

SOUTHERN CROSS CREDIT UNION

Annual Report 2026

Providing Responsive and Relevant Banking

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> "Every decision we make continues to be guided by our customer-owned model, our deep ties to the local community, and an unwavering dedication to those we serve."

Chairman and CEO's message

This financial year has been defined by progress with purpose. As we celebrate 60 years, our focus has been on building from a strong foundation, growing sustainably and modernising our capabilities to meet customers' changing needs.

The past year presented both opportunities and challenges. Cost-of-living pressures, increased competition, changing customer expectations and an increasingly complex regulatory environment required careful decision making and disciplined execution. Against this backdrop, SCCU delivered a strong financial result, supported by sustainable growth, sound lending performance, robust funding and effective cost management. These outcomes provide a strong platform for future investment and continued financial strength.

Throughout the year, we continued investing in the services, technology and capabilities that support our customers. Enhancements to digital banking, lending pathways and customer service channels were all guided by one objective: making banking simpler, safer and more accessible. At the same time, we remained committed to ensuring customers can access trusted human support when they need it most.

Trust remains fundamental to our success. We continued to strengthen cyber-security, operational resilience, fraud prevention and governance capabilities to protect our customers and support confidence in SCCU. As technology continues to evolve, including the emergence of artificial intelligence, our approach remains measured and responsible, balancing innovation with appropriate oversight and risk management.

Our people continue to be one of our greatest strengths. The commitment, care and professionalism demonstrated by employees across the organisation every day help transform strategy into meaningful customer outcomes. Strong engagement, ongoing development and a culture built on Care, Trust and Responsibility continue to differentiate SCCU in a rapidly changing environment.

As we look ahead, our focus is clear. We will continue to modernise our capabilities, strengthen resilience, simplify customer experiences and invest in the people and technologies that support sustainable growth. We will remain disciplined in how we manage risk while continuing to build a Credit Union that is relevant, trusted and prepared for the future.

Though 60 years have brought significant change, the core values that make SCCU special remain the same. Every decision we make continues to be guided by our customer-owned model, our deep ties to the local community, and an unwavering dedication to those we serve.

We thank our customers for their continued trust, our employees for their dedication, our Board for its stewardship, and our community partners for their ongoing support.

Together, we celebrate 60 years and look forward with confidence to the opportunities and responsibilities of the decade ahead.

Our results highlights

Asset Growth

17.5%

Loan Growth

11.6%

Deposit Growth

18.5%

Net Profit After Tax

$4.83m

Customer Satisfaction

92%

Employee Engagement

92%



60 YEARS OF SCCU

In 2026, we proudly celebrated 60 years. Six decades of serving customers, communities and local businesses while growing and evolving in the finance industry.

This milestone provided an opportunity to reflect on our journey from humble beginnings in 1966 as the Tweed Banana Growers' Federation Credit Union to the strong, customer-owned financial institution we are today. More importantly, it was a chance to thank the people who have shaped our story, our customers, employees, directors and community partners.

Over six decades, the banking industry has transformed dramatically. From handwritten ledgers and paper transactions to mobile banking, real-time payments and enhanced digital security, SCCU has continuously evolved to meet the changing needs of our customers while remaining true to the values that inspired our foundation. Throughout this journey, our commitment to responsive, relevant and community-focused banking has remained unchanged.

Today, more than 26,000 customers across Australia trust SCCU as their banking partner. While technology continues to reshape the financial services landscape, our focus remains on delivering secure, accessible and personalised banking experience. From supporting first home buyers and business owners to assisting customers through periods of financial hardship, we remain committed to placing people at the centre of everything we do and providing responsive and relevant banking.

While much has changed over the past 60 years, the principles that underpin our success remain as relevant today. Our Credit Union ethos and our purpose of supporting our customers through all their financial life stages will continue to guide our decisions as we adjust to industry changes and how our customers choose to deal with us.

As we celebrate this milestone, we extend our sincere thanks to everyone who has been part of our journey. Together, we honour our past, celebrate our present and look forward with confidence to the opportunities and responsibilities of the years ahead.



Banking services that evolve with you

People's banking needs continue to evolve with rising expectations for secure, convenient and accessible services at every stage of life. As digital banking expands and scams become more sophisticated, continued investment in technology, security and support is essential.

Over the past year, we have enhanced our products, services and improved digital experiences to make banking easier to our customers. In parallel, we strengthened fraud protection, expanded pathways to home ownership, and introduced new support options providing more accessible and safer ways to bank with us.

Fraud Interceptor

Protecting our customers' money remains a key priority. We introduced Fraud Interceptor, an advanced fraud monitoring solution designed to strengthen fraud detection capabilities and provide an additional layer of protection against increasingly sophisticated scams and fraudulent activity. By enhancing our real-time monitoring capabilities, Fraud Interceptor supports safer everyday banking and helps reduce the risk of financial loss for customers.

5% Deposit Scheme

Owning a home remains one of the biggest challenges facing many Australians. Through participation in the Australian Government's 5% Deposit Scheme, we help eligible customers enter the property market sooner by reducing the need for a traditional 20% deposit. The scheme creates greater opportunities for first home buyers and reflects our commitment to supporting customers at important stages of their financial journey.

New Website

Our new website creates a more modern and customer-focused online experience. The redesigned site delivers improved navigation, enhanced accessibility and easier access to information, products and support. It also provides a stronger foundation for future digital enhancements while helping customers find what they need quickly and efficiently.

Mobile App Updated

As digital banking continues to grow, customers increasingly rely on mobile services to manage their finances. Updates to our mobile app have improved functionality and performance, creating a smoother banking experience. These enhancements provide greater convenience and flexibility, helping customers bank when and where it suits them.

Nova AI Assistant

To improve customer service accessibility for those who wish to interact with us differently, we introduced Nova, an AI-powered voice assistant that supports customers when contacting us by phone. Nova provides assistance with account balance checks, helping customers access information faster while allowing our team to focus on more complex service needs. The introduction of Nova represents another step in our investment in technology that complements personalised customer service. As the first in Australia to introduce this service in partnership with our Customer Relationship Management system provider, we are leading the way for other Credit Unions.

Business Star Saver Enhancements

In response to customer feedback, we enhanced many of our products. Our Business Star Saver account, for example, was enhanced to make earning bonus interest simpler and more accessible for our business customers. The revised structure provides greater flexibility while maintaining competitive returns, helping businesses maximise the value of their savings.



Investing in people and conversation to serve our purpose

As banking services become more digitalised and self-service options expand, we are proud to continually invest in relationships and in a more humanised banking approach. Guided by our shared values of Care, Trust and Responsibility, our people build genuine connections with customers every day and deliver the personal, responsive service that sets us apart.

Customer feedback remains one of our most valuable sources of insight, helping us better understand their needs and identify opportunities to improve our products, services and processes. This customer-focused approach is reflected in our strong overall Customer Satisfaction (CSAT) score of 92% with our annual survey registering 87% satisfaction, demonstrating the positive impact of our commitment to continually invest in enhancing our customer experience through all channels.

Preparing our workforce for the future has also been a key priority. As the financial services industry continues to evolve, we have invested in developing our digital capability, including initiatives focused on automation, artificial intelligence and process improvement. Through targeted skill-building opportunities, we are supporting our people to embrace change, grow their capabilities and thrive in a more digital environment, while continuing to deliver the personal service our customers value.

Our 2026 Employee Engagement Survey remained at 92%, highlighting the strength of our culture and the deep connection our people have to our purpose. These results reflect a workplace where people feel valued, supported and empowered to contribute. Strong participation, positive wellbeing outcomes and ongoing peer recognition further demonstrate the care and collaboration that exist across our teams.

Our culture and people practices have also continued to receive external recognition. In recent years, we have been honoured with multiple local and regional awards, including Employer of Choice, Excellence in Customer Service, Excellence in Professional Service and Excellence in Large Business. We have continued this recognition into 2026 and were proud to again be recognised with accolades across Employer of Choice, Excellence in Medium Business and Workplace Health & Wellbeing. These achievements reflect the dedication of our people, the strength of our culture and the collective effort that continues to drive our success.

Tara Armbruster,
Head of Customer Relationships.

“Being recognised in these awards reflects the trust our customers place in us and acknowledges the dedication of our people who deliver personalised, customer-focused banking across the Northern Rivers and Australia wide every day.”

Our efforts extend not only to our customers and people, but to our community. Through our Community Partners, we have sponsored local causes with a broader impact in the region. From supporting kids through sports to protecting our wildlife and caring for the places we call home. Our Credit Union ethos and caring approach is reflected across everything we do.

The future is bright for SCCU as we will not lose sight of what matters most. We remain committed to listening to our customers, creating a positive employee experience and supporting our community as part of our contribution to a thriving society.



Managing risk with confidence and governance

Our approach to risk management is supported by detailed policies and processes that help employees understand their obligations and contribute to a strong risk culture.

Our governance framework provides independent oversight and clear accountability for our team, supporting an ongoing focus on the key risks facing our business. We maintain controls that meet regulatory obligations, align with our risk appetite and support our strategic objectives.

The regulatory landscape continues to evolve, with greater emphasis on consumer safeguards and licensing obligations and rightly so. We remain committed to meeting the requirements of our licences and the expectations of the Customer Owned Banking Code of Practice.

During the year, we dedicated significant resources to preparing for the Anti-Money Laundering (AML) reforms that took effect in March 2026. This work strengthened how we manage financial crime risk and introduced more detailed reporting obligations.

We are compliant with current requirements and are continuing to work through further activities to prepare for future obligations. We remain committed to updating customer data where required. In parallel, we are preparing for the Scam Prevention Framework by strengthening oversight of fraud and scam risks, improving the management of higher-risk transactions and enhancing methods to prevent, detect and disrupt these crimes.

We also continued embedding operational risk management across the business, particularly for critical operations and material service providers. Business continuity planning was strengthened to support our response to any significant interruption to core services. Cyber security and data protection remain top priorities.

We began using AI to improve efficiency within a governance framework designed to manage risk and ensure appropriate use. Human oversight remains essential to validating that actions align with SCCU's expectations.

Throughout the year, we have worked closely with our internal audit partner, BDO Services Pty Ltd, to conduct a comprehensive review of our risk management frameworks. The review identified no material issues and affirmed the ongoing strength and stability of your Credit Union and the soundness of our risk management practices.

Paving our future with a robust infrastructure

The financial services sector continues to experience increasing cyber threats, sophisticated scam activity and accelerating technological change. Throughout the year, we remained focused on strengthening our technology foundations, enhancing operational resilience and protecting our customers, while continuing to invest in the capabilities required to support future growth.

Significant progress was made in modernising our technology environment, improving the scalability, resilience and security of critical systems and infrastructure. Investments in cloud readiness, identity and access management, network resilience and platform enhancements have strengthened our ability to respond to changing customer expectations, regulatory requirements and emerging technologies.

Cyber-security remained a priority. We continued to enhance monitoring, threat detection and response through vulnerability assessments, penetration testing and independent assurance.

Regular staff awareness training and phishing simulations further reinforced a strong security culture across the organisation. Additional controls were introduced to combat emerging fraud and scam trends, strengthening customer education, increasing protections across our digital banking channels and improving our ability to identify and respond to suspicious activity faster.

During the year, we also refined our governance and operational resilience frameworks in preparation for evolving regulatory requirements. This included enhancements to incident response procedures, business continuity arrangements, supplier oversight and disaster recovery planning. Regular testing and review activities continue to demonstrate our ability to respond effectively to disruption while maintaining critical services for our customers.

As Artificial Intelligence (AI) continues to evolve, we have adopted a measured approach focused on responsible use, appropriate governance and ongoing oversight. This ensures new technologies can be leveraged to improve efficiency and service delivery while maintaining customer trust, privacy and regulatory compliance.

Our focus remains on further strengthening fraud prevention capabilities, continuing the modernisation of our technology environment and enhancing the resilience, security and reliability of the services our customers depend on every day.

By balancing innovation with strong governance and risk management practices, we remain committed to delivering secure, reliable and convenient banking services for our customers.





Responsible lending for strategic growth

Lending remains a cornerstone of SCCU's financial performance. It supports sustainable growth and enables us to fulfil our purpose of helping customers through all their financial life stages.

FY25-26 was a year of strong lending performance, with our loan portfolio increasing to $923.76 million, up 11.63% from $827.54 million from the previous Financial Year.

This result was achieved in a competitive, price-sensitive environment and reflects our commitment to trusted, transparent service that supports customers through important borrowing decisions.

Across all segments, SCCU maintained a balanced approach to growth, applying consistent serviceability standards and prioritising responsible lending and high-quality applications.

Growth, Channels and Market Conditions

We expanded digital capabilities through end-to-end digital applications with fully integrated solutions to support customer identification, credit checks, valuation services, and contracting for home and personal loans. These upgrades modernise and automate the onboarding experience, giving customers the choice of self-service for faster turnaround times and greater autonomy, supported by dedicated relationship managers.

Third-party lending remained an important strategic channel, supporting broader market reach while maintaining SCCU's disciplined approach to application quality, borrower affordability and broker engagement. The digitalisation of our lending processes combined with robust data analysis, gives our direct teams and third-party partners the tools they need to deliver a caring and personalised customer experience.

Credit quality remained sound, despite higher interest rates and ongoing cost-of-living pressures. These outcomes reflect the strength of SCCU's responsible lending practices, early arrears management and practical customer support.

We will continue to focus on improving the end-to-end borrower experience and strengthening the channels that support home buyers, investors and personal loan customers.

Priorities include expanding online origination across more complex products and channels, continuing customer and broker engagement, improving direct and online loan journeys, lifting operational efficiency through automation and AI, and creating capacity for relationship-led conversations. This will support better lending experiences while maintaining strong credit discipline and sustainable growth.



A strong and sustainable financial approach

Operating in a highly competitive environment and amid ongoing economic uncertainty, we delivered a strong profitability result, with net profit after tax increasing 46% to $4.83 million. All key financial ratios remained above prudential minimums, demonstrating that your Credit Union remains financially sound, competitive and well positioned for changing market conditions.

Revenue and Funding Performance

Interest Income

$52.62m

up 3.4% from $50.90m

Funding Costs

$30.47m

down 2.9% from $31.39m

Net Interest Income

$22.15m

up 13.5% from $19.51m

Total Deposits

$1.05 billion

up 18.5% from $889.82m

We maintained a disciplined approach to operating costs, which increased by 3.1% to $15.85 million, primarily due to higher loan-processing and people costs. Net interest income growth outpaced operating cost growth by 10.4 percentage points, improving the cost-to-income ratio to approximately 71%, down from 77%. These outcomes supported continued investment in platforms, infrastructure and digital initiatives for customers.

Balance Sheet Overview

Total Assets

$1.14 billion

up 17.5%

Member Equity

$78.51m

up 6.6%

Growth was driven by strong lending activity alongside higher liquidity buffers. Gross loans grew by 11.6% to $923.26 million, funded through an increase in deposits of 18.5% and measured use of wholesale funding. Our liquidity was maintained above targets at 18.2% and capital remained robust at 16.7%, comfortably above prudential and internal minimum requirements.

Credit impairment losses remained negligible. Despite higher interest rates and cost-of-living pressures, hardship cases were limited, reflecting sound lending practices and continued customer support.

This year's financial performance reflects effective use of our balance sheet, delivering strong assets and revenue growth, combined with effective cost management. Together, these results provide a strong platform for continued investment in secure banking solutions and operational capabilities needed to meet regulatory obligations, respond to evolving customer needs and keep delivering value to our customers.

As we look to the year ahead, our resilient operating model and strong capital foundation give us confidence in our ability to maintain financial sustainability and performance.

Building a future-ready Credit Union

The next decade of customer-owned banking will be shaped by a simple test: can institutions become more digital, resilient and personal without becoming less human? For SCCU, the answer must be yes.

Our future direction is built around practical transformation. We will continue digitising customer journeys so that everyday banking is easier, faster and more consistent. We will expand automation and AI to improve efficiency, quality and strengthen fraud detection and help employees focus on higher-value support.

Cyber and operational resilience will remain core to trust. CPS 230 regulation has sharpened expectations for critical operations, disruption tolerance, business continuity and service provider management. We will continue to test, monitor and improve its resilience so customers can have confidence that their Credit Union is prepared for severe but plausible disruption scenarios.

Sustainable growth will continue to require balance. We will pursue growth that supports customer value, protects asset quality, maintains capital and liquidity strength and allows continued investment in service. We will deepen existing customer relationships, improve retention and consider selective opportunities that align with our values, capability and risk appetite.

Customer experience transformation will be supported by an enhanced Customer Experience Governance Framework. This will clarify service standards across the business and support consistent, reliable and helpful experiences regardless of channel.

Our Financial Service Centres will increasingly operate as relationship-led hubs, supported by digital self-service, virtual channels and skilled teams. The Customer Service Centre will become more digitally enabled, proactive and insight led. Our website and app will provide faster digital pathways with trusted human judgement to support streamlined lending and everyday banking journeys.

Community relevance is part of our Credit Union ethos. SCCU's local presence and customer-owned model give us permission to be different. We can be modern without being distant. We can be efficient without becoming impersonal. We can use data and technology while still speaking plainly, listening carefully and acting responsibly.

Being ready for what is next does not mean predicting every change. It means building the capability, resilience and culture to adapt with confidence.





Closing message

For 60 years, SCCU has existed to serve customers. That purpose will remain our greatest strength as banking continues to change.

The next decade will demand stronger digital capability, better protection, faster service, clearer communication, deeper resilience and disciplined execution. Customers will also continue to need something technology cannot replace: trust in the people and institution supporting their money, goals and financial decisions.

SCCU's future is to bring these strengths together. We will be modern in how we deliver, resilient in how we operate and customer-led in how we make decisions. We will use technology to simplify, data to improve relevance and governance to protect trust. We will continue investing in people who understand that banking is ultimately about relationships.

Sixty years strong reflects the customers, employees and communities who built SCCU. Ready for what is next reflects our commitment to carry that purpose forward.

SCCU's next chapter will not be defined by size. It will be defined by relevance, trust and the value we create as a customer-owned Credit Union. That is our commitment for the decade ahead.

Your Directors

Your Directors submit their report for the financial year ended 30 June 2026.

The names of Directors in office at any time during the year and at the date of this report and their qualifications, experience and special responsibilities are as follows:



Alvaro Lozano Rodriguez

Qualifications

- Graduate Certificate of Project Management
- Masters of Engineering - Electronics Engineering
- Bachelor of Science - Physics

Experience

Board Member since
28 February 2017

Special Responsibilities

- Chairperson
- Member - Audit Committee
- Member - Risk Committee



Belinda Henry

Qualifications

- Bachelor of Laws
- Practical Legal Training Course
- Legal Practice Management Course
- Graduate - Australian Institute of Company Directors

Experience

Board Member since
30 June 2011

Special Responsibilities

- Chair - Risk Committee
- Member - Audit Committee



Suzie Slingsby

Qualifications

- Graduate - Australian Institute of Company Directors
- PS146 Qualified

Experience

Board Member since
25 September 2018

Special Responsibilities

- Member - Risk Committee
- Member - Audit Committee



Patrick McIntosh, DSC, AM

Qualifications

- Bachelor of Business (Accounting / Human Resources)
- Graduate Diploma of Management
- Master of Business Administration
- Member - Australian Institute of Company Directors
- Diploma of Financial Planning
- Certified Financial Planner

Experience

Board Member since
29 June 2021

Special Responsibilities

- Chair - Audit Committee
- Member - Risk Committee



Jeremy Rutledge

Qualifications

- Graduate Diploma of Finance & Investment
- Bachelor of Business (Property)
- Certified Practising Valuer
- Certified Practising Valuer (Business)
- Associate of the Australian Property Institute
- Member of Australian Institute of Quantity Surveyors
- Associate of Australian Business Brokers
- Class 1 Real Estate Sales & Leasing
- Class 1 Real Estate Business Broking
- Registered Tax Agent Tax Practitioners Board (Quantity Surveying)
- Member - Australian Institute of Company Directors

Experience

Board Member since
30 November 2021

Special Responsibilities

- Member - Audit Committee
- Member - Risk Committee



Skye Bowie

Qualifications

- Member - Supreme Court of Queensland
- Bachelor of Laws
- Graduate Diploma of Legal Practice
- Bachelor of Arts (Economics)
- Graduate Diploma of Applied Corporate Governance
- Diploma of Financial Planning
- Member and Graduate – Australian Institute of Company Directors (GAICD)

Experience

Board Member since
12 October 2026

Special Responsibilities

- Member - Audit Committee
- Member - Risk Committee

All Directors have held their office from 1 July 2025 to the date of this report unless otherwise stated. Each Director holds one ordinary member share in the Credit Union.

Directors' Meetings

The number of meetings of Directors (including committee meetings) held, where each Director was available during the year, and the number of meetings attended by each Director were as follows:

	Director Meetings	
No. of meetings	**Held**	**Attended**
Alvaro Lozano Rodriguez	12	12
Belinda Henry	12	12
Suzie Slingsby	12	12
Patrick McIntosh	12	12
Jeremy Rutledge	12	12

	Audit Committee Meetings		Risk Committee Meetings	
No. of meetings	**Held**	**Attended**	**Held**	**Attended**
Alvaro Lozano Rodriguez	3	3	4	4
Belinda Henry	3	3	4	4
Suzie Slingsby	3	3	4	4
Patrick McIntosh	3	3	4	4
Jeremy Rutledge	3	3	4	4

Skye Bowie was not a Director during the financial year ended 30 June 2026.

The name of the Company Secretary in office at the end of the year is:

Name	Qualifications	Experience
Stuart Edwards (until 6 July 2026)	Diploma in Financial Services, Commissioner of Declarations, Member of the Australian Institute of Company Directors.	Senior financial services executive with extensive experience spanning strategy, governance, regulatory compliance, financial performance, customer experience, operations and digital transformation.
Ben Fischer (from 6 July 2026)	Bachelor of Commerce, Institute of Chartered Accountants of Australia & New Zealand, Member of the Australian Institute of Company Directors.	Senior financial services executive across banking, fintech lending, asset management and Big 4 professional services. Extensive expertise in financial strategy, capital and liquidity management, prudential and regulatory compliance, corporate governance, risk management, financial reporting and business transformation.

Directors' Benefits

No Director of the Credit Union has received or has become entitled to receive a benefit because of a contract made by the Credit Union with the Director or with a firm of which the Director is a member or with an entity in which the Director has a substantial financial interest.

Indemnification of Directors and Officers

The Credit Union has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of Directors, Secretaries, Executive Officers and employees of the Credit Union and of related bodies corporate as defined in the insurance policy.

The insurance policy grants indemnity against liabilities permitted to be indemnified by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the liabilities insured and the premium specified.

No insurance cover has been provided for the benefit of the Auditor. No indemnities have been given to the Officers or Auditors.

Financial Performance Disclosures

Principal Activities

The Credit Union operates as a community-based Credit Union providing financial services to members in the form of deposit taking, the provision of financial accommodation and other member services as prescribed by the constitution. There were no significant changes in those activities during the financial year.

Operating Results

Profit before tax climbed to $6.89m from $4.76m in 2025 and net profit reached $4.83m from $3.31m in 2025.

Review of Operations

The result was affected by:

Interest income increased 3.4% to $52.62m, outpacing a 2.9% decrease in funding costs and lifting net interest income by 13.5% to $22.15m. This increase is largely attributable to management's focus on margin management, loan retention and profitability over 2026 financial year.

Net Fee and commission income recorded an increase of 51.4% to $504k, reflecting higher proportion of loan originations coming from external broker networks.

Operating expenses increased $728k to $16.14m largely through increases in provisions of $242k, award wages for employees of $217k as well as IT costs of $142k with investment in additional digital infrastructure.

Credit impairment losses remained negligible at $292k, underpinning the sound arrears position at year end of 0.64% (2025: 0.55%). Despite the high interest rates and cost of living pressures, the Credit Union had limited hardship cases throughout the year.

Dividends

In accordance with the Constitution of the Credit Union, dividends are not paid to members.

Significant Changes in State of Affairs

Apart from the review of operations as detailed above, there were no significant changes in the state of the affairs of the Credit Union during the year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years.

Environmental regulations

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Board is not aware of any breach of environmental requirements as they apply to the Credit Union. The Credit Union has a Corporate Social Responsibility and Commitment to our team, customers, sustainability and governance.

Likely Developments and Results

Further information about likely developments in the operations of the Credit Union and the expected results of those operations in future financial years has not been included in this report because disclosure of that information would be likely to result in unreasonable prejudice to the Credit Union.

Corporate Governance Disclosures

Board

The Credit Union's Board has responsibility for the overall management and strategic direction of the Credit Union. All non-executive Board members are independent of management. Directors are elected by members on a 3-year rotation.

Each Director must be eligible to act under the Constitution as a member of the Credit Union and Corporations Act 2001 criteria. The Directors also need to satisfy the Fit and Proper criteria required by APRA.

The Board has established policies to govern conduct of Board meetings, Directors conflicts of interest and training so as to maintain Director awareness of emerging issues and to satisfy all governance requirements.

Board Remuneration

The Board receives remuneration from the Credit Union agreed to each year at the AGM and out of pocket expenses. There are no other benefits received by the Directors from the Credit Union.

Board Committees

An Audit Committee exists to assist the Board by providing an objective non-executive review of the effectiveness of the SCCU's financial reporting and audit function.

A Risk Committee exists to assist the Board by providing an objective non-executive review of the effectiveness of the SCCU's risk management framework.

The Directors are representatives of these committees with Executive Management participation.

The Audit Committee oversees the financial reporting and audit process. Its responsibilities include:

- Financial Reporting
- External Audit
- Internal Audit and Internal Control.

The Risk Committee oversees the risk management and compliance framework and associated process. Its responsibilities include:

- Risk Management
- Risk Measurement and Risk Tolerance levels
- Risk Appetite
- Regulatory, Compliance and Ethical Matters
- Insurance Program.

Policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

Key risk management policies include:

- Risk Management Framework
- Capital Adequacy Management
- Liquidity Management
- Credit Risk Management
- Data Risk Management
- Cyber Risk Management
- Information Security Policy
- Operational Risk Management
- Outsourcing Risk Management
- Financial Accountability Regime Policy.

Chief Risk Officer

The Credit Union has a Chief Risk Officer (CRO) who is the Executive accountable for enabling the efficient and effective governance of significant risks, and related opportunities, to a business and its various segments. The CRO reports to the CEO and has unfettered access to the Board Risk and Audit Committees for enabling the business to balance risk and reward. The CRO is responsible for coordinating the organisation's Enterprise Risk Management (ERM) approach.

External Audit

The annual audit of the Credit Union's financial report and compliance with prudential standards is performed by Grant Thornton Audit Pty Ltd.

Internal Audit

An internal audit function exists using the services of an external firm, BDO, to deal with the areas of internal control, compliance and regulatory compliance only.

The internal audit function reports directly to the Board Audit Committee, making recommendations to the committee for improvements to the Credit Unions operations and internal controls.

This role is also supplemented by other external compliance reviews performed, including security audits on the data processing systems/centres for adequacy of the back-up, disaster recovery and internet security systems.

Regulation

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the Credit Union; and
- Australian Securities and Investment Commission (ASIC) for adherence to the Corporations Act 2001, Australian Accounting Standards disclosures in the financial report and Financial Services Reform (FSR) requirements.

The Auditor's report to both authorities on an annual basis regarding compliance with respective requirements. The external auditors also report to ASIC on AFSL compliance and APRA on prudential policy compliance.

Workplace Health & Safety

The nature of the finance industry is such that the risks of injury to staff and the public are less apparent than in other high-risk industries. Nevertheless, our two most valuable assets are our staff and our members and steps need to be taken to maintain their security and safety when circumstances warrant.

WH&S policies that comply with the Work Health and Safety Act legislation have been established for the protection of both members and staff and are reviewed six monthly for relevance and effectiveness.

The Credit Union has established a WH&S Committee of Employees that meets regularly to consider any concerns for security or safety raised by employees or the public. All matters of concern are reported to the Risk Management Committee for actioning by Management.

Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of the Credit Union or interfere in any proceedings to which the Credit Union is a party for the purpose of taking responsibility on behalf of the Credit Union for all or part of those proceedings. The Credit Union was not a party to any such proceedings during the year.

Rounding of amounts

The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2026/183. The Credit Union is permitted to round to the nearest one thousand dollars ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Auditor's Independence Declaration

The Auditor's independence declaration for the year ending 30 June 2026 forms part of this report and a copy of this declaration is attached.

This report is signed for and on behalf of the directors in accordance with a resolution of the Board of Directors.



Alvaro Lozano Rodriguez
Chairperson

Dated this 27 day of October 2026



Patrick McIntosh
Audit Committee Chair

Dated this 27 day of October 2026

Declarations & Financial Report

30 JUNE 2026

Southern Cross Credit Union Ltd
ABN 82 087 650 682

DIRECTORS' DECLARATION

In the opinion of the Directors of Southern Cross Credit Union Limited (the Credit Union):

(a) The attached financial statements and notes of the Credit Union are in accordance with the *Corporations Act 2001*, including:

  i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), International Financial Reporting Standards as stated in Note 1.1(a) *Basis of preparation* to the financial statements and the *Corporations Regulations 2001*;and

  ii) giving a true and fair view of the financial position of Southern Cross Credit Union Limited as at 30 June 2026 and of its performance for the year ended on that date; and

(b) There are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when theybecome due and payable; and

(c) The information disclosed in the attached consolidated entity disclosure statement is true and correct.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Alvaro Lozano Rodriguez
Chairperson

Patrick McIntosh
Audit Committee Chair

Dated this 27 day of October 2026

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Southern Cross Credit Union Limited

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

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

C L Scott
Partner – Audit & Assurance

Sydney, 27 October 2026

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Statement of profit or loss and other comprehensive income for the year ended 30 June 2026

	Note	2026 $'000	2025 $'000
Interest revenue	2.1	52,621	50,895
Interest expense	2.2	(30,472)	(31,388)
Net interest revenue		**22,149**	**19,507**
Fee and commission income		2,427	2,192
Fee and commission expense		(1,923)	(1,859)
Net fee and commission income	**2.3**	**504**	**333**
Other income	2.3	381	332
Net operating income		**23,034**	**20,172**
Expenses			
Employee benefits expense	2.4(a)	(8,204)	(7,987)
Credit impairment losses	2.4(b)	(292)	(50)
Depreciation and amortisation expense	2.4(c)	(1,284)	(1,290)
Occupancy expense	2.4(d)	(324)	(311)
Other expenses	2.4(e)	(6,037)	(5,775)
Total expenses		**(16,141)**	**(15,413)**
Profit/(loss) before income tax		**6,893**	**4,759**
Income tax (expense)/benefit	2.5(a)	(2,061)	(1,451)
Profit/(loss) for the year		**4,832**	**3,308**
Other comprehensive income for the year, net of income tax *- items that will not be reclassified to profit or loss* Net fair value gain/(loss) on investments in equity instruments		**-**	**348**
Total comprehensive income for the year		**4,832**	**3,656**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Statement of financial position as at 30 June 2026

	Note	2026 $'000	2025 $'000
Assets			
Cash and cash equivalents	4.1	23,978	15,991
Due from financial and other institutions	4.2	182,957	115,984
Other receivables	7.4	385	616
Loans and advances	3.1	926,063	829,875
Other assets	4.5	8,029	8,176
Deferred tax asset	2.5	504	330
Plant and equipment	7.1	244	708
Right-of-use assets	7.2	520	1,118
Intangible assets	7.3	1,328	1,068
Total assets		**1,144,008**	**973,866**
Liabilities			
Deposits	4.3	1,054,725	889,820
Payables and other liabilities	7.5	8,900	8,239
Lease liabilities	7.2	569	1,185
Current tax liability		504	110
Provisions	7.6	797	831
Total liabilities		**1,065,495**	**900,185**
Net assets		**78,513**	**73,681**
Equity			
Redeemable preference shares	5.1	473	470
Reserves	5.2	229	229
Retained earnings		77,811	72,982
Total equity		**78,513**	**73,681**

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

Statement of changes in equity for the year ended 30 June 2026

	Fair Value Reserve $'000	Capital Profits Reserve $'000	Redeemable Preference Shares $'000	Retained earnings $'000	Total Members' Equity $'000
Balance at 1 July 2024	**923**	**229**	**467**	**68,406**	**70,025**
Profit for the year	-	-	-	3,308	3,308
Other comprehensive income	348	-	-	-	348
Total comprehensive income for the year	**348**	**-**	**-**	**3,308**	**3,656**
Transfers	-	-	-	-	-
Redemption of member shares	-	-	3	(3)	-
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	(1,271)	-	-	1,271	-
Balance at 30 June 2025	**-**	**229**	**470**	**72,982**	**73,681**
Balance at 1 July 2025	-	229	470	72,982	73,681
Profit for the year	-	-	-	4,832	4,832
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**4,832**	**4,832**
Transfers	-	-	-	-	-
Redemption of member shares	-	-	3	(3)	-
Balance at 30 June 2026	**-**	**229**	**473**	**77,811**	**78,513**

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

Statement of cash flows for the year ended 30 June 2026

	Note	2026 $'000	2025 $'000
Cash flows from operating activities			
Interest received		52,621	50,895
Dividends received		-	86
Fees and commissions received		2,750	2,437
Interest paid		(30,671)	(31,836)
Payments to suppliers and employees		(15,273)	(21,129)
Net movement in loans and advances		(96,480)	(26,900)
Net movement in amounts due from financial and other institutions		(66,973)	(2,930)
Net movement in deposits		164,905	31,144
Income taxes paid		(1,737)	(907)
Net cash provided by operating activities	**4.1(c)**	**9,142**	**860**
Cash flows from investing activities			
Payments for plant and equipment		(450)	(157)
Payments for intangibles		-	(289)
Proceeds from sale of shares		-	2,259
Net cash (used in)/provided by investing activities		**(450)**	**1,813**
Cash flows from financing activities			
Borrowings		-	-
Principal portion of lease liabilities paid		(705)	(676)
Net cash used in financing activities	**4.1(d)**	**(705)**	**(676)**
Net increase/(decrease) in cash and cash equivalents held		**7,987**	**1,997**
Cash and cash equivalents at the beginning of the financial year		**15,991**	**13,994**
Cash and cash equivalents at the end of the financial year	**4.1(b)**	**23,978**	**15,991**

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

Note 1: Basis of preparation

1.1 Corporate information

The financial statements of Southern Cross Credit Union Limited (referred to as "the Company" or "the ADI" or "Parent Entity" or "the Credit Union") and its subsidiaries (referred to as "the Group" or "SCCU") for the year ended 30 June 2026 were authorised for issue in accordance with a resolution of directors on 27th October 2026.

The registered office and principal place of business of the Credit Union is Level 2, 38-42 Pearl Street, Kingscliff, NSW 2487.

1.2 Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements cover Southern Cross Credit Union Limited as a consolidated entity. For the purposes of preparing the financial statements, Southern Cross Credit Union Limited is a for-profit entity.

The financial statements have been prepared on an accruals basis and are based on historical costs except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Credit Union under ASIC Corporations Instrument 2026/183. The Credit Union is an entity to which the ASIC Corporations Instrument applies.

(a) Statement of compliance

The financial statements of Southern Cross Credit Union Limited comply with all International Financial Reporting Standards (IFRS) in their entirety.

(b) Presentation of financial statements

The Credit Union presents its statement of financial position in order of liquidity based on the Credit Union's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

(c) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current year.

(d) REPO Securitisation Trust Consolidation

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

a) The Trust meets the definition of a controlled entity; and

b) As prescribed under the accounting standards, since the credit union has not transferred all risks and rewards to the Trust, the assigned loans are retained on the books of the Credit Union and are not de-recognised.

As such the Parent Entity and consolidated balances are identical and have not been presented separately.

1.3 Summary of material accounting policy information

(a) Impairment of assets (excluding financial assets)

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss (except for items carried at revalued amount).

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(b) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

1.4 Significant accounting judgments, estimates and assumptions

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Credit Union's accounting policies and the reported amounts of assets and liabilities, revenues, expenses, and the accompanying disclosures. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

	Reference
Accounting treatment for loans assigned to a special purpose vehicle used for securitisation purposes	Note 4.4

Estimates and assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 30 June 2026 is included in the following notes.

	Reference
Expected credit losses and impairment of loans and advances	Note 3.2

Note 2: Financial performance

2.1 Interest revenue

	2026 $'000	2025 $'000
Financial assets at amortised cost		
Cash and cash equivalents	485	421
Due from financial and other institutions	6,692	6,020
Loans and advances	45,444	44,454
Total interest revenue - assets at amortised cost	**52,621**	**50,895**

2.2 Interest expense

	2026 $'000	2025 $'000
Financial liabilities at amortised cost		
Deposits	(30,472)	(31,388)
Total interest expense - liabilities at amortised cost	**(30,472)**	**(31,388)**
Net interest income	**22,149**	**19,507**

Recognition and measurement

Interest income and interest expense

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

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

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

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

Amortised cost and gross carrying amount

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

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

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

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

For information on when financial assets are credit-impaired, see Note 3.2 and Note 5.3(b).

Presentation

Interest revenue and expense presented in the statement of profit or loss and other comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

2.3 Other income

	2026 $'000	2025 $'000
Fees and commissions revenue	2,427	2,192
Fee and commission expense	(1,923)	(1,859)
Net fee and commission income	**504**	**333**
Dividends - Investment securities measured at FVOCI	-	86
Bad debts recovered	4	3
Other	377	243
Total other income	**381**	**332**

Recognition and measurement

The Credit Union earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Credit Union expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Credit Union provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Fees and commissions income and expense

Fee and commission fees that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Loan fees that are recognised using the effective interest method are included with loan and advances balances in the statement of financial position. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

When a third party is involved in providing goods or services to the Credit Union's customer (i.e. insurance commissions), the Credit Union assesses whether the nature of the arrangement with its customer is as a principal or an agent of the third party. When the Credit Union is not acting in a principal capacity, the income earned by the Credit Union is net of the amounts paid to the third party provider. The net consideration represents the Credit Union's income for facilitating the transaction.

The Credit Union sources loans via brokers and pays a mixture of upfront and trail commission. Upfront commission is paid to the broker upon funding of the loan, the Credit Union amortises and releases to commission expense over 7 years for home loans and 5 years for personal loans. Should the loan discharge the upfront is fully recognised after taking into account any clawback agreements. Trail commission is paid monthly while the loan continues to remain in force.

Dividend income

Dividend income is recognised on an accruals basis when the Credit Union's right to receive the dividend is established. Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in other comprehensive income.

2.4 Expenses

	2026 $'000	2025 $'000
(a) Employee benefits expense		
■ Salaries, wages and other personnel costs	6,798	6,700
■ Employee related on-costs expense	610	531
■ Superannuation expense (defined contribution)	796	756
	8,204	**7,987**
(b) Credit impairment losses		
■ Impairment of loans and advances/(recovery)	254	23
■ Bad debts written off	38	27
	292	**50**
(c) Depreciation and amortisation expense		
■ Plant and equipment	308	371
■ Intangible assets	346	311
■ Right-of-use assets – properties	630	608
	1,284	**1,290**
(d) Occupancy expense		
■ Other	324	311
	324	**311**
(e) Other expenses		
■ General administration	1,116	1,132
■ Board remuneration and other board expenses	455	393
■ Rental expense on short term leases	24	43
■ Finance cost on lease liabilities	57	70
■ Legal and audit expenses	268	322
■ Information technology expenses	1,964	1,822
■ Marketing and promotion expenses	289	322
■ Telephone and communication expenses	133	152
■ Transaction processing and cash delivery expenses	1,250	1,181
■ Loan administration expenses	399	264
■ Other expenses	82	74
	6,037	**5,775**
Total expenses	**16,141**	**15,413**

2.5 Taxation

	2026 $'000	2025 $'000
(a) Components of income tax expense in profit or loss		
Current tax		
Current tax expense	2,235	1,940
Total current tax expense	**2,235**	**1,940**
Deferred tax		
Origination and reversal of temporary differences	(174)	(489)
Total deferred tax expense	**(174)**	**(489)**
Total income tax expense in profit or loss	**2,061**	**1,451**
(b) Reconciliation of income tax expense to the profit before tax multiplied by applicable tax rate		
Profit before income tax	**6,893**	**4,759**
Prima facie tax at the Australian tax rate of 30.0%	2,068	1,428
Less tax effect of:		
Tax offset for franked dividends	-	(37)
Other non-assessable items	(7)	60
Income tax expense	**2,061**	**1,451**
Other Comprehensive Income		
Tax on realised capital gains on disposal	-	149
(c) Franking account		
Balance of the franking account at year end adjusted for franking credits arising from payment of the provision for income tax, payment of dividends payable or receipts of dividends receivable at reporting date based on a tax rate of 30.0%	**28,817**	**27,731**

	2026 $'000	2025 $'000
(d) Deferred taxes		
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits leave provision	357	371
Other provisions	283	195
Total deferred tax assets	**640**	**566**
(e) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Capital assets	136	236
Total deferred tax liabilities	**136**	**236**
(f) Offset		
Total deferred tax assets	640	566
Total deferred tax liabilities	(136)	(236)
Total net deferred tax	**504**	**330**
(g) Deferred tax balances gross movements		
Opening balance	330	(159)
Under / (over) provision for income tax in prior year	-	-
(Charged) / credited to equity	-	-
(Charged) / credited to profit or loss	174	489
Closing balance	**504**	**330**

Recognition and measurement

Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the Credit Union has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax assets and deferred tax liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities in the financial statements and their respective tax bases. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deductible temporary differences brought to account as deferred tax assets is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Credit Union will derive sufficient future assessable income to enable the deferred tax asset to be realised and comply with the conditions of deductibility imposed by the law. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Note 3: Loans and advances

3.1 Loans and advances

	2026 $'000	2025 $'000
Term loans	918,064	821,499
Overdrafts	5,698	6,041
Gross loans and advances at amortised cost	**923,762**	**827,540**
Add: Unamortised loan fees	2,803	2,583
Less: Provision for expected credit loss	(502)	(248)
Net loans and advances at amortised cost	**926,063**	**829,875**

Recognition and measurement

Loans and advances to members

Loans and advances are financial assets for which the contractual cash flows are solely repayments of principal and interest and that are held in a business model with the objective of collecting contractual cash flows.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the estimated life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for impairment.

Loans and advances by credit quality

Refer to Note 5.3 (b) (i) for details.

3.2 Impairment of loans and advances

The provision for expected credit loss of loans and advances reflects expected credit losses (ECLs) measured using the three-stage approach as detailed below. The tables below show the movements in the impairment provisions by ECL stage.

2026	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Credit-impaired $'000	Total provision $'000
Balance at 1 July 2025	**177**	**13**	**58**	**248**
Changes due to loans and advances recognised in the opening balance that have:				
- Transferred to 12-month ECL	-	-	-	-
- Transferred to lifetime ECL not credit-impaired	(20)	20	-	-
- Transferred to lifetime ECL credit-impaired	-	(4)	4	-
Net re-measurement of loss allowance	288	4	(38)	254
Balance at 30 June 2026	**445**	**33**	**24**	**502**

2025	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Credit-impaired $'000	Total provision $'000
Balance at 1 July 2024	**164**	**21**	**40**	**225**
Changes due to loans and advances recognised in the opening balance that have:				
- Transferred to 12-month ECL	-	-	-	-
- Transferred to lifetime ECL not credit-impaired	8	(8)	-	-
- Transferred to lifetime ECL credit-impaired	-	(45)	45	-
Net re-measurement of loss allowance	5	45	(27)	23
Balance at 30 June 2025	**177**	**13**	**58**	**248**

As shown in the above table, the overall provision for credit impairment for loans and advances increased from $248k at 30 June 2025 to $502k at 30 June 2026 due to:

- the high volume of new mortgage loans originated during the period, aligned with the Credit Union's organic growth objective, increasing the gross carrying amount of the mortgage book by 11.6% along with a more challenging macroeconomic environment has resulted in an increase in the provision.
- Management increased the Expected Credit Loss (ECL) provision by $254k during the year in response to deteriorating macroeconomic conditions and the heightened level of economic uncertainty observed at the reporting date.

Write-offs still under enforcement activity

The contractual amount outstanding on loans and advances that have been written off by the Credit Union as at 30 June 2026 and that were still subject to enforcement activity was nil (2025: nil).

Recognition and measurement

Expected credit losses

The Credit Union applies a three-stage approach to measuring allowance for expected credit loss (ECL) for loans and advances to members measured at amortised cost.

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

At each reporting date, the Credit Union assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become impaired it will be transferred to Stage 3. The Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward looking analysis.

Based on the above process, the Credit Union groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage	Measurement basis
Stage 1: 12-months ECL	Where there has been no significant increase in credit risk (SICR) since initial recognition or the asset is not credit impaired upon origination, a portion of the lifetime ECLs associated with the probability of default events occurring within the next 12 months is recognised. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2: Lifetime ECL – not credit impaired	Where there has been a SICR since initial recognition but the asset is not credit impaired (includes exposures that are greater than 30 days + past due), the lifetime ECL is recognised. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3: Lifetime ECL – credit impaired	When a loan to a member is assessed as credit impaired (includes exposures that are greater than 90 days past due), the lifetime ECL is recognised. Interest revenue is calculated on a net basis (gross carrying amount less associated ECL provision)

Lifetime ECLs are generally determined based on the contractual maturity or behavioural life of the financial asset. When measuring ECLs, the Credit Union takes into account the probability weighted outcome of cash shortfalls over the expected life of the asset discounted at its current effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Credit Union and all the cash flows that the Credit Union is expected to receive.

Inputs, assumptions and techniques used for estimating impairment

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

Impaired exposures under the expected credit loss model consist of:

- Retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days or more past due with insufficient security to cover principal and arrears of interest revenue.
- Unsecured portfolio managed facilities which are 180 days past due (if not written off).
- Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Forward-looking information

Forward-looking information is used in the measurement of ECLs through probability weighted scenarios and includes macroeconomic variables that influence credit losses such as RBA cash rates, gross domestic product (GDP) data, unemployment rates and climate risk.

Assessment of significant increase in credit risk

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

Calculation of expected credit losses

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

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Credit Union in accordance with the contract and the cash flows that the Credit Union expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive.

Restructured financial assets

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 are 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 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 original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

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

Write off

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

Significant accounting judgements and estimates

In determining ECL, management judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions. Macro-economic variables used in these scenarios, include (but are not limited to) the cash rate, unemployment rates, GDP growth rates and residential and commercial property price indices. Year on year movement of variables is used to model scenarios and determine the impact on credit impaired financial assets.

When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Credit Union's historical loss experience.

Note 4: Liquidity

4.1 Cash and cash equivalents

(a) Cash and cash equivalents

	2026 $'000	2025 $'000
Cash on hand	816	761
Deposits with ADIs	23,162	15,230
Total cash and cash equivalents	**23,978**	**15,991**

Recognition and measurement

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value, and are used by the Credit Union in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

(b) Notes to the statements of cash flows

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and 'at call' deposits, net of overdrafts with other financial institutions.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2026 $'000	2025 $'000
Cash and cash equivalents	23,978	15,991
	23,978	**15,991**

Cash held that is not available for use as at 30 June 2026 is nil (2025: nil)

Cash flows presented on a net basis

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

- Deposits and withdrawals;
- Sales and purchases of dealing securities;
- Provision of loans and advances and the repayment of such loans and advances.

(c) Notes to the statement of cash flows (continued)

	2026 $'000	2025 $'000
Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) after income tax	4,832	3,308
Credit impairment losses	292	50
Amortisation of intangible assets	346	311
Depreciation of plant and equipment and ROU assets	938	979
Interest on lease liabilities	57	70
Tax on realised capital gains on disposal	-	(149)
Changes in operating assets and liabilities		
(Increase)/decrease in other receivables	231	302
(Increase)/decrease in other assets	147	(4,886)
(Increase)/decrease in amounts due from financial and other institutions	(66,973)	(2,930)
(Increase)/decrease in loans and advances	(96,480)	(26,950)
Increase/(decrease) in deferred tax assets	(174)	(489)
Increase/(decrease) in income tax payable	394	1,182
Increase/(decrease) in deposits	164,905	31,144
Increase/(decrease) in payables and other liabilities	661	(1,204)
Increase/(decrease) in provisions	(34)	122
Net cash provided by/(used in) operating activities	**9,142**	**860**

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

		Non-cash changes		
2026	**1 July 2025 $'000**	**Cash flows $'000**	**Other $'000**	**30 June 2026 $'000**
Lease liabilities	1,185	(705)	89	569
Total liabilities from financing activities	**1,185**	**(705)**	**89**	**569**

		Non-cash changes		
2025	**1 July 2024 $'000**	**Cash flows $'000**	**Other $'000**	**30 June 2025 $'000**
Lease liabilities	920	(676)	941	1,185
Total liabilities from financing activities	**920**	**(676)**	**941**	**1,185**

4.2 Due from financial and other institution

	2026 $'000	**2025 $'000**
Financial assets at amortised cost		
Deposits with ADIs	162,868	95,908
Deposits with Governments	20,089	20,076
Total due from financial and other institutions	**182,957**	**115,984**
Amount due from financial and other institutions expected to be recovered more than 12 months after the reporting date	61,367	63,728

Recognition and measurement

Due from financial and other institutions includes deposits held with financial and other institutions and other investments with original maturities of more than three months. Due from financial and other institutions are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Financial assets are classified at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate. Gains and losses are recognised in the profit or loss when the financial assets are derecognised or impaired.

Impairment

The Credit Union recognises a loss allowance for expected credit losses (ECL allowance) on financial assets measured at amortised cost. The measurement of the loss allowance depends upon the Credit Union's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Due from financial and other institutions that are determined to have low credit risk at the reporting date or which credit risk has not increased significantly since their initial recognition are measured as 12 month ECL.

4.3 Deposits

	2026 $'000	2025 $'000
Call deposits (including withdrawable shares)	565,325	473,370
Term deposits	489,400	416,450
Total deposits	**1,054,725**	**889,820**
Amount of deposits expected to be settled more than 12 months after the reporting date	2,263	751

Recognition and measurement

Deposits

Deposits are initially measured at fair value less directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method. Interest on deposits is recognised on an accrual basis. Interest accrued at the end of the reporting date is shown as a part of deposits.

4.4 Securitisation

On the 26th of August 2020, the Credit Union has transferred the rights and benefits of a parcel of mortgage secured loans to the securitisation entity, MTG Trust. The MTG Trust has been established to support the ongoing liquidity management of the Credit Union. The Credit Union has purchased the Residential Mortgage Backed Securities (RMBS) issued by MTG Trust. The senior RMBS held by SCCU is eligible to be utilised as collateral in repurchase agreements with the Reserve Bank of Australia (RBA). These arrangements enable the Credit Union to raise funds from the RBA utilising its loans as the underlying security. The loans included in this facility have not been de-recognised as the Credit Union retains the benefits of MTG Trust until such time as a drawing is required.

Notwithstanding the transfer, the Credit Union has retained substantially all the risks and rewards of ownership of the relevant loans and advances as it has retained credit risk and interest rate risk. Due to the retention of substantially all the risks and rewards of ownership the Credit Union continues to recognise the transferred assets within loans and advances and the transfer is accounted for as a secured financing transaction.

The Credit Union collects the cash receipts relating to the mortgage secured loans and passes these receipts on to the MTG Trust. The Credit Union cannot use the transferred assets for further collateral as they have been transferred to the MTG Trust and pledged as security for securities issued by MTG SCCU Trust Repo series 1.

The following table sets out the carrying amounts of transferred financial assets and the associated liabilities at the reporting date:

	2026 $'000	2025 $'000
Carrying amount of transferred assets	**142,849**	**60,818**
Carrying amount of associated liabilities	**142,849**	**60,818**
For those liabilities that have recourse only to the transferred assets:		
Carrying amount of transferred assets	142,849	60,818
Carrying amount of associated liabilities	142,849	60,818
Net position	-	-

Recognition and measurement

Securitisation

The Credit Union enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains substantially all of the risks and rewards of ownership of the transferred assets. If substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of substantially all risks and rewards include, for example, certain loan securitisation and repurchase transactions.

In transactions in which the Credit Union neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Credit Union continues to recognise the asset to the extent of its continuing involvement.

In transactions in which the Credit Union either transfers substantially all the risks and rewards of ownership of the transferred assets or neither transfers nor retains substantially all the risk and rewards and does not retain control of the transferred assets the Credit Union derecognises the transferred assets. The Credit Union also recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

4.5 Other assets

	2026 $'000	2025 $'000
Trust reserve accounts	7,602	7,670
Prepayments	427	506
	8,029	**8,176**

Recognition and measurement

Refer to note 4.4 for details on the Securitisation Reserve and Trust Liquidity Reserve

Note 5: Risk and capital management

5.1 Redeemed preference shares

	2026 $'000	2025 $'000
Movements in redeemed preference shares		
Balance at the beginning of year	470	467
Transfers from retained profits for the redemption of shares	3	3
Balance at end of year	**473**	**470**

Recognition and measurement

Member shares

Under the Corporations Act 2001, member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated

5.2 Reserves

Capital profits reserve

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

5.3 Risk management policy and objectives

Overview of Risk Management Framework

The Board of Directors (the Board) has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

Key risk management policies encompassed in the overall risk management framework include:

- Interest rate risk management;
- Liquidity risk management;
- Credit risk management; and
- Operations risk management including data risk management.

Authority flows from the Board to the risk committee and from there to the audit committee which are integral to the management of risk.

The main elements of risk governance are as follows:

(i) Board

This is the primary governing body and approves the level of risk to which the Credit Union is exposed and the framework for reporting and mitigating those risks.

(ii) Audit Committee

Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the Risk Committee for their consideration.

(iii) Internal Audit

Internal Audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

(iv) Risk Committee

This is a key body in the control of risk. It has representatives from the Board as well as the Credit Union's Chief Risk Officer. The Risk Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Risk Committee through monthly review of operational reports. Control assignments are reviewed by the Risk Committee monthly to confirm whether risks are within the parameters outlined by the Board.

The Risk Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations. The Risk Committee monitors compliance with the framework laid out in the policy on a quarterly basis and reports in turn to the Board, where actual exposures to risks are measured against prescribed limits.

(v) Risk Manager: This person has responsibility for both liaising with the operational function to ensure timely production of information for the Risk Committees and ensuring that instructions passed down from the Board via the Risk Committees are implemented.

(vi) Asset and Liability Committee (ALCO) - Market Risk

This committee meets weekly 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 policies for interest rate GAP. The weekly scrutiny of market risk reports is intended to prevent any exposure breaches prior to the monthly review by the Risk Committee.

(vii) Asset and Liability Committee (ALCO) – Credit Risk

This committee of senior management meets weekly 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 Credit Union's book, ensures provisioning is accurate and determines controls that need to be put in place regarding the authorisation of new loans.

The committee 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 approved by the committee or the Board. All exposures are checked daily against approved limits, independently of each business unit, and are reported to the committee.

All loans are managed weekly through the monitoring of the scheduled repayments and the status of these loans is reported to the Credit Risk Committee weekly and the Risk Committee monthly.

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 provisions are necessary and adequate. A dedicated credit control team, which reports to the committee, implements the Credit Union's credit risk policy.

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments:

(a) Market Risk – Interest rate risk

Market risk is the potential adverse change in the Credit Union's income or the value of its net assets arising from the movement in interest rates or other market prices.

The Credit Union is not exposed to currency risk and other price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates due to the mismatches between the repricing dates of assets and liabilities. The Board monitors these risks through monthly reporting and a review of the risk management profile is conducted by internal audit.

The Credit Union manages its interest rate risk using the following methods:

Value at Risk (VaR)

The policy of the Credit Union is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. This is measured and monitored using the Value at Risk methodology (VaR). The Credit Union's policy limit in respect of VaR is to keep this measurement below 3% of capital. The VaR is measured monthly to identify any large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets and term deposits liabilities to rectify the imbalance to within acceptable levels.

Based on the Value at Risk (VaR) calculations as at 30 June 2026, the VaR is $727,898 or 0.99% of capital (30 June 2025: $316,277 or 0.46% of capital).

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

(a) Market Risk – Interest rate risk

		Fixed interest rate maturing					
2026	**Floating interest rate $'000**	**Within 1 year $'000**	**1-5 years $'000**	**Over 5 years $'000**	**Non-interest sensitive $'000**	**Total Carrying Amount $'000**	**Effective interest rate %**
Financial assets							
Cash and cash equivalents	23,162	-	-	-	816	23,978	3.32%
Other receivables	-	-	-	-	385	385	
Due from other financial institutions	71,367	111,590	-	-	-	182,957	4.92%
Loans and advances	679,857	37,249	194,070	14,887	-	926,063	6.05%
	774,386	**148,839**	**194,070**	**14,887**	**1,201**	**1,133,383**	
Financial liabilities							
Deposits	565,264	487,198	2,263	-	-	1,054,725	3.92%
Lease liabilities	-	399	170	-	-	569	6.39%
Payables and other liabilities	-	-	-	-	8,900	8,900	n/a
	565,264	**487,597**	**2,433**	**-**	**8,900**	**1,064,194**	

		Fixed interest rate maturing					
2025	**Floating interest rate $'000**	**Within 1 year $'000**	**1-5 years $'000**	**Over 5 years $'000**	**Non-interest sensitive $'000**	**Total Carrying Amount $'000**	**Effective interest rate %**
Financial assets							
Cash and cash equivalents	15,231	-	-	-	760	15,991	2.66%
Other receivables	-	-	-	-	616	616	n/a
Due from other financial institutions	74,062	41,922	-	-	-	115,984	4.36%
Loans and advances	719,086	50,742	48,280	11,767	-	829,875	5.76%
	808,379	**92,664**	**48,280**	**11,767**	**1,376**	**962,466**	
Financial liabilities							
Deposits	473,315	415,754	751	-	-	889,820	3.57%
Lease liabilities	-	650	535	-	-	1,185	6.39%
Payables and other liabilities	-	-	-	-	8,239	8,239	n/a
	473,315	**416,404**	**1,286**	**-**	**8,239**	**899,244**	

(b) Credit Risk

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

Maximum credit exposure

Credit exposures are capped to the carrying value reported on the statement of financial position for the related assets. The table below (refer to Credit quality – investment with counterparties) presents the Credit Union's maximum credit exposure to the respective asset classes at the reporting dates. The amounts are presented gross of provisions for impairment and before taking account of any collateral held or other credit enhancement.

(i) Credit Risk – Loans and advances

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

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

The risk of losses from loans to members is primarily reduced by the nature and quality of the security taken. The Board Policy is to maintain at least 65% of the loans in well secured residential mortgages which carry an 80% Loan to Valuation ratio or less.

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

Loans and advances – Collateral held

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

The following table sets out the principal types of the collateral held against loans and advances:

	2026 $'000	2025 $'000
Secured by mortgage over real estate	888,750	796,789
Secured by bill of sale over motor vehicle	31,111	26,502
Secured by other assets	264	316
Secured by funds lodged with the Credit Union	1,373	1,383
Unsecured	2,264	2,549
Total gross loans and advances at amortised cost	**923,762**	**827,539**

Collateral held - Loans and advances

The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. The value of the collateral for residential mortgage loans is based on the collateral value at origination. For credit-impaired loans the value of collateral is based on the most recent appraisals.

As at 30 June 2026, the fair value of collateral held against those loans and advances that have been individually assessed as Stage 3 credit impaired is $5,030,000 (2025: $1,661,000). It has not been practicable to determine the fair value of the collateral held as security against Stage 1 and Stage 2 loans.

Credit Quality – Loans and advances

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

2026	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Residential - Owner Occupied	700,204	3,440	827	704,471
Residential - Investor	151,394	786	595	152,775
Commercial	28,107	-	-	28,107
Personal Secured	32,456	180	40	32,676
Personal Unsecured	35	-	-	35
Other/Overdrafts	5,692	3	3	5,698
Total gross loans and advances at amortised cost	**917,888**	**4,409**	**1,465**	**923,762**

2025	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Residential - Owner Occupied	580,394	2,352	862	583,608
Residential - Investor	178,086	782	-	178,868
Commercial	31,359	-	-	31,359
Personal Secured	27,537	74	53	27,664
Personal Unsecured	-	-	-	-
Other/Overdrafts	6,036	1	4	6,041
Total gross loans and advances at amortised cost	**823,412**	**3,209**	**919**	**827,540**

Concentration Risk

Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent) a large exposure is considered to exist. No 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.

Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5 per cent of the capital base. The Credit Union's policy on exposures of this size is to insist on an initial Loan to Valuation Ratio (LVR) of no more than 80 percent and ongoing hindsight compliance reviews of this policy are conducted.

The following groups represent concentrations of loans and advances in excess of 10% of capital.

	2026		2025	
	$'000	%	$'000	%
Geographic Locations				
New South Wales	417,640	45.1%	404,395	48.9%
Queensland	372,546	40.2%	332,729	40.2%
Customer or Industry				
Southern Cross Credit Union Ltd Employees	23,574	2.5%	18,686	2.3%

Credit Risk – investment with counterparties

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

The Liquidity Management policy is that investments are only made to Authorised Deposit Taking Institutions (ADIs). The Board has established policies that a maximum of 40% of its capital can be invested in any one ADI at a time.

The risk of losses from the liquid investments undertaken is reduced by the limits to concentration on one entity. Also the relative size of the credit union compared to the industry is relatively low such that the risk of loss is reduced.

Under the Credit Union liquidity support scheme at least 3.2% of the total assets must be invested in an approved ADI to allow the scheme to have adequate resources to meet its obligations.

External credit assessment for institutional investments

The Credit Union uses the ratings of reputable rating agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA Prudential Practice Guide APG 112. The credit quality assessment scale within this standard has been complied with.

The following tables summarise the counterparty concentration risk exposure by credit rating grades:

	2026 $'000	2025 $'000
Actual Rating (S&P Rating)		
ADIs - A and above	165,712	95,751
ADIs - Below A	11,087	14,087
ADIs - Unrated	6,158	6,146
	182,957	**115,984**

(c) Liquidity Risk

Liquidity risk is the risk that the credit union 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 treasury maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

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

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within two business days under APRA Prudential standards. The Credit Union Policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. This ratio is checked daily. Should the liquidity ratio fall below this level, management and the Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

The table below shows the periods in which the financial liabilities mature. Contractual cash flows shown in the table are at undiscounted values (including future interest expected to be paid). Accordingly, these values may not agree to carrying amount.

2026	Carrying amount $'000	Total cash flows $'000	Less than 12 months $'000	Over 12 months $'000
Deposits	1,054,725	1,065,331	1,062,908	2,423
Payables and other liabilities	8,900	8,900	8,900	-
Lease liabilities	569	588	421	167
Unrecognised loan commitments	-	28,369	28,369	-
	1,064,194	**1,103,188**	**1,100,598**	**2,590**

2025	Carrying amount $'000	Total cash flows $'000	Less than 12 months $'000	Over 12 months $'000
Deposits	889,820	896,408	895,604	804
Payables and other liabilities	8,239	8,239	8,239	-
Lease liabilities	1,185	1,285	701	584
Unrecognised loan commitments	-	32,525	32,525	-
	899,244	**938,457**	**937,069**	**1,388**

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

	2026	2025
Liquid funds to total adjusted liabilities:		
- As at 30 June	18.21%	14.04%
- Average for the year	15.92%	14.42%
- Minimum during the year	13.58%	12.80%
Liquid funds to total member deposits:		
- As at 30 June	18.96%	14.75%

The Credit Union maintained liquidity levels in excess of APRA prudential requirements at all times during the year.

5.4 Capital management

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

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

The Credit Union's Tier 1 capital includes redeemable preference share capital, retained earnings, and capital reserve adjusted by regulatory adjustments.

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

Capital is made up as follows:

	2026 $'000	2025 $'000
Tier 1 capital		
Redeemable preference shares	473	470
Capital reserve	229	229
Retained earnings	73,020	68,586
Net Tier 1 capital	**73,722**	**69,285**
Net Tier 2 capital	**-**	**-**
Total capital	**73,722**	**69,285**

The Credit Union has complied with all externally imposed capital requirements throughout the period. The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

The capital ratios as at the end of each reporting period, for the past 5 years follow:

2026	2025	2024	2023	2022
16.7%	18.1%	16.7%	16.2%	16.1%

The Credit Union's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally imposed capital ratios. To manage the Credit Union's capital, the management reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 15.0%. Further, a 3- year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Note 6: Unrecognised items

6.1 Outstanding loan commitments

	2026 $'000	2025 $'000
Loans and credit facilities approved but not funded or drawn at the end of the financial year:		
Loans approved but not funded	26,811	26,278
Undrawn overdraft and line of credit	3,716	3,434
	30,527	**29,712**

6.2 Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

Note 7: Other information

7.1 Property, plant and equipment

(a) Carrying amounts

	2026 $'000	2025 $'000
Plant and equipment - at cost	2,127	2,114
Accumulated depreciation	(2,003)	(1,898)
Total plant and equipment	**124**	**216**
Leasehold improvements - at cost	1,722	1,710
Accumulated amortisation	(1,617)	(1,468)
Total leasehold improvements	**105**	**242**
Work in progress	**15**	**250**
Total property, plant and equipment	**244**	**708**

(b) Movements in carrying amounts

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

	Plant and Equipment $'000	Leasehold Improvements $'000	Work in progress $'000	Total $'000
Balance at 1 July 2024	**395**	**358**	**169**	**922**
Additions	38	37	82	157
Disposals	-	-	-	-
Depreciation expense	(218)	(153)	-	(371)
Transfer	1	-	(1)	
Balance at 30 June 2025	**216**	**242**	**250**	**708**
Additions	68	11	371	450
Disposals	-	-	-	-
Depreciation expense	(160)	(148)	-	(308)
Transfer to intangible assets (Note 7.3)	-	-	(606)	(606)
Balance at 30 June 2026	**124**	**105**	**15**	**244**

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2025: Nil).

Recognition and measurement

Plant and equipment

Each class of property, plant and equipment is carried at cost less depreciation, where applicable, any accumulated impairment losses. Assets under $300 are not capitalised.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows, which will be received from the assets employment and subsequent disposal. The decrement in the carrying amount is recognised as an expense in the profit or loss in the reporting period in which the recoverable amount write-down occurs.

Depreciation

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

Property, plant and equipment is depreciated on a straight-line basis.

A summary of the rates used is:

- Plant and equipment 10-33%
- Leasehold improvements 10-33%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

7.2 Leases

The Credit Union leases a number of properties for offices and branches. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security.

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2026 $'000	2025 $'000
Opening balance at 1 July	**1,118**	**855**
Additions	32	871
Loss on disposal	-	-
Amortisation expense	(630)	(608)
Closing balance at 30 June	**520**	**1,118**

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under payables and other liabilities and the movements during the year:

	2026 $'000	2025 $'000
Opening balance at 1 July	**1,185**	**920**
Additions	32	871
Accretion of interest	57	70
Lease payments	(705)	(676)
Closing balance at 30 June	**569**	**1,185**

The maturity analysis of lease liabilities are disclosed in Note 5.3 (c).

(c) Amounts recognised in profit or loss

	2026 $'000	2025 $'000
Depreciation charge of right-of-use assets	630	608
Loss on disposal	-	-
Interest expense (included in finance cost)	57	70
	687	**678**

The Credit Union had total cash outflows for leases of $705,000 in 2026 (2025: $676,000). The Credit Union also had non-cash additions to right-of-use assets and lease liabilities of $32,000 in 2026 (2025: $871,000).

Recognition and measurement

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Credit Union's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Credit Union if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Credit Union is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Credit Union revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

For contracts that both convey a right to the Credit Union to use an identified asset and require services to be provided to the Credit Union by the lessor, the Credit Union has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

7.3 Intangible assets

(a) Computer software

	2026 $'000	2025 $'000
Cost	3,043	2,437
Accumulated amortisation	(1,715)	(1,369)
	1,328	**1,068**

(b) Movements in carrying amounts

	2026 $'000	2025 $'000
Balance at beginning of the financial year	1,068	1,090
Additions	-	289
Transfer from Work in Progress (Note 7.1)	606	-
Amortisation Expense	(346)	(311)
Carrying amount at the end of the year	**1,328**	**1,068**

Recognition and measurement

Intangible assets

Computer software

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as an intangible asset. Computer software acquired by the Credit Union is measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits of the computer software. All other expenditure is expensed as incurred.

Amortisation is calculated using the straight-line method to write down the cost of the computer software to the residual value over the estimated useful life of the computer software. The estimated useful life ranges from 3 to 6 years resulting in a straight line depreciation base of 33.3% to 16.6%. The computer software's residual value and useful life are reviewed, and adjusted if appropriate, at each year end date.

7.4 Other receivables

	2026 $'000	2025 $'000
Accrued income	10	42
Sundry debtors	375	574
Total other receivables	**385**	**616**

7.5 Payables and other liabilities

	2026 $'000	2025 $'000
Accrued interest payable	4,840	5,039
Accrued expenses	733	823
Annual leave	546	535
Deferred Income	87	167
Member clearing	2,694	1,675
	8,900	**8,239**
Amount of other payables expected to be settled more than 12 months after the reporting date	-	-

7.6 Provisions

	2026 $'000	2025 $'000
Long service leave	643	701
Make good	154	130
	797	**831**
Amount of provisions expected to be settled more than 12 months after the reporting date	**504**	**567**

Recognition and measurement

Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Short-term employee benefits

Liabilities for wages and salaries, profit-sharing and bonuses and the value of fringe benefits received (including non-monetary benefits), and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Short- term employee benefits are included in note 7.5, annual leave and accrued expenses.

Long-term employee benefits

Liabilities for long service leave and annual leave which are not expected to be settled within twelve months of the end of the reporting period are recognised as provisions for employee benefits and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary and wage increases, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Credit Union to employee superannuation funds and are recognised in profit or loss when incurred.

7.7 Related Parties

(a) Key Management Personnel (KMP)

KMP are those persons having the authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise) of the Credit Union. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits for the Credit Union.

KMP has been taken to comprise the Directors and members of the Executive Management team responsible for the day to day financial and operational management of the Credit Union. The Executive Management Team for 2026 comprises the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Customer Officer and Chief Information Officer.

The total compensation paid to KMP during the year, comprising amounts paid or payable or provided for, was as follows:

	2026 $	2025 $
Short-term employee benefits	1,585,353	1,879,378
Post-employment benefits	180,080	209,044
Other long-term benefits	18,798	27,534
Total compensation	**1,784,231**	**2,115,956**

In the table directly above for remuneration shown as short-term benefits means (where applicable) salary and wages, director fees, superannuation, 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 non-executive Directors was approved by the members at the previous Annual General Meeting of the Credit Union. Post-employment benefits include vesting payments upon termination as disclosed in note 7.6.

(b) Loans to KMP and close family members

	2026 $	2025 $
(i) The aggregate value of loans as at reporting date amounted to:	16,188,429	13,330,031
(ii) The total value of revolving credit facilities available, as at reporting date	-	-
Less amounts drawn down and included in (i)	-	-
Net balance available	-	-
(iii) During the year the aggregate value of loans disbursed amounted to:		
- secured loans	4,230,000	4,197,325
- unsecure loans / overdrafts	-	-
(iv) Interest and other revenue earned on loans and revolving credit facilities amounted to:	679,455	614,422

The above table includes amounts for the Credit Union's Directors and other KMP in office or employed by the Credit Union at reporting date and their related parties.

The Credit Union's policy for lending to related parties is that all loans are approved on the same terms and conditions which applied to members for each class of loan. This policy has been adhered to for the full financial year. All loans were at lending terms and conditions applicable to members. KMP may receive concessional rates of interest on their loans and facilities that are available to all the Credit Union's employees. No amounts were written down or recorded as impaired during the year (2025: nil).

There are no benefits or concessional terms and conditions applicable to the family members of the Credit Union's Directors and other KMP (2025: nil). No loan balances with family or relatives of the Credit Union's Directors and other KMP were written down or recorded as impaired during the year (2025: nil).

(c) Deposits from KMP and close family members

	2026 $	2025 $
Total value of term and savings deposits	5,405,131	3,257,196
Interest paid on deposits	69,402	97,481

The Credit Union's policy for receiving deposits from KMP and close family members and entities that are controlled or significantly influenced by those KMP, individually or collectively with their close family members is that all deposits are accepted on the same terms and conditions which applied to members for each type of deposit. This policy has been adhered to for the full financial year.

Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Credit Union.

(d) Other transactions with related parties

The Credit Union's related parties consist of KMP and the close family members of KMP and entities that are controlled or significantly influenced by those KMP, individually or collectively with their close family members.

Other transactions between related parties include loans and deposits from the 'close family members' of KMP and the exchange of assets or services from time to time on a commercial, arm's- length basis.

There are no benefits paid or payable to the 'close family members' of KMP. There are no service contracts to which KMP or their 'close family members' are an interested party other than the following transactions entered into in the ordinary course of business.

7.8 Remuneration of auditors

Amounts received or due and receivable for:

	2026 $	2025 $
Audit services (Grant Thornton)		
- Audit of financial statements	130,200	106,600
- Audit and review of APRA compliance and regulatory returns	55,125	39,950
Total auditor's remuneration	**185,325**	**146,550**

7.9 Fair value measurement of financial instruments

(a) Fair value hierarchy

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

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

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

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

(b) Fair value estimates

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

Cash and cash equivalents and other receivables

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

Due from other financial institutions classified as financial assets at amortised cost

The fair value of these assets was determined using discounted cash flow models based on the maturity of the deposits. The discount rates applied were based on the benchmark rates on offer for the remaining term of each deposit at reporting date.

Loans and advances

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

Borrowings and other payables

The carrying value of other payables approximates their fair value as they are short term in nature.

Deposits

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

(c) Financial instruments not measured at fair value

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each instrument is categorised.

	2026		2025	
	Total fair values $'000	Carrying amount $'000	Total fair values $'000	Carrying amount $'000
Financial assets for which fair values are disclosed:				
Cash and cash equivalents	23,978	23,978	15,991	15,991
Due from other financial institutions	182,957	182,957	115,984	115,984
Other receivables	385	385	616	616
Loans and advances	930,931	926,063	829,790	829,875
Financial liabilities for which fair values are disclosed:				
Deposits	1,055,142	1,054,725	890,198	889,820
Payables and other liabilities	8,900	8,900	8,239	8,239
Lease liabilities	569	569	1,185	1,185

Loans and advances plus deposits fair values are both measured using level 2.

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

7.10 Economic dependency

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

(a) Indue Ltd.

This entity supplies the Credit Union with facilities for the use and settlement for VISA Cards, NPP, direct entry, personal cheques and facilitates the earning of commission income on certain VISA transactions. The Credit Union has invested a share of its operating liquidity with this entity.

(b) Ultradata Australia Pty. Ltd.

Ultradata Australia Pty. Ltd. provides and maintains the application software utilised by the Credit Union.

(c) Fiserv Limited

This company operates the switching computer used to link VISA to the Credit Union's computer systems.

7.11 New and amended accounting standards and interpretations adopted during the year

The Credit Union applied, for the first time, certain new and amended accounting standards and interpretations which are effective for annual periods beginning on or after 1 July 2025. There are no new and amended accounting standards and interpretations that became effective as of 1 July 2025 that have a material impact to the Credit Union.

7.12 New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2026 reporting period and have not been early adopted by the Credit Union. Except for those new and amended accounting standards outlined below, none are expected to have a material effect on the financial statements of the Credit Union.

AASB 18 Presentation and Disclosure in Financial Statements

In June 2024, the AASB issued a new standard AASB 18, which will be effective for the Credit Union from 1 July 2027 and is required to be applied retrospectively. AASB 18 will replace AASB 101 Presentation of Financial Statements and introduces new requirements to improve entities' reporting of financial performance and gives financial statement users a better basis for analysing and comparing entities. These requirements aim to improve comparability in the income statement, enhance transparency of management-defined performance measures and provide useful grouping of information in the financial statements. The Credit Union has decided against early adoption of this standard and continues to assess the impact of adopting AASB 18.

Consolidated Entity Disclosure Statement

(a) Basis of preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the requirements of Section 295 (3A) of the Corporations Act 2001. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year. The ownership interest is only disclosed for those entities which are a body corporate, representing the direct and indirect percentage share capital owned by the Parent Entity.

(b) Tax residency

Section 295 (3A) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency. It should be noted that the definitions of 'Australian resident' and 'foreign resident' in the Income Tax Assessment Act 1997 are mutually exclusive. This means that if an entity is an 'Australian resident' it cannot be a 'foreign resident' for the purposes of disclosure in the CEDS.

Australian resident; the consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

(c) Partnership and Trusts

Australian tax law does not contain specific residency tests for partnerships and trusts. Generally, these entities are taxed on a flow-through basis, so there is no need for a general residence test. Some provisions treat trusts as residents for certain purposes, but this does not mean the trust itself is an entity that is subject to tax.

Name of entity	Type of entity	% of share capital	Country of Incorporation	Tax residency
Southern Cross Credit Union Limited	Body Corporate	-	Australia	Australia
MTG SCCU Trust Repo Series No.1	Trust	N/A	Australia	Australia

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Independent Auditor's Report

To the Members of Southern Cross Credit Union Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Southern Cross Credit Union Limited (the Company) and its subsidiary (the Group), 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 material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

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

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

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

Basis for opinion

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

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

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

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

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

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

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

Responsibilities of the Directors for the financial report

The Directors of the Group are responsible for the preparation of:

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

C L Scott
Partner – Audit & Assurance

Sydney, 27 October 2026

Southern Cross Credit Union Ltd

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SOUTHERN CROSS CREDIT UNION