

IMB INTERIM FINANCIAL REPORT

31 December 2006



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STATISTICAL HIGHLIGHTS

IMB's half-yearly net profit of \$9.5 million is a record for the first half year, an increase of 10.6% on the same period last year. Home loan approvals were up 11.9% on the same period last year.

An increase in assets of more than 10% compared to December 2005 and a focus on continued growth and Member-focused performance have contributed to IMB's total assets, which now exceed \$4.4 billion.

		CONSOLIDATED	
AT 31 DECEMBER		2006	2005
Net assets/total assets	%	3.8	3.9
Risk weighted capital adequacy	%	11.0	10.8
Liquid assets/total liabilities	%	15.2	15.3
Non interest expenses/operating income	%	68.7	70.1
Shares on issue	000	39,912	39,912
Net tangible assets per share*	\$	4.25	3.96
for the half-year ended 31 December			
Total loans approved	\$m	524	522
- of which residential	\$m	432	386
Annualised after tax return on			
- average total assets	%	0.4	0.4
- average net assets	%	11.6	11.0
Earnings per share	cents	23.7	21.4
Interim dividend per share**	cents	8.0	7.5
Dividend cover	times	3.0	2.9
Highest share price	\$	3.25	3.20
Lowest share price	\$	2.98	3.00
Average share price	\$	3.08	3.09
Last sale price	\$	3.15	3.10
Shares traded	000	933.3	994.7
Turnover	%	2.3	2.5

* Under the Company's constitution, depositors have an equity interest in the net assets of the consolidated entity upon its winding up. Therefore, in the event of winding up, the amount attributable to shareholders would be reduced by an amount equal to the equity interest of depositors at that time.

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

CHAIRMAN'S REVIEW

PERFORMANCE

I am pleased to report to Members on a successful half-year, with the group's net profit after tax reaching \$9.5 million, representing a 10.6% improvement on the previous corresponding period.

The solid result was achieved in a flat housing market, further exacerbated by the very competitive banking environment which in turn maintains downward pressures on interest margins.

STRATEGIC

IMB continues to focus strategic initiatives on product and service quality and diversity, on growth through geographic expansion and on increasing business levels with existing Members. During the half-year we continued our branch expansion strategy in Melbourne with a new branch opened at Glen Waverley. We continue to seek suitable sites in specific areas of Sydney and ACT. We are confident the capital investment required to support these initiatives will favourably enhance profits in the mid to longer term.

IMB's second consecutive award as Building Society of the Year (Money Magazine Consumer Finance Awards) is seen as demonstrative of the quality of IMB's products, performance and importantly its people. These qualities have been further recognised in the period under review with IMB's short term investment grade rating being upgraded to A2 by Standard & Poors. In the same release, Standard & Poors announced that IMB's long term investment grade rating of BBB is under positive outlook. Also, during

the period we completed a fourth \$500 million residential mortgage backed securities offer in the Australian bond market to both domestic and overseas investors.

The Board continues to address capital management strategies and policies through regular modelling around available options. The issue of preference shares has been a matter on the board's agenda for some time, but until the need for additional capital becomes evident the matter will remain under review.

DIVIDEND

After taking into consideration the current performance, the future capital needs of the group and the long-standing practice of taking a conservative approach at the half-year, the Board has declared a fully franked interim dividend of eight cents per share, an increase of 6.7% over last year's interim dividend. This dividend is payable after close of business on 27 February, 2007 to shareholders as at that date.

LENDING

Loan approvals for the period totalled \$524 million, \$2 million (0.4%) above the previous corresponding period and the total loans to members at December 31, 2006 increased by \$135 million (4.1%) to \$3.4 billion compared to June 30, 2006.

This level of lending achieved together with the growth in the investment portfolio resulted in the group total assets increasing by \$230 million (5.4%) compared to 30 June, 2006 and by \$410 million (10.12%) for the 2006 calendar year.

DEVELOPMENTS

The major focus during the coming period is on increasing market share in a crowded competitive lending market. This will include increasing efforts to build more business amongst existing members, further geographical expansion, careful product diversification and continuous improvement in service standards and operating efficiencies.

OUTLOOK

The Board and management are positive about the period ahead notwithstanding mixed economic signals and diverse opinions from expert commentators. In spite of the increases in official interest rates in 2006 and concerns regarding the New South Wales economy we expect lending approvals will continue to improve over the next six months, albeit at a reduced rate.

Your Board remains confident that the combination of flexible business channels, an even greater emphasis on personal service and new initiatives, together with the much valued and appreciated energy and commitment of our excellent staff will enable IMB to grow profits and improve service benefits to the advantage of all Members.



LR Fredericks
Chairman

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the consolidated interim financial report for the six months ended 31 December 2006 and the review report thereon.

DIRECTORS

The directors of the Company at any time during or since the six months ended 31 December 2006 are:

NAME	PERIOD OF DIRECTORSHIP
Lindsay Russell Fredericks, Chairman	Director since 1990, appointed Chairman 2004
Michael John Cole	Director since 2003
George Anthony Edgar	Director since 2000
Lynette Therese Gearing	Director since 2003
Harold Hanson AM	Director since 1990
Lynton Patrick Nicholas	Director since 2004
Vivien Jennifer Twyford	Director since 1990

REVIEW OF OPERATIONS

Members and shareholders are referred to the Chairman's Review.

INTERIM DIVIDEND

Members and shareholders are referred to the Chairman's Review.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001


The lead auditor's independence declaration is set out on page 12 and forms part of the directors' report for the six months ended 31 December 2006.

ROUNDING OFF

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated July 10, 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Wollongong this thirtieth day of January 2007.

Signed in accordance with a resolution of the directors:



LR Fredericks
Chairman



MJ Cole
Director

INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	CONSOLIDATED	
	31 DEC 2006 \$000	31 DEC 2005 \$000
Interest revenue	150,944	129,121
Interest expense	(115,431)	(95,833)
Net interest income	35,513	33,288
Bad and doubtful debts expense	(496)	(794)
Net interest income after bad and doubtful debts	35,017	32,494
Revenue from land development	–	130
Share of profits of joint venture entity	86	84
Other income	7,824	7,602
Net income	42,927	40,310
Land development expense	–	(103)
Other expenses	(29,477)	(28,144)
Profit before tax	13,450	12,063
Income tax expense	(3,986)	(3,508)
Profit for the period	9,464	8,555
	₹	₹
Basic and diluted earnings per share	23.7	21.4

The interim income statement is to be read in conjunction with the condensed notes set out on pages 8 to 9.

INTERIM BALANCE SHEET

AS AT 31 DECEMBER 2006

	CONSOLIDATED	
	31 DEC 2006 \$000	30 JUN 2006 \$000
ASSETS		
Cash and cash equivalents	63,502	60,743
Available for sale investments	652,449	575,336
Loans and receivables	3,710,878	3,561,083
Equity accounted investments	1,572	1,486
Other financial assets	876	957
Derivative asset	2,122	1,291
Inventories	3,187	3,009
Property, plant and equipment	17,776	18,395
Intangibles	2,509	3,044
Other assets	2,923	2,397
Total Assets	4,457,794	4,227,741
LIABILITIES		
Sundry creditors	50,914	46,749
Deposits	2,718,128	2,652,087
Securitised loans funding	1,499,843	1,346,436
Interest bearing liabilities	10,000	10,000
Current tax liabilities	1,733	1,079
Provisions	5,809	5,506
Net deferred tax liabilities	1,578	1,297
Total Liabilities	4,288,005	4,063,154
Net Assets	169,789	164,587
EQUITY		
Issued capital	46,936	46,936
Reserves	27,367	26,488
Retained profits	95,486	91,163
Total Equity	169,789	164,587

The interim balance sheet is to be read in conjunction with the condensed notes set out on pages 8 to 9.

INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

		CONSOLIDATED	
	NOTE	31 DEC 2006 \$000	31 DEC 2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		150,306	127,790
Dividends received		60	11
Other cash receipts in the course of operations		7,289	6,188
Interest paid on deposits		(113,643)	(93,653)
Net increase in deposits		64,252	64,288
Income taxes paid		(3,362)	(4,437)
Net loans funded		(131,360)	(392,255)
Other cash payments in the course of operations		(22,961)	(21,275)
Net cash flows from operating activities		(49,419)	(313,343)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments for)/ Redemptions of available for sale investments		(98,002)	50,713
Expenditure on property, plant and equipment		(1,281)	(1,268)
Proceeds from sale of property, plant and equipment		242	76
Net cash flows from investing activities		(99,041)	49,521
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from securitised loans funding	6	156,208	278,013
Dividends paid	5	(4,989)	(4,590)
Net cash flows from financing activities		151,219	273,423
Net increase in cash held		2,759	9,601
Cash at the beginning of the financial period		60,743	34,226
Cash at the end of the financial period	7	63,502	43,827

The interim statement of cash flows is to be read in conjunction with the condensed notes set out on pages 8 to 9.

INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

ATTRIBUTABLE TO MEMBERS OF THE COMPANY								
IN THOUSANDS OF AUD	ISSUED CAPITAL	AVAILABLE FOR SALE REVALUATION RESERVE	HEDGING RESERVE	EQUITY INVESTMENTS REVALUATION RESERVE	GENERAL RESERVE FOR CREDIT LOSSES	GENERAL RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 July 2005	46,936	–	–	–	–	25,255	82,346	154,537
Effect of change in accounting policy relating to adoption of AASB 132 and AASB 139	–	59	(365)	418	432	–	(1,228)	(684)
Balance at 1 July 2005 restated	46,936	59	(365)	418	432	25,255	81,118	153,853
Revaluation movement	–	241	215	–	–	–	–	456
Total recognised income and expense	–	–	–	–	–	–	8,555	8,555
Dividends to shareholders	–	–	–	–	–	–	(4,590)	(4,590)
Balance at 31 December 2005	46,936	300	(150)	418	432	25,255	85,083	158,274
Balance at 1 July 2006	46,936	(428)	902	317	442	25,255	91,163	164,587
Revaluation movement	–	201	583	(57)	152	–	(152)	727
Total recognised income and expense	–	–	–	–	–	–	9,464	9,464
Dividends to shareholders	–	–	–	–	–	–	(4,989)	(4,989)
Balance at 31 December 2006	46,936	(227)	1,485	260	594	25,255	95,486	169,789

Amounts are stated net of tax

The interim statement of changes in equity is to be read in conjunction with the condensed notes set out on pages 8 to 9.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

1 REPORTING ENTITY

IMB Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available upon request from the Company's registered office at 253-259 Crown Street, Wollongong or at www.imb.com.au.

2 STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reports* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

This consolidated interim financial report was approved by the board of directors on 30 January 2007.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

In the prior financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* in accordance with the transitional rules of AASB 1. This change has been accounted for by adjusting the opening balance of retained earnings and reserves at 1 July 2005 as disclosed in the Interim Statement of Changes in Equity.

4 ESTIMATES

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

In preparing the consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2006.

5 DIVIDENDS

	DEC 2006 \$000	DEC 2005 \$000
Fully franked final dividend declared on 2 August 2005		
- \$0.115 per share franked to 100% at a tax rate of 30% paid on 30 August 2005 on 39,911,640 shares	-	4,590
Fully franked final dividend declared on 1 August 2006		
- \$0.12 per share franked to 100% at a tax rate of 30% paid on 30 August 2006 on 39,911,640 shares	4,789	-
Fully franked special dividend declared on 1 August 2006		
- \$0.005 per share franked to 100% at a tax rate of 30% paid on 30 August 2006 on 39,911,640 shares	200	-
	4,989	4,590

SUBSEQUENT EVENTS:

On 30 January 2007, the Board declared an interim dividend of 8 cents per share amounting to \$3,193,000 franked to 100% at a tax rate of 30%, in respect to the six months ended 31 December 2006. The dividend is payable on 27 February 2007. The financial effect of this interim dividend has not been brought to account in the consolidated entity's financial report for the six months ended 31 December 2006 and will be recognised in the subsequent financial report.

6 NOTES PAYABLE

As part of the consolidated entity's securitisation activities, notes are issued in the capital markets by each special purpose entity ("SPE") to fund the purchase of loan assets from the Company. These SPE's form part of the consolidated entity.

Net proceeds from the issue of note liabilities	368,980	440,812
Repayments of note principal	(212,772)	(162,799)
Net proceeds from securitised loans funding	156,208	278,013

7 NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF CASH

Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash assets	63,502	50,698
Secured bank overdraft	-	(6,871)
	63,502	43,827

8 CHANGE IN THE COMPOSITION OF THE CONSOLIDATED ENTITY

ILLAWARRA SERIES 2006-1 RMBS TRUST

On 19 August 2006 a subsidiary of the Company, IMB Securitisation Services Pty Ltd, established the Illawarra Series 2006-1 RMBS Trust and paid an amount of \$200 to constitute the trust. The purpose of establishing this entity was to raise funds to allow the securitisation of residential mortgage loans. In September 2006 the entity issued \$500,000,000 of Residential Mortgage Backed Securities in the Australian bond market.

9 SEGMENT REPORTING

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

10 RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2006 annual financial report.

DIRECTORS' DECLARATION

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

1. the financial statements and notes set out on pages 3 to 9, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this thirtieth day of January 2007.

Signed in accordance with a resolution of the directors:



LR Fredericks
Chairman



MJ Cole
Director

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

SCOPE

We have reviewed the accompanying interim financial report of IMB Ltd which comprises the consolidated interim balance sheet as at 31 December 2006, income statement, statement of cash flows and statement of changes in equity for the six months ended on that date, a description of accounting policies, other explanatory notes and the directors' declaration as set out on pages 4 to 10 of the consolidated entity comprising the Company and the entities it controlled at the period end or from time to time during the period.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As auditor of IMB Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

CONCLUSION

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.



KPMG



Warwick Shanks
Partner

Wollongong, 30 January 2007

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

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 31 December 2006 there have been:

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



KPMG



Warwick Shanks
Partner

Wollongong, 30 January 2007

DIRECTORS' PARTICULARS

LINDSAY RUSSELL FREDERICKS

FPNA FAICD FAIM

Mr Fredericks has been a director since 1990, and was elected Chairman in 2004. He is Chairman of the Nominations and Governance, and Remuneration and CEO Evaluation Committees, a member of the Audit and Risk Management Committee and ex-officio member of the IMB Community Foundation Committee. As well as being Chairman of IMB Ltd, Mr Fredericks is also Chairman of all entities wholly owned by IMB Ltd, except for IMB Land Pty Ltd, of which Mr Fredericks is not a director.

MICHAEL JOHN COLE

BEC (SYD) MEC (SYD) F.FIN

Mr Cole has been a director since 2003. He is Chairman of the Audit and Risk Management Committee, and a member of the Remuneration and CEO Evaluation Committee. As well as being a director of IMB Ltd, Mr Cole is also a director of all entities wholly owned by IMB Ltd.

GEORGE ANTHONY EDGAR

BSC (TECH MET)

Mr Edgar has been a director since 2000. He is a member of the Remuneration and CEO Evaluation Committee, and the Nominations and Governance Committee. As well as being a director of IMB Ltd, Mr Edgar is also a director of all entities wholly owned by IMB Ltd.

LYNETTE THERESE GEARING

B.COMM DIP VALUATIONS CERT BUS.STUDIES (REAL ESTATE) FASFA

Ms Gearing has been a director since 2003. She is a member of the Audit and Risk Management Committee, the Land Development Committee, and the Nominations and Governance Committee. As well as being a director of IMB Ltd, Ms Gearing is also a director of all entities wholly owned by IMB Ltd, and is Chairperson of IMB Land Pty Ltd.

HAROLD HANSON AM

DIP.LAW (SYDNEY)

Mr Hanson has been a director since 1990. He is a member of the Land Development Committee, the Nominations and Governance Committee, the Audit and Risk Management Committee and the IMB Community Foundation Committee. As well as being a director of IMB Ltd, Mr Hanson is also a director of all entities wholly owned by IMB Ltd.

LYNTON PATRICK NICHOLAS

FCPA FCIS

Mr Nicholas has been a director since 2004. He is a member of the Audit and Risk Management Committee, the Land Development Committee, and the IMB Community Foundation Committee. As well as being a director of IMB Ltd, Mr Nicholas is also a director of all entities wholly owned by IMB Ltd.

VIVIAN JENNIFER TWYFORD

BA GRAD DIP COM (MGMT)

Ms Twyford has been a director since 1990 and is Chairperson of the IMB Community Foundation Committee, and a member of the Remuneration and CEO Evaluation Committee. As well as being a director of IMB Ltd, Ms Twyford is also a director of all entities wholly owned by IMB Ltd.



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