Police Bank Annual Report 2024

Police Bank 60 Years

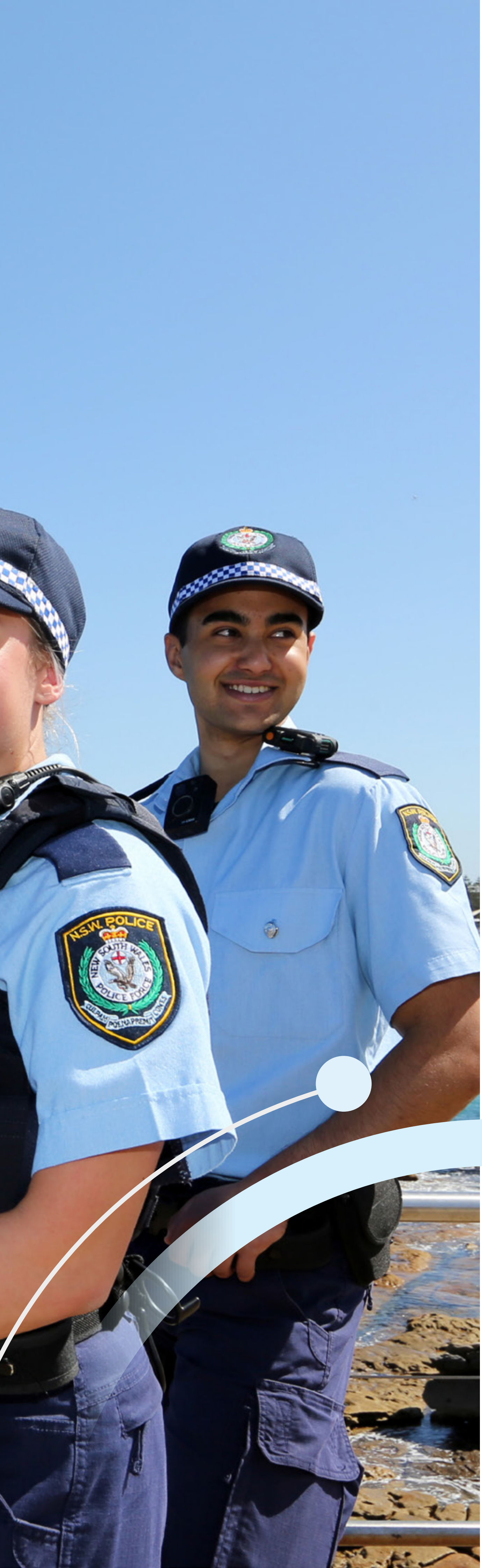
By your side

Police Bank pays respect to the past, present, and emerging Traditional Custodians and Elders of this nation. We acknowledge and celebrate the continuation of cultural, spiritual, and educational practices of Aboriginal and Torres Strait Islander peoples on this land.

Police Bank

60 Years

By your side



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From a room no bigger than a broom closet to $2bn in loans:

CELEBRATING 60 YEARS OF POLICE BANK

Sixty years ago, the finance world was an unfriendly place for members of the Police Force. Not only were Police wages low, but it was unusual for anyone working on the Force to get a loan — they simply weren't considered a good risk. It meant the people responsible for keeping Australians safe had enormous difficulty buying their own homes or enjoying the financial security others took for granted. Despite their close ties, members couldn't solve this problem on their own — as it was then an offence for police to lend or borrow money from one another — indebtedness could lead to being charged and punished by being fined, demoted or dismissed.

In 1964, a group of visionary officers decided something had to be done to give members of the NSW Police the same opportunities as other Australians. They banded together and created their own financial institution: the Police Credit Union Number 1 Limited.

The early model was simple: members who needed money were matched with members who could invest. In a small cleaner's cupboard in Clarence Street Police Station, the institution we now know as Police Bank was born. Its original mission matched that of the Police Force: To help others, especially in times of need.

I'd like to thank and pay my respect to the first chairman, R. Lewis, and original directors of our organisation — R.V. Hinks, A.J. Sharp, R.J. Jones, R.W. O'Grady, D.L. Neate, A.F. Hall, F.J. Bourke, E.G. Noack, and C.E. Dance — for their vision and governance in those early years.

Today, that original vision from 60 years ago forms the basis of our modern organisation. Of course, a lot has changed since 1964, including a merger with Her Majesty's Customs Staff Credit Union, which brought members from Customs (now Border Force) and later the Australian Federal Police (AFP) and Tasmanian Police into our Police Bank family.

We've grown substantially in 60 years, and I'm proud to report nearly 85 per cent of our funding still comes from members. Today, we have more than 75,000 of them. We also have over $2 billion in loans and remain bonded with 80 per cent of our membership through the Police and Border Force family.

As a member-owned institution, Police Bank famously has no investors to manage like traditional shareholders of the big banks. We don't pay dividends, but instead reinvest all profits to provide competitive interest rates for borrowers and investors alike. We are major supporters of Police Legacy in NSW Police, the AFP and Tasmania. We partner with police sport and cultural institutions, providing essential funding and support. At the same time, we are investing heavily in technology continuing the journey we started in 2020 to transform the bank to ensure we are able to provide financial security for the Police and Border Force family for another 60 years.

OUR COMMITMENT TO MEMBERS

The year has been challenging for some of our members, with rising interest rates and a higher cost of living putting pressure on budgets. Despite that, Police Bank has retained 90 per cent of members as they moved off very low fixed interest rates. This reflects two things: the loyalty of our members and the care taken by our retail team, to support our members as they transition to a normalised rate environment.

Again, our founding principle of helping members on their financial journey continues and I'm confident HOPE Housing is a continuation of that tradition. Just like our founders identified a need and created a solution, we have recognised the cost of housing is pricing members out of the market and the security home ownership brings. I am convinced that this innovative shared-equity home loan scheme will be the future of home lending for our members, especially for first homeowners in our capital cities. We have worked hard to develop this product with the legal and regulatory requirements satisfied and have proved the concept works, with more than 20 members already taking advantage of the scheme. We are working closely with our partners at HOPE Housing to get this concept to the scale required to satisfy the growing demand. Discussions with Government and superannuation funds are our current focus, and we are optimistic to be in a position to make some announcements soon.

OUR PEOPLE AND PROGRESS

I'd like to formally welcome our new Board-appointed directors, Sarv Girn and Joanna Bushby, who have extensive experience across banking, technology and Treasury complementing the knowledge and experience of our elected Board members. They have already made an enormous contribution to the Board, with Sarv heading up our new Technology Committee to guide our upgrades and Joanna bringing her vast financial experience to assist the oversight of our Treasury team. The continuing work of your elected Board — Rob Redfern, Col Dyson, Dave Hudson, Justine Saunders and Pat Gooley — has been outstanding. Members can be assured that with these individuals, the Board is committed to ensuring our members are at the forefront of everything we do.

Amid this, our key indicators are tracking well (these will be detailed in the Chief Executive Officer and Chief Financial Officer reports). We recorded our second year of record surpluses, driven by home loans and a focus on cost reduction. The team has continued to implement the 2020 Board plan and, at the same time, have ensured that the day-to-day support for members has been enhanced. As a result of that commitment, I am pleased to advise that this report will detail how Police Bank's critical numbers continue to improve and members can be assured that we are both viable and sustainable. We have solid liquidity and capital, both of which are well in excess of the minimums prescribed by the regulator and the limits set by the Board. This places us in a position to invest in new technology, keep our rates competitive, support our Police Legacies and protect our organisation and your data from the scourge of cyber-attacks, while complying with the ever-increasing upsurge in regulation.

Our performance in this environment is a testament to the work of our team at the Bank. Our Executive Leadership team has worked tirelessly to achieve the outcomes reported to you today. I'd like to thank our Chief Executive Officer, Greg McKenna, Chief Financial Officer, Dr Leanne Ward, Chief Risk Officer Rayna Heckenberg, Chief Member Officer Nick Tseros, Chief Information Officer Lyndal Bushell and Chief Product and Marketing Officer Amanda Rohl for their contribution to our impressive results. We welcome our new Chief People Officer Danni Martin.

Our Bank is blessed with great people who commit daily to changing the lives of members and helping them with their banking and financial security. It would be remiss, however, if I did not make particular mention of some exceptional performers in the past year. Our Treasurer Brendan Albury has not only ensured our credit ratings have improved, but has worked with our peak body, the Customer Owned Banking Association (COBA) in negotiations with the Australian Prudential Regulatory Authority (APRA), to ensure some proposed changes to regulations did not adversely impact on Police Bank and other mutual banks. Boyd Stewart, meanwhile, continues to uplift our relationships with key stakeholders, deepening our ties with the Police Legacies, the Police Association, sporting organisations, as well as directly assisting members.

In closing, I am confident that Police Bank is honouring the vision of our founders and our solid financial position means we are well placed to continue to assist Police and Border Force members achieve financial security for another 60 years.

Peter Remfrey
Chair
Police Bank Board

BUILDING THE BEST COMMUNITY BANK WHERE PROFIT SERVES PURPOSE.

The release of this year's annual report will coincide with the 60th anniversary of the formation of Police Credit Union No 1. This is an incredible milestone and an appropriate time to reflect on the purpose behind the establishment of Police Bank.

In October 1964, a group of members made the decision to form a credit union, and the first Annual General Meeting was held in early November 1964. Sixty years after that group of like-minded police officers formed the Police Credit Union — to help each other, and other officers — Police Bank remains proudly member owned, member focused, and dedicated to working in the best interests of members of the Police and Border Force communities and their families.

Given the special significance of this celebratory year, with 60 years under our belt it is with much pleasure that I can report that Police Bank has performed strongly again over the past financial year, and we continue to invest in our bank-wide transformation.

That is not just our investment in technology. We have worked hard to deliver financial strength this year. We have put great emphasis on helping our people flourish, and on building a culture that enables us to attract and retain the best talent. We've intentionally made a commitment to psychological safety a core tenet of who we are as an organisation.

The work we have done can be seen across every area of the bank, including investing in and building a first rate Risk and Compliance team. Our retail banking team, and the service they offer members, has always been a strength of Police Bank and Border Bank and I'm pleased to say that we continue to achieve great results with members.

We're investing in our product mix, our marketing, and our operations — all of which are being enhanced and improved continually. And of course, the technological transformation — which is such an enabler of us being the bank we want to be for our members and our team — continues.

We will soon be retiring the old mobile banking app, upgrading our core banking platform, and rolling out a new internet banking portal. We also upgraded our telephone system in our contact centre, so that when you call through to our local team it's an easier and more seamless process — for members, and the Police Bank team you will be speaking to.

Not everything has gone exactly to plan, but as you'll see in this annual report, we have paid for all our investments through operating expenses — something that underlines the strength of this year's results. Importantly, this leaves no impost on future investments or returns. Indeed, the financial performance this year, combined with the financial performance for last year, has seen the bank deliver better results than it has since the middle of the last decade. This is testament to the work done over the past four years to reinvigorate us across culture, risk, financials — and to connect with members.

All the work we are doing and have done is undertaken for one reason: our commitment to our members, and the broader Police and Border Force community and family. The sustainable and compliant financial position of the bank is the foundation upon we which can grow our commitment to funding community events and vital organisations like Legacy. Our important community and social work can be maintained and grown on the strength of our financial performance and balance sheet.

Part of the whole-of-bank transformation includes improving leadership across the organisation, both at an executive level but also at all levels of leadership across the bank. Over the past 12 months, we've added depth to our business through the appointment of key people into positions in the leadership team. Our Chief Financial Officer, Leanne Ward, has been with us for more than four years and has been integral to the improved financial performance since we both took carriage of the organisation in 2020.

Our Chief Risk Officer, Rayna Heckenberg, has built a remarkably strong Risk and Compliance function for an organisation of Police Bank's size. And Nic Tseros, our Chief Member Officer, has worked with his team in retail to lift to an even higher plain. I know that to be true, because I get so much positive feedback from members.

Joining our executive team this year have been our new Chief Information Officer, Lyndall Bushell, who has knitted our technology team into the bank in a way that was absent previously. Amanda Rohl also joined us this year as Chief Marketing and Product Officer, with a mandate to lift the bank's offer and communication with members. And finally, Danni Martin, our new Chief People Officer, has joined us to help the Board, and the executive team, focus on developing our culture and people within the bank.

All of us on the executive team and our team across the bank are truly member focused, and we look forward to continuing our journey to be the most member-obsessed customer-owned bank in the country.

We strive to be more than just a bank — we want to really stand with and for you, your family, and your financial wellbeing. So, it is important to reiterate that when things get tough, as they often do, we'll stand with you. That is most evident when members are unable to work, are ill, or have reduced capacity and the bank steps in to work with members on how their regular payments from other streams can be used to protect their home loan payments when they need the help most. With this support, we are unique in Australia.

We are still transitioning to make sure Police Bank is a genuine, modern alternative to the big banks, and having done that, we want to continually improve our commitment to members by supporting community initiatives and investing in our bank and team. We'll continue to do that and over the coming 12 months, we will celebrate the successes of the past 60 years, and look to the future as we continue to build a bank that can and does provide support and services to Police, Border Force, and their families, right throughout their lives.

Greg McKenna

Greg McKenna
CEO
Police Bank

Integrity
Curiosity
Accountability
Respect
Engagement

our values

About Police Bank

Police Bank's primary purpose has always been to serve our members. Across six decades, we have transformed from a humble operation into the bank of choice for more than 75,000 Australians.

Sixty years ago, a small group of police officers joined together to build a credit union and help their colleagues who were often ignored by the biggest banks. It was a modest start headquartered in Sydney's Clarence Street that has grown and evolved to become the Police Bank you know today.

A series of mergers have brought together members of other mutuals and credit unions, including Penrith City Council Employees Credit Union, HMC Staff Credit Union (Customs Credit Union) and Heritage Isle Credit Union. We have also welcomed members of the Tasmanian Police Force and Australian Federal Police into the Police Bank and Border Bank family.

60 years later in 2024, Police Bank is a modern, member-focused institution, with more than 75,000 members from across the country. Today, our vision is to be the best community bank, where profit serves purpose.

We have created award-winning products to benefit our members from the Police and Border Force communities, recognising their unique needs and situations. We provide our members with essential banking products and services for every life moment — from managing everyday banking needs, to buying and owning their own home, to saving for future milestones, and even preparing for retirement.

As a member-owned bank, our members are not just customers — they are truly what gives our bank purpose and are an important part of what makes Police Bank special. We are committed to continually improving our member experience and member service.

Beause we're member-owned, we do not have external shareholders, so profits are reinvested back into our members and our communities. We support the Police and Border Force community in many ways — including a range of charitable relationships, sponsoring key police sporting clubs and events, and partnering with Police and Border Force associations.

Beyond just financial commitments to these organisations, we are personally invested in what they stand for and the people they support, with many of our board coming from a police or border force background themselves and many of our team members having families who work in these communities too. We take great pride in this.

Our purpose is to create financial empowerment and community enrichment for Police Bank and Border Bank members, and in 2024, we're in a strong position to continue supporting our members well into the future, with a robust digital platform and products designed around our members' needs.

Held up by our values of integrity, curiosity, accountability, respect, and engagement, we promise to always find new ways of serving our members, for 60 more years and beyond.

Celebrating 60 years of Police Bank

1964

We were born

Initially registered as Police Credit Union No.1 Limited (NSW) to enable the No.1 division to financially help each other. Our first loan was for 100 pounds to assist a member with home renovations.

1969

Expanded services

Became Police Department Employees Credit Union Limited to include all Police Officers across NSW.

1974 and 1978

Grew staff and headquarters

Moved to Sussex Street and then Hyde Park Square.

1982

Pitt St home

Purchased our own premises for new headquarters and branch operation.

1984

A new era

Became Police Credit Union Limited and opened a branch at the Goulburn Police Academy.

1986

Launched Home Value Loan

More than $5.1 million approved with the first year and Visa debit cards introduced.

1989

Working with the AFP

Opened a branch in Canberra to service members of the AFP in partnership with the Australian Police Force Association.

1999

Deeper connections with community

Formalised a sponsorship agreement with Police Legacy to better support families of our fallen Officers.

Police Bank

60 Years

By your side

$1b

2000

Launched first website

Included product information and loan applications.

2010

$1 billion total assets milestone.

2012

Members voted for PCU to become a bank

Now trading as Police Bank, remaining a mutual entity owned by members operating under its original charter.

2016

Touch & Go payments

Introduction of Apple Pay, Android / Google Pay, and Samsung Pay.

2018

More secure instant transactions

Integration of New Payments Platform / OSKO™.

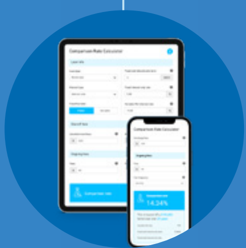
2009

Customs Credit Union was born

The genesis of Border Bank, following official approval on the merger between Police Credit Union (PCU) and HMC Staff Credit Union.

2011

We introduced mobile banking and social media.



2015

Modern headquarters closer to our members

Moved to new head office on Pelican Street just around the corner from Sydney Police HQ.

Launched new digital services

Including new app, new internet banking platform, and improved website.

2023

Home Guarantee Scheme (HGS)

Police Bank was included in a small group of approved lenders for the government initiative administered by Housing Australia to support eligible home buyers to purchase a home sooner.

HIGHLIGHT

Supporting meaningful impact in our communities

Our vision of profit serving purpose means we are dedicated to ambitious social goals and commitments. From cheering on young Police Rugby League players from the sidelines to buying bikes for Legatees, Police Bank takes community impact seriously. In 2023-24, we continued our strong tradition by being there – physically and financially – for policing and border force communities.

For 60 years, community has been part of the fabric of Police Bank. Being a member-owned bank means we can focus on staying strong financially, rewarding our members, and supporting our charitable relationships, Police sporting clubs and events, and relevant Police and Border Force associations.

The 2023-24 financial year was no different, where we proudly invested $721,000 into our community partners, an increase of 4.26% on the previous year.

We continued to support our major charity partner Police Legacy, including the annual NSW Police Legacy Remembrance Ride, Wall to Wall Ride, and Blue Ribbon Ball. Legacy extends crucial help to the families of officers who have either died or been injured in the line of duty, a cause that has always been close to our hearts. In NSW and Tasmania, Legacy supports families through various stages of grief and develops long-lasting relationships with young Legatees to provide them with a support network and ensure they never feel like they are alone.

The Remembrance Bicycle Ride in September last year was a particularly touching occasion for the Police Bank family, as a 15-year-old Legatee crossed the line after months of training with a bike purchased by Police Bank. The Wall to Wall Ride was also a meaningful tribute to officers who paid the ultimate price for their service. More recently, the Blue Ribbon Ball brought hundreds into a room together to support NSW Police Legacy's important work, including the Commissioner, Minister, and inspiring Legatees. This was our 17th year as a major sponsor for the Legacy Ball and we look forward to many more.

As many of our members would know, policing and border enforcement can be a tough gig. We recognise the positive social, emotional, and mental impact of sport, with research indicating physical activity and team sports can help protect against mental health problems, decrease depression, improve self-esteem and cognitive function, and reduce psychological distress.

It is with great pride we support Police sporting clubs and events. We have been behind the scenes and on the sidelines for many years to cheer on our teams and ensure these clubs remain open and accessible for members to let off some steam and build mateship. In 2023-24, we again sponsored NSW Police Rugby League and supported many other events, including the Golden Boot, NSW Police Rugby League Golf Day, NSW Police Council of Sport — Movember sports day, NSW Police Boxing, Manning Great Lakes Cricket/Wellbeing Day, and the Australian Police Golf Championships.

We got behind the Homicide Victim's Support Group's Ride for Justice and the Heart to Heart Walk, which raises money and awareness for the mental health of our Police community. We also continued to support our Tasmanian constituent through the 2023 Tasmania Police Charity Trust Bike Ride — which raised funds for Muscular Dystrophy Tasmania — and HeartKids Tasmania.

Storytelling and breaking down misconceptions are also an important part of community engagement to strengthen understanding and build respect for the work of our Police and Border Force. To help tell the stories of real cops and raise awareness for the work of the Force, we sponsored season two of the Inside the NSW Police Force podcast and spoke to prospective future officers at the NSW Royal Easter Show.

Every year Police Bank aims to find new ways to serve community, and that tradition continued in 2023-24. We look forward to continuing to throw our support behind both our longstanding partners and new causes in the next 60 years and beyond.

James B

I would like to thank Police Bank once again for the great service, understanding, support, and assistance you have provided me. You got me through the process of refinancing my home. Even when I was struggling emotionally, you took the time to work with me. You are legends.

Adam L

The process of switching our home loan was made much easier by Police Bank, and we are very impressed with your service and help throughout the changeover process – it was invaluable and made everything easy to understand. We are definitely recommending Police Bank to anyone who asks.

Jess K

I want to say a huge thanks for all that you have done for us to get the loan for our dream apartment. It has been a roller coaster journey to get here, and we honestly could not have done it without you. Your support and advocacy the whole way through the process was invaluable and I know you worked above and beyond to support us to get here. I will recommend Police Bank to everyone.

Ethan T

Above all I wanted to commend how personal and patient Police Bank were with me. It was a completely new experience for me. Having been with another bank previously, Police Bank were really a great help.

Tunde K

I have been a member since 1990 and have always had awesome service. I just wish to highlight my recent interaction with a Police Bank customer service representative. She was polite and helpful, going out of her way to accommodate my requests and needs.

BUILDING THE BEST COMMUNITY BANK WHERE PROFIT SERVES PURPOSE.

Your Board

Mr P Remfrey
Board Chair

Peter Remfrey was appointed as the Chair of the Police Bank Board on 28 May 2020. Prior to his appointment as Chair, he was acting Chair and formerly Deputy Chair from December 2018. Peter has been a Director of the Board since 2016. Peter was the Secretary of the Police Association of NSW from 1998 to 2018, and the Branch Administrator of the NSW Police Branch of the Police Federation of Australia from 1988 until 2018. Peter is a life member of the Police Association of NSW.

He holds an Economics Degree (USyd) and undertook postgraduate studies at Harvard University. He is also a nationally accredited mediator and a graduate of the Australian Institute of Company Directors. Peter runs a consulting practice and has worked as an advisor to the Premier on Industrial Relations assisting in the reform of the NSW Industrial Relations system and the restoration of the Industrial Court.

Mr R Redfern
Deputy Board Chair

Robert Redfern has been a Director of Police Bank since 2013 and on 17 December 2021 was appointed Deputy Chair of the Police Bank Board. Robert has had a distinguished career in policing, having held positions as Local Area Commander, Commander State Audit, Commander Legal Services, and Commander Workforce Safety.

Robert is a Legal Practitioner of the Supreme Court of NSW and High Court of Australia, a member of the Law Society of NSW and a Graduate of the Australian Institute of Company Directors. Robert was awarded the Australian Police Medal in 2002 and has also been awarded the National Medal and the Commissioner's Commendation for Service.

Robert's academic qualifications include an Executive Master of Public Administration with Merit (Sydney) and a Master of Studies (Applied Criminology and Management) (Cantab) as well as undergraduate degrees in Economics and Law.

Mr C Dyson
Chair of Board Audit Committee

Col Dyson was appointed to the Police Bank Board in 2012 and has served as the Deputy Chair of the Board. Col has had a distinguished career as a former Detective Superintendent of NSW Police, and Commander of the NSWPF Fraud and Cybercrime squad. He is a recipient of the Australian Police Medal, National Medal 2nd clasp, NSW Police Medal 6th clasp, and the National Police Medal.

Col holds qualifications in management, personnel management, and corporate governance, and has completed strategic leadership and command development programs with the NSW Police Force.

Mr D Hudson
Chair of Board Governance & Remuneration Committee

Mr P Gooley
Chair of Board Risk Committee

David Hudson has been a Director of Police Bank since November 2017. He is the Deputy Commissioner of the NSW Police Force. He has a distinguished service record, including for the past 7 years as Deputy Commissioner for Investigations and Counterterrorism. Previously he performed duties as the Deputy Commissioner for Corporate Services and was responsible for the financial, governance and technology functions of the organisation.

David has been awarded the Australian Police Medal, the National Police Service Medal, National Medal, National Emergency Medal, Premiers Bushfire Emergency citation, Police Medal, Commissioners Emergency Medal and two Commissioners Commendations for Service. He holds a Master of Public Policy and holds further qualifications in criminology and corporate governance.

Pat was appointed as a Director of Police Bank on 30 January 2021. Pat left the NSW Police Force in 2018 as an Inspector at Kings Cross after spending 23 years in the NSW Police Force. He is currently the Secretary of the Police Association of NSW.

Pat held various positions on behalf of police, including Vice-President of the Police Association of NSW (2010-18), Assistant Secretary Legal Police Association of NSW (2016-18), and Trustee of the NSW Police Provident Fund (2017-present). He has been a Ministerial Appointee to the Police Superannuation Advisory Committee since 2008 and was a Ministerial Appointee of the Police Promotions Review Committee (2010-18). He is also an Executive Member and Trustee of Unions NSW, and the Australian Council of Trade Unions.

Pat was admitted as a solicitor in NSW in 2008. He completed the Harvard Trade Union Program at Harvard Law School in 2016, and holds a Diploma of Policing. He has undertaken various executive, director and management courses and holds a Graduate Certificate of Management from UNSW AGSM. He is also a non-executive Director of the Blue Knot Foundation.

Pat is a member of the Police Association of NSW, the Retired and Former Police Association of NSW, Law Society of NSW, and a Graduate Member of the Australian Institute of Company Directors. Pat has been awarded the NSW Police Medal, the National Medal, the National Police Service Medal and the Humanitarian Overseas Service Medal.

Ms J Saunders
Director

Justine Saunders APM was appointed as a Director of Police Bank in 2021. She has been Deputy Chair of Menslink since 2018. She has formerly held positions on the boards of Fortem and Women in Law Enforcement Strategy.

Justine was a member of the Australian Federal Police for 29 years, including ACT Chief of Police from 2016-18. She became a Deputy Commissioner with the Australian Border Force in 2018, providing highlevel strategic direction across all ABF operational and support activities. In December 2021, she became the Chief Operating Officer of Home Affairs where she led the full suite of corporate and assurance services to support the achievement of government outcomes, including financial performance of a total budget of $7.4 billion, people and culture, integrity, security, assurance, health services and clinical assurance, property, procurement and contracts.

In February she commenced as Deputy Secretary for the Biosecurity, Operations and Compliance Group in the Department of Agriculture, Fisheries and Forestry, where she leads a diverse workforce of 3,500 people to strengthen our national biosecurity system.

Justine holds a Master of Leadership and Management (Policing), Bachelor of Social Sciences with Distinction and Graduate Certificate in Applied Management.

Ms J Bushby
Director

Joanna Bushby was appointed to the Police Bank board in 2023. With over 25 years of international experience in the financial services industry. Joanna is an accomplished and experienced executive and non-executive director operating in highly regulated environments both domestic and international. She offers expertise in treasury, investment banking, aged cared, governance and regulation, strategy, audit, compliance, corporate funding, capital raising, risk management, capital markets, company secretarial, and client facing.

Mr S Girn
Chair of Board Technology Transformation Committee

Sarv Girn was appointed to the Police Bank board in 2023. w

Sarv is a senior executive and non-executive director with a 30-year career in financial services across UK, Australia and Asia; and now operating in the healthcare sector. He has a proven track record in business change enabled by digital transformation for service, productivity, innovation and revenue goals.

Sarv is currently Chief Information Officer (CIO) at the I-Med Radiology Network. Previously CIO for the Reserve Bank of Australia between 2012 and 2018; he's held other senior strategic and transformational roles at Westpac and Commonwealth Bank as Chief Technology Officer (CTO) and Chief Information Security Officer (CISO).

He is a specialist in shaping, governing and derisking major technology implementations with specific experience as an executive and board director in driving maturity in cyber security risk management through strategies spanning technology and cultural change.

Your Executive Leadership Team

Greg McKenna
Chief Executive Officer

Dr. Leanne Ward
Chief Finance Officer

Rayna Heckenberg
Chief Risk Officer

Greg has been serving as CEO of Police Bank since March 2020. Prior to his appointment, Greg served as Chair of Police Bank from January 2019 and was a director on the board between July 2012 and July 2018.

Greg's career in banking and finance spans more than 30 years with a focus on financial markets and economics. His experience includes significant roles at NSW State Super, Westpac, NAB, Newcastle Permanent, and as an independent economic, trading, and banking consultant.

Greg was a contributing editor to Business Insider Australia and holds a Master of Applied Finance from Macquarie University, a Bachelor of Business (Banking and Finance) from Monash University, and is a graduate and member of the AICD.

Leanne joined Police Bank in February 2020 following more than 20 years of experience in diverse senior executive roles. With extensive experience in transforming businesses, Leanne has been recognised as an influential change leader, a major contributor to driving business performance, and successfully delivering commercial outcomes.

Leanne has held a number of senior leadership roles within major Australian corporates including CFO – Big W, Woolworths Group; CFO – AMP Bank; CFO – AMP Financial Planning; Director, Group Business Performance - AMP; CFO – Bank of Melbourne and Head of Finance – St. George Bank.

Leanne is a graduate of the Australian Institute of Company Directors (GAICD) and a Fellow of the Australian Society of CPA's. She has a Doctor of Business Administration – Macquarie Graduate School of Management, a Master of Business Administration (Distinction) – University of New England, and a Bachelor of Business (Honours) – Charles Sturt University.

Rayna joined Police Bank in June 2020 and has more than 25 years in financial services management and executive performance in both domestic and international organisations.
Her experience covers business line management across insurance, funds management, stock broking and risk consulting, in addition to risk management across the spectrum of financial services industries.

Rayna's extensive experience in senior leadership roles includes General Manager Enterprise Risk Management and Compliance AUSPAC and NZPAC – QBE Insurance; Head of Operational Risk, Financial Crime and Control – Westpac Banking Corporation; General Manager – Group Operational Risk and Regulatory Compliance – Commonwealth Bank of Australia; General Manager – Business Banking Operational Risk – Bankwest; General Manager – Technology Risk and Compliance – Commonwealth Bank of Australia; and General Manager Operational Risk – Premium Business Services.

Rayna has completed the Leadership Development Program – MIT Sloan School of Management and holds a Post Graduate Diploma in Applied Finance and Investment – FINSIA, a Diploma of Financial Risk Management Operational Risk – Commonwealth of Australia, as well as a Bachelor of Commerce (Economics and Finance) – UNSW.

Rayna also has a personal connection to Members of Police Bank – both her father and her husband were serving officers in the NSW Police Force.

YOUR EXECUTIVE LEADERSHIP TEAM

Nicholas Tseros
Chief Member Officer

Nicholas Tseros joined Police Bank in November 2021 as the Chief Member Officer, bringing a wealth of member-owned banking expertise. Nicholas oversees all member-facing operations, prioritises member experiences, and fosters strong relationships. He is dedicated to providing purpose-driven financial services tailored to the unique needs of Police Bank's members, particularly police officers and their families.

In addition to his role at Police Bank, Nicholas actively cultivates strong relationships with key organisations in NSW, such as the Police Association of NSW, Police Legacy NSW, and the Australian Border Force. This highlights his commitment to supporting the law enforcement community and their families.

Before joining Police Bank, Nicholas held senior leadership positions at Beyond Bank Australia and BankVic, where he spearheaded retail strategy and strategic partnerships. His extensive experience and dedication make him a valuable asset to Police Bank's executive team.

Lyndall Bushell
Chief Information Officer

Lyndall joined Police Bank in July 2023 with over 15 years of experience in a wide range of technology and project management roles in the financial services industry, across Big 4 and FinTech. Lyndall held leadership roles in Integration, Enterprise Delivery, Program Management and Consumer Digital. She has a wealth of knowledge in technology delivery, digital & core banking, IT operations, and transformation.

In addition to Lyndall's strong technical capability, she brings with her an enthusiasm for building digital technologies that create better and more efficient member and business experiences, and a passion for leading and supporting strong technology teams.

Lyndall holds a Master of Information Technology Management, a Master of Business Administration, and a Bachelor of Business.

Amanda Rohl
Chief Product and Marketing Officer

Amanda joined Police Bank in 2024 and is responsible for defining the bank's integrated marketing strategy and driving product innovation to enhance member growth and experience. She is responsible for the product strategy and roadmap and the management of the bank's product portfolio ensuring products are aligned with customer needs to support their financial wellbeing.

With more than 25 years of experience, in ANZ and the UK and Europe her leadership ensures cohesive brand visibility and sustainable growth, solidifying Police Bank as a trusted financial partner for its members. Amanda has worked across a variety of industries including financial services, telco, beauty and within creative and media agencies.

Amanda has a proven track record of transforming business strategy, teams and stakeholder relationships to deliver commercial, customer and employee outcomes.

Low Cost Home Loan

Mozo, Experts Choice Awards

Savings Account of the Year
(Customer Owned Bank)

Recognised for the 2nd year in a row by WeMoneyAwards

Offset Home Loan

Mozo, Experts Choice Awards

Excellent Rates & Fees

WeMoney

First Home Buyer Loan

Mozo, Experts Choice Awards

Exceptional Value Home Lender (licensed)

Mozo, Experts Choice Awards

Best High Interest Savings Account

Recognised for the 2nd year in a row by WeMoneyAwards

Young Adult High Interest Savings

Mozo, Experts Choice Awards


YOU
"I joined the NSW Police Force
to make a difference in the
community and be a positive
role model to young people.
As a Pacific Islander officer,
I enjoy helping strengthen Pacific
PoliceBank


2025
AP&ES GAMES
Hobart Tasmania
2025
AP&ES GAMES
Hobart Tasmania
PRINCES WHA
No1 SHED

BUILDING THE BEST COMMUNITY BANK WHERE PROFIT SERVES PURPOSE.

POLICE BANK LIMITED
AND ITS CONTROLLED ENTITIES

ABN 95 087 650 799

Annual Financial Report

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2024

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INTRODUCTION

The directors of Police Bank Limited ('the Bank') and its subsidiaries (hereafter referred to as 'the Group'), submit their report with the financial report of the Group for the financial year ended 30 June 2024. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names and details of directors in office during the financial year and until the date of this report are listed below. Note that the directors were in office for this entire period unless otherwise stated.

- Peter Remfrey
- Colin Dyson
- Justine Saunders
- Joanna Bushby (appointed 18 December 2023)
- Sharon Waterhouse (until 26 September 2023)
- Robert Redfern
- David Hudson
- Patrick Gooley
- Sarv Girn (appointed 16 December 2023)
- Julie Osborne (until 31 July 2023)

Refer to page 20 of the annual report for the particulars of the directors.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 Board meetings, 3 Audit Committee meetings, 3 Risk Committee meetings, 5 Governance & Remuneration Committee meetings, 2 Board Technological Transformation Committee; and 2 Nominations Committee meetings were held.

DIRECTOR	BOARD		AUDIT COMMITTEE		RISK COMMITTEE		GOVERNANCE & REMUNERATION COMMITTEE		BOARD TECHNOLOGICAL TRANSFORMATION COMMITTEE		NOMINATIONS COMMITTEE	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Peter Remfrey (Chair)	12	12	2	3	2	3	4	5	2	2	2	2
Robert Redfern	12	12	3	3	3	3	5	5	2	2	-	-
Joanna Bushby	6	12	-	-	2	3	2	5	2	2	-	-
Colin Dyson	12	12	3	3	3	3	-	-	-	-	-	-
Sarv Girn	6	12	2	3	2	3	-	-	2	2	-	-
Patrick Gooley	12	12	3	3	3	3	5	5	-	-	-	-
David Hudson	9	12	-	-	3	3	5	5	-	-	-	-
Julie Osborne	1	12	-	3	-	3	-	-	-	-	-	-
Justine Saunders	11	12	-	-	1	3	3	5	-	-	-	-
Sharon Waterhouse	1	12	-	3	-	3	-	-	-	-	-	-

The Board Technological Transformation Committee (BTTC) was established May 2024. Joanna Bushby and Sarv Girn were appointed as directors on 18 Dec 2023 and 16 Dec 2023 respectively.

Peter Remfrey was granted a leave of absence from the 20 June 2024 Audit Committee, Risk Committee and Governance & Remuneration Committee meetings.

David Hudson was granted a leave of absence from the 29 February 2024, 9 March 2024 and 28 June 2024 Board meetings.

Julie Osborne resigned from the Board on 31 July 2023 and therefore did not attend any subsequent Board or Committee meetings.

Justine Saunders was elected to the Board Risk Committee on 14 December 2023. Furthermore, Justine was granted a leave of absence from the 31 August 2023 Board and Governance & Remuneration Committee meetings, as well as the 20 June 2024 Risk Committee and Governance & Remuneration Committee meetings.

Sharon Waterhouse was granted a leave of absence from the 31 August 2023 Board meeting. Furthermore, Sharon resigned from the Board on 26 September 2023 and therefore did not attend any subsequent Board or Committee meetings.

DIRECTORSHIP OF LISTED COMPANIES

None of the directors held a Directorship at listed companies in the 3 years immediately before the end of the financial year.

FORMER PARTNERS OF THE AUDIT FIRM

None of the directors held a former partnership position in an audit firm, or is a director of an audit firm, that is also the auditor of the Group.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel is disclosed in note 31. The term 'key management personnel' refers to those persons 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 the Group.

TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

Transactions with key management personnel are disclosed in note 31.

SHARES UNDER OPTION, ISSUED, OR GRANTED TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

No options over unissued shares or interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the date of this report. No shares have been issued as a result of the exercise of an option.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the company, the company secretary, all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

PRINCIPAL ACTIVITIES

The Bank is an Australian Public Company and member owned. The mutual company is limited by shares and guarantee, which is incorporated and domiciled in Australia. The Group's registered office and principal place of business is 25 Pelican Street, Surry Hills NSW 2010. Police Bank Limited is a Bank operating as an Authorised Deposit taking Institution ("ADI") regulated by APRA in accordance with the Banking Act 1959.

The Group is a for-profit entity. The principal activities of the Bank during the year were the provision of retail financial services to members in the form of taking deposits and granting loans or other financial services as prescribed by the Constitution. No significant changes in these activities occurred during the year.

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year that are not otherwise disclosed in this report.

ENVIRONMENTAL REGULATION

The Group is not subjected to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

REGULATORY DISCLOSURES

Previous disclosures required by Prudential Standard APS 330 Public Disclosure (namely, the Common Disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the Group's website at https://www.policebank.com.au/regulatory-disclosures. From 1 January 2023 Police Bank was exempted from disclosure as a non-significant financial institution per the revised Prudential Standard APS 330 Public Disclosure issued on 27 February 2023.

REVIEW OF OPERATIONS

The Group Net Profit After Tax (NPAT) was $9.2 million for the year ended 30 June 2024 (FY23: $9.5 million). Group NPAT is $0.3 million lower relatively year on year. However, excluding the investment of $7.2 million ($10.3 million before tax) in transformational initiatives during the year, the underlying Group NPAT was $16.4 million (FY23: $13.0 million), an increase of $3.4 million from prior year.

The investment in the transformational initiatives included $3.5 million ($5.0 million before tax) investment in systems and a further $3.7 million ($5.2 million before tax) in additional staff employed to support the transformational program.

A reconciliation of statutory Group NPAT, as presented in the financial statements, to underlying adjusted Group NPAT, as a non-Generally Accepted Accounting Principles, is as follows:

RECONCILIATION OF NON-GAAP EARNINGS	2024 $M	2023 $M
Net Profit After Tax	**9.2**	**9.5**
Add-back		
Transformation platforms (after tax)	3.5	2.8
Transformation personnel (after tax)	3.7	0.7
	7.2	3.5
Underlying Net Profit After Tax	**16.4**	**13.0**

SUBSIDIARIES

On 21 July 2023 the Group acquired the remaining 20% shareholding in Chelsea Wealth Management Pty Limited. The Group is also a 100% beneficiary of the PB Trust 2022-1R (the Trust). The PCU-2009-1 Trust is dormant and in the process of being deregistered. Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Refer to note 15 for more information.

DIVIDENDS

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2023: $nil).

CAPITAL ADEQUACY

As a mutual financial institution, the Group uses retained earnings as the major source of its capital. Therefore, maintenance of adequate capital over time depends on balancing profit after tax with growth in risk-weighted assets. The capital adequacy ratio in the financial year 2024 was 23.33% (21.64% in financial year 2023). This remains significantly above the minimum level required to be maintained as determined by the Board's risk appetite and APRA Prudential Standards.

COMPANY SECRETARY

Jade Cook was appointed as Company Secretary of the Bank on 14 December 2022. Jade is an experienced Company Secretary and corporate governance professional who works for external service provider, Source Governance. Jade holds various qualifications including a Bachelor of Arts (Business Management) and Master of Science (Corporate Governance). Jade is a member of the Governance Institute of Australia and the Chartered Governance Institute UK & Ireland.

GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing financial statements.

SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial year.

FUTURE DEVELOPMENTS

The Group will continue with its investment in transformational initiatives and the new core banking system in the years ahead.

PROCEEDINGS ON BEHALF OF THE GROUP

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included after this report on page 35.

ROUNDING-OFF OF AMOUNTS

The Group is a company of the kind referred to in ASIC Corporations (Rounding in financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

DECLARATION

This directors' report is made and signed in accordance with a resolution of directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors

Peter Remfrey	**Robert Redfern**
Director, Chair	Director, Deputy Chair
Sydney, 29 October 2024	Sydney, 29 October 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

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www.deloitte.com.au

29 October 2024

The Directors
Police Bank Limited
25 Pelican Street, Surry Hills, NSW, 2010

Dear Board Members

Auditor's Independence Declaration to Police Bank Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Police Bank Limited.

As lead audit partner for the audit of the financial report of Police Bank Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully,

Deloitte. Touche. Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Mark Lumsden

Partner

Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024					
		GROUP		BANK	
	note	2024	2023	2024	2023
		$M	$M	$M	$M
Income					
Interest income	2	129.8	99.5	129.7	99.5
Interest expense	3	(63.7)	(29.8)	(63.7)	(29.8)
Net interest income		66.1	69.7	66.0	69.7
Non-interest income	4	8.4	7.5	5.8	4.8
Total income		**74.5**	**77.2**	**71.8**	**74.5**
Expected credit loss, net of recoveries	5	(1.2)	(3.3)	(1.2)	(3.3)
Expenditure					
Employment expenses	6	(29.2)	(25.7)	(27.6)	(24.2)
Operating expenses	7	(30.0)	(28.3)	(29.5)	(27.7)
Depreciation and amortisation	8	(1.3)	(1.9)	(1.3)	(1.4)
Total expenditure		**(60.5)**	**(55.9)**	**(58.4)**	**(53.3)**
Impairment loss on customer listing intangible assets	18	–	(3.1)	–	–
Profit before income tax		**12.8**	**14.9**	**12.2**	**17.9**
Income tax expense	9	(3.6)	(5.4)	(3.5)	(5.3)
Profit after income tax		**9.2**	**9.5**	**8.7**	**12.6**
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to profit or loss:					
Movement in asset revaluation reserve, net of tax	26	(0.3)	0.2	(0.3)	0.2
Movement in equity investment revaluation reserve, net of tax	26	0.5	(0.9)	0.5	(0.9)
Items that may be reclassified subsequently to profit or loss:					
Movement in cash flow hedge reserve, net of tax	26	0.8	(1.9)	0.8	(1.9)
Total other comprehensive income/(loss)		**1.0**	**(2.6)**	**1.0**	**(2.6)**
Total comprehensive income for the year from continuing operations		**10.2**	**6.9**	**9.7**	**10.0**
Total comprehensive income attributable to					
Non-controlling interest	15	–	**(0.6)**	–	–
Members of the parent entity		**10.2**	**7.5**	**9.7**	**10.0**

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to and forming part of the financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024					
		GROUP		**BANK**	
	note	**2024**	**2023**	**2024**	**2023**
		$M	$M	$M	$M
Assets					
Cash and cash equivalents	**10**	75.4	73.4	30.0	24.5
Trade and other receivables	**11**	4.7	6.7	4.5	6.5
Investment securities	**12**	421.7	468.5	421.7	468.5
Equity investment	**13**	9.2	8.5	9.2	8.5
Loans and advances	**14**	2,033.2	1,976.8	2,033.2	1,976.8
Current tax receivable	**9**	0.4	–	0.5	–
Net deferred tax assets	**9**	4.4	1.3	4.3	1.2
Investment in subsidiaries	**15**	–	–	48.4	51.4
Property and equipment	**16**	17.3	18.0	17.3	18.0
Right-of-use assets	**17**	1.6	1.5	1.5	1.3
Intangible assets	**18**	–	–	–	–
Other assets	**19**	2.0	2.8	1.9	2.8
Total assets		2,569.9	2,557.5	2,572.5	2,559.5
Liabilities					
Deposits	**20**	1,958.7	1,938.2	1,958.7	1,938.2
Borrowings	**21**	362.4	374.0	362.4	374.0
Trade and other payables	**22**	12.9	15.4	12.6	15.4
Current tax liabilities	**9**	–	1.7	–	1.7
Derivative liabilities	**25**	1.6	2.7	1.6	2.7
Provisions	**23**	2.9	2.9	2.8	2.7
Lease liabilities	**24**	1.5	1.6	1.4	1.5
Total liabilities		2,340.0	2,336.5	2,339.5	2,336.2
Net assets		229.9	221.0	233.0	223.3
Equity					
Reserves	**26**	58.0	58.1	59.1	58.1
Retained earnings		171.9	162.7	173.9	165.2
Total equity attributable to members of the Group		229.9	220.8	233.0	223.3
Non-controlling interest	**15**	–	0.2	–	–
Total equity		229.9	221.0	233.0	223.3

The above consolidated Statement of Financial Position should be read in conjunction with the notes to and forming part of the financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024						
GROUP		RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
	note	$M	$M	$M	$M	$M
At 1 July 2022		60.7	152.8	213.5	0.8	214.3
Profit for the year		–	9.5	9.5	–	9.5
Other comprehensive loss	**26**	(2.6)	–	(2.6)	–	(2.6)
Total comprehensive income		(2.6)	9.5	6.9	–	6.9
Loss attributable to non-controlling interest		–	0.6	0.6	(0.6)	-
Other		–	(0.2)	(0.2)	–	(0.2)
At 30 June 2023		58.1	162.7	220.8	0.2	221.0
At 1 July 2023		58.1	162.7	220.8	0.2	221.0
Profit for the year		–	9.2	9.2	–	9.2
Other comprehensive income	**26**	1.0	–	1.0	–	1.0
Total comprehensive income		1.0	9.2	10.2	–	10.2
Profit attributable to non-controlling interest		–	–	-	–	-
Purchase of additional shares from non-controlling interest	**15**	(1.1)	–	(1.1)	(0.2)	(1.3)
At 30 June 2024		58.0	171.9	229.9	–	229.9

BANK		RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
	note	$M	$M	$M	$M	$M
At 1 July 2022		60.7	152.6	213.3	–	213.3
Profit for the year		–	12.6	12.6	–	12.6
Other comprehensive loss	**26**	(2.6)	–	(2.6)	–	(2.6)
Total comprehensive income		(2.6)	12.6	10.0	–	10.0
At 30 June 2023		58.1	165.2	223.3	–	223.3
At 1 July 2023		58.1	165.2	223.3	–	223.3
Profit for the year		–	8.7	8.7	–	8.7
Other comprehensive loss	**26**	1.0	–	1.0	–	1.0
Total comprehensive income		1.0	8.7	9.7	–	9.7
At 30 June 2024		59.1	173.9	233.0	–	233.0

The above consolidated Statement of Changes in Equity should be read in conjunction with the notes to and forming part of the financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024					
		GROUP		BANK	
	note	2024	2023	2024	2023
		$M	$M	$M	$M
Cash flows from operating activities					
Interest received		128.5	96.2	128.4	96.2
Other income received		7.9	7.1	5.3	4.4
Interest paid		(60.1)	(29.8)	(60.1)	(29.8)
Payments to suppliers and employees		(61.5)	(50.3)	(59.7)	(49.3)
Income tax paid		(8.1)	(4.6)	(8.0)	(4.5)
Cash flows from operating activities before changes in operating assets and liabilities		**6.7**	**18.6**	**5.9**	**17.0**
Net movement in gross loans and advances		(57.4)	(119.9)	(57.4)	(119.9)
Net movement in deposits		20.5	(111.5)	20.5	(111.5)
Net cash outflow from operating activities	**34**	**(30.2)**	**(212.8)**	**(31.0)**	**(214.4)**
Cash flows from investing activities					
Movements in investments securities					
Redemption of investments securities		151.6	305.5	151.6	305.6
Purchase of investment securities		(106.0)	(288.2)	(106.0)	(288.2)
Dividends received	**4**	0.5	0.4	0.5	0.4
Payment for additional investment in Chelsea Wealth Management	**15**	(1.3)	–	(1.3)	–
Payments for property and equipment	**16**	(0.3)	(0.4)	(0.3)	(0.4)
Net cash inflow from investing activities		**44.5**	**17.3**	**44.5**	**17.4**
Cash flows from financing activities					
Restricted cash inflow / (outflow) to securitised trust		–	–	4.3	(12.3)
Net (decrease) / increase in borrowings advanced		(11.6)	193.4	(11.6)	193.4
Repayment of lease liabilities	**24**	(0.7)	(0.8)	(0.7)	(0.7)
Net cash (outflow) / inflow from financing activities		**(12.3)**	**192.6**	**(8.0)**	**180.4**
Net increase/(decrease) in cash and cash equivalents		2.0	(3.1)	5.5	(16.7)
Cash and cash equivalents at the beginning of the year		73.4	76.5	24.5	41.2
Cash and cash equivalents at the end of the year	**10**	**75.4**	**73.4**	**30.0**	**24.5**

The above consolidated Statement of Cash Flows should be read in conjunction with the notes to and forming part of the financial report.

1.0 Material accounting policies

This note provides a list of the accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Police Bank Limited and its Controlled entities.

1.1 Corporate information

Police Bank Limited ("the Bank") and its Controlled Entities ("the Group") is a reporting entity. The Group is a for-profit disclosing entity for the purpose of preparing financial statements. The Group is a member owned, mutual company, an Australian Public Company, limited by shares and guarantee, which is incorporated and domiciled in Australia. The Group's registered office, address, and principal place of business is 25 Pelican Street, Surry Hills, NSW, 2010.

The nature of the operations and principal activities of the Group during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in these activities occurred during the financial year.

1.2 Basis of preparation

(I) HISTORICAL COSTS CONVENTION

The consolidated financial statements have been prepared on a historical cost basis, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(II) STATEMENT OF COMPLIANCE

The financial report is a financial report which has been prepared in accordance with the requirements of Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB"), the Banking Act 1959, and the Corporations Act 2001.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses.

The Group's financial report also complies with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

(III) PRESENTATION FORMAT

The consolidated Statement of Financial Position has been prepared in order of liquidity.

(IV) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(V) ROUNDING-OFF OF AMOUNTS

The Group is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

(VI) GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing financial statements.

1.0 Material accounting policies (continued)

1.3 Basis of consolidation

(I) CONSOLIDATION

The Group consists of Police Bank Limited as the ultimate parent entity and its Controlled Entities. The Group's consolidated financial statements incorporate the financial statements of the Bank and its Controlled Entities (its subsidiaries). Control is achieved where the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and can affect those returns through its power over the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(II) SUBSIDIARIES

The key subsidiary of the Group is Chelsea Wealth Management. On 21 July 2023 the Group acquired the remaining 20% shareholding in Chelsea Wealth Management Pty Limited and owns 100% of the share capital. The investment meets the definition of control prescribed above. The change in non-controlling interest is reflected from this date for the year ended 30 June 2024.

The Group is also a 100% beneficiary of the PB Trust 2022-1R (the Trust). The PCU-2009-1 Trust is dormant and in the process of being deregistered. Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

(III) TRANSACTIONS ELIMINATED ON CONSOLIDATION

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income, and expenses are eliminated in full on consolidation. Refer to note 15 for more details.

1.4 Securitisation

(I) SECURITISATION

Securitisation is the process of taking an illiquid asset, or group of assets, such as home loans, and transforming them into a liquid security. Details of each of the securitisations entered into by the Group are summarised in note 15.

The Group maintains a securitisation trust, the PB Trust 2022-1R (the Trust), that issues notes that meet the Reserve Bank of Australia's criteria for borrowing funds via Repurchase Agreements for emergency liquidity requirements or funding through the Term Funding Facility (TFF).

The Group holds all notes issued by the Trust, manages the loans, and retains all residual benefits and costs of the portfolio. As the Trust meets the definition of a controlled entity and Police Bank Limited has not transferred substantially all of the risks and rewards to the Trust, the assigned loans are not derecognised in the financial statements of Police Bank Limited. The Group did not participate in securitisation other than internal securitisation.

Value of loans which do not qualify for derecognition at 30 June 2024 was $430.5 million (2023: $421.9 million). The value of restricted cash in the Trust as at 30 June 2024 was $43.4 million (2023: $47.7 million).

(II) TRUST CONSOLIDATION

During the prior year the Group created and registered a new trust, the PB Trust 2022-1R (the Trust), which holds rights to a portfolio of mortgage secured loans to enable the Bank to secure funds from the Reserve Bank of Australia if required to meet emergency liquidity requirements.

The Group continues to manage these loans and receives all residual benefits from the Trust and bears all losses should they arise. Accordingly, the Trust meets the definition of a controlled entity.

Refer to note 15, for more details.

1.0 Material accounting policies (continued)

1.5 New & revised Australian Accounting Standards and Interpretations

(I) NEW ACCOUNTING STANDARDS AND AMENDMENTS THAT ARE EFFECTIVE IN THE CURRENT FINANCIAL YEAR

In the current year, the group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. These include:

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Management reviewed the accounting policies and made updates to the information disclosed in this note 1 – Material accounting policies (2023: Significant accounting policies) in certain instances in line with the amendments.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(II) NEW & REVISED AUSTRALIAN ACCOUNTING STANDARDS AND INTERPRETATIONS ON ISSUE BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period are set out below and have not been early adopted by the Group.

AASB 18 was issued in April 2024 and replaces AASB 101 Presentation of Financial Statements. The new standard introduces new requirements for the Statement of Profit or Loss, including:

- new categories for the classification of income and expenses into operating, investing, and financing categories, and
- presentation of subtotals for “operating profit” and “profit before financing and income taxes”.

Additional disclosure requirements are introduced for management-defined performance measures and new principles for aggregation and disaggregation of information in the notes and the primary financial statements and the presentation of interest and dividends in the statement of cash flows.

This new standard is not expected to have an impact on the recognition and measurement of assets, liabilities, income and expenses, however there will likely be changes in how the Statement of Profit or Loss and Statement of Financial Position line items are presented as well as some additional disclosures in the notes to the financial statements. The Group is in the process of assessing the impact of the new standard.

Other changes

During the period the International Sustainability Standards Board (ISSB) published the following sustainability reporting standards:

STANDARD/ INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures	1 July 2027	30 June 2028

In 2023, the Australian Prudential Regulation Authority (APRA) released its final Prudential Practice Guide CPG 229 Climate Change Financial Risks (CPG229). The guide is designed to assist banks, insurers, and superannuation trustees to manage the financial risks of climate change. The guide imposes no new regulatory requirements or obligations but will instead assist APRA-regulated entities to manage climate related risks and opportunities within their existing risk management and governance practices.

The Group has considered the management of climate change risks with the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures, including aspects of governance, strategy, risk management, metrics, and disclosures. The Group’s approach to this area of risk management will continue to evolve ahead of the first mandatory reporting date as required by the Australian Sustainability Reporting Standards (ASRS) issued by the Australian Accounting Standards Board for the annual reporting period ending 30 June 2028.

The Directors do not anticipate that the pronouncement and other changes will have a material impact on the Group but may change the disclosure of policies included in the financial statements, once effective.

1.0 Material accounting policies (continued)

1.6 Critical accounting judgements and estimates

(I) JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements which, by definition, will seldom equal the actual results. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, they believe to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent reporting periods are discussed below.

It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

- Expected credit losses on loans and advances
- Fair value measurements and valuation process

(II) EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

Whilst the methodology utilised in determining the Group's expected credit losses remains consistent with the prior period, there are a number of judgements and estimates made by management in relation to the underlying assumptions that are continuously reviewed and revised on a periodic basis which include, but are not limited to:

- Probability of default, loss given default and exposure at default estimates;
- Forward-looking macroeconomic conditions; and
- Macroeconomic scenario weightings and management overlays.

Further detail on the methodology and assumptions is provided in note 14.

(III) FAIR VALUE MEASUREMENT AND VALUATION PROCESSES

Land, equity instruments and derivatives are held at fair value through other comprehensive income (FVTOCI) for financial reporting purposes. The directors consider the impact of market movements on the carrying amount of the asset and where a material difference is likely a formal valuation is undertaken.

The directors either use market observable data, to the extent it is available, or engage independent valuers who use appropriate valuation techniques and unobservable inputs to arrive at fair value. Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed in the relevant notes.

1.7 Interest income

(I) RECOGNITION

Interest income is recognised, in the consolidated Statement of Profit or Loss and Other Comprehensive Income, as it accrues, using the effective interest rate method, in accordance with AASB 9 Financial instruments. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(II) INTEREST ON LOANS AND ADVANCES, CREDIT CARDS AND OVERDRAFTS

Interest revenue on loans and advances is calculated on the daily balance outstanding and is charged in arrears to a customer's account monthly.

(III) INTEREST ON INVESTMENT SECURITIES

Interest on receivables from investment securities are recognised on an effective interest rate basis.

(IV) INTEREST ON CASH AT BANK AND SHORT-TERM DEPOSITS

Cash at bank earns interest at variable rates based on daily bank and short-term deposit rates. Interest is recognised in the consolidated statements of profit and loss using the effective interest method.

1.0 Material accounting policies (continued)

1.7 Interest income (continued)

(V) DEFERRED FEES

Loan origination fees including transaction costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability are recognised at inception and included in the carrying amounts. These fees and transaction costs are deferred over the expected life of the instrument according to the effective interest method. The effective interest method uses the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. This applies to all financial assets or liabilities except for those that are measured at fair value through profit or loss or fair value through other comprehensive income. Refer to note 2, for more details.

1.8 Interest expense

(I) DEPOSITS WITH MEMBERS, INCLUDING TERM DEPOSITS FROM MEMBERS AND FINANCIAL INSTITUTIONS

Interest payable on the deposits is calculated on the daily balance outstanding and is credited in arrears. Interest expense is recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income as it accrues, using the effective interest rate method.

(II) LEASE LIABILITIES

Interest on the lease liabilities and any variable lease payments not included in the measurement of the lease are recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they relate. Refer to note 3, for more details.

1.9 Non-interest income

(I) LOAN FEE INCOME

Loan fee income includes fees other than those that are integral to the lending arrangement whereby they are recognised as part of the effective interest rate method. Fee income primarily comprises of account transaction and monthly fees, processing fees, credit card fees and loan package and overdraft fees.

Fee income is either transaction based and therefore recognised when the performance obligation related to the transaction is fulfilled or related to performance obligations carried out over a period of time and therefore recognised on a systematic basis over the life of the agreement as the services are provided. Fee income is disaggregated where relevant to reflect the appropriate categories depending on the nature of the income and is recognised either over time or at a point in time where relevant.

(II) COMMISSION INCOME

Commission income, which comprises commission on insurance, BPAY, foreign cash and international transactions is recognised when the performance obligation is satisfied.

(III) DIVIDEND INCOME

Dividend income is recognised as income on the date the Group's right to receive payments is established.

(IV) RENT AND OTHER NON-INTEREST INCOME

Rent and other non-interest income are recognised as income when services are rendered.

Refer to note 4 for more details.

(V) FINANCIAL ADVISORY FEE INCOME

Financial advisory fee income consists of three components:

Upfront financial advice fees

An upfront fee is charged to new clients for providing a statement of advice, as well as to existing clients when there are changes in their circumstances warranting a review or changes to a previous statement of advice provided. Upfront fees are recognised as revenue upon providing the statement of advice to clients.

Ongoing financial advice fees

The Group earns ongoing financial advice fees from the provision of financial advice in the form of a monthly retainer payable by a client to an adviser. Ongoing financial advice fees are charged to clients monthly in arrears and recognised as revenue.

Upfront and ongoing commissions

Upfront and ongoing commissions relate to the provision of personal insurance advice payable to the Group by the relevant insurance provider to whom the client pays an insurance premium to.

1.0 Material accounting policies (continued)

1.9 Non-interest income (continued)

(V) FINANCIAL ADVISORY FEE INCOME (CONTINUED)

Upfront commissions are earned at inception of the insurance policy and recognised as revenue at that point in time. Ongoing commissions are recognised monthly whilst the insurance contract is in place between the client and their insurer.

1.10 Write-offs and recoveries

(I) IMPAIRMENT EXPENSES, NET OF RECOVERIES

When a financial asset is uncollectible, it is written off against the related ECL provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the consolidated statement of profit or loss. Refer to note 5 for more details.

1.11 Employment expenses and entitlements

(I) WAGES, SALARIES, ANNUAL LEAVE, AND SICK LEAVE

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related oncosts, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

Provision for employee benefits to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the reporting date, calculated at discounted amounts based on expected wage and salary rates including related on-costs.

(II) SUPERANNUATION PLAN

The Group contributes on behalf of its employees to superannuation funds under normal conditions of employment, and in satisfaction of the requirements of the Superannuation Guarantee Scheme. Contributions are expensed as they are incurred. For the year ended 30 June 2024, if an employee had not made another choice, the Group contributed to Australian Retirement Trust. The Group has no interest in this superannuation plan (other than as a contributor) and is not liable for either the performance or the obligations of the plan.

(III) ANNUAL LEAVE AND LONG SERVICE LEAVE PROVISION

A provision is recognised in the consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation. Refer to note 6 and note 23, for more details.

1.12 Operating expenses

Operating expenses are recognised when the Group has incurred the liability for goods and services purchased and costs can be reliably measured. Refer to note 7 for more details.

1.13 Taxes

(I) RECOGNITION AND MEASUREMENT

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(II) FRANKING CREDITS

Any franking credits held by the Group are after adjusting for franking credits that will arise from the payment of income tax at the end of the financial year.

(III) CURRENT TAXES

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

1.0 Material accounting policies (continued)

1.13 Taxes (continued)

(IV) DEFERRED TAXES

Deferred tax is recognised using the consolidated Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

(V) OFFSETTING

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

(VI) IMPAIRMENT OF DEFERRED TAXES

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date for impairment (recoverability) and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Group has performed an assessment and did not identify an impairment under AASB 112 Income taxes.

(VII) TAX CONSOLIDATION

The Group and its controlled entities have implemented the tax consolidation legislation and have formed a tax-group. The Group has entered into a tax funding agreement such that each entity in the tax-group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- The parent entity only recognises all current and deferred tax amounts relating to its own transactions, events and balances;
- The controlled entities recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- Current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the controlled entity to the head entity as inter-company payables or receivables.

The tax-group also has a tax sharing agreement in place to limit the liability of the controlled entities in the tax-group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations. Refer to note 9, for more details.

1.14 Goods and services tax (GST)

(I) RECOGNITION AND MEASUREMENT

Revenue, expenses, and assets are recognised net of the amount of GST except where the GST incurred on the purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated inclusive of the amount of GST. The net amount of GST receivable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(II) REDUCED INPUT TAX CREDITS

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

1.0 Material accounting policies (continued)

1.15 Financial assets

(I) INITIAL RECOGNITION AND MEASUREMENT

Financial assets and liabilities are initially recognised on the date on which the Group becomes a party to the contractual provisions of the instrument, or, in the case of loans and advances, when funds are transferred to the members' account. At initial recognition, the Group measures a financial instrument at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument, such as fees and commissions. Transaction costs of financial instruments carried at fair value through profit or loss (FVTPL) are expensed in profit or loss.

(II) CLASSIFICATION OF FINANCIAL ASSETS

Subsequent to initial recognition, the measurement of the Group's financial assets is dependent on the business model in which it is managed and the contractual cash flow characteristics. Financial assets are measured as follows:

- At fair value (either through other comprehensive income ("FVTOCI")) or through profit or loss (FVTPL), or;
- At amortised cost;

The Group measures financial assets at amortised cost if the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, unless the financial asset has been designated as FVTPL. The details of these conditions are outlined below.

Financial assets with contractual terms that meet the SPPI test and that are held within a business model where the objective is to both collect contractual cashflows and sell the financial assets are measured at FVTOCI with subsequent reclassification to the Statement of Profit or Loss unless the financial asset has been designated as FVTPL. Non-traded equity instruments have been designated at FVTOCI with no subsequent reclassification to the consolidated Statement of Profit or Loss. All other assets are measured at FVTPL.

(III) BUSINESS MODEL ASSESSMENT

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. While judgement is used in determining the business model, consideration is given to relevant, objective evidence including:

- The business purpose of the portfolio;
- The risks that affect the performance and the way those risks are managed;
- The basis on which the performance of the portfolio is evaluated; and
- The frequency and significance of sales activity.

(IV) THE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST ('SPPI') TEST

The Group assesses financial assets to evaluate if their contractual cashflows are comprised of solely payments of principal and interest (the SPPI test). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' for the purpose of this test is defined as the consideration for the time value of money and credit risk, which are the most significant elements of interest within a lending arrangement. Principal amounts include repayments of lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding.

1.0 Material accounting policies (continued)

1.15 Financial assets (continued)

(V) RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS AT AMORTISED COST

A financial asset is measured at amortised cost only if both of the following conditions are met:

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

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 14. Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial assets recognised and measured at amortised cost include:

- **Cash and cash equivalents:** Cash and cash equivalents include cash on hand at branches, unrestricted balances held with other financial institutions and highly liquid financial assets with original maturities of three months or less and are subject to an insignificant risk of changes in their fair value. These assets are generally used by the Group in managing its short-term commitments. Restricted cash is cash held in the PB Trust 2022-1R as collateral for the trust. Cash and cash equivalents are carried at amortised cost in the consolidated Statement of Financial Position. Cash at bank earns interest at variable rates based on daily bank and short-term deposit rates. Interest is recognised in the consolidated Statement of Profit or Loss using the effective interest method. Refer to note 10 for more information.
- **Trade and other receivables:** The trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for expected credit losses. This is assumed to approximate their fair value due to their short-term nature. The Group holds these assets in order to collect the contractual cash flows, and the contractual terms are solely payments of outstanding principal and interest on the principal amount outstanding. Refer to note 11 for more information.
- **Investments securities:** Subsequent to initial recognition, investment securities are carried at amortised cost using the effective interest method, as these are held to collect the contractual cash flows solely from payments of principal and interest. The investment securities are assessed for impairment under the expected credit loss impairment model. Refer to note 12 for more information.
- **Loans and advances:** Loans and other receivables are debt instruments recognised initially at fair value, which represent the cash advanced to the member plus direct and incremental transaction costs on settlement date, when funding is advanced to the member. Transaction costs which are direct and incremental to the establishment of the loan are initially deferred as part of the loan balance and are amortised over the estimated expected life of the loan. The unearned income on the Group's lending portfolio is brought to account over the life of the contracts. Loans are subsequently carried at amortised cost, which represents the gross carrying amount less allowances for credit losses. Impairment losses are recognised in accordance with the three-stage expected credit loss (ECL) impairment model. Interest on loans and advances is recognised using the effective interest method. The estimated future cash flows used in the calculation of the effective interest rate include those determined by the contractual term of the asset, and includes all fees, transaction costs and all other premiums or discounts. Refer to note 14.
- **Investment in subsidiaries:** The Group's investments in controlled entities are stated at cost. Refer to note 15.

(VI) RECOGNITION AND MEASUREMENT OF ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A financial asset will be measured at fair value through other comprehensive income if:

- The Group's intent is to hold the asset in order to collect contractual cash flows and/or to sell the asset; and
- The cash flows solely represent principal and interest.

1.0 Material accounting policies (continued)

1.15 Financial assets (continued)

(VI) RECOGNITION AND MEASUREMENT OF ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

These assets are initially recognised at fair value including directly attributable transaction costs. Subsequent measurement is at fair value with any revaluation gains or losses being included in other comprehensive income. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the consolidated Statement of Profit or Loss and Other Comprehensive Income.

The following financial assets are classified at fair value through other comprehensive income:

- **Equity investments:** On adoption of AASB 9, the Group made an irrevocable election for its investment in Cuscal shares to be measured at fair value through other comprehensive income (FVTOCI). This investment is initially measured at fair value, including directly attributable transaction costs. Subsequent measurement is at fair value with any changes in fair value recognised equity and in other comprehensive income and are not transferred to the profit or loss. When equity investments are de-recognised, the cumulative gain or loss in equity is transferred from equity to the Group's retained earnings. Fair value is determined using a range of 'Level 3' inputs, as set out in note 29, fair values. Dividends from equity instruments continue to be recorded as non-interest income within the profit or loss unless the dividend clearly represents a return of capital. Refer to note 13 and note 4, for more details.

(VII) FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets that are not measured at amortised cost or FVTOCI are measured at FVTPL. Equity financial assets are measured at FVTPL unless the Group irrevocably elects to present subsequent changes in the fair value in OCI. This election is made on an individual instrument basis and upon realisation of the equity instrument, the fair value gain or loss is transferred from a reserve account directly to retained earnings. The Group has made this election for its equity instruments. Refer to note 26 reserves for more details.

(VIII) OFFSETTING

Financial assets and liabilities are offset and the net amount presented in the consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(IX) SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under an agreement to repurchase with the Reserve Bank of Australia are not derecognised from the consolidated Statement of Financial Position and an associated liability is recognised for the consideration received. Refer to note 21 for information.

(X) MODIFICATIONS

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial instrument that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated loan is substantially different from the existing financial instrument. When the modification does not result in derecognition, a gain or loss is recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income as the difference between the financial instrument's original contractual cash flows and the modified cash flows discounted at the original effective interest rate. Where the modification results in derecognition, a newly recognised financial asset is assessed to determine whether it is required to be classified as purchased or originated credit-impaired financial assets.

(XI) DERECOGNITION OF FINANCIAL ASSETS

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

1.0 Material accounting policies (continued)

1.16 Allowance for expected credit losses

(I) RECOGNITION AND MEASUREMENT

The Group applies a three-stage approach to measure the allowance for expected credit losses for the following categories of financial assets that are not measured at FVTPL:

- Financial assets at amortised cost;
- Equity instruments at fair value through other comprehensive income;
- Off-Statement of Financial Position loan commitments; and
- Financial guarantee contracts.

(II) EXPECTED CREDIT LOSS MODEL

This model measures credit loss allowances using a three-stage approach (Stage 1, Stage 2 and Stage 3) based on the extent of credit deterioration since origination. Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively, whilst those in Stage 3 are subjected to either a collective or individual impairment assessment. The Group's allowance for credit losses calculations are outputs of credit risk models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial asset depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple economic scenarios based on reasonable and supportable forecasts.

STAGE	RECOGNITION AND MEASUREMENT BASIS	CRITERIA
Stage 1	Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial asset, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.	All balance plus 1-29 days past due
Stage 2	When a financial asset experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial asset.	30 to less than 89 days past due
Stage 3	Financial assets that are considered to be in default, including loans with hardship arrangements, are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.	90 or more days past due

(III) TRANSFERS BETWEEN STAGES

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

(IV) INTEREST INCOME BETWEEN STAGES

The interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of provisions for financial assets in Stage 3.

1.0 Material accounting policies (continued)

1.16 Allowance for expected credit losses (continued)

(V) EXPECTED LIFE

When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

(VI) DEFINITION OF DEFAULT

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management and regulatory purposes. The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the member;
- Default or delinquency in interest or principal payments;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganisation;
- Measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred when a financial asset is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate. Impairment is recognised when it is determined that all principal and interest due are unlikely to actually be fully recovered.

(VII) WRITE-OFF POLICY

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the Consolidated Statement of Profit or Loss.

(VIII) CALCULATION OF KEY INPUTS TO THE EXPECTED CREDIT LOSSES

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

INPUT	DETAILS OF THE STATISTICAL PARAMETER
PD	For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the Statement of Financial Position date. For home loans, PD is calculated using a roll rate model incorporating historical movements of accounts between arrears buckets over the observation period. For all other portfolio segments, PD is calculated based on a historical assessment.
LGD	Is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD percentage applied considers the structure of the loan, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan to Value Ratios (LVR) are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices.
EAD	Represents the expected exposure at default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.

1.0 Material accounting policies (continued)

1.16 Allowance for expected credit losses (continued)

(IX) ASSESSMENT OF SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

The Group assesses whether there has been a SICR for exposures since initial recognition by comparing the current probability of default (PD) and the PD at the date of initial recognition. The assessment also considers borrower-specific quantitative and qualitative information including arrears status and hardship arrangements.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a SICR. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of members; changes in portfolio composition; and natural disasters impacting certain portfolios.

With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

The Group uses an internal rating system for its exposures. All exposures have a rating assigned that reflects the probability of default of the member. SICR is evaluated based on the movement in the ratings of members. For example, a downgrade in the internal rating since origination will trigger a transfer to Stage 2.

The thresholds used for PD migration are reviewed and assessed at least annually unless there is a significant change in credit risk management practices in which case the review is brought forward.

(X) FORWARD-LOOKING INFORMATION

The approach to determining the expected credit losses includes forward-looking information which is primarily incorporating the general macro-economic conditions and its potential impact on our members and through the PD and LGD rates applied in our models. Details of these statistical parameters are as follows:

INPUT	DETAILS OF THE STATISTICAL PARAMETER
Multiple forward-looking scenarios	ECLs are calculated by reference to information on past events, current conditions, and forecasts of future economic conditions. Multiple economic scenarios are incorporated into ECL calculation models. These scenarios are based on external sources where available and appropriate, and internally generated assumptions in all other cases. To capture any non-linear relationship between economic assumptions and credit losses, three scenarios are used. This includes a central base scenario which reflects the Group's view of the most likely future economic conditions, together with an upside and a downside scenario representing alternative plausible views of economic conditions, weighted based on management's view of their probability.
Forward-looking Macro-economic factors	In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as; Economic data published by the Australian Bureau of Statistics, including Gross Domestic Product (GDP) growth, unemployment rates, Consumer Price Index (CPI). Forecasts published by the Reserve Bank of Australia, including interest (cash) rate and other external sources such as QBE, CoreLogic, Refinitiv (previously Thomson Reuters) for housing prices and outlooks.
Management overlays	Due to the significant uncertainty in the forward-looking economic environment, the Group has incorporated a management overlay in its models, to reflect the potential losses that may not be fully captured within the model methodology. Overlays are determined based on a range of techniques including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments. Management focused the overlay provision on the following sections of the loan book: • Home loans with LVR's between 70% to 80% and no LMI insurance; • Home loans with LVR >80% and no LMI insurance; • Home loans currently on fixed interest rates that will revert to variable interest rates; • Home loan hardship accounts; and • All other loan hardship accounts.

Refer to note 14, for more details.

1.0 Material accounting policies (continued)

1.17 Property and equipment

(I) RECOGNITION AND MEASUREMENT

Property, equipment, and leasehold improvements are stated at cost less accumulated depreciation, and impairment losses. Costs include expenditure that is directly attributable to the acquisition or construction of the item.

Land is shown at revalued amounts, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluations increases / decreases arising on the revaluation of land is recognised in other comprehensive income and accumulated within asset revaluation reserve.

(II) USEFUL LIVES

All assets have limited useful lives and are depreciated through the Consolidated Statement of Profit or Loss and Other Comprehensive Income using the straight-line method over their estimated useful lives. The estimated useful lives are between 2.7 and 40 years.

(III) DEPRECIATION RATES

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation rates and methods are reviewed annually to ensure they appropriately reflect residual values and estimated useful lives. When changes are made, adjustments are reflected prospectively in current and future years only. The depreciation rates used for each class of asset are as follows:

CLASS OF ASSET	2024	2023	DEPRECIATION BASIS
Land	–	–	–
Buildings	2.5% to 18.75%	2.5% to 18.75%	Straight line
Equipment	2.5% to 37.5%	2.5% to 37.5%	Straight line
Leasehold improvements	2.5% to 37.5%	2.5% to 37.5%	Straight line

Land is an indefinite life asset and is not depreciated. Refer to note 8, for more details.

(IV) IMPAIRMENT OF PROPERTY AND EQUIPMENT

Per AASB 136 Impairment of Assets, property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. The cash generating unit is defined as Police Bank, as cash inflows from this cash generating unit are dependent on the Group's total assets to generate these cash inflows for its banking business. A recoverable amount assessment has been undertaken to confirm that the carrying value of assets exceed their recoverable amount as at the end of the reporting year.

For financial year ended 30 June 2024, no impairment indicators were noted (2023: none). Refer to note 16, for more details.

(V) GAINS OR LOSSES ARISING ON THE DISPOSAL OF PROPERTY AND EQUIPMENT

Any gains or losses are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income within operating expenses.

1.0 Material accounting policies (continued)

1.18 Right-of-use assets

(I) RECOGNITION AND MEASUREMENT

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, and any initial direct costs incurred.

(II) LEASE TERM

The Group determines the lease term as the non-cancellable period of a lease together with both the periods covered by an option to extend the lease if it is reasonably certain to exercise that option; and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise the option.

Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(III) SHORT TERM LEASES AND LOW-VALUE ASSETS

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(IV) USEFUL LIVES

The expected useful life of right-of-use assets are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually. The estimated useful lives are between 3 and 8 years.

(V) DEPRECIATION

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities. Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

CLASS OF ASSET	2024	2023	DEPRECIATION BASIS
Right-of-use assets – Property	12.5% to 33.3%	12.5% to 33.3%	Straight line
Right-of-use assets – Vehicles	25% to 33.3%	25% to 33.3%	Straight line

Refer to note 8, for more details.

(VI) IMPAIRMENT OF RIGHT-OF-USE ASSETS

Under AASB 16 Right-of-use assets, the assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the requirement to recognise a provision for onerous contracts.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded there is no indication the right-of-use assets are impaired. (2023: Nil)

Refer to note 17, for more details.

1.0 Material accounting policies (continued)

1.19 Intangible assets

(I) RECOGNITION AND MEASUREMENT

Per AASB 138 Intangible Assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable that the assets will generate benefits to the Group and are measured at cost less accumulated amortisation and impairment losses.

(II) CUSTOMER LISTS

Customer lists acquired in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, acquired intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

(III) SOFTWARE

Costs incurred in developing systems and acquiring software and licenses that will contribute future financial benefits are capitalised. These include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the project. Software costs are amortised over its useful life. Impairment and recoverable amount. The estimated useful life for software for the current and comparative year was 2.7 years.

(IV) AMORTISATION RATES

Intangible assets are amortised from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives as follows:

AMORTISATION RATE (% PER YEAR)	2024	2023
Customer lists	–	5.6%
Software	37.5%	37.5%

Refer to note 8 depreciation and amortisation, for more details.

(V) IMPAIRMENT OF INTANGIBLE ASSETS

Subsequently, under AASB 136 Impairment of Assets, the intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs.

Assets that do not have independent cash flows are grouped together to form a cash-generating unit. The cash generating unit is defined as Police Bank, as cash inflows from this cash generating unit are dependent on the Group's total assets to generate these cash inflows for its banking business. A recoverable amount assessment has been undertaken to confirm that the carrying value of assets exceed their recoverable amount as at the end of the reporting year.

For the financial year ended 30 June 2024, no impairment indicators were noted (2023: $3.1 million). Refer to note 18, for more details.

1.0 Material accounting policies (continued)

1.20 Software-as-a-service (SaaS)

(I) PREPAID SOFTWARE-AS-A-SERVICE (SAAS)

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over a contract period. As such, the Group does not receive a software intangible asset at the contract commencement date.

The accounting treatment of costs incurred in relation to SaaS arrangements are set out below:

- Fee for use of application software and customisation costs are recognised as an operating expense over the term of the service contract; and
- Configuration costs, data conversion and migration costs, testing costs, training costs and customisation costs are recognised as an operating expense as the service is received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset, are recognised as intangible software assets. Please refer to note 18 intangible assets.

(II) JUDGEMENTS IN DETERMINING WHETHER CONFIGURATION AND CUSTOMISATION SERVICES ARE DISTINCT FROM THE SAAS ACCESS

Implementation costs, including costs to configure or customise the cloud provider's application software, are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software.

- Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront); and
- Non-distinct configuration and customisation costs are expensed over the SaaS contract term. Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

(III) JUDGEMENTS IN CAPITALISATION OF CONFIGURATION AND CUSTOMISATION COSTS IN SAAS ARRANGEMENTS

In implementing SaaS arrangements, the Group has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application. Judgement is applied in determining whether the change to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Group recognised $nil (2023 $nil) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

1.21 Other assets

Other assets contain prepayment and security deposits. The other assets are stated at their amortised cost. Refer to note 19, for more details.

1.0 Material accounting policies (continued)

1.22 Financial liabilities

(I) CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

The Group initially recognise deposits, borrowings and trade and other payables, on the date on which they are originated. All other financial liabilities are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instruments. A financial liability is measured initially at fair value and, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. The Group classifies its financial liabilities, other than loan commitments, as measured at amortised cost or fair value through profit or loss.

(II) DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities recognised and measured at amortised cost include:

- **Deposits:** Deposits comprise negotiable certificates of deposit, term deposits, saving deposits, and other demand deposits, securities sold under agreements to repurchase, unsecured guaranteed notes and secured borrowings. Deposits are recognised at inception at fair value plus directly attributable transaction costs and subsequently at amortised cost. Interest and yield related fees are recognised in the profit or loss based upon the effective interest rate method. Interest payable on (term) deposits are calculated on the daily balance outstanding and is credited in arrears. Refer to note 20.
- **Borrowings:** The term funding facility is initially recognised at fair value less directly attributable transaction costs. The funding is subsequently measured at amortised cost using the effective interest method with any difference between the costs and redemption value recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Bank overdrafts are shown within borrowings. Refer to note 21.
- **Repurchase securities:** securities sold under an agreement to repurchase with the Reserve Bank of Australia or major banks are not derecognised from the Consolidated Statement of Financial Position and an associated liability is recognised for the consideration received. Refer to note 21.
- **Trade and other payables:** Trade creditors and accruals represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms. Refer to note 22, for more details.
- **Provisions:** A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation. The provision for make good costs represents the present value of the estimated future cash outflows to be made by the Group arising from its obligations as a lessee should the relevant lease not be renewed. The provision is calculated using estimated costs required to return leased premises to the condition in which they were initially provided, by using the Group's cost of capital as at reporting date. The expected timing of the outflows is dependent upon whether the relevant lease is renewed. Refer to note 23.

1.0 Material accounting policies (continued)

1.23 Lease liabilities

(I) RECOGNITION AND MEASUREMENT

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

(II) INCREMENTAL BORROWING RATE

The incremental borrowing rate is calculated by interpolating or extrapolating primary and secondary market yields on the Bank's domestic senior unsecured debt issuance (Negotiable Certificates of Deposit and Medium-Term notes) for a term equivalent to the lease. If there are no issuances that mature within a reasonable proximity of the lease term, indicative pricing of where the Bank can price a new senior unsecured debt issuance for a comparative term will be used in the calculation. The Group has not entered into any new leases during the financial year. Refer to note 24, for more details.

1.24 Reserves

(I) GENERAL RESERVE

The general reserve is a reserve created by the Board in accordance with the Constitution into which the Board may allocate funds. At the Board's discretion the funds in the general reserve may be used for the business of the Group subject that the funds must not be distributed to Members except upon the winding up of the Group.

(II) REDEEMED MEMBER SHARE RESERVE

The redeemed Member share reserve represents the value of redeemable preference shares redeemed since 1 July 1999. This is the value of these shares paid to Members and the balance of the account represents the amount of profit appropriated to the account. Share redemptions must be funded from profits.

(III) ASSET REVALUATION RESERVE

The fair value reserve includes the cumulative net change in fair value of land, net of applicable income tax.

(IV) EQUITY INVESTMENT REVALUATION RESERVE

The fair value reserve includes the cumulative net change in fair value of the investment in Cuscal shares until the investment is derecognised or impaired, net of applicable income tax.

(V) BUSINESS COMBINATION RESERVE

Mergers with other mutual entities are accounted for by recognising the identifiable assets and liabilities of the transferred entity on the Statement of Financial Position at their fair value at the date of the merger. The excess of the fair value of the assets taken up over liabilities assumed is taken directly to equity as a reserve.

1.0 Material accounting policies (continued)

(VI) CASH FLOW HEDGE RESERVE

Derivative financial instruments are contracts, set between two or more parties, that derive their value from an underlying price, index, or other variable, and include instruments such as interest rate swaps. All derivatives are recognised initially on the Consolidated Statement of Financial Position at fair value and are subsequently measured at fair value through profit or loss, except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. Derivatives are presented as either assets or liabilities depending on fair value.

At inception of all hedge relationships the Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Group's risk management objective and strategy and how effectiveness will be measured throughout the hedge relationship.

The Group has designated derivatives held as effective cash flow hedges with changes in the fair value recognised in the cash flow hedge reserve within equity. Amounts accumulated in the cash flow hedge reserve are transferred to the Consolidated Statement of Profit or Loss in the event the instrument expires, is sold or otherwise when hedging criteria are no longer met. The portion of the hedge that is deemed ineffective is recognised in the statement of profit or loss as the ineffectiveness arises. Refer to note 26, for more details.

1.25 Retained earnings

Represents the balance of accumulated profit or losses, attributable to equity holders of the Group, at the beginning of the financial reporting period and at the reporting date, and the changes during the period. Refer to Statement of Changes in Equity, for more details.

1.26 Non-controlling interest

The Group recognised non-controlling interest in Chelsea Wealth Management Pty Limited until 21 July 2023 at the non-controlling interest's proportionate share of the acquiree's net identifiable assets (refer to note 15). Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Consolidated Statement of Financial Position respectively. Refer to statement of changes of equity for more details.

1.27 Comparatives

Where necessary, immaterial comparative information has been reclassified and repositioned for consistency with current year disclosures.

2. Interest income

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Loans and advances	**102.8**	79.2	**102.8**	79.2
Investment securities	**22.4**	16.3	**22.4**	16.3
Credit cards	**1.0**	1.0	**1.0**	1.0
Overdrafts	**0.6**	0.5	**0.6**	0.5
Cash at bank	**3.0**	2.5	**2.9**	2.5
Total interest income	129.8	99.5	129.7	99.5

3. Interest expense

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Member deposits	**16.9**	7.9	**16.9**	7.9
Term deposits from members	**26.7**	12.2	**26.7**	12.2
Wholesale funding	**19.0**	9.4	**19.0**	9.4
Interest rate swaps	**1.0**	0.2	**1.0**	0.2
Lease liabilities	**0.1**	0.1	**0.1**	0.1
Total interest expense	63.7	29.8	63.7	29.8

4. Non-interest income

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Loan fee income	**3.3**	3.3	**3.3**	3.3
Financial advisory fee income	**2.6**	2.7	**–**	–
Commission income	**1.9**	1.0	**1.9**	1.0
Dividend income	**0.5**	0.4	**0.5**	0.4
Rent income	**0.1**	0.1	**0.1**	0.1
Total non-interest income	8.4	7.5	5.8	4.8

5. Expected credit loss, net of recoveries

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Expected credit loss provision charge	**1.1**	3.2	**1.1**	3.2
Bad debts written off	**0.2**	0.2	**0.2**	0.2
Bad debts recovered	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Total expected credit loss, net of recoveries	**1.2**	3.3	**1.2**	3.3

6. Employment expenses

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Salary and salary related expenses	**22.8**	20.1	**21.5**	18.8
Payroll tax and superannuation expenses	**4.2**	3.1	**4.0**	3.0
Board and committee related expenses	**0.9**	0.4	**0.9**	0.4
Other employment expenses	**1.3**	2.1	**1.2**	2.0
Total employment expenses	**29.2**	25.7	**27.6**	24.2

7. Operating expenses

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Transaction fee expenses	**6.6**	6.5	**6.6**	6.4
Information technology expenses	**11.2**	11.1	**11.1**	11.0
Professional and consulting expenses	**6.2**	3.6	**6.1**	3.6
Marketing expenses	**1.9**	2.3	**1.8**	2.3
Occupancy expenses	**0.5**	0.8	**0.4**	0.7
General administration expenses	**2.3**	2.7	**2.1**	2.4
Other operating expenses	**1.3**	1.3	**1.3**	1.3
Total operating expenses	**30.0**	28.3	**29.5**	27.7

8. Depreciation and amortisation

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Depreciation				
Buildings	**0.4**	0.3	**0.4**	0.3
Equipment	**0.2**	0.3	**0.2**	0.3
Leasehold improvements	**–**	0.2	**–**	0.2
Right-of-use property assets	**0.7**	0.6	**0.7**	0.5
Right-of-use motor vehicle assets	**–**	0.1	**–**	0.1
Total depreciation	**1.3**	1.5	**1.3**	1.4
Amortisation				
Software	**–**	–	**–**	–
Customer lists	**–**	0.4	**–**	–
Total amortisation	**–**	0.4	**–**	–
Total depreciation and amortisation	**1.3**	1.9	**1.3**	1.4

9. Taxes

(I) INCOME TAX EXPENSES

Numerical reconciliation of income tax expense to profit before tax

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Profit before income tax	**12.8**	14.9	**12.2**	17.9
Income tax at 30% (2023: 30%)	**3.8**	4.5	**3.7**	5.4
Impairment loss on customer listing	**–**	1.0	**–**	–
Prior year adjustments	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Non-deductible expenses	**–**	0.1	**–**	0.1
Rebate on fully franked dividends	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Income tax expense	**3.6**	5.4	**3.5**	5.3
Income tax expense comprises:				
Current income tax expense	**6.0**	6.4	**5.8**	6.3
Increase in deferred tax assets	**(2.2)**	(0.8)	**(2.1)**	(0.8)
Decrease in deferred tax liabilities	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Income tax expense recognised in profit or loss	**3.6**	5.4	**3.5**	5.3

9. Taxes (continued)

(II) CURRENT TAX ASSETS AND LIABILITIES

The asset / liability represents the amount of income tax receivable / payable in respect of current and prior financial year due to the relevant tax authority.

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Current tax receivable / (payable)	**0.4**	(1.7)	**0.5**	(1.7)

(III) DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets balance is comprised of temporary differences attributable to:

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Provision for expected credit loss	**2.8**	2.5	**2.8**	2.5
Provision for employee entitlements	**0.7**	0.7	**0.7**	0.7
Derivative liabilities	**0.5**	0.8	**0.5**	0.8
Accrued expenses	**1.0**	1.1	**1.0**	1.1
Software implementation expense [1]	**3.0**	–	**3.0**	–
Other	**0.9**	0.9	**0.8**	0.7
Total deferred tax assets	**8.9**	6.0	**8.8**	5.8
Set-off of DTAs and DTLs	**(4.5)**	(4.7)	**(4.5)**	(4.6)
Net deferred tax assets	**4.4**	1.3	**4.3**	1.2

[1] Software implementation expense relate to implementation costs incurred on the new core banking system, which are claimed over 5 years for tax purposes.

The deferred tax liabilities balance is comprised of temporary differences attributable to:

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Property, plant and equipment	**(0.2)**	-	**(0.2)**	–
Equity investment at fair value	**4.7**	4.6	**4.7**	4.6
Other	**–**	0.1	**–**	–
Total deferred tax liabilities	**4.5**	4.7	**4.5**	4.6
Set-off of DTAs and DTLs	**(4.5)**	(4.7)	**(4.5)**	(4.6)
Net deferred tax liabilities	**–**	–	**–**	–

(IV) MOVEMENT

Opening balance of net DTA/(DTL)	**1.3**	(0.7)	**1.2**	(0.7)
Recognised in profit or loss	**3.5**	0.9	**3.5**	0.8
Recognised in other comprehensive income	**(0.4)**	1.1	**(0.4)**	1.1
Closing balance of net DTA	**4.4**	1.3	**4.3**	1.2

9. Taxes (continued)

(V) AMOUNTS RECOGNISED DIRECTLY IN EQUITY

Deferred income tax expense arising in the reporting period related to items charged / (credited) directly in equity:

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Net movement on cash flow hedges	**(0.3)**	0.8	**(0.3)**	0.8
Net movement on Cuscal investment measured at FVOCI	**(0.2)**	0.4	**(0.2)**	0.4
Net movement on revaluation of land	**0.1**	(0.1)	**0.1**	(0.1)
	(0.4)	1.1	**(0.4)**	1.1

Refer to note 26 for more details.

(VI) RECOVERABILITY OF THE DEFERRED TAX ASSETS

Deferred tax assets relating to unused losses and deductible temporary differences are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Management assessed the recoverability of the temporary timing differences as at 30 June 2024. As at 30 June 2024, the Group has no cumulative unused tax losses (2023: $nil), and no deferred tax asset has been recognised to reflect this (2023: $nil). The Group continues to realise taxable profits to utilise deferred tax assets and the Group has sufficient deferred tax liabilities to off-set deferred tax assets. As a result, management has not identified an impairment of the recoverability of the $4.4 million temporary timing differences as at 30 June 2024 (2023: $1.3 million).

10. Cash and cash equivalents

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Cash on hand	**0.9**	1.0	**0.9**	1.0
Cash at bank	**23.0**	12.2	**21.0**	11.0
Deposits at call	**8.1**	12.5	**8.1**	12.5
Restricted cash	**43.4**	47.7	**–**	–
Total cash and cash equivalents	**75.4**	73.4	**30.0**	24.5

(I) RESTRICTED CASH

Included within cash and cash equivalents at 30 June 2024 is $43.4 million (2023: $47.7 million) on restricted cash for liquidity and expense reserve respectively. The restricted cash is held in the PB Trust 2022-1R, which is a self-securitisation trust established for liquidity purposes (refer to note 15). The restricted trust balance is therefore not available for general use by Police Bank Limited or its controlled entities.

(II) GUARANTEES

Refer to note 30 for further details on financial guarantees in place during 2024 and 2023 in relation to cash and cash equivalents.

(III) MATURITY PERIOD

Refer to note 28 for the Group's exposure to liquidity risk, the maturity profile of cash & cash equivalents and the expected credit loss provision in relation to deposits at call.

(IV) FAIR VALUE MEASUREMENT

The fair value of cash and cash equivalents are not materially different to the carrying amount due to the short-term nature of these instruments. Refer to note 29 for information on fair value measurement.

11. Trade and other receivables

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Payment system clearing account	**1.1**	3.0	**1.1**	3.0
Income accruals	**3.3**	3.5	**3.3**	3.3
Sundry debtors	**0.3**	0.2	**0.1**	0.2
Total trade and other receivables	**4.7**	6.7	**4.5**	6.5

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

(I) MATURITY PROFILE

The trade and other receivable amounts are expected to be recovered within the next 12 months. Refer to note 28 for the liquidity risk, maturity profile and the expected credit loss provision in relation to the trade and other receivables.

(II) FAIR VALUE MEASUREMENT

The fair value of trade and other receivables are not materially different to the carrying amount due to the short-term nature of these instruments. Refer to note 29 for information on fair value measurement.

12. Investment securities

Financial assets measured at amortised cost – hold to maturity portfolio:

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
State Government or Territory borrowings	**25.0**	45.0	**25.0**	45.0
Bank bills and certificates of deposit	**89.9**	66.3	**89.9**	66.3
Floating rate notes	**307.1**	357.5	**307.1**	357.5
Expected credit loss provision	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Total investment securities	**421.7**	468.5	**421.7**	468.5

(I) INVESTMENTS PLEDGED AS COLLATERAL

The bank bills and certificates of deposits include $20.8 million (2023: $20.8 million), representing the Bank's security deposit obligations with Cuscal Limited which are not available for use to the Group. Refer to note 30 for further information on the Cuscal facility.

Other than the security deposit obligation with Cuscal Limited, the investment securities balance at 30 June 2024 is fully unencumbered (2023: $43.0 million). The floating rate notes pledged as security in the prior year were utilised as a collateral as part of entering repurchase agreements with the Reserve Bank of Australia or major banks through Interbank Repurchase Agreements. Refer to note 21 borrowings, for more details.

(II) EXPECTED CREDIT LOSSES

The investment securities are denominated in Australian Dollars and held with APRA regulated Australian financial institutions. These receivables are considered to meet the definition of a low-risk investment and have been considered on this basis for the allowance for credit losses. All investments are in Stage 1 for the expected credit loss provisioning purposes.

The table below represents the reconciliation of opening balance to closing balance of expected credit loss:

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Opening balance as at 1 July	**(0.3)**	–	**(0.3)**	–
Expected credit loss provision charge	**–**	(0.3)	**–**	(0.3)
Amounts written off, previously provided for	**–**	–	**–**	–
Closing balance as at 30 June	**(0.3)**	(0.3)	**(0.3)**	(0.3)

During the year, the Group recognised $nil (2023: $0.3 million) provision for expected credit loss. Refer to note 5, Expected credit loss and impairment, net of recoveries. The provision covers the low-risk in cash and cash equivalents, trade and other receivables and investment securities.

(III) MATURITY PROFILE

Refer to note 28 for the Group's exposure to liquidity risk and the maturity profile of the investment securities.

(IV) FAIR VALUE MEASUREMENT

The Group's business model for managing its financial assets in order to generate cash flows is to hold investments to maturity and collect the associated contractual cash flows. Investments are initially recognised at fair value, and subsequently measured at amortised cost. The fair value of investments held at balance date are disclosed within note 29.

13. Equity investment

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Shares in Cuscal Limited	**9.2**	8.5	**9.2**	8.5
Total equity investment	**9.2**	8.5	**9.2**	8.5

(I) DISCLOSURES ON SHARES VALUED WITH UNOBSERVABLE INPUTS FOR CUSCAL LIMITED (CUSCAL)

Cuscal is an unlisted public company in Australia. Cuscal is an Australian Prudential Regulation Authority (APRA) Authorised Deposit-taking Institution (ADI) that supplies services to organisations which are primarily mutual banks and credit unions. Under Cuscal's constitution there are no limitations as to who the Group may sell its shares to, however, Cuscal is primarily owned by mutual Authorised Deposit-taking Institutions (ADIs) and trading in its shares is very limited to other Cuscal eligible shareholders and information on such trading is not publicly available.

The Group has designated the shares in Cuscal Limited at fair value through the statement of other comprehensive income (FVTOCI) from 1 July 2019, because the investment is held to enable the Group to receive essential banking services, rather than with a view to profit on subsequent sale, and there are no plans to dispose the investment during the short term. These shares are not publicly traded and are not redeemable.

(II) MATURITY PROFILE

The Group is not intending to dispose of these shares and therefore the investment does not mature.

(III) FAIR VALUE MEASUREMENT

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVTOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

The Group has determined the fair value of its shares in Cuscal using level 3 unobservable fair value techniques based on the latest audited financial statements, and recent share transactions using recent arm's length transactions (if any).

13. Equity investment (continued)

(IV) DISCLOSURES ON VALUATION OF SHARES

VALUATION APPROACH	UNOBSERVABLE INPUTS USED	FAIR VALUE AT 30 JUNE 2024 $'000	FAIR VALUE AT 30 JUNE 2023 $'000	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Measurement of the value of the shares have been made with reference to the net asset, adjusted for goodwill and deferred tax assets, backing per share. The value is taken from the most recent available audited financial statements from the organisation.	**Cuscal** Net asset backing per share from 2024 audited financial statements. The majority of assets are disclosed at fair value, and for those assets disclosed at amortised cost, it would be reasonable to expect the fair value would be equivalent to cost. **30 June 2024:** $1.41 per share, Total shares: 6,537,528 **30 June 2023:** $1.30 per share Total shares: 6,537,528	9,199	8,519	An increase / decrease of 10% on the net asset backing per share would result in an increase/ decrease in the fair value by $0.92 million (2023: $0.85 million)

(V) EQUITY INVESTMENT HELD AT FVTOCI RESERVE

During the year, the Group recognised $0.7 million of fair value gains (2023: $1.3 million loss) on the equity investment at FVTOCI in the Statement of Profit or Loss and Other Comprehensive Income, net of tax.

Refer to note 26.

(VI) DIVIDENDS INCOME FROM CUSCAL

During the year, the Group recognised $0.5 million (2023: $0.4 million) of fully franked dividends from investment securities at FVTOCI in profit or loss. Refer to the non-interest income note 4.

(VII) EQUITY INVESTMENT MOVEMENT RECONCILIATION

GROUP AND BANK	
Reconciliation	$M
Balance at 1 July 2022	**9.8**
Net change in fair value recognised in other comprehensive income, net of tax	(1.3)
Balance at 30 June 2023	**8.5**
Balance at 1 July 2023	**8.5**
Net change in fair value recognised in other comprehensive income, net of tax	0.7
Balance at 30 June 2024	**9.2**

14. Net loans and advances

(I) NET LOANS AND ADVANCES HELD AT AMORTISED COST

GROUP AND BANK	2024	2023
	$M	$M
Gross loans and advances	**2,044.3**	1,986.9
Less:		
Expected credit loss	**(9.2)**	(8.2)
Deferred fees	**(1.9)**	(1.9)
Total net loans and advances	**2,033.2**	1,976.8

HOPE Housing Fund Management Limited (HOPE)

The Group partners with HOPE Housing Fund Management Limited (HOPE) for an Essential Worker Home Loan Scheme. Under the scheme a homeowner enters into a shared equity agreement with HOPE to share the capital cost of purchasing a home. On completion of the purchase of the property the title is transferred to the Homeowner. At 30 June 2024, 17 loans (2023: 8 loans) have been advanced under the scheme with balances owing of $9.2 million (2023: $4.6 million) which is included in net loans and advances above.

Homeowners can buy back the proportionate value of the HOPE Investment, either partially or wholly, without the sale of the property. HOPE will not be a joint tenant, a tenant in common, or take any other equitable interest in the property except for a registered charge.

Upon sale of the property, the homeowner incurs a personal obligation to pay to HOPE the sale proceeds from the property, proportionate to the HOPE Investment in the property, including the proportional share of any capital gain. From the Group's perspective there is no change in the normal settlement process that applies to other loans.

The Group does not share in any of the capital gain or receives any additional proceeds under the scheme and as such there is no embedded derivative under AASB 9 Financial Instruments. These loans are also classified as standard loans under APS 112 Capital Adequacy: Standardised Approach to Credit Risk.

(II) GROSS LOANS AND ADVANCES BY PURPOSE

GROUP AND BANK	2024	2023
Analysis by purpose	$M	$M
Home loans	**1,963.7**	1,905.7
Personal loans	**60.4**	57.8
Credit cards	**14.3**	14.7
Overdrafts	**5.1**	4.9
Finance Leases	**–**	0.2
Commercial loans	**0.8**	3.7
Gross loans and advances	**2,044.3**	1,986.9

14. Net loans and advances (continued)

(III) GROSS LOANS AND ADVANCES BY SECURITY

GROUP AND BANK	SECURED AGAINST REAL ESTATE		SECURED BY OTHERS		UNSECURED	
Credit quality – security held against loans:	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
	$M	$M	$M	$M	$M	$M
Home loans	**1,963.7**	1,905.7	**–**	–	**–**	–
Personal loans	**–**	–	**40.9**	37.0	**19.5**	20.8
Credit cards	**–**	–	**–**	–	**14.3**	14.7
Overdrafts	**–**	–	**–**	–	**5.1**	4.9
Finance Leases	**–**	–	**–**	0.2	**–**	–
Commercial loans	**–**	–	**–**	–	**0.8**	3.7
Total gross loans and advances	**1,963.7**	1,905.7	**40.9**	37.2	**39.7**	44.1

(IV) CONCENTRATION OF GROSS LOANS AND ADVANCES

GROUP AND BANK		
Gross loans and advances by geographical concentration	**2024**	**2023**
	$M	$M
New South Wales	**1,597.2**	1,578.5
Australian Capital Territory	**174.1**	165.6
Tasmania	**105.9**	99.1
Victoria	**73.2**	62.2
Queensland	**72.1**	60.1
Others	**21.7**	21.4
Total gross loans and advances	**2,044.3**	1,986.9

Individual concentration

As at 30 June 2024 there was no loan to any individual member, which represents 10% or more of loans and advances (2023: none).

Industry concentration

The Group has a customer or industry concentration of loans to Members who are predominantly employees in the NSW Police Force and the Australian Federal Police. This concentration is considered acceptable on the basis that the Group was formed to service these Members, and that the industry is an essential and stable industry. Should Members leave this industry the loans continue, and other employment opportunities are available to the Members to facilitate the repayment of the loans.

Concentration of loans and advances

In addition to the on-Statement of Financial Position credit exposure above there are approved but undrawn loans and credit limits. These comprise mortgage re-draws and credit lines, credit card and overdraft facilities:

GROUP AND BANK	2024	2023
Credit exposure to undrawn facilities:	$M	$M
Loans approved not yet funded	58.5	65.7
Undrawn credit limits and re-draw	54.4	56.3
Total undrawn facilities	112.9	122.0

14. Net loans and advances (continued)

(V) MATURITY PROFILE

GROUP AND BANK	2024	2023
	$M	$M
Expected maturities within 12 months	197.6	188.9
Expected maturities greater than 12 months	1,835.6	1,788.0
Total net loans and advances	**2,033.2**	**1,976.8**

Refer to note 28 for the liquidity risk management and maturity profile of loans and advances.

(VI) FAIR VALUE MEASUREMENT

Refer to note 29 for information on fair value measurement.

Allowance for expected credit losses

(I) EXPECTED CREDIT LOSSES

The table below represents the reconciliation of opening balance to closing balance of expected credit loss:

GROUP AND BANK	2024	2023
Expected credit losses for loans and advances	$M	$M
Opening balance as at 1 July	**(8.2)**	(5.1)
Expected credit loss provision charge	**(1.0)**	(3.1)
Amounts written off, previously provided for	**–**	–
Closing balance as at 30 June	**(9.2)**	(8.2)

(II) LOAN TYPE BY CREDIT LOSSES

The expected credit loss by class of asset is summarised in the following tables:

GROUP AND BANK	GROSS CARRYING VALUE		EXPECTED CREDIT LOSS		CARRYING VALUE	
	2024	2023	2024	2023	2024	2023
	$M	$M	$M	$M	$M	$M
Home loans	1,963.7	1,905.7	(7.3)	(6.5)	1,956.4	1,899.2
Personal loans	60.4	57.8	(1.1)	(1.1)	59.3	56.7
Credit cards	14.3	14.7	(0.4)	(0.3)	13.9	14.4
Overdrafts	5.1	4.9	(0.3)	(0.2)	4.8	4.7
Finance Leases	–	0.2	–	–	–	0.2
Total to households	**2,043.5**	1,983.3	**(9.1)**	(8.1)	**2,034.4**	1,975.2
Commercial loans	0.8	3.7	–	–	0.8	3.7
Total	**2,044.3**	1,986.9	**(9.1)**	(8.1)	**2,035.2**	1,978.8
Undrawn credit commitments	112.9	122.0	(0.1)	(0.1)	112.8	121.9
Total loans and advances	**2,157.1**	2,108.9	**(9.2)**	(8.2)	**2,147.9**	2,100.7

14. Net loans and advances (continued)

(III) CREDIT EXPOSURES BY SECURITY

The expected credit loss by class of asset and security is summarised in the following tables:

GROUP AND BANK	2024 CREDIT EXPOSURE BY SECURITY IN $M					
Loans and advances by expected credit loss and security	Gross carrying value	Expected credit loss	Carrying value	Secured against real estate	Secured by others	Unsecured
Home loans	1,963.7	(7.3)	1,956.4	1,956.4	–	–
Personal loans	60.4	(1.1)	59.3	–	40.2	19.2
Credit cards	14.3	(0.4)	13.9	–	–	13.9
Overdrafts	5.1	(0.3)	4.8	–	–	4.8
Finance Leases	–	–	–	–	–	–
Commercial loans	0.8	–	0.8	–	–	0.8
Total	**2,044.3**	**(9.1)**	**2,035.2**	1,956.4	**40.2**	**38.7**
Undrawn credit commitments	112.9	(0.1)	112.8	–	0.5	112.3
Total loans and advances	**2,157.1**	**(9.2)**	**2,147.9**	1,956.4	**40.6**	**151.0**

GROUP AND BANK	2023 CREDIT EXPOSURE BY SECURITY IN $M					
Loans and advances by expected credit loss and security	Gross carrying value	Expected credit loss	Carrying value	Secured against real estate	Secured by others	Unsecured
Home loans	1,905.7	(6.5)	**1,899.2**	**1,899.2**	**–**	**–**
Personal loans	57.8	(1.1)	**56.7**	**–**	**36.3**	**20.4**
Credit cards	14.7	(0.3)	**14.4**	**–**	**–**	**14.4**
Overdrafts	4.9	(0.2)	**4.7**	**–**	**–**	**4.7**
Finance Leases	0.2	–	**0.2**	**-**	**–**	**0.2**
Commercial loans	3.7	–	**3.7**	**–**	**–**	**3.7**
Total	**1,986.9**	**(8.1)**	**1,978.8**	**1,899.2**	**36.3**	**43.4**
Undrawn credit commitments	122.0	(0.1)	**121.9**	**74.9**	**0.2**	**46.8**
Total loans and advances	**2,108.9**	**(8.2)**	**2,100.7**	**1,974.1**	**36.5**	**90.1**

(IV) ASSET CLASS BY STAGING

An analysis of the Group's credit risk exposure per class of loans and advances and stage before and after management's overlay is reflected in the following table:

GROUP AND BANK	2024 $M				2023 $M			
ECL Staging	Stage 1 12 months	Stage 2 12 months	Stage 3 12 months	Total	Stage 1 12 months	Stage 2 12 months	Stage 3 12 months	Total
Home loans	0.5	0.1	1.0	1.6	0.5	0.2	0.4	1.1
Personal loans	0.5	0.2	0.2	0.9	0.5	0.1	0.3	0.9
Credit cards	0.2	0.1	0.1	0.4	0.1	0.1	0.1	0.3
Overdrafts	0.1	0.1	0.1	0.3	0.1	–	0.1	0.2
Finance leases	–	–	–	–	–	–	–	–
Total to households	**1.3**	**0.5**	**1.4**	**3.2**	**1.2**	**0.4**	**0.9**	**2.5**
Commercial loans	–	–	–	–	–	–	–	–
Undrawn credit commitments	0.1	–	–	0.1	0.1	–	–	0.1
Management overlay	**0.6**	**1.6**	**3.7**	**5.9**	**2.0**	**1.8**	**1.8**	**5.6**
Total expected credit loss	**2.0**	**2.1**	**5.1**	**9.2**	**3.3**	**2.2**	**2.6**	**8.2**

14. Net loans and advances (continued)

(V) MOVEMENTS BY STAGING

The table below represents the movement during the year on expected credit losses:

GROUP AND BANK		LIFETIME ECL $M							
Expected credit losses 2024		Gross Loans Stage 1	Stage 1 ECL	Gross Loans Stage 2	Stage 2 ECL	Gross Loans Stage 3	Stage 3 ECL	Total Gross Loans	Total ECL
Opening Balance for 1 July 2023		**1,978.2**	**3.4**	**3.9**	**2.3**	**4.8**	**2.5**	**1,986.9**	**8.2**
Net asset origination		59.5	–	(0.4)	–	(1.3)	–	57.8	–
Transfers during the period to / (from)	Stage 1	(10.8)	–	2.6	–	8.2	–	–	–
	Stage 2	2.3	–	(2.7)	–	0.3	–	(0.1)	–
	Stage 3	1.2	–	–	–	(1.3)	–	(0.1)	–
Net re-measurement on transfers between stages		**(7.3)**	**(1.4)**	**(0.1)**	**(0.2)**	**7.2**	**2.6**	**(0.2)**	**1.0**
Movements due to risk parameters		–	–	–	–	–	–	–	–
Write-offs		–	–	(0.1)	–	(0.1)	–	(0.2)	–
Closing balance at 30 June 2024		**2,030.4**	**2.0**	**3.3**	**2.1**	**10.6**	**5.1**	**2,044.3**	**9.2**

GROUP AND BANK		LIFETIME ECL $M							
Expected credit losses 2023		Gross Loans Stage 1	Stage 1 ECL	Gross Loans Stage 2	Stage 2 ECL	Gross Loans Stage 3	Stage 3 ECL	Total Gross Loans	Total ECL
Opening Balance for 1 July 2022		**1,862.0**	**2.8**	**1.7**	**0.9**	**3.3**	**1.4**	**1,867.0**	**5.1**
Net asset origination		121.6	–	(0.1)	–	(1.4)	–	120.1	–
Transfers during the period to / (from)	Stage 1	(5.8)	–	2.9	–	3.0	–	–	–
	Stage 2	0.4	–	(0.6)	–	0.2	–	–	–
	Stage 3	–	–	0.2	–	(0.3)	–	–	–
Net re-measurement on transfers between stages		(5.4)	0.6	2.5	1.4	2.9	1.1	–	3.1
Movements due to risk parameters		–	–	–	–	–	–	–	–
Write-offs		–	–	(0.1)	–	(0.1)	–	(0.2)	–
Closing balance at 30 June 2023		**1,978.2**	**3.4**	**3.9**	**2.3**	**4.8**	**2.5**	**1,986.9**	**8.2**

Stage 1 ECL includes a provision of $0.1 million which relates to undrawn credit commitments (2023: $0.1 million).

14. Net loans and advances (continued)

(VI) CREDIT LOSS STAGING BY SECURITY

The table below represents the stages by security in expected credit losses:

GROUP AND BANK	SECURED AGAINST REAL ESTATE		SECURED BY OTHERS		UNSECURED	
	2024	2023	2024	2023	2024	2023
Credit losses by security	$M	$M	$M	$M	$M	$M
Stage 1	**1.2**	2.4	**0.3**	0.3	**0.5**	0.7
Stage 2	**1.7**	2.0	**0.1**	0.1	**0.3**	0.2
Stage 3	**4.5**	2.2	**0.2**	0.2	**0.4**	0.3
Total expected credit losses	**7.4**	6.5	**0.6**	0.6	**1.2**	1.1

(VII) LOAN TO VALUE BY SECURITY

The Group holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. For certain residential mortgages, where the Loan to Value Ratio (LVR) is greater than 80%, lenders mortgage insurance contracts (LMI) are entered into in order to manage credit risk. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

The tables below provide information on credit exposures from loans and advances lending by stratifications of LVRs. The LVR is calculated as the ratio of the current balance of the loan to the most recent valuation of the collateral.

GROUP AND BANK	SECURED AGAINST REAL ESTATE		SECURED BY OTHERS		UNSECURED	
At 30 June 2024	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL
Loan-to-value ratio (LVR)	$M	$M	$M	$M	$M	$M
<=20%	83.3	(0.2)	–	–	–	–
>20%<=40%	276.4	(0.7)	–	–	–	–
>40%<=70%	969.2	(1.9)	–	–	–	–
>70%<=80%	406.7	(2.7)	–	–	–	–
>80%<=90%	123.7	(1.4)	–	–	–	–
>90%<=100%	34.4	(0.3)	–	–	–	–
>100%	–	–	–	–	–	–
>FHLDS*	138.9	(0.1)	–	–	–	–
Secured by others & unsecured	–	–	37.0	(0.7)	87.5	(1.2)
	2,032.7	(7.3)	37.0	(0.7)	87.5	(1.2)

* Loans issued under the federal government's First Home Loan Deposit Scheme [FHLDS] by National Housing Finance and Investment Corporation (NHFIC) are guaranteed for any loan monies above 80% LVR.

14. Net loans and advances (continued)

(VII) LOAN TO VALUE BY SECURITY (CONTINUED)

The total carrying amount of loans with LVR's greater than 70% that are disclosed above and not insured by lenders mortgage insurance contracts amounts to:

- LVR's >70%<=80%: $336.0 million (2023: $310.3 million); and
- LVR's >80%: $157.8 million (2023: $137.8 million).

GROUP AND BANK	SECURED AGAINST REAL ESTATE		SECURED BY OTHERS		UNSECURED	
At 30 June 2023	Gross Carrying amount	ECL	Gross Carrying amount	ECL	Gross Carrying amount	ECL
Loan-to-value ratio (LVR)	$M	$M	$M	$M	$M	$M
<=20%	80.1	(0.2)	–	–	–	–
>20%<=40%	265.0	(0.6)	–	–	–	–
>40%<=70%	944.9	(2.1)	–	–	–	–
>70%<=80%	388.2	(2.2)	–	–	–	–
>80%<=90%	137.4	(1.0)	–	–	–	–
>90%<=100%	37.8	(0.3)	–	–	–	–
>100%	–	–	–	–	–	–
>FHLDS*	127.2	(0.1)	–	–	–	–
Secured by others & unsecured	–	–	37.0	(0.7)	91.4	(1.0)
	1,980.5	(6.5)	37.0	(0.7)	91.4	(1.0)

(VIII) ARREARS BY STAGING

Under the Group's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted and at the latest when the exposure becomes 30 days past due. The tables below provide an analysis of the amount of loans and advances by past due status:

GROUP AND BANK	2024 IN $M					
Arrears by staging	Gross Carrying value	Current	1–29 days	30–59 days	60–89 days	90+ days
Home loans	1,963.7	1,925.5	25.3	1.6	1.5	9.8
Personal loans	60.4	58.5	1.2	0.1	–	0.6
Credit cards	14.3	14.1	–	0.1	–	0.1
Commercial loans	0.8	0.8	–	–	–	–
Total	**2,039.2**	**1,998.9**	**26.5**	**1.8**	**1.5**	**10.5**

GROUP AND BANK	2023 IN $M					
Arrears by staging	Gross Carrying value	Current	1–29 days	30–59 days	60–89 days	90+ days
Home loans	1,905.7	1,882.1	15.7	2.4	1.2	4.3
Personal loans	57.8	56.2	1.0	0.1	0.1	0.3
Credit cards	14.7	14.5	–	0.1	0.0	0.1
Commercial loans	3.7	3.7	–	–	–	–
Total	**1,981.9**	**1,956.6**	**16.7**	**2.6**	**1.3**	**4.7**

14. Net loans and advances (continued)

(IX) PROBABILITY OF DEFAULT ('PD') AND LOSS GIVEN DEFAULT ('LGD')

Key assumptions and judgements adopted in estimating ECL are presented below. Details on the Group's policy on determining these assumptions, including judgement involved are presented in note 1.

LOAN PURPOSE	KEY ASSUMPTIONS AND JUDGEMENTS
Home loans and undrawn facilities	All home loans are mortgage secured. The home loan book includes loans with loan-to-value ratios (LVR's) greater than 70% that do not have Lenders Mortgage Insurance i.e. • $336.0 million or 17.6% of home loans with LVR's >70%<=80%; and • $157.8 million or 8.3% of home loans population >=80% LVR. The absence of statistical relevant loss data on the Group's portfolio makes it difficult to arrive at LGD, therefore, the Group has used data sourced from the four major Australian banks.
Personal loans, credit cards, overdrafts, finance leases, commercial loans and respective undrawn facilities	The Group has undertaken extensive review of credit losses incurred over the period till date, in order to determine PD and LGD and noted no significant change in losses in the current year especially given the insignificant write-offs

The following table reflects the split between modelled expected credit losses, forward-looking inputs, and management overlays. Where there is increased uncertainty regarding the forward-looking economic conditions or limitations of the historical data used to calibrate the model to current stressed environments, overlays are typically used to address areas of potential risk not captured in the underlying provisions.

GROUP AND BANK	2024	2023
	$M	$M
Base modelled credit loss provision	**3.3**	2.6
Forward looking and management overlays:		
Home loans with LVR's >70%<=80% and no LMI insurance	1.8	1.4
Home loans with LVR's LVR's >80% and no LMI insurance	0.9	0.8
Fixed interest rate home loans that will revert to variable rates	1.6	2.0
Home loan hardship accounts	1.5	1.2
All other loan hardship accounts	0.2	0.2
Total expected credit loss provisions	**9.2**	8.2

GROUP AND BANK	2024	2023
	$M	$M
Total gross loans and advances	2,044.3	1,986.9
Total write-offs	(0.2)	(0.2)
Ratios	%	%
Total expected credit loss provisions to gross loans	0.45	0.41
Total write-offs to gross loans	0.01	0.01

SENSITIVITY ANALYSIS

Over the past year, the global economy has experienced a period of weaker growth as central banks around the world held interest rates at elevated levels to temper inflation. While major economies have proven more resilient than many anticipated, consumer and business sentiment suffered as higher borrowing costs, greater uncertainty and cost-of-living pressures had an impact. The uncertainty in relation to the measurement of the Group's ECL for loans and advances to customers remains high in comparison with historic levels. Accordingly, significant adjustments to the ECL could occur in future periods as the full effects of inflation and interest rate increases are borne out.

14. Net loans and advances (continued)

FORWARD LOOKING AND MANAGEMENT OVERLAYS

As noted in **(viii) Arrears by staging**, total arrears increased by $15.0 million to $40.3 million as at 30 June 2024 compared to total arrears in the prior year (2023: $25.3 million). However, total write-offs remained consistently low at $0.2 million year on year. The increase in risk as a result of the increase in arrears has been considered in determination of the appropriate total expected credit loss provision as at 30 June 2024. The Group has assessed a new overlay of $5.9 million as at 30 June 2024 (2023: $5.6 million) to provide for expected credit loss due to the significant uncertainty in the forward-looking economic environment, including the impact of rising interest rates and inflationary pressures.

Overlays are determined based on a range of techniques including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments.

Management focused the overlay provision on the following areas at risk in the loan book:

- Home loans with LVR's between 70% to 80% and no LMI insurance;
- Home loans with LVR >80% and no LMI insurance;
- Home loans currently on fixed interest rates that will revert to variable interest rates;
- Home loan hardship accounts; and
- All other loan hardship accounts.

Refer to section **(vii) Loan to value by security** above for the allocation of the total expected credit loss provision.

FORWARD LOOKING ASSUMPTIONS

The Group applies three alternative macro-economic scenarios (Base, Upside and Downside scenarios) to reflect unbiased probability-weighted range of possible future outcomes in estimating the Group's total expected credit loss provisions. Management reviews the model monthly and adjusts the macro-economic outlook as the information become available. The Group formulated following three economic scenarios:

SCENARIO WEIGHTING	2024	2023	EXPECTATION
Base	50%	50%	Where the Australian economy performs somewhat worse than forecasted by RBA.
Upside	5%	5%	Where the Australian economy tracks broadly along the lines that the RBA has forecasted in terms of unemployment, growth, and inflation.
Downside	45%	45%	Where the Australian economy performs significantly worse than forecasted by RBA.

Sources which may be considered when determining the economic scenarios including external information, economic data, and forecasts published by the Reserve Bank of Australia, Australian Bureau of Statistics, forecasts published by the four local major banks or other industry peers as well as sources such as QBE, CoreLogic housing outlooks and Refinitiv (previously Thomson Reuters).

15. Investment in subsidiaries

The financial statements incorporate the assets, liabilities, and results of the following subsidiaries and trusts in accordance with the accounting policy described in note 1. The parent entity of the Group is Police Bank Limited.

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Investment in Chelsea Wealth Management	–	–	**5.0**	3.7
Investment in PB 2022-1R	–	–	**43.4**	47.7
Total investment in subsidiaries	–	–	**48.4**	51.4

The value of the investment in PB 2022-IR Trust is disclosed as restricted cash, refer to note 10.

CONSIDERATION FOR INVESTMENT IN CHELSEA WEALTH MANAGEMENT

When there is a change in a parent's ownership interest in a subsidiary, but the parent does not cease to have control, this is accounted for as an equity transaction (i.e., a transaction with owners in their capacity as owners). In particular, therefore, when a parent increases or decreases its stake in an existing subsidiary without losing control, no adjustment is made to goodwill or any other assets, or liabilities, and no gain or loss is reported.

When the proportion of the equity held by non-controlling interest changes, the carrying amounts of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiary. Any differences between the amount by which the non-controlling interest is adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parents.

On 21 July 2023 the Group acquired the remaining 20% shareholding in Chelsea Wealth Management Pty Limited for $1.3 million (cash consideration paid), the amount by which the non-controlling interest is adjusted was $0.2 million, resulting in a net amount of $1.1 million recognised directly in equity and attributed to the members of the Group. Refer to note 26 reserves.

INTEREST IN SUBSIDIARIES

Details of the material subsidiaries at the end of the reporting period are as follows:

Name of entity	Principal Activity	Country of incorporation or registration and principal place of business	Proportion of ownership interest and voting power held by the Group per 30/06/2024	Proportion of ownership interest and voting power held by the Group per 30/06/2023
PB Trust 2022-1R	Securitisation trust	Australia	100%	100%
Chelsea Wealth Management Pty Limited	Financial planning	Australia	100%	80%

IMPAIRMENT ASSESSMENT OF INVESTMENT IN CONTROLLED ENTITIES

The investments in subsidiaries are held at cost. For each entity, the carrying amount of the investments in controlled entities is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of AASB 9 Financial Instruments indicates that the investment may be impaired.

For financial year ended 30 June 2024, no impairment indicators were noted (2023: $nil).

MATURITY PROFILE

Refer to note 28 for the maturity profile.

16. Property and equipment

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Land – at fair value	**6.4**	6.8	**6.4**	6.8
Buildings[1]				
At cost	**13.6**	11.1	**13.6**	11.1
Less: accumulated depreciation	**(3.6)**	(2.6)	**(3.6)**	(2.6)
Total buildings	**10.0**	8.5	**10.0**	8.5
Equipment[1]				
At cost	**1.8**	4.2	**1.8**	4.2
Less: accumulated depreciation	**(0.9)**	(1.5)	**(0.9)**	(1.5)
Total equipment	**0.9**	2.7	**0.9**	2.7
Leasehold improvements				
At cost	**–**	–	**–**	–
Less: accumulated depreciation	**–**	–	**–**	–
Total leasehold improvements	**–**	–	**–**	–
Total property and equipment	**17.3**	18.0	**17.3**	18.0

1 As part of the implementation of the Group's new general ledger system during FY24 all assets were individually reviewed prior to migration to the new general ledger. Certain assets with a net book value of $1.9 million were reclassified from Equipment to Buildings.

MOVEMENTS IN CARRYING AMOUNTS

A reconciliation of the carrying amount of each class of property and equipment is set out below:

	GROUP				
	Land	Buildings	Equipment	Leasehold improvements	Total
At 1 July 2022	$M	$M	$M	$M	$M
Opening carrying value	**6.6**	**8.8**	**3.1**	**0.2**	**18.7**
Revaluation	0.2	–	–	–	0.2
Additions	–	–	0.4	–	0.4
Disposal	–	–	(0.5)	–	(0.5)
Depreciation	–	(0.3)	(0.3)	(0.2)	(0.8)
At 30 June 2023	**6.8**	**8.5**	**2.7**	**–**	**18.0**
At 1 July 2023					
Opening carrying value	**6.8**	**8.5**	**2.7**	**–**	**18.0**
Revaluation	(0.4)	–	–	–	(0.4)
Transfers[1]	–	1.9	(1.9)	–	–
Additions	–	–	0.3	–	0.3
Disposal	–	–	–	–	–
Depreciation	–	(0.4)	(0.2)	–	(0.6)
At 30 June 2024	**6.4**	**10.0**	**0.9**	**–**	**17.3**

16. Property and equipment (continued)

MOVEMENTS IN CARRYING AMOUNTS (CONTINUED)

	BANK				
	Land	Buildings	Equipment	Leasehold improvements	Total
At 1 July 2022	$M	$M	$M	$M	$M
Opening carrying value	**6.6**	**8.8**	**3.0**	**0.2**	**18.6**
Revaluation	0.2	–	–	–	0.2
Additions	–	–	0.4	–	0.4
Disposal	–	–	(0.4)	–	(0.4)
Depreciation	–	(0.3)	(0.3)	(0.2)	(0.8)
At 30 June 2023	**6.8**	**8.5**	**2.7**	**–**	**18.0**
At 1 July 2023					
Opening carrying value	**6.8**	**8.5**	**2.7**	**–**	**18.0**
Revaluation	(0.4)	–	–	–	(0.4)
Transfers[1]	–	1.9	(1.9)	–	–
Additions	–	–	0.3	–	0.3
Disposal	–	–	–	–	–
Depreciation	–	(0.4)	(0.2)	–	(0.6)
At 30 June 2024	**6.4**	**10.0**	**0.9**	**–**	**17.3**

1 As part of the implementation of the Group's new general ledger system during FY24 all assets were individually reviewed prior to migration to the new general ledger. Certain assets with a net book value of $1.9 million were reclassified from Equipment to Buildings.

REVALUATION OF LAND

Land is held at fair value through other comprehensive income (FVTOCI) for financial reporting purposes. The Board of Directors considers the impact of market movements on the carrying amount of the asset and where a material difference is likely a formal valuation is undertaken. The Board of Directors either uses market observable data, to the extent it is available, or engages an independent valuer who uses appropriate valuation techniques and unobservable inputs to arrive at fair value.

The revalued land consists of freehold land, excluding any structural improvements, and has then been apportioned between building parcels. The freehold land represents the land parcel owned by the Group, at 25 Pelican Street, Surry Hills, NSW, 2010.

Management determined that these constitute one class of asset under AASB 13 Fair Value Measurement, based on the nature, characteristics, and risks of the freehold land. The valuations have been based on the current market value of freehold land, taking into consideration the sales of similar land in the area, and are categorised as Level 2 in the fair value hierarchy.

ASSET REVALUATION RESERVE

An independent valuation was performed by the Valuer General of New South Wales in September 2023, which supports the fair value of $6.4 million for 30 June 2024 (2023: $6.8 million). As a result, the Group recognised a fair value loss of $0.4 million (2023: gain of $0.2 million) on land at FVTOCI in the Statement of Profit or Loss and Other Comprehensive Income, gross of tax.

Had the Group's land been measured on a historical cost basis, the carrying amount would have been $4.8 million (2023: $4.8 million).

The directors are satisfied that the outcome of these valuations adequately support the land value for the year ended 30 June 2024. Refer to note 26, for more details. Refer to note 26, for more details.

17. Right-of-use assets

	GROUP		BANK	
	2024	2023	2024	2023
Right-of-use assets – property	$M	$M	$M	$M
At cost	**4.3**	3.5	**3.9**	3.2
Less: accumulated depreciation	**(2.8)**	(2.0)	**(2.5)**	(1.9)
Total right-of-use assets – property	**1.5**	1.5	**1.4**	1.3
Right-of-use assets – motor vehicles				
At cost	**0.1**	0.1	**0.1**	0.1
Less: accumulated depreciation	**–**	(0.1)	**–**	(0.1)
Total right-of-use assets – motor vehicles	**0.1**	–	**0.1**	–
Total right-of-use assets	**1.6**	1.5	**1.5**	1.3

MOVEMENTS IN CARRYING AMOUNTS

A reconciliation of the carrying amount of each class of right-of-use asset is set out below:

	GROUP			BANK		
	Right-of-use Assets – property	Right-of-use Assets – motor Vehicles	Total	Right-of-use Assets – property	Right-of-use Assets – motor Vehicles	Total
At 1 July 2022	$M	$M	$M	$M	$M	$M
Opening carrying value	2.7	0.1	2.8	2.3	0.1	2.4
Additions	–	–	–	–	–	–
Remeasurements	–	–	–	–	–	–
Terminations	(0.6)	–	(0.6)	(0.5)	–	(0.5)
Depreciation	(0.6)	(0.1)	(0.7)	(0.5)	(0.1)	(0.6)
At 30 June 2023	**1.5**	**–**	**1.5**	**1.3**	**–**	**1.3**
At 1 July 2023						
Opening carrying value	1.5	–	1.5	1.3	–	1.3
Additions	–	0.1	0.1	–	0.1	0.1
Remeasurements	0.7	–	0.7	0.8	–	0.8
Terminations	–	–	–	–	–	–
Depreciation	(0.7)	–	(0.7)	(0.7)	–	(0.7)
At 30 June 2024	**1.5**	**0.1**	**1.6**	**1.4**	**0.1**	**1.5**

MATURITY PROFILE

The Group leases 8 premises for its branches under agreements of an average of 8 years with lease termination dates ranging from 2025 to 2027. On expiry, the terms of a new lease will be negotiated.

18. Intangible assets

	GROUP		BANK	
	2024	2023	2024	2023
Software	$M	$M	$M	$M
At cost	–	–	–	–
Less: accumulated depreciation	–	–	–	–
Total software	–	–	–	–
Customer lists				
At cost	–	6.7	–	–
Less: accumulated depreciation	–	(6.7)	–	–
Total Customer lists	–	–	–	–
Total intangible assets	–	–	–	–

MOVEMENTS IN CARRYING AMOUNTS

A reconciliation of the carrying amount of each intangible asset is set out below:

	GROUP			BANK		
	Software	Customer Lists	Total	Software	Customer Lists	Total
At 1 July 2022	$M	$M	$M	$M	$M	$M
Opening carrying value	–	3.5	3.5	–	-	–
Additions	-	-	-	-	-	-
Impairment	-	(3.1)	(3.1)	-	-	-
Amortisation	–	(0.4)	(0.4)	–	-	–
At 30 June 2023	-	–	–	-	-	-
At 1 July 2023						
Opening carrying value	–	–	–	–	-	–
Additions	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Amortisation	–	–	–	–	-	–
At 30 June 2024	-	-	-	-	-	-

IMPAIRMENT OF INTANGIBLE ASSETS

For the financial year ended 30 June 2024, no impairment indicators were noted (2023: $3.1 million).

19. Other assets

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Prepayments	**2.0**	2.7	**1.9**	2.7
Lease security deposits	**–**	0.1	**–**	0.1
Total other assets	**2.0**	2.8	**1.9**	2.8

MATURITY PROFILE

Other assets mature within 12 months.

20. Deposits

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Call deposits	**1,288.2**	1,304.9	**1,288.2**	1,304.9
Term deposits	**658.5**	625.5	**658.5**	625.5
Accrued interest payable on deposit	**11.7**	7.5	**11.7**	7.5
Withdrawable shares	**0.2**	0.3	**0.2**	0.3
Total deposits	**1,958.7**	1,938.2	**1,958.7**	1,938.2

Interest on deposits is calculated in accordance with the terms of each deposit and brought to account on an effective yield basis. Unpaid interest is accrued and reflected as a component of total deposit balances.

CONCENTRATION OF TERM AND CALL DEPOSITS

GROUP AND BANK	2024	2023
Call deposits by geographical concentration	$M	$M
New South Wales	**1,092.4**	1,098.6
Australian Capital Territory	**71.0**	79.1
Queensland	**49.3**	48.1
Tasmania	**39.3**	42.6
Victoria	**21.3**	21.0
Others	**14.9**	15.5
Total call deposits	**1,288.2**	1,304.9

GROUP AND BANK	2024	2023
Term deposits by geographical concentration	$M	$M
New South Wales	**585.3**	560.5
Australian Capital Territory	**25.4**	20.5
Queensland	**21.8**	19.1
Tasmania	**14.8**	15.0
Victoria	**7.8**	7.1
Others	**3.4**	3.4
Total call deposits	**658.5**	625.5

Individual or collective concentration

There are no depositors who individually or collectively have deposits that represent 10% or more of the total deposits.

Industry concentration

Member deposits at balance date were received from individuals employed in the NSW Police Force and/or the Australian Federal Police. This concentration is considered acceptable on the basis that the Group was formed to service these Members, and that the industry is an essential and stable industry.

Maturity profile

There were no defaults on interest and capital payments on these deposits in the current or prior year. Refer to note 28 for the liquidity risk management and maturity profile of the deposits.

Fair value measurement

Refer to note 29 for information on fair value measurement.

21. Borrowings

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Notional Certificates of Deposit	**137.9**	152.1	**137.9**	152.1
RBA Term Funding Facility	**–**	33.8	**–**	33.8
Wholesale Term Deposit Funding	**100.9**	90.0	**100.9**	90.0
Interbank Repurchase Agreements	**–**	40.2	**–**	40.2
Floating rate notes	**120.0**	55.0	**120.0**	55.0
Accrued interest payable on borrowings	**3.6**	2.9	**3.6**	2.9
Total borrowings	**362.4**	374.0	**362.4**	374.0
Secured borrowings	**–**	74.0	**–**	74.0
Unsecured borrowings	**362.4**	300.0	**362.4**	300.0
Total borrowings	**362.4**	374.0	**362.4**	374.0

Notional Certificates of Deposit ('NCD')

Notional Certificates of Deposit are initially recognised at cost, being the fair value of the consideration received net of issue costs. Subsequent to initial recognition, NCD's are measured at amortised cost using the effective interest method. Amortised cost includes any issue costs and any discount or premium on settlement.

RBA Term Funding Facility

In 2020, in response to the Covid-19 pandemic and to stimulate the economy, the Reserve Bank of Australia ('RBA') provided Authorised Deposit-taking Institutions ('ADI's') access to the Term Funding Facility ('TFF'), a low-cost funding facility with a 3-year term. Interest was charged at a fixed rate of 0.10% on the drawn down balance of the facility. There were no additional terms and conditions associated with the TFF, other than the pledging of securities that meet the RBA eligibility criteria, as collateral. The Group accessed this funding and entered into repurchase agreements with the RBA.

As at 30 June 2024, the Group has fully repaid the facility with the final two repayments made in respectively March 2024 and May 2024.

Wholesale Term Deposit Funding

The bank maintains a strategy to diversify its funding sources and maintains a presence with middle market and institutional counterparties. As at 30 June 2024, Wholesale Term Deposit Funding equated to $100.9 million (2023: $90 million).

Interbank Repurchase Agreements

Interbank Repurchase Agreements represents securities sold under repurchase agreements with the Reserve Bank of Australia and major banks. To access the TFF, the Group was required to pledge notes from its internal securitisation that met the RBA eligibility criteria as collateral. The Group retains risks and rewards of these securities, and therefore does not derecognise these assets. The Group has no investments pledged as security as at 30 June 2024 (2023: $43.0m) as collateral with the Term Funding Facility being fully repaid during May 2024.

The bank maintains repurchase arrangements with major banks. By including major banks in our collateralised borrowing operations, it has improved flexibility and allowed for efficient cashflow management.

Floating rate notes ('FRN')

A $55 million three-year senior-unsecured FRN was issued on 21 November 2022. Interest is payable at a margin of 150 basis points over the 3 month BBSW. The FRN is repayable on 21 November 2025. Furthermore, a $65 million three-year senior-unsecured FRN was issued on 17 November 2023. Interest is payable at a margin of 155bps over 3 months BBSW. The FRN is repayable on 17 November 2026.

Maturity profile

Refer to note 28 for the maturity profile of the deposits.

Fair value measurement

Refer to note 29 for information on fair value measurement.

22. Trade and other payables

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Payment system clearing accounts	**3.1**	5.7	**3.1**	5.5
Trade and other payables & accrued expenses	**9.7**	9.5	**9.4**	9.4
Intercompany payables	**–**	–	**–**	0.4
Sundry payables	**0.1**	0.2	**0.1**	0.1
Total trade and other payables	**12.9**	15.4	**12.6**	15.4

Maturity profile

The (unsecured) trade and other payables are expected to be paid within the next 12 months. Refer to note 28 for the liquidity risk management and maturity profile of the trade and other payables.

Fair value measurement

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value. Refer to note 29 for information on fair value measurement.

23. Provisions

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Provision for annual leave	**1.4**	1.3	**1.4**	1.3
Provision for long service leave	**0.5**	0.5	**0.5**	0.4
Provision for leasehold make good	**0.4**	0.5	**0.3**	0.4
Sundry provisions	**0.6**	0.6	**0.6**	0.6
Total provisions	**2.9**	2.9	**2.8**	2.7

Movements in carrying amounts

A reconciliation of the carrying amount of each class of provision is set out below

	GROUP				
	Annual Leave	Long Service Leave	Leasehold make good	Sundry provisions	Total
At 1 July 2022	$M	$M	$M	$M	$M
Opening balance	1.4	0.6	0.4	0.8	3.2
Net provisions recognised/(utilised)	–	(0.1)	0.1	(0.2)	(0.2)
Cash payments	(0.1)	–	–	–	(0.1)
At 30 June 2023	1.3	0.5	0.5	0.6	2.9
At 1 July 2023	**1.3**	**0.5**	**0.5**	**0.6**	**2.9**
Net provisions recognised/(utilised)	0.2	–	(0.1)	–	0.1
Cash payments	(0.1)	–	–	–	(0.1)
At 30 June 2024	1.3	0.5	0.4	0.6	2.9

23. Provisions (continued)

	BANK				
	Annual Leave	Long Service Leave	Leasehold make good	Sundry provisions	Total
At 1 July 2022	$M	$M	$M	$M	$M
Opening carrying value	1.3	0.6	0.4	0.8	3.1
Net provisions recognised/(utilised)	0.1	(0.2)	–	(0.2)	(0.3)
Cash payments	(0.1)	–	–	–	(0.1)
At 30 June 2023	1.3	0.4	0.4	0.6	2.7
At 1 July 2023	**1.3**	**0.4**	**0.4**	**0.6**	**2.7**
Net provisions recognised/(utilised)	0.2	0.1	(0.1)	–	0.2
Cash payments	(0.1)	–	–	–	(0.1)
At 30 June 2024	**1.4**	**0.5**	**0.3**	**0.6**	**2.8**

	GROUP		BANK	
Maturity profile	**2024**	**2023**	**2024**	**2023**
By provisions	$M	$M	$M	$M
Current provisions within 12 months	1.8	1.8	1.8	1.7
Non-current provisions > 12 months	1.1	1.1	1.0	1.0
Total provisions	2.9	2.9	2.8	2.7

Employee entitlements

The provisions for annual leave and long service leave cover the Group's liabilities for long service leave and annual leave obligations.

Leasehold make good provision

The Group is required to restore the leased premises of its branches to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the measurement of the respective right of use assets and are depreciated over the shorter of the term of the lease and the useful life of the assets.

Sundry provisions

Sundry provisions mainly relate to estimated costs to be incurred for member elected directors' retirement benefits in relation to member elected directors appointed prior to August 2021. The benefit is estimated using various assumptions including the total remuneration the director has received in the 12 months immediately preceding the director ceasing to be a director, the number of years of service completed and probability of the benefit vesting.

24. Lease liabilities

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Lease liabilities	**1.5**	1.6	**1.4**	1.5
Total lease liabilities	**1.5**	1.6	**1.4**	1.5

	GROUP		BANK	
Lease liabilities reconciliation	2024	2023	2024	2023
	$M	$M	$M	$M
Opening balance on 1 July	**1.6**	2.9	**1.5**	2.5
Lease payments	**(0.7)**	(0.8)	**(0.7)**	(0.7)
Interest expenses	**0.1**	0.1	**0.1**	0.1
Modifications	**0.5**	(0.6)	**0.5**	(0.4)
Balance at 30 June	**1.5**	1.6	**1.4**	1.5

	GROUP		BANK	
Maturity profile of lease liabilities	2024	2023	2024	2023
	$M	$M	$M	$M
Current lease liabilities within 12 months	**0.6**	0.5	**0.6**	0.5
Non-current lease liabilities > 12 months	**0.9**	1.1	**0.8**	1.0
Total lease liabilities	**1.5**	1.6	**1.4**	1.5

	GROUP		BANK	
Maturity profile of discounted contractual cash flows	2024	2023	2024	2023
	$M	$M	$M	$M
One year or less	**0.6**	0.5	**0.6**	0.5
One year to two years	**0.5**	0.5	**0.5**	0.5
Two years to five years	**0.4**	0.6	**0.3**	0.5
Total lease liabilities	**1.5**	1.6	**1.4**	1.5

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the group's finance function.

25. Derivatives

The Group utilises derivative instruments in managing its exposure to risk. At inception of all hedge relationships, the Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Group's risk management objective and strategy, and how effectiveness will be measured throughout the hedge relationship.

No new derivative instruments agreements were entered into during the financial year. During the 2023 financial year the bank entered into two interest rate swaps respectively $100 million maturing on 27 January 2026 and $50 million maturing on 17 February 2025.

Trading derivatives are not in a qualifying hedging relationship, and as such are measured at fair value through the profit or loss. The Group has not held any instruments treated as trading derivatives for the financial year ended 30 June 2024.

HEDGE INEFFECTIVENESS

The Group has designated all derivative instruments held into a highly effective hedging relationship across the variable lending book as outlined above. Hedge ineffectiveness may arise where the changes in variable cash flows arising from the derivative instruments significantly differ from the changes in cash flows arising from the hedged items. Potential sources of ineffectiveness mainly relate to differences in the repricing on the variable lending book, which is based off the cash rate against the derivative instruments which reprice on BBSW reference rate. No hedging ineffectiveness has been recognised in the Statement of Profit or Loss for the year ended 30 June 2024 (2023 $nil).

DERIVATIVE ASSETS AND LIABILITIES

The table below sets out total derivative assets and liabilities treated as hedging derivatives:

			2024		2023	
			Carrying amount at fair value	Notional value	Carrying amount at fair value	Notional value
Derivative liabilities	**Hedging instrument**	**Risk**	$M	$M	$M	$M
Cash flow hedges	Interest rate swaps	Interest Rate	**1.6**	**150.0**	**2.7**	**150.0**

RISK MANAGEMENT STRATEGY FOR HEDGE ACCOUNTING

The Group actively manages its exposure to interest rate risk by entering 'receive fixed/pay floating' interest rate swaps for a portion of the Bank's variable lending book.

The Group receives fixed interest on swaps with a notional amount of $150 million (2023: $150 million), on which it receives 3.38% to 3.89% interest and pays interest at a variable rate based on the one-month AUD-Bank Bill Swap rate ('BBSW') on the notional amount. The weighted average fixed interest rate of interest rate swaps hedging interest rate risk as at 30 June 2024 was 3.5% (2023: 3.5%).

As at 30 June 2024, the Group received fixed interest on swaps with a notional amount of $150 million (2023: $150 million). Under hedge accounting rules, these arrangements are treated as swapping the variable interest received on the Bank's loans to a fixed rate receipt. Interest rate derivatives are executed and designated into a qualifying cash flow hedge relationship on inception, swapping out floating rate interest derived on a portion of the Group's variable lending book. This reduces volatility in the Bank's realised NIM during periods of movement in the cash rate. The applicable benchmark interest rate that the Group is exposed to across the time period (1-month BBSW) is hedged as this represents the largest component of changes in future expected cash flows.

25. Derivatives (continued)

MATURITY PROFILE

The following table shows the maturity profile of hedging instruments based on their notional amounts:

	2024				2023			
	0 to 12 months	1 to 5 years	Over 5 years	Total	0 to 12 months	1 to 5 years	Over 5 years	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Interest rate swaps	50.0	100.0	–	150.0	–	150.0	–	150.0

FAIR VALUE MEASUREMENT OF THE HEDGED ITEMS

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in note 26. The movements in hedging instruments recognised in other comprehensive income are reported in the Group's Statement of Profit or Loss and Other Comprehensive Income.

The Group's interest rate swaps are classified using the fair value hierarchy level 2 observable inputs valuation techniques (refer to note 29). The fair value of interest rate swaps is based on mid-market levels as of the close of business on the reporting date. The valuations are derived from proprietary models based upon well recognised financial principles and reasonable estimates about relevant future market conditions.

The following table shows the carrying amount of hedged items that are in hedged relationships, and the fair value of the hedging instruments in the hedging relationship. Loans and advances are held at amortised cost and do not include fair value adjustments. The Group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amount disclosed in other notes.

	2024		2023	
	Carrying Amount	Fair value of hedging instrument	Carrying Amount	Fair value of hedging instrument
	$M	$M	$M	$M
Loans and advances – variable rate	150.0	(1.6)	150.0	(2.7)

26. Reserves

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
General reserve	**47.9**	47.9	**47.9**	47.9
Redeemed member share reserve	**0.5**	0.5	**0.5**	0.5
Asset revaluation reserve	**1.1**	1.4	**1.1**	1.4
Equity investment revaluation reserve	**3.7**	3.2	**3.7**	3.2
Business combination reserve	**5.9**	7.0	**7.0**	7.0
Cashflow hedge reserve	**(1.1)**	(1.9)	**(1.1)**	(1.9)
Total reserves	**58.0**	58.1	**59.1**	58.1

GENERAL RESERVE

The general reserve is a reserve created by the Board in accordance with the Constitution into which the Board may allocate funds. At the Board's discretion the funds in the general reserve may be used for the business of the Group subject that the funds must not be distributed to Members except upon the winding up of the Group.

REDEEMED MEMBER SHARE RESERVE

The redeemed Member share reserve represents the value of redeemable preference shares redeemed since 1 July 1999. This is the value of these shares paid to Members and the balance of the account represents the amount of profit appropriated to the account. Share redemptions must be funded from profits.

The movements in reserves during the financial year are set out below:

ASSET REVALUATION RESERVE

The reserve is used to record gains resulting from the revaluation of the land held at fair value, in accordance with the accounting policy. Refer to note 16 for the land revaluation recorded during the financial year.

	GROUP AND BANK	
	2024	2023
	$M	$M
Balance at beginning of year	**1.4**	1.2
Revaluation of land	(0.4)	0.2
Tax effect of revaluations	0.1	(0.1)
Balance at end of year	**1.1**	1.4

Total gain/loss on asset revaluation reserve is a loss of $0.3 million after tax (2023: $0.1 million gain).

26. Reserves (continued)

EQUITY INVESTMENT REVALUATION RESERVE

The reserve is used to record gains and losses resulting from movement in the fair value of the Cuscal equity accounted investment held at FVTOCI. Refer to note 13 for detail on the equity investment.

	GROUP AND BANK	
	2024	2023
	$M	$M
Balance at beginning of year	**3.2**	4.1
Changes in fair value of Cuscal investment for the year	0.7	(1.3)
Tax effect of revaluations	(0.2)	0.4
Balance at end of year	**3.7**	3.2

Total gain/loss on equity investment revaluation reserve is a gain of $0.5 million after tax (2023: $0.9 million loss).

BUSINESS COMBINATION RESERVE

The business combination reserve is used to record mergers with other mutual entities i.e. the excess of the fair value of the assets taken up over liabilities assumed is taken directly to equity as a reserve. Furthermore, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions within this reserve. Refer to note 15 for details on the purchase of additional shares.

	GROUP AND BANK	
	2024	2023
	$M	$M
Balance at beginning of year	**7.0**	7.0
Purchase of additional shares in Chelsea Wealth Management	(1.1)	–
Balance at end of year	**5.9**	7.0

CASH FLOW HEDGE RESERVE

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in note 25.

	GROUP AND BANK	
	2024	2023
	$M	$M
Balance at beginning of year	**(1.9)**	–
Changes in the fair value of cash flow hedges	1.1	(2.7)
Tax effect of revaluations	(0.3)	0.8
Balance at end of year	**(1.1)**	(1.9)

Total gain/loss on cash flow hedge reserve is a gain of $0.8 million after tax (2023: $1.9 million loss).

27. Dividends

No dividends have been paid during the financial year. The Directors do not recommend that a dividend be paid in respect of the financial year (2023: $nil).

Dividends received from Cuscal Limited is disclosed in note 4.

28. Financial risk management

The Group applies an enterprise risk management framework to development and implement strategies, policies, procedures, and controls to manage the Groups' risk. The risks that the Group has exposure to include, but are not limited to:

- Credit risk
  - Lending
  - Counterpart credit risk
- Market risk
  - Interest rate risk
  - Equity investments
  - Liquidity risk
- Operational risk

This note presents information about the exposure to each of these risks and the objectives, policies, and processes for measuring and managing risk and capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Governance and the risk management framework

The Board has overall responsibility for the establishment and oversight of the Group's Enterprise Risk Management Framework (ERMF). This responsibility includes approval of the ERMF, setting risk appetite and strategy, driving appropriate risk culture, monitoring, and managing within the stated appetite, aligning policies and processes with appetite, and ensuring that sufficient resources are dedicated to risk management. The Board has established a governance framework that identifies, manages, and reports on risk. This manifests as a Three Lines Model with business units and management as the first line, risk management and compliance functions as the second line and internal audit and the respective Board subcommittees as the third line.

The Board has established a Risk Committee and an Audit Committee to assist the Board with its responsibilities in overseeing the ERMF.

The Risk Committee assists the Board by:

- Providing reasonable assurance to the Board that core business goals and objectives are being achieved in an effective and efficient manner, within an appropriate framework of governance, risk management and internal control;
- Monitoring the adequacy, integrity and effectiveness of the internal control environment and risk management process;
- Reviewing processes established by management to ensure the requirements of APRA's Prudential Standards and the Corporations Act are being adhered to;
- Monitoring compliance with all other internal, regulatory, prudential, legal, adopted industry and ethical requirements and standards; and
- Forming a view of the risk culture of the Group.

28. Financial risk management (continued)

The Audit Committee assists the Board by:

- Providing reasonable assurance to the Board that core business goals and objectives are being achieved in an effective and efficient manner, within an appropriate framework of governance, risk management and internal control;
- Overseeing the integrity and quality of the Bank's financial reports and statements, including financial information provided to regulators and members;
- Monitoring the adequacy, integrity and effectiveness of the internal control environment and risk management process;
- Monitoring the effectiveness of the audit functions;
- Monitoring the effectiveness of the external audit functions; and
- Reviewing the processes established by management to ensure the requirements of APRA's Prudential Standards and the Corporations Act are being adhered to.

During the year the Board established the Board Technological Transformation Committee (BTTC) to assist the Board of Directors in discharging the Board's responsibilities as it relates to technology initiatives with a focus on strategic guidance, project management and delivery and financial management.

In addition to the Risk, Audit and Board Technological Transformation Committees, the Group has the following management committees for managing and reporting on risks:

- **Management Enterprise Risk Committee:** The Management Enterprise Risk Committee incorporates the former Credit Committee, with responsibility for managing and reporting credit risk exposure. Operational reports are scrutinised with exposures monitored against Board determined limits. The determination of the credit risk of loans in the banking book, ensuring provisioning is appropriate and also determines the adequacy of authorisation controls for new loans. This committee also monitors a range of enterprise risks, including but not limited to information security and regulatory obligations.

- **Asset, Liability, Product and Pricing Committee (ALPPCo):** During the year the Asset and Liability Committee (ALCO) was reconstituted to Asset, Liability, Product and Pricing Committee (ALPPCo). This Management committee consists of Executives and Senior Leadership which meets monthly and has responsibility for product functionality and pricing, managing interest rate risk exposures, and ensuring that the Treasury and Finance functions adhere to exposure limits as outlined in the policies for interest rate and liquidity risk. The daily scrutiny of market risk reports is designed to ensure daily operations are in line with all required prudential standards and bank operating policies and intended to prevent any exposure breaches prior to the monthly review by ALPPCo.

28. Financial risk management (continued)

28.1 Credit risk

The credit risk of a financial institution is the risk that members, financial institutions, or other counterparties will be unable to meet their financial obligations to the institution resulting in financial loss. Credit risk arises principally from the Group's loans and advances and investments, which are managed using the Board-approved credit risk management framework.

28.1.1 LENDING

Carrying value is the value on the Statement of Financial Position. Maximum exposure is the value on the Statement of Financial Position plus "off Balance Sheet Position" undrawn facilities consisting of loans approved not advanced, redraw facilities, overdraft facilities, credit card limits and funds held in loan offset accounts. The Group's maximum exposure is as follows:

	GROUP & BANK 2024			GROUP & BANK 2023		
	Carrying Value	Undrawn Facilities	Maximum exposure	Carrying Value	Undrawn Facilities	Maximum exposure
	$M	$M	$M	$M	$M	$M
Home loans	1,963.7	66.4	2,030.1	1,905.7	74.8	1,980.5
Personal loans	60.4	0.5	60.9	57.8	0.2	58.0
Credit cards	14.3	26.3	40.6	14.7	26.8	41.5
Overdrafts	5.1	19.8	24.8	4.9	20.1	25.0
Finance leases	–	–	–	0.2	–	0.2
Total to households	**2,043.5**	**112.9**	**2,156.3**	**1,983.3**	**122.0**	**2,105.2**
Commercial loans	0.8	–	0.8	3.7	–	3.7
Total gross loans and advanced	**2,044.3**	**112.9**	**2,157.1**	**1,986.9**	**122.0**	**2,108.9**

The risk of losses on loans is reduced through the nature and quality of security taken. note 14 describes the nature of the security held against the loans at balance date. All loans and facilities are within Australia. Geographical distribution is detailed in note 14.

Credit risk is managed through a structured framework of systems and controls including:

- Documented credit risk – lending principles that are disseminated to all staff involved in the lending process;
- Documented policies;
- Documented processes for approving and managing lending based on delegations; and
- A series of management reports detailing industry, geographic, and Loan to Value Ratio (LVR) concentrations, along with monitoring non-performing lending.

Documented policies have been endorsed by the Board to ensure that loans are only made to Members who are capable of meeting loan repayments.

Collateral securing loans

A sizeable portion of the loan book is secured against residential property in Australia. The Group is therefore exposed to the risk of reduction of the recoverable amount should residential property valuations be subject to a decline. Performance of the mortgage secured portfolio is managed and monitored against the proportion of loan balances in arrears.

Refer to note 14 for more details.

28. Financial risk management (continued)

28.1 Credit risk (continued)

28.1.2 COUNTERPARTY CREDIT RISK

The Group uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA Prudential Guidance APG 112. The credit quality assessment scale within this standard has been complied with. The table below indicates Standard and Poor's (Australia) Pty Ltd equivalent rating as determined by APRA's credit rating grade tables. Exposures may be rated by Standard and Poor's (Australia) Pty Ltd, Moody's Investors Service Incorporated or Fitch Ratings Ltd.

The exposure values associated with each credit quality step and residual maturities are as follows:

	GROUP 2024				GROUP 2023			
	Number of institutions invested with	Carrying Value	Provision for expected credit loss	Carrying Value Net of Provision	Number of institutions invested with	Carrying Value	Provision for expected credit loss	Carrying Value Net of Provision
Investment securities held with:		$M	$M	$M		$M	$M	$M
Government or Semi-Government	2	24.6	–	24.6	2	45.0	–	45.0
ADIs rated A-1 to A-1	1	20.8	–	20.8	1	20.8	–	20.8
ADIs rated A-2	9	69.1	(0.1)	69.0	4	42.5	(0.1)	42.4
ADIs rated A-3	–	–	–	–	1	3.0	–	3.0
ADIs rated AAA to AA-	3	126.4	(0.1)	126.3	–	–	–	–
ADIs rated A+ to A	6	133.6	(0.1)	133.5	8	275.8	(0.1)	275.7
ADIs rated BBB+ to BBB2-	7	47.6	–	47.6	13	81.7	(0.1)	81.6
ADIs unrated	–	–	–	–	–	–	–	–
Total	**28**	**422.0**	**(0.3)**	**421.7**	**29**	**468.8**	**(0.3)**	**468.5**

	GROUP	
	2024	**2023**
Residual maturity analysis	$M	$M
Up to 1 month	57.4	–
1 to 3 months	48.9	50.8
3 to 12 months	68.9	91.4
12 months to 5 years	247.2	326.6
Over 5 years	–	–
Less: Expected credit loss provision	(0.3)	(0.3)
	421.7	**468.5**

28. Financial risk management (continued)

28.1 Credit risk (continued)

28.1.2 COUNTERPARTY CREDIT RISK (CONTINUED)

	GROUP 2024				GROUP 2023			
	Number of institutions invested with	Carrying Value	Provision for expected credit loss	Carrying Value Net of Provision	Number of institutions invested with	Carrying Value	Provision for expected credit loss	Carrying Value Net of Provision
Deposits at call and cash at bank held with:		$M	$M	$M		$M	$M	$M
ADIs rated A-1 to A-1	2	30.0	–	30.0	2	24.9	–	24.9
Total	**2**	**30.0**	**–**	**30.0**	**2**	**24.9**	**–**	**24.9**

	GROUP	
	2024	2023
Residual maturity analysis	$M	$M
At call	30.0	24.9
Up to 1 month	–	–
1 to 3 months	–	–
Less: Expected credit loss provision	–	–
	30.0	24.9

28.2 Market risk

Market risk is the risk that adverse changes in prices, foreign exchange rates, interest rates and credit spreads of financial instruments will negatively impact the income and value derived from holding such instruments. The Group's activities are focused on granting loans, taking deposits, and investing in liquid assets and other ADI term deposits in Australian Dollars. The Group does not trade in the financial instruments it holds on its books.

The banking book has exposure to adverse changes to interest rates, which will negatively affect the Bank's profit in current and future periods derived from net interest income (interest earned less interest paid). This risk is known as Interest Rate Risk in the Banking Book (IRRBB).

The Bank operates a hold to maturity liquid portfolio and does not conduct any proprietary trading activities (buying and selling securities for short-term capital gains) or operate any trading books that expose it to any other form of market risk. Treasury manages Market Risk including IRRBB with oversight from ALPPCO.

28.2.1 INTEREST RATE RISK

Interest rate risk is the risk of changes to the fair value or future cash flows arising from financial instruments due to the changes in interest rates. Most banks are exposed to interest rate risk within their Treasury operations. The Group does not trade in financial instruments. Refer to note 26 for more details in relation to hedge accounting to mitigate interest rate risk.

28. Financial risk management (continued)

28.2 Market risk (continued)

28.2.1 INTEREST RATE RISK (CONTINUED)

The Group is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. The Interest Rate Risk in the Banking Book is measured monthly and reported to ALPPCo and to the Board monthly.

The level of mismatch on the banking book between fixed and variable interest rates is set out in the following table which displays the period that each asset and liability will reprice as at balance date:

	GROUP AND BANK 2024							
	Floating Rate	<1 month	>1-3 months	>3-12 months	>1-5 years	>5 years	Non-Interest Bearing	Total
Financial assets	$M	$M	$M	$M	$M	$M	$M	$M
Cash and cash equivalents	74.5	–	–	–	–	–	0.9	75.4
Trade and other receivables	–	1.2	1.6	0.5	–	–	1.4	4.7
Investment securities	–	56.0	48.9	68.6	248.3	–	–	421.7
Equity Investments	–	–	–	–	–	–	9.2	9.2
Loans and advances	1,314.3	34.7	40.5	89.2	552.9	1.5	–	2,033.2
Total financial assets	**1,388.8**	**91.9**	**91.0**	**158.3**	**801.2**	**1.5**	**11.5**	**2,544.2**
Financial Liabilities								
Call Deposits	1,288.2	–	–	–	–	–		1,288.2
Term Deposits	–	363.4	68.1	194.0	32.9	0.2	–	658.5
Negotiable certificates of deposit	–	39.5	67.1	31.3	–	–	–	137.9
Floating rate notes	–	–	–	–	120.0	–	–	120.0
Wholesale Term Deposit Funding	–	42.6	20.2	38.1	–	–	–	100.9
Trade and other payables	–	–	–	–	–	–	12.9	12.9
Derivative liability	–	–	–	0.2	1.4	–	–	1.6
Total financial liabilities – on balance sheet	**1,288.2**	**445.5**	**155.4**	**263.6**	**154.3**	**0.2**	**12.9**	**2,320.0**
Undrawn loan commitments – not recognised	–	–	–	–	–	–	112.9	112.9
Total financial liabilities	**1,288.2**	**445.5**	**155.4**	**263.6**	**154.3**	**0.2**	**125.8**	**2,432.9**

28. Financial risk management (continued)

28.2 Market risk (continued)

28.2.1 INTEREST RATE RISK (CONTINUED)

	GROUP AND BANK 2023							
	Floating Rate	<1 month	>1-3 months	>3-12 months	>1-5 years	>5 years	Non-Interest Bearing	Total
Financial assets	$M	$M	$M	$M	$M	$M	$M	$M
Cash and cash equivalents	72.4	–	–	–	–	–	1.0	73.4
Trade and other receivables	–	–	–	–	–	–	6.7	6.7
Investment securities	–	40.6	35.8	75.2	316.9	–	–	468.5
Equity Investments	–	–	–	–	–	–	8.5	8.5
Loans and advances	1,116.8	–	0.9	305.9	551.0	2.2	–	1,976.8
Total financial assets	**1,189.2**	**40.6**	**36.6**	**381.1**	**867.9**	**2.2**	**16.2**	**2,533.9**
Financial Liabilities								
Call Deposits	1,304.9	–	–	–	–	–	–	1,304.9
Term Deposits	–	335.0	75.3	174.0	41.2	–	–	625.5
Negotiable certificates of deposit	–	59.9	79.6	12.6	–	–	–	152.1
RBA Term Funding Facility	–	–	–	33.8	–	–	–	33.8
Floating rate notes	–	–	–	–	55.0	–	–	55.0
Wholesale Term Deposit Funding	-	24.0	31.0	34.0	1.0	–	–	90.0
Interbank Repo	–	40.2	–	–	–	–	–	40.2
Trade and other payables	–	–	–	–	–	–	15.4	15.4
Derivative liability	–	–	–	–	2.7	–		2.7
Total financial liabilities – on balance sheet	**1,304.9**	**459.1**	**185.9**	**254.5**	**99.9**	**–**	**15.4**	**2,319.6**
Undrawn loan commitments – not recognised	–	–	–	–	–	–	122.0	122.0
Total financial liabilities	**1,304.9**	**459.1**	**185.9**	**254.5**	**99.9**	**–**	**137.4**	**2,441.6**

Management of Interest Rate Risk in the Banking Book

The Group utilises Change in the Economic Value of Equity (ΔEVE) and Change in Net Interest Income (ΔNII) as its primary IRRBB metrics. The change in Economic Value of Equity (ΔEVE) focuses on the risk to net worth (Police Bank's Capital) arising from all repricing mismatches and other interest rate sensitive positions over the long term. The change in Net Interest Income (ΔNII) measures the changes in Net Interest Income (earnings) and focuses on the impact of changes in interest rates on earnings in the near term.

Interest Rate Sensitivity

The Group's exposure to market risk is measured and monitored using interest rate sensitivity models.The policy of the Group to manage the risk is to monitor on a monthly basis the changes to maturity profiles within its deposit base and changes in the underlying portfolio mix to ensure that such changes will not have an unacceptable adverse outcome to the Group. The policy of the Group is to use derivatives to hedge against adverse consequences of interest rate risk. The Group's exposure to interest rate risk is set out in the table at (ii) Interest Rate Risk in the Banking Book, which details the contractual interest change profile.

Economic Value of Equity (ΔEVE)) and the change in Net Interest Income (ΔNII), is subjected to a 100bp parallel shock. NII is a simple approximation of expected changes in earnings levels based on the same notional repricing cash flow data as used for the EVE approach and can be interpreted as a continuation of the EVE method for the short term. In this approach, the accumulated effect of an interest rate shock on net interest income (NII) up to a time horizon of one year is calculated and reported as a change to the base case (ΔNII).

28. Financial risk management (continued)

28.2 Market risk (continued)

28.2.1 INTEREST RATE RISK (CONTINUED)

Based on the calculations as at 30 June 2024:

- A change to the Economic Value of Equity from a +100bp shock (ΔEVE) is -2.86% of capital. The ΔNII impact of a shock is a $4.5 million change in net interest income.
- A change to the Economic Value of Equity from a -100bp shock (ΔEVE) is 3.00% of capital. The ΔNII impact of a shock is -$2.7 million change in net interest income.

Both metrics were within risk appetite of the Group and being actively managed and monitored.

The method used in determining the sensitivity is to evaluate the profit based on the timing of the interest repricing on the banking book of the Bank for the next twelve months. In performing the calculation, the assumptions applied are that:

- The interest rate change is applied equally over the loan products and term deposits;
- The rate change is as at the beginning of the twelve month period and no other rate changes are effective during the period;
- The term deposits all reprice to the new interest rate at the term maturity, or are replaced by deposits with similar terms and rates applicable;
- Savings deposits do not reprice in the event of a rate change;
- Fixed rate loans all reprice to the new interest rate at the contracted date;
- Variable rate mortgage loans all reprice to the new interest rate in one month;
- Personal loans reprice at the contracted maturity date;
- All loans are repaid in accordance with the current average repayment rate (or contractual repayment terms);
- The value and mix of call savings to term deposits is unchanged; and
- The value and mix of personal loans to mortgage loans is unchanged.

The Group adopted a Zero Floor rate for Savings and Term Deposit products in its IRRBB assumptions which is market standard for financial institutions of similar size and complexity.

28.2.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to efficiently meet both expected and unexpected current and future cash flow commitments without negatively affecting the Group's daily operations or its financial condition. Board policies require the maintenance of adequate cash reserves and committed credit facilities to meet the member withdrawal demands and other creditor commitments when requested, as well as appropriate forecasting and stress testing procedures.

The Group manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;
- Monitoring the prudential liquidity ratio daily;
- Holding repo-eligible securities that may be used as collateral when borrowing from the Reserve Bank of Australia; and
- Maintaining a securitisation trust, which issued notes, to hold mortgage rights that may be provided as collateral should the Bank borrow from the Reserve Bank of Australia.

28. Financial risk management (continued)

28.2 Market risk (continued)

28.2.2 LIQUIDITY RISK (CONTINUED)

The Group is subject to the Minimum Liquidity Holdings (MLH) approach under Prudential Standard APS 210 and as such is not required to adopt the Liquidity Coverage Ratio (LCR) or Net Stable Funding Ratio (NSFR)

measures. The Group is required to maintain a minimum MLH ratio of 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours.

The Group's risk appetite is to maintain at least 10% of funds as liquid assets to maintain adequate funds to meet member withdrawal requests. The ratio is calculated daily. Should the liquidity ratio fall below this level, Management and the Board have policies and procedures in place to address the matter and ensure that liquid funds are obtained from new deposits, either from Authorised Deposit-taking Institutions (ADIs), retail and wholesale depositors, or available borrowing facilities. The Group's complied with all APRA liquidity requirements throughout the year.

Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on their contractual term, and in the case of loans, the repayment amount and frequency.

The following table shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained and is subject to change in the event that current repayment conditions are varied. The amounts disclosed in the table are the contractual undiscounted cash flows, allocated to time bands based on the earliest date on which the Group can be required to pay. For interest rate swaps the cash flow has been estimated using forward interest rates applicable at the end of the reporting period.

	GROUP AND BANK 2024						
	No maturity	<1 month	>1-3 months	>3-12 months	>1-5 years	>5 years	Total
Financial assets	$M	$M	$M	$M	$M	$M	$M
Cash and cash equivalents	–	75.4	–	–	–	–	75.4
Trade and other receivables	–	2.6	1.6	0.5	–	–	4.7
Investment securities	–	56.0	48.9	68.6	248.2	–	421.7
Loans and advances	–	73.8	29.5	94.2	377.4	1,458.2	2,033.2
Equity investment	9.2	–	–	–	–	–	9.2
Total financial assets	**9.2**	**207.8**	**80.0**	**163.3**	**625.6**	**1,458.2**	**2,544.2**
Financial Liabilities							
Call Deposits	–	1,288.2	–	–	–	–	1,288.2
Term Deposits	–	363.4	68.1	194.0	32.9	0.2	658.5
Negotiable certificates of deposit	–	39.5	67.1	31.3	–	–	137.9
Floating rate notes	–	–	–	–	120.0	–	120
Wholesale Term Deposit Funding	–	42.6	20.2	38.1	–	–	100.9
Trade and other payables	–	9.3	–	3.6	–	–	12.9
Derivative liability	–	–	–	0.2	1.4	–	1.6
Total financial liabilities – on balance sheet	**–**	**1,743.0**	**155.4**	**267.2**	**154.3**	**0.2**	**2,320.0**
Undrawn loan commitments – not recognised	–	–	112.9	–	–	–	112.9
Total financial liabilities	**–**	**1,743.0**	**268.3**	**267.2**	**154.3**	**0.2**	**2,432.9**

28. Financial risk management (continued)

28.2 Market risk (continued)

28.2.2 LIQUIDITY RISK (CONTINUED)

	GROUP AND BANK 2023						
	No maturity	<1 month	>1-3 months	>3-12 months	>1-5 years	>5 years	Total
Financial assets	$M	$M	$M	$M	$M	$M	$M
Cash and cash equivalents	–	73.4	–	–	–	–	73.4
Trade and other receivables	–	6.7	–	–	–	–	6.7
Investment securities	–	40.6	35.8	75.0	317.1	–	468.5
Loans and advances	–	70.4	28.8	89.6	365.0	1,423.0	1,976.8
Equity investment	8.5	–	–	–	–	–	8.5
Total financial assets	**8.5**	**191.1**	**64.6**	**164.6**	**682.1**	**1,423.0**	**2,533.9**
Financial Liabilities							
Call Deposits	–	1,304.9	–	–	–	–	1,304.9
Term Deposits	–	335.0	75.3	174.0	41.2	–	625.5
Negotiable certificates of deposit	–	59.9	79.6	12.6	–	–	152.1
RBA Term Funding Facility	–	–	–	33.8	–	–	33.8
Floating rate notes	–	–	–	–	55.0	–	55.0
Wholesale Term Deposit Funding	–	–	–	89.0	1.0	–	90.0
Interbank Repo	–	40.2	–	–	–	–	40.2
Trade and other payables	–	15.4	–	–	–	–	15.4
Derivative liability	–	–	–	–	2.7	–	2.7
Total financial liabilities – on balance sheet	**–**	**1,755.4**	**154.9**	**309.4**	**99.9**	**–**	**2,319.6**
Undrawn loan commitments – not recognised	–	–	122.0	–	–	–	122.0
Total financial liabilities	**–**	**1,755.4**	**276.9**	**309.4**	**99.9**	**–**	**2,441.6**

28. Financial risk management (continued)

28.3 Operational risk

The Management Enterprise Risk Committee is responsible for managing and reporting on Enterprise Risk across the Group, including Operational Risk. Operational risk is the risk of loss resulting from inadequate or failed processes, personnel, technology and infrastructure, and from external factors. It includes legal risk but excludes strategic and reputational risk. Operational risk can occur at every level in an organisation. The seven key types of operational risks are: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practice; damage to physical assets; business disruption and system failures; and execution delivery and process management.

The Group's objective is to manage operational risk so as to balance the avoidance of financial loss through the application of controls whilst avoiding procedures that inhibit innovation and creativity. These controls are managed through the application of policies, processes, and systems to minimise the likelihood and impact of risk events. Some of these controls are:

Segregation of duties;

- Documentation of policies and procedures, employee job descriptions and responsibilities;
- Whistleblowing policies;
- Effective dispute resolution procedures;
- Effective insurance arrangements; and
- Contingency plans for dealing with loss of systems and premises, and data/systems protection.

The Group has implemented an Enterprise-wide Risk Policy which operationalises the Risk Management framework, and includes risk identification, measurement, evaluation, monitoring and reporting processes where the Board and senior management identify key risks using a 'top down' approach and business units identify risks using a 'bottom up' approach. The Risk Management Framework is underpinned by a culture of individual accountability and responsibility based on a Three Lines Model. This is represented at an operational level through business units and Management as the first line, designated risk and compliance functions as the second line, and through internal audit, external audit, and the respective Board subcommittees as the third line.

Compliance

The Group has a compliance program, requiring regular reviews of policies, procedures, and reporting to ensure compliance with legal requirements and Prudential Standards.

Fraud

The Group has systems, policies and processes in place that are considered to be robust enough to prevent and/or detect material fraud.

Outsourcing arrangements

The Group has arrangements with other organisation's to facilitate the supply of services to Members.

Cuscal Limited

Cuscal Limited is an ADI that supplies settlement, transaction processing, card, interchange, and other services to other organisations including banks, credit unions and building societies. The company provides:

- Settlement services for member cheques, Electronic Funds Transfer (EFT), EFTPOS, ATM, Direct Entry, BPAY, NPP, Mobile Banking and Visa card transactions and real-time gross settlement system (RTGS) payments;
- Facilitates switching activities to link Visa cards operated through RediATMs and other approved ATM providers to the Group's computer systems; and
- Manages the supply of Visa Cards and provides Fraud Monitoring services for card transactions.

Ultradata Australia Pty Limited

Ultradata Australia Pty Limited provides and maintains the share registry and core banking software utilised by the Group.

28. Financial risk management (continued)

28.3 Operational risk (continued)

Capital Management

Capital levels are managed to ensure compliance with APRA's requirements. Those requirements encompass a framework of three pillars:

- Pillar 1 – minimum capital requirements, including a specific capital charge for operational risk;
- Pillar 2 – enhanced supervision of capital management including the application of an internal capital adequacy assessment process; and
- Pillar 3 – more extensive disclosure requirements.

Pillar 1

Capital is measured as prescribed by APRA's prudential standards. These standards act to deliver capital requirements in respect of credit risk, market risk and operational risk.

Credit risk

Credit risk is measured using the Standardised Approach in Prudential Standards APS112. The capital charge attached to each asset is based on weightings prescribed in Australian Prudential Standards.

Market risk

The Group is not required to allocate capital against market risk as no trading activity is undertaken and the Standardised Approach does not result in any allocation against interest rate risk in the banking book.

Operational risk

Operational risk is measured using the Standardised Approach defined in Prudential Standard APS 114. The operational risk capital requirement is calculated by mapping the Group's three-year average net interest income and net non-interest income to the Bank's various business lines.

Cyber risk

The Group is required to meet APRA's prudential standard CPS 234 Information Security and has a cybersecurity framework based on National Institute of Standards and Technology (NIST) that facilitates the preservation of information assets, confidentiality, integrity and availability. The term information assets means information and information technology, including software, hardware, and data (both soft and hard copy).

Capital Management

The Group's operational risk capital requirement was $10.0 million.

Tier 1 Capital

The majority of Tier 1 capital consists of Common Equity Tier 1 capital

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set by APRA. Refer to the following table for details of what makes up the Tier 2 capital.

	2024	2023
Tier 1	$M	$M
Tier 1 common equity	229.9	220.8
Less: prescribed deductions	(9.2)	(8.5)
Net tier 1 capital	220.7	212.3
Tier 2 capital	9.2	–
Total capital	229.9	212.3

28. Financial risk management (continued)

28.3 Operational risk (continued)

The Group has a minimum Prudential Capital Requirement (PCR) requirement of 10.5% excluding regulatory buffers, as compared to the risk weighted assets at any given time. The ratio is calculated by adding Net tier 1 capital and Tier 2 capital divided by risk weighted assets. The capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

The capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The Group manages capital through reviewing the ratio monthly and monitoring major movements in asset levels. The Group's policy requires reporting to the Board and the regulator if the capital ratio falls below 14.5%. Further, a 5-year capital projection is maintained to assess how strategic decisions or trends may impact on the level of capital.

The capital ratio at the end of the financial year over the past 5 years is as follows:

2024	2023	2022	2021	2020
23.33%	21.64%	18.58%	19.24%	18.27%

Pillar 2

Pillar 2 of the Prudential framework relates to any risk factor to which an ADI might be exposed that is not included in Pillar 1. These risks fall into 3 categories:

Pillar 1 risks not fully captured by the Pillar 1 process, for example credit concentration risk.

Inherent risks not covered by Pillar 1, including:

- Interest rate risk in the banking book;
- Liquidity risk; and
- Strategic risk.

Risks arising from external factors such as business cycles effects and the macroeconomic environment.

In relation to these risks, the major measurements for additional capital are recognised by monitoring and stress testing for:

- Asset impairment – the impact of economic and employment factors on the loan losses, and/or recovery of investments.
- Property value decline – the impact on property values declining and the related exposure to higher capital required to recognise potential losses or risk weight on assets.
- Interest rate risk – the impact on capital from changes in interest rates impacting the net interest margin and net surplus; and
- Events impacting on additional costs of retention of liquid funds and exercising available liquidity drawdown facilities.

Internal Capital Adequacy Management

The Group manages its internal capital levels for both current and future activities through a combination of committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Bank's forecasts for asset growth, or unforeseen circumstances is assessed by the Board. Management then updates the forecast capital resources models produced and the impact upon the overall capital position of the Bank is reassessed.

29. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date.

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – quoted prices (unadjusted) in active markets for identical instruments.

Level 2 – valuation techniques for which all significant inputs are based on observable market data.

Level 3 – valuation techniques for which all significant inputs are not based on observable market data.

When applicable, the fair value of an instrument is calculated using the quoted price in an active market for that instrument. A market is regarded as active if all transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments, fair values are determined using other techniques.

If the input used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 30 June 2024 and 2023 there were no transfers between levels.

Methodologies and assumptions

Fair values have been determined for measurement and/or disclosure purposes based on the following methodologies and assumptions:

Financial instruments carried at fair value

- The Group's investment in Cuscal is considered a level 3 under the fair value measurement hierarchy.
- For interest rate swaps – the present value of the estimated future cash flows based on observable yield curves. The cash flow hedge derivatives are considered level 2 under the fair value measurement hierarchy.

Financial instruments carried at amortised cost

- **Cash and cash equivalents, trade and other receivables and trade and other payables:** These are measured at amortised cost and maturing within 12 months. The carrying value approximates their fair value as they are short term in nature and therefore considered level 1 under the fair value hierarchy.
- **Investment securities:** The fair value of investments at amortised cost was calculated using the effective interest rate method. The amortised cost carrying value approximates fair value and they are considered level 2 under the fair value measurement hierarchy.
- **Loans and advances:** The carrying value of loans, advances and other receivables is net of specific provisions for impairment. These are carried at amortised cost. They are considered level 3 under the fair value measurement hierarchy.
- **Deposits and borrowings:** These are carried at amortised cost and the amortised cost carrying value approximates fair value. Given the nature, the liabilities are determined to be a level 2 under the fair value hierarchy.

Financial assets and liabilities carried at fair value

The following tables reflect the carrying amount and fair value of financial assets and financial liabilities measured at fair value under AASB 9 *Financial Instruments,* including their levels in the fair value hierarchy.

29. Fair value of financial assets and liabilities (continued)

		GROUP & BANK 2024				
		Carrying Value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
	notes	$M	$M	$M	$M	$M
Equity investments	**13**	9.2	–	–	9.2	9.2
Total financial assets at fair value		**9.2**	**–**	**–**	**9.2**	**9.2**
Derivatives – interest rate swaps	**25**	1.6	–	1.6	–	1.6
Total financial liabilities at fair value		**1.6**	**–**	**1.6**	**–**	**1.6**

		GROUP & BANK 2023				
		Carrying Value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
	notes	$M	$M	$M	$M	$M
Equity investments	**13**	8.5	–	–	8.5	8.5
Total financial assets at fair value		**8.5**	**–**	**–**	**8.5**	**8.5**
Derivatives – interest rate swaps	**25**	2.7	–	2.7	–	2.7
Total financial liabilities at fair value		**2.7**	**–**	**2.7**	**–**	**2.7**

Financial assets and liabilities carried at amortised costs

The following tables reflect the carrying amount and fair value of financial assets and financial liabilities measured at amortised cost under AASB 9 *Financial Instruments*, including their levels in the fair value hierarchy. The carrying values of certain on-balance sheet financial instruments measured at amortised cost which also approximate fair values are not included in the table below.

		GROUP & BANK 2024				
		Carrying Value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
	notes	$M	$M	$M	$M	$M
Investment securities	**12**	421.7	–	424.5	–	424.5
Loans and advances (gross)	**14**	2,044.3	–	–	2,044.1	2,044.1
Total financial assets at amortised cost		**2,466.0**	**–**	**424.5**	**2,044.1**	**2,468.6**
Deposits (Call and Term)	**20**	1,946.7	–	1,946.7	–	1,946.7
Borrowings	**21**	362.4	–	362.4	–	362.4
Total financial liabilities at amortised cost		**2,309.1**	**–**	**2,309.1**	**–**	**2,309.1**

		GROUP & BANK 2023				
		Carrying Value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
	notes	$M	$M	$M	$M	$M
Investment securities	**12**	468.5	–	464.8	–	464.8
Loans and advances (gross)	**14**	1,986.9	–	–	1,980.3	1,980.3
Total financial assets at amortised cost		**2,455.4**	**–**	**464.8**	**1,980.3**	**2,445.1**
Deposits (Call and Term)	**20**	1,930.4	–	1,930.4	–	1,930.4
Borrowings	**21**	374.0	–	374.0	–	374.0
Total financial liabilities at amortised cost		**2,304.4**	**–**	**2,304.4**	**–**	**2,304.4**

30. Standby credit facilities

The Group has the following standby credit facilities:

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Cuscal overdraft facility	**4.0**	4.0	**4.0**	4.0
Amount drawn	**–**	–	**–**	–
Total facilities available	**4.0**	4.0	**4.0**	4.0

The Group has an overdraft facility with Cuscal and maintains a security deposit of $20.8 million (2023: $20.8 million) with Cuscal to secure this facility and settlement services. No other form of security is provided by the Group.

31. Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

NON-EXECUTIVE DIRECTORS	POSITION
Peter Remfrey	Chair, Non-executive director
Robert Redfern	Deputy Chair, Non-executive director
Colin Dyson	Non-executive director
Patrick Gooley	Non-executive director
David Hudson	Non-executive director
Justine Saunders	Non-executive director
Joanna Bushby (appointed 18 December 2023)	Non-executive director
Sarv Girn (appointed 16 December 2023)	Non-executive director
Julie Osborne (until 31 July 2023)	Non-executive director
Sharon Waterhouse (until 26 September 2023)	Non-executive director

EXECUTIVE OFFICERS	POSITION
Greg McKenna	Chief Executive Officer
Dr. Leanne Ward	Chief Financial Officer
Danni Martin (appointed 6 May 2024)	Chief People Officer
Rayna Heckenberg	Chief Risk Officer
Nicholas Tseros	Chief Member Officer
Lyndall Bushell (appointed 24 July 2023)	Chief Information Officer
Amanda Rohl (appointed 29 January 2024)	Chief Marketing and Product Officer
Denis Fuelling (until 31 December 2023)	Chief People and Marketing Officer

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

31. Key management personnel (continued)

Remuneration of key management personnel

Key management personnel compensation was as follows:

	GROUP & BANK 2024			GROUP & BANK 2023		
	Directors	Other KMP	Total	Directors	Other KMP	Total
	$M	$M	$M	$M	$M	$M
Short-term employee benefits	**0.7**	**2.7**	**3.4**	0.6	2.5	3.1
Post-employment benefits	**0.1**	**0.2**	**0.3**	0.1	0.2	0.3
Other long-term benefits	**–**	**–**	**–**	–	–	–
Termination benefits	**–**	**0.1**	**0.1**	–	–	–
Share-based payment	**–**	**–**	**–**	–	–	–
	0.8	**3.0**	**3.8**	0.7	2.7	3.4

Short term benefits are salaries and wages, paid annual leave and sick leave, bonuses and the value of fringe benefits received. Post-employment benefits are payments to defined contribution superannuation plans. Other long-term benefits are the net increase in the long service leave provision.

All remuneration to directors was approved by members at the previous Annual General Meeting held on 30 November 2023.

Share options granted to key management personnel

No employee share options have been granted during the year (2023: nil).

Transactions with key management personnel

The Group's key management personnel are the individuals responsible for planning, controlling, and managing the Group, being the non-executive directors, Chief Executive Officer, and the Executive Leadership Team.

Loans to key management personnel

The Group has provided several key management personnel with loans at rates comparable to the average commercial rate of interest. The loans to key management personnel are secured.

The following table outlines aggregate amounts in respect of loans made to key management personnel of the Group.

	GROUP & BANK 2024			GROUP & BANK 2023		
	Mortgages – secured	Other term loans	Revolving credit facilities	Mortgages – secured	Other term loans	Revolving credit facilities
	$M	$M	$M	$M	$M	$M
Funds available to be drawn	**0.9**	**–**	**0.1**	0.9	–	0.1
Balance	**4.6**	**–**	**–**	5.2	–	–
Funds advanced	**–**	**–**	**–**	–	–	–
Interest and other revenue earned	**0.1**	**–**	**–**	0.1	–	–

All loans disbursed were approved in accordance with standard lending policies for each class of loan.
No benefits or concessional terms and conditions are applicable to close family members of key management personnel. No loans to directors, other key management personnel, or their close family relatives are impaired.

31. Key management personnel (continued)

Other transactions with key management personnel

Other transactions with key management personnel include deposits and interest paid on deposits. The total value of these transactions was as follows:

	GROUP AND BANK	
	2024	2023
Term and Savings Deposits	1.7	1.9

The Group's policy for receiving deposits from key management personnel is that all transactions are approved, and deposits accepted on the same terms and conditions which apply to members for each type of deposit.

Transactions with other related parties

Transactions with related parties include deposits from director-related entities or close family members of directors and other key management personnel. The Group's policy for receiving deposits from related parties is that all transactions are approved and accepted on the same terms and conditions which apply to members. There are no benefits paid or payable to close family members of the directors and other key management personnel. There are no service contracts to which key management personnel, or their close family members are an interested party.

32. Remuneration of auditor

	GROUP		BANK	
	2024	2023	2024	2023
Audit and review services	$'000	$'000	$'000	$'000
Audit and review of financial statements - Group and controlled entities	**200**	208	**200**	208
Total remuneration for audit and review services				
Statutory services				
Other statutory services	**103**	100	**103**	100
Total remuneration for assurance services				
Other non-audit services				
Other services	**87**	43	**87**	43
Total remuneration for non-audit services				
Total remuneration of auditor	**390**	350	**390**	350

The auditor of the Group is Deloitte Touche Tohmatsu. All amounts exclude 10% GST.

Statutory services consist of fees for services that are required by legislation to be provided by the auditor, including certain reporting to APRA and the AFSL Form FS71.

Other non-audit services consist of engagements in relation to an audit that are not the direct audit or review of financial reports. These services include tax compliance and agreed-upon procedures.

The Group has processes in place to maintain the independence of the external auditor, including the nature of expenditure on non-audit services. Deloitte also has specific internal processes in place to ensure auditor independence.

33. Commitments

OUTSTANDING LOAN COMMITMENTS

The outstanding loan commitments shown in the table below constitute contingent assets. These commitments would be classified as loans and advances in the Statement of Financial Position should they be drawn upon by the member.

	GROUP AND BANK	
	2024	2023
Outstanding loan commitments	$M	$M
Loans approved but not funded	**58.5**	65.7
Undrawn credit commitments	**46.0**	46.9
Loans available for redraw	**8.4**	9.3
Total commitments	**112.9**	**122.0**

MATERIAL SERVICE CONTRACT COMMITMENTS

Commitments arise from material service contracts, which have been contracted for at balance date but not recognised in the Statement of Financial Position.

The Group has contracts with Ultradata Australia Pty Limited and Temenos Australia Operations Pty Ltd for provision of the Bank's application software and associated support services. Furthermore, various agreements for software and related hosting services as part of the core banking transformation program. This includes various vendors involved in the implementation and configuration of transformation program.

The balance of fees payable under these contracts are payable over the following periods:

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Within 1 year	**5.4**	4.2	**5.4**	4.2
1 to 2 years	**4.2**	5.2	**4.2**	5.2
2 to 5 years	**6.5**	5.6	**6.5**	5.6
Greater than 5 years	**–**	3.0	**–**	3.0
Total commitments	**16.1**	18.0	**16.1**	18.0

34. Cash flow information

CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of net profit after tax to net cash inflows from operating activities:

	GROUP		BANK	
	2024	2023	2024	2023
	$M	$M	$M	$M
Net profit for the year	**9.2**	9.5	**8.7**	12.6
Adjustments for:				
Bad debts written off	**0.2**	0.2	**0.2**	0.2
Loss on disposal of property and equipment	**-**	0.5	**-**	0.4
Depreciation and amortisation	**1.3**	1.9	**1.3**	1.4
Impairment of customer listing intangible assets	**-**	3.1	**-**	-
Changes in operating assets and liabilities:				
Decrease / (increase) in trade and other receivables	**2.0**	(2.6)	**2.0**	(2.7)
Decrease / (increase) in other assets	**0.8**	(0.3)	**0.9**	(0.4)
(Decrease) / increase in current tax payable	**(1.7)**	1.6	**(1.7)**	1.6
Increase in current tax receivable	**(0.4)**	-	**(0.5)**	-
Increase in net deferred tax assets	**(3.1)**	(2.0)	**(3.1)**	(1.9)
(Decrease) / increase in trade and other payables	**(2.6)**	4.0	**(3.0)**	3.2
Increase / (decrease) in provisions	**-**	(0.3)	**0.1**	(0.4)
Increase in expected credit loss provision	**1.0**	3.4	**1.0**	3.4
Increase in gross loans and advances	**(57.4)**	(119.9)	**(57.4)**	(119.9)
Decrease in unamortised loan origination fees	**-**	(0.3)	**-**	(0.3)
Increase / (decrease) in deposits	**20.5**	(111.5)	**20.5**	(111.5)
Net cash outflows from operating activities	**(30.2)**	(212.8)	**(31.0)**	(214.4)

CASH FLOWS PRESENTED ON A NET BASIS

Cash flows arising from loan advances and repayments, member deposits and withdrawals, member shares issued and redeemed, and borrowings drawn and repaid are presented on a net basis in the statement of cash flows.

CASH FLOWS FROM FINANCING ACTIVITIES

The net cash inflows from financing activities is reconciled in the Consolidated Statement of Cash Flows.

35. Contingent liabilities

CONTINGENCIES

As at 30 June 2024, the Group has no material contingent liabilities or assets which need to be disclosed (2023: Nil).

LEGAL DISPUTES AND CLAIMS

There are no current disputes or claims made against the Group (2023: Nil).

36. Financial reporting by segments

The Group only has one major business and operating segment being 'Retail Banking'. The principal activities of the Group are confined to the raising of funds and the provision of finance for housing, consumer lending and business banking. For the purpose of performance evaluation, risk management and resource allocation, the decisions are based predominantly on the key performance indicators at the Group level.

The Group operates in one geographical segment which is the Commonwealth of Australia. There are no material identifiable segments to report. No single customer contributes revenue greater than 10% of the Group's revenues.

37. Subsequent events occurring after the reporting date

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial year.

38. Entity details

The registered office of the Group is:

Police Bank Limited
25 Pelican Street
Surry Hills, NSW, 2010.

39. Authorisation of financial statements

The financial report for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 29 October 2024.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

The table below includes consolidated entity information required by section 295 of the Corporations Act 2001 (Cth):

				Tax residency	
Entity Registered Name	**Entity Type**	**Place formed or incorporated**	**% of share capital held**	**Australian or foreign**	**Foreign jurisdiction**
Police Bank Limited	Body Corporate	Australia	100%	Australian	N/A
PB Trust 2022-1R	Trust	Australia	N/A	Australian	N/A
Chelsea Wealth Management Pty Limited	Body Corporate	Australia	100%	Australian	N/A

There are no partnerships or joint ventures within the consolidated entity. Furthermore, none of the above entities was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2024

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that Police Bank Limited and its Controlled Entities will be able to pay its debts as and when they become due and payable;

b) in the directors' opinion, the attached financial statements for the are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of Police Bank Limited and its Controlled Entities' financial position and performance;

d) the directors have been given the declarations required by s.295A of the Corporation Act 2001; and

e) in the directors' opinion, the attached Consolidated Entity Disclosure Statement is true and correct.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

Peter Remfrey
Director, Chair
Sydney, 29 October 2024

Robert Redfern
Director, Deputy Chair
Sydney, 29 October 2024

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Independent Auditor's Report to the Members of Police Bank Limited

Report on the Audit of the Financial Reports

Opinion

We have audited the financial reports of Police Bank Limited (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 30 June 2024, statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, consolidated entity disclosure statement, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group and the Company's financial position as at 30 June 2024 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group and Company's annual report for the year ended 30 June 2024, but does not include the financial reports and our auditor's report thereon.

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

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

Deloitte.

Responsibilities of the Directors for the Financial Reports

The directors are responsible:

- For the preparation of the financial reports in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group and the Company in accordance with Australian Accounting Standards; and

- For such internal control as the directors determine is necessary to enable the preparation of the financial reports in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group and the Company, and are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.
- Evaluate the overall presentation, structure, and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte. Touche. Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Mark Lumsden

Partner

Chartered Accountants

Sydney, 29 October 2024

Police Bank Head Office
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Surry Hills NSW 2010

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Police Bank 60 Years

By your side