

Supporting our members' financial goals for 135 years



## ANNUAL REPORT 2015



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 135 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.

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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 away at our locally based call centre.

IMB is regulated by the Australian Prudential Regulation Authority, the Australian Securities and Investment Commission, and is a member of the Customer Owned Banking Association, an independent organisation representing mutual banks, building societies and credit unions. We have around 180,000 members and total assets of more than \$4.9 billion.

We're also supporting your community. The IMB Community Foundation was established in 1999 and since that time has provided \$7.6 million to support more than 500 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 27 October 2015 at 10.00am.



Crown Street in the 1960s with IMB offices in the centre.

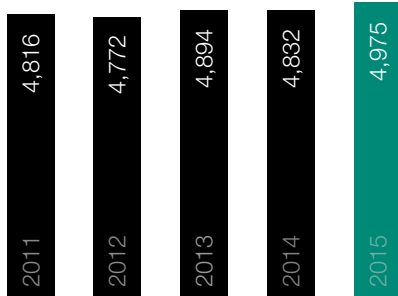


## 2015 HIGHLIGHTS

- We began trading under the business name 'IMB Bank' from 1st August 2015. This evolution is a reflection of IMB's strength and security, and supports IMB's strategy of continued growth.
- We increased our number of 5 star rated home loan products during the year. We were awarded a 5 star rating from independent reviewer Canstar for the IMB Budget Home Loan, IMB Essentials Home Loan, 1 and 2 year standard Fixed Rate Home Loans, as well as 1-3 year fixed and variable home loans in the IMB Platinum Package. We also achieved a Canstar 5 star rating for the IMB New Car Loan and IMB's Business Cash Management Account.
- We received two Experts Choice Home Loan Awards from Mozo this year, including the 'Best Value Full Feature Home Loan' for the IMB Essentials Home Loan, and 'Best Value Fixed Rate Home Loans' for our Platinum Package fixed loans (1-3 year terms).
- We opened our Oran Park branch, the fifth branch in the Macarthur region. The Oran Park branch has a fresh and innovative layout, without traditional tellers, and a Community Group Meeting Room that can be used by local residents and community groups free-of-charge.
- We continued our investment in the digital environment with a focused online strategy increasing IMB's footprint beyond the traditional branch network. The digital strategy also supports IMB's desire to continue to grow younger members and allow current members to transact and interact with IMB across a variety of channels.
- We launched our new look IMB website. The improved website design is easier and more convenient to use and was designed to deliver a better member experience. We also launched a webchat solution offering a new way to communicate to both our existing and prospective members in a simple and effective 'online' manner.
- We released a new Mobile Banking App for Android and iOS (i-phone) smartphones. The new app has a host of new features to make it quicker and easier for members to manage their everyday banking from wherever they are.
- We launched our PL Apply system that provides members with the opportunity to receive a conditional personal loan approval within minutes without the need to visit an IMB branch.
- We refreshed the IMB brand presence with new advertising and creative, distinctly differentiating IMB from other banks and financial institutions. In addition, we continued our branch refurbishment program, updating a number of branches to meet the changing needs of IMB members and to create more engaging environments.
- We welcomed six new financial services trainees to a new career at IMB. Over the past 10 years we have recruited 78 trainees under the Traineeship Program, with 95% of those trainees taking up permanent roles when they completed their 12-month course.
- We maintained our commitment to supporting local communities. Since its inception the IMB Community Foundation has granted \$7.6 million to support over 500 projects with a diverse range of themes and purposes throughout our local communities.
- We successfully completed our third off-market share buyback which saw 2.99 million shares bought back through the voluntary share tender mechanism. We have now bought back 8 million shares over the off-market buybacks and the Board remains committed to future buybacks which continue to strengthen our mutual structure.

## TOTAL ASSETS

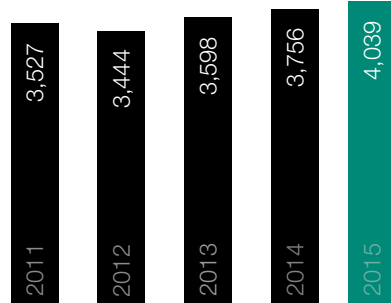
\$ MILLION



3.0% INCREASE

## MEMBERS' DEPOSITS

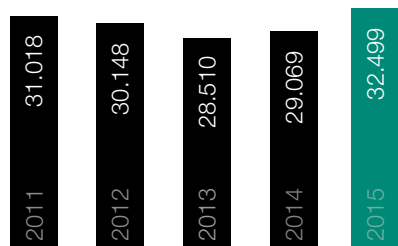
\$ MILLION



7.5% INCREASE

## PROFIT AFTER TAX

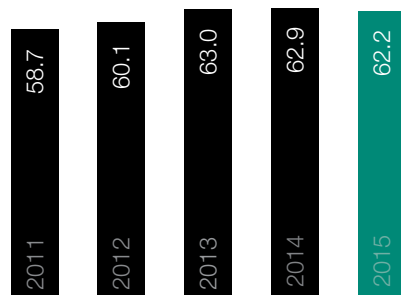
\$ MILLION



11.8% INCREASE

## EFFICIENCY RATIO

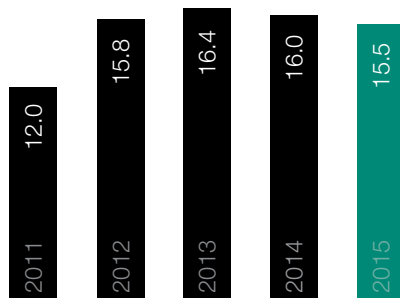
%



0.7% IMPROVEMENT

## CAPITAL RATIO

%



0.5% DECREASE

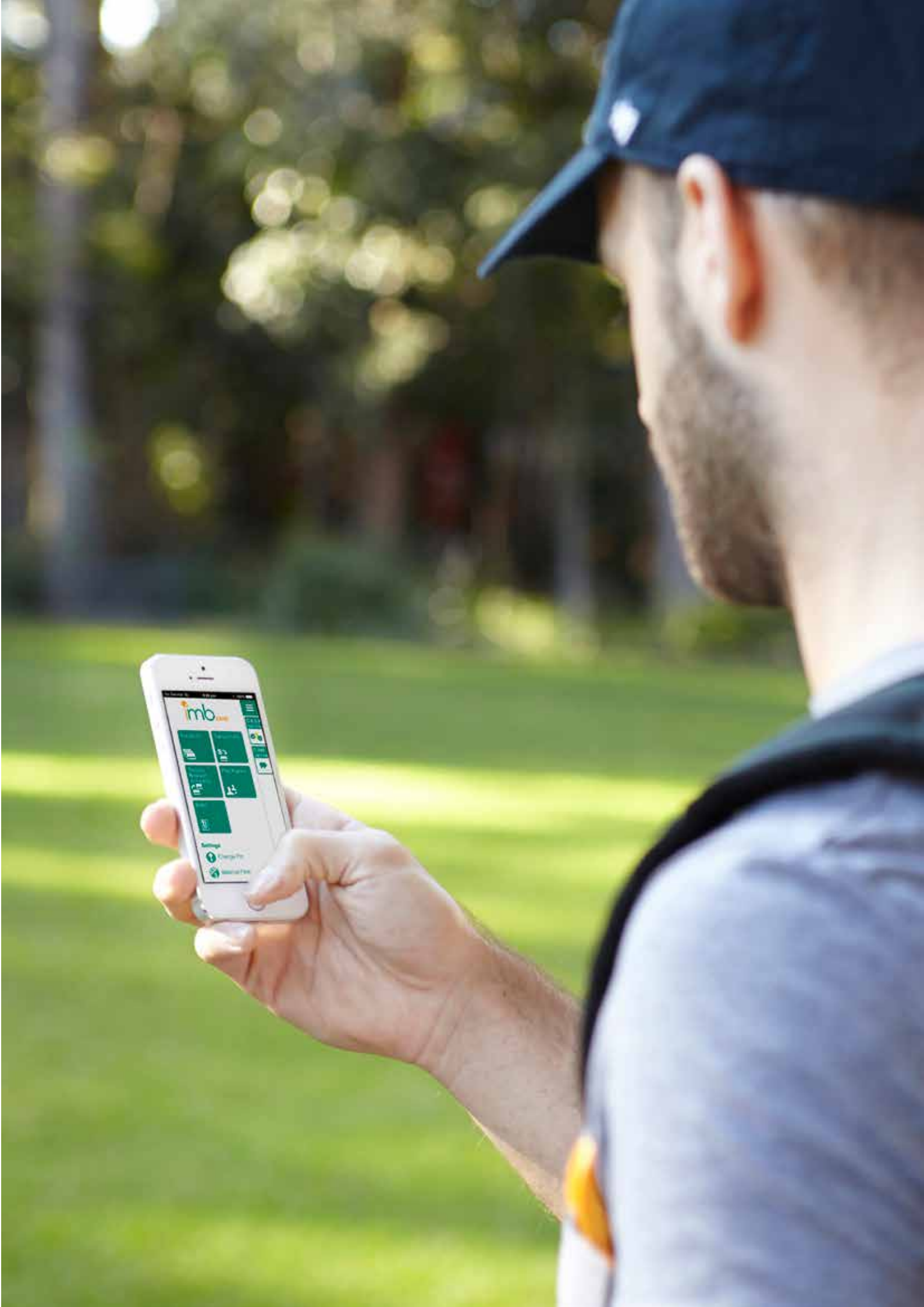
## MEMBER SATISFACTION

96%

\*DISCOVERY RESEARCH 2014

## FIVE YEAR SUMMARY

	2015 \$000	2014 \$000	2013 \$000	2012 \$000	2011 \$000	
FINANCIAL PERFORMANCE						
Interest income	232,289	239,939	272,746	322,595	325,064	
Interest expense	134,006	144,912	180,272	227,422	228,585	
Interest margin	98,283	95,027	92,474	95,173	96,479	
Non interest income	21,990	18,147	18,577	14,320	13,746	
Bad and doubtful debts expense	366	876	849	1,989	3,646	
Non interest expense	74,613	70,674	69,424	64,629	62,565	
Profit before tax	45,294	41,624	40,778	42,875	44,014	
Income tax expense	12,795	12,555	12,268	12,727	12,996	
Profit after tax	32,499	29,069	28,510	30,148	31,018	
FINANCIAL POSITION						
Assets						
Loans to members	3,746,949	3,698,709	3,722,492	3,781,358	3,763,503	
Liquids	1,207,508	1,104,711	1,133,328	946,407	1,015,406	
Other	20,706	28,319	38,138	44,651	37,338	
	4,975,163	4,831,739	4,893,958	4,772,416	4,816,247	
LIABILITIES						
Deposits	4,038,803	3,756,015	3,598,296	3,443,940	3,526,906	
Securitised loans funding	562,680	700,642	926,706	968,609	999,733	
Other	82,298	90,380	95,836	98,882	50,000	
	4,683,781	4,547,037	4,620,838	4,511,431	4,576,639	
Net assets	291,382	284,702	273,120	260,985	239,608	
Total assets	4,975,163	4,831,739	4,893,958	4,772,416	4,816,247	
PERFORMANCE RATIOS						
Capital adequacy	%	15.5	16.0	16.4	15.8	12.0
Total asset growth	%	3.0	-1.3	2.5	-0.9	2.6
Net asset growth	%	2.3	4.2	4.6	8.9	8.7
After tax return on average net assets	%	11.05	10.58	10.92	12.66	13.47
Non interest income/average total assets	%	0.45	0.38	0.39	0.30	0.29
Non interest expenses/average total assets	%	1.52	1.49	1.46	1.33	1.31
Non interest expenses/operating income	%	62.2	62.9	63.0	60.1	58.7
Bad debts expense/average loans	%	0.01	0.02	0.02	0.05	0.07
Interest margin	%	2.04	2.04	1.97	1.99	2.05



# THE EVOLUTION OF IMB BANK

**APRIL 6, 1880**

IMB founded in Wollongong. The official papers were signed and then approved by the Registrar of Friendly Societies, so that the Society was legally constituted.



**AUGUST 23, 1930**

Purchased for 31 pounds per foot, the Society moved into "one of the most valuable building blocks on Crown Street." The building consisted of "the most up to date offices throughout, with a large shop attached".



**1981**

IMB logo



**1988**

IMB logo and Head Office branch.



**1983**

IMB logo



**1977**

IMB logo



**1971**

First branch opening in Warrawong.



**MAY 31, 1881**

The first Annual General Meeting was held. The chairman, George Hewlett, said that "the Society had managed to hold its own and a little more".



**MAY 31, 1960**

In the 1960's new advances exceeded £1 000 000. By 1965 they had exceeded £2 000 000. In 1966, (the first year of decimal currency) assets, borrowing and investing members shares all exceeded \$20,000,000.

**APRIL 1980**

By the Society's centenary year, 32 IMB branches had been established together with 36 agencies. Assets had increased to \$254.9 million and the number of accounts to 130,000. The board decided to build a new \$2.4 million complex in upper Crown Street as part of the centenary celebrations.



**1986**

Head Office IT room at the time was one of the most advanced computer centres in Australia.



**OCTOBER 27, 1972**

The new Head Office building was opened by the Hon, S. T. Stephens, M.L.A Minister for Housing and Co-operative Societies at 110 Crown Street.

**1989**

First Sydney City Branch opening - Wynyard.

1990

First Western Sydney Branch opening - Parramatta.

2004

IMB is the first non bank to be awarded a public investment grade rating by Standard and Poors.

2004

IMB Call Centre opened with state of the art technology. The call centre makes banking more available with opening hours from 8am-8pm Monday to Friday and 9am-4pm Saturday.

2009

Better Value Banking added to the IMB logo.



AUGUST 1, 2015

IMB was approved to become a mutual bank 135 years after the Illawarra Mutual Building Society was established. IMB has now entered the next phase of its evolution.



2000

Opened 3 ACT branches, - Civic, Belconnen and Woden.

2002

Lending hits the billion dollar mark for the first time.

2005

Awarded Money Magazine's Building Society of the Year.



2005

IMB celebrates 125 years by donating 35 marquees for community use.



2014

Oran Park Branch opening. The 6th branch in the Western Sydney region.

2001

IMB acquired a small building society in Victoria and new relationships with brokers enabled the society to write loans in every capital city of Australia.

2002

First orange and green logo - IMB unveils a new look logo. The logo design was chosen to represent a modern IMB.

2009

Awarded Money Magazine's Building Society of the Year.



2006

Awarded Money Magazine's Building Society of the Year.

Opened first branch in Victoria - Glen Waverley.

2010

Awarded Money Magazine's Building Society of the Year.



1999

The IMB Community Foundation was established to provide financial support to community groups to help them convert their ideas into working projects. Since its inception, the IMB Community Foundation has granted around \$7.6 million to support 500 projects.



## CHAIRMAN'S LETTER

In Financial Year 2015 (FY15) IMB reported a net profit after tax of \$32.5 million, an increase of 11.8% over the previous corresponding period. Excluding the sale of the head office building, the net profit after tax of the continuing banking business was \$29.6 million, a modest increase of 1.9% on the prior year.

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This profit result should be viewed as satisfactory 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 to stimulate economic activity broadly in the economy.

This had two impacts on the IMB residential lending business. Firstly, there was downward pressure on home lending margins with the interest margin closing the year at 1.95%, down from the average margin across the year of 2.04%. Through effective balance sheet and interest rate management, we expect to maintain an average margin in the next financial year similar to that for 2014/15.

Secondly, the lower absolute interest rate levels generated a strong demand for residential properties, particularly in the Sydney region. IMB recorded \$777 million in home loan approvals which was broadly in line with the budget and a significant lift on recent years' residential lending.

Credit impairment was well below national industry averages and retail deposit growth was above budget in an intensely competitive market.

IMB's strong commitment to cost containment was maintained and the cost to income ratio was steady at 62.2%.

The operating environment for IMB remains challenging but is expected to improve in the current financial year. The interest margin is gradually recovering as IMB continues to reduce its funding costs in line with recent interest rate reductions. Further residential lending demand remains strong and new lending is slightly ahead of budget for the year to date.

The primary focus of management remains on the excellent execution of the strategic plan to deliver a sound risk/return outcome for all stakeholders.

At 30 June 2015, IMB's capital adequacy ratio was 15.5%, a slight decrease of 0.5% over the previous year end. The gearing level remains comfortably within current regulatory requirements.



The return on equity (ROE) was higher at 11.1%, an increase from 10.6% in the previous financial year (or 10.1% excluding the sale of the head office premises). The decline in the ROE adjusted for the sale of the head office building is fully accounted for by the further de-leveraging of the IMB balance sheet in FY15 in nominal terms. For all ADIs, the Regulator's requirement to lift capital ratios and de-leverage bank balance sheets will continue to negatively impact the ROEs going forward.

The maintenance of the IMB capital base in FY15 was a significant achievement. It must be viewed in the context of our third successful off-market share buy-back offer to shareholder members. As a result, a total of 2.99 million shares were bought back at a price of \$5.35 per share for a total consideration of \$16.0 million. The 8.6% of ordinary share capital retired resulted in a reduction in the level of shareholder members' interest in contributed funding to around 33% based on the mid-point of the two methodologies in PwC Securities' Report on Contributed Funding which was recently updated.

The aggregate number of shares retired under the three buybacks to date is 20% of the original number of shares on issue of 39.9 million.

It remains the Board's intention to continue to seek to retire all ordinary shares on issue through a series of buybacks, subject to the minimum capital requirements previously stated. However a caveat must be added, that is: initiating the buyback action at any time is always subject to a number of factors including the requirement of a more efficient cost of capital outcome for IMB. Shareholder members should not assume that share

buy-backs will take place annually or regardless of the share price. It remains subject to an enhanced cost of capital discipline.

The Board has resolved to maintain a final dividend for FY15 of 15 cents per share. The total dividend for FY15 will be 25 cents per share. Having regard to the reduction in share capital following the buyback and the net profit lift, the 'nominal dividend payout ratio' decreased from 30% to 25%. However, the 'effective dividend payout ratio' based on shareholders' interest in contributed funding, assuming an approximate 33% interest in contributed funding and operating profit after tax, is 77%.

In the context of the changing regulatory capital landscape, I advise that the Board has initiated a review of the non-binding, indicative Dividend Guideline released in 2012 (which stated that while IMB's capital adequacy ratio is above 14% and profits are maintained or increased, that it was the Board's current intention to pay a full year dividend of 25 cents per share). The level of future dividends will be determined after consideration of a range of factors, including but not limited to IMB's financial performance, strategic growth objectives, the current and expected operating environments, prudential requirements, the Report on Contributed Funding and the effective dividend payout ratio based on shareholders' interest in contributed funding.

As we celebrate IMB's 135 year anniversary it has recently made the transition from a building society to a bank. This change was prompted by the belief that IMB can more effectively communicate our broad range of financial services to wider audience, particularly

younger people, in that institutional form. However for existing members IMB will continue to deliver all our services in the same friendly manner.

I continue to be impressed by the commitment of IMB's Directors and I would like to thank all the Board members for their contributions during what has again been a challenging year.

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

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



MJ Cole  
Chairman



*As we celebrate  
135 years of operation,  
we have entered into  
a new phase of IMB's  
history – as IMB Bank.  
The change to IMB  
Bank is a reflection of  
IMB's financial strength  
and is a natural evolution  
for IMB as we continue  
to grow.*

ATM





ATM



Branch & ATM





## CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

IMB opened its doors in 1880 as the Illawarra Mutual Building Society with an aim of helping members to purchase their own home. Over the ensuing years IMB operated continuously through two world wars, the great depression and other turbulent financial periods whilst still meeting the financial needs of members.

From small beginnings, IMB now has \$5 billion in assets, 44 branches, 180,000 members and over 500 staff.

As we celebrate 135 years of operation, we have entered into a new phase of IMB's history – as IMB Bank. The change to IMB Bank is a reflection of IMB's financial strength and is a natural evolution for IMB as we continue to grow. We consider that this change to a bank will better position IMB in a competitive market place, particularly with younger members. It is important to note that IMB's ownership model does not change as a result of becoming a mutual bank.

Although it is very early into the change, we have seen a positive response to the change from our members and our new marketing has been well received.

### STRATEGY

A key component of IMB's strategy over the coming period is a focus on our digital platform. The banking sector has seen significant development in digital technologies in recent years and IMB has implemented, and will continue to implement, a range of initiatives to not only enhance our members' banking experience and support our multi-channel distribution, but also provide IMB greater opportunity to grow our member base outside of our traditional 'bricks and mortar' representation.

As foreshadowed in last year's Annual Report, we have upgraded our personal lending process, providing members with online access to our highly competitive personal loan products. The new process

provides members with a conditional personal loan approval without the need to visit an IMB branch and has extended our reach Australia wide. We also launched a webchat solution offering a new way to communicate with existing and prospective members in a simple and effective 'online' manner. Most recently we established a social media presence. We will use these new channels to interact and engage with members.

In the coming months we will introduce a more efficient online deposit account opening process, allowing both current and new members around Australia to open a new savings or investment account, on the device of their choice, in just a few minutes. We are also planning on introducing a straight through online mortgage loan process.

Earlier this year, we launched our new look website providing members with a website that is designed to deliver a better member experience through easier navigation and increased functionality. We also upgraded our mobile app for Apple devices and launched an app for Android phones which have a range of features to make banking easier and faster from wherever you are.

During the year we opened our 44th branch at Oran Park, supporting our strong representation in the Macarthur area where IMB has had a presence since 1977 when we opened our first branch at Camden. The Oran Park branch is the first of a new approach to technology, design and layout for IMB which aims to make the branch space more inviting for members. We are currently considering a number of other locations to expand our branch network and leverage the evolution to IMB Bank.

Our school banking program continues to grow and we are pleased to see an increase in younger members joining IMB. In addition, we are exploring opportunities to deliver a financial literacy program to support school aged children build important skills to manage their finances.

We have also continued to invest heavily in ensuring our staff are properly trained and equipped with the right technology to ensure our members receive exemplary service.

Looking ahead, we are progressing a range of initiatives that will be implemented over the coming period to improve our members banking experience as well as improving internal processes for our staff. Further to improvements we have already made for our Business Banking clients, we are enhancing our capabilities in more branches to allow specialist SME Bankers to assist businesses with their lending and deposit requirements.

IMB increased our number of 5 star rated home loan products during the year. We were awarded a 5 star rating from independent reviewer Canstar for the

IMB Budget Home Loan, IMB Essentials Home Loan, 1 and 2 year standard Fixed Rate Home Loans, as well as 1-3 year fixed and variable home loans in the IMB Platinum Package. We also achieved a Canstar 5 star rating for the IMB New Car Loan and IMB's Business Cash Management Account.

We were very pleased to receive two Experts Choice Home Loan Awards from Mozo this year, including the 'Best Value Full Feature Home Loan' for the IMB Essentials Home Loan, and 'Best Value Fixed Rate Home Loans' for our Platinum Package fixed loans (1-3 year terms).

Our most recent member satisfaction survey delivered an excellent result with 96% of IMB members surveyed satisfied with the products and services they receive from IMB. Over the last 5 years, IMB has maintained overall member satisfaction levels at 96%. We are very proud of these results which reflect our commitment to providing our members with better products and services.

In March this year, we completed the third of our voluntary off-market share buybacks. We have now bought back just over 8 million shares, or 20% of the shares on issue prior to the first share buyback.

Over the past decade, IMB has recruited 78 trainees under our Traineeship Program, with 95% of them taking up permanent roles when they have completed their 12-month course. We see this program as a great opportunity for youth within our areas of operation to gain valuable experience in their chosen field and I am pleased to advise that this year we welcomed a further six new financial services trainees to a new career at IMB.

From a regulatory perspective, IMB is progressing with its implementation of the additional requirements of the Anti-Money Laundering and Counter-Terrorism Financing Act which come into force on 1st January 2016. This project, together with requirements relating to the implementation of Privacy Reforms, changes to Prudential standards and the Foreign Account Tax Compliance Act

have required significant resourcing over the reporting period.

The final report of the Financial System Inquiry was released in December 2014 and although all the recommendations contained within the report are yet to be addressed, the recent announcements by APRA increasing the amount of capital to be held by the major banks against their residential mortgage exposures is positive news for smaller financial institutions and will strengthen competition in the financial services industry.

## FINANCIAL PERFORMANCE

As we celebrate 135 years of operations, it is pleasing to report that IMB has delivered a strong performance in a market that continues to see historically low interest rates, subdued consumer confidence and strong competition for loans and deposits.

Group operating profit after tax of \$32.5 million was a record result for IMB and was \$3.4 million, or 11.8%, higher than the previous year. This result included a profit on the sale of IMB's head office building of \$2.9 million. Excluding the profit on sale, IMB's profit increased by \$0.5 million or 1.9%.

The increase in operating profit was supported by an improvement in net interest income over the previous year, maintenance of non interest income levels and a modest increase in non interest expenses.

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 continue around this level over the coming financial year, although this will be dependent on movements in official rates and pressures arising from the highly competitive deposit and lending markets.

Bad and doubtful debts expense was \$0.4 million, a significant reduction on 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 were only 0.05% of total loans at 30 June.

Total expenses amounted to \$74.6 million, an increase of \$3.9 million on the prior year. Excluding land development expenses, expenses on a like for like basis were \$69.7 million, a 5.4% increase on the previous year. 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 lending and deposits.

The ratio of non interest expense to operating income for the Group was 62.2% in 2014/15, down from 62.9% 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 amongst our peer set.

Total assets increased to \$5.0 billion at the end of the financial year. Loan approval levels for the year were \$849.5 million, 12.8% higher than the previous year, reflecting IMB's competitive loan offering and a focus on improved productivity.

Loan growth was funded largely from growth in deposits which increased by \$283 million, or 7.5%, over the year, which was ahead of system growth and reflects IMB's attractive product suite. Retail funds grew by \$160 million, or 5.7%. IMB's liquidity ratio remains well in excess of regulatory requirements.

In addition to our retail deposit base, IMB also has a diverse range of middle markets clients and a wholesale funding capability via a \$2 billion debt issuance programme.

The Group's capital adequacy ratio at 30 June was 15.5%, slightly lower than the previous corresponding period and reflecting the successful off-market share buyback completed during the financial year.

## COMMUNITY

Supporting the communities in which we operate is a core belief 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 Community Foundation. Since 1999, the Foundation has donated more than \$7.6 million to more than 500 projects in the communities in which IMB operates.

This year, we are also excited to have entered into a partnership with the University of Wollongong for its Early Start Discovery Space, a hands-on creative venue for children from birth to 12 years of age. IMB is delighted to be involved in Australia's only dedicated children's museum which provides valuable learning experiences for young children through play-based learning.

IMB is proud of the difference our support makes to the various projects, and the extended community, and we continue to be inspired by the diversity and the number of volunteers that are involved in these community projects.

## OUTLOOK

For the coming year, we expect the current low rate environment to continue with the official cash rate on hold. The ongoing competition for retail funds and lending products will continue to place pressure on interest margins for all institutions. Notwithstanding these factors, we remain confident that our business model, supported by our change to IMB Bank, will place IMB in a strong position for the year ahead.

## CONCLUSION

I would like to thank all IMB's management and staff for their dedication and commitment to delivering our members with competitive products and outstanding service. As we continue to evolve our business, particularly in the areas of technology, I am impressed by our staff's ability to respond to and embrace 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 all of our loyal members for their continued support of IMB and as IMB Bank, we look forward to continuing to meet their financial needs.



RJ Ryan  
Chief Executive





*...we remain confident that our business model, supported by our change to IMB Bank, will place IMB in a strong position for the year ahead.*

## DIRECTORS' PARTICULARS

The board of directors aims to ensure that the members are informed of all major developments affecting the Group's state of affairs. 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.



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

Mr Cole, whose expertise is funds management, has been a non executive director since 2003 and Chairman since 2007. He is Chairman of the Corporate Governance and Remuneration Committee and 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 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.



**Kieran Robert Biddle**  
DIPLAW SAB SPEC – ACC BUS GAICD

Mr Biddle, who is a lawyer, has been a non executive director since 2007 and was elected Deputy Chairman in October 2014. He is the Chairman of the Land Development Committee and the IMB Community Foundation Committee, and is a member of the Corporate Governance and Remuneration Committee and the Capital and Securitisation Committee. Mr Biddle acts as a consultant to a private legal practice in Wollongong, 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.



**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 since 2012 and is Chairman of the Risk Committee and a member of 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.



**Noel Harold Corinsh**  
BSC (MET) M ENGSC

Mr Cornish, whose expertise is business management, has been a non executive director since 2010. 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 Steel Limited's Australian and New Zealand steel manufacturing businesses, President NorthstarBHP LLC in Ohio USA and Group General Manager Whyalla Steelworks in South Australia. He is currently Deputy Chancellor of the University of Wollongong, Chairman of Snowy Hydro Ltd and Chairman of Standard Communications Pty Ltd. Mr Cornish is also a director of Forests Corp NSW, is 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.



**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 since 2008 and is a member of the Audit Committee, the Risk Committee and the Land Development Committee. Mr Elvy is the former CEO, and is 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.



**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 since October 2014. Ms Swinhoe is a member of the Risk Committee and the IMB 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 a Director of Suncorp Portfolio Services Limited, Mercer Superannuation Australia Limited, Mercer Investments Australia Limited, Athletics Australia and Australian Philanthropic Services. As well as being a director of IMB Ltd, Ms Swinhoe is also a director of all entities wholly owned by IMB Ltd.



**Margaret Elizabeth Towers**  
CA GAICD

Ms Towers is a Chartered Accountant with over 30 years experience in the Australian finance sector. Ms Towers has been a non executive director since 2011 and is Chairman of the Financial Planning Committee and the Audit Committee, and a member of the Risk Committee and the IMB 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.

## RETIRED THIS YEAR

### Lynton Patrick Nicholas, FCPA FCIS FCSA

Mr Nicholas, whose expertise is business management, retired in October 2014. He had been a non executive director since 2004 and was elected Deputy Chairman in 2007. Prior to his retirement he was Chairman of the IMB Community Foundation Committee, the Audit Committee and the Risk Committee, and was a member of the Corporate Governance and Remuneration Committee and the Capital and Securitisation Committee. As well as being a director of IMB Ltd, Mr Nicholas was also a director of all entities wholly owned by IMB Ltd.

Information set out in this section relating to board committee membership and positions held by each of IMB's directors relate to the period ending 30 June 2015.

## OUR STAFF

IMB remains dedicated to building strong long-term and mutually rewarding relationships with our staff. We strive to provide a cohesive, positive and safe work environment for our people, support their career aspirations and recognise their achievements as part of making IMB a place where people want to work.

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Our staff demonstrate the IMB values of Integrity, Respect, Performance, Member Focus and Offering Solutions when engaging with each other, our members and all stakeholders, ensuring that the service we provide 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, induction and necessary compliance training. This has been supplemented with the provision of management and coaching skills for key managers and supervisors across the business.

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

Our Traineeship, Cadetship and Tertiary Education programs are an important area of focus for us as we grow and develop the next generation of IMB leaders and specialists. Over the last decade IMB has recruited 78 trainees, with 95 per cent of this group having taken up a permanent role with the organisation at the completion of their 12

month entry level program, and many of them today holding senior supervisory and specialist roles.

In 2015 IMB has welcomed six new Trainees across the Retail Network, Business Banking, IMB Direct and Information Technology departments, with all gaining valuable knowledge and on-the-job experience within their key areas. We look forward to a long and mutually rewarding relationship with these talented young people.

During the year our 2014 Trainees and Tertiary Education students have also been recognised for their academic performance and business success. Amanda Ray from Wynyard branch was a finalist in the category of Vocational Student of the Year at the Central and Northern Sydney Regional Training Awards. At the Illawarra & South East NSW Regional Training Awards, Melanie Shepherd from IMB Direct was named a category winner for Certificate III in Business and was a finalist for the Illawarra & South East Region Trainee of the Year Award. David Sawers from IT won the award for Trainee of the Year in Certificate III Information Technology and Digital Media and was named the 2015 Illawarra & South East NSW Regional Trainee of the Year. David has also been announced as a finalist for the prestigious NSW Trainee of the Year award.

IMB congratulates these staff on their outstanding achievements.

### HEALTH AND SAFETY

IMB continues to strive towards the goal of Zero Harm, by promoting a culture where health and safety is the responsibility of all staff and underpins all that we do.

In the 2014-2015 Financial Year, IMB celebrated a significant milestone in our journey towards Zero Harm by achieving 722 days without a Lost Time Injury. IMB will continue to pursue this goal over the coming years to exceed this milestone and keep our people safe and injury free.

Our Health and Safety Committee is an important contributor to our Zero Harm focus. The Committee is committed to consulting with, educating and providing assistance to all employees in order to promote a positive and proactive health and safety culture at IMB. The establishment of our first open plan branch at Oran Park has been a key focus for consultation and training during the year, with the safety of staff and members the key consideration in moving to this new branch design. Safety related training remains a priority with programs in areas such as robbery, first aid and evacuation procedures. Our commitment to staff wellbeing is extended through the provision of an independent and confidential counselling service available to all staff and their family members to support them in dealing with a range of work or non-work related concerns.

### RECOGNITION

Our Staff are recognised through formal awards for which staff are nominated by their peers and/or IMB members. These awards include the annual Chief Executive's 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 Executives Award recognises staff who exceed expectations when carrying out their work, have made a significant contribution, epitomise the IMB Values, always displays a high level of professionalism and are a valued corporate citizen.

#### The 2013-2014 CEO's Award winner was John Petkovski, Senior Manager of Wollongong Branch.

John demonstrates his commitment to IMB's success by sharing his knowledge to support his colleagues, and strives to deliver the best outcomes for IMB's members. John has consistently gone the extra mile in providing a level of service to members, often outside business hours, which has been reflected in the positive member feedback about him. John has mentored his work colleagues using his experience to bring less experienced staff along and sets a strong example for those around him to follow. In addition to his busy role, John has also taken on additional workload and responsibility on a number of occasions where his Manager has been away. John's consistency in performing above and beyond was recognised with Chief Executive's Award nominations on multiple occasions during the year.

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

The winner of the 2014 Outstanding Service Award was Julie Sunderland from Banking Services.

Julie consistently goes above and beyond the call of duty to provide outstanding customer service. She continues to provide support and solutions to issues at hand, promptly and efficiently, and does so in an extremely positive, patient and understanding manner, generally exceeding expectations in all aspects.

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

### COMMUNITY INVOLVEMENT

IMB maintains strong relationships with the communities in which we operate, and our staff are central to this engagement. In the past year IMB staff have been involved in many of the IMB Community Foundation sponsored projects, as well as various other activities within the community, including:

- The Cook Community Classic, which raises funds for many charities in the Sutherland Shire
- PCYC Lock Up Your Boss/ Time for Kids
- 'Bowls for Rowles', fundraising for a local families' medical situation
- Delivering Budget and Savings presentations to high schools and community groups
- Parramatta BBQ for the Homeless with the assistance of the Chamber of Commerce and local Church
- Australia's Biggest Morning Tea
- Jeans for Genes
- Wollongong University O-Week

We thank our staff for their ongoing commitment to the broader IMB community and are proud of their commitment to give their own time so generously to support others.



*Julie Sunderland. Winner of the Outstanding Service Award.*



*John Petkovski, winner of the Chief Executive's Award.*





## OUR COMMUNITY

As we celebrate 135 years of operation our commitment to supporting our local communities is unwavering. Community is a cornerstone of our heritage and we are proud to be involved in a wide range of varied and diverse activities within our communities.

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### IMB COMMUNITY FOUNDATION

The IMB Community Foundation continues to provide financial assistance to a range of not-for-profit organisations and community groups. Every year the IMB Community Foundation is awed by the number of worthwhile community projects applying for funding. This year was no exception.

The IMB Community Foundation was pleased to donate \$500,000 to support 50 community projects. Funding is awarded to projects based on a set of criteria that include evaluation of the projects ability to positively impact its local community. Since its inception in 1999, the IMB Community Foundation has donated \$7.6 million to 500 projects.

### OTHER COMMUNITY SUPPORT

In addition to support provided by the IMB Community Foundation, IMB is also active in supporting a number of other activities in our local communities. This includes support of charity, community and sporting organisations as well as a number of other local projects and events that directly benefit the communities where IMB members live and work.

Events, projects and groups supported in the last year includes:

- The IMB Cook Community Classic
- IMB Sunset Cinema – Illawarra, ACT, South Western Sydney, North Sydney
- UOW Early Start Discovery Space
- i98FM Camp Quality CONVOY

- Sutherland to Surf
- Wave FM Footy Camp
- Belconnen Ice Dragons
- Wollongong Hawks
- Moonlight Movies
- Dapto Community Carols
- Camden Play Day
- St Simons Community Football Club
- Envie Kids Fun Run
- IlluminARTE Wollondilly
- Goulburn Show



The IMB Community 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 those communities.



# IMB COMMUNITY FOUNDATION PROJECTS

Organisation	Project Name	Project Description
<b>ACT/Goulburn</b>		
Capital Country Industry Education Partnership Inc.	Qupcakes	Qupcakes is a local Queanbeyan initiative in which young people will create and manage their own business, and through this develop practical, business and employability skills and build stronger connections with their local community. Qupcakes participants will work as a team to develop this business model, and design, prepare and sell their cupcakes at a variety of community events.
Australian Chinese Culture Exchange and Promotion Association	Dancing for Health and Fun	This project will run regular Chinese folk dance sessions for children and adults and create a number of dance performances to enhance culture diversity for various community festivals. The project aims to improve the fitness and happiness of local community members, and to foster artistic creativity and social interaction through group dance activities.
Belconnen Baptist Church Inc.	Opshop Refurbishment and OH&S Improvements	Another Chance Op Shop commenced over twenty years ago in response to the need of low income families in the Belconnen area for clean second hand clothes and other small household items at greatly reduced prices and to provide a friendly place for a chat and a helping hand. To maintain this program for the benefit of the ACT community, the refurbishment will update the shop, making it a neater, tidier and a safer working environment.
Belconnen Baptist Church Inc.	Men's Shed Program Extension Project	This project will extend the range of programs offered by the Belconnen Community Men's Shed by enabling a range of metal working programs to be introduced. The grant funding will facilitate the purchase of sheet metal working and welding equipment and the necessary training for safe operation.
Community Programs Association Inc.	Recyclery	Recyclery employs people with a disability (targeting people who have never worked before) to fix old bikes for re-sale. This project will provide training opportunities to increase the skills of the work force to increase productivity in the workshop, consolidate our current sales strategy and work with our point of sale community partners to increase sales. The project will also research, explore and develop new opportunities for the Recyclery to expand it's income streams.
Goulburn Loco Roundhouse Preservation Society Inc.	Goulburn Railway Heritage Oral History	Recording the oral history of current and retired railwaymen electronically and in print for the education of future generations. Also to provide a resource for historians writing the history of railways and railwaymen, particularly those associated with Goulburn.
Tuggeranong Uniting Church	Erindale Neighbourhood Garden	The Erindale Neighbourhood Garden is an innovative new non-profit garden in the heart of a community-zoned precinct in Canberra, built by community organisations and local residents, driven by an inclusive ethos, and managed by Tuggeranong Uniting Church. Through gardening activities, its purpose is to tackle at a local level a range of well-documented social and health issues, including childhood obesity and unhealthy eating choices; disconnected and under-skilled youth; marginalised disabled; and isolated and lonely elderly.
Rotary Club of Goulburn	U Turn the Wheel	The U-Turn the Wheel program is designed to specifically address the attitudes and awareness of driver related issues such as speed, fatigue, alcohol, drugs and the wearing of seat belts, all of which have been identified as major contributors to road casualties among our young drivers. The program is offered to all year 11 students throughout the Goulburn and Upper Lachlan district and is run over a 2 day period.
Queanbeyan Children's Special Needs Group Inc.	Treehouse Kids Sensory Gym	The IMB Treehouse Kids Sensory Gym is a specialist developmental education and therapy facility that supports children with disabilities to improve their sensory processing and integration skills. Children and families are going to love coming to play in this coordinated environment designed to build each child's capacity to enjoy full inclusion in community life.
<b>Illawarra</b>		
Dapto Rural Fire Brigade	Kitchen Upgrade	The funding will help upgrade kitchen facilities by providing a mobile serving/work bench with storage underneath and two new refrigerators for the kitchen in the Fire Station.
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.
Illawarra Robotics Team Inc.	The League of R.O. Gentlemen	The project involves designing and building a robot, developing community interest in robotics and introducing young people to robotics, maths, science and engineering through workshops at schools and other community facilities.

Organisation	Project Name	Project Description
<b>Illawarra (continued)</b>		
Lawrence Hargrave Centre	Celebrating Centenary of Lawrence Hargrave	Lawrence Hargrave Centre has 22 events planned for the Centenary Year celebrating the achievements of Lawrence Hargrave and the ICF Funding will assist in providing these events to the community.
NZ House NSW - Need a Feed	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.
Lions Club of Strzelecki Inc.	Cows Create Careers	Cows Create Careers is a Strzelecki Lions Club project which was established in 2004 to promote the career and education opportunities for students (Years 7-11) in the dairy industry. These students learn about the dairy industry while caring for dairy calves on loan from local farmers.
Raise The Gong Inc.	BRCA Genetic Support Group	Raise The Gong, in conjunction with Dr Sian Greening, Genetic Counsellor at Illawarra Health, will be providing a support group to local women who have been diagnosed with the BRCA gene, which is linked to cancers such as breast and ovarian.
Rotary Club of Kiama Inc.	Mental Health First Aid Courses	Funding will contribute to the running of two free mental health first aid courses for the Kiama Community.
Rotary Club of Wollongong	Rotary BBQ Trailer	Funding will facilitate construction of a community BBQ trailer which can be used at various community events, activities and functions.
Shellharbour City U3A Inc.	Learning for Pleasure	The Learning for Pleasure program involves holding courses that stimulate physically & mentally, social outings & informative talks on subjects pertinent to senior residents. All activities aim to reduce social isolation & loneliness.
University of Wollongong - IMB Ltd Partnership	Early Start Discovery Space	Funding has been provided to support the Early Start Discovery Space, a hands-on creative venue for children from birth to 12 years of age. The Discovery Space is Australia's only dedicated children's museum.
Southern Youth and Family Services Association Inc	Youth Training Cafe	SYFS has recently built a Youth and Family Services Hub in Warilla. The Youth Training Cafe project will equip the large kitchen for hospitality, cooking and barrister training and provide opportunities for young people to train and practice hospitality skills.
St Vincent de Paul Society NSW	Stepping Out	The IMB Community Foundation Grant will assist the St Vincent de Paul Social Recreation Group's "Stepping Out" project to support 34 Illawarra community members with a mental illness to improve their health and wellbeing, through developing an ongoing exercise program and purchase of new sporting equipment.
Woonona High School	Woonona High School Dance Studio	An under-used classroom space will be converted into a dance studio, in order to benefit Woonona High School students and members of the local community.
Strategic Community Assistance to Refugee Families	SCARF Inc Young Refugees Project	The project will develop and deliver activities to support and strengthen young people who have settled in the Illawarra as humanitarian entrant refugees and promote community harmony.
Wollongong West St Centre	Beyond the Limits	The project includes the development and promotion of specialised and accessible resources for adults, young people and children who are survivors of child sexual assault and support for the wider community.
Illawarra Sports High School	Tech Savvy Students and Seniors	Illawarra Sports High School students will visit local nursing homes weekly and teach local senior citizens how to effectively use iPads.
Wollongong Conservatorium of Music	Roger Soden Scholarship (Yr 3)	The Roger Soden scholarship provides funding for a student at the Wollongong Conservatorium of Music.
<b>South Coast</b>		
Bega Mens Shed Inc.	Make our new shed safe	The newly opened Bega Mens Shed will install safety equipment, fire extinguishers, smoke alarms and signage, so members can start to use the array of donated machinery to make items for community groups.
Lady Denman Heritage Complex Huskisson Inc.	Completing Restoration of the 'Crest'	Based at Jervis Bay Maritime Museum, Huskisson, this project is to complete the full restoration of the historic fishing boat 'Crest' to a seaworthy condition. 'Crest' was built in 1911, the same year as the Lady Denman ferry; both were built in Huskisson by the Dent family.



Organisation	Project Name	Project Description
<b>South Coast (continued)</b>		
1st St Georges Basin Scout Group	Canoeing program	Funding will assist purchasing two canoes for Cubs, Scouts and Venturers. Participants will learn skills in water safety, canoeing skills and improve physical fitness.
Shoalhaven Libraries	Building Brighter Babies	Shoalhaven libraries is proud to be delivering it's exciting project titled Building Brighter Babies. The project will provide new born babies at Shoalhaven hospital (over a twelve month period) with a quality children's picture book. The objective is to encourage reading in children from birth onward, and instil an appreciation of reading that will continue into the future.
Eden Foreshores Landcare Group Inc.	Lake Curalo Walk and Foreshore	This project will assist Eden Foreshores Landcare Group Inc. in initial and ongoing running costs in the development of the soon to be constructed Lake Curalo Walk, and Foreshore maintenance.
The Legacy Club of Queanbeyan Eden Monaro Inc. - Far South Coast Group	Workhorse colour printer	Purchase industrial grade laser printer to assist with the production of regular newsletters and promotional material for the War Widows community.
Merimbula Public School Parents & Citizens association	IMB Cyber Safety seminars	Workshops will provide parents, caregivers, primary school children and community members with awareness on cyber bullying, safe and unsafe apps, setting up filters, age limits on social media apps and taking responsibility for families safety online.
Moruya Surf Life Saving Club Inc	Moruya SLSC Special Nippers	The program aims to provide a beach experience for children and adolescents with physical and intellectual disabilities. Some Special Nippers are restricted to wheelchairs while others are vision impaired. Being able to get on a surfboard and ride a broken wave into the beach is an experience that would not be possible without this program where members of the community join the club to help deliver these experiences.
SouthernCare Incorporated	Pantry Club Expansion Project	This program will expand capacity to deliver the Pantry Club program and improve overall service delivery to vulnerable & disadvantaged people & families.
TeenSafe	TeenSafe safe driver education program	This program will deliver practical behind-the-wheel safe driver awareness training programs for teenagers.
Nowra East Public School Parents & Citizens Association Inc.	Community Garden Learning Seating Circle	Development of a permanent Learning Seating Circle that will enable students and community members to sit comfortably within the community garden for various learning and community activities. The Learning Seating Circle will be a focal point for learning activities and community activities as well as a place from which the garden can be viewed and accessed.
<b>Southern Highlands</b>		
Bowral Men's Shed Inc.	BMS Web portal	This project is to introduce Web Portal for the Bowral Men's Shed. The aim of the project is to provide members and the local community with online up to date information, creating a website that gives a insight into to what the Bowral Men's Shed is all about. Communication with members will be greatly improved through posting of, upcoming coming events, activities, project, policies and membership documents etc.
Highlands Community Centres Inc.	Youth Hub Cafe	Development of existing café kitchen at the Highlands Youth Hub to commercial standards to allow training of unemployed 18-25 year olds who want a career in the hospitality industry.
Rotary Club of Moss Vale	U Turn the Wheel	Delivery of an intensive course to 500+ year 11 high school students in driver training, emphasising road safety awareness, peer pressure & risk taking.
<b>Sutherland Shire</b>		
Shire Woodworking Club Inc.	Woodworkers' centralised dust extraction system	The project funding will assist in the installation of a centralised dust collection system to ensure the health and well-being of the members, together with a fence to provide security for the external collector and reduce the incidence of graffiti on the building.
Shirelve Limited	Shirelve Youth	Synergy Schools Conference is a multi-school conference held at Shirelve auditorium reaching over 500 students aimed at empowering young people to succeed in all areas of their life. The Schools Tour is a dynamic school tour reaching up to 8,000 High School Students in one week with full school assemblies and performances, and year group specific performances and sessions, encouraging students to overcome the challenges that they face and become all they can be.
Sylvania Heights Public School	Kind Kids Club	The grant provides funding for a Kind Kids Club that involves running a play therapy program for students at Sylvania Heights Public School with anxiety, autism, behaviour or social disabilities. The program will use student leaders and trained adults to teach students resilience and social functioning through play.



Organisation	Project Name	Project Description
<b>Sydney</b>		
PCYC Parramatta	Stand Tall	The purpose of the program is to interact and educate and enable an interaction between youth at risk of becoming detached from schooling, due to either behavioural issues, or learning difficulties. The program will aim to direct youth at risk away from making negative decisions in their life that may affect their future development.
Victor Chang Cardiac Research Institute	Health Check Booth	The Health Check Booth is a fully mobile heart health testing service that comes to you, testing blood pressure, total cholesterol, blood sugar levels and aiming to help people understand how to keep their own heart healthy by providing information on heart disease risk factors and healthy heart habits.
PCYC Campbelltown	PCYC Campbelltown Sport Outreach	PCYC Campbelltown's Sport Outreach is an innovative concept to extend influence in the community. This project will involve the manufacture of a custom built trailer which will be fitted out with a range of sporting equipment for use in the Macarthur region. The trailer will serve multiple purposes and be used up to 15 times per month to visit schools, parks, attend events, conduct targeted programming focusing on young people congregating at known "hot spots" as well as providing an activity service to young people living in outlying areas.
Schizophrenia Fellowship of NSW Inc.	Birunji AMHU Recreational Space	This project aims to turn vacant outdoor spaces into exercise areas, sensory gardens and veggie gardens providing passive and active recreation and education about healthy living skills through growing, planting, picking, preparing and cooking - resulting in positive benefits both physically & mentally to support their recovery.
The Scout Association of Australia (New South Wales Branch)	Canoe Purchase	Through Scouts young people build confidence, self esteem, and leadership skills. Cobbitty Scouts will purchase two canoes to teach young people canoeing and safe use of watercraft including safety gear (life jackets, paddles).



# BOARD CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2015.

## 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, 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 and ensuring the integrity of risk management, internal control, legal compliance and management information systems. 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 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.

#### 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 32 of this report.

The board comprises seven 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 (2) 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 16 to 17 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 and 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.

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

Mr MJ Cole (Chairman)  
Mr KR Biddle  
Mr NH Cornish  
Mr LP Nicholas (ceased October 2014)

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 34.

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:

Ms ME Towers (Chairman)

Mr LP Nicholas (ceased October 2014)

Mr MJ Cole (ex-officio)

Mr JR Coleman

Mr RHP Elvy

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 34.

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 2015 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:

Mr JR Coleman (Chairman)

Mr LP Nicholas (ceased October 2014)

Mr MJ Cole (ex-officio)

Mr RHP Elvy

Ms JM Swinhoe (appointed October 2014)

Ms ME Towers

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 34.

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.

### **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 whilst the item is considered. Details of director related entity transactions with the Company and Group are set out in Note 30 to the financial accounts.

#### **Code of Conduct**

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

#### **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 Deputy Chairman);

- 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; and
- 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 (<http://www.imb.com.au/about-us-investor-centre-financial-reports.html>).

## 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; and

- 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; and
- 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](http://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. Important issues are presented to the members as single resolutions. 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.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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 2015 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

Lynton Patrick Nicholas, Deputy Chairman, retired 20 October 2014

Kieran Robert Biddle, appointed Deputy Chairman 20 October 2014

James Randolph Coleman

Noel Harold Cornish

Robert Hillis Page Elvy

Margaret Elizabeth Towers

Jan Margaret Swinhoe, appointed 20 October 2014

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 16 to 17 of this report.

At the annual general meeting of the Company on 27 October 2015, Mr JR Coleman will retire in accordance with the constitution of the Company and, being eligible, offers himself for re-appointment.

## COMPANY SECRETARY

Ms Lauren Wise (BA LLB Grad Dip. Legal Practice) was appointed to the position of Company Secretary in 2007. Ms Kelli Halling (B Comm CPA SA Fin) was appointed to the position of Company Secretary in 2011.

## 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 2015.

## OPERATING AND FINANCIAL REVIEW

Consolidated profit after tax for the year attributable to members was \$32.5 million (2014: \$29.1 million), an increase of \$3.4 million or 11.8% on 2014. Excluding the sale of the head office premises, and land development activities from the current and prior year, Group profit after tax was \$29.6 million, an increase of \$0.4 million or 1.4%.

Total deposits increased to \$4,039 million up by \$283 million or 7.5% on the previous year. Securitised loan funding decreased by \$138 million or 19.7% to \$563 million.

Loan approvals increased by \$96 million to \$849 million (2014: \$753 million). This was due to higher residential lending approvals which increased by \$100 million on 2014 levels, and a decrease in other lending of \$4 million.

Net interest income for the year was \$98 million, up \$3.3 million on the previous year. This increase was predominantly due to an increase in average earning assets.

Impairment losses were \$0.4 million, \$0.5 million lower than the previous year.

Non interest income for the year increased by \$3.8 million, or 21.2%, to \$22.0 million. Excluding the sale of the head office premises, and land development activities from the current and prior year, non interest income increased by \$0.4 million or 2.7% as a result of an increase in commission income.

Non interest expense for the year increased by \$3.9 million, or 5.6%, to \$74.6 million (2014: \$70.7 million). Excluding land development activities from the current and prior year, non interest expense increased by \$3.6 million or 5.4%. This increase was due to an increase in personnel, occupancy and marketing expenses.

The non interest expense to operating income ratio decreased from 62.9% in 2014 to 62.2% in 2015.

On 26 March 2015, in the third of a series of voluntary buybacks, IMB bought back 2.99 million shares for a total cash consideration, including transaction costs, of \$16.1 million. All shares tendered at a discount of 2% or more, or as a Final Price Tender were accepted in full, and a scale back applied to tenders submitted at a discount of 0%.

## 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 \$5,230,000 franked to 100% at a tax rate of 30%, declared on 26 August 2014, in respect of the year ended 30 June 2014, paid on 4 September 2014;
- an interim dividend of \$0.10 per share amounting to \$3,486,000 franked to 100% at a tax rate of 30%, declared on 27 January 2015, in respect of the year ended 30 June 2015, paid on 27 February 2015; 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 26 August 2015, in respect of the year ended 30 June 2015, payable on 3 September 2015.

Total dividends paid or declared in respect of the year ended 30 June 2015 were \$0.25 per share (2014: dividend of \$0.25) amounting to \$8,267,000 (2014: \$8,716,000).

## EVENTS SUBSEQUENT TO REPORTING DATE

Following approval by the Australian Prudential Regulation Authority of the Group's application to become a mutual bank, IMB Ltd began trading under the business name IMB Bank from 1 August 2015.

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 8 to 14 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 8 to 14 of the annual report.

## DIRECTORS' INTERESTS

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

Director	Holding at 25 August 2015
Mr MJ Cole	2,000
- related party	94,264
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 JM Swinhoe	2,000

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' 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 interest in two controlled entities involved in land development is subject to environmental regulations. The board believes that the controlled entities have adequate systems in place for the management of its environmental requirements. The remainder of the Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The board is not aware of any breach of environmental requirements as they apply to the Group.

# DIRECTORS' REPORT

## CONTINUED

### MEETINGS 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 2015 and the number of meetings attended by each director.

	IMB Ltd		IMB Land Pty Ltd		IMB Land No. 2 Pty Ltd		IMB Securitisation Services Pty Ltd		IMB Funeral Fund Management Pty Ltd		IMB 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)	11	11	2	2	1	1	2	2	2	2	2	2	2	2
Mr KR Biddle	11	11	2	2	1	1	2	2	2	2	2	2	2	2
Mr JR Coleman	11	11	2	2	1	1	2	2	2	2	2	2	2	2
Mr NH Cornish	11	11	2	2	1	1	2	2	2	2	2	2	2	2
Mr RHP Elvy	11	11	2	2	1	1	2	2	2	2	2	2	2	2
Mr LP Nicholas	3	3	1	1	1	1	1	1	1	1	1	1	1	1
Ms JM Swinhoe	8	8	1	1	-	-	1	1	1	1	1	1	1	1
Ms ME Towers	11	11	2	2	1	1	2	2	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 2015 and the number of meetings attended by each director.

	IMB Financial Planning		Audit		Risk		Corporate Governance & Remuneration		Land Development		IMB 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#	Attended	Eligible to attend#
Mr MJ Cole (a)	3	3	4	4	4	4	2	2	-	-	3	3	4	4
Mr KR Biddle	-	-	3*	-	1*	-	2	2	1	1	3	3	4	4
Mr JR Coleman	-	-	4	4	4	4	-	-	2	2	-	-	-	-
Mr NH Cornish	-	-	2*	-	1*	-	2	2	2	2	-	-	4	4
Mr RHP Elvy	-	-	4	4	4	4	-	-	2	2	-	-	-	-
Mr LP Nicholas	-	-	2	2	1	1	1	1	-	-	1	1	-	1
Ms JM Swinhoe	-	-	2*	-	3	3	-	-	-	-	2	2	-	-
Ms ME Towers	3	3	4	4	4	4	1*	-	-	-	2	3	-	-

# 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 Committee and IMB 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 36 and forms part of the directors' report for the financial year ended 30 June 2015.

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in the ASIC Class Order 98/100 dated 10 July 1998 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 26th day of August 2015

Signed in accordance with a resolution of the directors:



MJ Cole,  
Chairman



ME Towers,  
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 2015 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 that reads 'KPMG' with a horizontal line underneath.

KPMG

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

Warwick Shanks  
Partner

Dated at Wollongong this 26th day of August 2015

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 2015

	Note	Consolidated		Company	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
Interest revenue	2	232,289	239,939	249,968	244,385
Interest expense	2	(134,006)	(144,912)	(152,394)	(149,446)
Net interest income		98,283	95,027	97,574	94,939
Impairment losses	2	(366)	(876)	(366)	(1,064)
Net interest income after impairment losses		97,917	94,151	97,208	93,875
Revenue from land development	2	4,985	4,382	-	-
Fee and commission income	2	13,318	13,094	12,158	12,023
Profit from sale of property, plant and equipment	2	2,929	64	2,929	64
Other income	2	758	607	480	419
Net operating income		119,907	112,298	112,775	106,381
Land development expense	3	(4,955)	(4,585)	-	-
Operating expenses	3	(69,658)	(66,089)	(68,482)	(64,981)
<b>Profit before tax</b>		<b>45,294</b>	<b>41,624</b>	<b>44,293</b>	<b>41,400</b>
Income tax expense	4	(12,795)	(12,555)	(12,487)	(12,480)
<b>Profit for the year attributable to members of the Company</b>		<b>32,499</b>	<b>29,069</b>	<b>31,806</b>	<b>28,920</b>

The statements of profit or loss are to be read in conjunction with the notes to the financial statements set out on pages 44-89.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Profit for the year</b>	32,499	29,069	31,806	28,920
<b>Other comprehensive income/(expense)</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Remeasurement of defined benefit liability	551	61	551	61
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Net change in fair value of available for sale investments	(994)	1,208	(994)	1,208
Net change in fair value of cash flow hedges	(30)	65	(30)	65
Net change in fair value of available for sale investments transferred to profit and loss	(502)	(950)	(502)	(950)
Total items that may be reclassified subsequently to profit or loss	(1,526)	323	(1,526)	323
<b>Total other comprehensive (expense)/income for the year, net of income tax</b>	<b>(975)</b>	<b>384</b>	<b>(975)</b>	<b>384</b>
<b>Total comprehensive income for the year</b>	<b>31,524</b>	<b>29,453</b>	<b>30,831</b>	<b>29,304</b>

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 44-89.

# STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated		Company	
	Note	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>ASSETS</b>					
Cash and cash equivalents	27	44,398	50,466	12,500	12,597
Available for sale investments	6	882,351	693,323	1,383,059	1,194,125
Loans and receivables to ADIs	7	280,759	360,922	280,759	360,922
Loans and receivables to members	8	3,746,949	3,698,709	3,747,138	3,703,462
Other financial assets	9	505	515	5,570	5,570
Inventories	12	-	4,137	-	-
Property, plant and equipment	13	8,545	11,769	8,447	11,650
Intangible assets	14	1,216	236	1,216	236
Net deferred tax assets	4	3,079	2,416	3,765	3,273
Other assets	15	7,361	9,246	24,258	25,601
<b>Total assets</b>		<b>4,975,163</b>	<b>4,831,739</b>	<b>5,466,712</b>	<b>5,317,436</b>
<b>LIABILITIES</b>					
Trade and other payables	16	28,297	35,066	14,832	15,657
Deposits	17	4,038,803	3,756,015	4,044,903	3,761,511
Securitised loans funding	18	562,680	700,642	1,062,511	1,200,482
Interest bearing liabilities	19	44,971	44,920	44,971	44,920
Derivative liabilities	11	42	-	42	-
Current tax liabilities	4	1,487	2,545	1,487	2,545
Provisions	20	7,501	7,849	7,458	7,800
Loans and other borrowings	29	-	-	3,234	3,234
<b>Total liabilities</b>		<b>4,683,781</b>	<b>4,547,037</b>	<b>5,179,438</b>	<b>5,036,149</b>
<b>Net assets</b>		<b>291,382</b>	<b>284,702</b>	<b>287,274</b>	<b>281,287</b>
<b>EQUITY</b>					
Share capital	21	37,460	40,989	37,460	40,989
Reserves		31,991	33,151	31,991	33,151
Retained earnings		221,931	210,562	217,823	207,147
<b>Total equity attributable to members of the Company</b>		<b>291,382</b>	<b>284,702</b>	<b>287,274</b>	<b>281,287</b>

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 44-89.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated		Company	
	Note	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest received		230,968	240,680	248,648	245,126
Other cash receipts in the course of operations		15,357	17,749	13,157	12,958
Interest paid on deposits		(133,637)	(151,340)	(152,021)	(155,873)
Income taxes paid		(14,752)	(13,098)	(14,273)	(13,764)
Net loans funded		(48,605)	22,907	(44,041)	26,586
Net increase in deposits		282,416	164,144	283,020	164,284
Other cash payments in the course of operations		(69,134)	(63,847)	(65,986)	(61,617)
Net cash flows from operating activities	27	262,613	217,195	268,504	217,700
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(Payments for)/ Redemptions of available for sale investments		(109,018)	40,834	(108,935)	40,008
Expenditure on property, plant and equipment, and intangibles		(3,417)	(1,712)	(3,392)	(1,582)
Proceeds from sale of property, plant and equipment	13,14	6,509	214	6,490	181
Net cash flows from investing activities		(105,926)	39,336	(105,837)	38,607
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net repayments from securitised loans funding		(137,962)	(226,064)	(137,971)	(239,787)
Net proceeds from interest bearing liabilities		51	48	51	48
Own shares acquired		(16,128)	(8,835)	(16,128)	(8,835)
Dividends paid	5	(8,716)	(9,036)	(8,716)	(9,036)
Net cash flows from financing activities		(162,755)	(243,887)	(162,764)	(257,610)
Net (decrease)/increase in cash and cash equivalents held		(6,068)	12,644	(97)	(1,303)
Cash and cash equivalents at the beginning of the year		50,466	37,822	12,597	13,900
<b>Cash and cash equivalents at the end of the year</b>	27	<b>44,398</b>	<b>50,466</b>	<b>12,500</b>	<b>12,597</b>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out in pages 44-89.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated						
<i>In thousands of AUD</i>	Share capital	Available for sale investments revaluation reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Retained earnings	Total equity
Balance at 1 July 2013	43,502	4,804	(65)	2,585	25,255	197,039	273,120
<b>Total comprehensive income for the year</b>							
Profit after tax	-	-	-	-	-	29,069	29,069
<b>Other comprehensive income</b>							
Remeasurement of defined benefit liability	-	-	-	-	-	61	61
Net revaluation movement due to change in fair value	-	1,208	65	-	-	-	1,273
Net change in fair value transferred to profit and loss	-	(950)	-	-	-	-	(950)
Total other comprehensive income	-	258	65	-	-	61	384
Total comprehensive income for the year	-	258	65	-	-	29,130	29,453
Transfer from retained profits	-	-	-	249	-	(249)	-
<b>Transactions with owners, recorded in equity</b>							
Dividends to shareholder members	-	-	-	-	-	(9,036)	(9,036)
Own shares acquired	(2,513)	-	-	-	-	(6,322)	(8,835)
<b>Balance at 30 June 2014</b>	<b>40,989</b>	<b>5,062</b>	<b>-</b>	<b>2,834</b>	<b>25,255</b>	<b>210,562</b>	<b>284,702</b>
Balance at 1 July 2014	40,989	5,062	-	2,834	25,255	210,562	284,702
<b>Total comprehensive income for the year</b>							
Profit after tax	-	-	-	-	-	32,499	32,499
<b>Other comprehensive income</b>							
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)	-
<b>Transactions with owners, recorded in equity</b>							
Dividends to shareholder members	-	-	-	-	-	(8,716)	(8,716)
Own shares acquired	(3,529)	-	-	-	-	(12,599)	(16,128)
<b>Balance at 30 June 2015</b>	<b>37,460</b>	<b>3,566</b>	<b>(30)</b>	<b>3,200</b>	<b>25,255</b>	<b>221,931</b>	<b>291,382</b>

Amounts are stated net of tax.

Refer to note 21 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 44-89.

	Company						
<i>In thousands of AUD</i>	Share capital	Available for sale investments revaluation reserve	Cash flow hedge reserve	General reserve for credit losses	General reserve	Retained earnings	Total equity
Balance at 1 July 2013	43,502	4,804	(65)	2,585	25,255	193,773	269,854
<b>Total comprehensive income for the year</b>							
Profit after tax	-	-	-	-	-	28,920	28,920
<b>Other comprehensive income</b>							
Remeasurement of defined benefit liability	-	-	-	-	-	61	61
Net revaluation movement due to change in fair value	-	1,208	65	-	-	-	1,273
Net change in fair value transferred to profit and loss	-	(950)	-	-	-	-	(950)
Total other comprehensive income	-	258	65	-	-	61	384
Total comprehensive income for the year	-	258	65	-	-	28,981	29,304
Transfer from retained profits	-	-	-	249	-	(249)	-
<b>Transactions with owners, recorded in equity</b>							
Dividends to shareholder members	-	-	-	-	-	(9,036)	(9,036)
Own shares acquired	(2,513)	-	-	-	-	(6,322)	(8,835)
<b>Balance at 30 June 2014</b>	<b>40,989</b>	<b>5,062</b>	<b>-</b>	<b>2,834</b>	<b>25,255</b>	<b>207,147</b>	<b>281,287</b>
Balance at 1 July 2014	40,989	5,062	-	2,834	25,255	207,147	281,287
<b>Total comprehensive income for the year</b>							
Profit after tax	-	-	-	-	-	31,806	31,806
<b>Other comprehensive income</b>							
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)	-
<b>Transactions with owners, recorded in equity</b>							
Dividends to shareholder members	-	-	-	-	-	(8,716)	(8,716)
Own shares acquired	(3,529)	-	-	-	-	(12,599)	(16,128)
<b>Balance at 30 June 2015</b>	<b>37,460</b>	<b>3,566</b>	<b>(30)</b>	<b>3,200</b>	<b>25,255</b>	<b>217,823</b>	<b>287,274</b>

Amounts are stated net of tax.

Refer to note 21 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 44-89.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 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 2015 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 26 August 2015.

#### (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 ASIC Class Order 98/100 dated 10 July 1998 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 1r and 22).

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);
- Inventories (notes 1p and 13); and
- Measurement of fair values (notes 1f and 31).

#### (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 intercompany financial asset/liability represents the return on an imputed loan between the Company and the SPEs and is based on the interest income under the mortgages, the fees payable by the SPEs and the interest income or expense not separately recognised under the interest rate and basis swaps transactions between the Company and the SPEs.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

## (iv) Business combinations

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

## (e) Cash and cash equivalents

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

## (f) Non-derivative financial assets

The Group initially recognises loans and 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 cashflow hedge reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same year as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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

## **(h) Revenue recognition**

### **(i) Interest income and fees for services rendered**

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

### **(ii) Loan origination income**

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

### **(iii) Dividend income**

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

### **(iv) Inventory sales**

Income from sales is generally recognised on exchange of contracts. However, where contracts include conditions precedent to the performance of the contract, the sales are recognised upon the satisfaction of

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

those conditions. The amount of costs matched against sales is based on an average recovery factor calculated on estimated total costs to estimated total sales for each stage of the project.

## (i) Expenses

### (i) Loan origination expenses

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

### (ii) Securitisation set-up expenses

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

## (j) Impairment

### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial

assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers evidence of impairment for receivables and available for sale investment securities at both a specific asset and collective level. All individually significant receivables and available for sale investment securities are assessed for specific impairment. All individually significant receivables and available for sale investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and available for sale investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and available for sale investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying

amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

**(ii) Loan impairment**

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

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

Changes in the assumptions used for estimating likely future losses could result in a change in provisions for loan losses and have a direct impact on the impairment charge.

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

**(iii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets (see note 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

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.

### (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) Inventories

#### (i) Valuation

Inventories, consisting of freehold land held for development are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes expenses directly attributable to the cost of acquisition, development and holding costs including borrowing costs, rates and taxes. Capitalisation of borrowing costs is ceased during extended years in which active development is interrupted. When a development is completed and ceases to be a qualifying asset, borrowing costs and other costs are expensed. Independent valuations for development properties are obtained on an annual basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

## (q) Dividends payable

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

## (r) Employee benefits

### (i) Short-term benefits

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

### (ii) Defined contribution plans

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

### (iii) Defined benefit plan

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

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

the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. 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.

## (s) 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.

## (t) 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.

## (u) 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.

## (v) 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.

**(x) 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.

**(y) 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.

**(z) 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 2014, 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, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated		Company	
	Note	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>2 OPERATING INCOME</b>					
<b>Interest revenue</b>					
Loans					
- to members		192,814	201,224	192,213	201,224
- consolidated entities, key management personnel, and related entities		103	553	103	582
- ADIs		9,337	15,940	9,337	15,940
Available for sale investments		30,035	22,222	48,315	26,639
		232,289	239,939	249,968	244,385
<b>Interest expense</b>					
Deposits					
- from members		108,139	104,686	108,139	104,686
- consolidated entities		-	-	18,388	4,534
- subordinated debt		3,101	3,140	3,101	3,140
Securitised loans funding		22,762	37,085	22,762	37,085
Other interest expense		4	1	4	1
		134,006	144,912	152,394	149,446
<b>Net interest income</b>		98,283	95,027	97,574	94,939
<b>Impairment losses</b>					
Impairment of loans and receivables to members		366	876	366	1,064
<b>Net interest income after impairment losses</b>		<b>97,917</b>	<b>94,151</b>	<b>97,208</b>	<b>93,875</b>
<b>Revenue from land development</b>		4,985	4,382	-	-
<b>Fees and commission income</b>					
Loan switch and breakout fees		477	524	477	524
Transaction fees		6,896	7,298	6,896	7,298
Payment system fees		1,864	1,742	1,864	1,742
Financial planning revenue		1,160	1,071	-	-
Commissions		2,921	2,459	2,921	2,459
		13,318	13,094	12,158	12,023
<b>Profit from sale of property, plant and equipment</b>					
Profit from sale of property		2,875	-	2,875	-
Profit from sale of plant and equipment		54	64	54	64
		2,929	64	2,929	64
<b>Other income</b>					
Impairment losses recovered		152	163	152	163
Rental income		146	141	146	141
Other		460	303	182	115
		758	607	480	419
<b>Net operating income</b>		<b>119,907</b>	<b>112,298</b>	<b>112,775</b>	<b>106,381</b>

# IMB ANNUAL REPORT 2015

	Note	Consolidated		Company	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>3 OPERATING EXPENSES</b>					
<b>Personnel expense</b>					
Salaries		33,355	31,249	32,687	30,732
Payroll tax		1,913	1,776	1,871	1,752
Fringe benefits tax		500	482	475	467
Superannuation		3,786	3,435	3,726	3,390
		39,554	36,942	38,759	36,341
<b>Occupancy expense</b>					
Repairs and maintenance		530	620	530	619
Rental on operating leases		6,046	5,559	6,013	5,529
Other		1,925	1,997	1,867	1,960
		8,501	8,176	8,410	8,108
<b>Payment system expense</b>		2,608	2,429	2,608	2,429
<b>Marketing expense</b>		5,513	5,260	5,505	5,250
<b>Data processing expense</b>		2,682	2,387	2,652	2,360
<b>Postage and printing expense</b>		1,533	1,565	1,518	1,554
<b>Contributions to IMB Community Foundation</b>		500	500	500	500
<b>Goods and services tax not recovered</b>		2,200	2,065	2,200	2,065
<b>Sundry expenses</b>					
Depreciation and amortisation					
- plant and equipment		1,573	1,661	1,544	1,645
- buildings		120	147	120	147
- intangibles		375	335	375	335
Loss from sale of property, plant and equipment		13	11	13	11
Other		4,486	4,611	4,278	4,236
		6,567	6,765	6,330	6,374
<b>Total operating expenses</b>		<b>69,658</b>	<b>66,089</b>	<b>68,482</b>	<b>64,981</b>
<b>Land development expense</b>		4,955	4,585	-	-
<b>Total non interest expense</b>		<b>74,613</b>	<b>70,674</b>	<b>68,482</b>	<b>64,981</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated		Company	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>4 TAXATION</b>					
<b>a) Income tax expense</b>					
<b>Current tax expense</b>					
- current year		13,271	12,248	12,556	12,915
- adjustment for prior years		5	5	5	5
		13,276	12,253	12,561	12,920
<b>Deferred tax expense</b>					
- origination and reversal of temporary differences		(481)	302	(74)	(440)
<b>Total income tax expense</b>		<b>12,795</b>	<b>12,555</b>	<b>12,487</b>	<b>12,480</b>
<b>Reconciliation between income tax expense and profit before tax</b>					
Profit before tax		45,294	41,624	44,293	41,400
Prima facie income tax expense at 30% on operating profit		13,588	12,487	13,288	12,420
Increase in income tax expense due to:					
- income tax under provided for in prior year		-	5	-	5
- depreciation of buildings		36	44	36	44
- non deductible entertainment		34	34	34	34
- other		62	41	54	33
Decrease in income tax expense due to:					
- non assessable profit on building sale		(862)	-	(862)	-
- other deductible expenses		(63)	(56)	(63)	(56)
<b>Income tax expense</b>		<b>12,795</b>	<b>12,555</b>	<b>12,487</b>	<b>12,480</b>
<b>Income tax recognised directly in other comprehensive income</b>					
Relating to defined benefit fund		236	26	236	26
Relating to available for sale investments		(641)	111	(641)	111
Relating to cashflow hedges		(13)	28	(13)	28
		<b>(418)</b>	<b>165</b>	<b>(418)</b>	<b>165</b>

**b) Current tax liabilities**

The current tax liability for the Group of \$1,487,000 (2014: \$2,545,000) and for the Company of \$1,487,000 (2014: \$2,545,000) 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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>4 TAXATION (CONTINUED)</b>				
<b>Deferred tax assets/(liabilities)</b>				
Deferred tax assets and liabilities are attributable to the following:				
Provisions and accrued expenses	2,975	2,999	3,674	3,725
Employee benefits	1,850	2,188	1,837	2,174
Derivative liabilities	13	-	13	-
Unearned income	31	(14)	31	(14)
Consulting and legal fees	-	5	-	5
Property, plant and equipment	15	41	15	41
Other	-	2	-	2
<b>Total deferred tax assets</b>	<b>4,884</b>	<b>5,221</b>	<b>5,570</b>	<b>5,933</b>
Deferred expenditure	(261)	(438)	(261)	(438)
Deferred lending fees	(15)	(52)	(15)	(52)
Freehold land held for development	-	(145)	-	-
Available for sale investments	(1,529)	(2,170)	(1,529)	(2,170)
<b>Total deferred tax liabilities</b>	<b>(1,805)</b>	<b>(2,805)</b>	<b>(1,805)</b>	<b>(2,660)</b>
<b>Net deferred tax assets</b>	<b>3,079</b>	<b>2,416</b>	<b>3,765</b>	<b>3,273</b>

	Cents per Share	Total amount \$000	% Franked	Date of payment
<b>5 DIVIDENDS</b>				
Dividends recognised in current year by the Company are:				
<b>2015</b>				
2015 interim dividend	10.0	3,486	100%	27-Feb-15
2014 final dividend	15.0	5,230	100%	04-Sep-14
		8,716		
<b>2014</b>				
2014 interim dividend	10.0	3,486	100%	27-Feb-14
2013 final dividend	15.0	5,550	100%	05-Sep-13
		9,036		

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

#### Subsequent events

On 26 August 2015 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 2015. The dividend is payable on 3 September 2015. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 30 June 2015 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 2015

	Company	
	2015	2014
	\$000	\$000
<b>5 DIVIDENDS</b>		
<b>Dividend franking account</b>		
30% franking credits available to members of the Company for dividends in subsequent financial years	96,494	92,313

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 (2014: \$nil) franking credits.

	Consolidated		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>6 AVAILABLE FOR SALE INVESTMENTS</b>				
Available for sale investments *				
- certificates of deposit issued by banks	69,730	94,559	69,730	94,559
- floating rate notes**	812,621	598,764	1,313,329	1,099,566
<b>Total investments</b>	<b>882,351</b>	<b>693,323</b>	<b>1,383,059</b>	<b>1,194,125</b>

\* 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 (2014: \$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 26.

The Group's exposure to credit risk and interest rate risk is disclosed in note 31.

	Consolidated		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>7 LOANS AND RECEIVABLES TO ADIS</b>				
Loans to Authorised Deposit-taking Institutions ("ADIs")	280,759	360,922	280,759	360,922
<b>Total loans and receivables to ADIs</b>	<b>280,759</b>	<b>360,922</b>	<b>280,759</b>	<b>360,922</b>
<b>LOANS BY MATURITY</b>				
- up to three months	148,144	309,452	148,144	309,452
- from three to six months	23,042	20,239	23,042	20,239
- from six to nine months	84,422	5,073	84,422	5,073
- from nine to twelve months	24,648	-	24,648	-
- from one to five years	503	26,158	503	26,158
<b>Total loans and receivables to ADIs</b>	<b>280,759</b>	<b>360,922</b>	<b>280,759</b>	<b>360,922</b>

		Consolidated		Company	
	Note	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>8 LOANS AND RECEIVABLES TO MEMBERS</b>					
Loans to					
- members*		3,751,919	3,703,873	3,752,019	3,703,873
- consolidated entities, key management personnel and related entities	28,29	1,294	1,292	3,803	8,465
Provision for impairment	10	(6,264)	(6,456)	(8,684)	(8,876)
<b>Total loans net of provision for impairment</b>		<b>3,746,949</b>	<b>3,698,709</b>	<b>3,747,138</b>	<b>3,703,462</b>
<b>LOANS BY MATURITY</b>					
Loans maturing					
- revolving credit		9,142	9,801	11,012	11,772
- up to three months		23,434	22,070	23,534	22,070
- from three to six months		23,900	22,458	23,900	22,458
- from six to nine months		24,468	23,353	24,468	23,353
- from nine to twelve months		24,570	23,736	24,570	23,736
- from one to five years		396,941	369,392	397,127	374,146
- over five years		3,250,758	3,234,355	3,251,211	3,234,803
Provision for impairment	10	(6,264)	(6,456)	(8,684)	(8,876)
<b>Total loans net of provision for impairment</b>		<b>3,746,949</b>	<b>3,698,709</b>	<b>3,747,138</b>	<b>3,703,462</b>

\* Includes \$804,167,000 of securitised residential loans and \$188,570,000 of securitised commercial loans (2014: \$1,067,970,000 of securitised residential loans and \$133,974,000 of securitised commercial loans).

		Consolidated		Company	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>9 OTHER FINANCIAL ASSETS</b>					
Other equity investments – at cost*		505	515	505	505
Investments in controlled entities		-	-	5,065	5,065
<b>Total other financial assets</b>		<b>505</b>	<b>515</b>	<b>5,570</b>	<b>5,570</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>10 PROVISION FOR IMPAIRMENT OF LOANS AND RECEIVABLES TO MEMBERS</b>				
<b>Specific provision</b>				
Opening balance	2,670	2,470	5,090	4,702
Additions to specific provision	5	465	5	653
Loans written off, previously provided for	-	(64)	-	(64)
Reversal of provision	(197)	(201)	(197)	(201)
Closing balance	2,478	2,670	4,898	5,090
<b>Collective provision</b>				
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
<b>Total provision for impairment</b>	<b>6,264</b>	<b>6,456</b>	<b>8,684</b>	<b>8,876</b>
<b>Impairment of loans and receivables to members</b>				
Movement in specific provision	(192)	265	(192)	452
Impairment losses written off directly	558	611	558	612
	<b>366</b>	<b>876</b>	<b>366</b>	<b>1,064</b>

\* 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 31.

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>11 DERIVATIVE LIABILITIES</b>				
Interest rate swaps at fair value	42	-	42	-

	Consolidated		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>12 INVENTORIES</b>				
Freehold land held for development and sale				
- acquisition costs	-	1,618	-	-
- development costs capitalised	-	2,034	-	-
- rates, taxes and interest capitalised	-	485	-	-
<b>Total inventories</b>	<b>-</b>	<b>4,137</b>	<b>-</b>	<b>-</b>

	Consolidated		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>13 PROPERTY, PLANT AND EQUIPMENT</b>				
Freehold land				
- at cost	2,315	3,165	2,315	3,165
Freehold buildings				
- at cost	2,592	5,892	2,592	5,892
- accumulated depreciation	(1,036)	(2,209)	(1,036)	(2,209)
	1,556	3,683	1,556	3,683
<b>Total land and buildings</b>	<b>3,871</b>	<b>6,848</b>	<b>3,871</b>	<b>6,848</b>
Plant and equipment				
- at cost	29,779	32,643	29,577	32,422
- accumulated depreciation	(25,374)	(28,366)	(25,270)	(28,264)
<b>Total plant and equipment</b>	<b>4,405</b>	<b>4,277</b>	<b>4,307</b>	<b>4,158</b>
<b>Work in progress – at cost</b>	<b>269</b>	<b>644</b>	<b>269</b>	<b>644</b>
<b>Total property, plant and equipment – at cost</b>	<b>34,955</b>	<b>42,344</b>	<b>34,753</b>	<b>42,123</b>
<b>Total accumulated depreciation</b>	<b>(26,410)</b>	<b>(30,575)</b>	<b>(26,306)</b>	<b>(30,473)</b>
<b>Total property, plant and equipment – carrying amount</b>	<b>8,545</b>	<b>11,769</b>	<b>8,447</b>	<b>11,650</b>
<b>Reconciliations</b>				
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	3,165	3,165	3,165	3,165
Sales proceeds	(1,705)	-	(1,705)	-
Profit on disposal	855	-	855	-
<b>Carrying amount at the end of the year</b>	<b>2,315</b>	<b>3,165</b>	<b>2,315</b>	<b>3,165</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>				
<i>Buildings</i>				
Carrying amount at the beginning of the year	3,683	3,830	3,683	3,830
Sales proceeds	(4,027)	-	(4,027)	-
Profit on disposal	2,020	-	2,020	-
Depreciation	(120)	(147)	(120)	(147)
<b>Carrying amount at the end of the year</b>	<b>1,556</b>	<b>3,683</b>	<b>1,556</b>	<b>3,683</b>
<i>Plant and equipment</i>				
Carrying amount at the beginning of the year	4,277	4,623	4,158	4,585
Additions	498	1,040	471	910
Transfers from work in progress	1,980	489	1,980	489
Disposals	(777)	(214)	(758)	(181)
Depreciation	(1,573)	(1,661)	(1,544)	(1,645)
<b>Carrying amount at the end of the year</b>	<b>4,405</b>	<b>4,277</b>	<b>4,307</b>	<b>4,158</b>
<i>Work in progress</i>				
Carrying amount at the beginning of the year	644	562	644	562
Additions	1,605	571	1,605	571
Transfers to plant and equipment	(1,980)	(489)	(1,980)	(489)
<b>Carrying amount at the end of the year</b>	<b>269</b>	<b>644</b>	<b>269</b>	<b>644</b>

During the year the Company entered into a sale and leaseback arrangement for its head office premises at 253-259 Crown Street Wollongong. The profit on sale of the property was \$2,875,000. No capital gains tax was payable on the sale.

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>14 INTANGIBLE ASSETS</b>				
<i>Intangible computer software</i>				
- at cost	9,438	7,779	9,438	7,779
- accumulated amortisation	(8,222)	(7,543)	(8,222)	(7,543)
<b>Total Intangible computer software</b>	<b>1,216</b>	<b>236</b>	<b>1,216</b>	<b>236</b>
<b>Reconciliation</b>				
<i>Intangible computer software</i>				
Carrying amount at the beginning of the year	236	416	236	416
Additions	1,355	155	1,355	155
Amortisation	(375)	(335)	(375)	(335)
<b>Carrying amount at the end of the year</b>	<b>1,216</b>	<b>236</b>	<b>1,216</b>	<b>236</b>

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	Consolidated		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>15 OTHER ASSETS</b>				
Sundry debtors	7,361	9,246	24,258	25,601

	Consolidated		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>16 TRADE AND OTHER PAYABLES</b>				
Trade creditors	14,995	15,870	14,832	15,657
Distributions payable by Special Purpose Entities	13,038	18,870	-	-
Fees payable by Special Purpose Entities	264	326	-	-
<b>Total trade and other payables</b>	<b>28,297</b>	<b>35,066</b>	<b>14,832</b>	<b>15,657</b>

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 31.

	Consolidated		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>17 DEPOSITS</b>				
Retail deposits	2,958,810	2,798,442	2,961,431	2,803,938
Middle markets	725,760	669,986	729,239	669,986
Wholesale deposits	333,576	267,303	333,576	267,303
Accrued interest	20,657	20,284	20,657	20,284
<b>Total deposits</b>	<b>4,038,803</b>	<b>3,756,015</b>	<b>4,044,903</b>	<b>3,761,511</b>
<b>Concentration of Deposits</b>				
New South Wales	3,337,369	3,119,452	3,343,469	3,124,948
Australian Capital Territory	162,841	222,633	162,841	222,633
Queensland	128,154	133,320	128,154	133,320
South Australia	25,180	30,895	25,180	30,895
Victoria	289,343	171,248	289,343	171,248
Western Australia	52,072	27,637	52,072	27,637
Tasmania	7,230	16,346	7,230	16,346
Northern Territory	36,614	34,484	36,614	34,484
<b>Total deposits</b>	<b>4,038,803</b>	<b>3,756,015</b>	<b>4,044,903</b>	<b>3,761,511</b>

The Group's exposure to liquidity risk related to deposits is disclosed in note 31.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>18 SECURITISED LOANS FUNDING</b>				
Notes payable	562,680	700,642	-	-
Loans from securitisation trusts*	-	-	1,062,511	1,200,482
<b>Total securitised loans funding</b>	<b>562,680</b>	<b>700,642</b>	<b>1,062,511</b>	<b>1,200,482</b>

\* Includes \$500,000,000 (2014: \$500,000,000) in bonds issued by the Illawarra Series IS Trust. Refer note 26.

The Group's exposure to liquidity risk related to securitised loans funding is disclosed in note 31.

	Note	Consolidated		Company	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>19 INTEREST BEARING LIABILITIES</b>					
<b>Subordinated floating rate notes</b>	1t				
- Series 1		14,996	14,988	14,996	14,988
- Series 2		29,975	29,932	29,975	29,932
<b>Total interest bearing liabilities</b>		<b>44,971</b>	<b>44,920</b>	<b>44,971</b>	<b>44,920</b>

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 (2014: 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 (2014: 425). 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 31.

		Consolidated		Company	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>20 PROVISIONS</b>					
<i>Make good provision</i>					
Balance at the beginning of the year		467	467	467	467
Provisions used during the year		(5)	-	(5)	-
Balance at the end of the year		462	467	462	467
<i>Employee benefits</i>					
Balance at the beginning of the year		7,382	7,414	7,333	7,359
Provisions made during the year		3,503	2,966	3,454	2,924
Provisions used during the year		(3,846)	(2,998)	(3,791)	(2,950)
Balance at the end of the year	22	7,039	7,382	6,996	7,333
<b>Total provisions</b>		<b>7,501</b>	<b>7,849</b>	<b>7,458</b>	<b>7,800</b>

		Consolidated		Company	
21 SHARE CAPITAL AND RESERVES	Note	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Share capital – Ordinary shares					
On issue at 1 July (34,863,795 ordinary shares)		40,989	43,502	40,989	43,502
Own shares acquired (2,990,647 ordinary shares)		(3,529)	(2,513)	(3,529)	(2,513)
On issue at 30 June (31,873,148 ordinary shares)		37,460	40,989	37,460	40,989

On 26 March 2015 the Company bought back 2.99 million shares for a total cash consideration, including transaction costs, of \$16.13 million. All shares tendered at discount of 2% or more or as a Final Price Tender were accepted in full.

The Company does not have authorised capital or par value in respect of its issued shares. Under the constitution of the Company, no person may hold an entitlement in ordinary shares of more than five 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.

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>22 EMPLOYEE BENEFITS</b>				
<b>Current</b>				
Liability for annual leave	2,842	2,784	2,813	2,754
Liability for banked time	3	3	3	3
Liability for long service leave	3,264	2,886	3,264	2,886
Liability for purchased annual leave	43	26	42	26
	6,152	5,699	6,122	5,669
<b>Non Current</b>				
Present value of defined benefit fund obligations	8,431	7,866	8,431	7,866
Fair value of defined benefit fund assets	(8,508)	(7,187)	(8,508)	(7,187)
Present value of net obligations	(77)	679	(77)	679
Unrecognised actuarial losses	-	-	-	-
Net defined benefit (asset)/liability	(77)	679	(77)	679
Liability for long-service leave	925	965	912	946
Liability for directors' retirement benefits	39	39	39	39
	887	1,683	874	1,664
<b>Total employee benefits</b>	<b>7,039</b>	<b>7,382</b>	<b>6,996</b>	<b>7,333</b>

## 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 11 members (2014: 11) in the plan. An actuarial assessment of the plan at 30 June 2015 was carried out by Ms S Sweeney FIAA on 9 July 2015.

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.

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>22 EMPLOYEE BENEFITS (CONTINUED)</b>				
<b>Movements in the net defined benefit asset/(liability)</b>				
Net defined benefit liability at the beginning of the year	(679)	(735)	(679)	(735)
Total remeasurement recognised in other comprehensive income gain/(loss)	787	87	787	87
Contributions received from employer	440	414	440	414
Defined benefit cost recognised in the profit and loss	(471)	(445)	(471)	(445)
<b>Net defined benefit asset/(liability) at the end of the year</b>	<b>77</b>	<b>(679)</b>	<b>77</b>	<b>(679)</b>
<b>Movement in the present value of the defined benefit obligations are as follows:</b>				
Defined benefit obligation at the beginning of the year	7,866	6,861	7,866	6,861
Current service cost	360	327	360	327
Past service cost	-	-	-	-
Interest cost	303	310	303	310
Actuarial (gains)/losses arising from:				
- financial assumptions	(272)	330	(272)	330
- experience adjustment	139	(9)	139	(9)
Contributions by employees	105	99	105	99
Benefits paid	-	-	-	-
Other	(70)	(52)	(70)	(52)
<b>Defined benefit obligation at the end of the year</b>	<b>8,431</b>	<b>7,866</b>	<b>8,431</b>	<b>7,866</b>
<b>Movement in the present value of fund assets are as follows:</b>				
Fair value of fund assets at the beginning of the year	7,187	5,911	7,187	5,911
Interest income on plan assets	288	283	288	283
Remeasurements: return on plan assets	655	623	655	623
Contributions by employer	440	414	440	414
Contributions by employees	105	99	105	99
Benefits paid	-	-	-	-
Taxes paid	(79)	(75)	(79)	(75)
Administrative expenses and insurance premiums	(88)	(68)	(88)	(68)
<b>Fund assets at the end of the year</b>	<b>8,508</b>	<b>7,187</b>	<b>8,508</b>	<b>7,187</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2015

## 22 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:

	2015 \$000	2014 \$000
<b>Cash and cash equivalents</b>		
- Cash	423	359
<b>Equity</b>		
- Domestic	2,495	2,135
- International (currency hedged)	784	647
- International (currency unhedged)	1,850	1,516
<b>Fixed income</b>		
- Domestic	839	726
- International	841	719
<b>Real estate/ property</b>		
- Domestic indirect property	252	223
- International property	253	216
<b>Other</b>		
- Alternate growth	430	287
- Alternate defensive	341	359
<b>Total</b>	<b>8,508</b>	<b>7,187</b>

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	
	2015 %	2014 %	2015 %	2014 %
Discount rate at 30 June	4.4	3.9	4.4	3.9
Expected return on fund assets at 30 June	4.4	3.9	4.4	3.9
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 actuarial valuation as at 1 July 2015.

## 22 EMPLOYEE BENEFITS (CONTINUED)

### Change in discount rate

During the reporting period the Group changed the discount rate used in its AUD-denominated defined benefit calculation from the Australian government bond rate to the high quality corporate bond rate and applied this change as a change in the accounting estimate. This change is the result of new developments in the Australian economy that caused the Australian high quality corporate bond market to be considered deep.

Actuarial gains or losses directly attributable to this change of \$272,000 are included in the financial assumptions actuarial gains disclosed above. Interest rate cost was unaffected in the current period as the change in discount rate occurred after the start of the annual reporting period. However, on applying the high quality corporate bond discount rate to the opening net defined benefit asset in the next reporting period, the Group estimates the impact on interest cost in the next reporting period to be \$19,000.

The Group also decreased the carrying amounts of long-service leave by \$23,000 in the current year upon application of this change in estimate. Due to the inherent uncertainty in measuring net defined benefit assets/liabilities, the Group is unable to predict the impact of the change to a high quality corporate bond discount rate in periods beyond the next reporting period.

### 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	2015		2014	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(504)	558	(538)	600
Future salary growth (1% movement)	467	(432)	512	(471)

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 2016 \$000
<b>Expected contributions to the plan in the next reporting period</b>	
Expected employer contributions	438
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

Projected benefit payments (defined benefit only)	2015 \$000	2014 \$000
Next year	342	193
Next year + 1 year	804	308
Next year + 2 years	447	706
Next year + 3 years	578	435
Next year + 4 years	725	605
<b>Sum of next year + 5 – 9 years</b>	<b>3,588</b>	<b>4,149</b>

### Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was \$2,827,000 for the financial year (2014: \$2,646,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>23 CAPITAL AND OTHER COMMITMENTS</b>				
Loan commitments approved but not advanced				
- not later than one year	346,646	302,326	346,646	302,326
- later than one year	12,485	6,739	12,485	6,739
<b>Total</b>	<b>359,131</b>	<b>309,065</b>	<b>359,131</b>	<b>309,065</b>
Capital expenditure commitments not taken up in the financial statements				
- not later than one year	882	282	882	282
Non cancellable operating lease rentals payable				
- not later than one year	6,316	5,210	6,316	5,210
- later than one year but not later than five years	8,864	9,375	8,864	9,375
- later than five years	-	10	-	10
<b>Total</b>	<b>15,180</b>	<b>14,595</b>	<b>15,180</b>	<b>14,595</b>

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 movements in the Consumer Price Index or operating criteria.

The Company has lease commitments resulting from the sale and lease back of its head office premises at 253-259 Crown Street Wollongong. The lease term is for two years and six months with three one year options to extend.

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>24 FINANCING ARRANGEMENTS</b>				
Bank overdraft available	2,500	2,500	2,500	2,500
Bank overdraft utilised	-	(462)	-	(462)
<b>Facilities not utilised</b>	<b>2,500</b>	<b>2,038</b>	<b>2,500</b>	<b>2,038</b>

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 8.48% (2014: 8.98%).

## 25 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 \$6,354,000 (2014: \$4,931,000) 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.

		Ownership interest	
		2015	2014
26 CONSOLIDATED ENTITIES	Principal Activity	%	%
<b>Parent entity</b>			
IMB Ltd			
<b>Subsidiaries</b>			
IMB Funeral Fund Management Pty Ltd	Trustee	100.0	100.0
IMB Land Pty Ltd	Land development	100.0	100.0
IMB Land No. 2 Pty Ltd	Land development	100.0	100.0
IMB Community Foundation Pty Ltd	Dormant	100.0	100.0
IMB Securitisation Services Pty Limited	Securitisation trust management	100.0	100.0
IMB Financial Planning Limited	Financial Planning	100.0	100.0
<b>Securitisation SPEs *</b>			
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated		Company	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>27 NOTES TO THE STATEMENTS OF CASH FLOWS</b>				
<b>RECONCILIATION OF CASH</b>				
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	12,500	12,603	12,500	12,597
Cash controlled by SPEs	31,898	37,863	-	-
<b>Total</b>	<b>44,398</b>	<b>50,466</b>	<b>12,500</b>	<b>12,597</b>

The Group's exposure to interest rate risk for financial assets and liabilities is disclosed in note 31.

## RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year attributable to members of the Company	32,499	29,069	31,806	28,920
Net (gain)/loss on sale of property, plant and equipment	(2,916)	(53)	(2,916)	(53)
Net gain on remeasurement of defined benefit liability	551	-	551	-
Impairment of loans and receivables to members	366	876	366	1,064
Impairment of non-current assets held for sale	-	281	-	-
Depreciation of property, plant and equipment, and amortisation of intangibles	2,068	2,143	2,039	2,127
Operating profit before changes in assets and liabilities	32,568	32,316	31,846	32,058
<b>Changes in assets and liabilities:</b>				
(Increase)/Decrease in accrued interest on investments	(1,322)	741	(1,319)	739
(Increase)/Decrease in loans and receivables	(48,605)	22,907	(44,041)	26,586
Decrease in inventories	4,137	2,481	-	-
Decrease in non-current assets held for sale	-	1,250	-	-
Decrease in sundry debtors	1,885	4,726	1,343	5,576
(Increase)/Decrease in net deferred tax asset	(663)	467	(492)	(275)
Increase/(Decrease) in accrued interest on members' deposits	373	(6,426)	373	(6,426)
(Decrease) in trade and other payables	(6,769)	(4,371)	(825)	(3,807)
Increase in deposits	282,415	164,145	283,019	164,284
(Decrease) in provision for employee benefits	(343)	(32)	(337)	(26)
(Decrease) in provision for income tax	(1,058)	(1,009)	(1,058)	(1,009)
(Decrease) in other provisions	(5)	-	(5)	-
<b>Net cash flows from operating activities</b>	<b>262,613</b>	<b>217,195</b>	<b>268,504</b>	<b>217,700</b>

## 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.

## 28 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 KR Biddle (Deputy Chairman)  
Mr JR Coleman  
Mr NH Cornish  
Mr RHP Elvy  
Mr LP Nicholas (retired October 2014)  
Ms ME Towers  
Ms JM Swinhoe (appointed October 2014)

### 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 KA Halling (Acting General Manager, Corporate Services and Company Secretary) until February 2015  
Mr CE Newham (General Manager, Sales)  
Ms LB Wise (General Manager, Corporate Services and Company Secretary) returned from parental leave February 2015

	Consolidated		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
The key management personnel compensation included in "personnel expense" (see note 3) is as follows:				
Short-term employee benefits	3,208,697	2,847,638	3,208,697	2,847,638
Post-employment benefits	358,200	319,728	358,200	319,728
Other long-term benefits	60,154	41,271	60,154	41,271
<b>Total</b>	<b>3,627,051</b>	<b>3,208,637</b>	<b>3,627,051</b>	<b>3,208,637</b>

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.

### 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
	\$	\$	\$	
<b>Total for key management personnel and their related parties 2015</b>	<b>1,474,670</b>	<b>1,743,385</b>	<b>60,453</b>	<b>4</b>
Total for key management personnel and their related parties 2014	1,593,112	1,685,608	66,105	7

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

## 28 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
<b>Total for key management personnel and their related parties 2015</b>	<b>57,086</b>	<b>215,578</b>	<b>114,414</b>	<b>158,250</b>	<b>11</b>
Total for key management personnel and their related parties 2014	237,627	25,382	205,923	57,086	12

No shares were granted to key management personnel during the year as compensation (2014: nil).

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

### Key management personnel transactions with the Company or its controlled entities

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

Mr KR Biddle is a consultant to Hansons Lawyers, which has, at times, provided legal services to IMB Land Pty Ltd, a controlled entity. Fees paid during the year were \$11,547 (2014: \$3,924).

Mr LP Nicholas is the chairman, and Mr RJ Ryan 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 \$68,978 (2014: \$58,433).

Mr MJ Cole has a performance guarantee from the Company. Under the terms of the performance guarantee an amount of \$1,792,000 (2014: \$1,792,000) is payable on demand in the event of an enforceable claim. The Company holds real estate as a security against the performance guarantee. Fees paid during the year were \$14,500 (2014: \$14,500).

Mr MJ Cole is the sole director of Abtourk (Syd No 368) Pty Ltd which has a performance guarantee from the Company. Under the terms of the performance guarantee an amount of \$750,000 (2014: \$750,000) is payable on demand on the event of an enforceable claim. The Company holds real estate as security against the performance guarantee. Fees paid during the year were \$7,500 (2014: \$7,500).

Mr MJ Cole is the sole director of Abtourk (Syd No 368) Pty Ltd which has a shareholding in OneVue Limited. OneVue Limited has a performance guarantee from the Company. Under the terms of the performance guarantee an amount of \$180,000 (2014: \$180,000) is payable on demand on the event of an enforceable claim. The Company holds real estate as security against the performance guarantee. Fees paid during the year were \$3,000 (2014: \$1,500).

## 29 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:

	2015 \$000	2014 \$000
IMB Land Pty Ltd	(1,171)	(856)
IMB Land 2 No. Pty Ltd	(43)	(396)
IMB Securitisation Services Pty Ltd	247	169
IMB Financial Planning Pty Limited	168	107
	(799)	(976)

**IMB Land Pty Ltd**

IMB Land Pty Ltd, a controlled entity has deposits with the Company amounting to \$424 (2014: \$424). These amounts are received on normal commercial terms and conditions. IMB Land Pty Ltd and its joint venture partner also have borrowings from the Company advanced during the course of land development. In accordance with normal commercial terms and conditions, the interest rate is set on the first working day of the month for the ensuing month at a fixed margin above the applicable bank bill rate. The aggregate amount of these loans is \$3,850,000 at 30 June 2015 (2014: \$3,943,000). The Group share of these loans is 50%. During the year there were repayments of \$100,000 (2014: \$2,925,000) and advances of \$8,000 (2014: \$nil). Aggregate interest of \$nil (2014: \$260,000) was charged during the year. The Company has advanced an additional \$5,000 (2014: \$270,000) to IMB Land Pty Ltd as an unsecured loan. There was no interest charged on the loan and it is included in the bad debt provision below. A provision for doubtful debts of \$4,299,000 at 30 June 2015 (2014: \$4,391,000) has been recognised in relation to the loans with a bad debt recovery/(expense) of \$98,000 (2014: (\$105,500)) recognised in the Income Statement.

**IMB Land No. 2 Pty Ltd**

IMB Land No. 2 Pty Ltd, a controlled entity has deposits with the Company amounting to \$61,000 (2014: \$5,400). These amounts are received on normal commercial terms and conditions. IMB Land No. 2 Pty Ltd and its joint venture partner also have borrowings from the Company advanced during the course of land development. In accordance with normal commercial terms and conditions, the interest rate is set on the first working day of the month for the ensuing month at a fixed margin above the applicable bank bill rate. The aggregate amount of these loans is \$nil at 30 June 2015 (2014: \$4,117,000). The Group share of these loans is 70%. During the year there were repayments of \$4,410,000 (2014: \$4,835,000) and advances of \$231,000 (2014: \$183,000). Aggregate interest of \$62,000 (2014: \$389,000) was charged during the year. The Company has advanced an additional \$76,000 (2014: \$370,000) to IMB Land No. 2 Pty Ltd as an unsecured loan. There was no interest charged on the loan which will be repaid as residential lots are sold.

**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 \$4,020,000 (2014: \$3,715,000). These amounts are received on normal commercial terms and conditions. The Company also has

borrowings from IMB Financial Planning Limited associated with the remaining equity purchase on 29 June 2012 of \$3,234,000 (2014: \$3,234,000).

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 (2014: \$8,000). The Company also provides premises for IMB Financial Planning Limited. The Company has received \$33,000 (2014: \$30,000) 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 (2014: \$7,000) to IMB Financial Planning Limited during the year.

As at the reporting date a net receivable of \$59,000 (2014: \$201,000) was due from IMB Financial Planning Limited.

**Securitisation**

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

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:

	2015 \$000	2014 \$000
Proceeds from securitisation of loans	102,813	-
Servicing fees received	2,444	2,362
Management fees received	293	283
Excess income received	11,019	10,448
Note interest received	18,281	4,417
Other	742	227

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

## 30 SEGMENT REPORTING

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

## 31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Credit Risk  
Liquidity Risk  
Market Risk  
Operational Risk

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

### Risk management framework

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

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

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

In addition to the Audit Committee and Risk Committee, the Group has a number of senior management committees where specific risk management information is overseen. These include the Executive Risk Management Committee which oversees the risk management framework, the Assets and Liabilities Committee 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 Lending Services Department reporting to the IMB Executive, is 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.

**31 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:

<b>Consolidated</b>									
		<b>Loans &amp; receivables to Members</b>		<b>Loans &amp; receivables to ADIs</b>		<b>Available for sale investments</b>		<b>Cash and cash equivalents</b>	
	<b>Note</b>	<b>2015 \$000</b>	<b>2014 \$000</b>	<b>2015 \$000</b>	<b>2014 \$000</b>	<b>2015 \$000</b>	<b>2014 \$000</b>	<b>2015 \$000</b>	<b>2014 \$000</b>
<b>Carrying Amount</b>	<b>6,7,8,27</b>	<b>3,746,949</b>	<b>3,698,709</b>	<b>280,759</b>	<b>360,922</b>	<b>882,351</b>	<b>693,323</b>	<b>44,398</b>	<b>50,466</b>
<i>Individually impaired</i>									
Gross amount		6,302	5,256	-	-	-	-	-	-
Provision for impairment	10	(2,478)	(2,670)	-	-	-	-	-	-
Carrying amount		3,824	2,586	-	-	-	-	-	-
<i>Past due but not impaired</i>									
<i>Days in arrears:</i>									
Less than one month		81,479	80,241	-	-	-	-	-	-
Greater than one month and less than two months		4,624	6,005	-	-	-	-	-	-
Greater than two months and less than three months		3,663	2,778	-	-	-	-	-	-
Greater than three months		1,914	1,396	-	-	-	-	-	-
Carrying amount		91,680	90,420	-	-	-	-	-	-
<i>Neither past due nor impaired</i>									
Secured by mortgage		3,583,516	3,539,421	-	-	-	-	-	-
Government securities		-	-	-	-	-	-	-	-
Investment grade		-	-	265,427	229,819	882,351	693,323	44,398	50,466
Unrated		-	-	15,332	131,103	-	-	-	-
Other		71,192	69,871	-	-	-	-	-	-
Net deferred income & expense		523	197	-	-	-	-	-	-
Carrying amount		3,655,231	3,609,489	280,759	360,922	882,351	693,323	44,398	50,466
Collective impairment provision	10	(3,786)	(3,786)	-	-	-	-	-	-
<b>Total carrying amount</b>	<b>6,7,8,27</b>	<b>3,746,949</b>	<b>3,698,709</b>	<b>280,759</b>	<b>360,922</b>	<b>882,351</b>	<b>693,323</b>	<b>44,398</b>	<b>50,466</b>
Includes restructured loans		1,339	1,057	-	-	-	-	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

## 31 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:

	Note	Company							
		Loans & receivables to Members		Loans & receivables to ADIs		Available for sale investments		Cash and cash equivalents	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Carrying Amount</b>	<b>6,7,8,27</b>	<b>3,747,138</b>	<b>3,703,462</b>	<b>280,759</b>	<b>360,922</b>	<b>1,383,059</b>	<b>1,194,125</b>	<b>12,500</b>	<b>12,597</b>
<i>Individually impaired</i>									
Gross amount		8,172	7,228	-	-	-	-	-	-
Provision for impairment	10	(4,898)	(5,090)	-	-	-	-	-	-
Carrying amount		3,274	2,138	-	-	-	-	-	-
<i>Past due but not impaired</i>									
Days in arrears:									
Less than one month		81,479	80,241	-	-	-	-	-	-
Greater than one month and less than two months		4,624	6,005	-	-	-	-	-	-
Greater than two months and less than three months		3,663	2,778	-	-	-	-	-	-
Greater than three months		1,914	1,396	-	-	-	-	-	-
Carrying amount		91,680	90,420	-	-	-	-	-	-
<i>Neither past due nor impaired</i>									
Secured by mortgage		3,584,255	3,544,622	-	-	-	-	-	-
Government securities		-	-	-	-	-	-	-	-
Investment grade		-	-	265,427	229,819	1,383,059	1,194,125	12,500	12,597
Unrated		-	-	15,332	131,103	-	-	-	-
Other		71,192	69,871	-	-	-	-	-	-
Net deferred income & expense		523	197	-	-	-	-	-	-
Carrying amount		3,655,970	3,614,690	280,759	360,922	1,383,059	1,194,125	12,500	12,597
Collective impairment provision	10	(3,786)	(3,786)	-	-	-	-	-	-
<b>Total carrying amount</b>	<b>6,7,8,27</b>	<b>3,747,138</b>	<b>3,703,462</b>	<b>280,759</b>	<b>360,922</b>	<b>1,383,059</b>	<b>1,194,125</b>	<b>12,500</b>	<b>12,597</b>
Includes restructured loans		1,339	1,057	-	-	-	-	-	-

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 (2014: \$nil).

IMB issues guarantees to business banking clients with a maximum credit exposure of \$6,354,000 (2014: \$4,931,000). Refer Note 25 for more details.

**31 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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<i>Against Individually impaired</i>				
Property value	3,847	2,820	3,847	2,820
<i>Against past due but not impaired</i>				
Property value	104,246	98,780	104,246	98,780
Other	1,299	1,464	1,299	1,464
Total	109,392	103,064	109,392	103,064

**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 \$1,040,000 (2014: \$1,820,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

## 31 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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>CONSOLIDATED</b>								
<b>Carrying amount</b>	<b>3,746,949</b>	<b>3,698,709</b>	<b>280,759</b>	<b>360,922</b>	<b>882,351</b>	<b>693,323</b>	<b>44,398</b>	<b>50,466</b>
<b>Concentration by location</b>								
New South Wales	2,912,956	2,851,860	267,445	256,555	701,551	537,763	43,581	49,805
Australian Capital Territory	470,578	449,172	3,302	-	-	-	670	553
Queensland	97,544	98,802	-	29,638	100,429	75,328	-	-
Victoria	192,664	211,709	10,012	25,580	50,488	40,409	147	108
Western Australia	52,014	63,651	-	15,054	9,958	-	-	-
South Australia	7,087	8,589	-	-	14,942	34,847	-	-
Tasmania	20,370	21,382	-	34,095	4,983	4,976	-	-
Overseas	-	-	-	-	-	-	-	-
Provision for impairment	(6,264)	(6,456)	-	-	-	-	-	-
<b>Total loans net of provision for impairment and deferred income and expenses</b>	<b>3,746,949</b>	<b>3,698,709</b>	<b>280,759</b>	<b>360,922</b>	<b>882,351</b>	<b>693,323</b>	<b>44,398</b>	<b>50,466</b>
<b>COMPANY</b>								
<b>Carrying amount</b>	<b>3,747,138</b>	<b>3,703,462</b>	<b>280,759</b>	<b>360,922</b>	<b>1,383,059</b>	<b>1,194,125</b>	<b>12,500</b>	<b>12,597</b>
<b>Concentration by location</b>								
New South Wales	2,915,465	2,859,033	267,445	256,555	1,202,259	1,038,565	11,683	11,936
Australian Capital Territory	470,678	449,172	3,302	-	-	-	670	553
Queensland	97,544	98,802	-	29,638	100,429	75,328	-	-
Victoria	192,664	211,709	10,012	25,580	50,488	40,409	147	108
Western Australia	52,014	63,651	-	15,054	9,958	-	-	-
South Australia	7,087	8,589	-	-	14,942	34,847	-	-
Tasmania	20,370	21,382	-	34,095	4,983	4,976	-	-
Overseas	-	-	-	-	-	-	-	-
Provision for impairment	(8,684)	(8,876)	-	-	-	-	-	-
<b>Total loans net of provision for impairment and deferred income and expenses</b>	<b>3,747,138</b>	<b>3,703,462</b>	<b>280,759</b>	<b>360,922</b>	<b>1,383,059</b>	<b>1,194,125</b>	<b>12,500</b>	<b>12,597</b>

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.

### 31 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. Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Assets and Liabilities Committee.

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.

The Group also utilises a number of other contingent funding sources. This includes a securitisation warehouse facility with Westpac up to a limit of \$150 million (2014: \$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 2015 was \$4.2 million (2014: \$6.4 million). No internal securitisation securities were subjected under repurchase agreement for the period to 30 June 2015.

#### 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	2015	2014
At 30 June	%	%
APRA High Quality Liquid Assets	21.00	18.32
Total liquidity	27.43	27.09

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

## 31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

	At call		Excluding call less than 3 months maturity		Greater than 3 months less than 12 months maturity	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Residual contractual maturities of financial liabilities</b>						
<b>CONSOLIDATED</b>						
<b>Financial Liabilities</b>						
Deposits	1,635,217	1,386,257	1,547,430	1,603,757	784,023	697,105
Trade and other payables	-	-	28,295	35,066	-	-
Securitised loans funding *	-	-	38,120	47,282	101,450	167,555
Subordinated debt	-	-	715	773	2,131	2,311
Bank overdraft	-	462	-	-	-	-
<b>Total financial liabilities</b>	<b>1,635,217</b>	<b>1,386,719</b>	<b>1,614,560</b>	<b>1,686,878</b>	<b>887,604</b>	<b>886,971</b>
<b>COMPANY</b>						
<b>Financial Liabilities</b>						
Deposits	1,638,338	1,391,753	1,550,408	1,603,757	784,023	697,105
Trade and other payables	-	-	14,832	15,657	-	-
Securitised loans funding *	-	-	42,128	52,177	113,474	182,239
Subordinated debt	-	-	715	773	2,131	2,311
Bank overdraft	-	462	-	-	-	-
<b>Total financial liabilities</b>	<b>1,638,338</b>	<b>1,392,215</b>	<b>1,608,083</b>	<b>1,672,364</b>	<b>899,628</b>	<b>881,655</b>
<b>Consolidated and Company</b>						
<b>Derivative financial instruments</b>						
Interest rate swaps (hedging relationship) net **	-	-	5	-	15	-
<b>Unrecognised loan commitments</b>	<b>-</b>	<b>-</b>	<b>186,732</b>	<b>147,733</b>	<b>-</b>	<b>-</b>

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.

<b>Derivative financial instruments</b>					
Interest rate swaps (hedging relationship) net **	-	-	5	-	15

\* Included in this balance are amounts payable to mortgage SPE noteholders. The contractual maturity of the notes is dependant 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.

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Greater than 1 year less than 5 years maturity		Greater than 5 years maturity		Gross nominal outflow		Total carrying amount	
2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
110,834	111,044	12	-	4,077,516	3,798,163	4,038,803	3,756,015
-	-	-	-	28,295	35,066	28,295	35,066
313,834	370,610	167,958	200,867	621,362	786,314	562,680	700,642
11,462	12,362	49,987	53,529	64,295	68,975	44,971	44,920
-	-	-	-	-	462	-	462
<b>436,130</b>	<b>494,016</b>	<b>217,957</b>	<b>254,396</b>	<b>4,791,468</b>	<b>4,688,980</b>	<b>4,674,749</b>	<b>4,537,105</b>
110,834	111,044	12	-	4,083,615	3,803,659	4,044,903	3,761,511
-	-	-	-	14,832	15,657	14,832	15,657
377,961	448,924	667,790	700,708	1,201,353	1,384,048	1,062,511	1,200,482
11,462	12,362	49,987	53,529	64,295	68,975	44,971	44,920
-	-	-	-	-	462	-	462
<b>500,257</b>	<b>572,330</b>	<b>717,789</b>	<b>754,237</b>	<b>5,364,095</b>	<b>5,272,801</b>	<b>5,167,217</b>	<b>5,023,032</b>
36	-	-	-	56	-	42	-
-	-	-	-	<b>186,832</b>	<b>147,733</b>	-	-
34	-	-	-	54	-	42	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2015

## 31 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 in terms of potential changes to its net interest income as reported in the income statement; and secondly, 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 income whilst 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.

### Exposure to IRRBB

Over the year the Group made improvements to the measurement and management of IRRBB. This included the:

- implementation of a specialist IRRBB management system;
- improvement in the detail of data that feed the IRRBB system;
- implementation of Net Interest Income Sensitivity (March 2015) and Historical Simulation Value-at-Risk (HS-VaR);
- strengthening of its IRRBB Stress Testing framework; and
- approval by the Board of a new IRRBB Policy and refined risk appetite for IRRBB.

ALCO uses a number of risk measures to monitor and control IRRBB exposure from both a net interest income and net present 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 control 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 net interest income 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.

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.

A summary of the EaR position of the Group's banking book, expressed as a percentage of capital, as at 30 June 2015 and since its introduction is as follows:

<b>EaR (Net Interest Income Simulation - 100 bps Movement)</b>	<b>2015 %</b>	<b>2014 %</b>
At 28 February	(1.73)	N/A
At 30 June	(2.29)	N/A
Average EaR for the period	(1.89)	N/A
Minimum EaR for the period	(1.55)	N/A
Maximum EaR for the period	(2.29)	N/A

#### *Value at Risk*

Value-at-Risk (VaR) is the secondary metric used by the ALCO to manage IRRBB. The Historical Simulation VaR methodology introduced in March 2015 is an improvement in accuracy on the Variance/Covariance method previously used until the end of February 2015. The change in the balance sheet's net present value over a 20 day period is analysed using the past 2 years of actual interest rates. The risk is derived at a 99 percent 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 net present value perspective is further supported with 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 recently introduced Historical Simulation VaR position of the Group's banking book, and the previously used Covariance method, expressed as a percentage of capital, as at 30 June 2015 and during the year is as follows:

<b>VaR (Historical Simulation Method)</b>	<b>2015 %</b>	<b>2014 %</b>
At 28 February	0.32	N/A
At 30 June	0.44	N/A
Average VaR for the period	0.39	N/A
Minimum VaR for the period	0.29	N/A
Maximum VaR for the period	0.52	N/A
<b>VaR (Variance – Covariance)</b>		
At 28 February	0.51	1.23
At 30 June	N/A	0.79
Average VaR for the period	0.62	1.33
Minimum VaR for the period	0.51	0.79
Maximum VaR for the period	0.85	1.80

The system-based Net Interest Income Sensitivity and HS-VaR models 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 2015

## 31 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.

### Fair value

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

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

#### *Financial instruments carried at fair value*

- Financial instruments classified as available for sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated based on pricing models or other recognised valuation techniques.
- Derivative instruments used for the purpose of hedging interest rate risk, are carried at fair value. Fair value is measured by a method of forecasting future cash flows, with reference to relevant closing market prices and formula conventions at balance date.

#### *Financial instruments carried at amortised cost*

- The fair values of liquid assets and other assets maturing within 12 months approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- The fair value of at call deposits with no specific maturity is approximately their carrying amount as they are short term in nature or are payable on demand.
- The fair value of term deposits at amortised cost is estimated by reference to current market rates offered on similar deposits.
- The fair value of variable rate financial instruments, including loan assets and liabilities carried at amortised cost are approximated by their carrying value. In the case of loan assets held at amortised cost, changes in the fair value do not reflect changes in credit quality, as the impact of credit risk is largely recognised separately by deducting the amount of an allowance for credit losses.
- The fair value of fixed rate loans at amortised cost is estimated by reference to current market rates offered on similar loans.

**Fair value hierarchy**

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

	Note	Carrying Amount \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total consolidated \$000
<b>30 JUNE 2015</b>						
<b>Financial assets measured at fair value</b>						
Available for sale financial assets	6	882,351	-	882,351	-	882,351
		882,351				
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	27	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	15	7,361				
		4,079,972				
<b>Financial liabilities measured at fair value</b>						
Derivative financial liabilities held for risk management	11	42	-	42	-	42
		42				
<b>Financial liabilities not measured at fair value</b>						
Deposits	17	4,038,803	-	4,045,801	-	4,045,801
Securitised loan funding	18	562,680				
Loan capital	19	44,971				
Trade and other payables	16	28,297				
		4,674,751				
<b>30 JUNE 2014</b>						
<b>Financial assets measured at fair value</b>						
Available for sale financial assets	6	693,323	-	693,323	-	693,323
		693,323				
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	27	50,466				
Loans to other ADIs	7	360,922				
Loans and receivables to members	8	3,698,709	-	3,712,655	-	3,712,655
Equity investments held at cost	9	515				
Trade and other receivables	15	9,246				
		4,119,858				
<b>Financial liabilities not measured at fair value</b>						
Deposits	17	3,756,015	-	3,756,015	-	3,756,015
Securitised loan funding	18	700,642				
Loan capital	19	44,920				
Trade and other payables	16	35,066				
		4,536,643				

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT).

FOR THE YEAR ENDED 30 JUNE 2015

## 31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### Valuation techniques

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

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

### Interest rates used for determining fair value

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

	2015	2014
Derivatives	2.11% - 2.77%	N/A
Loans and borrowings	2.00% - 2.77%	2.50% - 3.92%

### 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.

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

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Tier 1 capital</b>				
Ordinary share capital	37,460	40,989	37,460	40,989
General reserves	25,255	25,255	25,255	25,255
Asset revaluation reserves	7,161	12,843	7,161	12,843
Retained earnings	195,791	185,225	192,376	181,827
Current year earnings	21,044	17,482	20,350	17,465
(Less) Capitalised expenses	(2,638)	(1,974)	(2,638)	(1,974)
(Less) Other	(3,819)	(3,847)	(4,508)	(4,708)
<b>Total</b>	<b>280,254</b>	<b>275,973</b>	<b>275,456</b>	<b>271,697</b>
<b>Tier 2 capital</b>				
General reserve for credit loss	6,504	6,439	6,504	6,439
Subordinated debt	31,500	36,000	31,500	36,000
<b>Total</b>	<b>38,004</b>	<b>42,439</b>	<b>38,004</b>	<b>42,439</b>
<b>Total regulatory capital</b>	<b>318,258</b>	<b>318,412</b>	<b>313,460</b>	<b>314,136</b>
<b>Capital requirements (in terms of risk weighted assets) for:</b>				
Credit risk	1,773,972	1,719,362	1,783,581	1,723,559
Operational risk	283,899	269,688	270,774	260,771
<b>Total risk weighted assets</b>	<b>2,057,871</b>	<b>1,989,050</b>	<b>2,054,355</b>	<b>1,984,330</b>
<b>Capital ratios</b>				
Total regulatory capital expressed as a percentage of total risk weighted assets	15.5%	16.0%	15.3%	15.8%
Total Tier 1 capital expressed as a percentage of risk weighted assets	13.6%	13.9%	13.4%	13.7%

	Consolidated		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>32 REMUNERATION OF AUDITORS</b>				
Amounts received or due and receivable by KPMG for:				
Audit and review of financial statements	356	359	279	279
Other services				
- other assurance services	50	61	39	33
- taxation services	16	19	15	19
- advisory services	86	53	73	44
	508	492	406	375

### 33 EVENTS SUBSEQUENT TO REPORTING DATE

#### Mutual Bank

Following approval by the Australian Prudential Regulation Authority of the Group's application to become a mutual bank, IMB Ltd began trading under the business name IMB Bank from 1 August 2015.

#### Dividends

For dividends declared by IMB Ltd after 30 June 2015 refer to note 5.

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2015

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

(a) the financial statements and notes, set out on pages 38 to 89, 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 2015 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);

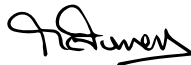
(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this 26th day of August 2015.

Signed in accordance with a resolution of the directors:



MJ Cole  
Chairman



ME Towers  
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 2015, 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 2015 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 26th day of August 2015.

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, Centro  
Shopping Centre  
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, 180-186 Argyle  
Street  
CAMDEN NSW 2570

#### Corrimal

Shops 2-4, Corrimal  
Stockland Shopping Centre,  
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

84B 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  
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 G, 105 Westfield  
Shoppingtown  
MIRANDA NSW 2228

#### Moruya

55 Vulcan Street  
MORUYA NSW 2537

#### Narellan

Shop 10, 320 Camden Valley  
Way Road  
NARELLAN NSW 2567

#### Narooma

127 Wagonga Street  
NAROOMA NSW 2546

#### Nowra

86 Kinghorn Street  
NOWRA NSW 2541

#### Oran Park

Oran Park Podium,  
351 Oran Park Drive,  
ORAN PARK, NSW 2570

#### Parramatta

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  
QUEANBEYAN NSW 2620

#### Shellharbour

Shop 46, Shellharbour  
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  
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

### AUSTRALIAN CAPITAL TERRITORY

#### Belconnen

Level 3, Westfield Shopping  
Town  
BELCONNEN ACT 2617

#### Canberra City

Shop CG 04, City Walk  
CANNBERRA CITY ACT 2600

#### Gungahlin

Shop 18, The Market Place,  
33 Hibberson St  
GUNGAHLIN ACT 2912

#### Tuggeranong

Level 1, Shop 175-177  
Tuggeranong  
Hyperdome Shopping Centre  
Tuggeranong 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

# CORPORATE DIRECTORY

## MEMBERS' DIARY AND OTHER INFORMATION

Payment of final dividend 3 September 2015

Annual general meeting 27 October 2015 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, 27 October 2015 at 10.00am.

## COMPANY SECRETARIES

Lauren Wise (BA LLB Grad Dip. Legal Practice)

Kelli Halling (B Com CPA SA Fin)

## 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](http://imb.com.au).



# ANNUAL REPORT 2015

[IMB.COM.AU](http://IMB.COM.AU)

