

2022 ANNUAL REPORT

Police Credit Union

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CFS FOUNDATION
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Adelaide SA 5000

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Adelaide SA 5000

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Chairman's and CEO's Report

We are pleased to present the 2022 Annual Report on the operations of Police Credit Union. Despite persistently challenging and volatile market conditions, your Credit Union continues to deliver outstanding results across all financial and non-financial measures. Our focus during the period remained centred on continuing to support our Members through these turbulent times. During the review period, the Police Credit Union team delivered strong performance relative to our strategic priorities as outlined further below, including outstanding customer experience results, industry leading financial outcomes, impressive people, culture and governance achievements, significant progress in innovation and improvement, and continued community and environmental successes.

Police Credit Union has yet again exceeded its Member Satisfaction benchmark since 2009 and achieved a strong 92.5% Member Satisfaction result for the 2022 financial period. This result was reinforced by a better practice Net Promoter Score of 96.4, providing testimony to the goodwill of Members in recommending others to our business.

During the reporting period, Police Credit Union achieved record Annual Member Value and Products per Member results of over \$327 and 5.48 respectively.

Our ongoing investments in delivering a balanced mix of traditional face-to-face, as well as credible, reliable and innovative digital solutions for customers, resulted in a score of 96.6% in the measure of Member trust in Police Credit Union looking after your financial needs. Underpinning these outstanding outcomes has been the consistent delivery of positive and well-received Member experience outcomes by our dedicated and professional employees.

Group profit after tax concluded the financial period at \$6.6 million, slightly ahead of the previous year, and increasing Member reserves to \$105.9 million, representing a 10.6% increase on the previous period. This resulted in an increase in the Capital Adequacy Ratio to 15.51% as compared to 14.51% for the previous period.

As a mutual and customer-owned organisation, 100% of profits are reinvested back into the business to provide Members with access to loans and deposits, and to strategically invest in capital infrastructure designed to further enhance products and services.

With Return on Assets and Return on Equity ratios concluding the period at 0.55% and 6.52% respectively, your Credit Union has continued to perform in the upper industry quartile¹ relative to key financial metrics.

Notwithstanding total group assets contracted for the period by 1.44%, reflecting modest and low growth funding settings during the ongoing pandemic, Police Credit Union has achieved an average annual growth rate of 7.32% since 2010.

Operating efficiency remained strong with the Cost to Income Ratio (CTI) concluding the period at 76.42%, and asset efficiency as measured by Operating Expenses divided by Average Total Assets, at 2.08%. Overall productivity as measured by Operating Income per Full Time Equivalent Employees, has increased to \$279k for the current period. From an operating efficiency perspective, Police Credit Union has achieved industry-leading results as evidenced and compared to the APRA June 2022 statistics².

"As a mutual and customer-owned organisation, 100% of profits are reinvested back into the business to provide Members with access to competitive loans and deposits..."

Employee Satisfaction slipped slightly to 89.29% for the period, noting that employee retention challenges were the primary cause of slippage, an issue which was symptomatic of the industry and a national trend. Strong and improved results for people and risk-based culture indices reflect a continued focus on key areas of; adherence to policy, compliance and regulations, sustained high-performance outcomes, and values-aligned behaviours and conduct.

The focus, presence and effort in driving effective and sustained operational outcomes during the pandemic, has resulted in the strong performance of the Organisational Resilience Index, which directly impacts credible engagement and underlying trust with Members. The Organisational Resilience Index measured 90.9 for the period.

Our continued careful approach in managing this important strategic measure reflects the availability of critical operating systems including: the level of maturity and effectiveness of our Cyber Security Defences and Mitigation strategies and Business Continuity Management framework; the number of IT Security Risk incidents, and the currency of Resilience knowledge and learning.

Organisational risks continued to be closely monitored with further initiatives and mitigants activated across all key risks to ensure the ongoing adequacy and effectiveness of the risk control frameworks. Critical to ensuring effective enterprise-wide risk management mitigation is the ongoing and continuous investment and effort to enhance the control, oversight, and risk reporting frameworks, undertaken by the Police Credit Union team. This has resulted in overall improvement in residual risk scores as reflected in the Average Significant Risk Score being contained at a score of 33 at year end.

During the period, Police Credit Union invested over \$574K in sustainable strategic community investments, including the renewal of important existing sponsorships along with some newly-formed partnerships. We have consistently delivered on our community commitments each year since formulating our strategic benchmark in 2006 and have cumulatively invested in excess of \$6.1 million since this time, as reflected in our Community Investment Spend.

Since 2018, Police Credit Union has maintained a carbon neutral footprint, having achieved its strategic target reduction which formally commenced in 2007. Police Credit Union continued to expand the scope of its environmental impact initiatives, including policy frameworks and initiatives designed to reduce greenhouse gas emissions, waste, and pollution.

Table 1 opposite provides a summary of 2022 performance across strategic Financial and Non-Financial measures.

Table 1: Summary of 2022 Strategic Financial and Non-Financial Measures

| Strategic Measure | Actual 30 June 2022 | Strategic Target Achieved |
|--|---------------------|---------------------------|
| Group Profit After Tax | \$6.6 million | ✓ |
| Group Assets | \$1.2 billion | ✓ |
| Growth in Total Assets | -1.44% | ✓ |
| Return on Assets | 0.55% | ✓ |
| Return on Equity | 6.52% | ✓ |
| Expenses to Income | 76.42% | ✓ |
| Expenses to Assets | 2.08% | ✓ |
| Capital Adequacy | 15.51% | ✓ |
| Member Satisfaction Rating | 92.5% | ✓ |
| Products per Member | 5.48 | ✓ |
| Per Member Value for the 12-month period | \$327 | ✓ |
| Employee Satisfaction Index | 89.29% | ✓ |
| People-based Culture Index | 94.11% | ✓ |
| Risk-based Culture Index | 97.2% | ✓ |
| Organisational Resilience Index | 90.9% | ✓ |
| Innovation Index | 89.6% | ✓ |
| Average Significant Risk Score | 33 | ✓ |
| Annual Community Investment Spend (\$'000) | \$574 | ✓ |
| Community Engagement Index | 90% | ✓ |
| Carbon Emissions Footprint | Neutral | ✓ |

"We highly value the significant trust placed in us by Members to deliver on their many banking needs."

Police Credit Union is committed to high standards of corporate governance. We believe this is the cornerstone of our ability to deliver on our purpose and strategy. We recognise that reliability and trust is at the core of everything we do and that our purpose, values, and culture set the foundations for good conduct. Our core values of superior service, honesty, integrity, and financial prudence reflect the essential beliefs and culture of the business. Our purpose is to improve our Members' lives by providing outstanding value and service that enables them to achieve their financial aspirations. Our strategy is centered around a high-performance framework in areas critical to our long-term success, and as outlined above, includes careful planning around Customer Experience, Financial Performance, Community and Environment, People, Culture, Risk and Governance, as well as Innovation and Improvement.

Please refer to the 2022 Corporate Governance Statement contained in this report for further detailed information on our governance framework and practices.

The Police Credit Union governance and leadership teams continue to draw on their capability and cultural strength to confront the many challenges inherent to our business.

During these continuing difficult and volatile times, they have remained on heightened alert in responding to an environment characterised by sustained levels of volatility, uncertainty, complexity, and ambiguity. Notwithstanding that the pandemic appears to be easing, the economic consequences are likely to persist and linger for many years to come.

The unprecedented level of global government intervention in responding to the pandemic will leave behind potential economic displacement which will undoubtedly challenge businesses, markets, policy makers and central banks for many years to come. As part of our forward-thinking focus, we remain well-prepared and highly equipped to respond to these real and imminent risks.

Moving forward, our strategic planning framework also considers, amongst other matters, the impact of rising interest rates and inflation, heightened geopolitical risks, increasing impact of regulation, cyber-security and environmental-related risks.

During the year we farewelled Director Andrew Dunn and acknowledged his leadership and governance contributions, since he first joined the Board in 2013.

We also welcomed Ann-Marie Chamberlain as an Appointed Director. Ann-Marie offers more than 15 years' executive-level Management experience in the Banking Sector and shares our passion for giving back to the community through her long-standing association with Volunteering SA/NT as a Board member and the current Chair.

Sadly, we also mourned the sudden passing of retired Director, Mick Standing. In addition to his significant community commitment as a police officer, Mick's contribution as a long-serving Director between 2006 and 2021 contributed greatly to Police Credit Union's ongoing success. He will be fondly remembered as a true friend of Police Credit Union for his authentic dedication, devoted service, fierce loyalty, and natural leadership.

"During the period, Police Credit Union invested over \$574K in sustainable strategic community investments, including the renewal of important existing sponsorships along with some newly formed partnerships. We have consistently delivered on our community commitments each year..."


The achievements and successes that we have presented in this report are a result of the combined efforts of our loyal and committed team. Notwithstanding the significant impact that the pandemic continues to impose on all of us, the team at Police Credit Union displayed admirable courage, resilience, adaptability, and commitment like never before.

During this period, their authenticity and humanity shone through, and they displayed an unwavering work ethic, passion for success, diligence and professionalism in getting the job done, and enormous commitment and integrity in serving you with outstanding customer service.

We highly value the significant trust placed in us by Members to deliver on your many banking needs. Police Credit Union remains highly resilient and well-positioned both in capacity and capability to continue to deliver exceptionally competitive financial products and services to Members.

Our commitment to remaining sustainable, values-driven and relevant to our communities, in 'delivering a customer experience that is second to none', is absolute.

On behalf of the Board, Management, and our staff, we sincerely thank our many Members, friends and business partners for your ongoing support and loyalty, and we look forward to a bright and prosperous future partnership.



Mr Alex Zimmermann
Chairman



Mr Costa Anastasiou
Chief Executive Officer

Directors' Report

The Directors of Police Credit Union Limited (the "Credit Union") and its controlled entities (together referred to as the "Group") submit herewith the annual financial report for the financial year ended 30 June 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is presented below.

The names and particulars of the Directors of the Credit Union during or since the end of the financial year are:

Resigned and Retired Directors

The following Directors resigned or retired during the financial year ended 30 June 2022.

Andrew James Dunn

GAICD, Assoc. Dip. Justice Admin., Assoc. Dip. Social Science

Current Occupation: Retired Sergeant of Police

Director since: 2013 - resigned 1 February 2022

Member Board Audit Committee; Life Member Police Association of SA, former Secretary Police Association of SA 1998–2013; Graduate Member Australian Institute of Company Directors.

Michael John Edwin Standing

MAICD

Current Occupation: Retired Sergeant of Police

Director since: 2006 - retired 19 November 2021

Member Board Risk Committee; Member Australian Institute of Company Directors; Life Member Police Association of SA.

Alexander Paul Zimmermann

Elected Director and Chairman

FAICD, Grad. Cert. Business Admin,
Fellow Governor's Leadership Foundation



Alex was elected as a Director on the Police Credit Union Board in 1999.

As the Chairman of Police Credit Union since 2012, Alex offers extensive corporate governance and leadership experience in Board and senior management roles across a range of state and local government, and non-government organisations.

Alex had a successful and decorated career as a South Australian police officer, having commenced as a recruit in 1975 and retiring at the commissioned rank of Chief Inspector in late 2020. As a senior-ranking police officer he was responsible for significant strategic initiatives and operational achievements that included facilitating business process reviews, crisis management, establishing the Electronic Crime Section, and driving organisational change management projects within South Australia Police.

Alex held the role of Deputy Chair of Regional Development Australia (Barossa) and was appointed by the State Government as the Local Recovery Coordinator for the Pinery bushfire, Northern Adelaide Plains flooding and the Cudlee Creek (Adelaide Hills) bushfire. These roles showcased his open and engaging leadership style and strong capacity for decision-making and strategic thinking, combined with competency in establishing and maintaining beneficial relationships with a range of stakeholders during emergency and rebuilding phases.

Alex was motivated to become a Police Credit Union Board Member by the desire to make a substantial governance contribution to the strategic performance and effective operations of the credit union, ultimately enhancing the interests of Members and the organisation. In addition to his extensive leadership and governance experience, Alex has a reputation for meaningfully engaging and supporting communities, as well as developing and maintaining significant and diverse stakeholder relationships – highly valuable leadership skills that develop confidence and commitment amongst the Board, Executive team and staff of Police Credit Union.

Alex is Chairman of the Police Credit Union Board Remuneration and Governance Advisory Committee.

Other Directorships and Memberships:

- Chair, Workskil Australia (joined Jan 1995 and appointed Chair in 2004)
- Board Member, Lutheran Community Care (appointed June 2022)
- Fellow, Governor's Leadership Foundation
- Fellow, Australian Institute of Company Directors
- Member, Australian Institute of Emergency Services

Michael John Fisher

Elected Director and Deputy Chairman

FAICD, B. Policing (Invest), Dip. Justice Admin., Grad. Cert. Applied Management, Grad. Cert. Business Admin



Mick was elected as a Director on the Police Credit Union Board in 2000.

Mick brings over 40 years of operational police experience to his role as Director and Deputy Chairman of Police Credit Union. For the past 20 plus years, Mick has diligently served the Credit Union and our membership. He previously served as Deputy Chairman between 2006 and 2010, before being appointed Deputy Chairman again in 2012.

Over four decades as a Police Credit Union Member provides Mick with insight when it comes to the importance of our core membership – Police, Nurses and other emergency service workers – and he has drawn on his own sector knowledge to assist in the development of strategies to attract new Police Credit Union Members from the broader emergency services sector.

During his career in South Australia Police, Mick has served as the Officer in Charge of Criminal Investigation Branches, Crime Gangs Task Force, and the Serious and Organised Crime Branch. In these areas he gained, experience in complex criminal investigations, including cyber and financial crime. At the height of the COVID-19 pandemic in 2020, he served as Executive Officer in the Police Operations Centre, where he played a key coordination role in South Australia's operational response and management of enforcement operations across the state. His leadership skills in ensuring organisational continuity and state emergency management experience gained through these positions translate seamlessly to his role as Director and Deputy Chairman of Police Credit Union.

Mick is currently a Detective Chief Inspector in South Australia Police and has been an active volunteer in the local community in the area of sports/leisure administration and coaching.

Mick is Chairman of the Police Credit Union Board Risk Committee and a Member of the Board Remuneration and Governance Advisory Committee.

Other Directorships and Memberships:

- Fellow, Australian Institute of Company Directors
- Secretary, Police Commissioned Officer's Mess Incorporated
- Member, South Australian Sea Rescue Squadron
- Member, Wallaroo Sailing Club

Peter John Alexander

Elected Director

LLB, MAICD, Cert. Police Studies, Grad. Cert. HR Management, B. Law, Grad. Dip. Legal Practice



Peter was elected as a Director on the Police Credit Union Board in 2008.

Peter has an impressive history of work as a lawyer and police officer, including 20 years as a detective with South Australia Police.

He worked as part of the Major Crime Squad for 15 years at the rank of Detective Sergeant and was then seconded to the Police Association of South Australia where he served as President for 17 years. During that time, he was also appointed the National President of The Police Federation of Australia, representing all Australian Police for more than a decade. This highly coveted role has provided Peter with high level management skills gained from deep insight into the law enforcement sector, the particular issues confronting police officers at all ranks and positions and assisting Police Credit Union to support these officers with their financial needs.

Working as a lawyer since 2008, Peter has developed extensive experience in most areas of the law, with a particular speciality in Industrial Relations as well as negotiation experience in many areas, including Government Relations and advocacy. These skills continue to greatly assist Police Credit Union for engagement with Government, regulatory bodies and our partners.

In addition to being awarded the Australian Police Medal, Peter has also received the National Medal and the Centenary Medal. He is a Life Member of the South Australian National Football League and the South Adelaide Football Club in recognition of his many years of dedicated community service.

Peter is a passionate and dedicated advocate for the people he represents and is equally as passionate when it comes to his long-standing position as a Director on the Police Credit Union Board and supporting the ongoing needs of our Members.

Peter is a member of the Police Credit Union Board Risk Committee and Board Remuneration and Governance Advisory Committee.

Other Directorships and Memberships:

- Member, Australian Institute of Company Directors

Ann-Marie Chamberlain

Appointed Director

GAICD



Ann-Marie was appointed as a Director on the Police Credit Union Board in 2022.

As a highly skilled professional, Ann-Marie possesses extensive experience in business leadership and development, corporate strategy, retail banking, financial management and reporting, as well as risk management.

Her passion for customer and employee experience is something that fits naturally with the values and purpose of Police Credit Union, and she comes to the Board with more than 15 years' executive experience in Banking and Wealth Management.

Ann-Marie spent more than five years as State General Manager for a large Australian financial institution, where she was responsible for the leadership of the retail banking division, including revenue growth, business profitability, product penetration, customer experience and employee engagement. She was subsequently promoted to a senior executive role where she led the transformation of the Small Business Target Operating Model before spending more than four years as General Manager Wealth, Personal Banking.

Ann-Marie is also a previous State Winner in the Telstra Business Women's Awards (Corporate & Private Sector category) and a recipient of a Centenary Medal for Leadership in the Community.

Adding to her impressive list of credentials, Ann-Marie has a personal understanding of the many complex issues facing police, as the daughter and wife of retired police officers. Ann-Marie is a long-standing member of Police Credit Union, having joined in 1981.

Her passion for giving back to the community has seen her serve on the Volunteering SA/NT Board for more than five years, including the role of Chair since October 2019. She has also been Trustee for Kalyra Communities, a provider of aged care, retirement living and affordable housing, for the last four years.

Ann-Marie is a member of the Police Credit Union Board Risk Committee and Board Audit Committee.

Other Director and Memberships:

- Member, Australian Institute of Company Directors
- Trustee, Kalyra Communities
- Chair, Volunteering SA/NT

Kathryn Anne Presser

Appointed Director

BA (Acc), Grad. Dip. CSP, MBA, FCPA, FAICD, FCIS, FGIA



Kathryn was appointed as a Director on the Police Credit Union Board in 2015.

Kathryn has extensive experience in financial, accountancy, risk and strategic planning aspects of private, public, not-for-profit and government agencies. She has over 30 years' experience working in senior management roles, including as CFO/Company Secretary at ASX Top 100 listed Oil and Gas Exploration and Production company, Beach Energy Limited (formerly Beach Petroleum Limited).

Her strong leadership and communication skills have been further refined by serving nearly 42 years part-time in the Australian Army, where she currently holds the commissioned rank of Major. Kathryn has previously served as a Member of Council at the University of Adelaide and was Chair of the Finance Committee, where she oversaw significant change to their Financial Reporting and Governance oversight to incorporate more transparency. She has previously been a member of the Advisory Board for the South Australian Government Financing Authority and a Non-Executive Director with the Australian Institute of Management.

In Kathryn's Director role at Police Credit Union, she brings a sound understanding of the challenges faced in the Financial Sector from skills she brings to the Board as a Non-Executive Director on the Board of Funds SA. She was awarded a Member of the Order of Australia (AM) in recognition of her services to Accountancy and her extensive community work in the 2022 Queen's Birthday Honours and awards.

Kathryn is Chairman of the Police Credit Union Board Audit Committee and a Member of the Board Remuneration and Governance Advisory Committee.

Other Directorships and Memberships:

- Independent Chair, Risk and Performance Committee, South Australian Department of Treasury and Finance
- Non-Executive Director, Funds SA
- Member, Council and Finance Committee, Walford Anglican School for Girls
- Treasurer, Fullarton Branch, The Scout Association of Australia
- Fellow, Australian Institute of Company Directors
- Fellow, Australian Society of CPAs
- Fellow, Chartered Institute of Company Secretaries
- Fellow, Governance Institute of Australia
- Director, KP Advisory Pty Ltd

Peter Damian Schar

Elected Director

FAICD, FAIES, Adv. Dip. Public Safety (Emergency Management)



Peter was elected as a Director on the Police Credit Union Board in 1998.

Peter has been a member of Police Credit Union since commencing his policing career in 1972, where he gained experience in major project and emergency management skills. Driven by a passion to support the growth and sustainability of Police Credit Union, Peter was elected to the Board in 1998. Since that time, he has contributed to policy development and organisational strategy which supports Members with receiving superior banking and insurance products that support their financial aspirations.

As a long-standing Director, Peter has a broad understanding of the financial, governance, risk and regulatory environments in which the credit union operates. He was actively involved in the review and confirmation of the credit union's strategic direction, which establishes a roadmap to ensure highly successful operations continue.

During his 43 years as a police officer with South Australia Police, Peter lived and worked in various regional and metropolitan locations. As a Detective he spent considerable time investigating serious fraud cases, including one of Australia's longest and most complex superannuation fraud matters. His experience meant he was able to identify areas of weakness in the management and auditing of superannuation and ultimately led to legislative and compliance improvements to better protect member funds.

As a Project Manager, Peter developed and introduced the Incident Command and Control System, a standardised model of management to support the resolution of emergencies and disasters. That framework has subsequently become the Australian police standard for incident management. Other projects included introducing and standardising the use of spatial and information management technologies, and web-based communication tools to support across government and industry response to disasters. Peter retired in 2015 and was considered one of South Australia's experienced emergency managers, having also supported the development of the State's emergency management arrangements, managed and reviewed multi-agency crisis exercises and investigated or reviewed various disasters.

Peter is actively involved in Police Credit Union's Canoe for Kids event, which raises funds for PoliceLink which supports the Women's and Children's Hospital with charitable contributions and patient engagement activities.

Peter is a member of the Police Credit Union Board Risk Committee and Board Audit Committee.

Other Directorships and Memberships:

- Fellow, Australian Institute of Emergency Services
- Fellow, Australian Institute of Company Directors

Thomas Mark Scheffler

Elected Director

MAICD, Dip. Local Govt., Cert. Police Studies



Tom was elected as a Director on the Police Credit Union Board in 2016.

Tom joined the Board of Police Credit Union to advocate on behalf of Members, staff and their families. As a career police officer with South Australia Police, Tom brings extensive law enforcement experience, well-honed leadership skills and aptitudes that are perfectly suited to his position on the Board. He regularly draws upon these skills to help enhance the credit union's annual performance outcomes for Members.

During his 45 years as a police officer on patrols, Tom spent more than 20 years as a Detective in regional and metropolitan locations, where he developed a comprehensive understanding of the challenges facing different communities. He went on to win a contested position on the Police Association of South Australia's committee and later became membership liaison officer. In 2002 he was appointed Assistant Secretary and elected Secretary in 2013 until his retirement in 2018 at the rank of Senior Sergeant First Class.

As a Police Credit Union Director, Tom brings first-hand understanding and confident communication expertise when it comes to how our organisation can best support police officers, nurses and other emergency services personnel through tailored products and services. Tom has extensive People and Culture experience, which includes the fields of training, industrial relations, disciplinary matters, and Enterprise Agreement Bargaining. During his tenure at the Police Association of South Australia, he developed a comprehensive training package for delegates. In addition to attending to criminal matters involving members, he also liaised with the highest levels of SA Police regarding disciplinary, worker's compensation, and industrial grievances, as well as negotiating with the State Government of the day in support of Enterprise Bargaining negotiations.

Tom has an extensive history of supporting and giving back to the local community and our Members, which has extended his leadership experience while serving as Deputy Mayor and Councillor within the City of Charles Sturt for almost 19 years.

Tom is a member of the Police Credit Union Board Audit Committee and Board Remuneration and Governance Advisory Committee.

Other Director and Memberships:

- Past Member, Police Superannuation Board and Police Dependents Fund
- Member, Australian Institute of Company Directors
- Life Member, Police Association of SA
- Deputy Mayor and Councillor, City of Charles Sturt
- Member, Asset Management Committee, City of Charles Sturt
- Member, Audit Committee, City of Charles Sturt

Director's Meetings

| Director | Board | | Board Audit Committee | | Board Risk Committee | | Board Remuneration and Governance Advisory Committee | |
|----------------------|-------|----------|-----------------------|----------|----------------------|----------|--|----------|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| A Zimmermann | 12 | 12 | - | - | - | - | 3 | 3 |
| M Fisher | 12 | 12 | - | - | 4 | 4 | 3 | 2 |
| P Alexander | 12 | 11 | - | - | 4 | 4 | 3 | 3 |
| A Dunn | 7 | 6 | 2 | 2 | 1 | 1 | - | - |
| K Presser | 12 | 11 | 4 | 4 | - | - | 3 | 3 |
| P Schar | 12 | 12 | 4 | 4 | 4 | 4 | - | - |
| T Scheffler | 12 | 12 | 4 | 2 | - | - | 3 | 3 |
| M Standing | 4 | 3 | 1 | 1 | 1 | 1 | - | - |
| A Chamberlain | 4 | 4 | 2 | 2 | 2 | 2 | - | - |

Directors and Director's Meetings

The Board of the Police Credit Union Limited met 12 times during the year ended 30 June 2022. In addition, Directors attended Board Strategy sessions during the year.

The table above includes:

- Names of Directors holding office at any time during, or since the end of, the financial year; and
- The number of scheduled meetings held during the financial year for which each director was a member of the Board or relevant Board Committee and eligible to attend, and the number of meetings attended by each director.

Company Secretary

Costa Anastasiou B.Ec (Acc), FAICD, FCPA, SA Fin, joined the Credit Union in 2002 and was appointed as Chief Executive Officer and Company Secretary on 20 July 2007.

Principal Activities

The principal activities of the Group during the year included the operation as an Authorised Deposit-Taking Institution ("ADI") and the provision of insurance services as agent.

Review of Operations

A review of operations of the Company and its subsidiaries ("the Group") during the financial year is contained within the Chairman's and CEO's report.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

Subsequent Events

Other than that referred to in the financial statements or notes there has not been any matter or circumstance occurring subsequent to year-end, 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 years.

Dividends

No dividend has been paid or declared by the Credit Union since the start of the financial year, and the Directors do not recommend the payment of a dividend in respect of the financial year.

Indemnification of Officers and Auditors

Under its constitution the Credit Union must, to the extent permitted by the Corporations Act 2001, indemnify its officers and agents against any liability incurred in conducting the Credit Union's business or exercising the Credit Union's powers. The Credit Union may also indemnify or agree to indemnify any other person. The Credit Union has not during the financial year or since the end of the financial year, indemnified or agreed to indemnify any other person against liabilities incurred.

The Credit Union has entered into and paid premiums to insure against losses that it may sustain arising out of indemnities to officers and agents to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Auditor's Independence Declaration

The Auditor's independence declaration appears on the following page.

Rounding off of Amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, commencing 1 April 2016, and in accordance with that Corporations Instrument amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The Directors' report is signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Alexander Paul Zimmermann

Chairman

Adelaide, 29 September 2022



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Police Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Police Credit Union Limited for the financial year ended 30 June 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Darren Ball
Partner

Adelaide

29 September 2022

Our Executive Team

Costa Anastasiou

Chief Executive Officer

Bachelor of Economics (Accounting), FAICD, FCPA, SA Fin



Costa was appointed Chief Executive Officer and Company Secretary in July 2007, having commenced employment at Police Credit Union in 2002 in a senior management role.

Reporting to the Board, as Chief Executive Officer and Company Secretary, Costa is responsible and accountable for the effective and efficient management of all operational aspects of the organisation, including the successful implementation of strategic, risk, governance and culture frameworks.

Costa is a qualified accountant, having started his career with a Top 4 accounting firm before moving into the banking and finance industry in 1987. Over more than 35 years of experience working in the financial services sector, he has successfully undertaken diverse senior management responsibilities throughout his career, including accounting, treasury, sales, marketing and strategic roles.

Under Costa's leadership and direction, Police Credit Union has achieved industry-leading outcomes across the five key pillars of its strategic scorecard, including long-term successes in financial performance, People & Culture, Risk and Governance, Innovation and Improvement, Customer Experience, and Community and Environment. Costa is a strong advocate of the principles of the mutual customer-owned banking model, and its people-first approach.

Since his appointment, and additional guidance by a clear set of core values based on superior service, honesty, integrity, and financial prudence, this values-based approach has seen Police Credit Union grow to serving more than 40,000 Members, assets exceeding \$1.2 billion, and a growing workforce and branches across South Australia and Northern Territory.

Other Directorships and Memberships:

- Director, PCU Services Pty Ltd
- Director, Ian Berry Insurance Services Pty Ltd
- Director and Life Member, SA Policy Legacy Inc

Paul Modra

Executive Manager, Member Value and Distribution

MBA



Paul joined the Police Credit Union team in 2001.

Paul is an experienced senior manager and committed people leader. With over 24 years' experience in the broader sector and more than two decades with Police Credit Union, Paul has extensive and valued insight when it comes to the needs and wants of our Members.

A key member of our Executive team and Deputy CEO, Paul first started at Police Credit Union as a Branch Manager before being promoted to Executive Manager, Product and Marketing, providing him with diverse experience he continues to draw on in his current role as Executive Manager, Member Value and Distribution. Paul is responsible for developing and implementing our customer relationship strategy, as well as the smooth operation of our Branch Network, Contact Centre, Retail Operations, Product Management and Relationship Management.

During his tenure at Police Credit Union, Paul has implemented our member life cycle strategy, ensuring all segments of our membership are retained and enhanced. He is also responsible for the development and management of income and expense budgets relevant to different portfolios, including interest revenue, non-interest income and salary.

His innovative approach, strong leadership skills and commitment to delivering customer excellence at every opportunity has delivered a Member Satisfaction score consistently above 90% and an average of 5.4 products per member.

Prior to joining Police Credit Union, Paul held a range of roles in the banking sector, including Product Analyst, Assistant Branch Manager, Senior Loans Officer and Member Service Consultant.

He has a Master's Degree in Business Administration from the Australian Institute of Business. Paul is Chair of the Product & Pricing Committee, which monitors and sets competitive interest rates across all lending and deposit products.

Other Directorships and Memberships:

- Director, St Michael's College Adelaide (including Chairperson of Finance, Audit & Risk Management Committee)

James Came

Executive Manager, Finance

B.Comm, B.Acc, Higher
Diploma in Tax Law, Chartered
Accountant



James joined the Police Credit Union team in 2005.

Starting out in 2005 as Manager, Finance, James was promoted to Executive Manager, Finance in 2013. He is responsible for the Finance department, including Treasury, and leads the creation, development, and execution of solutions for accounting policies, internal controls, managing capital, liquidity and funding.

James' expertise ensures that Police Credit Union continues to perform in the upper industry quartile relative to key financial metrics. His contribution and experience ensure the accurate and objective financial analysis to support sound decision making.

James started his career in a leading international audit firm before establishing and managing an independent accounting and taxation consultancy. He has also worked as a senior income tax specialist within the banking and insurance industries before joining Police Credit Union.

His experience included exposure to a diverse client base in mining finance, manufacturing, chemicals and the insurance industry. He offers experience in accounting, regulation, taxation and finance matters within the financial services environment. His knowledge of the financial and regulatory framework within which Police Credit Union operates is invaluable to the Financial and Regulatory reporting requirements and Taxation Compliance obligations.

James has a Bachelor Degree in Commerce and Accounting, and a Higher Diploma in Tax Law and was admitted as a member of the Institute of Chartered Accountants.

James is a member of the Product and Pricing Committee and the Chairperson of the Asset and Liability Committee that manages and monitors Police Credit Union's liquidity, interest rate and capital risks.

Other Directorships and Memberships:

- Member, Institute of Chartered Accountants Australia

Christie Crouch

Executive Manager, Brand, Marketing and Communications

B.Psych, M.MKT



Christie joined the Police Credit Union team in 2010.

With more than a decade of experience gained at Police Credit Union, Christie has played a key role in the organisation remaining the most recognised credit union in South Australia.

Originally appointed in 2010 as Marketing Manager, Christie progressed to Executive Management positions for Marketing, Product and People and Culture from 2011. These roles focussed on employee engagement, training and development, recruitment and retention, and product development. In September 2019 Christie started her current role as Executive Manager, Brand, Marketing and Communications, where she is responsible for brand strategy and development, delivery of compelling customer value propositions, and management of publicity and promotion.

She leads the Marketing team in strategies to attract new customers, with a focus on Member retention as well as supporting our community through a range of community-based sponsorships and events. Since 2006, Police Credit Union has exceeded targets for community investment spend, contributing over \$6 million to community initiatives.

In addition to being a Member of the Product and Pricing Committee and Innovation Committee, Christie chairs the Community, Environment and Employee Engagement and Diversity Committee.

Prior to joining Police Credit Union, Christie held senior Marketing roles in the real estate sector, where she was recognised for her strong leadership ability through numerous industry awards. Christie has a Master's Degree in Marketing and a Bachelor of Psychology from the University of South Australia. She also completed a financial management course through the Melbourne Business School and a Customer Experience Business Development program through the globally acclaimed Disney Institute.

Other Directorships and Memberships:

- Australian Marketing Institute
- Carbon Neutral Adelaide

James O'Loughlin

Executive Manager, Lending and Credit Management

BEc, Grad. Dip. AppFin, MBA



James joined the Police Credit Union team in 2012.

James has an extensive work history that spans more than 30 years in the banking and finance sector, with a proven track record in credit risk management. His advanced analytical skills and strong business and commercial acumen makes him an important part of the Police Credit Union Executive Team.

As Executive Manager, Lending and Credit Management, James is accountable for leading the responsible credit culture and successfully developing, implementing and monitoring credit policy. He leads the Lending, Credit Management and Direct Lending teams with a focus on achieving sustainable growth in loan portfolios.

He also manages the Business Banking department, which has grown to more than \$100 million.

James effectively supports the Lending and Credit Management teams who play an important role in assessing personal and home loan applications against strict lending criteria, with strong year-on-year applications received.

This has been achieved while also supporting Members experiencing financial difficulty through tailored repayment options and ensuring arrears and write-offs remain well below target levels.

James is a chartered accountant who started his career with a Big 4 accounting firm before moving to the banking and finance industry. He has held various roles with international and Big 4 financial institutions, ranging from private banking and business development to senior management positions, as well as experience across accounting, finance, debt restructure, cash management and self-managed superannuation funds.

James has a Master's in Business Administration, and a Bachelor of Economics from the University of Adelaide and a Graduate Diploma in Applied Finance.

He is Chairman of the Police Credit Union Credit Risk Committee.

Other Director and Memberships:

- Independent Board Member, Law Society, Litigation Assistance Fund

Annie Rafferty

Executive Manager, People and Culture

BPsych, B Behav Sci (Hons)
MOrgPsych



Annie joined the Police Credit Union team in 2014.

Annie is a Human Resources (HR) professional with more than 18 years of experience in strategic and operational HR Management, including generalist and operational HR roles and Specialist Organisational Development, Talent and Resourcing responsibilities.

As Executive Manager, People and Culture, Annie is responsible for the development and implementation of our People and Culture strategy which includes a particular focus on developing a high-performance culture that supports our workforce to deliver a customer experience that is second to none.

Annie first joined Police Credit Union as People and Culture Manager in 2014, before being appointed to her current role in 2020. Her team is responsible for implementing our Employee Value Proposition, induction and onboarding of new staff, employment relations, career development, remuneration and benefits, and work health and safety.

Prior to joining Police Credit Union, Annie spent 18 years working in HR consulting and management roles within the technology and energy resources industries.

Annie is a member of Police Credit Union's Community, Environment and Employee Engagement and Diversity Committee, Staff Superannuation Committee and Compliance and Operational Risk Committee. She is Secretary of our Work Health, Safety and Wellbeing Committee and our Return-to-Work Coordinator and Equal Employment Opportunity Officer.

She has led the implementation of new interpersonal training programs, scholarships, career development and leadership courses, and has overseen the introduction of inclusive work experience opportunities and traineeships with organisations such as Barkuma and Maxima.

Annie studied a Masters in Organisational Psychology at Macquarie University, achieved her Honours in Behavioural Science from Charles Darwin University and a Bachelor of Psychology from the University of South Australia. She has achieved Saville Wave Personality Assessment accreditation, Saville Psychometric Aptitude test accreditation, TLC (The Leadership Circle) certification, certification in LSI (Leadership Styles Inventory) and GSI (Group Styles Inventory) Coaching and Culture assessment tools and is an Accredited Lominger Practitioner.

Ben Stephenson

Executive Manager, Technology and Data

MInfoSysSec, MACS



Ben joined the Police Credit Union team in 2014.

As a critical part of the Police Credit Union senior Executive Team, Ben brings almost 20 years' experience in IT within the mutual banking sector. As Executive Manager, Technology and Data, he heads up a team responsible for the security, availability, and integrity of our IT systems and banking platforms, as well as innovation projects.

Ben offers a solid technical background in IT, having worked in frontline support positions earlier in his career before progressing into senior management roles. This diverse range of experience has provided him with a strong background in business processes as well as IT technical skills.

Ben continues to champion the need for safe, secure, convenient and reliable IT infrastructure, efficient banking systems and convenient Member access channels across Police Credit Union, including the launch of Fast Payments in 2018, a major Banking App upgrade in 2019, integration of Open Banking in 2021 and most recently a complete Online Banking portal update in 2022. In addition to a range of recent back-end technology enhancements to protect personal information and support our work-from-home employees, Ben has managed various online back-end security initiatives which have further minimised losses for our Members, despite increased online fraud activity.

Prior to Ben's position with Police Credit Union, he was Network Administrator for a major commercial brand and spent nearly 13 years as Network and IT Systems Manager for a Tasmanian-based leading financial institution. Adding to an impressive skillset, Ben's experience as a chartered accountant for over five years gives him a solid grounding in accounting principles and practices. He has a Master's Degree in Information Systems Security at Charles Sturt University and is completing a Graduate Certificate in Cyber Security Governance at RMIT. His professional development efforts include completion of the Police Credit Union Good to Great Leadership program, graduating from the Tasmanian Chamber of Commerce and Industry Management Training, and recognition as a Microsoft Certified Systems Engineer.

Ben is a member of the Police Credit Union Compliance and Operational Risk Committee and is the Chairperson of our Innovation Committee.

Other Directorships and Memberships:

- Member, Australian Information Security Association

Sean Willets

Executive Manager, Risk and Compliance Company Secretary

MIns&RiskMgt, ANZIIF(Fellow), CIP,
BBus(Eco & Fin), GCertCommLaw



Sean joined the Police Credit Union team in 2015.

With over 25 years working in financial services, Sean has extensive experience in the management of Risk and Compliance. He first joined Police Credit Union in 2015 as Executive Manager, Risk & Compliance, and in 2019 was appointed as Company Secretary.

Sean's role incorporates the management of Police Credit Union's many operational, regulatory and compliance risks, including business continuity management, fraud management and the management of corporate insurances and governance.

As a valued member of the Executive Management Team, he guarantees the integration of compliance and risk management into our strategic direction and across our business operations to ensure we appropriately address risks, impending issues and meet all legal and regulatory requirements.

In addition to leading a team that maintains the physical security of Police Credit Union, Sean is responsible for coordinating regulator interaction and reporting, and implementation of new and amended legislation and associated staff training across our organisation. He has overseen the delivery of extensive fraud and scam awareness training, along with risk management and compliance education.

Sean's career path has provided him with extensive experience working for several national insurance companies in senior management roles, with responsibilities that span legal, risk and compliance obligations. He has a Master of Risk Management and Insurance, a Graduate Certificate of Commercial Law from Deakin University, and a Bachelor of Business (Major in Economics and Finance) from Curtin University of Technology.

Sean is our Chief Risk Officer, Chairperson of the Compliance and Operational Risk Committee and a management representative on the Board Risk Committee.

Other Directorships and Memberships:

- Member, Risk Management Institute of Australasia
- Fellow, Australian and New Zealand Institute of Insurance and Finance
- Associate Member, Australian Compliance Institute

Corporate Governance Statement

Police Credit Union is committed to high standards of corporate governance. We believe this is a cornerstone to our ability to deliver on our purpose and strategy. We recognise that reliability and trust is at the core of everything we do and that our purpose, values, and culture set the foundations for good conduct. Notwithstanding that the requirement to table a Corporate Governance Statement is an ASX Listing Rule for listed companies, for the purposes of transparency, better-practice, and ongoing member-shareholder engagement, Police Credit Union is pleased to table an overview of its governance framework, as it has done for many years.

Our core values of superior service, honesty, integrity, and financial prudence reflect the essential beliefs and culture of the business. Our purpose is to improve our Members' lives by providing outstanding value and service that enables them to achieve their financial aspirations. Our strategy is centred around a high-performance framework in areas critical to our long-term success:

- Customer experience
- Financial Performance
- Community and Environment
- People, Culture, Risk and Governance
- Innovation and Improvement.

This statement is accurate and up to date as at 29 September 2022 and has been approved by the Board. Further information relating to the Police Credit Union's corporate governance practices and key governance documents can be found on the Corporate Governance section of our website at: <https://www.policecu.com.au/corporate-governance/>

Police Credit Union is an Authorised Deposit-taking Institution (ADI) authorised and regulated by the Australian Prudential Regulation Authority (APRA). As the holder of an Australian Financial Services Licence and an Australian Credit Licence, the Credit Union is also supervised by the Australian Securities and Investments Commission (ASIC).

Each Director has a statutory requirement under Chapter 2D of the Corporations Act 2001 and other regulatory provisions and these obligations under law are set out as per this Corporate Governance Statement.

Police Credit Union Limited and its Controlled Entities for the Year to 30 June 2022

The Board of Directors has overall responsibility on behalf of the shareholders (Members) for the business of the Police Credit Union Group.

To fulfil this role, the Board develops, approves, and undertakes, the setting of organisational strategic direction, the setting of financial and non-financial objectives and metrics, and the monitoring of Management's progress against these plans and objectives, together with operational oversight.

This approach ensures that the Board is able to apply strong ongoing oversight of compliance with its legal, regulatory and environmental obligations, culture and conduct expectations, together with established

Member/customer product and service performance standards and ongoing operational integrity.

The Police Credit Union Board acknowledges its responsibilities under subsection 37BA(1) of the Banking Act. Specifically each Director is an Accountable Person and has particular responsibilities under subsection 37BA(2) or 37BA(6) of the Act for the oversight of Police Credit Union as a member of the Board. In accordance with the Board Charter, the responsibilities of each Director include:

Providing oversight and approvals and responsibility for:

- Setting the strategic direction of Police Credit Union, and annually reviewing and approving a 3-year strategic business plan which sets out the organisation's core ideology (including core values), envisioned future, major goal(s), and strategic initiatives and tactics
- Overseeing, approving and monitoring of financial performance and other management reporting
- Monitoring the effective operation of the Board
- Evaluating the performance of the Board and individual Directors
- Allocating responsibilities to appropriate employees, including in relation to compliance with the Banking Executive Accountability Regime (BEAR)
- Ensuring senior management monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and Board approved policies.

Approval of risk appetite and risk management framework including responsibility for:

- Developing and approving Police Credit Union's risk appetite statement and communicating this clearly to the CEO
- Approving the Risk Management Framework
- Ensuring the operations structure facilitates effective risk management and sufficient resources are dedicated to risk management
- Identifying uncertainties, limitations and assumptions attached to the measurement of each material risk
- Ensuring senior management develop and implement appropriate arrangements, systems and controls to enable Police Credit Union to appropriately manage risk
- Ensuring the organisation's assets and operations are not exposed to undue risks through appropriate risk management.

Approval of Internal Capital Adequacy Assessment Process (ICAAP) including responsibility for establishing a policy framework:

- Regarding capital management for maintaining sufficient capital
- On organisational frameworks and risk limits in relation to capital
- For assessing, monitoring and controlling internal capital adequacy, and the calculation of the capital adequacy ratio.

Approval and application of the Remuneration Policy including responsibility for:

- Review and approval of the Remuneration Policy
- Developing of policies and procedures for the recruitment and retention of Directors and executive-level employees
- Monitoring the effectiveness and implementation of the Remuneration Policy.

Oversight of audit including responsibility for:

- Ensuring that Police Credit Union's audit functions are carried out by appropriately skilled and qualified persons (whether internal or external)
- Establishing a Board Audit Committee for the review and oversight of matters associated with the ability of Police Credit Union to carry out its regulatory strategy
- Monitoring the effective operation of the Board Audit Committee

Oversight of compliance including responsibility for:

- Approving the Compliance Management Framework and Compliance Policy
- Ensuring Police Credit Union develops and implements arrangements, systems and controls to enable it to comply with its legal, regulatory and industry obligations (complying with the law and adhering to accounting and other industry standards)
- Ensuring the organisation's assets and operations are not exposed to undue regulatory or compliance risks through appropriate compliance management
- Ensuring resources are allocated to establishing, developing, implementing, evaluating, maintaining and improving a robust compliance culture and compliance management framework
- Periodically reviewing the effectiveness of the compliance management framework and forming a view on the compliance culture.

Oversight on risk culture including responsibility for:

- Leading the development of Police Credit Union's culture by the governing body as a whole, including risk culture
- Assessing and forming a view on the risk culture and the extent to which the culture supports the ability of Police Credit Union to operate within its risk appetite
- Identify any desirable changes to the risk culture and communicating to senior management steps which need to be taken to address those changes.

The Board has adopted the following statement of functions reserved to it, with the day-to-day management delegated to the Chief Executive Officer and the Credit Union's Management Team. The Board is also responsible for:

- Monitoring the implementation and performance of the Credit Union through agreed goals and strategy
- Assessing performance against Board-approved budgets, targets and key performance indicators
- Overseeing the management of the Credit Union's business
- Overseeing appropriate policies, controls, systems and procedures within the Credit Union to set the risk appetite, manage the risks of its businesses, and compliance with all regulatory and prudential requirements including, without limitation, occupational health and environmental issues
- Reviewing matters of general Corporate Governance
- Appointing and removing the Chief Executive Officer
- Ensuring appropriate succession planning is in place
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- Overseeing, approving and monitoring of financial performance and other management reporting
- Setting delegated expenditure limits
- Ensuring that it strives to continuously improve Corporate Governance performance, standards and practices and in doing so maximising the effectiveness of the Board.

The agreed goals and strategy as outlined above requires of the Board on at least an annual basis to engage in strategic planning. This necessitates on an ongoing basis, a review of developments in the economic environment and finance industry, monitoring key business risks, evaluating emerging opportunities, assessing management of all these elements and considering modifications in strategic direction.

The Board acknowledges that it has specific responsibilities and duties in regard to and as it relates to the preparation, approval and presentation of Financial Statements and Reports with reference to the Corporations Act 2001.

- Financial Statements shall be prepared and tabled in accordance with Chapter 2M of the Corporations Act 2001, Accounting Standards and Interpretations, and in compliance with other requirements of the law. It is the duty and responsibility of each Director to act diligently in considering the accuracy and completeness of the financial statements and, when satisfied, provide approval in the tabling of a Directors' Declaration accordingly.
- The Board Audit Committee shall meet regularly and discharge its duties in accordance with its Charter. The Committee will provide a written update to the Board after each meeting outlining matters considered and identifying any specific issues that require Board attention. Board Audit Committee papers and approved minutes will be made available to Directors via the Directors website.

- It is expected that Directors will undertake and attend ongoing professional development and learning to ensure that they are properly and adequately equipped in terms of financial statements knowledge to discharge their responsibilities. The CEO shall be responsible for the coordination of such training.
- The CEO shall table an annual financial statements declaration to the Board as an attestation and representation as to the process, detail, content and integrity in the preparation and presentation of the financial statements.

Board Independence, Renewal and Selection

All Board members are independent non-executive Directors. The Board assesses the independence of Directors on an annual basis. A Director will be regarded as independent if that Director:

- Is a non-Executive Director
- Has not been an officer of the Credit Union
- Has within the last three years not been employed in an executive capacity by the Credit Union or any of its subsidiaries
- Has within the last three years not been a principal of a material professional adviser or a material consultant to the Credit Union or any of its subsidiaries, or an employee materially associated with the service provided
- Has not been a material supplier or customer of the Credit Union or any of its subsidiaries, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Has no material contractual relationship with the Credit Union or any of its subsidiaries other than as a Director of the Credit Union
- Has been free from any interest and any other business relationship which could, or could reasonably be perceived to, interfere materially with the Director's ability to act in the best interests of the Credit Union.

For the financial period to 30 June 2022, the Board has assessed that all Directors are independent, and that they continue to test and challenge Senior Management constructively and exercise independent judgement on matters presented for Board decision.

The Board comprises 5 Elected Directors who are elected on rotation, and 3 Appointed Directors. In accordance with the Credit Union's Constitution, the Board has the power to appoint by resolution at any time up to three persons as an Appointed Director. In the event the Board, in its determination, does not have an ideal inventory of skilled Directors and is unlikely to develop the necessary competency and/or diversity, it has the power to source and appoint a Director, thereby giving the Board the appropriate and enhanced renewal.

The Board requires Directors to have skills, knowledge, and experience which are complementary to the Credit Union's activities and strategy, or have appropriate professional qualifications, and who can bring value and judgement to the Board's deliberations. The Board strives to achieve a balance of skills, knowledge experience and renewal among its Directors, with the process being formally overseen by the Board Remuneration and Governance Advisory Committee.

It is the Board's view that, collectively, the Directors need to have appropriate skills, tenure, and experience to provide leadership and contribute to the effectiveness of the Board and our success. The Board reviews its mix of skills, knowledge, and experience annually, using a skills matrix.

These reviews include consideration of future succession plans for Board members as well as any additional areas of expertise that may be needed or desired by the Board.

The Board, as part of its renewal process, considers the length of service of each Director in conjunction with a skills, knowledge, and experience review in determining whether Directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the Credit Union.

For the financial period to 30 June 2022, the Board has assessed and concluded that no Director has served on the Board for such a period that their independence has been compromised.

The Board has, in accordance with Police Credit Union's Constitution, established a Nominations Panel for the purpose of assessing each candidate, including those Directors whose term expires at the Annual General Meeting and who are offering themselves for re-election. The assessment is undertaken with reference to Board-approved Police Credit Union Model Criteria, to determine whether that person has demonstrated an ability to be a Director and is 'fit and proper'. The Nominations Panel consists of four members, two current Directors and two independent and external persons who possess an overall suitable mix of character, skills, knowledge, and experience to enable an effective assessment of candidates. Following a detailed assessment, the Nominations Panel must be satisfied that each candidate has demonstrated an ability to be a Director as assessed against the Model Criteria and is fit and proper to be, and act, as a Director by reference to the Credit Union's Fit and Proper Policy. During the reporting period, the Nominations Panel met twice to review and assess the candidates standing for election at the 2021 Annual General Meeting, and for an Appointed Director, and to report to the Board the Panel's assessment of whether the candidates satisfy the Model Criteria.

Each Director enters into a Deed of Director's Terms of Appointment agreement that covers the Director's role, duties and responsibilities, terms of appointment, ongoing education, remuneration, disclosure of outside interests, independence, privacy, and confidentiality obligations. Arrangements for access to information, insurance, indemnity, and access to independent professional advice arrangements are also contained in the Deed.

Following appointment, each Director participates in an extensive induction program to familiarise themselves with our business and strategy and to develop industry knowledge. The information provided includes information about our corporate governance framework, policies, organisational structures, and business activities. The induction program also involves one-on-one meetings with Executives, and the Internal Auditor. There is also an induction program for each Board Committee of which a Director becomes a member.

Diversity and Inclusion

Police Credit Union is committed to promoting an organisational culture and workplace that fosters diversity and inclusion across all levels of the business. We achieve this through eliminating stigmas and creating a culture of inclusion through the promotion of education, awareness, and mutual understanding in line with our values and ethics. It is expected that all employees, including Directors, take personal responsibility for fostering a culture of diversity and inclusion, and demonstrate behaviours consistent with our strategy, vision, values, and ethics.

The Board has established a diversity and inclusion policy framework. Police Credit Union will not tolerate unlawful discrimination, harassment, workplace bullying or victimisation, or any behaviour that is inconsistent with our values or ethics. It is our policy to treat all employees, prospective employees, agents, contractors, customers, suppliers, and members of the community fairly and equally regardless of their race, colour, gender, sexual orientation, age, physical or mental impairment or disability, marital status, parental or carer's status, pregnancy, religious beliefs, socio-economic background, or ethnic, national, or social origin in accordance with the organisation's Fair Treatment and Code of Ethics Policies. The Police Credit Union Group has consistently maintained full compliance with the Workplace Gender Equality Act 2012 since its inception and with the most recent notice of compliance for the period 2021-2022.

Skills, Knowledge and Experience and Continuing Education

To ensure that Directors of Police Credit Union collectively have the full range of skills needed for the effective and prudent operation of the institution, and that each Director has skills that allow them to make an effective contribution to Board deliberations and processes, each year an analysis is undertaken to monitor a strategic skills map for effective Board renewal, optimum Board composition, and appropriately targeted professional development and governance learning programs. This includes the requirement for Directors, collectively, to have the necessary skills, knowledge, and experience to understand the risks of the institution, including its legal and prudential obligations, and to ensure that the institution is managed in an appropriate way taking into account these risks.

The Board Remuneration and Governance Advisory Committee oversee the annual audit of Director knowledge, skills, and experience. **For the financial period to 30 June 2022**, the most recent results of this assessment indicate that the Board's aggregate knowledge, skills and experience, and reflects overall performance in the upper quartile of assessment. **During the financial period to 30 June 2022**, the Board also commissioned the engagement of an independent external firm to conduct a Board Skills Competency Matrix. This was completed in June 2022 and, whilst identifying some areas for consideration and opportunities for improvement, revealed no adverse or material findings.

The Board Remuneration and Governance Advisory Committee is responsible for the regular review of Director Professional Development and Learning and must ensure that the continuing education program of learning is appropriate and adequate in enhancing the skills, knowledge, and experience of Directors. In accordance with POL 3010.3 – Responsible Person Learning Policy, all Police Credit Union Directors are expected to actively participate in ongoing professional education programs that includes minimum levels of required structured and unstructured learning, a formal induction program (where relevant) and the provision of regular scheduled training by internal and external experts across various banking and finance disciplines. All Directors must undertake extensive and continuing professional development programs to optimise and enhance their current skills and knowledge. Police Credit Union's policy on Responsible Person Learning, requires all Directors to each complete a minimum of 90 hours of professional development over a triennium period consisting of 35 hours of approved structured learning and 55 hours of approved unstructured learning. **For the financial period to 30 June 2022**, all Directors have completed the mandatory minimum requirement as set out in Board policy.

Board Assessment, Evaluation and Remuneration

In accordance with Board Policy, Directors undertake an extensive evaluation of Performances and Practices covering areas such as accountability to Members, the setting of strategic direction, the establishment and review of Policies, the monitoring of organisational performance, Board composition and operation, attendance and contribution to meetings, Board Processes, Code of Conduct and Compliance and Control. Police Credit Union also undertakes external and independent reviews of its governance arrangements, and comparisons to standards of accepted good practice.

Performance evaluations incorporating the Board, and its Committees are conducted annually with results assessed by the Board Remuneration and Governance Advisory Committee and reported to the full Board. The objective of this analysis is to assess and monitor the effectiveness of Director and Board governance practices and measure the ability of the Board to properly function and meet its obligations and identifying and mitigating areas of underperformance.

To ensure ongoing good corporate governance practices, and for the purposes of maintaining an external independent process for regularly assessing and evaluating the performance of the Board and individual Directors, including comparison to standards of accepted good practice, the Board Remuneration and Governance Advisory Committee engage the use of a suitably qualified, credentialed and reputable firm to undertake an independent external assessment of board capability, to ensure that it is fit for purpose having regard to the expectations outlined in paragraph 19 of APRA Consolidated Prudential Standard CPS 510 (Governance), for individual Directors, and the Board as a collective, at least every two (2) years.

The Board Remuneration and Governance Advisory Committee are responsible for the implementation of the Independent Director and Board Assessment, including the review and consideration of findings and recommendations and the remediation of any issues that may emerge from that review, subject to approval by the Board.

The Independent Director and Board Assessment includes and is not limited to the following areas of review, Duties, Responsibilities and Accountabilities, Decision Making, Risk Management and Compliance, Legal, Prudential, and Regulatory Obligations, Strategy, Board Dynamics, Conflict of Interest, Board Meetings and Information, Committees, Chair Performance, and Succession Planning.

During the financial period to 30 June 2022, the Board commissioned the engagement of an independent external firm to conduct a Board Performance Evaluation. This was completed in May 2022, and considered by the Board, and revealed no adverse or material findings. The report did however identify a number of better practice opportunities for improvement which have been considered by the Board for implementation.

In accordance with Board Policy, the Board Remuneration and Governance Advisory Committee, and ultimately the full Board, undertake extensive annual performance and remuneration reviews of the Chief Executive Officer, Executive-level direct reports of the CEO, and other persons whose activities may in the Committee's opinion, affect the financial soundness of the Credit Union.

Board policy requires that performance development reviews must be undertaken annually and after the conclusion of the financial period, using respective Accountability Statement and Position Performance Profiles, which incorporate Key Performance Indicators (KPIs), both financial and non-financial that are directly aligned to the Police Credit Union Strategic Plan balanced scorecard. The objectives of the Board remuneration policy, linked to performance reviews, are:

- To motivate executive and other managers captured by this policy to manage and lead the business successfully and to drive strong long-term organisational growth and performance in line with the strategy and business objectives.
- To encourage conduct and behaviour that supports the desired organisational and risk management culture of the Credit Union.
- To make sure that there is transparency and fairness in remuneration policy and practices.
- To deliver a balanced solution addressing all elements of total pay – base pay and benefits including appropriate superannuation arrangements and attraction and retention strategies.
- To ensure that the Credit Union will meet its obligations under the Banking Executive Accountability Regime and, in particular, its obligations with respect to deferred remuneration where applicable.

In accordance with Board Policy, and for **the financial period to 30 June 2022**, the Board Remuneration and Governance Advisory Committee and Board have satisfactorily undertaken and completed extensive annual performance and remuneration reviews of the Chief Executive Officer, Executive-level direct reports of the CEO and other persons whose activities may affect the financial soundness of the Credit Union.

Fit and Proper

Police Credit Union maintains a robust framework to ensure that individuals appointed to senior positions within the Credit Union have the appropriate fitness and propriety to fulfil their prudential responsibilities. The framework set out in the Credit Union's Fit and Proper Policy addresses the requirements of APRA Consolidated Prudential Standard CPS 520 (Fit and Proper). Under the policy, all Directors and senior managers need to have, and must continue to demonstrate, the required competencies, character, diligence, honesty, integrity and judgement needed for the effective and prudent operation of the Credit Union.

The policy requires the annual completion of a number of competency, background, and probity checks as part of the assessment process to confirm the person's character, experience and qualifications. The policy also requires annual notification of any relevant directorships, other interests, positions or associations as well as appropriate criminal and bankruptcy checks.

Directors, senior managers and the external auditor are assessed before appointment and then annually. All Directors, senior managers and the external auditor have been assessed as fit and proper.

For the financial period to 30 June 2022, and in accordance with Board policy, all Directors and senior managers have been assessed as meeting the requirements of the fit and proper policy, without exception.

Accountability

In addition to and separate from the above Fit and Proper requirements, Police Credit Union's Directors, Chief Executive Officer, Executive Managers and Internal Auditor have all been appointed as Accountable

Persons with APRA, as required by the Banking Executive Accountability Regime (BEAR) and the Banking Act 1959.

Police Credit Union and its Accountable Persons will ensure it meets the additional obligations imposed by this legislation including to, at all times:

- Act with honesty, integrity and with due skill, care and diligence;
- Deal with Regulators in a way which is open, constructive and cooperative; and
- Prevent matters from arising which impact the prudential standing or prudential reputation of Police Credit Union.

For the financial period to 30 June 2022, and in accordance with Board policy, all Directors and senior managers have been assessed as meeting the requirements of the fit and proper, and BEAR policy, without exception.

Board Processes

The Board has established a comprehensive framework of Board and Management Committees to assist with management of the Police Credit Union Group, with particular emphasis on compliance, internal controls and business risk management, both financial and non-financial. All Committees have written mandates (Charters) and operating procedures. The role and responsibilities of the Board is set out in the Board Charter which is reviewed annually.

Committee Structure

The diagram opposite details the Credit Union's committee structure as well as the established risk governance structure. The detailed role of each committee and the Credit Union's internal control and Risk Management Framework is provided in the following sections.

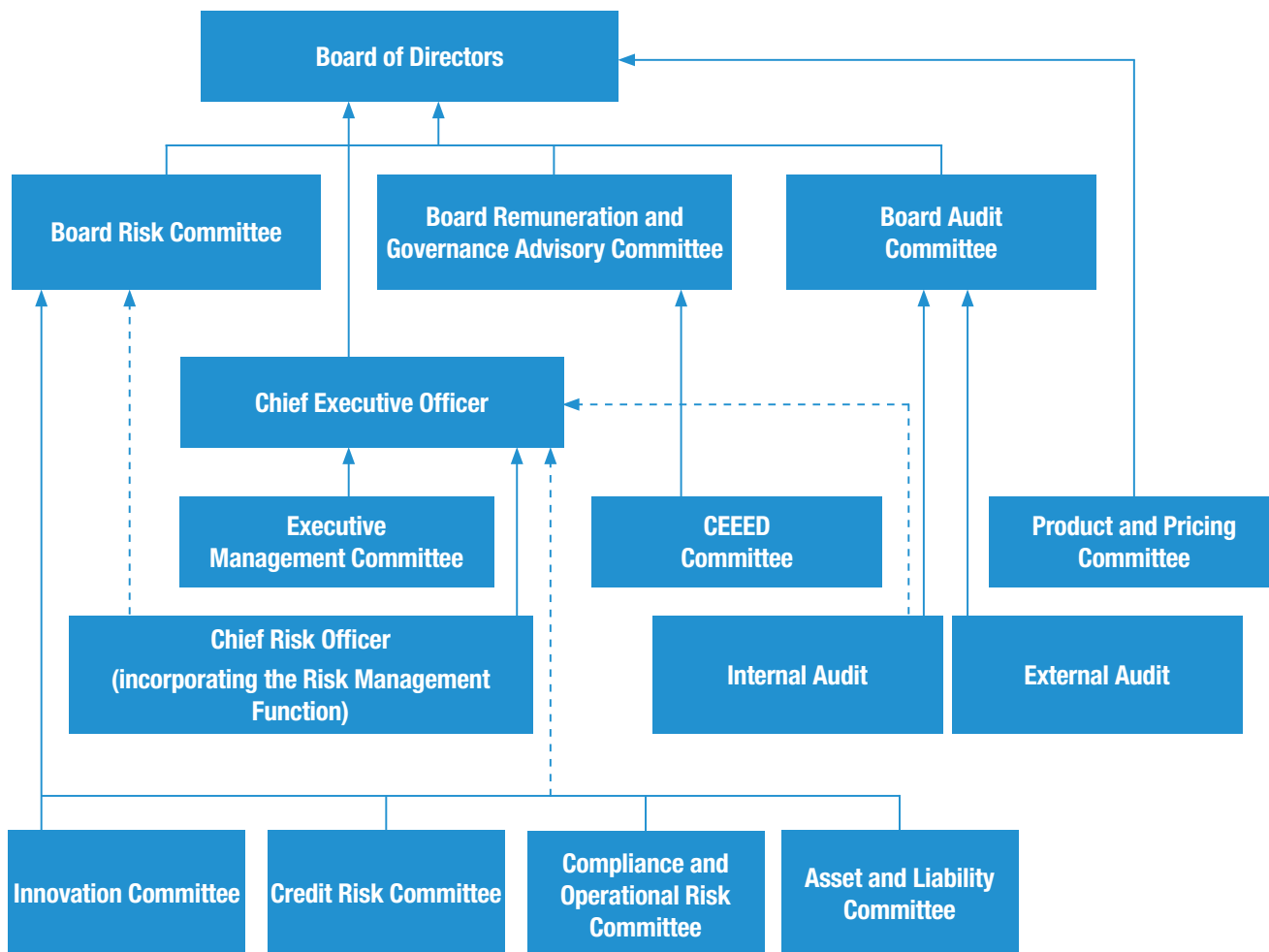
Board Remuneration and Governance Advisory Committee

The Board Remuneration and Governance Advisory Committee is a Committee of the Board established in accordance with the Credit Union's Constitution and as required by APRA Consolidated Prudential Standard CPS 510 (Governance). The Committee comprises the Chairman and Deputy Chairman of the Board and three other Directors which include the Chairman of the Board Risk Committee and the Chairman of the Board Audit Committee.

The role of the Board Remuneration and Governance Advisory Committee is set out in a Charter which has been approved by the Board. The Committee is responsible for the review of Governance policies and practices; Board evaluation; CEO and senior management performance, remuneration reviews and succession planning; Director remuneration; Director screening, nomination and induction.

The Committee is responsible for initiating and overseeing the process of annual CEO performance evaluation, remuneration review and succession planning, making recommendations to the Board in accordance with the Remuneration Policy, and has undertaken this process without exception.

The Committee is also responsible for overseeing the process of annual remuneration reviews and performance evaluations of direct reports to the CEO, and other persons whose activities may in the Board Remuneration and Governance Advisory Committee's opinion affect the financial soundness of the Credit Union, and any other person specified by APRA, in accordance with Remuneration Policy, and has undertaken this process without exception.



Board Audit Committee

The Board Audit Committee is a Committee of the Board established in accordance with the Credit Union’s Constitution and as required by APRA Consolidated Prudential Standard CPS 510 (Governance). The Board Audit Committee comprises at least four Directors. The Chairperson of the Board of Directors cannot be a member of the Committee.

The role of the Board Audit Committee is set out in a Charter which has been approved by the Board. Its objectives are to enhance the credibility and objectivity of financial reporting and to review the effectiveness of the external and internal audit functions. It aims to provide a link between the Board of Directors and External and Internal Auditors, and reviews and monitors the internal control environment operating within the Credit Union.

As part of its work, the Committee reviews the scope, quality and independence of internal and external audit, and recommends to the Board any change in the appointment of the External Auditor.

Board Risk Committee

The Board Risk Committee is a Committee of the Board established in accordance with the Credit Union’s Constitution and is required by APRA Consolidated Prudential Standard CPS 510 (Governance). The Board Risk Committee comprises at least four Directors. The Chairperson of the Board of Directors is not a member of the Committee.

The role of the Board Risk Committee is set out in a Charter which has been approved by the Board. Its objectives are to assess, monitor and review the management and effectiveness of the Credit Union’s Risk Management Strategy, Risk Management Framework and Compliance Framework including the oversight of the Compliance and Operational

Risk Committee, Credit Risk Committee, Asset and Liability Committee and Innovation Committee. In addition to overseeing the establishment and implementation of risk management and control frameworks, the Committee is responsible for the oversight and management of risks within the Board’s risk appetite as well as approval and recommendation to the Board of risk-based policies and procedures and the implementation of the Business Continuity Plan. The Board Risk Committee meets four times per year and, as part of its responsibilities, reviews Police Credit Union’s Risk Management Framework annually.

Internal Control and Risk Management Framework

The Board acknowledges its responsibilities for the oversight of internal controls and the overall Risk Management Framework, including the three lines of defence risk management and assurance model.

The Risk Management Framework, which satisfies the requirements of APRA Consolidated Prudential Standard CPS 220 (Risk Management), is designed to achieve outcomes consistent with the Credit Union’s risk-reward expectations and includes the Risk Appetite Statement, including risk triggers and risk tolerances to manage exposures and risk concentrations, and Board approved policies for each of the key risk areas it is responsible for overseeing.

Police Credit Union is a values-driven organisation that advocates the principles of adherence to policies and the application of sound governance practices and operates its business in a conservative manner with its risk appetite set by the Board and integrated with Police Credit Union’s strategic objectives. In assessing strategic initiatives, Police Credit Union employs a balanced and well considered approach and ensures that any associated risks are commensurate with the risk-reward equation and

Police Credit Union's appetite for risk. The risk appetite statement and the Risk Management Framework which it supports, underpins fundamental principles of strong capitalisation, robust balance sheet and sound earnings, which protect Police Credit Union. This in turn supports the implementation of a robust and effective organisational wide risk culture which encourages taking appropriate and relevant risks that are adequately rewarded and that support Police Credit Union's strategic direction.

In the delivery and implementation of its strategic objectives, Police Credit Union employs a balanced approach which does not jeopardise the underlying principles of maintaining a strong buffer and stable capital base, and a positive and well-respected reputation that underpins customer and market confidence.

Police Credit Union adopts the position that whether expressed in quantitative or qualitative terms, risk appetite needs to be measurable, and the methodology employed to set, determine and monitor performance against material risks, is premised on that principle.

In managing risk and implementing its strategic objectives, Police Credit Union will:

- Consistently operate in a responsible and financially prudent manner;
- Apply a conservative and prudent approach in setting strategy and pursuing strategic objectives;
- Avoid a speculative or aggressive approach in implementing strategy;
- Maintain and proactively monitor a control environment, that together with practical constraints, minimises risks that might impact on the continuity of its business;
- Make business decisions only after careful consideration of risk, including consideration of the risk-reward equation, and fit with the Credit Union's organisational culture;
- Understand the risks that it takes on undertaking strategic initiatives or exposure to new products and services only as sufficient experience and insight is gained;
- Not conduct trading book activity and not have any foreign exchange or commodity positions;
- Diligently strive to protect and enhance its reputation; and
- Act with integrity, ethics, strong professional standards, and within the legal and regulatory frameworks applying to its business.

Police Credit Union undertakes a detailed review of its overall Risk Management Framework on an annual basis, with identified risks, and the controls in place to mitigate against these risks, being reviewed on a monthly basis by the Executive Management Committee and Board, and then further assessed by Board and Management Committees on a quarterly basis. **During the period, this review did not identify any material exposures for which Police Credit Union does not have adequate controls in place.**

As part of the review of the Risk Management Framework, and specifically the key risks to which Police Credit Union is exposed, an ongoing assessment is also undertaken at each Board and Committee meeting as to whether there are any emerging risks for which new or additional controls must now be implemented. Part of this 'horizon scanning' includes consideration as to whether Police Credit Union is exposed to any environmental or social risks that may be present or emerging. The evaluation undertaken during the period assessed Police Credit Union as not having any material exposure to environmental or social risks.

Notwithstanding this assessment, Police Credit Union are actively engaged in conducting a detailed assessment as to the implications of climate risk as it relates to physical, transition and liability risks which may impact the business in the future.

To assist in discharging these responsibilities, the Board has instigated a control framework through the formation of risk management committees, each chaired by an Executive Manager with this responsibility included in their accountability obligations.

Asset and Liability Committee

This Management Committee, reports to the Board Risk Committee, and monitors and manages the balance sheet, liquidity, interest rate, market and capital adequacy risks, controls, policies, frameworks, procedures and limits as set by the Board and in accordance with regulatory requirements.

The Committee is responsible for the monitoring and management of the liquidity portfolio, treasury management and capital adequacy requirements of the Credit Union and ensures that strategies undertaken are consistent with the strategic direction set by the Board.

Credit Risk Committee

This Management Committee reports to the Board Risk Committee and monitors and manages the credit risk controls, policies, frameworks, procedures and limits as set by the Board and in accordance with regulatory requirements.

The Committee is responsible for undertaking ongoing reviews of the risk management systems and controls that deal with the adequacy and effectiveness of credit risk management and internal control practices. It ensures that the reporting of credit risk and lending performance is accurate, and maintains a prompt, independent lending review and reporting process.

Compliance and Operational Risk Committee

This Management Committee reports to the Board Risk Committee and monitors and manages the compliance and operational risk controls, policies, frameworks, procedures and limits as set by the Board and in accordance with regulatory requirements.

The Committee is responsible for incorporating changes into the Police Credit Union Group's compliance culture and ensures that Staff are skilled to the appropriate level of compliance and monitors systems and policies that deal with the adequacy and effectiveness of the compliance system. The Committee is also responsible for operational risks, including regulation and compliance, culture and conduct, information security, corporate insurance, occupational health and safety, fraud management, and the implementation of an effective Business Continuity Plan.

Innovation Committee

The Innovation Committee reports to the Board Risk Committee and is responsible for the monitoring, identification, analysis and implementation of innovation-driven ideas or concepts, and efficiency improvements that support the strategic direction of the Credit Union. Without limiting its scope, the Committee is mandated to embrace disciplined and agile structure to enable it to engage throughout the business and externally in staying abreast of industry and technology trends and ensuring that the Credit Union adopts emerging ideas and concepts to remain relevant. The Committee ensures that initiatives undertaken are consistent with Police Credit Union's strategic direction and risk appetite.

Product and Pricing Committee

The Product and Pricing Committee reports to the Executive Management Committee and Board and is responsible for the effective and strategic management of products including the monitoring and setting of interest rates and fees and charges, enhancement of products and services, and the management of transactional risk controls. The Committee actively considers the impact of its decisions across access channels, ensuring that product and marketing strategies are aligned with the customer experience, strategic and asset and liability risk, and sales, distribution and lending strategies.

Community, Environment and Employee Engagement and Diversity (CEEED) Committee

The CEEED Committee reports to the Board Remuneration and Governance Advisory Committee and is responsible for overseeing the implementation of ongoing initiatives which reflect Police Credit Union's commitment to community, social responsibility and the environment. Notwithstanding Police Credit Union's long-standing commitment to Community and Environment, having implemented strategic level metrics since 2006 to transparently monitor and measure progress around sustainability, it has further enhanced this position through the development of a Board-level Environmental and Social Sustainability Policy. The policy framework further formalises Police Credit Union's commitment to expanding the scope of its environmental impact initiatives, including enhancements centred around greenhouse gas emissions, waste, and pollution.

In addition, this policy commitment provides guidance in the implementation of social sustainability initiatives incorporating relevant key entity factors including workforce and diversity, safety management, and community involvement, both of which strengthen Police Credit Union's strategic effectiveness in achieving positive environmental and corporate social responsibility outcomes. The CEEED Committee is also mandated to develop and implement initiatives to enhance employee engagement and diversity, specifically to attract and retain talent, drive high performance team outcomes and engage a proactive culture in the achievement of sustainable and superior customer experience outcomes.

All of the above Management Committees undertake an annual self-evaluation of the Committee's performance against its agreed objectives and mandate, as set out in the relevant Committee Charter.

Three Lines of Defence

The Board employs the Three Lines of Defence risk management and assurance model to facilitate effective risk governance. The Three Lines of Defence model reflects the Board's position that risk is everyone's responsibility, and all employees are responsible for identifying and managing risk and operating within the Credit Union's appetite for risk. This approach requires each business line and business unit to manage the outcome of its risk-taking activities and allows it to benefit from the resulting risk adjusted returns.

Internal Audit

Internal Audit is an independent and objective review function with the responsibility of evaluating, testing and reporting on the adequacy and effectiveness of Management's control of operational risk and compliance with regulatory and legislative requirements. Internal Audit reports directly to the Board Audit Committee and has access to all areas within Police Credit Union. Audits are planned and conducted following a risk-based approach with reports provided to the Board Audit Committee and Management.

Strategic Development

The Board and Executive Management Team undertake a comprehensive review of the Credit Union's strategic direction on an annual basis, including the development of a Balanced Scorecard and key performance indicators and ensure that the Credit Union's strategic direction is in accordance with the Board's risk appetite. The Board receives regular updates from the Chief Executive Officer on strategic planning progress, emerging issues and other strategic matters at monthly Board Meetings.

Ethical Standards

The Directors acknowledge the need for, and continued maintenance of, the highest standards of ethical conduct by all Directors and employees of the Police Credit Union Group. A Code of Ethics handbook, which is part of Board policy, contains a comprehensive overview of expected values, behaviours and conduct, and is issued to all staff as part of induction and as part of the annual ongoing training calendar.

The Code of Ethics policy statement provides a framework to guide interactions within the Group, with Members, suppliers, stakeholders, and the community. Our commitment to maintaining a positive and ethical culture is directly aligned with our core values of superior service, honesty, integrity, and financial prudence. These core values, as well as our strategic direction have been incorporated into the Code of Ethics that has been endorsed by the Executive Management Committee and adopted by the Board.

The Code of Ethics is a policy statement of the Group's corporate values and philosophy and underpins business decisions, actions, conduct and behaviour. It aims to make sure that the high standards of corporate and individual behaviour are observed in conducting the business and provides support for those behaviours. The Code of Ethics policy statement provides guidelines for Directors, Senior Management and Employees, so that there is a common understanding of the values and expected standards of behaviour, including the following:

- At all times act with honesty, integrity and impartiality and do not knowingly mislead anyone, including Colleagues, Clients, Members and Regulators.
- Comply with the letter and spirit of all Commonwealth, State and Territory laws, and relevant industry Codes.
- Report all corrupt, illegal and unethical conduct to an Executive Manager, CEO or, where necessary to the Protected Disclosure Officer in accordance with POL 3005.16 Whistleblower Policy.
- Protect the confidentiality of information made available to you, subject to any legal obligations such as disclosure.
- Be alert to conflicts of interest and take appropriate steps to declare and deal with them.
- Provide a high standard of service to all you deal with in performing your duties and obligations.
- Maintain a level of fitness and propriety and develop the necessary level of professional skills and current knowledge to excel in your duties.
- Do not harass or abuse a member of the public or employees either inside or outside of the workplace.
- Do not take, or seek to take, improper advantage of your position in order to obtain a benefit for yourself or another person.
- Seek innovative solutions to problems or challenges and work to achieve continuous improvement to help Police Credit Union meet or exceed all relevant legal, industry, safety, environment and other community expectations.

Conflict of Interest

In accordance with APRA Prudential Standards, ASIC licensee requirements, the Corporations Act 2001 and the Credit Union's Constitution, Directors and Senior Management keep the Board advised of any interest that could potentially conflict with those of the company. Directors do not vote on any issue where a conflict of interest may arise, and can seek external professional advice, at the Group's expense, with the approval of the Board. Prior to the commencement of each Board meeting, Directors are asked to consider an independence declaration, attesting that they are free from any conflict of interest.

Directors and Management are required to provide written disclosure of actual or potential conflicts of interest on appointment and to update the disclosures annually. In addition, all Directors, Managers and staff are required to disclose any actual or potential conflicts of interest as soon as they become aware of such a conflict.

Whistleblowing

As part of its commitment to a high standard of integrity, ethical conduct and transparency in all of its activities and interactions, Police Credit Union has implemented an effective Whistleblowing Policy that supports these principles, whilst adhering to its obligations as a regulated entity under the Corporations Act 2001 and the whistleblower provisions thereunder. This policy establishes a mechanism within Police Credit Union's officers and employees, suppliers, associates, and relatives or dependents of these individuals can safely raise concerns and challenge any misconduct and improper practices, including the ability to do so anonymously. In order to ensure the integrity and anonymity of the raising of any concerns, the Credit Union has appointed independent, and suitably qualified individuals as Whistleblower Protection Officers.

All employees are trained in Police Credit Union's Whistleblowing Policy, which can be found on our website.

Communications to Shareholders (Members)

The Board aims to ensure that the shareholders (Members) are informed of all major developments arising out of the business of the Police Credit Union Group. Information is communicated to shareholders (Members) in the following manner:

- An Annual Report is sent to all recipient registered shareholders (Members) which includes relevant information about the operations of the Police Credit Union Group during the year; changes in the state of affairs of the Group and other disclosures required by the Corporations Act 2001.
- The Chairman's and CEO's address to the Annual General Meeting and a review of trading results for the 12 months to 30 June.
- Quarterly and annual Regulatory Disclosures posted to the Police Credit Union website.
- Notices of all meetings of shareholders.
- A newsletter is forwarded to all eligible shareholders on an annual basis.
- Regular updates in the 'News & Media' section of the Police Credit Union website.
- Communication and interaction via Police Credit Union's social media channels.

A copy of the current Annual Report and Constitution and information on the Credit Union's products and services are made available on the Police Credit Union Group's website at www.policecu.com.au.

Financial Statements

for the financial year ended 30 June 2022

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Statement of Comprehensive Income

for the financial year ended 30 June 2022

| | Note | Consolidated | | Credit Union | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Interest income | | 31,793 | 36,299 | 34,036 | 38,457 |
| Interest expense | | (4,298) | (8,389) | (11,610) | (16,537) |
| Net interest income | 5 | 27,495 | 27,910 | 22,426 | 21,920 |
| Fee and commission income | 6 | 4,331 | 4,415 | 4,576 | 4,660 |
| Other operating income | 7 | 792 | 423 | 5,432 | 5,946 |
| Impairment losses on loans and advances | 15 | 1,034 | (449) | 1,034 | (449) |
| Operating expenses | 8 | (24,926) | (23,413) | (24,742) | (23,191) |
| Profit before tax | | 8,726 | 8,886 | 8,726 | 8,886 |
| Income tax expense | 10(a) | (2,152) | (2,348) | (2,152) | (2,348) |
| Profit for the year from continuing operations | | 6,574 | 6,538 | 6,574 | 6,538 |
| Other comprehensive income, net of income tax | | | | | |
| <i>Item that will not be reclassified subsequently to profit and loss:</i> | | | | | |
| Gain on valuation of freehold land and buildings | 20 | 1,577 | - | 1,577 | - |
| Change in fair value gain on equity investments | 20 | 518 | 261 | 518 | 261 |
| Cuscal Ltd share buyback | 20 | 102 | - | 102 | - |
| Effect of change in corporate tax rate | 20 | 23 | 48 | 23 | 48 |
| <i>Item that may be reclassified subsequently to profit and loss:</i> | | | | | |
| Effective portion of change in fair value of cash flow hedges | 20 | 1,394 | - | 1,394 | - |
| Total Comprehensive Income for the Year | | 10,188 | 6,847 | 10,188 | 6,847 |

Statement of Financial Position

as at 30 June 2022

| | Note | Consolidated | | Credit Union | |
|--|-------|------------------|------------------|------------------|------------------|
| | | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Assets | | | | | |
| Cash and bank balances | 11 | 48,555 | 84,507 | 26,937 | 58,148 |
| Receivables other | 12 | 1,519 | 884 | 1,519 | 884 |
| Investment instruments | 13 | 151,726 | 152,444 | 151,726 | 152,444 |
| Loans and advances: to members | 14 | 968,757 | 953,186 | 968,757 | 953,186 |
| Investment securities | 22(g) | 2,805 | 2,249 | 261,371 | 259,589 |
| Property, plant and equipment | 16 | 13,192 | 11,828 | 13,192 | 11,828 |
| Intangible assets | | 846 | 757 | 846 | 757 |
| Derivative assets | 22(d) | 1,832 | - | 1,832 | - |
| Current tax assets | 10(b) | 665 | 72 | 665 | 72 |
| Deferred tax assets | 10(c) | 273 | 1,685 | 273 | 1,685 |
| Total Assets | | 1,190,170 | 1,207,612 | 1,427,118 | 1,438,593 |
| Liabilities | | | | | |
| Deposits | 17 | 1,026,133 | 1,051,381 | 1,026,133 | 1,051,381 |
| Payables due to other financial institutions | 18 | 48,000 | 47,909 | 48,000 | 47,909 |
| Borrowings | 14 | - | - | 236,948 | 230,981 |
| Payables other | 19 | 6,136 | 8,916 | 6,136 | 8,916 |
| Provisions | 19 | 4,035 | 3,728 | 4,035 | 3,728 |
| Total Liabilities | | 1,084,304 | 1,111,934 | 1,321,252 | 1,342,915 |
| Net Assets | | 105,866 | 95,678 | 105,866 | 95,678 |
| Equity | | | | | |
| Reserves | | 22,506 | 18,575 | 22,506 | 18,575 |
| Retained earnings | | 83,360 | 77,103 | 83,360 | 77,103 |
| Total Equity | | 105,866 | 95,678 | 105,866 | 95,678 |

Statement of Changes in Equity

for the financial year ended 30 June 2022

Consolidated

| | Reserves | Retained Earnings | Total |
|---|---------------|-------------------|----------------|
| | \$'000 | \$'000 | \$'000 |
| Balance at 30 June 2020 | 18,182 | 70,649 | 88,831 |
| Profit for the year | - | 6,538 | 6,538 |
| Other comprehensive income for the year | 309 | - | 309 |
| Total comprehensive income for the year | 309 | 6,538 | 6,847 |
| Transfers to/(from) retained earnings | 84 | (84) | - |
| Balance at 30 June 2021 | 18,575 | 77,103 | 95,678 |
| Profit for the year | - | 6,574 | 6,574 |
| Other comprehensive income for the year | 3,614 | - | 3,614 |
| Total comprehensive income for the year | 3,614 | 6,574 | 10,188 |
| Transfers to/(from) retained earnings | 317 | (317) | - |
| Balance at 30 June 2022 | 22,506 | 83,360 | 105,866 |

Credit Union

| | Reserves | Retained Earnings | Total |
|---|---------------|-------------------|----------------|
| | \$'000 | \$'000 | \$'000 |
| Balance at 30 June 2020 | 18,182 | 70,649 | 88,831 |
| Profit for the year | - | 6,538 | 6,538 |
| Other comprehensive income for the year | 309 | - | 309 |
| Total comprehensive income for the year | 309 | 6,538 | 6,847 |
| Transfers to/(from) retained earnings | 84 | (84) | - |
| Balance at 30 June 2021 | 18,575 | 77,103 | 95,678 |
| Profit for the year | - | 6,574 | 6,574 |
| Other comprehensive income for the year | 3,614 | - | 3,614 |
| Total comprehensive income for the year | 3,614 | 6,574 | 10,188 |
| Transfers to/(from) retained earnings | 317 | (317) | - |
| Balance at 30 June 2022 | 22,506 | 83,360 | 105,866 |

Statement of Cash Flows

for the financial year ended 30 June 2022

| | Consolidated | | Credit Union | |
|---|-----------------|----------------|-----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Profit before tax | 8,726 | 8,886 | 8,726 | 8,886 |
| Adjustment for non-cash items: | | | | |
| Allowance for credit impairment | (1,112) | 444 | (1,112) | 444 |
| Depreciation and amortisation charges | 1,793 | 1,747 | 1,793 | 1,747 |
| Gain on sale of plant and equipment | 93 | 38 | 93 | 38 |
| Revaluation reserve on investment property | - | 32 | - | 32 |
| Fair value gain on investment property | - | (33) | - | (33) |
| Interest on lease liabilities | 50 | 50 | 50 | 50 |
| Amortisation of loan fee income | (45) | (9) | (45) | (9) |
| Changes in operating assets and liabilities: | | | | |
| Loans and advances: to members | (14,414) | (7,536) | (14,414) | (7,536) |
| Loans and advances: other ADIs (maturity greater than three months) | (19,973) | 19,106 | (19,973) | 19,106 |
| Deposits | (25,249) | 8,655 | (25,249) | 8,655 |
| Payables and other liabilities | (2,153) | 3,324 | (2,153) | 3,324 |
| Provisions | 306 | 945 | 306 | 945 |
| Receivables and other assets | (609) | 1,559 | (609) | 1,559 |
| Income tax paid | (2,456) | (3,505) | (2,456) | (3,505) |
| Net cash (used in)/from operating activities | (55,043) | 33,703 | (55,043) | 33,703 |
| Investing activities: | | | | |
| Purchase of property, plant and equipment and intangibles | (1,274) | (711) | (1,274) | (711) |
| Proceeds from sale of property, plant and equipment | 38 | 27 | 38 | 27 |
| Proceeds from sale of investment property | - | 729 | - | 729 |
| Proceeds from sale of Cuscal Ltd share | 221 | - | 221 | - |
| Net cash (used in)/from investing activities | (1,015) | 45 | (1,015) | 45 |
| Financing activities: | | | | |
| Payables due to other financial institutions | 91 | 15,441 | 91 | 15,441 |
| Borrowings | - | - | 4,741 | (17,771) |
| Lease liability payments | (676) | (676) | (676) | (676) |
| Net cash (used in)/from financing activities | (585) | 14,765 | 4,156 | (3,006) |
| Net (decrease)/increase in cash held | (56,643) | 48,513 | (51,902) | 30,742 |
| Cash at the beginning of the financial year | 114,018 | 65,505 | 87,659 | 56,917 |
| Cash and cash equivalents at the end of the year | 57,375 | 114,018 | 35,757 | 87,659 |
| Cash and cash equivalents comprise: | | | | |
| Cash and balances with banks | 48,555 | 84,507 | 26,937 | 58,148 |
| Investment instruments | 151,726 | 152,444 | 151,726 | 152,444 |
| Less: amounts with maturity greater than three months | (142,906) | (122,933) | (142,906) | (122,933) |
| | 57,375 | 114,018 | 35,757 | 87,659 |

Notes to the Financial Statements are included on pages 32 to 56

Notes to the Financial Statements

for the financial year ended 30 June 2022

1. General information

Police Credit Union Limited (the "Credit Union" or the "Company") is a public company, incorporated and operating in Australia. Its registered office and its principal place of business is as follows:

17 – 23 Carrington Street
Adelaide SA 5000
Tel: 1300 131 844

2. Summary of accounting policies

Statement of compliance

These financial statements are general purpose financial statements and have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements include the separate financial statements of the Company and the consolidated financial statements of the Credit Union and its subsidiaries ("the Group"). For the purpose of preparing the consolidated financial statements, the Credit Union is a profit entity.

Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS). The related changes to significant accounting policies are described below.

The financial statements were authorised for issue by the Directors on 29 September 2022.

Basis of preparation

The financial statements have been prepared based on historical cost, except for Freehold Land & Buildings, investment in equity instruments and derivatives which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars representing the Group's functional currency, unless otherwise noted.

ASIC Class Order 10/654 commencing 7 March 2017 has been adopted allowing the financial statements of Police Credit Union Limited (PCU) to be included in these financial statements in full under Chapter 2M of the Corporations Act rather than only presenting summary parent entity information otherwise required by regulation.

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 commencing 1 April 2016, and in accordance with that Corporations Instrument, amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) relevant to its operations and effective for the current annual reporting period.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's Accounting Policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 4 for a discussion of critical judgements in applying the Group's accounting policies, and key sources of estimation uncertainty.

3. Significant accounting policies

The following significant accounting policies and those presented in the subsequent notes have been adopted in the preparation and presentation of the financial statements and are consistent with the prior year.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Credit Union and entities controlled by the Credit Union (its subsidiaries) (referred to as "the Group" in these financial statements). Control is achieved when the Company, has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Group operates a securitisation vehicle under its self-securitisation program. The Group has concluded that it controls the securitisation vehicle.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Notes to the Financial Statements

for the financial year ended 30 June 2022

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

b) Financial assets

The Group initially recognises loans and advances and deposits, on the date on which they are originated. All other financial instruments are recognised on a trade date, which is the date on which the Group becomes a party to the contractual provisions of the instruments. A financial asset is measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A financial asset is classified into one of the three specified categories: "measured at amortised cost", "fair value through other comprehensive income (FVOCI)", and "fair value through profit and loss (FVTPL)".

Financial assets measured at amortised cost

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

- The asset is held within a business model whose objective is to hold asset 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)

The Group's loans and advances to other ADIs, loans and advances to members, receivables other and the Credit Union's investment in notes issued by the self-securitisation trust are classified as financial assets at amortised cost. Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Financial assets measured at FVOCI

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

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

Gains or losses arising from changes in the fair value of financial instruments measured at fair value through other comprehensive income are recognised in a separate component of equity.

The Group's investment in an equity instrument, Cuscal Ltd is designated to be measured at FVOCI. The FVOCI designation was made because the investment is expected to be held for the long-term strategic purposes, rather than for trading. The investment is measured at fair value. Fair value is determined in the manner described in Note 22(g). All fair value changes are recognised in the investment revaluation reserve and are never reclassified to profit or loss, even on disposal. Dividends on the investment are recognised in profit or loss. The investment in Cuscal Ltd is not quoted on an active market, but there is a market in the shares and prices on trades are disclosed to the members of Cuscal Ltd.

All other financial assets that do not fall in the above categories are classified as measured at FVTPL.

Investments in subsidiaries

Investments in subsidiaries continue to be measured at cost after initial recognition by the Company.

c) Financial liabilities

Financial liabilities are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

Member shares

Each member holds one redeemable preference share that entitles the member to vote at meetings of members, no dividends are payable in respect of any member share. On a winding-up of the Credit Union each member is entitled to participate in any surplus equally and without regard to the number of member shares held by each member. When a person ceases to be a member, the share is repurchased by the Credit Union by a charge to the Capital Redemption Reserve.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the classification of the related debt or equity instruments or component parts of compound instruments in the Statement of Financial Position.

Notes to the Financial Statements

for the financial year ended 30 June 2022

d) Leases – Modified Retrospective approach

As a lessee, the Group leases branch premises. The Group previously classified these leases as operating leases under AASB 117 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for leases of branches on-balance sheet.

The Group has not entered into any new leases during the year ended 30 June 2022.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payment discounted at the Group's incremental borrowing rate as at 1 July 2019 (date of initial application).

Right-of-use assets are measured at an amount equal to the lease liability (adjusted for the prepaid or accrued lease payments).

As a lessee, at inception of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. The Group recognises a right-of-use asset initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group used practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117 by excluding initial direct costs from measuring the right of use asset at the date of initial application and using hindsight when determining the lease term.

e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis.

f) Securitisation

The Credit Union has established a securitisation trust for the purpose of issuing notes that are eligible for borrowing funds via Repurchase Agreements with the Reserve Bank of Australia for emergency liquidity. The MTG PCU Trust Repo Series No. 1 ("MTG PCU Trust" or "Trust") was established on 3 September 2018. The Credit Union has transferred an equitable interest in mortgages to the MTG PCU Trust and holds all notes issued by the MTG PCU Trust Repo Series No.1, manages the loans, and retains all residual benefits and costs of the loan portfolio.

The residual benefits and costs on this loan portfolio are retained by the Credit Union. As there has not been a transfer of all risks and rewards of these loans to the MTG PCU Trust, such loans are not derecognised in the Credit Union's financial statements and the Trust meets the definition of the controlled entity. The Group presents a set of financial statements representing the financial performance and financial position of the parent and the securitisation trust. Details of the balances of securitisation trust are disclosed in Notes 14 and 22(g).

g) Standards and Interpretations not yet effective

At the date of issue of this report there were no Standards or Interpretations, not yet effective that would be relevant to the Group. The Group has considered all the Accounting Standards and Interpretations issued up to the date of approval of the financial report.

4. Critical accounting judgements and key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

Investment Securities and Freehold Land and Buildings are measured at fair value for financial reporting purposes. The Board of Directors considers the impact of market movements on the carrying amount of these assets 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 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 are disclosed in Notes 16 and 22 (g).

Notes to the Financial Statements

for the financial year ended 30 June 2022

Useful lives of property, plant and equipment and intangible assets

The Group reviews the estimated useful lives of property, plant, equipment and intangible assets at the end of each annual reporting period. During the financial year, there was no significant change in the useful lives compared to the prior years.

Credit impairment losses on loans and advances

Non-performing loans

Estimates of Loss given default are determined based on the Group's actual losses or industry loss experience. For loans that have experienced a Significant Increase in Credit Risk, management makes a specific estimate of the cash flows from the future recovery of the collateral and the timing thereof. These estimates are based on historical loss experience and judgement relating to the specific circumstances and current conditions.

Management have also considered the impact of future economic conditions by applying a range of possible outcomes that could impact on the recovery rates on collateral in downturn or upturn conditions.

| | Consolidated | | Credit Union | |
|--|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| 5. Net interest income | | | | |
| Interest income | | | | |
| Investment instruments | 1,141 | 1,325 | 1,118 | 1,321 |
| Loans and advances: to members | 30,652 | 34,974 | 30,652 | 34,974 |
| Notes receivable – MTG PCU Trust | - | - | 2,266 | 2,162 |
| | 31,793 | 36,299 | 34,036 | 38,457 |
| Interest expense | | | | |
| Deposits | 4,169 | 8,217 | 4,169 | 8,217 |
| Payables due to other financial institutions | 129 | 172 | 129 | 172 |
| Payable to MTG PCU Trust | - | - | 7,312 | 8,148 |
| | 4,298 | 8,389 | 11,610 | 16,537 |
| Net interest income | 27,495 | 27,910 | 22,426 | 21,920 |

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Material fees received on origination of loans are treated as interest income using a method that approximates the effective interest method based on the life of the loan portfolio. The life of the loan portfolio is determined based on the immediate past experience within the portfolio. Other transaction related fees are recognised at the point of rendering the service and included in commission and fee income.

| | Consolidated | | Credit Union | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| 6. Fee and commission income | | | | |
| Fee income | 1,851 | 2,074 | 2,096 | 2,319 |
| Insurance commissions | 1,770 | 1,674 | 1,770 | 1,674 |
| Other commissions | 710 | 667 | 710 | 667 |
| | 4,331 | 4,415 | 4,576 | 4,660 |

Fee and commission income are measured based on the consideration specified in contracts with members and customers, net of applicable GST. Revenue is recognised when control over a service is transferred to a customer. The Group has used a combination of new business volumes and references to differential commissions to determine the portion of commission that relate to new and renewing business.

Notes to the Financial Statements

for the financial year ended 30 June 2022

The nature and timing of satisfaction of performance obligations including significant payment terms and revenue recognition policies are provided in the table below.

| Service | Nature and timing of satisfaction of performance obligations including significant payment terms | Revenue Recognition under AASB15 |
|----------------------------|--|---|
| Transactional Banking Fees | Fee income comprises fixed transaction-based fees that are specified based on the nature and cost of the transaction. The obligation to pay the fee arises at the time of the service, when the transaction takes place, and these are billed to members' accounts monthly. | Revenue relating to transaction fees is recognised at a point in time when the transaction takes place. |
| Insurance Commissions | Commission is earned as a percentage of premiums for motor and household insurance policies arranged by the Group. The service obligations encompass all administration from inception, for the term of the policy, including renewal. The commissions are paid monthly provided the premiums have been received by the insurer. | An apportionment of commission is made to recognise that applying to the administration related component over time. The remaining component of commission, that relates to the underwriting of the policy at inception is recognised for a period of up to three years for which the Group is expected to receive commission. |
| Other Commissions | Commission is earned on transactions on Visa Cards issued by the Group to its members. | Revenue relating to other commission is recognised at a point in time when the transaction takes place. |

Consolidated

Credit Union

2022 2021 2022 2021
\$'000 \$'000 \$'000 \$'000

7. Other operating income

| | | | | |
|--|------------|------------|--------------|--------------|
| Dividend income | 347 | 28 | 347 | 28 |
| Property rental income | 40 | 60 | 40 | 60 |
| Net gain on disposal of investment properties | - | 1 | - | 1 |
| Cost recoveries, contributions and loan/guarantee fees | 405 | 334 | 405 | 334 |
| Distribution from MTG PCU Trust | - | - | 4,640 | 5,523 |
| | 792 | 423 | 5,432 | 5,946 |

Dividend income is recognised on the date of entitlement to the dividend. Rental income is recognised on a straight-line basis over the lease period.

Notes to the Financial Statements

for the financial year ended 30 June 2022

| | Consolidated | | Credit Union | |
|--|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| 8. Operating expenses | | | | |
| Affiliation fees | 216 | 198 | 216 | 198 |
| Board committee and meetings | 780 | 736 | 780 | 736 |
| Commissions paid | 359 | 330 | 359 | 330 |
| Data processing & telecommunications | 1,611 | 1,619 | 1,611 | 1,619 |
| Debt collection costs | 84 | 40 | 84 | 40 |
| Depreciation & amortisation | 1,763 | 1,747 | 1,763 | 1,747 |
| Insurance | 348 | 289 | 348 | 289 |
| Legal and professional fees | 1,085 | 1,244 | 901 | 1,022 |
| (Gain)/loss on disposal of property, plant and equipment | (17) | 41 | (17) | 41 |
| Marketing, advertising and printing | 2,117 | 2,037 | 2,117 | 2,037 |
| Office administration | 414 | 451 | 414 | 451 |
| Office occupancy | 546 | 696 | 546 | 696 |
| Salaries and on-costs | 12,738 | 11,141 | 12,738 | 11,141 |
| Training, travel and accommodation | 553 | 496 | 553 | 496 |
| Transaction costs | 2,329 | 2,348 | 2,329 | 2,348 |
| | 24,926 | 23,413 | 24,742 | 23,191 |

The amount recognised as an expense for defined contribution plans is \$1,373 thousand (2021: \$1,219 thousand). The expense item is included within salaries, on-costs and Board committee and meetings.

Government assistance of \$1,266 thousand is deducted in reporting the related salaries and on-cost expenses in 2021.

9. Remuneration of auditors

| | \$ | \$ | \$ | \$ |
|--|----------------|----------------|----------------|----------------|
| Audit financial statements - Group | 114,791 | 101,487 | 114,791 | 101,487 |
| Other Regulatory audit services - Group | 38,719 | 37,053 | 38,719 | 37,053 |
| Other non-audit services - Group | 100,252 | - | 100,252 | - |
| Audit financial statements - MTG PCU Trust | 9,000 | 8,000 | - | - |
| | 262,762 | 146,540 | 253,762 | 138,540 |

The auditor of the Group is KPMG. The auditor of the MTG PCU Trust is Moore Australia.

Notes to the Financial Statements

for the financial year ended 30 June 2022

| | Consolidated | | Credit Union | |
|--|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| 10. Income tax | | | | |
| (a) Income tax recognised in profit | | | | |
| Current tax expense | | | | |
| - in respect of the current year | 1,874 | 2,790 | 1,874 | 2,790 |
| - in relation to the current tax of prior year | 2 | (243) | 2 | (243) |
| Deferred tax expense | | | | |
| - in respect of the current year | 201 | (485) | 201 | (485) |
| - in relation to the deferred tax of prior year | (13) | 182 | (13) | 182 |
| - change in tax rates | 88 | 104 | 88 | 104 |
| Total income tax expense | 2,152 | 2,348 | 2,152 | 2,348 |
| The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows: | | | | |
| Profit before tax | 8,726 | 8,886 | 8,726 | 8,886 |
| Income tax expense calculated at current rate | 2,182 | 2,310 | 2,182 | 2,310 |
| Permanent differences: | | | | |
| Non-deductible expenses | 5 | 3 | 5 | 3 |
| Franked dividend received | (111) | (8) | (111) | (8) |
| | 2,076 | 2,305 | 2,076 | 2,305 |
| Change in tax rate | 88 | 104 | 88 | 104 |
| Over provision of tax in previous years | (12) | (61) | (12) | (61) |
| | 2,152 | 2,348 | 2,152 | 2,348 |
| (b) Current tax assets/(liabilities) | | | | |
| Income tax refundable/(payable) | 665 | 72 | 665 | 72 |
| (c) Deferred tax assets | | | | |
| Taxable and deductible temporary differences arise from the following: | | | | |
| Depreciation on property, plant and equipment | 240 | 211 | 240 | 211 |
| Derivative assets | (465) | - | (465) | - |
| Employee entitlements | 746 | 738 | 746 | 738 |
| Gains on investments in equity instrument | (434) | (289) | (434) | (289) |
| Impairment allowances on loans | 453 | 765 | 453 | 765 |
| Land and buildings | (849) | (341) | (849) | (341) |
| Other deferred deductibles | (96) | (80) | (96) | (80) |
| Payables | 504 | 470 | 504 | 470 |
| Provisions for decommissioning | 71 | 92 | 71 | 92 |
| Unearned fees | 103 | 119 | 103 | 119 |
| | 273 | 1,685 | 273 | 1,685 |
| (d) Movement in deferred tax asset | | | | |
| Deferred tax (charged)/credited to profit or loss | (188) | 303 | (188) | 303 |
| Change in tax rate | (65) | (24) | (65) | (24) |
| Deferred tax recognised in other comprehensive income | (1,159) | (80) | (1,159) | (80) |
| (Decrease)/Increase in deferred tax asset | (1,412) | 199 | (1,412) | 199 |
| (e) Franking account | | | | |
| Adjusted Franking account balance as at the end of financial year | 37,464 | 34,672 | 37,464 | 34,672 |

Notes to the Financial Statements

for the financial year ended 30 June 2022

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

The Credit Union and all its wholly-owned entities are part of a tax-consolidated group under Australian Taxation Law. The Credit Union Limited is the head entity in the tax-consolidated group. The tax expense or income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Credit Union (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Credit Union and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

| | Consolidated | | Credit Union | |
|--|--------------|--------|--------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |

11. Cash and bank balances

Held at amortised cost:

| | | | | |
|-------------------------|---------------|---------------|---------------|---------------|
| Notes and coins | 886 | 1,194 | 886 | 1,194 |
| Bank balances | 16,961 | 14,352 | 16,961 | 14,352 |
| Bank balances – at call | 30,708 | 68,961 | 9,090 | 42,602 |
| | 48,555 | 84,507 | 26,937 | 58,148 |

For the purposes of the Statement of Financial Position, cash and cash equivalents comprise cash on hand and cash in banks exclusive of bank overdrafts which are shown within borrowings under liabilities. For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents also includes investments in money market instruments with a maturity date within 90 days from the end of the financial year and is net of bank overdrafts.

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

- Member deposits and withdrawals from savings and investment accounts;
- Loan advances and repayments to members and to other ADIs;
- Borrowings; and
- Payables due to other financial institutions.

12. Receivables other

| | | | | |
|----------------------------------|--------------|------------|--------------|------------|
| Accrued income | 55 | 106 | 55 | 106 |
| Contract receivable | 521 | 504 | 521 | 504 |
| Prepayments | 117 | 162 | 117 | 162 |
| Settlement and clearing accounts | 826 | 27 | 826 | 27 |
| Trade receivables | - | 85 | - | 85 |
| | 1,519 | 884 | 1,519 | 884 |

The contract receivables relate to the acquisition component of insurance commission that is expected to be receivable over more than one financial year. The insurance contracts are for one year but may be cancelled at any time at the discretion of the policyholder or through non-payment, the expectation being that these will be renewed for up to three years.

Notes to the Financial Statements

for the financial year ended 30 June 2022

| | Consolidated | | Credit Union | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| 13. Investment instruments | | | | |
| Held at amortised cost: | | | | |
| Australian Government Treasury Notes | - | 11,999 | - | 11,999 |
| Other ADIs | 151,726 | 140,445 | 151,726 | 140,445 |
| | 151,726 | 152,444 | 151,726 | 152,444 |

Investment instruments with other ADIs are fixed rate notes held with other Australian Prudential Regulatory Authority (APRA) regulated Authorised Deposit Taking Institutions.

Analysis by maturity:

| | | | | |
|-------------|----------------|----------------|----------------|----------------|
| 0–1 month | - | 19,019 | - | 19,019 |
| 1–3 months | 8,820 | 10,492 | 8,820 | 10,492 |
| 3–12 months | 32,738 | 25,094 | 32,738 | 25,094 |
| 1–5 years | 110,168 | 97,839 | 110,168 | 97,839 |
| | 151,726 | 152,444 | 151,726 | 152,444 |

14. Loans and advances: to members

Held at amortised cost:

| | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|
| Loans outstanding | 970,982 | 956,568 | 970,982 | 956,568 |
| Unearned fee income | (414) | (460) | (414) | (460) |
| Allowance for impairment (Note 15) | (1,811) | (2,922) | (1,811) | (2,922) |
| | 968,757 | 953,186 | 968,757 | 953,186 |

Analysis of loans and advances (gross)

By purpose:

| | | | | |
|----------------------|----------------|----------------|----------------|----------------|
| Residential loans | 784,459 | 771,077 | 784,459 | 771,077 |
| Personal loans | 80,860 | 73,480 | 80,860 | 73,480 |
| Credit card advances | 4,114 | 4,286 | 4,114 | 4,286 |
| Commercial loans | 101,549 | 107,725 | 101,549 | 107,725 |
| | 970,982 | 956,568 | 970,982 | 956,568 |

By security:

| | | | | |
|---------------------|----------------|----------------|----------------|----------------|
| Secured by mortgage | 881,672 | 875,075 | 881,672 | 875,075 |
| Secured other | 83,746 | 75,379 | 83,746 | 75,379 |
| Unsecured | 5,564 | 6,114 | 5,564 | 6,114 |
| | 970,982 | 956,568 | 970,982 | 956,568 |

By maturity:

| | | | | |
|--------------|----------------|----------------|----------------|----------------|
| Overdraft | 12,076 | 14,281 | 12,076 | 14,281 |
| 0–3 months | 20,675 | 24,334 | 20,675 | 24,334 |
| 3–12 months | 57,768 | 61,123 | 57,768 | 61,123 |
| 1–5 years | 157,582 | 150,253 | 157,582 | 150,253 |
| Over 5 years | 722,881 | 706,577 | 722,881 | 706,577 |
| | 970,982 | 956,568 | 970,982 | 956,568 |

Notes to the Financial Statements

for the financial year ended 30 June 2022

Credit risk exposure and concentration of risk

The exposure to credit risk in relation to each class of recognised financial asset, without having regard to the fair value of any collateral, is the carrying amount of the loan or advance. Within the portfolio, loans and advances totalling \$160.8 million (2021: \$172.8 million) are covered by Lenders Mortgage Insurance (LMI) that reduces the Group's exposure to credit risk. Loans secured by mortgages within South Australia comprise 85.9% (2021: 86.1%) of outstanding balances.

| | Consolidated | | Credit Union | |
|--|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Concentration of loans and advances to groups of members having similar characteristics are: | | | | |
| Police | 304,332 | 302,375 | 304,332 | 302,375 |
| Nurses | 104,823 | 93,806 | 104,823 | 93,806 |
| Others | 561,827 | 560,387 | 561,827 | 560,387 |
| | 970,982 | 956,568 | 970,982 | 956,568 |

In addition to the on-balance sheet 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.

| | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Loans approved not yet advanced | 39,117 | 33,723 | 39,117 | 33,723 |
| Undrawn credit limits and re-draw | 97,877 | 91,148 | 97,877 | 91,148 |
| | 136,994 | 124,871 | 136,994 | 124,871 |

Financial Guarantees have been issued on behalf of members totalling \$548 thousand (2021: \$665 thousand). These guarantees require the Credit Union to make payment to the holder thereof, should the member fail to make payment to the holder.

Securitised Loans

The MTG PCU Trust has been established by the Credit Union as a mechanism to quickly obtain funds from Reserve Bank of Australia in order to support the liquidity. All loans are variable interest rate mortgages with the term of up to 40 years.

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Securitised loans | 231,872 | 227,532 |
| Unremitted collections at the end of the year | 5,076 | 3,449 |
| Borrowings | 236,948 | 230,981 |

15. Allowance for impairment

Impairment losses on loans and advances

The expenses incurred in the Statement of Comprehensive Income relating to the impairment of loans and advances is presented in the table below.

| | Consolidated | | Credit Union | |
|--|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Impairment loss recognised in the profit or loss: | | | | |
| Recoveries on loans previously written off | 33 | 35 | 33 | 35 |
| Allowances for loan impairment - net movement | 1,112 | (444) | 1,112 | (444) |
| Loans written off during the year as uncollectible | (111) | (40) | (111) | (40) |
| Total impairment charge to profit and loss | 1,034 | (449) | 1,034 | (449) |

The Group will write-off loans in full when there is no reasonable expectation of recovering the loan. This is generally the case where the collateral, if any, is considered worthless and the borrower does not have assets or sources income that could generate cash flows to repay the amounts due.

Notes to the Financial Statements

for the financial year ended 30 June 2022

The movement on allowances for loan impairment are derived from the application of Expected Credit Loss (ECL) model that is applied under Australian Accounting Standard, AASB 9 Financial Instruments, described below.

Allowance for impairment on loans and advances

Outstanding and possible future credit exposures at year-end are summarised in the following table together with the relevant ECL allowances.

| Overdue status of loans and advances to members | Stage 1 | Stage 2 | Stage 3 | Economic Overlay | Total |
|---|----------------|--------------|--------------|------------------|----------------|
| 30 June 2021 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current | 946,771 | - | - | - | 946,771 |
| Overdue 0–30 days | 1,880 | 905 | - | - | 2,785 |
| Overdue 31–59 days | - | 591 | - | - | 591 |
| Overdue 60–89 days | 911 | 1,631 | - | - | 2,542 |
| Overdue more than 90 days, defaulted | - | - | 3,879 | - | 3,879 |
| Loans and advances outstanding | 949,562 | 3,127 | 3,879 | - | 956,568 |
| Undrawn facilities | 50,885 | - | - | - | 50,885 |
| Allowance for impairment | (518) | (2) | (494) | - | (1,014) |
| Economic overlay | - | - | - | (1,908) | (1,908) |
| Total allowance for impairment | (518) | (2) | (494) | (1,908) | (2,922) |

| Overdue status of loans and advances to members | Stage 1 | Stage 2 | Stage 3 | Economic Overlay | Total |
|---|----------------|----------|--------------|------------------|----------------|
| 30 June 2022 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current | 966,350 | - | - | - | 966,350 |
| Overdue 0–30 days | 3,052 | - | - | - | 3,052 |
| Overdue 31–59 days | - | - | - | - | - |
| Overdue 60–89 days | - | - | - | - | - |
| Overdue more than 90 days, defaulted | - | - | 1,580 | - | 1,580 |
| Loans and advances outstanding | 969,402 | - | 1,580 | - | 970,982 |
| Undrawn facilities | 52,553 | - | - | - | 52,553 |
| Allowance for impairment | (626) | - | (310) | - | (936) |
| Economic overlay | - | - | - | (875) | (875) |
| Total allowance for impairment | (626) | - | (310) | (875) | (1,811) |

Impact of movements in gross carrying amount on allowance for expected credit losses

The following explains how changes in the gross carrying amounts of financial assets during the year have contributed to the changes in the allowance for credit losses for the Group under ECL. Movement on loan balances that have experienced a SICR (Stage 2 and credit impaired Stage 3) is presented in the table below:

| | 2022 Loan Balances \$'000 | 2021 Loan Balances \$'000 |
|--|---------------------------------|---------------------------------|
| Balances at 1 July | 7,006 | 77,018 |
| Increase in credit risk and/or credit impaired | 582 | 4,961 |
| Repaid in full | (3,135) | (3,536) |
| Transferred to performing (Stage 1) | (2,837) | (71,029) |
| Decrease in balances | (36) | (408) |
| Loan and advances in Stage 2 and 3 at 30 June | 1,580 | 7,006 |

Notes to the Financial Statements

for the financial year ended 30 June 2022

Loans in Stage 2 and 3 above are highly collateralised by mortgages and Lenders Mortgage Insurance.

| | 2022 Loan Balances \$'000 | 2021 Loan Balances \$'000 |
|---------------------------|---------------------------------|---------------------------------|
| Mortgage secured | 1,160 | 4,667 |
| Mortgage secured with LMI | 420 | 72 |
| | 1,580 | 4,739 |

During 2022 the Group took possession of collaterals of two loans for the total amount of \$551 thousand (2021: \$272 thousand) and both properties were sold during the year.

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is nil (2021: \$25 thousand).

Expected Credit Loss Model

The ECL model applies to all financial assets measured at amortised cost, loan commitments and financial guarantees contracts not measured at FVTPL.

The Group's Credit Management Practices identify members who are experiencing difficulty in meeting their loan repayment commitments at an early stage, either as a result of missed or erratic repayments or as a result of an application for restructuring. On identifying such loans or where such loans become more than 30 days past due these are regarded as having a Significant Increase in Credit Risk (SICR). The Group's credit portfolios are of a manageable size that allows for early credit management to be undertaken on an individual basis and therefore where a SICR has occurred the exposures are managed individually.

| Stage | Criteria | Determination of allowance |
|--|--|--|
| Performing Loans Stage 1 12-month ECL | All balances and expected exposures under 30 days. | On origination of financial assets, a collective allowance for ECL from defaults occurring over the next 12 months is recognised. |
| Performing Loans Stage 2 Lifetime ECL | Exposures that have experienced a Significant Increase in Credit Risk (SICR) since origination or where loans are more than 30 days past due. | Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer significant, the exposure is reclassified to Stage 1 and the allowance reverts to 12 months ECL. |
| Non-performing Loans Stage 3 Lifetime ECL | The Group has elected that default will occur on the earlier of when an obligor is made bankrupt, or loan repayments are 90 days past due. This position is taken to ensure consistency for Financial and Regulatory Reporting purposes. | Financial assets in default recognise an allowance equivalent to lifetime ECL. On default an assessment of the collateral in place and the time for realisation thereof is undertaken to assess impairment allowance required if any. |

Other receivables which are measured at amortised cost and financial guarantees held by the Group are considered to have low credit risk and therefore no allowance for impairment has been recognised.

ECL measurement

The ECL is a probability weighted expected credit loss estimated by evaluating a range of possible outcomes considering the time value of money, past events, current conditions, and future economic conditions. For each significant portfolio of financial assets ECL is calculated as a product of the following risk factors:

- Probability of default (PD) – the likelihood that a debtor will be unable to pay its obligations in full without having to take actions such as realising on security to that the debtor will become 90 days overdue on obligation or contractual commitment.
- Exposure at default (EAD) – the Group generally calculates EAD as the higher of the drawn balance and total credit limit, except for the credit cards portfolio, for which the EAD calculation also considers the probability of unused limit being drawn down.
- Loss given default (LGD) – the amount that is not expected to be recovered following default.

Credit risk factors of PD and LGD used in ECL calculation are point-in-time estimates based on current conditions and are adjusted to include the impact of multiple probability-weighted future forecast economic scenarios. The impact of future economic conditions is also factored into the recovery from collateral and is based on outcomes from economic upturns or downturns.

Notes to the Financial Statements

for the financial year ended 30 June 2022

The credit risk factors referred to above that have been applied are presented below:

| | 2022 | 2022 | 2021 | 2021 |
|---|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | Probability of Default (PD) | Loss Given Default (LGD) | Probability of Default (PD) | Loss Given Default (LGD) |
| Bank deposits | 0.00% | 0% | 0.00% | 0% |
| Debt securities | 0.05% | 45% | 0.05% | 45% |
| Residential home loans and undrawn loan commitments | 0.39% | 5% | 0.34% | 5% |
| Personal loans and undrawn loan commitments | 0.45% | 81% | 0.39% | 81% |
| Business banking loans and undrawn loan commitments | 0.48% | 5% | 0.40% | 5% |

Bank Deposits – there is no recent experience of any bank failure in Australia and thus no probability-based information readily available to the Group for determining its expected credit losses on these categories of financial instruments.

Debt Securities – the Group has adopted a Probability of Default (PD) and the Loss Given Default (LGD) for claims on banks at the minimum prescribed by the Basel Committee for bank exposures being 0.05% and 45%, respectively.

Residential Home Loans – all residential loans are mortgage secured and over 80% loan-to-valuation ratios have Lenders Mortgage Insurance. The absence of statistical relevant loss data on the Group's portfolio make it difficult to arrive at LGD, therefore, the Group has used data sourced from Major Australian Banks.

Personal Loans – the Group has undertaken extensive review of credit losses incurred over the period from 2008-2022 in order to determine PD and LGD and noted no significant change in losses in the current year especially given the insignificant write-offs.

Business Banking Loans – these loans are predominantly secured against Residential Mortgages with the quality of collateral consistent with that of the Group's Residential Home Loans. More conservative loan-to-valuation ratios are applied to compensate for the prospect of repayment and recovery being dependent primarily on the cash flows generated by the asset, rather than the livelihood and therefore income of borrowers.

The table below represents the movement during the year on ECL.

| | Stage 1 Collective Allowance | Stage 2 Collective Allowance | Stage 3 Specific Allowance | Economic Overlay | Total |
|--|------------------------------------|------------------------------------|----------------------------------|---------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 1 July 2020 | 457 | - | 486 | 1,535 | 2,478 |
| Stage 1 additional allowance | 61 | - | - | - | 61 |
| Stage 2 additional allowance | - | 2 | - | - | 2 |
| Stage 3 additional allowance | - | - | 8 | - | 8 |
| Economic overlay | - | - | - | 373 | 373 |
| Total charged to income statement | 61 | 2 | 8 | 373 | 444 |
| 30 June 2021 (*) | 518 | 2 | 494 | 1,908 | 2,922 |
| Stage 1 additional allowance | 108 | - | - | - | 108 |
| Stage 2 additional allowance | - | (2) | - | - | (2) |
| Stage 3 additional allowance | - | - | (184) | - | (184) |
| Economic overlay | - | - | - | (1,033) | (1,033) |
| Total charged to income statement | 108 | (2) | (184) | (1,033) | (1,111) |
| 30 June 2022 (**) | 626 | - | 310 | 875 | 1,811 |

30 June 2021 (*) comments

Stage 1 – allowance has increased by \$45 thousand of collective allowances in respect of Loans and advances to other ADIs and Economic overlay of \$30 thousand established on 30 June 2019.

Stage 2 – allowance has increased by \$4 thousand in relation to specific loans and the economic overlay has increased by \$388 thousand in addition to the prior year economic overlay created for loans that have been identified as impaired due to COVID-19 pandemic.

Stage 3 – allowance increased by \$7 thousand.

Notes to the Financial Statements

for the financial year ended 30 June 2022

30 June 2022 (**) comments

Stage 1 – allowance has increased by \$108 thousand for collective allowances in respect of Loans and advances to members due to a slight increase in exposure and a deterioration in general economic outlook. An improvement in economic outlook by a factor of one-eighth will reduce the Stage 1 allowance by \$21 thousand.

Stage 2 – allowance has decreased due to there being no loans in Stage 2.

Stage 3 – allowance has decreased by \$184 thousand due to recoveries on defaulted loans that had been more than adequately provided and a reduction in defaulted balances at year end. The economic overlays have decreased by \$1,033 thousand as a result of the unwinding of a proportion of the COVID-19 pandemic overlay as discussed below.

Economic overlay

The impact of the COVID-19 pandemic was initially modelled through an overlay to determine an expectation of credit losses that could possibly arise on directly impacted loans. The Credit Union initially engaged with all its borrowers to establish those affected. Affected loans were identified and reviewed by the Credit Union's Management and impairment allowances were put in place individually.

The direct impact of the pandemic was expected to progressively flow through to the base modelling and to offset the release of the overlay allowances over time. Government and Reserve Bank of Australia (RBA) support measures for the duration of the pandemic however, allowed customers who had been impacted by the pandemic, to meet their repayment of their loans.

Significant uncertainty regarding the lasting impact of the COVID-19 pandemic persists and government support has ended, and the impact of a changed economic circumstances is now emerging. The Credit Union continues to monitor the portfolio of customers who were directly affected by the pandemic and granted payment deferrals, this cohort has reduced balances to \$39.9 million (2021: \$52.9 million) and these loans are performing. Given the short time that has elapsed since resumption of repayment on this cohort of borrowers and the changed economic circumstances, it was considered too soon to reverse the overlay established entirely. The ability of such customers to independently meet their repayment commitments, without government support, over the full term of their loans in the current environment is uncertain.

All loans are being reviewed on a basis other than past due and at year end there are no indicators of any deterioration in borrowers' positions. Overall, the ECL allowance represents a best estimate requiring judgement over how changes in economic position affect ECLs.

16. Property, plant and equipment

| | Consolidated and Credit Union | | | |
|--------------------------------|--------------------------------------|---|--------------------------|---------------|
| | Freehold land & buildings-fair value | Right of use land & buildings and leasehold improvements-cost | Plant and equipment-cost | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost/fair value | 9,118 | 4,290 | 4,199 | 17,607 |
| Accumulated depreciation | (272) | (2,508) | (2,999) | (5,779) |
| Balance at 30 June 2021 | 8,846 | 1,782 | 1,200 | 11,828 |
| Cost/fair value | 11,000 | 4,324 | 4,359 | 19,683 |
| Accumulated depreciation | - | (3,180) | (3,311) | (6,491) |
| Balance at 30 June 2022 | 11,000 | 1,144 | 1,048 | 13,192 |

Carrying values. Freehold land and buildings

Freehold land and buildings held for supply of services, and administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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 revaluation increase arising on the revaluation of freehold land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount on the revaluation of freehold land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve.

Notes to the Financial Statements

for the financial year ended 30 June 2022

Right-of-use assets

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

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

Other plant, equipment and leasehold improvements

Other plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Valuation of freehold land and buildings

Michael Schwarz, Certified Practising Valuer of M3 Property Strategists performed an independent valuation of the Group's freehold land and buildings on 3 June 2022 to determine its fair value at 30 June 2022 at \$11.0 million. The valuation adopted a capitalisation of net income approach. The carrying value is within Level 2 of the fair value hierarchy in Note 22(f). Had the Group's freehold land and buildings been measured on a historical cost basis, their carrying amount would have been \$3.426 million (2021: \$3.375 million).

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation on revalued buildings is recognised in profit or loss. On sale or retirement of a revalued property, the surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Depreciation is calculated on a straight-line basis so as to write off the net cost or revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated using the straight-line method over the shorter of, the lease period or its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation and were applied consistently over the current and prior years:

- Buildings 40 years
- Leasehold improvements 5–10 years
- Plant and equipment 2–10 years

| Consolidated | | Credit Union | |
|--------------|--------|--------------|--------|
| 2022 | 2021 | 2022 | 2021 |
| \$'000 | \$'000 | \$'000 | \$'000 |

17. Deposits

Measured at amortised cost:

| | | | | |
|------------------------------|------------------|------------------|------------------|------------------|
| Members' deposits | 1,025,736 | 1,050,990 | 1,025,736 | 1,050,990 |
| Redeemable preference shares | 397 | 391 | 397 | 391 |
| | 1,026,133 | 1,051,381 | 1,026,133 | 1,051,381 |
| Concentration of deposits | | | | |
| Police | 183,117 | 151,781 | 183,117 | 151,781 |
| Nurses | 84,239 | 68,967 | 84,239 | 68,967 |
| Others | 758,777 | 830,633 | 758,777 | 830,633 |
| | 1,026,133 | 1,051,381 | 1,026,133 | 1,051,381 |

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 deposit balances. Deposits within South Australia comprise 91% (2021: 90%) of all deposits.

18. Payables due to other financial institutions

Measured at amortised cost:

| | | | | |
|---------------------------|---------------|---------------|---------------|---------------|
| RBA Term Funding Facility | 48,000 | 47,909 | 48,000 | 47,909 |
| | 48,000 | 47,909 | 48,000 | 47,909 |

The RBA Term Funding Facility represented the balance including accrued interest on funding provided by the RBA in response to the COVID-19 Pandemic. This funding was made in two tranches that are repayable in April 2023 and May 2024. This funding was made out of the sale of Notes issued by the MTG PCU Trust Repo Series No.1 and an agreement by the Credit Union to repurchase these at the maturity dates referred to.

Notes to the Financial Statements

for the financial year ended 30 June 2022

| | Consolidated | | Credit Union | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Measured at amortised cost: | | | | |
| Trade payables and accruals | 2,296 | 2,491 | 2,296 | 2,491 |
| Lease liabilities | 879 | 1,462 | 879 | 1,462 |
| Settlement and clearing accounts | 2,961 | 4,963 | 2,961 | 4,963 |
| Total Payables other | 6,136 | 8,916 | 6,136 | 8,916 |
| Employee entitlements | 2,984 | 2,839 | 2,984 | 2,839 |
| Decommissioning commitments | 284 | 354 | 284 | 354 |
| Compliance and regulation | 333 | 244 | 333 | 244 |
| Off Balance sheet exposures | 434 | 291 | 434 | 291 |
| Total Provisions | 4,035 | 3,728 | 4,035 | 3,728 |

Trade payables and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables generally have credit terms of up to thirty days.

Lease liabilities - lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise only fixed lease payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index, if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Provisions are recognised when the Group has a present obligation, where the prepayment to settle the obligation is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled wholly within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Contributions to defined contribution superannuation plans are expensed when incurred.

The provision for decommissioning commitments makes allowance for the estimated costs anticipated to remove plant and equipment from leasehold property occupied by the Group. These obligations will occur at the time of vacating the premises and/or termination of the lease.

Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain future events and principally consist of obligations to third parties.

Items are classified as commitments where the Group has irrevocably committed itself to future transactions. These transactions will either result in the recognition of an asset or liability in future periods.

Compliance and regulation provisions relate to project and consulting costs in respect to the Credit Union's ongoing compliance programs and regulatory changes that are underway.

Off-balance sheet exposure provisions comprise an allowance for exposures under guarantees issued by the Credit Union on behalf of customers and an estimate of expected losses incurred but not reported arising from disputed transactions on customer accounts and related claims.

20. Reserves

The nature and purpose of each reserve within equity is described below. Movements on reserves are presented in the table on the following page.

a) Capital Redemption Reserve

The Capital Redemption Reserve is used to redeem redeemable preference shares out of profit upon a member ceasing membership with the Credit Union. The current year movement represents an amount transferred from Retained Earnings equal to redemptions made in the financial year.

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b) General Reserve

The General Reserve is used from time to time to transfer profits from Retained Earnings and to recognise the gains or losses that may arise on mergers with other mutual entities and from changes in ownership interests in subsidiaries that do not result in loss of control.

c) General Reserve for Credit Losses

The General Reserve for Credit Losses is established to recognise a provision for credit losses required for APRA regulatory purposes. Transfers to this reserve are appropriated from Retained Earnings.

d) Revaluation Reserve

Gains arising on revaluation of assets to their fair value net of related income tax are held in this reserve until disposal of the asset, whereby the accumulated gain is transferred to Retained Earnings.

e) Cash flow Hedging Reserve

This reserve represents cumulative hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit and loss consistent with the applicable accounting policy.

At the inception of the hedge the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions is documented. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the Statement of Comprehensive Income as the recognised hedged item. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

| | Capital Redemption Reserve | General Reserve | General Reserve for Credit Losses | Revaluation Reserve | Cash Flow Hedging Reserve | Total Reserves |
|---|----------------------------------|--------------------|--|------------------------|---------------------------------|-------------------|
| Consolidated | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2020 | 594 | 11,748 | 1,080 | 4,760 | - | 18,182 |
| Transfer from retained earnings | 24 | - | 60 | - | - | 84 |
| Gain arising on revaluation of Cuscal Ltd shares | - | - | - | 309 | - | 309 |
| Income tax relating to gain arising from revaluation of Cuscal Ltd shares | - | - | - | (80) | - | (80) |
| Changes in corporate tax rate related to revaluation of Cuscal Ltd shares | - | - | - | 32 | - | 32 |
| Changes in corporate tax rate related to property revaluation | - | - | - | 48 | - | 48 |
| Balance at 30 June 2021 | 618 | 11,748 | 1,140 | 5,069 | - | 18,575 |
| Transfer from retained earnings | 17 | - | 300 | - | - | 317 |
| Gain arising on property revaluation | - | - | - | 2,102 | - | 2,102 |
| Deferred tax asset arising on property revaluation | - | - | - | (525) | - | (525) |
| Gain arising on revaluation of Cuscal Ltd shares | - | - | - | 691 | - | 691 |
| Income tax relating to gain arising from revaluation of Cuscal Ltd shares | - | - | - | (173) | - | (173) |
| Gain on buyback of Cuscal Ltd shares | - | - | - | 86 | - | 86 |
| Tax credit on buyback of Cuscal Ltd shares | - | - | - | 16 | - | 16 |
| Gain arising on changes in fair value of interest rate swaps | - | - | - | - | 1,859 | 1,859 |
| Deferred tax asset arising on interest rate swaps | - | - | - | - | (465) | (465) |
| Changes in corporate tax rate | - | - | - | 23 | - | 23 |
| Balance at 30 June 2022 | 635 | 11,748 | 1,440 | 7,289 | 1,394 | 22,506 |

Notes to the Financial Statements

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| | Capital Redemption Reserve | General Reserve | General Reserve for Credit Losses | Revaluation Reserve | Cash Flow Hedging Reserve | Total Reserves |
|---|----------------------------------|--------------------|--|------------------------|---------------------------------|-------------------|
| Credit Union | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2020 | 594 | 11,748 | 1,080 | 4,760 | - | 18,182 |
| Transfer from retained earnings | 24 | - | 60 | - | - | 84 |
| Gain arising on revaluation of Cuscal Ltd shares | - | - | - | 309 | - | 309 |
| Income tax relating to gain arising from revaluation of Cuscal Ltd shares | - | - | - | (80) | - | (80) |
| Changes in corporate tax rate related to revaluation of Cuscal Ltd shares | - | - | - | 32 | - | 32 |
| Changes in corporate tax rate related to property revaluation | - | - | - | 48 | - | 48 |
| Balance at 30 June 2021 | 618 | 11,748 | 1,140 | 5,069 | - | 18,575 |
| Transfer from retained earnings | 17 | - | 300 | - | - | 317 |
| Gain arising on property revaluation | - | - | - | 2,102 | - | 2,102 |
| Deferred tax asset arising on property revaluation | - | - | - | (525) | - | (525) |
| Gain arising on revaluation of Cuscal Ltd shares | - | - | - | 691 | - | 691 |
| Income tax relating to gain arising from revaluation of Cuscal Ltd shares | - | - | - | (173) | - | (173) |
| Gain on buyback of Cuscal Ltd shares | - | - | - | 86 | - | 86 |
| Tax credit on buyback of Cuscal Ltd shares | - | - | - | 16 | - | 16 |
| Gain arising on changes in fair value of interest rate swaps | - | - | - | - | 1,859 | 1,859 |
| Deferred tax asset arising on interest rate swaps | - | - | - | - | (465) | (465) |
| Changes in corporate tax rate | - | - | - | 23 | - | 23 |
| Balance at 30 June 2022 | 635 | 11,748 | 1,440 | 7,289 | 1,394 | 22,506 |

21. Related party transactions

a) Parent Entity

Police Credit Union Ltd is the parent entity and ultimate holding company of the Police Credit Union Group of companies.

b) The Group

Details of the ownership interests in, and amounts owed to/by the Group are disclosed below:

| | Ownership Interest | | Credit Union | |
|--------------------------------------|--------------------|-----------|--------------|------------|
| | 2022 % | 2021 % | 2022 \$ | 2021 \$ |
| Parent Entity | | | | |
| Police Credit Union Ltd | - | - | - | - |
| Controlled Entity | | | | |
| PCU Services Pty Ltd | 100 | 100 | 1 | 1 |
| Ian Berry Insurance Services Pty Ltd | 100 | 100 | 1 | 1 |
| MTG PCU Trust Repo Series No.1 | 100 | 100 | 20 | 20 |
| | | | 22 | 22 |

c) Key Management Personnel

Key Management Personnel have been defined as: Police Credit Union Ltd board of nine Directors and eight executive managers. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with the Group. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependents of the individual or the individual's domestic partner. All loans to key management personnel were subject to normal terms and conditions and there were no breaches of these terms and conditions during the year. All loans are in accordance with standard lending policies. No guarantees were given to or received from key management personnel during the period. No impairment losses have been recorded against loan balances outstanding during the period and no specific allowance was made for impairment of these loans.

Notes to the Financial Statements

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| | Consolidated | |
|--|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Key management personnel compensation | | |
| Short-term employee benefits - including superannuation guarantee levy | 2,857,022 | 2,955,181 |
| Other long-term benefits - accruals for long service leave | 16,413 | 80,016 |
| | 2,873,435 | 3,035,197 |

| | Transaction Accounts | Investment Accounts | Loans Accounts |
|--|-------------------------|------------------------|-------------------|
| | \$ | \$ | \$ |
| Transactions conducted on accounts of key management personnel 2022 | | | |
| Balance at beginning of year* | (1,218,141) | (5,000) | 3,863,396 |
| Loans advanced | - | - | 1,932,365 |
| Deposits/repayments | (5,358,484) | - | (819,421) |
| Withdrawals | 5,041,404 | 40 | - |
| Interest paid | (4,478) | (40) | - |
| Interest charged/(received) | 2,230 | - | 92,991 |
| Net balance at end of year | (1,537,469) | (5,000) | 5,069,331 |
| Year end balances represented by: | | | |
| Deposit balances | (1,401,683) | (5,000) | - |
| Overdraft/loan balances | (135,786) | - | 5,069,331 |
| Net balance at end of year | (1,537,469) | (5,000) | 5,069,331 |

| | | | |
|--|--------------------|----------------|------------------|
| Transactions conducted on accounts of key management personnel 2021 | | | |
| Balance at beginning of year* | (801,017) | (286,500) | 3,059,919 |
| Loans advanced | - | - | 1,465,531 |
| Deposits/repayments | (6,265,910) | - | (813,709) |
| Withdrawals | 5,882,782 | 284,391 | - |
| Interest paid | (5,448) | (2,891) | - |
| Interest charged/(received) | 2,140 | - | 96,882 |
| Net balance at end of year | (1,187,453) | (5,000) | 3,808,623 |
| Year end balances represented by: | | | |
| Deposit balances | (1,008,788) | (5,000) | - |
| Overdraft/loan balances | (178,665) | - | 3,808,623 |
| Net balance at end of year | (1,187,453) | (5,000) | 3,808,623 |

*The opening balances may not be consistent with the closing balances reported in the prior year due to changes in the composition of accounts over which Key Management Personnel have control or influence.

| | 2022 | 2021 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Transactions within the wholly owned group: | | |
| The equitable right to loans originated by the Credit Union were sold to the MTG PCU Trust during the year giving rise to the following intra-group transactions to which the Credit Union is a party: | | |
| Sale of loans | 82,258 | 47,607 |
| Receipt of custodian and service fee | 247 | 251 |
| Payment of collections or loans | 72,686 | 73,781 |
| Payment for interest offset benefit | 871 | 883 |
| Receipt of note interest | 2,266 | 2,162 |
| Receipt of distributions from MTG PCU Trust | 4,640 | 5,523 |

Notes to the Financial Statements

for the financial year ended 30 June 2022

22. Financial instruments

a) Financial risk management objectives

The nature of banking results in an exposure to liquidity, credit and market risk. The Group controls these risks by establishing policies and limits within which business is conducted. To manage these risks, two committees have been established to ensure that the policies and limits are observed. The Asset and Liability Committee (ALCO) is primarily responsible for monitoring the Group's exposures to liquidity and market risk. Credit is advanced with specific or general approval of the Credit Risk Committee who ensures that credit is advanced to credit worthy members and where appropriate against security.

b) Credit risk

Loans and receivables disclosed in Notes 12, 13 and 14 are subject to the risk of default on member or counterparty non-performance. The Credit Risk Committee sets approval limits within which officers may approve loans and their terms while the Board sets limits for exposure to ADIs. All loan advances are reported to the Credit Committee and hindsight reviews are conducted to ensure that lending is conducted within defined approval limits. Allowances for credit losses are disclosed in Note 15.

c) Market risk

Primarily the Credit Union faces interest rate risk. This risk arises from the differing repricing characteristics of banking assets and liabilities.

This risk and changes to the structural profile of banking assets and liabilities are monitored by the ALCO. On a monthly basis, the net interest sensitive position is analysed using earnings and valuation-based techniques and reported to Key Management Personnel. In doing so, cognisance is taken of embedded optionality, such as loan prepayments and accounts where the behaviour differs from the contractual position. Interest rate risk limits are set in terms of both changes in forecast net interest income and economic value of equity. Strategies to mitigate interest rate risk are implemented through the use of interest rate swaps structured around the net gap position that is deemed unfavourable.

The repricing gaps for the Group's banking portfolios are shown on the following page. All assets, liabilities and derivative instruments are allocated in gap intervals based on their repricing characteristics. Assets and liabilities for which no specific contractual repricing or maturity dates exist are placed in gap intervals based on management's judgement and statistical analysis, as determined by the most likely repricing behaviour.

Forecasted net interest income, and thus net profit before tax, is susceptible to movements in market interest rates. Based on a 100 basis point parallel increase in the year-end yield curve, the Credit Union expects to gain approximately \$1.554 million (2021: \$0.48 million) of forecast interest margin without management intervention. The Credit Union's portfolio of loans and deposits are exposed to falling interest rates.

The repricing analysis below identifies the net interest sensitive position within the banking book.

| Repricing gap | 0–3 months \$'000 | >3–6 months \$'000 | >6 months–1 year \$'000 | >1–3 years \$'000 | Over 3 years \$'000 |
|--|----------------------|-----------------------|----------------------------|----------------------|------------------------|
| 2022 | | | | | |
| Interest rate sensitivity gap: asset/(liability) | 235,713 | (100,480) | (72,448) | 32,307 | 1,693 |
| Cumulative interest rate sensitivity gap | 235,713 | 135,233 | 62,785 | 95,092 | 96,785 |
| % of assets | 19.8% | 11.4% | 5.3% | 8.0% | 8.1% |
| 2021 | | | | | |
| Interest rate sensitivity gap: asset/(liability) | 225,031 | (126,137) | (76,477) | 71,625 | 597 |
| Cumulative interest rate sensitivity gap | 225,031 | 98,894 | 22,417 | 94,042 | 94,639 |
| % of assets | 18.6% | 8.2% | 1.9% | 7.8% | 7.8% |

Notes to the Financial Statements

for the financial year ended 30 June 2022

d) Interest rate swaps

The Group enters into interest rate swaps to manage its exposure to interest rate risk. The interest rate swap agreements pay an agreed fixed interest rate, receiving floating interest based on the 90-day BBSW rate, reset quarterly. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of a change in the BBSW component of interest rates on deposits and its impact on the interest cash flows.

The interest rate swaps are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. All the interest rate swaps are designated as hedging instruments in cash flow hedge relationships of highly probable forecast transactions.

The estimate of the undiscounted net cash flow arising from the swap portfolio at the prevailing interest rates is reflected in the following table.

| Cash inflow/(outflow) on interest rate swaps | Less than 1 month \$'000 | >1–3 months \$'000 | >3 months–1 year \$'000 | >1–3 years \$'000 | Over 3 years \$'000 | Total \$'000 |
|--|-----------------------------|-----------------------|----------------------------|----------------------|------------------------|-----------------|
| 2022 | (28) | (52) | 544 | 1,249 | 227 | 1,940 |
| 2021 | - | - | - | - | - | - |

The fair values, the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the reporting date are disclosed in the table below.

| Consolidated and Credit Union | Weighted average fixed payment rate | | Notional principal | | Fair value | |
|-------------------------------|-------------------------------------|-----------|--------------------|----------------|----------------|----------------|
| | 2022 % | 2021 % | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Expiry date of contracts | | | | | | |
| Less than 1 year | 0.00% | - | - | - | - | - |
| 1 to 2 years | 0.31% | 0.00% | 14,000 | - | 590 | - |
| 2 to 3 years | 0.78% | 0.00% | 18,000 | - | 680 | - |
| 3 years and over | 0.49% | 0.00% | 9,500 | - | 562 | - |
| Total | | | 41,500 | - | 1,832 | - |

The fair value of derivatives (interest rate swaps) is calculated using a discounted cash flow model. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates are discounted at a rate that reflects the credit risk of various counter-parties. Thus, the basis of determining fair value of derivatives (interest rate swaps) liabilities is classified as Level 2.

e) Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient resources to meet its obligations as they fall due or will have to do so at excessive cost. This risk arises from the nature of Group's business where it makes loans available for terms up to 40 years funded from deposits that are at-call or repayable over terms of up to five years. The management of liquidity is overseen by the ALCO who have implemented processes and procedures ensuring that all foreseeable commitments, including deposit withdrawals, can be met when due. These include:

- Management of both daily and forecasted cash flows;
- Maintaining a diversified and stable funding base comprising retail deposits;
- Ensuring exposures to large deposits are maintained within manageable limits and tenors and monitored to anticipate mismatches between anticipated inflows and outflows within different time periods;
- Maintaining a portfolio of cash at-call, negotiable certificates of deposit and debt securities issued by other ADIs over and above the prudential requirements. The Credit Union is a non-transactional member of the Reserve Bank Information Transfer System allowing it to access its certificates of deposits and debt securities immediately through repos with the Reserve Bank; and
- The Credit Union has established a self-securitisation program that allows it to access up to \$183 million (2021: \$183 million) of an RBA Repo security during liquidity crisis.

The following table details the maturity amounts of the Group's financial liabilities presented on the earliest date on which the group will be required to pay the amount due together with interest. Interest that will accrue from year-end until maturity of the term deposit is reflected in the column headed "Future interest".

Notes to the Financial Statements

for the financial year ended 30 June 2022

Maturity analysis of non-derivative financial liabilities:

| Cash flows payable in | Less than 1 month \$'000 | 1–3 months \$'000 | >3 months– 1 year \$'000 | >1–3 years \$'000 | Over 3 years \$'000 | Future interest \$'000 | Total \$'000 |
|---------------------------|-----------------------------|----------------------|--------------------------------|----------------------|------------------------|---------------------------|------------------|
| Credit Union 2022 | | | | | | | |
| Deposits | 681,878 | 106,409 | 218,232 | 20,212 | 891 | (1,489) | 1,026,133 |
| RBA term funding facility | - | - | 29,045 | 19,046 | - | (91) | 48,000 |
| Borrowings | - | - | - | - | 236,948 | - | 236,948 |
| Lease liabilities | 53 | 107 | 443 | 234 | 66 | (24) | 879 |
| Payables (other) | 5,257 | - | - | - | - | - | 5,257 |
| Total Credit Union | 687,188 | 106,516 | 247,720 | 39,492 | 237,905 | (1,604) | 1,317,217 |

Consolidated 2022

| | | | | | | | |
|---------------------------|----------------|----------------|----------------|---------------|------------|----------------|------------------|
| Deposits | 681,878 | 106,409 | 218,232 | 20,212 | 891 | (1,489) | 1,026,133 |
| RBA term funding facility | - | - | 29,045 | 19,046 | - | (91) | 48,000 |
| Lease liabilities | 53 | 107 | 443 | 234 | 66 | (24) | 879 |
| Payables (other) | 5,257 | - | - | - | - | - | 5,257 |
| Total Consolidated | 687,188 | 106,516 | 247,720 | 39,492 | 957 | (1,604) | 1,080,269 |

Credit Union 2021

| | | | | | | | |
|---------------------------|----------------|---------------|----------------|---------------|----------------|----------------|------------------|
| Deposits | 636,718 | 89,499 | 294,408 | 29,232 | 3,599 | (2,075) | 1,051,381 |
| RBA term funding facility | - | - | - | 48,091 | - | (182) | 47,909 |
| Borrowings | - | - | - | - | 230,981 | - | 230,981 |
| Lease liabilities | 55 | 111 | 480 | 748 | 120 | (52) | 1,462 |
| Payables (other) | 7,454 | - | - | - | - | - | 7,454 |
| Total Credit Union | 644,227 | 89,610 | 294,888 | 78,071 | 234,700 | (2,309) | 1,339,187 |

Consolidated 2021

| | | | | | | | |
|---------------------------|----------------|---------------|----------------|---------------|--------------|----------------|------------------|
| Deposits | 636,718 | 89,499 | 294,408 | 29,232 | 3,599 | (2,075) | 1,051,381 |
| RBA term funding facility | - | - | - | 48,091 | - | (182) | 47,909 |
| Lease liabilities | 55 | 111 | 480 | 748 | 120 | (52) | 1,462 |
| Payables (other) | 7,454 | - | - | - | - | - | 7,454 |
| Total Consolidated | 644,227 | 89,610 | 294,888 | 78,071 | 3,719 | (2,309) | 1,108,206 |

Deposits include substantial member savings and investment accounts that are contractually at-call. Experience is that this funding provides a source of long-term funding for the Group that has been stable over time.

f) Fair values of financial instruments

Financial assets: carried at fair value

Based on the extent that quoted prices are used in the calculation of fair value these assets are classified into a hierarchy using levels where fair value is defined as follows:

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

Notes to the Financial Statements

for the financial year ended 30 June 2022

Financial assets and liabilities: not carried at fair value

Financial assets and liabilities that are not carried at fair value are presented in the table below. The categories not at fair value are:

- Loans and advances, carried at amortised cost, net of individually and collectively assessed allowances for impairment. Their fair value is estimated using discounted cash flow models. The discount rate used is the current effective variable rate for variable rate loans and for fixed rate loans the current market estimated rate for the same term to maturity of the loans.
- Deposits are carried at their original amount plus accumulated interest since the date of deposit. The fair value is estimated using discounted cash flow models. The discount rate used is the original deposit rate, adjusted for changes in deposit interest rates and margins.

Balance sheet items reflecting carrying accounts and related fair values are presented in the table below together with the level in the fair value hierarchy:

| | Consolidated | | Credit Union | | Fair value hierarchy |
|---|------------------|------------------|------------------|------------------|----------------------|
| | 2022 | | 2022 | | |
| | Carrying amount | Fair value | Carrying amount | Fair value | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets | | | | | |
| Cash and bank balances | 48,555 | 48,555 | 26,937 | 26,937 | Level 1 |
| Investment instruments | 151,726 | 151,004 | 151,726 | 151,004 | Level 2 |
| Loans and advances: to members | 968,757 | 946,362 | 968,757 | 946,362 | Level 3 |
| Cuscal Ltd shares | 2,805 | 2,805 | 2,805 | 2,805 | Level 3 |
| Notes MTG PCU Trust Repo Series No.1 | - | - | 258,566 | 258,566 | Level 2 |
| Receivables other | 1,519 | 1,519 | 1,519 | 1,519 | Level 1 |
| Derivative assets | 1,832 | 1,832 | 1,832 | 1,832 | Level 2 |
| Total Financial Assets | 1,175,194 | 1,152,077 | 1,412,142 | 1,389,025 | |
| Financial liabilities | | | | | |
| Deposits | 1,026,133 | 1,024,694 | 1,026,133 | 1,024,694 | Level 2 |
| Payables due to other financial institutions | 48,000 | 46,869 | 48,000 | 46,869 | Level 2 |
| Borrowings | - | - | 236,948 | 236,948 | Level 2 |
| Payables other | 6,136 | 6,136 | 6,136 | 6,136 | Level 1 |
| Total Financial Liabilities Consolidated | 1,080,269 | 1,077,699 | 1,317,217 | 1,314,647 | |

| | Consolidated | | Credit Union | | Fair value hierarchy |
|---|------------------|------------------|------------------|------------------|----------------------|
| | 2021 | | 2021 | | |
| | Carrying amount | Fair value | Carrying amount | Fair value | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets | | | | | |
| Cash and bank balances | 84,507 | 84,507 | 58,148 | 58,148 | Level 1 |
| Investment instruments | 152,444 | 153,499 | 152,444 | 153,499 | Level 2 |
| Loans and advances: to members | 953,186 | 946,589 | 953,186 | 946,589 | Level 3 |
| Cuscal Ltd shares | 2,249 | 2,249 | 2,249 | 2,249 | Level 3 |
| Notes MTG PCU Trust Repo Series No.1 | - | - | 257,340 | 257,340 | Level 2 |
| Receivables other | 884 | 884 | 884 | 884 | Level 1 |
| Total Financial Assets | 1,193,270 | 1,187,728 | 1,424,251 | 1,418,709 | |
| Financial liabilities | | | | | |
| Deposits | 1,051,381 | 1,052,342 | 1,051,381 | 1,052,342 | Level 2 |
| Payables due to other financial institutions | 47,909 | 47,489 | 47,909 | 47,489 | Level 2 |
| Borrowings | - | - | 230,981 | 230,981 | Level 2 |
| Payables other | 8,916 | 8,916 | 8,916 | 8,916 | Level 1 |
| Total Financial Liabilities Consolidated | 1,108,206 | 1,108,747 | 1,339,187 | 1,339,728 | |

Notes to the Financial Statements

for the financial year ended 30 June 2022

g) Investment securities

| | Consolidated | | Credit Union | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Cuscal Ltd shares | 2,805 | 2,249 | 2,805 | 2,249 |
| Notes MTG PCU Trust Repo Series No.1 | - | - | 258,566 | 257,340 |
| | 2,805 | 2,249 | 261,371 | 259,589 |

The Group's investment in unquoted equity investment, Cuscal Ltd shares, is stated at fair value and is classified as Level 3 in the fair value hierarchy. During the year the Group has participated in the share buy back and the number of shares has changed to 1,780,032 (2021: 1,893,249) representing a minority holding in the only class of equity shares in the capital structure of Cuscal Ltd. The change in the net fair value of the Cuscal Ltd shares represents a fair value gain of \$691 thousand for the year and is reflected in the other comprehensive income.

Composition of MTG PCU Trust Repo Series No.1 is represented by \$239.4 million (2021: \$239.4 million) of Class A notes and \$17.6 million (2021: \$17.6 million) of Class B notes together with accrued interest and distributions receivable. The Class A notes are Repo-eligible.

23. Capital management

Capital is managed at a Group level to achieve a prudent balance between maintaining capital ratios in support of its business growth while delivering value services to members. The Group comprises of the entities that are listed in Note 21. The capital level is subject to externally imposed requirements at a Credit Union and Group level. The accounting and the regulatory scope of consolidation are consistent.

The Group has an Internal Capital Adequacy Assessment Process (ICAAP) complying with the Basel requirements for a risk-based assessment of capital levels having regard to the impact of risk concentration, residual risk, diversification and the results of stress tests. In setting the capital level the Group has regard to sound governance, appropriate business practices, protecting depositors and maintaining adequate liquidity. The internally assessed capital level is determined based on the risks as assessed by management rather than a prescribed regulatory formula, and as such is more widely encompassing. The Group's governance process includes an assessment of capital forecasts, allowing for asset growth within capital constraints to ensure that targeted capital ratios are maintained. The objective of this process is to ensure that appropriate capital is maintained, and minimums imposed by the Group's regulators, APRA are met.

The guidelines developed by the Basel committee form the basis for determining the capital requirements of the Group. For regulatory purposes, the Group's capital comprises two tiers: Permanent forms of capital comprising general reserves and retained earnings (Tier 1 Capital) and general reserves for credit losses (Tier 2 Capital).

Risk-weighted assets are determined by applying prescribed risk weightings to on-and off-balance sheet exposures according to the relative credit risk of the counterparty and including a notional risk weighting for operational related risks in overall risk-weighted assets.

The capital adequacy ratio reflects the capital strength and is determined by dividing approved capital by risk-weighted assets held. The Group's capital adequacy ratio at year-end amounted to 15.51% (2021: 14.51%). The Credit Union's capital adequacy at year-end amounted to 15.51% (2021: 14.51%).

Details of the components of Total Capital and risk-weighted assets are set out in the following table. This disclosure uses the post 1 January 2018 common disclosure template fully applying the Basel III regulatory adjustments as implemented by APRA.

Notes to the Financial Statements

for the financial year ended 30 June 2022

| | Consolidated | | Credit Union | |
|--|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Common Equity Tier 1 Capital (CET1) | | | | |
| Retained Earnings | 83,360 | 77,103 | 83,360 | 77,103 |
| Accumulated other comprehensive income (OCI) and reserves: | | | | |
| Total Accumulated OCI and reserves (*) | 12,383 | 12,366 | 12,383 | 12,366 |
| Revaluation reserves | 8,683 | 5,069 | 8,683 | 5,069 |
| Accumulated OCI and reserves | 21,066 | 17,435 | 21,066 | 17,435 |
| Deferred fee income | 414 | 459 | 414 | 459 |
| | 21,480 | 17,894 | 21,480 | 17,894 |
| CET1 Capital before regulatory adjustments | 104,840 | 94,997 | 104,840 | 94,997 |
| Regulatory Adjustments: | | | | |
| Other Intangibles | 846 | 757 | 846 | 757 |
| Cash-flow hedge reserve | 1,859 | - | 1,859 | - |
| Investments in other ADIs - Cuscal Ltd | 2,805 | 2,249 | 2,805 | 2,249 |
| DTA arising from temporary differences | 273 | 1,685 | 273 | 1,685 |
| Total Regulatory Adjustments to CET1 | 5,783 | 4,691 | 5,783 | 4,691 |
| Common Equity Tier 1 Capital | 99,057 | 90,306 | 99,057 | 90,306 |
| Additional Tier 1 Capital | - | - | - | - |
| Tier 1 Capital | 99,057 | 90,306 | 99,057 | 90,306 |
| General reserve for credit losses | 1,440 | 1,140 | 1,440 | 1,140 |
| Tier 2 Capital | 1,440 | 1,140 | 1,440 | 1,140 |
| Total Capital | 100,497 | 91,446 | 100,497 | 91,446 |
| Total Risk-Weighted Assets based on APRA standards | 647,761 | 630,071 | 647,761 | 630,071 |
| Capital Ratios and Buffers | | | | |
| Common Equity Tier 1 (as a % of risk-weighted assets) | 15.29% | 14.33% | 15.29% | 14.33% |
| Tier 1 (as a % of risk-weighted assets) | 15.29% | 14.33% | 15.29% | 14.33% |
| Total Capital (as a % of risk-weighted assets) | 15.51% | 14.51% | 15.51% | 14.51% |
| Buffer Requirement: | 7.00% | 7.00% | 7.00% | 7.00% |
| Of which: APRA prescribed minimum CET1 | 4.50% | 4.50% | 4.50% | 4.50% |
| Of which: capital conservation buffer requirement | 2.50% | 2.50% | 2.50% | 2.50% |
| Of which: ADI Specific countercyclical buffer requirement | 0.00% | 0.00% | 0.00% | 0.00% |
| Common Equity Tier 1 available to meet buffers | 8.29% | 7.33% | 8.29% | 7.33% |

(*) The table below represents the reconciliation of the Total accumulated OCI and reserves:

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Total Accumulated OCI and reserves | 22,506 | 18,575 | 22,506 | 18,575 |
| Revaluation reserves | (8,683) | (5,069) | (8,683) | (5,069) |
| General reserve for credit losses | (1,440) | (1,140) | (1,440) | (1,140) |
| Total Accumulated OCI and reserves for capital | 12,383 | 12,366 | 12,383 | 12,366 |

24. Significant Alliances

The Group has a significant alliance with Cuscal Ltd. Cuscal Ltd operates a financial switching service allowing access to payment and settlement services such as eftpos, direct entry, BPAY® and VISA services. Police Credit Union also holds shares in Cuscal Ltd.

Directors' Declaration

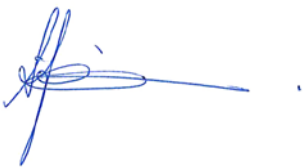
for the financial year ended 30 June 2022

The Directors declare that:

1. in the Directors' opinion, there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable;
2. the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;
3. 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 the financial position and performance of the Group.

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

On behalf of the Directors

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a horizontal line and a small flourish.

Alexander Paul Zimmermann
Chairman

Adelaide, 29 September 2022



Independent Auditor's Report

To the members of Police Credit Union Limited

Opinion

We have audited the consolidated **Financial Report** of Police Credit Union Limited (the Group Financial Report). We have also audited the Financial Report of Police Credit Union Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Police Credit Union Limited are accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's and the Company's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the Group and the Company comprise:

- Statement of Financial Position as at 30 June 2022;
- Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of Police Credit Union Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Police Credit Union Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.



Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of Financial Reports that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- 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 opinions.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf.

This description forms part of our Auditor's Report.

Darren Ball
Partner

Adelaide

29 September 2022

Member Testimonials



'Great service and friendly staff. Every time I attend the local branch, I come out feeling satisfied and happy with how easy it is to do banking there. Thank you'.

Marianne, Flagstaff Hill SA

'Police Credit Union have in my opinion an open and honest relationship with their customers. I recommend any serious savers to go in for an interview regarding their banking possibilities'.

Joan, Seaview Downs SA

'Police Credit Union provides me and my community with many banking, insurance, and community-focused services that make life easier and better'.

Marcello, Kensington Gardens SA

'Police Credit Union is understanding and helpful. Staff knowledge is always sound and thoughtful. They actually care'.

Philip, Marion SA

'Police Credit Union is like a business partner. Trust is very important and I trust that I will be looked after'.

Ngon, West Richmond SA

'Police Credit Union has been my dream financial organisation'.

Allison, Aldgate SA

'People you can trust with your money! You're a member not a number with Police Credit Union'.

Diana, Semaphore South SA

'Great home loan rates means more money in our pockets'.

Leeanne, Cable Beach WA



Police Credit Union Ltd

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AFSL/Australian Credit Licence 238991

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