the general community access to essential cold water in extreme conditions.

Kinder Care

Teddy Bear Cottage

Kinder M8 software allows teachers to keep parents in touch with their pre-schooler's day. Teddy Bear Cottage will install this software, enabling faster, more efficient communication with parents, leaving staff more time to provide quality care.

Lyrics of Liverpool

PCYC Liverpool

Lyrics of Liverpool is a ten-week program that blends life-skill workshops on topics, including bullying, self-esteem and anger management with creative expression, song writing and musical skills development. The program aims to reach at least 60 young children in Liverpool.

First Aid Trailer

St John's Ambulance NSW



St John's will purchase a CUB Kakadu off-road camper trailer to provide first aid treatment in a wide variety of situations. The camper trailer, which will replace an older model, will provide vital emergency equipment, including oxygen, defibrillators, analgesics and hot water and cooling facilities for treatment of patients.

Heart Health Check Booth

Victor Chang Cardiac Research Institute



Ninety per cent of Australians have a least one modifiable risk factor for heart disease. The Heart Health Check Booth provides free testing of modifiable risk factors including high blood cholesterol, high blood pressure and diabetes. Convenient and quick tests aim to help people understand results and take steps to better heart health.

Safety and Exposure

Disabled Surfing Association



For over 24 years, the South Coast Disabled Surfers Association has engaged 3,700 disabled participants and 14,600 volunteers. Over three 'Hands-On Days' across the Illawarra and South Coast each summer, participants get a real surf experience catching waves on a soft surfboard. DSA uses colour-coded rash vests to ensure high safety standards at each event. Funding will allow for the replacement of rash vests and the purchase of two large tents.

Oesophageal Cancer Awareness Project

Mark Grundy Oesophageal Cancer Awareness Group Inc.

Oesophageal cancer is a lesser-known cancer, but has experienced rapid growth in prevalence and diagnosis in recent years. This project aims to increase awareness in the GP and general communities, enabling people to identify early symptoms and warning signs.

ACT & GOULBURN

Belconnen Swim & Survive

Royal Life Saving Society



Children who know how to swim and behave safely around water are at a reduced risk of drowning. Not all Australian children have access to the learn-to-swim programs that provide this knowledge. The Swim & Survive project delivers ten free lessons to children who have missed formal water safety education, and teaches vital skills like floating, sculling and breath control exercises.

Disability Outreach Workshops

Goulburn Regional Art Gallery



The Goulburn Regional Art Gallery aims to ensure that its programs and activities are available to everyone in the local community. Disability Outreach Workshops provide up to 72 art workshops at three facilities across Goulburn, allowing those with a disability or mobility restraints important access to creative activities.

Improving Men's Mental Health

Belconnen Baptist Church Inc.

Mental Health is an issue affecting many Australians. The Belconnen Community Men's Shed aims to improve the mental health of its members and the wider community by providing training in how to recognise and treat mental illness.

U Turn the Wheel

Rotary Club of Goulburn Inc.

L and P-plate drivers have access, through their local school, to interactive sessions with police and ambulance personnel, brain injury professionals and patients, and drug and alcohol awareness experts, with the aim to reduce youth involvement in road trauma.

Who Did That Trail Extension

Australian National Botanic Gardens



The Australian National Botanic Gardens 'Who Did That Trail' is getting an extension. Work is currently under way on a Treehouse Gazebo at the gardens – this project will extend an existing children's trail to encompass the new addition. The trail will feature hands-on activities and model animals encouraging learning through play in the great outdoors.

SHIRE COMMUNITY FOUNDATION PROJECTS

This year, we were delighted to establish the Shire Community Foundation – one of the many positive outcomes of the merger between SCU and IMB Bank. Through the Shire Community Foundation, IMB Bank has pledged \$300,000 in financial support to community-initiated projects over the next three years.

Active Stools for Better Learning

Endeavour Special Kids with a Disability



Compulsive movement is a self-regulating behaviour of some students in the Special Education Unit at Endeavour Sports High. Purpose-designed stools that allow movement while remaining seated means students stay seated longer and demonstrate better learning and behaviour outcomes.

Caringbah Craft Centre

Caringbah Craft Activity Centre for the Disabled



Since 1976, the Caringbah Craft Centre for the Disabled has been providing opportunities for people recovering from stroke and people with disabilities to socialise and to be productive. The purchase of a new table saw will enable the centre to improve their manufacture of wooden toys.

Equipment Upgrade

Engadine Rural Fire Brigade



In addition to protecting property and supporting the community through natural disasters, the Engadine Rural Fire Brigade (ERFB) is also responsible for catering to all the Sutherland Shire Brigades when large operations occur. Upgrade of equipment is vital to this activity and will allow ERFB to continue to provide exceptional catering services.

New Skills for Shire Potters

Port Hacking Potters Group



Who better to learn from than a master? The Port Hacking Potters Group are learning new skills from the best with a workshop led by a master potter. The workshop will allow members of the Port Hacking Potters Group and members of the public to upgrade their pottery and ceramics skills.

Equipment for The Birthing Unit

Sutherland Hospital



The Birthing Unit at Sutherland Hospital has five delivery suites. Funding will be used to purchase equipment for The Birthing Unit including electronic thermometers, baby scales and foetal heart rate monitors.

Holding & Helping Families with Disabilities

3Bridges Community Limited



Holding & Helping's Early Years Support Service provides support for new mothers and families who may be dealing with anxiety, ill health, post-natal depression or disabilities. Seventy volunteers will support these women and their families with practical support delivered via home visits.

Look Good, Feel Better

Cancer Patients Foundation



Look Good, Feel Better is a free community program dedicated to teaching cancer patients how to manage appearance-related side effects caused by cancer treatment. Practical workshops can help women, men and teens rebuild their confidence during a very difficult time.

Mates Shed: Ability Woodworking

SGSCC disAbility



Supporting over 140 clients with a disability in their need to make flexible choices, SGSCC disAbility plans to provide a Mates Shed where clients can learn new woodworking skills. SGSCC disAbility clients will be involved in the planning and set up of the Mates Shed.

Work, Sweat, Achieve

PCYC Sutherland

PCYC policy states that under 16s can use cardio equipment in the gym, but not weights. The purchase of a treadmill and cross trainer will allow the PCYC to cater for under 16s providing a space for disadvantaged youth to engage in activities aimed at building resilience, citizenship and improved mental and physical health.

MMS Shed Outfit

Menai Men's Shed Inc.



With 65 members and space for only 12, the Menai Men's Shed needs more space. The MMS Shed Outfit project includes plans to expand the current shed to a 24 x 4 metre space, allowing for office and meeting areas as well as metal working space.

The Promise Keeper Project

Enough is Enough Anti Violence Movement Inc.



The Promise Keeper Project delivers multi-media, interactive domestic violence programs to around 2,000 school students from Year 3 to Year 11. The program explores respectful relationships, details the different types of domestic violence through stories of survivors, and explains where kids can find help.

The Inclusive Classroom

Sylvanvale



People with a profound disability are nine times less likely to participate in activities outside their home and 56% have had trouble with social inclusion. The Inclusive Classroom uses a customised therapeutic horticultural space to allow children and young people to connect with each other, grow and prepare food and improve their communication skills, physical abilities and ultimately their confidence.

Focused on the Future

Sutherland Shire Historical Society Inc.



As the birthplace of the nation, the Sutherland Shire has a rich and diverse history. Focused on the Future aims to transfer written and oral history materials into a modern format, providing easy access to information via purpose-built software and touch screens.





HELPING FAMILIES GROW

Kerrie & Stephen Lawler – Horsley

Fed up with unsatisfactory service from their bank, Kerrie and Stephen approached IMB hoping to find a better way to manage their banking. A chat with their local IMB branch manager quickly showed them an alternative to their old bank that was convenient, reliable and delivered with a smile. That was over 14 years ago.

Over the years, having had IMB home loans, personal loans, online services and general insurance, Kerrie and Stephen remain as happy with their banking as ever.



'We have built a strong relationship with our branch manager,' said Kerrie, 'We have bounced ideas off him and received great financial guidance. He cannot do enough for us and we trust that he has our best interests at heart.'

It was the strength of this relationship that gave Kerrie and Stephen the confidence to work with IMB to chase their dreams. According to Stephen, it couldn't have worked out better. *'IMB made it possible for us to enter a new business venture, which was sold on four years later for a deposit for our brand new home,'* he said.

With their dream home in sight, Kerrie and Stephen again turned to IMB to fund the building of their new home. Kerrie says even the building process went well: *'IMB's contribution made it a smooth and positive experience.'* Three years on and with the addition of two beautiful daughters, Kerrie and Stephen have completed all those finishing touches that they say truly makes their house a home.

Kerrie and Stephen are excited about their future and look forward to watching their children grow up in their new home. *'We cannot speak highly enough of IMB,'* says Stephen. *'They are a pleasure to deal with'.*

OUR STAFF

At IMB we recognise that engaged people working in a supportive and enabling culture are a key to delivering the member service and experience that differentiates us from other financial services providers. We are committed to attracting and developing great staff who will enjoy long-term and mutually rewarding relationships with IMB and our customers. From our candidate-centred recruitment processes, through to our award-winning learning and career programs, our unwavering commitment to staff safety and wellbeing, recognition of our outstanding contributors, and grass roots community involvement, we focus on providing a positive employment experience for every member of the IMB team.

Learning and Career

IMB's Learning and Development approach focuses on developing the capability to achieve individual growth and business results through building the knowledge, skills, qualifications and experience of our people, ensuring our workforce is well equipped to meet the challenges of a rapidly changing environment.

Our learning priorities in the last 12 months have focused on the areas of member service, sales skills, deposits, personal and home loan lending, alliance products, induction and necessary compliance training. This has been supplemented with the provision of management and coaching skills for key managers and supervisors across the business.

We have also continued our focus on activities to support individual career development and organisational succession planning efforts, to provide for the longer term needs of individuals and IMB.

Our Traineeship, Cadetship and Tertiary Education programs continue to be important for us as we build the next generation of key contributors to take IMB into the future. Since 2005, IMB has recruited 112 trainees, with 94% having taken up a permanent role with us on completion of their traineeship, and almost 40% of those are still employed by IMB. This year, IMB has welcomed eight new trainees across the Retail Network, Digital & Direct, Lending Services and Origination Services Departments – all gaining valuable knowledge and on-the-job experience within their key areas.

IMB is also committed to the education and professional development of our high-performing and high-potential employees. This year, IMB launched its Talent Management program, which focuses on two core talent streams. The Future Leaders stream provides a unique year of leadership-focused activities and experiences designed to develop and inspire future leaders within IMB. The Sales Talent stream provides a program of sales-focused development activities and experiences designed to motivate and inspire future sales professionals and sales leaders within IMB. These programs have been well received and have provided opportunities for participants to network with key managers and executives across IMB.

Throughout the year, strategies were successfully implemented to further embed IMB's key talent and capability across a range of job roles. We have provided staff with targeted career growth opportunities such as project placements, higher duties assignments and secondments to support their development and better utilise their capability and potential. We have continued to provide career progression for our staff, with an internal promotion rate of 72% for the financial year. IMB's staff turnover rate for the year was 10.77%, remaining well below industry averages and consistent with the previous year's rate of 10.98%.

Health and Safety

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

On 4 February 2017, we celebrated a significant milestone by achieving two years without a lost-time injury. Focusing on early intervention strategies assisted in preventing these incidents from occurring. This proactive approach was supported by a high profile 'Near Miss' campaign, with all staff encouraged to report near misses as a key preventative action in our Zero Harm strategy.

Our health and safety is founded on a consultative approach, which is supported by an active Health and Safety Committee. The Committee continues to be a proactive source of information and an effective driver of a positive safety and wellbeing culture at IMB.

Commitment to wellness extends to our staff and their families through the provision of an Employee Assistance Program. This independent and confidential counselling service aims to assist with a range of work or non-work related concerns.

IMB's provision of safety related training also enhances the safety of our people, particularly in the area of robbery safety. The merger with SCU also saw the integration of safety and wellbeing aspects including safety related training for all staff and branch design features.

Proactive in-house case management has been an effective source of managing injuries and return to work, with only one compensable case this financial year. IMB will continue to pursue the goal of Zero Harm over the coming years.

Recognition

Our staff are recognised through formal awards in which staff are nominated and recognised by peers or IMB members. These awards include the annual Chief Executives Award, Sales Awards, and Outstanding Service Awards. The annual IMB Night of Excellence is our opportunity to celebrate the success of our high achievers and acknowledge their contributions to IMB.

This year we recognised Michael Brady, Manager of the Project Management Office, as the winner of the 2015–2016 Chief Executive award. This award recognises staff members who exceed expectations when carrying out their work, have made a significant contribution, epitomise the IMB Values, and are a valued member of the IMB team.

Michael was identified as a high performer who delivers what he promises, going about his tasks with motivation and a collaborative, insightful approach. He leads by example, is accountable, and maintains a strong focus on IMB's agreed strategic priorities. Michael has built strong relationships across all parts of the business and is an immensely effective link between the executive team, our business unit leaders and all staff tasked to business projects.

Most significantly, Michael took the lead on the merger project between IMB and SCU. He was outstanding in this role, drawing praise from employees of both organisations for his professionalism, decisiveness and not least of all, his huge work effort.

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

The winner of this year's award was Samantha Meurer - Graphic Designer, Marketing.



The 2016 CEO's Award winner was Michael Brady Manager of the Project Management Office



The winner of the 2016 Outstanding Service Award was Samantha Meurer, Graphic Designer from Marketing

Sam's dedicated and high-quality approach to her work has resulted in her receiving many compliments from customers throughout the year for the assistance she has provided. Sam works in a positive and professional manner. Her colleagues have commented on Sam's responsive service, focus on 'getting it right' and her helpful approach while effectively balancing competing priorities and deadlines. Congratulations, Sam!

Other staff members who were recognised for their outstanding achievements are as follows:

- Lender of the Year – Craig Franklin, Dapto Branch
- Sales Team of the Year – Dapto Branch
- Sales Person of the Year – Elissa Mettam, Belconnen Branch
- IMB Financial Planning Referrer of the Year – Dianne Manley, Bowral Branch. This is Dianne's 4th time winning this award
- IMB Business Banking Referrer of the Year – Annie Steel, Ulladulla Branch
- The 'Graeme Bronner Extra Mile Award' – Vags Loutas, The Shire Engadine and Sutherland Branches
- Divisional Recognition Awards – Greg Dowd, Property Services and Amy O'Connell, Origination Services

Congratulations to all our award winners and nominees for their ongoing enthusiasm, hard work and commitment to the highest standards of performance and service.

OUR STAFF

Community Involvement

IMB is dedicated to building strong relationships with the community throughout our areas of operation. In the past year, IMB staff have not only been involved in many of the IMB Community Foundation projects, but have also been actively engaged in various activities within their local communities.

Regional areas along with individual branches and departments play a valuable role in local communities, by supporting fundraisers and local events, attending school information sessions and being actively involved in the business community.

Some amazing examples of IMB working with the community come from our ACT, Far South Coast, Illawarra and Southern Highlands Regions.

In the Illawarra and South Coast Regions, IMB Bank are proud sponsors of Football South Coast, and each branch within the Illawarra team has 'adopted' a club to support through organising fun days and attending local registration and match days to fly the IMB flag. By providing resources to the club, supporting new membership drives and signing on clubs as referral partners, IMB plays a strong role in ensuring the youth of the Illawarra get to experience football and the fun, fitness and camaraderie that it offers.

The Illawarra region also provided seven staff from the Corrimal, Warrawong, Woonona and Unanderra branches to attend Footy Boot Camp organised by Wave FM. On this day, 150 local seven to 12-year-olds were put through their paces by NSWRL coaching co-ordinators. Also in attendance on this day was the Footy Show Big Marn, Darryl Brohman.

A number of community networking forums were attended by our Retail Network team including the Access Law Community Forum, Illawarra Women in Business days, and other events where IMB were able to support key local initiatives that are directly aimed at promoting growth and providing support within the local community.

Within the ACT and Far South Coast region, all ACT branches committed time to the ACT Home & Leisure Show and held a stall over a weekend that included our resident artist, Ken Tucker, who painted a picture, which was presented to the winner of a draw that was held.

Other initiatives that regional branches were involved in included:

- Woden Branch holding a stall and also organising for donation tins to be at every ACT branch for the ACT Eden Monaro Cancer Support Groups Convoy for Cancer.
- Gungahlin Branch being a part of the Belconnen Relay for Life.
- Gungahlin Branch organising for a Clothes Bin to be placed at a few branches within the ACT that was used to collect donations of work clothes to be given to 'Communities @ Work' so disadvantaged people could utilise them for potential job interviews.
- Gungahlin Branch volunteering at the Harrison School Fair running the sausage sizzle, which was by the far the busiest stall and generated the most profit for the school's P&F.
- Eden Branch taking part in the Eden Whale Festival Parade and holding a stall for the day; as well as sponsoring gift vouchers for the Eden Whale Festival Golf Day, Men of League Golf Day, Eden Amateur Fishing Comp and Eden Tourism Open Day (for whom they also provided a Morning Tea fundraiser).
- Bega, Merimbula and Eden Branches holding a stall at the Bega Motorcycle Rally.



DIRECTORS' REPORT

The directors have pleasure in presenting their report, together with the financial statements of IMB Ltd, ('the Company') and of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2017 and the Auditor's Report thereon.

Directors

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

Noel Harold Cornish AM,
appointed Chairman Sep 2016

Catherine Ann Aston,
appointed Sep 2016

Kieran Robert Biddle,
retired Sep 2016

Michael John Cole,
retired Sep 2016

James Randolph Coleman

Robert Hillis Page Elvy,
appointed Deputy Chairman Sep 2016

Gai Marie McGrath

Jan Margaret Swinhoe

Margaret Elizabeth Towers

All the directors are independent directors.

The particulars of the qualifications, experience and special responsibilities of each director holding office at any time during the year are set out on pages 12 to 13 of this report.

At the annual general meeting of the Company on 31 October 2017, two directors, Ms JM Swinhoe and Ms ME Towers, will retire in accordance with the constitution of the Company and, being eligible, offer themselves for re-appointment.

Company Secretary

Ms Lauren Wise (BA LLB Grad Dip. Legal Practice) was appointed to the position of Company Secretary in 2007.

Principal Activities

The principal activities of the Group during the financial year were the provision to members of banking and financial services, including lending, savings, insurance and investment products.

There has been no significant change in the nature of these activities during the year ended 30 June 2017.

Operating and Financial Review

Consolidated profit after tax for the year attributable to members was \$27.5 million (2016: \$29.6 million), a decrease of \$2.1 million, or 7.1% on 2016.

Total deposits increased to \$4,795 million, up by \$527 million or 12.3% on the previous year. Securitised loan funding decreased by \$105 million, or 19.6% to \$431 million.

Loan approvals increased by \$157 million, or 15.5% to \$1,168 million (2016: \$1,011 million). This was due to higher residential lending approvals, which increased by \$113 million on 2016 levels, and an increase in other lending of \$44 million.

Net interest income (NII) for the year was \$110.4 million, up \$6.6 million, or 6.4% on the previous year. This increase was predominantly due to an increase in average earning assets and includes the effect of the merger with SCU.

Impairment losses were \$1.1 million, \$0.7 million higher than the previous year. This increase was due to an increase in specific provisions for individually impaired loans.

Non-interest income for the year increased by \$0.8 million, or 5.6%, to \$15.0 million, mainly due to an increase in payment system income and other income, and includes the effect of the merger with SCU.

Non-interest expense for the year increased by \$9.6 million, or 12.7%, to \$85.1 million (2016: \$75.5 million). This increase was due to an increase in personnel, occupancy, data processing and marketing expenses and includes the expense base attributable to the merger with SCU and merger integration costs.

The non-interest expense to operating income ratio increased from 64.1% in 2016 to 68.4% in 2017 and includes the effect of the merger with SCU.

Dividends

Dividends paid or declared by the Company to shareholders since the end of the previous financial year were:

- a final ordinary dividend of \$0.15 per share amounting to \$4.781 million franked to 100% at a tax rate of 30%, declared on 24 August 2016, in respect of the year ended 30 June 2016, paid on 2 September 2016.
- an interim dividend of \$0.09 per share amounting to \$2.555 million franked to 100% at a tax rate of 30%, declared on 31 January 2017, in respect of the year ended 30 June 2017, paid on 27 February 2017; and
- a final ordinary dividend of \$0.09 per share amounting to \$2.555 million franked to 100% at a tax rate of 30%, declared on 22 August 2017, in respect of the year ended 30 June 2017, payable on 4 September 2017.

Total dividends paid or declared in respect of the year ended 30 June 2017 were \$0.18 per share (2016: dividend of \$0.25) amounting to \$5.110 million (2016: \$7.968 million).

Events Subsequent to Reporting Date

Other than the matters discussed above, no likely item, transaction or event of a material and unusual nature has arisen, in the opinion of the directors of the company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely Developments

No other matter, circumstances or likely development in the operations has arisen since the end of the financial year that have significantly affected or may significantly affect:

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

in the financial years subsequent to this financial year.

State of Affairs

Details of any significant changes in the state of affairs of the Group are disclosed in the Chairman's Letter and Chief Executive's Review of Operations on pages 6 to 11 of the annual report.

Directors' Interests

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

Director	Holding at 23 August 2017
Mr NH Cornish	2,000
Ms CA Aston	-
Mr JR Coleman	2,000
Mr RHP Elvy	-
Ms GM McGrath	-
Ms JM Swinhoe	-
Ms ME Towers	-

The Constitution of the Group includes specific eligibility requirements to qualify as a director that relate to minimum holdings of share capital of, or deposits with, the Company. All directors have satisfied these eligibility requirements.

DIRECTORS' REPORT

Meeting of Directors

The following table sets out the number of meetings of the Company and its wholly owned subsidiaries held by the directors during the year ended 30 June 2017 and the number of meetings attended by each director.

	IMB Ltd		ACN 003 207 841 Pty Ltd		ACN 132 157 192 Pty Ltd		IMB Securitisation Services Pty Ltd		IMB Funeral Fund Management Pty Ltd		IMB Bank Community Foundation Pty Ltd		IMB Financial Planning Ltd	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr NH Cornish	11	11	2	2	1	1	4	4	2	2	2	2	1	1
Ms CA Aston	9	9	1	1	-	-	3	3	1	1	1	1	-	-
Mr KR Biddle	3	3	1	1	1	1	1	1	1	1	1	1	1	1
Mr MJ Cole	3	3	1	1	1	1	1	1	1	1	1	1	1	1
Mr JR Coleman	11	11	2	2	1	1	4	4	2	2	2	2	1	1
Mr RHP Elvy	11	11	2	2	1	1	4	4	2	2	2	2	1	1
Ms GM McGrath	11	11	2	2	1	1	4	4	2	2	2	2	1	1
Ms JM Swinhoe	10	11	2	2	1	1	4	4	2	2	2	2	1	1
Ms ME Towers	11	11	2	2	1	1	4	4	2	2	2	2	1	1

The following table sets out the number of committee meetings of the Company's directors held during the year ended 30 June 2017 and the number of meetings attended by each director.

	IMB Financial Planning		Audit		Risk Management		Corporate Governance & Remuneration		IMB Bank Community Foundation		Capital & Securitisation	
	Attended	Eligible to attend #	Attended	Eligible to attend #	Attended	Eligible to attend #	Attended	Eligible to attend #	Attended	Eligible to attend #	Attended	Eligible to attend #
Mr NH Cornish	-	-	3*	-	4*	-	5	5	-	-	4	4
Ms CA Aston	-	-	2	2	3*	-	2	2	1	1	-	-
Mr KR Biddle	-	-	1*	-	1*	-	3	3	-	1	3	3
Mr MJ Cole	1	1	1*	-	1*	-	3	3	-	-	3	3
Mr JR Coleman	-	-	3*	2	4	4	-	-	-	-	1	1
Mr RHP Elvy	-	-	4	4	4*	2	-	-	-	-	1	1
Ms GM McGrath	2	2	2*	-	4*	2	1*	-	-	-	1	1
Ms JM Swinhoe	-	-	1*	-	3	4	2	2	1	1	-	-
Ms ME Towers	3	3	4	4	4	4	2*	-	-	-	-	-

Number of meetings eligible to attend in a formal capacity as a committee member.

* Includes meetings attended as an observer, not in the capacity as a committee member.

Directors' and Officers' Indemnification and Insurance

Indemnification

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

Insurance Premium

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

Environmental Regulation

The Group's operations include the ownership of branch premises (land and buildings), which are subject to standard environmental regulations applicable to owners of property. Processes are in place for monitoring any associated environmental responsibilities in relation to these properties and the Board is not aware of any breach of environmental requirements as they apply to the Group.

Other than the matter discussed above, the Group's operations are not subject to any significant environmental regulations under either Commonwealth or state legislation.

2016–17 Corporate Governance Statement is online

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

As an APRA-regulated entity, IMB Bank also complies with the governance requirements prescribed by APRA under Prudential Standard CPS 510 Governance. Information about IMB Bank's Board and management, corporate governance policies and practices and enterprise Risk Management Framework can be found in the 2016–17 Corporate Governance Statement available at: www.imb.com.au/about-us-corporate-governance.html

APS 330 Capital Instruments Disclosure

Regulatory disclosures required under Prudential Standard APS 330, including a reconciliation between the Group's regulatory capital and audited financial statements, and additional disclosures in the composition of the Group's regulatory capital, are available on the Company's website imb.com.au

Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out on page 34 and forms part of the Directors' Report for the financial year ended 30 June 2017.

Rounding of Amounts

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

Dated at Wollongong this 23rd day of August 2017

Signed in accordance with a resolution of the directors:



NH Cornish,
Chairman



RHP Eivvy,
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's independence declaration under Section 307C of the Corporations Act 2001



To: the Directors of IMB Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in dark ink, appearing to read 'KPMG', written in a cursive style.

KPMG

A handwritten signature in dark ink, appearing to read 'Warwick Shanks', written in a cursive style.

Warwick Shanks
Partner

Dated at Wollongong this 21st day of August 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

FINANCIAL STATEMENTS

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STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED		COMPANY	
	Note	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Interest revenue	2	220,867	223,587	235,019	239,682
Interest expense	2	(110,439)	(119,756)	(124,591)	(135,893)
Net interest income		110,428	103,831	110,428	103,789
Impairment losses	2	(1,066)	(333)	(1,066)	(333)
Net interest income after impairment losses		109,362	103,498	109,362	103,456
Fee and commission income	2	13,838	13,415	12,650	12,321
Dividend income	2	-	-	-	3,234
Profit from sale of property, plant and equipment	2	20	42	20	42
Other income	2	1,171	770	885	469
Net operating income		124,391	117,725	122,917	119,522
Operating expenses	3	(85,139)	(75,503)	(84,068)	(74,355)
Profit before tax		39,252	42,222	38,849	45,167
Income tax expense	4	(11,800)	(12,666)	(11,679)	(12,576)
Profit for the year attributable to members of the Company		27,452	29,556	27,170	32,591

The statements of profit or loss are to be read in conjunction with the Notes to the financial statements set out on pages 42 to 88.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED		COMPANY	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Profit for the year	27,452	29,556	27,170	32,591
Other comprehensive income/(expense)				
Items that will never be reclassified to profit or loss				
Remeasurement of defined benefit liability	665	(570)	665	(570)
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of available-for-sale investments	4,839	(2,939)	4,839	(2,939)
Net change in fair value of cash flow hedges	45	(40)	45	(40)
Net change in fair value of available-for-sale investments transferred to profit and loss	(344)	(788)	(344)	(788)
<i>Total items that may be reclassified subsequently to profit or loss</i>	4,540	(3,767)	4,540	(3,767)
Total other comprehensive income/(expense) for the year, net of income tax	5,205	(4,337)	5,205	(4,337)
Total comprehensive income for the year	32,657	25,219	32,375	28,254

Amounts are stated net of tax

The statements of comprehensive income are to be read in conjunction with the Notes to the financial statements set out in pages 42 to 88.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		CONSOLIDATED		COMPANY	
	Note	2017 \$000	2016 \$000	2017 \$000	2016 \$000
ASSETS					
Cash and cash equivalents	26	65,237	55,730	28,823	23,900
Available-for-sale investments	6	975,774	1,031,746	1,476,437	1,532,462
Loans and receivables to ADIs	7	333,977	232,922	333,977	232,922
Loans and advances	8	4,312,141	3,879,221	4,312,327	3,879,407
Other financial assets	9	505	505	2,264	2,264
Property, plant and equipment	12	11,233	8,947	11,132	8,877
Intangible assets	13	1,172	999	1,172	999
Net deferred tax assets	4	2,699	4,238	2,659	4,213
Other assets	14	10,943	9,810	33,790	28,612
Total assets		5,713,681	5,224,118	6,202,581	5,713,656
LIABILITIES					
Trade and other payables	15	28,193	25,190	15,738	13,421
Deposits	16	4,795,283	4,268,430	4,798,323	4,271,115
Securitised loans funding	17	430,571	535,303	930,297	1,035,054
Interest bearing liabilities	18	116,555	74,716	116,555	74,716
Derivative liabilities	11	35	99	35	99
Current tax liabilities	4	3,512	2,846	3,512	2,846
Provisions	19	9,284	8,955	9,228	8,899
Total liabilities		5,383,433	4,915,539	5,873,688	5,406,150
Net assets		330,248	308,579	328,893	307,506
EQUITY					
Share capital	20	33,345	37,460	33,345	37,460
Reserves		47,556	29,017	47,556	29,017
Retained earnings		249,347	242,102	247,992	241,029
Total equity attributable to members of the Company		330,248	308,579	328,893	307,506

The statements of financial position are to be read in conjunction with the Notes to the financial statements set out on pages 42 to 88.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED		COMPANY	
	Note	2017 \$000	2016 \$000	2017 \$000	2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		220,088	223,212	234,239	239,307
Other cash receipts in the course of operations		11,278	18,224	9,807	13,395
Interest paid on deposits		(110,170)	(121,814)	(124,322)	(137,948)
Income taxes paid		(9,571)	(12,219)	(9,434)	(11,419)
Net loans funded		(257,538)	(132,605)	(257,538)	(132,602)
Net increase in deposits		330,627	231,683	330,983	228,268
Other cash payments in the course of operations		(78,072)	(82,263)	(81,769)	(74,699)
Net cash flows from operating activities	26	106,642	124,218	101,966	124,302
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for available-for-sale investments		(8,252)	(104,890)	(8,198)	(104,826)
Net cash received on merger		4,810	-	4,810	-
Expenditure on property, plant and equipment, and intangibles		(5,075)	(2,641)	(4,984)	(2,641)
Proceeds from sale of property, plant and equipment	12,13	144	299	115	299
Net cash flows from investing activities		(8,373)	(107,232)	(8,257)	(107,168)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net repayments from securitised loans funding		(104,733)	(27,377)	(104,757)	(27,457)
Net proceeds from interest bearing liabilities		39,853	29,745	39,853	29,745
Own shares acquired		(16,546)	(54)	(16,546)	(54)
Dividends paid	5	(7,336)	(7,968)	(7,336)	(7,968)
Net cash flows from financing activities		(88,762)	(5,654)	(88,786)	(5,734)
Net increase in cash and cash equivalents held		9,507	11,332	4,923	11,400
Cash and cash equivalents at the beginning of the year		55,730	44,398	23,900	12,500
Cash and cash equivalents at the end of the year	26	65,237	55,730	28,823	23,900

The statements of cash flows are to be read in conjunction with the Notes to the financial statements set out in pages 42 to 88.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

CONSOLIDATED

	Share capital	Available-for-sale investments revaluation reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Transfer of business reserve	Retained earnings	Total equity
In thousands of AUD								
Balance at 1 July 2015	37,460	3,566	(30)	3,200	25,255	-	221,931	291,382
Total comprehensive income for the year								
Profit after tax	-	-	-	-	-	-	29,556	29,556
Other comprehensive income								
Remeasurement of defined benefit liability	-	-	-	-	-	-	(570)	(570)
Net revaluation movement due to change in fair value	-	(2,939)	(40)	-	-	-	-	(2,979)
Net change in fair value transferred to profit & loss	-	(788)	-	-	-	-	-	(788)
Total other comprehensive income	-	(3,727)	(40)	-	-	-	(570)	(4,337)
Total comprehensive income for the year	-	(3,727)	(40)	-	-	-	28,986	25,219
Transfer from retained profits	-	-	-	793	-	-	(793)	-
Transactions with owners, recorded in equity								
Dividends to shareholder members	-	-	-	-	-	-	(7,968)	(7,968)
Own shares acquired	-	-	-	-	-	-	(54)	(54)
Balance at 30 June 2016	37,460	(161)	(70)	3,993	25,255	-	242,102	308,579
Balance at 1 July 2016	37,460	(161)	(70)	3,993	25,255	-	242,102	308,579
Total comprehensive income for the year								
Profit after tax	-	-	-	-	-	-	27,452	27,452
Other comprehensive income								
Remeasurement of defined benefit liability	-	-	-	-	-	-	665	665
Net revaluation movement due to change in fair value	-	4,839	45	-	-	-	-	4,884
Net change in fair value transferred to profit & loss	-	(344)	-	-	-	-	-	(344)
Total other comprehensive income	-	4,495	45	-	-	-	665	5,205
Total comprehensive income for the year	-	4,495	45	-	-	-	28,117	32,657
Transfer from retained profits	-	-	-	1,105	-	-	(1,105)	-
Transactions with owners, recorded in equity								
Merger with Sutherland Credit Union	-	-	-	-	-	12,894	-	12,894
Dividends to shareholder members	-	-	-	-	-	-	(7,336)	(7,336)
Own shares acquired	(4,115)	-	-	-	-	-	(12,431)	(16,546)
Balance at 30 June 2017	33,345	4,334	(25)	5,098	25,255	12,894	249,347	330,248

Amounts are stated net of tax

Refer to note 20 for details on each of the reserves. The statements of changes in equity are to be read in conjunction with the Notes to the financial statements set out in pages 42 to 88.

COMPANY

	Share capital	Available-for-sale investments revaluation reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Transfer of business reserve	Retained earnings	Total equity
In thousands of AUD								
Balance at 1 July 2015	37,460	3,566	(30)	3,200	25,255	-	217,823	287,274
Total comprehensive income for the year								
Profit after tax	-	-	-	-	-	-	32,591	32,591
Other comprehensive income								
Remeasurement of defined benefit liability	-	-	-	-	-	-	(570)	(570)
Net revaluation movement due to change in fair value	-	(2,939)	(40)	-	-	-	-	(2,979)
Net change in fair value transferred to profit & loss	-	(788)	-	-	-	-	-	(788)
Total other comprehensive income	-	(3,727)	(40)	-	-	-	(570)	(4,337)
Total comprehensive income for the year	-	(3,727)	(40)	-	-	-	32,021	28,254
Transfer from retained profits	-	-	-	793	-	-	(793)	-
Transactions with owners, recorded in equity								
Dividends to shareholder members	-	-	-	-	-	-	(7,968)	(7,968)
Own shares acquired	-	-	-	-	-	-	(54)	(54)
Balance at 30 June 2016	37,460	(161)	(70)	3,993	25,255	-	241,029	307,506
Balance at 1 July 2016	37,460	(161)	(70)	3,993	25,255	-	241,029	307,506
Total comprehensive income for the year								
Profit after tax	-	-	-	-	-	-	27,170	27,170
Other comprehensive income								
Remeasurement of defined benefit liability	-	-	-	-	-	-	665	665
Net revaluation movement due to change in fair value	-	4,839	45	-	-	-	-	4,884
Net change in fair value transferred to profit & loss	-	(344)	-	-	-	-	-	(344)
Total other comprehensive income	-	4,495	45	-	-	-	665	5,205
Total comprehensive income for the year	-	4,495	45	-	-	-	27,835	32,375
Transfer from retained profits	-	-	-	1,105	-	-	(1,105)	-
Transactions with owners, recorded in equity								
Merger with Sutherland Credit Union	-	-	-	-	-	12,894	-	12,894
Dividends to shareholder members	-	-	-	-	-	-	(7,336)	(7,336)
Own shares acquired	(4,115)	-	-	-	-	-	(12,431)	(16,546)
Balance at 30 June 2017	33,345	4,334	(25)	5,098	25,255	12,894	247,992	328,893

Amounts are stated net of tax

Refer to note 20 for details on each of the reserves. The statements of changes in equity are to be read in conjunction with the Notes to the financial statements set out in pages 42 to 88.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

IMB Ltd (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 253–259 Crown Street, Wollongong NSW. The Consolidated Financial Statements of the Company as at and for the year ended 30 June 2017 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity primarily involved in the provision to members of banking and financial services, including lending, savings, insurance and investment products.

(b) Basis of preparation

(i) Statement of compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements were authorised for issue by the Directors on 23 August 2017.

(ii) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value:

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

(iii) Functional and presentation currency

The Consolidated Financial Statements are presented in Australian dollars, which is the Company's functional currency. The Company is of a kind referred to in Instrument 2016/191 dated 30 June 2016 and in accordance with the Class Order, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

(iv) Use of estimates and judgements

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following Notes:

- Loan impairment (Notes 1j and 10);
- Consolidation of special purpose entities (SPEs) (Notes 1d and 9);
- Valuation of financial instruments (Notes 1j, 6, 9 and 11); and
- Defined benefit fund liability (Notes 1q and 21).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following Notes:

- Loan impairment (Notes 1j and 10);
- Measurement of fair values (Notes 1b(v), 1f and 30).

(v) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not observable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are value based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

(c) Changes in accounting policy

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

(d) Basis of consolidation

(i) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases. In the Company's financial statements, investments in subsidiaries are carried at cost.

(iii) Special Purpose Entities

The Company conducts a loan securitisation program whereby residential and commercial mortgage loans are packaged and sold to SPEs.

Group

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

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

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

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

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

Company

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

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

(iv) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances in the Group's bank accounts and cash on hand with original maturities of three months or less from date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

(f) Non-derivative financial assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: loans and advances and available-for-sale investments.

(i) Loans and advances

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

(ii) Available-for-sale investments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivatives

(i) Cash flow hedges

The risk being hedged in a cash flow hedge is the potential variability in future cash flows that may affect the income statement. The Group uses interest rate swaps to hedge its exposure to interest rate risks arising from operating, financing and investing activities. The Group primarily applies cash flow hedge accounting to its wholesale deposit liabilities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the year for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125 %. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below. The fair value of derivative financial instruments is determined by reference to market rates for similar instruments.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the cashflow hedge reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same year as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the year when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss. In other cases, the amount recognised in other income is transferred to the income statement in the same year that the hedge item affects profit or loss.

(h) Revenue recognition

(i) Interest income and fees for services rendered

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

(ii) Loan origination income

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

(iii) Dividend income

Dividends and distributions from controlled entities are brought to account in profit or loss when they are declared. Dividends and distributions from other parties are brought to account in profit or loss when they are received.

(i) Expenses

(i) Loan origination expenses

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

(ii) Securitisation set-up expenses

Expenses incurred directly in the establishment and marketing of securitisation vehicles are deferred and recognised in profit or loss on a yield basis over the expected life of the relevant liability to note holders. The balance outstanding of deferred securitisation expenses is recognised in the statement of financial position as a reduction in securitised loans funding.

(j) Impairment

(i) Financial assets

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

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

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

(ii) Loan impairment

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

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

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

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets (see note 11), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

(k) Deposits and interest

Deposits are the Group's primary source of debt funding. Deposits are initially recorded at fair value plus any directly attributable transaction costs and subsequently measured at their amortised cost using the effective interest method. Interest expense on deposits is calculated daily based on the closing balance for each day and is brought to account on an accruals basis.

(l) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to shareholders.

(i) Tax consolidation

The Company is the head entity in a tax consolidated group comprising the Company and all its wholly-owned subsidiaries. As a consequence, all members of the tax consolidated group have been taxed as a single entity from 1 July 2003. Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'group allocation' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised by the Company as amounts payable (receivable) to (from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent year adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement that sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/(from) the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an intercompany receivable/(payable) equal in amount to the tax liability/(asset) assumed. The intercompany receivables/(payables) are at call. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities. The head entity in conjunction with other members of the tax consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax

liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see note 1j).

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(n) Intangibles

Computer software

Where computer software costs are not integrally related to associated hardware, the Group recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the Group controls. The Group carries capitalised computer software assets at cost less accumulated amortisation and any accumulated impairment losses. These assets are amortised over the estimated useful lives of the computer software (being between 3 to 5 years) on a straight-line basis. Computer software maintenance costs are expensed as incurred. Any impairment loss is recognised in the profit or loss when incurred. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Lease payments

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

(i) Determining whether an arrangement contains a finance lease

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

(p) Dividends payable

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

(q) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plan

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits

The Group's net obligation in respect of the long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(r) Directors' retirement benefits

A provision for directors' retirement benefits was recognised in accordance with the Company's constitution. Retirement benefits ceased to be accrued from 28 September 2004 for all directors, with the retirement benefits accrued up to that date having been fully provided for. The balance of the provision has now been fully utilised.

(s) Interest bearing liabilities

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

(t) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Group. Payables are stated at cost and are normally settled within 30 days.

(u) Provision for make good costs

The provision for make good costs represents the present value of the estimated future cash outflows to be made by the Company arising from its obligations as a lessee should the relevant lease not be renewed.

The provision is calculated using estimated costs required to return leased premises to the condition in which they were initially provided, by using the Company's cost of capital as at reporting date.

The expected timing of the outflows is dependent upon whether the relevant lease is renewed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Goods and services tax

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

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

(w) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Where ordinary shares are repurchased, the amount of consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

(x) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

AASB 9 Financial Instruments

AASB 9 published in November 2014, replaces the existing guidance in AASB39 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected loss model for calculating impairment on financial assets, and new general hedging requirements. It also carries forward guidance on recognition and rerecognition of financial instruments from AASB 39. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has commenced work on the design and development of an Expected Credit Loss (ECL) impairment model, including incorporating forward-looking information, for the calculation of ECL for its retail exposures. Until the model has been developed and fully tested, the Group is unable to provide a quantitative impact on the adoption of the standard; however, based on an impact assessment completed using a Prototype Model, the adoption is not expected to result in a material change to equity.

The new hedging requirements are not expected to impact materially on the Group based on its existing interest rate swap contracts. There may be possible impacts that arise and this is dependent on the financial assets and liabilities at the date of transition.

AASB 15 Revenue from Contracts with Customers

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

AASB 16 Leases

AASB 16 replaces AASB 117 *Leases*. AASB 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The Group has not yet determined the impact on the new requirements on its consolidated financial statements.

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
2 OPERATING INCOME				
Interest revenue				
Loans and advances	184,613	182,565	184,613	182,524
Consolidated entities	-	-	1	41
ADIs	7,590	9,229	7,590	9,229
Available-for-sale investments	28,664	31,793	42,815	47,888
	220,867	223,587	235,019	239,682
Interest expense				
Deposits				
- from members	91,638	97,582	91,638	97,581
- consolidated entities	-	-	14,152	16,137
- interest bearing liabilities	4,496	3,245	4,496	3,246
Securitised loans funding	14,305	18,927	14,305	18,927
Other interest expense	-	2	-	2
	110,439	119,756	124,591	135,893
Net interest income	110,428	103,831	110,428	103,789
Impairment losses				
Impairment of loans and advances	1,066	333	1,066	333
Net interest income after impairment losses	109,362	103,498	109,362	103,456
Fees and commission income				
Loan switch and breakout fees	453	470	453	470
Transaction fees	6,415	6,611	6,415	6,611
Payment system fees	2,392	1,977	2,392	1,977
Financial planning revenue	1,188	1,094	-	-
Commissions	3,390	3,263	3,390	3,263
	13,838	13,415	12,650	12,321
Dividend income	-	-	-	3,234
Profit from sale of property, plant and equipment				
Profit from sale of plant and equipment	20	42	20	42
	20	42	20	42
Other income				
Impairment losses recovered	109	204	109	204
Rental income	150	151	150	151
Other	912	415	626	114
	1,171	770	885	469
Net operating income	124,391	117,725	122,917	119,522

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FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
3 OPERATING EXPENSES				
Personnel expense				
Salaries	40,193	35,386	39,563	35,150
Payroll tax	2,294	2,082	2,254	2,041
Fringe benefits tax	636	600	608	573
Superannuation	4,440	4,473	4,381	3,960
	47,563	42,541	46,806	41,724
Occupancy expense				
Repairs and maintenance	487	463	486	463
Rental on operating leases	7,191	6,599	7,158	6,566
Other	2,029	1,807	1,986	1,757
	9,707	8,869	9,630	8,786
Payment system expense	3,655	2,918	3,655	2,918
Marketing expense	5,755	5,618	5,752	5,609
Data processing expense	4,807	3,516	4,775	3,485
Postage and printing expense	2,374	2,044	2,357	2,028
Contributions to IMB Bank Community Foundation	500	500	500	500
Goods and services tax not recovered	2,482	2,413	2,482	2,413
Sundry expenses				
Depreciation and amortisation				
- plant and equipment	2,191	1,544	2,160	1,517
- buildings	65	65	65	65
- intangibles	672	507	672	507
Legal and consulting	1,575	1,425	1,562	1,412
Loss from sale of property, plant and equipment	103	83	103	83
Other	3,690	3,460	3,549	3,308
	8,296	7,084	8,111	6,892
Total operating expenses	85,139	75,503	84,068	74,355

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
4 TAXATION				
a) Income tax expense				
Current tax expense				
- current year	12,492	11,964	12,356	11,166
- adjustment for prior years	-	3	-	-
	12,492	11,967	12,356	11,166
Deferred tax expense				
- origination and reversal of temporary differences	(692)	699	(677)	1,410
Total income tax expense	11,800	12,666	11,679	12,576
Reconciliation between income tax expense and profit before tax				
Profit before tax	39,252	42,222	38,849	45,167
Prima facie income tax expense at 30% on operating profit	11,776	12,667	11,655	13,550
Increase in income tax expense due to:				
- income tax under provided for in prior year	-	3	-	-
- depreciation of buildings	19	19	19	19
- non-deductible entertainment	37	40	37	40
Decrease in income tax expense due to:				
- non-assessable intercompany dividend	-	-	-	(970)
- other deductible expenses	(32)	(63)	(32)	(63)
Income tax expense	11,800	12,666	11,679	12,576
Income tax recognised directly in other comprehensive income				
Relating to defined benefit fund	285	(244)	285	(244)
Relating to available-for-sale investments	1,926	(1,597)	1,926	(1,597)
Relating to cashflow hedges	19	(17)	19	(17)
	2,230	(1,858)	2,230	(1,858)

b) Current tax liabilities

The current tax liability for the Group of \$3,512,000 (2016: \$2,846,000) and for the Company of \$3,512,000 (2016: \$2,846,000) represents the amount of income taxes payable in respect of current and prior financial years due to the relevant tax authority. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax consolidated group has assumed the current tax liability initially recognised by the members in the tax consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
4 TAXATION (CONTINUED)				
Deferred tax assets/(liabilities)				
Deferred tax assets and liabilities are attributable to the following:				
Provisions and accrued expenses	2,182	2,080	2,159	2,072
Employee benefits	2,624	2,289	2,607	2,272
Derivative liabilities	10	30	10	30
Unearned income	7	6	7	6
Consulting and legal fees	21	17	21	17
Property, plant and equipment	15	33	15	33
Deferred lending fees	42	2	42	2
Total deferred tax assets	4,901	4,457	4,861	4,432
Available-for-sale investments	(1,859)	68	(1,859)	68
Deferred expenditure	(343)	(287)	(343)	(287)
Total deferred tax liabilities	(2,202)	(219)	(2,202)	(219)
Net deferred tax assets	2,699	4,238	2,659	4,213

5 DIVIDENDS	Cents per Share	Total amount \$000	% Franked	Date of payment
Dividends recognised in current year by the Company are:				
2017				
2017 interim dividend	9.0	2,555	100%	27-Feb-17
2016 final dividend	15.0	4,781	100%	2-Sep-16
		7,336		
2016				
2016 interim dividend	10.0	3,187	100%	29-Feb-16
2015 final dividend	15.0	4,781	100%	3-Sep-15
		7,968		

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

Subsequent events

On 22 August 2017, the Board declared a final ordinary dividend of 9.0 cents per share amounting to \$2,555,000 franked at 100% at a tax rate of 30%, in respect of the year ended 30 June 2017. The dividend is payable on 4 September 2017. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial statements. The declaration and subsequent payment of dividends has no income tax consequences.

	COMPANY	
	2017	2016
	\$000	\$000
5 DIVIDENDS (CONTINUED)		
Dividend franking account		
30% franking credits available to members of the Company for dividends in subsequent financial years	109,939	106,338

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to use the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of \$nil (2016: \$nil) franking credits.

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
6 AVAILABLE-FOR-SALE INVESTMENTS				
Available-or-sale investments *				
- certificates of deposit issued by banks	49,896	99,699	49,896	99,699
- Floating Rate Notes**	925,878	932,047	1,426,541	1,432,763
Total investments	975,774	1,031,746	1,476,437	1,532,462

* All available-for-sale investments are measured at fair value (refer to note 1f for details on accounting policy).

** The Company holds \$500,000,000 (2016: \$500,000,000) in bonds issued by the Illawarra Series IS Trust as part of a contingency liquidity facility.

These investments are eliminated on consolidation. Refer note 25.

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

	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
7 LOANS AND RECEIVABLES TO ADIs				
Loans to Authorised Deposit-taking Institutions ('ADIs')	333,977	232,922	333,977	232,922
Total loans and receivables to ADIs	333,977	232,922	333,977	232,922
LOANS BY MATURITY				
- up to three months	161,975	193,632	161,975	193,632
- from three to six months	6,114	12,990	6,114	12,990
- from six to nine months	121,202	25,293	121,202	25,293
- from nine to twelve months	3,392	-	3,392	-
- from one to five years	41,294	1,007	41,294	1,007
Total loans and receivables to ADIs	333,977	232,922	333,977	232,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED		COMPANY	
	Note	2017 \$000	2016 \$000	2017 \$000	2016 \$000
8 LOANS AND ADVANCES					
Loans and advances*		4,316,666	3,883,294	4,316,852	3,883,480
Provision for impairment	10	(4,525)	(4,073)	(4,525)	(4,073)
Total loans net of provision for impairment		4,312,141	3,879,221	4,312,327	3,879,407
LOANS BY MATURITY					
Loans maturing					
- revolving credit		6,310	6,214	6,310	6,214
- up to three months		28,292	25,219	28,292	25,219
- from three to six months		26,980	25,532	26,980	25,532
- from six to nine months		27,796	26,188	27,796	26,188
- from nine to twelve months		28,146	26,459	28,146	26,459
- from one to five years		452,229	425,603	452,415	425,789
- over five years		3,746,913	3,348,079	3,746,913	3,348,079
Provision for impairment	10	(4,525)	(4,073)	(4,525)	(4,073)
Total loans net of provision for impairment		4,312,141	3,879,221	4,312,327	3,879,407

* Includes \$893,814,000 of securitised residential loans and \$37,626,000 of securitised commercial loans (2016: \$983,963,000 of securitised residential loans and \$52,049,000 of securitised commercial loans).

	2017 \$000	2016 \$000	2017 \$000	2016 \$000
9 OTHER FINANCIAL ASSETS				
Other equity investments – at cost*	505	505	505	505
Investments in controlled entities	-	-	1,759	1,759
Total other financial assets	505	505	2,264	2,264

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

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
10 PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES	\$000	\$000	\$000	\$000
Specific provision				
Opening balance	287	2,478	287	4,898
Additions to specific provision	927	151	927	151
Loans written off, previously provided for	(241)	(1,954)	(241)	(4,374)
Reversal of provision	(234)	(388)	(234)	(388)
Closing balance	739	287	739	287
Collective provision				
Opening balance	3,786	3,786	3,786	3,786
Additions to collective provision	-	-	-	-
Loans written off	-	-	-	-
Reversal of provision	-	-	-	-
Closing balance *	3,786	3,786	3,786	3,786
Total provision for impairment	4,525	4,073	4,525	4,073
Impairment of loans and advances				
Movement in specific provision	693	(237)	693	(237)
Impairment losses written off directly	373	570	373	570
	1,066	333	1,066	333

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
11 DERIVATIVE LIABILITIES	\$000	\$000	\$000	\$000
Interest rate swaps at fair value	35	99	35	99

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
12 PROPERTY, PLANT AND EQUIPMENT	\$000	\$000	\$000	\$000
<i>Freehold land</i>				
- at cost	2,315	2,315	2,315	2,315
<i>Freehold buildings</i>				
- at cost	2,604	2,604	2,604	2,604
- accumulated depreciation	(1,167)	(1,102)	(1,167)	(1,102)
	1,437	1,502	1,437	1,502
Total land and buildings	3,752	3,817	3,752	3,817
<i>Plant and equipment</i>				
- at cost	32,307	29,707	32,044	29,548
- accumulated depreciation	(25,008)	(25,777)	(24,846)	(25,688)
Total plant and equipment	7,299	3,930	7,198	3,860
Work in progress – at cost	182	1,200	182	1,200
Total property, plant and equipment – at cost	37,408	35,826	37,145	35,667
Total accumulated depreciation	(26,175)	(26,879)	(26,013)	(26,790)
Total property, plant and equipment – carrying amount	11,233	8,947	11,132	8,877

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	\$000	\$000	\$000	\$000
Reconciliations				
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:				
<i>Freehold land</i>				
Carrying amount at the beginning of the year	2,315	2,315	2,315	2,315
Carrying amount at the end of the year	2,315	2,315	2,315	2,315
<i>Buildings</i>				
Carrying amount at the beginning of the year	1,502	1,556	1,502	1,556
Additions	-	11	-	11
Depreciation	(65)	(65)	(65)	(65)
Carrying amount at the end of the year	1,437	1,502	1,437	1,502
<i>Plant and equipment</i>				
Carrying amount at the beginning of the year	3,930	4,405	3,860	4,307
Additions	672	726	581	726
Assets acquired on merger	498	-	498	-
Transfers from work in progress	4,617	643	4,617	643
Disposals	(227)	(299)	(198)	(299)
Depreciation	(2,191)	(1,545)	(2,160)	(1,517)
Carrying amount at the end of the year	7,299	3,930	7,198	3,860
<i>Work in progress</i>				
Carrying amount at the beginning of the year	1,200	269	1,200	269
Additions	3,599	1,574	3,599	1,574
Transfers to plant and equipment	(4,617)	(643)	(4,617)	(643)
Carrying amount at the end of the year	182	1,200	182	1,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
13 INTANGIBLE ASSETS				
<i>Intangible computer software</i>				
- at cost	10,224	9,379	10,224	9,379
- accumulated amortisation	(9,052)	(8,380)	(9,052)	(8,380)
Total intangible computer software	1,172	999	1,172	999
Reconciliation				
<i>Intangible computer software</i>				
Carrying amount at the beginning of the year	999	1,216	999	1,216
Additions	804	290	804	290
Assets acquired on merger	41	-	41	-
Amortisation	(672)	(507)	(672)	(507)
Carrying amount at the end of the year	1,172	999	1,172	999

	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
14 OTHER ASSETS				
Sundry debtors	10,943	9,810	33,790	28,612

	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
15 TRADE AND OTHER PAYABLES				
Trade creditors	15,857	13,478	15,738	13,421
Distributions payable by SPEs	12,046	11,422	-	-
Fees payable by SPEs	290	290	-	-
Total trade and other payables	28,193	25,190	15,738	13,421

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

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
16 DEPOSITS				
Retail deposits	3,508,775	3,166,700	3,511,815	3,169,385
Middle markets	808,871	591,321	808,871	591,321
Wholesale deposits	458,766	491,808	458,766	491,808
Accrued interest	18,871	18,601	18,871	18,601
Total deposits	4,795,283	4,268,430	4,798,323	4,271,115
CONCENTRATION OF DEPOSITS				
New South Wales	3,858,053	3,478,844	3,861,093	3,481,529
Australian Capital Territory	225,960	165,409	225,960	165,409
Queensland	153,746	122,491	153,746	122,491
South Australia	40,843	90,262	40,843	90,262
Victoria	395,640	301,641	395,640	301,641
Western Australia	45,325	63,687	45,325	63,687
Tasmania	47,989	6,887	47,989	6,887
Northern Territory	27,727	39,209	27,727	39,209
Total deposits	4,795,283	4,268,430	4,798,323	4,271,115

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

	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
17 SECURITISED LOANS FUNDING				
Notes payable	430,571	535,303	-	-
Loans from securitisation trusts*	-	-	930,297	1,035,054
Total securitised loans funding	430,571	535,303	930,297	1,035,054

* Includes \$500,000,000 (2016: \$500,000,000) in bonds issued by the Illawarra Series IS Trust. Refer note 25.

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

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FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED		COMPANY	
		2017	2016	2017	2016
18 INTEREST-BEARING LIABILITIES	Note	\$000	\$000	\$000	\$000
Repurchase agreements*					
Repurchase agreements		44,961	-	44,961	-
		44,961	-	44,961	-
Subordinated Floating Rate Notes	1s				
- Series 1		-	15,000	-	15,000
- Series 2		-	29,993	-	29,993
- Series 3		29,805	29,723	29,805	29,723
- Series 4		39,793	-	39,793	-
- Series A LT2		1,996	-	1,996	-
Total Subordinated Floating Rate Notes		71,594	74,716	71,594	74,716
Total interest-bearing liabilities		116,555	74,716	116,555	74,716

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

Series 1 was called in full at the optional redemption date with the approval of APRA on 16 September 2016. **Series 2** was called in full at the optional redemption date with the approval of APRA on 29 June 2017. **Series 3** was issued for a ten-year period maturing 2026 with an option to redeem at par after five years subject to APRA approval. Interest is paid quarterly in arrears based on the 3-month day Bank Bill Rate plus a margin of 375 basis points. **Series 4** was issued for a ten-year period maturing 2027 with an option to redeem at par after five years subject to APRA approval. Interest is paid quarterly in arrears based on the 3-month day Bank Bill Rate plus a margin of 300 basis points. **Series A LT2 4** was issued for a ten-year period maturing 2022 with an option to redeem at par after five years subject to APRA approval. Interest is paid quarterly in arrears based on the 3-month day Bank Bill Rate plus a margin of 593 basis points. After gaining APRA approval, it is IMB's intention to call this note in November 2017. This note was acquired as part of IMB's merger with SCU Ltd on 1 July 2016.

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

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

		2017	2016	2017	2016
19 PROVISIONS		\$000	\$000	\$000	\$000
<i>Make good provision</i>					
Balance at the beginning of the year		450	462	450	462
Provisions made during the year		48	-	48	-
Provisions acquired on merger		66	-	66	-
Provisions used during the year		(85)	(12)	(85)	(12)
Balance at the end of the year		479	450	479	450
<i>Employee benefits</i>					
Balance at the beginning of the year		8,505	7,039	8,449	6,996
Provisions made during the year		3,271	4,648	3,216	4,591
Provisions acquired on merger		495	-	495	-
Provisions used during the year		(3,466)	(3,182)	(3,411)	(3,138)
Balance at the end of the year	21	8,805	8,505	8,749	8,449
Total provisions		9,284	8,955	9,228	8,899

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
20 SHARE CAPITAL AND RESERVES				
Share capital – Ordinary shares				
On issue at 1 July (31,873,148 ordinary shares)	37,460	37,460	37,460	37,460
Own shares acquired (3,487,037 ordinary shares)	(4,115)	-	(4,115)	-
On issue at 30 June (28,386,111 ordinary shares)	33,345	37,460	33,345	37,460

On 15 December 2016, the Company bought back 3.49 million shares for a total cash consideration, including transaction costs of \$16.55 million. All shares tendered at a discount of 14% or more were accepted in full.

The Company does not have authorised capital or par value in respect of its issued shares. Under the constitution of the Company, no person may hold an entitlement in ordinary shares of more than five per cent (5%) of the nominal value of all shares of that class. The Company has Members by way of guarantee and Shareholders Members by way of both shares and guarantee. Subject to basic voting qualifications, a Member of the Company is entitled to one vote only, irrespective of the number of shares or the number or amounts of deposits held. The holders of ordinary shares are entitled to receive dividends as declared from time to time. In assessing the dividend to be paid, the Board has regard to the Company's status as a mutual entity. All Members have an interest in the assets and earnings of the Company.

Available-for-sale investments revaluation reserve

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

Cashflow hedging reserve

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

General reserve for credit losses

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

General reserve

The general reserve includes retained profits from prior years.

Transfer of business reserve

Mergers with other mutual entities are accounted for by recognising the identifiable assets and liabilities of the transferred entity on the Statement of Financial Position at their fair value at the date of merger. The excess of the fair value of assets taken up over liabilities assumed is taken directly to equity as a reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
21 EMPLOYEE BENEFITS				
Current				
Liability for annual leave	3,420	3,042	3,388	3,005
Liability for banked time	4	3	4	3
Liability for long service leave	3,802	3,647	3,802	3,647
Liability for purchased annual leave	56	54	56	54
Liability for directors' retirement benefits	-	39	-	39
	7,282	6,785	7,250	6,748
Non-Current				
Present value of defined benefit fund obligations	9,553	9,170	9,553	9,170
Fair value of defined benefit fund assets	(9,735)	(8,428)	(9,735)	(8,428)
Present value of net obligations	(182)	742	(182)	742
Unrecognised actuarial losses	-	-	-	-
Net defined benefit (asset)/ liability	(182)	742	(182)	742
Liability for long service leave	1,705	978	1,681	959
	1,523	1,720	1,499	1,701
Total employee benefits	8,805	8,505	8,749	8,449

Directors' retirement benefits

In accordance with the resolutions passed at the 2004 Annual General Meeting:

- IMB Ltd's constitution was amended to remove the entitlement to retirement benefits for any director appointed after 28 September 2004; and
- the persons who held office as directors of IMB Ltd at 28 September 2004 will upon retirement or death in office, be paid retirement benefits. The amount to be paid is equal to the amount of retirement benefits permitted to be payable under the Corporations Act 2001 without further approval by members, accrued by those directors up until 28 September 2004. Those directors ceased to accrue any further retirement benefits after that date.

Liability for the IMB Staff Defined Benefit Superannuation Plan Obligations

The plan is a salary related defined benefit superannuation plan. Benefits are payable on retirement, resignation, death or total and permanent disability as a lump sum. The plan also provides salary continuance insurance.

The Company makes contributions in respect of each plan member based on a fixed percentage of the member's salary. Each member is also required to contribute 5 % of their salary during each financial year. The plan provides defined benefits on retirement based on years of service and the final average salary. In accordance with Superannuation Industry (Supervision) Regulations – Reg 9.04D, due to the membership of the fund being less than 50 on 12 May 2004, no new members have been accepted to the plan since that date.

There are currently ten members (2016: 10) in the plan. An actuarial assessment of the plan at 30 June 2017 was carried out by Ms Victoria Lee FIAA on 11 July 2017.

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

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

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

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

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
21 EMPLOYEE BENEFITS (CONTINUED)				
Movement in the net defined benefit asset/(liability)				
Net defined benefit liability at the beginning of the year	(742)	77	(742)	77
Total remeasurement recognised in other comprehensive income gain/(loss)	951	(815)	951	(815)
Contributions received from employer	449	443	449	443
Defined benefit cost recognised in the profit and loss	(476)	(447)	(476)	(447)
Net defined benefit asset/(liability) at the end of the year	182	(742)	182	(742)
Movement in the present value of the defined benefit obligations are as follows:				
Defined benefit obligation at the beginning of the year	9,170	8,431	9,170	8,431
Current service cost	368	366	368	366
Past service cost	-	-	-	-
Interest cost	275	361	275	361
Actuarial (gains)/losses arising from:				
- demographic assumptions	-	12	-	12
- financial assumptions	(287)	609	(287)	609
- experience adjustment	(25)	(205)	(25)	(205)
Contributions by employees	116	109	116	109
Benefits paid	-	(452)	-	(452)
Other	(64)	(61)	(64)	(61)
Defined benefit obligation at the end of the year	9,553	9,170	9,553	9,170
Movement in the present value of fund assets are as follows:				
Fair value of fund assets at the beginning of the year	8,428	8,508	8,428	8,508
Interest income on plan assets	261	379	261	379
Remeasurements: return on plan assets	638	(398)	638	(398)
Contributions by employer	449	443	449	443
Contributions by employees	116	109	116	109
Benefits paid	-	(452)	-	(452)
Taxes paid	(69)	(66)	(69)	(66)
Administrative expenses and insurance premiums	(88)	(95)	(88)	(95)
Fund assets at the end of the year	9,735	8,428	9,735	8,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

21 EMPLOYEE BENEFITS (CONTINUED)

Fair value of the plan assets disaggregated by nature and risk

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

	2017 \$000	2016 \$000
Cash and cash equivalents		
- Cash	399	396
Equity		
- Domestic	3,089	2,595
- International (currency hedged)	1,001	775
- International (currency unhedged)	2,145	1,804
Fixed income		
- Domestic	821	801
- International	862	801
Real estate/ property		
- Domestic indirect property	272	253
- International property	287	261
Other		
- Alternate growth	380	329
- Alternate defensive	479	413
Total	9,735	8,428

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

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

Actuarial assumptions

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

	CONSOLIDATED		COMPANY	
	2017 %	2016 %	2017 %	2016 %
Discount rate at 30 June	3.8	3.3	3.8	3.3
Expected return on fund assets at 30 June	3.8	3.3	3.8	3.3
Future salary increases	4.0	4.0	4.0	4.0

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

21 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity analysis

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

Effect in \$000	2017		2016	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(537)	588	(556)	614
Future salary growth (1% movement)	413	(388)	447	(416)

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

Year ending 30 June 2017

Expected contributions to the plan in the next reporting period	\$000
Expected employer contributions	453
Expected employee contributions	109

Maturity profile of the Defined Benefit Obligation as measured by weighted average duration

The weighted average term of the Defined Benefit Obligation is calculated as 6.6 years.

	2017 \$000	2016 \$000
Projected benefit payments (defined benefit only)		
Next year	637	930
Next year + 1 year	776	526
Next year + 2 years	990	665
Next year + 3 years	1,363	873
Next year + 4 years	1,279	1,186
Sum of next year + 5 – 9 years	5,992	5,415

Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was \$3,489,000 for the financial year (2016: \$3,066,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
22 CAPITAL AND OTHER COMMITMENTS				
Loan commitments approved but not advanced				
- not later than one year	570,848	335,515	570,848	335,515
- later than one year	11,442	10,926	11,442	10,926
Total	582,290	346,441	582,290	346,441
Capital expenditure commitments not taken up in the financial statements				
- not later than one year	1,017	2,261	1,017	2,261
Non-cancellable operating lease rentals payable				
- not later than one year	6,674	6,408	6,674	6,408
- later than one year but not later than five years	11,330	8,680	11,330	8,680
Total	18,004	15,088	18,004	15,088

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

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
23 FINANCING ARRANGEMENTS				
Bank overdraft available	2,500	2,500	2,500	2,500
Facilities not utilised	2,500	2,500	2,500	2,500

The overdraft facility when drawn is secured by a charge over mortgage loans made by the Company to members. This facility is subject to annual review. The facility is subject to an annual interest rate of 8.40% (2016: 8.42%).

24 CONTINGENT LIABILITIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities considered remote

Guarantees given by IMB Ltd

Business Banking clients

Contingent liabilities include guarantees of \$5,327,000 (2016: \$4,502,000) issued on behalf of clients supporting performance, rental and other commercial obligations. The Company holds either term deposits or real estate as security against these performance guarantees.

These facilities are established on the basis that the beneficiary of the guarantee can call up the guarantee at any time and IMB is obliged to make good the value within the guarantee. In such circumstances, the value of the payment under the guarantee is recovered from the security or a loan supported by the security.

Considering the contingent liability imposed upon IMB, fees are charged for the establishment and ongoing management of such facilities.

25 CONSOLIDATED ENTITIES

Parent entity

IMB Ltd

Subsidiaries	Principal Activity	Ownership Interest	
		2017 %	2016 %
IMB Funeral Fund Management Pty Ltd	Trustee	100.0	100.0
ACN 003 207 841 Pty Ltd	Dormant	100.0	100.0
ACN 132 157 192 Pty Ltd	Dormant	100.0	100.0
IMB Community Foundation Pty Ltd	Dormant	100.0	100.0
IMB Securitisation Services Pty Limited	Securitisation trust management	100.0	100.0
IMB Financial Planning Limited	Financial Planning	100.0	100.0
Securitisation SPEs *			
Illawarra Warehouse Trust No. 2	Securitisation trust		
Illawarra Series 2006-1 RMBS Trust	Securitisation trust		
Illawarra Series 2010-1 RMBS Trust	Securitisation trust		
Illawarra Series 2011-1 CMBS Trust	Securitisation trust		
Illawarra Series 2013-1 RMBS Trust	Securitisation trust		
Illawarra Series 2017-1 RMBS Trust	Securitisation trust		
Illawarra Series IS Trust	Securitisation trust		

*Refer note 1d. These entities are consolidated on the basis of risk exposure, not control or ownership. IMB continues to reflect the securitised loans in their entirety and also recognises a financial liability to the Trust. The interest payable in the intercompany financial asset/liability represents the return on an imputed loan between IMB and the SPEs.

All entities are incorporated in Australia.

Change in the composition of the consolidated entity

On 10 August 2016, all Notes of the Illawarra Series 2006-1 RMBS Trust were redeemed in accordance with the clean-up provisions of the Trust.

On 14 December 2016, all Notes of the Illawarra Series 2010-1 RMBS Trust were redeemed in accordance with the clean-up provisions of the Trust.

On 16 May 2017, a subsidiary company, IMB Securitisation Services Pty Limited, established the Illawarra Series 2017-1 RMBS Trust and paid an amount of \$300 to constitute the Trust. The purpose of establishing this entity was to allow the securitisation of residential mortgage loans. In May 2017 the entity issued \$300,000,000 in Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
26 NOTES TO THE STATEMENTS OF CASH FLOWS				
RECONCILIATION OF CASH				
Cash and cash equivalents at the end of the year as shown in the statements of cash flows is reconciled to the related item in the balance sheets:				
Cash controlled by the Group	28,824	23,900	28,823	23,900
Cash controlled by SPEs	36,413	31,830	-	-
Total	65,237	55,730	28,823	23,900
The Group's exposure to interest rate risk for financial assets and liabilities is disclosed in note 30.				
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year attributable to members of the Company	27,452	29,556	27,170	32,591
Net loss on sale of property, plant and equipment	83	41	83	41
Impairment of loans and advances	1,066	333	1,066	333
Depreciation of property, plant and equipment, and amortisation of intangibles	2,928	2,116	2,897	2,089
Operating profit before changes in assets and liabilities	31,529	32,046	31,216	35,054
<i>Changes in assets and liabilities:</i>				
(Increase) in accrued interest on investments	(781)	(375)	(781)	(375)
(Increase) in loans and advances	(257,538)	(132,605)	(257,538)	(132,602)
(Increase) in sundry debtors	(281)	(2,449)	(4,326)	(4,354)
Decrease/(Increase) in net deferred tax asset	1,844	(668)	1,859	43
Increase/(Decrease) in accrued interest on members' deposits	270	(2,056)	270	(2,056)
Increase/(Decrease) in trade and other payables	783	(3,107)	94	(1,411)
Increase in deposits	330,627	231,683	330,983	228,268
(Decrease)/Increase in provision for employee benefits	(226)	647	(226)	633
Increase in provision for income tax	386	1,114	386	1,114
Increase/(Decrease) in other provisions	29	(12)	29	(12)
Net cash flows from operating activities	106,642	124,218	101,966	124,302

CASH FLOWS PRESENTED ON A NET BASIS

Cash flows arising from loan advances and repayments, member deposits and withdrawals and from sales and purchases of investment securities have been presented on a net basis in the statements of cash flows.

27 RELATED PARTY DISCLOSURES

The following were key management personnel of the Group and Company at any time during the year and unless otherwise indicated were key management personnel for the entire year.

Directors

Mr NH Cornish (Chairman) (appointed Sep 2016)
 Mr MJ Cole (retired Sep 2016)
 Mr KR Biddle (retired Sep 2016)
 Mr JR Coleman
 Mr RHP Elvy
 Ms GM McGrath
 Ms ME Towers
 Ms JM Swinhoe
 Ms CA Aston (appointed Sep 2016)

Executives

Mr RJ Ryan (Chief Executive Officer)
 Mr M Brannon (General Manager, Sales and Marketing)
 Mr N Campbell (Chief Risk Officer)
 Mr CJ Goodwin (Chief Financial Officer)
 Ms LB Wise (General Manager, Corporate Services and Company Secretary)
 Mr S Griffiths (General Manager Memberships and Alliances) (appointed July 2016)

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$	\$	\$	\$
The key management personnel compensation included in 'personnel expense' (see note 3) is as follows:				
Short-term employee benefits	3,663,513	3,406,315	3,663,513	3,406,315
Post-employment benefits	371,026	331,819	371,026	331,819
Other long-term benefits	83,025	71,376	83,025	71,376
Total	4,117,564	3,809,510	4,117,564	3,809,510

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Company in relation to their services rendered to the Group. The aggregate amount of remuneration, inclusive of superannuation, distributed between the Directors for the financial year was \$647,999 (2016: \$654,851).

Individual directors and executives' compensation disclosures

Apart from the details disclosed in this note, no director has entered into a contract with the Group or the Company since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening Balance	Closing Balance	Interest and fees paid in the reporting year	Number in group at 30 June
	\$	\$	\$	
Total for key management personnel and their related parties 2017	2,167,387	2,417,711	60,706	5
Total for key management personnel and their related parties 2016	1,294,329	2,586,551	61,913	5

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

27 RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel holdings of shares and deposits

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

	Opening Balance	Purchases	Sales	Closing Balance	Number in group at 30 June
Total for key management personnel and their related parties 2017	385,507	-	18,800	366,707	12
Total for key management personnel and their related parties 2016	133,445	252,062	-	385,507	11

No shares were granted to key management personnel during the year as compensation (2016: nil).

The Company has also received deposits from key management personnel and their related entities. These amounts were received on the same terms and conditions as are applicable to members generally.

Key management personnel transactions with the Company or its controlled entities

A number of directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Three of these entities transacted with the Company or its controlled entities in the reporting year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis. Details of the transactions are as follows:

Mr RJ Ryan is a director of The Flagstaff Group Limited (a not-for-profit organisation providing employment for people with disabilities), which has provided services to the Company throughout the year under normal commercial terms. Purchases during the year under this arrangement were \$58,030 (2016: \$46,603).

Mr RJ Ryan is a director of Australian Settlements Ltd (a provider of specialised wholesale payment services), a company the Group has an ownership interest in, which has provided services to the Company throughout the year under normal commercial terms. Fees paid during the year under this arrangement were \$1,441,445 (2016: \$1,334,082).

Mr KR Biddle is a principal solicitor at Hansons Lawyers, which has, at times, provided legal services to IMB Ltd. Fees paid during the year were \$9,292 (2016: \$nil).

28 OTHER RELATED PARTY DISCLOSURES

Subsidiaries

Due to the Company and its wholly owned subsidiaries forming a tax consolidated group, the liability for payments of income tax for all members of the tax consolidated group are the liability of the Company. However, the tax consolidated group has entered into a tax funding agreement as described in note 11. The aggregate amount of loans provided from subsidiaries to the Company under the agreement is \$278,000 (2016:\$411,000).

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

	COMPANY	
	2017 \$000	2016 \$000
Accounting Services	8	8
Computer maintenance services	8	8
Dividend revenue	-	3,234
Operating lease revenue	33	33

The total amount of deposits with the Company by controlled entities at the end of the relevant financial year was \$3,049,000 (2016: \$2,696,000). The total amount of borrowings with the Company by controlled entities at the end of the relevant financial year was \$nil (2016: \$nil). These are in accordance with normal commercial terms and conditions.

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

	COMPANY	
	2017 \$000	2016 \$000
IMB Financial Planning Ltd	119	133

Securitisation

The Company through its loan securitisation program, securitises residential and commercial mortgage loans to the Illawarra Trusts ('the Trusts'), which in turn issue rated securities to investors. The Company holds income and capital units in the Trusts. These income and capital units are held at nominal values. The income units entitle the Company to receive excess income, if any, generated by the securitised assets, whilst the capital unitholder receives, upon termination of the Trust, the capital remaining after all other outgoings have been paid. Investors in the Trusts have no recourse against the Company if cash flows from the securitised loans are inadequate to service the obligations of the Trusts.

Any credit losses are first offset against the excess income payable to the Company, to the extent available, with any shortfalls written off against issued securities.

The securities issued by the Trusts do not represent liabilities of the Company. Neither the Company nor any of its subsidiaries stand behind the capital value and/or performance of the securities or assets of the Trusts.

The Company however, does receive payment for services provided to the Trusts, including servicing of the loans, interest rate swaps, loan redraw and liquidity facilities. The Company and IMB Securitisation Services Pty Limited, a controlled entity, receives payment for managing the Trusts. All these transactions are entered into on an arm's length basis between the Company, Trust Manager and the Trusts.

A summary of the transactions between the Group and the Trusts during the year is as follows:

	2017 \$000	2016 \$000
Proceeds from securitisation of loans	242,426	230,518
Servicing fees received	2,381	2,619
Management fees received	286	314
Excess income received	10,133	10,825
Note Interest	14,151	16,095
Other	223	242

29 SEGMENT REPORTING

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Credit Risk
Liquidity Risk
Market Risk
Operational Risk

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

Risk management framework

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

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

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

In addition to the Audit Committee and Risk Committee, the Group has a number of senior management committees where specific risk management information is overseen. These include the Executive Risk Management Committee, which oversees the risk management framework; the Assets and Liabilities Committee (ALCO), which is responsible for managing liquidity and market risk; and the Credit Committee, which is responsible for credit approvals which fall outside individual delegated authorities.

Credit risk

Credit risk is the risk of financial loss to the Group if a member or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to members, other ADIs and available-for-sale investments. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

Management of credit risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's credit risk policies. The Board has delegated responsibility for the management of credit risk to the IMB Executive. A separate Origination Services Department and Lending Services Department reporting to the IMB Executive, are responsible for the implementation of the Group's credit risk policies, including:

- Drafting credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements. Formal approval of Credit Policy is retained by the Board.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Delegated Lending Authority limits are allocated to Credit Officers. Transactions outside Delegated Lending Authority limits and exceptions require approval by the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Origination Services assesses all credit exposures prior to facilities being committed to members. Any facilities in excess of designated limits are escalated through to the appropriate approval level. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposures to certain Board approved asset classes.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

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

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.

The Group's maximum exposure to credit risk at the reporting date was:

CONSOLIDATED

		Loans & advances		Loans & receivables to ADIs		Available-for-sale investments		Cash and cash equivalents	
	Note	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Carrying Amount	6,7,8,26	4,312,141	3,879,221	333,977	232,922	975,774	1,031,746	65,237	55,730
<i>Individually impaired</i>									
Gross amount		1,966	811	-	-	-	-	-	-
Provision for impairment	10	(739)	(287)	-	-	-	-	-	-
Carrying amount		1,227	524	-	-	-	-	-	-
<i>Past due but not impaired</i>									
Days in arrears:									
Less than one month		57,910	57,865	-	-	-	-	-	-
Greater than one month and less than two months		2,066	2,262	-	-	-	-	-	-
Greater than two months and less than three months		2,095	1,538	-	-	-	-	-	-
Greater than three months		1,412	4,368	-	-	-	-	-	-
Carrying amount		63,483	66,033	-	-	-	-	-	-
<i>Neither past due nor impaired</i>									
Secured by mortgage		4,149,762	3,741,529	-	-	-	-	-	-
Government securities		-	-	-	-	-	-	-	-
Investment grade		-	-	317,750	190,455	975,774	1,031,746	65,237	55,730
Unrated		-	-	16,227	42,467	-	-	-	-
Other		100,434	73,974	-	-	-	-	-	-
Net deferred income & expense		1,021	947	-	-	-	-	-	-
Carrying amount		4,251,217	3,816,450	333,977	232,922	975,774	1,031,746	65,237	55,730
Collective impairment provision	10	(3,786)	(3,786)	-	-	-	-	-	-
Total carrying amount	6,7,8,26	4,312,141	3,879,221	333,977	232,922	975,774	1,031,746	65,237	55,730
Includes restructured loans		1,311	1,019	-	-	-	-	-	-

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FOR THE YEAR ENDED 30 JUNE 2017

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure.

The Company's maximum exposure to credit risk at the reporting date was:

COMPANY

		Loans & advances		Loans & receivables to ADIs		Available-for-sale investments		Cash and cash equivalents	
	Note	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Carrying Amount	6,7,8,26	4,312,327	3,879,407	333,977	232,922	1,476,437	1,532,462	28,823	23,900
<i>Individually impaired</i>									
Gross amount		1,966	811	-	-	-	-	-	-
Provision for impairment	10	(739)	(287)	-	-	-	-	-	-
Carrying amount		1,227	524	-	-	-	-	-	-
<i>Past due but not impaired</i>									
Days in arrears:									
Less than one month		57,910	57,865	-	-	-	-	-	-
Greater than one month and less than two months		2,066	2,262	-	-	-	-	-	-
Greater than two months and less than three months		2,095	1,538	-	-	-	-	-	-
Greater than three months		1,412	4,368	-	-	-	-	-	-
Carrying amount		63,483	66,033	-	-	-	-	-	-
<i>Neither past due nor impaired</i>									
Secured by mortgage		4,149,948	3,741,715	-	-	-	-	-	-
Government securities		-	-	-	-	-	-	-	-
Investment grade		-	-	317,750	190,455	1,476,437	1,532,462	28,823	23,900
Unrated		-	-	16,227	42,467	-	-	-	-
Other		100,434	73,974	-	-	-	-	-	-
Net deferred income & expense		1,021	947	-	-	-	-	-	-
Carrying amount		4,251,403	3,816,636	337,977	232,922	1,476,437	1,532,462	28,823	23,900
Collective impairment provision	10	(3,786)	(3,786)	-	-	-	-	-	-
Total carrying amount	6,7,8,26	4,312,327	3,879,407	337,977	232,922	1,476,437	1,532,462	28,823	23,900
Includes restructured loans		1,311	1,019	-	-	-	-	-	-

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in relation to interest rate swap contracts, which is limited to the fair value of the swap agreement at balance date, is \$nil (2016: \$nil).

IMB issues guarantees to business banking clients with a maximum credit exposure of \$5,327,000 (2016: \$4,502,000). Refer Note 24 for more details.

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Impaired loans and securities

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

Past due loans but not impaired loans

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

Restructured loans

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

Allowance for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures subject to individual assessment for impairment, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are not subject to individual assessment for impairment.

Write-off policy

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

Collateral and other credit enhancements

The Group holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Mortgage insurance contracts are entered into in order to manage the credit risk around the residential loan mortgage portfolio. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to other ADIs and available-for-sale investments.

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

	Loans and advances			
	CONSOLIDATED		COMPANY	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<i>Against individually impaired</i>				
Property value	1,467	578	1,467	578
<i>Against past due but not impaired</i>				
Property value	73,009	79,101	73,009	79,101
Other	2,005	1,325	2,005	1,325
Total	76,481	81,004	76,481	81,004

Reposessed collateral

In the event of member default on a mortgage facility, any loan security is usually held as mortgagee in possession and therefore the Company does not usually hold any real estate or other assets acquired through the enforcement of security.

During the year the Company took possession of property assets with a carrying value of \$1,775,000 (2016: \$1,350,000).

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FOR THE YEAR ENDED 30 JUNE 2017

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

The Group monitors concentrations of credit risk by geographic location.
An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans & advances		Loans & receivables to ADIs		Available-for-sale investments		Cash and cash equivalents	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
CONSOLIDATED								
Carrying amount	4,312,141	3,879,221	333,977	232,922	975,774	1,031,746	65,237	55,730
Concentration by location								
New South Wales	3,407,011	3,032,097	297,737	224,614	794,535	851,816	64,564	54,856
Australian Capital Territory	532,665	502,757	2,421	1,265	-	-	540	739
Queensland	98,883	89,657	10,012	-	85,820	84,898	-	-
Victoria	207,904	190,054	23,807	5,040	65,490	60,144	133	135
Western Australia	43,469	43,835	-	-	24,941	24,912	-	-
South Australia	7,685	6,827	-	-	4,988	4,988	-	-
Tasmania	19,049	18,067	-	2,003	-	4,988	-	-
Overseas	-	-	-	-	-	-	-	-
Provision for impairment	(4,525)	(4,073)	-	-	-	-	-	-
Total	4,312,141	3,879,221	333,977	232,922	975,774	1,031,746	65,237	55,730
COMPANY								
Carrying amount	4,312,327	3,879,407	333,977	232,922	1,476,437	1,532,462	28,823	23,900
Concentration by location								
New South Wales	3,407,197	3,032,283	297,737	224,614	1,295,198	1,352,532	28,150	23,026
Australian Capital Territory	532,665	502,757	2,421	1,265	-	-	540	739
Queensland	98,883	89,657	10,012	-	85,820	84,898	-	-
Victoria	207,904	190,054	23,807	5,040	65,490	60,144	133	135
Western Australia	43,469	43,835	-	-	24,941	24,912	-	-
South Australia	7,685	6,827	-	-	4,988	4,988	-	-
Tasmania	19,049	18,067	-	2,003	-	4,988	-	-
Overseas	-	-	-	-	-	-	-	-
Provision for impairment	(4,525)	(4,073)	-	-	-	-	-	-
Total	4,312,327	3,879,407	333,977	232,922	1,476,437	1,532,462	28,823	23,900

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

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to efficiently meet both expected and unexpected current and future cash flow commitments without negatively affecting the Group's daily operations or its financial condition.

Management of liquidity risk

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

IMB's Treasury performs cash flow projections to determine future net funding requirements reflective of various expected and alternative market and business conditions. Treasury then maintains a portfolio of liquid investments, largely made up of High Quality Liquid Assets (HQLA), other contingent liquidity sources (e.g. internal securitisation assets available as collateral under repurchase agreement) and other investment securities to ensure that sufficient liquidity is maintained and to avoid large funding mismatches. The liquidity and funding position is monitored and managed daily.

The Group relies on deposits from members as its primary source of funding. Deposits from members generally have maturities less than one year and a large proportion of them are contractually payable on demand. However, most of these deposits are in transactional, savings and term investment products that display the behaviour of more stable funding sources. In addition, Treasury performs funding as required in the middle and wholesale markets in order to meet daily net funding requirements of the Group. The securitisation of residential mortgage loans and commercial loans further supports diversification of the funding base. The Group also have available a number of other contingent funding sources. This includes a securitisation warehouse facility with Westpac up to a limit of \$10 million (2016: \$300 million) and securities issued under the Group's internal securitisation program as repurchase eligible securities in the open market or with the RBA. The utilised balance of the Westpac securitisation warehouse at 30 June 2017 was \$9.7 million (2016: \$245.6 million). No internal securitisation securities were subjected under repurchase agreement for the period to 30 June 2017.

Overall, the Group pursues through its funding and liquidity management strategy, a well-diversified funding base in terms of products, maturity terms and funding segment (i.e. wholesale and retail member funding) so as to avoid large concentrations that increases funding liquidity risk. This is controlled through funding and liquidity risk limits monitored weekly by the ALCO.

Mitigation of liquidity risk is further supported by a liquidity stress testing framework, which is reported to the ALCO weekly. Various stress tests measure the liquidity coverage of cash outflows under a variety of scenarios. These scenarios are reflective of differing levels of severity in disrupted and abnormal market and depositor behaviour and business conditions. The contingency funding plan forms an integral part of the framework that enables the Group to proactively manage its liquidity risk profile under all conditions. All liquidity policies and procedures are subject to oversight and approval by the ALCO and ultimately, the Board.

Exposure to liquidity risk

A key measure used by the Group for managing liquidity risk is the ratio of liquid assets to total adjusted liabilities, excluding any liability elements that qualify as Tier 1 or Tier 2 capital for prudential regulatory purposes. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity requirements established by the Group's regulator (APRA). For the purposes of APRA's prudential minimum liquidity holding requirement, the Group holds HQLA including cash, bank deposits on a call basis, securities eligible for repurchase with the RBA and other eligible deposits, as determined by APRA, issued by ADIs. IMB's total liquidity includes HQLA and other deposits with banks or other ADIs not on a call basis that are ineligible to be classified as HQLA for regulatory or liquidity management purposes. Details of the reported Group HQLA ratio and ratio of total investments to total adjusted liabilities at the reporting date were as follows:

Liquidity ratios	2017	2016
At 30 June	%	%
APRA High Quality Liquid Assets	20.20	23.99
Total liquidity	26.15	28.41

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FOR THE YEAR ENDED 30 JUNE 2017

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Residual contractual maturities of financial liabilities

	At call		Excluding call less than 3 months maturity		Greater than 3 months less than 12 months maturity	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
CONSOLIDATED						
Financial Liabilities						
Deposits	2,060,634	1,963,258	1,589,834	1,476,018	1,083,689	777,651
Trade and other payables	-	-	28,193	25,190	-	-
Securitised loans funding *	-	-	31,159	81,650	80,889	132,921
Interest bearing liabilities	-	-	46,122	1,133	2,758	3,351
Total financial liabilities	2,060,634	1,963,258	1,695,308	1,583,991	1,167,336	913,923
COMPANY						
Financial Liabilities						
Deposits	2,063,674	1,965,943	1,589,834	1,476,018	1,083,689	777,651
Trade and other payables	-	-	15,738	13,421	-	-
Securitised loans funding *	-	-	34,677	85,451	91,329	144,201
Interest bearing liabilities	-	-	46,122	1,133	2,758	3,351
Total financial liabilities	2,063,674	1,965,943	1,686,371	1,576,023	1,177,776	925,203
Consolidated and Company						
Derivative financial instruments						
Interest rate swaps (hedging relationship) net **	-	-	17	4	35	13
Unrecognised loan commitments	-	-	212,453	172,773	-	-
The following table indicates the years in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss.						
Derivative financial instruments						
Interest rate swaps (hedging relationship) net **	-	-	17	4	23	13

* Included in this balance are amounts payable to mortgage SPE noteholders. The contractual maturity of the Notes is dependent on the repayment of the underlying mortgages.

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

Greater than 1 year less than 5 years maturity		Greater than 5 years maturity		Gross nominal outflow		Total carrying amount	
2017	2016	2017	2016	2017	2016	2017	2016
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
101,478	91,824	-	133	4,835,635	4,308,884	4,795,283	4,268,430
-	-	-	-	28,193	25,190	28,193	25,190
242,054	229,466	115,616	137,248	469,718	581,285	430,571	535,303
14,751	17,988	88,099	89,683	151,730	112,155	116,555	74,716
358,283	339,278	203,715	227,064	5,485,276	5,027,514	5,370,602	4,903,639
101,478	91,824	-	133	4,838,675	4,311,569	4,798,323	4,271,115
-	-	-	-	15,738	13,421	15,738	13,421
297,928	289,834	615,342	636,998	1,039,276	1,156,484	930,297	1,035,054
14,751	17,988	88,099	89,683	151,730	112,155	116,555	74,716
414,157	399,646	703,441	726,814	6,045,419	5,593,629	5,860,913	5,394,306
-	31	-	-	52	48	35	99
-	-	-	-	212,453	172,773	-	-
-	30	-	-	40	47	35	99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

The gross nominal outflow disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled.

Market Risk

Adverse changes in prices, foreign exchange rates, interest rates and credit spreads of financial instruments will negatively impact the income and value derived from holding such instruments. This is generally referred to as Market Risk.

The Group's activities are centred around making loans, taking deposits and investing in liquid assets (APRA requirement) and other ADI term deposits, in Australian dollars. The intent is to hold these banking products to maturity and is commonly referred to as the banking book.

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

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

Management of Interest Rate Risk in the Banking Book

The Group measure and manage IRRBB from two perspectives: firstly, from an earnings perspective quantified in terms of potential changes to its net interest income (NII) as reported in the income statement; and secondly from an economic value (EVE) perspective, by quantifying the change in the net present value of the balance sheet's future earnings potential. The objectives in managing IRRBB are to optimise the earnings and economic value whilst managing the risk within levels that are acceptable by the Board.

Overall authority for managing IRRBB is vested in the risk oversight performed by the Assets and Liabilities Committee (ALCO). ALCO is responsible for the development of detailed risk management policies (subject to review and approval by the Risk Committee and the Board) and for the day-to-day review of their implementation by the Treasury Department.

Exposure to IRRBB

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

Net Interest Income Sensitivity

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

The NII Sensitivity measure is supported by further analyses and risk metrics that include repricing gap analyses and interest rate scenario stress tests (e.g. Basel standardised rate shocks and historic calibrations) to measure the impact of repricing mismatches in the balance to the Group's NII. In addition, the impact to NII from loan prepayments and basis risk (which is a source of IRRBB manifesting from the imperfect correlation in the changes in loan and deposit rates that otherwise has the same repricing characteristics) are measured and monitored by the ALCO.

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

A summary of the Earnings risk as measured by NII-Sensitivity expressed as a percentage of capital, as at 30 June 2017 follows:

Earnings Risk (NII Simulation - 100 bps Movement)	2017 %	2016 %
At 30 June	(2.47)	(3.11)
Average EaR for the period	(2.81)	(2.79)
Minimum EaR for the period	(2.23)	(2.30)
Maximum EaR for the period	(3.45)	(3.11)

Value at Risk

Value-at-Risk (VaR) is the secondary metric used by the ALCO to manage IRRBB exposure and impact from the economic value perspective. The change in the balance sheet's net economic (present) value, also known as the EVE is quantified using a historical simulation approach known as HS-VaR. The change in the EVE over a 20-day period is analysed using the past two years of actual changes in interest rates. The risk is derived at a 99% confidence level. The HS-VaR is an estimate based upon a 99% confidence level that the loss in value of the balance sheet due to interest rate risk over a 20-day period, will not be exceeded.

Managing IRRBB exposure from a EVE perspective is further supported with sensitivity and scenario-based stress testing. This includes stressed HS-VaR, which applies a one-year holding period and six years of interest rate data (consistent with the soundness standard embedded within the APS117 IRRBB regulatory capital requirements to which the major banks' capital adequacy requirements are subjected).

A summary of the Historical Simulation VaR position of the Group's banking book, expressed as a percentage of capital, as at 30 June 2017 and during the year is as follows:

VaR (Historical Simulation Method)	2017 %	2016 %
At 30 June	1.09	1.23
Average VaR for the period	1.22	0.89
Minimum VaR for the period	1.02	0.48
Maximum VaR for the period	1.45	1.30

The system-based NII Sensitivity and HS-VaR model and limits are subjected to review and approval by the Board Risk Committee. Weekly reports on NII Sensitivity and HS-VaR limit utilisation, stress testing and IRRBB analyses are submitted to the ALCO.

Exposure to other market risks

Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by the Group is subject to regular monitoring by the Executive Risk Management Committee, but is not currently significant in relation to the overall results and financial position of the Group.

Operational risk

Operational risk is the risk of the direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Group's operations and are faced by all business entities. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Operational Risk Management Framework (ORMF) is designed to identify, assess and manage operational risks within the organisation. The key objectives of the ORMF are as follows:

- Understand the operational risks across the organisation.
- Ensure appropriate controls and mitigation are in place.
- Provide meaningful information to decision makers.
- Facilitate oversight.
- Encourage a proactive risk management culture.

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

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

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FOR THE YEAR ENDED 30 JUNE 2017

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Fair value

Fair value reflects the 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.

Fair value hierarchy

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

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2016	Note	Carrying Amount \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total consolidated \$000
Financial assets measured at fair value						
Available-for-sale financial assets	6	1,031,746	-	1,031,746	-	1,031,746
		1,031,746				
Financial assets not measured at fair value						
Cash and cash equivalents	26	55,730				
Loans to other ADIs	7	232,922				
Loans and advances	8	3,879,221	-	3,891,656	-	3,891,656
Equity investments held at cost	9	505				
Trade and other receivables	14	9,810				
		4,178,188				
Financial liabilities measured at fair value						
Derivative financial liabilities held for risk management	11	99	-	99	-	99
		99				
Financial liabilities not measured at fair value						
Deposits	16	4,268,430	-	4,275,039	-	4,275,039
Securitised loan funding	17	535,303				
Interest bearing liabilities	18	74,716				
Trade and other payables	15	25,190				
		4,903,639				

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 that 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 that incorporate an appropriate credit spread, and were as follows:

	2017	2016
Derivatives	1.78% - 2.46%	1.83% - 1.99%
Loans and borrowings	1.50% - 2.46%	1.75% - 1.99%

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Capital management - regulatory capital

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

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

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

- Tier 1 capital, consisting of: Common Equity Tier 1 capital, which includes ordinary share capital, retained earnings, general reserves, property revaluation reserves, unrealised gains and losses on readily marketable securities classified as available for sale and gains and losses on cashflow hedges; regulatory adjustments to Common Equity Tier 1 capital; Additional Tier 1 capital; and other Additional Tier 1 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital, which includes subordinated liabilities, collective impairment allowances and other Tier 2 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Various limits are applied to elements of the capital base. The minimum prudential capital requirements (PCRs) that an ADI must maintain at all times are: a Common Equity Tier 1 capital ratio of 4.5 %; a Tier 1 capital ratio of 6.0 %; and a total capital ratio of 8.0 %.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also acknowledged as the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and Company have complied with all externally imposed capital requirements throughout the year.

APRA sets a PCR for each ADI that sets capital requirements in excess of the minimum capital requirement of 8%. A key input into the PCR setting process is the Group's Internal Capital Adequacy Assessment Process (ICAAP). The PCR remains confidential between each ADI and APRA in accordance with accepted practice.

APRA has determined that the Group's ordinary shares will maintain their current regulatory capital treatment of Common Equity Tier (CET1) until 1 January 2025 by instrument issued under paragraph 42 of APS 111 Capital Adequacy - Measurement of Capital. This transitional period is consistent with the period over which IMB intends to continue the buyback of all ordinary shares on issue.

Capital allocation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Tier 1 capital				
Ordinary share capital	33,345	37,460	33,345	37,460
General reserves	25,255	25,255	25,255	25,255
Asset revaluation reserves	8,258	1,772	8,258	1,772
Retained earnings	241,037	219,155	239,963	215,047
Current year earnings	13,203	17,313	12,921	20,348
(Less) Capitalised expenses	(3,743)	(3,188)	(3,743)	(3,188)
(Less) Other	(3,597)	(5,876)	(3,560)	(5,855)
Total	313,758	291,891	312,439	290,839
Tier 2 capital				
General reserve for credit loss	7,057	6,566	7,057	6,566
Subordinated debt	71,000	57,000	71,000	57,000
Total	78,057	63,566	78,057	63,566
Total regulatory capital	391,815	355,457	390,496	354,405
Capital requirements (in terms of risk weighted assets) for:				
Credit risk	2,056,131	1,804,423	2,057,678	1,805,954
Operational risk	308,609	293,307	301,618	283,275
Total risk weighted assets	2,364,740	2,097,730	2,359,296	2,089,229
Capital ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	16.6%	16.9%	16.6%	17.0%
Total Tier 1 capital expressed as a percentage of risk weighted assets	13.3%	13.9%	13.2%	13.9%

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
31 REMUNERATION OF AUDITORS				
Amounts received or due and receivable by KPMG for:				
Audit and review of financial statements	380	356	321	288
Other services				
- other assurance services	86	81	67	58
- taxation services	30	13	30	13
- advisory services	170	136	168	136
	666	586	586	495

32 BUSINESS COMBINATIONS

Sutherland Credit Union Limited

On 1 July 2016, SCU 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 was 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 SCU Limited on 12 May 2016. The transaction was effective from 1 July 2016 with the transfer of the SCU Limited assets and liabilities to IMB Ltd being legally undertaken on that date. Each Member of SCU 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 SCU was redeemed and cancelled, and the amount paid on their Member share repaid.

It is not practical to disclose the amount of SCU Limited's profit or loss since merger date, since this is not fully distinguishable in the Group accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

32 BUSINESS COMBINATIONS (CONTINUED)

a) Identifiable assets and liabilities assumed

The effective fair value of the identifiable assets and liabilities of SCU 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	973
Total assets	215,077
LIABILITIES	
Deposits from Members	195,956
Creditors	2,223
Subordinated debt	1,986
Other liabilities	2,018
Total liabilities	202,183
Fair value of identifiable net assets attributable to Sutherland Credit Union Limited	12,894

b) Contingent liabilities

There are no other contingent liabilities that may arise.

c) Separately recognised transactions

The Company incurred merger-related costs of \$300,000 in relation to external consultancy, legal fees, computer maintenance, subscriptions and printing and stationery costs. These costs have been disclosed in note 3, and are included under 'Operating Expenses' in the statement of profit and loss.

33 EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

For dividends declared by IMB Ltd after 30 June 2017 refer to note 5.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2017

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

- (a) the financial statements and Notes, set out on pages 36 to 88, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the Group as at 30 June 2017 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1(b);
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this 23rd day of August 2017.

Signed in accordance with a resolution of the directors:



NH Cornish
Chairman



RHP Elvy
Director

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2017



To the members of IMB Ltd

Opinion

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

In our opinion, the accompanying Financial Report of the Company is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Group and Company's financial position as at 30 June 2017 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards and the Corporations Regulations 2001*.

The Financial Report comprises:

- Statements of financial position as at 30 June 2017
- Statements of profit or loss, Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

Other Information is financial and non-financial information in IMB Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards and the Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

http://www.auasb.gov.au/auditors_files/ar3.pdf.

This description forms part of our Auditor's Report.



KPMG



Warwick Shanks
Partner
Wollongong
23 August 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

IMB BANK BRANCHES

New South Wales

- Albion Park - Shop 14, Albion Park Shopping Village, ALBION PARK NSW 2527
- Batemans Bay - 21 Orient Street, BATEMANS BAY NSW 2536
- Bega - 193-195 Carp Street, BEGA NSW 2550
- Bowral - Shop 1, 320 Bong Bong Street, BOWRAL NSW 2576
- Camden - Shop 26, Camden Village Court 180-186 Argyle Street, CAMDEN NSW 2570
- Corrimal - Shop 2-4, Stocklands Corrimal, Princes Highway, CORRIMAL NSW 2518
- Cronulla - 80 Cronulla Street, CRONULLA NSW 2230
- Dapto - 2-4 Bong Bong Road, DAPTO NSW 2530
- Eden - 199 Imlay Street, EDEN NSW 2551
- Engadine - Corner of Old Princes Highway and Station Street, ENGADINE NSW 2233
- Fairy Meadow - 2/84 Princes Highway, FAIRY MEADOW NSW 2519
- Figtree - Shop 32 & 33 Figtree Grove, Princes Highway, FIGTREE NSW 2525
- Goulburn - Shop 27 Centro Goulburn, Auburn Street, GOULBURN NSW 2580
- Kiama - 86 Terralong Street, KIAMA NSW 2533
- Liverpool - Shop 19, Liverpool Plaza 165-191 Macquarie Street, LIVERPOOL NSW 2170
- Macarthur Square - Shop L10-L11, Level 2, Macarthur Square Shopping Centre, AMBARVALE NSW 2560
- Menai - Shop 19, Menai Marketplace, 152-194 Allison Road, MENAI NSW 2234
- Merimbula - Corner of Merimbula Drive and Market Street, MERIMBULA NSW 2548
- Miranda - Shop G105 Westfield Miranda, 105 Kiora Road, MIRANDA NSW 2228
- Moruya - 55 Vulcan Street, MORUYA NSW 2537
- Narellan - Shop 310/326 Camden Valley Way, NARELLAN NSW 2567
- Narooma - 127 Wagonga Street, NAROOMA NSW 2546
- Nowra - 86 Kinghorn Street, NOWRA NSW 2541
- Oran Park Shop 4C, Oran Park Town Centre, 351 Oran Park Drive, ORAN PARK NSW 2570
- Parramatta - Shop 1, 207 Church Street, PARRAMATTA NSW 2150
- Penrith - 25 Riley Street, PENRITH NSW 2750
- Picton - Shop 1A, 148 Argyle Street, PICTON NSW 2571
- Queanbeyan - Shop 7 Riverside Plaza Monaro Street, QUEANBEYAN NSW 2620
- Stockland Shellharbour - Shop 46, Stockland Shopping Centre, SHELLHARBOUR NSW 2529

- Sutherland - 740 Princes Highway, SUTHERLAND NSW 2232
- Sylvania - Shop 47, Southgate Shopping Centre, Corner Princes Highway and Port Hacking Road, SYLVANIA NSW 2224
- Thirroul - Shop 6, Anita Theatre King Street, THIRROUL NSW 2515
- Ulladulla - 89 Princes Highway, ULLADULLA NSW 2539
- Unanderra - 102 Princes Highway, UNANDERRA NSW 2526
- University of Wollongong - Ground Floor, Building 17, UNIVERSITY OF WOLLONGONG NSW 2500
- Vincentia - Shop 17, Burton Mall, Burton Street, VINCENTIA NSW 2540
- Warilla - 6 George Street, WARILLA NSW 2528
- Warrawong - Corner of King Street and Cowper Street, WARRAWONG NSW 2502
- Wollongong - 205 Crown Street, WOLLONGONG NSW 2500
- Woonona - 367 - 369 Princes Highway, WOONONA NSW 2517
- Wynyard - Shop 20, 20 Hunter Street, WYNYARD NSW 2000

ACT

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

Victoria

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

IMB Financial Planning

- Level 1, 205 Crown Street WOLLONGONG NSW 2500

IMB Business Banking

- Level 1, 205 Crown Street WOLLONGONG NSW 2500

CORPORATE DIRECTORY

Members' Diary and other information

Payment of final dividend 4 September 2017
Annual General Meeting 31 October 2017 at 10:00am

Notice of Annual General Meeting

The Annual General Meeting of IMB Ltd will be held at the Novotel Northbeach Hotel, 2-14 Cliff Road, North Wollongong on Tuesday, 31 October 2017 at 10.00am.

Company Secretary

Lauren Wise (BA LLB Grad Dip. Legal Practice)

Registered Office

253-259 Crown Street
Wollongong NSW 2500

Share Registry

IMB Ltd is not listed on the Australian Stock Exchange.

Shares are traded under an Australian Market Licence held by the Company.

The share register is available for inspection at:
Level 6 Executive Services
253 - 259 Crown Street
Wollongong NSW 2500

Advisors

Solicitors

Watson Mangioni
Level 13
50 Carrington St
Sydney NSW 2000

Auditors

KPMG
Level 3
63 Market St
Wollongong NSW 2500

Regulatory disclosures

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

Gender Equality Reports

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

