

INTERIM FINANCIAL REPORT

31 DECEMBER 2012



CONTENTS

1	Chairman's Review	4	Condensed Interim Statement of Financial Position	9	Directors' Declaration
2	Directors' Report	5	Condensed Interim Statement of Cash Flows	10	Independent Auditor's Review Report
3	Condensed Interim Income Statement	6	Condensed Interim Statement of Changes in Equity	11	Lead Auditor's Independence Declaration
3	Condensed Interim Statement of Comprehensive Income	7	Condensed Notes to the Consolidated Interim Financial Report	12	Directors' Particulars
				13	Statistical Highlights



CHAIRMAN'S REVIEW

PERFORMANCE

The IMB Group recorded a net profit after tax of \$14.1 million for the half year to 31st December. While this represented a 6.9% decline on the previous corresponding period the Directors consider this a satisfactory outcome in a challenging period.

The contraction in profit resulted from the combination of less favourable dynamics in the operating environment compared to the previous period together with the actions taken by IMB to further lift the capital level.

The continued effective management of IMB's funding base and asset book meant the average interest margin of just below 2% was only slightly lower than the average margin of last financial year. Operating expenses lifted only slightly to \$33.2 million.

The strong focus on lending margins and expense levels has helped to achieve a solid profit result relative to the challenges of the 6 month period. The group balance sheet was maintained as new lending remained subdued due to the uncertain economic environment.

On a positive note, IMB's credit experience in the loan portfolios continues to be very strong with only minor levels of bad debts being recorded over the period.

The capital adequacy ratio at calendar year end was 15.9%, comfortably above IMB's stated goal of 15% and well in excess of prudential requirements. The liquidity level of 26% also continues to be conservative and places IMB in a strong position in an environment of continued competition for retail deposits.

During the period IMB successfully completed an off market share buyback. This is expected to be the first in a series of buybacks IMB will undertake over the medium term as a result of the review of its capital structure. The first buyback was successful in acquiring 2.9 million shares through the share tender mechanism.

DIVIDEND

The Board have declared an interim dividend of 10 cents per share fully franked, which is in line with the interim dividend of the previous corresponding period. The dividend will be paid on 27th February, 2013.

OUTLOOK

Declining interest rate forecasts over the current half year reflect the cautious economic outlook. Very competitive financial market conditions are expected to continue to affect trading outcomes for the 2012-13 year. Housing lending growth remains subdued and it is expected that there will be continued pressure on interest margins as consumers remain cautious and the competition for retail deposits remains intense. To assist in countering any adverse effects at this level, IMB will continue to focus on costs and management of the asset and liability books.

Finally, it is pleasing to report that regardless of these challenging conditions, IMB's commitment to outstanding customer service means it is well positioned to grow and continue to meet members' needs.



MJ Cole
Chairman

IMB Ltd and its controlled entities

DIRECTORS' REPORT

As at 31 December 2012

The directors have pleasure in presenting their report together with the consolidated interim financial report for the six months ended 31 December 2012 and the auditor's review report thereon.

DIRECTORS

The directors of the Company at any time during or since the six months ended 31 December 2012 are:

Name	Period of directorship
Michael John Cole, Chairman	Director since 2003, appointed Chairman October 2007
Lynton Patrick Nicholas, Deputy Chairman	Director since 2004
Kieran Robert Biddle	Director since 2007
James Randolph Coleman	Appointed 1 July 2012
Noel Harold Cornish	Director since 2010
Robert Hillis Page Elvy	Director since 2008
Margaret Elizabeth Towers	Director since 2011

REVIEW OF OPERATIONS

Members are referred to the Chairman's Review.

INTERIM DIVIDEND

Members are referred to the Chairman's Review.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 11 and forms part of the directors' report for the six months ended 31 December 2012.

ROUNDING OFF

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

Dated at Wollongong this thirtieth day of January 2013.

Signed in accordance with a resolution of the directors:



MJ Cole
Chairman



LP Nicholas
Deputy Chairman

IMB Ltd and its controlled entities

CONDENSED INTERIM INCOME STATEMENT

For the six months ended 31 December 2012

	Consolidated	
	31 DEC 2012 \$000	31 DEC 2011 \$000
Interest revenue	141,850	168,632
Interest expense	(95,695)	(119,420)
Net interest income	46,155	49,212
Impairment losses	(302)	(1,139)
Net interest income after impairment losses	45,853	48,073
Revenue from land development	3,204	-
Share of profits of joint venture entity	-	112
Fee and commission income	6,363	6,277
Other income	800	395
Net operating income	56,220	54,857
Land development expense	(2,813)	(733)
Operating expenses	(33,234)	(32,583)
Profit before tax	20,173	21,541
Income tax expense	(6,082)	(6,404)
Profit for the period attributable to members of the Company	14,091	15,137

The condensed interim income statement is to be read in conjunction with the condensed notes set out on pages 7 to 8.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

	Consolidated	
	31 DEC 2012 \$000	31 DEC 2011 \$000
Profit for the period	14,091	15,137
Other comprehensive income/(expense):		
Net change in fair value of available for sale investments	(615)	1,702
Net change in fair value of cash flow hedges	109	12
Net change in fair value of available for sale investments sold or redeemed, transferred to profit and loss	(109)	(100)
Total other comprehensive income for the period, net of income tax	(615)	1,614
Total comprehensive income for the period	13,476	16,751

Amounts are stated net of tax

The condensed interim statement of comprehensive income is to be read in conjunction with the condensed notes set out on pages 7 to 8.

IMB Ltd and its controlled entities

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Consolidated	
	31 DEC 2012 \$000	30 JUNE 2012 \$000
ASSETS		
Cash and cash equivalents	35,466	44,846
Available for sale investments	514,704	517,629
Loans and receivables to ADIs	410,940	383,932
Loans and receivables to members	3,747,064	3,781,358
Other financial assets	505	505
Non-current assets held for sale	1,356	1,765
Inventories	8,039	9,825
Property, plant and equipment	11,918	12,498
Intangible assets	561	625
Net deferred tax assets	4,929	4,398
Other assets	2,378	15,035
Total assets	4,737,860	4,772,416
LIABILITIES		
Trade and other payables	18,871	44,242
Deposits	3,541,395	3,443,940
Securitised loans funding	863,746	968,609
Subordinated floating rate notes	44,841	44,921
Derivative liabilities	156	312
Current tax liabilities	2,744	1,762
Provisions	7,970	7,645
Total liabilities	4,479,723	4,511,431
Net assets	258,137	260,985
EQUITY		
Share capital	43,502	46,936
Reserves	28,163	28,725
Retained earnings	186,472	185,324
Total equity attributable to members of the Company	258,137	260,985

The condensed interim statement of financial position is to be read in conjunction with the condensed notes set out on pages 7 to 8.

IMB Ltd and its controlled entities

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2012

	Note	Consolidated	
		31 DEC 2012 \$'000	31 DEC 2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		142,383	168,518
Dividends received		-	2
Other cash receipts in the course of operations		9,628	6,547
Interest paid on deposits		(103,813)	(120,506)
Net increase/(decrease) in deposits		105,569	(23,584)
Income taxes paid		(5,631)	(6,054)
Net loans repaid/(funded)		34,175	(5,853)
Other cash payments in the course of operations		(44,914)	(27,187)
Net cash flows from operating activities		137,397	(8,117)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for available for sale investments		(25,386)	(59,543)
Expenditure on property, plant and equipment, and intangibles		(875)	(772)
Proceeds from sale of property, plant and equipment		278	251
Net cash flows from investing activities		(25,983)	(60,064)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayments)/proceeds from securitised loans funding		(104,863)	78,139
Net (repayments)/proceeds from subordinated floating rate notes		(80)	4,951
Own shares acquired		(9,864)	-
Dividends paid	5	(5,987)	(5,987)
Net cash flows from financing activities		(120,794)	77,103
Net (decrease)/increase in cash and cash equivalents held		(9,380)	8,922
Cash and cash equivalents at 1 July		44,846	38,834
Cash and cash equivalents at 31 December	6	35,466	47,756

The condensed interim statement of cash flows is to be read in conjunction with the condensed notes set out on pages 7 to 8.

IMB Ltd and its controlled entities

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012

		Consolidated						
<i>In thousands of AUD</i>	Note	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 2011		46,936	58	(230)	1,827	25,255	165,762	239,608
Total comprehensive income for the period								
Profit after tax		-	-	-	-	-	15,137	15,137
Other comprehensive income								
Net revaluation movement due to change in fair value		-	1,702	12	-	-	-	1,714
Net change in fair value transferred to profit and loss		-	(100)	-	-	-	-	(100)
Total other comprehensive income		-	1,602	12	-	-	-	1,614
Total comprehensive income for the period		-	1,602	12	-	-	15,137	16,751
Transactions with owners, recorded in equity								
Dividends to shareholder members		-	-	-	-	-	(5,987)	(5,987)
Balance at 31 December 2011		46,936	1,660	(218)	1,827	25,255	174,912	250,372
Balance at 1 July 2012		46,936	1,253	(218)	2,435	25,255	185,324	260,985
Total comprehensive income for the period								
Profit after tax		-	-	-	-	-	14,091	14,091
Other comprehensive income								
Net revaluation movement due to change in fair value		-	(615)	109	-	-	-	(506)
Net change in fair value transferred to profit and loss		-	(109)	-	-	-	-	(109)
Total other comprehensive income		-	(724)	109	-	-	-	(615)
Total comprehensive income for the period		-	(724)	109	-	-	14,091	13,476
Transfer from retained profits		-	-	-	53	-	(53)	-
Transactions with owners, recorded in equity								
Own shares acquired	8	(3,434)	-	-	-	-	(6,903)	(10,337)
Dividends to shareholder members		-	-	-	-	-	(5,987)	(5,987)
Balance at 31 December 2012		43,502	529	(109)	2,488	25,255	186,472	258,137

Amounts are stated net of tax

The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes set out on pages 7 to 8.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2012

1 REPORTING ENTITY

IMB Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2012 is available upon request from the Company's registered office at 253-259 Crown Street, Wollongong or at imb.com.au.

2 STATEMENT OF COMPLIANCE

The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*. The consolidated interim financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2012.

This consolidated interim financial report was approved by the Board of Directors on 30 January 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2012.

4 ESTIMATES

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

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2012.

5 DIVIDENDS	Dec 2012 \$000	Dec 2011 \$000
Fully franked final dividend declared on 29 August 2011 - \$0.15 per share franked to 100% at a tax rate of 30% paid on 8 September 2011 on 39,911,640 shares	-	5,987
Fully franked final dividend declared on 31 July 2012 - \$0.15 per share franked to 100% at a tax rate of 30% paid on 7 September 2012 on 39,911,640 shares	5,987	-
	5,987	5,987

Subsequent events:

On 29 January 2013, the Board declared an interim dividend of 10 cents per share amounting to \$3,700,000 franked to 100% at a tax rate of 30%, in respect to the six months ended 31 December 2012. The dividend is payable on 27 February 2013. The financial effect of this interim dividend has not been brought to account in the Group's financial report for the six months ended 31 December 2012 and will be recognised in the subsequent financial report.



IMB Ltd and its controlled entities

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (CONT.)

For the six months ended 31 December 2012

6 NOTES TO THE STATEMENT OF CASH FLOWS	DEC 2012 \$000	DEC 2011 \$000
Reconciliation of cash		
Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash controlled by the Group	16,951	16,672
Cash controlled by SPEs	18,515	31,084
Total	35,466	47,756

7 RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2012 annual financial report.

8 SHARE BUY BACK

On 27 September 2012, in the first of a series of voluntary buybacks, IMB bought back 2.9 million shares for a total cash consideration, including transaction costs, of \$10.3 million. The buyback was not subject to a scale back and all tenders were accepted in full.

9 EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

For dividends declared by IMB Ltd after 31 December 2012 refer to note 5.

Other

There were no other events subsequent to balance date.



IMB Ltd and its controlled entities

DIRECTORS' DECLARATION

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

1. the financial statements and notes set out on pages 3 to 8, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2012 and of its performance, for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this thirtieth day of January 2013.

Signed in accordance with a resolution of the directors:



MJ Cole
Chairman



LP Nicholas
Deputy Chairman



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



We have reviewed the accompanying interim financial report of IMB Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of comprehensive income, condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-yearly financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As auditor of IMB Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

KPMG

Richard Drinnan
Partner

Dated at Wollongong this 30th day of January 2013.

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.



LEAD AUDITOR'S INDEPENDENCE DECLARATION

under Section 307C of the Corporations Act 2001 to the Directors of IMB Ltd



I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

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

KPMG

Richard Drinnan
Partner

Dated at Wollongong this 30th day of January 2013.

DIRECTORS' PARTICULARS

MICHAEL JOHN COLE BEC (SYD) MEC (SYD) F.FIN

Mr Cole has been a director since 2003, and was elected Chairman in 2007. He is Chairman of the Remuneration and CEO Evaluation Committee, Nominations and Governance Committee, Securitisation Committee and Capital Committee and an ex-officio member of the Audit and Risk Management Committee and the IMB Community Foundation Committee. As well as being Chairman of IMB Ltd, Mr Cole is also Chairman of all entities wholly owned by IMB Ltd.

LYNTON PATRICK NICHOLAS FCPA FCIS FCSA

Mr Nicholas has been a director since 2004, and was elected Deputy Chairman in 2007. He is Chairman of the IMB Community Foundation Committee and the Audit and Risk Management Committee, and a member of the Nominations and Governance Committee and the Capital Committee. As well as being Deputy Chairman of IMB Ltd, Mr Nicholas is also Deputy Chairman of all entities wholly owned by IMB Ltd.

KIERAN ROBERT BIDDLE

DIP.LAW SAB SPEC - ACC BUS GAICD

Mr Biddle has been a director since 2007. He is the Chairperson of the Land Development Committee and is a member of the Nominations and Governance Committee, Remuneration and CEO Evaluation Committee and the Securitisation Committee. Until August 2012, he was also a member of the Audit and Risk Management Committee. 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

Mr Coleman was appointed a director 1 July 2012. Mr Coleman is a member of the Audit and Risk Management Committee and Land Development Committee. 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 CORNISH BSC (MET) M ENGSC

Mr Cornish has been a director since 2010. Mr Cornish is a member of the Remuneration and CEO Evaluation Committee, Land Development Committee and the Capital Committee. 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 SCI(ENG) B COM(ACCY) FIEAUST FCPA FCIS FAICD

Mr Elvy has been a director since 2008. He is a member of the Audit and Risk Management Committee, the Nominations and Governance Committee and the Land Development Committee. As well as being a director of IMB Ltd, Mr Elvy is also a director of all entities wholly owned by IMB Ltd.

MARGARET ELIZABETH TOWERS CA GAICD

Ms Towers has been a director since May 2011. She is a member of the Audit and Risk Management Committee and the IMB Community Foundation Committee. As well as being a director of IMB Ltd, Ms Towers is also a director of all entities wholly owned by IMB Ltd.

Right: Michael John Cole, Lynton Patrick Nicholas, Kieran Robert Biddle
Below (L-R): James Randolph Coleman, Noel Harold Cornish, Robert Hillis Page Elvy, Margaret Elizabeth Towers.



STATISTICAL HIGHLIGHTS

At 31 December	Consolidated	
	2012	2011
Net assets/total assets	% 5.4	5.1
Risk weighted capital adequacy	% 15.9	14.0
Liquidity ratio	% 26.1	29.6
Non interest expenses/operating income	% 64.1	60.7
for the half year ended 31 December		
Annualised after tax return on		
- average total assets	% 0.6	0.6
- average net assets	% 10.9	12.6
Interim dividend per share*	cents 10.0	10.0

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



INTERIM FINANCIAL REPORT
31 DECEMBER 2012
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