

First Credit Union Incorporated
General Purpose Financial Report
For the Year Ended 30 June 2026

First Credit Union Incorporated

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For the Year Ended 30 June 2026

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First Credit Union Incorporated Directory

For the Year Ended 30 June 2026

First Credit Union Incorporated Board of Directors

Chair

Deputy Chair

Directors

Judith Taane

Malcolm Blair

Peter Iles (Secretary/Treasurer)

Phil Todd

Rachel Drent

Robert Pascoe

Simon Scott

Simon Thomas (appointed 24 September 2025)

First Insurance Limited Board of Directors

Chair

Deputy Chair

Directors

Steve Nichols (ceased 19 February 2026)

Judith Taane (ceased 19 February 2026)

John Harvey (ceased 19 February 2026)

Mark Joblin (ceased 19 February 2026)

Simon Scott (ceased 19 February 2026)

Executive Management

Chief Executive Officer

Chief Financial Officer

Marketing & Communications Manager

Risk & Compliance Manager

Simon Scott

Stephen Hawkins

Melissa Hay

Asenaca Kaloumaira

Senior Management Team

Chief Executive Officer

Marketing & Communications Manager

Chief Financial Officer

Lending Manager

Member Experience Manager

Treasury & Agency Banking Manager

Risk & Compliance Manager

Chief Information Officer

Simon Scott

Melissa Hay

Stephen Hawkins

Richard O'Regan

Ana Braunias

Herb Wulff

Asenaca Kaloumaira

Jarrold Dowd

Auditor

PricewaterhouseCoopers

Prudential Supervisor

Covenant Trustee Services Limited

Bankers

ANZ, Heartland, Kiwibank, SBS, Westpac

Affiliations

World Council of Credit Unions

First Credit Union Incorporated

Consolidated Statement of Service Performance

For the Year Ended 30 June 2026

Who are we?

First Credit Union is a not-for-profit financial co-operative that has been helping everyday Kiwis achieve their financial goals, within their means for over 70 years. Our products and services are designed to make managing your personal finances easy. Members come first at First Credit Union, every strategic decision made by our Board and Senior Management team has the best interests of our members in mind.

Our common bond allows us to accept members from across New Zealand, we have a large call centre, and online services to support our members and this is backed up with a branch network across New Zealand.

Why do we exist?

We exist for our members. Our purpose is to provide our members with a low cost alternative to the banks. We promote savings amongst our membership and we use these savings for the mutual benefit of our members.

What we intend to achieve- our medium/ long term objectives

- a) Continue to put our members first by providing everyday Kiwis with reliable products and services to help them achieve their financial goals, within their means through a low fee structure and competitive interest rates.
- b) Promoting "thrift" within the membership
- c) 'People helping people'- supporting and giving back to our local communities

We have considered our objectives and have determined that the service performance information presented is considered appropriate and meaningful in measuring the service performance of the Credit Union.

How we measure our performance

Putting members first, providing reliable products & services

	FYE 30 Jun 26	FYE 30 Jun 25
 Number of Members	58,927	59,922
 Number of NO fee personal loans disbursed	8,353	8,189
 Member Shares	\$466 million	\$428 million
 Number of member calls answered	186,124	199,049
 Number of members using online banking*	27,915	21,548
 Number of members with a debit card	22,101	22,426

*The measure for online banking has changed from the number of members registered for online banking to the number of members who used online banking during the year. Management considers the revised measure better reflects members' actual engagement with online banking services. The comparative has been restated on the same basis, resulting in the previously reported 2025 measure of 38,272 registered members being restated to 21,548 members using online banking.

The measure "First Insurance Limited – claims paid out to members" has been removed from the Statement of Service Performance, consistent with the cessation of the insurance business, as it no longer reflects the Group's current service performance. In 2025, claims paid to members were \$646,000.

First Credit Union Incorporated
Consolidated Statement of Service Performance (continued)

For the Year Ended 30 June 2026

Promoting "thrift" within the membership

	FYE 30 Jun 26	FYE 30 Jun 25
 Number of Jimmy Jumper accounts	1,688	2,128
 Loan Provider Accounts (our cornerstone savings account)	21,261	22,302

'People helping people'

	FYE 30 Jun 26	FYE 30 Jun 25
 Sponsorship	\$157,907	\$115,000
 Community Donations	\$70,005	\$43,500
 Social Housing: Number of developments the approved funding covers	16	53
 Social Housing: Amount approved for funding in the year	\$8,858,000	\$23,645,041
 Staff community volunteer hours	415	450

First Credit Union Incorporated

Consolidated Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2026

	Note	2026 \$000	2025 \$000
REVENUE			
Interest Revenue	2.1	33,395	36,770
Interest Expenditure	2.1	(12,925)	(16,033)
Net Interest Revenue		20,470	20,737
Other Income	2.2	8,545	8,329
Insurance Service Result	6.1(a)	0	650
Gross Contribution from Activities		29,015	29,716
EXPENDITURE			
Operating Expenses	2.3	(15,940)	(17,792)
Employee Benefits	2.3	(8,839)	(8,568)
Loan Impairment Expenses	4.2	(2,034)	(1,870)
Total Operating Expenditure		(26,813)	(28,230)
Share of Surplus/(Deficit) of Joint Venture	5.5	427	452
Surplus before Taxation		2,629	1,938
Income Tax Expense	2.4	0	(37)
Surplus for the Year Attributable to Members		2,629	1,901
Other Comprehensive Revenue and Expense			
Revaluation of Property	5.1	0	(1,025)
Total Comprehensive Revenue and Expense for the Year		2,629	876

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

First Credit Union Incorporated
Consolidated Statement of Changes in Net Assets/Equity

For the Year Ended 30 June 2026

	Note	Accumulated Revenue and Expense \$000	Property Revaluation Reserve \$000	Total \$000
Balance as at 30 June 2024		66,877	3,463	70,340
Surplus for the Year Attributable to Members		1,901	0	1,901
Revaluation of Property		0	(1,025)	(1,025)
Balance as at 30 June 2025		68,778	2,438	71,216
Surplus for the Year Attributable to Members		2,629	0	2,629
Revaluation of Property		0	0	0
Balance as at 30 June 2026		71,407	2,438	73,845

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

First Credit Union Incorporated

Consolidated Statement of Financial Position

As at 30 June 2026

	Note	2026 \$000	2025 \$000
MEMBERS' FUNDS			
Accumulated Revenue and Expense		71,407	68,778
Property Revaluation Reserve		2,438	2,438
TOTAL MEMBERS' FUNDS		73,845	71,216
ASSETS			
Cash and Cash Equivalents	3.1	40,639	40,405
Term Deposits and Other Investments	3.2	118,552	79,991
Loans to Members	4.1	358,467	356,282
Property, Plant and Equipment	5.1	15,618	15,258
Prepayments	5.2	662	1,124
Other Assets	5.4	650	1,304
Investment in Joint Venture	5.5	8,999	8,572
TOTAL ASSETS		543,587	502,936
LIABILITIES			
Trade and Other Payables	5.6	3,516	3,051
Employee Entitlements		425	343
Members' Deposits	5.7	465,801	428,326
TOTAL LIABILITIES		469,742	431,720
NET ASSETS / EQUITY		73,845	71,216

These Financial Statements are authorised for and on behalf of the Board by:



Judith Taane, Chair

Date: 23 September 2026



Robert Pascoe, Director

Date: 23 September 2026

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

First Credit Union Incorporated

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2026

		2026	2025
	Note	\$000	\$000
Cash Flows from Operating Activities			
Interest Received		33,472	37,133
Fees, Commissions and Other Income		8,858	8,495
Bad Loans Recovered		310	353
Interest Paid		(13,332)	(16,542)
Payments to Suppliers and Employees		(23,154)	(29,356)
Net Cash Provided by Operating Activities before changes in Operating Assets		6,154	83
Net (Increase) Decrease in Members' Loans		(4,266)	(571)
Net Increase (Decrease) in Member Deposits		37,882	17,179
Net Cash Provided by Operating Activities	3.3	39,770	16,691
Cash Flows from Investing Activities			
Payments for Property, Plant, Equipment		(945)	(927)
Net (Increase) Decrease in Term Deposits		(38,591)	903
Net Cash Used in Investing Activities		(39,536)	(24)
Net Cash provided by Financing Activities		0	0
Total Net Increase (Decrease) in Cash and Cash Equivalents Held		234	16,667
Cash and Cash Equivalents at the Beginning of the Period		40,405	23,738
Cash and Cash Equivalents at the End of the Period	3.1	40,639	40,405

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

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First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

1. Corporate Information

1.1 Reporting Entity

The consolidated financial statements comprising First Credit Union Incorporated ("the Credit Union") and its controlled entity First Insurance Limited ("the Insurer"), together comprise the Group ("the Group") and the Groups investment in equity accounted investees. First Credit Union Incorporated is registered under the Friendly Societies and Credit Unions Act 1982 ("FSCU Act").

The Insurer was a licensed insurer under the Insurance (Prudential Supervision) Act 2010 ("IPS Act"), during the prior period the Insurer divested all insurance portfolios effective 1 April 2025. The Insurers application for cancellation of its insurance licence was approved by the Reserve Bank of New Zealand on 21 April 2025 and First Insurance Limited ceased incorporation on 19 February 2026. Refer to 6.1 Insurance Activities of the Insurer for further information.

The Group is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 ("FMC Act").

1.2 Nature of Business

The purpose of the Credit Union is to promote savings among its members and to use those savings for their mutual benefit. The Group operates primarily in the North Island of New Zealand and the Group is domiciled in New Zealand.

The Credit Union is restricted in its borrowings, and members contribute to the Credit Union, by way of share subscriptions. The shares cannot be transferred or sold. Members are able to withdraw their funds subject to certain conditions. The Credit Union makes loans to members and to other small to medium enterprises associated with members, or invests funds on the members' behalf. Interest and other income are received by the Credit Union and interest is paid to depositing members in the form of interest on shares.

1.3 Trust Deed

To meet the requirements of the Financial Markets Conduct Act 2013 ("FMC Act") a Trust Deed is entered into between the Credit Union and a Prudential Supervisor. Covenant Trustee Services Limited is the current Prudential Supervisor, and is appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has:

- committed any breach of the Trust Deed or any of the conditions of issue of the shares; and
- sufficient assets to meet its obligations to members, as they fall due.

The current Trust Deed is dated 1 January 2020.

1.4 Basis of Preparation

Statement of Compliance

For the purposes of complying with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the Group is a not-for-profit public benefit entity. They comply with the Public Benefit Entity Accounting Standards (PBE Standards), as appropriate for Tier 1 not for profit/public benefit entities.

The financial statements are:

- prepared in accordance with the statutory requirements of the FMC Act
- prepared in accordance with NZ GAAP
- in compliance with Public Benefit Entity Accounting Standards (PBE Standards)
- presented in New Zealand dollars (\$) rounded to the nearest thousand
- stated net of GST where GST is recoverable, with the exception of receivables and payables, which are stated inclusive of GST, where applicable. If GST is not recoverable it is generally included in the expense or asset value.
- prepared in accordance with the historical cost convention except for certain assets, which are stated at fair value.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

1. Corporate Information (continued)

1.4 Basis of Preparation (continued)

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4.1 and 4.2 for the measurement of loans to customers; note 5.1 for the fair value of property, plant and equipment; note 5.5 for assessing the classification of interests in joint arrangements.

These financial statements were authorised for issue by the Directors on the date set out in the Consolidated Statement of Financial Position.

2. Financial Performance

2.1 Net Interest Revenue

	2026 \$000	2025 \$000
Interest Revenue - Interest on Financial Assets at Amortised Cost		
Interest on Loans to Members	29,225	31,785
Interest on Bank Deposits and Other Investments	4,170	4,985
Total Interest Revenue	33,395	36,770
Interest Expenditure - Liabilities at Amortised Cost		
Interest on Members Call Shares	(2,142)	(1,885)
Interest on Members Term Shares	(10,783)	(14,148)
Total Interest Expenditure	(12,925)	(16,033)

Recognition and Measurement

Revenues are recognised at fair value of the consideration received net of the amount of any Goods and Services Tax ("GST") payable to the Inland Revenue Department ("IRD") if applicable.

Interest on Loans to Members

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account at the end of each month or in line with the repayment frequency. Loan interest is recognised in the surplus or deficit using the effective interest method.

Interest on Bank Deposits and Other Investments

Investment interest revenue is recognised using the effective interest method which allocates the interest over the period that it relates to.

Interest Expense

Interest on members' shares is recognised as an expense in the period that it relates to using the effective interest method, which allocates the interest expense over the term of the members' shares to which they relate.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

2. Financial Performance (continued)

2.2 Other Income

	2026	2025
	\$000	\$000
ATM/EFTPOS Card Recoveries	5,555	5,445
Costs Recovered and Other Fees Charged	1,614	1,961
Bad Debts Recovered	310	353
Commissions Received	908	479
Other Income	158	91
Total Other Income	8,545	8,329

2.3 Expenditure

	Note	2026	2025
		\$000	\$000
Operating Expenses includes:			
Auditor's Remuneration - PwC			
- Audit of Financial Statements		215	255
- Audit Related Services			
- Assurance Services over Member Register		5	5
- Reporting to the Statutory Supervisor		2	2
Directors Fees	6.4	225	235
Depreciation	5.1	600	782
Loss on Sale of Property, Plant and Equipment	5.1	16	68
Occupancy		963	893
Regulatory Expenses			
- Depositor Compensation Scheme (DCS) Levy		193	0
- Governmentally Mandated Regulatory Fees, Levies and other costs		196	197
Employee Benefits includes:			
Wages and Salaries		8,104	7,928
Defined Contribution Expense		245	221

Recognition and Measurement

Incremental and directly attributable costs (such as commissions) associated with the origination of a financial asset (such as loans) and financial liabilities (such as borrowings) are capitalised as part of the amortised cost and deferred over the life of the financial instrument using the effective interest method.

2.4 Taxation

	2026	2025
	\$000	\$000
Income Tax Recognised in Consolidated Statement of Comprehensive Revenue and Expense		
Net Operating Surplus before Taxation	2,629	1,938
Less: Exempt Income and Expenses	(2,629)	(1,805)
Operating Surplus before Taxation	0	133
Income Tax Expense at Current Rate of 28%	0	37
Current Tax Receivable		
Taxation Expense	0	(37)
Resident Withholding Tax Paid	0	39
Taxation Refund	0	2

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

2. Financial Performance (continued)

2.4 Taxation (continued)

Recognition and Measurement

The income tax expense charged against the surplus for the year is the estimated liability in respect of that surplus. It is calculated using tax rates and tax laws that have been enacted by the reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

The income tax expense relates to the Insurer's business operations. No amounts have been provided for income tax on the Credit Union's income from members since it is exempt under section CW 44 of the Income Tax Act 2007.

Deferred income tax is provided on any temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. At this stage there are no temporary differences and consequently no deferred tax has been recognised.

Goods and Services Tax - the Credit Union is registered for GST to comply with Inland Revenue Department requirements to pay GST on types of income where appropriate. Generally GST is not recoverable and is therefore included in the expense or asset value. Recoverable GST is excluded from the financial statements, with the exception of receivables and payables, which are stated inclusive of GST, where applicable.

3. Deposits and Liquidity

3.1 Cash and Cash Equivalents

	Interest Rates	2026 \$000	2025 \$000
Cash on Hand	0.00%	844	970
Bank Balances - On Call	1.25% to 3.2%	39,795	39,435
Total Cash and Cash Equivalents		40,639	40,405

Recognition and Measurement

Cash and cash equivalents comprise cash on hand, call deposits at other financial institutions and short-term highly liquid investments with an original maturity of 3 months or less, that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Under PBE standards definition of financial assets, cash and cash equivalents are classified as financial assets at amortised cost.

3.2 Term Deposits and Other Investments

	Interest Rates	2026 \$000	2025 \$000
ANZ	3.25% to 3.7%	22,362	11,854
Heartland	3.15% to 3.65%	31,036	26,981
Kiwibank	2.46% to 2.9%	15,011	0
SBS	3.1% to 4.5%	48,124	11,040
Westpac Bank	-	0	27,117
FNZ Portfolio	2.25% to 4.5%	2,019	2,999
Total Term Deposits and Other Investments		118,552	79,991
Current		118,552	77,977
Non-Current		0	2,014
Total Term Deposits and Other Investments		118,552	79,991

Recognition and Measurement

Term deposits and other investments are held for investment purposes rather than for the purpose of meeting short-term cash commitments. They are classified as financial assets at amortised cost as they are held for collection of contractual cash flows that represent solely payments of principal and interest, and are measured using the effective interest method, less any impairment losses. The FNZ portfolio comprises bank balances, New Zealand Government, Local Government Funding Agency and Housing New Zealand Limited securities.

Refer to note 10 for additional information on liquidity, risk management objectives and policies.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

3. Deposits and Liquidity (continued)

3.3 Reconciliation of Cash Flow from Operating Activities with Operating Surplus

	2026 \$000	2025 \$000
Surplus for the Year Attributable to Members	2,629	1,901
Non Cash Items		
Depreciation and Loss on Sale	616	696
Loans to Members Written off	2,084	1,785
Loans to Members Allowance for Impairment Increase/(Decrease)	(50)	85
Share of Surplus of an Equity Accounted Joint Venture	(427)	(452)
Changes in Assets and Liabilities		
Movement in Accounts Receivable	654	(45)
Movement in Prepayments	462	410
Movement in Accounts Payable	434	(4,094)
Movement in Employee Benefits	82	(57)
Movement in Accrued Interest Receivable	77	363
Movement in Accrued Interest Payable	(407)	(509)
Net Movement in Members' Loans	(4,266)	(571)
Net Increase (Decrease) in Member Deposits	37,882	17,179
Net Operating Cash Flows	39,770	16,691

Recognition and Measurement

The Consolidated Statement of Cash Flows is prepared using the direct approach. Certain cash flows have been netted in order to provide more meaningful disclosure as many of the cash flows are received and disbursed on behalf of members and reflect the activities of the members rather than those of the Credit Union. These include members' loans and members shares.

4. Loans to Members

4.1 Loans to Members

	Note	2026 \$000	2025 \$000
Mortgages		259,645	263,705
Personal Loans		101,959	95,764
Gross Loans to Members		361,604	359,469
Less: Allowance for Impairment	4.2	(3,137)	(3,187)
Net Loans to Members		358,467	356,282
Current		79,473	89,029
Non-Current		282,131	270,440
Total Gross Loans to Members		361,604	359,469

Recognition and Measurement

Classification of Loans - management determines the classification of its loans at initial recognition. The classification depends on the business model for managing the loans and the contractual terms of the cash flows. The Groups loans are measured at amortised cost as they are held for collection of contractual cash flows that represent solely payments of principal and interest.

Derecognition of Loans - loans are derecognised from the Consolidated Statement of Financial Position when, and only when, the contractual rights to the cash flows from the loan expire, or the Group has transferred all or substantially all of the risks and rewards of ownership of the loan. For loans measured at amortised cost, a gain or loss is recognised in surplus or deficit loss when the loan is derecognised or impaired.

Additionally, under PBE IPSAS 41, if there has been a modification to the contractual cash flows of a loan, the Group shall recalculate the gross carrying amount of the loan and shall recognise a modification gain or loss in surplus or deficit. This applies to loans that have defaulted and are taken to court, for further details see 4.2 below.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

4. Loans to Members (continued)

4.1(a) Credit Quality - Security Dissection

	2026 \$000	2025 \$000
Secured by Mortgage Over Real Estate with LVR ≤ 80%	227,032	237,944
Secured by Mortgage Over Real Estate with LVR > 80%	32,613	25,761
Secured by Members Shares	10,991	11,880
Partially Secured by Motor Vehicles or Other Collateral	58,084	55,889
Unsecured Loans	32,884	27,995
Gross Loans to Members	361,604	359,469

The Credit Union holds security against loans to Members in the form of mortgage interests over property, or for personal loans, security can include motor vehicles, Members Shares or be unsecured. Security is obtained if, based on an evaluation of the Members credit worthiness, it is considered necessary for the Members overall borrowing facility.

All loan value ratios are written within the parameters of the lending policy at the time a loan is advanced.

Under PBE standards loans at amortised cost are initially stated at fair value plus directly attributable transaction costs and thereafter at amortised cost using the effective interest rate method, less any impairment losses. The Group's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations in relation to each class of loan, is the carrying amount of those loans.

Refer to note 10 for further information on Credit Risk and details about the Credit Unions Financial Risk Management Objectives and Policies.

4.2 Provision for Impairment of Loans

4.2(a) Impairment of Loans

Total doubtful debts and bad debt expense for the year was:

	2026 \$000	2025 \$000
Provision for Impairment - Increase / (decrease) in the Year	(50)	85
Loans to Members Written Off	2,084	1,785
Loan Impairment Expenditure	2,034	1,870
Interest Revenue Recognised on Impaired Loans	445	444
Interest Revenue Foregone on Impaired Loans	286	293

The following tables show how changes in gross carrying amounts of loans during the period have contributed to changes in the provisions for expected credit losses (ECL) on loans.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

4. Loans to Members (continued)

4.2(b) Carrying Value of Loans to Members

i) Carrying Value of Total Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Gross Carrying Amount 30 June 2025	348,496	4,480	4,246	2,247	359,469
Net Transfers In/(Out) of Stages	(3,479)	952	903	1,624	0
Net Further Lending/(Repayment)	(39,340)	(483)	(16)	(37)	(39,876)
New Loans Originated	178,891	(2)	5	0	178,894
Loans Derecognised	(132,631)	(1,059)	(1,169)	(47)	(134,906)
Amounts Written Off	(43)	(59)	(12)	(1,863)	(1,977)
Gross Carrying Amount 30 June 2026	351,894	3,829	3,957	1,924	361,604
Provision for ECL 30 June 2026	(875)	(490)	(512)	(1,260)	(3,137)
Net Carrying Balance 30 June 2026	351,019	3,339	3,445	664	358,467

ii) Carrying Value of Mortgage Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Gross Carrying Amount 30 June 2025	258,419	2,049	3,237	0	263,705
Net Transfers In/(Out) of Stages	(987)	184	803	0	0
Net Further Lending/(Repayment)	(18,287)	4	66	0	(18,217)
New Loans Originated	105,896	(2)	2	0	105,896
Loans Derecognised	(90,142)	(614)	(983)	0	(91,739)
Amounts Written Off	0	0	0	0	0
Gross Carrying Amount 30 June 2026	254,899	1,621	3,125	0	259,645
Provision for ECL 30 June 2026	0	0	0	0	0
Net Carrying Balance 30 June 2026	254,899	1,621	3,125	0	259,645

iii) Carrying Value of Personal Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Gross Carrying Amount 30 June 2025	90,077	2,431	1,009	2,247	95,764
Net Transfers In/(Out) of Stages	(2,492)	768	100	1,624	0
Net Further Lending/(Repayment)	(21,053)	(487)	(82)	(37)	(21,659)
New Loans Originated	72,995	0	3	0	72,998
Loans Derecognised	(42,489)	(445)	(186)	(47)	(43,167)
Amounts Written Off	(43)	(59)	(12)	(1,863)	(1,977)
Gross Carrying Amount 30 June 2026	96,995	2,208	832	1,924	101,959
Provision for ECL 30 June 2026	(875)	(490)	(512)	(1,260)	(3,137)
Net Carrying Balance 30 June 2026	96,120	1,718	320	664	98,822

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

4. Loans to Members (continued)

4.2(c) ECL Impairment of Loans to Members

The following movements in provision for impairment of loans and advances occurred during the year:

i) ECL Impairment of Total Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Closing Balance 30 June 2025	833	629	587	1,138	3,187
Net Transfers In/(Out) of Stages	353	(422)	(292)	362	1
Net Further Lending/(Repayment)	(522)	474	323	1,645	1,920
New Loans Originated	628	0	0	0	628
Loans Derecognised	(374)	(132)	(94)	(22)	(622)
Amounts Written Off	(43)	(59)	(12)	(1,863)	(1,977)
Closing Balance 30 June 2026	875	490	512	1,260	3,137

ii) ECL Impairment of Mortgage Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Closing Balance 30 June 2025	0	0	0	0	0
Net Transfers In/(Out) of Stages	0	0	0	0	0
Net Further Lending/(Repayment)	0	0	0	0	0
New Loans Originated	0	0	0	0	0
Loans Derecognised	0	0	0	0	0
Amounts Written Off	0	0	0	0	0
Closing Balance 30 June 2026	0	0	0	0	0

iii) ECL Impairment of Personal Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Closing Balance 30 June 2025	833	629	587	1,138	3,187
Net Transfers In/(Out) of Stages	353	(422)	(292)	362	1
Net Further Lending/(Repayment)	(522)	474	323	1,645	1,920
New Loans Originated	628	0	0	0	628
Loans Derecognised	(374)	(132)	(94)	(22)	(622)
Amounts Written Off	(43)	(59)	(12)	(1,863)	(1,977)
Closing Balance 30 June 2026	875	490	512	1,260	3,137

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

4. Loans to Members (continued)

4.2(d) Carrying Value of Loans to Members in the Prior Year

i) Carrying Value of Total Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Gross Carrying Amount 30 June 2024	350,314	4,402	4,003	2,071	360,790
Net Transfers In/(Out) of Stages	(4,510)	1,674	1,584	1,252	0
Net Further Lending/(Repayment)	(46,053)	(773)	(905)	(303)	(48,034)
New Loans Originated	164,499	0	0	0	164,499
Loans Derecognised	(115,305)	(647)	(180)	(75)	(116,207)
Amounts Written Off	(449)	(176)	(256)	(698)	(1,579)
Gross Carrying Amount 30 June 2025	348,496	4,480	4,246	2,247	359,469
Provision for ECL 30 June 2025	(833)	(629)	(587)	(1,138)	(3,187)
Net Carrying Balance 30 June 2025	347,663	3,851	3,659	1,109	356,282

ii) Carrying Value of Mortgage Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Gross Carrying Amount 30 June 2024	258,206	2,393	2,913	0	263,512
Net Transfers In/(Out) of Stages	(1,133)	121	1,012	0	0
Net Further Lending/(Repayment)	(23,419)	(28)	(688)	0	(24,135)
New Loans Originated	99,372	0	0	0	99,372
Loans Derecognised	(74,607)	(437)	0	0	(75,044)
Amounts Written Off	0	0	0	0	0
Gross Carrying Amount 30 June 2025	258,419	2,049	3,237	0	263,705
Provision for ECL 30 June 2025	0	0	0	0	0
Net Carrying Balance 30 June 2025	258,419	2,049	3,237	0	263,705

iii) Carrying Value of Personal Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Gross Carrying Amount 30 June 2024	92,108	2,009	1,090	2,071	97,278
Net Transfers In/(Out) of Stages	(3,377)	1,553	572	1,252	0
Net Further Lending/(Repayment)	(22,634)	(745)	(217)	(303)	(23,899)
New Loans Originated	65,127	0	0	0	65,127
Loans Derecognised	(40,698)	(210)	(180)	(75)	(41,163)
Amounts Written Off	(449)	(176)	(256)	(698)	(1,579)
Gross Carrying Amount 30 June 2025	90,077	2,431	1,009	2,247	95,764
Provision for ECL 30 June 2025	(833)	(629)	(587)	(1,138)	(3,187)
Net Carrying Balance 30 June 2025	89,244	1,802	422	1,109	92,577

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Notes to the Financial Statements
For the Year Ended 30 June 2026

4. Loans to Members (continued)

4.2(e) ECL Impairment of Loans to Members in the Prior Year

The following movements in provision for impairment of loans and advances occurred during the prior year:

i) ECL Impairment of Total Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Closing Balance 30 June 2024	818	482	669	1,046	3,015
Net Transfers In/(Out) of Stages	216	(262)	(241)	288	1
Net Further Lending/(Repayment)	11	635	525	539	1,710
New Loans Originated	600	0	0	0	600
Loans Derecognised	(362)	(50)	(110)	(38)	(560)
Amounts Written Off	(450)	(176)	(256)	(697)	(1,579)
Closing Balance 30 June 2025	833	629	587	1,138	3,187

ii) ECL Impairment of Mortgage Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Closing Balance 30 June 2024	0	0	0	0	0
Net Transfers In/(Out) of Stages	0	0	0	0	0
Net Further Lending/(Repayment)	0	0	0	0	0
New Loans Originated	0	0	0	0	0
Loans Derecognised	0	0	0	0	0
Amounts Written Off	0	0	0	0	0
Closing Balance 30 June 2025	0	0	0	0	0

iii) ECL Impairment of Personal Loans to Members

	Performing Stage 1 Collective \$000	Performing Stage 2 Collective \$000	Non Performing Stage 3 Collective \$000	Non Performing Stage 3 Specific \$000	Total \$000
Closing Balance 30 June 2024	818	482	669	1,046	3,015
Net Transfers In/(Out) of Stages	216	(262)	(241)	288	1
Net Further Lending/(Repayment)	11	635	525	539	1,710
New Loans Originated	600	0	0	0	600
Loans Derecognised	(362)	(50)	(110)	(38)	(560)
Amounts Written Off	(450)	(176)	(256)	(697)	(1,579)
Closing Balance 30 June 2025	833	629	587	1,138	3,187

First Credit Union Incorporated
Notes to the Financial Statements
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4. Loans to Members (continued)

4.2(f) ECL Impairment of Loans to Members

Recognition and Measurement

The Group recognises a loss allowance for expected credit losses (ECL) on loans that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loan.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the loan has not increased significantly since initial recognition, the Group measures the loss allowance for that loan at an amount equal to 12 month ECL (stage 1).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date. Homogeneous loans are assessed on a collective basis (collective impairment provision), including personal loans grouped by days in arrears, and non-homogeneous loans are assessed individually (specific impairment provision), including personal loans at default, and mortgages.

Key Assumptions in Determining the Allowance for Impairment

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Group compares the risk of a default occurring on the loan at the reporting date with the risk of a default occurring on the loan at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, such as:

- actual or expected changes in economic indicators (i.e. change in employment rates, change in cost of living); and
- non-homogeneous loans significant changes in the value of the collateral supporting the loan or changes in the operating results of the borrower.

The nature of the personal loans and mortgages means there is little or no updated credit risk information that is routinely obtained and monitored on an individual loan until a customer breaches the contractual terms. However, forward looking information relating to key economic indicators that could affect customers ability to meet their repayment obligations is also assessed and if there are any change to economic trends, then this is factored into the assessment.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a loan has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise (stage 2). For mortgages, moving to stage 2 and beyond only results in an allowance for expected credit loss if the security is not deemed sufficient to repay the loan.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Credit impaired member loans (stage 3 Collective)

A members loan is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that loan have occurred. Evidence that a loan is credit impaired includes observable data about the following events:

- contractual payments are more than 90 days past due;
- significant financial difficulty of the borrower;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Defaulted member loans (stage 3 specific)

The Group considers that default has occurred when a loan has been taken to court and has an attachment order against it, unless the Group has reasonable and supportable information to demonstrate that another default criteria is more appropriate.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

4. Loans to Members (continued)

4.2(f) ECL Impairment of Loans to Members (continued)

Write off policy

The Group writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery. The Group recognises an impairment gain or loss in surplus or deficit for all loans with a corresponding adjustment to their carrying amount through an expected loss allowance account.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward- looking information as described above. The exposure at default, for loans, is represented by the assets' gross carrying amount at reporting date. For loans, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Credit Union has measured the loss allowance for a loan at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Credit Union measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Credit Union recognises an impairment gain or loss in the Consolidated Statement of Comprehensive Revenue and Expense for all loans with a corresponding adjustment to their carrying amount through a loss allowance account.

Inputs and Assumptions in the ECL Provision Model

ECL Sensitivity Analysis of Macroeconomic Scenarios

The uncertainty surrounding inflation, unemployment rates, gross domestic product as well as other economic factors introduce significant estimation uncertainty in relation to the measurement of the Group's provision for expected credit losses. Economic indicators are inherently uncertain and could result in significant adjustments to the provision within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered a best estimate within a range of possible outcomes. The Group's forecast assumes the following:

Key Macroeconomic Assumptions	Scenario	2026	2025
Unemployment Rate	Upside Scenario	3.95%	3.90%
	Base Scenario	4.85%	4.80%
	Downside Scenario	5.43%	5.45%
	Severe Downside Scenario	6.19%	6.22%
Consumer Price Index	Upside Scenario	1.49%	1.49%
	Base Scenario	2.18%	2.00%
	Downside Scenario	3.33%	3.34%
	Severe Downside Scenario	5.50%	5.58%
Gross Domestic Product	Upside Scenario	5.07%	5.19%
	Base Scenario	3.08%	3.07%
	Downside Scenario	0.68%	0.76%
	Severe Downside Scenario	-0.52%	-0.35%

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

4. Loans to Members (continued)

4.2(f) ECL Impairment of Loans to Members (continued)

Scenario	Total ECL Provision (\$)	Impact on Provision Gain/(Loss) (\$)
Upside Scenario	3,027,877	109,137
Base Scenario	3,137,014	0
Downside Scenario	3,263,984	(126,970)
Severe Downside Scenario	3,328,299	(191,285)

Residential property values were stressed using a severe downside of a 20% reduction in property values. Under this scenario, some Members' mortgages enter 'negative equity' territory, which equates to a potential loss to the Credit Union of \$2,499,201 (2025: \$1,728,171). It is important to note that whilst an individual member may be in negative equity under this scenario, that does not necessarily mean the member cannot service the loan repayments.

The following diagram summarises the impairment accounting policy described above and the requirements under PBE IPSAS 41:

Stage and Basis	Credit Quality	Description	P&L Impact
Stage 1: 12 months ECL Collective basis	Credit risk has not increased significantly since initial recognition.	Loans where credit risk has not increased significantly since initial recognition and the member has the ability to meet contractual cash flows.	Interest income is recognised on the gross carrying amount.
Stage 2: Lifetime ECL Collective basis	Significant increase in credit risk since initial recognition.	Loans where credit risk has increased significantly since initial recognition but no objective evidence of impairment and/or loans are 30 days past due in making a contractual payment.	Interest income is recognised on the gross carrying amount.
Stage 3: Lifetime ECL	Credit impaired assets.	Loans are deemed credit impaired when 90 days past due in making a contractual payment. When the Group has exhausted all options to recover the debt and the loan has gone to Court and an attachment order has been issued, they are specifically provided for on an individual basis.	Interest income is recognised on the net carrying amount (net of specific provision).
Stage 4: Write off		Loans are written off when there is no realistic prospect of recovery.	Impairment loss is recorded in surplus deficit.

First Credit Union Incorporated
Notes to the Financial Statements
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5. Other Financial Position Notes

5.1 Property, Plant and Equipment

	Land & Buildings	Computer Equipment	Furniture & Fittings	Motor Vehicles	Total
Cost or Valuation	\$000	\$000	\$000	\$000	\$000
Opening Balance 1 July 2025	15,173	650	1,460	580	17,863
Additions	164	33	1,175	125	1,497
Disposals or Written off	(680)	(84)	0	(69)	(833)
Closing Balance 30 June 2026	14,657	599	2,635	636	18,527
Accumulated Depreciation					
Opening Balance 1 July 2025	678	517	1,010	400	2,605
Depreciation for the Period	245	101	176	78	600
Disposals or Written off	(53)	(70)	(104)	(69)	(296)
Closing Balance 30 June 2026	870	548	1,082	409	2,909
Net Book Value at 30 June 2026	13,787	51	1,553	227	15,618

	Land & Buildings	Computer Equipment	Furniture & Fittings	Motor Vehicles	Total
Cost or Valuation	\$000	\$000	\$000	\$000	\$000
Opening Balance 1 July 2024	17,935	1,317	2,420	527	22,199
Additions	800	30	157	82	1,069
Revaluations	(2,593)	0	0	0	(2,593)
Disposals or Written off	(969)	(697)	(1,117)	(29)	(2,812)
Closing Balance 30 June 2025	15,173	650	1,460	580	17,863
Accumulated Depreciation					
Opening Balance 1 July 2024	2,797	1,174	1,872	305	6,148
Depreciation for the Period	357	164	167	94	782
Revaluations	(1,568)	0	0	0	(1,568)
Disposals or Written off	(908)	(821)	(1,029)	1	(2,757)
Closing Balance 30 June 2025	678	517	1,010	400	2,605
Net Book Value at 30 June 2025	14,495	133	450	180	15,258

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Notes to the Financial Statements
For the Year Ended 30 June 2026

5. Other Financial Position Notes (continued)

5.1 Property, Plant and Equipment (continued)

Recognition and Measurement

Land and Buildings

Land and buildings are held at fair value. Land and buildings are revalued with sufficient regularity, at least every three years, as determined by an independent valuer, to ensure that the carrying amount does not differ materially from fair value. Land and buildings are carried at revalued amounts less accumulated depreciation and impairment. Land is not depreciated.

Revaluation increases are recognised in other comprehensive revenue and expense and accumulated in the asset revaluation reserve, except to the extent that they reverse a previous revaluation decrease recognised in surplus or deficit. Revaluation decreases are recognised in surplus or deficit, except to the extent that they reverse a previous revaluation increase recognised in the asset revaluation reserve.

Revaluation

The land and buildings of the First Credit Union were valued by Telfer Young Limited, independent registered valuers, as at 30 June 2025. These are valued on the basis of market value for existing use. A rental capitalisation valuation methodology has been used in determining this value. The rental capitalisation rate adopted for the valuation of the properties as at 30 June 2025 was 5.8% on a weighted average basis. A significant increase/decrease in the rental capitalisation rate would result in an decrease/increase to the fair value of the land and buildings.

Upon disposal or sale of property, any revaluation reserve for that asset is transferred into accumulated revenue and expense.

The Directors consider the carrying amount is a fair approximation of fair value at reporting date.

Other Property, Plant and Equipment

Except for land and buildings items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

Historical cost includes expenditure directly attributable to the acquisition of the asset and is recognised only when it is probable that future accrued benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

First Credit Union Incorporated
Notes to the Financial Statements
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5. Other Financial Position Notes (continued)

5.1 Property, Plant and Equipment (continued)

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

Depreciation

All assets, excluding land which is not depreciated, are depreciated to their residual value over their estimated useful lives from the time the asset is ready for use. Depreciation is charged to surplus or deficit.

The following rates have been used in the current and prior period:

Buildings	0-14% SL
Motor Vehicles	8-30% SL
Computer Equipment	7-48% SL
Furniture and Fittings	5-48% SL

The residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate, annually. There were no material impacts from the change in estimates.

5.2 Prepayments

	2026	2025
	\$000	\$000
Trade Prepayments	592	631
Prepaid Software Costs	70	493
Total Prepayments	662	1,124

Recognition and Measurement

Prepayments include trade prepayments and prepaid software costs in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) for the Credit Union's core banking system.

5.3 Impairment Testing of Non Financial Assets

The carrying amounts of the Groups non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount, being the higher of the assets fair value less costs to sell and value in use, is compared to the assets carrying value.

Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects the current market rates and the risks specific to the asset.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Any excess of the asset's carrying value over its recoverable amount is expensed.

5.4 Other Assets

	2026	2025
	\$000	\$000
Income Tax Receivable	0	2
GST Receivable/(Payable)	0	29
Sundry Debtors	650	1,273
Total Other Assets	650	1,304

First Credit Union Incorporated
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5. Other Financial Position Notes (continued)

5.5 Investment in Joint Venture

	2026 \$000	2025 \$000
Investment - Opening Balance	8,572	8,120
Share of Surplus/(Deficit)	427	452
Equity Accounted Investment in Joint Venture	8,999	8,572

The Group jointly controls the following entity which is accounted for using the equity method.

Summarised Financial Information of Finzsoft Solutions Limited	2026 \$000	2025 \$000
Ownership	48.86%	48.86%
Current Assets	7,097	6,665
Non-Current Assets	5,746	5,818
Current Liabilities	2,835	3,245
Non-Current Liabilities	784	887
Sales Revenue and Other Income	8,242	8,443
Interest Income	137	137
Interest Expense	5	3
Depreciation and Amortisation Expense	357	621
Income Tax Expense	320	357
Total Comprehensive Surplus/(Deficit)	873	927
Cash and Cash Equivalents (including short term investments classified as current assets)	5,929	5,825
Current Financial Liabilities	222	307
Current Non-Financial Liabilities	2,613	2,938
Non-current Non-Financial Liabilities	784	887

Reconciliation of Investment in Joint Venture to Net Assets:	2026 \$000	2025 \$000
Net Assets of Finzsoft Solutions Limited	9,224	8,351
Share of Net Assets of Finzsoft Solutions Limited	4,507	4,080
Acquisition Premium	4,492	4,492
Equity Accounted Investment in Joint Venture	8,999	8,572

Recognition and Measurement

Finzsoft is a key supplier to the Group, providing the core banking system and as such Finzsoft is considered a strategic investment that will secure the ongoing provision of that key system. In 2021 the Group acquired a further 39% shareholding in Finzsoft Solutions Limited (Finzsoft). This increased the shareholding from 9.9% in 2020 to 48.86% in 2021. Finzsoft is considered a Joint Venture for accounting and reporting purposes, refer to the Joint Arrangements - Accounting Policy below for further information. The investment in Finzsoft has been accounted for using the equity method and is recognised initially at cost, including directly attributable transaction costs and subsequently adjusted to reflect the share of profit/(loss) for the period.

The financial statements of the Group include a share of the surplus of Finzsoft of \$426,570 (2025: \$452,886). Finzsoft has the same reporting date as the Group, being 30 June, and is domiciled in New Zealand.

There are no significant restrictions regarding the distribution of dividends or other transfers of funds from Finzsoft to the Group. No dividends were received from Finzsoft during the period (2025: nil). There are no contingent assets, liabilities, capital or other commitments relating to interests in joint ventures as at 30 June 2026 (2025: nil).

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Notes to the Financial Statements
For the Year Ended 30 June 2026

5. Other Financial Position Notes (continued)

5.5 Investment in Joint Venture (continued)

Joint Arrangements - Accounting Policy:

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries. The Group classifies its interests in joint arrangements as either:

- Joint ventures - where the group has rights to only the net assets of the joint arrangement.
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Upon consideration of these factors, the Group has determined that the joint arrangements structured through separate vehicles give it rights to the net assets and is therefore classified as a joint venture.

5.6 Trade and Other Payables

	2026	2025
	\$000	\$000
Trade Payables	2,949	2,693
Card Settlement	138	46
Sundry Creditors and Accrued Expenses	429	312
Total Trade and Other Payables	3,516	3,051

Recognition and Measurement

A Financial Liability is any liability where there is a contractual obligation to exchange financial assets with another party. Trade Payables, Card Settlement, Sundry Creditors and Accrued Expenses are all classified as financial liabilities. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

First Credit Union Incorporated
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5. Other Financial Position Notes (continued)

5.7 Members' Deposits

	2026 \$000	2025 \$000
Call Shares	200,685	179,232
Term Shares	265,116	249,094
Total Members' Deposits	465,801	428,326
Current	456,613	421,064
Non-Current	9,188	7,262
Total Members' Deposits	465,801	428,326

Recognition and Measurement

The Credit Union's source of funding is members' deposits (also referred to as members' shares). Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union members reside all over New Zealand although predominantly in the Bay of Plenty and Waikato area.

Members shares are secured by a Trust Deed dated 1 January 2020, where the Credit Union grants security in favour of Covenant Trustee Services Limited (the Supervisor), which has been registered with the Registrar of Companies. The Credit Union:

- grants a first ranking Security Interest in all of its present and after-acquired Personal Property, and all of its present and future rights in relation to any Personal Property, to the Supervisor;
- charges all of its present and future interest in, and all of the Credit Union's present and future rights in relation to, all its Other Property in favour of the Supervisor; and
- agrees to mortgage all of its present and future interest in any land to the Supervisor.

6. Other Notes

6.1 Insurance Activities of the Insurer

In 2018, First Insurance Limited (FIL) commenced trading after receiving life and non-life insurance licences from the RBNZ. The licence has enabled FIL to underwrite funeral insurance and to underwrite loan protection cover on loans taken out by members of the Credit Union.

After a strategic review in 2024, the Directors of First Credit Union and First Insurance Limited resolved to cease the underwriting of all insurances and the insurance portfolio was divested effective 1 April 2025. Subsequently FIL applied to the RBNZ for the cancellation of its insurance licence and this was approved by the RBNZ on 21 April 2025. The Group has no insurance contract liabilities as at 30 June 2026 (2025: nil).

In relation to the divestment, the parties (of which the Credit Union is guarantor), are bound by guarantees and warranties through to 30 September 2026 - the maximum liability is limited in aggregate to \$2,000,000. Management's assessment is that any resulting outflow in relation to the guarantees and warranties is considered remote.

The below results are for discontinued insurance operations through to 31 March 2025.

6.1(a) Insurance Service Result

	2026 \$000	2025 \$000
Insurance Revenue	0	1,152
Insurance Service Expenses	0	(502)
Insurance Service Result	0	650

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

6. Other Notes (continued)

6.1(a) Insurance Service Result (continued)

Recognition and Measurement

Insurance Revenue

Insurance revenue from insurance contracts are recognised evenly over the period of the cover for the contract. Revenue is recognised on the date from which the policy is effective. Premiums are received monthly in arrears.

Insurance Service Expense

The insurance service expense represents payments made on claims and the movements in the liability for incurred claims.

6.2 Commitments

The Group has capital expenditure commitments having entered into contracts for the purchase or fitout of property, plant and equipment, and software projects which have not been recognised as a liability and are payable as at 30 June 2026 \$66,000 (2025: \$650,000).

Loans and credit facilities approved but not funded or drawn at the end of the reporting period.

	2026 \$000	2025 \$000
Loans Approved but not Funded	21,074	23,167
Undrawn Overdraft and Line of Credit	42	142
Total Outstanding Loan Commitments	21,116	23,309

6.3 Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2026 (2025: nil).

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

6. Other Notes (continued)

6.4 Related Parties

Remuneration of Directors and Key Management Personnel ('KMP')

	2026	2025	2026	2025
	Directors	Directors	KMP	KMP
	\$000	\$000	\$000	\$000
Short-Term Employee Benefits	225	235	1,037	1,028

Recognition and Measurement

Remuneration of Directors and Key Management Personnel ('KMP')

Key Management Personnel ('KMP') are those people having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. KMP comprised 7 Director FTEs (2025: 10) and 4 executive management FTEs (2025: 4). Connected Parties (CP) are defined as close members of the family of Directors and Key Management Personnel.

Short Term Employee benefits

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and sick leave, bonuses, value for fringe benefits received, but excludes out of pocket reimbursements. There are no post-employment benefits.

	2026	2025	2026	2025
	Shares	Shares	Loans	Loans
	\$000	\$000	\$000	\$000
Related Party Holdings:				
Directors	835	2,374	0	345
KMP	86	113	3,557	2,882
Connected Parties	1,776	1,562	1,960	2,919
Total Related Party Holdings:	2,697	4,049	5,517	6,146

Recognition and Measurement

During the year under review new loan advances to Directors or Key Management Personnel were \$160,000 (2025: \$2,690,000). Loans to Directors, Key Management Personnel and connected parties are made in the ordinary course of the Credit Union's lending activities and on the same terms and conditions available to other members.

The Groups investment in Finzsoft Solutions Limited (Finzsoft) is considered a joint venture for accounting and reporting purposes. Finzsoft and the Group are also considered related parties, and have the following related party dealings at reporting date:

- the Group has prepaid licence fees to Finzsoft totalling \$294,000 (2025: \$320,000);
- the Group has prepaid software costs in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) for the Credit Union's core banking system to Finzsoft totalling \$70,000 (2025: \$493,000), refer note 5.2;
- total expenditure on Finzsoft services for the year was \$2,504,000 (2025: \$2,613,000).

No loans to related parties have been impaired in the period. (2025: nil)

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

6. Other Notes (continued)

6.5 Events Occurring After Reporting Date

There have been no events subsequent to reporting date that would materially impact the financial statements.

7. Other Accounting Policies

7.1 Changes to Accounting Policies

There are no significant changes to accounting policies during the reporting period.

7.2 New or Amended Accounting Standards and Interpretations Adopted

There are no new standards, amendments or interpretations that have been adopted that are expected to have a significant impact on the Group.

7.3 New Accounting Standards Issued but not yet Effective

There are new standards and amendments that have been issued but are not yet effective. The Group has assessed these standards and amendments and does not expect them to have a material impact on the Group's financial statements.

7.4 Basis of Consolidation

Controlled entities are entities over which the Group has control. The Group controls an entity when it has power over the entity, exposure or rights to variable benefits from its involvement with the entity, and the ability to use its power to affect the nature or amount of those benefits. Controlled entities are consolidated from the date control is obtained until the date control ceases.

In preparing the consolidated financial statements, all inter entity balances and transactions, and unrealised gains and losses arising within the consolidated entity are eliminated. The accounting policies of the controlled entity are consistent with the policies adopted by the Group and have a 30 June 2026 reporting date.

The Group has no active or trading controlled entities at the 30 June 2026 reporting date, First Insurance Limited, a controlled entity until its wind-up, was consolidated until the date of wind-up.

8. Disputes Resolution Scheme

As required by the Financial Service Providers (Registration and Dispute Resolution) Act 2008 the Credit Union is a member of an approved dispute resolution scheme – Financial Services Complaints Ltd (FSCL).

9. Credit Rating

The Credit Union has been rated by Fitch Ratings. Fitch Ratings gives ratings from AAA through to C. The Credit Union has a long-term issuer default (IDR) rating of BB with a stable outlook, issued on 3 December 2025 (2025: BB with a stable outlook).

10. Financial Risk Management Objectives and Policies

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

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

- Market risk
- Credit risk management
- Liquidity risk management
- Capital adequacy management.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

10. Financial Risk Management Objectives and Policies (continued)

10.1 Market Risk

Market risk is the risk that changes in market prices, such as interest rates applicable to Bank deposits, loans to member and members' deposits will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Credit Union's exposure to interest risk is set out below detailing the contractual interest change profile based on the next contractual repricing or maturity date (whichever is earlier) as at the reporting date.

	Weighted average effective interest rate *	Floating Interest Rate \$'000	Repricing period at 30 June 2026			Non- interest sensitive \$'000	Total \$'000
			Fixed Interest Rate Maturing in:				
			Within 6 months \$'000	6 months to 1 Year \$'000	1 to 5 Years \$'000		
Monetary Assets							
Cash & Bank	2.50%	40,639	0	0	0	0	40,639
Term Deposits and Other Investments	3.35%	0	102,414	16,138	0	0	118,552
Trade & Other Receivables	n/a	0	0	0	0	650	650
Loans to Members - Fixed	5.69%	0	97,353	83,439	48,148	0	228,940
Loans to Members - Floating	11.81%	129,527	0	0	0	0	129,527
Total Monetary Assets		170,166	199,767	99,577	48,148	650	518,308
Monetary Liabilities							
Members' Deposits	2.75%	200,685	177,379	78,549	9,188	0	465,801
Other Payables	n/a	0	0	0	0	3,516	3,516
Total Monetary Liabilities		200,685	177,379	78,549	9,188	3,516	469,317

			Repricing period at 30 June 2025					
	Weighted average effective interest rate *	Floating Interest Rate \$'000	Fixed Interest Rate Maturing in:			Non- interest sensitive \$'000	Total \$'000	
			Within 6 months \$'000	6 months to 1 Year \$'000	1 to 5 Years \$'000			
Monetary Assets								
Cash & Bank	3.53%	40,405	0	0	0	0	40,405	
Term Deposits and Other Investments	4.00%	0	76,992	985	2,014	0	79,991	
Trade & Other Receivables	n/a	0	0	0	0	1,304	1,304	
Loans to Members - Fixed	6.95%	0	112,427	110,740	20,043	0	243,210	
Loans to Members - Floating	11.86%	113,072	0	0	0	0	113,072	
Total Monetary Assets		153,477	189,419	111,725	22,057	1,304	477,982	
Monetary Liabilities								
Members' Deposits	3.30%	179,232	163,768	78,064	7,262	0	428,326	
Other Payables	n/a	0	0	0	0	3,051	3,051	
Total Monetary Liabilities		179,232	163,768	78,064	7,262	3,051	431,377	

* The weighted average effective interest rate has been calculated on the interest sensitive financial instruments in each category.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

10. Financial Risk Management Objectives and Policies (continued)

10.1 Market Risk (continued)

Interest Rate Sensitivity

The Group is exposed to interest rate risk. The policy of the Group to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans (i.e. interest rate on loans) and members shares (the cost of borrowing from members paid out in the form of dividends / interest) are not excessive. At 30 June 2026 it is estimated that a general increase of three percentage points in interest rates on bank deposits, loan receivables and Members' deposits would decrease the Groups surplus before income tax and equity by \$473,000 (30 June 2025: increase by \$16,000).

A decrease in interest rates would have the opposite impact on surplus than that described above.

The Board and Management consider that given the large changes in the Official Cash Rate and interest rates recently, that modelling a 3% movement in interest rate risk is within prudent guidelines.

There has been no change in the way the Group manages and measures market risk during the reporting period.

10.2 Credit Risk

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

Recognition and Measurement

The Group has established policies and procedures over the:

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

Regular reviews of compliance are conducted as part of the internal audit process. The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security held. There is no industry or geographic concentration of credit risk with respect to loans and receivables as the Group has a large number of customers dispersed in varying areas of employment. The credit policy is that loans are only made to members that are credit worthy.

Daily reports monitor the loan repayments to detect delays in repayments and attempts to remediate are made after 7 days if not rectified. For personal loans where repayments become doubtful the Group has internal processes in place to conduct recovery action once the loan is over 30 days in arrears. Debt recovery policies allow the Group to reset the maturity date of a loan where regular and consistent repayments have been resumed by the loan holder. These loans are considered to be past due loans. The exposures to losses arise predominantly in the personal loans and facilities.

Impairment of Loans and Advances - refer to Note 4.2.

For term investments, the Board policy is to place its investments with registered trading banks. All registered banks used have Fitch or Standard & Poor's credit ratings of BBB or better (2025: BBB or better).

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

10. Financial Risk Management Objectives and Policies (continued)

10.2 Credit Risk (continued)

Other Credit Risks Comprise of the Following Items:

(a) Large Counterparties

The Credit Union has exposure to counter-parties in excess of 10% of equity as follows:

	Number of counterparties 2026	Number of counterparties 2025
Over 100%	0	0
Between 80% and 90% of equity	0	1
Between 60% and 70% of equity	1	0
Between 50% and 60% of equity	1	0
Between 40% and 50% of equity	2	1
Between 30% and 40% of equity	1	0
Between 20% and 30% of equity	1	0
Between 10% and 20% of equity	2	7

(b) Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 4.49% to 19% p.a. (2025 5.0% to 19.0% p.a.). The Credit Union has a lending policy that allows for various levels and types of security, and loans may be secured over the borrowing members shares. The Friendly Societies and Credit Unions Act 1982 limits the risk of any one member and provides, along with the loan agreement that any and all shares might be used to offset an individual loan to the limit of their liability.

The key elements of the Credit Union lending policy are as follows:

- personal loans can be approved for a period up to 10 years with adequate security but are usually scheduled to be repaid within 5 years;
- mortgages can be approved for a period up to 40 years but are usually scheduled to be repaid within 20 to 25 years;
- arrears in loan payments may be reset after 6 consecutive weekly payments, 3 fortnightly payments or 2 monthly payments.

	2026	2025
Proportion of Loans with Repayments in Arrears in Excess of 90 Days:	1.6%	1.8%
Proportion of Loans owed in Aggregate by the Six Largest Debtors:	14.8%	15.3%
Weighted Average Maturity of Loans (in Months) is:	148	143

Other than loans, there are no other financial assets in arrears. Loans are for varying terms but the standard loan contract includes an "repayment on demand" clause.

First Credit Union Incorporated
Notes to the Financial Statements
For the Year Ended 30 June 2026

10. Financial Risk Management Objectives and Policies (continued)

10.2 Credit Risk (continued)

	2026	2025
The Credit Union offers an overdraft facility	\$000	\$000
The amounts drawn down are as follows:	139	333

Fair Value of Assets and Liabilities

The carrying amounts of financial assets and liabilities are approximately equal to their fair values, except for fixed mortgage loans.

Mortgage Loans – the fair value of the fixed mortgage loans receivable carried at \$228,593,290 (2025: \$242,720,951) is \$226,299,895 (2025: \$242,598,758), assuming an average floating mortgage interest rate of 6.49% at 30 June 2026 (2025: 6.94%).

Members' Shares – the carrying amount of member share accounts repriced within 12 months is a reasonable estimate of fair value. For term shares repriced after 12 months, the Credit Union's current interest rates are compared to the contracted interest rates. The current rates are comparable to market rates for term deposits of a similar term.

Other – the Directors consider that the carrying amounts of all other financial assets and liabilities approximate their fair values due to their short-term nature or because applicable interest rates are comparable to current market rates.

First Credit Union Incorporated

Notes to the Financial Statements

For the Year Ended 30 June 2026

10. Financial Risk Management Objectives and Policies (continued)

10.3 Liquidity Risk

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

The table below shows the period in which different financial liabilities held will mature and be eligible for renegotiation or withdrawal.

10.3(a) Maturity Profile of Financial Liabilities	On Call \$000	Within 6 Months \$000	6 Months to 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000	Total \$000
Financial Liabilities 30 June 2026						
Payables	0	3,516	0	0	0	3,516
Members Call Shares	200,685	0	0	0	0	200,685
Members Term Shares	0	177,379	78,549	9,188	0	265,116
Total Financial Liabilities 30 June 2026	200,685	180,895	78,549	9,188	0	469,317
Financial Liabilities 30 June 2025						
Payables	0	3,051	0	0	0	3,051
Members Call Shares	179,232	0	0	0	0	179,232
Members Term Shares	0	163,768	78,064	7,262	0	249,094
Total Financial Liabilities 30 June 2025	179,232	166,819	78,064	7,262	0	431,377

The table below shows net financial assets held by the Group for the purpose of managing liquidity risk.

10.3(b) Liquidity Management	2026 \$000	2025 \$000
Cash and Cash Equivalents	40,639	40,405
Term Deposits and Other Investments - Current	118,552	77,977
Term Deposits and Other Investments - Non-Current	0	2,014
Total Liquidity	159,191	120,396

The Group's policy is to maintain at least 15% of total assets as liquid assets capable of being converted to cash within 90 days. Should the liquidity ratio fall below this level, management and Director's are to address the matter to ensure that liquid funds are obtained from new deposits or borrowing facilities available. The Group has maintained the policy level throughout the financial period under review. Term deposits and other investments are included as liquid assets as they are capable of being realised prior to contractual maturity and converted to cash within 90 days if required.

10.4 Capital Adequacy

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1982. There is a statutory requirement over the minimum capital requirements as prescribed by the Reserve Bank of New Zealand and reflected in the Credit Union Trust Deed which requires the Credit Union to maintain a minimum capital ratio of 8%. The Credit Unions Risk Weighted Capital Ratio as at 30 June 2026 is 13.90% (2025: 13.32%) , as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2017.

The Credit Union has, throughout the year, complied with all regulatory requirements.

To manage the Group's capital, which can be affected by excessive growth and by changes in total assets, the Group reviews the capital adequacy ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and the trustee if the capital ratio falls below 10%. Further, an annual capital budget projection of the capital level is maintained to address how strategic decisions or trends may impact on the capital level.



Independent auditor's report

To the members of First Credit Union Incorporated

Our opinion

In our opinion, the accompanying general purpose financial report of First Credit Union Incorporated (the Credit Union), including its subsidiary (the Group), presents fairly, in all material respects:

- the financial position of the Group as at 30 June 2026, its financial performance, and its cash flows for the year then ended; and
- the service performance for the year ended 30 June 2026 in that the service performance information is appropriate and meaningful and prepared in accordance with the Credit Union's measurement bases or evaluation methods

in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board (the applicable financial reporting framework).

What we have audited

The general purpose financial report which comprises:

- The consolidated financial statements (the financial statements), including:
 - the consolidated statement of financial position as at 30 June 2026;
 - the consolidated statement of comprehensive revenue and expense for the year then ended;
 - the consolidated statement of changes in net assets/equity for the year then ended;
 - the consolidated statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include significant accounting policies and other explanatory information.
- The consolidated statement of service performance (the service performance information) for the year ended 30 June 2026.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 (Revised) *The Audit of Service Performance Information* (NZ AS 1 (Revised)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the general purpose financial report* section of our report.

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

PricewaterhouseCoopers, PwC Centre, 109 Ward Street,
PO Box 191, Hamilton 3240, New Zealand
+64 7 838 3838

Our independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board (PES 1) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with PES 1.

In our capacity as auditor and assurance practitioner, our firm also provides other assurance services, and other services relating to statutory supervisor reporting. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business. The firm has no other relationship with, or interests in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Provision for impairment of loans to members Loans to members of \$358 million (FY25: \$356 million) net of provision for impairment as disclosed in Note 4.1 to the financial statements, represent the Credit Union's core activity and is a significant asset. The accounting policy for the provision for impairment of loans to members is disclosed in Note 4.2(f) of the financial statements. The Credit Union may be exposed to credit losses from loans which become overdue, or are in default. Determining an appropriate ECL provision is an area of significant management estimation and judgement. An impairment model prepared in accordance with PBE IPSAS 41 <i>Financial Instruments</i> requires entities to estimate a provision for ECL based on unbiased forward-looking information over a range of possible outcomes. ECL are probability-weighted estimates of cash shortfalls expected to result from defaults over the relevant timeframe of the asset. The standard requires the Credit Union to determine the measurement of ECL by evaluating a range of possible outcomes taking into account the time value of money, and available information about past events, current conditions, and forecasts of future economic conditions. The Credit Union calculates the provision for ECL at each reporting date to assess the level of expected credit loss. Management determines an individual impairment allowance provision, and for those loans not specifically provided for, a collective impairment allowance. In determining the individual impairment allowance, management individually assesses and specifically provisions for these loans on a loan-by-loan basis based on the status of their collection efforts. The collective impairment allowance is based on a calculation of expected credit loss which is based on a three-stage approach. The ECL is calculated in stages depending on the level of credit deterioration. Management has adopted the rebuttable presumption that the credit risk has increased significantly since initial recognition when contractual payments are between 31 to 90 days in arrears (Stage 2). If contractual payments are more than 90 days in arrears or in default, this is Stage 3. Where there is no additional credit risk, this is Stage 1.	Our audit procedures included the following: - we obtained an understanding of the lending process and particularly the process for assessing the recoverability of loans to members and the calculation of the provision for impairment. This included evaluating the design effectiveness of relevant controls for the impairment calculation and provisioning of loans to members and inspecting evidence whether the relevant controls had been implemented, and - for a sample of new loans, and a sample of higher value loans irrespective of their origination date, we inspected the loan agreement, security provided (including assessing the valuation of the security), and other available information used to record the loan into the system, including that the loan was recorded accurately and was approved. With the assistance of our PwC actuarial expert, we performed the following audit procedures amongst others: For the individual impairment allowance model, we: - reperformed management's calculation of the individual impairment allowance for individual loans; - validated management's assumptions about the expected recoveries to test the basis of measuring individually assessed provisions; - assessed the completeness of loans identified for individual impairment allowance by testing a sample of personal loan exposures to determine whether the appropriate staging criteria was applied by considering the amount in arrears and repayment history; and - considered whether there were any events occurring subsequent to the balance date that impact on the provision for ECL. For the collective impairment allowance model, we: - assessed the appropriateness of methodologies and their application in the related model against the requirements of PBE IPSAS 41; - for a sample of personal loan exposures, assessed the reasonableness of the assigned stage considering the

Description of the key audit matter	How our audit addressed the key audit matter
At each stage an ECL is calculated which is based on a range of assumptions. The assumptions that we focused our audit on include those with greater levels of management judgement and for which variations have the most significant impact on the provision for ECL. Specifically, these included the model inputs for the probability of default (PD) and loss given default (LGD) parameters. Other assumptions include the forward-looking adjustment to the PD parameters, the macroeconomic scenarios (MES) used (including the macro-economic variables forecasts and weightings of macro-economic scenarios), and whether or not any model adjustments are required to the modelled output. We consider this a key audit matter because estimating the \$3 million provision involved significant judgement over the PD and LGD assumptions, and required significant audit effort, including assistance from our actuarial expert. Refer to Note 4.2(f) to the financial statements which explains the accounting estimates and judgements in determining the ECL provision for loans to members.	amount in arrears and repayment history; - tested a sample of critical data elements used in the ECL calculation to ensure the completeness and accuracy of the model; - challenged the basis for determining the significant assumptions applied; and - assessed the appropriateness of certain historical data and forward looking information incorporated into the ECL model, including the MES developed, weightings of possible outcomes, and underlying forecasts applied against current market conditions, and other available evidence. In relation to management's assessment that the ECL allowance on loans to members secured by real estate was nil, we: - tested the mathematical accuracy of management's stress testing of the related loans where a 20% reduction in property values did not result in a material potential loss to the Credit Union; and - for a sample of related loans, assessed the valuation of the security. We also assessed the reasonableness of the disclosures against the requirements of the accounting standards.

Our audit approach

Overview



Overall group materiality: \$5,400,000, which represents approximately 1% of total assets.

The Group is an asset-based organisation managing the assets of its members for their benefit. The Group generates the majority of its revenue and other income from interest on these assets. We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark.

Following our assessment of the risk of material misstatement, we:

- Selected First Credit Union Incorporated for a full scope audit, comprising the principal business unit.
- Performed specified procedures over the equity accounted investment in joint venture

As reported above, we have one key audit matter, being:

- Provision for impairment of loans to members

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the general purpose financial report and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the general purpose financial report does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the general purpose financial report

The Directors are responsible, on behalf of the Credit Union, for the preparation and fair presentation of the general purpose financial report in accordance with the applicable financial reporting framework, and for such internal control as the Directors determine is necessary to enable the preparation of the general purpose financial report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible, on behalf of the Credit Union, for the service performance information, including:

- the selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful in accordance with PBE FRS 48 Service Performance Reporting;
- the preparation and fair presentation of service performance information in accordance with the Credit Union's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework; and
- the overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework.
- In preparing the general purpose 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 general purpose financial report

Our objectives are to obtain reasonable assurance about whether the general purpose 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 ISAs (NZ) and NZ AS 1 (Revised) 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 or collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of this general purpose financial report.

A further description of our responsibilities for the audit of the general purpose financial report is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-9-1/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the members, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Matthew White.

For and on behalf of:



PricewaterhouseCoopers

23 September 2026

Hamilton