

*Supporting our members'
financial journey*



2016
ANNUAL
REPORT



IMB Ltd trading as IMB Bank ABN 92 087 651 974

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ABOUT IMB

Established in 1880, IMB has been helping people achieve their financial goals for 136 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 the Illawarra, Sydney, NSW South Coast, the ACT and Melbourne. We have a lending specialist in every branch and a team of mobile lending specialists who will come to you.

IMB members enjoy access to 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 or web chat away at our locally based call centre.

IMB is regulated by the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investment Commission (ASIC), and is a member of the Customer Owned Banking Association, an independent organisation representing mutual banks, building societies and credit unions. We have over 180,000 members and total assets of more than \$5.2 billion.

We're also supporting your community. The IMB Bank Community Foundation was established in 1999 and since that time has provided \$8.1 million to support more than 550 projects.

Our Vision

IMB will be the first choice, member owned banking alternative based on service and member satisfaction.

Our Mission

IMB is a profitable, independent member based financial institution that will focus on identifying and fulfilling the needs of its members.

This will be achieved by offering better value banking, which is based on our staff being empowered and equipped to deliver member value and superior service.

Our Values

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

They comprise:

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

Notice of Annual General Meeting

The Annual General Meeting of IMB Ltd will be held at the Novotel Northbeach Hotel, 2-14 Cliff Road, North Wollongong on Tuesday, 25 October 2016 at 10.00 am.

2016 HIGHLIGHTS

A key milestone in IMB's 136-year history was our transition to IMB Bank. Although it was a significant change from a corporate point of view, it occurred seamlessly for both our staff and members. Our new logo and branding has freshened our image and we have seen an improvement in our awareness levels in our key markets, particularly in the youth segment, and we expect this to continue.

Our other 2016 highlights include:

- We completed a merger with Sutherland Credit Union Limited (The Shire...Local Banking), in a move that will deliver greater member benefits to both organisations. The merger was completed on 1 July 2016 and was effected by way of a transfer of business from The Shire...Local Banking to IMB Bank. Both IMB and The Shire...Local Banking will continue to operate under their own brands. In the longer term, operational systems will be integrated giving members greater access to more ATMs and branches.
- We received a 5-star rating for 3 IMB Home Loan products during the year. We were awarded a 5-star rating from independent reviewer Canstar for our Essentials Owner Occupied and Investor home loans and for our Platinum Fixed Rate home loan package.
- We completed a merger with Sutherland Credit Union Limited (The Shire...Local Banking), in a move that will deliver greater member benefits to both organisations. The merger was completed on 1 July 2016 and was effected by way of a transfer of business from The Shire...Local Banking to IMB Bank. Both IMB and The Shire...Local Banking will continue to operate under their own brands. In the longer term, operational systems will be integrated giving members greater access to more ATMs and branches.
- We commenced an upgrade of IMB's ATM fleet which will include a number of Smart ATMs that will accept both cash and cheque deposits for IMB Members.
- For our Business Banking clients we have recently launched IMB **paytoday**, a mobile payment capability, allowing business members to accept card payments anywhere, anytime.
- We launched social media introducing Facebook, LinkedIn, Twitter and Instagram. Our social media platforms are being used to support member services and sharing of information.
- We joined forces with seven other mutual banks and credit unions in a collaboration with some of Australia's brightest 'fintech' start-up companies to put digital technologies to exciting new uses as part of a special program developed by KPMG Australia.
- We welcomed seven new financial services trainees to a new career at IMB. Over the past 11 years we have helped more than 100 young people to further their qualifications after they complete their HSC or to add to their education with a 12-month traineeship. More than 93% of our previous trainees have taken up permanent roles when they finished, some of whom are now in senior leadership positions.
- We maintained our commitment to supporting local communities. Since its inception in 1999 the IMB Bank Community Foundation has granted \$8.1 million to support over 550 projects with a diverse range of themes and purposes throughout our local communities.
- We successfully completed the issue of AUD \$30 million of a 10 Non-Call 5 year, Tier 2 Subordinated Floating Rate Notes under our existing AUD \$2 billion Debt Issuance Program. The Notes are eligible for inclusion as Tier 2 Capital.



- Our Personal Loans were also recognised this year and IMB was announced the Australia Lending Awards Best Secured Personal Loan Lender of the Year, and recognised with a Mozo Expert Choice award for New Car Loan and Secured Personal Loan.
- We continued the development of our digital strategy including the launch of Deposit Apply, our online account opening system, and the upgrade of internet banking and our Mobile Banking App to provide new features and functionality including new designs to ensure a great online banking experience for our Members across all their devices.

TOTAL ASSETS (\$M)

5% INCREASE

2016	5,224
2015	4,975
2014	4,832
2013	4,894
2012	4,772

MEMBERS' DEPOSITS (\$M)

5.7% INCREASE

2016	4,268
2015	4,039
2014	3,756
2013	3,598
2012	3,444

PROFIT AFTER TAX (\$M)

9.1% DECREASE

2016	29.556
2015*	32.499
2014	29.069
2013	28.510
2012	30.148

*Includes profit from sale of head office premises

EFFICIENCY RATIO (%)

1.9% INCREASE

2016	64.1
2015	62.2
2014	62.9
2013	63.0
2012	60.1

CAPITAL RATIO (%)

1.4% INCREASE

2016	16.9
2015	15.5
2014	16.0
2013	16.4
2012	15.8

MEMBER SATISFACTION

96%



FIVE-YEAR SUMMARY

		2016	2015	2014	2013	2012
		\$000	\$000	\$000	\$000	\$000
FINANCIAL PERFORMANCE						
Interest income		223,587	232,289	239,939	272,746	322,595
Interest expense		119,756	134,006	144,912	180,272	227,422
Interest margin		103,831	98,283	95,027	92,474	95,173
Non interest income		14,227	21,990	18,147	18,577	14,320
Bad and doubtful debts expense		333	366	876	849	1,989
Non interest expense		75,503	74,613	70,674	69,424	64,629
Profit before tax		42,222	45,294	41,624	40,778	42,875
Income tax expense		12,666	12,795	12,555	12,268	12,727
Profit after tax		29,556	32,499	29,069	28,510	30,148
FINANCIAL POSITION						
Assets						
Loans to members		3,879,221	3,746,949	3,698,709	3,722,492	3,781,358
Liquids		1,320,398	1,207,508	1,104,711	1,133,328	946,407
Other		24,499	20,706	28,319	38,138	44,651
		5,224,118	4,975,163	4,831,739	4,893,958	4,772,416
Liabilities						
Deposits		4,268,430	4,038,803	3,756,015	3,598,296	3,443,940
Securitised loans funding		535,303	562,680	700,642	926,706	968,609
Other		111,806	82,298	90,380	95,836	98,882
		4,915,539	4,683,781	4,547,037	4,620,838	4,511,431
Net assets		308,579	291,382	284,702	273,120	260,985
Total assets		5,224,118	4,975,163	4,831,739	4,893,958	4,772,416
PERFORMANCE RATIOS						
Capital adequacy	%	16.9	15.5	16.0	16.4	15.8
Total asset growth	%	5.0	3.0	-1.3	2.5	-0.9
Net asset growth	%	5.9	2.3	4.2	4.6	8.9
After tax return on average net assets	%	9.92	11.05	10.58	10.92	12.66
Non-interest income/average total assets	%	0.28	0.45	0.38	0.39	0.30
Non-interest expenses/average total assets	%	1.46	1.52	1.49	1.46	1.33
Non-interest expenses/operating income	%	64.1	62.2	62.9	63.0	60.1
Bad debts expense/average loans	%	0.01	0.01	0.02	0.02	0.05
Interest margin	%	2.04	2.04	2.04	1.97	1.99



CHAIRMAN'S LETTER

It is with pleasure that I present to you IMB's Annual Report for the 2015-16 financial year. The past year has been dominated by political and economic uncertainty, with Australia experiencing record low interest rates and modest levels of growth, and the increase in digital technologies are disrupting traditional business models. In this context, IMB has delivered solid financial outcomes and executed well on a range of strategic initiatives, positioning the Company for future growth.

In the 2015-2016 financial year, IMB reported a net profit after tax (NPAT) of \$29.6 million, unchanged from the previous year (after exclusion of the profit from the sale of the head office property). This result should be viewed as a satisfactory outcome in the light of a challenging business environment for Approved Deposit-taking Institutions (ADIs).

The easing monetary policy bias to lower official interest rates was maintained throughout the year to stimulate economic activity broadly in the economy. The impact of this on the IMB residential lending business was two-fold. Firstly, the lower absolute level of interest rates generated a strong demand for residential properties, particularly in the Sydney region. IMB recorded \$1.011 billion in new loan approvals showing an increase of 19.1% on the prior year. Secondly, there was significant downward pressure on home lending margins through official rate reductions, however IMB's average margin was maintained at 2.04% through effective balance sheet and interest rate management.

I would also highlight:

- IMB's credit impairment metrics were well below national industry averages.
- Retail deposit growth was significantly above budget in an intensely competitive market.
- IMB's strong commitment to sound margin and cost management continued with the cost to income ratio moving slightly higher to 64.1% reflecting the impact of lower relative interest revenues.
- IMB's capital adequacy ratio at year end was 16.9%, a lift of 1.4% in absolute terms over the previous year end and remaining comfortably above current regulatory requirements. The maintenance of the IMB capital base this year was a significant achievement as total assets grew 5% to \$5.224 billion.

- The return on equity (ROE) was 9.9%, a slight decline on last year's 10.1% (excluding the sale of the head office premises). For all ADIs, I expect that regulatory requirements to lift capital ratios and de-leverage bank balance sheets that will continue to negatively impact ROEs going forward.

2015-16 marks a number of key achievements for IMB, including the transition to mutual bank and the announcement of our merger with Sutherland Credit Union (The Shire... Local Banking). The merger was completed on 1 July 2016 and I am pleased to welcome the staff and 10,000 members of The Shire... Local Banking to IMB. The task is now underway to implement a seamless integration between the two businesses for all stakeholders and to realise the benefits of a stronger, combined organisation, particularly in the Sydney market. I would like to thank Daryl Chipperfield for the outstanding leadership he displayed as Chairman of The Shire... Local Banking to facilitate a positive merger process.

As part of the merger, I am very much looking forward to the establishment of The Shire Community Foundation, which will grant \$100,000 in each of the next three years to eligible community based programs in the Sutherland Shire region. This is in addition to the contribution that the IMB Bank Community Foundation proudly makes to projects across all of IMB's areas of operation. This year, in its 17th year of operation, the IMB Bank Community Foundation reached \$8.1 million in grants to a total of 550 projects over that period. My involvement in the Foundation's activities has been one of the most rewarding elements of my role as a Director of IMB Bank.

Members will have no doubt taken note of the calls for a Royal Commission into Banking. My own view is that the banking industry is one of the most highly regulated industries in Australia and generally provides a high level of service to all stakeholders, which is a positive reflection of the work of the various regulators. Having said that, we support the ongoing focus on culture and conduct and recognise the need for all ADIs to continuously deliver quality outcomes for customers.

In IMB's case, our culture is embedded in our corporate values which are based on integrity, respect and member focus, and we are committed to helping our members and communities to be better off. Ultimately one of the most relevant benchmarks for customer satisfaction within Banking Services is the customer approval score, which in IMB's case remains at 96%. If there are customers of larger banking organisations that are feeling disenfranchised, IMB would welcome them with open arms.

The Board had declared a fully franked final dividend for 2015-16 of 15 cents per share taking the full year dividend to 25 cents per share.

As I disclosed in the 2015 Annual Report and again at the AGM, the Dividend Guideline set in 2012 has been under review and requires amendment in the context of a number of matters including but not limited to:

- IMB's financial performance and strategic growth objectives;
- The current and expected competitive future operating environment;
- Following the introduction of Basel III related prudential standards, APRA's consideration of the regulatory capital treatment of IMB ordinary shares;
- Expectations of increased capital requirements under the developing Basel IV regime;
- Movements in the PwC Securities' Report on Contributed Funding; and
- The appropriate approach on which to consider the allocation of contributed funding based on the current structure of IMB, and the effective dividend payout ratio based on shareholders' interest in contributed funding.

Matters relevant to the Board's review are nearing completion and I expect the Board will be in a position to communicate a new Dividend Guideline prior to the end of the calendar year, with appropriate disclosures made to shareholders at the relevant time.

Looking ahead, I would caution that following the two most recent RBA reductions to official interest rates, continuing pressures from the competition for loans and deposits, and in the context of expected regulatory capital requirements, the ability to maintain profits at the current levels will be difficult.

This will be my final Chairman's Report as I will soon be retiring from the Board. Together with my fellow Directors, we have confronted and countered many challenges in my 13 years on the Board, including the Global Financial Crisis, significant competition from the major banks and an ongoing flow of complex regulatory changes. Against that backdrop, I am particularly proud of the way that the IMB Board has taken steps to optimise IMB's structure to ensure it is best positioned to compete and grow into the future. I would like to record my appreciation for the contribution of my fellow Directors in the development and monitoring of the IMB corporate strategy.

On behalf of the Directors, I would also like to thank the Chief Executive, Robert Ryan, the executive management team and all the staff at IMB for their continued commitment to IMB and all IMB stakeholders.

Finally, I would like to thank all our members for their continuing support of IMB.



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

M J Cole
Chairman

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

While the past 12 months have been dominated by political and economic uncertainty and a rapidly changing environment, IMB Bank remains financially strong, relevant and well positioned for the future.

In our 136th year we transitioned to become IMB Bank and better positioned IMB in an evolving and competitive market. We have already seen the change to IMB Bank improve awareness levels in our key markets, particularly in the youth segment, and we expect this to continue.

On 1 July 2016, we merged with Sutherland Credit Union Ltd (SCU). The merger with Sutherland Credit Union has taken our branch numbers to 48,190,000 members, 550 employees and total assets to \$5.4 billion. We are currently progressing integration of SCU members across to IMB's systems which will provide those members with greater access to more ATMs and branches, and to a broader range of products and services.



From a financial perspective, IMB's balance sheet increased by 5.0% on the previous year to \$5.2 billion assisted by growth in loans and members' deposits. Loan approval levels for the year were \$1.01 billion, 19.1% higher than the previous year. The continued year on year increase in loan writings is a reflection of IMB's competitive loan offering and a focus on improving productivity.

We were pleased to see the growth in members' deposits continue again in 2015/16 with total deposits increasing by \$230 million to \$4.3 billion. Retail deposits grew by 7.0% during the year, ahead of system growth, reflecting IMB's attractive product suite. IMB's liquidity ratio remains well in excess of regulatory requirements.

Member Focus

IMB has a strong history of providing our members with excellent service - this is reflected in our Member Satisfaction Surveys, which show that over the last 6 years IMB has maintained overall member satisfaction levels in excess of 95%. We have just completed our 2016 Member Satisfaction Survey in August and it is pleasing to report an overall member satisfaction rating of 96%.

IMB has a diverse and competitive product range that is the result of listening to what our members require to support their financial needs. It is pleasing when these products receive external recognition. During the past 12 months, IMB received a number of awards and external recognition, including:

- A 5-star rating for three IMB home loan products from independent reviewer Canstar for our Essentials Owner Occupied, and Investor home loans and for our Platinum Fixed Rate home loan package.
- Being announced the Best Secured Personal Loan Lender of the Year at the Australian Lending Awards, and also recognised with a Mozo Expert Choice award for our New Car Loan and Secured Personal Loan products.

IMB's standard variable home loan rate was maintained at a lower rate than that of the four major banks as it has been for more than five years.

This commitment to providing our members with better products and services has seen a strong increase in the number of new members joining IMB during the year reaching almost 13,000.



Investment in Digital

We are constantly listening to our members and looking at options to improve their banking experience. Over the past 12 months, IMB has invested in a range of new technologies that allow us to more quickly respond to the changing needs of our members. This has allowed us to deliver a suite of new capabilities through our digital channel where members now have a greater range of options to engage with IMB at the time and place of their choice.

Following the launch of our online Personal Loan application system, we launched Deposit Apply, our online account opening system, where our members can open new accounts in under five minutes. This has resulted in not only existing members opening deposit accounts with IMB, but has also seen an increase in new members taking advantage of the simple process.

In June 2016, we upgraded Internet Banking to a responsively designed platform, and released new versions of our Mobile Banking Apps providing new features and self-service functionality and improving the online banking experience for our Members across all their devices. Members can now manage their personal details and reset their passwords via internet banking as well as managing alerts and daily transaction limits. Changes made to the App have allowed members to add new payees and billers and use fingerprint recognition on their iOS device to log into the App. We are committed to regularly upgrading and continuously improving these platforms with innovative features and functionality.

We launched IMB's social media channels, including Facebook, LinkedIn, Twitter, and Instagram. Our social media platforms are being used to support customer service, two-way member communications and the sharing of information on IMB community activity, product offerings, and useful financial tips and hints for members.

We are also focused on the delivery of a range of technology upgrades in our branches, contact centre and back office areas that are all designed to make banking with IMB easier and faster.

In July, we started rolling out a new fleet of ATMs which includes a number of Smart ATMs that will accept both cash and cheque deposits from IMB Members. For our Business Banking clients we have recently launched IMB paytoday, a mobile payment capability, allowing our business members to accept card payments anywhere, anytime.

Looking forward, we believe we can make buying a home, or refinancing a loan, even simpler for our members by leveraging digital technologies. We want to give our members the ability to take a mortgage with IMB through the channel of their choice, reducing the hassle of completing large amounts of paperwork.

Recognising the rapid pace of technological change, IMB is actively engaging with the Australian fintech community, to identify innovative new technologies, products and services that IMB can bring to market for the benefit of our members. IMB is participating in the mLabs fintech accelerator program, which includes exploring a range of opportunities with fintech. These engagements support IMB's strategy to remain a relevant and attractive banking provider, despite increasing disruptive forces.

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

We are regularly enhancing our key products processes from end to end, to ensure we deliver a better member experience which responds to the different preferences and objectives of our diverse groups of members, including those with specific requirements as they plan for, and transition to retirement, or begin to make arrangements for aged care.

People and Culture

Regardless of role, our culture and the way we work to get things done is grounded in a proud history of focusing on the needs of our members and ensuring that we consistently deliver excellent levels of service. We will continue to invest heavily in ensuring our staff are properly trained and equipped with the right technology to succeed in their roles. A collaborative approach sees our teams work together to deliver our vision of becoming the NSW leading mutual financial institution.

During the year, we welcomed seven new financial services trainees to a career at IMB. Over the past 11 years we have helped more than 100 young people to further their qualifications after they complete their HSC or to add to their education with a 12-month traineeship. More than 93% of our previous trainees have taken up permanent roles when they finished their traineeship with a number now in leadership positions. We were proud to have one of our trainees awarded Trainee of the Year at the 2015 Regional Training Awards for the Illawarra and South Eastern NSW Region and also representing our region as a finalist in the NSW Training Awards.

MORE THAN

93%

OF IMB TRAINEES IN
PERMANENT ROLES

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.

Financial highlights

Group operating profit after tax of \$29.6 million was \$2.9 million, or 9.1%, lower than the previous year. IMB's profit was in line with the previous year, excluding the profit on the sale of IMB's head office building of \$2.9 million recognised in the prior year.

IMB's average interest margin for the year was maintained at 2.04% and reflects our management of interest margin and balance sheet growth. We expect that the interest margin will come under pressure over the coming financial year with downward movements in official rates and pressures arising from the highly competitive deposit and lending markets.

Bad and doubtful debts expense was \$0.3 million, slightly lower than the previous year and the lowest result for IMB in over 20 years. This is 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.

Total expenses amounted to \$75.5 million, an increase of \$0.9 million on the prior year. Excluding land development expenses in the prior year, expenses on a like-for-like basis increased by \$5.8 million, an 8.4% increase. The increase in expenses reflects the costs associated with implementing a number of key strategies including organic growth via new branches, digital initiatives and a strengthening of IMB's management structure. IMB also invested in increased training for our staff and an increase in our marketing spend has supported the strong growth in both loans and deposits.

The ratio of non-interest expense to operating income for the Group was 64.1% in 2015/16, up from 62.2% in the previous year. Non-interest expense as a proportion of average total assets for the Group was 1.5%, similar to the previous year. IMB's efficiency ratio continues to be one of the lowest among our peer set.

We successfully completed the issue of AUD \$30 million of 10 Non-Call 5 year, Subordinated Floating Rate Notes under our existing AUD \$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 16.9%.

Supporting the Community

Supporting the communities in which we operate is a core value for IMB. As well as the support IMB provides to a variety of charity, community and sporting organisations, we also provide significant support to community projects through the IMB Bank Community Foundation. Since its inception, the IMB Bank Community Foundation has granted around \$8.1 million to support over 550 projects with a diverse range of themes and purposes throughout our local communities.

We continued to support many local events this year, including the IMB Bank Sunset Cinemas, i98 Camp Quality Convoy, and the continued sponsorship of the UOW Early Start Discovery Space, Australia's only children's museum. We were also pleased to announce a partnership with Football South Coast as their official Community Partner. At IMB Bank, we believe that supporting grassroots sport is crucial for the development of our children; from nurturing leadership skills to health and fitness and encouraging a sense of community spirit.

In the year ahead, IMB will invest in a financial literacy program for primary and high school-aged students, and will extend our school banking program into more primary schools.

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 place considerable pressure on interest margins for all institutions. IMB will continue to focus on prudently managing our business, including maintaining excellent credit quality, maintaining disciplined cost management and pursuing productivity gains.

Conclusion

IMB Chairman, Michael Cole and former Deputy Chairman, Kieran Biddle will retire on 27 September 2016. Michael has been a director of IMB since 2003 and has served as Chairman since 2007. Michael has been a dedicated director and Chairman. Under his stewardship we have seen a number of initiatives undertaken including the change to IMB Bank and the commencement of the share buyback program to optimise IMB's capital structure.

Kieran was appointed as a director in 2006 and served as Deputy Chair in 2014-15 and has been a dedicated Chair of the IMB Bank Community Foundation Committee from 2014, overseeing the continued growth of the Foundation's activities.

I thank Michael and Kieran for their leadership, commitment and support during my time as Chief Executive and we wish them well for their future endeavours.

I continue to be impressed by IMB's management and staff who constantly strive to deliver our members with competitive products and outstanding service, and continue to respond positively to ongoing change. I would also like to thank IMB's Board for their continued support and the significant contribution they make to IMB.

Finally, I would like to thank our 190,000 members for their loyalty and continued support of IMB Bank. We look forward to continuing to meet their financial needs.



RJ Ryan
Chief Executive



Helping plan for your future

Ken and Lauren Ogden - Shellharbour

Ken and Lauren Ogden from Shellharbour on the NSW South Coast now have peace of mind having consulted a financial planner about their insurances after the recent birth of their baby.

When their IMB Bank home loan was approved about four years ago, they discussed their insurances with their local Branch Manager who recommended a session with one of IMB's Financial Planners.

"I had often thought about going to a Financial Planner but I hadn't done anything about it," Ken admitted.

And he still didn't until the recent arrival of their son, Riley, when it hit home again that he really needed to check he had the right insurances in place for his family in case of an unexpected event.

"We were so glad we did because the review showed that we were under-insured and it has now been sorted out with the help of IMB Financial Planning.

"We have Life Insurance, Income Protection Insurance, Trauma Cover and Total Permanent Disablement Insurance, among others, so I have peace of mind that if anything happened, we are covered and my wife and child would be okay", Ken said.

And he recommends other young couples do what he did - consult a Financial Planner.

"It was the best thing I have done. Many young couples think they will do it when they are older but it was great for a review of where we were at financially and how we could increase our worth. Don't wait. Do it and start planning for your future", Ken said.



DIRECTORS' PARTICULARS

Information set out in this section relating to board committee memberships and positions held by each of IMB's directors relates to the period ending 30 June 2016.



Michael John Cole
BEC (SYD) MEC (SYD) F.FIN

Mr Cole, whose expertise is funds management, has been a non-executive director of IMB Ltd since 2003 and Chairman since 2007. He is Chairman of the Corporate Governance and Remuneration Committee, the Capital and Securitisation Committee, and a member of the IMB Financial Planning Committee. Mr Cole is also an ex-officio member of the IMB Bank Community Foundation Committee and the Audit and Risk Committees. Mr Cole held many senior executive and board positions during his 17 years with Bankers Trust Australia Limited, and is now an independent consultant. Mr Cole is currently Chairman of Ironbark Capital Limited, and Platinum Asset Management Limited. As well as being Chairman of IMB Ltd, Mr Cole is also Chairman of all entities wholly owned by IMB Ltd.



Noel Harold Cornish
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 Deputy Chairman in October 2015. Mr Cornish is a member of the Corporate Governance and Remuneration Committee, the Land Development Committee and the Capital and Securitisation Committee. Mr Cornish's previous roles include Chief Executive of BlueScope Limited's Australian and New Zealand steel manufacturing businesses, and President NorthstarBHP LLC in Ohio USA. He is currently Deputy Chancellor of the University of Wollongong and Chairman of Snowy Hydro Ltd and is a director of Forests Corp NSW. He is also the National President of the Ai Group, and was previously the Chairman of Hunter United Credit Union. 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, the Audit Committee and the Land Development 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.



Jan Margaret Swinhoe
BSC (HONS) AIAA GAICD

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



Kieran Robert Biddle
DIP.LAW SAB SPEC – ACC
BUS GAICD

Mr Biddle, who is a lawyer, has been a non-executive director of IMB Ltd since 2007 and was Deputy Chairman from October 2014 to October 2015. He is the Chairman of the Land Development Committee and the IMB Bank Community Foundation Committee, and is a member of the Corporate Governance and Remuneration Committee and the Capital and Securitisation Committee. Mr Biddle has been a solicitor in private practice in Wollongong since 1978, is a solicitor of the High Court of Australia and the Supreme Court of New South Wales, an Accredited Specialist in Business Law and a Public Notary. He is a director and member of the Finance Committee of Catholic Care, and Chair of the Catholic Diocese of Wollongong Finance Committee and also a director of Australian Industry World Limited, a local not-for-profit company and acts as an honorary solicitor for a number of charities. As well as being a director of IMB Ltd, Mr Biddle 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 year's experience in the Australian finance sector. Ms Towers has been a non-executive director of IMB Ltd since 2011 and is Chairman of the Risk Committee and the Financial Planning Committee, and a member of the Audit Committee and the IMB Bank Community Foundation Committee. Ms Towers was previously with Price Waterhouse and was an Executive Vice President at Bankers Trust Australia. She is currently a non-executive Director and Chairperson of the Audit and Risk Management Committee of Platinum Asset Management Limited. Ms Towers also provides 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.



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 is Chairman of the Audit Committee and a member the Risk Committee and the Land Development 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 UrbanGrowth NSW, 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 the Asian Banker's International Advisory Council for the Excellence in Retail Financial Services Awards. She is also a mentor on the Layne Beachley Foundation's Aim for the Stars Program. As well as being a director of IMB Ltd, Ms McGrath is also a director of all entities wholly owned by IMB Ltd.





Competitive rates and friendly staff

Kate Munro

Kate Munro (31) works in the Macarthur region in Western Sydney and needed a new car to do the commute from her home in the Illawarra to her office.

Although she had been an IMB Bank member for about 12 years, she still did her research online to get the best deal she could to purchase a vehicle.

“My research showed me that IMB Bank has one of the best loans in the market with some great features”, Kate said.

“I settled for a Secured Personal Loan because that allowed me to purchase a car up to five years old. The interest rate was one of the best I could get and the additional features of being able to pay back without penalty and no monthly or ongoing fees was a bonus.

“From the very first meeting right through to signing the contract, the IMB team worked hard to make the process as smooth as possible. They assessed my situation as a whole and I felt they were working with me as an individual rather than just another customer or a number. There was consistent and effective communication throughout the whole process and I was really happy with the service provided by everyone.

“I would definitely point my friends in the direction of IMB if they were looking for a car loan”, Kate said.

OUR COMMUNITY

IMB is 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 strive to help our members achieve their individual financial goals while also actively supporting events, projects, sporting groups and organisations within the local communities in the areas we operate.

IMB Bank Community Foundation

The IMB Bank Community Foundation was established in 1999 as a way for IMB to assist community groups to build community assets. The Foundation supports projects that reflect its objectives, which include enhancing the economic self-sufficiency of communities, as well as generating economic, social, cultural, environmental, tourism and educational benefits for these communities.

Since its inception, the IMB Bank Community Foundation has granted \$8.1 million to support over 550 community projects with a diverse range of themes and purposes throughout our local communities.



COMMUNITY
FOUNDATION

Other community support

IMB Bank's commitment to supporting the local communities in which it operates extends beyond the annual Community Foundation funding. Throughout the year, we sponsor other major events, sports teams and corporate, and cultural activities as diverse as junior football to the Sunset Cinema to business awards and fun runs. Additionally, our branches also assist within their local area providing much needed funding for individual, one-off opportunities.

In the past 12 months, IMB Bank has supported:

- IMB Bank Cook Community Classic
- IMB Bank Sunset Cinema
 - Sydney, ACT and Wollongong
- Eden Whale Festival
- Camden Kids Play Day
- Envie Kids Fun Run - Illawarra
- Illawarra Women in Business
- Illawarra Business Chamber Awards
- Shoalhaven Business Awards
- Blender Festival (Wollongong)
- Centenary of Anzac (Wollongong)
- Yours & Owls Music Festival
- Sutherland Leader and Illawarra Mercury
 - Design An Ad competition
- i98 Camp Quality Convoy
- Football South Coast







Helping Local Business Grow

Brett and Susan Feld - Farmer Feld Fresh Produce

A long-term partnership between IMB Bank and Brett and Susan Feld has been invaluable in the growth of their Goulburn-based, fresh produce business.

What was a hobby - growing vegetables on a block of land they had purchased at nearby Marulan and selling them at Canberra Exhibition Park Farmers Market every Saturday - grew into a full-time job when Susan gave up her role as an accountant and Brett farewellled welding.

Susan's background gave her the skills she needed to put together a professional business plan, which she presented to IMB Bank National Business Manager Terry Widdicombe in 2009.

"I went to IMB because, when I was an accountant, one of my clients had their business finance through them and had nothing but great praise for the way they worked with their clients in a true partnership.

"That was what I was looking for and experience had told me I would not get it with one of the big four banks", Susan said.

"Having a partnership with your bank is essential if you want to grow your business. Our relationship with IMB also extends to relationship manager, Darren Temple and the local Goulburn branch staff who always go the extra mile", Susan says.

"The service and attention we have always got from IMB has been phenomenal. As far as we are concerned, there is no comparison", Susan said.

IMB BANK COMMUNITY FOUNDATION PROJECTS

ILLAWARRA



CareSouth

Homework Hub

The CareSouth Homework Hub provides a safe, calm learning environment for students in CareSouth's Foster Care and Brighter Futures programs. Homework Hub relies on volunteers to help students with their work. Volunteers also mentor the students and provide positive role modelling. The Homework Hub also fosters and encourages further education and career planning. This will allow students in care to break the cycle of disadvantage and to give back to their community. The Homework Hub also gives volunteers, many of whom are University and TAFE students, an opportunity to gain hands-on experience in their chosen fields.

Wollongong Conservatorium of Music Ltd

Roger Soden Scholarship Year 4

The Roger Soden scholarship provides funding for a student at the Wollongong Conservatorium of Music.



Disabled Surfers Association of Australia

Maintaining Safety for Disabled Surfing

The Disabled Surfing Association has been running on the South Coast for 23 years with a perfect safety record. The project will sustain this track record by providing equipment and training enabling disabled participants to enjoy a safe surfing experience. Without this volunteer service, disabled people would be disadvantaged and unable to enjoy the surf, especially a wave-riding experience that many able people take for granted.

CareWays Community Inc.

Illawarra Community Sensory Room

The funding will assist with the development of a community-based, multi-sensory room (MSR) for children and adults living with disabilities or mental health issues in the Illawarra/Shoalhaven. An unused office at Horsley Community Centre will be refurbished to provide controlled sensory experiences to stimulate primary senses, encouraging relaxation which has been shown to positively impact upon behaviours.

Illawarra Drug Awareness Group Ltd

Life Education Illawarra Truck

The program is delivered on-site at various primary schools and pre-schools throughout the Illawarra, through the utilisation of Mobile Learning Centres. These mobile classrooms are built like theatres, which enable programs to be delivered in a creative, interesting and entertaining way at schools.

Foxground Rural Fire Service

Foxground Community Communications

The IMB Bank Community Foundation grant will provide better training facilities for the Brigade members and other visiting RFS brigades, and improved communication through education in the community.

Raise The Gong Inc.

Chemo Care Kits

The Chemo Care Kit program was launched in December 2012 and, since that time, Raise The Gong has distributed more than 1000 kits to local women commencing chemotherapy for the first time at Wollongong Hospital. The kits have grown over time and now contain around \$200 worth of items, samples and vouchers. Each inclusion in the kit is carefully selected to ensure it is a product or service that will benefit the women receiving the kit.

IMB Financial Literacy

IMB Financial Literacy Program

Funds invested will support the development of an IMB Bank Financial Literacy program.

Rotary Club of Kiama

Mental Health First Aid Courses

Funding will be used to contribute to the running of two free, mental health first aid courses for the Kiama Community in early 2017. The courses are delivered via a public forum are conducted by a well-known educator in mental health. The courses provide an opportunity to those who are not in a position to pay for education in mental health to learn more about the issue.



Football South Coast Limited

FSC Knights

The FSC Knights is an initiative facilitated by Football South Coast with the assistance of The Disability Trust. The program allows participants with special needs to train and play soccer on a weekly basis as part of the mainstream football competition.

SCARF Incorporated

SCARF Vibrant Volunteers Program

This project seeks to strengthen SCARF's support to its valuable volunteer network and to enhance the service-provision to refugee families. It involves the development of responsive and engaging volunteer coordination and supports processes to improve SCARF's capacity to respond to the critical and evolving needs of refugee children, youth, adults and older people from Africa, Asia and the Middle East.

Thirroul Men's Shed Inc.

Establishment and fit out of new premises

The Thirroul Men's Shed will refurbish an existing railway shed to provide new premises for workshop activities, training and welfare for men from the community to actively contribute to personal and community projects/activities.

NZ House NSW

Need a Feed

Need a Feed partners with several organisations to provide emergency food relief to locals in need. They also collect food that would otherwise have gone to landfill and redistribute to local community organisations.



Our Community Project Incorporated

Growing food, jobs and community

This project will develop 4,000 square metres of a urban farm (a 3.2 hectares site at Warrawong High School) as a new area for food growing. It will create jobs and support for resettled refugees and young people, provide more local food production and be a demonstration site for urban food growing. Community connection development will be a collaboration between young people and former refugees employed to work on the project and volunteers from the community. It will set up a site for food production, employment, long-term community connection and capacity building.

The Scout Association of Australia

Scouts and mental health first aid

Scout leaders in Wollongong will be trained through a program to better manage mental health issues that may arise from time to time with young people. The outcomes of the project will help minimise the stigma associated with mental health and become part of a program provided to all scouts for general and improved awareness for all.

Wollongong UniCentre Ltd

Community Volunteering Project

The project aims to connect students with already-established programs and projects run by charity and not-for-profit organisations in the Wollongong community. It addresses various community needs through providing skilled and motivated volunteers to assist organisations in achieving their objectives in a variety of ways.

IMB BANK COMMUNITY FOUNDATION PROJECTS

CANBERRA, GOULBURN, VICTORIA

Canberra City Care

Harvest Garden to Table

Canberra City Care provides a range of low-cost services to those in the community experiencing financial hardship, including assistance with food, clothing, computers and debt management. With the help of IMB, Canberra City Care will expand its services to create the Harvest Garden and Kitchen to grow fresh produce, provide hospitality training and create healthy affordable meals for those on a low income.



Attitude Books Foundation Inc.

Attitude Books Project

The funding will support a program, 'A for Attitude', which is provided to Grade 3 students. Each student will be given their own personal copy of 'A for Attitude', a life skills resource that tackles the issue of anxiety and depression in young children. The project has been extremely successful in building self-esteem, lowering anxiety in children and offering families the opportunity to connect at a deeper level than ever before.



Shakti Migrant and Refugee Women's Support Group Melbourne Inc.

Multilingual Domestic Violence Crisis Line

The Scoresby based, culturally-specialist multilingual crisis-line is manned by local volunteers that speak at least two different languages. The team is trained extensively in cultural analysis within the domestic violence framework. The funding for this project will enable vulnerable women and girls of Asian, African and Middle Eastern cultural backgrounds at risk of culturally-sanctioned oppressive practices such as child forced marriage, honour-based violence, dowry violence and female genital mutilation to access culturally-specialist domestic violence crisis services in their mother-tongue.

Upside Events Inc.

Music with an Upside

Upside Events has been established to raise funds for mental health charities by hosting ticketed live music events, with proceeds donated to a range of mental health charities in the ACT. The project will start small with a few music events in 2016, with the intention to build this over time. This will offer a great enduring opportunity to the Canberra community, not only through the fundraising efforts, but a commitment to raising awareness of the issues facing people with a mental illness.



Rotary Club of Goulburn Inc.

U Turn the Wheel

Students are transported to and from the Goulburn TAFE campus to participate in a day-long program consisting of 6 x 35-minute interactive role play sessions with police and ambulance, brain injury specialists and patients and drug and alcohol personnel. Other topics covered include first motor vehicle purchase and large vehicle awareness. The program is followed by three 'Log Book Runs' through the year where participants are put through a rally-style drive incorporating various traffic controls and driver challenges. This terminates at the NSW Police Driver Training School where demonstrations on defensive driving, skid control and breaking techniques are conducted.

St John Ambulance Australia (ACT) Inc.

Bicycle Emergency Response Team (BERT)

St John's Ambulance BERT First Responder teams are trained volunteers who use bicycles to quickly go through crowds at major events to attend emergency situations. The project greatly enhances the St John ACT clinical response times and capacity, directly addressing the community need. The funding will provide new bikes for St John Ambulance.

SYDNEY

State Emergency Service NSW

Work Bench Lighting

The SES and RFS volunteers share the Bungendore emergency services building. Both organisations maintain and repair equipment vital to their community roles. Currently, the shared work bench has no direct lighting and, as most equipment maintenance is done in the evening, this has meant these activities are difficult. The funding will provide new lighting over the work benches.



Sutton Rural Fire Brigade

Community Engagement Trailer

Funding will be used to provide a suitable trailer to store and contain documentation, teaching aids, education material and examples of firefighting equipment to educate primary school children and local residents concerning all aspects of bush fire prevention, response and safety.

Cancer Patients Foundation Limited

Look Good Feel Better Workshops

Look Good Feel Better workshops help cancer patients build the confidence they need to not withdraw from their life. Trained volunteers teach participants how to manage skin redness and dryness, how to draw on eyebrows and also how to give the illusions of eye lashes if they have lost them. Men learn grooming techniques and how to look after their skin as well as options like tinted moisturisers to help with colour correction. A local wig provider also attends to showcase the many different head-wear options like wigs, scarves and hats.

Mark Grundy Oesophageal Cancer Awareness Group Incorporated

Oesophageal Cancer Awareness Project

The project's main goal is to increase awareness of oesophageal cancer in the greater NSW community. The fastest growing cancer in terms of prevalence and diagnosis in Australia, education is key to ensure the community is able to identify symptoms and warning signs and work with their doctor to maintain the best possible health.

Dandelion Support Network Inc.

Safe Education Program

The Dandelion Support Network provides pre-loved and new car restraints to families in need, free of charge, via their social workers. This pilot project is designed to educate social workers on car restraints and their correct installation via a series of seminars, designed by car restraint experts from Hire For Baby. The project also looks to provide financial assistance so disadvantaged families can have the car restraints correctly fitted by an installation professional from Hire For Baby.

Camden Literacy Gardens

Camden Literacy Gardens

Five literacy gardens will be developed on the Camden Town Farm site, each reflecting a children's book. In the first garden - The Three Little Pigs - three little houses will be constructed so parents and children can read the book and talk about its contents. The project addresses the needs of all young children to be assisted by parents and siblings in acquiring adequate literacy skills.



CareFlight Limited

MediSim Trauma Care Workshops

CareFlight's MediSim program provides paramedical training to emergency services volunteers who may be the first to reach incident scenes and treat critically injured people in regional areas. The skills, knowledge and confidence required to deal confidently and capably with critical patient situations until medical professionals arrive are vital to these volunteers being able to change or save a life.

St George Men's Shed Incorporated

Carss Park Fit Out

In 2015, Kogarah City Council offered to provide the St George Men's Shed new premises at Carss Park. The funding will be used for the renovation of the shed with work to be completed in 2016.

IMB BANK COMMUNITY FOUNDATION PROJECTS

SOUTH COAST

1st Appin Scout Group

Outdoor Cob Shelter and Cooking Oven

The 1st Appin Scout Group provides community outreach activities for the local communities at Appin, Wilton, Douglas Park and Macarthur. IMB Bank has funded an outdoor cob shelter and cooking oven that will be created from mud bricks made by the Scouts, then installed and used by the Scouts, and other community groups, to produce food using the age-old process of outdoor cob cooking.



Port Hacking Potters Group

49th Port Hacking Pottery Competition

The funding will be used to stage exhibitions so the community can see the work of artists of various levels. It is hoped to provide experiences for the community to participate in actual sculptural building of forms using clay. The project will also allow volunteers to learn about marketing, advertising, technology, sponsorship and the implementation of an exhibition.



Victor Chang Cardiac Research Institute Limited

Heart Health Check Booth

The Heart Health Check Booth is a fully mobile and portable service that can be set up in any convenient location to bring heart health testing to the community. The testing is provided free to the individual and measures blood pressure, total cholesterol and blood sugar levels, providing information on modifiable risk factors and healthy heart habits.

Macarthur Centre for Sustainable Living Limited

Learning for Life

The project entails building a sustainable area for creativity and learning for life at MCSL. The Centre has put several areas aside to develop a wet/dirt kitchen with a shade shelter for children 0-5 years and a large shelter to conduct open air educational workshops to reinforce sustainable lifestyle choices for the community. This project will address the needs of 0-80 years olds in a fun, sustainable learning environment in the Macarthur Region.

Moruya Jazz Festival Incorporated

Riverlights

The Riverlights project takes place over six months and encompasses a series of twice-weekly, artist-led, open community workshops to build giant, illuminated floating lanterns, culminating in an exhibition of the floating art works, towed by paddlers and moored on the Moruya Riverside Park. Engaging up to 30 community, interest, art, school and family groups, Riverlights brings together socially, culturally and economically diverse individuals from all walks of life, in the planning, developing and undertaking of the workshops and also brings together many thousands of members of the local and wider community.

Bega Birth to Kindergarten

Bega Birth to Kindergarten

The funding will assist the Early Childhood Nurses from Bega Community Health to provide books to new mothers at their six-weekly visit after the birth of their child. The objective is to encourage reading in children from birth onward, stimulating optimal patterns of brain development and strengthening parent-child relationships.



Friends of Milton Library Inc.

Milton Library

The project aims to increase the use of the library by the community, allowing the space to be used by groups who have no facilities or limited funds to rent facilities. The funding will be used to purchase new moveable shelving, creating more space in Milton Library so literary programs such as book clubs, story time, creative and poetry writing classes, book week activities, literacy programs, author talks and homework assistance can be delivered to the community. The Library will also be able to accommodate community events such as Artfest.

Shoalhaven Heads Volunteer Rural Fire Brigade

Fire Truck Power Inverters

The brigade has two fire trucks and the funding will facilitate the purchase of 12VDC-240VAC Power Inverters to be installed on each truck. This will allow crews to use common electrical tools and to recharge batteries for hand-held radios if in the field for long periods.

SOUTHERN HIGHLANDS

Wolumla Volunteer Rural Fire Brigade

Electricity Generator

The funding will be used to provide emergency lighting at motor vehicle accident sites or fighting fires in remote areas when emergency communications are necessary.

Eden Community Radio Inc.

2SEA Eden Studio Equipment

With the wind-back of local ABC radio content, the role of Community radio is becoming more important. The expansion of digital technology means it is imperative equipment is up-to-date and suitable for the task at hand. The desk in the studio operates 24 hours a day, seven days a week and will be updated. The current equipment will then be available for outdoor broadcasts.

Lions Club of Strzelecki Inc.

Cows Create Careers

The Cows Create Careers project introduces students to various careers in the dairy industry with an academic and hands-on training module; farmers "loan" calves to schools for educational purposes and to highlight career opportunities. It is well supported by farmers, schools and parents. The project is constantly upgraded to introduce the students to modern techniques.

Tuross Community Garden Inc.

'Roof-on-the-ground' water system

A free workshop will be held to educate the community about the design of a new roof-on-the-ground water system and it will then be installed as a permanent system at the Tuross Community Garden. This will be followed by another free workshop to decorate the new system with mosaics.



Anglican Church Bodalla Parish

Narooma Toy Library Outdoor Playground

The Narooma Toy Library and Play Cafe is a recent, unique initiative that has been operating in the Anglican Church Hall for 12 months. It has been well received by families with young children from 0-5 years. The children enjoy the opportunity to play with new toys and the families welcome the fact that there is a minimal borrowing cost which relieves the financial burden of buying toys. The project funding will allow further facilities to be built outdoors with a new play area housing various pieces of equipment and incorporating tables and seating for parents and carers.

Bundanoon History Group Inc.

Digitising Archives

The leasing of the historic Old Goods Shed at Bundanoon railway station in 1994 provided a venue where historic material could be housed and appropriately displayed. The venue is rapidly running out of storage space for the many items in the collection and the funding will allow the scanning/photographing of all historical material, enabling some items to be stored off-site and reducing the demand for physical storage in the Group's HQ.

Southern Highlands Computer Users Group Inc.

Tutoring and Maintaining IT Skills


The funded project will allow the training and ongoing development of computer skills for seniors so they become self-sufficient with all digital devices including phones, tablets, computers, printers and other devices.

Rotary Club of Moss Vale Inc.

U Turn the Wheel

The annual program is an intensive series of six workshop presentations for 500-600 Year 11 students on young driver road safety awareness from six local high schools. The program is funded by the Rotary Club of Moss Vale and supported by the Wingecarribee Council through its road safety officer delivered by volunteers within the community. The program is provided free of charge to the participants; all costs are covered through the grant and fundraising, making it accessible to all students.





Finding the right home loan to suit your needs

Claudio Iturbe - Victoria

Victorian, Claudio Iturbe, is a satisfied IMB Bank home loan customer having refinanced his home loan from a major bank to an IMB Essentials Home Loan more than 12 months ago.

He refinanced a \$330,000 variable loan to IMB, lowering his monthly repayments from \$1723.00 to \$1502.75.

“As interest rates became more competitive, my wife, Amelia, and I decided to shop around for a better deal”, Claudio said.

“IMB’s Essentials variable rate was very competitive and the change from a major bank to IMB was made easy by the staff at our local IMB branch in Glen Waverley.”

Claudio believes the IMB variable home loan has saved his family more than \$1900 a year.

“It has been a great decision to change and, like most Australian families, we are on a budget so every bit helps.

“I would definitely encourage others to shop around. While the thought of changing banks is a little daunting, it is well worth it in the long run.

“Who wouldn’t like more money in the wallet at the end of the year? There is no need to keep paying more than you need to”, Claudio said.

OUR STAFF

IMB remains dedicated to building strong long-term and mutually rewarding relationships with our staff throughout their career journey with IMB. IMB lives and breathes a culture of care and commitment to the wellbeing of each staff member.

From a candidate's first introduction to IMB Bank, through the recruitment and assessment process, they are inducted into IMB with a personalised approach so that they can perform and contribute to the best of their ability. Instilling the need for collaboration and cooperation at all levels to deliver our 'business as usual' operations and our strategic projects, IMB encourages staff to work across multiple work areas and with a diversely skilled group of colleagues.

IMB proudly recognises great performance and service provided by our staff and celebrates these achievements through a variety of programs, events, and awards ceremonies.

Our staff demonstrate the IMB values of Integrity, Respect, Performance, Member Focus and Offer Solutions, when engaging with each other, our members and all stakeholders, ensuring that the service provided is of the highest level.

Learning and Career

IMB's learning and development approach focuses on providing staff with the skills and knowledge to meet immediate business needs, and the opportunity to build long term careers with IMB. Our learning priorities in the last 12 months have continued to be in the areas of member service, sales skills, deposits, personal and home loan lending, alliance products, and compliance training. This has been supplemented with the provision of management and coaching skills for key managers and supervisors across the business.

Our Traineeship, Cadetship and Tertiary Education programs are an important area of focus for us as we grow and develop the next generation of IMB leaders and specialists. Since 2005, IMB has recruited over 100 trainees, with 93% of the trainees having taken up a permanent role with IMB at the completion of their 12-month entry level course.

IMB has recently welcomed seven new Trainees across the Banking Services, Business Banking, IMB Direct call centre, Retail Network and Executive Services departments, with all gaining valuable knowledge and on-the-job experience within their key areas.

In May 2016, IMB launched its Talent Management program to assist high performing and high potential staff to further their career development at IMB. IMB's Talent Management Program focuses on two core talent streams: Key Roles - individuals who demonstrate the potential to fulfil roles that will be crucial to IMB's enhanced performance and success into the future and Future Leaders - individuals who demonstrate the potential to become the future leaders of IMB.

Five out of seven of our future leader candidates are ex-IMB trainees. This is a true representation of the high calibre of IMB's Traineeship program and the quality of our staff.

IMB was selected as a finalist in the Asia-Pacific Banking & Finance Awards for 2016 in the category of Best Career Development Program for IMB's Traineeship Program. By being selected as a finalist for this category, IMB was able to demonstrate how training, learning and development forms an integral part of the organisation's strategic planning; as well as how IMB values training and learning to further our employee's careers.



The 2015 CEO's Award winner was Sarah McGoldrick from Marketing.



The winner of the 2015 Outstanding Service Award was Michael O'Connor, Senior Mobile Lender.

Recognition

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

The Chief Executive's Award recognises staff who exceed expectations when carrying out their work, have made a significant contribution, epitomise the IMB Values, display high levels of professionalism and are valued corporate citizens.

In 2015, we recognised Sarah McGoldrick, Marketing's Advertising Communications Manager, as the Chief Executive Award recipient.

Sarah has continually provided support above and beyond her day-to-day duties due to her ongoing desire to see success in everything IMB does for its local area marketing, including attendance at key events which resulted in many new memberships, account openings, increased brand awareness and community involvement for IMB. In many instances, Sarah has made personal sacrifices and committed significant time in representing IMB outside business hours on weekends and often at short notice. Sarah has demonstrated a relentless passion and commitment for the success of IMB and is an extremely worthy recipient of this award.

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

The Outstanding Service Award recipient was Michael O'Connor, Mobile Lending Manager for the Macarthur Region.

Michael's member focused approach to his work has resulted in him receiving many compliments from members throughout the year for the assistance he has provided in a positive, understanding and professional manner. Members have commented that they are extremely impressed with Michael's service, manner and professionalism with others, commenting that he works hard for his clients and shows an understanding of any situation that is presented to him.

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

- The Special Recognition - Members/Risk Division was won by Naomi Ashton from Origination Services and Jody Hennessy from the Project Management Office;
- The Special Recognition - CEO/Corporate Services and Finance Award was won by Leisa Emery from Human Resources;
- The winners of Lender of the Year - Prue Hazelton from Goulburn Branch and Sasha Headington from IMB Direct;
- The Sales Team of the Year went to Goulburn Branch;
- The Sales Person of the Year was won by Robyn Middlemiss from Camden Branch; and
- The IMB Financial Planning Referrer of the Year award went to Dianne Manley from Bowral Branch.

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

Workplace Health and Safety

IMB remains committed to achieving our goal of Zero Harm by maintaining a strong safety culture and vigilance around providing a healthy and safe working environment for all employees, members and visitors. Safety continues to be the responsibility of all staff and is an integral part of all that we do at IMB.

IMB celebrated 513 days without a Lost Time Injury for the financial year. Near Miss reporting continues to be a valuable source of information that contributes to the continual evolution of our safety measures. This year IMB has had a significant increase in reporting with 181 Near Misses reported which were a vital tool in preventing more serious injury from occurring in the workplace. We continue to educate staff around the importance of Near Miss reporting and the instrumental role that all staff can play in achieving our goal of Zero Harm.

IMB maintains a robust Work Health and Safety Management System where the identification, reporting and resolution of hazards, incidents and near misses is able to be effectively monitored and managed. This management system is aligned with Australian Standards which is founded upon risk management principles, due diligence and a consultative approach.

The Workplace Health and Safety Committee continues to consult on a broad range of workplace health and safety issues enabling them to develop and implement additional safety measures that have ensured a safer work environment for all at IMB. The Committee remains a valuable source of information and strives to promote a proactive health and safety culture through its consultative approach to safety issues.

In addition to our comprehensive safety training programs in areas such as robbery training, First Aid and evacuation procedures, IMB is further enhancing its commitment to employee welfare by training a key group of employees in ergonomics requirements so that there is a depth of knowledge and support in this area across the business.

IMB continues to further support its staff members through the Employee Assistance Program. The EAP is available to all staff and extended family members and provides support through the provision of an independent and confidential counselling service. This free service provides assistance to enable staff to manage a range of work and non-work related concerns.

Staff Retention

Strong levels of staff engagement and promotions have been recorded for the financial year. Of the 134 promotional opportunities that were present for this year, 42% of these were filled internally. IMB has finished the financial year with a staff turnover rate sitting below the industry average, on 10.98%.

IMB CELEBRATED

513

DAYS WITHOUT
LOST TIME INJURY

Community Involvement

IMB is dedicated to having a positive relationship with the communities in which we operate. In the past year IMB staff have not only been involved in many of the IMB Bank Community Foundation sponsored projects, but have also been actively involved in various activities within the community such as:

- Australia's Biggest Morning Tea
- Jeans for Genes
- Wollongong University O-Week

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

Some excellent examples of IMB working with the community come from our ACT & Far South Coast Region. The IMB Bank Community Foundation sponsored a 'Cyber Bullying Information Night' with the Merimbula Public School P&C in which Michelle Milsom, Branch Manager Merimbula, attended with around 80 parents providing workshops that promote awareness on cyber bullying, safe and unsafe apps, setting up filters, age limits on social media apps and taking responsibility for family member's safety online.

Through Communities @ Work program, Terry Egan, Branch Manager Gungahlin and the Gungahlin team organised a clothes bin in the branch for the donation of second hand business clothes. These clothes are then passed on so that the less fortunate in the community can use them in job interviews to help get a step forward. Terry has since organised the promotion of this service across all ACT based IMB Branches. IMB remains dedicated to building strong long-term and mutually rewarding relationships with our staff throughout their career journey with IMB. Even as a career journey ends with IMB, in most cases a strong relationship and friendship remains.







Helping Local Business Grow

Mark Jewell
- Albion Park Cakes & Pies

There's nothing quite like keeping it in the family and Mark Jewell, the owner of Albion Park Cakes and Pies, has uncles, cousins and his wife sharing the workload at his very successful small business.

And the family connection goes back further than that. The bakery has been in his mother's family for many years, with his nanna and grandad, Nella and John Hol, starting the business and his mother, Maree, managing it for 15 years.

Now, it is Mark's turn at the helm and, with the help of IMB Business Banking, he has swapped 19 years at Bluescope Shipping working on the wharves at Port Kembla for 1 am mornings, huge mixers and loads of flour and sugar.

Born and educated in the local area, Mark was a full-time cyclist between 1991 and 1995, competing in the NSW and National cycling teams, a sport he loves. He got back in the saddle more recently, winning a Masters World Championship Gold Medal in the 40-45 age group in 2013.

When he returned home from the Masters Games and a family holiday to the USA with an overcharged credit card, he visited Craig Franklin, IMB Bank's Dapto manager, to see if he could refinance his home loan with IMB. He did and, in 2015, when his mother's family decided to sell the business, he went to IMB Business Banking to help him with his career change.

Not only did IMB Business Banking help him buy the business, he also bought the entire building on the Princes Highway – comprising of the bakery, two commercial leased properties and two upstairs residential properties.

In January this year, he donned his apron and now works six days a week at Albion Park Cakes and Pies, baking some of the goodies in the area.

"I wouldn't have been able to do any of this without IMB. They helped me every step of the way with my home loan refinance and, when I turned up on the doorstep again looking for help to buy the bakery, the business banking team made it all happen.

"IMB is much more than just a financial institution. They listened to what I wanted to achieve and then made sure it happened. They are a part of my team and I think Craig was just as excited as I was when I started work in January", Mark said.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2016.

Board of Directors

Board of Directors and its Committees

Role of the Board

The board is responsible for the overall corporate governance of the Company and its controlled entities ("the Group") including formulating its strategic direction and defining risk appetite, approving and monitoring capital expenditure, setting remuneration of the Chief Executive and senior managers, appointing, removing and creating succession policies for directors and senior managers, establishing and monitoring the achievement of management's goals, ensuring the integrity of internal control, legal compliance and management information systems and ensuring a sound risk management culture is maintained. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for the operation and administration of the Company to the Chief Executive and executive management. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a Corporate Governance and Remuneration Committee, an Audit Committee, a Risk Committee, a Land Development Committee, an IMB Bank Community Foundation Committee, a Capital and Securitisation Committee and an IMB Financial Planning Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds regular scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific matters that may arise.

The agenda for meetings is prepared by the Company Secretary in conjunction with the Chairman and the Chief Executive. Standing items include the Chief Executive's report, financial statements, strategy review, governance, risk management and compliance. Submissions are circulated in advance to directors. Executives and senior managers are regularly involved in board discussions and directors have other opportunities including visits to business operations, for contact with a wider group of employees.

The Land Development Committee was dormant during the year and will only meet as required to effect the voluntary wind up of the land joint venture companies.

Director Education

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the Group's expense. A copy of the advice received is made available to all other members of the board.

Composition of the Board

The names of the directors of the Company in office at the date of this report are set out in the Directors' Report on page 46 of this report.

The board comprises eight independent non executive directors. The size and composition of the board is determined by the full board, subject to the limits imposed by the constitution and compliance with any applicable legislation regarding board composition.

- Only the board may nominate an employee for election as a director.
- The Chairman of the board must be an independent non-executive director.
- Directors are elected at the Annual General Meeting.
- Subject to the constitution, the board may appoint any person as a director to fill a casual vacancy. The term of office of a director so appointed will end at the start of the next Annual General Meeting after they were appointed to fill a casual vacancy.

A director must retire from office at the start of the third Annual General Meeting after the director was last elected and if eligible, may be re-elected.

In general, up to three full terms are considered to be the maximum period of time to serve on the board, however the Board may determine to extend the period for which a Director remains in office, for example where their retirement would result in the loss of two or more directors in any twelve-month period or the loss of an essential skill set.

An independent non-executive director is a director who is not a member of management and who:

- has not within the last three years been employed in an executive capacity by the Company or another Group member;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a material supplier or customer of the Company or another Group member, or is not an officer of or otherwise associated, directly or indirectly, with a material supplier or customer; and
- has no material contractual relationship with the Company or any Group member other than as a director of the Company.

Details of the directors of the Company in office at the date of this statement appear on pages 14 and 15 of this report.

Corporate Governance and Remuneration Committee

The Corporate Governance and Remuneration Committee oversees the appointment and induction process for directors and committee members. The committee makes recommendations to the board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the committee in consultation with the board determines the selection criteria based on the skills deemed necessary and on the Company's Fit and Proper Policy. The committee identifies potential candidates. The board then appoints the most suitable candidate to fill the casual vacancy. Board appointed candidates must stand for election at the next general meeting of members. In addition, the committee is responsible for advising the board on corporate governance, and developing, regularly reviewing and updating the corporate governance manual.

The Corporate Governance and Remuneration Committee uses an external facilitator to annually review the effectiveness of the board and individual directors. The performance criteria take into account each Director's contribution in setting the direction, strategy and financial objectives of the Group, and monitoring compliance with regulatory requirements and ethical standards. The Corporate Governance & Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the Chief Executive and senior managers and the board. A key part of the committee's role is to ensure that such remuneration arrangements promote prudent risk taking in the management of IMB and to seek input from the Chairman of the Risk Committee and the Chief Risk Officer as appropriate. From time to time the committee may obtain independent advice on the appropriateness of remuneration packages.

CORPORATE GOVERNANCE STATEMENT

The members of the Corporate Governance and Remuneration Committee during the year were:

Mr MJ Cole (Chairman)
Mr KR Biddle
Mr NH Cornish

The Corporate Governance and Remuneration Committee meets annually or more frequently as required. The committee met twice during the year and committee member attendance is disclosed in the table of Directors' meetings on page 49.

The Chief Executive, Mr RJ Ryan, is invited to Corporate Governance and Remuneration Committee meetings as required to discuss management performance and remuneration packages but does not attend meetings involving matters pertaining to himself.

The committee is responsible for the selection, appointment and succession planning process of the Company's Chief Executive.

The committee also conducts an annual review of the performance of the Chief Executive and makes appropriate recommendations to the board in respect of such performance evaluations.

During the year, the Committee was responsible for overseeing the requirements of the Remuneration Policy for the Board, Chief Executive and senior managers to meet APRA's remuneration requirements under CPS 510 Governance.

Audit Committee

The Audit Committee has a documented charter, approved by the board. At least three members must be independent non-executive directors and at least one member shall also be a member of the Risk Committee. The Chairman must not be the Chairman of the Board.

The members of the Audit Committee during the year were:

Mr RHP Elvy (Chairman)
Mr MJ Cole (ex-officio)
Mr JR Coleman
Ms ME Towers

The internal and external auditors, the Chief Executive, Chief Financial Officer and the Chief Risk Officer, are invited to Audit Committee meetings at the discretion of the committee. The committee met four times during the year and committee member attendance is disclosed in the table of Directors' meetings on page 49.

The external auditor met with the Audit Committee twice during the year without management being present. The Chief Executive and the Chief Financial Officer declared in writing to the board that the financial records of the Company for the financial year have been properly maintained, the Company's financial statements for the year ended 30 June 2016 comply with accounting standards, international financial reporting standards, and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The responsibilities of the Audit Committee include:

- reviewing the annual and half year reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether financial information is adequate for member needs;
- assessing management processes supporting external reporting;
- assessing the performance and objectivity of the internal audit function;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the board in respect of whether the provision of non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board;

- monitoring the procedures to ensure compliance with the Corporations Act 2001 and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Prudential Regulation Authority and the Australian Securities and Investment Commission.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them four times a year to:

- discuss the external audit and internal audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review fees proposed for audit work to be performed;
- review the draft annual and half-year financial statements, and recommend board approval of the financial statements; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made.

The Audit Committee also conducts an annual review of its processes and current performance against its charter to ensure that it has carried out its functions in an effective manner.

Consistent with this function, the committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels.

Risk Committee

The Risk Committee has a documented charter, approved by the board. At least three members must be independent non-executive directors.

The members of the Risk Committee during the year were:

Ms ME Towers (Chairman)
 Mr JR Coleman
 Mr MJ Cole (ex-officio)
 Mr RHP Elvy
 Ms JM Swinhoe

The Chief Executive, Chief Financial Officer and the Chief Risk Officer, are invited to Risk Committee meetings at the discretion of the committee. The committee met four times during the year and committee member attendance is disclosed in the table of Directors' meetings on page 49.

The responsibilities of the Risk Committee include:

- oversight of the risk profile and risk management of the IMB Group within the context of the Board approved risk appetite for each type of risk;
- making recommendations to the Board on IMB's overall current and future risk appetite and risk management strategy;
- establishing a Group wide view of the IMB's current and future risk position relative to risk appetite and capital strength;
- oversight of senior management's implementation of the risk management strategy;
- oversight of the implementation and review of risk management and internal compliance and control systems throughout the IMB Group;
- constructive review and challenge of senior management's proposals and decisions on all aspects of risk management arising from IMB's activities;
- assessing the performance of the Chief Risk Officer and the risk function; and
- promoting the awareness of a risk based culture and the achievement of a balance between risk and reward.

The Risk Committee conducts an annual review of its processes and current performance against its Charter to ensure that it has carried out its functions in an effective manner.

Consistent with this function, the Risk Committee encourages continuous improvement of, and fosters adherence to, the IMB Group's risk appetite, policies, procedures and practices at all levels.

CORPORATE GOVERNANCE STATEMENT

Oversight of Risk Management Framework

The board oversees the establishment, implementation and annual review of the Group's Risk Management Framework. Management has established and implemented the Risk Management Framework for assessing, monitoring and managing its key risks including credit risk, operational risk, market risk, financial reporting and compliance risks for the Group.

The Risk Committee ensures the Group maintains an appropriate risk management framework including the establishment of policies for the control of risk. The Risk Committee receives information on the risk profile of the Group, any breaches of the policy framework and external developments which may have some impact on the effectiveness of the risk management framework. It also approves significant changes to the risk management policies and framework.

Three Lines of Defence

The Group employs the three lines of defence approach to risk management to ensure adequate and appropriate risk governance across all levels and key classes of risk. The three lines of defence are:

- Line 1 - Business units including the front line, working within defined limits, are responsible for risk identification, risk management and maintaining effective controls;
- Line 2 - Risk function supported by business unit risk areas and the Executive Risk Committee responsible for establishing and maintaining the risk management framework and providing independent risk oversight; and
- Line 3 - Internal Audit responsible for providing independent assurance on the adequacy of the Group's risk management processes and controls.

Risk Profile

The Risk Committee reports to the board quarterly on the status of risks through risk management programs aimed at ensuring that risks are identified, assessed and appropriately managed within the Group's risk appetite.

In line with the three lines of defence approach to risk management, each business unit is responsible and accountable for implementing and managing the standards required by the program.

Major risks arise from such matters as actions by competitors, government policy changes, the impact of interest rate movements, occupational health and safety, property, financial reporting and the purchase, development and use of information systems.

Risk Management Function

The Group's approach to risk management is embedded across all business units. The Risk Management function assists the Risk Committee oversee the risk appetite and profile of the Group and ensures that business developments are consistent with the risk appetite and goals of the Group.

Risk Management and Compliance and Control

The board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the board has instigated an internal control framework that can be described under five headings:

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the board. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The Group reports to members half-yearly.
- Approval levels - delegated authority is given to nominated officers to perform the daily operations of the Company. Maximum loan approval limits are delegated subject to the qualifications and experience of the nominated officer. Cheque signatory authority for the various Company bank accounts are also delegated to nominated officers subject to experience and task related need. The delegated authority for each of these is reviewed on a quarterly basis. Authority to incur expenditure and also capital commitments is delegated to nominated senior officers. The board reviews these levels on a regular basis and changes are only made following a recommendation from the Chief Executive.

- Operating unit controls - financial controls and procedures including information systems controls are detailed in procedures manuals.
- Functional speciality reporting - the Group has identified a number of key areas which are subject to regular reporting to the board such as risk management levels pertaining to liquidity risk, market risk, credit risk, data risk and operations risk. The board reviews each of these areas monthly and the risk policies underlying the reports at least annually. In addition to the review of risk management levels and the financial reporting described above other key matters reviewed monthly are the level of arrears on the loan portfolio as well as specific loan performance where deemed applicable.
- Investment appraisal - the Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired.

Comprehensive practices are in place such that workplace health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations.

Formal appraisals are conducted at least annually for all employees. A formal succession plan is in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Assessment of Effectiveness of Risk Management

As the third line of defence, Internal Audit provides an independent review and challenge of IMB's risk management framework and supporting processes and systems to ensure they remain effective.

Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they refer any issues arising from their employment.

Conflict of Interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that an actual or potential significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting while the item is considered. Details of director related entity transactions with the Company and Group are set out in Note 27 to the financial accounts.

Code of Conduct

All directors and staff of IMB are expected to exercise the highest standards of integrity and behaviour in the course of their employment with IMB. The Code of Conduct articulates IMB's values, ethics and philosophy that underpin risk culture, business decision making and behaviour. The Code provides guidelines that outline expected standards of conduct.

Directors are also expected to abide by the Australian Institute of Company Directors Code of Conduct.

Whistleblowing

Under the IMB Whistleblower Policy, staff are encouraged, and have the responsibility to report any known or suspected incidences of improper conduct. Reportable conduct may include suspected breaches of policy or compliance obligations, fraudulent or dishonest behaviour, as well as other types of unethical behaviour or serious improper conduct.

Employees who raise concerns may choose to involve the Whistleblower Protection Officer, who is responsible for protecting the employee or contractor against reprisal as a result of making a report.

Concerns are investigated in a manner that is fair and objective to all people involved. If the investigation shows that wrongdoing has occurred, IMB is committed to changing processes and taking action in relation to employees or contractors who have behaved incorrectly. Outcomes may also involve reporting the matter to relevant authorities and regulators.

Statistics about concerns raised are reported quarterly to both the Board Risk Committee and the Executive Risk Committee.

CORPORATE GOVERNANCE STATEMENT

Dealings in Company Securities by Directors and Selected Officers and their Associates

The board applies the following policy in respect of dealings in securities of the Company by directors, selected officers (being members of the executive group and other person or persons in the employ of the Company nominated by the Chief Executive) and their associates.

- Purchase or sale of IMB Ltd (“Company”) shares is permitted within six weeks after announcements (a “trading window”) subject to prior advice by the Director or Selected Officer to the Company Secretary who will notify the Chairman (or in the case of proposed trade by the Chairman or a related entity of the Chairman, the Chairman of the Audit Committee).
- Purchase or sale of Company shares is permitted outside a trading window only with the prior consent of the board who will examine the transaction (and any information known by the director or officer) prior to giving approval, to ensure that the transaction is not related to inside information, nor could be seen to be related to such information.
- Generally, transactions in Company shares within a period of two months leading up to an announcement will not be approved.

The above guidelines extend to sale and purchase of Company shares by directors and selected officers personally, by directors’ and selected officers’ spouses and dependent children, and by any company in which a director or selected officer holds a majority of the shares. It will also extend to any company in which a director or selected officer is an officer (director, secretary, executive officer or employee), unless effective conflict of interest arrangements are in place. It is the responsibility of each Director and selected officer to avoid or manage a conflict of interest. As guidance, a conflict of this nature may be able to be effectively avoided or managed by:

- the Director or selected officer not being present at any meeting in which the purchase or sale of Company shares is discussed or approved;

- the Director or selected officer not taking part in the company’s decision to buy or sell the Company shares; and
- the Director or selected officer ensuring that they do not pass inside information to those in the company making the decision in relation to the sale or purchase of Company shares.

It is the responsibility of the director or selected officer to ensure the order to purchase or sell expires no more than six weeks after the relevant announcement is made.

The above guidelines also apply to transactions in debentures, stocks, bonds, notes, options and other securities of the Company, but will not apply to any election made to acquire shares or other securities under the terms of any plan for the reinvestment of dividends or the issue of bonus shares in lieu of dividends or the issue of shares under the employee share scheme.

These guidelines do not apply to transfers between a Director or selected officer and their associated entities that do not change the aggregate holding of the parties to the transaction.

Gender Equality Reports

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

Communication with Members

The board provides members with information via its Continuous Disclosure Policy. This policy is in place to:

- identify matters that may have a material effect on the price or value of IMB shares or any quoted and unquoted securities; and
- ensure disclosure of such matters to ASIC or the ASX, in relation to listed debt securities, as the case may be, with subsequent disclosure to IMB members.



In summary, the Company's Continuous Disclosure Policy operates as follows:

- On a weekly basis the Company's Executive Group examines all areas of the Group's internal and external environment to determine whether any "price sensitive" matters exist.
- The Executive Group is responsible for interpreting the Company's Continuous Disclosure Policy, and where necessary, informing the board so that the board can determine if disclosure is necessary. The board will then appoint a representative who is responsible for any necessary communications with the ASX, in relation to listed debt securities, or ASIC and subsequently with members.

The board of directors also aims to ensure that the members are informed of all major developments affecting the Group's state of affairs. Information is communicated to members as follows:

- All disclosures of "price sensitive" information are made via the IMB website, together with media releases, public announcements and other information concerning the Group's operations.
- Public release of performance results, plus declared dividends as soon as available.
- A full copy of the annual report is made available to all members via the Company's website and upon request.
- The annual report is distributed to all members who have elected to receive this document. This document is also available to any other member upon request. The board ensures that the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to the other disclosures required by the Corporations Act 2001.

- The half-yearly report is distributed to all members who have elected to receive this document. This document is also available to any other member upon request. This document contains summarised financial information and a review of the operations of the Group during the period. Half-year financial statements are prepared in accordance with Australian Accounting Standards and relevant legislation and contain an independent review report from the external auditors.
- All of the above information, including that of the previous three years, is made available on the Company's website (imb.com.au).
- Proposed changes to the constitution of the Company are submitted to a vote of members.

The board encourages full participation of members at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategies and goals. To assist members in communicating issues with the board, a question form is issued with the AGM notice and members are invited to submit questions in advance. The most commonly raised issues are addressed at the AGM.

The Members may also be requested to vote on the appointment and aggregate remuneration of directors where required by the constitution. Copies of the constitution are available to any member who requests it.



Finding the right home loan to suit your needs

Garry Patterson - Sydney

Garry Patterson's family built a new home in Sydney's Hills District, financed by a major bank construction loan but when the house was completed in 2014, he wanted a better deal and spoke to IMB Bank about refinancing.

"I wasn't overly happy with the rate I was being offered by a major bank so I decided to look around at what else was on offer. I was referred to IMB and found mobile lender, Ray Salzmann, very knowledgeable and open, their refinancing process very simple and clear and their rates very competitive. Although it takes time to do research, I am very glad I looked elsewhere", Garry said.

He initially refinanced \$670,000 with IMB on a one-year fixed loan term and when that expired in 2015, he took up a three-year fixed loan.

He has now negotiated a further \$75,000 with IMB Bank for an Essentials Home Loan.

The rate the major bank was offering Garry at the time he refinanced was 1% higher than IMB Bank and the change meant he has saved almost \$7000 per annum because he shopped around.

"That is a lot of money in anyone's terms and, if you add up the three-year period of the fixed term, that is more than \$20,000.

"Saving that much money just makes life easier all round", Garry said.



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 2016 and the auditor's report thereon.

Directors

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

Michael John Cole, Chairman

Noel Harold Cornish, appointed Deputy Chairman Oct 2015

Kieran Robert Biddle, Deputy Chairman Oct 2014–Oct 2015

James Randolph Coleman

Robert Hillis Page Elvy

Gai Marie McGrath, appointed 4 May 2016

Jan Margaret Swinhoe

Margaret Elizabeth Towers

All of the directors are independent directors.

The particulars of the qualifications, experience and special responsibilities of each director holding office at any time during the year are set out on pages 14 to 15 of this report.

At the Annual General Meeting of the Company on 25 October 2016, two directors, Mr NH Cornish and Ms GM McGrath, 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 2016.

On 1 August 2015, the Group became a mutual bank and IMB Ltd began trading under the business name IMB Bank.

Operating and Financial Review

Consolidated profit after tax for the year attributable to members was \$29.6 million (2015: \$32.5 million), a decrease of \$2.9 million or 8.9% on 2015. Excluding the sale of the head office premises from the prior year result, Group profit after tax was in line with the prior year.

Total deposits increased to \$4,268 million up by \$230 million or 5.7% on the previous year. Securitised loan funding decreased by \$27 million or 4.9% to \$535 million.

Loan approvals increased by \$162 million or 19.1% to \$1,011 million (2015: \$849 million). This was due to higher residential lending approvals which increased by \$151 million on 2015 levels, and an increase in other lending of \$11 million.

Net interest income for the year was \$103.8 million, up \$5.5 million on the previous year. This increase was predominantly due to an increase in average earning assets.

Impairment losses were \$0.3 million, slightly lower than the previous year.

Non-interest income for the year decreased by \$7.8 million, or 35.5%, to \$14.2 million. Excluding the sale of the head office premises and land development activities from the prior year, non-interest income increased by \$0.1 million on the previous year, mainly due to an increase in commission income.

Non-interest expense for the year increased by \$0.9 million, or 1.2%, to \$75.5 million (2015: \$74.6 million). Excluding land development activities from the prior year, non-interest expenses increased by \$5.8 million or 8.4% on the previous year. This increase was due to an increase in personnel, occupancy, data processing and marketing expenses.

The non-interest expense to operating income ratio increased from 62.2% in 2015 to 64.1% in 2016.

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 \$4,781,000 franked to 100% at a tax rate of 30%, declared on 25 August 2015, in respect of the year ended 30 June 2015, paid on 3 September 2015;
- an interim dividend of \$0.10 per share amounting to \$3,187,000 franked to 100% at a tax rate of 30%, declared on 28 January 2016, in respect of the year ended 30 June 2016, paid on 29 February 2016; and
- a final ordinary dividend of \$0.15 per share amounting to \$4,781,000 franked to 100% at a tax rate of 30%, declared on 24 August 2016, in respect of the year ended 30 June 2016, payable on 2 September 2016.

Total dividends paid or declared in respect of the year ended 30 June 2016 were \$0.25 per share (2015: dividend of \$0.25) amounting to \$7,968,000 (2015: \$8,267,000).

Events Subsequent to Reporting Date

On 1 July 2016, Sutherland Credit Union Limited merged with IMB Ltd. Refer to note 32.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely Developments

Details of likely developments in the operations of the Group in subsequent financial years are disclosed in the Chairman's Letter and Chief Executive's Review of Operations on pages 6 to 11 of the annual report.

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 24 August 2016
Mr MJ Cole	2,000
- related party	336,226
Mr KR Biddle	2,325
- related party	12,878
Mr JR Coleman	2,000
Mr NH Cornish	2,000
Mr RHP Elvy	6,800
Ms GM McGrath	-
Ms JM Swinhoe	2,000
Ms ME Towers	-
- related party	10,000

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 (CONT.)

Directors' and Officers' Indemnification and Insurance

Indemnification

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

Insurance Premium

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

Environmental Regulation

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

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 2016 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 MJ Cole (a)	10	10	2	2	1	1	4	4	2	2	2	2	2	2
Mr KR Biddle	10	10	2	2	1	1	4	4	2	2	2	2	2	2
Mr JR Coleman	9	10	1	2	-	1	3	4	1	2	1	2	1	2
Mr NH Cornish	10	10	2	2	1	1	4	4	2	2	2	2	2	2
Mr RHP Elvy	10	10	2	2	1	1	4	4	2	2	2	2	2	2
Ms GM McGrath	2	2	-	-	-	-	1	1	-	-	-	-	-	-
Ms JM Swinhoe	10	10	2	2	1	1	4	4	2	2	2	2	2	2
Ms ME Towers	10	10	2	2	1	1	4	4	2	2	2	2	2	2

The following table sets out the number of committee meetings of the Company's directors held during the year ended 30 June 2016 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 MJ Cole (a)	4	4	4	4	4	4	2	2	2	2	2	2
Mr KR Biddle	-	-	2*	-	2*	-	2	2	2	2	2	2
Mr JR Coleman	-	-	3	4	3	4	-	-	-	-	-	-
Mr NH Cornish	-	-	4*	-	2*	-	2	2	-	-	2	2
Mr RHP Elvy	-	-	4	4	4	4	-	-	-	-	-	-
Ms GM McGrath	-	-	1*	-	1*	-	-	-	-	-	-	-
Ms JM Swinhoe	-	-	3*	-	4	4	-	-	2	2	-	-
Ms ME Towers	4	4	4	4	4	4	1*	-	1	1	-	-

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.

(a) Mr Cole is an ex-officio member of the Audit Committee, Risk Management Committee and IMB Bank Community Foundation Committee.



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

The lead auditor's independence declaration is set out on page 51 and forms part of the directors' report for the financial year ended 30 June 2016.

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 24th day of August 2016

Signed in accordance with a resolution of the directors:



MJ Cole,
Chairman



RHP Elvy,
Director

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 2016 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 black ink, appearing to read 'KPMG'.

KPMG

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

Warwick Shanks
Partner

Dated at Wollongong this 24th day of August 2016

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 2016

		CONSOLIDATED		COMPANY	
	Note	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Interest revenue	2	223,587	232,289	239,682	249,968
Interest expense	2	(119,756)	(134,006)	(135,893)	(152,394)
Net interest income		103,831	98,283	103,789	97,574
Impairment losses	2	(333)	(366)	(333)	(366)
Net interest income after impairment losses		103,498	97,917	103,456	97,208
Revenue from land development	2	-	4,985	-	-
Fee and commission income	2	13,415	13,318	12,321	12,158
Dividend income	2	-	-	3,234	-
Profit from sale of property, plant and equipment	2	42	2,929	42	2,929
Other income	2	770	758	469	480
Net operating income		117,725	119,907	119,522	112,775
Land development expense	3	-	(4,955)	-	-
Operating expenses	3	(75,503)	(69,658)	(74,355)	(68,482)
Profit before tax		42,222	45,294	45,167	44,293
Income tax expense	4	(12,666)	(12,795)	(12,576)	(12,487)
Profit for the year attributable to members of the Company		29,556	32,499	32,591	31,806

The statements of profit or loss are to be read in conjunction with the notes to the financial statements set out on pages 60 to 109.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Profit for the year	29,556	32,499	32,591	31,806
Other comprehensive (expense)/income				
Items that will never be reclassified to profit or loss				
Remeasurement of defined benefit liability	(570)	551	(570)	551
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of available for sale investments	(2,939)	(994)	(2,939)	(994)
Net change in fair value of cash flow hedges	(40)	(30)	(40)	(30)
Net change in fair value of available for sale investments transferred to profit and loss	(788)	(502)	(788)	(502)
Total items that may be reclassified subsequently to profit or loss	(3,767)	(1,526)	(3,767)	(1,526)
Total other comprehensive (expense)/income for the year, net of income tax	(4,337)	(975)	(4,337)	(975)
Total comprehensive income for the year	25,219	31,524	28,254	30,831

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 60 to 109.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		CONSOLIDATED		COMPANY	
	Note	2016 \$000	2015 \$000	2016 \$000	2015 \$000
ASSETS					
Cash and cash equivalents	26	55,730	44,398	23,900	12,500
Available for sale investments	6	1,031,746	882,351	1,532,462	1,383,059
Loans and receivables to ADIs	7	232,922	280,759	232,922	280,759
Loans and receivables to members	8	3,879,221	3,746,949	3,879,407	3,747,138
Other financial assets	9	505	505	2,264	5,570
Property, plant and equipment	12	8,947	8,545	8,877	8,447
Intangible assets	13	999	1,216	999	1,216
Net deferred tax assets	4	4,238	3,079	4,213	3,765
Other assets	14	9,810	7,361	28,612	24,258
Total assets		5,224,118	4,975,163	5,713,656	5,466,712
LIABILITIES					
Trade and other payables	15	25,190	28,297	13,421	14,832
Deposits	16	4,268,430	4,038,803	4,271,115	4,044,903
Securitised loans funding	17	535,303	562,680	1,035,054	1,062,511
Interest bearing liabilities	18	74,716	44,971	74,716	44,971
Derivative liabilities	11	99	42	99	42
Current tax liabilities	4	2,846	1,487	2,846	1,487
Provisions	19	8,955	7,501	8,899	7,458
Loans and other borrowings	28	-	-	-	3,234
Total liabilities		4,915,539	4,683,781	5,406,150	5,179,438
Net assets		308,579	291,382	307,506	287,274
EQUITY					
Share capital	20	37,460	37,460	37,460	37,460
Reserves		29,017	31,991	29,017	31,991
Retained earnings		242,102	221,931	241,029	217,823
Total equity attributable to members of the Company		308,579	291,382	307,506	287,274

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 60 to 109.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

		CONSOLIDATED		COMPANY	
		2016	2015	2016	2015
	Note	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		223,212	230,968	239,307	248,648
Other cash receipts in the course of operations		18,224	15,357	13,395	13,157
Interest paid on deposits		(121,814)	(133,637)	(137,948)	(152,021)
Income taxes paid		(12,219)	(14,752)	(11,419)	(14,273)
Net loans funded		(132,605)	(48,605)	(132,602)	(44,041)
Net increase in deposits		231,683	282,416	228,268	283,020
Other cash payments in the course of operations		(82,263)	(69,134)	(74,699)	(65,986)
Net cash flows from operating activities	26	124,218	262,613	124,302	268,504
CASH FLOWS FROM INVESTING ACTIVITIES					
(Payments for) available for sale investments		(104,890)	(109,018)	(104,826)	(108,935)
Expenditure on property, plant and equipment, and intangibles		(2,641)	(3,417)	(2,641)	(3,392)
Proceeds from sale of property, plant and equipment	12,13	299	6,509	299	6,490
Net cash flows from investing activities		(107,232)	(105,926)	(107,168)	(105,838)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net repayments from securitised loans funding		(27,377)	(137,962)	(27,457)	(137,971)
Net proceeds from interest bearing liabilities		29,745	51	29,745	51
Own shares acquired		(54)	(16,128)	(54)	(16,128)
Dividends paid	5	(7,968)	(8,716)	(7,968)	(8,716)
Net cash flows from financing activities		(5,654)	(162,755)	(5,734)	(162,764)
Net increase/(decrease) in cash and cash equivalents held		11,332	(6,068)	11,400	(97)
Cash and cash equivalents at the beginning of the year		44,398	50,466	12,500	12,597
Cash and cash equivalents at the end of the year	26	55,730	44,398	23,900	12,500

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out in pages 60 to 109.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED

	Share capital	Available for sale investments revaluation reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Retained earnings	Total equity
In thousands of AUD							
Balance at 1 July 2014	40,989	5,062	-	2,834	25,255	210,562	284,702
Total comprehensive income for the year							
Profit after tax	-	-	-	-	-	32,499	32,499
Other comprehensive income							
Remeasurement of defined benefit liability	-	-	-	-	-	551	551
Net revaluation movement due to change in fair value	-	(994)	(30)	-	-	-	(1,024)
Net change in fair value transferred to profit and loss	-	(502)	-	-	-	-	(502)
Total other comprehensive income	-	(1,496)	(30)	-	-	551	(975)
Total comprehensive income for the year	-	(1,496)	(30)	-	-	33,050	31,524
Transfer from retained profits	-	-	-	366	-	(366)	-
Transactions with owners, recorded in equity							
Dividends to shareholder members	-	-	-	-	-	(8,716)	(8,716)
Own shares acquired	(3,529)	-	-	-	-	(12,599)	(16,128)
Balance at 30 June 2015	37,460	3,566	(30)	3,200	25,255	221,931	291,382
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 and 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

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 60 to 109.

COMPANY

	Share capital	Available for sale investments revaluation reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Retained earnings	Total equity
In thousands of AUD							
Balance at 1 July 2014	40,989	5,062	-	2,834	25,255	207,147	281,287
Total comprehensive income for the year							
Profit after tax	-	-	-	-	-	31,806	31,806
Other comprehensive income							
Remeasurement of defined benefit liability	-	-	-	-	-	551	551
Net revaluation movement due to change in fair value	-	(994)	(30)	-	-	-	(1,024)
Net change in fair value transferred to profit and loss	-	(502)	-	-	-	-	(502)
Total other comprehensive income	-	(1,496)	(30)	-	-	551	(975)
Total comprehensive income for the year	-	(1,496)	(30)	-	-	32,357	30,831
Transfer from retained profits	-	-	-	366	-	(366)	-
Transactions with owners, recorded in equity							
Dividends to shareholder members	-	-	-	-	-	(8,716)	(8,716)
Own shares acquired	(3,529)	-	-	-	-	(12,599)	(16,128)
Balance at 30 June 2015	37,460	3,566	(30)	3,200	25,255	217,823	287,274
Balance at 1 July 2015	37,460	3,566	(30)	3,200	25,255	217,823	287,274
Total comprehensive income for the year	-	-	-	-	-	32,591	32,591
Profit after tax							
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 and 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

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 60 to 109.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 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 which 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 24 August 2016.

(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 (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 (SPEs)

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

Group

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

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

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

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

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

Company

Interest rate risk from the SPEs is transferred back to the Company by way of interest rate and basis swaps. Accordingly, under AASB 139, the original sale of the mortgages from the Company to the SPEs does not meet the de-recognition criteria set out in AASB 139. The Company continues to reflect the securitised loans in their entirety and also recognises a financial liability to the SPEs. The interest payable on the inter-company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

1 Significant accounting policies (cont.)

(f) Non-derivative financial assets

The Group initially recognises loans and receivables 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 receivables and available for sale investments.

(i) Loans and receivables

Loans and receivables 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.

(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 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

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

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the cash flow 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 hedged 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

1 Significant accounting policies (cont.)

(ii) Loan impairment

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

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

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

(iii) Non-financial assets

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

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

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

(k) Deposits and interest expense

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

(l) Income tax

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

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

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

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

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

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 which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/ (from) the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-company receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-company receivables/(payables) are at call. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities. The head entity in conjunction with other members of the tax consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(m) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

1 Significant accounting policies (cont.)

(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 and 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 plan 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 have ceased to be accrued from 28 September 2004 for all directors, with the retirement benefits accrued up to that date being fully provided for and the Group has no obligation to increase the provision. The balance of the provision will be utilised as the relevant current directors retire from service.

(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.

(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 which 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 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments

AASB 9 published in November 2014, replaces the existing guidance in AASB 39 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 is assessing the potential impact on its consolidated financial statements resulting from the implementation of AASB 9.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
2 Operating income				
Interest revenue				
Loans				
- to members	182,500	192,814	182,459	192,213
- consolidated entities, key management personnel, and related entities	65	103	106	103
- ADIs	9,229	9,337	9,229	9,337
Available for sale investments	31,793	30,035	47,888	48,315
	223,587	232,289	239,682	249,968
Interest expense				
Deposits				
- from members	97,815	108,139	97,815	108,139
- consolidated entities	-	-	16,137	18,388
- subordinated debt	3,012	3,101	3,012	3,101
Securitised loans funding	18,927	22,762	18,927	22,762
Other interest expense	2	4	2	4
	119,756	134,006	135,893	152,394
Net interest income	103,831	98,283	103,789	97,574
Impairment losses				
Impairment of loans and receivables to members	333	366	333	366
Net interest income after impairment losses	103,498	97,917	103,456	97,208
Revenue from land development	-	4,985	-	-
Fees and commission income				
Loan switch and breakout fees	470	477	470	477
Transaction fees	6,611	6,896	6,611	6,896
Payment system fees	1,977	1,864	1,977	1,864
Financial planning revenue	1,094	1,160	-	-
Commissions	3,263	2,921	3,263	2,921
	13,415	13,318	12,321	12,158
Dividend income	-	-	3,234	-
Profit from sale of property, plant and equipment				
Profit from sale of property	-	2,875	-	2,875
Profit from sale of plant and equipment	42	54	42	54
	42	2,929	42	2,929
Other income				
Impairment losses recovered	204	152	204	152
Rental income	151	146	151	146
Other	415	460	114	182
	770	758	469	480
Net operating income	117,725	119,907	119,522	112,775

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
3 Operating expenses				
Personnel expense				
Salaries	35,386	33,355	35,150	32,687
Payroll tax	2,082	1,913	2,041	1,871
Fringe benefits tax	600	500	573	475
Superannuation	4,473	3,786	3,960	3,726
	42,541	39,554	41,724	38,759
Occupancy expense				
Repairs and maintenance	463	530	463	530
Rental on operating leases	6,599	6,046	6,566	6,013
Other	1,807	1,925	1,757	1,867
	8,869	8,501	8,786	8,410
Payment system expense	2,918	2,608	2,918	2,608
Marketing expense	5,618	5,513	5,609	5,505
Data processing expense	3,516	2,682	3,485	2,652
Postage and printing expense	2,044	1,533	2,028	1,518
Contributions to IMB Bank Community Foundation	500	500	500	500
Goods and services tax not recovered	2,413	2,200	2,413	2,200
Sundry expenses				
Depreciation and amortisation				
- plant and equipment	1,544	1,573	1,517	1,544
- buildings	65	120	65	120
- intangibles	507	375	507	375
Legal and consulting	1,332	1,153	1,319	1,131
Loss from sale of property, plant and equipment	83	13	83	13
Merger costs	92	-	92	-
Other	3,461	3,333	3,309	3,147
	7,084	6,567	6,892	6,330
Total operating expenses	75,503	69,658	74,355	68,482
Land development expense	-	4,955	-	-
Total non-interest expense	75,503	74,613	74,355	68,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
4 Taxation				
a) Income tax expense				
Current tax expense				
- current year	11,964	13,271	11,166	12,556
- adjustment for prior years	3	5	-	5
	11,967	13,276	11,166	12,561
Deferred tax expense				
- origination and reversal of temporary differences	699	(481)	1,410	(74)
Total income tax expense	12,666	12,795	12,576	12,487
Reconciliation between income tax expense and profit before tax				
Profit before tax	42,222	45,294	45,167	44,293
Prima facie income tax expense at 30% on operating profit	12,667	13,588	13,550	13,288
Increase in income tax expense due to:				
- income tax under provided for in prior year	3	-	-	-
- depreciation of buildings	19	36	19	36
- non-deductible entertainment	40	34	40	34
- other	-	62	-	54
Decrease in income tax expense due to:				
- non-assessable inter-company dividend	-	-	(970)	-
- non-assessable profit on building sale	-	(862)	-	(862)
- other deductible expenses	(63)	(63)	(63)	(63)
Income tax expense	12,666	12,795	12,576	12,487
Income tax recognised directly in other comprehensive income				
Relating to defined benefit fund	(244)	236	(244)	236
Relating to available for sale investments	(1,597)	(641)	(1,597)	(641)
Relating to cashflow hedges	(17)	(13)	(17)	(13)
	(1,858)	(418)	(1,858)	(418)

b) Current tax liabilities

The current tax liability for the Group of \$2,846,000 (2015: \$1,487,000) and for the Company of \$2,846,000 (2015: \$1,487,000) 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.

CONSOLIDATED
COMPANY
2016
2015
2016
2015
4 Taxation (continued)
\$000
\$000
\$000
\$000
Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Provisions and accrued expenses	2,080	2,975	2,072	3,674
Employee benefits	2,289	1,850	2,272	1,837
Available for sale investments	68	(1,529)	68	(1,529)
Derivative liabilities	30	13	30	13
Unearned income	6	31	6	31
Consulting and legal fees	17	-	17	-
Property, plant and equipment	33	15	33	15
Deferred lending fees	2	(15)	2	(15)
Total deferred tax assets	4,525	3,340	4,500	4,026
Deferred expenditure	(287)	(261)	(287)	(261)
Total deferred tax liabilities	(287)	(261)	(287)	(261)
Net deferred tax assets	4,238	3,079	4,213	3,765

5 Dividends
**Cents per
Share**
**Total amount
\$000**
% Franked
**Date of
payment**

Dividends recognised in current year by the Company are:

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		

2015

2015 interim dividend	10.0	3,486	100%	27-Feb-15
2014 final dividend	15.0	5,230	100%	4-Sep-14
		8,716		

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

Subsequent events

On 24 August 2016, the Board declared a final ordinary dividend of 15.0 cents per share amounting to \$4,781,000 franked at 100% at a tax rate of 30%, in respect of the year ended 30 June 2016. The dividend is payable on 2 September 2016. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 30 June 2016 and will be recognised in subsequent financial statements. The declaration and subsequent payment of dividends has no income tax consequences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

	COMPANY	
	2016	2015
5 Dividends (continued)	\$000	\$000

Dividend franking account

30% franking credits available to members of the Company for dividends in subsequent financial years	106,338	96,494
--	---------	--------

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 (2015: \$nil) franking credits.

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
6 Available for sale investments	\$000	\$000	\$000	\$000
Available for sale investments *				
- certificates of deposit issued by banks	99,699	69,730	99,699	69,730
- floating rate notes**	932,047	812,621	1,432,763	1,313,329
Total investments	1,031,746	882,351	1,532,462	1,383,059

* 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 (2015: \$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.

	2016	2015	2016	2015
7 Loans and receivables to ADIs	\$000	\$000	\$000	\$000
Loans to Authorised Deposit-taking Institutions ("ADIs")	232,922	280,759	232,922	280,759
Total loans and receivables to ADIs	232,922	280,759	232,922	280,759

LOANS BY MATURITY

- up to three months	193,632	148,144	193,632	148,144
- from three to six months	12,990	23,042	12,990	23,042
- from six to nine months	25,293	84,422	25,293	84,422
- from nine to twelve months	-	24,648	-	24,648
- from one to five years	1,007	503	1,007	503
Total loans and receivables to ADIs	232,922	280,759	232,922	280,759

		CONSOLIDATED		COMPANY	
		2016	2015	2016	2015
8 Loans and receivables to members	Note	\$000	\$000	\$000	\$000
Loans to					
- members *		3,881,869	3,751,919	3,881,869	3,752,019
- consolidated entities, key management personnel and related entities	27,28	1,425	1,294	1,611	3,803
Provision for impairment	10	(4,073)	(6,264)	(4,073)	(8,684)
Total loans net of provision for impairment		3,879,221	3,746,949	3,879,407	3,747,138

LOANS BY MATURITY

Loans maturing					
- revolving credit		6,214	9,142	6,214	11,012
- up to three months		25,219	23,434	25,219	23,534
- from three to six months		25,532	23,900	25,532	23,900
- from six to nine months		26,188	24,468	26,188	24,468
- from nine to twelve months		26,459	24,570	26,459	24,570
- from one to five years		425,603	396,941	425,789	397,127
- over five years		3,348,079	3,250,758	3,348,079	3,251,211
Provision for impairment	10	(4,073)	(6,264)	(4,073)	(8,684)
Total loans net of provision for impairment		3,879,221	3,746,949	3,879,407	3,747,138

* Includes \$983,963,000 of securitised residential loans and \$52,049,000 of securitised commercial loans (2015: \$966,654,000 of securitised residential loans and \$96,729,000 of securitised commercial loans).

		2016	2015	2016	2015
9 Other financial assets		\$000	\$000	\$000	\$000
Other equity investments – at cost*		505	505	505	505
Investments in controlled entities		-	-	1,759	5,065
Total other financial assets		505	505	2,264	5,570

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
10 Provision for impairment of loans and receivables to members	\$000	\$000	\$000	\$000
Specific provision				
Opening balance	2,478	2,670	4,898	5,090
Additions to specific provision	151	5	151	5
Loans written off, previously provided for	(1,954)	-	(4,374)	-
Reversal of provision	(388)	(197)	(388)	(197)
Closing balance	287	2,478	287	4,898
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	4,073	6,264	4,073	8,684
Impairment of loans and receivables to members				
Movement in specific provision	(237)	(192)	(237)	(192)
Impairment losses written off directly	570	558	570	558
	333	366	333	366

* 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 receivables is disclosed in note 30.

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
11 Derivative liabilities				
Interest rate swaps at fair value	99	42	99	42
12 Property, plant and equipment				
Freehold land				
- at cost	2,315	2,315	2,315	2,315
Freehold buildings				
- at cost	2,604	2,592	2,604	2,592
- accumulated depreciation	(1,102)	(1,036)	(1,102)	(1,036)
	1,502	1,556	1,502	1,556
Total land and buildings	3,817	3,871	3,817	3,871
Plant and equipment				
- at cost	29,707	29,779	29,548	29,577
- accumulated depreciation	(25,777)	(25,374)	(25,688)	(25,270)
Total plant and equipment	3,930	4,405	3,860	4,307
Work in progress – at cost	1,200	269	1,200	269
Total property, plant and equipment – at cost	35,826	34,955	35,667	34,753
Total accumulated depreciation	(26,879)	(26,410)	(26,790)	(26,306)
Total property, plant and equipment – carrying amount	8,947	8,545	8,877	8,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
12 Property, plant and equipment (continued)	\$000	\$000	\$000	\$000
Reconciliations				
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at the beginning of the year	2,315	3,165	2,315	3,165
Sales proceeds	-	(1,705)	-	(1,705)
Profit on disposal	-	855	-	855
Carrying amount at the end of the year	2,315	2,315	2,315	2,315
Buildings				
Carrying amount at the beginning of the year	1,556	3,683	1,556	3,683
Additions	11	-	11	-
Sales proceeds	-	(4,027)	-	(4,027)
Profit on disposal	-	2,020	-	2,020
Depreciation	(65)	(120)	(65)	(120)
Carrying amount at the end of the year	1,502	1,556	1,502	1,556
Plant and equipment				
Carrying amount at the beginning of the year	4,405	4,277	4,307	4,158
Additions	726	498	726	471
Transfers from work in progress	643	1,980	643	1,980
Disposals	(299)	(777)	(299)	(758)
Depreciation	(1,545)	(1,573)	(1,517)	(1,544)
Carrying amount at the end of the year	3,930	4,405	3,860	4,307
Work in progress				
Carrying amount at the beginning of the year	269	644	269	644
Additions	1,574	1,605	1,574	1,605
Transfers to plant and equipment	(643)	(1,980)	(643)	(1,980)
Carrying amount at the end of the year	1,200	269	1,200	269

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
13 Intangible assets				
Intangible computer software				
- at cost	9,379	9,438	9,379	9,438
- accumulated amortisation	(8,380)	(8,222)	(8,380)	(8,222)
Total intangible computer software	999	1,216	999	1,216
Reconciliation				
Intangible computer software				
Carrying amount at the beginning of the year	1,216	236	1,216	236
Additions	290	1,355	290	1,355
Amortisation	(507)	(375)	(507)	(375)
Carrying amount at the end of the year	999	1,216	999	1,216
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
14 Other assets				
Sundry debtors	9,810	7,361	28,612	24,258
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
15 Trade and other payables				
Trade creditors	13,478	14,995	13,421	14,832
Distributions payable by Special Purpose Entities	11,422	13,038	-	-
Fees payable by Special Purpose Entities	290	264	-	-
Total trade and other payables	25,190	28,297	13,421	14,832

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
16 Deposits				
Retail deposits	3,166,700	2,958,810	3,169,385	2,961,431
Middle markets	591,321	725,760	591,321	729,239
Wholesale deposits	491,808	333,576	491,808	333,576
Accrued interest	18,601	20,657	18,601	20,657
Total deposits	4,268,430	4,038,803	4,271,115	4,044,903

CONCENTRATION OF DEPOSITS

New South Wales	3,478,844	3,337,369	3,481,529	3,343,469
Australian Capital Territory	165,409	162,841	165,409	162,841
Queensland	122,491	128,154	122,491	128,154
South Australia	90,262	25,180	90,262	25,180
Victoria	301,641	289,343	301,641	289,343
Western Australia	63,687	52,072	63,687	52,072
Tasmania	6,887	7,230	6,887	7,230
Northern Territory	39,209	36,614	39,209	36,614
Total deposits	4,268,430	4,038,803	4,271,115	4,044,903

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

17 Securitised loans funding

Notes payable	535,303	562,680	-	-
Loans from securitisation trusts*	-	-	1,035,054	1,062,511
Total securitised loans funding	535,303	562,680	1,035,054	1,062,511

* Includes \$500,000,000 (2015: \$500,000,000) in bonds issued by the Illawarra Series IS Trust. Refer note 25.

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

CONSOLIDATED

COMPANY

		2016 \$000	2015 \$000	2016 \$000	2015 \$000
18 Interest bearing liabilities	Note				
Subordinated floating rate notes	1s				
- Series 1		15,000	14,996	15,000	14,996
- Series 2		29,993	29,975	29,993	29,975
- Series 3		29,723	-	29,723	-
Total interest bearing liabilities		74,716	44,971	74,716	44,971

Series 1 was issued for a ten-year period maturing 2021 with an option to redeem at par after five years, subject to Australian Prudential Regulation Authority (APRA) approval. Interest is paid quarterly in arrears based on the 90-day Bank Bill Rate plus a margin of 400 basis points (2015: 400 basis points). Series 2 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 90-day Bank Bill Rate plus a margin of 425 basis points (2015: 425 basis points). 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 90-day Bank Bill Rate plus a margin of 375 basis points.

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.

19 Provisions

Make good provision					
Balance at the beginning of the year		462	467	462	467
Provisions used during the year		(12)	(5)	(12)	(5)
Balance at the end of the year		450	462	450	462
Employee benefits					
Balance at the beginning of the year		7,039	7,382	6,996	7,333
Provisions made during the year		4,648	3,503	4,591	3,454
Provisions used during the year		(3,182)	(3,846)	(3,138)	(3,791)
Balance at the end of the year	21	8,505	7,039	8,449	6,996
Total provisions		8,955	7,501	8,899	7,458

20 Share capital and reserves

Share capital – Ordinary shares					
On issue at 1 July (31,873,148 ordinary shares)		37,460	40,989	37,460	40,989
Own shares acquired (2,990,647 ordinary shares)		-	(3,529)	-	(3,529)
On issue at 30 June (31,873,148 ordinary shares)		37,460	37,460	37,460	37,460

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

20 Share capital and reserves (continued)

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.

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
21 Employee benefits				
Current				
Liability for annual leave	3,042	2,842	3,005	2,813
Liability for banked time	3	3	3	3
Liability for long service leave	3,647	3,264	3,647	3,264
Liability for purchased annual leave	54	43	54	42
Liability for directors' retirement benefits	39	-	39	-
	6,785	6,152	6,748	6,122
Non Current				
Present value of defined benefit fund obligations	9,170	8,431	9,170	8,431
Fair value of defined benefit fund assets	(8,428)	(8,508)	(8,428)	(8,508)
Present value of net obligations	742	(77)	742	(77)
Unrecognised actuarial losses	-	-	-	-
Net defined benefit (asset)/ liability	742	(77)	742	(77)
Liability for long-service leave	978	925	959	912
Liability for directors' retirement benefits	-	39	-	39
	1,720	887	1,701	874
Total employee benefits	8,505	7,039	8,449	6,996

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 percent of their salary during each financial year. The plan provides defined benefits on retirement based on years of service and the final average salary. In accordance with Superannuation Industry (Supervision) Regulations - Reg 9.04D, due to the membership of the fund being less than fifty on 12 May 2004, no new members have been accepted to the plan since that date. There are currently 10 members (2015: 11) in the plan. An actuarial assessment of the plan at 30 June 2016 was carried out by Ms S Sweeney FIAA on 11 July 2016.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$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	77	(679)	77	(679)
Total remeasurement recognised in other comprehensive income (loss)/gain	(815)	787	(815)	787
Contributions received from employer	443	440	443	440
Defined benefit cost recognised in the profit and loss	(447)	(471)	(447)	(471)
Net defined benefit (liability)/asset at the end of the year	(742)	77	(742)	77
Movement in the present value of the defined benefit obligations are as follows:				
Defined benefit obligation at the beginning of the year	8,431	7,866	8,431	7,866
Current service cost	366	360	366	360
Past service cost	-	-	-	-
Interest cost	361	303	361	303
Actuarial (gains)/losses arising from:				
- demographic assumptions	12	-	12	-
- financial assumptions	609	(272)	609	(272)
- experience adjustment	(205)	139	(205)	139
Contributions by employees	109	105	109	105
Benefits paid	(452)	-	(452)	-
Other	(61)	(70)	(61)	(70)
Defined benefit obligation at the end of the year	9,170	8,431	9,170	8,431
Movement in the present value of fund assets are as follows:				
Fair value of fund assets at the beginning of the year	8,508	7,187	8,508	7,187
Interest income on plan assets	379	288	379	288
Remeasurements: return on plan assets	(398)	655	(398)	655
Contributions by employer	443	440	443	440
Contributions by employees	109	105	109	105
Benefits paid	(452)	-	(452)	-
Taxes paid	(66)	(79)	(66)	(79)
Administrative expenses and insurance premiums	(95)	(88)	(95)	(88)
Fund assets at the end of the year	8,428	8,508	8,428	8,508

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:

	2016 \$000	2015 \$000
Cash and cash equivalents		
- Cash	396	423
Equity		
- Domestic	2,595	2,495
- International (currency hedged)	775	784
- International (currency unhedged)	1,804	1,850
Fixed income		
- Domestic	801	839
- International	801	841
Real estate/property		
- Domestic indirect property	253	252
- International property	261	253
Other		
- Alternate growth	329	430
- Alternate defensive	413	341
Total	8,428	8,508

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	
	2016 %	2015 %	2016 %	2015 %
Discount rate at 30 June	3.3	4.4	3.3	4.4
Expected return on fund assets at 30 June	3.3	4.4	3.3	4.4
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

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	2016		2015	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(556)	614	(504)	558
Future salary growth (1% movement)	447	(416)	467	(432)

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	441
Expected employee contributions	106

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.

	2016	2015
Projected benefit payments (defined benefit only)	\$000	\$000
Next year	930	342
Next year + 1 year	526	804
Next year + 2 years	665	447
Next year + 3 years	873	578
Next year + 4 years	1,186	725
Sum of next year + 5 – 9 years	5,415	3,588

Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was \$3,066,000 for the financial year (2015: \$2,827,000).

CONSOLIDATED**COMPANY****2016****2015****2016****2015****22 Capital and other commitments****\$000****\$000****\$000****\$000**

Loan commitments approved but not advanced

- not later than one year

335,515

346,646

335,515

346,646

- later than one year

10,926

12,485

10,926

12,485

Total**346,441**

359,131

346,441

359,131

Capital expenditure commitments not taken up in the financial statements

- not later than one year

2,261

882

2,261

882

Non cancellable operating lease rentals payable

- not later than one year

6,408

6,316

6,408

6,316

- later than one year but not later than five years

8,680

8,864

8,680

8,864

- later than five years

-

-

-

-

Total**15,088**

15,180

15,088

15,180

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.

23 Financing arrangements

Bank overdraft available

2,500

2,500

2,500

2,500

Bank overdraft utilised

-

-

-

-

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 8.42% (2015: 8.48%).

24 Contingent liabilities

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

Contingent liabilities considered remote**Guarantees given by IMB Ltd***Business Banking clients*

Contingent liabilities include guarantees of \$4,502,000 (2015: \$6,354,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

25 Consolidated entities

Parent entity

IMB Ltd

		Ownership Interest	
		2016	2015
Subsidiaries	Principal Activity	%	%
IMB Funeral Fund Management Pty Ltd	Trustee	100.0	100.0
ACN 003 207 841 Pty Ltd	Dormant	100.0	100.0
ACN 132 157 192 Pty Ltd	Dormant	100.0	100.0
IMB Bank 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 2007-1 CMBS 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 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.

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
26 Notes to the statements of cash flows	\$000	\$000	\$000	\$000

RECONCILIATION OF CASH

Cash and cash equivalents at the end of the year as shown in the statements of cash flows is reconciled to the related item in the balance sheets:

Cash controlled by the Group	23,900	12,500	23,900	12,500
Cash controlled by SPEs	31,830	31,898	-	-
Total	55,730	44,398	23,900	12,500

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	29,556	32,499	32,591	31,806
Net loss/(gain) on sale of property, plant and equipment	41	(2,916)	41	(2,916)
Impairment of loans and receivables to members	333	366	333	366
Depreciation of property, plant and equipment, and amortisation of intangibles	2,116	2,068	2,089	2,039
Operating profit before changes in assets and liabilities	32,046	32,017	35,054	31,295
Changes in assets and liabilities:				
(Increase) in accrued interest on investments	(375)	(1,322)	(375)	(1,319)
(Increase) in loans and receivables	(132,605)	(48,605)	(132,602)	(44,041)
Decrease in inventories	-	4,137	-	-
(Increase)/Decrease in sundry debtors	(2,449)	1,885	(4,354)	1,343
(Increase)/Decrease in net deferred tax asset	(668)	(663)	43	(492)
(Decrease)/Increase in accrued interest on members' deposits	(2,056)	373	(2,056)	373
(Decrease) in trade and other payables	(3,107)	(6,769)	(1,411)	(825)
Increase in deposits	231,683	282,415	228,268	283,019
Increase in provision for employee benefits	647	208	633	214
Increase/(Decrease) in provision for income tax	1,114	(1,058)	1,114	(1,058)
(Decrease) in other provisions	(12)	(5)	(12)	(5)
Net cash flows from operating activities	124,218	262,613	124,302	268,504

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

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 MJ Cole (Chairman)
Mr NH Cornish (Deputy Chairman)
Mr KR Biddle
Mr JR Coleman
Mr RHP Elvy
Ms GM McGrath (appointed May 2016)
Ms ME Towers
Ms JM Swinhoe

Executives

Mr RJ Ryan (Chief Executive Officer)
Mr M Brannon (General Manager, Members)
Mr N Campbell (Chief Risk Officer)
Mr CJ Goodwin (Chief Financial Officer)
Ms LB Wise (General Manager, Corporate Services and Company Secretary)
Mr CE Newham (General Manager, Sales, resigned November 2015)

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
The key management personnel compensation included in "personnel expense" (see note 3) is as follows:				
Short-term employee benefits	3,406,315	3,208,697	3,406,315	3,208,697
Post-employment benefits	331,819	358,200	331,819	358,200
Other long-term benefits	71,376	60,154	71,376	60,154
Total	3,809,510	3,627,051	3,809,510	3,627,051

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 \$654,851 (2015: \$638,252).

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 2016	1,294,329	2,586,551	61,913	5
Total for key management personnel and their related parties 2015	1,474,670	1,743,385	60,453	4

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.

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 2016	133,445	252,062	-	385,507	11
Total for key management personnel and their related parties 2015	57,086	215,578	114,414	158,250	11

No shares were granted to key management personnel during the year as compensation (2015: 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. Two 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 \$46,603 (2015: \$68,978).

Mr MJ Cole had a performance guarantee from the Company. The Company held real estate as security against the performance guarantee. Fees paid during the year were \$7,250 (2015: \$14,500).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

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 provided by the Company to subsidiaries under the agreement is:

	2016	2015
	\$000	\$000
ACN 003 207 841 Pty Ltd	(444)	(1,171)
ACN 132 157 192 Pty Ltd	(43)	(43)
IMB Securitisation Services Pty Ltd	63	247
IMB Financial Planning Pty Limited	13	168
	(411)	(799)

ACN 132 157 192 Pty Ltd

ACN 132 157 192 Pty Ltd, a controlled entity has deposits with the Company amounting to \$50,000 (2015: \$61,000). These amounts are received on normal commercial terms and conditions.

IMB Securitisation Services Pty Ltd

IMB Securitisation Services Pty Ltd, a controlled entity has deposits with the Company amounting to \$1,989,000 (2015: \$2,031,000). These amounts are received on normal commercial terms and conditions.

IMB Financial Planning Limited

IMB Financial Planning Limited has related party transactions with the Company. Deposits with the Company by IMB Financial Planning Limited amount to \$657,000 (2015: \$4,020,000). These amounts are received on normal commercial terms and conditions. The Company also had borrowings from IMB Financial Planning Limited associated with the remaining equity purchase on 29 June 2012 of \$nil (2015: \$3,234,000).

During the year the Company approved the reduction in the share capital of IMB Financial Planning Limited by an amount of \$3,306,000 (2015: \$ nil) and the intercompany loan owing to the Company was eliminated through the payment of a dividend of \$3,234,000 (2015: \$nil) by IMB Financial Planning Limited.

During the year the Company provided accounting services to IMB Financial Planning Limited. In return for these services, IMB Financial Planning Limited has paid the Company fees amounting to \$8,000 (2015: \$8,000). The Company also provides premises for IMB Financial Planning Limited. The Company has received \$33,000 (2015: \$33,000) in rent from IMB Financial Planning Limited. These tenancies are subject to operating leases under normal commercial terms and conditions. The Company also provided computer maintenance services at a cost of \$8,000 (2015: \$8,000) to IMB Financial Planning Limited during the year.

As at the reporting date a net receivable of \$133,000 (2015: \$59,000) was due from IMB Financial Planning Limited.

28 Other related party disclosures (continued)

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, while 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.

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 Company and the Trusts during the year is as follows:

	2016	2015
	\$000	\$000
Proceeds from securitisation of loans	230,518	102,813
Servicing fees received	2,619	2,444
Management fees received	314	293
Excess income received	10,825	11,019
Note interest received	16,095	18,281
Other	242	742

29 Segment reporting

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

30 Risk management and financial instruments

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

Credit Risk
Liquidity Risk
Market Risk
Operational Risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

30 Risk management and financial instruments (continued)

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 which is responsible for managing liquidity and market risk, and the Credit Committee which is responsible for credit approvals which fall outside individual delegated authorities.

Credit risk

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

Management of credit risk

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

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

Treasury is responsible for managing IMB's liquidity investments including making investments, ensuring investment policies are adhered to and ensuring compliance with investment guidelines. These include limiting concentrations of exposures to duration, asset class and counterparties. IMB's Accounting Department is responsible for reviewing 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 & receivables to Members		Loans & receivables to ADIs		Available for sale investments		Cash and cash equivalents	
	Note	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Carrying Amount	6,7,8,26	3,879,221	3,746,949	232,922	280,759	1,031,746	882,351	55,730	44,398
<i>Individually impaired</i>									
Gross amount		811	6,302	-	-	-	-	-	-
Provision for impairment		(287)	(2,478)	-	-	-	-	-	-
Carrying amount	10	524	3,824	-	-	-	-	-	-
<i>Past due but not impaired</i>									
Days in arrears:									
Less than one month		57,865	81,479	-	-	-	-	-	-
Greater than one month and less than two months		2,262	4,624	-	-	-	-	-	-
Greater than two months and less than three months		1,538	3,663	-	-	-	-	-	-
Greater than three months		4,368	1,914	-	-	-	-	-	-
Carrying amount		66,033	91,680	-	-	-	-	-	-
<i>Neither past due nor impaired</i>									
Secured by mortgage		3,741,529	3,583,516	-	-	-	-	-	-
Government securities		-	-	-	-	-	-	-	-
Investment grade		-	-	190,455	265,427	1,031,746	882,351	55,730	44,398
Unrated		-	-	42,467	15,332	-	-	-	-
Other		73,974	71,192	-	-	-	-	-	-
Net deferred income & expense		947	523	-	-	-	-	-	-
Carrying amount		3,816,450	3,655,231	232,922	280,759	1,031,746	882,351	55,730	44,398
Collective impairment provision	10	(3,786)	(3,786)	-	-	-	-	-	-
Total carrying amount	6,7,8,26	3,879,221	3,746,949	232,922	280,759	1,031,746	882,351	55,730	44,398
Includes restructured loans		1,019	1,339	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

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 & receivables to Members		Loans & receivables to ADIs		Available for sale investments		Cash and cash equivalents	
	Note	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Carrying Amount	6,7,8,26	3,879,407	3,747,138	232,922	280,759	1,532,462	1,383,059	23,900	12,500
<i>Individually impaired</i>									
Gross amount		811	8,172	-	-	-	-	-	-
Provision for impairment	10	(287)	(4,898)	-	-	-	-	-	-
Carrying amount		524	3,274	-	-	-	-	-	-
<i>Past due but not impaired</i>									
Days in arrears:									
Less than one month		57,865	81,479	-	-	-	-	-	-
Greater than one month and less than two months		2,262	4,624	-	-	-	-	-	-
Greater than two months and less than three months		1,538	3,663	-	-	-	-	-	-
Greater than three months		4,368	1,914	-	-	-	-	-	-
Carrying amount		66,033	91,680	-	-	-	-	-	-
<i>Neither past due nor impaired</i>									
Secured by mortgage		3,741,715	3,584,255	-	-	-	-	-	-
Government securities		-	-	-	-	-	-	-	-
Investment grade		-	-	190,455	265,427	1,532,462	1,383,059	23,900	12,500
Unrated		-	-	42,467	15,332	-	-	-	-
Other		73,974	71,192	-	-	-	-	-	-
Net deferred income & expense		947	523	-	-	-	-	-	-
Carrying amount		3,816,636	3,655,970	232,922	280,759	1,532,462	1,383,059	23,900	12,500
Collective impairment provision	10	(3,786)	(3,786)	-	-	-	-	-	-
Total carrying amount	6,7,8,26	3,879,407	3,747,138	232,922	280,759	1,532,462	1,383,059	23,900	12,500
Includes restructured loans		1,019	1,339	-	-	-	-	-	-

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 (2015: \$nil).

IMB issues guarantees to business banking clients with a maximum credit exposure of \$4,502,000 (2015: \$6,354,000). Refer Note 24 for more details.

30 Risk management and financial instruments (continued)

Impaired loans and securities

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

Past due loans but not impaired loans

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

Restructured loans

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

Allowance for impairment

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

Write off policy

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

Collateral and other credit enhancements

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

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

	Loans and receivables to members			
	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
<i>Against individually impaired</i>				
Property value	578	3,847	578	3,847
<i>Against past due but not impaired</i>				
Property value	79,101	104,246	79,101	104,246
Other	1,325	1,299	1,325	1,299
Total	81,004	109,392	81,004	109,392

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 \$1,350,000 (2015: \$1,040,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

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 & receivables to Members		Loans & receivables to ADIs		Available for sale investments		Cash and cash equivalents	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
CONSOLIDATED								
Carrying amount	3,879,221	3,746,949	232,922	280,759	1,031,746	882,351	55,730	44,398
Concentration by location								
New South Wales	3,032,097	2,912,956	224,614	267,445	851,816	701,551	54,856	43,581
Australian Capital Territory	502,757	470,578	1,265	3,302	-	-	739	670
Queensland	89,657	97,544	-	-	84,898	100,429	-	-
Victoria	190,054	192,664	5,040	10,012	60,144	50,488	135	147
Western Australia	43,835	52,014	-	-	24,912	9,958	-	-
South Australia	6,827	7,087	-	-	4,988	14,942	-	-
Tasmania	18,067	20,370	2,003	-	4,988	4,983	-	-
Overseas	-	-	-	-	-	-	-	-
Provision for impairment	(4,073)	(6,264)	-	-	-	-	-	-
Total loans net of provision for impairment and deferred income and expenses	3,879,221	3,746,949	232,922	280,759	1,031,746	882,351	55,730	44,398
COMPANY								
Carrying amount	3,879,407	3,747,138	232,922	280,759	1,532,462	1,383,059	23,900	12,500
Concentration by location								
New South Wales	3,032,283	2,915,465	224,614	267,445	1,352,532	1,202,259	23,026	11,683
Australian Capital Territory	502,757	470,678	1,265	3,302	-	-	739	670
Queensland	89,657	97,544	-	-	84,898	100,429	-	-
Victoria	190,054	192,664	5,040	10,012	60,144	50,488	135	147
Western Australia	43,835	52,014	-	-	24,912	9,958	-	-
South Australia	6,827	7,087	-	-	4,988	14,942	-	-
Tasmania	18,067	20,370	2,003	-	4,988	4,983	-	-
Overseas	-	-	-	-	-	-	-	-
Provision for impairment	(4,073)	(8,684)	-	-	-	-	-	-
Total loans net of provision for impairment and deferred income and expenses	3,879,407	3,747,138	232,922	280,759	1,532,462	1,383,059	23,900	12,500

Concentration by location for loans and receivables to members 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 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 receives information from the Group's business units regarding the cash flow profile of their current financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of liquid investments, largely made up of high quality liquid assets (HQLA) and liquid investment securities to ensure that sufficient liquidity is maintained. 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 liquidity and funding position is monitored daily and regular liquidity stress testing is conducted under a variety of cash flow scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee (ALCO). Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to the ALCO.

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 payable on demand. The short-term nature of these deposits increases the Group's liquidity risk and the Group actively manages this risk through maintaining competitive pricing and constant monitoring of market trends. In addition, various funding and liquidity risk ratios are used to ensure the Group have a well-diversified funding base in terms of products, maturity terms, funding segment (i.e. wholesale and retail member funding) so as to avoid large concentrations that increases funding liquidity risk. This is monitored weekly by the ALCO.

The Group also utilises a number of other contingent funding sources. This includes a securitisation warehouse facility with Westpac up to a limit of \$300 million (2015: \$150 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 2016 was \$245.6 million (2015: \$4.2 million). No internal securitisation securities were subjected under repurchase agreement for the period to 30 June 2016.

Exposure to liquidity risk

The 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 purposes. Details of the reported Group HQLA ratio and ratio of total liquid assets to total adjusted liabilities at the reporting date were as follows:

Liquidity ratios	2016	2015
At 30 June	%	%
APRA High Quality Liquid Assets	23.99	21.00
Total liquidity	28.41	27.43

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

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	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
CONSOLIDATED						
Financial Liabilities						
Deposits	1,963,258	1,635,217	1,476,018	1,547,430	777,651	784,023
Trade and other payables	-	-	25,190	28,295	-	-
Securitised loans funding *	-	-	81,650	38,120	132,921	101,450
Subordinated debt	-	-	1,133	715	3,351	2,131
Bank overdraft	-	-	-	-	-	-
Total financial liabilities	1,963,258	1,635,217	1,583,991	1,614,560	913,923	887,604
COMPANY						
Financial Liabilities						
Deposits	1,965,943	1,638,338	1,476,018	1,550,408	777,651	784,023
Trade and other payables	-	-	13,421	14,832	-	-
Securitised loans funding *	-	-	85,451	42,128	144,201	113,474
Subordinated debt	-	-	1,133	715	3,351	2,131
Bank overdraft	-	-	-	-	-	-
Total financial liabilities	1,965,943	1,638,338	1,576,023	1,608,083	925,203	899,628
Consolidated and Company						
Derivative financial instruments						
Interest rate swaps (hedging relationship) net **	-	-	4	5	13	15
Unrecognised loan commitments	-	-	172,773	186,732	-	-
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 **	-	-	4	5	13	15

* 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	
2016	2015	2016	2015	2016	2015	2016	2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
91,824	110,834	133	12	4,308,884	4,077,516	4,268,430	4,038,803
-	-	-	-	25,190	28,295	25,190	28,295
229,466	313,834	137,248	167,958	581,285	621,362	535,303	562,680
17,988	11,462	89,683	49,987	112,155	64,295	74,716	44,971
-	-	-	-	-	-	-	-
339,278	436,130	227,064	217,957	5,027,514	4,791,468	4,903,639	4,674,749
91,824	110,834	133	12	4,311,569	4,083,615	4,271,115	4,044,903
-	-	-	-	13,421	14,832	13,421	14,832
289,834	377,961	636,998	667,790	1,156,484	1,201,353	1,035,054	1,062,511
17,988	11,462	89,683	49,987	112,155	64,295	74,716	44,971
-	-	-	-	-	-	-	-
399,646	500,257	726,814	717,789	5,593,629	5,364,095	5,394,306	5,167,217
31	36	-	-	49	56	99	42
-	-	-	-	172,773	186,832	-	-
30	34	-	-	47	54	99	42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

30 Risk management and financial instruments (continued)

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

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

Market Risk

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

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

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

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

Management of Interest Rate Risk in the Banking Book

The Group measure and manage IRRBB from two perspectives: firstly, from an earnings perspective quantified in terms of potential changes to its net interest income (NII) as reported in the income statement; and secondly from an economic value 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 while managing the risk within levels which 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 Board Risk Committee) 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 net interest income and economic value perspective. A primary and secondary metric to which Board limits are calibrated are used to make hedging decisions, supported by a range of additional risk metrics and analyses.

Net Interest Income Sensitivity

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

30 Risk management and financial instruments (continued)

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

A summary of the Earnings risk as measured by NII-Sensitivity expressed as a percentage of capital, as at 30 June 2016 follows:

Earnings Risk (Net Interest Income Simulation - 100 bps Movement)	2016	2015
	%	%
At 30 June	(3.11)	(2.29)
Average EaR for the period	(2.79)	(1.89)
Minimum EaR for the period	(2.30)	(1.55)
Maximum EaR for the period	(3.11)	(2.29)

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 economic value of equity (EVE) is quantified using a historical simulation approach known as HS-VaR. The change in the EVE over a 20-day period is analysed using the past 2-years of actual changes in interest rates. The risk is derived at a 99% confidence level. The HS-VaR is an estimate based upon a 99 percent confidence level that the loss in value of the balance sheet due to interest rate risk over a 20-day period, will not be exceeded.

Managing IRRBB exposure from a EVE perspective is further supported with sensitivity and scenario-based stress testing. This includes stressed HS-VaR which applies a 1-year holding period and 6-years of interest rate data (consistent with the soundness standard embedded within the APS117 IRRBB regulatory capital requirements to which the major banks' capital adequacy requirements are subjected).

A summary of the Historical Simulation VaR position of the Group's banking book, expressed as a percentage of capital, as at 30 June 2016 and during the year is as follows:

VaR (Historical Simulation Method)	2016	2015
	%	%
At 30 June	1.23	0.44
Average VaR for the period	0.89	0.39
Minimum VaR for the period	0.48	0.29
Maximum VaR for the period	1.30	0.52

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

30 Risk management and financial instruments (continued)

Exposure to other market risks

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

Operational risk

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

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.

30 Risk management and financial instruments (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

30 Risk management and financial instruments (continued)

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.

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

30 June 2015	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	882,351	-	882,351	-	882,351
		<u>882,351</u>				
Financial assets not measured at fair value						
Cash and cash equivalents	26	44,398				
Loans to other ADIs	7	280,759				
Loans and receivables to members	8	3,746,949	-	3,761,313	-	3,761,313
Equity investments held at cost	9	505				
Trade and other receivables	14	7,361				
		<u>4,079,972</u>				
Financial liabilities measured at fair value						
Derivative financial liabilities held for risk management	11	42	-	42	-	42
		<u>42</u>				
Financial liabilities not measured at fair value						
Deposits	16	4,038,803	-	4,045,801	-	4,045,801
Securitised loan funding	17	562,680				
Loan capital	18	44,971				
Trade and other payables	15	28,297				
		<u>4,674,751</u>				

Valuation techniques

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

30 Risk management and financial instruments (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on current market rates at the reporting date which incorporate an appropriate credit spread, and were as follows:

	2016	2015
Derivatives	1.83% - 1.99%	2.11% - 2.77%
Loans and borrowings	1.75% - 1.99%	2.00% - 2.77%

Capital management - regulatory capital

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

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

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

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

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

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

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

Capital allocation

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

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

30 Risk management and financial instruments (continued)

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

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Tier 1 capital				
Ordinary share capital	37,460	37,460	37,460	37,460
General reserves	25,255	25,255	25,255	25,255
Asset revaluation reserves	1,772	7,161	1,772	7,161
Retained earnings	219,155	195,791	215,047	192,376
Current year earnings	17,313	21,044	20,348	20,350
(Less) Capitalised expenses	(3,188)	(2,638)	(3,188)	(2,638)
(Less) Other	(5,876)	(3,819)	(5,855)	(4,508)
Total	291,891	280,254	290,839	275,456
Tier 2 capital				
General reserve for credit loss	6,566	6,504	6,566	6,504
Subordinated debt	57,000	31,500	57,000	31,500
Total	63,566	38,004	63,566	38,004
Total regulatory capital	355,457	318,258	354,405	313,460
Capital requirements (in terms of risk weighted assets) for:				
Credit risk	1,804,423	1,773,972	1,805,954	1,783,581
Operational risk	293,307	283,899	283,275	270,774
Total risk weighted assets	2,097,730	2,057,871	2,089,229	2,054,355
Capital ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	16.9%	15.5%	17.0%	15.3%
Total Tier 1 capital expressed as a percentage of risk weighted assets	13.9%	13.6%	13.9%	13.4%

	CONSOLIDATED		COMPANY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
31 Remuneration of Auditors				
Amounts received or due and receivable by KPMG for:				
Audit and review of financial statements	356	356	288	279
Other services				
- other assurance services	81	50	58	39
- taxation services	13	16	13	15
- advisory services	136	86	136	73
	586	508	495	406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2016

32 Business Combinations

Sutherland Credit Union Limited

On 1 July 2016, Sutherland Credit Union Limited merged with IMB Ltd by way of a voluntary Transfer of Business pursuant to the Financial Sector (Business Transfer and Group Restructure) Act of 1999 (Cth). Regulatory approval was obtained from the Australian Prudential Regulation Authority ("APRA") for the merger on 6 June 2016. 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 Sutherland Credit Union Limited on 12 May 2016. The transaction is effective from 1 July 2016 with the transfer of the Sutherland Credit Union Limited assets and liabilities to IMB Ltd being legally undertaken on that date.

Each member of Sutherland Credit Union will become a Guarantee member of IMB Ltd on 1 July 2016 unless the member is already a member of IMB Ltd. Each member share in Sutherland Credit Union will be redeemed and cancelled, and the amount paid on their member share repaid.

a) Identifiable assets and liabilities assumed

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

	Recognised values on merger	Pre-merger carrying amount
	1 July 2016	30 June 2016
	\$000	\$000
ASSETS		
Cash and cash equivalents	4,810	4,810
Liquid investments	35,763	35,694
Receivables	294	294
Loans	173,026	172,943
Other assets	1,641	1,641
Total assets	215,534	215,382
LIABILITIES		
Deposits from members	195,988	195,882
Creditors	747	747
Subordinated debt	1,985	1,985
Other liabilities	2,627	2,627
Total liabilities	201,347	201,241
Fair value of identifiable net assets attributable to Sutherland Credit Union Limited	14,187	14,141

32 Business Combinations (continued)

The fair values currently determined are subject to further review during the twelve month period following the merger and may alter from the carrying values of the assets and liabilities currently disclosed at 30 June 2016. SCU's business has been assessed for identifiable Intangible Assets and their values are not material.

b) Contingent liabilities

There are no other contingent liabilities other than potential staff redundancy liabilities that may arise.

c) Separately recognised transactions

The Company incurred merger related costs of \$92,000 in relation to external consultancy, legal fees and due diligence costs. These costs have been disclosed in Note 3, and are included under "Operating Expenses" in the statement of profit and loss.

d) Contributions to combined result

As the transfer was effective on 1 July 2016 there were no amounts of revenue or profit and loss included in the consolidated statement of comprehensive income of the Company for the reporting period.

33 Events subsequent to reporting date

Dividends

For dividends declared by IMB Ltd after 30 June 2016 refer to note 5.

Merger with Sutherland Credit Union

On 1 July 2016 Sutherland Credit Union Limited merged with IMB Ltd. Refer to note 32.

DIRECTORS' DECLARATION

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

(a) the financial statements and notes, set out on pages 54 to 109, 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 2016 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 24th day of August 2016.

Signed in accordance with a resolution of the directors:



MJ Cole
Chairman



RHP Elvy
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMB LTD



Report on the financial report

We have audited the accompanying financial report of IMB Ltd (the Company), which comprises the statements of financial position as at 30 June 2016, statements of profit or loss, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial reports

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of IMB Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Group also comply with International Financial Reporting Standards as disclosed in note 1.

KPMG

Warwick Shanks
Partner

Dated at Wollongong, this 24th day of August 2016.
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.

LOCATIONS

IMB 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

Fairy Meadow

2/84 Princes Highway,
FAIRY MEADOW NSW 2519

Figtree

Shop 32 & 33 Westfield Shopping Town,
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

Merimbula

Cnr Merimbula Drive & Market Street,
MERIMBULA NSW 2548

Miranda

Shop G105 Westfield Miranda, 105 Kiora Road,
MIRANDA NSW 2228

Moruya

55 Vulcan Street,
MORUYA NSW 2537

Narellan

Shop 310/326
Camden Valley Way,
NARELLAN NSW 2567

Narooma

127 Wagonga Street,
NAROOMA NSW 2546

Nowra

86 Kinghorn Street,
NOWRA NSW 2541

Oran Park

Shop 4C, Oran Park Town Centre,
351 Oran Park Drive,
ORAN PARK. NSW 2570

Parramatta

Shop1, 207 Church Street,
PARRAMATTA NSW 2150

Penrith

25 Riley Street,
PENRITH NSW 2750

Picton

Shop 1A, 148 Argyle Street,
PICTON NSW 2571

Queanbeyan

Shop 7 Riverside Plaza Monaro Street,
QUEANBEYAN NSW 2620

Stockland Shellharbour

Shop 46, Stockland Shopping Centre,
SHELLHARBOUR NSW 2529

Sylvania

Shop 47, Southgate Shopping Centre, Cnr 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

Shop 114 Westfield Shopping Town,
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,
GUNGALIN ACT 2912

Tuggeranong

Lvl 1 Shop 175-177 Cnr Anketell St 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

Financial Planning

IMB Financial Planning
Level 1, 205 Crown Street
WOLLONGONG NSW 2500

The Shire... Local Banking Branches

Cronulla

100 Cronulla Street,
CRONULLA NSW 2230

Engadine

Cnr Old Princes Highway & Station Street
ENGADINE NSW 2233

Miranda

The Kiora Centre, 29 Kiora Road
MIRANDA NSW 2228

Sutherland

740 Princes Highway,
SUTHERLAND NSW 2232

Members' Diary and other information

Payment of final dividend 2 September 2016
Annual General Meeting 25 October 2016 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, 25 October 2016 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 License 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

Regulatory 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.

