Annual Report 2026

Summerland Bank

Certified B Corporation

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Registered office
101 Molesworth Street
Lismore NSW 2480
1300 802 222

Auditors
Grant Thornton
KPMG

Summerland Bank acknowledges the Traditional Custodians of the land on which we live and work in Australia. We pay our respects to Elders past, present and emerging, and acknowledge the ongoing connection that Aboriginal and Torres Strait Islander peoples have with Australia's land and waters.

Summerland Bank is a business name of Summerland Financial Services Limited ABN 23 087 650 806. AFSL 239 238. Australian Credit Licence 239 238.

Directors' Report

Your Directors present their report on the bank for the financial year ended 30 June 2026.

Summerland Bank (the bank) is a business name of Summerland Financial Services Limited, a company registered under the Corporations Act 2001.

Information on Directors

The following Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Colin Sales

B.Com, FCPA, FAICD, FGIA, FCSI

- Director since 2020
- Board Chair 2022 - 2026
- Member, Audit Committee
- Member, Governance and Culture Committee

Jane Calder

BSc (Hons), GAICD

- Director since 2020
- Chair, Risk Committee
- Member, Governance and Culture Committee

Kevin Franey

FCA, CIA, CRM, GAICD

- Director since 2020
- Chair, Audit Committee

Katrina Luckie

B.App Sc(Hons), MEAINZ, GAICD, FIML

- Director since March 2025
- Chair, Governance and Culture Committee

Andrew Yost

B Leg S, LLM, Grad Dip ACG, FGIA, FCG (CS, CGP), MAICD

- Director since August 2021
- Member, Risk Committee
- Member, Audit Committee

Robert Hale

BSC (Hons), MAICD

- Director since 2022
- Member, Risk Committee
- Board Representative on Information Security Steering Committee

Damian Buchanan

LLB, GradDipLegPrac, BSc

- Company Secretary since January 2023

Directors' meeting attendance

Directors' benefits

Director	Board of Directors		Audit Committee		Risk Committee		Governance & Culture Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Colin Sales	7	7	3	3			3	2
Jane Calder	7	7			4	4	3	3
Kevin Franey	7	6	3	3				
Andrew Yost	7	5	3	3	4	4		
Robert Hale	7	7			4	4		
Katrina Luckie	7	7					3	3

No Director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the bank, a subsidiary, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 7 of the Financial Report.

Indemnifying officer or auditor

Insurance premiums have been paid to insure each of the Directors and officers of the bank against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the bank. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the bank.

Principal activities

The principal activities of the bank during the year were the provision of retail financial services to customers in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

Operating results

The Bank reported a decline in net profit after income tax compared to the prior year. Net interest margin lifted over the year, being driven by solid loans growth and lifts in the market rate environment. Offsetting this growth in margin, was a greater growth in the cost base of the Bank. The growth in costs this year were affected by inflation, business uplift and the costs associated with preparing the business ready for the merger with Regional Australia Bank (RAB) on 1 July 2026.

Throughout the year the Bank maintained disciplined cost management and continued to invest in strategic initiatives aimed at strengthening long-term position of the Bank. Total Loans for the business reached $1b in size, which saw the asset base of the Bank increase by $59m reaching $1.25b by years end.

Dividends

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the bank.

Review of operations

The bank's operations saw no significant changes during the year. All branches were open with over 100 staff supporting the business across the retail network and corporate office. The bank remains centred on it's strategic pillars of Growth, Brand, Transformation, People and Sustainability. Lending growth was stronger than historical years. This performance was driven by growth in both the branch and broker network stemming from increased brand awareness and competitive loan product and service offerings in the market.

Significant changes in state of affairs

During the year, the merger between Summerland Bank and Regional Australia Bank was approved by the Australian Prudential Regulation Authority (APRA) on 28 August 2025 and gained Member approval at the annual general meetings of both Banks held in November 2025. The merger was executed on 1 July 2026. Except for the merger announcement, there were no other significant changes in the state of the affairs of the bank during the year.

Events occurring after balance date

The merger between Summerland Bank and Regional Australia Bank took place on 1 July 2026, by way of total transfer of business from Summerland Bank to Regional Australia Bank under Section 11 of the Transfer Act.

On the 1 July 2026, all assets, including all property rights whether actual or contingent, including taxation assets and attributes and liabilities including all obligations whether actual or contingent of Summerland Bank were transferred to Regional Australia Bank.

Other than disclosed above, there has been no other matter or significant event that has arisen after balance date which may affect the Bank's operations, the results of those operations or the Bank's state of affairs.

Environmental regulations

All activities have been undertaken in compliance with environmental regulations that apply to banks.

Likely developments, business strategies and prospects

The merger between Summerland Bank and Regional Australia Bank became effective on 1 July 2026. As a consequence, the Bank's future operations, business strategy and prospects will be conducted within the merged entity. The Directors expect the merged organisation to benefit from enhanced scale, financial strength and operational capability. Ongoing integration activities will continue throughout the coming financial year. Further details regarding future business strategies have not been disclosed where such disclosure may be commercially prejudicial to the merged entity.

Rounding

The amounts contained in this financial report have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The bank is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Auditor's independence

The auditor has provided the following declaration of independence to the Board as prescribed by the Corporations Act 2001. This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Colin Sales
Chair

Kevin Franey
Chair Audit Committee

Signed and dated on 28 September 2026

Grant Thornton Audit Pty Ltd
Level 26
Grosvenor Place
225 George Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230
T +61 2 8297 2400

Auditor's Independence Declaration

To the Directors of Summerland Financial Services Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Summerland Financial Services Limited for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

L Te-Wierik

Partner – Audit & Assurance

Sydney, 28 September 2026

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2026

	Note	2026	2025
		$'000	$'000
Revenue			
Interest revenue	2	62,960	65,027
Interest expense	2	(33,050)	(35,996)
Net interest revenue		29,910	29,031
Non-interest revenue	3	3,797	3,562
Expenses			
Impairment (expense)/benefit	4	(109)	(45)
Employee benefits expense	4	(14,727)	(13,693)
Occupancy expense	4	(553)	(579)
Depreciation and amortisation expense	4	(975)	(953)
Information technology expenses	4	(5,066)	(4,121)
Fees and commissions	4	(3,827)	(3,645)
Fair value loss on financial instruments	4	(35)	-
Net revaluation of investment properties	4	(6)	(269)
Other expenses	4	(4,591)	(3,590)
Total expenses		(29,889)	(26,895)
Profit before income tax		3,818	5,698
Income tax expense	5	(1,480)	(1,585)
Profit for the year net of tax		2,338	4,113
Other comprehensive income net of tax			
Items that may be reclassified to profit and loss			
Gain/(Loss) on cash flow hedges taken to equity		(28)	(255)
Items that will not be reclassified to profit and loss			
Movement in fair value of land and buildings		375	(300)
Other comprehensive income for the year net of tax		347	(555)
Total comprehensive income attributable to members of the bank		2,685	3,558

This statement should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

As at 30 June 2026

	Note	2026	2025
		$'000	$'000
Assets			
Cash and cash equivalents	8	66,423	55,501
Investments with other financial institutions	11	151,292	186,145
Other receivables	9	2,194	2,225
Other assets	10	3,212	4,360
Current tax receivable	5	608	1,108
Loans and advances	12	1,011,260	928,322
Financial assets at fair value through other comprehensive income		-	2
Derivatives	13	-	73
Investment property	15	3,493	3,089
Property, plant and equipment	14	4,736	4,418
Right-of use assets	17	1,813	736
Deferred tax assets	5	1,287	1,495
Intangible assets	16	180	248
Total assets		1,246,498	1,187,722
Liabilities			
Deposits	18	1,144,514	1,088,411
Trade and other payables	19	9,459	10,669
Lease liabilities	17	1,584	518
Provisions	20	1,510	1,378
Total liabilities		1,157,067	1,100,976
Net assets		89,431	86,746
Members equity			
Redeemable preference share capital account	21	559	554
Reserves	22	6,250	5,796
Retained earnings		82,622	80,396
Total members equity		89,431	86,746

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Member Equity

For the Year Ended 30 June 2026

	Redeemable Preference Share Capital Account	General Reserve	Capital Profits Reserve	Hedging Reserve	Reserve for Credit Losses	Asset Revaluation Reserve	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2024	548	1,376	860	283	2,075	1,706	76,340	83,188
Profit for the year	-	-	-	-	-	-	4,113	4,113
Other comprehensive income net of tax	-	-	-	(255)	-	(300)	-	(555)
Transfers to / from retained earnings:								
- Redeemable preference share account	6	-	-	-	-	-	(6)	-
- Reserve for credit losses	-	-	-	-	51	-	(51)	-
Balance at 30 June 2025	554	1,376	860	28	2,126	1,406	80,396	86,746
Balance at 1 July 2025	554	1,376	860	28	2,126	1,406	80,396	86,746
Profit for the year	-	-	-	-	-	-	2,338	2,338
Other comprehensive income net of tax	-	-	-	(28)	-	375	-	347
Transfers to / from retained earnings:								
- Redeemable preference share account	5	-	-	-	-	-	(5)	-
- Reserve for credit losses	-	-	-	-	107	-	(107)	-
Balance at 30 June 2026	559	1,376	860	-	2,233	1,781	82,622	89,431

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2026

	Note	2026	2025
		$'000	$'000
Cash flows from operating activities			
Interest received		63,060	65,141
Other income		4,119	4,626
Interest paid		(33,918)	(35,399)
Payments to suppliers and employees		(28,554)	(31,644)
Movement in operating assets and liabilities			
Net movement in liquid investment balances		34,853	(11,587)
Net movement in loans		(82,989)	(27,746)
Net movement in deposits		56,103	51,789
		7,967	12,456
Income taxes paid		(771)	(2,987)
Net cash generated in operating activities	31 (c)	11,903	12,193
Cash flows from investing activities			
Payment for property, plant and equipment		(363)	(406)
Payment for investment property		(86)	(8)
Payment for intangibles		-	(4)
Net cash generated in investing activities		(449)	(418)
Cash flows from financing activities			
Lease principal payments		(508)	(463)
Interest paid		(24)	(22)
Net cash used in financing activities		(532)	(485)
Net change in cash and cash equivalents held		10,922	11,290
Cash and cash equivalents at the beginning of the financial year		55,501	44,211
Cash and cash equivalents at the end of the financial year	31 (a)	66,423	55,501

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2026

Note 1: Statement of Significant Accounting Policies

The general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, the Australian Accounting Standards and with other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ('IFRS's') as issued by the International Account Standards Board ('IASB').

Summerland Financial Services Limited is a public company limited by shares, incorporated and domiciled in Australia. The nature of the bank's operations and principal activities are disclosed in the Directors' Report. The bank is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

Except for cash flow information, this financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of land and buildings, and certain financial assets and financial liabilities for which the fair value basis of accounting has been applied. The statement of financial position has been prepared in order of liquidity. The accounting policies are consistent with the prior year unless otherwise stated.

The bank is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The financial report was authorised for issue on 28 September 2026 by the Board of Directors.

REPO Securitisation Trust Consolidation

The bank has a Trust which holds rights to a portfolio of mortgage secured loans to enable the bank to secure funds (through a Repurchase Obligation) from the Reserve Bank of Australia (RBA) if required to meet emergency liquidity requirements. The bank continues to manage these loans and receives all residual benefits from the trust and bears all losses should they arise. Accordingly,

a) The Trust meets the definition of a controlled entity; and,
b) As prescribed under the accounting standards, since the bank has not transferred all risks and rewards to the Trust, the assigned loans are retained on the books of the bank and are not de-recognised.

The bank has elected to present one set of financial statements to represent both the bank as an individual bank and consolidated bank on the basis that the impact of consolidation is not material to the bank.

Significant accounting policies

The following provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes below.

(a) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management base its judgements, estimates and assumption on historical experience and on other factors, including reasonable expectations of future events by way of trend analysis and economic data sourced both externally and within the bank.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Key estimates

Impairment:	refer to Note 12
Property:	refer to Note 14
Investment property:	refer to Note 15
Intangibles:	refer to Note 16

Uncertainty around property valuations

All land and buildings were independently valued by Herron Todd White Ltd as at 30 June 2026. These valuations have been conducted on the basis of market value and have been performed through a review of sale and rental values of comparable properties within close proximity.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. An increase/decrease in the net market rent and an increase (softening)/decrease (tightening) in the adopted capitalisation rate could potentially offset the impact to the fair value. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

The key assumptions and estimates used in the valuation approach, include:

- future rental income, based on location, type and quality of property, which are supported by the terms of any existing leases, external evidence such as current market rents for similar properties;
- lease assumption based on current and expected future market conditions;
- the capitalisation rate derived from recent comparable market transactions; and
- assessment of the property on an ‘as is’ basis including reasonable estimation of capital works to reinstate or repairs to the base building conditions.

The property valuations are based on information available at the reporting date. In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the company's properties.

(b) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current year.

(c) Goods and services tax (GST)

As a financial institution the bank is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the amount of 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 acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included where GST is applicable. The net amount of GST recoverable from, or payable to, the ATO is included as a current 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.

(d) New or emerging Accounting Standards not yet mandatory

There are currently no new or emerging Accounting Standards amendments materially applicable to the bank.

	2026	2025
	$'000	$'000

Note 2: Interest Revenue and Interest Expense

Interest revenue		
Cash and cash equivalents	1,088	1,369
Investments with other financial institutions	8,354	8,607
Loans and advances	53,369	54,602
Derivatives	149	449
Total interest Revenue	62,960	65,027
Interest expense		
Deposits	30,848	32,832
Borrowings	2,123	3,019
Derivatives	55	123
Leases	24	22
Total interest expense	33,050	35,996

Note 3: Revenue

Interest Revenue	62,960	65,027
Non-interest Revenue		
Fees and commissions		
- fee income on loans - other than loan origination fees	587	581
- fee income from customer deposits	672	687
- other fee income	532	558
- insurance commissions	156	171
- other commissions	894	862
	2,841	2,859
Bad debts recovered	31	2
Rental income from property	467	518
Net revaluation of investment properties	358	-
Profit on sale of assets	9	3
	367	3
Other	91	180
Total non-interest Revenue	3,797	3,562
Total Revenue	66,757	68,589

Recognition and Measurement

Revenue represents revenue from contracts with customers, where the bank has provided services to a customer in exchange for consideration that is not the provision of a lease, an insurance product or a financial instrument. The following specific criteria must also be met before revenue is recognised.

Loan Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the loan accounts on the last day of each month.

Non-Accrual Loan Interest

While still legally recoverable, loan interest is not brought to account if a loan is classified as non-accrual or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. However accrued interest may be recovered as part of the recovery of the debt.

Investment Interest Revenue

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees and Commissions Revenue

Fees and commissions are brought to account as non-interest income on an accrual basis once a right to receive consideration has been attained (i.e. when the service is provided). The bank's performance obligation is to provide ongoing services related to account maintenance and customer related services, a service from which the customer benefits from as it is provided and is recognised over-time. Due to the nature of the services, they are recognised as a series of services comprising a single performance obligation. Unless otherwise discounted and included in the initial measurement of a loan, fees are charged at their stand-alone selling price and recognised as non-interest revenue in the period for which services are delivered.

Loan Origination Fees Revenue

Loan establishment fees and discounts are initially deferred as part of the loan balance and are brought to account as non-interest revenue over the expected life of the loan. The expected life of loans is reviewed annually and adjusted to reflect changes in trends in the actual life of loans. These adjustments may accelerate or decelerate the amortisation rate of the deferred origination fee revenue.

Transaction costs

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance and are brought to account as a reduction to income over the expected life of the loan and included as part of non-interest revenue.

	Note	2026	2025
		$'000	$'000

Note 4: Profit Before Income Tax Expense

Profit before income tax expense has been determined after:

Expenses			
Interest expense		33,050	35,996
Non-interest expenses			
Employee benefit expenses			
- net movement in provisions for annual leave		(322)	263
- net movement in provisions for long service leave		(29)	20
- superannuation		1,335	1,178
- other employee expenses		13,743	12,232
		14,727	13,693
Impairment of assets	12	109	45
Depreciation and Amortisation expense			
Depreciation expense			
- buildings		84	82
- plant and equipment		299	264
- right-of-use assets		497	407
Amortisation expense			
- software		67	76
- leasehold improvements		28	124
		975	953
Revaluation of investment properties		-	254
Loss on sale		6	15
		6	269
Other expenses			
Fair value loss on financial instruments		35	-
Fees and commissions		3,827	3,645
General and administration expenses		1,415	534
IT expenses		5,066	4,121
Occupancy expenses		553	579
Risk and compliance expenses		1,708	1,754
Other operating expenses		1,467	1,302
		14,071	11,935
Total non-interest expenses		29,888	26,895
Total expenses		62,938	62,891

Note 5: Income Tax

	2026	2025
	$'000	$'000
Income tax expense		
Prima facie tax payable on profit at 30%	1,146	1,709
Adjust for tax effect of:		
Adjustment for previous year	334	(124)
Income tax expense attributable to the entity	1,480	1,585
Applicable average effective tax rate	30%	30%
The components of income tax expense comprise		
Current tax	1,293	1,821
Deferred tax	187	(236)
	1,480	1,585

Current and deferred tax recognised directly in equity

Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity are shown in subsequent tax dissections.

Franking credits

Franking credits held by the Bank after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:	30,011	28,732

Current tax

Current income tax (receivable)	(608)	(1,108)

Deferred tax assets

Deferred tax assets comprise temporary differences attributable to:

Amounts recognised in profit and loss		
Plant and equipment	202	255
Investment properties	-	134
Provision for impairment	317	289
Provision for employee benefits	649	711
Accrued expenses	55	52
Carry forward capital loss	196	162
Deferred loan fee asset	63	76
Lease Adjustments	558	218
	2,040	1,897
Amounts recognised directly in equity		
Hedge reserve	-	-
Land and buildings	-	-
Total deferred tax assets	2,040	1,897

	2026	2025
	$'000	$'000
Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Amounts recognised in profit and loss		
Investment properties	76	-
Prepayments	49	99
Right of use assets	544	221
Amounts recognised directly in equity		
Land and buildings	84	63
Hedge reserve	-	19
Total deferred tax liabilities	753	402
Net deferred tax assets	1,287	1,495

Recognition and Measurement

Current tax expense

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or substantially enacted at balance date.

Deferred tax

Deferred tax is accounted for using the Statement of Financial Position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the bank will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Note 6: Remuneration of Auditors

Audit services		
- Auditing of the financial report	112,627	118,487
Other assurance services		
- Regulatory audit of AFSL and APRA prudential audits	36,596	34,854
Other non-assurance services		
- Due diligence – RAB merger	-	193,137
- CPS234 Tripartite remediation findings review	-	19,503
	149,223	365,981

	2026	2025
	$'000	$'000

Note 7: Related Party Transactions

(a) Key management personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the bank, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

KMP has been taken to comprise the Directors, the Company Secretary and the six executives responsible for the day-to-day financial and operational management of the bank.

(b) Remuneration of key management personnel

The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:

Short-term employee benefits	2,561	2,666
Post-employment benefits	246	234
Other long-term benefits	52	51
	2,859	2,951

Remuneration shown as short-term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, short-term performance incentives, value of fringe benefits received, but excludes out of pocket expense reimbursements.

(c) Related parties

The other related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP, individually or collectively with their close family members.

(d) Loans to key management personnel and other related parties

The bank's policy for lending to Directors is that all loans are approved and deposits accepted on the same terms and conditions that applied to customers for each class of loan or deposit. KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to Fringe Benefits Tax, are included in the remuneration in Note 7(b) above.

There are no loans that are impaired in relation to the loan balances with KMP or with their close family relatives.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP.

	2026	2025
	$'000	$'000
The aggregate value of loans to KMP and other related parties as at balance date amounted to	2,239	1,273
The total value of revolving credit facilities to KMP and other related parties as at balance date amounted to	35	42
Less amounts drawn down and included above	(12)	(13)
Net balance available	23	29
During the year the aggregate value of loans and revolving credit facilities approved and/or disbursed to KMP and other related parties amounted to	2,549	124
Interest and other revenue earned on loans and revolving credit facilities to KMP and other related parties amounted to	53	76

(e) Other transactions with key management personnel and other related parties

KMP and other related parties have received interest on deposits with the bank during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to customers of the bank.

Total value of term and savings deposits from KMP and other related parties	1,838	1,791
Total interest paid on deposits to KMP and other related parties	65	105

The bank's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to customers for each type of deposit.

There are existing service contracts where KMP or their close family members are an interested party. These contracts see services being provided at arm's length on the same terms and conditions as other contracted services to the bank. These amounts relate to Director/KMP remuneration which was paid through an associated/related entities.

Note 8: Cash and Cash Equivalents

Cash on hand	1,566	1,358
Cash at call	64,857	54,143
	66,423	55,501

Recognition and Measurement

Cash and cash equivalents include cash on hand and unrestricted short term highly liquid balances held in Authorised Deposit-taking Institutions (ADIs) with maturity less than three months from inception or at call. They are carried at amortised cost which is equal to fair value in the statement of financial position.

The effective interest rate on short-term bank deposits was 4.03% (2025: 2.70%).

	2026	2025
	$'000	$'000

Note 9: Other Receivables

Accrued interest	1,182	1,283
Other receivables	1,013	942
	2,194	2,225

Recognition and Measurement

Other receivables are recognised and accounted for as financial assets classified at amortised cost. Refer to Note 26 for recognition and measurement policies.

Note 10: Other Assets

Prepayments	1,992	2,075
Prepayments - SaaS	1,220	2,285
	3,212	4,360

Recognition and Measurement

Prepayments

Any expenses paid prior to the related goods provided or services rendered will be recorded as prepaid expenses.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the bank with the right to access the cloud provider's application software over the contract period. As such the bank does not receive a software intangible asset at the contract commencement date. Costs are to be recognised as an operating expense over the term of the service contract creating a prepayment including fees for use of application software and customisation costs.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Refer to Note 16 for an outline of accounting for intangible assets.

Note 11: Investments with Other Financial Institutions

Deposits with financial institutions	114,892	140,745
Government bonds	30,000	37,500
Mortgage-backed securities	6,400	7,900
	151,292	186,145

Recognition and Measurement

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Included as a deposit with Financial Institutions is $13.4m (2025: $10m) which represents restricted cash relating to the Repo Securitisation Trust.

	2026	2025
	$'000	$'000

Note 12: Loans and Advances

Term loans	1,006,075	923,228
Overdrafts and revolving credit	6,452	6,310
Gross loans and advances	1,012,527	929,538
Less: Unamortised loan origination fees	(211)	(254)
	1,012,316	929,284
Less: Provision for impaired loans	(1,056)	(962)
Net loans and advances	1,011,260	928,322

Recognition and Measurement

Loans and advances are classified as financial assets measured at amortised cost. Loans and advances are initially measured at fair value plus incremental direct transaction costs attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the useful life of the loan and subsequently measured at amortised cost using the effective interest method less impairment losses.

(a) Credit quality – Security held against loans

Secured by mortgage over real estate	1,001,991	918,894
Partly secured by goods mortgage	2,881	5,209
Cash secured	829	783
Unsecured	6,826	4,652
Gross loans and advances	1,012,527	929,538

It is not practicable to value all collateral as at the reporting date due to the variety of assets and condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

Security held as mortgage against real estate is on the basis of:		
- Loan to valuation ratio of less than or equal to 80%	963,485	872,649
- Loan to valuation ratio of more than 80% but mortgage insured	21,721	33,655
- Loan to valuation ratio of more than 80% and not mortgage insured	16,785	12,590
Total	1,001,991	918,894

(b) Concentration of loans

Geographical concentrations

The values discussed below include on statement of financial position values and off statement of financial position undrawn facilities as described in Note 23.

There are no loans to individual or related groups of customers which exceed 10% of reserves in aggregate.

2026	Housing	Personal	Business	Total
	$'000	$'000	$'000	$'000
NSW – Northern Rivers	623,006	15,181	33,596	671,783
NSW – Other regions	230,843	1,768	2,400	235,011
Other states, territories & jurisdictions	259,763	3,035	997	263,795
Total	1,113,612	19,984	36,993	1,170,589

2025	Housing	Personal	Business	Total
NSW – Northern Rivers	618,575	15,343	36,457	670,375
NSW – Other regions	191,679	1,688	1,845	195,212
Other states, territories & jurisdictions	194,916	2,853	2,626	200,395
Total	1,005,170	19,884	40,928	1,065,982

(c) Provision on impaired loans

Amounts arising from Expected Credit Losses (ECL)

The loss allowance as of the year end by class of exposure / asset are summarised in the table below.

2026	Gross Carrying Value	ECL Allowance	Carrying Value
	$'000	$'000	$'000
Loans to customers			
- Residential loans and facilities	1,113,612	(536)	1,113,076
- Personal loans and facilities	19,984	(87)	19,897
- Business loans and facilities	36,993	(433)	36,560
Total	1,170,589	(1,056)	1,169,533

2025	Gross Carrying Value	ECL Allowance	Carrying Value
Loans to customers			
- Residential loans and facilities	1,005,170	(435)	1,004,735
- Personal loans and facilities	19,884	(81)	19,803
- Business loans and facilities	40,928	(446)	40,482
Total	1,065,982	(962)	1,065,020

2026	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Loans to customers				
- Residential loans and facilities	1,102,488	10,021	1,104	1,113,613
- Personal loans and facilities	19,930	40	14	19,984
- Business loans and facilities	36,752	66	174	36,992
	1,159,170	10,127	1,292	1,170,589
Loss allowance	(1,021)	(14)	(21)	(1,056)
Carrying amount	1,158,149	10,113	1,271	1,169,533

2025	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers				
- Residential loans and facilities	984,581	15,375	5,213	1,005,169
- Personal loans and facilities	19,764	87	33	19,884
- Business loans and facilities	39,407	1,346	176	40,929
	1,043,752	16,808	5,422	1,065,982
Loss allowance	(870)	(55)	(37)	(962)
Carrying amount	1,042,882	16,753	5,385	1,065,020

The reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument is shown in the table below.

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers				
Balance at 1 July 2024	881	20	63	964
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	38	(44)	(6)
- Transfer to stage 3	-	(6)	17	11
Net movement due to change in credit risk	-	32	(27)	5
Net movement in individual provisions	(8)	3	43	38
Write offs	(3)	-	(42)	(45)
Balance at 30 June 2025	870	55	37	962
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	(41)	(9)	(50)
- Transfer to stage 3	-	-	(7)	(7)
Net movement due to change in credit risk	-	(41)	(16)	(57)
Net movement in individual provisions	155	8	-	163
Write offs	(4)	(8)	-	(12)
Balance at 30 June 2026	1,021	14	21	1,056

	2026	2025
Amounts processed directly to Profit and Loss:		
- Write off overdrawn accounts (informal credit facilities) not within the ECL framework	(3)	(3)
- Recoveries of amounts previously written off	31	2
Profit (decrease) / increase	28	(1)

The expense recognised as impairment expense in the profit and loss takes into account the movement in ECL provision for the year.

(d) General reserve for credit losses

This reserve records an additional amount over and above specific provisions which, prior to the adoption of ECL based provisions, satisfied Australian Prudential Regulation Authority's (APRA) requirement to demonstrate total loan loss reserves that would be adequate at all times to absorb credit losses in an ADI's business. While that Regulatory requirement no longer exists, at this stage the reserve continues to be maintained in addition to the overall provisions calculated under the ECL methodology by the bank (which itself includes but it is not limited to specific provisions). Under Australian Accounting Standards this reserve does not meet the definition of a provision and consequently is recognised as an appropriation of retained earnings in equity as shown in Note 22.

Critical accounting estimates and judgements

The macroeconomic outlook for 2026 has evolved compared to the prior year, reflecting increased uncertainty arising from ongoing geopolitical developments that escalated in early 2026 and continues to persist. The duration, severity and broader economic implications of these events remain uncertain.

In addition, domestic pressures relating to interest rates, cost of living, inflation and housing market conditions have contributed to a more cautious economic outlook. As a result, a greater weighting has been applied to downside pressure on the macro-economic indicators within the Expected Credit Loss (ECL) modelling for the current year.

The underlying ECL methodology has not changed materially from the prior year. The model continues to incorporate significant management judgement in assessing credit risk and estimating expected losses across varying economic conditions and stages of the economic cycle.

Recognition and Measurement

Measurement of ECL

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the bank in accordance with the contract and the cash flows that the bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cashflows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover.

The bank has elected to use the following segments when assessing credit risk for Stages 1 and 2 of the impairment model:

- Residential owner-occupied mortgages, including owner-occupied overdrafts;
- Residential investment mortgages, including investment overdrafts;
- Commercial loans, including commercial overdrafts; and
- Personal loans, including credit cards and personal overdraft facilities.

The approach to determining the ECL includes forward-looking information. The bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio. The bank incorporates forward-looking information into its ECL methodology. Considerations include the impact of future changes in unemployment rates, property prices, regulatory change and external market risk factors. Based on review by the bank's Board and Board Audit Committee and consideration of external information, the bank formulates an 'outlook' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by the Reserve Bank of Australia and other bodies.

The bank considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the bank for other purposes such as strategic planning and budgeting.

Credit risk

The provision is reflective of the credit risk in the bank's loan portfolio. Total impairment provision increased year-on-year by $64k to $1.1m at June 2026.

Although the movement in provision did not significantly change over the financial year, there were pressures in the current and expected future economic periods that remained and some that are showing signs of uncertainty in the same outlook period. There is minimal impact on the loan portfolio or impairment provision stemming from the current international geopolitical environment and national conditions (relating to interest rates, inflation and cost of living). The impairment was estimated on the facts and circumstances existing at 30 June 2026.

The model overlays forward-looking economic outlooks on the loan portfolio. The provisioning at Stage 1 increased in the 2026 year with reductions occurring in Stage 2 and 3 provisioning.

The bank is not required to develop an extensive list of factors in defining a 'significant increase in credit risk'. In assessing significant increases in credit risk where a loan or group of loans must move to Stage 2 the following factors have been considered in the bank's current model:

- Loans 30 days or more past due;
- Loans with more than 2 instances of arrears 30 days or more in the previous 12 months; and
- Loans with approved hardship or modified terms, which could include loans affected by the recent flood event.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the bank's historical experience and expert judgement, relevant external factors and including forward-looking information.

Restructured Loans

Restructured loans are loans which are subject to renegotiated repayment terms, generally in the process of extending hardship assistance to our customers. Arrears are not diminished and interest continues to accrue to income. Each restructured loan is retained at the full arrears position until the restructured repayment is maintained for 6 months. These loans can then be reinstated as a performing loan, subject to the loan being on the same risk terms as a new loan for its class.

Bad debts

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. On secured loans the write-off takes place on ultimate realisation of collateral value, or following claim on any mortgage insurance. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the bank's procedures for recovery of amounts due.

	2026	2025
	$'000	$'000

Note 13: Derivatives

Asset		
Interest rate swap contracts - cash flow hedge	-	73

Recognition and Measurement

The bank transacts interest rate swaps to manage interest rate risk. These are recognised at fair value at the date of the contract and are reported at fair value at subsequent reporting dates. Resulting gains or loss are recognised in profit or loss immediately unless the swap is determined to be an effective hedging instrument. Where the hedge is effective, fair value losses and gains are recognised in other comprehensive income. Interest rate swaps are designated as hedges of highly probable forecast transactions (cash flow hedges).

Derivative instruments used by the bank

The bank enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in interest rates in accordance with the bank's interest rate risk management policies. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

Interest rate swap contracts - cash flow hedges

The bank's loans currently bear an average variable rate of interest of 6.29% (2025: 5.83%). It is the bank's policy to hedge loans at fixed rates of interest by entering into interest rate swap contracts under which the bank is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place are timed to expire as loan portfolio repayments fall due.

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Within 1 year	-	2,000
1-2 years	-	2,000
2-5 years	-	-
	-	4,000

The contracts require settlement of net interest receivable or payable each 90 days. Settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. Below is a schedule indicating, at balance date, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2026	Within 1 year	1-2 years	2-5 years
	$'000	$'000	$'000
Cash inflows	-	-	-
Cash outflows	-	-	-
Net cash flows	-	-	-

2025	Within 1 year	1-2 years	2-5 years
	$'000	$'000	$'000
Cash inflows	139	30	-
Cash outflows	(64)	(16)	-
Net cash flows	75	14	-

	2026	2025
	$'000	$'000

Note 14: Property, Plant and Equipment

Land		
At fair value	236	173
Buildings		
At fair value	3,621	3,238
Leasehold improvements		
At cost	1,719	1,736
Accumulated amortisation	(1,701)	(1,690)
	18	46
Plant and equipment		
At cost	2,576	2,573
Accumulated depreciation	(1,715)	(1,612)
	861	961
Total Property, Plant and Equipment	4,736	4,418

Recognition and Measurement

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured at their fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date, less subsequent depreciation. It is the policy of the bank to have an independent valuation of land and buildings at least every three years in accordance with the requirements of AASB 116 Property, Plant & Equipment.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation increment is credited to the asset revaluation surplus included within members equity unless it reverses a revaluation decrement on the same asset previously recognised in the statement of comprehensive income. A revaluation decrement is recognised in the statement of comprehensive income unless it directly offsets a previous revaluation increment on the same asset in the asset revaluation surplus. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

Refer to Note 1 for detail on the valuation and key judgements to be considered for the land and buildings of the bank.

Valuation Techniques Used to Derive Fair Values For Property Assets

The fair value of the land and buildings located at 101 Molesworth Street Lismore were independently valued by Herron Todd White, as at 30 June 2026. The desktop valuation was conducted on the basis of market value and was performed through a review of sale and rental values of comparable properties within close proximity.

At the end of each reporting period the bank reassesses whether there has been any material movement to the fair value of land and buildings to determine whether the carrying amount in the financial statements requires adjustment. The bank determines each property's value within a range of reasonable fair value estimates.

The best evidence of fair value in current prices is an active market for similar properties. Where such information is not available the bank considers information from a variety of sources, including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

Discounted cash flow projections based on rental yields

Due to the nature of the bank's property, it is considered to have level 2 valuation inputs in the years where an independent valuation is undertaken.

Plant and Equipment

Plant and equipment are measured at cost less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the statement of comprehensive income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment with the exception of freehold land, is depreciated over their useful lives to the bank commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis over the following periods.

	Years		**Years**
Buildings	40	Motor Vehicles	5
Computer Hardware	3-6	Leasehold Improvements	3
Office Furniture	10	Office Equipment	3

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

2026	Property	Plant & Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	3,411	961	46	4,418
Net revaluation increment	396	-	-	396
Additions	94	247	-	341
Disposals	-	(48)	-	(48)
Depreciation expense	(84)	(299)	(28)	(411)
Change in use adjustment	40	-	-	40
Carrying amount at end of the financial year	3,857	861	18	4,736

2025	Property	Plant & Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	3,726	904	159	4,789
Net revaluation decrement	(281)	-	-	(281)
Additions	9	386	11	406
Disposals	-	(64)	(1)	(65)
Depreciation expense	(82)	(265)	(123)	(470)
Change in use adjustment	39	-	-	39
Carrying amount at end of the financial year	3,411	961	46	4,418

	2026	2025
	$'000	$'000
If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	9,377	9,197
Accumulated depreciation	(4,669)	(4,459)
Net book value	4,708	4,738

Historical cost stated for land and buildings includes both owner-occupied and investment property.

	2026	2025
	$'000	$'000

Note 15: Investment Property

Investment property includes real estate properties in Australia, which are owned to earn rentals and capital appreciation.

Changes to the carrying amounts are as follows:

Balance at beginning of the financial year	3,089	3,374
Additions	86	8
Disposals	-	-
Net gain / (loss) from fair value adjustments	358	(254)
Change in use adjustment	(40)	(39)
Carrying amount at end of the financial year	3,493	3,089

Recognition and Measurement

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined as stated below, and adjusted to reflect the current market value of the property in accordance with the requirements of AASB 140 Investment Property. Changes in fair value of investment property are reflected in the statement of comprehensive income for the year.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively and are recognised as described in Notes 3 and 4.

Fair value of investment property

The bank determines the fair value from external valuations conducted by registered valuers and through desktop valuations which consider indexation.

The fair value of the investment property located at 101 Molesworth Street Lismore was independently valued by Herron Todd White, as at 30 June 2026. This valuation was conducted on the basis of market value and was performed through a review of sale and rental values of comparable properties within close proximity.

Refer to Note 1 and Note 14 for detail on the valuation techniques and key judgements to be considered for the land and buildings of the bank.

Investment properties are leased out on operating leases. Rental income amounts to $466,592 (2025: $517,542) and is included within revenue as shown in Note 3. Direct operating expenses not recovered as outgoings from the tenants of the relevant property were reported within other expenses as shown in Note 4.

The lease contracts are all non-cancellable for either three or five years from the commencement of the lease. Refer to Note 23 for future minimum lease rentals.

	2026	2025
	$'000	$'000

Note 16: Intangible Assets

Computer software		
At cost	304	751
Accumulated amortisation	(304)	(748)
	-	3
Other Intangible Assets		
At cost	538	538
Accumulated amortisation	(358)	(293)
	180	245
Total Intangible Assets	180	248

Movements in carrying amounts

Reconciliations of the carrying amounts of each class of intangible asset between the beginning and end of the current financial year are set out below.

	Computer Software	Other Intangible Assets	Total
	$'000	$'000	$'000
Balance at the beginning of the financial year	3	245	248
Additions	(1)	-	(1)
Disposals	-	-	-
Amortisation expense	(2)	(65)	(67)
Carrying amount at the end of the financial year	-	180	180

Recognition and Measurement

Computer Software

Items of computer software which are not integral to the computer hardware owned by the bank are classified as intangible assets. Specifically, costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Computer software is amortised on a straight-line basis over the expected useful life of the software, typically linked to software contracts. These lives range from 3-5 years.

Other Intangible Assets

Other intangible assets include product development costs and other product establishment costs. Other intangible assets that are deemed to have a definite life are amortised over 5 years.

SaaS Arrangement Costs

During the financial year, the bank recognised no costs as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

	2026	2025
	$'000	$'000

Note 17: Leases

(a) Amounts recognised on the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases:

Right-of-use asset		
Property	1,750	646
Other	63	90
	1,813	736
Lease liabilities		
Current	422	297
Non-current	1,162	221
	1,584	518

The bank has leases for the branch network and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the Statement of Financial Position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index are excluded from the initial measurement of the lease liability and asset. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The table below describes the nature of the bank's leasing activities by type of right-of-use asset recognised on the Statement of Financial Position:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with termination options
Property	12	0-6 years	2.8 years	8	12
Other	1	0-5 years	3.0 years	-	-

Future minimum lease payments at 30 June 2026 were as follows:

	Minimum lease payments due			
2026	**Within 1 year**	**Between 2-5 years**	**After 5 years**	**Total**
	$'000	$'000	$'000	$'000
Lease payments	468	1,437	47	1,952
Finance charges	(46)	(292)	(30)	(368)
Net present values	422	1,145	17	1,584

2025	**Within 1 year**	**Between 2-5 years**	**After 5 years**	**Total**
	$'000	$'000	$'000	$'000
Lease payments	334	291	-	625
Finance charges	(37)	(70)	-	(107)
Net present values	297	221	-	518

	2026	2025
	$'000	$'000

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use asset		
Property	476	384
Other	21	23
	497	407
Interest expense (included in interest expense)	24	22

The total cash outflow for leases in 2026 was $508k (2025: $463k).

Recognition and Measurement

At inception of a contract, the bank assesses whether the contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition the bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the bank;
- the bank has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the bank has the right to direct the use of the identified asset throughout the period of use. The bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Bank as lessee

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property, the bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost comprising, the amount of the initial measurement of lease liability; adjusted for any lease payments made at or before the commencement date less any lease incentives received; plus any initial direct costs; and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the bank at the end of the lease term or the bank is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant and equipment. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the bank's incremental borrowing rate is used, being the rate that the bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the bank obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased (security).

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortised cost using the effective interest rate method. It is re-measured when:

- there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- if there is a change in the bank's assessment of whether it will exercise a purchase, extension or termination option: or
- if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying value of the right-of–use asset, unless the right-of-use asset has been reduced to zero in which case the adjustment is recorded in profit or loss.

Bank as a lessor

The bank's accounting policy under AASB 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

The bank leases out investment properties under operating leases (see Note 15).

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of property the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not exercise a termination option.

The lease term is reassessed if an option is actually exercised (or not exercised) or the bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and it is within the control of the lessee.

	2026	2025
	$'000	$'000

Note 18: Deposits

At call deposits (including withdrawable shares)	592,300	555,469
Term deposits	507,964	512,192
Wholesale deposits	44,250	20,750
	1,144,514	1,088,411

Recognition and Measurement

Deposits are measured at the aggregated amount of money owing to depositors. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of payables.

Concentration of deposits

There is no concentration of deposits in excess of 10% of total liabilities.

Note 19: Trade and Other Payables

Accrued interest payable on deposits and borrowings	6,713	7,607
Sundry creditors and accrued expenses	1,534	1,582
Employee benefits - annual leave	917	1,006
Trade creditors	-	127
Other creditors	295	347
	9,459	10,669

This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

Recognition and Measurement

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVPL.

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Short-term employee benefit obligations are presented as payables.

	2026	2025
	$'000	$'000

Note 20: Provisions

Employee benefits - long service leave	1,233	1,169
Lease make good	277	209
	1,510	1,378

Provision Movement – Lease Make Good

Balance at beginning of the financial year	209	209
Less paid	-	-
Liability (decrease)/increase	68	-
Balance at end of the financial year	277	209

Analysis of liability

Expected to be settled within 12 months	991	1,043
Expected to be settled after 12 months	519	335
	1,510	1,378

Recognition and Measurement

Other long-term employee benefit obligations

The liability for long service leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Leasehold improvements

A provision is recognised for the estimated make good costs on the operating leases, based on the net present value of the future expenditure at the conclusion of the lease term discounted 2-7%. Increases in the provision in future years due to the unwinding of the interest charge, is recognised as part of the interest expense.

Note 21: Redeemable Preference Share Capital Account

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits.

The value of the shares that have been repaid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated. For values please refer to the statement of changes in member equity.

	2026	2025
	$'000	$'000

Note 22: Reserves

General reserve

The general reserve records funds set aside for future expansion of the bank	1,376	1,376

Capital profits reserve

The capital profits reserve records non-taxable profits on sale of investments	860	860

Asset revaluation surplus

The asset revaluation surplus records revaluations of non-current assets net of income tax	1,781	1,406

General reserve for credit losses

The reserve for credit losses records amounts maintained to comply with the APRA Prudential Standards	2,233	2,126

Hedging reserve

The hedging reserve records movements in the fair value of effective cash flow hedges net of income tax	-	28

Note 23: Commitments

(a) Future capital commitments

At balance date the bank has not entered into material contracts for the purchase of property, plant and equipment.

(b) Outstanding loan commitments

Loans and credit facilities approved with commitment to fund, but not funded at the end of the financial year:

Loans approved but not funded	3,183	12,772

Loans and credit facilities with an undrawn portion at the end of the financial year:

Loan amounts available but not yet drawn	5,159	2,415
Loan redraw facilities available	139,294	119,966
Undrawn overdraft and credit facilities	13,610	14,064
	158,063	136,445
Total outstanding loan commitments	161,246	149,217

	2026	2025
	$'000	$'000

(c) Operating leases receivable

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:

Not longer than 1 year	501	494
Longer than 1 and not longer than 5 years	1,858	-
	2,359	494

Property leases are non-cancellable leases with a three to five-year term, with rent payable monthly in advance. An option exists to renew the leases at the end of the relevant term for an additional term up to five years.

Note 24: Contingent Liabilities

Liquidity Support Scheme

The bank is a member of CUFSS a company limited by guarantee, established to provide financial support to member Australian Mutual ADIs in the event of a liquidity or capital problem. As a member, the bank is committed to maintaining 3.1% of the total assets as deposits with CUSCAL Limited or other ADIs approved by APRA.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Mutual ADI would be 3.1% of the bank's total assets (3% under loans and facilities and 0.1% under the cap on contributions to permanent loans). This amount represents the participating ADIs irrevocable commitment under the ISC. At the reporting date there were no loans issued under this arrangement.

Repurchase Obligations (REPO) Trust

To support the liquidity management the bank has entered into an agreement to maintain a portion of the mortgage backed loans as security against any future borrowings from the Reserve Bank of Australia (RBA) as a part of the bank's liquidity support arrangements.

Note 25: Entity Consolidation

The bank has arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with the Repurchase Obligation (REPO) trust for securing the ability to obtain liquid funds from the RBA – these loans are not de-recognised from the Statement of Financial Position as the bank retains the benefits of the trust until such time as a drawing is required.

The MTG SCU Trust Repo Series No. 1 trust is a trust established by the bank to facilitate the liquidity requirements under the prudential standards. The trust has an independent trustee and was established in June 2020. In the case of the REPO Trust the RBA receives a Note certificate to sell to the bank should the liquidity needs not be satisfied by normal operational liquidity. The Note is secured over residential mortgage-backed securities (RMBS).

The bank has financed the loans and received the net gains or losses from the trust after trustee expenses. The bank has an obligation to manage the portfolio of the loans in the trust and to maintain the pool of eligible secured loans at the value equivalent to the value of the Notes received. The bank retains the credit risk of losses arising from loan default or security decline, and the interest rate risk from movements in market interest rates.

As loan repayments occur, or if a loan becomes ineligible under the Trust criteria, an additional pool of eligible loans will be assigned to the Trust to maintain the Repo facility.

The value of securitised loans that are not de-recognised as at reporting date was $120,306,650. In each case the loans are variable interest rate loans, hence the book value of the loans equates to the fair value of those loans.

	2026	2025
	$'000	$'000

NOTE 26: Classes of Financial Assets and Liabilities

The following is a summary of the bank's financial instruments by class.

(a) Financial assets - measured at amortised cost

Cash and cash equivalents	66,423	55,501
Other receivables	2,194	2,225
Loans and advances	1,011,260	928,322
Investments with other financial institutions	151,292	186,145
Total	1,231,169	1,172,193

(b) Financial liabilities - measured at amortised cost

Deposits	1,144,514	1,088,411
Trade and other payables (excluding employee benefits)	8,542	9,663
Total	1,153,056	1,098,074

(c) Financial assets - measured at fair value

Financial assets at FVOCI	-	2
Derivatives for hedge accounting	-	73
Total	-	75

Recognition and Measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables, which is presented in the statement of profit or loss and other comprehensive income. Classifications are determined by both:

- the entity's business model for managing the financial asset and
- the contractual cash flow characteristics of the financial assets

Amortised cost

Financial assets are classified at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest (SPPI).

Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

Fair Value through profit or loss

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. Financial assets in this category relate to investments in listed equity securities. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Fair value through other comprehensive income (FVOCI)

Financial assets including debt instruments are classified at fair value through other comprehensive income when they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. In certain circumstances, on initial recognition including for specific equity investments, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 27: Risk Management

Risk management policy and objectives

The bank's risk management focuses on the major areas of interest rate risk, credit risk, liquidity risk and operational risk. Risk management within the bank is designed to mitigate and minimise any unplanned or negative impacts on capital levels. The Board of Directors outline their appetite for risk to enable the bank to achieve its strategic goals through the Risk Appetite Statement (RAS). These risk tolerances are set in measurable terms setting a range that is acceptable to the Board for management to operate within. These risk indicators are known as the RAS KRIs and are reported to the Board and Board Risk Committee at each meeting for monitoring.

(a) Interest rate risk and hedging policy

Interest rate risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the bank's financial condition or results.

The bank is not exposed to currency risk or other significant price risk and does not trade in the financial instruments it holds on its books. The bank is only exposed to interest rate risk arising from changes in market interest rates in its banking book and manages this through various methods including the use of interest rate swaps.

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The bank's exposure to interest rate risk is measured and monitored using the Value at Risk (VaR) methodology of estimating potential losses.

VaR is a technique which estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time period to a given level of confidence. VaR, as set out in the table below, has been calculated using historical simulations, using movements in market rates and prices, a 99% confidence level and taking into account historical correlations between different markets and rates.

The bank has a VaR limit to capital of 2.50%. The table below sets out the VaR position for the past two years.

	2026	2025
VaR after prepayments and hedges	$299,164	$222,444
VaR as % of capital	0.34%	0.26%

Repricing of financial assets and liabilities

The bank's exposure to interest rate risk on classes of financial assets and financial liabilities is as follows:

	Floating Interest Rate	Within 1 year	1 to 5 years	Over 5 years	Non-Interest Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Repricing Period at 30 June 2026						
Financial assets						
Cash and cash equivalents	64,857	-	-	-	1,566	66,423
Other receivables	-	-	-	-	2,194	2,194
Derivatives	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	-	-	-
Investments with other financial institutions	13,414	112,778	25,100	-	-	151,292
Loans and advances	785,701	93,717	131,841	-	-	1,011,259
Total financial assets	863,972	206,495	156,941	-	3,760	1,231,168
Financial liabilities						
Deposits	635,862	505,120	2,844	-	688	1,144,514
Trade and other payables	-	-	-	-	8,526	8,526
Total financial Liabilities	635,862	505,120	2,844	-	9,214	1,153,040
Off balance sheet items						
Interest rate swaps	-	-	-	-	-	-
Undrawn loan commitments	161,246	-	-	-	-	161,246
Repricing Period at 30 June 2025						
Financial assets						
Cash and cash equivalents	54,143	-	-	-	1,358	55,501
Other receivables	-	-	-	-	2,225	2,225
Derivatives	-	-	-	-	73	73
Financial assets at FVOCI	-	-	-	-	2	2
Investments with other financial institutions	10,055	144,490	31,600	-	-	186,145
Loans and advances	749,719	95,029	83,574	-	-	928,322
Total financial assets	813,917	239,519	115,174	-	3,658	1,172,268
Financial liabilities						
Deposits	575,531	503,089	9,102	-	688	1,088,410
Trade and other payables	-	-	-	-	9,662	9,662
Total financial liabilities	575,531	503,089	9,102	-	10,350	1,098,072
Off balance sheet items	-					
Interest rate swaps	-	2,000	2,000	-	-	4,000
Undrawn loan commitments	149,217	-	-	-	-	149,217

(b) Credit risk

Credit risk is the risk that customers, financial institutions and other counterparties will be unable to meet their obligations to the bank which may result in financial losses. Credit risk arises principally from the bank's loan book and investment assets.

Maximum credit risk exposure

The bank's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the statement of financial position.

Loans

In relation to loans, the maximum credit exposure is the value on the statement of financial position plus the undrawn facilities (loans approved not advanced, loan funds available but undrawn, redraw facilities, overdraft and credit card facilities). The bank reduces the risk of losses from loans to customers by engaging responsible lending practices. This includes verifying a borrower's capacity to repay, reviewing financial position and performance, and making reasonable inquiries about the borrower's requirements and objectives. Loan security is generally taken to assist in the mitigation of credit risk.

The bank maintains detailed policies relating to lending including: Loans Policy; Business Lending Policy; Credit Control; Large Exposures. Policy formation, credit control and lending compliance functions are segregated from loans origination to ensure credit quality.

Concentration risk

The bank minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is managed in accordance with the Prudential Standards to reduce the bank's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

The geographical concentrations of credit risk on loans is set out in Note 12 (b). The mortgage insurance concentration is 8.09% of the loan portfolio secured by residential mortgage. Refer to Note 12 (a) for further detail.

Liquid investments

The bank uses the ratings of reputable rating agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APS 112 Capital Adequacy: Standardised Approach to Credit Risk. The credit quality assessment scale within this Prudential Standard has been complied with.

The table below sets out limits on maximum holdings per rating and counterparty.

Short term S & P Rating	**Maximum Holding %** *(As a percentage of total liquidity portfolio)*	**Maximum per Counterparty %** *(As a percentage of total eligible capital)*
A-1+	100	25-80*
A-1	100	25
A-2	80	25
A-3	15	25
Unrated	10	10
Unrated – Settlement accounts	35	25-80*

*Selected counterparties within the A-1+ rating group have an 80% limit and selected counterparties within the Unrated Settlement accounts group have a 100% limit.

The exposure values associated with each credit quality class for the bank's investments are as follows:

Actual Rating	2026 Balance $'000	2026 Balance %	2025 Balance $'000	2025 Balance %
A-1+	123,387	57	106,712	44
A-1	5,000	2	10,250	4
A-2	64,103	30	94,869	40
A-3	-		-	
Unrated	-		-	
Unrated – Settlement accounts	23,659	11	28,457	12
Total	216,149	100	240,288	100

(c) Liquidity risk

Liquidity risk is the risk that the bank may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. loan funding or customer withdrawal demands. It is the policy of the Board of Directors that the bank maintains adequate cash reserves and access to wholesale funding options so as to meet the customer withdrawal demands when requested.

The bank manages liquidity risk by:

- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows
- Monitoring the maturity profile of financial assets and liabilities
- Maintaining adequate cash reserves and liquidity support facilities
- Monitoring the prudential liquidity ratio daily

The bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under APS 210 Liquidity. The bank's policy is to apply 13% as liquid assets to maintain adequate funds for meeting customer withdrawals. Should the liquidity ratio fall below this level then management and the Board are to address the matter and ensure that liquid funds are obtained from new deposits and the available borrowing facilities.

The ratio of liquid funds is set out below:

	2026	2025
Liquid funds to total adjusted liabilities:		
- As at 30 June	15.39%	17.87%
- Average for the year	16.96%	17.61%
- Minimum during the year	15.29%	15.90%

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The associated table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

Maturity profile of financial assets and liabilities

This table reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement periods for all other financial instruments. As such the amounts disclosed may not reconcile to the statement of financial position.

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2026							
Financial assets							
Cash and cash equivalents	64,857	-	-	-	-	1,566	66,423
Other receivables	2,194	-	-	-	-	-	2,194
Derivatives	-	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	-	-	-	-
Investments with other financial institutions	40,323	73,869	12,000	25,100	-	-	151,292
Loans and advances	1,918	3,862	16,980	94,231	888,979	5,290	1,011,260
Total financial assets	109,292	77,731	28,980	119,331	888,979	6,856	1,231,169
Financial liabilities							
Deposits	76,991	136,360	332,020	6,844	-	592,299	1,144,514
Trade and other payables	8,542	-	-	-	-	-	8,542
	85,533	136,360	332,020	6,844	-	592,299	1,153,056
Undrawn loan commitments	161,246	-	-	-	-	-	161,246
Total financial liabilities	246,779	136,360	332,020	6,844	-	592,299	1,314,302
2025							
Financial assets							
Cash and cash equivalents	54,143	-	-	-	-	1,358	55,501
Other receivables	2,225	-	-	-	-	-	2,225
Derivatives	-	-	36	37	-	-	73
Financial assets at FVOCI	-	-	-	-	-	2	2
Investments with other financial institutions	33,999	97,580	22,966	31,600	-	-	186,145
Loans and advances	1,857	3,740	16,617	90,948	809,933	5,227	928,322
Total financial assets	92,224	101,320	39,619	122,585	809,933	6,587	1,172,268
Financial liabilities							
Deposits	96,396	172,556	269,239	10,425	-	555,470	1,104,086
Trade and other payables	9,659	-	-	-	-	-	9,659
	106,055	172,556	269,239	10,425	-	555,470	1,113,745
Undrawn loan commitments	149,217	-	-	-	-	-	149,217
Total financial liabilities	255,272	172,556	269,239	10,425	-	555,470	1,262,962

(d) Operational risk

Operational risk is the risk of loss to the bank resulting from deficiencies in processes, people, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the bank relate to risks arising from a number of sources including legal compliance, business continuity, data, infrastructure, outsourced services, fraud, and employee errors.

The bank's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact.

(e) Capital management

Under the APRA Prudential Standards capital is determined in three components being Credit Risk, Interest Rate Risk (trading book) and Operational Risk.

The bank is required to maintain a minimum regulatory capital level of 8% as compared to the risk weighted assets at any given time. The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

The interest rate risk component is not required as the bank is not engaged in a trading book for financial instruments.

To manage the bank's capital, the bank reviews the capital ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and APRA if the capital ratio falls below 13%. Further, a 3-year forward projection of the capital levels is maintained to address how strategic decisions or trends may impact on the capital level, as part of the annual Internal Capital Adequacy Assessment Process (ICAAP).

The capital required for any change in the bank's forecasts for asset growth, or unforeseen circumstances, is assessed by the Board using capital forecasting models to assess the impact upon the overall capital position of the bank.

The bank's regulatory capital comprises two tiers:

Tier 1 Capital

Tier 1 Capital consists of:

1. Common Equity Tier 1 Capital (CET1) - which comprises the highest quality components that satisfy the following characteristics:
   - Provide a permanent and unrestricted commitment of funds
   - Are freely available to absorb losses
   - Do not impose any unavoidable servicing charge against earnings
   - Rank behind the claims of depositors and other creditors in the event of winding-up the issuer

   It typically consists of retained earnings, accumulated income, other disclosed reserves and revaluation reserves.
2. Additional Tier 1 Capital - the only difference to CET1 is that these instruments provide for fully discretionary capital distributions and rank behind claims of depositors and more senior creditors.

Tier 2 Capital

Tier 2 Capital includes other components of capital that fall short of the quality of Tier 1 capital but still contribute to the overall strength of an ADI and its capacity to absorb losses, such as subordinated debt and reserve for credit losses.

The capital structure as at the end of the financial year, for the past two years is as follows:

Capital structure	2026	2025
	$'000	$'000
Net Tier 1 Capital	84,616	82,311
Net Tier 2 Capital	2,233	2,126
Total Capital Base	86,849	84,437
Total Risk Weighted Assets	443,103	426,654
Total Capital Ratio	19.60%	19.79%
Tier 1 Capital Ratio	19.10%	19.29%

Note 28: Valuation of Financial Instruments

Fair value of assets and liabilities

The bank measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the bank would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets or liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in the highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

Fair value estimate for financial assets and liabilities

The aggregate net fair values of financial assets and liabilities, both recognised and unrecognised, at the balance date are as follows:

	2026		2025	
	Carrying value	Net fair value	Carrying value	Net fair value
	$'000	$'000	$'000	$'000
Assets				
Cash and cash equivalents	66,423	66,423	55,501	55,501
Other receivables	2,194	2,194	2,225	2,225
Derivatives	-	-	73	73
Financial assets at FVOCI	-	-	2	2
Investments with other financial institutions	151,292	151,292	186,145	186,145
Loans and advances	1,011,260	1,009,757	928,322	928,364
Liabilities				
Deposits	1,144,514	1,149,007	1,088,411	1,092,428
Trade and other payables	9,459	9,459	10,669	10,669

Fair value hierarchy

The bank measures fair values of assets and liabilities carried at fair value in the financial report using the following hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical asset or liability.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:

- Quoted market prices in active markets for similar assets or liabilities
- Quoted prices for identical or similar assets or liabilities in markets that are considered less than active
- Other valuation techniques where all significant inputs are directly or indirectly observable from market data

Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them.

Fair values for financial instruments or non-financial assets or liabilities traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

The table below categorises financial instruments and non-financial assets, measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
2026				
Recurring fair value measurements				
Land and Buildings	-	3,857	-	3,857
Investment properties	-	3,493	-	3,493
Derivatives	-	-	-	-
Financial assets at FVOCI	-	-	-	-
2025				
Recurring fair value measurements				
Land and Buildings	-	3,411	-	3,411
Investment properties	-	3,089	-	3,089
Derivatives	-	73	-	73
Financial assets at FVOCI	-	-	2	2

There have been no significant transfers into or out of each level during the year ended 30 June 2026.

Disclosed fair values

The bank has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

Cash and cash equivalents as well as receivables from other financial institutions are short-term liquid assets which approximate fair value.

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of fixed interest loans and advances for disclosure purposes is estimated by discounting the future contractual cash flows as the current market interest rate on similar loans offered in the marketplace. The carrying amount of variable interest loans and advances approximate their fair value.

The fair value of financial liabilities such as deposits for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the bank for similar financial instruments.

Note 29: Economic dependency

The bank has an economic dependency on the following suppliers of service:

(a) Fiserv

This entity processes direct entry transactions and also operates the electronic switching network used to link customer card transactions on ATMs and other approved POS devices with merchants, and to the bank's core banking system.

(b) Data Action Pty Ltd

This entity provides and maintains the banking application software for the bank (i.e. core banking system).

(c) Indue Limited

This entity provides settlement services for New Payment Platform (NPP) transactions, BPAY, card transactions, direct entry, RTGS (high value irrevocable transactions), Mobile Payments and provides fraud transactional monitoring services.

Note 30: Events occurring after the reporting period

Subsequent to balance date at 30 June 2026 Summerland Bank merged with Regional Australia Bank, pursuant to the Financial Sector (Transfer and Restructure) Act 1999(cth). The merger was executed on 1 July 2026.

There has been no other matter or significant event that has arisen after reporting date which may affect the Bank's operations, the results of those operations or the Bank's state of affairs.

Note 31: Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2026 $'000	2025 $'000
Cash and cash equivalents	66,423	55,501

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

- deposits into and withdrawals from savings, money market and other deposit accounts
- sales and purchases of maturing certificates of deposit
- short-term borrowings; and
- provision of loans and the repayment of such loans

(c) Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	2,338	4,113
Non-cash flows in profit after income tax:		
Net Profit / (Loss) on sale of assets	6	65
Revaluation of investment property	(358)	254
Depreciation and amortisation	975	953
Provision for loan impairment	94	(2)
Changes in assets and liabilities:		
Increase / (decrease) in provisions	132	92
Increase / (decrease) in interest payable	(869)	598
(Increase)/ decrease in interest receivable	101	114
Increase / (decrease) in income taxes payable	501	(1,058)
(Increase) / decrease in deferred tax assets	(143)	25
Increase / (decrease) in deferred tax liability	351	(369)
(Increase) / decrease in other assets	1,148	(1,140)
Increase / (decrease) in trade and other payables	(320)	(3,795)
(Increase) / decrease in other receivables	(20)	(113)
	3,936	(263)
Net movement in liquid investment balances	34,853	(11,587)
Net movement in loans	(82,989)	(27,746)
Net movement in deposits	56,103	51,789
Net cash provided by/(used in) operating activities	11,903	12,193

Note 32: Bank details

The registered office of the bank and the principal place of business is:

Summerland Financial Services Limited
101 Molesworth Street Lismore NSW 2480

Consolidated Entity Disclosure Statement

Name of Entity	Type of Entity	Trustee, partner or participant in joint venture	% of share capital held	Country of Incorporation	Australian resident of foreign resident (for tax purpose)	Foreign jurisdiction(s) of foreign residents
Summerland Financial Services Ltd	Body Corporate	n/a	n/a	Australia	Australian	n/a
MTG SCU Trust Repo Series No. 1	Trust	Trustee	n/a	Australia	Australian	n/a

Basis of preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporation Act 2001 and includes information for each entity that was part of the Group as at the end of the financial year in accordance with *AASB 10 Consolidated Financial Statements*.

Declaration by Directors

The Directors of Summerland Financial Services Limited declare that:

In the opinion of the Directors:

1. (a) The financial statements and notes of the bank are in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the financial position of the bank as at 30 June 2026 and of its performance for the year ended on that date, and
   ii) complying with Accounting Standards and the Corporations Regulations 2001;

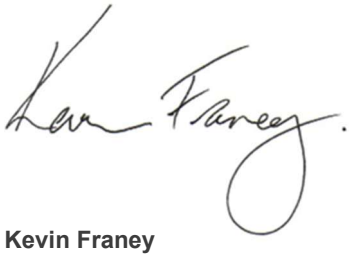
   (b) There are reasonable grounds to believe that the bank will be able to pay its debts as and when they become due and payable.

2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.

3. The Consolidated Entity disclosure statement is true and correct.

Colin Sales
Chair



Kevin Franey
Chair Audit Committee

Signed and dated on 28 September 2026

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Independent Auditor's Report

To the Members of Summerland Financial Services Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Summerland Financial Services Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2026 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2026 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The directors of the Company are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/media/apzlwn0y/ar3_2024.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

L Te-Wierik
Partner – Audit & Assurance

Sydney, 28 September 2026

Summerland Bank

summerland.com.au