

Police & Nurses Limited

FINANCIAL STATEMENTS 2026



Directory

Directors

Gary Humphreys (Chair)
Andrew Hadley
Trevor Hunt
Louise Clarke
Monish Paul
Kellie Properjohn

Chief Executive Officer

Andrew Hadley

Company Secretary

David Fehlberg

Registered Office

Police & Nurses Limited
ABN 69 087 651 876

Level 6
556 Wellington Street
Perth 6000
Western Australia
Telephone: 13 25 77
www.pnbank.com.au

External Auditors

Grant Thornton Audit Pty Ltd
Grosvenor Place
Level 26/255 George Street
Sydney, NSW 2000

Internal Auditors

Ernst & Young Australia
200 George Street
Sydney 2000, New South Wales

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This financial report covers both the separate financial statements of Police & Nurses Limited as an individual entity and holder of the ADI licence (Bank) and the consolidated financial statements for the consolidated entity consisting of Police & Nurses Limited and its subsidiaries (Group). The financial report presentation and functional currency is Australian dollars.

Police & Nurses Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Report of the Directors on pages 3 to 7.

The financial report was authorised for issue by the Directors on 8 September 2026. The Directors have the power to amend and reissue the financial report.

Glossary of abbreviations and defined terms

ADI	Authorised Deposit-taking Institution
Bank, Company or PNL	Police & Nurses Limited ABN 69 087 651 876 as an individual entity and holder of the ADI licence
Group	the Company and its subsidiaries
BCU	the division of the Bank carried on under the trading name 'BCU Bank'
P&N	the division of the Bank carried on under the trading name 'P&N Bank'

Report of the Directors

Your Directors present their report on the financial statements of the Bank and the Group for the year ended 30 June 2026.

Corporate Governance

The Board of Directors of the Bank (Board) is responsible for the corporate governance of the Group. To ensure the Board can fulfil its responsibilities, it has established guidelines for the operation of the Board and a framework for ensuring internal controls and business risk management processes are adequate and that ethical standards are appropriate. Unless otherwise stated, all these practices were in place for the entire financial year.

Operations of the Board of Directors

Corporate governance responsibilities of the Board include:

- contributing to, evaluating, approving and monitoring strategic direction and business objectives developed in conjunction with management;
- monitoring the Group's progress against agreed performance measures linked to business objectives and strategies, and comparing these with its peers in the marketplace;
- contributing to and enhancing the reputation and image of the Group to its members, the marketplace and the community at large;
- ensuring the required frameworks are in place including risk and capital management policies, internal controls, compliance and public reporting; and
- accepting accountability to members and responsibility to other stakeholders in the Group.

Directors

The following persons held office as Directors of the Bank during the year or since the year end and unless otherwise stated at the date of this report:

Gary HUMPHREYS

GAICD, AMP173 (Harvard) (Chair)

Full time Non-Executive Director across various sectors including banking, health, government, and not for profit, with over 20 years' experience leading and operating large corporations as a senior executive, deputy CEO and COO. Board Chair, and an ex officio member of the Audit & Sustainability Committee, Risk Committee and the Board Governance & Remuneration Committee. Nominations Committee Chair until 31 December 2025.

Andrew HADLEY

BCom GAICD SFFin

A seasoned financial services executive, CEO of the Bank since 2014 and Managing Director of the Bank since 2016.

Through a related corporate entity, Mr Hadley holds 22 shares in the Police & Nurses Limited Capital Note.

Trevor HUNT

BBus FAICD

Experienced retail banking and financial services WA-based professional with over 30 years operating in Australia in banking and senior executive positions and over 20 years as a non-executive director across banking, superannuation, financial planning, mortgage broking and the care industry. Risk Committee Chair and Board Governance & Remuneration Committee member.

Louise CLARKE

BBus GAICD

Executive and leadership coach with over 30 years' experience in the financial services sector as a Senior Executive. Board Governance & Remuneration Committee Chair, Nominations Committee Chair from 1 January 2026, and Audit & Sustainability Committee member.

Monish PAUL

MAICD, MBA, BBus

Professional with 25 years' experience in corporate strategy, technology, regulation and public policy across a range of industries both in the public and private sectors. Audit & Sustainability Committee Chair, Risk Committee member, and Nominations Committee member from 1 January 2026.

Kellie PROPERJOHN

Assoc Degree Criminology & Justice, Grad Certificate of Business (Leadership), GAICD

Previously the Assistant Commissioner, WA Police with 36 years of service spanning strategy, technology, operations and legislative reform. Formerly a Partner of Deloitte Australia. Ms Properjohn has a passion for business transformation and strengthening organisational culture to drive performance outcomes. Board Governance & Remuneration Committee member, Audit & Sustainability Committee member, and Risk Committee member.

Each Director holds one member share in the Bank.

Company Secretary

D Verran Fehlberg

BEC(Acc), LIB, MBA, GAICD

Mr Fehlberg has more than 25 years' experience working in Australia and internationally, in governance, legal and risk roles.

Composition and Meetings of the Board

The Board's composition, its meetings and conduct are determined in accordance with the Bank's Constitution, and the following:

- the Board must be comprised of at least five directors, being:
 - at least three member elected directors;
 - any board appointed directors, provided that at all times the number of member elected directors shall exceed the number of board appointed directors; and
 - if the Board so determines, the Chief Executive Officer;
- the Board comprises members with an appropriate range of expertise, skills and qualifications; and
- each Board member maintains their own skills relevant to the business of the Bank.

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the year ended 30 June 2026 and the number of meetings attended by each Director.

Director	Directors' Meetings		Audit & Sustainability Committee Meetings		Risk Committee Meetings		Board Governance & Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
Member elected Directors								
T Hunt	10	10	*	*	8	8	5	5
G Humphreys**	10	10	** 5	** 5	** 8	** 8	**5	**5
M Paul	10	10	5	5	8	8	*	*
Board appointed Directors								
L Clarke	10	10	5	5	8	8	5	5
K Properjohn	10	10	5	5	8	8	5	5
Chief Executive Officer (executive / Managing Director)								
A Hadley***	10	10	*	*	*	*	*	*

A - Number of meetings held during the time the Director held office or was a member of the Committee during the year.

B - Number of meetings attended.

* Not a member of the relevant Committee.

** Mr Humphreys, as the Board Chair is also an ex officio member of the Audit & Sustainability Committee, Risk Committee and Board Governance & Remuneration Committee

*** During the year Mr Hadley was an attendee at meetings of the Audit & Sustainability Committee, Risk Committee and Board Governance & Remuneration Committee.

The Nominations Committee also met once during the year, chaired by Mr Humphreys.

Director Induction Program

The Directors have established a comprehensive induction program for newly elected or appointed Directors. The program assists new Directors to gain an understanding of the Group's operations and the financial and governance environment. The Directors also participate in further education to ensure that, in accordance with both strategic and regulatory business, they are capable of discharging the responsibilities of their office.

Directors' Remuneration

Board members are remunerated as per Division 17 of the Constitution. The total remuneration for the Board is determined by the members at the Annual General Meeting and divided amongst the Directors in such a manner as the Board determines and in line with market.

Audit & Sustainability Committee

The Board has established the Audit & Sustainability Committee to assist in the execution of its responsibilities. The Committee comprises at least three Board members. This Committee has written terms of reference, which outline its role and responsibilities to enable it to assist the Board in relation to:

- the reliability and integrity of financial information for inclusion in public financial statements;
- the review of audit plans to ensure they cover material risks and financial reporting requirements;
- the review and endorsement of sustainability strategies, and monitoring progress towards sustainability goals and targets;
- the review of sustainability reporting and disclosures for accuracy and transparency to ensure compliance with regulatory requirements;
- the independence, effectiveness and adequacy of the external and internal auditors; and
- the appointment and removal of external and internal auditors.

The Committee reports to the full Board after each Committee meeting.

Risk Committee

The Board has established the Risk Committee to assist in the execution of its responsibilities. The Committee comprises at least three Board members. This Committee has written terms of reference, which outline its role and responsibilities to enable it to assist the Board in relation to the establishment, monitoring, oversight and maintenance of the Bank's risk management framework. The Committee also monitors and oversees regulatory matters and operational, credit, market, capital and liquidity risk.

The Committee reports to the full Board after each Committee meeting.

Board Governance & Remuneration Committee

The Board has established the Board Governance & Remuneration Committee to assist it in the execution of its responsibilities. The Committee comprises at least three Board members. This Committee has written terms of reference, which outline its roles and responsibilities to enable it to assist the Board in relation to:

- maintaining compliance with the requirements of the prudential standards;
- providing informed feedback to the Board on its performance;
- establish a framework to assist the Board with the assessment of the performance of each Director and the Chief Executive Officer; and
- remuneration related practices and policies.

An appraisal of the Board's performance, and of that of its Committees and Directors, is conducted annually, with an independent consultant engaged to facilitate the process at least every third year. The Chair of the Board through the Board Governance & Remuneration Committee is responsible for the annual assessment methodology of the Board's performance and that of each individual Board member, supporting ongoing alignment with the requirements of the prudential standards.

The Committee reports to the full Board after each Committee meeting.

Nominations Committee

The Board has established a Nominations Committee to conduct assessments of the Fit and Proper status, and of the skills, experience and competency of the Group's Directors who renominate by rotation and of any other person nominating as a candidate for election as Director. The Committee has written terms of reference, which outlines its roles and responsibilities. The Committee comprises a Chair and at least two other members. None of the Nominations Committee members are employees of the Bank.

Group Risk Management

The purpose of Group risk management, which includes all subsidiaries of the Bank, is to ensure that appropriate strategies and processes are developed to manage and mitigate risks to the organisation.

The risk management systems are maintained with the aim of achieving the following goals:

- clearly defined risk appetite;
- identify, analyse and manage risk;
- through risk records provide a clear picture of the risk profile of the Group; and
- provide relevant information to management and the Board for decision making.

All business managers are responsible for risk management in their day-to-day activities and use the risk management framework which assists in appropriately balancing both risk and reward components.

Ethical Standards

Board members are required to act in accordance with the Constitution, any Board approved Code of Conduct and Conflict of Interest and Transactions with Directors and their Related Parties Policy.

Any Board member who has a material personal interest in any matter that relates to the affairs of the Bank must disclose that interest under section 191 of the *Corporations Act 2001 (Cth)* and that Board member may not be present at a Board meeting considering that matter, or vote on that matter, unless permitted by section 195 of the *Corporations Act 2001 (Cth)*.

Review of Operations

The Group delivered a robust financial result for the year ended 30 June 2026 in a challenging operating environment. Inflation, living costs and interest rates remained elevated for much of the year amid a complex global geopolitical and domestic economic environment. Competition in retail and business banking remained intense and ongoing requirements to invest in technology, customer protection, risk management and compliance remain key industry themes to address both customer and regulatory expectations.

The Group has navigated this environment carefully with a view to supporting our customers and delivering financial performance outcomes that protect long-term member value, resilience and sustainability. In that context, we are pleased to report in these financial statements:

- Balanced growth in loans and advances (5.0%) and deposits (7.5%) as our products, value propositions and service offerings continue to attract new customers in both retail and business banking segments.
- An increase in profitability with Group net profit after tax increasing to \$30.4m (7.6%) attributable to the benefits of balance sheet growth, prudent net interest margin management and cost discipline.
- A more resilient and stable balance sheet. Our regulatory capital ratios increased to 13.9% (2025: 12.7%) on a common equity tier 1 basis and 16.1% (2025:14.7%) on a total basis. Our liquidity profile remained robust with the Minimum Liquidity Holdings (MLH) regulatory liquidity ratio remaining stable at 14.6% (2025:14.6%).
- Strong credit risk outcomes with our level of delinquency remaining low by industry standards and relatively consistent with the prior year. During the year we increased our loan impairment provisions to 0.10% (2025: 0.08%) to take account of potential downside risks to the domestic economic outlook and the uncertain geopolitical environment.

Ongoing investment in the business to deliver improved outcomes for customers, advance our strategic priorities and support future business performance as set out in the 2026 Annual Report.

Potential Merger with Bank Australia Limited

On 14 May 2026, the Group and Bank Australia Limited (BAL) announced a Memorandum of Understanding (MoU) to explore a potential merger between the two customer-owned banks. On 31 July 2026 the Boards of both customer owned banks approved a recommendation to proceed to the regulatory application stage of the proposed merger following completion of due diligence. Subject to obtaining the necessary regulatory approvals, eligible members of both organisations will be asked to consider and approve the merger at special general meetings sometime during 2027.

The potential merger would create one of Australia's largest purpose-led customer-owned banks, building on shared values and commitment to customer ownership, and sector leading commitments to sustainability and community impact. Bringing BAL and the Group together would create an entity supporting more than 530,000 customers with total assets exceeding \$30 billion and served by almost 1500 employees nationwide. BAL's strong east coast presence combined with the Group's strength in Western Australia could create a truly nationwide customer-owned bank.

Likely development and results of operations

There are no likely developments that would be expected to have a material impact on the operations of the Group as at the date of this report, aside from the potential merger with BAL outlined above.

Looking forward the environment remains uncertain and subject to change. The Directors consider that these financial statements and the capital, liquidity and credit profile of the Group demonstrate that it is well positioned to navigate the forward environment and remain profitable, liquid and well capitalised over the coming year, whilst it explores the potential merger with Bank Australia.

Significant Changes

There were no significant changes in operations during the period.

Principal Activities

The principal activities of the Group and the Bank were the provision of financial and associated services to members. There was no significant change in these activities during the year.

Events Subsequent to the End of the Financial Year

There were no other material subsequent events identified aside from the potential merger with BAL outlined above.

Environmental Regulation

The Group is subject to environmental regulation in respect of its property developments. All developments have been undertaken in compliance with the necessary planning and environmental regulations.

Insurance of Officers

During the year, a premium was paid in respect of a contract insuring officers of the Bank against liability. The officers of the Bank include Directors, Executive Officers, Company secretary and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under the insurance contract and the nature of liabilities it covers is prohibited by a confidentiality clause in the contract.

Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is set out on page 10.

Rounding of Amounts

The Bank is a company of a kind referred to in Legislative Instrument 2026/183, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars or in certain cases to the nearest dollar.

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



Gary Humphreys
Director



Monish Paul
Director

Date: 8 September 2026
PERTH WA

Police & Nurses Limited

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STATEMENTS**
2026

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Auditor's Independence Declaration

To the Directors of Police & Nurses Limited

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

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Claire Scott

C L Scott
Partner – Audit & Assurance

Sydney, 8 September 2026

www.grantthornton.com.au

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Statements of Profit or Loss

Year Ended 30 June 2026	Notes	Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
Interest revenue	3	494,498	492,714	559,039	562,038
Interest expense	3	289,920	301,066	362,640	377,851
Net interest income		204,578	191,648	196,399	184,187
Non-interest income	4	17,117	15,909	24,837	22,960
Total income		221,695	207,557	221,236	207,147
Credit impairment charge/(reversal)	11	2,052	1,890	2,052	1,890
Operating and other expenses	5	177,307	165,423	176,981	165,599
Total expenditure		179,359	167,313	179,033	167,489
Profit before income tax		42,336	40,244	42,202	39,657
Income tax expense	6	11,973	12,020	11,823	11,635
Profit after income tax		30,363	28,224	30,379	28,023
Loss attributable to non-controlling interests		-	43	-	-
Profit attributable to members		30,363	28,267	30,379	28,023

The above Statements of Profit or Loss should be read in conjunction with the accompanying notes.

Statements of Other Comprehensive Income

Year Ended 30 June 2026	Notes	Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
Profit for the year		30,363	28,224	30,379	28,023
Other comprehensive income net of tax					
<i>Items that may be reclassified to profit or loss</i>					
Changes in the fair value of cash flow hedges	24(c)	(4,486)	(2,140)	(4,486)	(2,140)
<i>Items that will not be reclassified to profit or loss</i>					
Changes in fair value of land and buildings	24(e)	-	762	-	699
Changes in the fair value of financial assets at FVOCI	24(d)	6,877	4,129	6,877	4,129
Other comprehensive income/(loss) for the period, net of tax		2,391	2,751	2,391	2,688
Total comprehensive income/(loss) for the period		32,754	30,975	32,770	30,711
Total comprehensive income/(loss) for the year is attributable to:					
Members of the Bank		32,754	31,018	32,770	30,711
Non-controlling interests		-	(43)	-	-
		32,754	30,975	32,770	30,711

The above Statements of Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Financial Position

As at 30 June 2026	Notes	Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
Assets					
Cash and cash equivalents	7	201,376	188,989	107,227	120,368
Financial assets at Amortised Cost	8	1,263,714	1,215,194	1,284,228	1,235,674
Financial assets held at FVOCI	9	1,538	9,514	1,538	9,514
Other assets	10	21,947	20,477	92,259	63,695
Loans and advances	11	8,278,279	7,884,032	8,278,279	7,884,032
Derivative financial instruments	13	-	402	-	398
Property and equipment	14	16,250	20,379	16,250	18,522
Right-of-use assets	15	15,638	20,103	15,638	20,103
Investments in controlled entities	16	-	-	2,122	2,122
Intangible assets	17	16,010	27,188	16,010	27,188
Deferred tax assets	18	10,101	4,104	10,789	4,926
Total assets		9,824,853	9,390,382	9,824,340	9,386,541
Liabilities					
Deposits	19	8,234,660	7,663,713	8,234,660	7,663,713
Other payables	20	21,876	23,535	21,252	22,686
Provisions	22	11,026	10,720	11,026	10,720
Current tax liabilities		5,888	2,309	5,889	2,307
Lease liabilities	15	19,992	25,327	19,992	25,327
Derivative financial instruments	13	7,555	2,077	7,555	2,077
Borrowings	21	881,754	1,048,379	881,614	1,045,155
Deferred tax liabilities	23	-	-	-	-
Total liabilities		9,182,751	8,776,060	9,181,988	8,771,985
Net assets		642,102	614,322	642,352	614,556
Members' funds					
Reserves	24	216,961	225,443	219,171	227,234
Retained earnings	24	200,802	164,540	198,842	162,983
Contributed equity	24	150,405	150,405	150,405	150,405
Issued capital	24	73,934	73,934	73,934	73,934
Total members' funds		642,102	614,322	642,352	614,556

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

Statements of Changes in Equity

Year Ended 30 June 2026	Notes	Group					
		Attributable to Members of Police & Nurses Limited					Total Equity
		Reserves	Contributed equity	Issued Capital	Retained earnings	Total	
		\$000	\$000	\$000	\$000	\$000	
Total members' funds (equity) as at 1 July 2024		225,955	150,719	73,934	137,960	588,569	588,719
Profit/(loss) for the year		-	-	-	28,267	28,267	28,224
Other comprehensive income/(loss)		2,751	-	-	-	2,751	2,751
Total comprehensive income/(loss) for the year		2,751	-	-	28,267	31,018	30,975
Opening adjustment		314	(314)			-	-
Dividends provided for or paid	25	-	-	-	(5,265)	(5,265)	(5,265)
Transfer to other comprehensive income		(3,599)	-	-	3,599	-	-
Amount transferred to share capital reserve	24(b)	20	-	-	(20)	-	(108)
Transactions with owners in their capacity as owners		(3,264)	(314)	-	(1,687)	(5,265)	(5,373)
Total members' funds (equity) as at 30 June 2025		225,443	150,405	73,934	164,540	614,322	614,322
Total members' funds (equity) as at 1 July 2025		225,443	150,405	73,934	164,540	614,322	614,322
Profit/(Loss) for the year		-	-	-	30,363	30,363	30,363
Other comprehensive (loss)/income		2,390	-	-	-	2,390	2,390
Total comprehensive (loss)/income for the year		2,390	-	-	30,363	32,754	32,754
Dividends provided for or paid	25	-	-	-	(4,974)	(4,974)	(4,974)
Transfer (to)/from Other Comprehensive Income	24	(10,893)	-	-	10,893	-	-
Amount transferred to share capital reserve	24(b)	21	-	-	(21)	-	-
Transactions with owners in their capacity as owners		(10,872)	-	-	5,899	(4,974)	(4,974)
Total members' funds (equity) as at 30 June 2026		216,961	150,405	73,934	200,803	642,102	642,102

Year Ended 30 June 2026		Bank				
		Reserves	Contributed equity	Issued Capital	Retained earnings	Total
		\$000	\$000	\$000	\$000	\$000
Total members' funds (equity) as at 1 July 2024		228,124	150,405	73,934	136,648	589,110
Profit/(loss) for the year		-	-	-	28,023	28,023
Other comprehensive income/(loss)		2,688	-	-	-	2,688
Total comprehensive income/(loss) for the year		2,688	-	-	28,023	30,711
Dividends provided for or paid	25	-	-	-	(5,265)	(5,265)
Transfer (to)/from Other Comprehensive Income		(3,599)	-	-	3,599	-
Amount transferred to share capital reserve	24(b)	21	-	-	(21)	-
Transactions with owners in their capacity as owners		(3,578)	-	-	(1,687)	(5,265)
Total members' funds (equity) as at 30 June 2025		227,234	150,405	73,934	162,983	614,556
Opening adjustment		-	-	-	-	-
Total members' funds (equity) as at 1 July 2025		227,234	150,405	73,934	162,983	614,556
Profit/(loss) for the year		-	-	-	30,379	30,379
Other comprehensive (loss)/income		2,391	-	-	-	2,391
Total comprehensive (loss)/income for the year		2,391	-	-	30,379	32,770
Dividends provided for or paid	25	-	-	-	(4,974)	(4,974)
Transfer (to)/from Other Comprehensive Income	24	(10,474)	-	-	10,474	-
Amount transferred to share capital reserve	24(b)	21	-	-	(21)	-
Transactions with owners in their capacity as owners		(10,453)	-	-	5,479	(4,974)
Total members' funds (equity) as at 30 June 2026		219,171	150,405	73,934	198,842	642,352

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

Year Ended 30 June 2026	Notes	Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Interest received from loans		435,265	429,932	435,265	429,932
Bad debts recovered		761	133	761	133
Interest received from investments		59,233	62,782	123,774	132,106
Commissions and other income received		16,439	14,890	23,365	22,089
Interest paid - members		(216,083)	(245,850)	(216,083)	(245,850)
Interest paid - borrowing costs		(73,837)	(55,216)	(146,557)	(132,000)
Interest paid - lease liabilities		(498)	(603)	(498)	(603)
Finance costs - securitisation		(409)	(1,008)	(409)	(1,008)
Payments to employees and suppliers		(121,850)	(143,605)	(121,057)	(142,571)
Income taxes paid		(14,280)	(14,289)	(14,280)	(14,159)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities		84,742	47,166	84,281	48,069
(Increase)/decrease in operating assets					
Net (increase)/decrease in balance of loans and other receivables		(398,940)	(559,714)	(398,940)	(559,717)
Net decrease/(increase) in Financial assets at amortised cost		(48,577)	10,321	(48,611)	10,321
Increase/(decrease) in operating liabilities					
Net increase in balance of deposits		570,968	663,422	570,968	662,797
Net (decrease)/increase in borrowings from other financial institutions		(166,625)	(210,546)	(163,541)	2,752
Net cash inflow/(outflow) from operating activities	26	41,568	(49,351)	44,157	164,222
Cash flows from investing activities					
Dividends received		735	533	1,115	1,075
Proceeds from sale of property and equipment		2,376	581	507	540
Payments for property and equipment		(3,117)	(2,103)	(3,109)	(2,103)
Payments for intangible assets		(6)	(4,285)	(6)	(4,285)
Proceeds from sale of financial assets at FVOCI		(17,756)	-	(17,756)	-
(Loans to)/repayments from controlled entities		-	-	(26,637)	(210,350)
Net cash (outflow)/inflow from investing activities		(17,768)	(5,274)	(45,886)	(215,123)
Cash flows from financing activities					
Principal element of lease payments		(6,417)	(6,683)	(6,417)	(6,684)
Member shares issued		136	156	136	156
Member shares redeemed		(157)	(176)	(157)	(176)
Securitisation notes (purchased)/sold		-	-	-	-
Dividends paid to Capital Note Holders		(4,974)	(5,265)	(4,974)	(5,265)
Net cash (outflow)/inflow from financing activities		(11,412)	(11,968)	(11,412)	(11,969)
Net increase/ (decrease) in cash and cash equivalents held		12,387	(66,593)	(13,141)	(62,870)
Cash and cash equivalents at the beginning of the year		188,989	255,582	120,368	183,238
Cash and cash equivalents at the end of the year	7	201,376	188,989	107,227	120,368

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal 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 separate financial statements for Police & Nurses Limited ("the Bank") as an individual entity and the consolidated entity consisting of Police & Nurses Limited and its subsidiaries ("the Group"). The parent company of the Group is the Bank.

(a) Basis of preparation

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The Bank and the Group are for-profit entities for the purpose of preparing the financial statements. The presentation and functional currency is Australian dollars.

Compliance with IFRS

The Bank entity and consolidated Group entity financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) – measured at fair value;
- assets held for sale – measured at the lower of carrying amount or fair value less cost of disposal; and
- certain property measured at fair value.

Comparatives

Comparative balances in the Statements of Profit or Loss and Statements of Financial Position have been reclassified where appropriate.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise of the financial statements of the Group as at 30 June each year. Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date at which control is transferred out of the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(t)).

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Investments in subsidiaries are carried at cost in the financial statements.

All intercompany balances and transactions, including unrealised profits and losses arising from intra-Group transactions, have been eliminated fully on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Statement of Financial Position respectively.

(ii) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

For joint operations, the Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These are incorporated in the financial statements under the appropriate headings.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated Statements of Financial Position.

(c) Loan provisioning

The Group applies a three stage approach in measuring Expected Credit Losses (ECLs) based on changes in the financial assets underlying credit risk and includes forward looking or macroeconomic conditions.

ECLs are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

Refer to note 1(z) for further detail over the impairment methodology for all financial assets.

(d) Property and equipment

Plant & Equipment (equipment and leasehold improvements) are shown at historical cost less, where applicable accumulated depreciation and impairment losses. Property (Land and buildings) is shown at fair value less, where applicable accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

All other repairs and maintenance are charged to the Statements of Profit or Loss during the financial period in which they are incurred.

(i) Property

Freehold land and buildings are measured at their fair value, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation increase is credited to other comprehensive income unless it reverses a revaluation decrease on the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss unless it directly offsets a previous revaluation increase on the same asset in the asset revaluation reserve. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

It is the policy of the Group to have an independent valuation every three years, with annual appraisals being made by the Directors.

Mixed use properties remain in Property and equipment unless there is significant third-party use.

(ii) Depreciation

The depreciable amount of all property and equipment including buildings, but excluding freehold land, is depreciated over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of future improvements.

Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Leasehold improvements*	3 - 10 years
Equipment	2 - 10 years

*or the expected life of the improvement whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statements of Profit or Loss.

An asset may be derecognised when its carrying amount is fully written down and the asset is no longer in use by the Group.

Any investment allowance applicable to depreciable assets is offset against income tax expense.

(e) Intangible assets

(i) Internally generated intangible assets

(a) The Group recognises an internally generated intangible asset when:

- the separable asset is controlled by the Group;
- it is probable that future economic benefits relating to that asset will flow to the Group; and
- the costs can be measured reliably.

Control

The Group controls the asset if it has the power to obtain the future economic benefits and to restrict access of others to those benefits, by legal or other right.

Probable Future Economic Benefits

Judgement by the Group is used to determine the probability of future economic benefits obtained primarily in the form of cost savings and additional capabilities of existing processes. This is assessed in line with the principles of AASB 136 *Impairment of Assets*.

Cost measurement

The Group assesses a cost as reliably measured if it can be quantified in an accurate manner.

The Group carries internally generated intangible assets at cost less accumulated amortisation and any impairment losses, if applicable. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on activities that qualify for capitalisation.

These assets are amortised over the estimated useful lives (2 to 10 years) on a straight-line basis at a rate applicable to the expected useful life of the asset. Internally generated assets are assessed initial for recognition on a case by case basis and tested for ongoing recognition and impairment at each reporting date. Any impairment loss is recognised in the Statements of Profit or Loss when incurred. An asset may be derecognised when its carrying amount is fully written down.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. An intangible asset will only be recognised to the extent the costs are incurred in the development phase and the specific activities qualify for capitalisation. The Group determines an internally generated intangible asset project to be in the development phase where the project demonstrates:

- technical feasibility
- intention to complete
- usability
- usefulness to the Group
- availability of resources to complete
- can be measured reliably

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Development phase costs often include cost of material/ services and employee benefits used or consumed in generating the intangible asset.

(b) *Work in Progress ("WIP")*

All internally generated intangible assets are capitalised when the project meets the recognition criteria of AASB 138 *Intangible Assets*. When the intangible asset is determined as ready for use it is transferred from WIP into the respective intangible asset category. Judgement is used on an asset-by-asset basis to determine when the asset is ready for use.

(c) *Internal Projects*

Internal Projects encompass assets that create cost savings, additional capabilities and/or efficiencies and/or new sales for the Group. This primarily includes projects to internally develop digital platforms, process automation tools, integration systems, and business-enabling technology solutions. These projects are only recognised to the extent they meet the criteria in (a) above and are amortised from the date the assets are transferred to the respective intangible asset category.

Software as a Service (SaaS) arrangements are generally cloud computing arrangements where a customer obtains access to hosted software by the software vendor, and depending on the circumstances, an intangible asset may be created. SaaS related arrangements that qualify for intangible asset recognition and are directly linked to the specific Internal Projects future economic benefits, are capitalised to the Internal Projects asset category.

Software as a Service (SaaS) – internal project related

Where costs incurred to configure or customise SaaS platforms result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset. They are amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a "distinct" service (in addition to the SaaS access) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a "distinct" service, the costs are recognised as expenses over the duration of the SaaS contract.

(d) *Computer software costs – non project related*

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 group are

recognised as intangible assets where 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 or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial, and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the AASB 138 recognition criteria is met and the asset is ready for use.

(e) *Carbon Offsets*

The Group holds Australian Carbon Credit Units (ACCUs) which were purchased to offset against the Group's emissions representing offsets that were not utilised to offset emissions during the period. The offsets meet the definition of intangible assets as the Group has control over the offsets, it is probable that future economic benefits will flow to the Group and the cost of the offsets can be measured reliably. Carbon offsets are measured at cost and are subsequently carried at cost less any accumulated impairment losses and are expensed on a first-in first-out basis when utilized.

(f) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Temporary differences arising from the initial recognition of an asset or a liability is not recognised if they arose in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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 entity 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 the Statements of Profit or Loss are also recognised directly in the Statements of Profit or Loss. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Uncertainty over Income tax treatment

Where there is uncertainty over the recognition and measurement of income tax treatments, the Group does an evaluation of each uncertain tax position to assess whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

(ii) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowances reduce income

tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(iii) Tax consolidation legislation

The Bank and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003, with the Bank as the head entity of the tax consolidated group (note 7(e)).

The head entity, the Bank, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in their own right.

In addition to its own current and deferred tax amounts, the Bank also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Entities within the tax consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of the tax arrangement, the Bank and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

(h) Employee benefits

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of the expected future payments to be made in respect of services provided by employees up to the balance sheet date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the balance sheet date on high quality corporate bonds with term to maturity and currency that match, as closely as possible, the estimated future cash outflows. Annual leave is accrued throughout the year.

(i) Interest

Interest on members' loans is calculated on an accrual basis using the effective interest method. For non-performing loans interest is charged to the account but is held as interest reserved and not recognised in the Statements of Profit or Loss. Interest on members' deposits is calculated on an accrual basis using the effective interest method and the accrual is included in the value of members' deposits disclosed in these financial statements.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statements of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less. Cash on hand, cash at bank and short-term deposits are stated at nominal value. Bank

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

overdrafts are shown within borrowings in current liabilities in the Statements of Financial Position.

For the purposes of the cash flow statement, cash and cash equivalents are reported net of outstanding bank overdrafts.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. This is assumed to approximate their fair value due to their short-term nature. See notes 1(w) and 1(z) for further information about the Group's accounting policies for financial assets and related impairment.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue (inclusive of loan origination fees and transaction costs) is recognised as interest accrued using the effective interest method, which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest revenue relating to loan accounts with mortgage offsets, is presented on a net basis in revenue to reflect how the member is charged.

Dividend distributions from financial assets are recognised in the Statements of Profit or Loss when the right to receive payment is established.

Revenue from contracts with customers is recognised when a customer obtains control of the promised good or service and the Group satisfies its performance obligations under the contract. Revenue is allocated to each performance obligation. The Group considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Group expects to be entitled to in exchange for transferring the promised good or service.

Revenue earned by the Group from its contracts with customers primarily consists of the following:

- Fee and commission income on a range of banking products and services platforms, wealth services, credit cards, structuring fees, lending services and activities and income on structured products which are recognised when the related performance obligation is satisfied either over time or at a point in time; and
- Securitisation service fees.

(m) Fair value estimation

The fair value of assets and liabilities must be

estimated for recognition and measurement and is determined according to a hierarchy that reflects the observability of

significant market inputs. The three levels of the hierarchy are defined below:

Level 1 - Quoted market prices

The fair values of financial instruments that are traded in active markets are based on quoted market prices at the balance sheet date.

Level 2 - Valuation technique using observable inputs

The fair value of financial instruments not traded in an active market is determined using appropriate valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Level 3 - Valuation technique using significant unobservable inputs

The unobservable inputs valuation technique is used where one or more of the significant inputs is not based on observable market data.

(n) Borrowings

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

Interest is accrued over the period it becomes due and is recorded as part of Borrowings.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Finance costs incurred relate to facility fees paid to other financial institutions.

(p) Loan securitisation

The Bank, through its loan securitisation program, packages and sells loans (principally housing mortgage loans) as securities to investors.

The Bank receives fees for various services provided to the program on an arm's length basis, including servicing fees and management fees. These fees are recognised over the period in which the relevant costs are borne. The Bank also provides arm's length liquidity facilities to the program in accordance with APRA Prudential Guidelines. In addition, the Bank may receive residual income (excess fees), comprising mortgage loan interest not due to the investors less trust expenses.

The timing and amount of the residual income cannot be reliably measured because of the significant uncertainties inherent in estimating future repayment rates on the underlying mortgage

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

loans and the mortgage loan interest margins. Consequently, the residual income receivable is not recognised as an asset and no gain is recognised when loans are sold. The residual income is therefore recognised when settled and is included in net interest income.

(q) Other payables

Other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Loan origination fees and transaction costs

Loan origination fees including upfront broker commissions and transaction costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability are recognised at inception and included in the carrying amounts. These fees and transaction costs are deferred over the expected life of the instrument according to the effective interest method. The effective interest method uses the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. This applies to all financial assets or liabilities except for those that are measured at fair value through profit or loss or FVOCI.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within Other Assets or Other Payables in the Statements of Financial Position.

(t) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair value.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Goodwill (if applicable) is stated after separate recognition of any identifiable intangible assets. It is calculated by the excess of the sum of (a) fair value of consideration transferred (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition date fair value of any existing equity interest in the acquiree over the acquisition date fair values of identifiable net assets.

No goodwill is recognised in the acquisition of a mutual entity. In a combination of mutual entities where only equity interests are transferred, the acquirer shall use the acquisition-date-fair-value of the acquiree's equity interests in place of the acquisition-date-fair-value of the consideration transferred.

Pursuant to the accounting standard AASB 3 *Business Combinations*, the receiving body in a combination of mutual entities, as approved under the *Financial sector (Transfers of Business) Act 1999*, all assets and liabilities are transferred to the receiving body and the net assets are added as a direct addition to the equity in its statement of financial position using the Contributed equity account (note 27).

Acquisition-related costs are expensed as incurred.

(u) Leases

The Group accounts for leases under AASB 16 and the Leases are recognised as a Right-of-use asset and a corresponding Lease liability at the commencement date, being the date the leased asset is available for use by the Group (note 18).

The Group leases various offices and branches. Rental contracts are typically made for fixed periods of 12 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any rental abatement;
- 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 payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

incremental borrowing rate is used, being the rate that the Group 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.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the Lease liability is reassessed and adjusted against the Right-of-use asset.

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 generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the Right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of leased IT equipment and small items of office furniture.

(v) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(w) Financial assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets in the following measurement categories:

- measured subsequently at amortised cost; or
- measured subsequently at fair value (either through other comprehensive income or through profit or loss).

(i) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- 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; and
- are not designated at fair value through profit or loss.

(ii) Financial assets measured at fair value

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

A financial asset is measured at fair value through other comprehensive income if all of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- 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; and
- are not designated at fair value through profit or loss.

For investments in debt instruments, this will depend on the business model in which the investment is held.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income, in which case, gains and losses will never be reclassified to profit or loss, and no impairment may be recognised in net profit or loss. Dividends earned from such investments are recognised in net profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(iii) Repurchase and securities lending agreements

Securities and commodities sold under an agreement to repurchase and securities subject to lending agreements continue to be recognised in the statements of financial position and an associated liability is recognised for the consideration received.

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

(x) Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivative liabilities, shall be subsequently measured at fair value.

(y) Derivatives

The Group uses derivative financial instruments such as interest rate swaps to avoid or minimise possible adverse financial effects of movements in interest rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value in line with market fluctuations. The unrealised gain or loss on remeasurement is immediately recognised in the Statements of Profit or Loss as an adjustment to interest expense, except where hedge accounting applies.

(i) Hedge accounting

When a derivative is designated as a hedge for accounting purposes, the Group documents the relationship between the derivative and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The Group uses cash flow hedges to manage exposure to variability in cash flows associated with a highly probable forecast transaction or a committed transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion

is recognised immediately in the Statements of Profit or Loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, for instance, when the forecast transaction that is hedged takes place.

Hedge accounting is discontinued when the hedging instrument expires or no longer qualifies for hedge accounting or is terminated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is immediately transferred to profit or loss.

(z) Impairment of financial assets

The Group applies the simplified ECL approach to trade receivables, contract assets and lease receivables. The simplified ECL model used by the Group calculates the provision for ECL by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The credit loss is the sum of these probability weighted outcomes. The ECL estimates are unbiased and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Additionally, The Group applies the three-stage model to Loans and Advances, other financial assets at amortised cost and receivables due from Financial Institutions on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk and exposures are assessed on either a collective or individual basis.

The collective provisions are calculated using an ECL model that determines potential losses from observing default and delinquency correlations in the loan book together with forward looking macro-economic variables.

The Group assesses on a forward-looking basis the ECL associated with all its Other financial assets held at amortised cost and with its exposure arising from loan commitments and financial guarantee contracts. The Group recognises movements in ECL at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions.

Individually, the Group applies Specific Provisions for impairment at an amount adequate to cover incurred credit-related losses. The Group assesses, at each Balance Sheet date, whether one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Evidence

Notes to the Financial Statements

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

of events that could have a detrimental impact on estimated future cash flows may include default, delinquency, bankruptcy or other observable data indicating a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions correlating with defaults. If there is evidence of these “loss events”, the amount of specific provision is measured as the difference between the loan’s carrying amount and the present value of any expected future cash flows.

(aa) Capital Notes

In accordance with Australian Prudential Regulation Authority’s Basel III capital adequacy framework, the Group’s Capital Note program forms part of the Group’s Additional Tier 1 Capital.

Nature of Capital Notes

The Capital Notes are issued as perpetual, non-cumulative, subordinated and unsecured instruments. The Group has the discretion to redeem the notes on a single option call date on the 5th anniversary of the issue. Should the securities not be redeemed they will remain perpetual.

Recognition and Measurement

The Capital Notes are classified as Equity within the Statements of Financial Position in accordance with the substance of the contractual terms of the instrument.

These instruments are recognised at cost less charges associated with the issue of the instrument (net of deferred tax).

The Capital Notes carry a discretionary distribution which will be declared and payable quarterly in arrears. The distributions are treated as dividends and are recognised in retained earnings.

Any gains and losses relating to the Capital Notes are recognised in retained earnings, net of deferred tax.

(ab) Rounding of amounts

The Bank is a company of a kind referred to in *Legislative Instrument 2026/183*, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(ac) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are effective in the current financial year

There are no new accounting standards and interpretations that have been published and are mandatory for 30 June 2026 reporting that resulted in a material impact on the Group’s consolidated financial statements.

(ad) New Australian Accounting Standards, amendments, and developments to Australian Accounting Standards and Interpretations that are not yet effective for the financial year

At the date of authorisation of these consolidated financial statements, several new but not yet effective standards, amendments to existing standards and interpretations have been published by the AASB, IASB or IFRIC. None of these Standards or amendments to existing Standards or any interpretations have been adopted early by the Group.

(i) AASB 18 Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board issued IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) which sets out requirements for the presentation and disclosure of information in general purpose financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027. The transition provisions of IFRS 18 requires retrospective application. The AASB issued the Australian equivalent of the standard in June 2025. Based on work completed to date, no substantial implementation issues have been identified, and the Group does not currently expect a material impact on its financial position or financial performance.

(ii) Other issued new standards

Other new Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group’s consolidated financial statements.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Loan provisioning

Specific loan provisions are calculated for loans where enough evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. These events are defined in note 1(z) above. The Group has provided for all loans where there is a loss event and the security is less than the loan due, except where the loan repayments are secured by lenders mortgage insurance.

Notes to the Financial Statements

Collective loan provisions are calculated based on the forward-looking ECL model as outlined in note 1(z).

(ii) Internally generated intangible assets

The Group carries its internally generated intangible assets at cost less any accumulated amortisation recognised in profit or loss.

The key assumptions used in the determination of the internally generated intangible assets are the following:

- determining whether cloud computing arrangements contain an intangible asset, meaning providing a resource the group can control;
- capitalisation of configuration and customisation costs in Internal Projects (which includes SaaS arrangements);
- estimate of useful lives for each internally generated intangible asset; and
- determining when the asset is ready for use and is moved from Work in Progress to its respective asset category.

How these costs are determined is set out in note 1(e).

(iii) Estimated fair value of financial assets and liabilities

Interest rate swaps are considered a level 2 observable input valuation. The fair value is calculated as the present value of the future cash flows based on observable yield curves. For interest rate swaps qualifying as cash flow hedges, the effective portion of the gains and losses is posted to the cash flow hedge reserve within other comprehensive income and the ineffective portion is posted directly to the Statements of Profit or Loss. Gains and losses as a result of interest rate swaps that do not qualify as cash flow hedges are posted immediately to the Statements of Profit or Loss.

The fair value of unlisted equity securities is determined using level 3 unobservable valuation techniques that consider the financials of the company, historical share transactions and reference the performance to other similar investments.

For the majority of financial assets and liabilities held at amortised cost, the fair values are not materially different to the carrying values unless otherwise disclosed in the notes.

(iv) Effective interest rate adjustment

Loans and Advances are carried at amortised cost, requiring estimates to be made of their expected useful lives. The expected life of mortgage secured loans is used to estimate all loans in the loan portfolio. Refer to note 1(r) for additional detail on the effective interest rate adjustment applied to loan origination fees and transaction costs.

(b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has not made judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
3	NET INTEREST INCOME				
	Interest revenue and interest expense				
	Interest income				
	Investment securities and deposits with other financial institutions	59,233	62,782	123,774	132,106
	Loans and advances (i)	435,265	429,932	435,265	429,932
		494,498	492,714	559,039	562,038
	Interest expense				
	Members' deposits (ii)	216,083	245,850	216,083	245,850
	Borrowings	73,837	55,216	146,557	132,001
		289,920	301,066	362,640	377,851
	Net interest income	204,578	191,648	196,399	184,187

The fee income and expenses associated with loan origination have been recognised as part of net interest income.

(i) Interest accruing on mortgage offset accounts is presented on a net basis within interest revenue, according to the Group's revenue recognition policy.

(ii) In this note, Members' deposits exclude wholesale term deposits.

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
4	NON-INTEREST INCOME				
	Fee income	8,404	7,907	15,798	14,487
	Commissions	7,581	7,277	7,581	7,277
	Dividends	735	533	1,115	1,075
	Net gain on disposal of property, plant and equipment	314	(60)	273	(60)
	Other income	83	192	70	121
		17,117	15,849	24,837	22,900

Year Ended 30 June 2026		Notes	Group		Bank	
			2026	2025	2026	2025
			\$000	\$000	\$000	\$000
5	OPERATING AND OTHER EXPENSES					
	Employee benefits expense		86,993	84,496	86,993	84,496
	Fees and commissions		23,314	21,626	23,092	21,333
	Information technology costs		20,954	18,878	20,954	18,878
	Depreciation and amortisation		18,140	18,352	18,117	18,321
	Other general and administration costs		9,655	8,855	9,655	8,855
	Marketing costs		6,125	6,163	6,125	6,163
	Audit and professional fees		4,038	2,847	3,980	2,801
	Building and occupancy costs		3,359	2,655	3,336	2,651
	Impairment of non financial assets	17	3,325	-	3,325	551
	Finance costs		1,346	1,611	1,346	1,611
	Loss on sale of financial assets held at amortised cost		59	-	59	-
			177,307	165,483	176,981	165,659

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
6 INCOME TAX EXPENSE					
(a) Income tax expense					
Current tax expense/(benefit)		17,132	14,716	16,841	14,494
Deferred tax expense/(benefit)		(5,233)	(2,734)	(5,098)	(2,925)
Under/(over) provided for current tax in prior years		74	38	80	66
Income tax expense		11,973	12,020	11,823	11,635
Income tax expense is attributable to					
Profit from continuing operations		11,973	12,020	11,823	11,635
Income tax expense		11,973	12,020	11,823	11,635
Deferred income tax (benefit)/expense included in income tax expense comprises:					
Decrease/(increase) in deferred tax assets (note 18)		(1,941)	1,801	(1,943)	1,761
(Decrease)/Increase in deferred tax liabilities (note 23)		(3,292)	(4,535)	(3,155)	(4,686)
		(5,233)	(2,734)	(5,098)	(2,925)
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		42,336	40,244	42,202	39,657
Prima facie income tax calculated at 30% (2025: 30%)		12,701	12,073	12,661	11,897
Tax effect of amounts which are not deductible(taxable) in calculating taxable income:					
Non-deductible expenses		94	108	94	108
Tax offset for franked dividends		(221)	(217)	(221)	(212)
Other		(601)	16	(712)	(224)
		11,973	11,980	11,823	11,569
Under provision in prior year		-	40	-	66
Income tax expense		11,973	12,020	11,823	11,635
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity or through OCI					
Net deferred tax – debited/(credited)directly to equity (note 23)		(763)	896	(763)	869
(d) Franking credits					
Franking credits based on a tax rate of 30%		207,576	193,981	207,576	193,981

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (i) franking credits that will arise from the payment of the amount of the current tax liability;
- (ii) franking debits that will arise from the refund receivable of the amount of the current tax asset; and
- (iii) franking credits used for the payment of Capital Note distributions.

Notes to the Financial Statements

6 INCOME TAX EXPENSE (continued)

(e) Tax consolidation legislation

The Bank and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy on implementation of the legislation is set out in note 1(g). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, the Bank. Under the terms of this agreement, the wholly-owned entities will fully compensate the Bank for any current tax payable assumed and are compensated by the Bank for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Bank under the tax consolidation legislation. The amounts receivable/payable is recognised as tax-related receivable or payable by the Bank.

Year Ended 30 June 2026

	Group		Bank	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
7 CASH AND CASH EQUIVALENTS				
Cash on hand	5,071	4,365	5,071	4,365
Cash and deposits at call with ADIs	196,305	184,624	102,156	116,003
	201,376	188,989	107,227	120,368

Year Ended 30 June 2026

	Group		Bank	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
8 FINANCIAL ASSETS AT AMORTISED COST				
Floating rate notes	487,667	597,279	487,667	597,279
Fixed rate notes	532,231	345,110	532,231	345,110
Negotiable certificates of deposit	39,469	29,909	39,469	29,909
Investment securities	173,585	170,040	173,585	170,040
Security deposits	31,005	31,004	31,005	31,004
Mortgage backed securities	-	42,225	20,529	62,721
Other investments	17	16	2	1
	1,263,974	1,215,583	1,284,488	1,236,062
Expected credit loss provision	(260)	(389)	(260)	(389)
	1,263,714	1,215,194	1,284,228	1,235,674

The majority of the above amounts are expected to be recovered less than one year after the balance sheet date.

The ECL provision of \$259,693 (2025: \$389,040) belongs to stage 1 collective, accounts with arrears up to 29 days.

The fair value of financial assets at amortised cost is \$1,222,706,194 (2025: \$1,218,338,811).

The Bank holds investments in certain securitisation notes, which are debt securities issued by securitisation trusts that are related entities.

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
9	FINANCIAL ASSETS HELD AT FVOCI				
	Investment in Cuscal	1,538	8,117	1,538	8,117
	Investment in Indue Ltd	-	1,397	-	1,397
		1,538	9,514	1,538	9,514

Investment in Cuscal – listed security

The Group has determined the value of the investment in Cuscal using Level 1 quoted market prices as per the Australian Securities Exchange as at year end. In the current financial year shares in Indue Ltd were sold at their market value to Cuscal Ltd in an agreed upon share buyback.

Sale of Cuscal shares

In November 2025, the group sold 2,400,000 Cuscal shares. Subsequent to the sale, the group retained 305,776 shares in Cuscal and still retained these shares at the end of the financial year. Gains on disposal were recognised in Other Comprehensive Income.

Sale of Indue shares

Following the acquisition of Indue by Cuscal in December 2025, the Group's remaining 13,967 shares in Indue were purchased by Cuscal. Gains on disposal were recognised in Other Comprehensive Income.

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
10	OTHER ASSETS				
	Prepayments	7,305	7,770	7,305	7,770
	Other receivables	14,642	12,707	14,454	12,062
	Deferred securitisation receivable	-	-	70,500	43,863
		21,947	20,477	92,259	63,695

Receivables are short-term in nature and dependent on the terms and conditions of the related contract, where one exists. Other receivables include transactions pending settlement.

As at 30 June 2026, amounts due to and from the Bank's self-securitisation facility (Pinnacle Series Trust 2014-SST) are presented net within deferred securitisation receivables as the Group has the right and intention to settle these on a net basis. The gross amounts due to the Pinnacle Series Trust 2014-SST were \$1,835,499,932 (2025: \$1,301,137,408) and the gross amounts due from the Pinnacle Series Trust 2014-SST were \$1,906,000,000 (2025: \$1,345,000,000).

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
11 LOANS AND ADVANCES					
Retail mortgages		7,678,722	7,290,253	7,678,722	7,290,253
Secured overdrafts		26,284	29,689	26,284	29,689
Personal loans		38,586	40,389	38,586	40,389
Credit cards		33,082	34,207	33,082	34,207
Retail loans and advances		7,776,674	7,394,538	7,776,674	7,394,538
Commercial loans		489,569	473,080	489,569	473,080
Gross loans and advances		8,266,243	7,867,618	8,266,243	7,867,618
Effective interest rate adjustment		20,984	22,993	20,984	22,993
Expected credit loss provision (table (a))		(8,948)	(6,579)	(8,948)	(6,579)
Net loans and advances		8,278,279	7,884,032	8,278,279	7,884,032

- Secured overdrafts are revolving lines of credit secured by residential properties.
- Commercial loans are secured by registered mortgages over commercial, residential or non-residential properties.
- Personal loans are provided on a secured or unsecured basis and are predominantly secured by motor vehicles.
- Credit cards are revolving lines of credit and are unsecured.

As at 30 June 2026, the fair value of Loans and Advances is \$23,782,337 lower (2025: \$25,205,700 lower) than net carrying value.

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
The maturity tables are based on contractual terms.					
Time to maturity					
Not later than one year		249,099	205,990	249,099	205,990
One year to five years		226,213	237,507	226,213	237,507
Over five years		7,790,931	7,424,121	7,790,931	7,424,121
		8,266,243	7,867,618	8,266,243	7,867,618

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
Securitised Loans under management					
Pinnacle Series Trust 2014-SST		-	-	1,835,500	1,301,137
Pinnacle RMBS Warehouse Trust		-	-	185,084	185,196
Pinnacle Series Trust 2017-T1		-	-	-	33,702
Pinnacle Series Trust 2021-T1		-	-	77,770	103,169
Pinnacle Series Trust 2024-T1		-	-	177,179	239,080
		-	-	2,275,533	1,862,284

The Bank securitises mortgage loans via securitisation programs which it manages and from which it derives servicing fee income. Further information regarding the Group's involvement in securitisation is detailed in Note 21(a).

Notes to the Financial Statements

11 LOANS AND ADVANCES (continued)

Year Ended 30 June 2026

	Group		Bank	
	2026 \$000	2025 \$000	2026 \$000	2025 \$000
(a) Total loan expected credit loss provision including off balance sheet				
Collective stage 1	6,095	4,313	6,095	4,313
Collective stage 2	984	593	984	593
Collective stage 3	1,185	1,047	1,185	1,047
Individual stage 3	684	626	684	626
Total	8,948	6,579	8,948	6,579
of which relates to undrawn credit commitments	(583)	(700)	(583)	(700)
Total, on balance sheet loans	8,365	5,879	8,365	5,879
(b) On balance sheet loans total expected credit loss provision				
Opening balance	5,879	4,976	5,879	4,976
Bad debts previously provided for written off	(143)	(940)	(143)	(940)
Credit Impairment charge during the year	2,628	1,843	2,628	1,843
Closing balance	8,365	5,879	8,365	5,879
(i) Credit Impairment charge/(reversal) by category				
Financial Assets at Amortised Cost	(130)	38	(130)	38
Loans and advances	2,628	1,842	2,628	1,842
Undrawn credit commitments	314	143	314	143
Bad debts recovered	(761)	(133)	(761)	(133)
	2,052	1,890	2,052	1,890
(ii) Credit Impairment charge/(reversal) by stage				
Collective stage 1	1,037	580	1,037	580
Collective stage 2	623	232	623	232
Collective stage 3	526	355	526	355
Individual stage 3	626	856	626	856
Bad debts recovered	(761)	(133)	(761)	(133)
	2,052	1,890	2,052	1,890
Of which relates to loans and advances				
Collective stage 1	1,167	542	1,167	542
Collective stage 2	623	232	623	232
Collective stage 3	526	355	526	355
Individual stage 3	626	856	626	856
Total inclusive of undrawn credit commitments	2,942	1,985	2,942	1,985
Undrawn credit commitments	(314)	(66)	(314)	(66)
Total loans and advances	2,628	1,919	2,628	1,919

Notes to the Financial Statements

12 MOVEMENT IN EXPECTED CREDIT LOSS PROVISION

The table below represents the reconciliation from the opening balance to the closing balance of ECL provision.

Year Ended 30 June 2026

	Group and Bank			Total \$000
	Financial assets at amortised cost \$000	Loans and advances \$000	Undrawn credit commitments \$000	
Balance as at 30 June 2024	351	4,976	529	5,856
Credit Impairment charge	38	1,843	143	2,024
Amounts written off, previously provided for	-	(940)	28	(912)
Balance as at 30 June 2025	389	5,879	700	6,968
Credit Impairment charge/(reversal)	(129)	2,629	313	2,813
Amounts written off, previously provided for	-	(143)	(430)	(573)
Balance as at 30 June 2026	260	8,365	583	9,208

Forward-looking information

As described in Note 32(c), the Group applies alternative five-year macroeconomic scenarios to estimate ECL and capture an unbiased probability-weighted range of possible future economic outcomes. Internal expertise, external economic forecasts and Australian financial services data are considered in developing these scenarios and the associated probability weightings.

In applying forward-looking information for estimating ECL for retail portfolios, the consolidated entity considers three probability-weighted forecast economic scenarios as follows:

Base case scenario

This scenario reflects the entity's base case assumptions used in internal planning, which are based on a market consensus view of the macroeconomic environment to ensure an unbiased estimate of expected credit losses. The consolidated entity has applied a weighting of 40% (2025: 60%) to the base case scenario.

Downside and worst scenarios

The downside and worst scenarios are not based on the economic conditions prevailing at balance date, instead they are based on slight pessimistic (in the case of the downside) and more pessimistic (in the case of the worst) economic events and uncertainty over a longer-term horizon. Under the downside scenario, management assumes a deterioration in economic conditions, characterised by higher unemployment rates and elevated inflation relative to the base scenario. Under the worst scenario, a more severe economic downturn is assumed, including materially higher unemployment rates, prolonged inflationary pressures and a greater reduction in borrowers' capacity to service debt obligations. The consolidated entity has assigned a weighting of 30% to each of the downside and worst scenarios in its expected credit loss assessment. This differs from FY2025, where a 20% weighting was applied to an upside scenario and 20% applied to worst scenario, and reflects management's revised view of the forward-looking economic environment and the balance of associated risks.

Due to uncertainty in the forward-looking economic environment, the consolidated entity has incorporated a management overlay in its ECL model, to reflect the potential losses that may not be fully captured within the model methodology. Overlays are determined based on a range of techniques including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments.

Each of the three scenarios include a 12-month forecast of relevant macroeconomic variables which include unemployment rates, GDP growth rates, house price index and lending rate changes. Sensitivity testing on the scenario weightings indicated that large changes in weightings does not result in a material impact to the provision. Management reviews the ECL model and macroeconomic assumptions on a monthly basis as updated economic data and forecasts become available.

Hardship Support Offered

Hardship relief continues to be offered to members who require additional support. Bespoke hardship disaster relief is also provided when required i.e. Cyclone Alfred and Narelle.

Notes to the Financial Statements

12 MOVEMENT OF EXPECTED CREDIT LOSS PROVISION (continued)

Year Ended 30 June 2026

Year Ended 30 June 2026		Group and Bank				
	Stage 1	Stage 2	Stage 3			
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total	
	\$000	\$000	\$000	\$000	\$000	
(a)	LOAN AND ADVANCES					
	Balance as at 30 June 2024	3,021	575	1,257	652	5,505
	Changes due to financial assets recognised in the opening balances that have:					
	Transferred to 12-months ECL	824	(189)	(568)	(67)	-
	Transferred to Lifetime ECL - not credit impaired	(44)	152	(93)	(15)	-
	Transferred to Lifetime ECL - credit impaired - collective provision	(13)	(115)	155	(28)	(1)
	Transferred to Lifetime ECL - credit impaired - specific provision	(17)	(62)	(59)	140	2
	Bad debts written off	-	-	-	(912)	(912)
	Charge/(reversal of impairment) to income statement from operations	542	232	355	856	1,985
	Balance as at 30 June 2025	4,313	593	1,047	626	6,579
	Changes due to financial assets recognised in the opening balances that have:					
	Transferred to 12-months ECL	760	(301)	(400)	(59)	-
	Transferred to Lifetime ECL - not credit impaired	(80)	159	(49)	(30)	-
	Transferred to Lifetime ECL - credit impaired - collective provision	(38)	(69)	115	(8)	-
	Transferred to Lifetime ECL - credit impaired - specific provision	(27)	(21)	(54)	102	-
	Bad debts written off	-	-	-	(573)	(573)
	Charge/(reversal of impairment) to income statement from operations	1,167	623	526	626	2,942
	Balance as at 30 June 2026	6,095	984	1,185	684	8,948

Notes to the Financial Statements

13 DERIVATIVE FINANCIAL INSTRUMENTS

Year Ended 30 June 2026

	Group		Bank	
	2026 Fair value \$000	2025 Fair Value \$000	2026 Fair value \$000	2025 Fair Value \$000
(a) Fair Value				
Derivative financial assets				
Interest rate swaps - fair value through Profit or Loss - assets	-	4	-	-
Interest rate swaps - held as cash flow hedges - assets	-	398	-	398
	-	402	-	398
Derivative financial liabilities				
Interest rate swaps - fair value through Profit or Loss - liabilities	-	5	-	5
Interest rate swaps - held as cash flow hedges - liabilities	7,555	2,072	7,555	2,072
	7,555	2,077	7,555	2,077

Year Ended 30 June 2026

	Group		Bank	
	2026 Notional Amount \$000	2025 Notional Amount \$000	2026 Notional Amount \$000	2025 Notional Amount \$000
(b) Notional Amount				
Derivative financial assets				
Interest rate swaps - fair value through Profit or Loss - assets	-	620	-	-
Interest rate swaps - held as cash flow hedges - assets	-	164,000	-	164,000
	-	164,620	-	164,000
Derivative financial liabilities				
Interest rate swaps - fair value through Profit or Loss - liabilities	-	620	-	620
Interest rate swaps - held as cash flow hedges - liabilities	1,401,500	416,500	1,401,500	416,500
	1,401,500	417,120	1,401,500	417,120

Terms and conditions

Interest rate swaps are used by the Group to manage exposure to interest rate risk. Where these swaps qualify for cash flow hedge accounting, the effective portion of any unrealised profit or loss is deferred to equity in the cash flow hedge reserve within other comprehensive income. Where interest rate swaps do not qualify for hedge accounting, the profit or loss is recognised directly in the Statement of Profit or Loss.

The Group pays fixed interest on swaps with a notional amount of \$0 (2025: \$10,619,522), on which it pays 0.00% interest (2025: 0.70% to 3.83%) and receives interest calculated at a variable rate on the notional amount. At balance sheet date, the Bank pays fixed interest on swaps with a notional amount of \$0 (2025: \$10,619,522), on which it pays 0.00% interest (2025: 0.70% to 3.83%) and receives interest calculated at a variable rate on the notional amount.

The Group receives fixed interest on swaps with a notional amount of \$1,401,500,000 (2025: \$417,120,000), on which it receives 0.68% to 4.60% interest (2025: 0.66% to 4.30%) and pays interest calculated at a variable rate on the notional amount. At balance sheet date, the Bank receives fixed interest on swaps with a notional amount of \$1,401,500,000 (2025: \$417,120,000), on which it receives 0.68% to 4.60% interest (2025: 0.66% to 4.30%) and pays interest calculated at a variable rate on the notional amount.

Amounts accumulated in other comprehensive income for cash flow hedges are recycled to the Statements of Profit or Loss when the hedged forecast transaction occurs. Underlying cash flows from cash flow hedges are discounted to calculate deferred gains and losses which are expected to occur during the life of the cash flow hedge.

Notes to the Financial Statements

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Year Ended 30 June 2026

	Group and Bank			
	2026 \$000	2025 \$000	2026 \$000	2025 \$000
Maturity period				
Less than one year	3,065	84	3,065	84
More than one year but less than two years	1,788	27	1,788	27
More than two years but less than five years	232	307	232	307
Five years or more	-	181	-	181
Net Deferred (gains)/losses (note 24(c))	5,085	599	5,085	599

Fair value hierarchy

The Group's interest rate swaps are classified using the fair value hierarchy level 2 observable inputs valuation techniques (note 1(m)). The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Year Ended 30 June 2026

14 PROPERTY AND EQUIPMENT

Land and buildings

	2026 \$000	2025 \$000	2026 \$000	2025 \$000
At fair value	6,377	8,257	6,377	6,376
Accumulated depreciation	(225)	(163)	(225)	(133)
	6,152	8,094	6,152	6,243

Leasehold improvements

At cost	23,469	24,320	23,469	24,320
Accumulated depreciation	(18,002)	(16,475)	(18,002)	(16,475)
	5,467	7,845	5,467	7,845

Equipment

At cost	18,287	17,250	18,287	17,243
Accumulated depreciation	(13,656)	(12,810)	(13,656)	(12,809)
	4,631	4,440	4,631	4,434
Total property and equipment	16,250	20,379	16,250	18,522

Notes to the Financial Statements

14 PROPERTY AND EQUIPMENT (continued)

Reconciliation of the carrying amounts of each class of property and equipment

Year Ended 30 June 2026	Group				Bank			
	Land and buildings	Leasehold improvements	Equipment	Total	Land and buildings	Leasehold improvements	Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at 1 July 2024	7,056	11,101	5,077	23,234	5,266	11,101	5,070	21,437
Additions	-	160	1,943	2,103	-	160	1,943	2,103
Disposals	-	(193)	(327)	(520)	-	(193)	(327)	(520)
Revaluations	1,150	-	-	1,150	1,059	-	-	1,059
Depreciation expense	(112)	(3,223)	(2,253)	(5,588)	(82)	(3,223)	(2,252)	(5,557)
Carrying amount at 30 June 2025	8,094	7,845	4,440	20,379	6,243	7,845	4,434	18,522
Carrying amount at 1 July 2025	8,094	7,845	4,440	20,379	6,243	7,845	4,434	18,522
Additions	-	624	2,493	3,117	-	624	2,485	3,109
Disposals	(1,828)	(1)	(250)	(2,079)	-	(1)	(237)	(238)
Depreciation expense	(114)	(3,001)	(2,052)	(5,167)	(91)	(3,001)	(2,051)	(5,143)
Carrying amount at 30 June 2026	6,152	5,467	4,631	16,250	6,152	5,467	4,631	16,250

(a) REVALUATION OF LAND AND BUILDINGS

The revalued land and buildings consist of office properties in Australia. Management determined that these constitute one class of asset under AASB 13 *Fair Value Measurement*, based on the nature, characteristics and risks of the properties.

Fair value of the properties was determined using the income approach based on estimated rental value of the properties. Annual assessments of the fair value are made by the Directors, ensuring that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

The group engages external, independent and qualified valuers to determine the fair value of the group's land and buildings at least every three years (or more often if circumstances require). The last independent valuation of these land and buildings was performed as at 30 April 2025 by an external third party. Market rentals, outgoings and capitalisation rates are estimated by the independent valuer based on comparable transactions and industry data.

Notes to the Financial Statements

15 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the Statements of Financial Position

The Statements of Financial Position show the following amounts relating to leases:

Year Ended 30 June 2026	Group		Bank	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
Right-of-use assets				
Buildings	15,638	20,103	15,638	20,103
Net book value	15,638	20,103	15,638	20,103
Lease liabilities	19,992	25,327	19,992	25,327
	19,992	25,327	19,992	25,327

(b) Amounts recognised in the Statements of Profit or Loss

The Statements of Profit or Loss show the following amounts relating to leases:

Year Ended 30 June 2026	Group		Bank	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
Depreciation charge of Right-of-use assets (buildings)	5,095	5,574	5,095	5,574
Interest expense (included in finance cost)	498	603	498	603
Expense relating to outgoing and variable lease payments not included in lease liabilities (included in other general and administration costs)	1,213	1,239	1,213	1,239
Expense related to low value leases or short term leases, exempt from AASB 16 (included in other general and administration costs)	429	49	442	49
Total expenses related to leases	7,235	7,465	7,248	7,465

Significant leasing arrangements

As at 30 June 2026, the Bank has two material leasing arrangements in place. The lease arrangement for the Perth head office at 556 Wellington Street, Perth, which expires 30 November 2029 and the lease arrangement for the Coffs Harbour Office at 35-61 Harbour Drive, Coffs Harbour which expires 23 September 2028. Each of these lease arrangements has one option for renewal for a five (5) year term.

Notes to the Financial Statements

16 INVESTMENTS IN CONTROLLED ENTITIES

All controlled entities are incorporated or registered in Australia and are ultimately controlled by the Bank. The controlled entities are as follows:

Year Ended 30 June 2026

	Interests in Controlled Entities		Bank Value of Investment Held in Controlled Entities	
	2026	2025	Held by the Bank	Held by the Bank
			2026	2025
	%	%	\$	\$
Members Holding Company Pty Ltd	100	100	-	-
P&N Landreach Pty Ltd	100	100	2,000,010	2,000,010
P&N Management Pty Ltd	100	100	60,000	60,000
National Home Loans Pty Ltd	100	100	61,500	61,500
Pinnacle RMBS Warehouse Trust No 1	100	100	-	-
Pinnacle Series Trust 2014 - SST	100	100	-	-
Pinnacle Series Trust 2017 - T1	-	100	-	-
Pinnacle Series Trust 2021 - T1	100	100	-	-
Pinnacle Series Trust 2024 - T1	100	100	-	-
			2,121,510	2,121,510

The Bank's Investments in controlled entities are held at cost. For each entity, the carrying amount of the investments in controlled entities is tested for impairment in accordance with AASB 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of AASB 136 indicates that the investment may be impaired. In determining the value in use of the investment, the Group estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the entity, including the cash flows from the operations of the controlled entity and the proceeds from the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Using appropriate assumptions both methods give the same result.

The Pinnacle Series Trust 2017 - T1 entity was terminated on 6 February 2026 following a clean up call for the trust.

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
17 INTANGIBLE ASSETS					
At cost		47,002	46,561	47,002	46,561
Accumulated amortisation		(27,666)	(23,117)	(27,666)	(23,117)
Accumulated impairment		(3,325)	-	(3,325)	-
Intangible assets		16,010	23,444	16,010	23,444
Capital work in progress		-	3,744	-	3,744
Total intangible assets		16,010	27,188	16,010	27,188
Reconciliation of carrying amounts					
Carrying amount at beginning of the year		27,189	30,087	27,189	30,087
Additions		3,793	8,842	3,793	8,842
Disposals		(23)	-	(23)	-
Net movement in capital work in progress		(3,744)	(4,540)	(3,744)	(4,540)
Amortisation		(7,879)	(7,201)	(7,879)	(7,201)
Impairment		(3,325)	-	(3,325)	-
Carrying amount at end of the year		16,010	27,188	16,010	27,188

During the year, management performed a review of the Group's intangible assets and assessed whether indicators of impairment existed. As a result of this review, an impairment charge of \$3,325,279 was recognised for assets where the carrying value was no longer supported by expected future economic benefits. The impairment primarily relates to internally developed technology and digital transformation assets. Impairment expense is included in Operating and Other Expense (refer to note 5).

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
18 DEFERRED TAX ASSETS					
The balance comprises temporary differences attributable to:					
Provisions for impairment on loans and other receivables		2,762	2,090	2,762	2,090
Derivatives		2,255	623	2,255	623
Property and equipment		877	494	877	494
Intangible Assets		136	-	136	-
Financial assets at FVOCI		180	180	90	90
Lease liabilities		6,413	7,452	6,413	7,452
Provisions		3,308	3,216	3,308	3,216
Accruals		1,663	1,508	1,659	1,501
Other		47	136	37	126
		17,641	15,699	17,537	15,592
Set off to deferred tax liabilities (note 23)		(7,540)	(11,595)	(6,748)	(10,666)
Net deferred tax assets		10,101	4,104	10,789	4,926
Movements:					
Opening balance prior to set off		15,699	16,687	15,592	17,148
Reclassification from deferred tax liabilities (note 23)		-	813	-	206
Adjusted opening balance		15,699	17,500	15,592	17,354
(Charged)/credited to the income statement (note 6)		1,941	(1,801)	1,945	(1,762)
Closing balance prior to set off		17,641	15,699	17,537	15,592
Unrecoverable losses not recognised		600	600	-	-
		600	600	-	-

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
19 DEPOSITS					
Call deposits		3,677,469	3,369,476	3,677,469	3,369,476
Term deposits *		4,556,184	4,293,209	4,556,184	4,293,209
Withdrawable shares (a)		1,007	1,028	1,007	1,028
		8,234,660	7,663,713	8,234,660	7,663,713

Details on maturity analysis for deposits are set out in note 32.

*Term deposits include wholesale term deposits held by corporate entities. As at 30 June 2026 these accounts totalled \$583,506,987 (2025: \$549,517,403)

The fair value of deposits for the financial year ended June 2026 were \$62,913,931 lower (2025: \$49,971,014 lower) than the carrying value.

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		Number of shares	Number of shares	Number of shares	Number of shares
(a) MEMBERS' WITHDRAWABLE SHARES					
Number of \$10 shares (fully paid)		98,217	100,259	98,217	100,259
Number of \$10 shares (partially paid \$6)		3,746	3,833	3,746	3,833
Number of \$10 shares (partially paid \$2)		1,038	1,042	1,038	1,042
Number of \$0 shares		521	537	521	537
Number of \$10 on-call shares		109,604	99,048	109,604	99,048
		213,126	204,719	213,126	204,719
Movements:					
Opening number of shares		204,719	193,624	204,719	193,624
New shares issued during the year		13,574	15,608	13,574	15,608
Resignations during the year		(5,167)	(4,513)	(5,167)	(4,513)
Closing balance		213,126	204,719	213,126	204,719

From the 2019 financial year, new members were offered on-call shares, meaning the member does not need to submit an upfront \$10 fee; however, this fee is due and payable on demand.

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
20 OTHER PAYABLES					
Accrued expenses		12,331	10,802	12,317	10,800
Other payables		1,117	1,782	507	934
Transactions pending settlement		8,428	10,952	8,428	10,952
		21,876	23,535	21,252	22,686

Other payables are normally settled within 30 days and includes outstanding claims and sundry creditors.

Notes to the Financial Statements

Year Ended 30 June 2026

	Group		Bank	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
21 BORROWINGS				
Secured borrowings (a)	433,918	557,576	-	-
Unsecured borrowings	447,836	490,803	447,836	490,803
Amounts payable to controlled entities	-	-	433,778	554,352
	881,754	1,048,379	881,614	1,045,155

The Trust-issued notes have been recognised as borrowings in the Group financial statements.

(a) Securitisation

Summary of securitisation activities

The Group sponsors the formation of Special Purpose Vehicles (SPV) that securitise mortgage loans primarily for the purpose of raising funding, obtaining capital relief benefits and accessing a contingent liquidity facility with the Reserve Bank of Australia. Refer to Note 28 for a list of SPV consolidated within the group. The Group does not consolidate a SPV that it does not control. In determining whether the Group does control a SPV, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPV. In all instances, elements are present that indicate control over structured entities and therefore the Group has consolidated the results, assets and liabilities of the SPV.

Due to the securitisation structures adopted by the Group, mortgage loans selected for sale in securitisation tranches do not qualify for derecognition. Only mortgage loans which meet selection criteria are eligible for selection in securitisation tranches. The selection criteria require review of loan serviceability profiles, maximum loan terms, loan-to-valuation ratios, level of interest rates charged, adequacy of loan documentation, quality and valuation of collateral. The Group is still exposed to the interest rate risks associated with securitised loans. The Group is exposed to credit risk associated with securitised loans for the Pinnacle Series Trust 2014-SST and Pinnacle RMBS Warehouse Trust No.1. In relation to Pinnacle Series Trust 2021-T1 and Pinnacle Series Trust 2024-T1, any credit losses are first offset against the excess income payable to the Group, to the extent available, with any shortfalls written off against issued securities owned by third parties.

(i) Self-securitisation for purpose of contingent liquidity

The Group holds all of the debt securities issued by the following SPV, for the purpose of contingent liquidity by exchanging them with the Reserve Bank of Australia through a repurchase agreement Pinnacle Series Trust 2014-SST. During the year, the Group increased the size of the self-securitisation trust to align for future business growth.

(ii) Securitisation for purpose of raising funding only

The Group retains the non-senior notes, with the senior notes held by the warehouse financier for Pinnacle RMBS Warehouse Trust No.1. In the unlikely event that the existing funding provider did not extend the facility beyond the maturity date, the Trust would seek to refinance the facilities with another provider. If the funding warehouse was not refinanced within 364 days of the maturity date, then an event of default would be declared and the security trustee would be appointed to realise the assets of the Trust for the benefit of the secured and unsecured creditors.

(iii) Securitisation for purpose of capital relief and funding

Debt securities issued via the following SPVs provided funding as well as capital relief due to the transfer of significant credit risk associated with the securitised mortgage loans to investors in the notes issued by the SPV:

- Pinnacle Series Trust 2021-T1.
- Pinnacle Series Trust 2024-T1.

Carrying amounts of assets and liabilities related to securitisation

The carrying amount of assets transferred by the Group to SPV and that are consolidated at balance sheet date was \$2,276m (2025: \$1,862m). The external liabilities of the consolidated entity issued as a result of the securitisation of assets at balance sheet date was \$440m (2025: \$561m).

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
22 PROVISIONS					
Employee benefits (a)		10,108	9,802	10,108	9,802
Make good		918	918	918	918
		11,026	10,720	11,026	10,720

(a) Provision for employee benefits

The provision for employee benefits includes accrued annual leave and long service leave. For long service leave the provision covers conditional entitlements for employees with five or more years of service, and all unconditional entitlements (including pro-rata entitlements) where employees have completed the required period of service. The required period of service differs from state to state.

Based on previous experience, the Group expects the accrued leave entitlements to be paid out as follows:

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
Within the next 12 months		8,006	8,016	8,006	8,016
Between one and two years		196	360	196	360
Later than two years		1,906	1,426	1,906	1,426
		10,108	9,802	10,108	9,802

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
23 DEFERRED TAX LIABILITIES					
The balance comprises temporary differences attributable to:					
Financial assets at FVOCI		406	1,948	406	1,948
Derivatives		-	119	-	119
Property and equipment		1,599	1,810	1,599	1,672
Intangible assets		-	1,513	-	1,513
Right-of-use-assets		4,743	5,414	4,743	5,414
Other		792	791	-	-
		7,540	11,595	6,748	10,666
Set off of deferred tax assets (note 18)		(7,540)	(11,595)	(6,748)	(10,666)
Net deferred tax liabilities		-	-	-	-
Movements:					
Opening balance prior to set off		11,595	14,429	10,666	14,277
Adjustment related to prior period		-	(8)	-	-
Reclassification to deferred tax assets (Note 18)		-	813	-	206
Adjusted opening balance		11,595	15,234	10,666	14,483
Charged/(credited) to the income statement (note 6)		(3,292)	(4,535)	(3,155)	(4,686)
Charged/(credited) to equity (note 6)		(763)	896	(763)	869
Closing balance prior to set off		7,540	11,595	6,748	10,666

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
24 MEMBERS' FUNDS					
Reserves					
General reserve (a)		220,000	220,000	220,000	220,000
Share capital reserve (b)		1,815	1,794	1,815	1,794
Cash flow hedge reserve (c)		(5,085)	(599)	(5,085)	(599)
Financial asset held at FVOCI reserve (d)		(1,264)	2,334	946	4,544
Land and Buildings Revaluation held in FVOCI reserve (e)		1,495	1,914	1,495	1,495
		216,961	225,443	219,171	227,234
Retained earnings					
Balance at beginning of year		164,540	138,138	162,983	136,702
Prior period adjustment		-	(178)	-	(54)
Profit for the year		30,363	28,267	30,379	28,023
Total available for appropriation		194,904	166,227	193,363	164,671
Dividends Paid		(4,974)	(5,265)	(4,974)	(5,265)
Gain on sale of land and buildings		419	-	-	-
Gain on sale of financial assets held at FVOCI		10,474	3,599	10,474	3,599
Redeemed Member Shares To Capital Reserve (b)		(21)	(20)	(21)	(21)
Balance at end of year		200,802	164,540	198,842	162,983
Contributed equity					
Balance at beginning of year		150,405	150,719	150,405	150,719
Prior period adjustment		-	(314)	-	(314)
Balance at end of year		150,405	150,405	150,405	150,405
Issued Capital (f)					
Balance at beginning of year		73,934	73,934	73,934	73,934
Balance at end of year		73,934	73,934	73,934	73,934

(a) General Reserve

The general reserve represents an historical transfer from retained earnings.

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
(b) Share capital reserve					
Balance at beginning of year		1,794	1,773	1,794	1,773
Redeemed Member Shares from Retained Earnings		21	21	21	21
Balance at end of year		1,815	1,794	1,815	1,794

Nature and purpose of share capital reserve

The share capital reserve reflects the share capital created on redemption of members' withdrawable shares. Under section 254K of the Corporations Act 2001, these redemptions must be made from retained profits. This reserve is also eligible to be included as Tier 1 Capital.

Notes to the Financial Statements

24 MEMBERS' FUNDS (continued)

Year Ended 30 June 2026

	Group		Bank	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
(c) Cash flow hedge reserve				
Balance at beginning of year	(599)	1,541	(599)	1,541
Revaluation (loss)/gain of cash flow hedge instruments	(5,804)	(2,422)	(5,804)	(2,422)
Tax (effect)/benefit of revaluations	1,923	916	1,923	916
Gains on swaps released to income statement during the year	(605)	(634)	(605)	(634)
Changes in the fair value of cash flow hedges, net of tax	(4,486)	(2,140)	(4,486)	(2,140)
Balance at end of year	(5,085)	(599)	(5,085)	(599)

Nature and purpose of hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in note 1(y). Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

Year Ended 30 June 2026

	Group		Bank	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
(d) Financial asset held at FVOCI reserve				
Balance at beginning of year	2,334	1,489	4,544	3,700
Revaluation increase for the year	9,824	5,899	9,824	5,899
Tax (effect)/benefit of revaluations	(2,947)	(1,770)	(2,947)	(1,770)
Gain on share sale transferred to retained earnings	(14,964)	(4,692)	(14,964)	(4,693)
Tax benefit/(effect) of transfers	4,489	1,408	4,489	1,408
Changes in the fair value of financial asset, net of tax	(3,598)	845	(3,598)	844
Balance at end of year	(1,264)	2,334	946	4,544

Nature and purpose of financial asset held at FVOCI reserve

The reserve is used to record gains and losses resulting from movement in the fair value of Financial assets held at FVOCI (note 9).

Year Ended 30 June 2026

	Group		Bank	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
(e) Land and Buildings Revaluation held in FVOCI reserve				
Balance at beginning of year	1,914	1,152	1,495	796
Revaluation of land and buildings	-	1,107	-	1,016
Gain on Sale transferred to Retained Earnings	(419)	-	-	-
Tax effect of revaluations	-	(345)	-	(317)
Balance at end of year	1,495	1,914	1,495	1,495

Nature and purpose of Land and Buildings Revaluation held in FVOCI reserve

The reserve is used to record gains resulting from the revaluation of the land and buildings held at Fair Value, in line with the Group Accounting Policy (note 1(d)).

Notes to the Financial Statements

24 MEMBERS' FUNDS (continued)

(f) Issued Capital

Year Ended 30 June 2026

	Group		Bank	
	2026 No.	2025 \$000	2026 No.	2025 \$000
Issued Capital				
Balance at beginning of year	7,500	73,934	7,500	73,934
Balance at end of year	7,500	73,934	7,500	73,934

Capital Note - additional Tier 1 Capital

On 26 May 2022, the Group issued \$75 million of Police & Nurses Limited Capital Notes (PNL Capital Notes).

The securities were perpetual, non-cumulative, subordinated and unsecured notes. The Capital Notes were recognised at fair value on acquisition less issuance costs, net of deferred tax.

The face value of the Capital Notes on issue was \$75 million at a price of \$10,000 per note. They qualify as Additional Tier 1 Capital of the Bank under Basel III as implemented by APRA.

The principal terms of the Capital Notes are described below:

- The Capital Notes were \$75 million subordinated perpetual floating rate notes, issued 26 May 2022 with an optional call date on 26 May 2027.
- The Capital Notes were undated with no maturity and, unless a tax event or regulatory event occurs, are only redeemable at the option of the Bank on or after the fifth anniversary of the date of issue, subject to regulatory approval.
- The Bank may only redeem the Capital Notes if it has received APRA's prior written approval (which may or may not be given).
- Capital Notes pay quarterly floating rate non-cumulative distributions, at the discretion of the Bank. The distribution rate is based on the floating 3-month Bank Bill Swap Rate.
- Capital Notes are convertible to Mutual Capital Instruments (MCIs) on a non-viability event, or may be written-off on a non-viability trigger event, as determined by APRA.
- In a winding up of the Bank, if the Capital Notes have not been converted to MCIs or written-off on account of a non-viability trigger event, they will rank for payment:
 - Ahead of common equity;
 - Equally without any preference amongst themselves for each series and with the holders of equal ranking instruments; and
 - Behind the claims of senior creditors of the Bank.

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
25 DIVIDENDS					
Quarterly cash dividend for period ended 28 Aug 2025 at distribution rate of \$166.9 per note. (Quarterly cash dividend for period ended 28 Aug 2024 at distribution rate of \$176. per note.)		1,252	1,320	1,252	1,320
Quarterly cash dividend for period ended 27 Nov 2025 at distribution rate of \$164.05 per note. (Quarterly cash dividend for period ended 27 Nov 2024 at distribution rate of \$178.22 per note.)		1,230	1,337	1,230	1,337
Quarterly cash dividend for period ended 26 Feb 2026 at distribution rate of \$165.96 per note. (Quarterly cash dividend for period ended 26 Feb 2025 at distribution rate of \$179.4 per note.)		1,245	1,345	1,245	1,345
Quarterly cash dividend for period ended 27 May 2026 at distribution rate of \$166.29 per note. (Quarterly cash dividend for period ended 27 May 2025 at distribution rate of \$168.42 per note.)		1,247	1,263	1,247	1,263
		4,974	5,265	4,974	5,265
Franking credits allocated based on a tax rate of 30% (2025 - 30%)		2,132	2,256	2,132	2,257
		2,132	2,256	2,132	2,257

Dividends during the period relate to fully franked quarterly discretionary distributions on the Capital Note and are recognised directly in retained earnings.

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
26 NOTES TO THE CASH FLOW STATEMENTS					
Reconciliation of the operating profit after tax to the net cash flows from operations					
Profit after income tax		30,363	28,224	30,379	28,023
Depreciation and amortisation		18,140	18,352	18,117	18,321
Credit impairment charge excluding bad debts recovered		2,813	2,024	2,813	2,024
(Gain)/Loss on disposal of property and equipment		(315)	(60)	(273)	(17)
Impairment of intangible assets		3,325	-	3,325	-
Non cash dividends received		-	-	(380)	(360)
Increase in provisions		306	1,118	306	1,118
(Increase) in loans		(394,247)	(559,714)	(394,247)	(559,717)
(Decrease)/increase in borrowings		(166,625)	(210,547)	(163,541)	2,752
Net decrease/(increase) in financial assets at amortised cost		(48,520)	10,321	(48,554)	10,321
(Increase)/Decrease in other assets		(1,470)	(10,118)	(28,564)	(9,432)
Increase/(decrease) in member deposits		570,968	663,422	570,968	662,797
Increase in other payables		29,248	12,965	56,089	13,899
Decrease in current tax liabilities		3,579	134	3,582	163
Increase in deferred tax assets		(1,942)	(1,846)	(1,945)	(2,056)
Decrease in deferred tax liabilities		(4,055)	(3,626)	(3,918)	(3,614)
Net cash inflow/(outflow) from operating activities		41,568	(49,351)	44,157	164,222

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
27 EXPENDITURE COMMITMENTS					
(a) Capital expenditure commitments					
Estimated capital expenditure contracted for at balance sheet date but not provided for					
- payable not later than one year		136	34	136	34
Aggregate contractual obligation for future capital commitments - not recognised as a liability		136	34	136	34
(b) Other expenditure commitments					
- not later than one year		27,802	33,351	27,802	33,351
- later than one year and not later than five years		45,425	50,395	45,425	50,395
Aggregate contractual obligation for other future commitments - not recognised as a liability		73,226	83,746	73,226	83,746
(c) Variable rental outgoings					
- not later than one year		1,115	1,143	1,115	1,143
- later than one year and not later than five years		2,180	2,999	2,180	2,999
- later than five years		24	42	24	42
Aggregate contractual obligation for future variable outgoings - not recognised as a liability		3,319	4,184	3,319	4,184

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$000	\$000	\$000	\$000
28 FINANCING FACILITIES, CONTINGENT LIABILITIES AND CREDIT COMMITMENTS					
Credit related commitments: approved but undrawn loans and other available credit and guarantees		1,339,000	1,299,892	1,339,000	1,299,892

The Bank has significant service contracts with Cuscal Limited. These entities provide the Bank with rights to the VISA card systems in Australia and provide settlement services with other financial institutions for ATM and VISA card transactions, BPAY, cheque processing, NPP and Direct Entry transactions.

The Bank has entered the following financial arrangements with Cuscal:

- overdraft of \$3,000,000 (unused as at 30 June 2026).
- lodged a settlement security deposit of \$28,000,000 under the Standard Terms and Conditions.
- lodged an overdraft security deposit of \$3,000,000 under the Standard Terms and Conditions.

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 lending policies. The maximum value of those liabilities was \$22,232,990 (2025: \$27,136,395). Management and Directors are not aware of any claims, either current or pending, in relation to those guarantees.

Notes to the Financial Statements

Year Ended 30 June 2026		Group		Bank	
		2026	2025	2026	2025
		\$	\$	\$	\$
29 KEY MANAGEMENT PERSONNEL DISCLOSURES					
Total key management personnel remuneration		6,298,516	6,105,654	6,298,516	6,105,654
Short-term employee benefits		5,635,692	5,488,426	5,635,692	5,488,426
Post-employment benefits		269,188	288,848	269,188	288,848
Termination benefits		393,636	328,380	393,636	328,380
		6,298,516	6,105,654	6,298,516	6,105,654

Persons who had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors, during the financial year are considered to be key management personnel.

As members of the Bank, the key management personnel and their related entities have all of the services available to them under standard member terms and conditions.

The employee banking product offer has been designed to offer tangible benefit to being a Bank employee. Employee product rates are controlled via a discount to the indexed rate of the product which will ensure the organisation retains control over pricing changes as well as the ability to revert interest rates to the normal member rate when employees leave PNL.

As employees of the Bank, key management personnel that are not Directors can access these discounts. The terms and conditions in respect of all loans to key management personnel and their related entities have not been breached. All key management personnel and their related entities have placed deposits with the Bank during the year under normal member terms and conditions.

Each current key management person holds one member share in the Bank.

Key management personnel of Police & Nurses Limited

The key management personnel of Police & Nurses Limited include the following whose remuneration details are included in the table above:

Andrew Hadley	Managing Director and Chief Executive Officer
Brendon Comrie (ceased 2 November 2025)	Chief Risk Officer (1/7/25 to 31/8/25), Chief Retail Banking Officer (1/9/25 to 2/11/25)
Eimear Fanning (commenced 30 January 2026)	Chief Risk Officer
Chris Malcolm	Chief Data & Propositions Officer
Christine MacKenzie	Chief People Officer (1/7/25 to 31/8/25, 30/1/26 to 30/6/26), Acting Chief Risk Officer (1/9/25 to 29/1/26)
Brittany Nguyen (commenced 1 September 2025, ceased 29 January 2026)	Chief People Officer
Jacqueline Ryan (ceased 17 October 2025)	Chief Business Banking Officer
Mark Smyth (ceased 13 August 2025)	Chief Retail Banking Officer
Shaun Hassall	Chief Financial Officer
Steven Chugg (commenced 25 May 2026)	Chief Customer Officer
Warren Willis	Chief Transformation & Technology Officer
Darren O'Hara (commenced 17 October 2025, ceased 24 May 2026)	Acting National Head of Business Banking
Gary Colin Humpherys	Director
Monish Paul	Director
Trevor Hunt	Director
Kellie Louise Properjohn	Director
Louise Anne Clarke	Director

Notes to the Financial Statements

29 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Year Ended 30 June 2026

	Bank	
	2026	2025
	\$	\$
Loans outstanding to key management personnel and their related entities:		
Total loans as at 30 June 2026	3,977,795	2,725,840
Of which, loans under normal member terms and conditions	486,705	499,240
Loan advances	80,016	-
Loan repayments	122,870	10,595
Interest on loans	28,077	7,551
Loans outstanding to key management personnel and their related entities:		
Total discounted loans as at 30 June 2026	3,491,090	2,226,600
Of which, unsecured loan balance	-	-
Loan advances	1,139,875	182,622
Loan repayments	246,435	47,219
Interest on loans	74,045	13,140
Outstanding deposits held by key management personnel and their related entities:		
Balance of deposits as at 30 June 2026	2,398,666	2,761,488
Additional deposits	8,704,014	1,142,647
Withdrawals	9,064,347	1,315,485
Interest on deposits	39,249	13,966

Year Ended 30 June 2026

	Group		Bank	
	2026	2025	2026	2025
	\$	\$	\$	\$
30 AUDITORS' REMUNERATION				
(a) Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity - Grant Thornton				
- statutory financial reports audit services	289,706	275,578	289,706	275,578
- other assurance services	184,616	121,807	137,184	82,481
	474,322	397,385	426,890	358,059
(b) Remuneration for other services:				
Auditor of the parent entity - Grant Thornton				
- taxation advice	13,633	13,633	13,633	13,633
Total auditors' remuneration	487,955	411,018	440,523	371,692

Notes to the Financial Statements

31 RELATED PARTY DISCLOSURES

The Bank charges its controlled entities for certain costs.

The Bank acts as banker for some of the subsidiaries in the Group, with cash transactions being undertaken on behalf of the subsidiaries and adjusted for through amounts payable/receivable to/from the Bank. All intercompany balances, except for balances with securitisation trusts, are non-interest bearing. Some subsidiaries maintain separate deposit accounts with the Bank under normal commercial terms.

The Bank holds Investments in Securitisations which are issued by related securitisation trusts.

The Bank transacted with its wholly-owned Australian controlled entities under the accounting tax sharing agreement described in note 6.

Year Ended 30 June 2026

	Bank	
	2026	2025
	\$000	\$000
Aggregate amounts included in the determination of profit before income tax that resulted from transactions with entities in the Group:		
Interest revenue	68,208	73,162
Interest expense	98,416	113,713
Securitisation service fee revenue	7,395	6,580
Dividend revenue	380	561
Lease expense	14	47
Aggregate amounts receivable from entities in the Group at balance sheet date	70,500	43,863
Aggregate amounts payable to entities in the Group at balance sheet date	431,799	554,352

Financial Instrument transactions of KMPs (including close family members or entities controlled, jointly controlled, or significantly influenced by them or any entity over which any of these family members or entities held significant voting power) occur in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees. At 30 June 2026, the KMPs held 22 shares of the PNL Capital Note. During the period, they received \$14,590 in distributions from these Capital Notes, detailed in note 26.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT

The Bank and the consolidated Group have exposure to the following risks from their use of financial instruments:

- market risk
- liquidity risk
- credit risk

The Board of Directors has overall responsibility for the establishment and oversight of the Risk Management Framework (**RMF**). The Board has established the Risk Committee, which is responsible for the objective review and oversight of all types of risks relevant to the Group by overseeing the design, implementation, and operation of the RMF, commensurate with the risks faced by the Group. In particular, the Risk Committee also reviews and makes recommendations to the Board on the Risk Appetite Statement (**RAS**), Risk Management Strategy (**RMS**) and reviews all key risk frameworks and policies and monitors new and emerging risks.

The RAS is the cornerstone of the RMF and outlines the degree of risk that the Board is willing to accept in pursuit of strategic objectives. These risk-taking boundaries are expressed in the qualitative and quantitative ways within which they expect management to operate. The RAS also describes the processes for setting, monitoring and actioning breaches of risk tolerance levels. The RAS is subject to annual review and approval by the Board.

The RMS outlines the material risks and the approach to managing these risks. It outlines the roles and responsibilities of key stakeholders and lists the key policies and procedures that have been established to manage material risks. The RMS is subject to annual review by the Executive Committee, and approval by the Board. The Board and Risk Committee are responsible for establishing a governance structure and the effective operation of the risk management framework. The primary management level committee established to manage the key risks arising from financial instruments is the Assets & Liabilities Committee (ALCO).

The Group has established a Three Lines of Defence risk governance model:

- **First Line Risk Owners:** Responsibility and accountability for risk begins with the business units that originate the risk. They are responsible to demonstrate effective identification, assessment and management of risk consistent with the risk appetite and risk management framework, including design and implementation of controls to manage risk.
- **Second Line - Review and Challenge:** The Risk Management and Compliance function is led by the Chief Risk Officer (CRO), who is independent from any business lines and reports directly to the Chief Executive Officer (CEO), with regular, unrestricted access to the Board and Risk Committee. The Risk Management and Compliance function is responsible for; establishing and maintaining the risk management framework; developing policies and frameworks to reflect the RAS and the intent of regulatory and legislative requirements; provide challenge, assurance and guidance on material risks; and provide assurance to management and the Board on the effectiveness of the operation of the risk management framework.
- **Third Line - Independent Assurance.** The Internal Audit function independently evaluates the adequacy and effectiveness of the risk management framework and provides independent assurance to the Board and Board Audit & Sustainability.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk - Interest Rate Risk management - objectives and policies

The predominant risk that the Group is exposed to is interest rate risk. The Group does not transact in foreign currencies, commodities or equity products as part of its normal banking operations.

Interest rate risk exposures arise out of the central business model around taking deposits from members, providing loans to borrowing members and engaging in wholesale markets to meet liquidity requirements and maintain a diverse funding base. Through the process of credit intermediation and maturity transformation inherent in these banking book activities, repricing and maturity mismatches are created in the balance sheet that are sensitive to movements in interest rates. Adverse movement in interest rates can therefore pose risks to PNL's capital and earnings over time. This is defined as Interest Rate Risk in the Banking Book (IRRBB).

The management of IRRBB is governed by the Board RAS and IRRBB Policy which sets out how the Group identifies, measures, monitors, controls and mitigates IRRBB to prudent levels.

The Group monitors and manages its IRRBB on an ongoing basis within its Treasury operations and via its ALCO, which reports to the Risk Committee and to the Board. The Group monitors its IRRBB by placing maximum limits on the sensitivity of capital and earnings to adverse movements in interest rates in either direction over the short and long-term. Sensitivity is measured and monitored via a range of methodologies including the Economic Value of Equity (EVE), Earnings at Risk (EAR), Present Value of a Basis Point (PVBP), Value at Risk (VaR) and repricing gap analyses.

The key strategies considered by ALCO under its delegation to manage interest rate risk relate to:

- Managing the growth and composition of assets and liability giving risk to interest rate risk;
- Managing the maturity and repricing profile of assets and liabilities within the consolidated entity's risk appetite; and
- Interest rate risk hedging strategies

The Treasury Function is responsible for the implementation of the strategies approved by ALCO in relation to wholesale assets and liabilities, and the execution of derivative financial instruments for hedging purposes.

Interest rate sensitivity analysis

As at 30 June 2026 the impact on the Group and Bank of a 100 basis point parallel shift (bp) in interest rates (up and down) using a static balances sheet with constant volumes and margins was as follows:

- For a 100bp upwards parallel shift a gain of \$9.3m representing 1.80% of common equity tier 1 capital (CET1) and 4.58% of net interest income for the year ended 30 June 2026.
- For a 100bp downwards parallel shift a loss of \$9.6m representing 1.85% of common equity tier 1 capital (CET1) and 4.71% of net interest income for the year ended 30 June 2026.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk management - objectives and policies

Liquidity risk is the risk the Group will not be able to meet its financial obligations as they fall due, caused by a mismatch in cash flows. The Liquidity Risk Management Framework has been formulated to ensure that the consolidated entity maintains sufficient liquidity to deliver its strategic objectives and to withstand a prolonged period of stress.

The Group manages liquidity risk via:

- Diversification of funding sources and tenor across retail and wholesale markets, supplemented by robust maintenance of its capital base and a supportive credit rating.
- Ensuring the strength and quality of the customer deposit offerings and maintaining strategic focus on deposits that offer funding resilience.
- Maintaining a diversified portfolio of liquid assets to provide a buffer against liquidity stress.
- Robust balance sheet planning and monitoring processes to ensure lending growth is well calibrated against both the Group's capacity to fund and the Group's strategic plans, which in turn ensures a very high degree of liquidity and funding resilience.

Operational management of liquidity and funding requirements have been delegated by the Board to the CFO and Treasurer. The Board Liquidity Risk Management Policy, Large Exposures and Risk Concentrations Policy, Funding Strategy and Contingent Funding Plans document the Group's management of liquidity and funding risks, consistent with APS 210 Liquidity requirements. Monitoring is provided by ALCO, with independent reporting to Board Risk Committee.

The Group uses the following mechanisms to monitor and report on its liquidity risks:

Liquid Assets Portfolio and Minimum Liquidity Holding (MLH) Liquidity Ratio. As at 30 June 2026 the MLH ratio was 14.6% (2025:14.6%);

- Liquid Asset Portfolio Composition;
- Maturity gap reports, incorporating intraday liquidity;
- Funding concentration, duration and diversity limits;
- Scenario analysis and stress testing; and
- Early warning indicators.

Financing arrangements

Liquidity support is available in the form of a \$3,000,000 (2025: \$3,000,000) overdraft facility with Cuscal. This facility was undrawn as at 30 June 2026.

Also maintained by the Group are:

- a securitisation warehouse facility with Australia and New Zealand Banking Group Limited under the Pinnacle RMBS Warehouse Trust of \$225,000,000 (2025: \$185,000,000), of which \$54,509,882 (2025: \$16,424,832) was available for drawdown as at 30 June 2026; and
- a self-securitisation facility under the Pinnacle Series Trust 2014-SST of \$1,906,000,000 (2025: \$1,345,000,000). The A Notes (AAA rated) of \$1,693,000,000 (2025: \$1,195,000,000) are available as a source of contingent liquidity via repurchase agreements with the RBA if required in the event of a liquidity stress scenario.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk management - objectives and policies (continued)

The below tables represent the maturities of contractual financial liabilities.

Year Ended 30 June 2026

	Group					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Maturities of financial liabilities	\$000	\$000	\$000	\$000	\$000	\$000
2026						
Borrowings	-	270,354	347,972	-	263,428	881,754
Members' deposits	3,727,183	2,291,217	2,157,089	59,171	-	8,234,660
Derivative financial instruments	-	637	4,461	2,457	-	7,555
Other payables	-	21,876	-	-	-	21,876
Lease liabilities	-	1,514	4,498	12,206	2,682	20,900
	3,727,183	2,585,598	2,514,020	73,834	266,110	9,166,745
2025						
Borrowings	-	301,666	357,712	-	389,001	1,048,379
Members' deposits	3,411,178	2,227,464	1,935,907	89,164	-	7,663,713
Derivative financial instruments	-	4	1,185	888	-	2,077
Other payables	-	23,535	-	-	-	23,535
Lease liabilities	-	1,632	4,489	16,539	3,933	26,593
	3,411,178	2,554,301	2,299,293	106,591	392,934	8,764,297

Year Ended 30 June 2026

	Bank					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Maturities of financial liabilities	\$000	\$000	\$000	\$000	\$000	\$000
2026						
Borrowings	1,250	270,355	361,596	670	247,743	881,614
Members' deposits	3,727,183	2,291,217	2,157,089	59,171	-	8,234,660
Derivative financial instruments	-	637	4,461	2,457	-	7,555
Other payables	-	21,252	-	-	-	21,252
Lease liabilities	-	1,514	4,498	12,206	2,682	20,900
	3,728,433	2,584,975	2,527,644	74,504	250,425	9,165,981
2025						
Borrowings	876	301,666	368,011	-	374,602	1,045,155
Members' deposits	3,411,179	2,227,464	1,935,907	89,164	-	7,663,713
Derivative financial instruments	-	4	1,185	888	-	2,077
Other payables	-	22,686	-	-	-	22,686
Lease liabilities	-	1,632	4,489	16,539	3,933	26,593
	3,412,054	2,553,452	2,309,592	106,591	378,535	8,760,224

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management– objectives and policies

Credit risk is the risk of a bank borrower or counterparty failing to meet contractual obligations in accordance with agreed terms, potentially resulting in losses.

Credit risk may arise from both lending activities to members and exposure to bank counterparties in respect of liquidity investments.

The Group has established a RAS which sets out the level of risk the business is willing to take across its operations including credit risk. The Group also operates within an established Credit Risk Management Framework (CRMF) and has an appropriate risk structure to ensure robust management of credit risk.

Management and control of credit risk is centralised through a Credit Committee which meets monthly and reports to the Board, the Board Risk Committee, and the Executive Committee.

Lending activities to members cover both secured and unsecured retail lending and secured commercial lending. The Group maintains policies, credit decision-making systems and processes to ensure appropriate analysis is undertaken to mitigate credit risk.

Providing for credit risk

To determine credit quality, the Group utilises a credit risk grading system. The credit risk grading system highlights changes in the Group's credit risk profile and trends in asset quality. Retail loans with similar risk characteristics are managed on a portfolio basis. In relation to the home loan portfolio, credit quality is aligned to APRA Standard APS 112 Standardised approach to Credit Risk.

Within the commercial loan portfolio each exposure greater than \$500,000 is graded on an individual basis. All credit exposures are regularly monitored to ensure that any deterioration in credit quality is identified and appropriately managed. Where recoverability is in doubt, loans are individually managed, and specific provisions are raised.

The Group manages and monitors credit concentration risk and large exposures (to an individual counterparty or group) through a series of key risk indicators with defined limits and tolerance thresholds based on a comprehensive risk assessment.

The Group continues to enhance and review Key Risk Indicator (KRIs) performance to account for potential emerging risks.

ECL Model

The Group applies a simplified ECL model to all financial assets accounted for at amortised cost and fair value through other comprehensive income (FVOCI). Under the ECL model the Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The credit loss is the sum of these probability-weighted outcomes, and the ECL estimates are unbiased and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Model methodology

The model uses historic loan performance data and benchmarking to calculate product class segmented probability of default percentages (PD) and loss given default percentages (LGD). It then allocates each account in the loan book into one of 3 stages based on credit risk and calculates an account level exposure at default (EAD) and an ECL.

ECL = PD X LGD X EAD

The calculation is broken down into monthly components and discounted back to current date (using the individual account interest rate). For example, a 12-month ECL calculation for a stage 1 loan will be calculated for each of the 12 months separately (including expected exposure for each month discounted over a different period) and combined to give the total provision.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management– objectives and policies (continued)

Segmentation

For modelling purposes, the portfolio is divided into the below product class segments:

- Commercial
- Home Loan
- Credit Card
- Personal Loans
- Overdrafts
- Secured Lines of Credit
- Savings Accounts (overdrawn with no overdraft facility)

Staging

Each account is allocated to a stage based on the current credit risk and the ECL calculation varies depending on stage.

Stage 1 - performing. Accounts with no arrears and up to 29 days arrears are allocated to stage 1. ECL is a 12-month loss period based on the probability of going into default over the next 12 months.

Stage 2 - significant increase in credit risk. Accounts with 30 to 89 days arrears are allocated to stage 2. ECL is calculated as a lifetime loss based on the probability of going into default over the lifetime of the loan.

Stage 3 - impaired. Accounts with greater than 90 days arrears or have been 90 days past due and yet to satisfy three months of payments on the account or an event of default has occurred e.g., bankruptcy or accounts where the customer is under a hardship arrangement are allocated to stage 3. ECL is also the lifetime loss, although as the loan is already in default, the probability of default is 100%.

Individual provisions - for most stage 3 accounts, the Group holds an individual provision for the full amount (less anything considered recoverable on secured loans). For loans that are considered well secured, a collective provision rather than an individual provision will be applied. The model does not apply a collective provision on accounts where an individual provision is held.

Probability of Default

The probability of default is based on a roll rate model. It divides loan data into different arrears buckets (such as 30, 60, 90 days past due) and measures the proportion of accounts that “roll” from one bucket to another, which determines the transition probability. Default is defined as 90 days or more in arrears or an event of default has occurred as per the above.

Loss Given Default

For Personal Loans, Credit Cards, Home loans (P&N) and Overdrafts the Loss Given Default model is calculated across historic data. For Home Loans (BCU), Secured Lines of Credit and Commercial Loans, the model uses benchmark numbers due to the lack of historic write offs to build a statistically valid model.

Exposure at Default

For revolving credit facilities, the maximum limit available is used for exposure. For term loans, the scheduled balance in the month being calculated is used.

Lifetime

The model calculates a behavioural life for loans based on historic data. For Personal Loans and Commercial Loans, where accounts are generally held until maturity the contractual life is used.

Macroeconomic Overlay

The macro-economic overlay is a forward-looking enhancer applied against the outputs of the Base ECL to account for forecasted changes in macro-economic variables. This is then used to add impact of economic outlook to an ECL outcome that has not considered economic condition. The impact of an everchanging globally linked economy is mitigated via quarterly economic macro updates to the model. This allows PNL to consider if significant economic events have occurred and macro projections need to be reconsidered.

The model includes two macroeconomic factors which are related to delinquency and losses (Inflation and state unemployment rates NSW & WA). Three scenarios for 5-year forecasts for each factor are loaded, and these are individually weighted to feed into an adjustment to the overall collective ECL calculation.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management– objectives and policies (continued)

Data and model recalibration

Each month the full loan book with loss data is loaded into the model to increase the amount of data available. The model recalculates all ECL inputs based on the last three years of data, so the model dynamically recalibrates each month.

(i) Financial instruments subject to Impairment by internal credit risk grading

Internal credit grades

the Group's retail credit risk grading system is defined below.

- **CRG1 – Low Risk**

Retail loan products that are homogeneous in nature, qualify as standard eligible mortgages or non-standard eligible mortgages under APS 112 and have the following characteristics:

- Mortgage secured loans where LVR is 80% or less
- Mortgage secured loans where LVR is more than 80% but less than or equal to 90% and have LMI cover
- Non-standard eligible mortgage secured loans where the LVR is 60% or less and have LMI cover.

Other non-loan exposures that have been evaluated as low risk have been booked in this category.

- **CRG2 – Sound Risk**

Retail loan products that are homogeneous in nature, qualify as standard eligible mortgages or non-standard eligible mortgages under APS 112 and have the following characteristics:

- Mortgage secured loans where LVR is greater than 80% or less than or equal to 90% with no mortgage insurance
- Mortgage secured loans where LVR is more than 90% but less than or equal to 100% but have LMI cover
- Non-standard eligible mortgage secured loans where the LVR is greater than 60% but less than or equal to 80% but have LMI cover
- All Reverse Mortgages.

- **CRG3 – Stable Risk**

Retail loan products that are homogeneous in nature, qualify as standard eligible mortgages or non-standard eligible mortgages under APS 112 and have the following characteristics:

- Mortgage secured loans where LVR is greater than 90% with no LMI cover
- Mortgage secured loans where LVR exceeds 100% whether LMI cover is held or not
- Non-standard eligible mortgage secured loans where the LVR is greater than 60% with no LMI cover
- Non-standard eligible mortgage secured loans where the LVR is greater than 80% with LMI cover.

- **CRG4 – Moderate Risk**

Loan products that have the following characteristics:

- Unsecured, partially secured or fully secured by forms of security other than registered first mortgage (or second mortgage where priority is granted or the property value is sufficient to cover total debts against that security). e.g. secured personal loans
- Non-standard eligible mortgage secured loans where LVR is greater than 80% with no LMI cover.

- **CRG5 – Acceptable Risk**

Loan products that have the following characteristics:

- Unsecured e.g. credit cards, personal loans
- Unsecured revolving lines of credit e.g. overdrafts

- **CRG6 – Managed**

Loans that are being individually managed due to default where a loss is possible. These facilities include:

Members that are experiencing difficulties which, if they persist, could result in losses – such members are subject to special monitoring, including more frequent review and management scrutiny. Or loans that are being individually managed due to default where a loss is possible.

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

Climate-related risk

We recognise that Climate-related risks have the ability to affect the Group's credit risk in the medium to long term. Climate-related risks can be categorised as physical risks such as damage to assets, property or business disruption arising from acute or chronic changes in climate conditions and transition risks such as changes in policy, legislation, technology, market demand and customer preferences, and broader behavioural changes associated with the transition to a lower carbon economy.

The Group's processes for identifying, assessing and managing climate-related risks are integrated into the Group's overall Risk Management Framework (RMF) with oversight by management and the Board. In assessing climate-related risks that could reasonably be expected to have a financial effect on the Group, the Group considers impacts across short, medium and long term time horizons, consistent with the time horizons applied in the Group's climate-related financial disclosures prepared in accordance with AASB S2 Climate-related Disclosures.

Further information regarding climate related risk management is detailed in the Sustainability report (page 71).

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

The following tables disclose, by internal rating grades and ECL impairment stage, the gross carrying amount of assets measured at amortised cost, and the undrawn credit commitments of the Group and the Bank, that are subject to the impairment requirements of AASB 9. The tables exclude the benefit of collateral.

Year Ended 30 June 2026

	Stage 1	Stage 2	Group		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
Internal rating	\$000	\$000	\$000	\$000	\$000
Low (Internal risk grade 1)					
Cash and cash equivalents	201,376	-	-	-	201,376
Financial assets at amortised cost	1,263,974	-	-	-	1,263,974
Loans and advances	7,441,432	38,520	11,660	-	7,491,612
Undrawn credit commitments	1,339,000	-	-	-	1,339,000
Total Low	10,245,782	38,520	11,660	-	10,295,962
Sound (Internal risk grade 2)					
Loans and advances	190,131	2,261	-	-	192,392
Total Sound	190,131	2,261	-	-	192,392
Stable (Internal risk grade 3)					
Loans and advances	31,273	1,983	402	-	33,658
Total Stable	31,273	1,983	402	-	33,658
Moderate (Internal risk grade 4)					
Loans and advances	38,315	121	46	-	38,482
Total Moderate	38,315	121	46	-	38,482
Acceptable (Internal risk grade 5)					
Loans and advances	518,048	3,553	111	6	521,718
Total Acceptable	518,048	3,553	111	6	521,718
Managed (Internal risk grade 6)					
Loans and advances	250	305	4,445	4,365	9,365
Total Managed	250	305	4,445	4,365	9,365
Total	11,023,799	46,743	16,664	4,371	11,091,577
Financial assets by ECL stage, gross balances					
Cash and cash equivalents	201,376	-	-	-	201,376
Financial assets at amortised cost	1,263,974	-	-	-	1,263,974
Loans and advances	8,219,449	46,743	16,664	4,371	8,287,227
Undrawn credit commitments	1,339,000	-	-	-	1,339,000
Total financial assets by ECL stage	11,023,799	46,743	16,664	4,371	11,091,577

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management– objectives and policies (continued)

Year Ended 30 June 2025

	Stage 1	Stage 2	Group Stage 3		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
Internal rating	\$000	\$000	\$000	\$000	\$000
Low (Internal risk grade 1)					
Cash and cash equivalents	188,989	-	-	-	188,989
Financial assets at amortised cost	1,215,567	-	-	-	1,215,567
Loans and advances	6,920,804	36,755	9,055	-	6,966,614
Undrawn credit commitments	1,272,452	-	-	-	1,272,452
Total Low	9,597,812	36,755	9,055	-	9,643,622
Sound (Internal risk grade 2)					
Loans and advances	281,249	4,043	-	-	285,292
Total Sound	281,249	4,043	-	-	285,292
Stable (Internal risk grade 3)					
Loans and advances	81,086	1,238	-	-	82,324
Total Stable	81,086	1,238	-	-	82,324
Moderate (Internal risk grade 4)					
Loans and advances	40,136	136	24	-	40,296
Total Moderate	40,136	136	24	-	40,296
Acceptable (Internal risk grade 5)					
Loans and advances	504,338	600	42	-	504,980
Total Acceptable	504,338	600	42	-	504,980
Managed (Internal risk grade 6)					
Loans and advances	787	360	5,100	4,859	11,106
Total Managed	787	360	5,100	4,859	11,106
Total	10,505,408	43,132	14,221	4,859	10,567,620
Financial assets by ECL stage					
Cash and cash equivalents	188,989	-	-	-	188,989
Financial assets at amortised cost	1,215,583	-	-	-	1,215,583
Loans and advances	7,828,400	43,132	14,221	4,859	7,890,612
Undrawn credit commitments	1,272,452	-	-	-	1,272,452
Total financial assets by ECL stage	10,505,408	43,132	14,221	4,859	10,567,620

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management– objectives and policies (continued)

Year Ended 30 June 2026

	Stage 1	Stage 2	Bank		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	
Internal rating	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	107,227	-	-	-	107,227
Financial assets at amortised cost	1,284,488	-	-	-	1,284,488
Loans and advances	7,441,432	38,520	11,660	-	7,491,612
Due from controlled entities	70,500	-	-	-	70,500
Total low	10,242,647	38,520	11,660	-	10,292,827
Sound (Internal risk grade 2)					
Loans and advances	190,131	2,261	-	-	192,392
Total sound	190,131	2,261	-	-	192,392
Stable (Internal risk grade 3)					
Loans and advances	31,273	1,983	402	-	33,658
Total Stable	31,273	1,983	402	-	33,658
Moderate (Internal risk grade 4)					
Loans and advances	38,315	121	46	-	38,482
Total Moderate	38,315	121	46	-	38,482
Acceptable (Internal risk grade 5)					
Loans and advances	518,048	3,553	111	6	521,718
Total Acceptable	518,048	3,553	111	6	521,718
Managed (Internal risk grade 6)					
Loans and advances	250	305	4,445	4,365	9,365
Total Managed	250	305	4,445	4,365	9,365
Total	11,020,664	46,743	16,664	4,371	11,088,442
Financial assets by ECL stage, gross balances					
Cash and cash equivalents	107,227	-	-	-	107,227
Financial assets at amortised cost	1,284,488	-	-	-	1,284,488
Loans and advances	8,219,449	46,743	16,664	4,371	8,287,227
Due from controlled entities	70,500	-	-	-	70,500
Undrawn credit commitments	1,339,000	-	-	-	1,339,000
Total financial assets by ECL stage	11,020,664	46,743	16,664	4,371	11,088,442

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management– objectives and policies (continued)

Year Ended 30 June 2025

	Stage 1	Stage 2	Bank		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
Internal rating	\$000	\$000	\$000	\$000	\$000
Low (Internal risk grade 1)					
Cash and cash equivalents	120,368	-	-	-	120,368
Financial assets at amortised cost	1,215,567	-	-	-	1,215,567
Other assets	-	-	-	-	-
Loans and advances	6,920,804	36,755	9,055	-	6,966,614
Due from controlled entities	43,863	-	-	-	43,863
Undrawn credit commitments	1,272,452	-	-	-	1,272,452
Total low	9,573,054	36,755	9,055	-	9,618,864
Sound (Internal risk grade 2)					
Loans and advances	281,249	4,043	-	-	285,292
Total sound	281,249	4,043	-	-	285,292
Stable (Internal risk grade 3)					
Loans and advances	81,086	1,238	-	-	82,324
Total Stable	81,086	1,238	-	-	82,324
Moderate (Internal risk grade 4)					
Loans and advances	40,136	136	24	-	40,296
Total Moderate	40,136	136	24	-	40,296
Acceptable (Internal risk grade 5)					
Loans and advances	504,338	600	42	-	504,980
Total Acceptable	504,338	600	42	-	504,980
Managed (Internal risk grade 6)					
Loans and advances	787	360	5,100	4,859	11,106
Total Managed	-	-	5,100	4,859	11,106
Total	10,480,650	-	14,221	4,859	10,542,862
Financial assets by ECL stage					
Cash and cash equivalents	120,368	-	-	-	120,368
Financial assets at amortised cost	1,236,062	-	-	-	1,236,062
Loans and advances	7,828,400	43,132	14,221	4,859	7,890,612
Due from controlled entities	43,863	-	-	-	43,863
Undrawn credit commitments	1,272,452	-	-	-	1,272,452
Total financial assets by ECL stage	10,480,650	43,132	14,221	4,859	10,542,862

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management– objectives and policies (continued)

(ii) Financial instruments subject to impairment by collateral

The Group employs a range of policies and practices to mitigate credit risk, most notably the receipt of collateral for funds advanced. The Group has internal policies on the acceptability of collateral and credit risk mitigation.

The principal collateral types for financial assets are:

- Home loans secured by registered mortgages over residential properties. Lenders mortgage insurance contracts are entered as part of the Group's lending policy to manage >80% LVR credit risk in the home lending portfolio.
- Commercial loans are secured by registered mortgages over commercial residential or non-residential properties.
- Personal loans are provided on both a secured or unsecured basis. Secured loans are mostly secured by a charge over motor vehicles.

The table below discloses the most recent valuation of the collateral held by category.

Year Ended 30 June 2026

		Gross amount	ECL Provision	Group Carrying amount	Collateral held Other	Property
Maximum credit exposure	Note	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	7	201,376	-	201,376	-	-
Financial assets at amortised cost	8	1,263,974	(260)	1,263,714	-	-
Loans and advances (i)	11	8,287,227	(8,365)	8,278,862	53,038	19,258,846
- Retail mortgages		7,700,438	(6,184)	7,694,254	7,787	17,820,362
- Secured overdrafts		26,284	(116)	26,168	334	317,889
- Personal loans		38,586	(572)	38,014	40,709	-
- Credit cards		33,082	(880)	32,202	550	5,966
- Commercial loans		488,836	(613)	488,223	3,658	1,114,629
Total		9,752,577	(8,625)	9,743,952	53,038	19,258,846
Off-Balance Sheet						
Undrawn credit commitments	28	1,339,000	(583)	1,338,417	-	-
Maximum credit exposure		11,091,577	(9,208)	11,082,369	53,038	19,258,846

(i) Gross loans and advances include effective interest rate adjustment

Year Ended 30 June 2025

		Gross amount	ECL Provision	Group Carrying amount	Collateral held Other	Property
Maximum credit exposure	Note	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	7	188,989	-	188,989	-	-
Financial assets at amortised cost	8	1,215,567	(389)	1,215,178	-	-
Loans and advances (i)	11	7,890,612	(5,879)	7,884,733	59,071	16,946,096
- Retail mortgages		7,314,255	(3,546)	7,310,709	4,669	15,504,502
- Secured overdrafts		29,689	(17)	29,672	321	334,079
- Personal loans		40,389	(450)	39,939	41,250	-
- Credit cards		34,207	(970)	33,237	100	2,914
- Commercial loans		472,072	(896)	471,176	12,731	1,104,601
Total		9,295,168	(6,268)	9,288,900	59,071	16,946,096
Off-Balance Sheet						
Undrawn credit commitments	28	1,299,892	(700)	1,299,192	-	-
Maximum credit exposure		10,595,060	(6,968)	10,588,092	59,071	16,946,096

(i) Gross loans and advances include effective interest rate adjustment

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management– objectives and policies (continued)

Year Ended 30 June 2026

		Gross amount	ECL Provision	Bank Carrying amount	Collateral held	
		\$000	\$000	\$000	Other \$000	Property \$000
Maximum credit exposure	Note					
Cash and cash equivalents	7	107,227	-	107,227	-	-
Financial assets at amortised cost	8	1,284,488	(260)	1,284,228	-	-
Loans and advances (i)	11	8,287,227	(8,365)	8,278,862	53,038	19,258,846
- Retail mortgages		7,700,438	(6,184)	7,694,254	7,787	17,820,362
- Secured overdrafts		26,284	(116)	26,168	334	317,889
- Personal loans		38,586	(572)	38,014	40,709	-
- Credit cards		33,082	(880)	32,202	550	5,966
- Commercial loans		488,836	(613)	488,223	3,658	1,114,629
Deferred securitisation receivables	10	70,500	-	70,500	-	-
Total		9,749,442	(8,625)	9,740,817	53,038	19,258,846
Off-Balance Sheet						
Undrawn credit commitments	28	1,339,000	(583)	1,338,417	-	-
Maximum credit exposure		11,088,442	(9,208)	11,079,234	53,038	19,258,846

(i) Gross loans and advances include effective interest rate adjustment

Year Ended 30 June 2025

		Gross amount	ECL Provision	Bank Carrying amount	Collateral held	
		\$000	\$000	\$000	Other \$000	Property \$000
Maximum credit exposure	Note					
Cash and cash equivalents	7	120,368	-	120,368	-	-
Financial assets at amortised cost	8	1,215,567	(389)	1,215,178	-	-
Loans and advances (i)	11	7,890,612	(5,879)	7,884,733	59,071	16,946,096
- Retail mortgages		7,314,255	(3,546)	7,310,709	4,669	15,504,502
- Secured overdrafts		29,689	(17)	29,672	321	334,079
- Personal loans		40,389	(450)	39,939	41,250	-
- Credit cards		34,207	(970)	33,237	100	2,914
- Commercial loans		472,072	(896)	471,176	12,731	1,104,601
Deferred securitisation receivables	10	43,863	-	43,863	-	-
Total		9,270,410	(6,268)	9,264,142	59,071	16,946,096
Off-Balance Sheet						
Undrawn credit commitments	28	1,299,892	(700)	1,299,192	-	-
Maximum credit exposure		10,570,302	(6,968)	10,563,334	59,071	16,946,096

(i) Gross loans and advances include effective interest rate adjustment

Notes to the Financial Statements

32 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital management

The Group maintains an appropriate level of capital commensurate with the level and extent of risks to which it is exposed from its banking activities. The purpose of capital is to absorb unexpected losses from loans, investments and general operations. Capital is also held for unexpected operational risk events. Capital growth enables balance sheet growth and healthy levels of capital maintain the confidence of depositors and creditors.

The Group has in place an Internal Capital Adequacy Assessment Process (ICAAP) which is subject to review at least annually. The ICAAP includes:

- Board approved limits for capital requirements;
- Policies, procedures, systems and controls to measure, monitor and manage capital above the required limits;
- Capital management plan;
- Stress testing and scenario analysis;
- Roles and responsibilities including ALCO and Board oversight.

In order to ensure compliance with the minimum capital ratios, capital adequacy is calculated monthly, reported to ALCO and thereafter reported to the Risk Committee and Board. The level of capital adequacy is also calculated every quarter and reported to APRA.

The Group is required by APRA to measure and report capital on a risk weighted basis in accordance with the requirements of the APS 112 Standardised Approach to Credit Risk. This risk weighted approach measures the ratio of actual eligible capital held against a risk weighted balance for all on and off-balance sheet risk positions and for operational risk.

The Prudential Standards reflect the international risk-based capital measurement practices commonly known as Basel II and Basel III. This approach results in a difference in the measurement of the capital ratio of the consolidated entity, as defined by the Australian Prudential Standards, to include the Bank and its subsidiaries involved in financial service activities (referred to as level 2) and the Bank for the current financial year compared to the prior financial year.

The Group implemented a Capital Note Programme and has a hybrid tier one capital note of \$75,000,000 in issuance, refer to note 24.

Year Ended 30 June 2026

	Group		Bank	
	2026	2025	2026	2025
Common equity tier 1 capital adequacy ratio	13.93%	12.70%	13.93%	12.69%
Tier 1 capital adequacy ratio	15.95%	14.72%	15.94%	14.71%
Capital adequacy ratio as at 30 June	16.11%	14.83%	16.11%	14.83%

33 EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 14 May 2026, the Group and Bank Australia Limited (BAL) announced a Memorandum of Understanding (MoU) to explore a potential merger between the two customer-owned banks. On 31 July 2026 the Boards of both customer owned banks approved a recommendation to proceed to the regulatory application stage of the proposed merger following completion of due diligence. Subject to obtaining the necessary regulatory approvals, eligible members of both organisations will be asked to consider and approve the merger at special general meetings sometime during 2027.

The potential merger would create one of Australia's largest purpose-led customer-owned banks, building on shared values and commitment to customer ownership, and sector leading commitments to sustainability and community impact. Bringing BAL and the Group together would create an entity supporting more than 530,000 customers with total assets exceeding \$30 billion and served by almost 1500 employees nationwide. BAL's strong east coast presence combined with the Group's strength in Western Australia could create a truly nationwide customer-owned bank.

Consolidated Entity Disclosure Statement

As at 30 June 2026

Name of entity	Type of entity	Trustee, partner, or participant in joint venture	% of share capital held	Country of incorporation	Australian resident or foreign resident for tax purpose	Foreign tax jurisdiction(s) of foreign residents
Police & Nurses Limited	Body Corporate	N/A	N/A	Australia	Australian Resident	N/A
Members Holding Company Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
P&N Landreach Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
National Home Loans Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
P&N Management Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
Pinnacle RMBS Warehouse Trust No 1	Trust	N/A	100%	Australia	Australian Resident	N/A
Pinnacle Series Trust 2014 - SST	Trust	N/A	100%	Australia	Australian Resident	N/A
Pinnacle Series Trust 2021 - T1	Trust	N/A	100%	Australia	Australian Resident	N/A
Pinnacle Series Trust 2024 - T1	Trust	N/A	100%	Australia	Australian Resident	N/A

Basis of preparation

This consolidated entity disclosure statement (CEDS) has been prepared in accordance with *Corporations Act 2001* and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 *Consolidated Financial Statements*.

Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 11 to 67 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 Group's and Bank's financial position as at 30 June 2026 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Group and Bank will be able to pay its debts as and when they become due and payable.
- c) the consolidated entity disclosure statement on page 67 is in accordance with the *Corporations Act 2001* and is true and correct as at 30 June 2026.

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

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



Gary Humphreys
Director



Monish Paul
Director

Date: 8 September 2026
PERTH WA

Independent Auditor's Report

To the Members of Police & Nurses Limited

Report on the audit of the financial report

Opinion

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

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

- a giving a true and fair view of the Group and the Bank's financial position as at 30 June 2026 and of their performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

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

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

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

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

Responsibilities of the Directors' for the financial report

The Directors are responsible for the preparation of:

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

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

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/media/apzlw0y/ar3_2024.pdf. This description forms part of our auditor's report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Claire Scott

C L Scott
Partner – Audit & Assurance

Sydney, 8 September 2026

Grant Thornton Audit Pty Ltd

Police & Nurses Limited

SUSTAINABILITY REPORT

2026

About this report / Introduction

This report represents a complete set of climate-related financial disclosures for the consolidated entity consisting of Police & Nurses Limited and its subsidiaries (PNL or the Group) for the year ended 30 June 2026. PNL's climate-related disclosures have been prepared in accordance with the Australian Accounting Standards Board's (AASB) S2 *Climate-related Disclosures*.

This report has been prepared for the same consolidated reporting entity and reporting period as the Group's Consolidated Financial Statements (please refer to "Note (b) Principles of consolidation" in the financial statements) and has incorporated climate-related information of the parent company and its subsidiaries.

This report was authorised for issue in accordance with a resolution of the directors on 8 September 2026.

Please note disclosure requirements are referenced in footnotes.

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Sustainability Report

1. INTRODUCTION

1.1. Basis of preparation

Connectivity with financial statements

The Sustainability Report has been prepared for the Group in accordance with AASB S2 and should be read in conjunction with the Group's Consolidated Financial Statements for the year ended 30 June 2026. The climate-related financial disclosures cover the same 12-month period and reporting entities as the related Consolidated Financial Statements. In preparing its climate-related financial disclosures, the Group has assessed its strategy, operations and value chain.

First-time adoption of AASB S2 and transition relief

The Group has adopted AASB S2 for the first time for its annual reporting period ending 30 June 2026.

AASB S2 provides transition relief for the first annual reporting period in which an entity applies the standard. PNL has applied the following transition relief:

- relief from disclosing Scope 3 greenhouse gas emissions; and
- relief from the requirement to disclose comparative information in the first reporting period.

1.2. Judgements and measurement uncertainty

Within the Sustainability Report, there may be forward-looking statements or opinions relating to PNL's operations and sustainability objectives or targets. These statements or opinions are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ from the information presented in this Report. There can be no assurance that the actual outcomes will not differ from any forward-looking statements or opinions mentioned. These statements were made as at the date of publication and PNL assumes no obligation to update any forward-looking statements in this report, subject to applicable disclosure requirements.

1.3. Proposed Merger with Bank Australia

On 14 May 2026, PNL and Bank Australia Limited (BAL) announced they had signed a Memorandum of Understanding (MoU) to explore a merger. In August 2026 the Group and BAL announced the successful completion of due diligence having considered the customer and commercial benefits that may be gained from merging the two organisations. For the merger to proceed, several regulatory approvals will be required, including from the Australian Prudential Regulatory Authority (APRA) and the Federal Treasurer prior to bringing the potential merger to the members of each organisation for ultimate consideration and approval.

Subject to obtaining the necessary regulatory approvals, eligible members of both organisations will also be asked to consider and approve the merger at special general meetings sometime during 2027. Climate-related Risks and Opportunities will be re-assessed as part of the combined entity should the merger proceed.

2. GOVERNANCE

The Police & Nurses Limited Board (the Board) is responsible for setting and overseeing the Group's strategic direction including our Environmental, Social and Governance (ESG) Strategy and our Public Climate Action Plan (CAP). The Board holds the ultimate responsibility for overseeing climate-related risks and opportunities including approving climate-related targets and metrics and monitoring performance against any approved targets to ensure alignment with the Group's strategy and risk appetite.

The Board is supported by a structured governance framework that includes the Audit & Sustainability Committee, Risk Committee, CEO and Management Committees and forums.

Figure 1 provides an overview of the Group's climate-related governance framework.

In overseeing risk management, the Board considers climate-related risks and opportunities alongside other enterprise risks within PNL's broader risk management processes. Further detail on how these risks and opportunities are identified, assessed, prioritised and monitored is set out in the Risk Management section (pages 90-91).

2.1. The Board & Board Committees

2.1.1. Board Responsibilities

The Board has ultimate oversight of climate-related risks and opportunities and is responsible for ensuring these are appropriately considered in the Group's strategy, risk management and decision-making processes. In accordance with its Charter, the Board is responsible for:

- Approving the Group's Risk Management Framework (RMF) on an annual basis (including Risk Appetite Statement and Risk Management Strategy).
- Approving the Group's Strategy, ESG Strategy, CAP, any climate-related commitments and monitoring progress in respect of each on a regular basis.
- Approving the Group's annual Sustainability Report, including climate-related risks & opportunities.

The Board has established climate-related targets and commitments, including a commitment to reduce operational greenhouse gas (GHG) emissions and three climate-related

targets. Progress against targets, commitments and related CAP initiatives are monitored by the Audit & Sustainability Committee through regular management reporting (refer to Metrics and Targets section, pages 92-95, for an overview of our CAP and progress against targets and commitments).

To assist the Board in discharging its climate-related responsibilities, the Board has delegated a range of authorities to the **Audit & Sustainability Committee** and **Risk Committee**.

The **Audit and Sustainability Committee** supports the Board in discharging its oversight responsibilities by:

- Overseeing management's implementation of the Group's, ESG Strategy, CAP, monitoring progress against those plans and applicable targets and making recommendations to the Board in respect of material changes.
- Overseeing and monitoring climate-related risks and opportunities and escalating key matters to the Board to inform oversight of emerging risks and priorities.
- Approving the annual climate-related risks and opportunities assessment each year.
- Management provides quarterly updates to the Committee on developments in climate reporting, implementation of CAP initiatives and broader ESG Strategy outcomes. Key matters arising from these updates are escalated to the Board to inform oversight of emerging risks, priorities and resource allocation.

The **Risk Committee** supports the Board in discharging its oversight responsibilities by:

- Recommending the Group's Risk Appetite Statement and Risk Management Strategy to the Board for approval on an annual basis.
- Overseeing and monitoring the risk profile of the Group, which includes climate-related risks.

2.1.2. Board Skills and Competencies

The Board comprises Directors who bring a range of skills, experience and knowledge to their roles. To ensure the Board collectively maintains the capabilities required for effective oversight, a Board Skills Matrix is used to map and assess key required competencies.

The Board has ongoing training and development processes in place, including to support its ability to maintain effective climate governance oversight. During the period ending 30 June 2026, the Board continued to enhance its Directors' climate-related competencies, through training and participation in a range of industry forums, as well as updates via management to the Audit and Sustainability Committee.



Figure 1: PNL Governance Framework

2.2. Executive Management & Management Committees

2.2.1. Executive Management Responsibilities

Our Executive Committee, comprised of the CEO & Managing Director, is accountable for all climate-related activities and implementation of the ESG strategy and CAP. The Committee supports the Board by:

- Reviewing and endorsing the Group-wide assessment of climate-related risks and opportunities to the Audit & Sustainability Committee on an annual basis.
- Overseeing regular (quarterly) reporting from the CFO and Head of Finance & Sustainability to the Audit & Sustainability Committee and Board on progress of the CAP and broader ESG Strategy.
- Overseeing the management of our climate-related risks and opportunities, specifically implementing the processes used to identify, assess, monitor and manage climate-related risks and opportunities across the Group as part of day-to-day risk management activities and using the Group's risk management systems and framework.
- Overseeing regular reporting to the Risk Committee and Board regarding the Group's risk profile and specific related key risk indicators (KRIs).

The CEO and Executive Committee is supported by Business Divisions, the Sustainability Action Group and Project Committees:

- The Sustainability Action Group supports management by promoting the integration of climate and sustainability considerations into business-as-usual activities across the organisation, including through coordination across business areas, education and awareness-raising initiatives.
- Business units identify and assess climate-related risks relevant to their operations and record these in risk assessment registers, which they review in line with our enterprise risk management processes. This supports the consistent identification and monitoring of climate-related risks across the business.
- Management Level Project Committees assist in the governance of initiatives related to our CAP, mandatory reporting readiness and, where relevant, support processes required to deliver business cases for new climate-related initiatives to the Executive and Board for consideration.
- For new projects and initiatives, business cases are required to consider potential climate-related risks and opportunities as part of proposal development. Project teams are supported through internal guidance and training to identify and assess relevant impacts, with outcomes incorporated into management's recommendations to Executive Management and, where relevant, the Board.

The above activities by management are supported by established controls and procedures, including guidance set out in the Climate Change Risk Assessment Guide, which assists risk owners in identifying, assessing and reporting climate-related risks and opportunities.

Further detail on management's role in identifying, assessing, prioritising and monitoring climate-related risks and opportunities is set out in the Risk Management section of this report (pages 90-91).

2.2.2. Executive Remuneration

The CEO and Executive Committee members are assessed against a range of performance objectives on at least an annual basis, with outcomes influencing performance ratings and incentives.

While Executive remuneration is not explicitly linked to climate-related risks or opportunities, performance objectives include assessment of executive performance in stewardship of the Group's strategic priorities in support of its purpose to enrich the lives of our customers and their communities, which includes shared and individual contribution to embedding of the ESG Strategy, consideration of mandatory climate-related disclosures and delivery of the CAP.

3. STRATEGY

3.1. Business model and value chain

PNL is a customer-owned bank operating as two retail brands P&N Bank and BCU Bank. The Group's business model is focused on deposit-taking, residential mortgage lending, commercial lending and the delivery of everyday banking services, supported by centralised corporate and operational functions.

Core operations

PNL's operations comprise the following key activities:

Lending activities

The Group originates and manages residential home loans, which represent approximately 93% of the total lending portfolio. Lending activities include credit assessment, loan origination, ongoing portfolio management, hardship assistance and collections.

Deposit and transaction banking

The Group provides deposit products, transaction accounts and payment services to customers, enabling everyday banking activities.

Customer service delivery

Services are delivered via a combination of branch locations, call centres, digital banking platforms and broker channels. Physical premises (branches and offices) and supporting technology infrastructure enables customer interaction and service continuity.

Corporate and support functions

Centralised functions include Risk & Compliance, Finance, Technology, People and Culture, Products and Propositions, Operations. These functions support the safe and effective operation of the banking business and ensure regulatory, reporting and governance obligations are met.

The effects of climate-related risks and opportunities have been assessed across our complete value chain including:

- Downstream, exposure is concentrated in the residential mortgage portfolio, where physical risks to secured property and insurance affordability may affect borrower outcomes

and collateral values. In addition, transition-related risks may affect customer expectations and result in demand for sustainable products and services.

- Upstream, reliance on technology, data and other material service providers may expose the Group to operational disruption where climate hazards affect critical infrastructure supporting lending, payments or customer services.
- Within our business operations, transition-related risks, including evolving regulatory requirements, may impact internal compliance and reporting processes required to meet climate-related disclosure obligations.

The business model, value chain and related climate-related risks and opportunities presented in this report have been assessed based on PNL's current operations and organisational structure. Should the proposed merger with Bank Australia Limited (Refer section 1.3) proceed, the combined entity would reassess the climate-related risks and opportunities that could reasonably be expected to affect its prospects, including those arising across the expanded value chain. This reassessment would consider the impacts of changes to operations, customers, suppliers, products and services, geographic exposures, and strategic priorities, together with the current and anticipated effects of climate-related risks and opportunities on the organisation's business model, strategy, cash flows, access to finance and cost of capital.

3.2. Climate-Related Risk & Opportunity Lifecycle

In recent years, PNL has strengthened its understanding of climate-related risks and opportunities across its value chain, enhancing transparency on how these matters could reasonably be expected to affect the Group's prospects.

Figure 2 summarises the climate risk and opportunity lifecycle, from identification through to resilience assessment. Further detail on risk identification, assessment, prioritisation and monitoring is provided in the Risk Management section (pages 90-91).

3.3. Time horizons

PNL has defined its climate-related time horizons as follows:

- **Short-term (0-1 year):** aligns with annual business planning and budgeting.
- **Medium-term (2-10 years):** aligns with our Climate Action Plan and emerging transition planning.
- **Long-term (10-30 years):** reflects longer-range strategic considerations, including government net-zero commitments, the Paris Agreement and the duration of PNL's home loan portfolio.



Figure 2: Climate risk to resilience - PNL's climate risk and opportunity cycle

In practice, some risks are already relevant in the short-term, but the risks disclosed below are expected to become more pronounced over the medium to long-term. Based on the analysis undertaken, it is not currently expected that climate-related risks to translate into financial impacts on the Group's performance or cash flows over the short- to medium-term. A detailed scenario analysis has been undertaken over PNL's residential home loan portfolio using 2030 and 2050 timepoints to occur and align with the ranges set out in our time horizons, reflecting the behavioural and contractual profile of residential lending (Refer to scenario analysis on pages 84-89 for further detail).

3.4. Risk and Opportunity Identification & Assessment

Since 2024, PNL has completed an annual Group-wide climate-related risk and opportunity review to enhance its understanding of how climate factors may influence the Group's business activities, operations and financial outcomes in the short-, medium-, and long-term.

This work forms part of the Group's broader approach to strengthening climate risk awareness, supporting long-term resilience and improving transparency in how climate considerations are reflected in decision-making.

For each potential risk, management considered relevant climate-related drivers, including physical risks associated with acute and chronic weather events, as well as transition risks linked to regulatory change, market developments, customer expectations and broader economic conditions. Potential opportunities were assessed alongside risks, including opportunities to respond to changes in customer needs, products and operational practices as the economy transitions.

Each identified climate-related risk or opportunity was then examined to determine its relative significance, taking into account both the probability of occurrence (Likelihood) and potential impacts across a range of dimensions, including customer service impacts, legal/regulatory impacts, employee impacts, reputation/brand impacts, as well as how these effects may translate into financial impacts over time.

This assessment was undertaken using the Group's existing RMF (refer to Risk Management section, pages 90-91), with impacts considered across short-, medium- and long-term time horizons defined above (Strategy section, pages 75-89).

Climate-related matters assessed as potentially relevant to the Group's performance or position were prioritised for deeper analysis and disclosure. The assessment combined quantitative analysis where reliable data was available with qualitative evaluation and management judgement where uncertainty or data constraints existed. The overall objective was to identify climate-related information that could reasonably be expected to influence the decisions of users of the Group's general-purpose financial reports.

The review was carried out by management with input from relevant Risk and Sustainability stakeholders and was overseen through existing governance arrangements.

3.5. Climate-related risks and opportunities

The tables below outline PNL's identified climate-related risks and opportunities. It also summarises the associated financial effects and PNL's assessment of the resilience of its strategy and business model to climate-related changes and uncertainties. In the current reporting period, there were no financial impacts from climate-related risks on the Group's financial position, performance or cash flows, and no adjustments to asset or liability carrying values are expected within the next 12 months. Scenario analysis used to inform risk quantification is provided on pages 84-89.

Further detail on risk identification, assessment, prioritisation and monitoring is included in the Risk Management section (pages 90-91).

3.5.1. Climate-related physical risks

Description	Mortgaged properties within PNL's residential home loan portfolio being exposed to an increased frequency and severity of climate hazards (e.g. heatwaves, floods, storms) compounded with increased cost and reduced access for our customers to home building insurance. This could lead to customer default and impacts to property values. Refer to Note 32c for information on impact of climate-related risks on PNL's credit risk.		
Time horizon	Short	Medium	Long •
Value chain	Upstream	Operational	Downstream •
Current financial effects	During the current reporting period, there were no material financial impacts associated with this risk. The physical risk scenario analysis completed in 2024 predicted that financial impacts in the short-term (<12months) are minimal and given our ability to adapt and sufficient time to do so, this financial impact is not deemed material at this stage. This assessment takes into account the latest available data and considers both the short-term and medium-term outlook for the portfolio. For further details on the methodology applied and the underpinning assumptions refer to section 3.7 Scenario analysis (pages 84-89).		
Anticipated financial effects	Following the same methodology outlined above, the financial impacts are expected to remain broadly unchanged in the medium-term, with the residential home loan portfolio not anticipated to experience any significant or material financial losses due to physical risks within this timeframe. This projection is based on the current data and scenario analysis, which indicate that the risk profile of the residential home loan balance will stay relatively stable for the next few years. It also considers turnover in the mortgage portfolio and PNL's ability to mitigate risks over time through credit policy changes. However, in the long-term, there is an expected increase in the risk level, reflecting the potential effects of worsening climate conditions, increased frequency or severity of extreme weather events, or shifts in insurance availability and costs. Despite this anticipated rise in risk, the overall financial impact is still forecast to be immaterial, suggesting that any potential losses or additional costs are not expected to have a substantial effect on PNL's financial position or financial performance. The Group also has a positive record of working through hardship issues with customers and has a low credit loss history. This ongoing assessment will continue to be refined as new data and climate models become available, ensuring that risk management strategies remain responsive and effective.		
Current mitigation and adaptation efforts	Current mitigation and adaptation efforts include: 1. Monitoring of geographic concentration risk within the lending portfolio. 2. Identification and assessment of high-risk areas at the time of loan origination. 3. Annual reminders sent to customers on the importance of remaining insured.		
Planned mitigation and adaptation efforts	1. Re-assessment of physical and transition risk assessments over residential lending portfolio (including focus on under-insurance climate hazards, every 2-3 years). 2. Assessing data refinement opportunities to understand active insurance coverage using industry data. 3. Enhancements to valuation reports to expand on climate risk scores.		

3.5.1. Climate-related physical risks (continued)

Description	Impacts of climate hazards on the critical infrastructure supported by our material service providers. This could result in disruption or outages which impact our customers' ability to transact.		
Time horizon	Short	Medium	Long •
Value chain	Upstream •	Operational	Downstream
Current financial effects	While severe weather events, including flooding and hailstorms on the East Coast of Australia have caused minor physical damage to PNL branch premises in recent years resulting in temporary outages or relocations, associated financial impacts including repairs and capital expenditure have not been material to PNL in the current reporting period. In addition, climate-related hazards impacting infrastructure operated by third-party service providers has not resulted in any current financial impacts in the current reporting period.		
Anticipated financial effects	Reliance on critical infrastructure outsourced to material service providers that may be exposed to climate-related hazards could result in future operational disruptions where these hazards affect service availability. This may require increased operational expenditure or capital investment to maintain service continuity through alternative arrangements and may also lead to reputational damage if disruptions are prolonged. While the impacts of this risk are expected to be more significant in the long-term, PNL does not anticipate material financial impacts associated with this risk.		
Current mitigation and adaptation efforts	1. The Group's Business Continuity Processes incorporate climate event scenarios, ensuring preparedness for disruptions caused by extreme weather or climate-related hazards. 2. Service level agreements in place with material service providers. 3. The Group's ability to redirect capital resources should alternative arrangements be required to maintain customer services.		
Planned mitigation and adaptation efforts	1. PNL will continue the rollout of the annual vendor questionnaire for all material service providers which includes climate-related disruption and resilience questions.		

3.5.2. Climate-related transition risks

Description	Risk that heightened regulatory scrutiny of environmental and sustainability-related claims, coupled with evolving climate-related regulatory and reporting obligations, results in inadvertent non-compliance, leading to regulatory intervention, financial penalties, remediation costs and damage to the Group's reputation and stakeholder trust.		
Time horizon	Short	Medium •	Long
Value chain	Upstream	Operational	Downstream •
Current financial effects	During the current reporting period, there were no material financial impacts associated with this risk. This outcome can be attributed to proactive risk management strategies, including ongoing governance uplift and Executive and Board oversight. Despite the absence of material financial consequences in the current period, the organisation remains vigilant and continues to monitor, review and adapt its processes to respond to future regulatory developments and associated costs.		
Anticipated financial effects	Over the medium- to long-term, compliance with evolving climate-related regulatory requirements and increasing scrutiny of environmental and sustainability-related claims is expected to result in additional expenditure associated with regulatory monitoring, reporting, governance, controls, employee capability development and specialist external support. PNL will continue to invest in the systems, processes and expertise required to meet regulatory obligations, monitor emerging regulatory developments and, where appropriate, engage external advisers to support compliance activities. While regulatory breaches, investigations or enforcement action could result in penalties, remediation costs and reputational impacts that may affect customer trust, brand value and growth opportunities, PNL actively manages this risk through established regulatory change management, governance and compliance frameworks. These processes are regularly reviewed and enhanced to ensure they remain effective in responding to the evolving climate-related regulatory landscape. Accordingly, while compliance costs are expected to increase over time, PNL does not currently anticipate this risk to have a material impact on its financial performance, financial position or cash flows over the short-, medium- or long-term.		
Current mitigation and adaptation efforts	1. Governance uplift through executive and Board oversight. 2. Utilising internal audit services to conduct reviews of climate-related disclosures, systems, controls and processes. 3. Risk Appetite Statement aligned Key Risk Indicator monitored quarterly around compliance with mandatory climate reporting.		
Planned mitigation and adaptation	1. Establishing a cross-functional team to coordinate and streamline climate-related disclosures and support regular reviews as standards evolve. 2. Continue to upskill Finance & Sustainability teams.		

3.5.2. Climate-related transition risks (continued)

Description	Risk that climate transition policies, regulations and changing consumer preferences associated with the transition to a lower-carbon economy could increase credit losses or reduce the value of residential property collateral. These changes may reduce employment and economic activity in emissions-intensive industries and the regions that depend on them, adversely affecting some customers' capacity to service their home loans. Future minimum energy-efficiency or climate-resilience standards may also require customers to fund property upgrades or retrofits. Where upgrades are not undertaken, affected properties may become less marketable or decline in value.		
Time horizon	Short	Medium	Long •
Value chain	Upstream	Operational	Downstream •
Current financial effects	No material impact on credit losses, asset values or provisioning has been observed in the current reporting period.		
Anticipated financial effects	Scenario analysis completed in the current financial year considered three scenarios across our defined time horizons. The Green Road scenario, which assumes Australia reaches net zero by 2050, the Current Policies scenario, which reflects currently expected policy settings resulting in a slower transition pathway and the HOT House scenario which is designed to reflect a situation where no actions are taken to address climate change.		
Current mitigation and adaptation efforts	1. Reassess our transition risk within the next 3–5 years through the strategic planning process, or, should the proposed merger with Bank Australia proceed, as part of the merged entity's post-merger strategic planning.		
Planned mitigation and adaptation	1. Continued alignment of risk appetite and lending strategy with transition risks. 2. Monitoring of Expected Credit Losses provisioning levels with adjustments to management overlay for climate risk as required.		

3.5.2. Climate-related Opportunities

Description	Growth opportunity for sustainable lending products. For example Consumer lending for home energy upgrades (solar panels, battery management systems), electric vehicles and/or green home loans.		
Time horizon	Short	Medium •	Long •
Value chain	Upstream	Operational	Downstream •
Current financial effects	Demand for sustainable lending products in Australia is emerging, including financing for home energy upgrades, electric vehicles and energy-efficient housing. While these products represent a growing market segment, uptake within PNL's current portfolio remains limited and has not yet resulted in material impacts on lending volumes, revenue or margins in the current reporting period. Initial investment has been required to assess product feasibility, market demand and operational readiness; however, these activities are currently absorbed within business-as-usual processes and have not resulted in material standalone financial impacts.		
Anticipated financial effects	Over the medium- to long-term, increasing customer demand for sustainable finance may present revenue growth opportunities through expansion of the loan portfolio, product differentiation and improved customer retention. This may include increased lending volumes for green home loans, energy-efficient upgrades and electric vehicle financing. Additionally, these products may contribute to improved credit risk outcomes over time, as energy-efficient properties and lower household energy costs may enhance borrower affordability and resilience under certain scenarios. However, realisation of these financial benefits is subject to considerable uncertainty, including evolving customer demand, competitive positioning, regulatory developments and availability of supporting incentives. As a result, the financial impacts cannot currently be reasonably quantified. Implementation may also require upfront and ongoing investment in product development, system enhancements, employee capability and marketing, which may impact cost structures in the short- to medium-term.		
Current mitigation and adaptation efforts	1. Continued assessment of sustainable lending opportunities through annual product roadmap and business planning processes. 2. Integration of climate considerations into project and product development frameworks, ensuring potential climate-related opportunities are identified and assessed in business cases. 3. Monitoring of industry developments and peer offerings to inform product design and positioning in the sustainable finance market. 4. Delivery of customer awareness campaigns to encourage members to reduce their environmental impact, including sustainability tips and guidance. 5. The Group's Sustainability Action Group is working to educate our people and fosters a sustainability-focused culture, strengthening organisational maturity and enabling strategic improvements to customer product offerings.		
Planned mitigation and adaptation efforts	1. Collaboration with external partners, including industry bodies and suppliers, to support product development and access to relevant data and insights. 2. Assessment of new opportunities that may arise from potential mergers. 3. Ongoing capability uplift across Finance, Risk, and Product teams to support development, implementation and reporting of sustainable finance initiatives.		

3.5.3. Climate-related Opportunities (continued)

Description	Purchase and/or generate energy from renewable sources for the Group's branches, offices & motor fleet to mitigate the risk of volatile energy prices and carbon pricing.		
Time horizon	Short •	Medium •	Long
Value chain	Upstream	Operational •	Downstream
Current financial effects	PNL has commenced initiatives to transition its operations to renewable energy, including procurement of renewable electricity, installation of onsite solar across selected freehold properties, and the progressive transition of its motor vehicle fleet to hybrid vehicles as leases expire. During the current reporting period, the Group invested \$0.06m in solar panel installations at owned properties, with all four freehold properties now operating with onsite solar. 14 of 30 (47%) of our operational offices and branches have now transitioned to renewable electricity sources via Solar installation or through the contractual procurement of GreenPower. Fleet transition is being achieved through the natural lease replacement cycle, with 21 of 45 vehicles (46%) transitioned to hybrid or electric vehicles (19 Hybrids, 1x PHEV & 1x BEV) and full transition targeted by 2030. This approach is not expected to increase costs, with a marginal reduction in fuel expenses anticipated. Renewable energy sourcing arrangements (including GreenPower contracts) are expected to involve minimal incremental cost as they are largely achieved through negotiated energy contracts rather than significant capital outlay. To date, these initiatives have not had a material impact on the Group's financial performance, with associated costs and savings largely offset within business-as-usual expenditure. Any benefits from reduced energy price volatility or efficiency improvements have not been material in the current reporting period.		
Anticipated financial effects	Renewable energy initiatives are expected to reduce exposure to electricity price volatility and potential carbon costs over the short- to medium-term, supporting more stable operating expenses. In line with the Group's CAP, PNL is targeting a transition of our branches and offices to renewable energy sources by the end of 2027, with costs expected to be minimal as energy requirements are largely met through negotiated energy contracts rather than significant capital outlay. Over the longer-term, these initiatives may deliver modest cost efficiencies through reduced reliance on grid electricity. Fleet transition forms part of this approach, with petrol and diesel vehicles being progressively replaced with hybrids as leases expire, targeting full transition by 2030. This is not expected to increase costs, with a marginal reduction in fuel expenses anticipated. Overall, while implementation may involve some incremental investment, the financial impact is expected to be low, and the extent of longer-term benefits remains subject to external factors such as energy markets, regulatory settings and technology developments.		
Current mitigation and adaptation efforts	1. Procurement of renewable electricity for offices and branches through contractual instruments (e.g. GreenPower and LGC-backed arrangements). 2. Maintenance of solar panels across owned properties to support on-site renewable energy generation. 3. Transition of the corporate motor fleet towards hybrid and electric vehicles in line with CAP commitments. 4. Monitoring of energy consumption and costs across branches and offices to identify efficiency and transition opportunities.		
Planned mitigation and adaptation efforts	1. Enhancement of energy data and monitoring capabilities to support tracking of consumption, costs and emissions reductions.		

3.6. Climate resilience

We have assessed the resilience of our strategy and business model to climate-related changes, developments and uncertainties through consideration of the outputs of our broader climate risk management processes and targeted climate-related scenario analysis. Our assessment of resilience has been informed by:

- our Group-wide climate risk and opportunity assessment; and
- two separate quantitative scenario analyses over our residential home loan portfolio (representing 93% of our total lending portfolio). Refer to Note 11 in the Group's Consolidated Financial Statements.

These outputs have been used by management to consider how identified climate-related risks and opportunities may affect our strategy, lending practices, operations and capital allocation over time.

Based on this assessment, we have not identified any immediate need to materially change our current strategy or business model in the short- to medium-term. In the short- to medium-term, current exposures within the residential mortgage portfolio are limited and are not expected to materially affect the Group's strategy or business model.

The scenario analysis outputs (described in detail on pages 84-89) indicate that the more significant effects of climate-related physical and transition risks on our lending portfolio are expected to emerge in the long-term.

Overall, PNL considers that it has capacity to adjust and adapt its strategy and business model to climate change over time. We consider the availability of, and flexibility in, resourcing and capital allocation through annual business planning and budget cycles, including actions required to address climate-related risks and opportunities. For each identified risk and each time horizon, PNL has identified treatment and mitigation plans that may be implemented as risks evolve. At present, we have not identified a near-term need to materially redeploy, repurpose, upgrade or decommission existing assets as a result of its climate-related scenario analysis. However, this may need to be considered over time as climate-related risks evolve.

3.7. Scenario analysis

3.7.1. Physical Risk Assessment

For physical risk analysis, scenarios representing both lower- and higher-emissions pathways were used, including a low emissions scenario aligned to Representative Concentration Pathway (RCP) 2.6 and a high emissions scenario aligned to RCP 8.5. The analysis considered conditions across our three defined time horizons. 2024 when the analysis was completed reflecting our short-term time horizon (0-1 years), 2030 reflecting conditions within our medium-term time horizon (2-10 years) and 2050 reflecting conditions within our long-term time horizon (10-30 years). These scenarios were selected to test the portfolio across a range of plausible physical climate pathways and policy environments, and to assess how risk may evolve over the behavioural and longer-dated characteristics of the mortgage book.

The physical risk analysis focused on the residential mortgage portfolio and assessed three core climate-related channels: uninsured physical risks, unaffordable insurance at today's conditions, and unaffordable insurance under future climate conditions. The analysis incorporated property-level and household-level assessment of hazards and transmission effects, including heat stress, coastal hazards, insurance affordability, climate-adjusted property values, loan serviceability and climate-adjusted loan-to-value outcomes. This analysis identified heat stress as the most significant emerging physical risk in the portfolio, with uninsured risks and insurance affordability also assessed as relevant channels of exposure.

The physical analysis included assumptions about the evolution of climate hazards under each emissions pathway, the effect of future climate conditions on property exposure, the affordability and availability of insurance, and the implications of these factors for property values, borrower outcomes and credit risk metrics. The analysis also incorporated geographic differences in hazard exposure and insurance stress across the portfolio.

The outcomes of this assessment indicate that approximately 0.1% of the Group's loan portfolio is currently exposed to medium or high physical climate risk. Under future climate scenarios, this proportion is projected to increase to between 0.1% and 1.0% of the portfolio by 2050 under low and high emissions scenarios. 1.0% of the portfolio would represent approximately \$75 million dollars. Most of the current and projected exposure relates to uninsured perils, particularly coastal inundation risk. Under a high emissions scenario, exposure to additional uninsured hazards, including heat stress, is projected to increase over longer-time horizons.

3.7.2. Vulnerability to physical risks

A quantitative assessment of residential mortgage exposure to climate-related physical risk has been undertaken to support understanding of physical risk exposure within PNL's lending portfolio.

We consider assets to be vulnerable to climate-related physical risk where exposure arises from physical hazards that are not typically covered by residential building insurance (uninsured perils). While insured perils (storm, flood, bushfire and cyclone) may result in physical damage to mortgaged properties, the associated repair or rebuild costs are generally borne by insurers, thereby maintaining the value of the property used as collateral for lending. In contrast, uninsured perils - including coastal inundation, coastal erosion and heat stress - may result in

residual credit risk where the value of the secured property is reduced and is not recoverable through insurance coverage.

Based on the physical risk assessment performed over the residential mortgage portfolio, currently, <0.1% of PNL's portfolio is exposed to uninsured climate-related perils. Under a high-emissions scenario to 2050, less than 0.9% of the portfolio is projected to have medium to high exposure to uninsured climate-related perils, driven primarily by increasing exposure to heat stress.

3.7.3. Transitional Risk Assessment

A climate transition risk scenario analysis was completed on our Residential Home Loan portfolio during the financial year. This analysis considered the impact of Australia's transition to a low-emissions society on PNL credit risk and estimates the loan exposure that is vulnerable to future climate transition risks.

The three transition pathways that were considered were:

- i) The Green Road Scenario (GRN) where Australia achieves net zero emissions by 2050 and limits temperature rises to 1.5°C [RCP2.6 or SSP1-1.9]. The inclusion of the Green Road scenario provided a scenario aligned with the latest international agreement on climate change; and
- ii) The Current Policies Scenario (CPS) that reflects actual policy action taken by Australian governments as well as expected industry action to achieve emissions reductions, resulting in temperature rises of approx. 2.7°C by 2100. [RCP4.5 or SSP2-4.5]
- iii) The HOT House scenario [RCP8.5 / SSP3-7.0] is a baseline scenario that transition risks are measured against and is designed to reflect a situation where no actions are taken to address climate change.

The transition scenarios were considered relevant because they reflect the way transition risk is expected to be transmitted through PNL's lending portfolio: not only through direct exposure to emissions-intensive sectors, but also through broader effects on local economies, employment, household financial margins and property prices in the regions in which borrowers live and work. This was particularly relevant given the geographic footprint of the portfolio and the potential sensitivity of some regional economies to transition-related change.

The transition analysis was undertaken across PNL's home loan portfolio at both aggregate and individual loan levels, using time horizons aligned to PNL's defined short-, medium- and long-term time horizons (Refer to Strategy section on pages 75-89, for further detail on our time horizons), supported by property-level data and regional modelling outputs.

Inputs used in the transition analysis included loan balances, scheduled balances, interest rates, stage of borrower, Lender's Mortgage Insurance status, probability of default, loss given default, property identifiers, property address information and latest valuation data, together with linkages between loans and secured properties. These inputs were combined with economic and household modelling outputs to assess changes in borrower resilience and credit risk under each scenario.

The assessment was conducted at a Statistical Area Level 4 (SA4), which are larger geographic regions which are intended to

represent areas in which people both live and work, as defined by the Australian Bureau of Statistics. Rather than using street address level data, SA4s provide a breakdown of the supply and demand of labour in these areas, which was incorporated into the transition risk assessment analysis.

Key assumptions for each scenario applied in the transition analysis included are detailed in Figure 3.

The estimated multiple economic scenarios (MES) ECL - defined as the probability-weighted average ECL across economic scenarios - is \$2.4m for the home loan portfolio as at 30 November 2025.

The outcomes of this assessment indicate that PNL's portfolio is relatively unaffected by climate transition risk to 2030. However, PNL's expected credit loss (ECL) is projected to increase by 74% by 2050 under the CPS and by 37% under the GRN scenario.

This could increase to \$4.2m and \$3.3m by 2050 under the CPS and GRN scenarios, respectively.

3.7.4. Vulnerability to transition risks

The table below outlines the estimated amount and percentage of our total residential home loan exposure as at 30 November 2025 vulnerable to climate-related transition risks under the CPS and GRN scenarios in the medium- and long-term time horizons.

The residential home loan portfolio balance increased by 2.38% between November 2025, when the analysis was undertaken, and 30 June 2026. This change is not considered significant and is unlikely to have materially altered the composition or risk characteristics of the portfolio. As such, the analysis remains relevant and the results are considered representative of the portfolio at 30 June 2026.

Residential Home Loan book vulnerable to transition risks		
Year	Scenario	
	CPS	GRN
2030	\$23.7m (0.30%)	\$27.4m (0.35%)
2050	\$83.2m (1.06%)	\$45.5m (0.58%)

We have estimated this by identifying loans where the ratio of the Expected Credit Loss (ECL) to the Loan Exposure increases by more than 0.1% under the scenario and time point compared to the current multiple economic scenario ECL.

Under the transition scenarios applied, increases in ECL reflect scenario-driven changes in regional economic conditions - including unemployment, household income and non-discretionary expenditure - which may affect borrower serviceability and collateral values over time through impacts on Probability of Default and Loss Given Default.

The choice of thresholds is necessarily a judgemental number but is done to exclude loans that contribute minimal amounts to the ECL.

Refer to Figure 3 for a scenario analysis summary.

Figure 3: Scenario Analysis

Scenario	Scenario Completed	Temperature alignment	Physical or Transition	Emissions Pathway	Time Horizons	Scenario Outlook
High Emissions Pathway Designed to reflect limited climate change mitigation action	22-Jul-24	3.3 - 5.7 °C by 2100	Physical	RCP8.5	Current, 2030 and 2050	- Global mitigation efforts are limited and GHG emissions continue to increase. - Australia experiences more severe physical climate impacts, including increasing temperatures, more intense rainfall events, higher sea levels, greater bushfire weather risk and increased heat stress. - Physical climate hazards become more pronounced over time, particularly in coastal and heat exposed regions. - Heat stress emerges as a significant physical risk by 2050.
Low-emissions Pathway Designed to reflect strong global mitigation efforts	22-Jul-24	<2 °C warming by 2100	Physical	RCP2.6	Current, 2030 and 2050	- Strong global climate action and emissions reductions limit warming to less than 2 °C by 2100. - Physical climate hazards continue to increase relative to today but at a slower rate than under higher-emissions pathways. - Sea level rise, extreme heat, bushfire weather and severe rainfall events increase, however impacts are moderated by global mitigation efforts. - Physical risks remain concentrated in specific higher-risk locations rather than becoming widespread across the portfolio.

	Additional Scenario Information	Possible Financial effects for PNL
High Emissions Pathway	- The analysis only examines the impact of climate change on bushfire, cyclone, flood, storm, coastal inundation and erosion, and heatwaves. - This pathway is a summary of multiple General Circulation Models, each of which results in different climate projections, and the results are based on the average projection. Actual future emissions will depend on global actions to reduce emissions, the extent of which is unknown. - The analysis has excluded all loans with exposure less than \$0.02 million. - It assumes that loan exposure and property value will remain constant. - Individual borrower circumstances have not changed since loan origination.	Potential impacts include higher home insurance costs, increased insurance affordability pressures, increased borrower serviceability risk, reductions in collateral values and increased credit risk in affected locations. By 2050, approximately \$76 million (1.0%) of PNL's residential mortgage portfolio is assessed as having medium or high physical climate risk, comprising approximately \$6.9 million (0.1%) of high-risk exposure and \$68 million (0.9%) of medium-risk exposure. The increase is primarily driven by coastal inundation, heat stress and insurance-related risks.
Low-emissions Pathway	- The analysis only examines the impact of climate change on bushfire, cyclone, flood, storm, coastal inundation and erosion, and heatwaves. - This pathway is a summary of multiple General Circulation Models, each of which results in different climate projections, and the results are based on the average projection. Actual future emissions will depend on global actions to reduce emissions, the extent of which is unknown. - The analysis has excluded all loans with exposure less than \$0.02 million. - It assumes that loan exposure and property value will remain constant. - Individual borrower circumstances have not changed since loan origination.	Potential impacts include increased home insurance premiums, reduced insurance affordability for some borrowers, increased borrower serviceability pressure and reduced collateral values for properties exposed to coastal hazards. By 2050, approximately \$7 million (0.1%) of PNL's residential mortgage portfolio is assessed as having medium or high physical climate risk, primarily driven by coastal inundation exposure. No material heat stress exposure was identified under this scenario.

Figure 3: Scenario Analysis (continued)

Scenario	Scenario Completed	Temperature alignment	Physical or Transition	Emissions Pathway	Time Horizons	Scenario Outlook
Current Policies Designed to reflect actual policy action taken by the Australian Government as well as expected industry action to achieve emissions reductions*	30-Nov-25	~2.7 °C by 2100	Transition	RCP4.5 / SSP2-4.5	2030 and 2050*	This scenario reflects currently enacted and expected Australian climate policies and industry decarbonisation actions. Economic impacts are uneven across sectors and regions, with employment and economic activity declining in some emissions-intensive industries and increasing in others. The impacts become more pronounced over time, particularly in regions exposed to coal, gas and related industries.
The Green Road Designed to achieve net zero emissions by 2050	30-Nov-25	<1.5 °C	Transition	RCP2.6 or SSP1-1.9	2030 and 2050*	This scenario assumes Australia achieves net zero emissions by 2050, supported by stronger policy intervention. Economic restructuring occurs more rapidly, with accelerated decarbonisation and significant shifts in industry activity, energy systems and employment across the economy.
HOT House Designed to reflect a situation where no action is taken to address climate change	30-Nov-25	>3 °C by 2100	Transition baseline	RCP8.5 / SSP3-7.0	2030 and 2050*	The HOT House scenario assumes limited additional action to reduce emissions. This scenario is used as the baseline against which transition risks are measured. Economic activity continues broadly in line with current industry structures and no material transition-related adjustments are assumed.

*Note: The modelling approach assumed no transition-related impacts in our short-term time horizon (0- 1 year). Accordingly, transition-related scenario analysis focused on 2030 and 2050 time horizons.

	Additional Scenario Information	Possible Financial effects for PNL
Current Policies	- Phasing out of coal electricity generation by 2030. Likely to impact Mining and Electricity generation sectors. - EV penetration increasing to 90% by 2050. Likely to impact Transport and Electricity generation sectors. - 50% Biodiesel share for heavy vehicles. Likely to impact Transport and Manufacturing sectors. - Replacement of gas and coal with electricity for industrial heat by 2050. Likely to impact the Manufacturing sector. - Agricultural practices evolve to reduce nitrous oxide emissions. Likely to impact the Agriculture sector. - Action by other countries reducing demand for Australian coal and LNG due to the EU, North America, China and East Asia pursuing net zero emissions by 2050-60. - No growth assumed from asset value appreciation. All figures are in current (as at November 2025) dollars. - Research from the RBA has been applied, which assumes that a 1% increase in unemployment rates results in 0.3% increase in households with a negative financial margin. - In line with guidance of the Australian Prudential Regulatory Authority, the analysis is based on a static portfolio of risks. It has assumed no change in PNL's overall exposure between 2025 and 2050, with new loans replacing exposure from exiting loans. - The analysis only examines the impact of a transition to a net zero economy. It does not consider the impact of climate change on bushfire, cyclone, flood, storm, coastal inundation and erosion, and heatwaves. It does not consider the impact of other climate-related issues such as drought, air pollution or the socioeconomic or the full extent of migration caused by climate change.	The scenario shows PNL's expected credit losses increase from approximately \$2.4 million to \$4.2 million by 2050. Increased unemployment and reduced household financial margins in transition-exposed regions drive higher credit risk. The largest impacts arise in Western Australian regions, including Perth and Bunbury, due to PNL's portfolio concentration and regional industry exposures. The Current Policies scenario resulted in a larger increase in expected credit losses than the Green Road scenario.
The Green Road	- Assumptions as per Current Policies. - Introduce a uniform GHG tax to drive emissions to achieve 50% reduction in 2030 and net zero in 2050.	This scenario assumes a more rapid transition to a lower-emissions economy, the modelling indicates that stronger and more coordinated transition actions support the development of alternative industries and economic activity, partially offsetting adverse impacts on employment and household financial capacity. The scenario predicts that PNL's expected credit losses would increase from approximately \$2.4 million to \$3.3 million by 2050. While some regions benefit from the transition, increased credit risk remains concentrated in areas with exposure to vulnerable industries. Bunbury and Western Australia-Outback experience some of the largest relative increases in credit risk under this scenario.
HOT House	- Includes current expectations of growth in each sector without allowing for climate change. - No increase in share of electric vehicles (EVs). - Modest increase in renewable electricity generation.	This scenario forms PNL's baseline credit risk position, with expected credit losses remaining broadly consistent with current assumptions. No additional transition-related increase in expected credit losses is assumed.

4. RISK MANAGEMENT

Risk Management | Climate Intersection



Figure 5: Risk Management Framework

 = Climate Change Risks Considered

4.1. Our Risk Management Framework

Climate-related risks and opportunities are integrated into PNL's enterprise RMF (refer to Figure 5) and reflected in the Group's Risk Appetite Statement (RAS). Our Corporate Risk profile, which sets out a forward-looking assessment of the environment relevant to key enterprise risks, provides a comprehensive assessment of the potential financial, operational, and reputational risks associated with climate change.

Climate-related risks and opportunities are progressed through a defined end-to-end process. Identification and initial assessment are undertaken, following which relevant risks and opportunities are reported to governance forums and assigned to accountable business risk owners for ongoing management and monitoring.

Our approach reflects a risk-based mindset that is proportionate to our size, scale and complexity, and is informed by APRA's expectations regarding the management of climate change risk (including the need to understand interactions with other risk types, establish clear accountabilities, use appropriate tools and metrics, and review exposures over time). Further details on the process are provided in the following sections (Refer to section 4.2, 4.3 and 4.4).

4.2. Identification and assessment of our Climate-Related Risks and Opportunities

The identification of climate-related risks and opportunities began with a workshop facilitated by an external consultant, which generated a broad list of potential risks and opportunities. This list was refined using industry data, an industry study on customer-owned banks, and input from the executive team.

An annual review of climate-related risks and opportunities was undertaken this financial year and prioritisation of climate-related risks was undertaken using the Group's risk matrix evaluation framework, which assesses the likelihood and impact of the risk, and the existing controls we have in place to mitigate the risk.

Monitoring of climate-related risks occurs through PNL's established RMF processes and governance structures, which include ongoing risk reviews, escalation protocols, and reporting to the Board and Board Committees. These processes ensure that climate-related risks are re-assessed annually, updated as exposure changes and escalated in line with the Group's risk appetite and governance requirements.

Operational accountability continues to follow the Three Lines of Accountability model:

- The **First Line**, comprising business units and operational teams, accountable for ownership and management of climate-related risks and opportunities within their day-to-day activities.
- The **Second Line**, Risk and Compliance, accountable for the RMF, providing tools and guidance for climate risk assessment, and independently monitoring the effectiveness of controls.
- The **Third Line**, Internal Audit provides assurance on selected regulatory requirements. External Auditors, audit annual financial statements and related disclosures.

To ensure accountability and escalation are clear, each risk entry assigns an accountable risk owner (and, where relevant, shared ownership across functions), and flags whether the risk is considered relevant for reporting purposes. Business areas review and refresh these assessments in line with our RMF and established review cycles, including through our risk and control self-assessment processes, so that ratings, controls, and treatment actions remain current as conditions and expectations evolve.

At an operational level, consideration of climate risks and opportunities is included within the new project initiation process. This prompts teams to consider whether a proposed initiative could increase climate-related risk or unlock a climate-related opportunity and supports more consistent consideration of climate factors in business change activity without overstating the extent of Group-wide integration.

Where relevant, opportunity actions are incorporated into our planning and delivery processes and monitored through existing governance and reporting channels.

4.3. Inputs and parameters used in our assessment

PNL's climate-related risk assessment process draws on a combination of internal and external inputs and is integrated within its existing enterprise risk management practices as described above. Key inputs include stakeholder workshops with senior management and executive team members from across the Group to identify and refine climate-related risks and opportunities, in addition to industry research, including Customer Owned Banking Association studies.

The parameters and scope of the assessment considers both PNL's own operations and its broader value chain, including consideration of risk exposures relevant to our lending activities, operations, customers, suppliers and communities we serve.

4.4. Prioritising and monitoring climate-related risks and opportunities

Climate change is recognised as a strategic risk and is considered alongside other business risks within PNL's broader RMF. Climate-related risks are prioritised using PNL's standard risk assessment approach, including residual risk ratings, risk acceptance requirements and escalation pathways. Where residual risks are above appetite, treatment plans and target risk ratings are documented and monitored through established risk management processes.

Climate-related risks are monitored through business risk registers, an annual Risk and Control Self-Assessment completed by management teams to evaluate all risks and their ratings, and through a Group-wide climate risk assessment register.

Risks are reviewed and refreshed in line with the RMF, with relevant risks loaded into enterprise risk system for ongoing monitoring and reported to the Audit & Sustainability Committee. Specialist assessments, including scenario analysis and modelling, are updated periodically, or sooner where conditions or risk exposures materially change.

5. METRICS AND TARGETS

5.1. GHG emissions

The table below summarises our operational Scope 1 and Scope 2 GHG emissions, expressed in metric tonnes of carbon dioxide equivalent (tCO₂-e), for the reporting period. In 2026, our total absolute gross emissions were 653 tonnes of CO₂-e. This included 128 tCO₂-e of Scope 1 and 525 tCO₂-e of Scope 2 (location-based). We also measure and calculate Scope 2 market-based emissions as part of our 100% renewable electricity commitment for our offices and branches, which accounted for 281 tCO₂-e.

Metric	FY26
Scope 1 (absolute gross) – tCO ₂ -e	128
Scope 2 (absolute gross) – tCO ₂ -e (market-based)	281
Scope 2 (absolute gross) – tCO ₂ -e (location-based)	525

Note: Estimation techniques were applied where complete operational activity data was not available, including extrapolation of consumption data and use of spend-based assumptions for emissions calculations.

5.2. Our approach to measuring GHG emissions

The operational control approach is applied in determining the GHG emissions boundary, which requires PNL to account for 100% of emissions from operations where it has the full authority to introduce and implement operational policies.

Under this approach:

- **Scope 1 emissions** include GHG emissions from sources that are within PNL Group's operational control, including emissions from fuel use for transportation purposes and refrigerants used by air conditioning equipment.
- **Scope 2 emissions** include emissions associated with purchased electricity consumed in offices and branches using the location-based approach.

Key inputs to our GHG emissions calculations include operational activity data sourced from internal financial and asset management systems (including energy bills, vehicle usage and facilities data), and third-party fleet information for company vehicles. Where complete activity data was not available, reasonable estimation techniques were applied, including extrapolation of missing consumption data using site-level averages, conversion of spend-based data to activity metrics using invoice-derived assumptions and application of average leak rates and equipment charge assumptions for refrigerants where model-specific data was unavailable.

Emission factors were sourced from the Australian Government National Greenhouse Accounts Factors 2025. In addition, leak rates and average refrigerant charges were sourced from the Cold Hard Facts Report published by the Department of Climate Change, Energy, the Environment and Water. GHG emissions quantification is subject to scientific uncertainty arising from incomplete scientific knowledge about the measurement of GHG, as well as estimation and measurement uncertainty resulting from the calculation processes used to quantify emissions within the bounds of existing scientific knowledge. Reported emissions

are based on historical data and reasonable estimates. Actual emissions may differ due to changes in operations, data quality improvements, or updates to emission factors.

PNL has voluntarily disclosed Scope 2 emissions using a market-based approach, as specified by the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) as amended by the Greenhouse Gas Protocol Scope 2 Guidance.

The market-based approach reflects emissions associated with purchased electricity based on the specific contractual arrangements and instruments through which electricity is procured. This information has been provided voluntarily to demonstrate the impact of renewable electricity procurement on our emissions profile. We have measured and calculated market-based emissions using metered electricity consumption (kWh) from our offices and branches, adjusted for renewable electricity purchases. Renewable purchases include 100% GreenPower contracts with EnergyAustralia and Synergy Electricity, which covered 14 offices and branches during the reporting period.

The transition to renewable energy presents a climate-related opportunity. Refer section 3.5.3 for further detail.

5.3. Other cross-industry metrics

5.3.1. Alignment to climate-related opportunities

Since the launch of our CAP in FY24, we have invested in Climate Active's Carbon Neutral Certification for Organisations, solar panels for our freehold properties, negotiating renewable energy contracts for our branches and offices, and providing education opportunities for our employees. In FY26, the investment in these opportunities amounts to \$0.300m - \$0.400m of spend or 0.003% - 0.004% of total assets.

Further work is underway to develop methodologies to quantify the fleet transition investment and further refine the proportion of business activities aligned with climate-related opportunities across the Group's lending and operational activities.

5.3.2. Capital deployed towards climate-related risks and opportunities

In addition to the investments outlined above that are aligned to climate-related opportunities, PNL has deployed capital towards initiatives that support the management of identified climate-related risks, including expenditure associated with addressing the risk of non-compliance with regulatory requirements (Refer to Strategy section on pages 75-89, for further detail on our climate-related risks and opportunities).

The total current year investment associated with initiatives to address climate-related risks and opportunities is estimated at approximately \$0.529 million for the reporting period. This estimate reflects initiatives for which a specific financial commitment has been identified to date and excludes activities that are integrated within broader business-as-usual expenditure and have not been separately quantified.

5.4. Our Climate Action Plan

Our 2024-2026 Climate Action Plan (CAP) includes a combination of targets that are clear, measurable, trackable and time-bound, as well as broader commitments that support the Group's strategic response to climate-related risks and opportunities but are not presented as formal climate-related targets.

Refer to our Annual Report for an update on our progress against our Climate Action Plan Commitments.



Figure 6: Focus areas within PNL's CAP

5.5. Our commitments and progress

While our internally set climate-related targets have not been validated, management has committed to reducing our operational Scope 1 and Scope 2 absolute emissions by 40% by 2030 from an FY24 baseline, as outlined in our Climate Active Public Disclosure Statement. As at FY26, Scope 1 and Scope 2 absolute emissions have reduced by 51% from our 2024 baseline. Note: Under Climate Active's Carbon Neutral Standard for Organisations, electricity emissions have been set by using the market-based approach. This target considers this approach.

PNL has also committed to achieving net zero operational emissions¹ by 2050, consistent with the recommendations of the UN Paris Agreement. A pathway to achieve this target is currently being developed in line with the commitments outlined in our Climate Action Plan. This pathway will be reviewed and reassessed if the proposed merger with Bank Australia proceeds, to ensure alignment with the strategy, emissions profile and net zero commitments of the merged entity.

In FY26, our Scope 1 emissions (direct emissions from owned or controlled operations) are calculated to be 128 tCO₂-e, representing a 27% reduction from our FY24 baseline. This reflects continued progress under our CAP to transition our motor vehicle fleet to lower-emission alternatives.

In FY26, our Scope 2 emissions (indirect emissions from purchased electricity) are calculated to be 281 tCO₂-e, representing a 58% reduction from our FY24 baseline. This reflects continued actions under our CAP, including transitioning offices and branches to renewable electricity and installing onsite solar generation.

Tables 1, 2 and 3 provide detailed progress updates on other commitments under our Climate Action Plan.

Metric definitions used to inform our targets

Further information on the definitions, calculation methods and assumptions applied in measuring progress against our climate-related targets (Outlined in our Climate-related targets, pages 94-95) is provided below.

1 Total Scope 1 and 2 emissions

5.6. Climate-related targets

Target	Maintain carbon neutral certification under the Climate Active Carbon Neutral Standard for Organisations.
Metric	Status of Climate Active Carbon Neutral Certification. Based on the Climate Active Carbon Neutral Standard for Organisations (Australian Government).
Objective	Mitigation
Part of the entity to which the target applies	Group Wide
Period	Ongoing
Base period	2024
Milestones and performance against the target to date	We have been certified Climate Active Carbon neutral under the Australian Government program since FY24 and retained this certification for FY25. Given the Australian Government's recent announcement to cease the Climate Active program we will consider the need to continue offsetting our emissions as part of future strategic planning cycles.
Alignment with jurisdictional commitment	Informed by the latest international climate agreements (Paris).
Validation by third-party	Verification status determined through the Climate Active certification process.
Review process	Target progress is reported to Executive Committee and Audit and Sustainability Committee quarterly.
Metrics for monitoring progress	Certification received / Application submitted within required timelines.
Method, limitations, assumptions	Determined by confirmation of certification received or application submitted within required timelines. Inputs include internal certification tracking and application documentation. Limitations include reliance on external certification review timelines and the retrospective nature of certification, which relates to prior-year operational emissions (i.e., FY25 emissions in FY26) rather than emissions generated during the current reporting period.
Revision	Any revision to the target will be disclosed and explained in the annual climate-related report. No revisions have been made to the target in the current period.

Target	Source 100% renewable energy for our offices and branches by the end of 2027.
Metric	Percentage of branches transitioned to renewable energy sources by the end of 2027. Represents the proportion of operational offices and branches supplied by renewable electricity relative to total operational offices and branches. Internally defined.
Objective	Mitigation
Part of the entity to which the target applies	Group Wide
Period	Current - 2027
Base period	2024
Milestones and performance against the target to date	14 (out of 30) or 47% of our operational offices and branches have been transitioned.
Alignment with jurisdictional commitment	Informed by the latest international climate agreements (Paris)
Validation by third-party	Not third-party validated
Review process	Target progress is reported to Executive Committee and Audit and Sustainability Committee quarterly & is contained in the Finance business plan.
Metrics for monitoring progress	Proportion (%) of total operational offices and branches that have been converted to renewable energy sources.

5.6. Climate-related targets (continued)

Target (continued)	Source 100% renewable energy for our offices and branches by the end of 2027. (continued)
Method, limitations, assumptions	Progress towards the target is calculated as the number of operational offices and branches transitioned to renewable electricity supply divided by the total number of operational offices and branches at the reporting date. A site is considered transitioned where sufficient renewable electricity arrangements are in place to cover 100% of the site's annual electricity consumption. This may include a combination of on-site solar generation and GreenPower contractual arrangements procured through the site's electricity provider. Four sites currently have on-site solar generation. As the solar generation at these sites does not fully meet annual electricity demand, additional GreenPower is procured to cover the remaining electricity consumption. Inputs used in the calculation include electricity supply agreements, GreenPower purchasing information, solar generation data and energy provider billing and contract information. The metric is based on renewable electricity procurement and generation arrangements and does not require all electricity consumed at a site to be physically sourced directly from on-site renewable generation. Changes to the operational footprint, including office or branch openings, closures, relocations or acquisitions, may affect the metric over time.
Revision	Any revision to the target will be disclosed and explained in the annual climate-related report. No revisions have been made to the target in the current period.

Target	Transition our motor fleet to hybrid, plug-in hybrid and battery electric vehicles by the end of 2030.
Metric	Percentage of total corporate fleet transitioned to hybrid, plug-in hybrid or battery electric vehicles by the end of 2030. Internally defined.
Objective	Mitigation
Part of the entity to which the target applies	Group Wide
Period	Current - 2030
Base period	2024
Milestones and performance against the target to date	21 (out of 45) or 46% of our motor vehicle fleet has been transitioned to hybrid or electric vehicles. (19 Hybrids, 1x PHEV & 1x BEV)
Alignment with jurisdictional commitment	Informed by the latest international climate agreements (Paris)
Validation by third-party	Not third-party validated
Review process	Target progress is reported to Executive Committee and Audit and Sustainability Committee quarterly & is contained in the Finance business plan.
Metrics for monitoring progress	Proportion (%) of total corporate motor fleet vehicles that are hybrid, plug-in hybrid or battery electric vehicles.
Method, limitations, assumptions	Calculated as number of hybrid, plug-in hybrid and battery electric vehicles divided by total corporate fleet vehicles. Inputs include internal fleet registers and vehicle classification by technology type. Limitations include sensitivity to fleet additions or retirements and potential classification inconsistencies. Assumes fleet inventory is complete and vehicle classifications accurately reflect technology type.
Revision	Any revision to the target will be disclosed and explained in the annual climate-related report. No revisions have been made to the target in the current period.

5.7. Internal carbon price

No internal carbon price is currently applied in decision-making.

Directors' Declaration

In the opinion of the directors of Police & Nurses Limited (PNL or the Group), I state that the Group has taken reasonable steps to ensure that the substantive provisions of the Sustainability Report of the Group and its subsidiaries (collectively the Group) for the year ended 30 June 2026, as presented on pages 73 to 95, are in accordance with the *Corporations Act 2001*, including:

- (a) Complying with Australian Sustainability Reporting Standard AASB S2 Climate-related Disclosures and any further requirements determined under section 296C(2) of the *Corporations Act 2001*; and
- (b) Containing the climate statement disclosures required by section 296D of the *Corporations Act 2001*.

Made in accordance with a resolution of the directors of PNL pursuant to section 296A(6) of the *Corporations Act 2001*, as modified by section 1707C(2) of the *Corporations Act 2001*.

On behalf of the board.



Gary Humphreys
Director



Monish Paul
Director

Date: 8 September 2026
PERTH WA

Auditor's Independence Declaration

To the Directors of Police & Nurses Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of the specified sustainability information in the Sustainability Report of Police & Nurses Limited for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review of the specified sustainability information in the Sustainability Report; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M C Bragg
Partner – Audit & Assurance

Brisbane, 8 September 2026

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Independent Auditor's Review Report on Specified Sustainability Disclosures of Police & Nurses Limited

To the Members of Police & Nurses Limited

Review conclusion

We have conducted a review of the following specified Sustainability Disclosures in the Sustainability Report of Police & Nurses Limited and its controlled entities (the Group) for the year ended 30 June 2026 as required by Australian Standards on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* issued by the Auditing and Assurance Standards Board (AUASB):

Sustainability Disclosures	Reporting requirement of Australian Sustainability Reporting Standard AASB S2 <i>Climate-related Disclosures</i> (AASB S2) (including related general disclosures required by Appendix D)	Location in the Sustainability Report
Governance	Paragraph 6	Section 2 to Section 2.2.2
Strategy (risk and opportunities)	Subparagraphs 9(a), 10(a) and 10(b)	Section 3.4 and Section 3.5 to Section 3.5.3 ("Description" only)
Scope 1 and 2 emissions	Subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v)	Section 5.1 and Section 5.2

The requirements of AASB S2 identified in the table above form the criteria relevant to the specified Sustainability Disclosures and apply under Division 1 of Part 2M.3 of the *Corporations Act 2001* (the Act).

We have not become aware of any matter in the course of our review that makes us believe that the Sustainability Disclosures specified in the table above do not comply with Division 1 of Part 2M.3 of the *Corporations Act 2001*.

Basis for conclusion

Our review has been conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) issued by the AUASB. Our review includes obtaining limited assurance about whether the specified Sustainability Disclosures are free from material misstatement.

In applying the relevant criteria, we note that subsection 296C(1) of the Act includes a requirement to comply with AASB S2.

Our conclusion is based on the procedures we have performed and the evidence we have obtained in accordance with ASSA 5000. The procedures in a review vary in nature and timing from, and are less in extent than for, an audit.

Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the 'Summary of the Work Performed' section of our report below.

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Our responsibilities under ASSA 5000 are further described in the Auditor's Responsibilities section of this report.

We are independent of the Group in accordance with the applicable ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to January 2025 (the Code), together with the ethical requirements in the Act, that are relevant to our review of specified Sustainability Disclosures and public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Other information

The directors are responsible for the other information. The other information comprises the Group's Annual Report, including the Financial Report and the Sustainability Report, but does not include the specified Sustainability Disclosures and our review report thereon.

Our conclusion on the specified Sustainability Disclosures does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the specified Sustainability Disclosures, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the specified Sustainability Disclosures, or our knowledge obtained when conducting the review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the specified Sustainability Disclosures

The directors of the Company are responsible for:

- a The preparation of the specified Sustainability Disclosures in accordance with the Act; and
- b Designing, implementing and maintaining such internal control necessary to enable the preparation of the specified Sustainability Disclosures, in accordance with the Act that are free from material misstatement, whether due to fraud or error.

Inherent limitations in preparing the specified Sustainability Disclosures

The sustainability matters have the following inherent measurement or evaluation uncertainty:

- a Greenhouse gas emissions quantification is subject to significant measurement uncertainty, which arises because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. The comparability of sustainability information between entities and over time may be affected by inconsistencies in the methods to estimate or measure those emissions, due to different, but acceptable, methods applied.
- b As discussed in Section 1.2 of the Sustainability Report, climate-related risk management is an emerging area, and often uses data and methodologies that are developing and uncertain. The Sustainability Report contains forward looking statements, including climate-related scenarios, targets, assumptions, climate projections, forecasts, statements of future intentions and estimates and judgements that have not yet occurred and may never occur. We do not provide assurance on the achievability of this prospective information.

Auditor's responsibilities for the assurance of the specified Sustainability Disclosures

Our objectives are to plan and perform the review to obtain limited assurance about whether the specified Sustainability Disclosures are free from material misstatement, whether due to fraud or error, and to issue a review report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the specified Sustainability Disclosures.

As part of a review in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- a Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control; and
- b Design and perform procedures responsive to assessed risks of material misstatement at the disclosure level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A review is a limited assurance engagement and involves performing procedures to obtain evidence about the specified Sustainability Disclosures. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error.

In conducting our review, the procedures performed included, but were not limited to:

- a Enquiry of relevant personnel to understand the process for collecting, collating and reporting the specified Sustainability Disclosures during the reporting period;
- b Considering the completeness of the Group's assessment of climate-related risks and opportunities based on management's process and judgements;
- c Assessing the appropriateness of the reporting boundaries applied;
- d Agreeing a sample of specified Sustainability Disclosures in the Sustainability Report with the underlying records;
- e Agreeing a sample of underlying emissions data to supporting documentation, including evaluating the appropriateness of the emissions factors applied in management's calculations;
- f Evaluating whether management has appropriately applied the requirements of AASB S2 and the GHG Protocol in developing estimates used to report emissions, and whether the methods for developing such estimates are appropriate and have been applied consistently;
- g Evaluating the presentation and disclosure of the specified Sustainability Disclosures against the requirements of AASB S2;
- h Evaluating the methods, assumptions and data used for developing selected estimates and forward-looking information and evaluating how these methods were applied; and
- i Evaluating the work of work of management's expert, including their objectivity, competence, capabilities and findings, with respect to selected sustainability information.

Our procedures did not include assessing the adequacy of design or operating effectiveness of controls, assessing the adequacy of the Group's governance framework and processes or separately developing our own estimate to compare with the Group's estimates.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M C Bragg
Partner – Audit & Assurance

Brisbane, 8 September 2026

Grant Thornton Audit Pty Ltd

GLOSSARY

Key Terms	Description/Definition
AASB	Australian Accounting Standards Board.
AASB S2	Australian Sustainability Reporting Standard S2: Climate-related Disclosures.
BAU	Business-as-Usual scenario or operations.
CAP	Climate Action Plan.
CPS	Current Policies Scenario used in climate-related transition risk analysis.
ECL	Expected Credit Loss.
ESG	Environmental, Social and Governance.
GHG	Greenhouse Gas emissions.
GRN	Green Road climate transition scenario aligned with a net-zero emissions pathway.
HOT	Hot House climate transition scenario reflecting limited climate mitigation action.
IPCC	Intergovernmental Panel on Climate Change.
KRI	Key Risk Indicator.
LGD	Loss Given Default.
MES	Multiple Economic Scenario Expected Credit Loss.
PNL	Police & Nurses Limited.
RAS	Risk Appetite Statement.
RCP	Representative Concentration Pathway climate scenario published by the Intergovernmental Panel on Climate Change (IPCC).
RMF	Risk Management Framework.
SA4	Statistical Area Level 4, as defined by the Australian Bureau of Statistics.
tCO₂-e	Metric tonnes of carbon dioxide equivalent.



Police & Nurses Limited

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