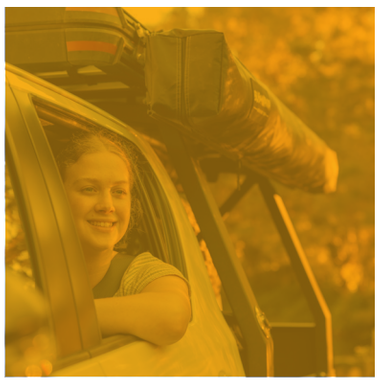


# 2026

## Annual Financial Report for the year ended 30 June 2026












the capricornian bank




Part of the local community
**for over 66 years.**

The Capricornian Ltd
trading as The Capricornian Bank
ABN 54 087 650 940

**Phone**:
1300 314 900

**Email:**
info@capricornian.com.au

**Registered Office:**
157 East Street
Rockhampton QLD 4700

**www.capricornian.com.au**

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# Corporate Directory

| | |
|---|---|
| **Directors** | John Francis Siganto<br>*Chairman*<br>Peter Graham Olrich (resigned as a Director on 31 July 2026)<br>Ian John Mill<br>Dr Narelle Lisa Pearse<br>Bronwyn Dale Davies<br>Derek Gordon Lightfoot<br>Timothy Charles Rivett<br>(appointed to the Board to fill a casual vacancy on 3 August 2026) |
| **Company Secretary** | Michelle Ann Alexander |
| **Registered office** | 157 East Street, Rockhampton Qld 4700<br>A.F.S.L. 246 780<br>A.B.N. 54 087 650 940<br>Telephone 1300 314 900<br>Email info@capricornian.com.au<br>Online Banking www.capricornian.com.au |
| **Branches** | 157 East Street, Rockhampton<br>Stockland Rockhampton, Yaamba Road, North Rockhampton<br>2 James Street, Yeppoon<br>Unit 3/1 Anakie Street, Emerald<br>1/27 Blomfield Street, Miriam Vale<br>52b Goondoon Street, Gladstone<br>29 Eclipse Street, Springsure<br>4 Conran Street, Capella<br>Shop 2047/48 Caneland Central Shopping Centre, 2 Mangrove Road, Mackay |
| **ATMS** | Automatic Teller Machines (ATMs) are located at all branches listed above with the exception of Gladstone, Springsure, Capella and Mackay Branches |
| **External Auditor** | BDO Audit Pty Ltd |
| **Internal Auditor** | Crowe Australasia |
| **Solicitors** | Gadens Lawyers (Brisbane)<br>Daniels Bengtsson Pty Ltd (Sydney)<br>Results Legal Solutions (Brisbane)<br>Lextech Pty Ltd (Melbourne) |
| **Affiliations** | Banking Circle S. A. (formerly Australian Settlements Limited)<br>Indue Ltd<br>Customer Owned Banking Association |
| **Website address** | www.capricornian.com.au |
| **Regulatory Disclosures** | www.capricornian.com.au/About-Us/Prudential-Disclosures/ |

# Chairman's Report

*30 June 2026*

I am pleased to present this report on behalf of the Board as The Capricornian Ltd reflects on the 2025/26 financial year and looks ahead with confidence, purpose and a continued commitment to serving customers across Central Queensland and beyond.

For more than 66 years, The Capricornian Ltd trading as The Capricornian Bank has operated with a clear sense of responsibility to our customers and to the region we call home. That purpose has again guided us through a year shaped by persistent cost pressures, changing economic conditions and increasing expectations of financial institutions. Despite this environment, The Capricornian Bank remains well positioned, supported by a strong balance sheet, a disciplined approach to risk and a practical focus on long-term sustainability.

Central Queensland continues to demonstrate resilience. At the same time, households and businesses have continued to manage the impacts of interest rate settings, inflation and higher everyday living costs. These conditions have reinforced the importance of accessible, reliable and responsible banking delivered by an institution that understands the region.

Throughout 2025/26, the Board has remained focused on sound governance, prudent financial management and the delivery of our strategic priorities. We have continued to balance the needs of customers today with the investments required to ensure The Capricornian Bank remains strong, relevant and competitive into the future. This has included ongoing attention to digital services, cyber security, fraud prevention, regulatory obligations and operational resilience. We are pleased to report that The Capricornian Ltd produced an after-tax profit of $1,165,010 for the financial year ended 30 June 2026.

The Capricornian Bank's financial position remains sound, with capital, liquidity and asset quality continuing to provide a strong platform for sustainable growth and member service.

Key measures for 2025/26 include:

- Lending growth of 29.37%.
- A Common Equity Tier 1 Capital Ratio of 16.66%, remaining above APRA's minimum requirements.
- Liquidity of 13.61%, also above the Prudential minimum.
- Ongoing low arrears across the loan portfolio.

Customer lending remained an important area of focus during the year. Demand was influenced by affordability, housing availability, interest rates and the broader confidence of households. In this environment, The Capricornian Bank continued to support responsible borrowing and provide practical lending solutions tailored to customers' circumstances. For 2025/26 we received new loan applications totalling $249M. Our digital loan application capability continued to improve convenience for customers and efficiency for our teams, while our lending approach remained grounded in care, responsibility and sound credit decision-making.

The Board's strategic focus remains clear: to protect the strength of our mutual model, deliver sustainable value to customers and ensure The Capricornian Bank continues to evolve in ways that support future growth.

Our priority is to provide customers with banking that is competitive, accessible and easy to use, while retaining the relationship-based service that has long distinguished The Capricornian Bank. This means continuing to invest in both branch and digital channels so customers can choose how they engage with us.

As customer expectations, technology and regulation continue to change, our people remain central to our success. We continue to provide training, tools and support so our teams can serve customers confidently, respond to emerging risks and uphold the high standards expected of a regulated financial institution.

Investment in systems, processes and capability has continued throughout the year. These investments are designed to improve efficiency, strengthen controls and support innovation where it delivers clear benefits for customers and the organisation.

The Board also recognises the importance of maintaining strong relationships across the customer-owned banking sector, with other regional financial institutions and with regulators. These relationships help ensure that the voice of regional and member-owned banking remains part of important industry conversations. Operational resilience, governance, information security and accountability continue to be priorities as we respond to an increasingly complex environment.

The Capricornian Bank's connection to community remains one of our greatest strengths. We understand that our role extends beyond providing financial products and services. By supporting local organisations, events and initiatives, we contribute to the social fabric of Central Queensland and help strengthen the communities that support us. In 2025/26, The Capricornian Bank invested more than $50,000 in local community groups.

A total of 20 community groups received support through sponsorships or community grants. This support reached a wide range of local organisations, including agricultural shows, sporting clubs, mental health services, music and cultural events, school P&C groups, and other community initiatives.

These include but are not limited to:

- Rocky River Run
- Rockhampton Basketball
- Rockhampton Symphony Orchestra
- Emu Park Swimming Club
- Springsure Junior Rugby League
- Rockhampton Diwali Festival of Lights
- Miriam Vale Rodeo Association Inc
- Yeppoon Choral Society
- Gemfields Community Garden

Looking ahead, the Board remains conscious of both the opportunities and the challenges before us. The external environment continues to be shaped by global uncertainty, domestic economic pressures, heightened regulatory expectations and rapid technological change. While these factors require careful management, they also reinforce the value of a strong regional financial institution that is close to its customers and responsive to their needs. The Board will continue to focus on its collective skills, governance responsibilities and strategic oversight to support The Capricornian Bank's next stage of development.

On behalf of the Board, I sincerely thank our staff and management for their dedication over the past year. Their professionalism, care and commitment to customers have been central to our performance and progress. I also thank departing CEO, Mr Dale Grounds and interim Acting CEO Graham Olrich and the Executive Team for their leadership and continued focus on delivering The Capricornian Bank's strategy. I extend my appreciation to my fellow Board members for their contribution, diligence and support throughout the year.

Most importantly, I thank our customers for their ongoing trust and loyalty. As a member-owned organisation, our decisions are guided by your interests and by our responsibility to operate in a way that supports long-term value. In the year ahead, we will continue to refine our products, strengthen our services and improve the ways customers can engage with us, while remaining true to the personal and community-focused approach that has defined The Capricornian Bank for more than 66 years.

We move into the next financial year with confidence in our strategy, pride in our people and a clear commitment to sustainable banking for customers and communities across Central Queensland.

J. F. Siganto

Chair

29 October 2026

Your Directors present their report on the financial report of The Capricornian Ltd trading as The Capricornian Bank ("the Bank") for the year ended 30 June 2026.

**Directors**
The following persons were non-executive Directors of the Bank during the whole of the financial year and up to the date of this report, or as otherwise noted:

**John Francis SIGANTO,**
L.L.B, Grad Dip Fin Plan.
(Chair)

**Experience and expertise**
Solicitor and Partner of Grant and Simpson Lawyers. Director for 18 years.
**Other current Directorships**
Director of 3 proprietary companies: Grant and Simpson Service Co. Pty Ltd (Director since 1997), Otnagis Pty Ltd (Director since 2006), Basildon Pty Ltd (Director since 2008).
**Former directorships in last 3 years**
None.
**Special responsibilities**
Ex Officio of all Committees.

**Peter Graham OLRICH,**
Dip FS, Dip FS CUD, FAICD

**Experience and expertise**
Management Consultant. Former CEO of Credit Union Australia. Director for 9 years. Resigned 31 July 2026.
**Other current Directorships**
Director of 1 public company:
Regional Australia Bank Ltd (Director since 2011).
**Former Directorships in last 3 years**
None.
**Special responsibilities**
Chair of the Risk Committee
(resigned 11 December 2025).
Member of the Risk Committee
(appointed 11 December 2025, resigned 31 July 2026).
Member of the Governance and Remuneration Committee (resigned 31 July 2026).

**Ian John MILL,**
Dip H.A.

**Experience and expertise**
Chief Executive Officer, Rockhampton Jockey Club, 2021 to 2023, Chief Executive Officer, Beef Australia, 2019 to 2021,
Chief Executive Officer, Mercy Health and Aged Care CQ Ltd, 1997 to 2017. Director of The Capricornian Ltd, 2005 to 2016.
Director for 6 years.
**Other current Directorships**
None.
**Former Directorships in last 3 years**
Director of Fitzroy Community Hospice Ltd (January 2023 – October 2024).
**Special responsibilities**
Member of the Risk Committee.
Chair of the Governance and Remuneration Committee.

**Dr Narelle Lisa PEARSE**,
PhD, BComm, MComm, EMBA, Grad Dip Psychology, Grad Cert Economic Development, FCA, GAICD

**Experience and expertise**
Chief Operating Officer and Chief Financial Officer of CQUniversity for 10 years. Fellow of Chartered Accountants Australia & New Zealand. Former Council Member CQUniversity for 6 years. Director for 3 years.
**Other current Directorships**
Director of 3 proprietary companies: CQU Travel Centre Pty Ltd (Director since 2014), Mask-Ed International Pty Ltd (Director since 2014), Datamuster Pty Ltd (Director since 2018).
**Former Directorships in last 3 years**
Director of Central Queensland Hospital Foundation (June 2021 – February 2026).
**Special responsibilities**
Chair of the Audit Committee
(resigned 11 December 2025).
Member of the Audit Committee
(appointed 11 December 2025).
Member of the Risk Committee
(resigned 11 December 2025).
Chair of the Risk Committee
(appointed 11 December 2025).

**Bronwyn Dale DAVIES,**
B.Ec, Grad Cert Technology (Business Systems), CPA, CIA, GAICD

**Experience and expertise**
Head of Risk & Resilience at St Luke's Medical and Hospital Benefits Association. Former roles include: Chief Auditor Airservices Australia and Head of Risk, Audit & Compliance and designated Anti-Money Laundering & Counter Terrorism Finance Officer at Heritage Bank. Director for 2 years.
**Other current Directorships**
None.
**Former Directorships in last 3 years**
Director of Railways Credit Union (November 2012 – February 2024), Aviation Australia Pty Ltd (June 2021 – May 2025) and TAFE Qld (June 2021 – May 2025).
**Special responsibilities**
Member of the Audit Committee.
Member of the Governance and Remuneration Committee.

**Derek Gordon LIGHTFOOT,**
FAICD, FCA, BCom

**Experience and expertise**
Chairman of Capricorn Tourism and Economic Development Limited. Former Managing Director, CEO and CFO at The Rock Building Society Limited. Director for 1 year.
**Other current Directorships**
Director of 1 proprietary company: D & J Lightfoot Pty Ltd (Director since 2019). Director of 1 public company: Capricorn Tourism and Economic Development (Director since 2017).
**Former Directorships in last 3 years**
Director of Valley Harvest Group Limited (May 2020 – May 2024).
**Special responsibilities**
Member of the Audit Committee (resigned 11 December 2025).
Chair of the Audit Committee (appointed 11 December 2025).
Member of the Risk Committee.

**Timothy Charles RIVETT,**
LLB BIT, GradDipLegalPrac, GradCertAppFin

**Experience and expertise**
Career Solicitor (current Director of Robert Harris Rivett Lawyers) and IT Professional with broad experience across various sectors of technology and legal services (private practice and Government). Appointed 3 August 2026.
**Other current Directorships**
Director of 4 proprietary companies: C and T Rivett Superannuation Fund Pty Ltd (Director since 2014), Rivetting Company Pty Ltd (Director since 2013), Rivetting Investments Pty Ltd (Director since 2013), Yeppoon Legal Pty Ltd (Director since 2013).
**Former Directorships in last 3 years** None.
**Special responsibilities**
None.

**Company Secretaries**

**Dale Frederick GROUNDS,**
M.B.A., Grad Dip Fin Adm, Grad Dip Bus, B.A. (Econ), MAMI. Appointed 1 November 2017.
Resigned 31st July 2026.

**Experience and expertise**
Chief Executive Officer (Resigned 31st July 2026). Former CEO of Family First Credit Union.

**Michelle Ann ALEXANDER,**
B.Bus (Accounting), CPA. Appointed 9 April 2019.

**Experience and expertise**
Chief Financial Officer. Former Finance Manager of The Capricornian Ltd.

**Principal activities**
During the year the principal continuing activities of the Bank were:

(a) to raise funds by subscription, deposit or otherwise, as authorised by the Corporations Law and Banking Act 1959 (Cth);
(b) to apply the funds in providing financial accommodation to members, subject to the Corporations Law and Banking Act 1959 (Cth);
(c) to encourage savings amongst members;
(d) to promote co-operative enterprise;
(e) to provide programs and services to members to assist them to meet their financial, economic, and social needs;
(f) to promote, encourage and bring about human and social development among individual members and within the larger community within which members work and reside; and
(g) to further the interests of members and the communities within which they work and live through co-operation with:
  (i) other credit unions and co-operatives; and
  (ii) associations of credit unions and co-operatives, locally and internationally.

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

**Results**
The profit from ordinary activities, after related income tax of $393,085, was $1,165,010, (2025 net profit of $960,294, after recording an income tax expense of $323,355).

**Review of operations**
Information on the operations and financial position of the Bank and its business strategies and prospects is set out in the Chair's Report on pages 3-4 of this annual report.

**Significant changes in the state of affairs**
During the year under review there was no significant change in the affairs of the Bank other than the matters mentioned elsewhere in this report or in the financial statements.

**Events after the end of the financial year**
Mr Dale Grounds resigned as Chief Executive Officer on the 31 July 2026. As a result of this resignation, Mr Peter Olrich resigned as a Director of The Capricornian Ltd on the 31 July 2026 and was appointed by the Board of Directors as Interim Chief Executive Officer on the 3 August 2026. Following an extensive recruitment process, Mr David Ingham has been appointed as Chief Executive Officer to commence on 16 November 2026.
No other matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of The Capricornian Bank in subsequent financial years.

**Likely developments and expected results of operations**
Additional comments on expected results of operations of the Bank are included in this annual report under the Chair's Report.

**Performance in relation to environmental regulations**
The Bank has complied with all environmental regulations applicable to a bank.

**Directors' benefits**
Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract that:-

- the Director; or
- a firm of which the Director is a member; or
- an entity in which the Director has a substantial financial interest;

has made, during that or any other financial year, with the Bank or an entity related to the Bank at the time of making the contract.

**Meetings of Directors**
The numbers of meetings of the Bank's Board of Directors and of each Board committee held during the year ended 30 June 2026, and the numbers of meetings attended by each Director were:

| | Full meetings of directors | | Audit | | Risk | | Governance and Remuneration | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| **J.F. Siganto** | 9 | 8 | 3 | 2 | 4 | 4 | 3 | 2 |
| **I.J. Mill** | 9 | 7 | N/A | N/A | 4 | 4 | 3 | 3 |
| **P.G. Olrich** | 9 | 8 | N/A | N/A | 4 | 4 | 3 | 2 |
| **N.L. Pearse** | 9 | 9 | 3 | 1 | 4 | 4 | N/A | N/A |
| **B.D. Davies** | 9 | 9 | 3 | 3 | N/A | N/A | 3 | 3 |
| **D.G. Lightfoot** | 9 | 9 | 3 | 3 | 4 | 4 | N/A | N/A |

**A =** Number of meetings held during the time the Director held office or was a member of the committee during the year. Committee meetings may be attended by all Directors irrespective of committee membership. The Board Chair is an ex officio member of all Committees.

**B =** Number of meetings attended.

The role of the Audit Ccommittee is to:

- Monitor compliance with Board policies as well as prudential and statutory requirements.
- Oversee financial reporting, external and internal audits, and appointment of the external auditor.

The role of the Risk Committee is to:

- Provide objective, independent and non-executive reviews of the Bank's Prudential Risk Management Framework.

The role of the Governance and Remuneration Committee is to:

- Assist the Board in ensuring that the Bank operates in accordance with a clear, consistent and effective corporate governance framework that conforms to the Bank's legal and governance obligations and the required standards of corporate behaviour as determined by the Board.
- Provide the Board with independent and non-executive advice relating to the Bank's Remuneration Policy, including an assessment of the policy's effectiveness in relation to requirements of the Prudential Standards.
- Provide advice relating to the remuneration of the Chief Executive Officer, direct reports of the Chief Executive Officer, other persons whose actions may affect the financial soundness of the Bank and any other person specified by APRA.
- Provide advice relating to the remuneration of the categories of persons covered by the Bank's Remuneration Policy (except those persons included above).

**Retirement, election and continuation in office of Directors**

Mr I. J. Mill retires by rotation and is eligible for re-election.

Ms B. D. Davies retires by rotation and is eligible for re-election.

Mr T. C. Rivett retires following appointment to the Board on 3 August 2026 to fill a casual vacancy and is eligible for election.

**Insurance of officers**

During the financial year, the Bank paid a premium to insure the Directors and Secretaries of the Bank and its executive officers and employees.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

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

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Bank, or to intervene in any proceedings to which the Bank is a party, for the purpose of taking responsibility on behalf of the Bank for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Bank with leave of the Court under section 237 of the *Corporations Act 2001*.

**Non-audit services**

The Bank may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Bank are important.

Details of the amounts paid to the auditor BDO Audit Pty Ltd for audit and non-audit services provided during the year are set out in Note 20.

The Directors in accordance with advice provided by the Audit Committee, have considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

**Rounding of Amounts**

The Bank is of a kind referred to ASIC Legislative instrument 2026/183, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest dollar.

**Auditor**

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors.

J. F. Siganto
Chairman

D. G. Lightfoot
Director

Rockhampton
29 October 2026

# Auditor's Independence Declaration

*30 June 2026*

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 360 Queen Street
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

**DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF THE CAPRICORNIAN LTD**

As lead auditor of The Capricornian Limited for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

**C R Jenkins**
Director

**BDO Audit Pty Ltd**

Brisbane, 29 October 2026

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These financial statements cover The Capricornian Ltd trading as The Capricornian Bank ('the Bank') as an individual entity. The financial statements are presented in the Australian currency.

The Bank is a company limited by shares, incorporated and domiciled in Australia and operating under the "principles of mutuality" as set out in the preamble to the constitution. Its registered office and principal place of business is:

157 East Street
Rockhampton QLD 4700

A description of the nature of the Bank's operations and its principal activities is included in the Directors' Report on pages 5 to 9.

The financial statements were authorised for issue by the Directors on 29 October 2026. The Bank has the power to amend and reissue the financial statements.

# Statement of Comprehensive Income

*For the year ended 30 June 2026*

| | Notes | 2026 $ | 2025 $ |
|---|---|---|---|
| Interest revenue | 3 | 21,885,790 | 19,985,487 |
| Interest expense | 3 | (8,564,873) | (8,268,545) |
| Net interest revenue | | 13,320,917 | 11,716,942 |
| Fee and commission revenue | 4 | 1,116,268 | 1,106,045 |
| Other income | 4 | 273,444 | 191,541 |
| Total net interest revenue, fee and commission revenue and other income | | 14,710,629 | 13,014,528 |
| Impairment expense on loan and advances | 11(b) | (40,000) | - |
| Other expenses | 5 | (13,112,534) | (11,730,879) |
| Total expenses | | (13,152,534) | (11,730,879) |
| Profit before income tax expense | | 1,558,095 | 1,283,649 |
| Income tax expense | 6(a) | (393,085) | (323,355) |
| Profit for the year attributable to members | | 1,165,010 | 960,294 |
| Other comprehensive income/(loss), that will not be reclassified to profit or loss<br>Revaluation of land and buildings (net of tax) | | - | 54,735 |
| Total comprehensive income for the year attributable to members | | 1,165,010 | 1,015,029 |

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

# Statement of Financial Position

*As at 30 June 2026*

| ASSETS | Notes | 2026 $ | 2025 $ |
|---|---|---|---|
| Cash and cash equivalents | 7 | 35,544,122 | 56,095,391 |
| Receivables | 8 | 807,734 | 1,000,711 |
| Investments due from other financial institutions | 9 | 35,116,633 | 36,398,696 |
| Loans and advances | 10 | 419,486,415 | 323,656,299 |
| Property, plant and equipment | 12 | 4,302,724 | 3,373,408 |
| Income tax receivable | | - | - |
| Deferred tax assets | 14 | 335,907 | 241,149 |
| Other assets | | 1,239,686 | 1,048,222 |
| Intangible assets | 13 | 547,586 | 548,480 |
| **Total assets** | | **497,380,807** | **422,362,356** |
| **LIABILITIES** | | | |
| Deposits | 16 | 458,048,706 | 385,615,346 |
| Other liabilities | 15 | 6,528,195 | 5,132,101 |
| Provision for income tax | | 138,324 | 215,465 |
| Provisions | 17 | 908,111 | 806,983 |
| Total liabilities | | 465,623,336 | 391,769,895 |
| **Net assets** | | **31,757,471** | **30,592,461** |
| **EQUITY** | | | |
| Reserves | 18 | 1,025,513 | 1,025,513 |
| Retained earnings | | 30,731,958 | 29,566,948 |
| **Total equity** | | **31,757,471** | **30,592,461** |

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

# Statement of Changes in Equity

*For the year ended 30 June 2026*

| | Notes | Asset Revaluation Reserve $ | Retained Earnings $ | Total $ |
|---|---|---|---|---|
| **Balance 1 July 2024** | | 970,778 | 28,606,654 | 29,577,432 |
| Profit for the year | | - | 960,294 | 960,294 |
| Other comprehensive income, net of tax | | 54,735 | - | 54,735 |
| **Total comprehensive income for the year** | | **54,735** | **960,294** | **1,015,029** |
| | | | | |
| Transfer to/from other provisions | | **-** | **-** | - |
| **Total transfers to/from retained earnings** | | - | - | - |
| | | | | |
| **Balance 30 June 2025** | | **1,025,513** | **29,566,948** | **30,592,461** |
| | | | | |
| Balance 1 July 2025 | | 1,025,513 | 29,566,948 | 30,592,461 |
| Profit for the year | | - | 1,165,010 | 1,165,010 |
| Other comprehensive income/(loss), net of tax | | - | - | - |
| **Total comprehensive income for the year** | | **-** | **1,165,010** | **1,165,010** |
| | | | | |
| Transfer to/from other provisions | | - | - | - |
| **Total transfers to/from retained earnings** | | **-** | **-** | - |
| | | | | |
| **Balance 30 June 2026** | | **1,025,513** | **30,731,958** | **31,757,471** |

# Statement of Cash Flows

*For the year ended 30 June 2026*

| Cash flows from operating activities | Notes | 2026 $ | 2025 $ |
|---|---|---|---|
| Interest received | | 22,196,125 | 19,826,213 |
| Interest paid | | (8,420,823) | (8,143,486) |
| Loans and advances funded | | (202,825,660) | (82,527,632) |
| Loans repaid excluding overdrafts | | 108,005,299 | 78,408,666 |
| Net movement in member deposits | | 72,433,360 | 20,449,084 |
| Net movement in investments due from other financial institutions | | 1,282,064 | 1,604,497 |
| Non interest revenue received | | 1,380,770 | 1,307,282 |
| Payments to suppliers and employees | | (13,163,211) | (10,056,549) |
| Income taxes paid | | (564,984) | (160,769) |
| **Net cash inflow/(outflow) from operating activities** | 24 | **(19,677,060)** | **20,707,306** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment and intangible assets | | (618,167) | (660,522) |
| Proceeds from sale of property, plant and equipment | | 52,093 | 208 |
| **Net cash outflow from investing activities** | | **(566,074)** | **(660,314)** |
| **Cash flows from financing activities** | | | |
| Principal payments of lease liabilities | 15 | (308,135) | (288,070) |
| Principal repayment of borrowings | | - | - |
| **Net cash outflow from financing activities** | | **(308,135)** | **(288,070)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(20,551,269)** | **19,758,922** |
| Cash and cash equivalents at the beginning of the financial year | | 56,095,391 | 36,336,469 |
| **Cash and cash equivalents at the end of the financial year** | 25 | **35,544,122** | **56,095,391** |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes*

# 1 Summary of material accounting policies

The material accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for The Capricornian Ltd trading as The Capricornian Bank (the "Bank").

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

For the purposes of preparing the financial statements the Bank is a for-profit entity.

*Compliance with International Financial Reporting Standards (IFRS)*
The financial statements of the Bank also comply with IFRS as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*
These financial statements have been prepared on an accruals basis and are based on historical cost convention except for certain classes of property, plant and equipment.

**(b) New and amended accounting standards and interpretations adopted during the year**

There are no new or amended accounting standards and interpretations that became effective as of 1 July 2025 that have a material impact to the Bank.

**(c) Fee and commission revenue**

Fees and commissions are generally recognised over the period the service is provided except for loan establishment fees which are deferred and recognised as an adjustment to the effective interest rate on the loan. Fees and commissions generally relate to loan brokerage, insurance, asset management and financial planning services that are continuously provided over an extended period of time.

**(d) Income tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the company income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Bank has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(e) Leases**

*Lease liabilities*

At the commencement date of the lease, the lease liability is measured at the present value of the lease payments to be made over the term of the lease. These payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

# 1 Summary of material accounting policies (continued)

**(e) Leases (continued)**

To determine the incremental borrowing rate, the Bank uses recent third-party financing received by the Bank as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, making adjustments specific to the lease (e.g. term, security).

Lease payments comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid by the Bank under residual value guarantees;
- the exercise price of a purchase option when the exercise of the option is reasonably certain to occur; and
- payments of penalties for terminating a lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

On the statement of financial position, lease liabilities have been included in other liabilities.

*Short-term leases*

The Bank has elected to account for short-term leases using the practical expedient. The payments are recognised as an expense in profit or loss on a straight-line basis over the lease term instead of recognising a right-of-use asset and lease liability.

*Right-of-use assets*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Bank expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

**(f) Financial assets and financial liabilities**

*(i) Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instruments. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the profit or loss.

*(ii) Classification and subsequent recognition and measurement*

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL.

# 1 Summary of material accounting policies (continued)

**(f) Financial assets and financial liabilities (continued)**

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

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial liabilities**

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

*(iii) De-recognition*

**Financial assets**

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Bank periodically enters into asset transfer agreements with third parties including securitisation of residential mortgages into special purpose entities. All securitisation transactions are reviewed and assessed based on the above-noted derecognition criteria. In instances where the Bank's securitisations do not qualify for derecognition based on the above criteria, the Bank does not derecognise the transferred financial assets but records a secured borrowing with respect to any consideration received. For details of the Bank's policy on securitisation refer to Note 10.

**Financial liabilities**

The Bank de-recognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

*(iv) Offsetting*

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

# 1 Summary of material accounting policies (continued)

**(f) Financial assets and financial liabilities (continued)**

*(v) Fair Value Measurement*

Refer to Note 1 (g) for information regarding the Bank's fair value measurements.

*(vi) Impairment*

The Bank applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at FVTPL:

- financial assets that are debt instruments carried at amortised cost (loans and advances to members);
- loan commitments issued; and
- financial guarantee contracts issued.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

| Stage | Measurement Basis |
|---|---|
| 12-months ECL (Stage 1) | The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months. |
| Lifetime ECL – not credit impaired (Stage 2) | ECL associated with the probability of default events occurring throughout the life of an instrument. |
| Lifetime ECL – credit impaired (Stage 3) | Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL. |

At each reporting date, the Bank assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become impaired it will be transferred to Stage 3.

The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward looking analysis. Refer to Note 2 (b).

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- other financial assets measured as amortised cost that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers 'cash and cash equivalents' and 'due from other financial institutions' classified as financial assets at amortised cost to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. For other non-graded investments, these are considered to be low credit risk and consist of settlement balances held by Australian Settlements Limited on behalf of the Bank and non-significant investments placed with non-rated domestic financial institutions.

**Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- loans and advances that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive); and
- loans and advances assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

# 1 Summary of material accounting policies (continued)

## (f) Financial assets and financial liabilities (continued)

### Credit Quality of financial assets

Bank's internally developed credit rating system utilises historical default data drawn from a number of sources to assess the potential default risk of lending, or other financial services products, provided to counterparties or customers. The Bank has defined counterparty probabilities of default across retail and non-retail loans and advances. For non-retail, these can be broadly mapped to external credit rating agencies and comprise performing (pre-default) and non-performing (post-default) rating grades.

### Credit-impaired loans and advances

At each reporting date, the Bank assesses whether loans and advances carried at amortised cost are credit-impaired. A loan is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the loans have occurred. Refer to Note 2 (b) for further details on the identification of credit risk.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

### Amounts arising from ECL – Inputs, assumptions and techniques used for estimating impairment

*(i) Significant increase in credit risk*

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit Risk Portfolios – the Bank allocates each exposure to a credit risk portfolio based on the types of facility and security held, for example mortgage secured lending, personal term lending, and unsecured revolving credit. These portfolios are defined based on qualitative and quantitative factors that are indicative of risk of default. All exposures start as performing facilities. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different expected credit loss stage. The monitoring typically involves use of the following data:

- Internally collected data on customer behaviour
- Payment records which include overdue status
- Requests for and granting of hardship
- Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD – Credit risk portfolios are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance default information about its credit risk exposures analysed by type of product.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Where possible, this analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic indicators including unemployment rates and in the case of mortgage secured facilities, real estate prices.

The Bank formulates a 'base case' view of the future direction of relevant economic variables and uses this to adjust its estimate to determine the 12-month loss PD.

Determining whether credit risk has increased significantly – The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

# 1 Summary of material accounting policies (continued)

**(f) Financial assets and financial liabilities (continued)**

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowances from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

*(ii) Definition of default*

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligation to the Bank in full, without recourse by the Bank to take actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank (excluding hardship relief granted pursuant to the Bank's approved policies);
- the borrower has breached an advised limit for more than 90 days for overdrafts;
- the Bank has filed for the borrower's bankruptcy in connection with the credit obligation; or
- the borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing.

*(iii) Incorporation of forward-looking information*

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of internal and external actual and forecast information, the Bank formulates a 'base case' view of the future direction of the relevant economic variables which is incorporated into the determination of the 12-month PD (stage 1).

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. Periodically the Bank carries out stress testing of more extreme shocks to calibrate its determination of other scenarios.

The Bank assessed available market data to estimate relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for retail portfolios include unemployment rates and where applicable, real estate prices.

As at 30 June 2026, the current Central Queensland unemployment rate of 4.60% (2025: 5.50%) was utilised to calculate the 12-month ECL (Stage 1). The lifetime ECL for Stage 2 and 3 impaired assets included a 25% reduction in secured property values where a mortgage over real estate security was held (2025: 25%).

Additional qualitative inputs include:

**Stage 1**

| | 2026 | | 2025 | |
|---|---|---|---|---|
| **Loan Type** | **Default Probability in next 12 months** | **Loss Given Default** | **Default Probability in next 12 months** | **Loss Given Default** |
| Residential Mortgage Loans | 4.65% | 0.10% | 4.22% | 0.10% |
| Other Mortgage Loans | 4.50% | 0.50% | 5.98% | 0.50% |
| Personal Loans and Overdrafts | 6.60% | 50.00% | 7.50% | 50.00% |

**Stage 2**

| **Probability of Credit Loss** | **2026** | **2025** |
|---|---|---|
| Low | 15% | 15% |
| Moderate | 40% | 40% |
| High | 70% | 70% |

# 1 Summary of material accounting policies (continued)

## (f) Financial assets and financial liabilities (continued)

**Stage 3**

| Probability of Credit Loss | 2026 | 2025 |
|---|---|---|
| Low | 25% | 25% |
| Moderate | 50% | 50% |
| High | 100% | 100% |

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost; as a deduction from the gross carrying amount of the assets; and
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

**Write off**

Loans and advances are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, loans that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

## (g) Fair value measurement

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures.

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. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Bank.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

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

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## (h) Interest receivable

The interest receivable on cash equivalents and financial assets due from other financial institutions is recognised in the statement of financial position, with all investments expected to be held until maturity and interest received within 12 months.

# 1 Summary of material accounting policies (continued)

### (i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of change in their value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Investments with an original maturity date of greater than three months are classified as investments due from other financial institutions.

### (j) Interest income and interest expense

**Interest Income and Interest Expense**

Interest income and expense are recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

**Amortised cost and gross carrying amount**

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method on any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 2 (b).

### (k) Loans and advances

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the estimated 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.

Refer to Note 1 (f) on the accounting policy regarding the impairment of loans and advances.

### (l) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

# 1 Summary of material accounting policies (continued)

### (l) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to asset revaluation reserve in equity. To the extent that the increase reverses a decrease previously recognised in the statement of comprehensive income, the increase is first recognised in the statement of comprehensive income. Decreases that reverse previous increases of the same asset are first charged against asset revaluation reserves to the extent of the remaining asset revaluation reserve attributable to the asset; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of tax, is transferred from the asset revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method. The rates used are as follows:

| | |
|---|---|
| **Buildings** | **2.5%** |
| **Plant and equipment** | **10-25%** |

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Bank policy to transfer the amounts included in asset revaluation reserves in respect of those assets to retained earnings.

### (m) Intangible assets

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- there is a definite useful life expected of the software;
- adequate technical, financial and other resources to complete the development and to use the software are available; and;
- the expenditure attributable to the software during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation of intangible assets is calculated using the straight-line method. The rates used are as follows:

| | |
|---|---|
| **Core Banking System (licenses and installation costs)** | **25.0%** |
| **General Computer Software** | **33.3%** |

The amortisation expense is recorded as other expenses in the Statement of Comprehensive Income.

### (n) Member deposits

Member's deposits are brought to account at the gross value of the outstanding balance and measured at amortised cost. Interest on deposits is brought to account on an accrual basis using the effective interest rate method. Interest accrued at reporting date is included in accrued expenses.

# 1 Summary of material accounting policies (continued)

**(o) Employee benefits**

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and measured in accordance with the paragraph above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

*(iii) Retirement benefit obligations*

Contributions are made by the Bank to employee superannuation funds and are charged as expenses when incurred.

**(p) Goods and services tax (GST)**

As a financial institution providing input taxed supplies, the Bank is unable to claim back all GST paid and thus amounts shown in these financial statements are inclusive of any non-recoverable GST.

**(q) Comparative figures**

Where required, comparative figures have been reclassified to conform with changes in presentation for the current financial year. These reclassifications do not represent a correction of an error. They have no impact on the previously reported profit or loss, net assets or equity of the Bank.

**(r) Significant accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Bank's accounting policies. Accounting estimates are used in the calculation of the provision of expected credit loss relating to loans to members. Refer to Note 1 (f) and Note 2 (b) for further information regarding such estimates.

**(s) New and amended accounting standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2026 reporting period and have not been early adopted by the Bank.

AASB 18 replaces AASB 101 *Presentation of Financial Statements* and requires income and expenses to be classified in profit or loss as one of five categories, being investing, financing, income taxes, discontinued operations and operating (which is a residual category). AASB 18 also requires disclosures related to management-defined performance measures in the notes to the financial statements.

The Bank is in the process of assessing the impact of this standard which becomes effective from reporting periods beginning on or after 1 January 2027.

# 2 Financial risk management

The Bank's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including fair value interest rate risk and price risk). The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to manage potential adverse effects on the financial performance of the Bank.

Risk management is carried out by applying policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate and credit risks and investing excess liquidity.

## 2 Financial risk management (continued)

### (a) Market risk

(i) Interest rate risk

Market risk is the potential adverse change in the Bank's income or the value of its net assets arising from the movement in interest rates or other market prices. The Bank is not exposed to currency risk and other price risk. The Bank does not trade in financial instruments it holds on its books.

The Bank is exposed to interest rate risk arising from changes in market interest rates due to the mismatches between the repricing dates of assets and liabilities. The Board monitors these risks through quarterly reporting.

The Bank manages its interest rate risk using the following methods:

Value at Risk (VaR)

The policy of the Bank is to maintain a balanced strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. This is measured and monitored using the Value at Risk methodology (VaR). The Bank's policy limit in respect of VaR is to keep this measurement below 2% of capital. The VaR is measured quarterly to identify any large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets and term deposit liabilities to rectify the imbalance to within acceptable levels.

As at 30 June 2026, the Bank's Value at Risk was calculated at $125,582 or 0.43% of capital (30 June 2025: $94,607 or 0.33% of capital).

The Bank is subject to risk arising from the effects of future changes in the prevailing level of interest rates. The extent of any exposure to interest rate risk is described by the period to contractual repricing as follows:

1) Financial assets and liabilities not exposed to interest rate risk:
   - Cash and cash equivalents *(Note 7)*
   - Other liabilities *(Note 15)*
2) Financial assets and liabilities where the period to contractual repricing is equivalent to the maturity analysis:
   - Investments due from other financial institutions *(Note 9)*
   - Deposits – member call deposits and member term deposits *(Note 16)*
3) Loans and advances will potentially reprice in accordance with the following schedule:-

| | 2026 $ | 2025 $ |
|---|---|---|
| No longer than 1 month | 284,079,327 | 170,074,431 |
| More than 1 month and less than 3 months | 14,068,749 | 19,417,965 |
| More than 3 months and less than 12 months | 47,494,402 | 71,837,390 |
| More than 12 months and less than 5 years | 73,325,521 | 62,532,292 |
| | 418,967,999 | 323,862,078 |

4) The Bank's exposure to interest rate risk, which is the risk that a financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate on classes of financial assets and financial liabilities, is set out below.

## 2 Financial risk management (continued)

### (a) Market risk (continued)

| | Floating interest rate $ | Fixed interest rate maturing within 1 year $ | Fixed interest rate maturing 1 - 5 years $ | Fixed interest rate maturing in more than 5 years $ | Non-interest sensitive $ | Total $ | Effective interest rate % |
|---|---|---|---|---|---|---|---|
| **2026** | | | | | | | |
| Cash and cash equivalents | 17,946,032 | 16,795,131 | - | - | 802,959 | 35,544,122 | 4.31 |
| Investments due from other financial institutions | 16,799,802 | 8,058,666 | 10,258,165 | - | - | 35,116,633 | 3.80 |
| Loans and advances | 279,511,226 | 66,131,252 | 73,325,521 | - | - | 418,967,999 | 5.53 |
| Other payables | - | - | - | - | (6,528,195) | (6,528,195) | - |
| Deposits | (183,739,940) | (225,949,756) | (833,000) | - | (47,526,010) | (458,048,706) | (2.30) |
| Total on-balance sheet exposure | 130,517,120 | (134,964,707) | 82,750,686 | - | (53,251,246) | 25,051,853 | 3.05 |
| Off-balance sheet exposure Undrawn loan commitments | 37,546,399 | - | 1,285,000 | - | - | 38,831,399 | 6.32 |
| **2025** | | | | | | | |
| Cash and Cash Equivalents | 13,736,960 | 41,685,154 | - | - | 673,277 | 56,095,391 | 4.06 |
| Investments due from other financial institutions | 7,797,974 | 9,911,912 | 18,688,810 | - | - | 36,398,696 | 3.65 |
| Loans and advances | 164,393,644 | 96,936,139 | 62,532,291 | - | - | 323,862,074 | 5.31 |
| Other payables | - | - | - | - | (5,132,101) | (5,132,101) | - |
| Deposits | (166,073,557) | (173,620,980) | (1,029,272) | - | (44,891,537) | (385,615,346) | (2.02) |
| Total on-balance sheet exposure | 19,855,021 | (25,087,775) | 80,191,829 | - | (49,350,361) | 25,608,714 | 2.75 |
| Off-balance sheet exposure Undrawn loan commitments | 35,210,887 | - | - | - | - | 35,210,887 | 5.92 |

5) Sensitivity

Interest sensitivity of interest bearing assets and liabilities is a measure of the change in the present value of an asset or liability due to a change in interest rates.

Sensitivity has been measured to a 100 basis point parallel downward shift in interest rates out to the last repricing period of the book. This figure is found by summing the present values of the exposures across the different maturity periods.

The use of 100 basis points sensitivity allows the Bank to compare movements in its risk position on a quarterly basis. This provides an estimate of changes to accrued income should rates move in a certain direction. In practice though, exact parallel shifts in rates are unlikely to occur in the market. The analysis is done on a quarterly basis to verify that the maximum loss potential to the statement of comprehensive income is within the limit set by the Board.

The analysis and aggregation of the Bank's statement of financial position gives rise to the following interest rate sensitivities:

| Sensitivity | 2026 $ | 2025 $ |
|---|---|---|
| Impact to 1% rate fall on profit and equity | (395,300) | (125,700) |
| Impact to 1% rate increase on profit and equity | 395,300 | 125,700 |

## 2 Financial risk management (continued)

### (a) Market risk (continued)

The results of the interest sensitivity analysis reported provides that the Bank's exposure to loss as at 30 June 2026 is to a decrease in interest rates.

### (b) Credit risk

Credit risk is the risk of financial loss as a result of a default by counterparties to satisfy contractual obligations. The Bank's credit risk largely arises from its lending activities which include residential mortgages and off-balance sheet financial instruments such as loan commitments and from the financial instruments held for liquidity purposes.

(i) Maximum credit risk exposure

The maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event counterparties fail to perform their obligations under financial instruments is equivalent to the amounts reported in the statement of financial position or notes to and forming part of the accounts for the following financial assets:

- Cash and cash equivalents – current accounts with Authorised Deposit-Taking Institutions *(Note 7)*
- Receivables *(Note 8)*
- Loans and advances *(Note 10)*
- Investments due from other financial institutions *(Note 9)*

(ii) Credit risk – loans and advances

The credit risk associated with loans and advances to members has been minimised through the implementation of credit assessment policies and procedures before these loans and advances are approved. The Bank's Board of Directors has delegated responsibility for the management of credit risk to the Risk Committee. The Board has developed policies and procedures designed to ensure strong lending practices which comply with credit legislation. Policies and procedures reduce the risk of credit loss by providing clarity and guidance relating to:

- Credit assessment and approval of loans and facilities;
- Compliance with regulatory and statutory requirements;
- Security requirements in respect of the acceptable types of security and maximum loan to security valuation ratios;
- Limiting concentrations of exposures to individual borrowers, industry groups and geographic locations;
- Establishing and maintaining lending approval delegations for new and renewing credit facilities;
- Reassessment of and review of credit exposures and facilities;
- Establishment of appropriate provisions to recognise the impairment of loans and advances; and
- Debt recovery procedures.

The risk of losses from loans to members is primarily reduced by the nature and quality of the security taken. The Board Policy is to maintain at least 50% of total assets in residential mortgages.

The Bank manages its exposures to credit risk by adhering to its lending policies which require assessment of the quality of security offered and the capacity of the member to repay the loan in accordance with the terms and conditions of the loan.

**Loans and advances – collateral held**

The Bank holds collateral in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. To mitigate credit risk, the Bank can take possession of the security held against the loans and advances as a result of default. The fair value of the collateral is measured at the time of providing the loan or advance and is required to be no less than 100% of the loan or advance.

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

The principal types of collateral held against loans and advances is shown below.

| Loans and advances | 2026 $ | 2025 $ |
|---|---|---|
| Mortgage over Residential Property | 409,321,197 | 316,713,596 |
| Mortgage over Other Property | 3,884,670 | 3,315,577 |
| Personal Loans and overdrafts | 5,762,132 | 3,832,905 |
| | **418,967,999** | **323,862,078** |

(iii) Concentration of credit risk

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

The Bank's operations are predominantly in the Central Queensland region. Total loans due from members located in Central Queensland form 71% ($299,080,385) of the Bank's total loans and advances. There is no significant exposure to a particular industry or customer group.

The following groups represent concentrations of financial assets recognised as investments due from other financial institutions in Note 9 in excess of 10% of capital:

| | 2026 $ | 2025 $ |
|---|---|---|
| Authorised Deposit-Taking Institutions Aggregate Amount | 46,689,228 | 55,045,481 |
| Number of financial assets | 17 | 35 |

The credit policy is that investments are only made to institutions that are creditworthy. Directors have established policies that stipulate a maximum percentage that can be invested in any one financial institution at a time. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one entity. Also, the relative size of the Bank compared to the industry is relatively low such that the risk of loss is reduced.

(iv) External credit assessment for institutional investments

The Bank uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Standard 112.0 The credit quality assessment scale within this standard has been complied with.

The carrying values associated with each credit quality step for the Bank are as follows:

| | 2026 $ | 2025 $ |
|---|---|---|
| Rated AA- and above | 36,092,251 | 35,428,019 |
| Rated below AA- | 16,819,512 | 36,156,677 |
| Unrated ADIs | 16,946,034 | 20,236,114 |
| | 69,857,797 | 91,820,810 |

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

(v) Credit risk management system

The credit risk management system ensures that:

- Rigorous ongoing monitoring of credit quality is undertaken.
- Impaired facilities are identified, measured and acted on in a timely manner.
- Inherent credit risk in the Bank's business is realistically estimated and factored into business planning, capital and credit systems.
- Recognition of collateral as a mitigant to credit risk is based on sound and prudent valuation of security.
- Credit facilities which are deemed to be uncollectible are routinely written down or written off.
- Credit assessment and provisioning procedures are periodically validated to ensure that policy settings remain appropriate.
- Provisions and reserves are adequate.
- Data is generated to fully and adequately assess the Bank's credit risk exposures and levels of impairment and to prepare various reports including internal reports, general purpose financial reports and reports to Australian Prudential Regulation Authority (APRA).
- Credit exposures, including non-lending exposures, are sensibly diversified and limited such that changing market conditions do not unduly impact on the Bank's net worth or viability.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or, in the instance of loans to members, consideration of the structure of the loan and any collateral held.

| Current accounts with ADIs | 2026 $ | 2025 $ |
|---|---|---|
| Investment Grade | - | 5,456,668 |
| Non-investment Grade | 16,946,034 | 7,280,292 |
| Total current accounts with ADIs | 16,946,034 | 12,736,960 |

| Due from other financial institutions | 2026 $ | 2025 $ |
|---|---|---|
| Investment Grade | 52,911,763 | 66,128,028 |
| Non-investment Grade | - | 12,955,822 |
| Total due from other financial institutions | 52,911,763 | 79,083,850 |

| Lifetime expected credit losses | 2026 $ | 2025 $ |
|---|---|---|
| Credit impaired | 2,705,387 | 2,549,616 |
| Non-credit impaired | 416,262,612 | 321,312,462 |
| Unamortised setup costs | 1,182,881 | 361,960 |
| Unamortised establishment fees | (396,561) | (339,835) |
| Expected credit losses | | |
| - Stage 1 | (267,130) | (224,726) |
| - Stage 2 | - | - |
| - Stage 3 | (774) | (3,178) |
| Net loans and advances | 419,486,415 | 323,656,299 |

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

**Collateral held and other credit enhancements**

The Bank holds collateral against loans and advances to customers as detailed below

| | 2026 $ | 2025 $ |
|---|---|---|
| Loans and advances with no collateral | 5,762,132 | 3,832,905 |
| Loans and advances with collateral | 413,205,867 | 320,029,173 |
| Gross loans and advances | 418,967,999 | 323,862,078 |

Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan or advance and in the case where property is to be held as collateral the valuation is required to be no less than 100% of the loan or advance. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. In assessing credit risk, the Bank considers Personal Loans and Overdrafts reported above as unsecured. Collateral is usually not held over loans and advances to, or deposits with, other financial institutions. Collateral is usually not held against investment securities.

As at 30 June 2026, the fair value of collateral held against those loans and advances that have been individually assessed as Stage 3 credit impaired is $5,095,000 (2025: $4,085,000) and Stage 2 lifetime credit loss is $2,268,729 (2025: $1,806,429). It is not practicable to determine the fair value of collateral held as security against Stage 1 loans.

**Credit quality**

The table below shows the distribution of loans and advances by credit quality and the exposure to credit risk based on the Bank's credit rating system and the year-end stage classification. The amounts are presented gross of impairment allowances.

| | Stage 1 $ | Stage 2 $ | Stage 3 $ | Total $ |
|---|---|---|---|---|
| **2026** | | | | |
| Residential Mortgage loans | 405,043,167 | 1,669,821 | 2,704,613 | 409,417,601 |
| Commercial loans | 3,729,715 | - | - | 3,729,715 |
| Personal loans and Overdrafts | 5,819,909 | - | 774 | 5,820,683 |
| **Total gross loans and advances** | 414,592,791 | 1,669,821 | 2,705,387 | 418,967,999 |
| **Undrawn loan commitments** | 38,831,399 | | | 38,831,399 |
| **2025** | | | | |
| Residential Mortgage loans | 311,245,320 | 1,224,842 | 2,546,627 | 315,016,789 |
| Commercial loans | 3,885,909 | - | - | 3,885,909 |
| Personal loans and Overdrafts | 4,956,390 | - | 2,990 | 4,959,380 |
| **Total gross loans and advances** | 320,087,619 | 1,224,842 | 2,549,617 | 323,862,078 |
| **Undrawn loan commitments** | 35,210,887 | | | 35,210,887 |

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

| | Residential Mortgage Loans $ | Commercial Loans $ | Personal Loans and Overdrafts $ | Total $ |
|---|---|---|---|---|
| **At 1 July 2024** | 310,000,473 | 5,791,484 | 3,964,380 | 319,756,337 |
| Transferred to/(from) Stage 1 | 1,937,104 | - | - | 1,937,104 |
| Transferred to/(from) Stage 2 | (1,937,578) | - | - | (1,937,578) |
| Transferred to/(from) Stage 3 | 473 | - | - | 473 |
| Net movement in loans | 5,016,317 | (1,905,575) | 995,000 | 4,105,742 |
| **Balance at 30 June 2025** | **315,016,789** | **3,885,909** | **4,959,380** | **323,862,078** |
| **At 1 July 2025** | 315,016,789 | 3,885,909 | 4,959,380 | 323,862,078 |
| Transferred to/(from) Stage 1 | (861,923) | - | - | (861,923) |
| Transferred to/(from) Stage 2 | 496,465 | - | - | 496,465 |
| Transferred to/(from) Stage 3 | 365,457 | - | - | 365,457 |
| Net movement in loans | 94,400,813 | (156,194) | 861,303 | 95,105,922 |
| **Balance at 30 June 2026** | **409,417,601** | **3,729,715** | **5,820,683** | **418,967,999** |

**Amounts arising from ECL**

Inputs, assumptions and techniques used for estimating impairment

In assessing the impairment of financial assets under the ECL model, the Bank defines default in accordance with its Credit Policy and Procedures, which includes defaulted assets and impaired assets as described below. Default occurs when a loan obligation is 90 days or more past due, or when it is considered unlikely that the credit obligation to the Bank will be paid in full without recourse to actions, such as realisation of security.

Impaired exposures under the expected credit loss model consist of:

- Retail loans which are contractually 90 days or more past due.
- Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Forward-looking information

Forward-looking information is used in the measurement of ECLs through probability weighted scenarios and includes macroeconomic variables that influence credit losses such as unemployment rates and changing house prices.

Assessment of significant increase in credit risk

The Bank will assess whether there has been a significant increase in credit risk (SICR) for financial assets by comparing the risk of a default occurring over the expected life of a financial asset at the reporting date to the corresponding risk of default at origination. In assessing whether there has been a SICR, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. The credit risk assessment is carried out on an individual and collective basis. The Bank considers contractual payments that are 30 days past due, financial hardship or default events (e.g. 90 days past due) as primary indicators of SICR. The determination of SICR also takes into consideration various qualitative and quantitative factors, including past due arrears information, hardship and the status of any facilities currently monitored by inclusion on the Bank's lending watch-list.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Write off

Loans and advances are written off when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Significant accounting judgements and estimates

In determining ECL, management judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions. Macro-economic variables used in these scenarios, include unemployment rates, GDP growth rates and residential and commercial property price indices. When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Bank's historical loss experience.

**Credit risk grades**

The Bank allocates each exposure to a credit risk category based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on the type of loan on issue as well as the LVR. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of the following data:

*Commercial exposures*

- Information obtained during an annual review of member files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, debt service coverage and compliance with covenants.
- Data from credit reference agencies and press articles.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

*Retail exposures*

- Internally collected data on customer behaviour – e.g. utilisation of transaction account facilities.
- Affordability metrics.

*All exposures*

- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Utilisation of the approved limit.
- Requests for and granting of forbearance.
- Existing and forecast changes in business, financial and economic conditions.

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

**Determining whether credit risk has increased significantly**

The criteria for determining whether credit risk has increased varies by portfolio and include quantitative changes in Probability of Default (PDs) and qualitative factors, including a backstop based on delinquency, of which this would be taken into consideration for the watch-list of loans identified for monitoring by the Bank. Another factor which deems the portfolio's credit risk to have increased significantly since initial recognition is if, based on the Bank's model, the LVR of the loan has increased past the threshold for it to be deemed a risk as identified above.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, for overlimit overdrafts and overdrawn accounts with no approved facility, more than 14 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default which is seen when the LVR changes thresholds; and
- the criteria do not align with the point in time when an asset becomes 30 days past due.

**Definition of default**

The Bank considers a loan to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding;

- the Bank agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments of repayments of amount owing;
- the Bank has files for the borrower's bankruptcy in connection with the credit obligation; or
- the borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenant
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a loan is in default and their significance may vary over time to reflect changes in circumstances.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying business, the Bank aims at maintaining flexibility in funding by keeping committed credit lines available.

(i) Liquidity Management Strategy

The liquidity management strategy ensures, irrespective of any contemporary or contingent, internal or external risk, event or calamity, and across a wide range of operating circumstances, that:

**(a)** The Bank has, at all times, ready access to unencumbered, high quality liquid assets to meet any call on its liabilities.

**(b)** The Bank's provisioning for liquid assets is both appropriate and proportional to the risk of any likely call on its liabilities.

**(c)** The Bank does not create any exposure to any single or associated group of members that could create an undue liquidity risk.

**(d)** Such liquid assets are held in a form and with persons acceptable to APRA and the Board.

**(e)** Minimum liquidity ratios, as may be prescribed from time to time, are easily exceeded.

## 2 Financial risk management (continued)

### (c) Liquidity risk (continued)

(ii) Maturity Profile of Financial Liabilities

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

| 2026 | Within 1 month $ | 1–3 months $ | 3-12 months $ | 1-5 years $ | At Call $ | Total $ |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Deposits | 30,742,751 | 57,394,087 | 140,817,850 | 849,018 | 231,265,950 | 461,069,656 |
| Other liabilities | 2,259,642 | - | 200,000 | 48,312 | - | 2,507,954 |
| Lease liabilities | 20,408 | 40,714 | 186,115 | 752,055 | - | 999,292 |
| **Total Financial Liabilities** | **33,022,801** | **57,434,801** | **141,203,965** | **1,649,385** | **231,265,950** | **464,576,902** |
| **Off balance sheet positions** | | | | | | |
| Undrawn loan commitments | - | - | - | - | 38,831,399 | 38,831,399 |

| 2025 | Within 1 month $ | 1–3 months $ | 3-12 months $ | 1-5 years $ | At Call $ | Total $ |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Deposits | 28,040,162 | 55,814,486 | 92,712,101 | 1,029,272 | 210,965,096 | 388,561,117 |
| Other liabilities | 1,804,485 | - | 192,063 | 46,947 | - | 2,043,495 |
| Lease liabilities | 15,961 | 24,580 | 37,635 | 64,659 | - | 142,835 |
| **Total Financial Liabilities** | **29,860,608** | **55,839,066** | **92,941,799** | **1,140,878** | **210,965,096** | **390,747,447** |
| **Off balance sheet positions** | | | | | | |
| Undrawn loan commitments | - | - | - | - | 35,210,887 | 35,210,887 |

(iii) Liquid funds

The ratio of liquid funds over the past year is set out below:

| Liquid funds to total adjusted liabilities | 2026 % | 2025 % |
|---|---|---|
| As at 30 June | 13.61 | 18.42 |
| Average for the year | 14.77 | 19.97 |
| Minimum during the year | 11.62 | 16.69 |

| Liquid funds to total deposits | 2026 % | 2025 % |
|---|---|---|
| As at 30 June | 14.57 | 23.34 |

### d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Refer to note 22 for fair value disclosures.

## 2 Financial risk management (continued)

### (e) Capital risk management

The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for the Bank under Australian Prudential Standard 110 Capital Adequacy. Under the Standard the Bank must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits. Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings;
- Rank behind claims of depositors and other creditors in the event of winding up.

The Bank's Tier 1 capital includes retained earnings and reserves, adjusted by regulatory adjustments. Deductions from Tier 1 capital as prescribed by APRA include deferred tax assets (if applicable), unrealised fair value losses on the Bank's debt securities portfolio and the carrying value of any software.

Tier 2 capital comprises capital instruments that, to varying degrees, fall short of the quality of Tier 1 capital but exhibit some of the features of equity and contribute to the overall strength of the Bank as a going concern.

Capital in the Bank is made up as follows:

| | 2026<br>$ | 2025<br>$ |
|---|---|---|
| **Tier 1 capital** | | |
| Revaluation reserve | 1,025,513 | 1,025,513 |
| Retained earnings | 30,234,675 | 29,144,589 |
| Prescribed deductions | (1,814,879) | (1,427,225) |
| **Total Tier 1 Capital** | **29,445,309** | **28,742,877** |
| **Tier 2 capital** | | |
| Retained earnings | 497,286 | 422,362 |
| **Total Tier 2 Capital** | **497,286** | **422,362** |
| **Total Capital** | **29,942,595** | **29,165,239** |

### Total Capital

The Bank is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time in accordance with APRA Prudential Standards. The Bank has complied with all externally imposed capital requirements throughout the period.

The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The capital ratios as at the end of each reporting period, for the past 5 years follows:

| | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| Capital ratio | 16.94% | 18.83% | 18.42% | 16.96% | 14.95% |

The Bank's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally imposed capital ratios. To manage the Bank's capital, the Bank reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and to the regulator if the capital ratio falls below 15.75%. Further, a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

## 3 Interest revenue and interest expense

The following table shows the amount of interest revenue or expense for each of the major categories of interest bearing assets and liabilities.

| | 2026 $ | 2025 $ |
|---|---|---|
| **Interest revenue** | | |
| Cash and cash equivalents | 1,521,351 | 2,612,305 |
| Investments due from other financial institutions | 737,360 | 614,933 |
| Loans and advances | 19,627,079 | 16,758,249 |
| | **21,885,790** | **19,985,487** |
| **Interest expense** | | |
| Member deposits | 8,537,714 | 8,259,734 |
| Borrowings | 4,121 | 724 |
| Lease liabilities | 23,038 | 8,087 |
| | **8,564,873** | **8,268,545** |

## 4 Fee, commission and other income

| | 2026 $ | 2025 $ |
|---|---|---|
| **Non-interest revenue** | | |
| Fees and commissions | | |
| - loan fee income | 132,499 | 123,567 |
| - other fee income | 552,459 | 537,140 |
| - insurance commissions | 391,743 | 405,683 |
| - other commissions | 39,567 | 39,655 |
| **Subtotal** | **1,116,268** | **1,106,045** |
| Bad debts recovered | 910 | 1,023 |
| Other income | 272,534 | 190,518 |
| Subtotal | 273,444 | 191,541 |
| **Total non-interest income** | **1,389,712** | **1,297,586** |

## 5 Other expenses

| | 2026 $ | 2025 $ |
|---|---|---|
| **Depreciation and amortisation** | | |
| - plant and equipment | 276,286 | 231,303 |
| - buildings | 52,000 | 45,990 |
| - intangible assets | 216,491 | 374,806 |
| - right of use asset – amortisation expense | 213,575 | 197,914 |
| **General and administration** | | |
| - personnel costs | 5,990,215 | 4,994,765 |
| - superannuation costs | 621,457 | 493,554 |
| - audit costs | 323,153 | 343,465 |
| - subscriptions and affiliation costs | 491,958 | 324,322 |
| - member transactional banking costs | 803,947 | 697,728 |
| - other | 1,256,573 | 1,460,123 |
| **Other expenses** | | |
| - lease expenses | 64,033 | 93,448 |
| - information technology and communication expenses | 1,971,509 | 1,869,955 |
| - other | 831,337 | 603,506 |
| **Total other expenses** | **13,112,534** | **11,730,879** |

## 6 Income tax expense

(a) The prima facie tax on profit before income tax is reconciled to the income tax expense provided in the financial statements as follows:

| | 2026 $ | 2025 $ |
|---|---|---|
| Profit before income tax | 1,558,095 | 1,283,649 |
| Prima facie tax payable on profit at 25% (2025: 25%) | 389,524 | 320,912 |
| Add Tax effect of: | | |
| Non-deductible entertainment | 1,594 | 1,978 |
| Non-deductible depreciation and amortisation | 13,000 | 11,498 |
| | 404,118 | 334,388 |
| Tax Building depreciation/building allowance | (11,033) | (11,033) |
| Technology and Skills Training Boosts | - | - |
| Income tax expense attributable to profit before income tax | **393,085** | **323,355** |
| The applicable weighted average effective tax rates are as follows: | 25% | 25% |
| (b) The components of tax expense comprise: | | |
| Current income tax | 487,843 | 452,993 |
| Deferred income tax | (94,758) | (129,638) |
| Change in company tax rate | - | - |
| | **393,085** | **323,355** |
| Deferred income tax (income) expense included in income tax expense comprises: | | |
| Opening Balance | 241,149 | 111,511 |
| (Decrease) / increase in deferred tax assets | 94,758 | 129,638 |
| Total deferred tax assets/(liabilities) (Note 14) | 335,907 | 241,149 |
| (c) Balance of franking account at year end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the reporting date based on a tax rate of 25% (2025: 25%) | 10,489,297 | 10,001,454 |

## 7 Cash and cash equivalents

| | 2026 $ | 2025 $ |
|---|---|---|
| Cash on hand | 802,959 | 673,277 |
| Current accounts due from other financial institutions | 16,946,034 | 12,736,960 |
| Investments due from other financial institutions with original maturity of less than 3 months | 17,795,129 | 42,685,154 |
| | **35,544,122** | **56,095,391** |

## 8 Receivables

| | 2026 $ | 2025 $ |
|---|---|---|
| Accrued Interest – to be settled within 12 months | 376,023 | 573,930 |
| Prepayments | 431,711 | 426,781 |
| | **807,734** | **1,000,711** |

## 9 Investments due from other financial institutions

| | 2026 $ | 2025 $ |
|---|---|---|
| **Debt securities – at amortised cost:** | | |
| Investments due from other financial institutions with original maturity of more than 3 months | - | 8,885,333 |
| Investments due from other financial institutions with original maturity of more than 12 months | 35,116,633 | 27,513,363 |
| | **35,116,633** | **36,398,696** |

## 10 Loans and advances

| | 2026 $ | 2025 $ |
|---|---|---|
| Overdrafts | 1,285,564 | 1,765,512 |
| Term loans | 417,682,435 | 322,096,566 |
| Gross loans and advances | 418,967,999 | 323,862,078 |
| Unamortised setup costs | 1,182,881 | 361,960 |
| Unamortised establishment fees | (396,561) | (339,835) |
| Provision for impairment (Note 11) | (267,904) | (227,904) |
| Net loans and advances | 419,486,415 | 323,656,299 |
| Principal amount of loans and advances expected to be recovered more than 12 months after the reporting date | 406,768,249 | 311,571,699 |

| **Maturity analysis** | 2026 $ | 2025 $ |
|---|---|---|
| Amount expected to be recovered no more than 12 months after the reporting date | | |
| Overdrafts | 1,285,564 | 1,765,512 |
| Not longer than 3 months | 3,084,844 | 2,763,729 |
| Longer than 3 months and not longer than 12 months | 8,615,670 | 7,761,138 |
| Amount expected to be recovered more than 12 months after the reporting date | | |
| Longer than 1 year and not longer than 5 years | 48,715,854 | 43,450,998 |
| Longer than 5 years | 357,266,067 | 268,120,701 |
| | 418,967,999 | 323,862,078 |

## 11 Impairment of financial assets

These provisions have been determined in accordance with the policies as set out in Note 1 (f).

| | 2026 $ | 2025 $ |
|---|---|---|
| **(a) Provisions for expected credit loss** | | |
| Opening balance | 227,904 | 241,446 |
| Impairment expense | 40,000 | - |
| Bad debts written off from provision | - | (13,542) |
| Closing balance | 267,904 | 227,904 |
| **(b) Impairment measurement for loans and advances at amortised cost** | | |
| Specific provision - Credit-impaired | 774 | 3,178 |
| Collective provision – Lifetime ECL | - | - |
| Collective provision – 12 Months ECL | 267,130 | 224,726 |
| Total collective provision for impairment | 267,130 | 224,726 |
| Total provision for Expected Credit Loss | 267,904 | 227,904 |

| | Stage 1 12-month ECL $ | Stage 2 Lifetime ECL $ | Stage 3 Credit-impaired $ | Total provision $ |
|---|---|---|---|---|
| **At 1 July 2024** | 214,623 | - | 26,823 | 241,446 |
| *Changes due to loans and advances recognised in the opening balance that have:* | | | | |
| Transferred to 12-month ECL | 11,027 | - | (11,027) | - |
| Transferred to lifetime ECL not credit-impaired | - | - | - | - |
| Transferred to lifetime ECL credit-impaired | - | - | - | - |
| Net re-measurement of loss allowance | (924) | - | (12,618) | (13,542) |
| **Balance at 30 June 2025** | 224,726 | - | 3,178 | 227,904 |
| **At 1 July 2025** | 224,726 | - | 3,178 | 227,904 |
| *Changes due to loans and advances recognised in the opening balance that have:* | | | | |
| Transferred to 12-month ECL | - | - | - | - |
| Transferred to lifetime ECL not credit-impaired | - | - | - | - |
| Transferred to lifetime ECL credit-impaired | - | - | - | - |
| Net re-measurement of loss allowance | 42,404 | - | (2,404) | 40,000 |
| **Balance at 30 June 2026** | 267,130 | - | 774 | 267,904 |

As shown in the above table, the overall provision for loans and advances increased from $227,904 at 30 June 2025 to $267,904 at 30 June 2026. As there were no write-offs of any loans and advances during the financial year, this movement represents an overall increase in total provisions held for loans and advances.

## 12 Property, plant and equipment

| | Freehold land and Buildings $ | Plant and Equipment $ | Right-Of-Use Assets $ | Assets in Progress $ | Total $ |
|---|---|---|---|---|---|
| **At 1 July 2024** | | | | | |
| Cost or fair value | 2,390,000 | 3,238,214 | 1,018,704 | 2,118 | 6,649,036 |
| Accumulated depreciation | - | (2,555,668) | (686,865) | - | (3,242,533) |
| Carrying amount | 2,390,000 | 682,546 | 331,839 | 2,118 | 3,406,503 |
| **Year ended 30 June 2025** | | | | | |
| Carrying amount at 1 July 2024 | 2,390,000 | 682,546 | 331,839 | 2,118 | 3,406,503 |
| Additions | 101,255 | 289,749 | 104,684 | - | 495,688 |
| Disposals | - | (1,158) | (107,153) | - | (108,311) |
| Transfers from Work in Progress accounts | - | - | - | - | - |
| Revaluation increments | 54,735 | - | - | - | 54,735 |
| Depreciation | (45,990) | (231,303) | (197,914) | - | (475,207) |
| Carrying amount at 30 June 2025 | 2,500,000 | 739,834 | 131,456 | 2,118 | 3,373,408 |
| **At 30 June 2025** | | | | | |
| Cost or fair value | 2,500,000 | 3,526,804 | 1,016,234 | 2,118 | 7,045,156 |
| Accumulated depreciation | - | (2,786,970) | (884,778) | - | (3,671,748) |
| Carrying amount | 2,500,000 | 739,834 | 131,456 | 2,118 | 3,373,408 |
| **Year ended 30 June 2026** | | | | | |
| Carrying amount at 1 July 2025 | 2,500,000 | 739,834 | 131,456 | 2,118 | 3,373,408 |
| Additions | - | 386,593 | 1,187,630 | 17,621 | 1,591,844 |
| Disposals | - | (8,441) | (110,108) | - | (118,549) |
| Transfers from Work in Progress accounts | - | - | - | (2,118) | (2,118) |
| Revaluation increments | - | - | - | - | - |
| Depreciation | (52,000) | (276,286) | (213,575) | - | (541,861) |
| Carrying amount at 30 June 2026 | 2,448,000 | 841,700 | 995,403 | 17,621 | 4,302,724 |
| **At 30 June 2026** | | | | | |
| Cost or fair value | 2,500,000 | 3,904,956 | 2,093,756 | 17,621 | 8,516,333 |
| Accumulated depreciation | (52,000) | (3,063,256) | (1,098,353) | - | (4,213,609) |
| Carrying amount | 2,448,000 | 841,700 | 995,403 | 17,621 | 4,302,724 |

**Fair value hierarchy**

Refer to Note 22 for the Bank's Fair Value Hierarchy measurements.

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

| | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **2026** | | | | |
| Recurring fair value measurements Land and buildings | - | - | 2,448,000 | 2,448,000 |
| **2025** | | | | |
| Recurring fair value measurements Land and buildings | - | - | 2,500,000 | 2,500,000 |

If land and buildings were stated on the historical cost basis, the value would be $1,371,175.

## 12 Property, plant and equipment (continued)

The fair value measurement for the owner occupied properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used. Details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value follow:

| Description | Valuation approach | Unobservable inputs | Range of inputs 2026 | Range of inputs (per previous valuation performed in 2025) | Sensitivity | Relationship between observable inputs and fair value |
|---|---|---|---|---|---|---|
| Buildings (Property, plant and equipment) | Direct comparison approach | Rate per square metre of building area basis | $3,000 to $3,300 per sqm | $3,000 to $3,300 per sqm | The higher the rent per square metre of building area, the higher the fair value. | The greater the sales of comparable properties with adjustments made for points of difference, the greater the fair value. Comparisons can include straight comparison with comparable sales evidence or analysis on a rate per square metre of building area. |

**Recognised fair value measurements**

At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The Directors determine a property's value within a range of reasonable fair value estimates.

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

All resulting fair value estimates for properties are included in level 3 of the fair value hierarchy levels prescribed under the accounting standards as one or more of the significant inputs required to fair value the Bank's properties is not based on observable market data.

The Bank engages external, independent and qualified valuers to determine the fair value of the Bank's properties at least every three years. The revaluation of freehold land and buildings at 157 East Street, Rockhampton was based on the independent revaluation performed by IPN Valuers – Rockhampton/Gladstone on 13 June 2025. The market value of the freehold properties was assessed at $2,500,000, comprising $420,000 in relation to the value of the land and $2,080,000 in relation to the value of the building. Since the previous valuation, depreciation has been applied to the building and not the freehold land with June 2026's carrying values assessed as $420,000 in relation to the value of the land and $2,028,000 in relation to the value of the building. It is the opinion of the Directors that the current carrying values are appropriate as at 30 June 2026.

## 13 Intangible assets

| | Software $ | Software under Development $ | Total $ |
|---|---|---|---|
| **At 1 July 2024** | | | |
| Cost | 4,051,203 | 124,810 | 4,176,013 |
| Accumulated amortisation | (3,417,561) | - | (3,417,561) |
| Carrying amount | 633,642 | 124,810 | 758,452 |
| **Year ended 30 June 2025** | | | |
| Carrying amount at 1 July 2024 | 633,642 | 124,810 | 758,452 |
| Additions | 112,042 | 52,792 | 164,834 |
| Transfers from Work in Progress accounts | 25,988 | (25,988) | - |
| Amortisation | (374,806) | - | (374,806) |
| Carrying amount at 30 June 2025 | 396,866 | 151,614 | 548,480 |
| **At 30 June 2025** | | | |
| Cost | 4,189,233 | 151,614 | 4,340,847 |
| Accumulated amortisation | (3,792,367) | - | (3,792,367) |
| Carrying amount | 396,866 | 151,614 | 548,480 |
| **Year ended 30 June 2026** | | | |
| Carrying amount at 1 July 2025 | 396,866 | 151,614 | 548,480 |
| Additions | - | 215,597 | 215,597 |
| Transfers from Work in Progress accounts | - | - | - |
| Amortisation | (216,491) | - | (216,491) |
| Carrying amount at 30 June 2026 | 180,375 | 367,211 | 547,586 |
| **At 30 June 2026** | | | |
| Cost | 4,189,233 | 367,211 | 4,556,444 |
| Accumulated amortisation | (4,008,858) | - | (4,008,858) |
| Carrying amount | 180,375 | 367,211 | 547,586 |

## 14 Deferred tax assets/(liabilities)

| | 2026 $ | 2025 $ |
|---|---|---|
| Deferred tax assets/(liabilities) comprise temporary differences attributable to: | | |
| Provision for expected credit losses | 66,976 | 56,976 |
| Employee benefits | 227,028 | 201,745 |
| Accruals | 8,068 | 7,030 |
| Depreciation | 50,596 | 6,055 |
| Provision for audit services | 50,000 | 48,016 |
| Prepayments (asset account) | (66,761) | (78,673) |
| | 335,907 | 241,149 |
| Movements: | | |
| Opening balance 1 July | 241,149 | 111,511 |
| Credited/(charged) to profit or loss | 94,758 | 129,638 |
| Closing balance 30 June | 335,907 | 241,149 |
| Deferred tax assets/(liabilities) to be recovered within 12 months | 335,907 | 241,149 |

## 15 Other liabilities

| | 2026 $ | 2025 $ |
|---|---|---|
| Amount expected to be paid no more than twelve months after the reporting period | | |
| Accrued expenses | 3,354,837 | 3,269,138 |
| Lease Liabilities | 247,237 | 78,146 |
| Other liabilities | 2,125,754 | 1,673,181 |
| Amount expected to be paid more than twelve months after the reporting period | | |
| Lease Liabilities | 752,055 | 64,689 |
| Other liabilities | 48,312 | 46,947 |
| | 6,528,195 | 5,132,101 |

**Lease liabilities**

| | $ |
|---|---|
| **As at 1 July 2024** | 331,839 |
| Additions | 90,979 |
| Interest expense | 8,087 |
| Lease payments | (288,070) |
| Balance at 30 June 2025 | 142,835 |
| **As at 1 July 2025** | 142,835 |
| Additions | 1,141,554 |
| Interest expense | 23,038 |
| Lease payments | (308,135) |
| Balance at 30 June 2026 | 999,292 |

(i) Nature of leasing activities (in the capacity as lessee)

The Bank leases a number of properties relating to the branches which it operates. It is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some property leases the periodic rent is fixed over the lease term. The Bank also leases certain items of plant and equipment. Leases of plant and equipment comprise only fixed payments over the lease terms.

## 16 Deposits and borrowings

| **Unsecured deposits** | 2026 $ | 2025 $ |
|---|---|---|
| Member call deposits (including withdrawable shares) | 231,265,950 | 210,965,094 |
| Member term deposits | 226,782,756 | 174,650,252 |
| Total deposits | 458,048,706 | 385,615,346 |
| Amount expected to be paid no more than 12 months after the reporting period | 457,215,706 | 384,586,074 |
| Amount expected to be paid more than 12 months after the reporting period | 833,000 | 1,029,272 |
| | 458,048,706 | 385,615,346 |

**Concentration of deposits**

The Bank's operations are predominantly in the Central Queensland region with 87% ($400,383,194) of deposits held originating from members located in Central Queensland. There is no significant exposure to a particular industry or customer group. There are no deposits lodged by individual depositors or related groups which exceed 10% of liabilities.

## 17 Provisions

| | 2026 $ | 2025 $ |
|---|---|---|
| Amount expected to be paid more than 12 months after the reporting date | | |
| Provision for employee benefits – long service leave | 16,541 | 15,285 |
| Amount expected to be paid no more than 12 months after the reporting date | | |
| Provision for employee benefits – annual leave | 382,053 | 315,625 |
| Provision for employee benefits – long service leave | 509,517 | 476,073 |
| | 908,111 | 806,983 |

## 18 Reserves and retained earnings

| | 2026 $ | 2025 $ |
|---|---|---|
| **Reserves** | | |
| Asset revaluation reserve – opening balance | 1,025,513 | 970,778 |
| Movements: | | |
| Increase on revaluation – gross (Note 12) | | 54,735 |
| **Total reserves 30 June** | 1,025,513 | 1,025,513 |

**Nature and purpose of reserves**

*(i) Asset revaluation reserve*

The asset revaluation reserve is used to record increments and decrements on the revaluation of assets, as described in accounting policy Note 1 (l).

## 19 Key management personnel disclosures

**(a) Key management personnel compensation**

| | 2026 $ | 2025 $ |
|---|---|---|
| Short term employee benefits | 1,394,173 | 1,072,504 |
| Post employment benefits | 142,237 | 137,484 |
| Long-term benefits | 28,989 | 23,378 |
| | 1,565,399 | 1,233,366 |

All of the above persons also hold one $10 member share or held a $10 member share whilst key management personnel of the Bank.

## 19 Key management personnel disclosures (continued)

### (b) Loans to key management personnel and close family members

(i) The aggregate value of loans as at balance date amounted to:

| | 2026 $ | 2025 $ |
|---|---|---|
| Secured loans | 3,275,615 | 2,396,073 |
| Overdrafts | 68,000 | 68,000 |
| | 3,343,615 | 2,464,073 |

(i) During the year the aggregate value of loans disbursed amounted to

| | 2026 $ | 2025 $ |
|---|---|---|
| Secured loans | 2,951,294 | 1,099,000 |
| Interest and other revenue earned on loans amounted to: | 129,839 | 105,353 |

All loans disbursed to KMP were approved on the same terms and conditions applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with KMP.

No KMP received a concessional rate of interest on their loans and facilities.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans that are impaired in relation to the loan balances with close family relatives of KMP.

### (c) Deposits from key management personnel and close family members

| | 2026 $ | 2025 $ |
|---|---|---|
| Total value of term and savings deposits | 1,589,655 | 2,879,587 |
| Interest paid on deposits | 26,813 | 32,004 |

The Bank's policy for receiving deposits from KMP and close family members is that all deposits are accepted on the same terms and conditions which applied to members for each type of deposit. This policy has been adhered to for the full financial year.

KMP and close family members have received interest on deposits with the Bank during the year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Bank.

### (d) Other transactions with key management personnel

There were no other transactions with key management personnel during the year ended 30 June 2026.

## 20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Bank:

| | 2026 $ | 2025 $ |
|---|---|---|
| **(a) Assurance services** | | |
| Audit services<br>BDO Audit Pty Ltd | | |
| Audit of financial statements | 131,089 | 142,501 |
| Compliance regulatory reporting | 33,990 | 31,918 |
| | 165,079 | 174,419 |
| **b) Taxation services** | | |
| BDO Services Pty Ltd | | |
| Tax compliance services, including company income tax returns | 24,512 | 23,118 |

## 21 Commitments and Contingencies

### (a) Outstanding loan commitments

| | 2026 $ | 2025 $ |
|---|---|---|
| Loans and credit facilities approved but not yet funded or drawn at the end of the financial year: | | |
| Loans approved but not funded | 17,179,712 | 15,848,693 |
| Undrawn overdraft and lines of credit | 2,595,871 | 1,881,165 |
| Loan redraw facilities available | 19,055,816 | 17,481,029 |
| | 38,831,399 | 35,210,887 |

### (b) Contingent liabilities

**Guarantees**

The Bank has issued guarantees to support the obligations of certain members. The guarantees are for limited amounts and limited terms. Security is taken from the member whose obligation is guaranteed in accordance with the Bank's normal lending policies.

| | 2026 $ | 2025 $ |
|---|---|---|
| Guarantees | 331,375 | 336,571 |

# 22 Fair values

### (a) Fair value hierarchy

The Bank measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:
  - quoted market prices in active markets for similar instruments;
  - quoted prices for identical or similar instruments in markets that are considered less than active; or;
  - other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

### (b) Fair value estimates

The following methods and assumptions are used to determine the fair values of financial assets and financial liabilities.

**Cash and cash equivalents and other receivables**

The carrying values approximate their fair value as they are short term in nature or are receivable on demand.

**Loans and advances**

For variable rate loans the carrying value is a reasonable estimate of fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2026.

**Investments due from other financial institutions**

The carrying values of investments due from other financial institutions approximate their net fair value due to short-term maturities of these securities.

**Deposits**

The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate the fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June.

## 22 Fair values (continued)

### (b) Fair value estimates (continued)

| | 2026 | | 2025 | |
|---|---|---|---|---|
| | Total fair values $ | Carrying amount $ | Total fair values $ | Carrying amount $ |
| **Financial assets for which fair values are disclosed** | | | | |
| Cash and cash equivalents | 35,544,122 | 35,544,122 | 56,095,391 | 56,095,391 |
| Due from other financial institutions | 34,601,062 | 35,116,633 | 36,398,696 | 36,398,696 |
| Other receivables | 807,734 | 807,734 | 1,000,711 | 1,000,711 |
| Loans and advances | 415,241,484 | 419,486,415 | 319,678,159 | 323,656,299 |
| **Financial liabilities for which fair values are disclosed** | | | | |
| Deposits | 458,048,706 | 458,048,706 | 385,615,346 | 385,615,346 |
| Payables and other liabilities | 5,528,903 | 5,528,903 | 4,989,266 | 4,989,266 |
| Lease Liabilities | 999,292 | 999,292 | 142,835 | 142,835 |

### (c) Fair Value Hierarchy levels

| | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **2026 Non- financial assets** | | | | |
| Land and buildings | | | 2,448,000 | 2,448,000 |
| **2025 Non- financial assets** | | | | |
| Land and buildings | | | 2,500,000 | 2,500,000 |

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

The fair value hierarchy classification of instruments held at amortised cost:

- Loans and advances – Level 3.

## 23 Operational dependency

The Bank has an operational dependency on the following suppliers of services:-

**(a) Industry service companies**

The Bank is a customer of Banking Circle S. A. (formerly Australian Settlements Limited) who provide card and electronic transaction clearing and Banking facilities to the Bank.

**(b) Ultradata Australia Pty Ltd**

This entity is the provider of support and maintenance for the retail Banking application software utilised by the Bank.

**(c) TransAction Solutions Ltd (trading as experteq)**

This entity is the provider of facilities management, bureau support and managed desktop support utilised by the Bank.

## 24 Reconciliation of profit after income tax to net cash inflow from operating activities

| | 2026 $ | 2025 $ |
|---|---|---|
| Profit for the year | 1,165,010 | 960,294 |
| Depreciation | 758,352 | 850,012 |
| Bad debts written off from provision | - | (13,542) |
| Net (gain) loss on sale of non-current assets | (50,252) | (208) |
| Net movement in investments due from other financial institutions | (1,282,064) | 1,604,497 |
| Change in operating assets and liabilities | | |
| (Increase) decrease in loans | (94,820,361) | (4,105,423) |
| (Decrease) increase in member deposits | 72,433,360 | 20,449,084 |
| (Increase) decrease in deferred tax assets | (94,758) | (129,638) |
| (Increase) decrease in other assets | (191,467) | (195,568) |
| (Decrease) increase in creditors | 2,381,133 | 970,778 |
| Increase (decrease) in provision for income tax | (77,141) | 292,216 |
| (Decrease) increase in other provisions | 101,128 | 24,804 |
| Net cash inflow from operating activities | (19,677,060) | 20,707,306 |

## 25 Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash is defined as currency, on call deposits with a financial institution net of overdrafts and short-term deposits used in the Bank's cash management function on a day to day basis.

| | 2026 $ | 2025 $ |
|---|---|---|
| Cash at the end of the financial year as shown in the Statement of Cash Flows consists of: | | |
| Cash on hand and at bank | 17,748,993 | 13,410,237 |
| Cash equivalents | 17,795,129 | 42,685,154 |
| Cash at the end of the financial year | 35,544,122 | 56,095,391 |

## 26 Related party transactions

**(a) Key management personnel**

Disclosures relating to key management personnel are set out in Note 19.

**(b) Transactions with other related parties**

Disclosures relating to transactions with related parties are set out in Note 19.

**(c) Outstanding balances arising from sales/purchases of goods and services**

There are no balances outstanding at the end of the reporting period in relation to transactions with related parties.

**(d) Loans to/from related parties**

There are no loans to/from related parties other than those disclosed in Note 19.

## 27 Events subsequent to reporting date

On 31 July 2026, Mr Dale Grounds resigned as Chief Executive Officer of The Capricornian Ltd. On the same date, Mr Peter Olrich resigned as a Director of The Capricornian Bank and was subsequently appointed by the Board as Interim Chief Executive Officer on 3 August 2026.

Following a recruitment process, Mr David Ingham was appointed as Chief Executive Officer of The Capricornian Bank and is expected to commence in the role on 16 November 2026.

Other than the matters disclosed above, no matters or circumstances have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of The Capricornian Bank, the results of those operations, or the state of affairs of The Capricornian Bank in subsequent financial years.

## Consolidated Entity Disclosure Statement

The Capricornian Ltd has no controlled entities and, therefore, is not required by the Australian Accounting Standards to prepare consolidated financial statements. As a result, section 295(3A)(a) of the *Corporations Act 2001* does not apply to The Capricornian Ltd.

The Directors of The Capricornian Ltd declare that:

In the opinion of the Directors:

(a) the financial statements and notes set out on pages 12-51 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

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

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) the information disclosed in the attached Consolidated Entity Disclosure Statement is true and correct.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

J. F. Siganto

Chairman

D. G. Lightfoot

Director

Rockhampton
29 October 2026

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# INDEPENDENT AUDITOR'S REPORT

To the members of The Capricornian Ltd

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of The Capricornian Ltd (the Company), which comprises the statement of financial position as at 30 June 2026, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of The Capricornian Ltd, is 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 its financial performance for the year ended on that date; and

(ii) 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 Company 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's report, but does not include the financial report and our auditor's report thereon.

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

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

**Responsibilities of the directors for the Financial Report**

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

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001;*

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

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

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

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

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

**Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf
This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

**C R Jenkins**
Director

Brisbane, 29 October 2026

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the capricornian bank












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