SWS bank

a bank for you, owned by you

Annual Report 2025/26

ACN 087 650 673
ABN 80 087 650 673

AFS & Australian Credit Licence No
240712

Registered Office
89 Boorowa Street, Young NSW 2594

Solicitors
KP Carmody & Co. Solicitors & Attorneys

Bankers
CUSCAL

Auditors
Intentus Chartered Accountants

www.swsbank.com.au

Contents

Chair's Report 4

CEO's Report 6

Director's Report 10

Consolidated Entity Disclosure Statement 16

Director's Declaration 17

Auditor's Independence Declaration 18

Statement of Profit or Loss and other Comprehensive Income 19

Statement of Financial Position 20

Statement of Changes in Equity 21

Statement of Cash Flows 22

Notes to the Financial Statements 23

Independent Auditor's Report 64

Locations 68

Chair's Report



It gives me pleasure to deliver this 2025/26 Chair's report following our 54th year of providing "Customer Owned" banking services to our members.

During a period of unpredictable interest rate movements and increased uncertainty in the Mutual Banking Industry, SWSbank has been able to close the year with an after tax profit of $2.1m on an asset base of $328m. The loyalty and support of our members and staff must be commended for achieving these financial results in what has been a difficult period.

Cyber-crime remains the single highest risk area confronting your Board and Management. These risks continue to grow as more and more of our member's transit towards on-line channels to satisfy their banking needs. The risk is predicted to increase even faster with Artificial Intelligence (AI) becoming available to these criminals. The costs associated with risk mitigation measures in this area can only likewise continue to grow.

In this past year there has again been significant industry rationalisation within the Mutual Banking sector. If I cast my mind back to the early days of Credit Union (CU) existence, there were between 500 and 600 credit unions all successfully delivering customer owned banking services to their members. There are now less than 50 remaining and SWSbank is one of the smallest. Indeed the sector is under

> *Your Board and Management are confident this combined banking group will provide a competitive and customer owned banking service to our members and their communities that is sustainable over the longer term.*

continual and ever increasing regulatory and economic pressures to get bigger if we are to survive in a modern banking world. Industry predictions for the next decade and beyond are that a banking organisation will need to support an asset base in excess of $10 Billion to provide the resilience and economies of scale for the longer term.

Your Board must face the facts. SWSbank will never in its current stand-alone style of operation be able to grow to the levels predicted.

At our 2025 strategic planning session, it was resolved that for SWSbank to continue operating in a very competitive and low margin market we must seriously consider the option of joining forces with other likeminded regional credit unions to provide the resilience and efficiencies necessary in the decades ahead. It was further resolved that this pathway should be started sooner rather than later whilst we remain strong and can negotiate favourable outcomes for our members, staff and communities.

Following considerable consultation with other regionally based organisations it was considered that Regional Australia Bank (RAB) provided the most favourable joint venture opportunity and that our members should be given the option to endorse a proposal of this nature. To proceed down this path was singularly the most major decision that has ever crossed the SWSbank board table and was indeed difficult to comprehend after so many years of providing local customer owned banking services to our members.

"The dedicated contribution of our staff is certainly valued and appreciated."

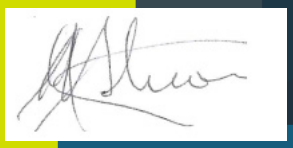
However we cannot bury our heads in the sand and ignore what's happening within our industry.

Regional Australia Bank (formally New England Staff CU) is Armidale based and has over recent years joined with Peel Valley CU, Orana CU, Hunter Mutual, Holiday Coast CU (Pt Macquarie), Macquarie CU (Dubbo) and Summerland Bank (Lismore) to have a combined asset base in excess of $5 Billion, employing 480 staff and operating 49 branches throughout regional NSW. With the addition of SWSbank, and by combining strengths over the next decade and beyond, the group can continue to offer competitive rates for members, provide an expanded range of products and services for members and keep fees to a minimum. In other areas the joint venture proposal will make available improved career paths for staff, continue to deliver local community support programs and retain the friendly "doors open" approach to banking.

In summary, your Board and Management are confident this combined banking group will provide a competitive and customer owned banking service to our members and their communities that is sustainable over the longer term.

I wish to thank my fellow Directors for their valued input and support in delivering the governance processes within our organisation over the past year. The role and responsibilities of a Director in today's highly regulated banking industry is one which requires a level of skill, application and can be very time demanding. Again I thank our Directors for their continued commitment to this important role.

In closing I wish to thank the executive and staff servicing our four branch offices for their continued dedication in completing their respective roles within the organisation.



Allan Stuart BE (Hons).Dip FS.GAICD

CEO's Report



The 2025/26 financial year closed on a positive note in many ways for SWSbank:

Financial Results
Our 2026 profit of circa $2.8m pretax ($2.1m post tax) again represented another strong and stable years' performance. In a year with increasing interest rates and decreasing borrower demand, SWSbank increased its loan book to over $200m and finished the year with total assets approaching $330m.

Social Dividend
Our social dividend is a measure of what we give back to the communities and members that we serve and this year I am very proud to state that SWSbank, through its sponsorship and support programs, gave back a record $170,000. This is a significant amount with many sporting teams and community events acknowledging SWSbank as an important part of how they can remain financial and deliver their services to our communities.

"This is an exciting time and one that will ensure cutting edge regional and rural banking in our region for our members going forward."

Looking Forward

The banking industry continues to navigate uncertainty around the interest rate outlook as the fight against inflation continues. Exactly where rates will settle before reaching a period of stability, and ultimately declining, remains challenging to predict. SWSbank will continue to support its members, both depositors and borrowers, through this uncertain period by providing the best rates it can. In fact, SWSbank only increased its variable home loan rate once out of the three official rate increases in 2025/26, while at the same time delivering higher deposit rates for members. It is this commitment to always do the right thing for our members that has led SWSbank to ask its membership to vote 'Yes' for the proposed merger with Regional Australia Bank (RAB).

Indeed, it is the proposed merger with a like-minded, regionally based, and member driven bank with the same values as SWSbank, that provides optimism for the future. Regional banking has been shrinking for a number of years with the big banks shutting branches and moving services online, away from face-to-face interactions. These moves not only deprive the regions of choice, but in many cases, services altogether. SWSbank has been approached many times in its communities asking if we can open more branches or get more involved in business banking or agricultural lending to fill a much-needed gap



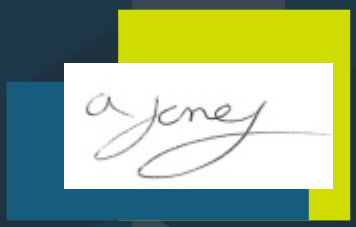
in rural and regional areas. A successful merger with RAB will provide the scale and resources to meet the growing needs of our regions, which we are very excited about at SWSbank.

The Board and Management fully support the merger and our regulators APRA, ACCC and ASIC have all endorsed the proposed merger. The next step is for our members to vote 'yes' at the 2026 AGM for the merger to proceed. Assuming a yes vote is received, then a merger date of 1 April 2027 is pencilled in.

Initially, very little will change for members on a day-to-day basis as members will see the same great staff in the same branches. Over time, new products and initiatives will arrive and SWSbank members will have access to over 50 branches and Bank@Post services.

This is an exciting time and one that will ensure cutting edge regional and rural banking in our region for our members going forward.

I would like to thank the Board for their ongoing support and my executive team and staff for their personal support and dedication to our members.



Andrew Jones
CEO



Financials

Director's Report

The directors present their report together with the financial report of South West Slopes Credit Union Ltd (trading as "SWSbank") for the financial year ended 30 June 2026 and the auditor's report thereon.

Information on Directors

The names of the directors in office at any time during or since the end of the financial year are:

Name	Experience, responsibilities and other directorships



Allan Stuart

Chair of the Board from Nov 2022
Independent Non-Executive Director
Member of the Audit Committee
Member of the Risk Committee

Appointed as Director of SWSbank from 30 May 2018. Previously served as SWSbank Director 1999 - 2012; 20 years. Chair of the Board for 5 years
Bachelor of Engineering/Electrical
Engineering Management Consultant
Diploma of Financial Services
Graduate of Australia Institute of Company Directors (GAICD) 2010
No other directorships within the last 3 years



Dr Thomas Douch

Elected as Director in Nov 2020
Deputy Chair from Nov 2022
Independent Non-Executive Director
Member of the Audit Committee
Chair of the Governance & Policy Review Committee
Member of the Risk Committee

Elected as Director of SWSbank from Nov 2020 - 6 years
Doctor of Medicine
Medical Board of Australia registration
Graduate of Australia Institute of Company Directors (GAICD)



Amber Blythe

Elected as Director in Nov 2024
Independent Non-Executive Director
Chair of the Risk Committee
Member of Governance & Policy Review Committee

Director of SWSbank from Nov 2024 - 2 years
Bachelor of Law
Associate Degree in Law
No other directorships within the last 3 years



Kevin Cloake

Independent Non-Executive Director
Chair of the Audit Committee
Member of the Governance & Policy Review Committee

Director of SWSbank from Nov 2022. Previously served as SWSbank Director from 2010 - 2020. 14 years in total
Employee with the Finance division of Hilltops Council (formerly Harden Shire Council) since 2003 to 2019 (retired)
21 years of banking experience with the Commonwealth Bank (1976 - 1997)
No other directorships within the last 3 years

Name	Experience, responsibilities and other directorships



Lauren Peek

Independent Non-Executive Director
Member of the Audit Committee
Member of the Risk Committee

Director of SWSbank from 1992 - 34 years
Proprietor of 'Framaglass'; a glass sales and glazier business in Young NSW
No other directorships within the last 3 years



Natalie Turner

Independent Non-Executive Director
Member of the Audit Committee
Member of the Risk Committee

Elected as SWSbank Director from 21 November 2025 - 1 year

Bachelor of Business (Accounting)
Diploma of Community Services
Certificate IV Training and Assessment

Member of Women on Boards

Co-owner and Director of locally owned businesses operating across regional NSW, with extensive experience in business management, finance, retail operations, property and strategic decision-making



Elke Cleverdon FCPA, FAICD, MBA

Independent Non-Executive Director
Chair of the Audit Committee
Member of the Risk Committee

Director of SWSbank from Nov 2019 to Nov 2025. Previously served as SWSbank Director from 1997 - 2000. 8years in total

8 years as a rural financial coach and independent financial consultant

Formally Assistant General Manager of SWSbank from 2000 to 2016. Accountant at SWSbank from 1992-1996
Fellow of CPA Australia
Fellow of Australia Institute of Company Directors (FAICD)
Master of Business Administration (MBA)
Director of Murrumbidgee Local Health District (NSW Health)
Director Horticulture Innovation Australia (National Research and Development Corporation)

Director Cattle Australia (National Peak Industry Body)

Director Cleverdon's directorship ended at the AGM held on 20 Nov 2025



Timothy Findlay

Appointed as Director in February 2025
Independent Non-Executive Director
Member of Governance & Policy Review Committee
Member of the Risk Committee

Appointed as SWSbank Director from Feb to Nov 2025
Previously as Associate Director of SWSbank in 2024
Bachelor of Business
Master of Applied Finance
Certified Practicing Accountant (CPA)
NSW Justice of the Peace
Managing Director of Cato Financial Group Pty Ltd since 2022
Director/Treasurer of the Western Region Acedemy of Sport Science since 2019
More than 25 years' experience in the global financial sector
Director Findlay's directorship ended at the AGM held on 20 Nov 2025. He did not re-stand for election

Unless indicated otherwise, all directors held their position as a director throughout the entire financial period and up until the publication date of this report.

The names of the Company Secretaries in office at the end of the year are:

Name	Relevant Qualifications	Experience
	**Andrew Jones** CEO Company Secretary Bachelor of Science Diploma of Financial Services Certificate IV in Credit Management ASIC Tier 2 Graduate of Australia Institute of Company Directors (GAICD)	Over 25 years of banking and finance experience gained with international banks, NAB, ANZ and more recently TIO in the Northern Territory as General Manager of the banking division Commenced as CEO of SWSbank on 1 June 2016
	**Serena Sullivan** CFO Company Secretary Bachelor of Commerce (Hons) (ANU) CPA Advanced Diploma of Leadership & Management (Institute for Strategy, Innovation & Leadership) Graduate of Australia Institute of Company Directors (GAICD)	Over 20 years of accounting and finance experience gained with small and medium businesses Commenced as CFO of SWSbank on 14 July 2016

The number of directors' meetings and number of meetings attended by each of the directors of the SWSbank during the financial year were:

Director	Board Meetings		Risk Committee		Audit Committee Meetings		Governance & Policy Committee Meetings		Period of appointment
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	
Allan Stuart	13	12	8	7	3	3	3	3	3 years (2023-2026)
Thomas Douch	13	12	8	8	3	3	7	7	3 years (2023-2026)
Amber Blythe	13	11	8	7	0	0	7	7	3 years (2024-2027)
Elke Cleverdon	4	3	3	2	1	1	0	0	3 years (2022-2025)
Kevin Cloake	13	13	8	8	2	2	7	7	3 years (2025-2028)
Timothy Findlay	4	4	3	3	0	0	4	3	Appointed from Feb to Nov 2025
Lauren Peek	13	11	8	6	1	1	3	2	3 years (2024-2027)
Natalie Turner	9	9	5	5	2	2	1	1	3 years (2025-2028)

DIRECTORS' BENEFITS

Directors receive a director fee. Other than that, no director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by SWSbank, controlled by SWSbank, or a related body corporate with a director, a firm of which a director is a member of SWSbank, or in which a director has a substantial financial interest.

INDEMNIFYING OFFICER OR AUDITOR

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

No insurance cover has been provided for the benefit of the auditor of SWSbank.

PRINCIPAL ACTIVITIES

The principal activities of SWSbank during the year were the provision of retail financial services to members in the form of taking deposits and the extension of credit as prescribed by the Constitution.

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

OPERATING RESULTS

The before tax profit of SWSbank for the year was $2,813,000 (2025: $2,718,000).

DIVIDENDS

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

ENVIRONMENTAL REGULATIONS

SWSbank's operations are not subject to any significant regulations under either Commonwealth or State legislation. However, the Board believes that SWSbank has adequate systems in place for the management of its environmental responsibilities and is not aware of any breach of environmental requirements as they apply to SWSbank.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of SWSbank, to affect significantly:

(i) The operations of SWSbank;
(ii) The results of those operations; or
(iii) The state of affairs of SWSbank

in the financial years subsequent to this financial year.

LIKELY DEVELOPMENTS

On 5 December 2025, SWSbank's Board of Directors entered into a Memorandum of Understanding (MOU) with Regional Australia Bank Limited to commence a merger process. Any final decision will be subject to both regulatory and SWSbank's member approval.

The Directors are not aware of any other likely developments, apart from the abovementioned merger, that will materially affect the results of SWSbank's operations in future years.

SWSbank will continue to pursue its policy of increasing the profitability and market share of its business during the next financial year.

REMUNERATION GOVERNANCE AND FRAMEWORK

This disclosure is made for the purpose of complying with APRA's Prudential Standard CPS 511: Remuneration. SWSbank's remuneration framework is overseen by the Board and the Board & Executive Remuneration Committee (BERC). In 2025–26, the BERC met two times.

SWSbank does not operate a variable remuneration scheme. The BERC determines the CEO's annual remuneration increase based on performance, peer analysis, and market determination. Employees' remuneration is reviewed annually as part of the budget process, with changes approved by the Board in the annual budget.

The Board ensures remuneration policies are consistent with APRA's CPS 511: Remuneration and support SWSbank's business plan, strategic objectives, and risk management framework. Risk considerations, conduct standards, and compliance obligations form part of remuneration reviews. The Governance & Policy Review Committee and the Chief Risk Officer provide input on risk matters relevant to remuneration.

In line with CPS 511: Remuneration, SWSbank has processes to ensure that material breaches of policies and misconduct by employees are appropriately managed. Consequences may include adjustments to remuneration outcomes, disciplinary action and other measures to reinforce accountability.

SWSbank's remuneration framework is designed to promote the effective management of both financial and non-financial risks, sustainable performance, and long-term soundness.

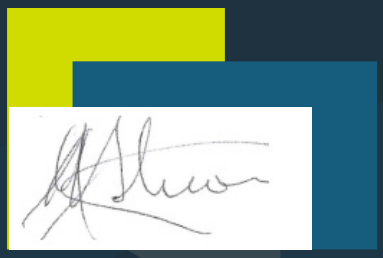
AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 18 and forms part of the directors' report for the financial year ended 30 June 2026.

ROUNDING OFF

SWSbank is of a kind referred to in ASIC Instruments 2016/191 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

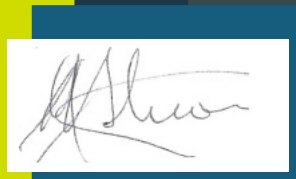
This report is made with a resolution of the directors:



Allan Stuart
Board Chair and Director
Dated at Young this 23rd day of September 2026

CONSOLIDATED ENTITY DISCLOSURE STATEMENT AS AT 30 JUNE 2026

SWSbank is not required by Australian Accounting Standards to prepare consolidated financial statements. In accordance with 295(3A) of the Corporations Act 2001, no further information is required to be disclosed in this consolidated entity disclosure statement.



Allan Stuart
Board Chair and Director

Signed in Young
23rd September 2026



DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of SWSbank, the Directors of the Company declare that:

(a) the financial statements and notes of SWSbank are in accordance with the *Corporations Act 2001* and:

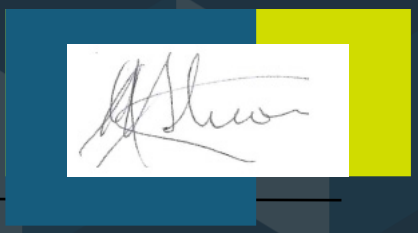
(i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

(ii) give a true and fair view of the financial position as at 30 June 2026 and of the performance for the year ended on that date of SWSbank;

(b) the consolidated entity disclosure statement is true and correct;

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

Signed in accordance with a resolution of the Directors of SWSbank:



Allan Stuart
Board Chair and Director

Signed in Young
23rd September 2026

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CHARTERED ACCOUNTANTS

Thorough, Attentive, Earnest

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF SOUTH WEST SLOPES CREDIT UNION LTD (t/a SWSbank)

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of SWSbank. As the lead audit principal for the audit of the financial report of SWSbank for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

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127 Keppel Street
Bathurst
Dated: 23rd of September 2026

Thomas

Jodie Thomas
Principal

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

PO Box 69, Orange NSW 2800
23 Sale St, Orange NSW 2800
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Liability limited by a scheme approved under Professional Standards Legislation

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2026

	Note	2026 $'000	2025 $'000
Interest income calculated using the effective interest rate method	2	16,853	17,163
Interest expense	2	(4,892)	(6,219)
Net interest income		11,961	10,944
Fee commission and other income	2	618	708
Operating income		12,579	11,652
Impairment losses on member loans	2	(69)	(68)
Fee and commission expenses		(1,299)	(1,288)
Employees' compensation and benefits		(4,539)	(4,016)
Depreciation and amortisation	10, 11	(583)	(529)
Information tecnnology		(1,481)	(1,351)
Office occupancy		(158)	(182)
Other administration		(1,637)	(1,500)
Total operating expenses		(9,766)	(8,934)
Profit before income tax		2,813	2,718
Income tax expense	3	(708)	(676)
Profit for the year		2,105	2,042
Other comprehensive income for the year, net of income tax			
Fair value gains on financial assets at fair value through other comprehensive income (OCI)		348	316
Total comprehensive income for the period		**2,453**	**2,358**

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2026

	Note	2026 $'000	2025 $'000
ASSETS			
Cash and cash equivalents	4	25,428	24,254
Investments	5	95,730	101,374
Other receivables	6	1,761	1,524
Prepayments		129	149
Loans and other advances to members	7	202,277	192,989
Other financial assets	9	928	464
Property, plant and equipment	10	1,138	1,193
Intangible assets	11	519	598
Net deferred tax assets	12	146	200
TOTAL ASSETS		328,056	322,745
LIABILITIES			
Deposits from members	13	289,009	287,357
Creditors, accruals and settlement accounts	14	4,144	3,151
Lease liability	15	207	265
Current tax payable	12	238	100
Provisions	16	934	801
TOTAL LIABILITIES		294,532	291,674
NET ASSETS		33,524	31,071
MEMBERS' EQUITY			
Fair value reserve	17	605	257
Retained earnings		32,919	30,814
TOTAL MEMBERS' EQUITY		33,524	31,071

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Retained earnings $'000	Fair value reserve $'000	Total $'000
Balance at 1 July 2024	28,511	202	28,713
Profit for the year	2,042	-	2,042
Transfer of gains/losses on disposal of investments at fair value through other comprehensive income (FVOCI)	261	(261)	-
Other comprehensive for the year	-	316	316
Total comprehensive income for the year	**2,303**	**55**	**2,358**
Balance at 30 June 2025	**30,814**	**257**	**31,071**
Balance at 1 July 2025	30,814	257	31,071
Profit for the year	2,105	-	2,105
Other comprehensive for the year	-	348	348
Total comprehensive income for the year	**2,105**	**348**	**2,453**
Balance at 30 June 2026	**32,919**	**605**	**33,524**

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2026

	Note	2026 $'000	2025 $'000
OPERATING ACTIVITIES			
Interest received from members		11,290	11,664
Other interest received		5,376	5,202
Other cash receipts in the course of operations		593	677
Interest paid to members		(4,887)	(6,210)
Other interest paid		(5)	(9)
Cash payments to suppliers and employees		(8,014)	(8,889)
Income taxes paid		(628)	(519)
Net cash from revenue generating activities		3,725	1,916
Cash from other operating activities			
Net movement in member loans		(9,357)	(5,594)
Net movement in member deposits		1,652	17,945
Net cash from operating activities	25	(3,980)	14,267
INVESTINTING ACTIVITIES			
Purchase of property, plant and equipment and intangibles		(450)	(629)
Proceeds from the sale of assets		-	371
Net (advances)/repayments of loans to ADIs		5,644	(10.959)
Dividends received		18	35
Net cash from / (used by) investing activities		5,212	(11,182)
FINANCING ACTIVITIES			
Payment of lease liabilities		(58)	71
Proceeds / (repayment) of borrowings		-	-
Net cash from (used by) financing activities		(58)	71
Net (decrease)/increase in cash and cash equivalents		1,174	3,156
Cash and cash equivalents at beginning of year		24,254	21,098
Cash and cash equivalents at end of year	4	25,428	24,254

The Statement of Cash flows is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION

a. Reporting entity

South West Slopes Credit Union Limited trading as SWSbank is a company limited by shares domiciled in Australia.

The address of the registered office is 89 Boorowa Street, Young NSW 2594.

SWSbank is a for-profit entity primarily involved in the provision to members of banking and financial services, including lending, deposits and insurance products.

b. Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The report was authorised for issue on 23rd of September 2026 in accordance with a resolution of the Board of Directors.

c. Basis of measurement

The financial statements, except for the cash flow information, have been prepared on an accrual basis, and are based on historical costs, which do not take into account changing money values or current values of non-current assets, except for shares in a listed company which are measured at fair value.

d. Functional and presentation currency

The financial report is presented in Australian dollars, which is SWSbank's functional currency. SWSbank is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191* and in accordance with that instrument, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

e. Accounting estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1(l) – Impairment

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

f. Measurement of fair values

A number of SWSbank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, SWSbank uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

SWSbank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

g. Changes in accounting policy

SWSbank has consistently applied accounting policies to all periods presented in these financial statements unless otherwise stated.



NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

h. Financial instruments

Classification and measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI (Fair Value through Other Comprehensive Income) or FVTPL (Fair Value through Profit and Loss).

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

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

Financial assets measured at amortised cost include cash and cash equivalents, loans and advances to ADIs, loans and advances to members and other assets.

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

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

Financial assets measured at FVOCI include equity investments.

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

Subsequent to initial recognition the following measurement principles and recognition of gains and losses are applied as follows:

- financial assets at amortised cost are measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss; and
- other financial assets at FVOCI - equity is measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business Model Assessment

SWSbank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to SWSbank's management;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the SWSbank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Derecognition of financial assets

SWSbank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the SWSbank is recognised as a separate asset or liability.

i. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances in SWSbank's bank accounts and at call deposits with original maturities of three months or less that are subject to an insignificant risk of changes of their fair value, and are used by SWSbank in the management of its short term commitments. Cash and cash equivalents are measured at amortised cost using the effective interest method.

j. Loans and advances to members

(i) Basis of recognition

Loans and advances to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost, less any impairment losses.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to SWSbank at reporting date, less any allowance for expected credit losses (ECL). A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

k. Revenue and expense recognition

(i) Net interest income

Interest income and expense is recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost or investment debt securities classified as at FVOCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the income statement over the expected life of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of EIR does not include ECL. Interest income that is classified as credit impaired is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying amount after deducting the impairment loss).

(ii) Fees and commission income

Fees and commission income include fees other than those that are an integral part of EIR.
Fee income relating to deposit or loan accounts is either:

- transaction based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
- related to performance obligations carried out over a period of time therefore recognised on a systematic basis over the life of the agreement as the services are provided.

Transaction fees and provision of services are defined within product terms and conditions. Commission income which includes insurance, protection products and financial planning advice is recognised when the performance obligation is satisfied.

(iii) Dividend income

Dividends are brought to account in profit or loss when the right to receive income is established.

(iv) Expenses

Expenses are recognised in the income statement as and when the provision of goods or services is received.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

I. Impairment

(i) Financial assets

Financial assets within the scope of AASB 9 expected credit loss (ECL) requirements comprise all financial instruments measured at either amortised cost or FVOCI. These include cash, loans and advances to ADIs and loans and advances to members.

Financial assets are divided into homogeneous portfolios based on shared risk characteristics. These include mortgage loans, commercial loans, personal loans and revolving credit.

For loans and advances to ADIs, SWSbank has applied the AASB 9 'low credit risk' exemption given their credit risk rating is equivalent to the globally understood definition of 'investment grade.'

The ECL represents the present value of expected cash shortfalls following the default of a financial instrument. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that SWSbank expects to receive.

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value. The estimation of ECLs is unbiased and probability weighted, taking into account all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes. ECLs are calculated from initial recognition of the financial asset for the behavioural life of the loan.

For financial assets recognised in the balance sheet at amortised cost, the allowance for ECLs is offset against the gross carrying value so that the amount presented in the statement of financial position is net of impairment provisions. For financial assets classified as FVOCI, any credit losses are recognised in the fair value reserve.

Forward looking approach

The approach to determining the ECL includes forward-looking information. SWSbank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses (ECL) for each portfolio segment. Given the lack of loss experienced by SWSbank and across the wider industry, more emphasis has been applied to the historical data available as opposed to forward looking information. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

SWSbank has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors, which are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. SWSbank considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by SWSbank for other purposes such as strategic planning and budgeting. Periodically, SWSbank carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Credit risk categorisation

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. ECL for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

Stage 2: significant increase in credit risk

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, SWSbank uses the criteria of 30 days past due or loans under credit watch as the criteria to identify whether there has been a significant increase in credit risk.

Stage 3: credit impaired (or defaulted) loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

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

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

Interest income on stage 3 credit impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets, and continues to increase over time with the contractually accrued interest.

Transfers between stages

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above. For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Restructured loans

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the effective interest rate method of the existing financial asset.

Write-off

Loans remain on the statement of financial position, net of associated provisions, until they are deemed to have no reasonable expectation of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continuing attempts to recover are no longer likely to be successful. Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the value of impairment losses recorded in the income statement.

(ii) *Non-financial assets*

The carrying amounts of SWSbank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of other non-financial assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

m. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE and are recognised within profit or loss.

(ii) Subsequent expenditure

SWSbank recognises in the carrying amount of an item of PPE the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to SWSbank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of PPE are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of PPE. Land is not depreciated.

The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives for the current and comparative periods are as follows:

- Buildings - 40 years.
- Plant and equipment - 3 to 7 years.
- Leasehold improvements – 10 years.
- Assets less than $1,000 are not capitalised.

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

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

n. Intangibles

(i) Recognition and measurement

Where computer software costs are not integrally related to associated hardware, SWSbank recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that SWSbank controls. The capitalised costs of computer software include all costs directly attributable to developing the software. This incorporates the direct cost of acquiring the computer software payable to the third party supplier.

SWSbank carries capitalised computer software assets at capitalised cost less amortisation and any accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are five (5) years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the intangible asset to which is relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset less its residual value.

o. Other assets

Other assets include interest receivable, prepayments and other receivables. Such assets are stated at their amortised cost.

p. Member Deposits

(i) Basis for measurement

Member savings and term investments are recognised on the date at which they originated and are measured initially at fair value plus incremental direct transaction costs. Member deposits are stated at the aggregate amount of monies payable to depositors as at the reporting date.

(ii) Interest payable

Interest on member savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of creditor accruals and settlement accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

q. Payables

Payables include trade and other payables. Such liabilities are stated at their amortised cost and are recognised in relation to goods and services received by SWSbank.

Trade Payables are non-interest bearing and are normally settled on 30-day terms.

r. Employee Benefits

(i) Superannuation

Contributions made by SWSbank to an employee's superannuation fund are recognised in the profit or loss as the related service is provided.

(ii) Long-term employee benefits

SWSbank's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if SWSbank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

s. Goods and Services Tax

As a financial institution, SWSbank is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to goods and services tax (GST) collection, and the GST on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

t. Income Tax

Income tax expense comprises current and deferred tax. Current and deferred tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at 30 June 2026 temporary differences were assessed at 25% (2025: 25%). SWSbank meets the requirements of a Base Rate Entity, therefore the lower rate of 25% has been applied when assessing temporary differences as this will be the tax rate that applies when the differences reverse.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

u. Member shares

SWSbank issues callable preference shares to each Member upon joining in accordance with the constitution. Members do not pay upfront for a member share in SWSbank. Cash is only callable as and when it might be required by the Australian Corporations Act.

v. Leases

At inception of a contract, the SWSbank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and SWSbank's incremental borrowing rate.

SWSbank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

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

- fixed payments, including in-substance fixed payments;

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date; and
- lease payments in an optional renewal period if SWSbank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless SWSbank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if SWSbank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

SWSbank presents right-of-use assets in 'property, plant and equipment' in the statement of financial position.

(ii) Short-term leases and leases of low-value assets

The SWSbank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value as sets and short-term leases, including IT equipment. The SWSbank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

w. New accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2025 and earlier application is permitted. SWSbank has not early adopted any of these new or amended standards and has assessed that they are not expected to have a significant impact on the SWSbank's financial statements in future years.

2. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	2026 $'000	2025 $'000
Interest income calculated using the effective interest rate method		
Financial assets measured at amortised cost:		
Cash and deposits at call	794	669
Loans and advances to ADIs	4,769	4,830
Loans and advances to members	11,290	11,664
TOTAL INTEREST INCOME	16,853	17,163
Fee, commission and other income		
Fee income	485	528
Insurance commissions	2	30
Other commissions	32	35
Dividends received	18	35
Bad debts recovered	10	4
Other income	71	76
TOTAL FEE, COMMISSION AND OTHER INCOME	618	708
Interest expense		
Deposits from members	4,887	6,210
Borrowing expenses	-	-
Lease interest expenses	5	9
TOTAL INTEREST EXPENSE	4,892	6,219
Impairment (reversals)/losses on member loans		
Loans and advances		
Bad debts written off directly	3	59
Provisions (reversed)/made during the year	66	9
TOTAL IMPAIRMENT (REVERSALS)/LOSSES ON MEMBER LOANS	69	68
Other prescribed disclosures		
Employees compensation and benefits include: - Superannuation contributions to defined contribution plans	424	371

3. INCOME TAX EXPENSE

	2026 $'000	2025 $'000
The income tax expense comprises amounts set aside as:		
Current year tax expense	770	768
Deferred (tax expense)/income	(62)	(92)
Income tax expense attributable to operating profit	708	676
Deferred tax expense recognised through FVOCI	116	105
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit before income tax	2,813	2,725
Prima facie tax payable on profit before income tax at 25.0% (2025: 25.0%)	703	682
Add tax effect of expenses not deductable		
- Other non-deductible expenses	10	2
- Gross up dividends	2	5
Less		
- Franking rebate	(8)	(15)
- Prior period adjustment	1	2
Income tax expense attributable to current year profit	708	676

4. CASH AND CASH EQUIVALENTS

	2026 $'000	2025 $'000
Cash on hand	864	884
Cash at bank	8,564	7,970
Deposits at call	16,000	15,400
	25,428	24,254

5. INVESTMENTS

	2026 $'000	2025 $'000
Government & semi-government paper	16,518	18,138
Floating rate notes	40,830	51,704
Term deposits	30,147	24,324
Negotiable certificates of deposit	8,235	7,208
	95,730	101,374

6. OTHER RECEIVABLES

	2026 $'000	2025 $'000
Accrued interest receivable	1,279	1,092
Sundry debtors and settlement accounts	449	405
GST receivable	33	27
	1,761	1,524

7. LOANS AND ADVANCES TO MEMBERS

	2026 $'000	2025 $'000
Amount due comprises:		
Overdrafts and revolving credit	976	1,012
Term loans	201,701	192,311
	202,677	193,323
Allowance for expected credit losses (Note 8)	(400)	(334)
	202,277	192,989
Credit quality		
Secured by mortgage over real estate	170,246	164,224
Partly secured by goods mortgage	28,663	25,034
Wholly unsecured	3,768	4,065
	202,677	193,323

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

Credit quality profile of loans wholly secured by mortgage against real estate	2026 $'000	2025 $'000
- loan to valuation ratio of less than 80%	158,831	149,288
- loan to valuation ration of more than 80% but mortgage insured	4,720	8,655
- loan to valuation ratio of more than 80% and not mortgage insured	6,695	6,281
Total	170,246	164,224

Where the loan value to valuation ratio is less than 80%, there is at least a 20% margin to cover the costs of any sale, or potential value reduction.

Concentration of loans
There are no loans to individual or related groups of members which exceed 10% of SWSbank's regulatory capital.

SWSbank's loans, and where applicable, the related collateral held against such loans, are predominantly concentrated in the South West Slopes region of New South Wales.

	2026 $'000	2025 $'000
Concentration of loan by purpose		
Loans to natural persons		
- Residential loans and facilities	166,304	158,323
- Personal loans and facilities	32,049	28,807
- Business loans and facilities	4,324	6,193
	202,677	193,323

8. ALLOWANCE FOR EXPECTED CREDIT LOSSES

The table below represents the reconciliation of opening balance to closing balance of ECL allowances:

	2026 $'000	2025 $'000
Balance as at 1 July	**334**	**325**
Impairment charge/(reversal)	69	68
Amounts written off that were previously provided for	(3)	(59)
Balance as at 30 June	**400**	**334**

The below tables represent the reconciliation from the opening balance to the closing balance of the ECL allowance for loans and advances to members to which impairment requirements under AASB 9 apply, for the present (2025-2026) and previous (2024-2025) financial years:

2025-2026 Financial Year

ECL on loans and advances to members	Stage 1 12 month ECL $'000s	Stage 2 Not Credit Impaired $'000s	Stage 3 Credit Impaired $'000s	Total $'000s
Balance as at 1 July 2025	**237**	**97**	**-**	**334**
Transfers during the period to:				
12 month ECL	**-**	**-**	**-**	**-**
lifetime ECL not credit impaired				
lifetime ECL credit impaired	**-**	**-**	**-**	**-**
Net re-measurement of loss allowance				
New financial assets originated	**69**	**-**	**-**	**69**
Charges in modelling assumptions	**-**	**-**	**-**	**-**
Financial assets derecognised	**-**	**-**	**-**	**-**
Write-offs	**(3)**	**-**	**-**	**(3)**
Carrying amount	**303**	**97**	**-**	**400**

2024-2025 Financial Year ECL on loans and advances to members	Stage 1 12 month ECL $'000s	Stage 2 Not credit impaired $'000s	Stage 3 Credit impaired $'000s	Total $'000s
Balance as at 1 July 2024	228	97	-	325
Transfers during period to:				
12 month ECL	-	-	-	-
lifetime ECL not credit impaired				
lifetime ECL credit impaired				
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated	68	-	-	68
Changes in modelling assumptions	-	-	-	-
Financial assets derecognised	-	-	-	-
Write-offs	(59)	-	-	(59)
Carrying amount	237	97	-	334

Details of credit risk management are set out in Note 18.



9. OTHER FINANCIAL ASSETS

	2026 $'000	2025 $'000
Shares in listed companies		
Equity investments - FVOCI	928	464
Total value of other financial assets	928	464

50% or 183,444 of SWSbank's shares were sold to Cuscal on 27 November 2024 in a mandatory buyback as part of Cuscal IPO (Initial Public Offering – Share float). SWSbank's remaining holdings were also revalued at the sale price of $5.03 per share as at 30 June 2026.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Right-of-Use-Assets (ROUA) $'000	Total $'000
Cost or deemed cost				
Balance at 30 June 2024	843	2,083	353	3,279
Additions	-	155	140	295
Disposals	-	(10)	(119)	(129)
Balance at 30 June 2025	843	2,228	374	3,445
Additions	-	192	-	192
Disposals	-	-	-	-
Balance at 30 June 2026	843	2,420	374	3,637
Accumulated depreciation and impairment losses				
Balance at 30 June 2024	(400)	(1,581)	(152)	(2,133)
Depreciation for the year	(17)	(163)	(58)	(238)
Disposals	-	-	119	119
Balance at 30 June 2025	(417)	(1,744)	(91)	(2,252)
Depreciation for the year	(18)	(159)	(70)	(247)
Disposals	-	-	-	-
Balance at 30 June 2026	(435)	(1,903)	(161)	(2,499)

	2026 $'000	2025 $'000
Total Property, Plant and Equipment - at cost	3,637	3,445
Total Accumulated Depreciation	(2,499)	(2,252)
Total Property, Plant and Equipment - carrying amount	1,138	1,193

11. INTANGIBLE ASSETS

	2026 $'000	2026 $'000	2025 $'000
Cost	**Intangibles**	**WIP**	**Total**
Balance at 1 July	2,999	106	3,105
Additions	254	3	257
Disposals	-	-	-
Work in Progress (WIP)	87	(87)	-
Balance at 30 June	3,340	22	3,362
Accumulated Amortisation			
Balance at 1 July	(2,507)	-	(2,507)
Amortisation for the year	(336)	-	(336)
Balance at 30 June	(2,843	-	(2,843)
Total Intangible Assets	497	22	519

12. DEFERRED TAX

	2026 $'000	2025 $'000
Deferred tax assets comprise:		
Accrued expenses	13	13
Provision on impaired loans	100	84
Provision for employee benefits	217	186
Right of use of assets	(52)	(69)
Lease liability	52	66
Intangibles	20	8
	350	288
Deferred tax liabilities comprise:		
Equity investments	204	88
	204	88
Net deferred tax assets	**146**	**200**

CURRENT TAX RECEIVABLE

SWSbank's current tax payable of $238,308 (2025: $99,577 payable) represents the amount of income tax payable by SWSbank in respect to the current and prior year periods to the Australian Taxation Office.

13. DEPOSITS FROM MEMBERS

	2026 $'000	2025 $'000
Member Deposits		
- at call	156,445	163,877
- term	132,454	123,367
Member withdrawable shares	110	113
	289,009	287,357

Concentration of Member Deposits / Geographic Concentration

There are no significant individual member deposits which in aggregate represent more than 10% of the total liabilities. SWSbank's member deposits are predominantly concentrated in the South West Slopes region of New South Wales.

14. CREDITORS, ACCRUALS AND SETTLEMENT ACCOUNTS

	2026 $'000	2025 $'000
Creditors and accruals	384	365
Interest payable on deposits	1,495	1,320
Sundry creditors / Settlements	2,265	1,466
Total Sundry creditors / Settlements	4,144	3,151

15. LEASE LIABILITIES

	2026 $'000	2025 $'000
Lease Liability	207	265
Total Lease Liabilities	207	265

16. PROVISIONS

	2026 $'000	2025 $'000
Annual Leave	372	307
Long Service Leave	498	435
Provisions for Taxation (PAYG Only)	64	59
Total provisions	934	801

17. FAIR VALUE RESERVE

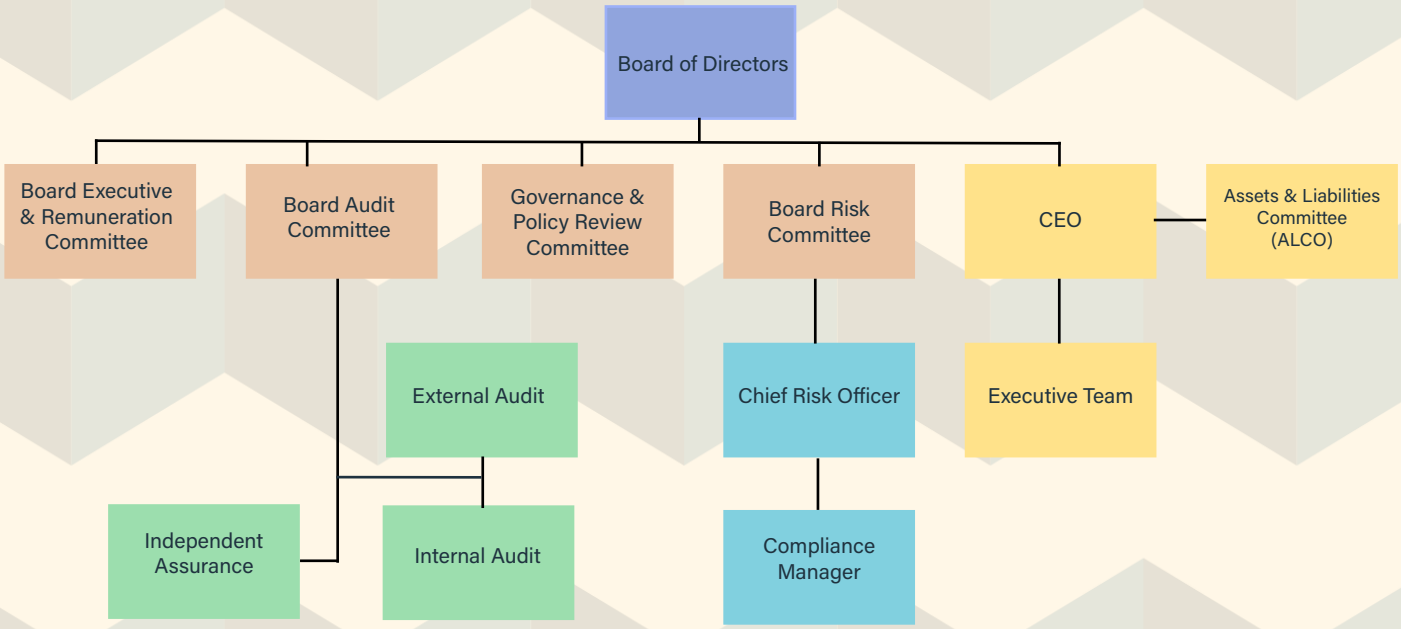
	2026 $'000	2025 $'000
FVOCI reserve - Shares		
Balance at the beginning of the year	257	202
Add: increase on revaluation of investments	464	421
Less: disposal of investments	-	(348)
Less: deferred tax thereon	(116)	(18)
Balance at the end of year	605	257

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has endorsed compliance and risk management policies to suit the risk profile of SWSbank. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, procedures and services offered. SWSbank, through its training and management standards and procedures, has developed a disciplined and constructive control environment, in which all employees understand their roles and objectives.

SWSbank's risk management focuses on the major areas of market risk, liquidity risk, credit risk and operational risk. Authority flows from the Board of Directors to the Risk Committee who are integral to the management of risk. The following diagram gives an overview of the structure in place in 2026.

The diagram shows the risk management structure. The main elements of risk governance are as follows:



Board: This is the primary governing body. It approves the level of risk which SWSbank is exposed to and the framework for reporting and mitigating those risks.

The Board is the key body in the control of risk. The Board reviews risks and the controls that are used to mitigate them. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Board through monthly review of risks, key risk indicators as well as an annual full review of all risks.

Risk controls are reviewed in an ongoing manner however formally at least annually to confirm whether risks are within the parameters endorsed by the Board. The Board seeks to ensure that the significant risks and controls are assessed cognisant with the endorsed internal audit plan.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Audit Committee:
The Audit Committee has a documented charter, approved by the Board. The committee advises on the establishment and maintenance of a framework of internal control.

The objectives of the Audit Committee are to assist the Board in the discharge of its duties by:

- Overseeing the financial reporting process;
- Providing an independent conduit for communication between the Board, senior management, internal auditors and external auditors;
- Overseeing compliance with SWSbank's internal and external audit requirements;
- Overseeing the annual review and testing of the Business Continuity Plan;
- Undertaking steps to satisfy themselves that the auditor is independent of SWSbank, it's Board, management and staff, and that there is no conflict of interest arising that may compromise, or be seen to compromise the independence of the auditor or the integrity of any audit outcomes. The Committee will obtain a declaration from the auditor attesting that the auditor is independent, both in appearance and in fact, has no conflict of interest, and that there is nothing to the auditor's knowledge that could compromise impartiality.

Asset and Liability Committee (ALCO) – Credit Risk:
This committee of senior management meets monthly and has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board. The ALCO also determines the credit risk of loans in the banking book, ensures allowances for expected credit losses is accurate and determines controls that need to be put in place regarding the authorisation of new loans.

The ALCO has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay which vary according to the value of the loan or facility.

All large credit exposure facilities above policy limits are noted by the Board. All exposures are checked monthly against approved limits, independently, and are reported to the ALCO.

All loans are managed weekly through the monitoring of the scheduled repayments. Accounts where the arrears are over 90 days or over limit facilities over 14 days have collective allowance of expected credit losses (ECL) charged against them. Other ECL are taken up on accounts considered doubtful and the status of these loans is reported to the Board monthly and the Audit Committee quarterly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific ECL are necessary and adequate. A dedicated credit control officer, who reports to the ALCO, implements SWSbank's credit risk policy.

Asset and Liability Committee (ALCO) - Market Risk:
This committee meets monthly, or as required, and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the market risk policy. The monthly scrutiny of market risk reports is intended to prevent any exposure breaches prior to reporting any breaches to the full Board.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Chief Risk Officer:

This person has responsibility for both liaising with the operational function to ensure timely production of information for the committees and ensuring that instructions passed down from the Board via the committees are implemented.

Risk Committee:

This committee meets monthly prior to the full Board meeting. The objectives of the Risk Committee are to assist the Board in full and proper discharge of its risk management duties under Prudential Standard CPS 510 Governance, CPS 220 Risk Management and SWSbank's Risk Management Framework. This includes (but may not necessarily be limited to) the following:

(a) Advising the Board on the overall current and future risk appetite and risk management strategy;
(b) Establishing an institution-wide view of the current and future risk position relative to risk appetite and capital strength;
(c) Oversight of senior management's implementation of the risk management strategy;
(d) Constructive challenge of senior management's proposals and decisions on all aspects of risk management arising from the institution's activities;

SWSbank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about SWSbank's exposure to each of the above risks, SWSbank's objectives, policies and processes for measuring and managing risk, and SWSbank's management of capital.



18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a. Market Risk

Market risk is the risk that changes in interest rates, or other prices and volatilities will have an adverse effect on SWSbank's financial condition or results. SWSbank is not exposed to currency risk or other significant price risk. SWSbank does not trade in the financial instruments it holds on its books. SWSbank is exposed only to interest rate risk arising from changes in market interest rates.

The objective of SWSbank's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Management is responsible for the development of detailed risk management policies which are submitted to the Board for review and approval, and for the day-to-day review of their implementation. In addition the ALCO, being a management committee, meets monthly or as required to review and implement day-to-day market risk strategies.

Interest Rate Risk

SWSbank is exposed to interest rate risk in its book due to mismatches between the repricing dates of assets and liabilities.

Member loans

SWSbank is exposed to some interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. SWSbank commenced offering Fixed Rate Loans during the 2020 financial year. However, SWSbank has a set limit on its Fixed Loan portfolio. As at the end of 30 June 2026 only 40% of its loan portfolio book was fixed (2025: 28%). With the bulk of its Loans Portfolio in variable rate loans, SWSbank uses member deposits as a natural hedge, and does not have significant interest rate risk as at 30 June 2026 arising from member loans per Value at Risk (VaR) analysis in Note 19.

The interest rate risk on the banking book is measured formally and externally every 6 months. Monthly reports on interest rate margin are reviewed and reported to the ALCO and the Board.

Fixed rate financial instruments

In the banking book the most common risk SWSbank faces arises from fixed rate assets and liabilities. This exposes SWSbank to the risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 20. The table set out at Note 20 displays the period that each interest rate sensitive asset and liability will reprice as at the reporting date. This risk is not considered significant enough to warrant the use of derivatives to mitigate this risk.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a. Market Risk (continued)

Method of managing risk

SWSbank manages its interest rate risk by the use of value at risk models (VaR). The detail and assumptions used are set out below.

Value at Risk (VaR)

SWSbank's exposure to market risk is measured and monitored using the VaR methodology of estimating potential losses. VaR is a technique which estimates the potential losses that could occur as a result of the risk positions taken by SWSbank and movements in market rates over a specified time period to a given level of confidence.

VaR, as set out in the table below, has been calculated using historical simulations, taking into account movements in market rates, a 99% confidence level and a holding period of 10 days.

This function is outsourced to Laminar Capital who prepare a detailed risk exposure summary every six months.

VaR on the non-trading book	2026	2025
Value at Risk / 10 day Value at Risk	$549,403	$694,171
Percentage of regulatory capital	1.69%	2.22%

Given SWSbank's profile of assets and liabilities at 30 June 2026, and therefore its book sensitivity as at that date, for each 1% parallel downward shift in the yield curve SWSbank can expect an increase in profit of $345,068 (2025: increase of $419,945). SWSbank is therefore presently positively exposed to falling interest rates.

As book sensitivity is a measure only to a definite point in time the abovementioned expected loss does not reflect the position of SWSbank subsequent to balance date. In addition, although VaR provides a useful tool for measuring and monitoring market risk, the assumptions on which the model are based give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to dispose of financial instruments within that period. This is considered a realistic assumption in almost all cases but may not be the case in situations where there is severe market illiquidity;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is 1% probability that losses will exceed VaR;
- the use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- VaR is dependent on SWSbank's position of assets and liabilities and the volatility of market prices. The VaR of an unchanged book position will rise if market volatility increases and vice versa.

SWSbank is therefore confident within a 99% confidence level that, given the risks as at 30 June 2026, it will not incur a one-day loss on its non-trading book of more than the amount calculated above, based on the 2026 VaR model used.

Although the use of VaR models calculates the interest rate sensitivity on the banking book, this is not reflected in the Pillar 1 capital requirement.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

SWSbank's exposure to banking book interest rate risk is not expected to change materially in the next year therefore existing capital requirements are considered to be an accurate measurement of capital needed to mitigate interest rate risk.

b. Liquidity Risk

Liquidity risk is the risk that SWSbank may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the Board of Directors that SWSbank maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

SWSbank manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

SWSbank has a longstanding arrangement with the industry liquidity support body, the Credit Union Financial Support Services (CUFSS), which can access industry funds to provide support to SWSbank should this be necessary at short notice.

SWSbank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. SWSbank policy is to apply 1.5% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits, or available borrowing facilities.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 20.

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

APRA minimum 9%	**2026**	**2025**
Total liquidity as at 30 June	37.88%	40.31%
MLH liquidity as at 30 June	26.44%	24.83%
Average MLH liquidity for the year	30.06%	32.08%
Average total liquidity for the year	40.52%	39.76%
Lowest MLH liquidity for the year	23.99%	24.02%

c. Credit Risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to SWSbank which may result in financial losses. Credit risk arises principally from SWSbank's loan book and investment assets. The carrying amount of SWSbank's financial assets represents the maximum credit exposure.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c. Credit Risk (continued)

(i) CREDIT RISK - LOANS

SWSbank's maximum exposure to credit risk arising from loans to members at the reporting date is as follows:

	2026 $'000	2025 $'000
Loans and advances to members		
Mortgage (home or investment loans)	166,304	158,323
Personal	31,073	27,795
Credit Cards	655	686
Overdrafts	321	326
Commercial	4,324	6,193
Total loans	202,677	193.323
Allowance for expected credit losses	(400)	(334)
	202,277	192,989

All loans and facilities are within Australia.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved; and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

SWSbank has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with SWSbank that requires interest and a portion of the principal to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans are regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c. Credit Risk (continued)

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loans are over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the profit or loss. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, SWSbank makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Allowance for expected credit losses are maintained at a level that management deems sufficient to absorb expected losses in SWSbank's loan portfolio from homogenous portfolios of assets and individually identified loans.

An allowance for expected credit losses (ECL) is established on all past due loans after a specified period of repayment default where it is probable that some of the principle will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors, including deterioration in counterparty risk, specific delinquency events or a decline in the value of security.

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

Reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 8.

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, SWSbank is exposed to risks in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The board policy is to maintain the majority of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 7 describes the nature and extent of the security held against the loans held as at the balance date.

Repossessed collateral

In the event of member default on a mortgage facility, any loan security is usually held as mortgagee in Possession and therefore SWSbank does not usually hold any real estate or other assets acquired through the enforcement of security. During the year SWSbank did not take possession of any real estate assets (2025: nil).

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c. Credit Risk (continued)

Concentration risk – individuals

Concentration risk is a measurement of SWSbank's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of SWSbank's regulatory capital (10%) a large exposure is considered to exist. No additional capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

SWSbank holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5% of the capital base.

SWSbank's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) of no more than 80% and bi-annual reviews of compliance with this policy are conducted.

Concentration risk – industry

There is no concentration of credit risk with respect to loans and receivables as SWSbank has a large number of customers dispersed in different areas of employment.

(ii) CREDIT RISK – LIQUID INVESTMENTS

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in SWSbank incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to SWSbank.

There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL. The credit policy is that investments are only made to institutions that are credit worthy. Directors have established policies that a maximum of 25% of capital can be invested with any one financial institution at a time, and 50% with the major banks.

External Credit Assessment for Institution Investments

SWSbank accesses ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA's prudential guidance note AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit rating are as follows:

Investments with	2026 Carrying value $'000	2025 Carrying value $'000
Cuscal	31,659	30,485
Rated AA- and above	42,562	41,176
Rated below AA-	31,890	40,967
Unrated	15,047	13,000
Total	**121,158**	**125,628**

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d. Capital Management

Minimum capital levels are prescribed by the Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- Credit risk
- Market risk (trading book)
- Operational risk.

The market risk component is not required as SWSbank is not engaged in a trading book for financial instruments. Capital resources.

SWSbank regulatory capital is analysed in two tiers:

- Tier 1 capital consisting of: Common Equity Tier 1 capital – which includes retained earnings; regulatory adjustments to Common Equity Tier 1 capital; Additional Tier 1 capital; and other Additional Tier 1 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and

- Tier 2 capital, which includes transitional subordinated liabilities, collective impairment allowances and other Tier 2 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Capital in SWSbank is made up as follows:

	2026 $'000	2025 $'000
Tier 1		
Retained earnings	32,919	30,814
Less prescribed deductions	(983)	(1,001)
Common Equity Tier 1 capital	31,936	29,813
Tier 2		
Reserve for credit loss	-	-
Less prescribed deductions	-	-
Net tier 2 capital	-	-
Total Regulatory Capital	31,936	29,813
Risk Weighted Assets	137,057	133,962
Capital Ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	23.30%	22.28%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	23.30%	22.28%

APRA sets a prudential capital requirement for each ADI that sets capital requirements in excess of the minimum capital requirement of 9% as compared to the risk weighted assets at any given time. The prudential capital ratio remains confidential between each ADI and APRA in accordance with accepted practice.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance APS 112. The rules apply the risk weights according to the level of underlying security.

19. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

	Note	2026 $'000	2025 $'000
Financial assets			
Cash	4	25,428	24,254
Investments	5	95,730	101,374
Gross loans and advances to members	7	202,677	193,323
Total carried at amortised cost		323,835	318,951
Investment securities - FVOCI	9	928	464
Total carried at FVOCI		928	464
Total financial assets		324,763	319,415
Financial liabilities			
Deposits from members	13	289,009	287,357
Creditors and other liabilities	14	4,144	3,151
Lease Liability	15	207	265
Total financial liabilities		293,360	290,773



20. MATURITY AND INTEREST PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, these are broken down by loan risk, where there is a mortgage security attached to the loan, for personal loans and other loans like credit cards and overdraft facilities.

The residual contractual maturities of SWSbank's financial liabilities are detailed as follows:

2026	**Within 1 month $,000**	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Total $'000**
Creditors, accruals, and settlement accounts	4,144	-	-	-	4,144
Deposits from members	183,311	38,071	64,938	2,689	289,009
Lease liabilities	5	11	49	142	207
Total financial liabilities	**187,460**	**38,082**	**64,987**	**2,831**	**293,360**
2025	**Within 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Total $'000**
Creditors, accruals, and settlement accounts	3,151	-	-	-	3,151
Deposits from members	197,968	35,174	53,184	1,031	287,357
Lease liabilities	6	16	51	192	265
Total financial liabilities	**201,125**	**35,190**	**53,235**	**1,223**	**290,773**

A summary of SWSbank's interest rate gap position is as follows: This table sets out the period in which the interest rate on the various financial instruments reprice.

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings).

20. MATURITY AND INTEREST PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

A summary of SWSbank's interest rate gap position (in-line with APRA's directive for deposit maturity) is as follows: This table sets out the period in which the interest rate on the various financial instruments reprice.

2026	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Total $'000
Cash	25,428	-	-	-	25,428
Investments	24,543	36,009	6,776	28,402	95,730
Loans and advances - mortgage	102,461	7,629	29,331	26,795	166,216
Loans and advances - personal	24,550	-	-	8,650	33,200
Loans and advances - other	1,415	-	776	94	2,285
Total financial assets	**178,397**	**43,638**	**36,883**	**63,941**	**322,859**
Deposits from members	183,311	38,071	64,938	2,689	289,009
Lease liabilities	5	11	49	142	207
Total financial liabilities	**183,316**	**38,082**	**64,987**	**2,831**	**289,216**
Gap	(4,919)	5,556	(28,104)	61,110	33,643
Cumulative gap	**(4,919)**	**637**	**(27,467)**	**33,643**	**-**

2025	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Total $'000
Cash	24,254	-	-	-	24,254
Investments	15,692	42,687	16,026	26,969	101,374
Loans and advances - mortgage	117,207	975	12,776	27,619	158,577
Loans and advances - personal	25,886	-	208	4,300	30,394
Loans and advances - other	2,280	-	946	1,127	4,353
Total financial assets	**185,319**	**43,662**	**29,956**	**60,015**	**318,952**
Deposits from members	197,968	35,174	53,184	1,031	287,357
Lease liabilities	6	16	51	192	265
Total financial liabilities	**197,974**	**35,190**	**53,235**	**1,223**	**287,622**
Gap	(12,655)	8,472	(23,279)	58,792	31,330
Cumulative gap	**(12,655)**	**(4,183)**	**(27,462)**	**31,330**	**-**

21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques.

The fair value estimates were determined by the following methodologies and assumptions:

Financial instruments carried at fair value

- Financial instruments classified as FVOCI are measured at fair value by reference to recent market transaction prices where available, where not available a range of high-level values were determined using various valuation methodologies based on underlying cash flow assumptions for these entities.
- Investment securities are recorded at fair value in the statement of financial position and are included in level 1 of the fair value hierarchy.

Financial instruments carried at amortised cost

- The carrying values of cash and liquid assets redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.
- The carrying value of loans and advances is net of unearned income and both general and specific provisions for doubtful debts. For variable and fixed rate loans, (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value.
- The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. SWSbank does not provide fixed rate deposits exceeding 24 months.
- The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently. As at 30 June 2026, SWSbank had Nil (Nil in 2025) short-term borrowings with other counterparties.

Fair value information has not been provided for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

22. FINANCIAL COMMITMENTS

	2026 $'000	2025 $'000
Outstanding loan commitments		
Loans approved but not funded	3,382	4,913
Loan redraw facilities		
Loan redraw facilities available	19,499	18,368
Undrawn loan facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	3,301	3,337
Less: amount advanced	(984)	(1,019)
Net undrawn value	2,317	2,318
Total financial commitments	25,198	25,599

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

Computer capital commitments

The cost committed under contracts with Ultradata Australia and Experteq are as follows:

No later than one year	1,283	986
Later than 1 year but not 2 years	703	644
Later than 2 years but not 5 years	1,514	2,087
Later than 5 years	-	-
	3,500	3,717



23. CONTINGENT LIABILITIES

Liquidity support scheme

SWSbank is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, SWSbank is committed to maintaining 3.0% of the total assets as deposits with CUSCAL Limited and/or a CUFSS approved ADI.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Credit Union would be 3.0% of the Credit Union's total assets. This amount represents the participating Credit Union's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

Guarantees

There are no contingent guarantees as at 30 June 2026 (2025: nil).



24. RELATED PARTIES

Remuneration of key management persons (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of SWSbank, directly or indirectly, including any Director (whether executive or otherwise) of that SWSbank. Control is the power to govern the financial and operating policies of SWSbank so as to obtain benefits from its activities. KMP have been taken to comprise the Directors and the five members of the executive management responsible for the day to day financial and operational management of SWSbank.

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

		2026 $'000	2025 $'000
(a)	short-term employee benefits	1,393	1,103
(b)	post-employment benefits - superannuation contributions	167	126
(c)	other long-term benefits		
Total		**1,560**	**1,229**

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries and superannuation contributions, paid annual leave and paid sick leave, profit sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at the previous Annual General Meeting of SWSbank.

Loans to Directors and other KMP

		2026 $'000	2025 $'000
(i)	The aggregate value of loans to directors and other key management persons as at balance date amounted to	4,172	3,825
(ii)	The total value of revolving credit facilities including VISA, to directors and other key management persons, as at balance date amounted to	-	46
	- Less amounts drawn down and included in (i)	-	(25)
	Net Balance available	-	21
(iii)	During the year the aggregate value of loans disbursed to directors and other KMP amounted to:		
	Term Loans	757	200
(iv)	The aggregate value of interest paid by key management personnel amounted to:	200	199

SWSbank's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit. There are no loans which are impaired in relation to the loan balances with Directors or other KMP.

24. RELATED PARTIES (CONTINUED)

Other transactions between related parties include deposits from KMP and their related parties.

	2026 $'000	2025 $'000
Total value of term and saving deposits from KMP	717	720

Transactions with Other Related Parties

There are no amounts outstanding at 30 June 2026 (2025: Nil).

Other transactions between related parties include deposits from director related entities or close family members of directors, and other KMP:

There are no benefits paid or payable to the close family members of the key management persons. There are no service contracts to which key management persons or their close family members are an interested party.



25. NOTES TO STATEMENT OF CASH FLOWS

	2026 $'000	2025 $'000
Reconciliation of cash from operations to accounting profit		
Profit after income tax	2,105	2,042
Add (Deduct):		
Non-cash items		
Depreciation and amortisation expense	583	529
Impairment loss on loans and advances	69	68
Gain on sales of assets	-	-
Items classified as investing activities		
Dividends received	(18)	(35)
Movements in assets and liabilities		
Movement in employee benefits	133	27
Movement in current tax receivable/payable	137	144
Movement in creditors, accruals and settlement accounts	991	(163)
Movement in other receivables	(237)	(698)
Movement in prepayments	20	(11)
Movement in net deferred tax assets	(58)	13
Net cash from revenue activities	3,725	1,916
Add (Deduct) non-revenue operations		
Net movement in member loans	(9,357)	(5,594)
Net movement in member deposits	1,652	17,945
Net cash from / (used by) operating activities	(3,980)	14,267

26. AUDITOR'S REMUNERATION

	2026 $	2025 $
Audit services:		
Auditors of SWSbank - Intentus (2025: Intentus)		
Audit and review of the financial reports	56,460	56,350
Other regulatory services	15,210	13,650
	71,670	70,000

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intentus
CHARTERED ACCOUNTANTS

Thorough, Attentive, Earnest

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SOUTH WEST SLOPES CREDIT UNION LTD t/a SWSBANK

Opinion

We have audited the financial report of South West Slopes Credit union Ltd (t/a SWSbank) (the Company), which comprises the Statement of Financial Position as at 30 June 2026, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information, the consolidated entity disclosure statement and the Director's Declaration.

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2026 and of its performance for the year then ended; and

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

Basis for Opinion

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

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

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

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 Company'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.

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or 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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.

- Concludes on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.



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127 Keppel Street
Bathurst
Dated: 23rd of September 2026



Jodie Thomas
Principal

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Locations



Branches

Young (registered office)
89 Boorowa Street NSW 2594
P: 02 6384 1111

Temora
200 Hoskins Street NSW 2666
P: 02 6384 1111

Cootamundra
268 Parker Street NSW 2590
P: 02 6384 1111

West Wyalong
147 Main Street NSW 2671
P: 02 6384 111

Agencies

Harden
Harden Newsagency
26 Neill Street NSW 2587
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