2026

Financial Report

Bank Australia

Acknowledgement of Country

At Bank Australia we respectfully acknowledge the Traditional Owners of all the lands on which we live and work, and we pay our respects to Elders past and present. We recognise their continued connection to the land, waters and culture and we acknowledge sovereignty has never been ceded. We acknowledge the Wotjobaluk, Jaadwa, Jadawadjali, Wergaia and Jupagulk peoples of the Wotjobaluk Nations as the Traditional Owners and Custodians of the land where the Bank Australia conservation reserve is located. We work in collaboration with the Barengi Gadjin Land Council, which represents the Wotjobaluk Nations, in the stewardship of the reserve and thank them for their guidance and wisdom.

As a customer-owned bank, we believe banking can be a force for good and together we can have a positive impact on communities and the planet.

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Introduction

About Bank Australia and this report

Bank Australia started in 1957 as the CSIRO Cooperative Credit Society and has grown and evolved, adding 73 credit unions and cooperatives to become Australia's first customer-owned bank.

As a customer-owned bank, we are committed to taking action on the issues that matter most to our customers. That's why we provide customers with competitive rates and fees and our investments are used to create positive social and environmental change.

This report highlights our financial performance for the year ending 30 June 2026. We produce this report in part to meet our obligations under the Corporations Act 2001. This report also shows how we use the business of banking to create a positive impact for people and the planet, while delivering positive social and environmental outcomes for our customers.

This is responsible banking in action.

Commitment to our customers

As a mutual organisation, Bank Australia is committed to operating for the benefit of our customers. We use the business of banking to support our customers and create positive impact for people and the planet.

1. Customers deposit funds

Our customers deposit money into transaction and savings accounts and term deposits.

See Financial liabilities on page 48

2. Where we lend

We lend that money to others for purposes outlined in our Responsible Banking Policy; some is lent to projects that benefit people and the planet.

See Financial assets on page 51

3. Members benefits

We manage these funds to generate profits for the benefit of our customers and communities and to ensure competitive rates and lower fees.

See Financial performance on page 66

4. Risk Management

We manage risk and capital responsibly to continue operations as an authorised deposit-taking institution and successfully achieve our purpose.

See Capital and risk management on page 75

This is responsible banking in action

Key highlights

Financial position

Total assets

$21.4 billion

(FY25: $12.3 billion)

Total deposits

$16.4 billion

(FY25: $9.0 billion)

Total customer loans

$17.6 billion

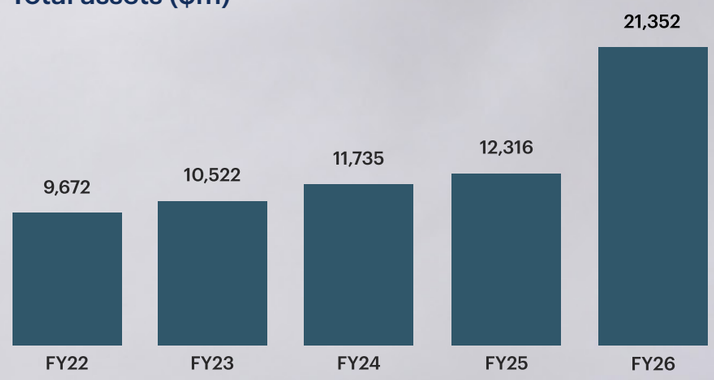
(FY25: $9.9 billion)

Impact assets

$2.6 billion

(FY25: $2.8 billion)

Total assets ($m)



Key highlights

Performance

Net profit after tax

$70.8 million

(FY25: 36.8 million)

Impact fund contribution

$2.8 million

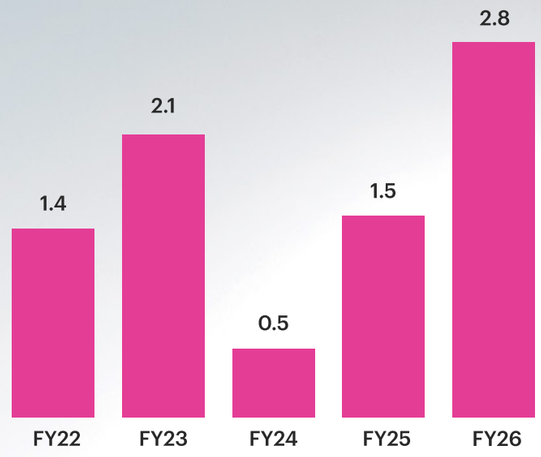
(FY25: 1.5 million)

Net interest margin

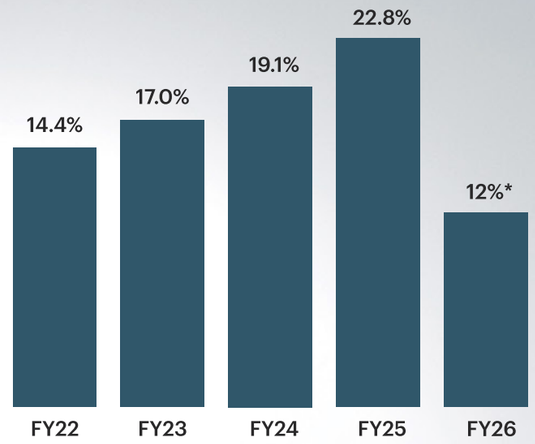
1.67%

(FY25: 1.67%)

Impact fund contributions ($m)



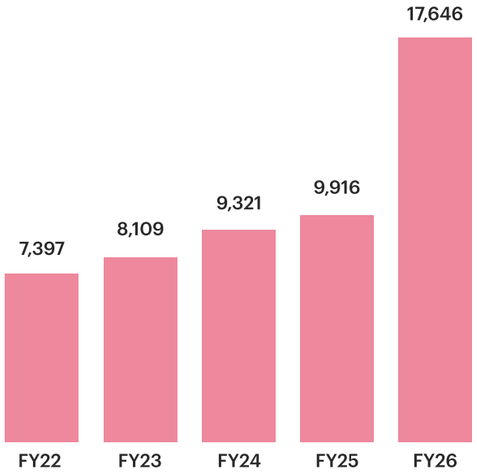
Impact assets (%)



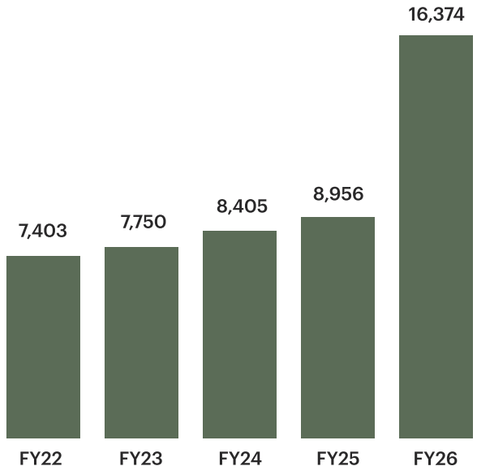
* In 2026 we refined our impact asset definitions to reflect emerging industry standards and leading practice. On this basis, impact assets were measured at $2.1 billion from 1 July 2025. Additionally, the merger with Qudos Bank and associated increase in overall assets, resulted in impact assets of 12% at 30 June 2026.

Our performance over the past 5 years

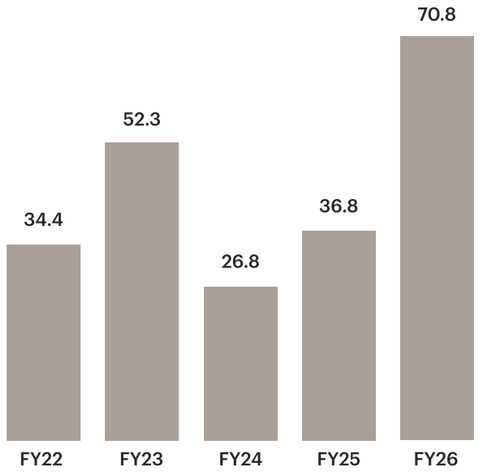
Loans ($m)



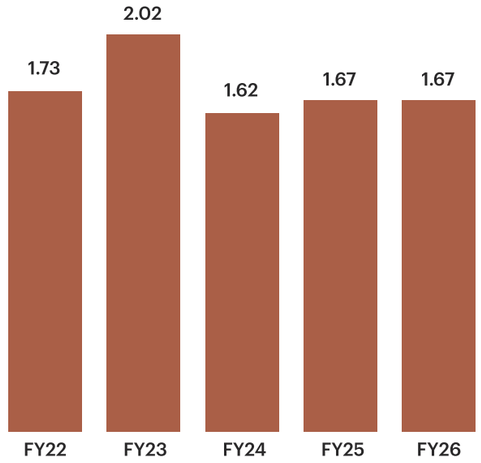
Customer deposits ($m)



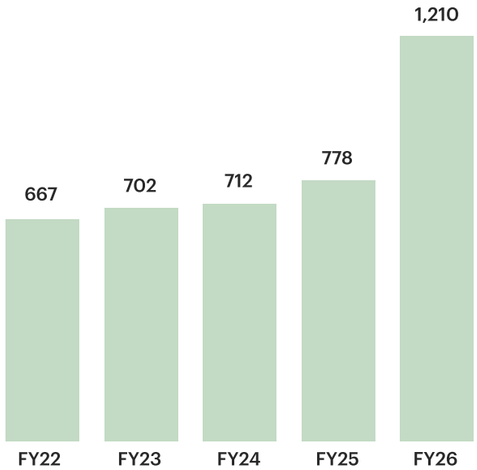
Net profit after tax ($m)



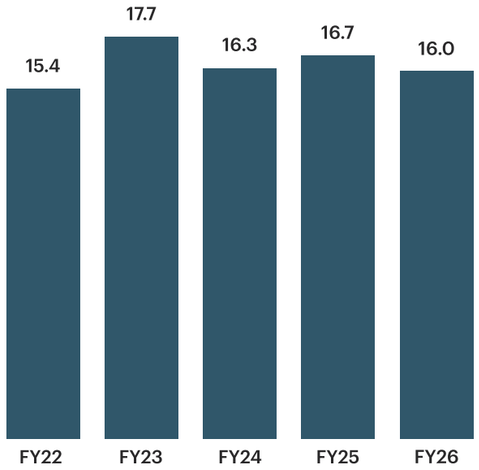
Net interest margin (%)



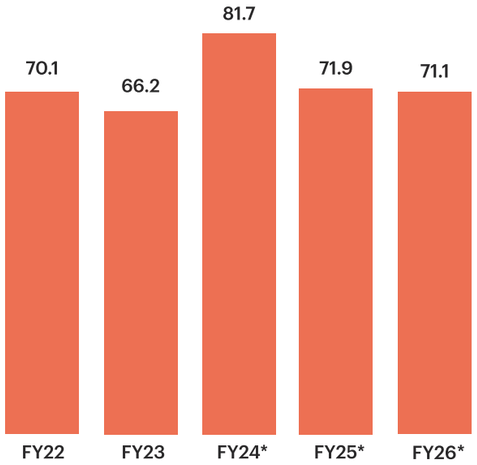
Customer owners' funds ($m)



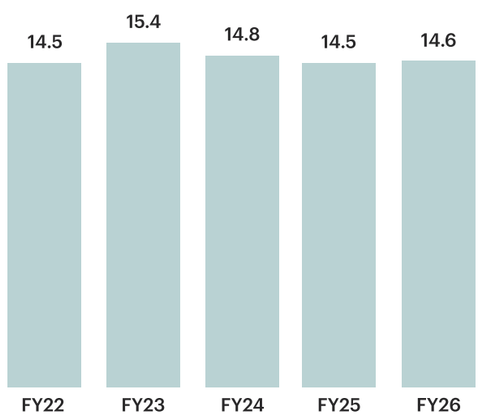
Capital adequacy ratio (%)



Cost to income (%)



Liquidity (%)



* FY26, FY25 and FY24 values exclude merger costs, the inclusive percentages were 74.4%, 76.7% and 82.1% respectively.

Directors' report

The following section of the report includes the Directors' report together with the financial report of Bank Australia Limited and the consolidated financial report of the Group, being the Company and its controlled entities, for the year ended 30 June 2026.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name and qualifications	
J Dalitz (Chair) *BA (Accountancy), MBA, FAICD, FCPA, DipCouns*	**Independent:** Yes **Term of office:** Director since 1 July 2025. Appointed Chair in July 2025 following the merger with Qudos Mutual Limited. **Skills and Experience:** Jennifer joined the Qudos Bank board as a director in 2019, serving as Chair until 30 June 2025. On 1 July 2025, Jennifer became a non-executive director of Bank Australia and was appointed Chair. Jennifer is a CPA qualified finance professional with extensive strategic and operational experience in financial services and management consulting. Her expertise spans the full spectrum of retail banking, business banking and wealth management; and she has led major customer strategy and change programs, complex business units, and diverse boards and management teams through periods of complex change. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Director, iPartners Holdings Pty Ltd (and subsidiaries) • Director, Australian Meat Processor Corporation Ltd • Trustee, The Australian Museum • Trustee, Lizard Island Reef Research Foundation **Ex-offico Board Committee membership:** Member of the Audit Committee (since 2025) Member of the Governance and Remuneration Committee (since 2025) Member of the Risk Committee (since 2025) Member of the Integration Committee (since 2025)

Name and qualifications	
SJ Ferguson (Deputy Chair) *BComm, FAICD, ACA*	**Independent:** Yes **Term of office:** Director since 2020. Chair from 2023 to 30 June 2025. **Skills and Experience:** Steve has extensive experience in financial services including audit and assurance having retired from professional services firm EY (Ernst & Young) as a Senior Partner in 2018. Throughout his career, Steve advised and led the audits of a wide range of large Australian and international businesses in the banking and financial services, infrastructure, telecommunications and retail sectors. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-Executive Director QBE Insurance Group Limited (since 2023) and Chair of the Audit Committee (since 2024) • Non-Executive Director and Chair of the Audit Committee, General Reinsurance Australia Ltd (since 2021) • Non-Executive Director and Chair of the Audit Committee, General Reinsurance Life Australia Ltd (since 2021) • Non-Executive Director BackTrack Youth Works Ltd and BackTrack Works Ltd (since 2024) • Non-Executive Director and Chair of the Audit and Risk Committee, Parkinson's Australia (since 2017) • External Member, University of New South Wales Audit Committee (since 2020) and the Safety & Risk Committee (since 2021) **Ex-officio Board Committee membership:** Member of Audit Committee (since 2020 and Chair from July 2026) Member of the Governance and Remuneration Committee (since 2025) Member of Risk Committee (since 2023) Member of Integration Committee (since 2025)

Name and qualifications	
A-M O'Loghlin *BA, DipEd, BEd, Diploma of Superannuation Management (part), GAICD*	**Independent:** Yes **Term of office:** Director since 2015. **Skills and Experience:** Anne-Marie has extensive experience in strategic planning, corporate governance, financial management, stakeholder management and managing organisational growth. With over 30 years' experience, Anne-Marie has held a number of board and executive positions, more recently CEO of HESTA and Company Secretary to its trustee company HEST Australia Ltd from 1998 to 2015. Immediately prior to this role she was Victorian Branch Secretary of the Australian Education Union after her career as a primary school teacher. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Chair, Telstra Super (since 2019) • Chair, Telstra Super Financial Planning (since 2019) • Deputy Chair, Ovarian Cancer Research Foundation (since 2019) **Board Committee membership:** Chair of the Governance and Remuneration Committee (2017 to June 2026) Member of the Integration Committee (since 2025) Member of the Risk Committee (2025 to June 2026)

Name and qualifications	
A J Healy *BSc, GDipEco GDipFin, MAICD*	**Independent:** Yes **Term of office:** Director since 2022. Deputy Chair from 2023 to 2025. **Skills and Experience:** Anthony's career covers a broad range of financial services sectors, predominantly serving SME businesses, financial markets, wealth management, investment and funds management. Sought out as a change agent, Anthony has led start-ups, growth businesses and turnaround situations, with a strong focus on growth, innovation, and cultural transformation. Anthony has worked in senior executive roles in banking, including Chief Customer Officer for Business and Private Bank at National Australia Bank and Chief Executive Officer and Managing Director of Bank of New Zealand. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • CEO & Managing Director, Australian Business Growth Fund (since 2020) • Non-Executive Director, Chair of Finance, Audit & Risk Committee and Chair of Property, Investment and Asset Committee, Good Shepherd Aust & New Zealand (since 2021) **Board Committee membership:** Chair of the Risk Committee (Member and Chair since 2022) Member of the Governance and Remuneration Committee (since 2023)

Name and qualifications	
M A Thompson AM *BE (Elec) Hons, BBus (Info Sys), MDefStud, MA (Strat Stud), PhD, FIEAUST*	**Independent:** Yes **Term of office:** Director since 2023. **Skills and Experience:** Marcus is currently a Director of Cyber Compass Pty Ltd, an independent advisory firm focused on improving cybersecurity across a variety of industries – including banking and finance. Marcus' diverse experience, and deep knowledge across cybersecurity plays a critical role in the continued oversight of cybersecurity risk management and evolving challenges in banking. Marcus was appointed a Member of the Order of Australia in the 2014 for his distinguished career in the Australian Defence Force where he served in a variety of command, regimental and Special Operations appointments. Marcus is a Strategic Advisor of PentenAmio. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-Executive Director, ParaFlare Holdings Pty Ltd (and group companies) (Chair from 2022 to 2024) • Non Executive Director, ArchTIS (since 2024) • Strategic advisor – Macquarie Technology Group (since 2021) • Strategic Advisor TomorrowX (since 2024) • Strategic Advisor M&C Saatchi World Services (since July 2025) • Director, Cyber Compass Pty Ltd (since 2020) **Board Committee membership:** Member of the Risk Committee (since 2023) Member of the Audit Committee (since 2023)

Name and qualifications	
S O'Connor *BComm (Eco), BA (Fch), GDip Env Sc, GAICD*	**Independent:** Yes **Term of office:** Director since 2024. **Skills and Experience:** Simon has operated at the intersection of economics, finance and sustainability for over two decades with extensive international experience driving the development of responsible investment and sustainable finance through roles across finance, corporate and not for profit sectors. His most recent role as CEO of the leading sustainable finance industry body across Australia and New Zealand – the Responsible Investment Association Australasia – had him deeply involved in shaping the regulatory environment and industry standards in relation to ESG, sustainability and climate change risk management. Simon has been active across the region and internationally in sustainable finance initiatives, including having held roles as the inaugural chair of the Australian Sustainable Finance Initiative, chair of the Global Sustainable Investment Alliance, member of the National Advisory Board on Impact Investing in New Zealand and a member of the Australian Minister for the Environment's Nature Finance Council. Simon currently holds Honorary roles at the University of Melbourne through the Melbourne Biodiversity Institute and Melbourne Climate Futures. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-Executive Director, Altiorem Ltd (since 2024) • Advisory Council Member, Nature Finance Council (since 2023) • Honorary Fellow, University of Melbourne, Melbourne Biodiversity Institute and Melbourne Climate Futures (2024 – 2025) • CEO and Managing Director, Responsible Investment Association Australasia (2013 to 2023) • External Adviser, U Ethical Funds Management (since 2024) • Executive Director, University of Melbourne, Sustainable Finance Hub (since 2025) **Board Committee membership:** Member of the Audit Committee (since 2024) Member of the Integration Committee (since 2025) Member of Governance and Remuneration Committee (since 2025 and Chair from July 2026)

Name and qualifications	
J L Dicks *BCom, GradDipAcct, CA, GAICD*	**Independent:** Yes **Term of office:** Director since 1 July 2025 following the merger with Qudos Mutual Limited. **Skills and Experience:** Joe joined the Qudos Bank Board as a director in 2020. On 1 July 2025, Joe became a non-executive director of Bank Australia following the merger with Qudos Bank. Joe is a registered Chartered Accountant with over 33 years' experience in a diverse range of industries, spanning corporate advisory, business restructuring, profit improvement and risk and governance advice. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Director, Qudos Mutual Limited • Director, Nido Education Pty Ltd • Chair, Campus Living Funds Management Limited **Board Committee membership:** Chair of the Audit Committee (2025 to June 2026) Member of the Governance and Remuneration Committee (since 2025)

Name and qualifications	
B S Jackson *BAv, GAICD*	**Independent:** Yes **Term of office:** Director since 1 July 2025 following the merger with Qudos Mutual Limited. **Skills and Experience:** Barry joined the Qudos Bank board as a director in 2015. On 1 July 2025, Barry became a non-executive director of Bank Australia following the merger with Qudos Bank. Barry joined Qantas in 1987 and is currently an A380 Captain. Barry is a past President of the Australian and International Pilots Association where he served as President for 5 years and as Vice President for 8 years. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Director, Qudos Mutual Limited • Member, Australian and International Pilots Association Committee of Management • Fellow, Royal Aeronautical Society (FRAeS) **Board Committee membership:** Member of the Governance and Remuneration Committee (since 2025) Member of the Risk (since 2025) Member of the Audit Committee (since 2025)

Name and qualifications	
C M Mazzetti *BEc, MBA, MIR, GAICD, FFIN*	**Independent:** Yes **Term of office:** Director since 1 July 2025 following the merger with Qudos Mutual Limited. **Skills and Experience:** Clare joined the Qudos Bank board as a director in 2020. On 1 July 2025, Clare became a non-executive director of Bank Australia following the merger with Qudos Bank. Clare has a diverse background in management consulting and the financial services industry holding roles which span sales, investment management, strategy, planning, program management and merger and acquisition functions. More recently, Clare has led a range of regulatory and growth transformation programs for clients in the banking industry. In addition to guiding organisations through change and transformation, Clare brings prior board experience across several sectors including the mutual sector, having previously served on the Police Bank board. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Director, Qudos Mutual Limited • Chair, Tax Institute of Australia • Director, Credit Corporation (PNG) Limited (and subsidiaries) • Director, The Uniting Church of Australia, Synod of NSW and ACT • Director, Uniting Financial Services, provided together and separately through The Uniting Church (NSW) Trust Association Limited and The Uniting Church in Australia Property Trust (NSW) **Board Committee membership:** Chair of the Integration Committee (since 2025) Member of the Risk Committee (since 2025)

Name and qualifications	
S J Williams *BA, MA, GAICD*	**Independent:** Yes **Term of office:** Director since 1 July 2025 following the merger with Qudos Mutual Limited. **Skills and Experience:** Sally-Ann joined the Qudos Bank board as a director in 2020. On 1 July 2025, Sally-Ann became a non-executive director of Bank Australia following the merger with Qudos Bank. Sally-Ann has a diverse background in digital businesses and the deep technology industry, holding executive roles which span R&D collaboration, ecosystem strategy, program management, and commercialisation functions. More recently, Sally-Ann has developed and led a range of industry-leading commercialisation and growth programs for technology ventures and major digital firms, including over a decade spent at Google. In addition to guiding tech organisations through strategic growth and commercialisation, Sally-Ann brings prior board, governance, and public policy experience across the STEM, academic, and research sectors, having previously chaired the Federal Government's Pathway to Diversity in STEM Review. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Director, Qudos Mutual Limited • Director, Australian Ocean Ltd • Member, Heavy Ion Accelerators NCRIS Facility Advisory Board • Chair, ANU School of Computing Industry Advisory Board • Director, Australian Research Council • Chair, NCI Australia Advisory Board **Board Committee membership:** Member of the Risk Committee (since 2025) Member of the Integration Committee (since 2025)

Name and qualifications	
D G Walsh *BBus (Acct), MBA, FAICD, FFIN, FCA, FCPA*	**Independent:** No **Term of office:** Appointed CEO on 1 September 2011 and Managing Director on 22 September 2011. **Skills and Experience:** Damien became Managing Director on 22 September 2011, after serving as General Manager of Corporate Services for eight years and also as Company Secretary. He has over 30 years of experience in the mutual banking sector. Damien is responsible for and manages the Bank's group operations. He works with the Board in setting group strategy, monitoring group performance and budget, and ensuring the bank adheres to all prudential, legal and compliance matters. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Council member, Australian Banking Association (since 2021)

2. Nominations Committee

The function of the Nominations Committee is to provide the Board with its determinations on the fitness and propriety of potential candidates for the office of Director of the Company, in accordance with the Fit and Proper Policy and Constitution. The Committee is comprised of three members with a requirement that the majority of members are independent of the Company and the Board of Directors. The Nominations Committee met twice during the year ending 30 June 2026.

F Raymond, Independent Chair

Fran has been a member and Chair of the Nominations Committee since 2023. Her career has been as Chief Financial Officer and Chief Operating Officer within the Australian Federal Government and as a Non-Executive Director in banking, reinsurance and health sectors.

Fran's extensive experience as a Non-Executive Director includes chairmanship, governance, audit and risk, nomination, and governance and remuneration committee experience of APRA regulated entities.

Her current roles include as a member of various government audit and risk committees and as a Non-Executive Director of the Australian Reinsurance Pool Corporation and Annecto where she is Chair of the Governance Committee.

R W Goudswaard, Independent Member

Rob has been a member of the Nominations Committee since 2022 and stepped down from this role in May 2026.

Rob was at ANZ for 30 years, working in Australia and internationally. He ran various businesses and then became the Chief Risk Officer for the Institutional Bank. Following ANZ he became CEO of Rural Finance Victoria. Following this, Rob was appointed CEO of CUA.

P Lock, Independent Member

Peter joined the Nominations Committee as a member in 1 June 2026. With a career spanning over 40 years in banking and finance culminating as CEO of People First Bank and has also held senior executive positions in Australia's leading banking and financial institutions such as a Commonwealth Bank, St George and Bank of Melbourne/Westpac.

J Dalitz, Board Chair

Jennifer has been on the Board of Bank Australia since July 2025 following its merger with Qudos Mutual Limited and has been a member of the Nominations Committee since after her re-election at the 2025 Annual General Meeting.

3. Company Secretary

R Agati

MA/CD

Robert joined Qudos Bank as Company Secretary in 2023 and was appointed Company Secretary of Bank Australia in 2025 following the merger with Qudos Bank. Robert's international career spans 25 years across the banking, financial services and funds management sectors in both Australia and the United Kingdom.

CL Hansen

LLB(Hons), GradDipAppFin, F FIN, GA/CD

Cindy joined Qudos Bank in 2000 and held a number of positions including General Counsel and Company Secretary and more recently, Chief Strategy and Transformation Officer. In 2025, Cindy was appointed Chief Legal Officer and Company Secretary of Bank Australia.

4. Executive leadership team

S Clancy AM, Chief People Officer

BA, FA/CD, FAIM, FAHRI

Sonya was appointed Chief People Officer in 2018 and served as Chief Corporate Services Officers from 2024 to 2025. Sonya is an experienced senior leader having previously held Executive roles in human resource, marketing and communication.

Sonya has senior executive responsibilities for the management of Bank Australia's People & Culture functions, subject to the directions of the Bank Australia Board and Managing Director.

Sonya is a Fellow of the Australian Institute of Company Directors and a Fellow of the Board of Australian HR Institute.

Sonya holds the positions of Chair of the Board for both The Big Issue and Homes for Homes.

D T Fisher, Chief Risk Officer

David joined Bank Australia as Chief Risk Officer in 2025.

David is an experienced senior risk professional with 40 years' experience in the banking sector. Prior to joining Bank Australia, David held senior risk and compliance roles at National Australia Bank and ANZ Bank.

David has senior executive responsibility for our enterprise and strategic risk, financial risk, operational risk, compliance, and dispute resolution functions, subject to the directions of the Bank Australia Board and Managing Director.

David is a Senior Fellow of FINSIA, a Fellow of the Australian Institute of Company Directors, and has an MBA from the University of Technology Sydney.

C L Hansen, Chief Legal Officer and Company Secretary

LLB(Hons), GradDipAppFin, F FIN, GA/CD

Cindy was appointed Chief Legal Officer and Company Secretary in 2025. Cindy was previously Chief Strategy and Transformation Officer at Qudos Mutual Limited.

Cindy has senior executive responsibility for our legal, company secretary, impact management, transformation governance and internal audit functions, subject to the directions of the Bank Australia Board and Managing Director.

Cindy also holds voluntary positions as an Elected Councilor for HCF and as a Non-Executive Director of the Australian Finance Industry Association (AFIA). She is proud to be a signatory to the Banking & Finance Oath.

A Milinkovic, Chief Financial Officer

CA, BBA, GA/CD

Anna was appointed Chief Financial Officer in 2025, and was previously Chief Financial, Technology and Operations Officer at Qudos Mutual Limited.

Anna has senior executive responsibility for leading our finance, treasury, business performance, regulatory reporting and procurement functions, subject to the directions of the Bank Australia Board and Managing Director.

Anna has more than 25 years' diverse experience in the financial services industry. Anna previously served as Qudos Bank's (Qantas Staff Credit Union at the time) Financial Controller in 2005 before moving onto various senior management roles including Financial Controller at Westpac and General Manager Finance at Thales.

Anna is a graduate of the AICD.

S Odgers, Chief Customer Officer

BSc, MBA, GA/CD

Steve was appointed Chief Customer Officer in 2023. Steve has over 25 years banking experience across Australia and Asia. Steve is responsible for leading Bank Australia's customer service function, subject to the directions of the Bank Australia Board and Managing Director.

Steve is a Graduate of the AICD, holds an MBA from the Australian Graduate School of Management and has completed the Executive Program in Digitisation and Industrialisation at MIT Sloan School of Management in Boston.

K Ramsdale, Chief Marketing Officer

B.Comm, MBA, WCLP, MA/CD

Kevin became Chief Marketing Officer in July 2025.

Kevin has senior executive responsibility for our marketing, corporate affairs, brand strategy digital experience, and product functions, subject to the directions of the Bank Australia Board and Managing Director.

Kevin has over 30 years' experience in customer-facing roles spanning marketing, communications, digital, product, sales and service across a range of industries and operating environments. Kevin also acts as an advisor to Australian fintech and start-up businesses.

S Wall, Chief Technology Officer

BSc, MBA

Scott was appointed Chief Transformation Officer in 2022 and then Chief Technology Officer in 2024.

Scott has 30 years' experience as a technology leader who has worked primarily in finance and customer focused businesses both in Australia and the UK.

Scott has senior executive responsibility for the management of Bank Australia's Technology Division, consisting of Enterprise Architecture, Transformation Strategy Execution, Enterprise Excellence, Enterprise Data Strategy and Digital Services, Project and Change Management and Information Technology, subject to the directions of the Bank Australia's Board and Managing Director.

Scott has Bachelor of Science in Computer Science, an MBA from London Business School, and is currently studying for his Masters of Artificial Intelligence at RMIT.

D Macdonald, Acting Chief Integration & Transformation Officer

BCA (Accounting & Commercial Law), CA

Duncan joined the bank in 2020 as Head of Business Performance Management, and subsequently Chief of Staff in 2024, before being appointed as Acting Chief Integration and Transformation Officer in August 2026. Duncan leads Bank Australia's Integration & Transformation Division and is responsible for delivering the bank's strategic agenda through enterprise transformation, organisational change, strategic execution and integration, subject to the directions of the Bank Australia's Board and Managing Director.

Duncan brings almost 20 years' experience in banking, strategy, finance, analytics, and transformation and has played a key leadership role in major initiatives including the merger with Qudos Bank and acquisition of Australian Unity Bank. Duncan is a Chartered Accountant and holds a Bachelor of Commerce from Victoria University of Wellington.

5. Directors' meetings

Director	Board		Audit Committee		Risk Committee		Governance and Remuneration		Integration Committee		Nominations Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
J S Dalitz	10	10	3	4	6	6	4	4	4	4	1	2
S J Ferguson	10	10	4	4	6	6	4	4	4	4	1	2
A J Healy	10	10	–	–	6	6	4	4	–	–	–	–
S O'Connor	10	10	3	3	–	–	1	1	4	4	–	–
A-M O'Loghlin	10	10	–	–	–	–	4	4	4	4	–	–
M A Thompson	10	10	4	4	6	6	–	–	–	–	–	–
C M Mazzetti	10	10	–	–	6	6	–	–	4	4	–	–
S-A J Williams	9	10	–	–	6	6	–	–	4	4	–	–
B S Jackson	10	10	2	3	4	4	4	4	–	–	–	–
J L Dicks	9	10	4	4	–	–	3	4	–	–	–	–
D G Walsh	10	10	4	4	6	6	4	4	4	4	–	–
Independent Member of Nominations Committee												
R W Goudswaard	–	–	–	–	–	–	–	–	–	–	2	2
P Lock	–	–	–	–	–	–	–	–	–	–	–	–
F Raymond	–	–	–	–	–	–	–	–	–	–	2	2

A – Number of meetings attended.

B – Number of meetings held during the time that the Director was a member of the committee.

6. Remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the Non-Executive Directors, the Managing Director and senior executives of the Company.

Remuneration levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and Executives.

The Governance and Remuneration Committee obtains independent advice on remuneration packages given trends in comparable companies. The Company does not provide incentive payments, such as bonus payments, as part of remuneration packages for key management personnel and secretaries of the Company.

Remuneration paid

		Short term benefits	Post employment benefits	
	Financial year	Fees	Super contribution	Total remuneration
Current Non-Executive Directors				
A-M O'Loghlin	2026	166,448	–	166,448
	2025	112,991	–	112,991
H L Gluer (resigned 30/06/2025)	2026	4,319	518	4,837
	2025	101,349	11,636	112,985
S J Ferguson	2026	150,774	18,093	168,867
	2025	152,024	17,454	169,478
A J Healy	2026	148,615	17,834	166,449
	2025	101,349	11,636	112,985
M A Thompson	2026	119,036	14,284	133,320
	2025	99,884	11,463	111,347
S L O'Connor	2026	119,036	14,284	133,320
	2025	47,660	5,481	53,141
B S Jackson (joined 01/07/2025)	2026	115,436	13,852	129,288
	2025	–	–	–
J S Dalitz (joined 01/07/2025)	2026	207,785	24,934	232,719
	2025	–	–	–
J L Dicks (joined 01/07/2025)	2026	144,295	17,315	161,610
	2025	–	–	–
C M Mazzetti (joined 01/07/2025)	2026	144,295	17,315	161,610
	2025	–	–	–
S-A J Williams (joined 01/07/2025)	2026	115,436	13,852	129,288
	2025	–	–	–
Total Non-Executive Directors	**2026**	**1,435,475**	**152,281**	**1,587,756**
	2025	**615,257**	**57,670**	**672,927**

The aggregate remuneration for Non-Executive Directors of the Board, as last approved by members at the 2025 Special General Meeting, is $1,626,750 per year on a pro rata basis. This sum represents total Board remuneration for the Non-Executive Directors, including fees, superannuation and all relevant taxes payable by either the Company or the Directors. The base remuneration for a Director in 2025 was $135,000, inclusive of superannuation. The Chairs of the three Board Committees received a 20% loading of $33,750 taking their total remuneration to $168,750, inclusive of superannuation. The Chair of the Board received an 80% loading of $108,000 taking their total remuneration to $243,000, inclusive of superannuation.

Each director is expected to undertake professional development pertaining to their role at the Company and is provided a training allowance. The training must be approved by the Chair of the Board, or, in the case of the Chair, the training is approved by the Chair of the Governance and Remuneration Committee. The Company will pay up to $12,000 each year to cover professional development costs for each director. Training allowances may not be converted to cash and, if unused, lapse after 3 years.

Executive Leadership Team

The following table lists the remuneration bands based on base salary plus superannuation for the bank's Executives, including the Managing Director, for the year ended 30 June 2026:

	No. of Executives	
	2026	2025
Less than $500,000	0	1
$500,001 – $1,000,000	7	5
$1,000,001 – $1,500,000	0	1
More than $1,500,000	1	0
Total	**8**	**7**

7. Principal activities

The principal activities of the Company during the year remained unchanged and were the raising of funds as authorised by the Prudential Standards administered by the Australian Prudential Regulation Authority (APRA) and the Banking Act 1959, and the use of those funds in providing financial services to its customers, while delivering positive social and environmental impact.

8. Review of operations

Financial and Operational Performance

FY26 was a transformational year for Bank Australia, marking the first full year of operations following the merger with Qudos Bank and the acquisition of Australian Unity's banking business. The Group successfully integrated these businesses while continuing to deliver on its customer-owned purpose and banking as a force for good.

The Group reported net profit after tax of $70.8 million, an increase from $36.8 million in FY25 and above budget expectations. The result was supported by merger and acquisition activity, strong asset growth, increased net interest income, deferred forecasted integration costs and one-off gains relating to prior investments. Total assets increased to approximately $21.4 billion.

Excluding merger, gross loans increased by 17.7% and customer deposits grew by 11.9%, while customer-owned reserves increased to $1.21 billion from $778 million in the prior year. The Group maintained strong capital and liquidity positions, and improved cost-to-income (CTI) ratio of 71.1% which is expected to increase in future years driven by continued investment in integration, technology, customer capability, and merger costs related to the proposed merger with Police & Nurses Group (P&N Group). While operating conditions remained challenging, including interest rate increases, inflationary pressures and strong competition for deposits and lending, the Group continued to deliver sustainable growth and remain financially resilient.

Strategic Growth Opportunities

During FY26, Bank Australia entered into a Memorandum of Understanding with P&N Group to explore a proposed merger that would create a larger customer-owned banking group with combined assets exceeding $30 billion and approximately 530,000 customers. The proposed merger remains subject to regulatory approvals and customer approval.

If completed, the merger is expected to strengthen the Group's scale, financial resilience and national presence, enhancing its ability to invest in customer service, digital capability, cybersecurity, fraud prevention and regulatory compliance. Management also expects greater operational efficiency and increased capacity to invest in the social and environmental initiatives that underpin the Bank's purpose-led strategy.

The proposed merger would further support the Group's long-term objective of building a stronger customer-owned alternative within the Australian banking sector, while preserving the Bank's distinctive member-focused value proposition and local community connections, ensuring these strengths continue to underpin value delivered to customers and positive outcomes for communities and the environment.

Customers and Operational Delivery

A major focus during FY26 was delivering value to customers while integrating three banking businesses. More than 100,000 Qudos Bank customers and approximately 31,000 Australian Unity Bank customers joined Bank Australia, contributing to a total customer base of 338,715.

Customer satisfaction decreased from 91.3% to 80.0%, reflecting customer experience challenges associated with service wait times, digital experience and broader cost-of-living pressures. Despite this, customer advocacy improved, with Net Promoter Score increasing to +24.5, and Bank Australia was recognised as Money Magazine's Customer-Owned Bank of the Year 2026 and Digital Bank of the Year 2026.

The Group continued to support customers experiencing financial hardship, providing assistance across 427 loan accounts during the year. Loan arrears greater than 30 days remained low at 0.6% of the portfolio despite ongoing economic pressures.

Sustainability and Impact

Bank Australia continued to embed sustainability within strategy, risk management and decision-making. During the year, the Group developed its refreshed climate action strategy and its first sustainability report in response to the introduction of mandatory climate-related disclosure requirements. The strategy establishes new 2035 emissions reduction targets across the residential mortgage portfolio, vehicle lending portfolio and the Group's operations, reflecting a continued commitment to supporting the transition to a lower-carbon economy.

Climate-aligned assets totalled $8.3 billion, representing 38.7% of total assets ($2.6 billion). The Group continued to support affordable and accessible housing, community housing, disability housing, sustainable homes and shared-equity housing initiatives through its lending activities. During the year, Bank Australia remained one of only two participating lenders in the Australian Government Help to Buy Scheme and continued to support customers through a range of affordable housing programs.

The Group also expanded its impact lending activities, including providing a $15 million impact loan to the Nari Nari Tribal Council to facilitate the acquisition and long-term conservation of the Great Cumbung wetland in New South Wales. This investment supports both environmental restoration and First Nations stewardship outcomes and reflects the Group's commitment to its priority impact areas of climate action, nature and biodiversity, and First Nations Recognition and Respect.

Consistent with its customer-owned purpose, the Group contributed $2.8 million, representing 4% of net profit after tax, to its Impact Fund. During FY26, the Impact Fund supported community grants, climate action initiatives, First Nations partnerships, biodiversity programs and stewardship of the Bank Australia's 2,117-hectare conservation reserve in western Victoria. The Group also continued to advocate for climate action, support customer electrification initiatives and invest in programs that assist households to improve energy efficiency and resilience.

People and Culture

People and culture remained a strategic priority throughout the year as Bank Australia completed its first year as a merged organisation. Employee numbers increased to approximately 900 and significant effort was directed towards integrating employees, harmonising remuneration and benefits, aligning workplace practices and building a unified culture focused on customer outcomes.

Consistent with the organisation's focus on integration and cultural alignment, the employee engagement survey was not conducted during FY26 (FY25 employee engagement score: 56%). Management considered it important to first bring together teams, systems and ways of working before undertaking a formal engagement assessment. A full employee engagement survey is planned for FY27.

Mandatory compliance training completion reached 99.9%, while 99.6% of employees completed cybersecurity training. Employee turnover improved to 14.3%, below target and down from 16.8% in FY25. Bank Australia was also recognised as an Employer of Choice for the eighth consecutive year, reflecting its commitment to employee wellbeing, development and workplace flexibility. Women represented 56% of the workforce at year end. Bank Australia continues to focus on diversity and inclusion across the organisation.

Future Prospects

In addition to pursuing strategic growth via the proposed merger with P&N Group, a key priority for FY27 will be the continued integration of the merged bank, including migration to a single core banking platform and further harmonisation of products, systems and processes. Management expects these initiatives to improve operational efficiency, enhance customer experience and support long-term productivity benefits, although integration activity is expected to moderate earnings in the short term.

Further, the Group will continue to advance its Climate Action Strategy, grow climate-aligned and impact lending activities, and support customers in the transition to more sustainable homes and businesses. Management believes the combination of financial strength, disciplined risk management, investment in people and technology, and a differentiated purpose-led proposition positions Bank Australia well to navigate ongoing economic uncertainty and deliver sustainable growth over the medium to long term.

9. Credit rating

During the year ended 30 June 2026, the Group was rated by both Standard & Poor's and Moody's.

Standard & Poor's maintained Bank Australia's long-term credit rating of 'BBB+' with a stable outlook. Short-term rating was maintained at 'A-2'.

Moody's maintained Bank Australia's long-term credit rating of Baa1 with a stable outlook and kept short-term rating of 'P2'.

10. Events subsequent to balance date

The Directors have considered events subsequent to the balance date and, in accordance with applicable accounting standards, have disclosed within the Financial Statements of the Group and the Company as at 30 June 2026 those events where relevant.

On 14 May 2026, Bank Australia and P&N Group (Police & Nurses Limited) signed a memorandum of understanding to explore a potential merger between the two customer-owned banks. On 31 July 2026, the Boards of both Bank Australia and P&N Group approved a recommendation to proceed to the regulatory application stage of the proposed merger.

11. Likely developments and expected results

Directors are not aware of any other likely developments in financial years subsequent to 30 June 2026 that may significantly affect the operation and expected results of the Company other than those displayed in the accounts.

12. Directors' interests

During or since the end of the financial year, no Directors have received or become entitled to any benefits (other than the remuneration listed above) from a contract between the Company and themselves, their firm or a company in which they have a substantial interest.

13. Indemnification of officers and auditors

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses contracts. The Company has not indemnified the current external auditors, EY (Ernst & Young). The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

14. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 36 and forms part of the Directors' report for the financial year ended 30 June 2026.

15. Financial accommodation to Directors and associates

The provision of financial accommodation to Directors and associates of Directors does not contravene the Prudential Standards administered by APRA and is shown in the Company's accounts in accordance with applicable accounting standards.

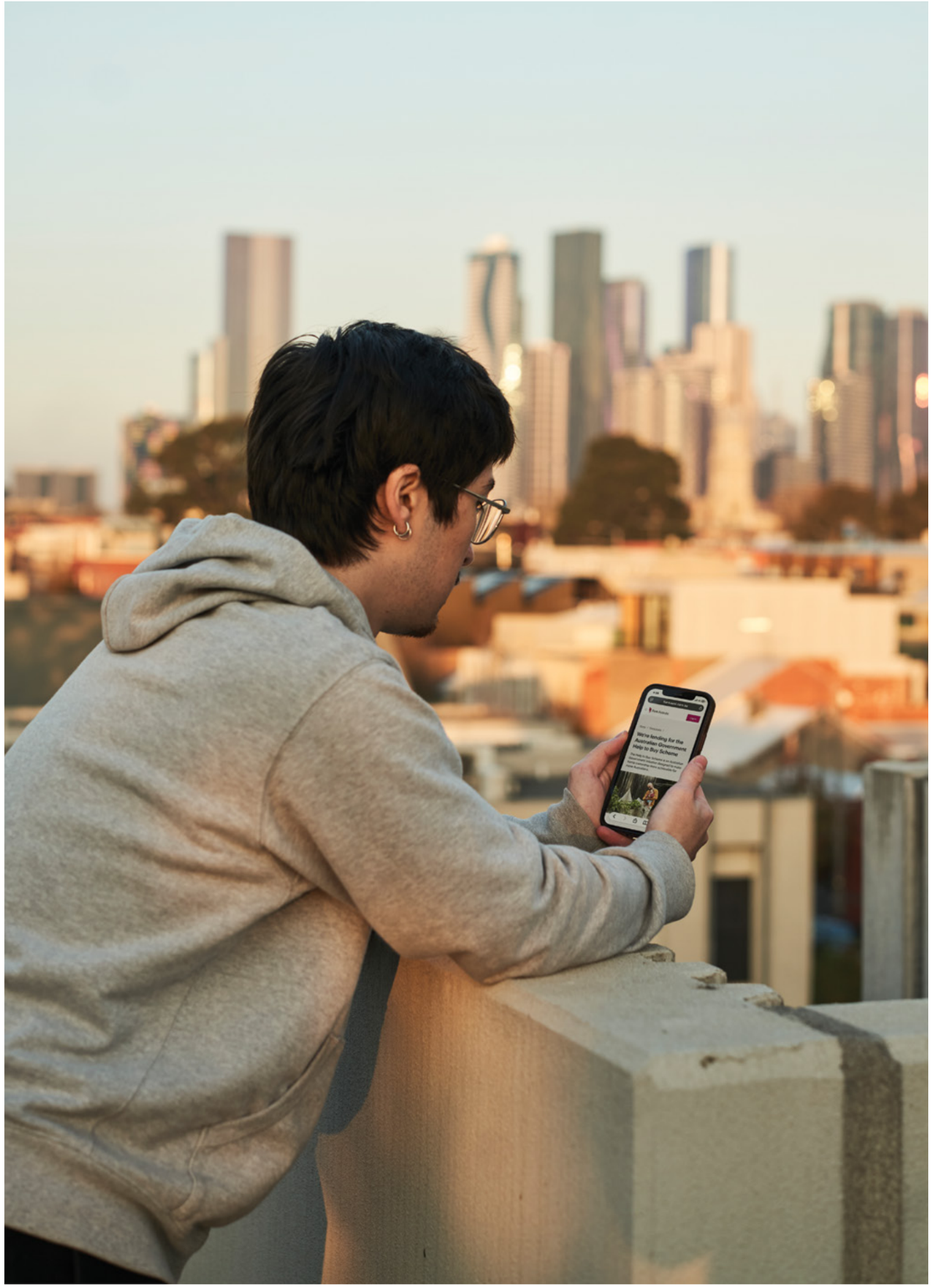
16. Basis of preparation

The Group is of a kind referred to in Australian Securities and Investment Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report and Directors' report have been rounded off to the nearest million dollars, unless otherwise stated. The Directors have applied the relief available under ASIC Class Order 10/654 Inclusion of parent entity Financial Statements in financial reports effective 29 July 2010 to continue to present full parent entity Financial Statements as part of the Group financial report.

This report is made in accordance with a resolution of the Directors:

Jennifer Dalitz, Director
Signed on 24 September 2026

Damien Walsh, Managing Director
Signed on 24 September 2026



Consolidated entity disclosure statement

The Company's controlled entities consolidated into the Group Financial Statements include the following:

Entity Name	Entity Type	% of Share Capital Held
Bank Australia Limited	Body Corporate	
Buloke Funding Trust No.1	Trust	90.9
MEAA Funding Trust No.1	Trust	90.9

This report is made in accordance with a resolution of the Directors:

Jennifer Dalitz, Director
Signed on 24 September 2026

Damien Walsh, Director
Signed on 24 September 2026

External Auditor's Independence Declaration

External auditor's independence declaration

Auditor's independence declaration to the directors of Bank Australia Limited

As lead auditor for the audit of the financial report of Bank Australia Limited and for the review of the selective sustainability information in the sustainability report for the financial year ended 30 June 2026, I declare 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;

b) No contraventions of any applicable code of professional conduct in relation to the audit; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bank Australia Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Justin McKenzie

Justin McKenzie, Partner
24 September 2026

Financial statements

Statement of financial position

as at 30 June 2026

	Note	Group 2026 $m	Group 2025 $m	Company 2026 $m	Company 2025 $m
Assets					
Cash & liquid assets	5	416	184	234	45
Due from other financial institutions	5	4	3	4	3
Investment securities at FVOCI	6	3,005	–	3,005	–
Investment securities at amortised cost	6	113	2,043	2,512	2,043
Other assets		33	41	36	189
Net deferred tax assets	14	20	1	20	1
Derivative assets	16	76	66	76	66
Net loans & advances	7,30	17,646	9,916	17,646	9,916
Other investments	8	–	28	–	28
Property plant & equipment	21	30	35	30	35
Intangible assets		9	–	9	–
Total assets		**21,352**	**12,316**	**23,572**	**12,326**
Liabilities					
Due to other financial institutions	5	37	43	37	43
Deposits	3,30	16,374	8,956	16,374	8,956
Borrowings	4	3,484	2,381	5,709	2,381
Current tax payable		30	11	30	11
Derivative liabilities	16	34	18	34	18
Other liabilities		159	112	155	112
Provisions		25	16	25	16
Total liabilities		**20,142**	**11,537**	**22,364**	**11,537**
Net assets		**1,210**	**778**	**1,209**	**787**
Customer owners' funds					
Reserves	22	1,210	778	1,209	787
Total customer owners' funds		**1,210**	**778**	**1,209**	**787**

The statement of financial position is to be read in conjunction with the notes to the financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2026

	Note	Group 2026 $m	Group 2025 $m	Company 2026 $m	Company 2025 $m
Revenue					
Interest revenue	10	1,078	677	1,205	670
Interest expense	11	(743)	(479)	(886)	(479)
Net interest revenue		**335**	**198**	**319**	**191**
Net gains / (losses) on derecognition of financial assets measured at FVOCI		–	–	–	–
Other income	12	32	26	60	46
Total revenue		**367**	**224**	**379**	**237**
Expenses					
Credit impairment (write-back) / charge	9	(5)	(1)	(5)	(1)
Operating expenses	13	273	173	288	173
Total expenses		**268**	**172**	**283**	**172**
Profit before income tax		**99**	**52**	**96**	**65**
Income tax expense	14	(28)	(15)	(28)	(15)
Profit for the period		**71**	**37**	**68**	**50**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment		–	–	–	–
Income tax attributable to this item		–	–	–	–
Changes in fair value of equity instruments at fair value through other comprehensive income		–	(1)	–	(1)
Income tax attributable to this item		–	–	–	–
Items that may be reclassified to profit or loss					
Changes in fair value of debt investments at FVOCI		4	–	4	–
Income tax attributable to this item		(1)	–	(1)	–
Net gains / (losses) on cash flow hedges		(38)	27	(38)	27
Income tax attributable to this item		12	(8)	12	(8)
Total comprehensive income for the period attributable to customer owners'		**48**	**55**	**45**	**68**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Statement of changes in customer owners' funds

for the year ended 30 June 2026

	Retained earnings $m	General reserves $m	Asset revaluation reserve $m	Cash flow hedge reserve $m	FVOCI reserve $m	Fair value reserve $m	Total customer owners' funds $m
Group							
As at 30 June 2025	**–**	**751**	**3**	**10**	**–**	**15**	**778**
Profit for the period	71	–	–	–	–	–	71
Other comprehensive income	–	–	–	(26)	3	–	(23)
Total comprehensive income	**71**	**–**	**–**	**(26)**	**3**	**–**	**48**
Transfer of business	–	380	–	–	–	–	380
Transfers between reserves	(71)	88	–	–	–	(16)	–
As at 30 June 2026	**–**	**1,220**	**3**	**(16)**	**3**	**–**	**1,210**
As at 30 June 2024	**–**	**704**	**3**	**(10)**	**–**	**16**	**712**
Profit for the period	37	–	–	–	–	–	37
Other comprehensive income	–	–	–	20	–	10	30
Total comprehensive income	**37**	**–**	**–**	**20**	**–**	**10**	**67**
Movement from associate	–	–	–	–	–	–	–
Transfers between reserves	(37)	48	–	–	–	(11)	–
As at 30 June 2025	**–**	**751**	**3**	**10**	**–**	**15**	**778**

	Retained earnings $m	General reserves $m	Asset revaluation reserve $m	Cash flow hedge reserve $m	FVOCI reserve $m	Fair value reserve $m	Total customer owners' funds $m
Company							
As at 30 June 2025	**–**	**759**	**3**	**10**	**–**	**16**	**787**
Profit for the period	68	–	–	–	–	–	68
Other comprehensive income	–	–	–	(26)	3	–	(23)
Total comprehensive income	**67**	**–**	**–**	**(26)**	**3**	**–**	**45**
Movement from associate	–	–	–	–	–	–	–
Transfer of business	–	376	–	–	–	–	376
Transfers between reserves	(68)	84	–	–	–	(16)	–
As at 30 June 2026	**–**	**1,219**	**3**	**(16)**	**3**	**(0)**	**1,209**
As at 30 June 2024	**–**	**698**	**3**	**(10)**	**–**	**16**	**707**
Profit for the period	50	–	–	–	–	–	50
Other comprehensive income	–	–	–	20	–	10	30
Total comprehensive income	**50**	**–**	**–**	**20**	**–**	**10**	**80**
Transfers between reserves	(50)	61	–	–	–	(11)	–
As at 30 June 2025	**–**	**759**	**3**	**10**	**–**	**16**	**787**

The statement of changes in customer owners' funds is to be read in conjunction with the notes to the financial statements.

Statement of cash flows

for the year ended 30 June 2026

	Notes	Group 2026 $m	Group 2025 $m	Company 2026 $m	Company 2025 $m
Cash flows from operating activities					
Interest received from customer loans		897	547	733	547
Interest received from investments		169	149	281	144
Net increase in deposits		1,751	551	1,733	551
Fees and commission received		22	24	50	42
Dividends received		2	7	2	7
Income tax refund		–	3	–	3
Other income		11	1	11	1
Total inflows		**2,852**	**1,282**	**2,810**	**1,295**
Interest paid to customers		(518)	(338)	(519)	(338)
Interest paid to other corporations		(178)	(144)	(140)	(146)
Net increase in loans and advances		(1,752)	(592)	(1,752)	(592)
Payments to suppliers and employees		(272)	(170)	(271)	(169)
Income tax paid		(25)	(14)	(29)	(14)
Total outflows		**(2,744)**	**(1,258)**	**(2,711)**	**(1,259)**
Net cash from operating activities	**28(c)**	**108**	**24**	**98**	**36**
Cash flows from investing activities					
Acquisition of investment securities		(2,605)	(1,186)	(2,659)	(1,186)
Proceeds from sale of investment securities		1,531	1,221	2,440	1,216
Acquisition of non-current assets		(1)	(3)	(1)	(3)
Total outflows from investing activities		**(1,075)**	**32**	**(220)**	**27**
Cash flows from financing activities					
Increase in borrowings		9,976	7,065	8,052	7,065
Decrease in borrowings		(8,894)	(7,144)	(7,796)	(7,144)
Increase in debt issuance		290	46	290	46
Decrease in debt issuance		(275)	(10)	(275)	(10)
Decrease in receivable from subsidiary		–	–	–	(9)
Lease liability payments		–	–	–	–
Total inflows from financing activities		**1,097**	**(43)**	**271**	**(52)**
Net increase (decrease) in cash held		129	13	150	11
Cash and equivalents acquired through business acquisition		103	–	40	–
Cash at the beginning of the year		184	171	45	34
Cash at the end of the year	**5**	**416**	**184**	**234**	**45**

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

About the financial statements

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2. Basis of preparation 44

This section summarises how the 30 June 2026 Financial Report has been prepared in accordance with the accounting standards issued by the Australian Accounting Standards Board and other regulatory requirements. This includes company information, significant judgements and accounting policy interpretations.

Key accounting policies and key judgements and estimates which relate directly to a statement have been clearly outlined as such within each of the relevant notes.

Notes to the financial statements

for the year ended 30 June 2026

1. Reporting entity

Bank Australia Limited (the Company) is a customer-owned, mutual company, limited by shares, which is domiciled and incorporated in Australia. The address of the Company's registered office, as at 30 June 2026, is 54 Wellington Street, Collingwood, Victoria, 3066.

The Company is a for-profit entity operating for the benefit of its customers and is primarily involved in the raising of funds, as authorised by the Prudential Standards administered by APRA and the Banking Act 1959, and the use of those funds in providing financial services to its customers while delivering positive social and environmental outcomes.

Following the transfer of Qudos Mutual Limited's business on 1 July 2025, the Group Financial Statements for the financial year ended 30 June 2026 comprise the Company, the Buloke Funding Trust No. 1, and the MEAA Funding Trust No.1 (together referred to as the "Trusts"), which are special purpose vehicles controlled by the Company (together referred to as the "Group").

2. Basis of preparation

(a) Statement of compliance

The Group Financial Statements are general purpose Financial Statements that have been prepared on a going-concern basis in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group Financial Statements comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Directors have applied the relief available under ASIC Class Order 10/654 Inclusion of parent entity Financial Statements in financial reports effective 29 July 2010 to continue to present full parent entity Financial Statements as part of the Group Financial Statements.

The Group Financial Statements were authorised for issue by the Directors on 24 September 2026.

(b) Basis of measurement

The financial statements have been prepared and presented in Australian dollars and on a cost basis, except property, derivatives and debt instruments measured at fair value through other comprehensive income (FVOCI), which are stated at fair value.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial statements and Directors' report have been rounded off to the nearest million dollars, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are considered reasonable under the circumstances. These estimates and judgements inform the decisions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates in the event of realisation of the asset or liability. These accounting policies have been consistently applied by each entity in the Group. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that materially affects the financial statements are included in the following notes:

- Note 9 – Expected credit losses;
- Note 16 – Derivative financial instruments and hedging;
- Note 18 – Fair value of financial instruments;
- Note 21 – Property, plant and equipment;
- Note 30 – Business combinations;
- Note 31 – Subsequent events.

Acquisition of Australian Unity's banking business
During the financial year, the Group acquired a portfolio of loans and assumed the associated portfolio of customer deposits and investment securities from Australian Unity, including the transfer of certain employees directly involved in administering the portfolios. No systems, platforms, or other infrastructure were acquired as part of the transaction. The transaction is treated as an acquisition of assets and assumed liabilities. Judgement primarily related to whether the acquired employees brought substantive processes capable of producing outputs independently of the Group's existing systems and infrastructure.

(d) Basis of consolidation

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Company. For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses.

Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

On 1 July 2025, Bank Australia received the total transfer of business from Qudos Mutual Limited. On completion, all assets and all liabilities of Qudos Bank transferred to Bank Australia.

Transaction costs
Transaction costs that the Company incurs in connection with a business combination, such as legal fees, due diligence fees and other professional consulting fees are expensed as incurred.

Special purpose entities
Special purpose entities are entities controlled by the Company. Control exists when an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Financial Statements of controlled entities are included in the Group Financial Statements from the date control commences until the date control ceases.

Investments in controlled entities are recognised at cost in the Company's Financial Statements.

The Group Financial Statements of the Company comprise the accounts of Bank Australia Limited and its special purpose entities Buloke Funding Trust No. 1 and MEAA Funding Trust No.1 (collectively referred to as the "Group").

Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Group Financial Statements.

(e) New standards and interpretations

New accounting standards that have become effective and standards and interpretations that are not yet effective and have not been early adopted by the Group for the reporting period ended 30 June 2026, are outlined in the table below.

Reference	Nature of change to accounting policy	Impact to the Company	Application date of standard	Application date for the Company
AASB 2024-2 *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments*	Introduces amendments to AASB 9 and AASB 7 that: • clarify the derecognition requirements for financial liabilities settled through electronic payment systems; • clarify the assessment of contractual cash flow characteristics of financial assets, including instruments containing ESG-linked and similar contingent features; • provide additional guidance regarding the application of the SPPI test; and • introduce additional disclosure requirements for certain financial instruments.	The Group and Company are compliant with the amendments.	1 January 2026	1 July 2026
AASB 2024-3 *Annual Improvements Volume II- Amendments to AASB 9*	The AASB has made the following narrow-scope amendments to AASB 9: • Derecognition of lease liabilities – clarified that, when a lessee has determined that a lease liability has been extinguished in accordance with AASB 9, the lessee is required to apply AASB 9 and recognise any resulting gain or loss in profit or loss. However, the amendment does not address how a lessee distinguishes between a lease modification as defined in AASB 16 and an extinguishment of a lease liability in accordance with AASB 9. • Transaction price – to avoid confusion, replaced the reference to 'transaction price as defined by AASB 15 Revenue from Contracts with Customers' with 'the amount determined by applying AASB 15'.	The company and the consolidated entity are considering the impact of the new standard	1 January 2026	1 July 2026
AASB 18 *Presentation and Disclosure in Financial Statements*	Replaces AASB 101 and introduces new requirements for the presentation and disclosure of information in the financial statements, including: • mandatory profit or loss subtotals; • classification of income and expenses into operating, investing and financing categories; • disclosure of management-defined performance measures (MPMs); and • enhanced aggregation and disaggregation requirements	The Bank is currently assessing the impact of the standard on the presentation of the statement of profit or loss and related disclosures. The standard is not expected to have a material impact on the recognition and measurement of the Bank's assets, liabilities, income or expenses.	1 January 2027	1 July 2027

Financial liabilities

3. Deposits 49

4. Borrowings and debt issuance 49

As an Authorised Deposit-taking Institution (ADI), the Company accepts the deposits of our customers through transactional accounts, savings accounts and term deposits. The Company also raises funds through wholesale borrowings as and when required.

The Company uses these deposits for lending to help create positive impact for people and the planet.

3. Deposits

Accounting policy

All deposits, including savings, term investment and retirement savings accounts are initially recognised at fair value. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on deposits is calculated on an accrual basis. The amount of the accrual is shown as a part of trade creditors and accruals.

	Group and the Company 2026 $m	Group and the Company 2025 $m
Call deposits	11,120	6,093
Superannuation savings accounts	102	–
Term deposits	5,152	2,863
Total deposits	**16,374**	**8,956**

Refer to note 30 Business combinations, which outlines the assets and liabilities transferred to Bank Australia following the merger with Qudos Bank.

In addition, total deposits of $1.6bn were assumed as part of the Australian Unity asset acquisition.

4. Borrowings and debt issuance

Accounting policy

Wholesale funding

Borrowings and debt issuances are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Interest is accrued over the period it becomes due and is recorded as part of trade creditors and accruals.

Repurchase agreements

Financial instruments sold under a repurchase agreement, under which substantially all the risks and rewards of ownership are retained by the Company, continue to be recognised on the statement of financial position and the sale proceeds are recognised as a financial liability within borrowings. The Company simultaneously agrees to buy back the securities at a pre-agreed price on a future date. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the statement of profit or loss using the effective interest method.

	Group 2026 $m	Group 2025 $m	Company 2026 $m	Company 2025 $m
(a) Borrowings				
Wholesale term deposits	431	4	431	4
Negotiable Certificates of Deposit	878	430	878	430
Warehouse securitised funding	972	590	–	590
Repurchase agreements	80	248	80	248
Payable to securitisation trust	–	–	3,197	–
Fair value hedge adjustment	(1)	–	(1)	–
Total borrowings	**2,360**	**1,272**	**4,585**	**1,272**

The warehouse securitised funding facilities provide the Company with access to secured funding backed by part of the mortgage portfolio beyond that provided by customer deposits. The mortgages have not been derecognised as control and continued involvement of these loans remaining with the Company (Refer to Note 7(ii) for further details). The Company recognises a corresponding failed sale liability (payable to securitisation trust) to reflect the Company's obligation to pay the loan principal and interest repayments to Buloke Funding Trust No. 1. The difference between warehouse securitised funding and failed sale liability represents internal securitisation.

In November 2025, the Company converted the existing funding-only warehouse facility provided by Australia and New Zealand Banking Group Limited (ANZ) to a capital efficient facility with ANZ as the senior tranche investor and IFM Investors as the junior tranche investor. The facility expires in November 2026 and can be renewed with the agreement of the relevant parties.

In November 2025, the Company established a funding-only warehouse facility with Westpac Banking Corporation (WBC). The facility expires in November 2026 and can be renewed with the agreement of the relevant parties.

Refer to Note. 15(b) Liquidity risk for further information regarding the use of standby arrangements and Note 19. Standby arrangements for details of arrangements held.

	Group 2026 $m	Group 2025 $m	Company 2026 $m	Company 2025 $m
(b) Debt issuance				
Floating rate notes	815	570	815	570
Sustainability bonds	269	499	269	499
Subordinated debt	40	40	40	40
Total debt issuance	**1,124**	**1,109**	**1,124**	**1,109**

Under its Debt Issuance Programme the Company has issued sustainability bonds, which are used to finance eligible assets that help contribute to the following United Nations Sustainable Development Goals (SDGs): affordable and clean energy, reduced inequalities, sustainable cities and communities and life on land. For more information about the sustainability bond and our approach to Impact finance please see the 2026 Impact Report.

Financial assets

5. Cash and balances with other financial institutions 52
6. Investment securities 53
7. Net loans and advances 55
8. Other investments 57
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As an ADI, the Company accepts the deposits of our customers to achieve the Company's purpose.

The acceptance of deposits and raising of external borrowings identified in the Financial Liabilities section allows the Company to help create positive impact for people and the planet.

We do this by lending money:

- **to individual customers;**
- **to business lending;**
- **for affordable housing;**
- **for housing for people with disability;**
- **for renewable energy projects; and**
- **to not-for-profit organisations.**

The Company will also lend to organisations which align with the Company's Responsible Banking Policy.

For more information refer to the 2026 Impact Report which explains how the Company has lived up to its responsible banking promise in financial year 2026.

5. Cash and balances with other financial institutions

Accounting policy

Cash and liquid assets comprise notes and coins, cash on hand and deposits at call with financial institutions and are stated at the gross value of the outstanding balance less any unpresented cheques.

Receivables from and payables to financial institutions comprises variation margin in relation to derivative transactions and are stated at the gross value of the outstanding balance.

For the purposes of the statement of cash flows, cash and liquid assets consist of cash and liquid assets as defined above, net of any outstanding bank overdrafts.

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
(a) Cash and liquid assets				
Cash on hand	5	5	5	5
Cash at bank	347	137	229	40
Deposit at call	64	42	–	–
Total cash and liquid assets	**416**	**184**	**234**	**45**
(b) Due from other financial institutions				
Collateral paid	4	3	4	3
Total due from other financial institutions	4	3	4	3
(c) Due to other financial institutions				
Collateral received	37	43	37	43
Total due to other financial institutions	37	43	37	43

Cash collateral balances are held against the fair value of the derivative portfolio.[1]

1 As required by the relevant counterparties, cash collateral is paid or received based on the mark-to-market movements in the value of derivative contracts.

6. Investment securities

(a) Investment securities at amortised cost

Accounting policy

The Company recognises investment securities on the date at which it becomes a party to the contractual provisions of the instrument.

Investments are initially measured at fair value including direct transaction costs and are subsequently measured at amortised cost, net of any impairment losses, using the effective interest method. Investments are measured at amortised cost because (a) they are held to collect contractual cash flows and (b) their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Impairment

An allowance for expected credit losses (ECLs) is recognised for financial assets not held at fair value. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Impairment cost has been calculated utilising observable inputs and the credit rating of the counterparty.

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Negotiable Certificates of Deposit	–	185	–	185
Floating rate notes	–	507	–	507
Term deposits	113	56	113	56
Asset backed securities	–	121	2,400	121
Fixed rate bonds	–	1,211	–	1,211
Fair value hedge adjustment	–	(37)	–	(37)
Total Investment Securities at amortised cost	**113**	**2,043**	**2,512**	**2,043**

(b) Investment securities at fair value through other comprehensive income (FVOCI)

Accounting policy

The merger with Qudos Bank resulted in a change in the Company's business model for managing investment securities. In prior years, investment securities were measured at amortised cost because (a) they were held to collect contractual cash flows and (b) their contractual terms gave rise, on specified dates, to cash flows that are solely payments of principal and interest. In the current year, investment securities are measured at fair value through other comprehensive income (FVOCI) because the objective of the business model changed to both collect contractual cash flows and sell investment securities.

In accordance with AASB 9 *Financial Instruments*, a reclassification from amortised cost to FVOCI for investment securities is permitted only when there is a genuine change in the Company's business model for managing these financial assets. Such changes are expected to be very infrequent and must be determined by management because of external or internal changes that are significant to the Company's operations. The merger with Qudos Bank represented an externally demonstrable event allowing assessment of both entity's measurement approaches. Qudos Bank's investment securities were measured at FVOCI.

The Company recognises investment securities on the date at which it becomes a party to the contractual provisions of the instrument.

Investments are initially measured at fair value including direct transaction costs and are subsequently measured at fair value, with interest income and impairment recognised in profit or loss and changes in fair value recognised in other comprehensive income.

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Negotiable Certificates of Deposit	268	–	268	–
Asset backed securities	64	–	64	–
Floating rate notes	1,035	–	1,035	–
Fixed rate bonds	1,639	–	1,639	–
Total Investment Securities at FVOCI	**3,005**	–	**3,005**	–

7. Net loans and advances

Accounting policy

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Company provides directly to customers. Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance. These are primarily brokerage or mortgage origination fees and these are amortised over the estimated average life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment on existing and purchased credit impaired loans.

Securitisation

The Company enters into securitisation transactions in which it transfers loan receivables that are recognised on its statement of financial position. The Company retains control, continued involvement and exposure to variable returns relating to the underlying loans and as such they have not been derecognised from the balance sheet.

Securitisation is the process of taking an illiquid asset, or group of assets, such as residential mortgages, and transforming it (or them) into a liquid security. The Company uses securitisation for funding and liquidity purposes. Details of each of the securitisations entered into by the Company, and derecognition assessments, are summarised in the following sections.

Net loans and advances

	Group and the Company 2026 $m	Group and the Company 2025 $m
Net loans and advances		
Home loans	17,087	9,381
Business Lending	477	471
Personal loans	33	33
Overdrafts and revolving credit	64	38
Directors and related parties	2	3
Fair value hedge adjustment	(3)	(2)
Gross loans and advances	**17,659**	**9,924**
Allowance for expected credit losses	(17)	(9)
Allowance for expected credit losses on purchased credit impaired loans[1]	(1)	–
Unamortised fair value of purchased loans	5	–
Net loans and advances	**17,646**	**9,916**

Refer to note 30 Business combinations, which outlines the assets and liabilities transferred to Bank Australia following the merger with Qudos Bank.

In addition, total loans of $1.5bn were acquired as part of the Australian Unity asset acquisition.

1 Represents the allowance for expected credit losses on credit impaired loans purchased through the Qudos Bank merger and Australian Unity asset acquisition.

(i) Contingent liquidity facility

The Company has established repurchase obligation trusts (Buloke Funding Trust No. 1 and MEAA Funding Trust No. 1) for securing the ability to obtain liquid funds from the Reserve Bank of Australia (RBA). The trusts enable the Company to access liquid funds if normal operational liquidity requirements cannot be satisfied. To support the liquidity arrangement loan contractual benefits have been transferred to the trusts and the Company has purchased secured notes from the trusts which may be sold to the RBA. The notes are secured by residential mortgage backed securities.

The loan contractual benefits transferred to the trusts have not been de-recognised in the Company's financial statements as the Company retains the benefits of the Trusts until the liquidity facility is drawn upon. The credit risk associated with the transferred loans remains with the Company.

The value of loans which do not qualify for de-recognition as at 30 June 2026 was $2.2 billion (2025: $1.5 billion). The value of associated liabilities, including floating rate notes and accrued interest payable on the notes as at 30 June 2026 was $2,354 million (2025: $1,616 million).

(ii) Residential Mortgage Backed Security (RMBS) warehouses

As outlined in note 4, the Group has two Residential Mortgage Backed Security (RMBS) warehouse facilities. The facilities form part of the Company's funding and capital management strategies, enabling the Company to finance Australian prime residential mortgage home loans.

The Group has a RMBS Warehouse Facility with Westpac Banking Corporation (WBC) through Buloke Funding Trust No. 1. The Trust has issued Senior notes to WBC and Junior notes to the Company, the proceeds from which have been used to purchase loan contractual benefits from the Company.

The Group has a RMBS Warehouse Facility with Australia and New Zealand Banking Group Limited (ANZ) through Buloke Funding Trust No. 1. The Trust has issued Senior notes to ANZ and Junior notes to IFM Investors, the proceeds from which have been used to purchase loan contractual benefits from the Company. The facility satisfies APRA's prudential requirements for the Group to obtain capital relief on the loan contractual benefits purchased from the Company.

The loan contractual benefits transferred to the Trust have not been de-recognised in the Company's Financial Statements because the Company retains the benefits of the Trust. The Company holds income and capital units in the trust which entitle the Company to any residual income of the trust after all required coupons to investors and servicing and managing fee payments have been met. The value of loans that do not qualify for de-recognition as at 30 June 2026 was $988 million (2025: $624 million). The value of associated liabilities, including floating rate notes and accrued interest payable on the notes at 30 June 2026 was $974 million (2025: $642 million).

8. Other investments

Accounting policy

Other investments are measured at fair value with all changes in fair value recognised through other comprehensive income. The fair value of equity holdings is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

For investments in equity instruments, the Company has elected at initial recognition to present fair value gains and losses in other comprehensive income because the instruments are not held for trading.

For equity instruments measured at fair value through other comprehensive income, unrealised gains and losses are never reclassified to the statement of profit or loss and no impairments are recognised in the statement of profit or loss and other comprehensive income.

Dividends earned from such investments are recognised in the statement of profit or loss and other comprehensive income unless the dividends clearly represent a recovery of part of the cost of the investment.

	Group and the Company 2026 $m	Group and the Company 2025 $m
Shares in Cuscal	–	28
Total other investments	–	28

During the year, the Company sold its remaining holding in Cuscal. As the Company's holding in Cuscal was measured at fair value through other comprehensive income, the accounting gain is recognised as a reserve movement from the Fair Value Reserve to General Reserves. Refer to the Statement of changes in customer owners' funds and Note 22 for further details.

9. Expected credit losses

Accounting policy

The Company establishes an allowance for impairment losses that represents the lifetime expected credit losses (ECLs) in its loan portfolio. ECLs are probability weighed estimates of credit losses and are measured as the present value of all cash shortfalls, discounted at the effective interest rate of the financial instrument.

Loans are assessed at each reporting date to determine whether credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the asset. Exposures are assessed on an individual and collective basis.

Individual basis

Where sufficient evidence exists that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows, the exposure is assessed on an individual basis.

Collective basis

Exposures are assessed on a collective basis by placing them into portfolios of assets with similar risk characteristics. The Company applies a three-stage approach to measuring ECLs for loans:

Stage	Measurement Basis
Stage 1	Financial instruments that are performing on initial recognition and have not experienced a significant increase in credit risk since initial recognition are classified in this stage. A 12-month collective provision is held against these financial instruments to reflect ECLs from default events that may occur within the following 12-month period, or over the remaining time to maturity if the financial instrument matures within the next 12 months.
Stage 2	Financial instruments that are performing but have experienced a significant increase in credit risk since initial recognition are classified in this stage. A lifetime collective provision is held against these financial instruments to reflect ECLs from default events that may occur over the expected life of the financial instrument. If the credit risk of the financial instrument were to improve such that the deterioration in credit risk since origination was no longer significant, the financial instrument returns to a stage 1 classification.
Stage 3	Financial instruments that have objective evidence of being non-performing are classified in this stage. Either a specific provision or a lifetime collective provision is held against these financial instruments. If the credit risk of the financial instrument were to improve such that the financial instrument is no longer non-performing, the financial instrument returns to a stage 1 or stage 2 classification.

Calculation of expected credit losses

ECLs are calculated at the facility level using three main parameters: exposure at default (EAD), probability of default (PD), and loss given default (LGD). These parameters are derived from statistical models combined with historical, current, forward-looking information and forecasts of future economic conditions.

The EAD represents the expected balance at the time of default and considers the repayment of principal and interest together with any expected drawdown of a facility. EAD is the current balance plus undrawn funds plus funds available for redraw, less scheduled repayments projected out by month. This methodology is applied consistently across all financial instruments except for overdrafts, credit cards and bank guarantees where the EAD represents the credit limit.

The 12-month and lifetime PD represents the expected point-in-time probability of a default over the next 12 months and the remaining lifetime of the financial instrument respectively. The PD is calculated using a roll rate methodology incorporating historical movements of accounts between arrears bands over the observation period. This methodology is applied consistently across all financial instruments, except for relationship managed commercial loans where a benchmark PD is applied given a different risk profile to the portfolio managed segment and the limited historical arrears.

The LGD represents expected loss conditional on default. LGD is determined with reference to the loss rate incurred in each segment of the portfolio over the observation period and the actual loss incurred (i.e. write-off) following a default. This methodology is applied consistently across all financial instruments, except for home loans, commercial loans and self-managed superannuation fund loans where a benchmark LGD is applied given the limited historical write-offs incurred for these financial instruments. The ECL calculation is discounted using the effective interest rate to incorporate the time value of money.

Expected life

The expected life of a facility is required to calculate the ECL for facilities in stage 2 and stage 3. A range of approaches have been applied by the Company to estimate a facilities expected life.

For home loans, the expected lifetime is the average behavioural lifetime calculated as the average lifetime on closed accounts. For term loans that are not home loans, the expected lifetime is the remaining contractual lifetime. For overdrafts, credit cards and bank guarantees the expected lifetime is the average remaining behavioural lifetime.

Definition of default

The PD, both over a 12-month period and over its lifetime, is a key input to the measurement of ECL. Default has occurred when there is evidence that the counterparty is unlikely to pay a credit obligation in full or where the counterparty is greater than or equal to 90 days past due on a credit obligation. The definition of default adopted by the Company is consistent with the Company's approach to credit risk management, prudential standards and the rebuttable presumption in AASB 9, which states that default occurs no later than when a payment is 90 days past due. The Company regularly monitors its exposures for potential indicators of default.

A default is considered to have occurred when:

i) it is considered unlikely that a counterparty will pay its credit obligations in full, or

ii) the counterparty is ≥ 90 days past due or past maturity date on a credit obligation, or

iii) the counterparty is ≥ 14 days over limit on overdraft or overdrawn savings facilities.

Write-off policy

The Company writes off a loan, including any related impairment allowance, when all reasonable efforts to reduce the loss to the Company have been pursued. Any recoveries of amounts previously written-off are recorded in the income statement as a release to the credit impairment charge.

Significant Increase in Credit Risk (SICR)

Financial instruments which have experienced a SICR since origination are classified as stage 2.

The Company uses specific counterparty and facility details to determine whether there has been a deterioration in the credit position of the counterparty. The Company also uses a 30 day past due backstop criteria with all facilities > 30 days past due and ≤ 89 days past due being classified as stage 2.

Forward looking information

The measurement of ECL considers information about current conditions, past events, as well as reasonable and supportable forecasts of future economic conditions.

The macroeconomic model uses inflation, unemployment and housing prices as macroeconomic variables, with inputs updated on an annual basis. The macroeconomic variables are applied by considering four probability-weighted economic scenarios:

- Base case scenario – The base case scenario has been developed using the average of available forecasts from Australia's four major banks, Macquarie, Barrenjoey, the Reserve Bank of Australia, as well as rating and accounting agencies.
- Economic slowdown, economic recession and severe economic recession scenarios.

Given the limited official data sources available to benchmark economic variables on a forward-looking basis, management have exercised judgement to develop the economic forecasts for any scenarios.

The methodologies and assumptions used to develop the economic forecasts are reviewed on an annual basis and the Company's Risk Committee is responsible for reviewing and approving the economic scenarios.

Key judgements and estimates

Significant increase in credit risk

Determining whether a SICR since origination has occurred or whether this has reversed requires judgement. As this determination moves a facility from a stage 1, 12-month ECL to a stage 2 lifetime ECL, the impact on the overall ECL could be material. The Company monitors the SICR triggers on a regular basis.

Benchmark PDs

Given the distinct risk profile of the relationship-managed commercial lending portfolio and the limited availability of historical default experience, benchmark PDs are applied in the determination of ECL. Benchmark PDs are established by mapping internal credit ratings to equivalent S&P corporate credit ratings and utilising the corresponding default statistics published in S&P's Annual Global Corporate Default and Rating Transition Study. The underlying methodologies, assumptions, and mapping approach are reviewed on a semi-annual basis.

Benchmark LGDs

Due to limited historical write-offs incurred for home loans, commercial loans and self-managed superannuation fund loans; benchmark LGDs are applied to calculate the ECL. The benchmark LGDs are developed using information provided in the Pillar 3 reports of the four major banks in Australia. Expert judgement is used to develop the benchmark LGDs. The methodologies and assumptions used to develop the benchmark LGDs are reviewed on a semi-annual basis.

Probability weightings of economic scenarios

In assigning probabilities to the economic scenarios, management has applied judgment based on internal specialist input and publicly available economic outlooks and commentary.

Economic forecast assumptions

In the current economic environment, the Company has developed four scenarios.

Given the range of possible scenarios and economic outcomes and the uncertainty of the social and economic conditions, these scenarios represent plausible forward-looking views as at the reporting date.

Future economic conditions may differ to the scenarios outlined, the impact of which will be accounted for in future reporting periods.

Scenario	Expectation
Base case	The base case forecast is outlined in the table below. The base case forecast remains one of moderate growth and easing inflation. This scenario has been developed using the average of available forecasts from Australia's four major banks, Macquarie, Barrenjoey, the Reserve Bank of Australia, as well as rating and accounting agencies.
Economic slowdown	The scenario represents mild economic slowdown due to a combination of geopolitical and domestic factors. A slowdown in global demand for commodities, particularly from China, impacts Australia's export revenues. The RBA maintains a high cash rate to control inflation, which dampens consumer spending and business investment. The government introduces moderate fiscal stimulus measures, such as infrastructure projects and targeted tax relief, partially offsetting the slowdown. GDP contracts in year one, with increased unemployment and subdued consumer confidence. A more severe recession is avoided due to timely government interventions and a resilient services sector. Housing values decline over two years.
Economic recession	The scenario represents a prolonged economic slowdown that results in a recession and extends over several years, driven by persistent structural issues and external shocks. Continued low commodity prices reduce mining revenues and investment. A correction in the housing market leads to reduced household wealth and lower consumer spending. The government implements structural reforms and targeted investment to support the economy, but the benefits take time to emerge. GDP contracts over two years, with high unemployment and stagnant wages. The prolonged slowdown strains public finances, leading to increased public debt and limited fiscal space for further stimulus. House prices decline over three years.
Severe economic recession	The extreme downside scenario represents a severe recession in the Australian economy, triggered by a combination of domestic and international crises. A major financial crisis in a key trading partner, such as China, leads to a sharp decline in exports and financial market turmoil. The RBA's aggressive interest rate hikes to combat inflation backfire, causing a credit crunch and widespread business failures. Despite emergency fiscal measures, such as large-scale public spending and tax relief, the government's efforts are insufficient to counteract the deep economic contraction. This leads to a large contraction in GDP, with soaring unemployment and widespread business closures. The severe recession leads to significant social and economic challenges and long-term damage to Australia's economic potential. House prices severely decline over three years.

Base case economic forecast as at 30 June 2026

	2026	2027	2028
Unemployment rate	4.5%	4.5%	4.5%
Inflation (annual % change)	2.7%	2.6%	2.6%
Housing prices (annual % change)	3.9%	5.1%	5.1%

Probability weightings

	Group and the Company 2026	Group and the Company 2025
Base	35%	40%
Downside	40%	35%
Severe downside	15%	15%
Extreme downside	10%	10%

ECL–Sensitivity analysis as at 30 June 2026

	Group and the Company ECL collective provision $m	Group and the Company Impact $m
100% Base scenario	15	(2)
100% Downside scenario	17	–
100% Severe downside scenario	20	3
100% Extreme downside scenario	25	8

Credit impairment charge

The following table shows the expenses incurred in the statement of profit or loss and other comprehensive income relating to the impairment of loans.

	Group and the Company 2026 $m	Group and the Company 2025 $m
Net new and increased provisions[1]	(6)	(1)
Write offs	1	–
Recoveries of amounts previously written off	–	–
Total credit impairment (write-back) / charge	**(5)**	**(1)**

1 Net of provision write-backs

Provision for impairment

The tables below outline credit provisions and how the collective provision has moved between stages during the year, as described under Key Judgements and Estimates.

	Group and the Company 2026 $m	Group and the Company 2025 $m
Individual provision for impairment	1	1
Collective provision for impairment	17	8
Provision for impairment	**18**	**9**

Exposure at default movement by stage

	Group and the Company			
	Stage 1 $m	Stage 2 $m	Stage 3 $m	Total $m
Balance as at 30 June 2025	**11,202**	**102**	**30**	**11,334**
Transferred to stage 1	77	(67)	(10)	–
Transferred to stage 2	(50)	51	(1)	–
Transferred to stage 3	(16)	(8)	24	–
New and increased / (decreased)	8,623	39	36	8,698
Balance as at 30 June 2026	**19,836**	**117**	**79**	**20,032**
Balance as at 30 June 2024	**10,451**	**256**	**16**	**10,723**
Transferred to stage 1	163	(158)	(5)	–
Transferred to stage 2	(46)	49	(3)	–
Transferred to stage 3	(19)	(5)	24	–
New and increased / (decreased)	653	(40)	(2)	611
Balance as at 30 June 2025	**11,202**	**102**	**30**	**11,334**

Collective provision movement by stage

Balance as at 30 June 2025	**2**	**5**	**1**	**8**
Transferred to stage 1	2	(2)	–	–
Transferred to stage 2	–	–	–	–
Transferred to stage 3	–	–	–	–
New and increased/(Write Back)	4	–	3	7
Model risk reserve and macro-economic adjustment	2	1	–	2
Balance as at 30 June 2026	**10**	**4**	**3**	**17**
Balance as at 30 June 2024	**3**	**5**	**1**	**9**
Transferred to stage 1	2	(2)	–	–
Transferred to stage 2	–	–	–	–
Transferred to stage 3	–	–	–	–
New and increased provisions (net of repayments)	(2)	–	–	(2)
Forward looking and other adjustments	–	1	–	1
Balance as at 30 June 2025	**2**	**5**	**1**	**8**

Non-Performing Exposures

Non-performing facilities are those facilities for which the Company determines that it is probable that it will be unable to collect all principal, interest and fees due according to the contractual terms of the agreement.

There are three categories of non-performing facilities:

Non-accrual facilities

Non-accrual facilities are those facilities where the Company has set the future income of the facility to zero or has suspended interest or income. It also includes loans where the counterparty is ≥ 90 days past due on their obligation to the Company, and overdrafts and credit cards where the counterparty has been in excess of the contractual limit for ≥ 14 days.

Restructured facilities

Restructured facilities are facilities where the Company has modified the original contractual terms to provide for concessions of interest or principal or other payments due, or for an extension in maturity for a non-commercial period for reasons related to the financial difficulties of the counterparty. A restructured facility will return to performing status once the revised contractual terms have been made in a timely manner over a continuous six-month period and the situation of the counterparty has improved so that full repayment of the loan is likely.

Other non-performing facilities

Other non-performing facilities comprise exposures where the Company considers it probable that not all principal, interest and fees due under the contractual terms will be collected. This includes facilities where the counterparty is in severe financial difficulty, together with facilities previously classified as non-performing that have not yet demonstrated sustained improvement in credit quality to support a return to performing status.

Facilities are reclassified to performing status when the Company determines that the counterparty's financial position has improved such that full repayment of contractual obligations is considered likely.

The following table provides details on gross impaired facilities.

	Non-performing exposures 2026 $m	Total provision 2026 $m	Collateral[1] 2026 $m	Non-performing exposures 2025 $m	Total provision 2025 $m	Collateral[1] 2025 $m
Group and the Company						
Non-accrual facilities	45	2	91	24	1	55
Restructured facilities	24	1	43	6	–	10
Other	9	–	18	–	–	–
Total	**78**	**3**	**152**	**30**	**1**	**65**

1 Collateral held against non-accrual facilities and restructured facilities was primarily registered first mortgages over property. Property valuations for restructured loans are as at origination, whilst property valuations from non-accrual loans are updated once the account becomes non-accrual.

Financial performance

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The Company generates revenue through the provision and management of the disclosed financial assets. The revenue is offset by the cost of the Company's financial liabilities which in association with other operating revenue and costs results in the profit of the Company.

10. Interest revenue

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is reported net of the amount of recoverable goods and services tax (GST). Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due or where the costs incurred or to be incurred cannot be measured reliably.

Interest revenue on loans is calculated on the daily balance outstanding and is charged in arrears to a customer's account monthly. Interest revenue is recognised in the statement of profit or loss & comprehensive income as it accrues, using the effective yield interest method. Loan establishment fees and costs including upfront broker commission are also included in the effective yield interest method and are amortised over the average life of the loan.

Due to the short-term nature and reviewability of revolving credit facilities, all associated fees and costs, including establishment fees, are recognised at the time the related service is performed.

Interest revenue on deposits with other financial institutions, derivatives and investment securities are calculated on an accruals basis using the effective interest method.

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Deposits with other financial institutions	10	7	10	7
Investment securities	128	84	240	78
Derivatives revenue	29	31	28	30
Loans and advances	911	555	927	555
Total interest revenue	**1,078**	**677**	**1,205**	**670**

11. Interest expense

Accounting policy

Interest payable on customer deposits is calculated on the daily balance outstanding and is credited in arrears periodically. Interest expense is recognised in the statement of profit or loss and comprehensive income as it accrues, using the effective interest method. Interest payable on borrowings is calculated on an accruals basis using the effective interest method.

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Borrowings from other financial institutions	146	125	108	125
Interest due to securitisation trust	–	–	180	–
Derivatives	33	24	33	24
Deposits	563	329	564	329
Leases	1	1	1	1
Total interest expense	**743**	**479**	**886**	**479**

12. Other income

Accounting policy

The Company applies AASB 15 Revenue from Contracts with Customers. The core principle of AASB 15 is that an entity recognises revenue progressively as services are delivered rather than when the consideration the entity expects to receive for those services can be reliably estimated. The Company recognises revenue from contracts with customers in accordance with that core principle by applying the following steps:

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the amount of consideration in the contract;

Step 4: Allocate the consideration to each of the identified performance obligations; and

Step 5 Recognise revenue when (or as) each performance obligation is satisfied.

Fee income

Fee income primarily comprises account transaction and monthly fees, processing fees, credit card fees and loan package and overdraft fees. The Company has determined that revenue associated with account and processing fees are recognised at the point in time the transaction occurs or service is performed. Credit card fees and loan package and overdraft fees should be recognised over time as the service has been provided. Those costs deferred under AASB 15 are capitalised and amortised over the estimated cardholder relationship, which in all cases is 12 months.

Commission income

Commission income comprises insurance commissions received under an agency agreement held with Allianz Australia Insurance Limited as well as financial planning and VISA interchange commissions. The Company has determined that performance obligations associated with commissions are met at the time the insurance policy is written, customer has been referred to financial planner or VISA debit or credit card is used by a customer.

Dividends

Dividend income is recognised under AASB 9 *Financial instruments* and is recorded as income on the date the Company's right to receive payments is established.

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Fee income	5	3	32	21
Commissions	19	15	19	15
Dividends	2	7	2	7
Miscellaneous income	6	1	6	1
Hedge relationship mark to market	–	–	1	2
Total other income	**32**	**26**	**60**	**46**

1 Dividend income includes amounts received from Cuscal (Refer to Note 8 for further information).

13. Operating expenses

Accounting policy

Operating expenses

Operating expenses are recognised as services are provided to the Company over the period in which an asset is consumed or once a liability is created.

Wages, salaries and related personnel expenses

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Company expects to pay when the liabilities are settled.

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The Company accrues employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date.

Refer to Note 27 Employee benefits for balances of employee benefit related provisions.

	Group 2026 $m	Group 2025 $m	Company 2026 $m	Company 2025 $m
Personnel				
Salaries and related costs	118	81	118	81
Other staff related costs	16	10	16	10
	134	**91**	**134**	**91**
Customer services				
Fees and commissions	40	25	40	25
Other product and service delivery costs	9	5	9	5
	49	**30**	**49**	**30**
Information technology				
Applications, licences and outsourced services	36	21	36	21
Telecommunications	5	2	5	2
Depreciation and amortisation	3	0	3	0
	44	**23**	**44**	**24**
Occupancy expenses				
Depreciation of property, plant and equipment	4	3	4	3
Depreciation of right of use assets	4	3	4	3
Other occupancy expenses	6	3	6	3
	13	**9**	**13**	**9**
Other operating expenses				
Marketing and development	15	7	15	7
General administration costs	18	13	33	13
	33	**20**	**49**	**20**
Total operating expenses	**273**	**173**	**288**	**173**

Costs of $8.2m were incurred in relation to the Qudos Bank and Bank Australia merger, refer to note 30 business combination for further details regarding the merger.

14. Income tax

Accounting policy

Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax for current and prior years is recognised as a liability to the extent that it is unpaid.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Nor is it recognised for the differences relating to investments in subsidiaries if they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or included in the item of the expense. Receivables and payables are stated with the amount of GST included.

Key judgements and estimates

The Company estimates the amount expected to be paid to tax authorities based on its understanding and interpretation of relevant tax laws. The effect of uncertainty over income tax treatments is reflected in determining the relevant taxable profit or tax loss, tax bases, unused tax losses and unused tax credits or tax rates. Uncertain tax positions are presented as current or deferred tax assets or liabilities as appropriate.

Notes to the financial statements

for the year ended 30 June 2026

	Company[1] 2026 $m	Company[1] 2025 $m
Income tax expense		
Profit before income tax	96	52
Income tax at Australia's statutory tax rate of 30%	29	16
Tax effect of amounts which are not deductible / assessable in calculating taxable income:		
Fully franked dividends received	(1)	(3)
Other assessable income	13	7
Disposal of equity investments	(13)	(5)
Income tax expense per P&L	**28**	**15**
Reconciliation of income tax expense to tax payable		
Income tax expense per P&L	**28**	**15**
Affect of permanent differences between accounting and taxable income	13	8
Affect of temporary differences between accounting and taxable income	2	4
Franking credits applied	(1)	(3)
Under/(over) provision of income tax in prior years	(1)	–
Total income tax payable to ATO	**42**	**25**
Income tax expense recognised in Other Comprehensive Income		
Deferred tax relating to MTM of debt investments	(1)	–
Deferred tax relating to cash flow hedge derivatives	12	(8)
	11	**(8)**
Franking credits	**497**	**256**

Franking credits held by the Company are after adjusting for franking credits that will arise from the payment of income tax at the end of the financial year.

1 All taxable income from Buloke Funding Trust No.1 and MEAA Funding Trust No.1 is transferred to Bank Australia who then pays tax on group taxable income.

	Company 2026 $m	Company 2025 $m
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in the income statement:		
Provision for impairment of loans and advances	5	3
Lease liabilities	5	6
Blackhole and not incurred expenditure	4	3
Provision for employee entitlements and sundry provisions	8	5
Derivative financial instruments	1	1
Investment securities financial instruments	1	–
Total amounts recognised in the income statement	**24**	**18**
Amounts recognised directly in other comprehensive:		
Derivative financial instruments	7	–
Total amounts recognised directly in other comprehensive	**7**	**–**
Gross deferred tax assets	**31**	**18**
Set-off of deferred tax assets and deferred tax liabilities	(11)	(17)
Net deferred tax assets	**20**	**1**

	Company 2026 $m	Company 2025 $m
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in the income statement:		
Acquisition of financial instruments fair value adjustments	4	–
Right of use asset	4	5
Total amounts recognised in the income statements	**7**	**5**
Amounts recognised directly in other comprehensive income:		
Land and buildings	1	1
Other investments	–	7
Investment securities at FVOCI	3	–
Derivative financial instruments	–	4
Total amounts recognised directly in other comprehensive income	**4**	**12**
Gross deferred tax liabilities	**11**	**17**
Set-off of deferred tax assets and deferred tax liabilities	(11)	(17)
Net deferred tax liabilities	**–**	**–**
Movements		
Opening balance	**1**	**4**
Permanent and temporary prior-year tax adjustments	5	–
Recognised in general reserve	(3)	–
Recognised in income statement	6	4
Recognised in other comprehensive income	10	(7)
Closing balance	**20**	**1**

Tax Transparency Code

The Tax Transparency Code (TTC) is an Australian Taxation Office set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. Adoption of the TTC is voluntary and intended to complement Australia's existing tax transparency measures. The Company has adopted TTC reporting to contribute to greater tax transparency and enhance community understanding of tax compliance. Details of our TTC report for the year ended 30 June 2026 can be found on our website.

Capital and risk management

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20. Capital management 110

The success of the Company's strategy to deliver on its purpose is underpinned by sound management of the Company's risks. All of the Company's activities involve the analysis, evaluation, acceptance and management of risks or combinations of risks.

15. Risk management

Overview

The Company has exposure to financial risk, non-financial risk, strategic and governance risk arising from its operations. The Company manages these risks through its risk management framework, which evolves to accommodate changes in the business operating environment, better practices, and regulatory expectations. The Company's risk management is in line with APRA Prudential Standard CPS 220 Risk Management.

The risk management framework is the totality of systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate internal and external sources of material risks. This framework aligns with the Company's strategic objectives and business plan and embeds risk management as part of the Company's culture.

The Company has exposure to risk from the use of financial instruments. This note presents information about the exposure to each of the risks, the objectives, policies and processes for measuring and managing risk and capital. Further quantitative disclosures are included throughout the notes to the Financial Statements.

Key material risks	Key sections applicable to this risk
Credit risk	• Overview, management and control activities • Exposure to credit risk • Credit quality • Concentration of credit risk
Liquidity risk	• Overview, management and control activities • Residual contractual maturities
Non-traded market risk	• Overview, management and control activities
Interest rate risk	• Overview, management and control activities • Effective interest rate and repricing analysis • Sensitivity to interest rate risk
Operational risk	• Overview, management and control activities

The Company's exposure to financial risk (credit risk, liquidity risk, non-traded market risk and interest rate risk), are considered significant given financial instruments held by the Company constitute the core contributors of financial performance and position.

Risk management framework

The Board of Directors has overall responsibility for establishing and overseeing the risk management framework. The framework enables the appropriate development and implementation of strategies, policies and procedures to manage risk, supported by three key components:

- **Risk management policy** defines and documents roles, responsibilities and formal reporting structures for the management of material risks throughout the Company.
- **Risk appetite statement** documents the amount of risk the Board is willing to accept in pursuit of strategic objectives and business plans. The purpose of this statement is to help support the setting and management of the Company's strategy whilst also bringing structure and relevance to the Company's risk management process.
- **Risk management strategy** describes the Company's strategy for managing risk and the key elements of the framework that give effect to this strategy. This includes a description of each material risk, the approach to managing risks and information on how the Company identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Board has established the Risk Committee, which provides an objective oversight of the implementation and on-going operation of the risk management framework, oversees and monitors risk identification, assessment and control methodologies; and ensures prudential and statutory requirements in relation to the risk management framework are met. The Committee reports regularly to the Board of Directors on its activities.

The Company's risk management structure has been designed in line with the 'three lines of accountability' framework. The responsibility of each line of accountability is as follows:

Line of defence	Key sections applicable to this risk
First	Each operational area of the Company is responsible for identifying and managing risks in a way that is consistent with the risk management framework and risk appetite set by the Board. The Company, through its training and management standards and procedures aims to maintain a disciplined and robust control environment in which all employees understand their roles and responsibilities.
Second	A central risk and compliance group, led by our Chief Risk Officer, forms our second line of accountability, and is responsible for the development and maintenance of the Company's risk management framework and reports to the Board, Committees and senior management.
Third	Internal audit provides our third line of accountability, providing independent assurance on the effectiveness of the risk management framework. The Company's internal auditors reports directly to the Audit Committee.

The Audit Committee oversees the effectiveness of internal controls and is assisted in its role by internal audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(a) Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from loans and advances, as well as debt and investment securities. The Company has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss if a counterparty defaults.

The Company's activities may also give rise to risk at the time of settlement of transactions. Settlement risk is the risk of financial loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Management of credit risk

The Board of Directors has implemented policies to mitigate and manage credit risk. Credit risk policies aim to:

- ensure counterparties can service their facilities;
- control and mitigate the risk of financial loss associated with delinquent credit facilities and deteriorating credit quality;
- establish collateral requirements, credit assessment, risk grading, reporting, documentary and legal procedures;
- review and manage geographic exposures including statistical area 3 and 4 concentrations;
- ensure compliance with regulatory and statutory requirements; and
- establish the authorisation structure for the approval, renewal and extension of credit facilities.

Climate risk is captured as a strategic risk in the Groups risk appetite statement and is monitored as a driver of other risks like credit risk. For further information regarding the Group's approach to monitoring and managing climate risk, refer to the FY26 Sustainability report.

Exposure to credit risk

For financial assets recognised on the Statement of Financial Position, the maximum exposure to credit risk is the carrying amount. In certain circumstances there are differences between the carrying amount reported on the Statement of Financial Position and the amount reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as, equity investments which are primarily subject to market risk.

For off balance sheet commitments, the maximum exposure to credit risk is the full amount of undrawn committed facilities and the maximum amount the Company would have to pay if a bank guarantee was called upon.

The table below shows our maximum exposure to credit risk for on balance sheet financial assets and off balance sheet commitments before taking into account any collateral held or other credit risk mitigation techniques.

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Credit risk exposures relating to on balance sheet assets:				
Cash and liquid assets	416	184	234	45
Due from other financial institutions	4	3	4	3
Investment securities at fair value	3,005	–	3,005	–
Investment securities at amortised cost	113	2,043	2,512	2,043
Other assets[1]	33	41	36	189
Derivative assets	76	66	76	66
Gross loans and advances[2]	17,659	9,924	17,665	9,924
Total on balance sheet	**23,306**	**12,261**	**23,532**	**12,270**
Credit risk exposures relating to off balance sheet assets:				
Credit-related commitments	2,399	1,418	2,399	1,418
Bank guarantees	7	6	7	6
Total off balance sheet	**2,406**	**1,424**	2,406	**1,424**
Total credit risk exposure	**23,712**	**13,685**	**25,938**	**13,694**

Credit quality

An analysis of the Company's credit exposure is presented in the following tables without taking account of the effects of any collateral held or other credit risk mitigation techniques:

1 Credit risk exposure for other assets consists of accrued income and sundry debtors.

2 Gross loans and advances includes deferred loan fees and costs and excludes provision for impairment.

Investment securities – by external rating grade

The following table summarises the credit quality by external third party rating grades:

	2026				2025			
	AAA+ to A $m	BBB+ to B $m	Unrated $m	Total $m	AAA+ to A $m	BBB+ to B $m	Unrated $m	Total $m
Group and the Company								
ADIs	999	711	20	1,730	685	461	–	1,146
Government investments	1,325	–	–	1,325	768	–	–	768
Other	64	–	–	64	121	–	3	124
Total investments at fair value	**2,388**	**711**	**20**	**3,118**	**1,574**	**461**	**3**	**2,039**

Loans and advances – by expected credit loss stage

The following table sets out information of the distribution of loans and advances by staging as defined in note 9:

	2026				2025			
	Stage 1 $m	Stage 2 $m	Stage 3 $m	Total $m	Stage 1 $m	Stage 2 $m	Stage 3 $m	Total $m
Group and the Company								
Home loans	18,890	108	76	19,075	10,428	45	30	10,502
Corporate exposures[1]	610	7	1	618	567	56	–	622
Personal loans	34	–	1	35	35	–	–	35
Overdrafts and revolving credit	302	1	1	304	173	1	–	175
Total credit risk exposure	**19,836**	**117**	**79**	**20,032**	**11,202**	**102**	**30**	**11,334**

The credit exposures on loans and advances will not reconcile to gross loans and advances and off balance sheet items in the table above as credit exposure excludes internal Bank Australia facilities and includes interest on non-accrual loans.

Refer to Note 9. Expected credit losses for information on exposure, portfolio segmentation and staging.

1 An exposure to a corporate counterparty includes exposures to incorporated entities, associations, partnerships, proprietorships, trusts and funds.

Concentration of credit risk

Concentration risk is managed by counterparty, geographical region, and industry sector. The Company implements certain exposure and concentration limits in order to mitigate these risks.

Loans and advances – by counterparty

As at 30 June 2026, there were no individual counterparties which had an exposure representing 10% of more of Tier 1 capital.

Loans and advances – by counterparty geographic location

The table below details the geographic concentration of loans and advances:

	Carrying amount 2026 $m	Off balance sheet 2026 $m	Total credit exposure 2026 $m	Carrying amount 2025 $m	Off balance sheet 2025 $m	Total credit exposure 2025 $m
Group and the Company						
Geographic areas						
Victoria	6,421	990	7,411	4,409	743	5,152
New South Wales	4,956	657	5,613	2,111	246	2,357
Queensland	2,312	313	2,625	1,168	158	1,326
Australian Capital Territory	896	108	1,004	673	90	763
Western Australia	1,579	177	1,756	827	91	918
South Australia	784	95	879	435	60	495
Tasmania	221	34	255	139	22	161
Northern Territory	97	11	108	68	8	76
Non Resident	361	21	382	81	5	86
Total credit exposure[1]	**17,626**	**2,406**	**20,032**	**9,911**	**1,423**	**11,334**

1 Total credit exposure by counterparty excludes deferred loan cost and fees.

Loans and advances – by collateral geographic location

The table below details the geographic concentration of collateral held against loans and advances:

	Carrying amount 2026 $m	Off balance sheet 2026 $m	Total credit exposure 2026 $m	Carrying amount 2025 $m	Off balance sheet 2025 $m	Total credit exposure 2025 $m
Group and the Company						
Geographic areas						
Victoria	6,310	700	7,010	4,380	560	4,940
New South Wales	5,065	581	5,646	2,019	173	2,192
Queensland	2,540	252	2,792	1,261	136	1,397
Australian Capital Territory	857	79	936	637	64	701
Western Australia	1,625	146	1,771	838	68	906
South Australia	843	82	925	522	96	618
Tasmania	231	31	262	151	20	171
Northern Territory	82	8	90	54	5	59
Approved but undrawn secured loans	–	314	314	–	178	178
Unsecured	73	213	286	49	123	172
Total credit exposure	**17,626**	**2,406**	**20,032**	**9,911**	**1,423**	**11,334**

Credit exposure to businesses[1] – by industry sector

The table below details the industry sector concentration of business lending exposures:

	Carrying amount 2026 $m	Off balance sheet 2026 $m	Total credit exposure 2026 $m	Carrying amount 2025 $m	Off balance sheet 2025 $m	Total credit exposure 2025 $m
Group and the Company						
Industry sector						
Rental, hiring and real estate services	361	67	428	329	97	426
Financial and insurance services	28	7	35	18	7	25
Construction	24	11	35	42	9	51
Other services	21	2	23	5	4	9
Health care and social assistance	26	48	74	55	27	82
Manufacturing	4	–	4	6	–	6
Administrative and support services	5	–	5	6	–	6
Agriculture, forestry and fishing	6	–	6	7	–	7
Arts and recreation services	1	–	2	1	–	1
Professional, scientific and technical services	1	2	3	1	2	3
Education and training	1	1	2	2	–	2
Retail trade	1	–	1	1	1	2
Other	–	1	3	–	1	1
Total credit exposure[1]	**479**	**139**	**618**	**474**	**148**	**622**

1 Total credit exposure by industry excludes deferred loan cost and fees.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Board of Directors has implemented policies to mitigate and manage liquidity risk. Liquidity risk policies aim to measure, monitor and manage liquidity risk.

The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis including stress testing under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets, the availability of appropriate standby lines of funding, maintenance of reliable sources of funding and daily, medium and longer term liquidity projections.

Exposure to liquidity risk

The key measure used to manage liquidity risk is the minimum liquidity holdings approach. For this purpose, liquid assets are considered to include cash and cash equivalents and investment grade debt securities which must be free of encumbrance and able to be liquidated within two business days.

The calculation is used to ensure compliance with the minimum level of liquidity prescribed by APRA. The Company complied with all APRA liquidity requirements throughout the year.

The following table summarises the maturity profile of the Group financial liabilities based on contractual undiscounted repayment obligations.

Repayments subject to notice are treated as if notice is given immediately, which is not a reflection of the expected maturity profile or a reflection of payment history. As amounts represent undiscounted principal and interest cash flows, they may differ to the carrying amounts on the Statement of Financial Position.

Maturity analysis

	0–3 months $m	3–12 months $m	1–5 years $m	> 5 years $m	Total $m
Group 2026					
Financial liabilities					
Due to other financial institutions	37	–	–	–	37
Deposits	13,904	3,535	174	–	17,613
Lease liabilities	–	1	4	13	18
Borrowings	536	1,582	690	41	2,850
Total Financial Liabilities	**14,476**	**5,118**	**869**	**55**	**20,518**
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	3	(4)	(24)	(17)	(42)
Total Cash Flows	**14,479**	**5,114**	**845**	**38**	**20,476**
Irrevocable loan commitments and guarantees	2,154	–	–	–	2,154
Total irrevocable loan commitments and guarantees	**2,154**	**–**	**–**	**–**	**2,154**
Group 2025					
Financial liabilities					
Due to other financial institutions	43	–	–	–	43
Deposits	7,795	1,477	71	–	9,343
Lease liabilities	–	–	3	16	19
Borrowings	250	944	852	44	2,090
Total Financial Liabilities	**8,088**	**2,421**	**927**	**60**	**11,495**
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	2	2	(31)	(17)	(44)
Total Cash Flows	**8,090**	**2,423**	**896**	**43**	**11,451**
Irrevocable loan commitments and guarantees	1,287	–	–	–	1,287
Total irrevocable loan commitments and guarantees	**1,287**	**–**	**–**	**–**	**1,287**

Maturity analysis

	0–3 months $m	3–12 months $m	1–5 years $m	> 5 years $m	Total $m
The Company 2026					
Financial liabilities					
Due to other financial institutions	37	–	–	–	37
Deposits	13,904	3,535	174	–	17,613
Lease liabilities	–	1	4	13	18
Borrowings	660	619	334	356	1,970
Total Financial Liabilities	**14,601**	**4,155**	**513**	**369**	**19,638**
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	3	(4)	(24)	(17)	(42)
Total Cash Flows	**14,603**	**4,151**	**490**	**352**	**19,596**
Irrevocable loan commitments and guarantees	2,154	–	–	–	2,154
Total irrevocable loan commitments and guarantees	**2,154**	**4,151**	**490**	**352**	**2,154**
The Company 2025					
Financial liabilities					
Due to other financial institutions	43	–	–	–	43
Deposits	7,795	1,477	71	–	9,343
Lease liabilities	–	–	3	16	19
Borrowings	250	944	852	44	2,090
Total Financial Liabilities	**8,088**	**2,421**	**927**	**60**	**11,495**
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	2	2	(31)	(17)	(44)
Total Cash Flows	**8,090**	**2,423**	**896**	**43**	**11,451**
Irrevocable loan commitments and guarantees	1,287	–	–	–	1,287
Total irrevocable loan commitments and guarantees	**1,287**	**–**	**–**	**–**	**1,287**

(c) Non-traded market risk

Non-traded market risk is the risk of loss inherent in the Company's ordinary business activities due to changes in the general level of market prices or interest rates.

The Company is not exposed to any traded market risk or foreign exchange risk, because it does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes and does not deal in foreign exchange contracts. The use of financial derivatives is governed by the Company's policies, as approved by the Board.

Management of non-traded market risk

The Company's approach to managing non-traded market risk is to ensure that a detailed framework for identifying, managing, measuring, monitoring, overseeing and reporting non-traded market risk is maintained.

The Board of Directors has implemented policies to mitigate and manage non-traded market risk. Non-traded market risk policies aim to establish a methodology for the calculation, examination, management and reporting of the interest rate risk position on a regular basis.

Management of non-traded market risk is vested in the Asset and Liability Committee (ALCO). The ALCO meets monthly to review the interest rate risk position.

(d) Interest rate risk

Interest rate risk is the risk of loss the Company is exposed to in relation to changes in market interest rates on its net interest income. This risk arises from mismatches between the repricing profiles of assets and liabilities.

The Board has established policies to manage interest rate risk to achieve stable and sustainable net interest income over the long term.

Management of interest rate risk

The Company measures interest rate risk by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios and managing the exposure within the limits set out in the Board Risk Appetite Statement.

During the year, the Company entered into a number of interest rate swaps to reduce the variability in cash flows, and changes in the economic values of assets and liabilities, associated with changes in market interest rates.

Effective interest rates and repricing analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following tables indicates their effective interest rates at the reporting date and the periods in which they reprice.

	0–3 months $m	3–12 months $m	1–2 years $m	2–5 years $m	> 5 years $m	Carrying amount $m	Weighted average effective interest rate %
Group 2026							
Interest earning assets							
Deposits at call	416	–	–	–	–	416	3.78
Due from other financial institutions	4	–	–	–	–	4	4.35
Investment securities	1,454	75	226	562	803	3,119	4.48
Gross loans and advances[1]	16,365	617	435	208	–	17,626	6.14
Total interest earning assets	**18,240**	**692**	**660**	**770**	**803**	**21,165**	**5.85**
Interest bearing liabilities							
Due to other financial institutions	37	–	–	–	–	37	4.35
Deposits	12,007	2,743	72	38	–	14,860	3.71
Borrowings	2,835	198	–	45	–	3,078	5.46
Leases	–	–	1	4	13	18	6.07
Total interest bearing liabilities	**14,879**	**2,942**	**73**	**86**	**13**	**17,993**	**4.02**
Derivative financial instruments							
Interest rate swaps – notional principal	(2,797)	2,963	(33)	775	(909)	–	–

1 Investment securities and gross loans and advances exclude fair value hedge adjustments of and respectively, which are offset in the derivative asset and liability balances on the balance sheet.

	0–3 months $m	3–12 months $m	1–2 years $m	2–5 years $m	> 5 years $m	Carrying amount $m	Weighted average effective interest rate %
Group 2025							
Interest earning assets							
Deposits at call	187	–	–	–	–	187	3.39
Due from other financial institutions	3	–	–	–	–	3	3.84
Investment securities	860	117	57	342	703	2,079	3.92
Gross loans and advances[1]	8,999	335	422	150	4	9,910	5.67
Total interest earning assets	**10,049**	**452**	**479**	**492**	**707**	**12,179**	**5.34**
Interest bearing liabilities							
Due to other financial institutions	43	–	–	–	–	43	4.33
Deposits	7,530	1,341	70	14	–	8,956	3.51
Borrowings	2,248	89	–	45	–	2,381	4.89
Leases	–	–	–	3	16	19	6.02
Total interest bearing liabilities	**9,821**	**1,430**	**70**	**62**	**16**	**11,400**	**3.79**
Derivative financial instruments							
Interest rate swaps – notional principal	(1,214)	1,275	(49)	705	(717)	–	–

1 Investment securities and gross loans and advances exclude fair value hedge adjustments of $79.6 million and $4.2 million respectively, which are offset in the derivative asset and liability balances on the balance sheet.

	0–3 months $m	3–12 months $m	1–2 years $m	2–5 years $m	> 5 years $m	Carrying amount $m	Weighted average effective interest rate %
The Company 2026							
Interest earning assets							
Deposits at call	416	–	–	–	–	416	3.78
Due from other financial institutions	4	–	–	–	–	4	4.35
Investment securities	1,454	2,474	226	562	803	5,519	4.48
Gross loans and advances[1]	16,365	617	435	208	–	17,626	6.14
Total interest earning assets	**18,240**	**3,091**	**660**	**770**	**803**	**23,564**	**5.85**
Interest bearing liabilities							
Due to other financial institutions	37	–	–	–	–	37	4.35
Deposits	12,007	2,743	72	38	–	14,860	3.71
Borrowings	2,835	198	–	45	–	3,078	5.46
Leases	–	–	–	3	16	19	6.07
Total interest bearing liabilities	**14,879**	**2,942**	**72**	**85**	**16**	**17,993**	**4.02**
Derivative financial instruments							
Interest rate swaps – notional principal	(2,797)	2,963	(33)	775	(909)	–	–

1 Investment securities and gross loans and advances exclude fair value hedge adjustments of $79.6 million and $4.2 million respectively, which are offset in the derivative asset and liability balances on the balance sheet.

	0–3 months $m	3–12 months $m	1–2 years $m	2–5 years $m	> 5 years $m	Carrying amount $m	Weighted average effective interest rate %
The Company 2025							
Interest earning assets							
Deposits at call	187	–	–	–	–	187	3.89
Due from other financial institutions	3	–	–	–	–	3	3.84
Investment securities	860	117	57	342	703	2,079	3.98
Gross loans and advances[1]	8,999	335	422	150	4	9,910	5.67
Total income earning assets	**10,049**	**452**	**479**	**492**	**707**	**12,176**	**5.34**
Interest bearing liabilities							
Due to other financial institutions	43	–	–	–	–	43	3.84
Deposits	7,530	1,341	70	14	–	8,956	3.51
Borrowings	2,248	89	–	45	–	2,381	4.89
Leases	–	–	–	3	16	19	6.02
Total interest bearing liabilities	**9,821**	**1,430**	**70**	**62**	**16**	**11,400**	**3.80**
Derivative financial instruments							
Interest rate swaps – notional principal	(1,214)	1,275	(49)	705	(717)	–	–

1 Investment securities and gross loans and advances exclude fair value hedge adjustments of $37m and $2m respectively, which are offset in the derivative asset and liability balances on the balance sheet.

Fair value sensitivity analysis for fixed rate instruments

With the exception of items designated in fair value hedge relationships the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity to interest rate risk

On a monthly basis, the Company measures the sensitivity of forecast net interest income over a twelve month period to movements in market interest rates. The calculation is performed in two stages. First, the interest rate repricing profile is calculated by allocating all assets and liabilities to maturity buckets based on their interest rate repricing characteristics.

Second, the net interest income impact of a plus and minus 2% parallel shock to the yield curve over a twelve month period is calculated.

The main classes of financial assets and liabilities that are subject to interest rate variation are loans to customers, cash with banks, investments and deposits from customers. The interest rates on the major proportion of these assets and liabilities can be adjusted in the short term to minimise any significant impact of mismatch on interest margins.

The table below presents the results of the above described calculations for the Group as at 30 June 2026.

Interest rate movement

	Group and the Company			
	+2% 2026 $m	+2% 2025 $m	**-2% 2026 $m**	-2% 2025 $m
Pre-tax earnings at risk	9	8	(10)	(17)

(e) Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure. It can also arise from external factors other than credit, market and liquidity risk such as those arising from legal, regulatory requirements, natural disasters or climatic events and generally accepted standards of corporate behaviour.

Management of operational risk

The Company's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and is managed through the monthly Operational Risk Committee.

16. Derivative financial instruments and hedging

Accounting policy

The Company uses interest rate swaps to manage its interest rate risk exposure. At inception of all hedge relationships the Company documents the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. There are two types of hedge relationship that the Company utilises:

	Cash flow hedge	Fair value hedge
Objective	Cash flow hedges are used to manage the Company's exposure to variability in floating rate cash flows from recognised assets or liabilities or highly probable future transactions. The Company uses interest rate swaps to manage this risk.	Fair value hedges are used to manage the Company's exposure to the change in value of recognised fixed rate assets or liabilities arising from interest rate movements. The Company uses interest rate swaps to manage this risk.
Risk components	In many of its hedge relationships, the Company designates the benchmark interest rate component of the hedged item in the hedge relationship. For example the Cash Rate or Benchmark Bank Bill Rate component. This results in other risks such as credit, margin and liquidity being excluded from the hedge relationship.	
Recognition of the effective portion	The effective portion of the gain or loss on the hedging instrument is recognised in the cash flow hedge reserve in other comprehensive income.	Fair value changes of the hedging instrument and those arising from the hedged risk on the hedged item are recognised in the statement of profit or loss.
Recognition of the ineffective portion	Recognised in the statement of profit or loss immediately when ineffectiveness arises.	
Methods for assessing hedge ineffectiveness	When critical terms of the hedged item and the hedge instrument match (or are closely aligned), it is sometimes possible to conclude on a qualitative basis of assessment that an economic relationship exists (meaning that the value of the hedged item and hedge instrument will generally move in opposite directions due to changes in the hedged risk). When there is an increased level of uncertainty, a quantitative assessment of the economic relationship using a tool such as regression analysis.	
Sources of ineffectiveness	Sources of hedge ineffectiveness primarily relate to mismatches between the key contractual terms of the hedged item and the hedged instrument. Hedge ineffectiveness may also arise from the use of derivatives at off market rates.	
Hedge instrument expires, is sold, or when hedging criteria is no longer met	Cumulative gains or losses are transferred to the statement of profit or loss as or when the hedge item impacts the profit or loss. If the hedge item is no longer expected to occur the effective portion accumulated in customer owners' funds is transferred to the statement of profit or loss as it arises.	Cumulative hedge adjustments to the hedged item is amortised to the statement of profit or loss on an effective yield basis.

The Company presents the fair value of its derivative assets and derivative liabilities on a gross basis.

All derivatives, including those designated in hedge relationships, are disclosed in the statement of financial position as derivative assets when their fair value is positive and as derivative liabilities when their fair value is negative.

Key judgements and estimates

The valuation of derivative financial instruments is derived from discounted cash flow models based on observable yield curves.

Derivative financial instruments

The table below sets out derivative assets and liabilities by the hedged risk and type of hedging relationship in which they are designated.

	Hedging instrument	Interest rate risk	2026 Carrying Amount $m	2026 Notional Amount $m	2025 Carrying Amount $m	2025 Notional Amount $m
Group and the Company						
Derivative Assets						
Cash flow hedge	Interest rate swap	Interest rate risk	6	2,548	19	3,465
Fair value hedge	Interest rate swap	Interest rate risk	70	1,110	46	567
Other	Interest rate swap		–	18	1	44
Total Derivative assets			**76**	**3,676**	**66**	**4,076**
Derivative Liabilities						
Cash flow hedge	Interest rate swap	Interest rate risk	30	5,058	5	773
Fair value hedge	Interest rate swap	Interest rate risk	4	222	12	447
Other	Interest rate swap		–	18	1	44
Total Derivative liabilities			**34**	**5,298**	**18**	**1,264**
Total derivative financial instruments			**43**	**8,974**	**48**	**5,340**

Other derivatives consist of back-to-back swaps used to manage the interest rate risk associated with the transfer of fixed rate loans into the internal securitisation vehicle. These swaps are not designated in hedge relationships but are held in the Company and Buloke Funding Trust No 1 respectively and perfectly offset one another at the Group level.

The following table shows the average rates of hedging instruments and the maturity profile for hedging instruments by notional amount.

	Notional amounts			
	Weighted average fixed interest rate %	Within 1 year $m	1 to 5 years $m	Over 5 years $m
Group and the Company 2026				
Cash flow hedges	4.02%	5,461	2,145	–
Fair value hedges	3.26%	31	547	753
Group and the Company 2025				
Cash flow hedges	3.62%	2,745	1,493	–
Fair value hedges	2.86%	–	424	590

Hedged items

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in Note 22 Reserves. The movements in hedging instruments recognised in other comprehensive income are reported in the Company's Statement of profit or loss and other comprehensive income.

The following table displays the gross value of the gains and losses in the cash flow hedge reserve split by type of hedged item.

	2026 Continuing hedges $m	2026 Discontinued hedges $m	2025 Continuing hedges $m	2025 Discontinued hedges $m
Group and the Company				
Cash Flow Hedges of:				
Floating rate loans and advances	(28)	–	17	–
Floating rate deposits	4	–	(3)	–
Floating rate wholesale debt	–	–	–	–
Total	**(24)**	**–**	**14**	**–**

The following table shows the carrying amount of hedged items in fair value hedge relationships, and the accumulated fair value hedge adjustments included within the carrying amount. The Company does not hedge its exposure to an entire class of financial instruments and as such, the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

		2026 Carrying amount of hedged item $m	2026 Fair value hedge adjustment $m	2025 Carrying amount of hedged item $m	2025 Fair value hedge adjustment $m
Group and the Company					
Hedged Items	**Balance Sheet Classification**				
Fixed rate loans and advances	Loans and advances	41	(2)	37	(1)
Fixed rate investments	Investments	1,041	(62)	839	(34)
Total		**1,082**	**(64)**	**876**	**(35)**

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Statement of Financial Position is $2.7m.

Hedge ineffectiveness

The table below details the effectiveness of the Company's hedges by type of hedge relationships:

	Change in value of hedged item $m	Change in value of instrument $m	Hedge ineffectiveness recognised in statement of profit or loss[1] $m	Reclassifications from the Cash flow hedge reserve to statement of profit or loss[2] $m
Group and the Company 2026				
Cash flow hedges	38	(38)	–	–
Fair value hedges	(32)	33	–	–
Total	**6**	**(6)**	**–**	**–**

	Change in value of hedged item $m	Change in value of instrument $m	Hedge ineffectiveness recognised in statement of profit or loss[1] $m	Reclassifications from the Cash flow hedge reserve to statement of profit or loss[2] $m
Group and the Company 2025				
Cash flow hedges	(25)	25	–	2
Fair value hedges	44	(44)	(1)	–
Total	**19**	**(19)**	**(1)**	**2**

1 Hedge ineffectiveness is recognised in the Statement of profit or loss in other income.

2 Amounts reclassified from the Cash flow hedge reserve in other comprehensive income are recognised in interest expense in the profit or loss. All amounts reclassified out of the Cash flow hedge reserve have been transferred as the original hedged item affected the profit or loss.

17. Measurement categories of financial instruments

Accounting policy

Initial recognition of financial instruments

The Company recognises financial instruments on the date at which it becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value. The carrying value of the instrument on initial recognition is adjusted for transaction costs that are directly attributable to the acquisition or issuance of the financial instrument and fees that are an integral part of the effective interest rate, except for instruments measured at fair value through profit or loss where transaction costs and fees paid or received are recorded in the income statement.

Classification and measurement of financial instruments

Financial instruments are subsequently measured either at amortised cost or fair value depending on their classification.

Classification of financial assets is determined by the Company's business model for managing the asset and the contractual cash flows of the asset.

A financial asset is subsequently measured at amortised cost where the asset is held within a business model whose objective is to hold the asset in order to collect contractual cash flows, those cash flows are solely payments of principal and interest on the principal amount outstanding and the asset has not been classified as fair value through profit or loss.

A financial asset is subsequently measured at fair value through other comprehensive income where the asset is held within a business model whose objective is to both collect contractual cash flows and to sell the asset, those cash flows are payments of principal and interest on the principal amounts outstanding and the asset has not been classified as fair value through profit or loss. Subsequent changes in fair value are recognised in other comprehensive income, with the exception of interest, which is recognised as part of interest income.

Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income are subsequently measured at fair value through profit or loss. The Company will elect to measure a financial asset at fair value through profit or loss if such measurement significantly reduces or eliminates an accounting mismatch.

Financial liabilities, with the exception of derivative liabilities, are subsequently measured at amortised cost unless the Company elects to measure the financial liability at fair value through profit of loss. The Company will elect to measure a financial liability at fair value through profit or loss if such measurement significantly reduces or eliminates an accounting mismatch.

Derivative financial instruments are subsequently measured at fair value. The Company uses derivative instruments to manage its interest rate risk exposure and, as such, derivatives are designated as a hedging instrument. The recognition of the resulting gain or loss on a derivative depends on the nature of the item being hedged. Refer to Note 16. Derivative financial instruments and hedging.

Derecognition of financial instruments

The Company derecognises a financial asset when the contractual rights to cash flows have expired or it transfers its rights to receive contractual cash flows such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

The following table contains information relating to the measurement categories of financial instruments; these being fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortised cost.

The methods and significant assumptions that have been applied in determining the fair values of financial instruments are also disclosed in Note 18 Fair value of financial instruments.

	Financial instruments carried at					Fair value of financial instruments carried at	
	FVTPL $m	FVTOCI $m	Amortised Cost $m	Non-financial instruments $m	Statement of financial position $m	Fair Value $m	Amortised Cost $m
Group 2026							
Assets							
Cash and liquid assets	–	–	416	–	416	–	416
Due from other financial institutions	–	–	4	–	4	–	4
Investment securities at FVOCI	–	3,005	–	–	3,005	3,005	–
Investment securities at amortised cost	–	–	113	–	113	–	113
Other assets	–	–	33	–	33	–	33
Net deferred tax assets	–	–	–	20	20	–	–
Derivative assets	70	6	–	–	76	76	–
Net loans and advances	–	–	17,646	–	17,646	–	17,404
Property, plant and equipment	–	–	–	30	30	–	–
Intangible assets	–	–	–	9	9	–	–
Total assets	**70**	**3,011**	**18,211**	**59**	**21,352**	**3,082**	**17,969**
Liabilities							
Due to other financial institutions	–	–	37	–	37	–	43
Deposits	–	–	16,374	–	16,374	–	16,365
Borrowings	–	–	3,484	–	3,484	–	3,522
Current tax payable	–	–	–	30	30	–	–
Derivative liabilities[1]	4	30	–	–	34	34	–
Other liabilities	–	–	–	159	159	–	–
Provisions	–	–	–	25	25	–	–
Total liabilities	**4**	**30**	**19,894**	**215**	**20,142**	**34**	**19,930**

1 Derivatives valued as FVTOCI relate to cash flow hedges that are part of an effective hedge relationship between hedged item and hedged instrument.

	Financial instruments carried at					Fair value of financial instruments carried at	
	FVTPL $m	FVTOCI $m	Amortised Cost $m	Non-financial instruments $m	Statement of financial position $m	Fair Value $m	Amortised Cost $m
Group 2025							
Assets							
Cash and liquid assets	–	–	184	–	184	–	184
Due from other financial institutions	–	–	3	–	3	–	3
Investment securities at amortised cost	–	–	2,043	–	2,043	–	2,040
Current tax receivable	–	–	–	–	–	–	–
Other assets	–	–	41	–	41	–	41
Net deferred tax assets	–	–	–	1	1	–	–
Derivative assets[1]	47	19	–	–	66	66	–
Net loans and advances	–	–	9,916	–	9,916	–	9,890
Other investments	–	28	–	–	28	28	–
Property, plant and equipment	–	–	–	35	35	–	–
Intangible assets	–	–	–	–	–	–	–
Total assets	**47**	**47**	**12,186**	**35**	**12,316**	**94**	**12,158**
Liabilities							
Due to other financial institutions	–	–	43	–	43	–	43
Deposits	–	–	8,956	–	8,956	–	8,956
Borrowings	–	–	2,381	–	2,381	–	2,384
Current tax payable	–	–	–	11	11	–	–
Derivative liabilities[1]	13	5	–	–	18	18	–
Other liabilities	–	–	19	93	112	–	19
Provisions	–	–	–	16	16	–	–
Total liabilities	**13**	**5**	**11,399**	**120**	**11,537**	**18**	**11,402**

1 Derivatives valued as FVOCI relate to cash flow hedges that are part of an effective hedge relationship between hedged item and hedged instrument.

	Financial instruments carried at					Fair value of financial instruments carried at	
	FVTPL $m	FVTOCI $m	Amortised Cost $m	Non-financial instruments $m	Statement of financial position $m	Fair Value $m	Amortised Cost $m
The Company 2026							
Assets							
Cash and liquid assets	–	–	234	–	234	–	234
Due from other financial institutions	–	–	4	–	4	–	4
Investment securities at FVOCI	–	3,005	–	–	3,005	3,005	–
Investment securities at amortised cost	–	–	2,512	–	2,512	–	2,512
Other assets	–	–	36	–	36	–	36
Net deferred tax assets	–	–	–	20	20	–	–
Derivative assets[1]	70	6	–	–	76	76	–
Net loans and advances	–	–	17,646	–	17,646	–	17,404
Property, plant and equipment	–	–	–	30	30	–	–
Intangible assets	–	–	–	9	9	–	–
Total assets	**70**	**3,011**	**20,432**	**59**	**23,572**	**3,081**	**20,190**
Liabilities							
Due to other financial institutions	–	–	37	–	37	–	37
Deposits	–	–	16,374	–	16,374	–	16,365
Borrowings	–	–	5,709	–	5,709	–	5,748
Current tax payable	–	–	–	30	30	–	–
Derivative liabilities[1]	4	30	–	–	34	34	–
Other liabilities	–	–	–	155	155	–	–
Provisions	–	–	–	25	25	–	–
Total liabilities	**4**	**30**	**22,120**	**211**	**22,364**	**34**	**22,149**

1 Derivatives valued as FVTOCI relate to cash flow hedges that are part of an effective hedge relationship between hedged item and hedged instrument.

	Financial instruments carried at					Fair value of financial instruments carried at	
	FVTPL $m	FVTOCI $m	Amortised Cost $m	Non-financial instruments $m	Statement of financial position $m	Fair Value $m	Amortised Cost $m
The Company 2025							
Assets							
Cash and liquid assets	–	–	45	–	45	–	45
Due from other financial institutions	–	–	3	–	3	–	3
Investment securities at amortised cost	–	–	2,043	–	2,043	–	2,040
Current tax receivable	–	–	–	–	–	–	–
Other assets	–	–	189	–	189	–	189
Net deferred tax assets	–	–	1	–	1	–	–
Derivative assets[1]	47	19	–	–	66	66	–
Net loans and advances	–	–	9,916	–	9,916	–	9,890
Other investments	–	28	–	–	28	28	–
Property, plant and equipment	–	–	–	35	35	–	–
Intangible assets	–	–	–	–	–	–	–
Total assets	**47**	**47**	**12,196**	**35**	**12,326**	**94**	**12,167**
Liabilities							
Due to other financial institutions	–	–	43	–	43	–	43
Deposits	–	–	8,956	–	8,956	–	8,956
Borrowings	–	–	2,381	–	2,381	–	2,384
Current tax payable	–	–	–	11	11	–	–
Derivative liabilities[1]	13	5	–	–	18	18	–
Net deferred tax liabilities	–	–	–	–	–	–	–
Other liabilities	–	–	19	93	112	–	19
Provisions	–	–	–	16	16	–	–
Total liabilities	**13**	**5**	**11,399**	**120**	**11,537**	**18**	**11,402**

1 Derivatives valued as FVTOCI relate to cash flow hedges that are part of an effective hedge relationship between hedged item and hedged instrument.

18. Fair value of financial instruments

Accounting policy

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement technique of each class of instrument is described below.

Instrument	Fair value measurement technique
Investment securities	Calculated based on quoted market prices where available. The fair value of other investment securities has been determined using a discounted cash flow model, where the future cash flows of the financial asset have been discounted using observable market interest rates appropriate for the type of instrument and the remaining term to maturity.
Loans and advances	The carrying value of loans and advances is net of the provision for impairment. Interest rates on loans equate to comparable products in the marketplace. The fair value of variable rate loans is therefore approximate to their carrying value. The fair value of fixed rate loans has been determined using a discounted cash flow model using prevailing market rates for similar loans with a similar term to maturity.
Derivatives	The fair value of derivative financial instruments are from quoted closing market prices at the balance date, discounted cash flow models or option pricing models as appropriate. Where there is no market value, the fair value is determined using valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable either directly or indirectly.
Other investments	Fair value of other investments is based on quoted market prices at the balance sheet date. The fair value of an asset reflects characteristics that a market participant, in the most advantageous market, would consider in pricing it, including restrictions on sale. Further, the standard emphasises non-entity-specific factors. The most advantageous market for buying and selling Cuscal shares is the Australian Stock Exchange (ASX). Within this exchange an independent price is generated by a high volume of market participants who are able to participate in trading.
Other assets	The carrying values of receivables, being financial assets within Other assets, approximate their fair value because they are short term in nature or are receivable on demand.
Deposits	Deposits with no specified maturity are assumed to have a fair value that approximates their current carrying value. We do not adjust fair value for any value we expect to derive from retaining these deposits for a future period. Fixed maturity deposits are valued by discounting cash flows using a market interest rate for an equivalent instrument with a similar term to maturity.
Borrowings	Public debt issuances are valued based on quoted market prices. The fair value of other borrowings has been determined using a discounted cash flow model, where the future cash flows of the financial liability have been discounted using observable market interest rates appropriate for the type of instrument and the remaining term.
Other liabilities	The carrying values of payables, being financial liabilities within Other liabilities, approximate their fair value because they are short term in nature or are payable on demand.

The carrying values of cash and liquid assets, as well as amounts due from or to other financial institutions, approximate their fair value because they are short term in nature or are receivable on demand.

The interest rates used to discount estimated cash flows, when applicable, are based on equivalent market rates at the reporting date.

Key judgements and estimates

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and one transfer out of Level 3 and into Level 1 fair value measurements during the year ending 30 June 2026.

Where applicable, the fair value of a financial instrument is calculated using the quoted price in an active market for that instrument. A market is regarded as active if all transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of financial instruments that are not quoted in an active market is determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Where unobservable market data is used, more judgement is required to determine the fair value.

During the year Cuscal was transferred from Level 3 to Level 1 fair value measurement. The Company determines the applicable fair value hierarchy referencing factors such as, availability of unadjusted quoted prices on an active market, direct and indirect inputs, and use of valuation techniques. Following listing on the ASX (refer Note 9 for further information) an active unadjusted quoted price was available for Cuscal and therefore Level 1 measurement was appropriate.

Fair value hierarchy

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: valuations based on quoted prices (unadjusted) in active markets for identical instruments.

Level 2: valuations for which all significant inputs, other than quoted prices included within Level 1, are based on observable market data for a similar instrument, either directly or indirectly.

Level 3: valuations for which significant unobservable inputs are used to determine fair value of the instrument.

The following table summarises the fair value of financial instruments measured at fair value, including the level within the fair value hierarchy:

	Fair value			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Group 2026				
Financial assets				
Derivative assets	–	76	–	76
Investment securities	2,738	268	–	3,005
Total financial assets	**2,738**	**344**	**–**	**3,081**
Financial liabilities				
Derivative liabilities	–	34	–	34
Total financial liabilities	**–**	**34**	**–**	**34**
Group 2025				
Financial assets				
Derivative assets	–	66	–	66
Other investments	28	–	–	28
Total financial assets	**28**	**66**	**–**	**94**
Financial liabilities				
Derivative liabilities	–	18	–	18
Total financial liabilities	**–**	**18**	**–**	**18**

	Fair value			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
The Company 2026				
Financial assets				
Derivative assets	–	76	–	76
Investment securities	2,738	268	–	3,005
Total financial assets	**2,738**	**344**	**–**	**3,081**
Financial liabilities				
Derivative liabilities	–	34	–	34
Total financial liabilities	**–**	**34**	**–**	**34**
The Company 2025				
Financial assets				
Derivative assets	–	66	–	66
Other investments	28	–	–	28
Total financial assets	**28**	**66**	**–**	**94**
Financial liabilities				
Derivative liabilities	–	18	–	18
Total financial liabilities	**–**	**18**	**–**	**18**

The following table summarises the fair value of financial instruments measured at amortised cost, including the level within the fair value hierarchy:

	Fair value			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Group 2026				
Financial assets				
Net loans and advances	–	–	17,404	17,404
Investment securities	–	113	–	113
Total financial assets	**–**	**113**	**17,404**	**17,517**
Financial liabilities				
Deposits	–	–	16,365	16,365
Borrowings	1,040	2,482	–	3,522
Total financial liabilities	**1,040**	**2,482**	**16,365**	**19,887**
Group 2025				
Financial assets				
Investment securities	1,800	240	–	2,040
Net loans and advances	–	–	9,890	9,890
Total financial assets	**1,800**	**240**	**9,890**	**11,930**
Financial liabilities				
Deposits	–	–	8,956	8,956
Borrowings	983	1,401	–	2,384
Total financial liabilities	**983**	**1,401**	**8,956**	**11,340**

	Fair value			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
The Company 2026				
Financial assets				
Net loans and advances	–	–	17,404	17,404
Investment securities	–	2,512	–	2,512
Total financial assets	**–**	**2,512**	**17,404**	**19,916**
Financial liabilities				
Deposits	–	–	16,365	16,365
Borrowings	1,040	1,511	3,197	5,748
Total financial liabilities	**1,040**	**1,511**	**19,562**	**22,112**
The Company 2025				
Financial assets				
Investment securities	1,800	240	–	2,040
Net loans and advances	–	–	9,890	9,890
Total financial assets	**1,800**	**240**	**9,890**	**11,930**
Financial liabilities				
Deposits	–	–	8,956	8,956
Borrowings	983	1,401	–	2,384
Total financial liabilities	**983**	**1,401**	**8,956**	**11,340**

19. Standby arrangements

The Company has arranged the following standby credit facilities:

	Group and the Company 2026 $m	Group and the Company 2025 $m
Cuscal overdraft facility	15	15
ANZ Funding Only Warehouse Facility	–	640
Amount drawn	–	590
ANZ Capital Efficient Warehouse Facility	650	–
Amount drawn	517	–
WBC Funding Only Warehouse Facility	600	–
Amount drawn	455	–
Total undrawn facilities available	**293**	**65**

20. Capital management

The Company monitors capital requirements for the Company as a whole in accordance with the requirements set by the Company's regulator, APRA. In implementing the capital requirements, APRA requires the Company to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital is classified into two tiers:

- Tier 1 capital includes general reserves, retained earnings, asset revaluation reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital as set out by Australian Prudential Standards. Tier 2 capital generally includes general reserves for credit losses and subordinated debt.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures plus an allowance for operational risk as prescribed by APRA.

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Tier 1 capital (net of deductions)	1,172	724	1,170	724
Tier 2 capital (net of deductions)	50	42	50	42
Total Capital	**1,222**	**766**	**1,220**	**766**
Risk weighted assets	7,641	4,594	7,631	4,594
Tier 1 capital ratio	15.3%	15.8%	15.3%	15.8%
Total capital ratio	**16.0%**	**16.7%**	**16.0%**	**16.7%**

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21. Property, plant and equipment

Accounting policy

Land and buildings

Land and buildings are measured at fair value less accumulated depreciation. Management determined that land and buildings constitute one class of asset under AASB 13, based on the nature, characteristics and risks of the property. Valuations are carried out on a triennial basis or when there is a significant change in fair value. Revaluations are recorded through the Asset Revaluation Reserve.

Property	Last revaluation date	Revaluation method	Appropriation of revaluation reserve $m	Carrying amount $m
Bendigo	2025	Fair market value	2.6	6.2
Moe	2025	Fair market value	1.1	2.8

Right-of-use assets

At inception of a contract, the Company assesses whether a 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 assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

a) The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;

b) The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

c) The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of twelve months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Leasehold improvements, plant and equipment

Leasehold improvements, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss as incurred.

Depreciation

With the exception of freehold land and artworks, depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and artworks are not depreciated.

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

Category	Depreciation period
Freehold building	40 years
Leasehold improvement	lease term
Right-of-use assets	lease term
Plant and equipment	3 to 5 years

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

Key judgements and estimates

Determining fair value of land and buildings

Fair value is determined with reference to external independent valuations provided by valuation companies with appropriate recognised professional qualifications and experience. The fair values are based on market values, being the estimated amount for which a property could be exchanged on date of valuation between a willing buyer and willing seller in an arm's length transaction.

The valuation is classified as Level 3 in the fair value hierarchy.

Determining the terms of lease contracts

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Company has a number of leases with extension and termination options and exercises judgement in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate each lease. All relevant factors that create an economic incentive to exercise an option to extend or terminate a lease are considered including, but not limited to:

- the relevant cost of lease payments at the time of the option vs expected market rates;
- the cost of the relevant leasehold improvements and their carrying value;
- the cost of terminating and relocating; and
- the importance of the underlying leased asset to the Company.

	Land and buildings $m	Leasehold improvements $m	Right-of-use assets $m	Plant and equipment $m	Total $m
Group and the Company 2026					
At cost / fair value	10	15	24	13	61
Accumulated depreciation	(1)	(8)	(12)	(10)	(31)
Carrying amount	**9**	**7**	**12**	**3**	**30**
Group and the Company 2025					
At cost / fair value	9	14	22	13	58
Accumulated depreciation	(1)	(6)	(8)	(9)	(23)
Carrying amount	**9**	**8**	**14**	**4**	**35**

During the year, the Company entered into a 10-year lease to relocate its current Sydney Head Office. The lease is expected to commence in October 2026, the right of use asset and lease liability is expected to be approximately $44m amortised over 10 years. The lease contains a $26m incentive which will in part be used for property fit out, as such fit out costs are not included in commitments for expenditure.

22. Reserves

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
General reserves	1,220	751	1,219	759
Asset revaluation reserve	3	3	3	3
Cash flow hedge reserve	(16)	10	(16)	10
Fair value reserve – equity investments	–	16	–	16
Fair value reserve – investment securities	3	–	3	–
Total reserves	**1,210**	**778**	**1,209**	**787**

Nature and purpose of general reserves

General reserve

The general reserve relates to accumulated retained earnings, net assets acquired through acquisitions and the redeemed capital reserve, which represents the amount of redeemable preference shares redeemed since 1 July 1999.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property.

Cash flow hedge reserve

The cash flow hedge reserves relates to the effective portion of the gain or loss on the hedging instrument, and unamortised realised gains on terminated interest rate swap contracts.

Fair value reserve – equity investments

The fair value reserve relates to the fair value of equity investments not held for trading under AASB 9 Financial Instruments.

Fair value reserve – investment securities

Represents the cumulative fair value movements of debt investments measured at FVOCI, net of amounts reclassified to profit or loss on sale or impairment.

Reflected in the movement in fair value reserve is the sale of the Company's equity investments in Indue and Cuscal during the year. The merger between Bank Australia and Qudos Bank resulted in the transfer of Qudos Bank's equity holding of 29,063 shares in Indue at a fair value of $16m.

In August 2025, Bank Australia signed a Share Purchase Agreement (SPA) to sell its entire holding in Indue to Cuscal at a sale price of $569.89. Indue was measured at fair value through other comprehensive income (FVOCI). For accounting purposes, share price gains of $13m have been recorded through other comprehensive income (OCI) and do not form part of profit or loss. For taxation purposes, the taxable gain on sale was $13m, reflecting the proceeds ($17m) less initial purchase price ($4m).

Following an agreement made prior to Cuscal's IPO, the Group was required to keep its remaining shareholding escrowed until the Cuscal Financial Results for the year ending 30 June 2025 were released. In December 2025, post results release, the bank sold its remaining shares in Cuscal. Cuscal was measured at fair value through other comprehensive income (FVOCI). For accounting purposes, share price gains of $32m have been recorded through other comprehensive income (OCI) and do not form part of profit or loss. For taxation purpose, the taxable gain on sale was $32m, reflecting the proceeds ($38m) less initial purchase price ($6m).

23. Related party disclosures

(a) Transactions with key Management personnel

Key Management personnel comprises eight non-executive Directors, a Managing Director and seven executive managers during the year to 30 June 2026.

	Group and the Company 2026 $'000	Group and the Company 2025 $'000
Short-term employee benefits	6,735	5,235
Long-term employee benefits	355	31
Post-employment benefits	285	317
Termination benefits	–	2,261
	7,375	**7,844**

Post-employment benefits are payments to defined contribution superannuation plans under which an entity pays fixed contributions to separate entities and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of profit or loss as incurred.

In 2025, termination benefits include provisions for management personnel impacted by the merger of Bank Australia Limited and Qudos Bank.

(b) Loans to key management personnel

Aggregate value of loans and credit facilities to key management personnel and related parties at balance date amounted to:

	Group and the Company 2026 $'000	Group and the Company 2025 $'000
Key management personnel	2,018	2,853
Related parties	–	–
Total	**2,018**	**2,853**
Loans made during the financial year by the Company to key management personnel and related parties:	598	7,375
Loan increases due to changes in key management personnel	346	–

All loans disbursed were approved in accordance with standard lending policies for each class of loan. Repayments against loans and interest charged to key management personnel and related parties amounted to:

	Group and the Company 2026 $'000	Group and the Company 2025 $'000
Repayments	1,910	6,714
Interest charged	132	230

During the year repayments were made on all loans to key management personnel and related parties in accordance with terms and conditions.

All transactions between key management personnel and related parties and the Company were conducted in accordance with normal terms and conditions. The terms and conditions in respect of all loans to key management personnel and related parties have not been breached.

There has been no significant increase in credit risk in key management personnel loans during the year and the 12 month expected credit loss amount for these loans are included in Note 9.

(c) Other key management personnel transactions with the Company

There are no other transactions or contracts to which key management personnel or related entities are a related party.

(d) Amounts paid to associates

The Company has an agreement with Data Action Pty Ltd for the provision of computer facilities and associated support services. The arrangements with Data Action Pty Ltd are disclosed in note 8. The table below illustrates the payments made to Data Action for these services:

	Group and the Company 2026 $'000	Group and the Company 2025 $'000
Amounts paid to associates	–	8,405

24. Auditor's remuneration

The auditor of the Group Entity and the Company is EY (Ernst & Young).

	Group and the Company 2026 $'000	Group and the Company 2025 $'000
Audit services		
Audit and review of annual reporting	954	339
Other regulatory audit services	291	140
Total	**1,245**	**479**
Other services		
Taxation services	70	76
Assurance services	35	134
Non-Audit Services[1]	388	384
Total	**493**	**594**

1 Relates to due diligence services in relation to mergers and acquisitions.

25. Commitments for expenditure

The Company has contracts with Data Action Pty Ltd and Cloudcase Software Solutions Pty Ltd to provide computer facilities management services and associated support services, with Cuscal Ltd for payment services, with Macquarie Telecom for hosting and cloud enablement services and with Microsoft for software solutions.

The balance of fees payable under the contracts are payable over the following periods:

	Group and the Company 2026 $m	Group and the Company 2025 $m
Within one year	37	22
1–2 years	30	20
2–5 years	56	51
Greater than 5 years	–	–
Total material service contract commitments	**123**	**93**

26. Forward commitments and contingent liabilities

(a) Outstanding loan commitments

	Group and the Company 2026 $m	Group and the Company 2025 $m
Loans approved but not fully funded	538	363
Undrawn credit commitments	250	154
Loans available for redraw	1,611	901
Total outstanding loan commitments	**2,399**	**1,418**

Generally, there are no restrictions on the withdrawal of funds under undrawn credit commitments, provided normal repayments are maintained. All such commitments are, however, cancellable at the discretion of the Company.

(b) Bank guarantees

To meet the financial needs of customers, the Company enters into various irrevocable commitments and contingent liabilities consisting of bank guarantees. Even though these obligations are not recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Company. Bank guarantees commit the Company to make payments on behalf of customers in the case of a specific event.

	Group and the Company 2026 $m	Group and the Company 2025 $m
Nominal value of Bank Guarantees	7	6

(c) Liquidity support scheme

The Company is party to CUFSS Limited. CUFSS Limited is a voluntary emergency liquidity support scheme that mutual banks, credit unions and building societies participate in. CUFSS Limited is a company limited by guarantee, each participant's guarantee is the lower of 3% of participant total assets or $100.0 million.

As a participant to the CUFSS Limited scheme, the Company:

- May be required to advance funds of 3% or up to $100 million of total assets (whichever is less) as a non-permanent loan to another mutual ADI requiring financial support; and
- Agrees, in conjunction with other participants, to fund the operating costs of CUFSS Limited.

27. Employee benefits

	Group and the Company 2026 $m	Group and the Company 2025 $m
Salaries and wages accrued	6	3
Liability for long service leave	11	7
Liability for annual leave	7	4
Liability for purchased annual leave	0	0
Total employee benefits	**24**	**14**

(a) Superannuation

The Company contributes on behalf of its employees into superannuation funds under normal conditions of employment and in satisfaction of the requirements of the Superannuation Guarantee Scheme. During the year, the Company contributed to various superannuation funds with the main fund being NGS Super.

(b) Contributions paid and payable to superannuation plans

	Group and the Company 2026 $m	Group and the Company 2025 $m
Employer contributions	13	8

(c) Employees

	Group and the Company 2026	Group and the Company 2025
Full-time equivalent employees	841	570

28. Reconciliation of cash flows from operating activities

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash means cash on hand and cash equivalents. Cash equivalents are highly liquid investments with short periods to maturity (one to two days) that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, as well as borrowings that are integral to the cash management function and that are not subject to a term facility.

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:

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Cash on hand	5	5	5	5
Cash at bank	347	137	229	40
Deposit at call	64	42	–	–
Total cash and liquid assets	**416**	**184**	**234**	**45**

(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, shares and withdrawals from savings and investment accounts;
- loans and repayments; and
- borrowings and repayments

(c) Cash flows from operating activities

	Group 2026 $m	Group 2025 $m	**Company 2026 $m**	Company 2025 $m
Operating profit after income tax	**71**	**36**	**68**	**50**
Adjustments for:				
Dividends accrued	–	–	–	–
Depreciation	9	6	9	6
Amortisation	–	–	–	–
Impairment of property, plant and equipment	–	–	–	–
(Profit) / loss on disposal of non-current assets	–	–	–	–
(Profit) / loss on disposal of investment securities	(2)	–	(2)	–
Bad debts written off	–	–	–	–
Charge for loan impairment	–	(1)	–	(1)
Share of profit in associate	–	–	–	–
Cash flows from operating activities before changes in operating assets and liabilities	**78**	**41**	**76**	**55**
Increase / (decrease) in employee entitlements	2	1	2	1
Increase / (decrease) in deposits	1,744	551	4,941	552
Increase / (decrease) in loans	(1,716)	(595)	(4,935)	(595)
Increase / (decrease) in sundry provisions	–	1	–	1
(Increase) / decrease in accrued income	–	(10)	–	(10)
(Increase) / decrease in prepayments	(1)	–	(1)	–
Increase / (decrease) in trade creditors and accruals	–	(2)	–	(2)
Increase / (decrease) in net deferred income	–	6	–	6
(Increase) / decrease in sundry debtors	(11)	11	(3)	8
(Increase) / decrease in deferred tax assets	(20)	5	(20)	5
Increase / (decrease) in deferred tax liabilities	19	11	19	11
Increase / (decrease) in provision for income tax	–	–	–	–
Increase / (decrease) in leases	2	3	2	3
Increase / (decrease) in sundry creditors	10	1	18	1
Net cash provided by operating activities	**108**	**24**	**98**	**36**

29. Controlled entities

Details of controlled entities consolidated into the Group financial statements are as follows:

Name	Country of incorporation	2026 % owned	Investment at cost 2026 $m	Contribution to operating profit after tax 2026 $m
Buloke Funding Trust No. 1	Australia	90.9	–	–
MEAA Funding Trust No 1	Australia	90.9	–	–

The Company has full accounting control over Buloke Funding Trust No. 1 and MEAA Funding Trust No.1. The Company holds the sole participation unit and holds 9 of 10 residual units on issue of both Trusts.

30. Business combinations

On 1 July 2025, Bank Australia Limited (the receiving body) merged with Qudos Mutual Limited (the transferring body) (Qudos Bank) with the continuing entity trading as Bank Australia Limited. On this date, Qudos Bank voluntarily transferred its assets and liabilities to Bank Australia Limited under the Financial Sector (Transfer and Restructure) Act 1999 (Cth). The proposed merger was announced in February 2024, and affected following due diligence, member, and regulatory approval.

There was no cash consideration paid related to the transfer of business. The members of Qudos Bank ceased to be members of Qudos Bank and became members of the Company. The fair value of consideration at acquisition date was measured as the fair value of Qudos Bank's equity interests, which was considered a more reliable measure than the fair value of the member interests transferred to Bank Australia. The net assets were recorded as a direct addition to general reserves in customer owners' funds.

The merger brings together two customer-owned banks with closely aligned values, creating one of Australia's largest mutual banks, serving around 300,000 customers, with over $20 billion in assets and over 900 employees. Benefits of the merger include greater financial resilience and regulatory strength through scale, lower fees and improved member value, broader products, better service access and expanded branch coverage, improved technology and cybersecurity capability and enhanced ability to pursue ethical, purpose-driven banking at scale.

The merger will retain the essential member-owned characteristics of a credit union and mutual bank and a structure based on the principles of mutuality.

Costs of $8.2m were incurred in relation to merger and integration costs during financial year 2026. These expenses are included in note 13 within the respective nature of expense line.

Item	Fair value ($m)
Cash and cash equivalents	103
Loans and advances	5,068
Other assets	936
Total assets	**6,107**
Deposits	5,676
Other liabilities	52
Total liabilities	**5,727**
Net assets	**380**
Reserves	380
Total customer owners' funds	**380**

31. Subsequent events

There have been no adjusting subsequent events to the balance date that would have a material effect on either the Consolidated Entity's, or the Company's Financial Statements as at 30 June 2026.

On 14 May 2026, Bank Australia and P&N Group (Police & Nurses Limited) signed a memorandum of understanding to explore a potential merger between the two customer-owned banks. On 31 July 2026, the Boards of both Bank Australia and P&N Group approved a recommendation to proceed to the regulatory application stage of the proposed merger.

The merger would create one of Australia's largest purpose-led customer-owned banks, building on shared values and commitment to customer ownership, and sector leading commitments to sustainability and community impact.

Bringing Bank Australia and P&N Group together would create an entity supporting more than 530,000 customers with total assets exceeding $30 billion and served by almost 1500 employees nationwide. Bank Australia's strong east coast presence combined with P&N Groups strength in Western Australia opens up opportunities to create a truly nationwide customer-owned bank.

Directors' declaration

Directors' declaration

for the year ended 30 June 2026

In the opinion of the Directors of Bank Australia Limited (the Company),

(a) the Financial Statements and notes set out on pages 35 to 125 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2026 and of their performance, for the financial year ended on that date

  (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a)

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

(d) the Group disclosure statement required by section 295(3A) of the Corporations Act is true and correct.

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

Jennifer Dalitz, Director

Signed on 24 September 2026

Damien Walsh, Director

Signed on 24 September 2026

Independent Auditor's Report

Independent Auditor's Report

to the members of Bank Australia Limited

Opinion

We have audited the financial report of Bank Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- The Group consolidated and Company statements of financial position as as at 30 June 2026;
- The Group consolidated and Company statements of profit or loss and other comprehensive income, statements of changes in customer owners' funds and statements of cash flows for the year then ended;
- Notes to the financial statements, including material accounting policy information;
- The consolidated entity disclosure statement; and
- The directors' declaration.

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

a) Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2026 and of their financial 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 auditor independence requirements of 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 audits of the financial report of public interest entities 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.

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

The directors are responsible for the other information. The other information is the Directors' Report, accompanying the financial report and the Sustainability Report.

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 this auditor's report. We have issued a separate auditor's report on selective sustainability information and subject matter included in the Sustainability Report. We have also issued an assurance report on the Impact report.

Independent Auditor's Report

to the members of Bank Australia Limited

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:

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

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- 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 Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

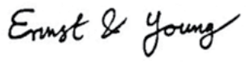
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young

Justin McKenzie, Partner
Melbourne
24 September 2026

Bank Australia Limited ABN 21 087 651 607 Australian Financial Services Licence / Australian Credit Licence Number 238431.

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