Police & Nurses Limited

ANNUAL REPORT 2024

Acknowledgement of Country

P&N Group respectfully acknowledges the Traditional Custodians of the lands on which we operate and pay respects to Elders past and present.

Our registered office is located on the lands of the Whadjuk people of the Noongar nation in Perth, Western Australia.

P&N Group's Reconciliation Action Plan artwork is by Nani Creative's Kevin Wilson, a Wongi man with family ties to the WA Goldfields region, Leonora and South Australia, and Brenda Mau, a Torres Strait Islander, Mandubarra, Kalkadoon, Withanthi, Ngadjonii woman born on MaMu country of North Queensland. We thank Kevin and Brenda for sharing their knowledge and culture.

Kevin's story

The artwork tells the story of our cultural heritage ties to Country and family on the western and eastern sides of Australia. The artwork speaks to my connection to Western Australia, with family across the state and a focus on the Goldfields, my great-Nan's Country. The artwork is a celebration of the diversity of Western Australia, and the variety of landscape, cultures and people.

Within the design are waterways, hills, deserts and animal tracks. These represent the communities P&N Bank services, and to where the benefits of the Reconciliation Action Plan will flow.

Brenda's story

Elements within the artwork include banana bunches, leaves, flowers and hearts, which speak to the story of small businesses that founded BCU Bank – mainly banana farmers. The footprints and meeting place elements show the journeys across the land where we sit listening, learning and collaborating. We can walk alongside each other and recognise the contribution each person makes to their communities.

People, digging sticks, coolamon, shields, boomerangs and spears are a representation of how we connect with each other. We use these tools to listen and learn – we share stories, look after each other, and trust each other. These values are embedded from generation to generation. We respect and thank the land for what it gives us – water to drink, food to eat, shelter and healing. In taking care of the land, the land will take care of us in return.

Contents

This financial report covers both the separate financial statements of Police & Nurses Limited as an individual entity and holder of the ADI licence (Bank) and the consolidated financial statements for the consolidated entity consisting of Police & Nurses Limited and its subsidiaries (Group). The financial report presentation and functional currency is Australian dollars.

Police & Nurses Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Report of the Directors on pages 27 to 31.

The financial report was authorised for issue by the Directors on 27 August 2024. The Directors have the power to amend and reissue the financial report.

Glossary of abbreviations and defined terms	
ADI	Authorised Deposit-taking Institution
Bank, Company or PNL	Police & Nurses Limited ABN 69 087 651 876 as an individual entity and holder of the ADI licence
BCU	the division of the Bank carried on under the trading name 'BCU Bank'
Group	the Company and its subsidiaries
P&N	the division of the Bank carried on under the trading name 'P&N Bank'

Printed on recycled paper and 100% Carbon Neutral.

Our highlights for 2023-24

Our awards

16 awards received across the Group

BCU Bank

- 2024 Mozo Experts Choice Awards for our Fixed Rate and Investor Fixed home loans
- Winner in the Finder 2024 awards for two of our fixed rate home loans
- Winner in the Finder 2024 Finder Personal and Car Loan Awards for the Car Loans (Used Cars) category

p&n bank

- Roy Morgan Customer Satisfaction award for Bank of the Year 2023
- Three home loans awarded gold in the 2024 RateCity Home Loan Awards
- Best Value Long Term Deposit Award at the 2024 Money Magazine Best of the Best Awards

Our customers

192,990 customers

Helped **1,924** customers buy their new home

Welcomed **16,362** new customers during the year (up 6.97% on FY23)

850+ Business Banking customers with circa $400m in loans and $350m in deposits

10.59 million digital banking transactions 12% year-on-year growth

Our vision is to be Australia's leading customer-owned banking Group.
Our purpose is to enrich the lives of our customers and their communities.

Our people

600 employees

81% **employee engagement**

53% **women in leadership**

80% of employees feel supported to **balance work and personal life**

42% of our workforce supported as **working parents or guardians**

Our social impact

Over $700k

contributed to more than **160 community groups,** charities and individuals in need through community partnerships, grants, donations and in-kind support

Financial

Stable capital with a regulatory capital ratio of **14.8 %**

Strong liquidity with a regulatory liquidity ratio (MLH) of **16.7 %**

Loans and advances **$7,336 million** up 10%

Net Profit After Tax **$24.2 million** up 24%

Customer deposits **$7,000 million** up 10%

All numbers in the financials above are presented in $ millions unless otherwise indicated.

Message from the Chair and CEO

BY GARY HUMPHREYS, CHAIR AND ANDREW HADLEY, CEO

Against an economic backdrop which is impacting the financial wellbeing of most Australians, our Group has continued to focus on providing services, support and value where our customers need us most, while taking meaningful steps towards becoming a more sustainable organisation.

We recognise the evolving needs and aspirations of our diverse customer base, and through our proprietary and broker channels, we have helped almost 2,000 Australians achieve their dream of purchasing a home, while also providing many other customers with hardship assistance and advice to help them get ahead and improve their financial situation.

Our strategic investments have been prioritised towards service excellence and delivering improved experiences for customers through more convenient, accessible and personalised, products, services and communications channels. We continue to invest in technology and process enhancements to help us deepen our customer relationships and provide more consistent experiences wherever customers choose to bank with us.

Sustainable financial performance

Navigating the challenging economic environment, our Group balanced the provision of competitive interest rates with sustainable financial performance to protect long-term customer value.

We finished the year with a net profit after tax of $24.2m, the result of our strong balance sheet growth, prudent margin management and cost discipline, and we're focused on opportunities to streamline and simplify our business for the benefit of customers.

Delivering above market growth in lending and deposits, both up by 10%, our product and service offerings continue to appeal to and attract an increased share of the market.

Our all-important capital measures remained broadly stable, with our regulatory capital ratio ending the year at 14.8%.

Reflecting our strong credit practices and diligence in helping our customers to navigate their way through the difficult environment, our loan impairment provisions levels remained consistent with the prior year at 0.08% of gross loans and advances.

Ongoing consolidation of the customer-owned banking sector

The consolidation of Australia's customer-owned banking sector continues with the announcement of another major merger between Bank Australia and Qudos Bank, following two other major customer-owned bank mergers in 2023.

In June 2024, PNL and Beyond Bank Australia (BBA) announced we had signed a Memorandum of Understanding (MoU) to explore a merger of equals to create a larger customer-owned organisation for the benefit of the customers of both organisations.

Due Diligence on the potential merger concluded in mid-September - post the adoption of our accounts in late August - and our Board determined that progressing with the merger would not be in the best interests of our members at this time. The Due Diligence process was robust, and we are confident the Board has made the right decision. Consequently, no member vote will be required on this proposed merger.

While our Group remains operationally strong and secure in its current state, growing our size and scale remains an important strategic objective. Our investment in talented, suitably qualified and capable employees, combined with the necessary investments in the likes of technology, cyber security, fraud and financial crime prevention, and compliance will only continue to increase year on year, making it more challenging to transform the business and enhance our relevance. In a highly competitive marketplace, our ability to outperform and surpass customer expectations requires us to keep growing, both organically and through mergers.

As always, we will continue to keep our members informed of any future updates and developments.

"...we have started to consider the role that our sector might play to support the government, industry associations and not for profits to help get more Australians into secure housing."

An ever-changing banking environment

The increasing uptake of digital banking saw more than 10 million transactions (up 12% year-on-year) made through our Internet Banking and mobile banking apps. While the vast majority of our customers prefer to use our digital banking offerings, we understand the value of being able to speak with a person for those more complex interactions and we remain committed to being available and giving customers the choice of how they wish to bank.

We continued to invest in technology, data and artificial intelligence, as well as comprehensive training and awareness programs for our people, to improve our cyber maturity and resilience, and their fraud and scam awareness.

In November 2023, the Group joined the Scam-Safe Accord, supported by the Customer Owned Banking Association (COBA) and Australian Banking Association (ABA). The Accord has committed the banking industry to get ahead of the mandatory codes and start delivering key improvements to safety and customer experience in combatting scams. We believe stopping scams at the source is the best outcome, as it means fewer potential scams reach Australians in the first place. We support an ecosystem approach to the mandatory industry codes that should include telco and digital platforms and look forward to continuing to work with intent to educate and keep our customers safe.

Our social impact responsibility

This year, we have made headway with our Environmental, Social, and Governance (ESG) Strategy in the areas of diversity, inclusion, reconciliation, and climate action, launching our inaugural Reflect Reconciliation Action Plan (RAP), Gender Equity Strategy and Climate Action Plan (CAP).

Australia's ongoing housing affordability crisis is impacting all communities in which we operate. Together with COBA and Business Council of Co-operatives and Mutuals (BCCM), we have started to consider the role that our sector might play to support the government, industry associations and not for profits to help get more Australians into secure housing. Our Executive General Manager Customer Experience, Mark Smyth joined a delegation to Europe to study affordable housing models and we have identified an opportunity to undertake our own affordable housing research across our customer base as a starting point.

Following the introduction of new Respect at Work reforms, the Board and our Executive leadership team are committed to using the framework to ensure we take reasonable and proportionate measures to eliminate sex discrimination, sexual and sex-based harassment, hostile work environments and victimisation, and create a culture of respect and inclusion. Our most recent biannual employee survey included a Respect at Work dimension, and the results demonstrate that our culture of inclusion and respect is resonating well with our people.

With thanks

As another busy year closes out, we are pleased with the performance and strategic direction of our Group.

Our dedicated Board, along with our talented leaders and employees, have again worked diligently on behalf of our customers with an eye on the present, and the future.

We extend our gratitude to our Directors, leaders, and employees for their ongoing efforts to continually enhance our customer value proposition and market position.

Last but not least, to you, our valued customers, we thank you for your trust and reaffirm our unwavering commitment to enriching your lives and your financial wellbeing.

Gary Humphreys
Chair

Andrew Hadley
CEO

> We believe by providing outstanding customer service, we can support our customers to achieve the financial future they envision.

Our customers

Our customers are at the heart of everything we do and to support their financial journey, we are committed to delivering more seamless and convenient banking experiences wherever people choose to bank with us.

A commitment to service excellence

We believe by providing outstanding customer service, we can support our customers to achieve the financial future they envision.

- P&N Bank was awarded the national Roy Morgan Bank of the Year for Customer Satisfaction in 2023, recognising the commitment and loyalty our people have for our customers.
- New service excellence programs were introduced to our P&N Bank and BCU Bank frontline teams, ensuring service equity and consistency across all customer touch points.
- We continued to invest in training for our people to ensure they are best placed to support our customers, in what is an increasingly complex and changing economic and banking environment.
- To help customers into their new home sooner, we accelerated our decision-making processes and reduced application barriers, resulting in 61% of simple home loan applications being approved within 24 hours.
- We invested in our virtual lending teams and technology thanks to customer requests for more flexibility and speed when it comes to personal and home loan applications and general insurance.
- Our broker partners and their clients enjoyed a simplified and streamlined experience through several process improvements and policy changes, which resulted in broker satisfaction increasing significantly in the past 12 months.
- Our Business Banking Division launched a new software platform, nCino, to manage our Business Banking loan applications, providing a more efficient process that meets our customer's needs.

Our new BCU branch design

Welcomed
16,362
new customers

Helped
1,924
customers buy their new home

Navigating life's financial journey

With cost-of-living front of mind, we want to be there to support and empower our customers to make the most of their money and build a strong financial future.

- We supported home loan customers whose low multi-year fixed rate loans were coming to an end, offering a competitive variable rate through a seamless same-day renewal experience to lessen repayment shock.
- Our free mymo by P&N Bank and mymo by BCU Bank financial empowerment apps have helped some 3,000 customers track their unique spending habits, monitor their payments, and view and manage their budgets to help them get ahead.
- Through P&N Bank's partnership with Vinnies WA, we helped customers facing financial difficulty to boost their financial wellness through exclusive access to a financial coaching service.
- Our new Your Financial Wellness online financial literacy tool has assisted customers take more control of their financial situation.
- We continued to offer competitive products for customers from all walks of life, with transaction, savings and loan accounts priced to offer the greatest value to borrowers and savers.

Where customers need us

With digital banking adoption increasing 12% year-on-year, we recognise the value of face-to-face conversations and are committed to being available where our customers choose to bank with us.

- The use of digital banking continued to grow, with over 10 million transactions made through Internet Banking and our mobile banking apps.
- Our two new websites were launched to P&N and BCU customers offering more personalised experiences, easier to find information, inclusive language, and an accessibility menu. The websites achieved Website Content Accessibility Guidelines 2.2 AA compliance, exceeding the industry benchmark.
- We invested in a new telephony platform to improve our call quality, connect customers to the right person faster and respond to enquiries in a timelier manner.
- BCU's new Ballina Branch was opened and, following devastating floods, we re-opened BCU's Toormina and Grafton branches, with these inclusive spaces offering self-service technology so our customers can bank their way. We appreciate the patience of those impacted by the closures and thank them for their ongoing support.

> The use of digital banking continued to grow 12% year-on-year, with over 10 million transactions made through Internet Banking and our mobile banking apps.

- Our trading hours were expanded across our BCU Contact Centre and select branches to include Saturdays, redirecting resourcing from those branches experiencing lower foot traffic; a very popular decision with our customers.
- Our customers now have access to an additional 1,700 ATMs across Australia through our partnership with atmx by Armaguard that offers fee-free cash services to P&N and BCU customers.
- We supported cheque-using customers ahead of the Australian Government's planned cheque phase out, transitioning them to alternative payment methods to ensure minimal impact.
- Our Business Banking extended its support to the property development and investment sectors in WA and Qld, as well as providing ongoing support to the Agribusiness and general commercial sectors in NSW.

Keeping customers safe

Scammers are becoming more creative and scams are becoming much more sophisticated and frequent. Keeping our customer information and their money safe remains our most important priority.

- Mandatory training on financial abuse indicators was prioritised, elevating the understanding of our people on how to respond where suspected abuse is identified. This was supported by new financial abuse procedures that include responsive actions.
- We have a role to play in preventing Financial Domestic Violence (FDV), as well as supporting customers experiencing FDV to help them leave abusive situations and get back on their feet. We updated our relevant Terms and Conditions to highlight zero tolerance for financial abuse, and we became a signatory to the Respect & Protect community initiative whose purpose is to disrupt financial abuse and gender bias through better product design.
- We continued to invest in scam identification training for our people and education for our customers on ways to remain vigilant, including community education sessions.
- We subscribed to the Scam-Safe Accord, alongside COBA and ABA, signalling our intent to better protect consumers and small businesses based on the principles of disruption, detection, and response.
- With the cyber threat landscape ever evolving, we have an ongoing investment in our cyber security prevention, detection and response, as well as our response capabilities.
- We continued to invest in technology, threat monitoring and analytics, training and awareness programs for our people, and implementation of compliance standards to ensure an elevated level of cyber and scam maturity and resilience.

P&N Bank opens two inclusive branches

In 2023, we identified there was more we could do to make banking more inclusive for more West Australians.

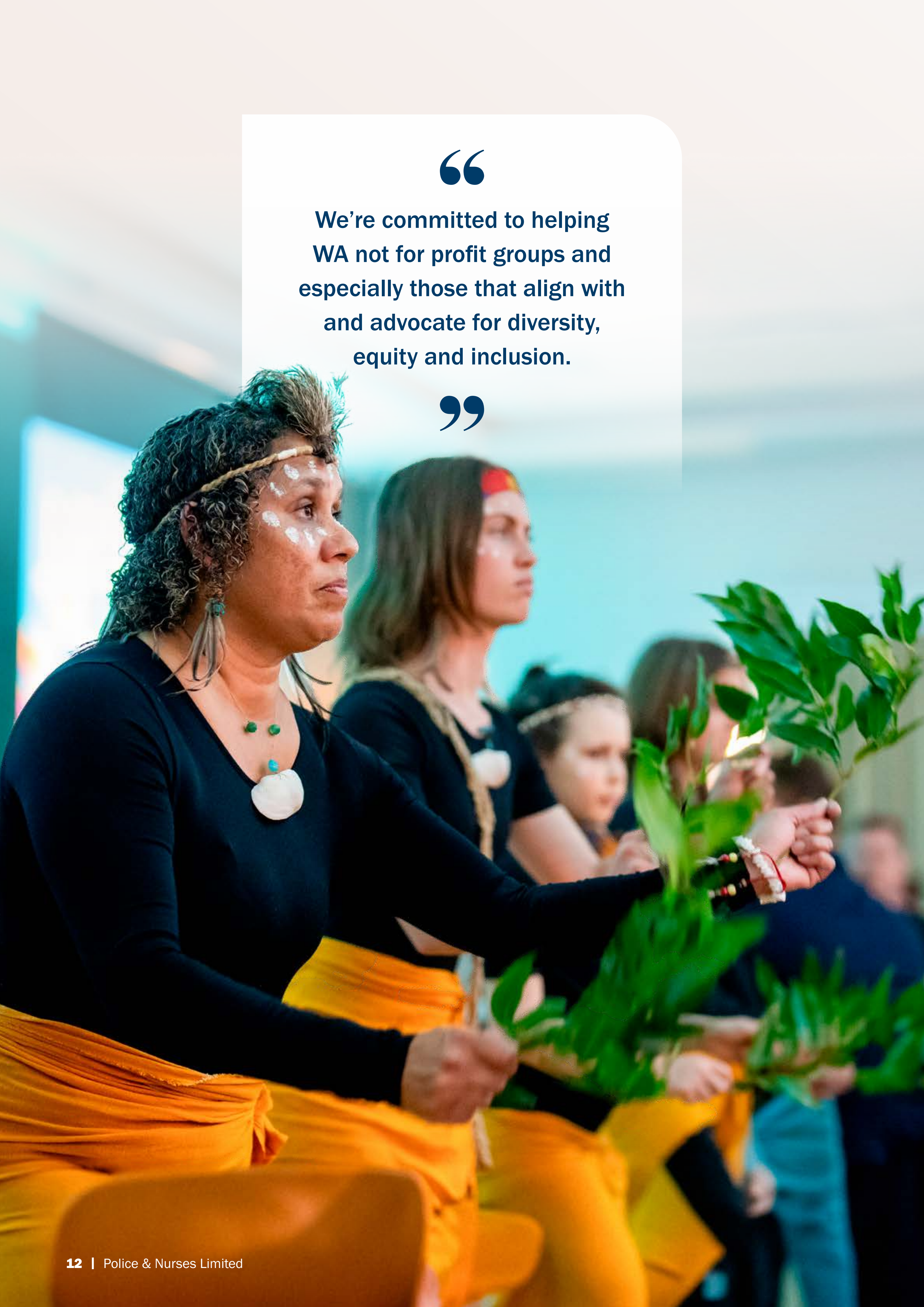
As part of P&N's commitment to creating an inclusive banking and financial experience for everyone and making branches, customer service channels and digital banking tools easier to access, we opened two new inclusive branches within the popular Karrinyup and Carousel shopping centres.

With 4.4 million Australians living with disability, and an estimated one in seven people identifying as neurodiverse, P&N engaged two community consultants with lived experience to advise on ways to make the branches more accessible and inclusive.

As a result, we made a range of improvements to our branch design to allow for an inclusive and accessible customer experience:

- offices with a sensory sensitive space, where lights can be dimmed and music turned down
- an accessible service desk
- in-branch self-serve banking technology
- a new safe space community wall
- bespoke reconciliation artwork on display
- iPads with kids' games.

Community consultants Clare Gibellini | Andrew Fairbairn with Angela Newland | Executive General Manager Retail Banking P&N Group



> We’re committed to helping WA not for profit groups and especially those that align with and advocate for diversity, equity and inclusion.

Our social impact

As a customer-owned bank, our purpose is to enrich the lives of our customers and their communities. We are passionate about reinvesting our profits into our products and services, as well as helping the wider communities in which we operate.

Standing up for what matters

We're committed to helping not for profit groups and especially those that align with and advocate for diversity, equity and inclusion.

We listened to what our customers value and have aligned our community support to those groups and causes which matter most.

- Our people volunteered with the Happy Boxes Project to collect essentials for distribution to First Nations women in remote communities across Australia, with 60 boxes sent to the women of Galiwin'ku, Elcho Island.
- We donated to national Aboriginal and Torres Strait Islander organisation, The Healing Foundation, on behalf of our Reconciliation Action Plan consultants and artists to show our appreciation for their support.
- Our relationship with Gumbaynggirr Giingana Freedom School grew further this year, leveraging their knowledge and advice to launch our Reconciliation Action Plan.
- We were honoured to have Aunty Gloria Mercy and the Jalay Jalay dance troupe perform at our 2023 Annual Awards Dinner and supported the dance troupe with the cost of uniforms and travel during the year.
- To show our ongoing allyship, we donated to Wear It Purple to support their commitment to the LGTBQIA+ community.
- Through an International Women's Day campaign, we raised funds for the Harding Miller Foundation that supports high potential socio-economically disadvantaged girls across Australia with high school scholarships.

Over

$700k

contributed

to more than

160

community groups,

charities and individuals in need through community partnerships, grants, donations and in-kind support

Left: The Jalay Jalay dance troupe

BCU Bank

BCU Bank's goal is to ensure more people and groups have the opportunity to make an impact through our community support initiatives.

- Major partner of Orange Sky Australia, Lifeline North Coast and Australia Zoo.
- Supported 13 community and charitable organisation across Queensland and New South Wales as part of our Community Cares Program.
- Joined forces with five customer-owned banks to fund a $90,000 scholarship program with Southern Cross University to foster business acumen, innovative thinking and entrepreneurship in the Northern Rivers over the next six years as the region continues to recover from the devastating floods.
- Hosted a community financial wellness workshop with Bellingen Youth Hub.

> **By partnering with Orange Sky, BCU is helping to connect with some of the most vulnerable customers of our communities through genuine care, good conversation, hot showers, clean laundry, and other support services.**

BCU partners with Orange Sky Australia

BCU Bank partnered with charity Orange Sky Australia to provide practical community support for people experiencing homelessness and hardship.

As a customer-owned bank, BCU exists to support our customers and our communities, which is a natural fit with Orange Sky's mission to provide positive connections.

The world's first free mobile laundry service for people experiencing homelessness and hardship, Orange Sky, provides free laundry, warm showers, and conversation to vulnerable people in more than 38 locations across Australia.

The rising cost of living has been tough on many, and there are more people than ever who rely on Orange Sky's practical and social support to get by.

By partnering with Orange Sky, BCU is helping to connect with some of the most vulnerable customers of our communities through genuine care, good conversation, hot showers, clean laundry, and other support services.

P&N Bank

P&N Bank have always had a strong focus on making things better for our community and Western Australians, supporting a range of local charities and people in need.

- Supported our local community through partnerships with Lifeline WA, Vinnies WA and the Manna Breakfast Program.
- Helped six WA not-for-profits striving for equity in the areas of disability and accessibility; mental health; poverty and homelessness; and domestic violence with $60,000 of funding through our Empowerment Communities Grants.
- Assisted 90 individuals and families in financial crisis or who have basic needs that are not being met through our Empowering People Grants.
- Partnered with the Perth Wildcats team during the NBL's Indigenous round game, providing 100 young Indigenous basketball players from the Koordoormitj Institute Grassroots Basketball program with an opportunity to watch their heroes in action.
- Major sponsor of the WA Police Force Recognition of Excellence Awards.

> "P&N Bank has assisted 90 individuals and families in financial crisis or who have basic needs that are not being met through our Empowering People Grants."

P&N partners with Vinnies WA

Providing financial education for our customers as well as the wider WA community is just one of the ways P&N are helping to remove barriers and make financial services easier to understand.

We genuinely care about the financial wellness of the WA community and were pleased to announce a new partnership with Vinnies WA to empower and support those in need.

Through the program partnership, Financial Capability Coaches are helping P&N customers review their current financial situation, set objectives, reduce stress, and develop a plan to achieve their money goals. The partnership has also enabled Vinnies WA to provide an additional part-time financial counsellor to help the WA community, as well as conduct group financial education workshops for P&N customers, that included mental health content delivered by Lifeline WA.

Together with Vinnies we have:

- Assisted 61 P&N customers through one-on-one financial capability coaching
- 126 West Australians assisted by P&N-funded Financial Counsellor
- Held 1,921 sessions with Vinnie's Financial Capability Coach and Financial Counsellor

We are proud to provide this additional layer of support for our customers who may need help with their money, while at the same time giving Vinnies the opportunity to assist more West Australians via their financial counselling service.

Angela Newland, Executive General Manager Retail Banking P&N Group | Tiffany van Halen, a Vinnies customer | Suzanne Long, Vinnies WA Manager, Financial Counselling Services

Our environment

We take climate action seriously and recognise our role in meeting the expectations of our customers, communities, and regulators.

To ensure we flourish in the years ahead without adversely impacting our environment, we have taken meaningful steps in developing our first Climate Change Action Plan which sets out 17 commitments that we aim to achieve by 2030.

This year, we commenced work on various Climate Action Plan commitments including:

- Signing the Business Council of Co-operatives and Mutuals Declaration of Climate Action alongside other mutuals and co-operatives to accelerate action towards tackling climate change. This declaration sets out how signatories will respond to the net zero transition over the coming years and take advantage of the opportunities of transitioning to a low carbon economy.
- Began our renewable energy transition with 42% of our branches and offices moving to 100% renewable energy supplied by certified GreenPower.
- Our supply chain process was further improved to include an ESG assessment and ESG credentials when selecting new suppliers.

We also:

- Recycled almost one tonne of uniforms through our partner Upparel.
- Saw an 8% increase in employee engagement in sustainability, up from 58% in FY23 to 66% in FY24.

Mandatory climate-related reporting

During the year, the Australian Accounting Standards Board (AASB) released *Exposure Draft ED SR1 Australian Sustainability Reporting Standards*.

In the present form, these requirements would have the Group commence reporting for its financial year commencing on 1 July 2025. The Group acknowledges the growing importance of sustainability-related disclosures and continues to prepare to meet its future climate-related reporting obligations.

Operational emissions

Our operational emissions, Scope 1 and Scope 2, are those associated with running our branches, offices and motor fleet as well as relevant Scope 3 emissions relating to the goods and services we acquire, waste generation and disposal, and the travel of our people.

Our emissions have been calculated in line with the International Greenhouse Gas Protocol and the Climate Active Carbon Neutral Standard for Organisations.

We are currently working towards calculating our financed emissions from our mortgage and investments portfolios (Scope 3, Category 15) in line with the global best practice Partnership for Carbon Accounting Financials (PCAF) Standard for financed emissions which will position us well to initiate emissions reduction targets by the end of 2026 in line with our Climate Action Plan 2024-2026.

The decrease in Scope 1 emissions can be attributed to refrigeration emissions as a consequence of more detailed data analysis in FY24 while the decrease in Scope 2 emissions was due mainly to a reduction in electricity consumption and our move to renewable energy in some locations.

While we work towards setting targets to reduce our emissions, we have made a commitment to achieve carbon neutral certification under the Climate Active Carbon Neutral Standard for our operational emissions by the end of 2025 and look forward to sharing this progress with our customers.

"We support the goal of the Paris Agreement to limit global warming to 1.5 degrees Celsius this century and reach net zero emissions by 2050."

Our operational emissions

Metric	Unit ~	FY24	FY23	FY22	FY21
Scope 1 GHG emissions*^#	tCO_2-e	175	266	171	133
Scope 2 GHG emissions*^#	tCO_2-e	790	1,327	1,326	2,006
Scope 3 GHG emissions^#	tCO_2-e	7,223	7,723	6,979	7,770
Total emissions~#	tCO_2-e	8,188	9,316	8,476	9,909

*Our reporting boundary for Scope 1 and 2 emissions is based on the International GHG Protocol and the Climate Active Carbon Neutral Standard for organisations.

^Scope 1 emissions include all GHG emissions from sources that are within P&N Group's control boundary, including emissions from fuel use for transportation purposes and refrigerants during the use of air conditioning equipment. Scope 2 emissions include the use of purchased electricity in our offices and branches, reported using the market-based method. Scope 3 includes emissions that occur as a result of our activities but outside the organisation's control boundary, such as computer software and equipment, professional services, postage, courier, and freight, employee commuting, business travel and waste generation and disposal.

~ All emissions values are in tonnes of carbon dioxide equivalent ($tCO2$-e). Emission factors were derived from the National Greenhouse Accounts (NGA) Factors and the Climate Active database following market-based approach.

#Figures stated in this report are calculations based on best practice methodology rather than precise measurements and include estimations and assumptions.

Our Climate Action Plan

We acknowledge the urgency of climate change and the importance of taking meaningful action now. Our inaugural Climate Action Plan demonstrates our commitment to ensuring we are a sustainable organisation for our customers into the future.

Our commitments extend to support our customers, as they too face climate change risks and events which may impact their ability to own, insure, and remain comfortable in their homes. Our approach to climate change acknowledges we have a part to play in addressing the environmental and social issues these communities are facing.

We look forward to continuing to understand our impact and setting reduction targets in the future. We support the goal of the Paris Agreement to limit global warming to 1.5 degrees Celsius this century and reach net zero emissions by 2050.

Our Climate Action Plan 2024-2026 is underpinned by four focus areas which represent our holistic commitment to climate action.

Supporting Our Customers, Their Homes, and Businesses

We acknowledge our customers are facing into potential climate change risks with increased extreme weather events and we will continue to support our customers during these difficult times. We also acknowledge that we have the potential to help our customers unlock the opportunities that climate change brings to transition their homes, cars and businesses to become more sustainable.

Our commitments:

1. Support our Business customers to understand their climate change risks and opportunities through education and partnerships and investigate how we might assist customers to transition to more sustainable practices.
2. Continue to adapt to the needs of our customers by investigating products and services that could unlock the environmental and financial benefits of upgrading their homes to renewable energy and their motor vehicles to electric vehicles.
3. Continue to support customers during disaster events such as fire, flood, and drought by offering assistance packages and streamlining the hardship process.

Managing Climate Risk

In recent years, we have seen the risk climate change poses to our customers and their communities, as well as the impacts on our own business operations and assets from climate change events. We are making a commitment to continue to assess and understand climate change risks and how they may impact our organisation.

Our commitments:

1. Continue to embed climate change risk assessments into our Risk Management Framework, governance processes and reporting models.
2. Understand our key climate risks and opportunities and ensure they are considered as part of our strategy setting process.
3. For the period beginning 1 July 2025, we will include Climate Related Financial Disclosures within our annual report as required by ASRS 1 General Requirements for Disclosure of Climate-related Financial Information and ASRS 2 Climate-related Financial Disclosures.

Collaborate With Our Partners

We need to partner with experts to ensure we continue to evolve and mature and can empower others to do the same.

Our commitments:

1. Become a signatory of the Business Council of Co-Operatives and Mutuals Climate Declaration by the end of 2024.
2. Collaborate with the Customer Owned Banking Association and other customer-owned banks to share ideas and collaborate on contemporary practice.
3. Engage with our suppliers to encourage greater transparency on emissions and agree on emissions reductions strategies.
4. Work with our insurance partners to keep across current issues and advocate for our customers' needs.

> **"Our inaugural Climate Action Plan demonstrates our commitment to ensuring we are a sustainable organisation for our customers into the future."**

Operational Climate Action

To make meaningful change, we need to reduce the impact of our operations and lending activities on the environment as we transition to becoming a more sustainable organisation.

Our commitments:

1. No lending to large-scale activities, projects and industries involved in exploration, extraction, or production of fossil fuels or in electricity generation from fossil fuels.
2. Transition our owned properties to solar power by the end of 2025.
3. Become carbon neutral certified under the Climate Active Carbon Neutral Standard for Organisations by the end of 2025.
4. Initiate Emissions Reduction Targets setting by the end of 2026 in line with the Science-Based Targets Initiative (SBTi).
5. Source 100% renewable energy for our offices and branches by the end of 2027.
6. Transition our motor fleet to hybrid, plug in hybrid and battery electric vehicles by the end of 2030.
7. Educate our passionate people on the impacts of climate change and how they can embed our commitments into our operations, their own homes, and communities to accelerate change.

Our people

P&N Group is committed to being an employer of choice. We believe it's important to offer our people a unique employee experience that they value, and one that also attracts the future talent we need.

Employer of choice

Our values are fundamental to our ways of working and we offer a collaborative and inclusive workplace where our people feel a strong sense of belonging, they are recognised, invested in, and cared for, and are part of something bigger.

- We were proud to sit within the top-quartile of organisations for employee engagement with a score of 81%, a leader amongst financial services organisations.
- In recognition of our inclusive environment, where diversity is embraced and differences celebrated, we were proud to see 90% of our people feel like they belong at work.
- We continued to support important employee-related legislative changes, such as the positive duty to eliminate sexual harassment, and the inclusion of psychosocial risks under Work Health and Safety laws. Key initiatives included enhanced policies and training for our people on sexual harassment and psychosocial risks, the appointment of qualified Mental Health First Aiders (MHFA), and enhanced Board reporting, which have contributed to maintaining a safe and respectful environment which our governing body proactively and continually assesses.
- In line with our commitment to preventing and supporting those experiencing Family Domestic Violence (FDV), we implemented workplace policies aimed at protecting and supporting our people impacted by FDV. This included expanded warning signs and what this may look like in the workplace, updated resources for leaders, and a detailed Family and Domestic Violence Risk Assessment and Workplace Safety Plan.

> Our people are our best asset, driven by a shared purpose and desire to collectively build a workplace of trust and belonging for all.

Our values:

Focus on customers

Improve and learn

Trust and collaborate.

Mark Smyth, Executive General Manager Customer Experience | Clark Webb, our RAP consultant | Jacqueline Ryan, Chief Business Banking Officer | Shaun Hassall, Chief Financial Officer

A commitment to diversity, equity, and inclusion

We are committed to creating an inclusive employee experience and building a deeper understanding of current and future customers. We want to leverage the benefits and innovative gains that a diverse workforce brings and the high engagement that comes from a culture built on belonging and inclusion.

- Our focus on closing our Gender Pay Gap (GPG) continued. As at the Workplace Gender Equity Agency 2022-23 reporting period, our average total remuneration GPG was 23.4%, our median total remuneration GPG was 28.1% and our median base salary GPG was 25.3%. While falling below the average gap of the financial services industry, there is still more we can do to close the gap. Our inaugural Gender Equity Strategy will focus not only on the GPG, but also financial equity and inclusion, and communication and advocacy.
- In support of our commitment to gender equity, we benefitted from our ongoing relationship with CEOs for Gender Equity.
- We launched the Group's inaugural Reconciliation Action Plan (RAP) Reflect, marking the next phase of our reconciliation journey. Work is underway to deliver against the four pillars of our commitments and the Reflect RAP can be viewed using the QR code.
- We progressed our Australian Workplace Equality Index accreditation with support from Pride in Diversity and look forward to announcing more on this soon.

Developing an adaptive workforce of the future

We are committed to developing our employees as we create an adaptive workforce of the future. Our learning and development program seeks to invest in, identify and nurture our people to provide a pathway to promote from within.

- Our national Emerging Leaders Program (ELP), launched in 2019, has seen 68 participants graduate, 21 promoted to leadership or acting roles, and 12 promoted to higher roles, with over 85% of graduates still employed within our organisation.
- Our new national Leadership Essentials Program continued to evolve, with all content delivered in-house. To date, 23 leaders have participated in the program with a retention rate of 96%.
- We provided work placement opportunities to four students completing their Masters of Industrial and Organisational Psychology through a new partnership with the University of Western Australia.

Supporting our people to flourish

- Our senior leadership, including executives, is made up of **36%** women
- Women make up **33%** of our Board
- **90%** of employees feel we are committed to Respect at Work
- **80%** of our people feel they have work-life blend
- **82%** of employees feel supported to access flexible work
- **85%** of employees feel their wellbeing is a priority
- **90%** of our people believe we take the health and safety of employees and customers seriously
- **86%** of our people have access to the learning and development they need to do their job well

> **"We want to leverage the benefits and innovative gains that a diverse workforce brings and the high engagement that comes from a culture built on belonging and inclusion."**

An award-winning culture

We are proud of our unique and strong culture and were honoured when P&N Group was named winner of the Gerard Daniels Human Resource Management Excellence Award in the 2023 AIM WA Pinnacle Awards for our Cultural Renovation initiative.

To strengthen our digital transformation and enable us to successfully deliver on our five-year strategic plan, in 2021 we embarked on our Cultural Renovation to create a more inclusive and productive work environment.

With an ongoing and intentional focus on co-creating and evolving our culture together with our people for the benefit of our customers, our profile as an employer of choice has grown over the past three years following the success of the Cultural Renovation.

Christine MacKenzie, our Chief People Officer, said "Our people are our best asset, driven by a shared purpose and desire to collectively build a workplace of trust and belonging for all. As such a customer-centric organisation, we believe that our great culture translates to great experiences for our P&N Bank and BCU Bank customers."

With an ongoing commitment to reconciliation, P&N Group donated the $20,000 leadership and management training prize to Noongar Mia Mia, an Aboriginal-led not-for-profit helping Aboriginal people and their families find a secure permanent tenancy, as well as sleeping around 490 people every night and delivering support services for Perth's rough sleepers.

> The opportunities you get at P&N Group to grow and develop are based on what you have delivered and how you present yourself – you don't get that everywhere.

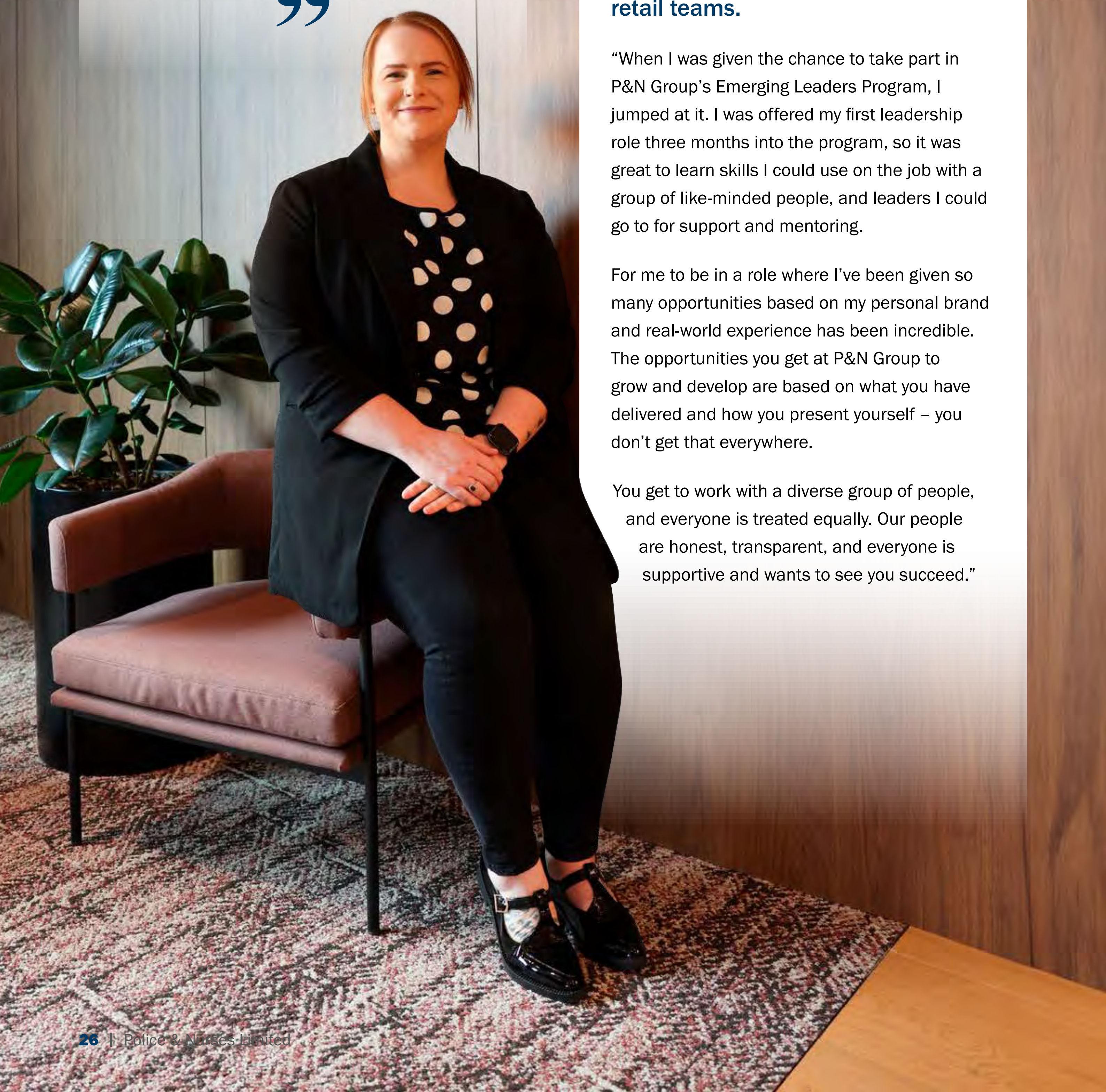
AN EMERGING LEADER: Jodie Bulman

Jodie Bulman is P&N Group's Delivery Lead and has been with us for almost 13 years, initially joining one of our P&N Bank branch teams before moving into a variety of operational roles in our project and retail teams.

"When I was given the chance to take part in P&N Group's Emerging Leaders Program, I jumped at it. I was offered my first leadership role three months into the program, so it was great to learn skills I could use on the job with a group of like-minded people, and leaders I could go to for support and mentoring.

For me to be in a role where I've been given so many opportunities based on my personal brand and real-world experience has been incredible. The opportunities you get at P&N Group to grow and develop are based on what you have delivered and how you present yourself – you don't get that everywhere.

You get to work with a diverse group of people, and everyone is treated equally. Our people are honest, transparent, and everyone is supportive and wants to see you succeed."



Report of the Directors

Your Directors present their report on the financial statements of the Bank and the Group for the year ended 30 June 2024

Corporate Governance

The Board of Directors of the Bank (Board) is responsible for the corporate governance of the Group. To ensure the Board can fulfil its responsibilities, it has established guidelines for the operation of the Board and a framework for ensuring internal controls and business risk management processes are adequate and that ethical standards are appropriate. Unless otherwise stated, all these practices were in place for the entire financial year.

Operations of the Board of Directors

Corporate governance responsibilities of the Board include:

- contributing to, evaluating, approving and monitoring strategic direction and business objectives developed in conjunction with management;
- monitoring the Group's progress against agreed performance measures linked to business objectives and strategies, and comparing these with its peers in the marketplace;
- contributing to and enhancing the reputation and image of the Group to its members, the marketplace and the community at large;
- ensuring the required frameworks are in place including risk and capital management policies, internal controls, compliance and public reporting; and
- accepting accountability to members and responsibility to other stakeholders in the Group.

Directors

The following persons held office as Directors of the Bank during the year or since the year end and unless otherwise stated at the date of this report:

Gary HUMPHREYS
GAICD, AMP173 (Harvard) (Chair)

Full time Non-Executive Director across various sectors including banking, health, government, and retail with over 20 years' experience leading and operating large corporations as a senior executive, deputy CEO and COO. Until his appointment as Board Chair on 11 December 2023, Mr Humphreys acted as Audit Committee Chair and Risk Committee member. Since his appointment as Board Chair, Mr Humphreys has been an ex-officio member of the Audit Committee, Risk Committee and the Board Governance & Remuneration Committee – and has been the Nominations Committee Chair since 25 June 2024.

Julie ELLIOTT
FAICD FCA FFin MBA (Exec) BEc

Experienced banking and finance executive with over 35 years' experience across retail banking, commercial banking, payments, wealth management, project management, accounting and audit. Bachelor of Economics and an Executive MBA. Experienced Director with over 20 years' experience. Board Governance and Remuneration Committee Chair and Audit Committee member.

Andrew HADLEY
BCom GAICD SFFin

A seasoned financial services executive, CEO of the Bank since 2014 and Executive Director of the Bank since 2016.

Through a related corporate entity, Mr Hadley holds 22 shares of the Police & Nurses Limited Capital Note Programme.

Trevor HUNT
BBus FAICD

Experienced retail banking and financial services professional with over 30 years operating in Australia in banking and senior executive positions and over 18 years as a non-executive director across banking, superannuation, financial planning and mortgage broking. Risk Committee Chair and Board Governance and Remuneration Committee member.

Louise CLARKE
BBus GAICD

Executive and leadership coach with over 30 years' experience in the financial services sector as a Senior Executive. Nominations Committee Chair until 25 June 2024, Risk Committee member and Board Governance and Remuneration Committee member. Member of the Audit Committee since 11 December 2023.

Report of the Directors

Monish PAUL
MAICD, MBA, BBus

Professional with 25 years' experience in corporate strategy, technology, regulation and public policy across a range of industries both in the public and private sectors. Audit Committee member, Audit Committee Chair since 11 December 2023, and Risk Committee member.

Stephen TARGETT
(Chair) FAICD, MAIEx (Diploma)
(retired 11 December 2023)

Director with extensive experience running bank divisions, both globally and locally. Until 11 December 2023, Mr Targett was Board Chair and an ex-officio member of the Audit Committee, Risk Committee and the Board Governance & Remuneration Committee.

Mr Targett retired from the Board on 11 December 2023.

Each Director holds one member share in the Bank.

Company Secretary

David Fehlberg
BEc(Acc), LIB, MBA, GAICD

Mr Fehlberg has more than 20 years' experience working in Australia and internationally, in governance, legal and risk roles.

Composition and Meetings of the Board

The Board's composition, its meetings and conduct are determined in accordance with the Bank's Constitution, and the following:

- the Board must be comprised of at least 5 directors, being:
  - at least three member elected directors;
  - any board appointed directors, provided that at all times the number of member elected directors shall exceed the number of board appointed directors; and
  - if the Board so determines, the Chief Executive Officer;
- the Board comprises of members with an appropriate range of expertise, skills and qualifications; and
- each Board member maintains their own skills relevant to the business of the Bank.

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the year ended 30 June 2024 and the number of meetings attended by each Director.

Director	Directors' Meetings		Audit Committee Meetings		Risk Committee Meetings		Board Governance and Remuneration Committee Meetings	
Member elected directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
T J Hunt	7	7	*	*	7	7	5	5
L A Clarke	7	7	3	3	7	7	5	5
G C Humphreys**	7	7	**2	**2	**3	**3	**	**
M Paul	7	7	5	5	7	7	*	*
Board appointed directors								
S C Targett***+	3	3	***	***	***	***	***	***
J A Elliott	7	7	5	5	*	*	5	5
Chief Executive Officer (executive director)								
A D Hadley****	7	7	*	*	*	*	*	*

A Number of meetings held during the time the Director held office or was a member of the Committee during the year.
B Number of meetings attended.
* Not a member of the relevant Committee.
\+ Mr Targett ceased to be a Director on 11 December 2023.
* Not a member of the relevant Committee.
** Mr Humphreys, as the Board Chair from 11 December 2023, became an ex-officio member of the Audit Committee, Risk Committee and Board Governance and Remuneration Committee
*** Mr Targett, as the Board Chair until 11 December 2023, was an ex-officio member of the Audit Committee, Risk Committee and Board Governance and Remuneration Committee.
**** During the year Mr Hadley was an attendee at meetings of the Audit Committee, Risk Committee and Board Governance and Remuneration Committee.
The Nominations Committee also met once during the year, chaired by Ms Clarke.

Report of the Directors

Director Induction Program

The Directors have established a comprehensive induction program for newly elected or appointed Directors. The program assists new Directors to gain an understanding of the Group's operations and the financial and governance environment. The Directors also participate in further education to ensure that, in accordance with both strategic and regulatory business, they are capable of discharging the responsibilities of their office.

Directors' Remuneration

Board members are remunerated as per Division 17 of the Constitution. The total remuneration for the Board is determined by the members at the Annual General Meeting and divided amongst the Directors in such a manner as the Board determines and in line with market.

Audit Committee

The Board has established the Audit Committee to assist in the execution of its responsibilities. The Committee comprises at least 3 Board members. This Committee has written terms of reference, which outline its role and responsibilities to enable it to assist the Board in relation to:

- the reliability and integrity of financial information for inclusion in public financial statements;
- the review of audit plans to ensure they cover material risks and financial reporting requirements;
- the independence, effectiveness and adequacy of the external and internal auditors; and
- the appointment and removal of external and internal auditors.

The Committee reports to the full Board after each Committee meeting.

Risk Committee

The Board has established the Risk Committee to assist in the execution of its responsibilities. The Committee comprises at least 3 Board members. This Committee has written terms of reference, which outline its role and responsibilities to enable it to assist the Board in relation to the establishment, monitoring, oversight and maintenance of the Bank's risk management framework. The Committee also monitors and oversees regulatory matters and operational, credit, market, capital and liquidity risk.

The Committee reports to the full Board after each Committee meeting.

Board Governance and Remuneration Committee

The Board has established the Board Governance and Remuneration Committee to assist it in the execution of its responsibilities. The Committee comprises at least 3 Board members. This Committee has written terms of reference, which outline its roles and responsibilities to enable it to assist the Board in relation to:

- maintaining compliance with the requirements of the prudential standards;
- providing informed feedback to the Board on its performance;
- establish a framework to assist the Board with the assessment of the performance of each Director and the Chief Executive Officer; and
- remuneration related practices and policies.

An appraisal of the Board's performance, and of that of its Committees and Directors, is conducted annually, with an independent consultant engaged to facilitate the process at least every third year. The Chair of the Board through the Board Governance and Remuneration Committee is responsible for the annual assessment methodology of the Board's performance and that of each individual Board member, supporting ongoing alignment with the requirements of the prudential standards.

The Committee reports to the full Board after each Committee meeting.

Nominations Committee

The Board has established a Nominations Committee to conduct Fit and Proper and skills assessments of the Group's Directors who renominate by rotation and of any other person nominating as a candidate for election as Director. The Committee has written terms of reference, which outlines its roles and responsibilities. The Committee comprises a Chair and at least two other members. None of the Nominations Committee members are employees of the Bank.

Group Risk Management

The purpose of Group risk management, which includes all subsidiaries of the Bank, is to ensure that appropriate strategies and processes are developed to manage and mitigate risks to the organisation.

The risk management systems are maintained with the aim of achieving the following goals:

- clearly defined risk appetite;
- identify, analyse and manage risk;
- through risk records provide a clear picture of the risk profile of the Group; and
- provide relevant information to management and the Board for decision making.

Report of the Directors

All business managers are responsible for risk management in their day-to-day activities and use the risk management framework which assists in appropriately balancing both risk and reward components.

Ethical Standards

Board members are required to act in accordance with the Constitution, any Board approved Code of Conduct and Conflict of Interest and Transactions with Directors and their Related Parties Policy. Any Board member who has a material personal interest in any matter that relates to the affairs of the Bank must disclose that interest under section 191 of the Corporations Act 2001 (Cth) and that Board member may not be present at a Board meeting considering that matter, or vote on that matter, unless permitted by section 195 of the *Corporations Act 2001 (Cth)*.

Review of Operations

The financial year ended 30 June 2024 was a challenging year for our industry and members. Inflation remained elevated in the first half of the year prompting a further 25 bps interest rate rise by the Reserve Bank of Australia (RBA) adding to the 400bps of increases since April 2022. While inflation has moderated in the second half of the year, the pace of moderation is slower than hoped.

Against this backdrop, cost of living pressures for all Australians and our members has remained challenging and credit growth has moderated. This has also placed pressure on the industry as costs increase with inflation and lower growth opportunity has driven increased competition for retail loans and deposits.

The Group has navigated this environment carefully with a view to support our members and improving our financial performance to protect long-term member value, resilience and sustainability. In that context, we are pleased to report an excellent performance this year with the key highlights being:

- Above market growth in loans and advances (10%) and member deposits (10%) as our products, value propositions and service offerings continue to attract an increased share of the market and grow our member base (up 5%).
- An increase in profitability with Group profit after tax increasing to $24.2m (24%) attributable to the benefits of our strong balance sheet growth, prudent net interest margin management and cost discipline.
- Stable capital outcomes with our regulatory capital ratio ending the year at 14.8%.
- Strong credit risk outcomes with our loan impairment provisions levels remaining relatively consistent with the prior year at 0.08% of gross loans and advances. This reflects our strong credit practices and diligence in helping our members to navigate their way through the difficult environment.
- Successful implementation of several initiatives delivered through our Transformation program which continued to deliver improved outcomes for members and efficiency opportunities for the Group.
- Progressing the implementation of our ESG Strategy including the launch of our Climate Action Plan and Reconciliation Action Plan.

Potential Merger with Beyond Bank

In June 2024, the Group and Beyond Bank Australia announced they had signed a Memorandum of Understanding (MoU) to explore a merger of equals to create a larger customer-owned organisation for the benefit of the members of both organisations.

The MoU allows both parties to investigate the member and commercial benefits that may be gained from merging the two organisations through a due diligence process. As at the date of this report, the due diligence process has commenced and, subject to the due diligence outcomes and regulatory and member approval, the target date for completion of the merger is sometime during the 2025 calendar year. For the merger to proceed, a number of regulatory approvals will be required, including from the Australian Prudential Regulatory Authority (APRA) and the Federal Treasurer. Eligible members of both organisations will also be asked to approve the merger at special general meetings in 2025.

Likely development and results of operations

There are no likely developments that would be expected to have a material impact on the operations of the Group as at the date of this report. As detailed in the Review of Operations, the economic environment remains uncertain and will continue to impact the operating environment. However, with a sound capital position, improved financial performance and prudent approach to impairment provisions the Group expects to operate profitably during the next financial year whilst it explores the potential merger with Beyond Bank Australia.

Significant Changes

There were no significant changes in operations during the period.

Principal Activities

The principal activities of the Group and the Bank were the provision of financial and associated services to members. There was no significant change in these activities during the year.

Events Subsequent to the End of the Financial Year

There were no material subsequent events identified.

Report of the Directors

Environmental Regulation

The Group is subject to environmental regulation in respect of its property developments. All developments have been undertaken in compliance with the necessary planning and environmental regulations.

Insurance of Officers

During the year, a premium was paid in respect of a contract insuring officers of the Bank against liability. The officers of the Bank include Directors, Executive Officers, Company secretary and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under the insurance contract and the nature of liabilities it covers is prohibited by a confidentiality clause in the contract.

Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is set out on page 32.

Rounding of Amounts

The Bank is a company of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Legislative

Instrument to the nearest thousand dollars or in certain cases to the nearest dollar.

This report is made in accordance with a resolution of the Board of Directors.

Gary Humphreys
Director

Monish Paul
Director

Date: 27 August 2024
PERTH WA

Grant Thornton

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Audit Pty Ltd
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Melbourne VIC 3008
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Melbourne VIC 3001

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Auditor's Independence Declaration

To the Directors of Police & Nurses Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Police & Nurses Limited and its controlled entities for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Darren Scammell

Darren Scammell
Partner – Audit & Assurance

Melbourne, 27 August 2024

Financial Report

Statements of Profit or Loss

Year Ended 30 June 2024	Notes	Group		Bank	
		2024	2023	**2024**	2023
		$000	$000	**$000**	$000
Interest revenue	3	**444,204**	300,781	**519,454**	357,545
Interest expense	3	**272,320**	142,265	**356,496**	207,284
Net interest income		**171,884**	158,516	**162,958**	150,261
Non-interest revenue	4	**14,579**	13,878	**24,724**	21,648
Other income		**1,131**	1,454	**603**	1,259
Total non-interest revenue and other income		**15,710**	15,332	**25,327**	22,907
Total income		**187,594**	173,848	**188,285**	173,168
Credit impairment charge/(reversal)	5	**180**	818	**180**	818
Loss on sale of financial assets held at amortised cost		**81**	-	**80**	-
Other expenses	6	**152,160**	144,975	**152,960**	144,547
Total expenditure		**152,420**	145,793	**153,220**	145,365
Profit before income tax		**35,174**	28,055	**35,065**	27,803
Income tax expense	7	**10,799**	8,578	**10,275**	8,409
Profit after income tax		**24,375**	19,477	**24,790**	19,394
(Profit)/loss attributable to non-controlling interests		**(151)**	11	**-**	-
Profit attributable to members		**24,224**	19,488	**24,790**	19,394

The above Statements of Profit or Loss should be read in conjunction with the accompanying notes.

Statements of Other Comprehensive Income

Year Ended 30 June 2024	Notes	Group		Bank	
		2024	2023	**2024**	2023
		$000	$000	**$000**	$000
Profit for the year from operations		**24,375**	19,477	**24,790**	19,394
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges	27(c)	**(10,008)**	3,599	**(10,008)**	3,599
Income tax benefit/(expense) relating to these items		**3,003**	(1,080)	**3,003**	(1,080)
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings	27(e)	**-**	-	**-**	-
Changes in the fair value of equity investments held at FVOCI	27(d)	**(67)**	(292)	**-**	-
Income tax benefit/(expense) relating to these items		**20**	88	**-**	-
Other comprehensive income/(loss) for the period, net of tax		**(7,053)**	2,315	**(7,005)**	2,519
Total comprehensive income for the period		**17,322**	21,792	**17,785**	21,913
Total comprehensive income/(loss) for the year is attributable to:					
Members of the Bank		**17,171**	21,803	**17,785**	21,913
Non-controlling interests		**151**	(11)	**-**	-
		17,322	21,792	**17,785**	21,913

The above Statements of Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Financial Position

As at 30 June 2024	Notes	Group 2024 $000	Group 2023 $000	Bank 2024 $000	Bank 2023 $000
Assets					
Cash and cash equivalents	8	**255,582**	309,257	**183,238**	221,739
Receivables due from other financial institutions	9	**1,225,536**	1,133,288	**1,225,536**	1,133,288
Financial assets held at FVOCI (i)	10	**10,380**	10,447	**10,380**	10,380
Other assets	11	**10,359**	15,433	**10,401**	15,165
Current tax assets		**-**	1,503	**-**	1,497
Other financial assets held at FVPL (ii)	12	**64**	65	**20,498**	47,267
Loans and advances	13	**7,335,898**	6,670,693	**7,335,898**	6,670,693
Derivative financial instruments	15	**6,837**	18,791	**6,753**	18,263
Due from controlled entities	16	**-**	-	**28,749**	59,754
Property and equipment	17	**23,234**	22,746	**21,437**	20,918
Right-of-use assets	18	**25,282**	28,121	**25,282**	28,121
Investments in controlled entities	19	**-**	-	**2,625**	3,835
Intangible assets	20	**30,087**	24,163	**30,087**	24,163
Deferred tax assets	21	**2,258**	-	**2,871**	-
Total assets		**8,925,517**	8,234,507	**8,903,755**	8,255,083
Liabilities					
Members' deposits	22	**7,000,311**	6,384,785	**7,000,937**	6,386,648
Other payables	23	**30,640**	12,179	**29,299**	10,695
Provisions	25	**9,602**	9,192	**9,602**	9,192
Current tax liabilities		**2,172**	-	**2,144**	-
Lease liabilities	18	**30,919**	33,750	**30,919**	33,750
Derivative financial instruments	15	**4,050**	5,619	**4,050**	5,619
Borrowings	24	**1,258,926**	1,209,707	**488,051**	553,994
Due to controlled entities	16	**-**	-	**749,588**	677,019
Deferred tax liabilities	26	**-**	1,999	**-**	1,784
Total liabilities		**8,336,620**	7,657,231	**8,314,590**	7,678,701
Net assets		**588,897**	577,276	**589,165**	576,382
Members' funds					
Reserves	27	**225,955**	232,987	**227,810**	234,794
Retained earnings	27	**138,138**	118,878	**136,702**	116,929
Contributed equity	27	**150,719**	150,719	**150,719**	150,719
Issued capital	27	**73,934**	73,940	**73,934**	73,940
Non-controlling interests	27	**151**	752	**-**	-
Total members' funds		**588,897**	577,276	**589,165**	576,382

(i) Financial assets held at FVOCI: Financial assets held at fair value through other comprehensive income

(ii) Other financial assets held at FVPL: Other financial assets held at fair value through profit or loss

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

Statements of Changes in Equity

Year Ended 30 June 2024	Notes	Group						
		Attributable to Members of Police & Nurses Limited					Non-controlling interests	Total equity
		Reserves	Contributed equity	Issued Capital	Retained earnings	Total		
		$000	$000	$000	$000	$000	$000	$000
Total members' funds (equity) as at 1 July 2022		**230,648**	**150,719**	**73,970**	**103,758**	**559,095**	**763**	**559,858**
Profit/(loss) for the year		-	-	-	19,488	19,488	(11)	**19,477**
Other comprehensive income/(loss)		2,315	-	-	-	2,315	-	**2,315**
Total comprehensive income/(loss) for the year		**2,315**	**-**	**-**	**19,488**	**21,803**	**(11)**	**21,792**
Capital note issuance costs	27(f)	-	-	(30)	-	(30)	-	**(30)**
Dividends provided for or paid	28	-	-	-	(4,344)	(4,344)	-	**(4,344)**
Amount transferred to share capital reserve	27(b)	24	-	-	(24)	-	-	**-**
Transactions with owners in their capacity as owners		**24**	**-**	**(30)**	**(4,368)**	**(4,374)**	**-**	**(4,374)**
Total members' funds (equity) as at 30 June 2023		**232,987**	**150,719**	**73,940**	**118,878**	**576,524**	**752**	**577,276**
Opening adjustment		-	-	-	310	310	(53)	**257**
Total members' funds (equity) as at 1 July 2023		**232,987**	**150,719**	**73,940**	**119,188**	**576,834**	**699**	**577,533**
Profit/(loss) for the year		-	-	-	24,224	24,224	151	**24,375**
Other comprehensive income/(loss)		(7,053)	-	-	-	(7,053)	-	**(7,053)**
Total comprehensive income/(loss) for the year		**(7,053)**	**-**	**-**	**24,224**	**17,171**	**151**	**17,322**
Capital note issuance costs	27(f)	-	-	(6)	-	(6)	-	**(6)**
Dividends provided for or paid	28	-	-	-	(5,252)	(5,252)	(635)	**(5,887)**
Amount transferred to share capital reserve	27(b)	22	-	-	(22)	-	(64)	**(64)**
Transactions with owners in their capacity as owners		**22**	**-**	**(6)**	**(5,274)**	**(5,258)**	**(699)**	**(5,957)**
Total members' funds (equity) as at 30 June 2024		**225,955**	**150,719**	**73,934**	**138,138**	**588,746**	**151**	**588,897**

Year Ended 30 June 2024		Bank				
		Reserves	Contributed equity	Issued Capital	Retained earnings	Total
		$000	$000	$000	$000	$000
Total members' funds (equity) as at 1 July 2022		232,251	150,719	73,970	101,903	**558,843**
Profit/(loss) for the year		-	-	-	19,394	**19,394**
Other comprehensive income/(loss)		2,519	-	-	-	**2,519**
Total comprehensive income/(loss) for the year		**2,519**	**-**	**-**	**19,394**	**21,913**
Capital note issuance costs	27(f)	-	-	(30)	-	**(30)**
Dividends provided for or paid	28	-	-	-	(4,344)	**(4,344)**
Amount transferred to share capital reserve	27(b)	24	-	-	(24)	**-**
Transactions with owners in their capacity as owners		**24**	**-**	**(30)**	**(4,368)**	**(4,374)**
Total members' funds (equity) as at 30 June 2023		**234,794**	**150,719**	**73,940**	**116,929**	**576,382**
Opening adjustment		-	-	-	257	**257**
Total member's funds (equity) as at 1 July 2023		**234,794**	**150,719**	**73,940**	**117,186**	**576,639**
Profit/(loss) for the year		-	-	-	24,790	**24,790**
Other comprehensive income/(loss)		(7,005)	-	-	-	**(7,005)**
Total comprehensive income/(loss) for the year		**(7,005)**	**-**	**-**	**24,790**	**17,784**
Capital note issuance costs	27(f)	-	-	(6)	-	**(6)**
Dividends provided for or paid	28	-	-	-	(5,252)	**(5,252)**
Amount transferred to share capital reserve	27(b)	22	-	-	(22)	**-**
Transactions with owners in their capacity as owners		**22**	**-**	**(6)**	**(5,274)**	**(5,258)**
Total members' funds (equity) as at 30 June 2024		**227,810**	**150,719**	**73,934**	**136,702**	**589,165**

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

Statements of Cash Flows

Year Ended 30 June 2024	Notes	Group		Bank	
		2024	2023	**2024**	2023
		$000	$000	**$000**	$000
Cash flows from operating activities					
Interest received from loans		**379,275**	257,960	**379,275**	257,960
Bad debts recovered		**205**	283	**205**	283
Interest received from investments		**64,929**	42,821	**140,179**	99,584
Commissions and other income received		**16,374**	14,753	**23,505**	21,569
Borrowing costs - members		**(224,441)**	(115,364)	**(224,479)**	(115,376)
Net movement in interest rate swaps		**(5)**	3	**(449)**	(392)
Borrowing costs - financial institutions and SPVs		**(47,879)**	(26,902)	**(132,017)**	(91,908)
Interest paid		**(1,327)**	(1,235)	**(1,327)**	(1,235)
Payments to employees and suppliers		**(118,118)**	(142,965)	**(116,890)**	(143,135)
Income taxes paid		**(8,464)**	(1,428)	**(8,401)**	(1,568)
Net cash inflow from operating activities before changes in operating assets and liabilities		**60,549**	27,926	**59,601**	25,782
(Increase)/decrease in operating assets					
Net (increase) in balance of loans and other receivables		**(659,182)**	(824,802)	**(659,181)**	(824,850)
Net (increase)/decrease in receivables due from other financial institutions		**(92,271)**	83,968	**(92,271)**	83,968
(Increase)/decrease in operating liabilities					
Net increase in balance of deposits		**616,114**	637,446	**614,878**	635,135
Net increase/(decrease) in borrowings from other financial institutions		**49,219**	240,925	**(65,942)**	(20,267)
Net cash inflow/(outflow) from operating activities	29	**(25,571)**	165,463	**(142,915)**	(100,232)
Cash flows from investing activities					
Dividends received		**489**	407	**2,665**	1,152
Proceeds from settlement of other assets		**-**	544	**-**	-
Proceeds from sale of property and equipment		**213**	2,135	**213**	2,135
Gross proceeds from sale/(payments) for financial assets held at FVOCI		**-**	4	**-**	4
Payments for property and equipment		**(6,927)**	(3,671)	**(6,927)**	(3,671)
Payments for intangible assets		**(10,316)**	(12,467)	**(10,316)**	(12,467)
(Loans to)/repayments from controlled entities		**-**	-	**103,574**	287,745
Net cash inflow/(outflow) from investing activities		**(16,541)**	(13,048)	**89,209**	274,898
Cash flows from financing activities					
Principal element of lease payments		**(6,283)**	(6,658)	**(6,283)**	(6,658)
Member shares issued		**186**	166	**186**	166
Member shares redeemed		**(209)**	(190)	**(209)**	(190)
Capital Note issuance costs		**(6)**	(30)	**(6)**	(30)
Securitisation notes (purchased)/sold		**-**	-	**26,768**	(32,337)
Dividends paid to Capital Note Holders		**(5,251)**	(4,344)	**(5,251)**	(4,344)
Net cash inflow/(outflow) from financing activities		**(11,563)**	(11,056)	**15,205**	(43,393)
Net increase/(decrease) in cash and cash equivalents held		**(53,675)**	141,359	**(38,501)**	131,273
Cash and cash equivalents at the beginning of the year		**309,257**	167,898	**221,739**	90,466
Cash and cash equivalents at the end of the year	8	**255,582**	309,257	**183,238**	221,739

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

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Police & Nurses Limited ("the Bank") as an individual entity and the consolidated entity consisting of Police & Nurses Limited and its subsidiaries ("the Group"). The parent company of the Group is the Bank.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. The Bank and the Group are for-profit entities for the purpose of preparing the financial statements. The presentation and functional currency is Australian dollars.

Compliance with IFRS

The Bank entity and consolidated Group entity financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) – measured at fair value;
- assets held for sale – measured at the lower of carrying amount or fair value less cost of disposal; and
- certain property measured at fair value.

Comparatives

Comparative balances in the Statements of Profit or Loss and Statements of Financial Position have been reclassified where appropriate.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise of the financial statements of the Group as at 30 June each year. Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date at which control is transferred out of the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(t)).

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Investments in subsidiaries are carried at cost in the financial statements. All intercompany balances and transactions, including unrealised profits and losses arising from intra-Group transactions, have been eliminated fully on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Statement of Financial Position respectively.

(ii) Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

For joint operations, the Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These are incorporated in the financial statements under the appropriate headings.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated Statements of Financial Position.

(c) Loan provisioning

The Group applies a three stage approach in measuring Expected Credit Losses (ECLs) based on changes in the financial assets underlying credit risk and includes forward looking or macroeconomic conditions.

ECLs are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

Refer to note 1(z) for further detail over the impairment methodology for all financial assets.

(d) Property and equipment

Plant & Equipment (equipment and leasehold improvements) are shown at historical cost less, where applicable accumulated depreciation and impairment losses. Property (Land and buildings) is shown at fair value less, where applicable accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and equipment (continued)

All other repairs and maintenance are charged to the Statements of Profit or Loss during the financial period in which they are incurred.

(i) Property

Freehold land and buildings are measured at their fair value, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation increase is credited to other comprehensive income unless it reverses a revaluation decrease on the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss unless it directly offsets a previous revaluation increase on the same asset in the asset revaluation reserve. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

It is the policy of the Group to have an independent valuation every three years, with annual appraisals being made by the Directors.

Mixed use properties remain in Property and equipment unless there is significant thirdparty use.

(ii) Depreciation

The depreciable amount of all property and equipment including buildings, but excluding freehold land, is depreciated over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of future improvements.

Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Leasehold improvements*	3 - 10 years
Equipment	2 - 10 years

*or the expected life of the improvement whichever is shorter

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statements of Profit or Loss.

An asset may be derecognised when its carrying amount is fully written down and the asset is no longer in use by the Group.

Any investment allowance applicable to depreciable assets is offset against income tax expense.

(e) Intangible assets

(i) Internally generated intangible assets

(a) The Group recognises an internally generated intangible asset when:

- the separable asset is controlled by the Group;
- it is probable that future economic benefits relating to that asset will flow to the Group; and
- the costs can be measured reliably.

Control

The group controls the asset if it has the power to obtain the future economic benefits and to restrict access of others to those benefits, by legal or other right.

Probable Future Economic Benefits

Judgement by the Group is used to determine the probability of future economic benefits obtained primarily in the form of cost savings and additional capabilities of existing processes. This is assessed in line with the principles of *AASB 136 Impairment of Assets*.

Cost measurement

The Group assesses a cost as reliably measured if it can be quantified in an accurate manner.

The Group carries internally generated intangible assets at cost less accumulated amortisation and any impairment losses, if applicable. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on activities that qualify for capitalisation.

These assets are amortised over the estimated useful lives (2 to 10 years) on a straight-line basis at a rate applicable to the expected useful life of the asset. Management assesses internally generated assets on a case by case basis. Any impairment loss is recognised in the Statements of Profit or Loss when incurred. An asset may be derecognised when its carrying amount is fully written down.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. An intangible asset will only be recognised to the extent the costs are incurred in the development phase and the specific activities qualify for capitalisation. The Group determines an internally generated intangible asset project to be in the development phase where the project demonstrates:

- technical feasibility
- intention to complete
- usability
- usefulness to the Group
- availability of resources to complete
- can be measured reliably

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets (continued)

Development phase costs often include cost of material/services and employee benefits used or consumed in generating the intangible asset.

(b) Work in Progress ("WIP")

All internally generated intangible assets are capitalised when the project meets the recognition criteria of *AASB 138 Intangible Assets*. When the intangible asset is determined as ready for use it is transferred from WIP into the respective intangible asset category. Judgement is used on an asset-by-asset basis to determine when the asset is ready for use.

Management determines the asset as ready for use, when the asset is substantially complete (>80% of user functionality is completed) and it is available to all relevant users in the production environment.

(c) Internal Projects

Internal Projects encompass assets that create cost savings, additional capabilities/efficiencies and/or new sales for the Group. This primarily includes the Transformation Program and immaterial other internal projects, such as regulatory change projects. These projects are only recognised to the extent they meet the criteria in (a) above and are amortised from the date the assets are transferred to the respective intangible asset category.

Software as a Service (SaaS) arrangements are generally cloud computing arrangements where a customer obtains access to hosted software by the software vendor, and depending on the circumstances, an intangible asset may be created. SaaS related arrangements that qualify for intangible asset recognition and are directly linked to the specific Internal Projects future economic benefits, are capitalised to the Internal Projects asset category.

Software as a Service (SaaS) – internal project related

Where costs incurred to configure or customise SaaS platforms result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset. They are amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a "distinct" service (in addition to the SaaS access) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a "distinct" service, the costs are recognised as expenses over the duration of the SaaS contract.

(d) Computer software costs – non project related

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial, and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the AASB 138 recognition criteria is met and the asset is ready for use.

(f) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(g) Income tax

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

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income tax (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Temporary differences arising from the initial recognition of an asset or a liability is not recognised if they arose in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in the Statements of Profit or Loss are also recognised directly in the Statements of Profit or Loss. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Uncertainty over Income tax treatment

Where there is uncertainty over the recognition and measurement of income tax treatments, the Group does an evaluation of each uncertain tax position to assess whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

(ii) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowances reduce income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(iii) Tax consolidation legislation

The Bank and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003, with the Bank as the head entity of the tax consolidated group (note 7(e)).

The head entity, the Bank, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in their own right.

In addition to its own current and deferred tax amounts, the Bank also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Entities within the tax consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of the tax arrangement, the Bank and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

(h) Employee benefits

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of the expected future payments to be made in respect of services provided by employees up to the balance sheet date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the balance sheet date on high quality corporate bonds with term to maturity and currency that match, as closely as possible, the estimated future cash outflows. Annual leave is accrued throughout the year.

(i) Interest

Interest on members' loans is calculated on an accrual basis using the effective interest method. For non-performing loans interest is charged to the account but is held as interest reserved and not recognised in the Statements of Profit or Loss. Interest on members' deposits is calculated on an accrual basis using the effective interest method and the accrual is included in the value of members' deposits disclosed in these financial statements.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statements of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less. Cash on

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Cash and cash equivalents (continued)

hand, cash at bank and short-term deposits are stated at nominal value. Bank overdrafts are shown within borrowings in current liabilities in the Statements of Financial Position.

For the purposes of the cash flow statement, cash and cash equivalents are reported net of outstanding bank overdrafts.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. This is assumed to approximate their fair value due to their short-term nature. See notes 1(w) and 1(z) for further information about the Group's accounting policies for financial assets and related impairment.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue (inclusive of loan origination fees and transaction costs) is recognised as interest accrued using the effective interest method, which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest revenue relating to loan accounts with mortgage offsets, is presented on a net basis in revenue to reflect how the member is charged.

Dividend distributions from financial assets are recognised in the Statements of Profit or Loss when the right to receive payment is established.

Revenue from contracts with customers is recognised when a customer obtains control of the promised good or service and the Group satisfies its performance obligations under the contract. Revenue is allocated to each performance obligation. The Group considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Group expects to be entitled to in exchange for transferring the promised good or service.

Revenue earned by the Group from its contracts with customers primarily consists of the following:

- Fee and commission income on a range of banking products and services platforms, wealth services, credit cards, structuring fees, lending services and activities and income on structured products which are recognised when the related performance obligation is satisfied either over time or at a point in time; and
- Securitisation service fees.

(m) Fair value estimation

The fair value of assets and liabilities must be estimated for recognition and measurement and is determined according to a hierarchy that reflects the observability of significant market inputs. The three levels of the hierarchy are defined below:

Level 1 - Quoted market prices

The fair values of financial instruments that are traded in active markets are based on quoted market prices at the balance sheet date.

Level 2 - Valuation technique using observable inputs

The fair value of financial instruments not traded in an active market is determined using appropriate valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Level 3 - Valuation technique using significant unobservable inputs

The unobservable inputs valuation technique is used where one or more of the significant inputs is not based on observable market data.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statements of Profit or Loss over the period of the borrowings using the effective interest method.

Interest is accrued over the period it becomes due and is recorded as part of Borrowings.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Finance costs incurred relate to facility fees paid to other financial institutions.

(p) Loan securitisation

The Bank, through its loan securitisation program, packages and sells loans (principally housing mortgage loans) as securities to investors.

The Bank receives fees for various services provided to the program on an arm's length basis, including servicing fees and management fees. These fees are recognised over the period in which the relevant costs are borne. The Bank also provides arm's length liquidity facilities to the program in accordance with APRA Prudential Guidelines. In addition, the Bank may receive residual income (excess fees), comprising mortgage loan interest not due to the investors less trust expenses.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Loan securitisation (continued)

The timing and amount of the residual income cannot be reliably measured because of the significant uncertainties inherent in estimating future repayment rates on the underlying mortgage loans and the mortgage loan interest margins. Consequently, the residual income receivable is not recognised as an asset and no gain is recognised when loans are sold. The residual income is therefore recognised when settled and is included in net interest income.

(q) Other payables

Other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Loan origination fees and transaction costs

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

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within Other Assets or Other Payables in the Statements of Financial Position.

(t) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair value.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Goodwill (if applicable) is stated after separate recognition of any identifiable intangible assets. It is calculated by the excess of the sum of (a) fair value of consideration transferred (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition date fair value of any existing equity interest in the acquiree over the acquisition date fair values of identifiable net assets.

No goodwill is recognised in the acquisition of a mutual entity. In a combination of mutual entities where only equity interests are transferred, the acquirer shall use the acquisition-date-fair-value of the acquiree's equity interests in place of the acquisition-date-fair-value of the consideration transferred.

Pursuant to the accounting standard AASB 3 *Business Combinations*, the receiving body in a combination of mutual entities, as approved under the Financial sector (Transfers of Business) Act 1999, all assets and liabilities are transferred to the receiving body and the net assets are added as a direct addition to the equity in its statement of financial position using the Contributed equity account (note 27).

Acquisition-related costs are expensed as incurred.

(u) Leases

The Group accounts for leases under AASB 16 and the Leases are recognised as a Right-of-use asset and a corresponding Lease liability at the commencement date, being the date the leased asset is available for use by the Group (note 18).

The Group leases various offices and branches. Rental contracts are typically made for fixed periods of 12 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any rental abatement;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Leases (continued)

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the Right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the Lease liability is reassessed and adjusted against the Right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the Right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of leased IT equipment and small items of office furniture.

(v) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(w) Financial assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets in the following measurement categories:

- measured subsequently at amortised cost;

  or
- measured subsequently at fair value (either through other comprehensive income or through profit or loss).

(i) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- are not designated at fair value through profit or loss.

(ii) Financial assets measured at fair value

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

A financial asset is measured at fair value through other comprehensive income if all of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- are not designated at fair value through profit or loss.

For investments in debt instruments, this will depend on the business model in which the investment is held.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial assets (continued)

an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income, in which case, gains and losses will never be reclassified to profit or loss, and no impairment may be recognised in net profit or loss. Dividends earned from such investments are recognised in net profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

(iii) Repurchase and securities lending agreements

Securities and commodities sold under an agreement to repurchase and securities subject to lending agreements continue to be recognised in the Statements of Financial Position and an associated liability is recognised for the consideration received.

Financial instruments sold under a repurchase agreement, under which substantially all the risks and rewards of ownership are retained by the Group, continue to be recognised on the Statements of Financial Position and the sale proceeds are recognised as a financial liability within borrowings. The Group simultaneously agrees to buy back the securities at a pre-agreed price on a future date. Over the life of the repurchase agreement, the Group recognises the difference between the sale price and the repurchase price and charge it to interest expense in the Statements of Profit or Loss using the effective interest method.

(x) Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivative liabilities, shall be subsequently measured at fair value.

(y) Derivatives

The Group uses derivative financial instruments such as interest rate swaps to avoid or minimise possible adverse financial effects of movements in interest rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value in line with market fluctuations. The unrealised gain or loss on remeasurement is immediately recognised in the Statements of Profit or Loss as an adjustment to interest expense, except where hedge accounting applies.

(i) Hedge accounting

When a derivative is designated as a hedge for accounting purposes, the Group documents the relationship between the derivative and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The Group uses cash flow hedges to manage exposure to variability in cash flows associated with a highly probable forecast transaction or a committed transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statements of Profit or Loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, for instance, when the forecast transaction that is hedged takes place.

Hedge accounting is discontinued when the hedging instrument expires or no longer qualifies for hedge accounting or is terminated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is immediately transferred to profit or loss.

(z) Impairment of financial assets

The Group applies the simplified ECL approach to trade receivables, contract assets and lease receivables. The simplified ECL model used by the Group calculates the provision for ECL by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The credit loss is the sum of these probability weighted outcomes. The ECL estimates are unbiased and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Additionally, The Group applies the three-stage model to Loans and Advances, other financial assets at amortised cost and receivables due from Financial Institutions on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk and exposures are assessed on either a collective or individual basis.

The collective provisions are calculated using an ECL model that determines potential losses from observing default and delinquency correlations in the loan book together with forward looking macro-economic variables.

The Group assesses on a forward-looking basis the ECL associated with all its Other financial assets held at amortised cost and with its exposure arising from loan commitments and financial guarantee contracts. The Group recognises movements in ECL at each reporting date. The measurement of ECL reflects:

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Impairment of financial assets (continued)

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions.

  Individually, the Group applies Specific Provisions for impairment at an amount adequate to cover incurred credit related losses. The Group assesses, at each Balance Sheet date, whether one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Evidence of events that could have a detrimental impact on estimated future cash flows may include default, delinquency, bankruptcy or other observable data indicating a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions correlating with defaults. If there is evidence of these "loss events", the amount of specific provision is measured as the difference between the loan's carrying amount and the present value of any expected future cash flows.

(aa) Capital Notes

In accordance with Australian Prudential Regulation Authority's Basel III capital adequacy framework, the Group's Capital Note program forms part of the Group's Additional Tier 1 Capital.

Nature of Capital Notes

The Capital Notes are issued as perpetual, non-cumulative, subordinated and unsecured instruments. The Group has the discretion to redeem the notes on a single option call date on the 5th anniversary of the issue. Should the securities not be redeemed they will remain perpetual.

Recognition and Measurement

The Capital Notes are classified as Equity within the Statements of Financial Position in accordance with the substance of the contractual terms of the instrument.

These instruments are recognised at cost less charges associated with the issue of the instrument (net of deferred tax).

The Capital Notes carry a discretionary distribution which will be declared and payable quarterly in arrears. The distributions are treated as dividends and are recognised in retained earnings.

Any gains and losses relating to the Capital Notes are recognised in retained earnings, net of deferred tax.

(ab) Rounding of amounts

The Bank is a company of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(ac) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are effective in the current financial year

There are no new accounting standards and interpretations that have been published and are mandatory for 30 June 2024 reporting that resulted in a material impact on the Group's consolidated financial statements.

(ad) New Australian Accounting Standards, amendments, and developments to Australian Accounting Standards and Interpretations that are not yet effective for the financial year

At the date of authorisation of these consolidated financial statements, several new but not yet effective standards, amendments to existing standards and interpretations have been published by the AASB, IASB or IFRIC. None of these Standards or amendments to existing Standards or any interpretations have been adopted early by the Group.

(i) IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board issued IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) which sets out requirements for the presentation and disclosure of information in general purpose financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027. The transition provisions of IFRS 18 require retrospective application. The AASB is expected to issue the Australian equivalent of the standard in June 2024. The Group is continuing to assess the full impact of adopting IFRS 18.

(ii) Other issued new standards

Other new Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

Notes to the Financial Statements

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Loan provisioning

Specific loan provisions are calculated for loans where enough evidence that one or more events associated with an exposure could have a determinantal impact on estimated future cash flows. These events are defined in note 1(z) above. The Group has provided for all loans where there is a loss event and the security is less than the loan due, except where the loan repayments are secured by lenders mortgage insurance. Collective loan provisions are calculated based on the forward-looking ECL model as outlined in note 1(z).

(ii) Internally generated intangible assets

The Group carries its internally generated intangible assets at cost less any accumulated amortisation recognised in profit or loss.

The key assumptions used in the determination of the internally generated intangible assets are the following:

- determining whether cloud computing arrangements contain an intangible asset, meaning providing a resource the group can control;
- capitalisation of configuration and customisation costs in Internal Projects (which includes SaaS arrangements);
- estimate of useful lives for each internally generated intangible asset; and
- determining when the asset is ready for use and is moved from Work in Progress to its respective asset category.

How these costs are determined is set out in note 1(e).

(iii) Estimated fair value of financial assets and liabilities

Interest rate swaps are considered a level 2 observable input valuation. The fair value is calculated as the present value of the future cash flows based on observable yield curves. For interest rate swaps qualifying as cash flow hedges, the effective portion of the gains and losses is posted to the cash flow hedge reserve within other comprehensive income and the ineffective portion is posted directly to the Statements of Profit or Loss. Gains and losses as a result of interest rate swaps that do not qualify as cash flow hedges are posted immediately to the Statements of Profit or Loss.

The fair value of unlisted equity securities is determined using level 3 unobservable valuation techniques that consider the financials of the company, historical share transactions and reference the performance to other similar investments.

For the majority of financial assets and liabilities held at amortised cost, the fair values are not materially different to the carrying values unless otherwise disclosed in the notes.

(iv) Effective interest rate adjustment

Loans and Advances are carried at amortised cost, requiring estimates to be made of their expected useful lives. The expected life of mortgage secured loans is used to estimate all loans in the loan portfolio. Refer to note 1(r) for additional detail on the effective interest rate adjustment applied to loan origination fees and transaction costs.

(b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has not made judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
3 NET INTEREST INCOME				
Interest revenue and interest expense				
Interest revenue				
Deposits with other banks/ADIs [i]	**64,929**	42,821	**140,179**	99,585
Loans and advances [ii]	**379,275**	257,960	**379,275**	257,960
	444,204	300,781	**519,454**	357,545
Interest expense				
Members' deposits [ii][iii]	**224,441**	115,363	**224,479**	115,376
Borrowings from other banks/ADIs including wholesale deposits [i]	**47,879**	26,902	**132,017**	91,908
	272,320	142,265	**356,496**	207,284
Net interest income	**171,884**	158,516	**162,958**	150,261

The fee income and expenses associated with loan origination have been recognised as part of net interest income.

(i) Authorised Deposit-Taking Institutions

(ii) Interest accruing on mortgage offset accounts is presented on a net basis within interest revenue, according to the Group's revenue recognition policy.

(iii) In this note, Members' deposits exclude wholesale deposits.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
4 NON-INTEREST REVENUE				
Loan fee revenue	**2,661**	2,925	**2,661**	2,925
Financial services fees	**4,713**	4,536	**4,709**	4,561
Securitisation servicing fees	**-**	-	**7,973**	7,400
Insurance commissions	**2,907**	2,577	**2,907**	2,577
Other commissions	**3,809**	3,433	**3,809**	3,433
Dividend revenue	**489**	407	**2,665**	752
	14,579	13,878	**24,724**	21,648

Notes to the Financial Statements

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
5 CREDIT IMPAIRMENT CHARGE/(REVERSAL)				
Receivables due from other financial institutions	**(58)**	22	**(58)**	22
Loans and advances	**428**	1,026	**428**	1,026
Undrawn credit commitments	**15**	53	**15**	53
Bad debts recovered	**(205)**	(283)	**(205)**	(283)
	180	818	**180**	818
CREDIT IMPAIRMENT CHARGE/(REVERSAL) BY STAGES				
Collective stage 1	**(860)**	(1,665)	**(860)**	(1,665)
Collective stage 2	**179**	485	**179**	485
Collective stage 3	**508**	1,122	**508**	1,122
Individual stage 3	**558**	1,159	**558**	1,159
Bad debts recovered	**(205)**	(283)	**(205)**	(283)
	180	818	**180**	818
OF WHICH RELATES TO LOANS AND ADVANCES				
Collective stage 1	**(802)**	(1,690)	**(802)**	(1,690)
Collective stage 2	**179**	485	**179**	485
Collective stage 3	**508**	1,122	**508**	1,122
Individual stage 3	**558**	1,159	**558**	1,159
Total, inclusive of undrawn credit commitments	**443**	1,076	**443**	1,076
Undrawn credit commitments	**(15)**	(50)	**(15)**	(50)
Total loans and advances	**428**	1,026	**428**	1,026

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
6 OTHER EXPENSES				
Impairment of non financial assets	**-**	-	**1,179**	-
Finance costs	**1,327**	1,235	**1,327**	1,235
Depreciation and amortisation	**16,147**	13,165	**16,116**	13,134
Fees and commissions	**19,644**	18,143	**19,376**	17,900
Employee benefits expense	**77,512**	74,893	**77,512**	74,893
Information technology costs	**16,693**	14,818	**16,693**	14,818
Marketing costs	**6,580**	7,299	**6,580**	7,299
Other general and administration costs	**14,139**	15,288	**14,060**	15,134
Net (gain)/loss on disposal or revaluation loss of property, plant and equipment	**117**	134	**117**	134
	152,160	144,975	**152,960**	144,547

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
7 INCOME TAX EXPENSE				
(a) Income tax expense				
Current tax expense/(benefit)	**12,254**	6,831	**12,041**	6,661
Deferred tax expense/(benefit)	**(1,340)**	1,685	**(1,805)**	1,686
Under/(over) provided for current tax in prior years	**(115)**	62	**39**	62
Income tax expense	**10,799**	8,578	**10,275**	8,409
Deferred income tax (benefit)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 21)	**1,521**	1,106	**1,056**	1,107
(Decrease)/Increase in deferred tax liabilities (note 26)	**(2,861)**	579	**(2,861)**	579
	(1,340)	1,685	**(1,805)**	1,686
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	**35,174**	28,055	**35,065**	27,803
Prima facie income tax calculated at 30% (2023: 30%)	**10,552**	8,417	**10,519**	8,341
Tax effect of amounts which are not deductible(taxable) in calculating taxable income:				
Non-deductible expenses	**98**	123	**98**	123
Tax offset for franked dividends	**(141)**	(118)	**(122)**	(106)
Taxable Intragroup dividend income	**354**	-	**-**	-
Non-taxable Intragroup dividend income	**-**	-	**(324)**	(120)
Other	**-**	95	**14**	108
	10,863	8,517	**10,185**	8,346
Prior year losses recouped				
(Over)/under provision in prior year, relating to:				
- Other	**(64)**	61	**90**	63
Income tax expense	**10,799**	8,578	**10,275**	8,409
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity or through OCI				
Net deferred tax – debited/(credited)directly to equity, or through OCI (note 21) & (note 26)	**(2,928)**	967	**(2,907)**	1,055
(d) Franking credits				
Franking credits based on a tax rate of 30%	**180,641**	174,825	**180,641**	174,065

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the current tax liability;
- franking debits that will arise from the refund receivable of the amount of the current tax asset; and
- franking credits used for the payment of Capital Note distributions.

Notes to the Financial Statements

7 INCOME TAX EXPENSE (continued)

(e) Tax consolidation legislation

The Bank and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy on implementation of the legislation is set out in note 1(g). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, the Bank. Under the terms of this agreement, the wholly-owned entities will fully compensate the Bank for any current tax payable assumed and are compensated by the Bank for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Bank under the tax consolidation legislation. The amounts receivable/payable is recognised as tax-related receivable or payable by the Bank (see note 16).

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
8 CASH AND CASH EQUIVALENTS				
Cash on hand	**4,627**	4,476	**4,627**	4,476
Cash and deposits at call with ADIs	**250,955**	304,781	**178,611**	217,263
	255,582	309,257	**183,238**	221,739

The fair value of cash and cash equivalents are not materially different to the carrying amount due to the short-term nature of these instruments.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
9 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS				
Interest-earning deposits with ADIs	**1,225,887**	1,133,697	**1,225,887**	1,133,697
	1,225,887	1,133,697	**1,225,887**	1,133,697
Expected credit loss provision	**(351)**	(409)	**(351)**	(409)
	1,225,536	1,133,288	**1,225,536**	1,133,288

The majority of the above amounts are expected to be recovered less than one year after the balance sheet date.

The ECL provision of $351,477 (2023: $409,068) belongs to stage 1 collective, accounts with arrears up to 29 days.

The fair value of receivables due from other financial institutions are $1,225,840,579 (2023: $1,129,497,919).

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
10 FINANCIAL ASSETS HELD AT FVOCI				
Investment in Cuscal (a)	**8,983**	8,983	**8,983**	8,983
Investment in Indue Ltd	**1,397**	1,397	**1,397**	1,397
Investment in other shares	**-**	67	**-**	-
	10,380	10,447	**10,380**	10,380

(a) Investment in Cuscal – unlisted security

Cuscal is an unlisted public company. Under Cuscal's constitution there are no limitations as to who the Group may sell its shares to, however, Cuscal is primarily owned by mutual ADIs and trading in its shares is very limited and information on such trading is not publicly available. The Group has determined the fair value of its shares in Cuscal using level 3 unobservable fair value techniques based on the latest audited financial statements, dividend yields of similar investments and recent share transactions (note 1(m)).

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
11 OTHER ASSETS				
Prepayments	**8,669**	6,722	**8,669**	6,722
Other receivables	**1,690**	8,711	**1,732**	8,443
	10,359	15,433	**10,401**	15,165

Receivables are short-term in nature and dependent on the terms and conditions of the related contract, where one exists. Other receivables includes transactions pending settlement.

Notes to the Financial Statements

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
12 OTHER FINANCIAL ASSETS AT FVPL				
Investment in Securitisation Notes	**-**	-	**20,496**	47,264
Investment in Land and property development - Other	**62**	62	**-**	-
Investment Other	**2**	3	**2**	3
	64	65	**20,498**	47,267

The Bank holds Investments in securitisation notes, which are debt securities issued by securitisation trusts that are related entities.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
13 LOANS AND ADVANCES				
Home loans	**6,838,842**	6,212,424	**6,838,842**	6,212,424
Secured overdrafts	**34,302**	39,115	**34,302**	39,115
Personal loans	**41,165**	35,522	**41,165**	35,522
Overdraft & credit cards	**36,915**	37,702	**36,915**	37,702
Retail loans and advances	**6,951,224**	6,324,763	**6,951,224**	6,324,763
Commercial & property finance	**363,966**	328,499	**363,966**	328,499
Gross loans and advances	**7,315,190**	6,653,262	**7,315,190**	6,653,262
Effective interest rate adjustment *	**26,213**	23,747	**26,213**	23,747
Expected credit loss provision (table (a))	**(5,505)**	(6,316)	**(5,505)**	(6,316)
Net loans and advances	**7,335,898**	6,670,693	**7,335,898**	6,670,693

* The loans and advances taken on from BCCU Ltd in financial year 2020, were adjusted to reflect the fair value at the date of acquisition and this adjustment is recognised in interest income over the effective life of the loans. It also includes the amortisation of the Group's deferred origination fees and transaction costs.

- Home loans are secured by registered mortgages over residential properties.
- Secured overdrafts are revolving lines of credit secured by residential properties.
- Commercial and property finance loans are secured by registered mortgages over commercial, residential or non-residential properties.
- Personal loans are provided on a secured or unsecured basis and are predominantly secured by motor vehicles.
- Overdraft facilities and credit cards are revolving lines of credit and are unsecured.

As at 30 June 2024, the fair value of Loans and Advances is $2,721,867 lower (2023: $12,963,000 higher) than net carrying value.

13 LOANS AND ADVANCES (continued)

The maturity tables are based on contractual terms.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Time to maturity				
Not later than one year	**181,364**	175,427	**181,364**	175,427
One year to five years	**151,745**	118,726	**151,745**	118,726
Over five years	**6,982,081**	6,359,109	**6,982,081**	6,359,109
	7,315,190	6,653,262	**7,315,190**	6,653,262

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Securitised Loans under management				
Pinnacle Series Trust 2014-SST	**1,316,251**	1,385,492	**1,316,251**	1,385,492
Pinnacle RMBS Warehouse Trust	**247,760**	436,077	**247,760**	436,077
Pinnacle Series Trust 2017-T1	**46,955**	65,151	**46,955**	65,151
Pinnacle Series Trust 2021-T1	**131,005**	182,250	**131,005**	182,250
Pinnacle Series Trust 2024-T1	**330,076**	-	**330,076**	-
	2,072,047	2,068,970	**2,072,047**	2,068,970

The Bank securitises mortgage loans via securitisation programs which it manages and from which it derives management fee income.

During the prior period, the Pinnacle RMBS Warehouse Trust drew $325m on the securitisation facility with Australia and New Zealand Banking Group Limited.

All trusts are consolidated as part of the Group (note 19). In accordance with AASB 10 *Consolidated Financial Statements*, the mortgages securitised in the trusts remain on the Statements of Financial Position of the Bank.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
(a) Total loan expected credit loss provision including off balance sheet				
Collective stage 1	**3,021**	3,078	**3,021**	3,078
Collective stage 2	**575**	496	**575**	496
Collective stage 3	**1,257**	1,155	**1,257**	1,155
Individual stage 3	**652**	1,587	**652**	1,587
Total	**5,505**	6,316	**5,505**	6,316
of which relates to undrawn credit commitments	**(529)**	(574)	**(529)**	(574)
Total, on balance sheet loans	**4,976**	5,742	**4,976**	5,742
(b) On balance sheet loans total expected credit loss provision				
Opening balance	**5,742**	5,441	**5,742**	5,441
Bad debts previously provided for written off	**(1,194)**	(725)	**(1,194)**	(725)
Credit Impairment charge/(reversal) during the year	**428**	1,026	**428**	1,026
Closing balance	**4,976**	5,742	**4,976**	5,742

Notes to the Financial Statements

14 MOVEMENT IN EXPECTED CREDIT LOSS PROVISION

The table below represents the reconciliation from the opening balance to the closing balance of ECL provision.

Year Ended 30 June 2024	Group			
	Receivables due from financial institutions	Loans and advances	Undrawn credit commitments	Total
	$000	$000	$000	$000
Balance as at 30 June 2022	**387**	**5,441**	**1,002**	**6,830**
Credit Impairment charge/(reversal)	22	1,026	53	**1,101**
Amounts written off, previously provided for	-	(725)	(481)	**(1,206)**
Balance as at 30 June 2023	**409**	**5,742**	**574**	**6,725**
Credit Impairment charge/(reversal)	(58)	428	15	**385**
Amounts written off, previously provided for	-	(1,194)	(60)	**(1,254)**
Balance as at 30 June 2024	**351**	**4,976**	**529**	**5,856**

Year Ended 30 June 2024	Bank			
	Receivables due from financial institutions	Loans and advances	Undrawn credit commitments	Total
	$000	$000	$000	$000
Balance as at 30 June 2022	**387**	**5,441**	**1,002**	**6,830**
Credit Impairment charge/(reversal)	22	1,026	53	**1,101**
Amounts written off, previously provided for	-	(725)	(481)	**(1,206)**
Balance as at 30 June 2023	**409**	**5,742**	**574**	**6,725**
Credit Impairment charge/(reversal)	(58)	428	15	**385**
Amounts written off, previously provided for	-	(1,194)	(60)	**(1,254)**
Balance as at 30 June 2024	**351**	**4,976**	**529**	**5,856**

Underlying collective provisions are in line with the growth of the balance sheet and delinquency levels.

Economic conditions have stabilised with inflation reducing. Early indications suggest inflation continues to reduce and will reach the RBA's target range in 2025. The Group remains cautious and continues to monitor the economic conditions and delinquency levels.

14 MOVEMENT OF EXPECTED CREDIT LOSS PROVISION (continued)

Sensitivity of provisions for ECL to changes in forward looking assumptions

As described in Note 35(c), the Group applies three alternative 5-year macro-economic scenarios (Base, Upside and Downside scenarios) to reflect unbiased probability-weighted range of possible future outcomes in estimating the Group's total ECL. Internal expertise and Australian financial services data is reviewed and considered when generating the 5-year macroeconomic scenarios.

Management reviews the model monthly and adjusts the macro-economic outlook as the Australian Bureau of Statistics and the Reserve Bank of Australia actuals and forecasts become available. Current adopted macroeconomic assumptions for the Base scenario within the model are:

- Unemployment is forecast to normalise in both WA and NSW, and expected to peak in calendar years 2027 (WA) & 2026 (NSW). WA and NSW unemployment forecasts are used as PNL's lending activities are predominantly in these two states
- Inflation is forecast to have passed its peak of 6.8% (Consumer Price Index, seasonally adjusted) in Q2 FY2023. It is forecast to gradually decline to 2.95% by Q4 2025.

Trending performance of these macroeconomic inputs are considered in the ECL model to inform a provision based on the trend of the country's economy. The Downside scenario is set relative to the Base scenario using macroeconomic conditions that represent plausible but less likely alternatives to the Base scenario. Assuming 100% weighting on the Base scenario and holding all other assumptions (including the forward looking adjustments) constant the Group's provision for impairment would be approximately $5,829,987 compared to $5,858,033 provision for impairment recognised as at 30 June 2024. Assuming 100% weighting on the Downside Scenario and holding all other assumptions (including the forward looking adjustments) constant the Group's total provision for impairment would be approximately $6,037,681 as of 30 June 2024.

Hardship Support Offered

The group offered COVID-19 support during the previous period. Demand declined significantly with a relief program offered for a period of three months. The relief program offered loan repayment deferrals. The relief was offered to impacted members who passed eligibility criteria, confirming impacts due to the pandemic have resulted in reduced working hours or a loss of employment. Previous COVID-19 relief members returned to performing loans or are being managed in collections.

COVID-19 repayment deferrals ceased in FY23 and are no longer offered.

Hardship relief continues to be offered to members who require additional support.

Notes to the Financial Statements

14 MOVEMENT OF EXPECTED CREDIT LOSS PROVISION (continued)

Year Ended 30 June 2024

	Group				
	Stage 1	Stage 2	Stage 3		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
	$000	$000	$000	$000	$000
(a) LOAN AND ADVANCES					
Balance as at 30 June 2022	**4,221**	**18**	**40**	**2,167**	**6,446**
Changes due to financial assets recognised in the opening balances that have:					
Transferred to 12-months ECL	556	(9)	(14)	(533)	-
Transferred to Lifetime ECL - not credit impaired	(3)	8	(1)	(4)	-
Transferred to Lifetime ECL - credit impaired - collective provision	(4)	(5)	11	(2)	-
Transferred to Lifetime ECL - credit impaired - specific provision	(2)	(1)	(3)	6	-
Bad debts written off	-	-	-	(1,206)	(1,206)
Charge/(reversal of impairment) to income statement from operations	(1,690)	485	1,122	1,159	1,076
Balance as at 30 June 2023	**3,078**	**496**	**1,155**	**1,587**	**6,316**
Changes due to financial assets recognised in the opening balances that have:					
Transferred to 12-months ECL	905	(185)	(450)	(270)	-
Transferred to Lifetime ECL - not credit impaired	(97)	195	(88)	(10)	-
Transferred to Lifetime ECL - credit impaired - collective provision	(53)	(75)	142	(14)	-
Transferred to Lifetime ECL - credit impaired - specific provision	(10)	(35)	(10)	55	-
Bad debts written off	-	-	-	(1,254)	(1,254)
Charge/(reversal of impairment) to income statement from operations	(802)	179	508	558	443
Balance as at 30 June 2024	**3,021**	**575**	**1,257**	**652**	**5,505**

The table above also includes the allocation of the undrawn credit commitments.

Notes to the Financial Statements

14 MOVEMENT OF EXPECTED CREDIT LOSS PROVISION (continued)

Year Ended 30 June 2024

	Bank				
	Stage 1	Stage 2	Stage 3		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
	$000	$000	$000	$000	$000
(b) LOAN AND ADVANCES					
Balance as at 30 June 2022	**4,221**	**18**	**40**	**2,167**	**6,446**
Changes due to financial assets recognised in the opening balances that have:					
Transferred to 12-months ECL	556	(9)	(14)	(533)	-
Transferred to Lifetime ECL - not credit impaired	(3)	8	(1)	(4)	-
Transferred to Lifetime ECL - credit impaired - collective provision	(4)	(5)	11	(2)	-
Transferred to Lifetime ECL - credit impaired - specific provision	(2)	(1)	(3)	6	-
Bad debts written off	-	-	-	(1,206)	(1,206)
Charge/(reversal of impairment) to income statement from operations	(1,690)	485	1,122	1,159	1,076
Balance at 30 June 2023	**3,078**	**496**	**1,155**	**1,587**	**6,316**
Changes due to financial assets recognised in the opening balances that have:					
Transferred to 12-months ECL	905	(185)	(450)	(270)	-
Transferred to Lifetime ECL - not credit impaired	(97)	195	(88)	(10)	-
Transferred to Lifetime ECL - credit impaired - collective provision	(53)	(75)	142	(14)	-
Transferred to Lifetime ECL - credit impaired - specific provision	(10)	(35)	(10)	55	-
Bad debts written off	-	-	-	(1,254)	(1,254)
Charge/(reversal of impairment) to income statement from operations	(802)	179	508	558	443
Balance at 30 June 2024	**3,021**	**575**	**1,257**	**652**	**5,505**

The table above also includes the allocation of the undrawn credit commitments.

15 DERIVATIVE FINANCIAL INSTRUMENTS

Year Ended 30 June 2024

	Group		Bank	
	2024	2023	**2024**	2023
	Fair Value	Fair Value	**Fair Value**	Fair Value
	$000	$000	**$000**	$000
(a) Fair Value				
Derivative financial assets				
Interest rate swaps - fair value through Profit or Loss - assets	**84**	528	**-**	-
Interest rate swaps - held as cash flow hedges - assets	**6,753**	18,263	**6,753**	18,263
	6,837	18,791	**6,753**	18,263
Derivative financial liabilities				
Interest rate swaps - fair value through Profit or Loss - liabilities	**85**	534	**85**	534
Interest rate swaps - held as cash flow hedges - liabilities	**3,965**	5,085	**3,965**	5,085
	4,050	5,619	**4,050**	5,619

15 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	Notional Amount	Notional Amount	**Notional Amount**	Notional Amount
	$000	$000	**$000**	$000
(b) Notional Amount				
Derivative financial assets				
Interest rate swaps - fair value through Profit or Loss - assets	**3,521**	19,514	**-**	-
Interest rate swaps - held as cash flow hedges - assets	**364,000**	772,500	**364,000**	772,500
	367,521	792,014	**364,000**	772,500
Derivative financial liabilities				
Interest rate swaps - fair value through Profit or Loss - liabilities	**3,521**	19,514	**3,521**	19,514
Interest rate swaps - held as cash flow hedges - liabilities	**441,500**	161,500	**441,500**	161,500
	445,021	181,014	**445,021**	181,014

Terms and conditions

Interest rate swaps are used by the Group to manage exposure to interest rate risk. Where these swaps qualify for cash flow hedge accounting, the effective portion of any unrealised profit or loss is deferred to equity in the cash flow hedge reserve within other comprehensive income. Where interest rate swaps do not qualify for hedge accounting, the profit or loss is recognised directly in the Statement of Profit or Loss.

The Group pays fixed interest on swaps with a notional amount of $367,521,000 (2023: $792,014,000), on which it pays 0.40% to 3.83% interest (2023: 0.22% to 3.83%) and receives interest calculated at a variable rate on the notional amount. At balance sheet date, the Bank pays fixed interest on swaps with a notional amount of $364,000,000 (2023: $772,500,000), on which it pays 0.40% to 3.83% interest (2023: 0.22% to 3.83%) and receives interest calculated at a variable rate on the notional amount.

The Group receives fixed interest on swaps with a notional amount of $445,021,000 (2023: $181,014,000), on which it receives 0.52% to 4.53% interest (2023: 0.19% to 3.92%) and pays interest calculated at a variable rate on the notional amount. At balance sheet date, the Bank receives fixed interest on swaps with a notional amount of $445,021,000 (2023: $181,014,000), on which it receives 0.52% to 4.53% interest (2023: 0.19% to 3.92%) and pays interest calculated at a variable rate on the notional amount.

Amounts accumulated in other comprehensive income for cash flow hedges are recycled to the Statements of Profit or Loss when the hedged forecast transaction occurs. Underlying cash flows from cash flow hedges are discounted to calculate deferred gains and losses which are expected to occur during the life of the cash flow hedge.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Maturity period				
Less than one year	**89**	-	**89**	-
More than one year but less than two years	**212**	(2,502)	**212**	(2,502)
More than two years but less than five years	**(2,103)**	(6,340)	**(2,103)**	(6,340)
Five years or more	**261**	296	**261**	296
Net Deferred (gains)/losses (note 27(c))	**(1,541)**	(8,546)	**(1,541)**	(8,546)

Fair value hierarchy

The Group's interest rate swaps are classified using the fair value hierarchy level 2 observable inputs valuation techniques (note 1(m)). The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
16 DUE FROM / TO CONTROLLED ENTITIES				
Due from controlled entities (assets)				
Amounts receivable from controlled entities	**-**	-	**-**	246
Deferred securitisation receivable	**-**	-	**28,749**	59,508
	-	-	**28,749**	59,754
Expected credit loss provision	**-**	-	**-**	-
	-	-	**28,749**	59,754
Due to controlled entities (liabilities)				
Amounts payable to controlled entities	-	-	**749,588**	677,019
	-	-	**749,588**	677,019

The majority of the above balances are to be settled more than 12 months after balance sheet date.

As at 30 June 2024, amounts due to and from the Bank's self-securitisation facility (Pinnacle Series Trust 2014-SST) are presented net within deferred securitisation receivables as the Group has the right and intention to settle these on a net basis. The gross amounts due to the Pinnacle Series Trust 2014-SST were $1,316,251,411 (2023: $1,423,549,000) and the gross amounts due from the Pinnacle Series Trust 2014-SST were $1,345,000,000 (2023: $1,445,000,000).

The Bank was granted a secured Term Funding Facility (TFF) by the Reserve Bank of Australia (RBA) for the amount $251,189,000 (note 31). As at 30 June 2024, the Bank has outstandings of $0 (2023: $190,325,650) against the RBA TFF. As a result, $0 (2023: $227,050,000) out of a total of $1,195,000,000 (2023: 1,283,000,000) self-securitisation A Notes held, are encumbered.

Pinnacle Series Trust 2024 - T1

The Bank issued a $350m RMBS in June 2024 called the Pinnacle Series Trust 2024 - T1. The RMBS was issued via a public placement. As per the market process, the Trust acquired the underlying mortgages by sale from the Pinnacle RMBS Warehouse Trust No 1, which was used to warehouse the mortgages during the sale, and the Pinnacle Series Trust 2014-SST.

The Trust is consolidated as part of the Group financials, however, the underlying mortgages no longer belong to the Bank, and from a capital and income perspective, the mortgages are treated as off-balance sheet. The Trust-issued notes are claims by the note-holders on the underlying mortgages within the trust, but have been recognised as borrowings in the consolidated financial statements. The cash consideration for the sale of the mortgages in June 2024 was received by the Pinnacle Warehouse RMBS Trust No.1 and the Pinnacle Series Trust 2014-SST.

Notes to the Financial Statements

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
17 PROPERTY AND EQUIPMENT				
Land and buildings				
At fair value	**7,366**	7,289	**5,546**	5,439
Accumulated depreciation	**(310)**	(121)	**(280)**	(91)
	7,056	7,168	**5,266**	5,348
Leasehold improvements				
At cost	**25,498**	24,813	**25,498**	24,813
Accumulated depreciation	**(14,397)**	(14,758)	**(14,397)**	(14,758)
	11,101	10,055	**11,101**	10,055
Equipment				
At cost	**16,495**	14,524	**16,487**	14,515
Accumulated depreciation	**(11,418)**	(9,001)	**(11,417)**	(9,000)
	5,077	5,523	**5,070**	5,515
Total property and equipment	**23,234**	22,746	**21,437**	20,918

Reconciliation of the carrying amounts of each class of property and equipment

Year Ended 30 June 2024	Group				Bank			
	Land and buildings	Leasehold improvements	Equipment	Total	Land and buildings	Leasehold improvements	Equipment	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Carrying amount at 1 July 2022	9,100	11,525	6,367	26,992	7,250	11,525	6,358	25,133
Additions	76	1,794	1,802	3,672	76	1,794	1,802	3,672
Disposals	(1,870)	(226)	(173)	(2,269)	(1,870)	(226)	(173)	(2,269)
Revaluations	-	-	-	-	-	-	-	-
Depreciation expense	(138)	(3,038)	(2,473)	(5,649)	(108)	(3,038)	(2,472)	(5,618)
Carrying amount at 30 June 2023	7,168	10,055	5,523	22,746	5,348	10,055	5,515	20,918
Carrying amount at 1 July 2023	**7,168**	**10,055**	**5,523**	**22,746**	**5,348**	**10,055**	**5,515**	**20,918**
Additions	**-**	**4,583**	**2,344**	**6,927**	**-**	**4,583**	**2,344**	**6,927**
Disposals	**-**	**(140)**	**(189)**	**(329)**	**-**	**(140)**	**(189)**	**(329)**
Revaluations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation expense	**(112)**	**(3,397)**	**(2,601)**	**(6,110)**	**(82)**	**(3,397)**	**(2,600)**	**(6,079)**
Carrying amount at 30 June 2024	**7,056**	**11,101**	**5,077**	**23,234**	**5,266**	**11,101**	**5,070**	**21,437**

Notes to the Financial Statements

17 (a) REVALUATION OF LAND AND BUILDINGS

The revalued land and buildings consist of office properties in Australia. Management determined that these constitute one class of asset under AASB 13 Fair Value Measurement, based on the nature, characteristics and risks of the properties.

Fair value of the properties was determined using the income approach based on estimated rental value of the properties. Annual assessments of the fair value are made by the Directors, ensuring that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

The group engages external, independent and qualified valuers to determine the fair value of the group's land and buildings at least every three years (or more often if circumstances require). The last independent valuation of these land and buildings was performed as at 30 June 2022 by Herron Todd White (NAT Operations) Pty Ltd. Market rentals, outgoings and capitalisation rates are estimated by the independent valuer based on comparable transactions and industry data.

If revalued land and buildings were stated at historical cost, amounts would be as follows:

Year Ended 30 June 2024	**Group**		**Bank**	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
At cost	**5,369**	7,746	**4,102**	6,404
Addition	**-**	76	**-**	76
Accumulated depreciation	**(384)**	(437)	**(289)**	(362)
Disposal	**-**	(2,016)	**-**	(2,016)
Net book value	**4,985**	5,369	**3,813**	4,102

18 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amount recognised in the Statements of Financial Position

The Statements of Financial Position shows the following amounts relating to leases:

Year Ended 30 June 2024	**Group**		**Bank**	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Right-of-use assets				
Buildings	**25,282**	28,121	**25,282**	28,121
Net book value	**25,282**	28,121	**25,282**	28,121
Lease liabilities	**30,919**	33,750	**30,919**	33,750
	30,919	33,750	**30,919**	33,750

(b) Amount recognised in the Statements of Profit or Loss

The Statements of Profit or Loss show the following amounts relating to leases:

Year Ended 30 June 2024	**Group**		**Bank**	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Depreciation charge of Right-of-use assets (buildings)	**5,646**	5,957	**5,646**	5,957
Interest expense (included in finance cost)	**643**	597	**643**	597
Expense relating to outgoings and variable lease payments not included in lease liabilities (included in other general and administration costs)	**1,217**	1,224	**1,217**	1,224
Expense related to low value leases or short term leases, exempt from AASB 16 (included in other general and administration costs)	**178**	88	**225**	88
Total expenses related to leases	**7,684**	7,866	**7,731**	7,866

Significant leasing arrangements

As at 30 June 2024, the Bank has two material leasing arrangements in place. The lease arrangement for the Perth head office at 556 Wellington Street, Perth, which expires 30 November 2029 and the lease arrangement for the Coffs Harbour Office at 35-61 Harbour Drive, Coffs Harbour which expires 23 September 2028. Each of these lease arrangements has one option for renewal for a five (5) year term.

19 INVESTMENTS IN CONTROLLED ENTITIES

All controlled entities are incorporated or registered in Australia and are ultimately controlled by the Bank. The controlled entities are as follows:

Year Ended 30 June 2024	Bank			
	Interests in Controlled Entities		Value of Investment in Controlled Entities	
			Held by the Bank	Held by the Bank
	2024	2023	**2024**	2023
	%	%	**$**	$
Members Holding Company Pty Ltd	**100**	100	**162,792**	73,773
P&N Landreach Pty Ltd	**100**	100	**2,000,010**	2,000,010
P&N Management Pty Ltd	**100**	100	**60,000**	60,000
National Home Loans Pty Ltd	**100**	100	**61,500**	61,500
Police & Nurses Financial Planning Pty Ltd	**65**	65	**341,058**	1,640,080
P&N Recruitment Pty Ltd	**100**	100	**100**	100
Pinnacle RMBS Warehouse Trust No 1	**100**	100	**-**	-
Pinnacle Series Trust 2014 - SST	**100**	100	**-**	-
Pinnacle Series Trust 2017 - T1	**100**	100	**-**	-
Pinnacle Series Trust 2021 - T1	**100**	100	**-**	-
Pinnacle Series Trust 2024 - T1	**100**	-	**-**	-
			2,625,460	3,835,463

The Bank's Investments in controlled entities are held at cost. For each entity, the carrying amount of the investments in controlled entities is tested for impairment in accordance with AASB 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of AASB 136 indicates that the investment may be impaired. In determining the value in use of the investment, the Group estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the entity, including the cash flows from the operations of the controlled entity and the proceeds from the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Using appropriate assumptions both methods give the same result.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	\$000	\$000	**\$000**	\$000
20 INTANGIBLE ASSETS				
Internal Projects (a)				
At cost	**35,123**	19,491	**35,123**	19,491
Accumulated amortisation	**(13,354)**	(9,051)	**(13,354)**	(9,051)
	21,769	10,440	**21,769**	10,440
Computer Software (b)				
At cost	**2,596**	2,596	**2,596**	2,596
Accumulated amortisation	**(2,562)**	(2,473)	**(2,562)**	(2,473)
	34	123	**34**	123
WIP - Intangible (c)				
At cost	**8,284**	13,600	**8,284**	13,600
Accumulated amortisation	**-**	-	**-**	-
	8,284	13,600	**8,284**	13,600
Total intangible assets	**30,087**	24,163	**30,087**	24,163

Reconciliation of the carrying amounts of each class of intangible assets				
(a) Internal Projects				
Opening carrying amount	**10,440**	3,491	**10,440**	3,491
Additions	**15,632**	8,386	**15,632**	8,386
Disposals	**-**	-	**-**	-
Amortisation charge *	**(4,303)**	(1,437)	**(4,303)**	(1,437)
Closing carrying amount	**21,769**	10,440	**21,769**	10,440
(b) Computer software				
Opening carrying amount	**123**	244	**123**	244
Additions	**-**	-	**-**	-
Disposals	**-**	-	**-**	-
Amortisation charge *	**(89)**	(121)	**(89)**	(121)
Closing carrying amount	**34**	123	**34**	123
(c) WIP - Intangible				
Opening carrying amount	**13,600**	9,519	**13,600**	9,519
Additions	**10,316**	12,467	**10,316**	12,467
Transfer	**(15,632)**	(8,386)	**(15,632)**	(8,386)
Amortisation charge *	**-**	-	**-**	-
Closing carrying amount	**8,284**	13,600	**8,284**	13,600
Total intangible assets	**30,087**	24,163	**30,087**	24,163

* The amortisation charge is included in depreciation and amortisation in note 6.

Notes to the Financial Statements

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
21 DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Provisions for impairment on loans and other receivables	**1,757**	2,018	**1,757**	2,018
Derivatives	**1,139**	1,464	**1,139**	1,464
Property and equipment	**32**	23	**-**	-
Financial assets at FVOCI	**90**	70	**-**	-
Lease liabilities	**9,276**	10,125	**9,276**	10,125
Provisions	**2,881**	2,758	**2,881**	2,758
Accruals	**1,308**	1,424	**1,272**	1,306
Capital Notes	**187**	275	**187**	275
Other	**17**	39	**636**	314
	16,687	18,196	**17,148**	18,260
Set off to deferred tax liabilities (note 26)	**(14,429)**	(18,196)	**(14,277)**	(18,260)
Net deferred tax assets	**2,258**	-	**2,871**	-
Movements:				
Opening balance prior to set off	**18,196**	22,559	**18,260**	22,669
Adjustment for change in tax estimate related to prior period	**(11)**	(3,352)	**(58)**	(3,327)
Adjusted opening balance	**18,185**	19,207	**18,202**	19,342
(Charged)/credited to the income statement (note 7)	**(1,521)**	(1,106)	**(1,056)**	(1,107)
(Charged)/credited to equity (note 7) & (note 27)	**23**	95	**2**	25
Closing balance prior to set off	**16,687**	18,196	**17,148**	18,260
Unrecognised temporary differences:				
Unrecoverable losses not recognised	**600**	600	**-**	-
	600	600	**-**	-

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
22 MEMBERS' DEPOSITS				
Call deposits	**3,168,866**	3,119,960	**3,169,492**	3,121,823
Term deposits including accrued interest*	**3,830,397**	3,263,755	**3,830,397**	3,263,755
Withdrawable shares	**1,048**	1,070	**1,048**	1,070
	7,000,311	6,384,785	**7,000,937**	6,386,648

Interest is calculated on daily balance outstanding.

Details on maturity analysis for deposits are set out in note 35.

* The term deposits taken on from BCCU Ltd were adjusted to reflect the fair value at the date of acquisition and this adjustment is recognised as interest expense over the effective life of the deposits.

The fair value of Members' deposits for the financial year ended June 2024 were $1,220,739 (2023: $8,951,000) higher than the carrying value.

Concession Accounts

The Group offers low or no fee transaction accounts that do no have an overdraft facility and are only available to members that hold a Commonwealth concession card and meet the eligibility requirements. The number of members that hold this type of account is 100 (2023: 49).

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	Number of shares	Number of shares	**Number of shares**	Number of shares
(a) MEMBERS' SHARES				
Number of $10 shares (fully paid)	**102,229**	104,415	**102,229**	104,415
Number of $10 shares (partially paid $6)	**3,917**	4,006	**3,917**	4,006
Number of $10 shares (partially paid $2)	**1,060**	1,072	**1,060**	1,072
Number of $0 shares	**550**	560	**550**	560
Number of $10 on-call shares	**85,868**	69,445	**85,868**	69,445
	193,624	179,498	**193,624**	179,498
Movements:				
Opening number of shares	**179,498**	167,348	**179,498**	167,348
New shares issued during the year	**18,647**	16,610	**18,647**	16,610
Resignations during the year	**(4,521)**	(4,460)	**(4,521)**	(4,460)
Closing balance	**193,624**	179,498	**193,624**	179,498

From the 2019 financial year, new members were offered on-call shares, meaning the member does not need to submit an upfront $10 fee; however this fee is due and payable on demand.

Notes to the Financial Statements

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
23 OTHER PAYABLES				
Other payables	**11,186**	11,308	**9,845**	9,825
Transactions pending settlement	**19,454**	870	**19,454**	870
	30,640	12,179	**29,299**	10,695

Other payables are normally settled within 12 months. Other Payables includes accrued expenses and outstanding claims.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
24 BORROWINGS				
Secured by home loan portfolios	**770,875**	655,713	**-**	-
Unsecured	**488,051**	323,559	**488,051**	323,559
Term Funding Facility	**-**	190,325	**-**	190,325
Repurchase agreements	**-**	40,110	**-**	40,110
	1,258,926	1,209,707	**488,051**	553,994

As at 30 June 2024, the Bank has no outstanding amounts (2023: $190,325,650) against the RBA Term Funding Facility (notes 16 and 31).

The Trust-issued notes have been recognised as borrowings in the Group financial statements.

Repurchase agreements represents securities sold under repurchase agreements with the Reserve Bank of Australia. The Bank has pledged $0 (2023: $40,700,000) of receivables due from financial institutions as collateral as part of entering repurchase agreements as at 30 June 2024.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
25 PROVISIONS				
Employee benefits (a)	**8,681**	8,030	**8,681**	8,030
Make good (b)	**921**	1,162	**921**	1,162
	9,602	9,192	**9,602**	9,192

(a) Provision for employee benefits

The provision for employee benefits includes accrued annual leave and long service leave. For long service leave the provision covers conditional entitlements for employees with five or more years of service, and all unconditional entitlements (including pro-rata entitlements) where employees have completed the required period of service.

Based on previous experience, the Group expects the accrued employee leave entitlements to be paid out as follows:

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Within the next 12 months	**6,853**	6,257	**6,853**	6,257
Between one and two years	**494**	558	**494**	558
Later than two years	**1,334**	1,215	**1,334**	1,215
	8,681	8,030	**8,681**	8,030

25 PROVISIONS (continued)

(b) Provision for make good

The provision for make good includes any make good work which will need to be contractually completed on the expiry of certain leases.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Opening balance	**1,162**	1,103	**1,162**	1,103
Make good released during the year	**(241)**	(111)	**(241)**	(111)
Make good provided for during the year	**-**	170	**-**	170
Closing balance	**921**	1,162	**921**	1,162

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
The Group expects the make good provisions to be paid out as follows:				
Within the next 12 months	**119**	187	**119**	187
Between one and two years	**215**	67	**215**	67
Later than two years	**587**	908	**587**	908
	921	1,162	**921**	1,162

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
26 DEFERRED TAX LIABILITIES				
The balance comprises temporary differences attributable to:				
Financial assets at FVOCI	**1,631**	1,631	**1,631**	1,631
Derivatives	**1,823**	5,078	**1,823**	5,078
Property and equipment	**1,736**	2,574	**1,584**	2,422
Intangible assets	**2,270**	3,133	**2,270**	3,133
Right-of-use-assets	**6,968**	7,769	**6,968**	7,769
Other	**1**	10	**1**	10
	14,429	20,195	**14,277**	20,043
Set off of deferred tax assets (note 21)	**(14,429)**	(18,196)	**(14,277)**	(18,259)
Net deferred tax liabilities	**-**	1,999	**-**	1,784
Movements:				
Opening balance prior to set off	**20,195**	18,554	**20,043**	18,384
Adjusted opening balance	**20,195**	18,554	**20,043**	18,384
Charged/(credited) to the income statement (note 7)	**(2,861)**	579	**(2,861)**	579
Charged/(credited) to equity (note 7) & (note 21)	**(2,905)**	1,062	**(2,905)**	1,080
Closing balance prior to set off	**14,429**	20,195	**14,277**	20,043

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
27 MEMBERS' FUNDS				
Reserves				
General reserve (a)	**220,000**	220,000	**220,000**	220,000
Share capital reserve (b)	**1,773**	1,752	**1,773**	1,752
Cash flow hedge reserve (c)	**1,541**	8,546	**1,541**	8,546
Financial asset held at FVOCI reserve (d)	**1,489**	1,537	**3,700**	3,700
Land and Buildings Revaluation held in FVOCI reserve (e)	**1,152**	1,152	**796**	796
	225,955	232,987	**227,810**	234,794
Retained earnings				
Balance at beginning of year	**118,878**	104,242	**116,929**	102,303
Prior period adjustment	**310**	(484)	**257**	(400)
Profit for the year	**24,224**	19,488	**24,790**	19,394
Total available for appropriation	**143,412**	123,246	**141,976**	121,297
Dividends Paid	**(5,252)**	(4,344)	**(5,252)**	(4,344)
Amount transferred to share capital reserve (b)	**(22)**	(24)	**(22)**	(24)
Balance at end of year	**138,138**	118,878	**136,702**	116,929
Contributed equity				
Balance at beginning of year	**150,719**	150,719	**150,719**	150,719
Balance at end of year	**150,719**	150,719	**150,719**	150,719
Issued Capital (f)				
Balance at beginning of year	**73,940**	73,970	**73,940**	73,970
Issue Costs, net of tax	**(6)**	(30)	**(6)**	(30)
Balance at end of year	**73,934**	73,940	**73,934**	73,940

(a) General reserve

The general reserve represents an historical transfer from retained earnings.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
(b) Share capital reserve				
Balance at beginning of year	**1,752**	1,728	**1,752**	1,728
Transfer from retained profits	**22**	24	**22**	24
Balance at end of year	**1,773**	1,752	**1,773**	1,752

Nature and purpose of share capital reserve

The share capital reserve reflects the share capital created on redemption of members' withdrawable shares. Under section 254K of the *Corporations Act 2001*, these redemptions must be made from retained profits. This reserve is also eligible to be included as Tier 1 capital.

27 MEMBERS' FUNDS (continued)

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
(c) Cash flow hedge reserve				
Balance at beginning of year	**8,546**	6,027	**8,546**	6,027
Revaluation gain/(loss) of cash flow hedge instruments	**(9,925)**	3,498	**(9,925)**	3,498
Ineffective gains/(losses) recognised in the income statement	**(83)**	101	**(83)**	101
Tax (effect)/benefit of revaluations	**3,003**	(1,080)	**3,003**	(1,080)
Changes in the fair value of cash flow hedges, net of tax	**(7,005)**	2,519	**(7,005)**	2,519
Balance at end of year	**1,541**	8,546	**1,541**	8,546

Nature and purpose of hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in note 1(y). Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
(d) Financial assets held at FVOCI reserve				
Balance at beginning of year	**1,537**	1,741	**3,700**	3,700
Revaluation increase for the year	**-**	-	**-**	-
Revaluation decrease for the year	**(67)**	(292)	**-**	-
Tax (effect)/benefit of revaluations	**19**	88	**-**	-
Changes in the fair value of financial asset, net of tax	**(48)**	(204)	**-**	-
Balance at end of year	**1,489**	1,537	**3,700**	3,700

Nature and purpose of financial asset held at FVOCI reserve

The reserve is used to record gains and losses resulting from movement in the fair value of Financial assets held at FVOCI (note 10).

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
(e) Land and Buildings Revaluation held in FVOCI reserve				
Balance at beginning of year	**1,152**	1,152	**796**	796
Revaluation of land and buildings	**-**	-	**-**	-
Tax effect of revaluations	**-**	-	**-**	-
Balance at end of year	**1,152**	1,152	**796**	796

Nature and purpose of Land and Buildings Revaluation held in FVOCI reserve

The reserve is used to record gains resulting from the revaluation of the land and buildings held at Fair Value, in line with the Group Accounting Policy (note 1(d)). Refer to note 17 for revaluations recorded during the financial period.

Notes to the Financial Statements

27 MEMBERS' FUNDS (continued)

Year Ended 30 June 2024	Group			
	2024	**2024**	2023	2023
	No.	**$000**	No.	$000
(f) Issued Capital				
Balance at beginning of year	**7,500**	**73,940**	7,500	73,970
Issue costs	**-**	**(9)**	-	(45)
Deferred Tax	**-**	**3**	-	15
Balance at end of year	**7,500**	**73,934**	7,500	73,940

Year Ended 30 June 2024	Bank			
	2024	**2024**	2023	2023
	No.	**$000**	No.	$000
Issued Capital				
Balance at beginning of year	**7,500**	**73,940**	7,500	73,970
Issue costs	**-**	**(9)**	-	(45)
Deferred Tax	**-**	**3**	-	15
Balance at end of year	**7,500**	**73,934**	7,500	73,940

Capital Note - additional Tier 1 Capital

On 26 May 2022, the Group issued $75 million of Police & Nurses Limited Capital Notes (PNL Capital Notes).

The securities were perpetual, non-cumulative, subordinated and unsecured notes. The Capital Notes were recognised at fair value on acquisition less issuance costs, net of deferred tax.

The face value of the Capital Notes on issue was $75 million at a price of $10,000 per note. They qualify as Additional Tier 1 Capital of the Bank under Basel III as implemented by APRA.

The principal terms of the Capital Notes are described below:

- The Capital Notes were $75 million subordinated perpetual floating rate notes, issued 26 May 2022 with an optional call date on 26 May 2027.
- The Capital Notes were undated with no maturity and, unless a tax event or regulatory event occurs, are only redeemable at the option of the Bank on or after the fifth anniversary of the date of issue, subject to regulatory approval.
- The Bank may only redeem the Capital Notes if it has received APRA's prior written approval (which may or may not be given).
- Capital Notes pay quarterly floating rate non-cumulative distributions, at the discretion of the Bank. The distribution rate is based on the floating 3-month Bank Bill Swap Rate.
- Capital Notes are convertible to Mutual Capital Instruments (MCIs) on a non-viability event, or may be written-off on a non-viability trigger event, as determined by APRA.
- In a winding up of the Bank, if the Capital Notes have not been converted to MCIs or written-off on account of a non-viability trigger event, they will rank for payment:
  - Ahead of common equity;
  - Equally without any preference amongst themselves for each series and with the holders of equal ranking instruments; and
  - Behind the claims of senior creditors of the Bank.

Notes to the Financial Statements

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
28 DIVIDENDS				
Quarterly cash dividend for period ended 28 Aug 2023 at distribution rate of $174.82 per note. (Quarterly cash dividend for period ended 26 August 2022 at distribution rate of $120.6 per note)	**1,312**	904	**1,312**	904
Quarterly cash dividend for period ended 27 Nov 2023 at distribution rate of $172.51 per note. (Quarterly cash dividend for period ended 28 November 2022 at distribution rate of $147.1 per note)	**1,294**	1,103	**1,294**	1,103
Quarterly cash dividend for period ended 26 Feb 2024 at distribution rate of $176.75 per note. (Quarterly cash dividend for period ended 27 February 2023 at distribution rate of $154.6 per note)	**1,326**	1,160	**1,326**	1,160
Quarterly cash dividend for period ended 27 May 2024 at distribution rate of $176.01 per note. (Quarterly cash dividend for period ended 26 May 2023 at distribution rate of $156.9 per note)	**1,320**	1,177	**1,320**	1,177
	5,252	4,344	**5,252**	4,344
Franking credits allocated based on a tax rate of 30% (2023 - 30%)	**2,251**	1,862	**2,250**	1,862
	2,251	1,862	**2,250**	1,862

Dividends during the period relate to fully franked quarterly discretionary distributions on the Capital Note and are recognised directly in retained earnings. Capital Note issuance was for $75 million at $10,000 per note.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
29 NOTES TO THE CASH FLOW STATEMENTS				
(a) Reconciliation of the operating profit after tax to the net cash flows from operations				
Profit after income tax	**24,375**	19,477	**24,790**	19,394
Depreciation and amortisation	**16,147**	13,165	**16,116**	13,134
Credit impairment charge/(reversal) excluding bad debts recovered	**386**	819	**386**	819
(Gain)/Loss on disposal of property and equipment	**117**	134	**117**	134
Non cash dividends received	**-**	(407)	**(1,080)**	(1,152)
Increase/(decrease) in provisions	**410**	740	**410**	740
Decrease/(increase) in investment	**-**	(4)	**-**	4
Increase in loans	**(659,182)**	(824,802)	**(659,181)**	(824,850)
(Decrease)/increase in net borrowings from other financial institutions	**49,219**	240,925	**(65,942)**	(20,267)
(Increase)/Decrease in interest earning investments	**(92,271)**	83,968	**(92,271)**	83,968
Decrease/(increase) in other receivables	**6,455**	6,310	**6,145**	5,303
Increase/(decrease) in member deposits	**616,114**	637,446	**614,878**	635,135
(Decrease)/increase in interest rate swaps	**(449)**	3	**(449)**	(392)
(Decrease)/increase in accrued expenses and other payables	**21,400**	(18,285)	**21,891**	(18,136)
(Increase)/decrease in current tax assets	**3,676**	1,915	**3,641**	1,807
(Increase)/decrease in deferred tax assets	**(4,256)**	4,363	**(4,654)**	4,410
Increase/(decrease) in deferred tax liabilities	**(5,765)**	1,641	**(5,765)**	1,659
(Increase)/decrease in sundry debtors and prepayments	**(1,947)**	(1,942)	**(1,947)**	(1,942)
(Increase)/decrease in Financial Assets held at FVTPL	**-**	(3)	**-**	-
Net cash inflow/(outflow) from operating activities	**(25,571)**	165,463	**(142,915)**	(100,232)

29 NOTES TO THE CASH FLOW STATEMENTS (continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the periods presented.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Net debt				
Cash and cash equivalents	**255,582**	309,257	**183,238**	221,739
Borrowings - repayable within one year (including overdraft)	**(721,944)**	(953,694)	**(488,051)**	(553,994)
Borrowings - repayable after one year	**(536,982)**	(256,013)	**-**	-
Net Debt	**(1,003,344)**	(900,450)	**(304,813)**	(332,255)
Cash and liquid investments	**255,582**	309,257	**183,238**	221,739
Gross debt - fixed interest rates	**(488,051)**	(553,994)	**(488,051)**	(553,994)
Gross debt - variable interest rates	**(770,875)**	(655,713)	**-**	-
Net Debt	**(1,003,344)**	(900,450)	**(304,813)**	(332,255)

Year Ended 30 June 2024	Other assets	Liabilities from financing activities		
	Cash	Borrowings due < 1 year	Borrowings due > 1 year	Total
	$000	$000	$000	$000
Group				
Net debt as at 1 July 2022	167,898	(412,182)	(556,600)	(800,884)
Cash flows	141,359	(541,512)	300,587	(99,566)
Net debt as at 30 June 2023	309,257	(953,694)	(256,013)	(900,450)
Net debt as at 1 July 2023	**309,257**	**(953,694)**	**(256,013)**	**(900,450)**
Cash flows	**(53,675)**	**231,750**	**(280,969)**	**(102,894)**
Net debt as at 30 June 2024	**255,582**	**(721,944)**	**(536,982)**	**(1,003,344)**
Bank				
Net debt as at 1 July 2022	90,466	(383,957)	(190,304)	(483,795)
Cash flows	131,273	(170,037)	190,304	151,540
Net debt as at 30 June 2023	221,739	(553,994)	-	(332,255)
Net debt as at 1 July 2023	**221,739**	**(553,994)**	**-**	**(332,255)**
Cash flows	**(38,501)**	**65,943**	**-**	**27,442**
Net debt as at 30 June 2024	**183,238**	**(488,051)**	**-**	**(304,813)**

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
30 EXPENDITURE COMMITMENTS				
(a) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance sheet date but not provided for				
- payable not later than one year	**364**	1,038	**364**	1,038
- later than one year and not later than five years	**-**	-	**-**	-
Aggregate contractual obligation for future capital commitments - not recognised as a liability	**364**	1,038	**364**	1,038
(b) Other expenditure commitments				
- not later than one year	**35,402**	7,615	**35,402**	7,615
- later than one year and not later than five years	**93,332**	12,368	**93,332**	12,368
Aggregate contractual obligation for other future commitments - not recognised as a liability	**128,733**	19,983	**128,733**	19,983
(c) Variable rental outgoings				
- not later than one year	**1,214**	1,085	**1,214**	1,085
- later than one year and not later than five years	**3,780**	3,695	**3,780**	3,695
- later than five years	**375**	1,130	**375**	1,130
Aggregate contractual obligation for future variable outgoings - not recognised as a liability	**5,369**	5,910	**5,369**	5,910

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
31 FINANCING FACILITIES, CONTINGENT LIABILITIES AND CREDIT COMMITMENTS				
Credit related commitments: approved but undrawn loans and other available credit and guarantees	**1,028,776**	973,822	**1,028,776**	973,822

The Bank has significant service contracts with Cuscal Limited and Indue. These entities provide the Bank with rights to the VISA card systems in Australia and provide settlement services with other financial institutions for ATM and VISA card transactions, BPay, cheque processing, NPP and Direct Entry transactions.

The Bank has entered the following financial arrangements with Cuscal:

- overdraft of $3,000,000 (unused as at 30 June 2024).
- lodged a settlement security deposit of $28,000,000 under the Standard Terms and Conditions.
- lodged an overdraft security deposit of $3,000,000 under the Standard Terms and Conditions.

The Bank has entered the following financial arrangements with Indue:

- overdraft of $1,250,000 (unused as at 30 June 2024).
- lodged a settlement security deposit of $50,000 under the Standard Terms and Conditions.

At completion of the available drawdown period, the Bank was granted secured Term Funding Facilities (TFF) by the RBA for the amounts of $149,792,000 and a supplemental allowance of $101,396,000. The facilities were 3-year fixed rate facilities priced at 0.25% and 0.10% respectively, drawable up to the end of June 2021. As at 30 June 2024, the Bank had outstanding amounts of $0 (2023: $189,796,164).

The Bank has issued guarantees to support the obligations of certain members. The guarantees are for limited amounts and limited terms. Security is taken from the member whose obligation is guaranteed in accordance with the Bank's lending policies. The maximum value of those liabilities was $27,228,609 (2023: $1,361,222). Management and Directors are not aware of any claims, either current or pending, in relation to those guarantees.

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$	$	**$**	$
32 KEY MANAGEMENT PERSONNEL DISCLOSURES				
Total key management personnel remuneration	**4,766,370**	4,094,885	**4,766,370**	4,094,885
Short-term employee benefits	**4,188,723**	3,885,328	**4,188,723**	3,885,328
Post-employment benefits	**197,200**	162,168	**197,200**	162,168
Other long-term benefits	**-**	-	**-**	-
Termination benefits	**380,447**	47,388	**380,447**	47,388
	4,766,370	4,094,885	**4,766,370**	4,094,885

Persons who had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors, during the financial year are considered to be key management personnel.

As members of the Bank, the key management personnel and their related entities have all of the services available to them under standard member terms and conditions.

The employee banking product offer has been designed to offer tangible benefit to being a PNL employee. Employee product rates are controlled via a discount to the indexed rate of the product which will ensure the organisation retains control over pricing changes as well as the ability to revert interest rates to the normal member rate when employees leave PNL.

As employees of the Bank, key management personnel that are not Directors can access these discounts. The terms and conditions in respect of all loans to key management personnel and their related entities have not been breached. All key management personnel and their related entities have placed deposits with the Bank during the year under normal member terms and conditions.

Each current key management person holds one member share in the Bank.

Year Ended 30 June 2024	Bank	
	2024	2023
	$	$
Loans outstanding to key management personnel and their related entities:		
Total loans as at 30 June 2024	**1,583,798**	5,316,307
Of which, loans under normal member terms and conditions	**108,959**	2,902,719
Loan advances	**-**	520,870
Loan repayments	**292,777**	263,187
Interest on loans	**4,075**	84,112
Loans outstanding to key management personnel and their related entities:		
Total discounted loans as at 30 June 2024	**1,474,839**	2,413,588
Of which, unsecured loan balance	**-**	-
Loan advances	**-**	1,699,918
Loan repayments	**127,203**	346,007
Interest on loans	**18,078**	39,325
Outstanding deposits held by key management personnel and their related entities:		
Balance of deposits as at 30 June 2024	**2,633,977**	2,201,899
Additional deposits	**6,371,899**	7,355,188
Withdrawals	**6,677,279**	6,375,393
Interest on deposits	**59,565**	976

Notes to the Financial Statements

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
33 AUDITOR'S REMUNERATION				
(a) Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity - Grant Thornton				
- statutory financial reports audit services	**262,455**	257,440	**262,455**	257,440
- other assurance services	**94,673**	79,574	**57,228**	47,978
	357,128	337,014	**319,683**	305,418
(b) Remuneration for other services:				
Auditor of the parent entity - Grant Thornton				
- taxation advice	**18,385**	22,245	**18,385**	22,245
Total auditor's remuneration	**375,513**	359,259	**338,068**	327,663

34 RELATED PARTY DISCLOSURES

The Bank charges its controlled entities for certain costs.

The Bank acts as banker for some of the subsidiaries in the Group, with cash transactions being undertaken on behalf of the subsidiaries and adjusted for through amounts payable/receivable to/from the Bank. All intercompany balances, except for balances with securitisation trusts, are non-interest bearing. Some subsidiaries maintain separate deposit accounts with the Bank under normal commercial terms.

The Bank holds Investments in Securitisations which are issued by related securitisation trusts (note 12). Other balances with related entities are recorded in note 16.

The Bank transacted with its wholly-owned Australian controlled entities under the accounting tax sharing agreement described in note 7.

Year Ended 30 June 2024	Bank	
	2024	2023
	$000	$000
Aggregate amounts included in the determination of profit before income tax that resulted from transactions with entities in the Group:		
Interest revenue	**79,105**	59,315
Interest expense	**122,425**	74,825
Securitisation service fee revenue	**7,973**	7,400
Dividend revenue	**2,259**	400
Lease expense	**47**	47
Aggregate amounts receivable from entities in the Group at balance sheet date	**28,749**	59,754
Aggregate amounts payable to entities in the Group at balance sheet date	**749,588**	677,019

Financial Instrument transactions of KMPs (including close family members or entities controlled, jointly controlled, or significantly influenced by them or any entity over which any of these family members or entities held significant voting power) occur in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees. At 30 June 2024, the KMPs held 22 shares of the PNL Capital Note. During the period, they received $15,406 in distributions from these Capital Notes, detailed in note 28.

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT

The Bank and the consolidated Group have exposure to the following risks from their use of financial instruments:

- market risk
- liquidity risk
- credit risk

The Board of Directors has overall responsibility for the establishment and oversight of the Risk Management Framework (**RMF**). The Board has established the Risk Committee, which is responsible for the objective review and oversight of all types of risks relevant to the Group by overseeing the design, implementation, and operation of the RMF, commensurate with the risks faced by the Group. In particular, the Risk Committee also reviews and makes recommendations to the Board on the Risk Appetite Statement (**RAS**), participates in the Internal Capital Adequacy Assessment process, reviews all key risk frameworks and policies, and monitors and reports to the Board on new and emerging risks.

The Risk Committee also monitors management compliance with the Group's risk management policies and procedures and is assisted in its oversight role by internal auditors. The internal auditors undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and/or Risk Committee.

Risk management policies are established to identify and understand the risks faced by the Group, to set appropriate risk limits and controls, and to ensure adherence with the frameworks detailed within the relevant policies. Risk management policies and systems are reviewed regularly in alignment with changes in market conditions and/or the Group's activities. Training, policies, and procedures support the Group's objective of maintaining a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

(a) Market risk management - objectives and policies

The Group defines its market risk exposure as the risk of the change in the fair value of future cash flows from banking activities due to changes in market determined rates. The Group's only market risk exposure is to changes in interest rates as the Group does not transact in foreign currencies, commodities or equity products as part of its normal banking operations. The interest rate risk exposures arises out of normal banking activities.

The Group does not undertake trading activities, and manages its market risk exposure as Interest Rate Risk in the Banking Book, or IRRBB.

The IRRBB risk is managed through the utilisation of interest rate swaps, which reduces repricing risk. The Group uses these interest rate swaps to manage exposures as part of its interest rate risk hedging strategy.

The Group has a defined governance framework for market risk management and measurement, which sets Board approved limits. The Group applies a 'Value at Risk' methodology (VaR) to estimate the market risk of its asset and liability portfolio, earnings at risk analysis (EAR), and interest rate sensitivity analysis (EVE). The Group further monitors change in value (PVbp) measures to manage market risk exposure on an ongoing basis.

The Group calculates its VaR, EAR and EVE exposures and compares these exposures to the related limits set and approved by the Board.

The Group structures the levels of market risk it accepts by placing limits on the amount of overall exposure, and where appropriate, on exposures in numerous time buckets. Market risk exposures are governed by the Market Risk Management Policy, with annual policy reviews by the Board.

The Group monitors and manages market risk exposures against these limits on an ongoing basis via its Asset and Liability Committee (ALCO), which reports via the Risk Committee to the Board. Market risk is managed within the Group's Treasury operations.

The Group has a comprehensive risk management framework in place for managing market risk, which includes:

- A Market Risk Management Policy which contains limits for VaR, EVE and PVbp.
- Ongoing monitoring of interest rate movements and market risk exposure
- At least monthly market risk exposure review by ALCO
- Ongoing VaR, EVE, EAR and PVbp analysis
- Ongoing duration and gap analysis monitoring

The Group's market risk exposure is considered to be consistent with regulatory guidance and acceptable industry levels for an entity without a trading book, and hence it is considered that the market risk is low.

35 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk management - objectives and policies (continued)

Interest rate sensitivity analysis

The Group analyses interest rate sensitivity on a wholistic basis using EAR and EVE.

The following table illustrates the impact on the Group and the Bank of a 100 basis point (bp) change in interest rates (up and down). It is assumed that the change is parallel across the yield curve.

Year Ended 30 June 2024		Group			
		+100bp		-100bp	
	Carrying amount	Income statement	Other movements in equity	Income statement	Other movements in equity
	$000	$000	$000	$000	$000
2024					
Cash and cash equivalents	**255,582**	**2,406**	**-**	**(563)**	**-**
Receivables due from other financial in stitutions	**1,225,536**	**9,959**	**-**	**(9,944)**	**-**
Loans and advances	**7,335,898**	**61,743**	**-**	**(61,743)**	**-**
Derivative financial instruments	**2,787**	**-**	**(517)**	**-**	**506**
Members' deposits	**(7,000,311)**	**(617)**	**-**	**616**	**-**
Borrowings	**(1,258,926)**	**(6,542)**	**-**	**6,542**	**-**
Total increase/(decrease)	**560,566**	**66,949**	**(517)**	**(65,092)**	**506**
2023					
Cash and cash equivalents	309,257	2,930	-	(652)	-
Receivables due from other financial institutions	1,133,288	9,448	-	(9,434)	-
Loans and advances	6,670,693	47,961	-	(47,961)	-
Derivative financial instruments	13,172	-	5,785	-	(5,907)
Members' deposits	(6,384,785)	(45,273)	-	45,238	-
Borrowings	(1,209,707)	(9,469)	-	9,464	-
Total increase/(decrease)	531,918	5,597	5,785	(3,345)	(5,907)

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk management - objectives and policies (continued)

Year Ended 30 June 2024

	Bank				
		+100bp		-100bp	
	Carrying amount	**Income statement**	**Other movements in equity**	**Income statement**	**Other movements in equity**
	$000	**$000**	**$000**	**$000**	**$000**
2024					
Cash and cash equivalents	**183,238**	**1,705**	**-**	**(388)**	**-**
Receivables due from other financial institutions	**1,225,536**	**9,959**	**-**	**(9,944)**	**-**
Loans and advances	**7,335,898**	**61,743**	**-**	**(61,743)**	**-**
Derivative financial instruments	**2,703**	**(20)**	**(517)**	**21**	**506**
Members' deposits	**(7,000,937)**	**(617)**	**-**	**616**	**-**
Borrowings	**(488,051)**	**(4,027)**	**-**	**4,020**	**-**
Due to controlled entities	**(749,588)**	**(426)**	**-**	**426**	**-**
Total increase/(decrease)	**508,799**	**68,317**	**(517)**	**(66,992)**	**506**
2023					
Cash and cash equivalents	221,739	2,087	-	(441)	-
Receivables due from other financial institutions	1,133,288	9,448	-	(9,434)	-
Loans and advances	6,670,693	47,961	-	(47,961)	-
Derivative financial instruments	12,644	(128)	5,785	130	(5,907)
Members' deposits	(6,386,648)	(45,273)	-	45,238	-
Borrowings	(553,994)	(3,888)	-	3,884	-
Due to controlled entities	(677,019)	(5,581)	-	5,581	-
Total increase/(decrease)	420,703	4,626	5,785	(3,003)	(5,907)

Refer to note 15 for the fair value of interest rate swaps.

Hedge accounting disclosures

The Bank is exposed to the variability in expected future cash flows attributable to a portfolio containing fixed and variable rate loans funded by variable and fixed rate deposits. To reduce risk the Bank enters into hedging agreements, primarily interest rate swap contracts, to receive floating and pay fixed interest and to pay floating and receive fixed interest.

The objective of these hedges is to manage the variability of interest rate cash flows over the hedging period.

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk management - objectives and policies

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Group monitors and manages its liquidity risk on an ongoing basis within its Treasury operations and via its ALCO, which reports to the Risk Committee and to the Board. The Group monitors its liquidity risk by placing minimum limits on the amount of liquidity held. Liquidity risk is governed by policies, with annual policy reviews by the Board.

The Group maintains a portfolio of high-quality liquid assets at all times. The Group's liquid assets consist of cash, and both short- and long-term investments in RBA repo-eligible securities.

Financing arrangements

Liquidity support is available in the form of a $3,000,000 (2023: $3,000,000) overdraft facility with Cuscal. This facility was undrawn as at 30 June 2024.

Also maintained by the Group are:

- a securitisation warehouse facility with Australia and New Zealand Banking Group Limited under the Pinnacle RMBS Warehouse Trust of $260,000,000 (2023: $500,000,000), of which $24,340,500 (2023: $ 107,259,675) was available for drawdown as at 30 June 2024; and
- a self-securitisation facility under the Pinnacle Series Trust 2014-SST of $1,345,000,000 (2023: $1,445,000,000). The A Notes (AAA rated) of $1,195,000,000 (2023: $1,283,000,000) are available as a source of contingent liquidity via repurchase agreements with the RBA if required in the event of a liquidity stress scenario. The A Notes support drawdown of the RBA's TFF, and a portion of the A Notes were held as encumbered assets in the previous reporting period (note 16).

The Group and the Bank had access to the following undrawn borrowing facilities as at 30 June 2024:

Year Ended 30 June 2024	Group		Bank	
	2024	2023	**2024**	2023
	$000	$000	**$000**	$000
Floating rate				
Expiring within one year (overdraft facilities)	**4,250**	4,250	**4,250**	4,250
	4,250	4,250	**4,250**	4,250

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk management - objectives and policies (continued)

The below tables represent the maturities of financial liabilities.

Year Ended 30 June 2024	Group					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	$000	$000	$000	$000	$000	$000
Maturities of financial liabilities						
2024						
Borrowings	**-**	**371,234**	**352,013**	**-**	**535,679**	**1,258,926**
Members' deposits	**3,194,429**	**1,753,761**	**1,877,289**	**174,832**	**-**	**7,000,311**
Derivative financial instruments	**-**	**-**	**1,364**	**2,686**	**-**	**4,050**
Other payables	**-**	**30,640**	**-**	**-**	**-**	**30,640**
Lease liabilities	**-**	**921**	**4,547**	**18,987**	**6,464**	**30,919**
	3,194,429	**2,156,556**	**2,235,213**	**196,505**	**542,143**	**8,324,846**
2023						
Borrowings	-	388,401	567,937	-	255,713	1,212,051
Members' deposits	3,129,458	1,485,505	1,604,097	201,099	195	6,420,354
Derivative financial instruments	-	-	-	5,619	-	5,619
Other payables	-	12,179	-	-	-	12,179
Lease liabilities	-	1,122	4,946	19,793	10,191	36,052
	3,129,458	1,887,207	2,176,980	226,511	266,099	7,686,255

Year Ended 30 June 2024	Bank					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	$000	$000	$000	$000	$000	$000
Maturities of financial liabilities						
2024						
Borrowings	**-**	**371,698**	**116,353**	**-**	**-**	**488,051**
Members' deposits	**3,195,055**	**1,753,761**	**1,877,289**	**174,832**	**-**	**7,000,937**
Derivative financial instruments	**-**	**-**	**1,364**	**2,686**	**-**	**4,050**
Other payables	**-**	**29,299**	**-**	**-**	**-**	**29,299**
Lease liabilities	**-**	**921**	**4,547**	**18,987**	**6,464**	**30,919**
	3,195,055	**2,155,679**	**1,999,553**	**196,505**	**6,464**	**7,553,256**
2023						
Borrowings	(300)	388,401	167,937	-	-	556,038
Members' deposits	3,129,458	1,485,505	1,604,097	201,099	195	6,420,354
Derivative financial instruments	-	-	-	5,619	-	5,619
Other payables	-	10,695	-	-	-	10,695
Lease liabilities	-	1,122	4,946	19,793	10,191	36,052
	3,129,158	1,885,723	1,776,980	226,511	10,386	7,028,758

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies

Credit risk is the risk of a bank borrower or counterparty failing to meet contractual obligations in accordance with agreed terms, potentially resulting in losses.

Credit risk may arise from both lending activities to members and exposure to bank counterparties in respect of liquidity investments.

The Group has established a RAS which sets out the level of risk the business is willing to take across its operations including credit risk. The Group also operates within an established RMF and has an appropriate risk structure to ensure robust management of credit risk.

Management and control of credit risk is centralised through a Credit Committee which meets monthly and reports to the Board, the Board Risk Committee, and the Executive Committee.

Lending activities to members cover both secured and unsecured retail lending and secured commercial lending. The Group maintains policies, credit decision-making systems and processes to ensure appropriate analysis is undertaken to mitigate credit risk.

Climate-related risk

One area impacting credit risk is climate-related risks. Climate-related risks can be categorised as physical risks such as damage caused to assets, property or businesses as a result of changes in climate conditions or transition risks which arise from changes to policy, legislation, product demand and compliance surrounding climate change and the move to a low-carbon society. The processes for identifying, assessing, and managing climate-related risks is integrated into the Group's overall Risk Management Framework (RMF) which has oversight from the Executive and Board. The Group are working to enhance their identification and assessment of climate-related risks that have the potential to have a financial impact on the organisation in the short, medium and long term.

The Group recognises the potential exposure to climate change risk through its lending activities as climate risk drivers have the potential to reduce customers' capacity to repay a loan and ultimately affect customers' probability of default and loss given default (as defined below). The Group intends to engage professional climate risk services to undertake scenario analysis in order to understand its exposure to physical risks arising from climate change on its residential mortgage book and how these risks may impact its strategy and risk management decisions.

Providing for Credit Risk

To determine credit quality, the Group has implemented a credit risk grading system. The credit risk grading system highlights changes in the Group's credit risk profile and trends in asset quality. Retail loans with similar risk characteristics are managed on a portfolio basis. In relation to the home loan portfolio, credit quality is aligned to APRA Standard APS 112 Standardised approach to Credit Risk.

Within the commercial loan portfolio each exposure greater than $500,000 is graded on an individual basis. All credit exposures are regularly monitored to ensure that any deterioration in credit quality is identified and appropriately managed. Where recoverability is in doubt, loans are individually managed, and specific provisions are raised.

The Group manages and monitors credit concentration risk and large exposures (to an individual counterparty or group) through a series of key risk indicators with defined limits and tolerance thresholds based on a comprehensive risk assessment.

The Group continues to enhance and update Key Risk Indicators (KRIs) to account for potential emerging risks. Updates from the prior year include additions of rolling quarterly impairment expenses, large aggregate retail loan exposures and improved oversight of Housing Australia Scheme Loans. These additions ensure sufficient oversight/governance and credit risk controls.

ECL Model

The Group applies a simplified ECL model to all financial assets accounted for at amortised cost and FVOCI. Under the ECL model the Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The credit loss is the sum of these probability-weighted outcomes and the ECL estimates are unbiased and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Model methodology

The model uses historic loan performance data and benchmarking to calculate product class segmented probability of default percentages (**PD**) and loss given default percentages (**LGD**). It then allocates each account in the loan book into one of 3 stages based on credit risk and calculates an account level exposure at default (**EAD**) and an ECL.

ECL = PD X LGD X EAD

The calculation is broken down into monthly components and discounted back to current date (using the individual account interest rate). For example, a 12-month ECL calculation for a stage 1 loan will be calculated for each of the 12 months separately (including expected exposure for each month discounted over a different period) and combined to give the total provision.

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

Segmentation

For modelling purposes, the portfolio is divided into the below product class segments:

- Commercial
- Home Loan
- Credit Card
- Personal Loans
- Overdrafts
- Secured Lines of Credit
- Savings Accounts (overdrawn with no overdraft facility)

Staging

Each account is allocated to a stage based on the current credit risk and the ECL calculation varies depending on stage

Stage 1 - performing. Accounts with no arrears and up to 29 days arrears are allocated to stage 1. ECL is a 12-month loss period based on the probability of going into default over the next 12 months.

Stage 2 - significant increase in credit risk. Accounts with 30 to 89 days arrears and accounts where the customer is under a hardship arrangement are allocated to stage 2. ECL is calculated as a lifetime loss based on the probability of going into default over the lifetime of the loan.

Stage 3 - impaired. Accounts with greater than 90 days arrears or have been 90 days past due and yet to satisfy three months of payments on the account or an event of default has occurred e.g., bankruptcy are allocated to stage 3. ECL is also the lifetime loss, although as the loan is already in default, the probability of default is 100%.

Individual provisions - for most stage 3 accounts, the Group holds an individual provision for the full amount (less anything considered recoverable on secured loans). For loans that are considered well secured, a collective provision rather than an individual provision will be applied. The model does not apply a collective provision on accounts where an individual provision is held.

Probability of Default

The probability of default is based on a roll rate model. It divides loan data into different arrears buckets (such as 30, 60, 90 days past due), and measures the proportion of accounts that “roll” from one bucket to another, which determines the transition probability. Default is defined as 90 days or more in arrears.

Loss Given Default

For Personal Loans, Credit Cards, and Overdrafts the Loss Given Default model is calculated across historic data. For Home Loans, Secured Lines of Credit and Commercial Loans, the model uses benchmark numbers due to the lack of historic write offs to build a statistically valid model.

Exposure at Default

For revolving credit facilities, the maximum limit available is used for exposure. For term loans, the scheduled balance in the month being calculated is used.

Lifetime

The model calculates a behavioural life for loans based on historic data. For Personal Loans and Commercial Loans, where accounts are generally held until maturity the contractual life is used.

Macroeconomic Overlay

The macro-economic overlay is a forward-looking enhancer applied against the outputs of the Base ECL to account for forecasted changes in macro-economic variables. The is be used to add impact of economic outlook to an ECL outcome that has not considered economic condition. The impact of an everchanging globally linked economy is mitigated via quarterly economic macro updates to the model. This allows PNL to consider if significant economic events have occurred and macro projections need to be reconsidered.

The model includes two macroeconomic factors which are strongly related to delinquency and losses (Inflation and state unemployment rates NSW & WA). Three scenarios for 5-year forecasts for each factor are loaded and these are individually weighted to feed into an adjustment to the overall collective ECL calculation.

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

Data and model recalibration

Each month the full loan book with loss data is loaded into the model to increase the amount of data available. The model recalculates all ECL inputs based on the last three years of data, so the model dynamically recalibrates each month.

(i) Financial instruments subject to Impairment by internal credit risk grading

Internal credit grades

the Group's retail credit risk grading system is defined below.

- **CRG1 – Low Risk**

Retail loan products that are homogeneous in nature, qualify as standard eligible mortgages or non-standard eligible mortgages under APS 112 and have the following characteristics:

- Qualify for a risk weight of 20-50% (standard mortgages only)

Other non-loan exposures that have been evaluated as low risk have been booked in this category.

- **CRG2 – Sound Risk**

Retail loan products that are homogeneous in nature, qualify as standard eligible mortgages or non-standard eligible mortgages under APS 112 and have the following characteristics:

- Qualify for a risk weight of 50-70% (standard mortgages only)

- **CRG3 – Stable Risk**

Retail loan products that are homogeneous in nature, qualify as standard eligible mortgages or non-standard eligible mortgages under APS 112 and have the following characteristics:

- Qualify for a risk weight of 70-105% (standard mortgages only)

- **CRG4 – Moderate Risk**

Loan products that have the following characteristics:

- Qualify for a 75-100% risk weight under APS 112.
- Unsecured, partially secured or fully secured by forms of security other than registered first mortgage (or second mortgage where priority is granted or the property value is sufficient to cover total debts against that security). e.g. secured personal loans.

- **CRG5 – Acceptable Risk**

Loan products that have the following characteristics:

- Qualify for a 75-100% risk weight under APS 112.
- Unsecured e.g. credit cards, personal loans.
- Includes overdrafts.

- **CRG6 – Managed**

Loans that are being individually managed due to default where a loss is possible.

These facilities include:

Members that are experiencing difficulties which, if they persist, could result in losses – such members are subject to special monitoring, including more frequent review and management scrutiny. Or, loans that are being individually managed due to default where a loss is possible.

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

The following tables disclose, by internal rating grades and ECL impairment stage, the gross carrying amount of assets measured at amortised cost, and the undrawn credit commitments of the Group and the Bank, that are subject to the impairment requirements of AASB 9. The tables exclude the benefit of collateral.

Year Ended 30 June 2024	Group				
	Stage 1	Stage 2	Stage 3		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
Internal rating	**$000**	**$000**	**$000**	**$000**	**$000**
Low (Internal risk grade 1)					
Cash and cash equivalents	255,582	-	-	-	255,582
Receivables due from financial institutions	1,225,887	-	-	-	1,225,887
Loans and advances	6,188,781	26,946	20,849	-	6,236,576
Undrawn credit commitments	1,001,572	-	-	-	1,001,572
Total Low	**8,671,822**	**26,946**	**20,849**	**-**	**8,719,617**
Sound (Internal risk grade 2)					
Loans and advances	474,366	2,539	1,449	-	478,354
Total Sound	**474,366**	**2,539**	**1,449**	**-**	**478,354**
Stable (Internal risk grade 3)					
Loans and advances	174,497	1,839	-	-	176,336
Total Stable	**174,497**	**1,839**	**-**	**-**	**176,336**
Moderate (Internal risk grade 4)					
Loans and advances	41,196	637	82	-	41,915
Total Moderate	**41,196**	**637**	**82**	**-**	**41,915**
Acceptable (Internal risk grade 5)					
Loans and advances	397,513	(78)	543	15	397,993
Total Acceptable	**397,513**	**(78)**	**543**	**15**	**397,993**
Managed (Internal risk grade 6)					
Loans and advances	6,442	674	1,883	1,167	10,166
Total Managed	**6,442**	**674**	**1,883**	**1,167**	**10,166**
Total	**9,765,836**	**32,557**	**24,806**	**1,182**	**9,824,381**
Financial assets by ECL stage, gross balances					
Cash and cash equivalents	255,582	-	-	-	255,582
Receivables due from financial institutions	1,225,887	-	-	-	1,225,887
Loans and advances	7,282,795	32,557	24,806	1,182	7,341,340
Undrawn credit commitments	1,001,572	-	-	-	1,001,572
Total financial assets by ECL stage	**9,765,836**	**32,557**	**24,806**	**1,182**	**9,824,381**

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

Year Ended 30 June 2023	Group				
	Stage 1	Stage 2	Stage 3		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
Internal rating	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Low (Internal risk grade 1)					
Cash and cash equivalents	309,257	-	-	-	309,257
Receivables due from financial institutions	1,133,697	-	-	-	1,133,697
Loans and advances	5,556,167	9,925	29,114	-	5,595,206
Undrawn credit commitments	972,461	-	-	-	972,461
Total Low	**7,971,582**	**9,925**	**29,114**	**-**	**8,010,621**
Sound (Internal risk grade 2)					
Loans and advances	486,986	1,866	2,425	-	491,277
Total Sound	**486,986**	**1,866**	**2,425**	**-**	**491,277**
Stable (Internal risk grade 3)					
Loans and advances	181,230	571	1,629	-	183,430
Total Stable	**181,230**	**571**	**1,629**	**-**	**183,430**
Moderate (Internal risk grade 4)					
Loans and advances	35,337	6,917	60	-	42,314
Total Moderate	**35,337**	**6,917**	**60**	**-**	**42,314**
Acceptable (Internal risk grade 5)					
Loans and advances	356,861	340	80	9	357,290
Total Acceptable	**356,861**	**340**	**80**	**9**	**357,290**
Managed (Internal risk grade 6)					
Loans and advances	1,487	385	1,347	4,273	7,492
Total Managed	**1,487**	**385**	**1,347**	**4,273**	**7,492**
Total	**9,033,483**	**20,004**	**34,655**	**4,282**	**9,092,424**
Financial assets by ECL stage					
Cash and cash equivalents	309,257	-	-	-	309,257
Receivables due from financial institutions	1,133,697	-	-	-	1,133,697
Loans and advances	6,618,068	20,004	34,655	4,282	6,677,009
Undrawn credit commitments	972,461	-	-	-	972,461
Total financial assets by ECL stage	**9,033,483**	**20,004**	**34,655**	**4,282**	**9,092,424**

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

Year Ended 30 June 2024	Bank				
	Stage 1	Stage 2	Stage 3		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
Internal rating	**$000**	**$000**	**$000**	**$000**	**$000**
Low (Internal risk grade 1)					
Cash and cash equivalents	183,238	-	-	-	183,238
Receivables due from financial institutions	1,225,887	-	-	-	1,225,887
Loans and advances	6,188,781	26,946	20,849	-	6,236,576
Due from controlled entities	28,749	-	-	-	28,749
Undrawn credit commitments	1,001,572	-	-	-	1,001,572
Total Low	**8,628,227**	**26,946**	**20,849**	**-**	**8,676,022**
Sound (Internal risk grade 2)					
Loans and advances	474,366	2,539	1,449	-	478,354
Total Sound	**474,366**	**2,539**	**1,449**	**-**	**478,354**
Stable (Internal risk grade 3)					
Loans and advances	174,497	1,839	-	-	176,336
Total Stable	**174,497**	**1,839**	**-**	**-**	**176,336**
Moderate (Internal risk grade 4)					
Loans and advances	41,196	637	82	-	41,915
Total Moderate	**41,196**	**637**	**82**	**-**	**41,915**
Acceptable (Internal risk grade 5)					
Loans and advances	397,513	(78)	543	15	397,993
Total Acceptable	**397,513**	**(78)**	**543**	**15**	**397,993**
Managed (Internal risk grade 6)					
Loans and advances	6,442	674	1,883	1,167	10,166
Total Managed	**6,442**	**674**	**1,883**	**1,167**	**10,166**
Total	**9,722,241**	**32,557**	**24,806**	**1,182**	**9,780,786**
Financial assets by ECL stage, gross balances					
Cash and cash equivalents	183,238	-	-	-	183,238
Receivables due from financial institutions	1,225,887	-	-	-	1,225,887
Loans and advances	7,282,795	32,557	24,806	1,182	7,341,340
Due from controlled entities	28,749	-	-	-	28,749
Undrawn credit commitments	1,001,572	-	-	-	1,001,572
Total financial assets by ECL stage	**9,722,241**	**32,557**	**24,806**	**1,182**	**9,780,786**

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

Year Ended 30 June 2023	Bank				
	Stage 1	Stage 2	Stage 3		
	Collective provision 12-months ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Individual provision Lifetime ECL	Total
Internal rating	**$000**	**$000**	**$000**	**$000**	**$000**
Low (Internal risk grade 1)					
Cash and cash equivalents	221,739	-	-	-	221,739
Receivables due from financial institutions	1,133,697	-	-	-	1,133,697
Other assets	566	-	-	-	566
Loans and advances	5,556,167	9,925	29,114	-	5,595,206
Due from controlled entities	59,754	-	-	-	59,754
Undrawn credit commitments	972,461	-	-	-	972,461
Total Low	**7,944,384**	**9,925**	**29,114**	**-**	**7,983,423**
Sound (Internal risk grade 2)					
Loans and advances	486,986	1,866	2,425	-	491,277
Total Sound	**486,986**	**1,866**	**2,425**	**-**	**491,277**
Stable (Internal risk grade 3)					
Loans and advances	181,230	571	1,629	-	183,430
Total Stable	**181,230**	**571**	**1,629**	**-**	**183,430**
Moderate (Internal risk grade 4)					
Loans and advances	35,337	6,917	60	-	42,314
Total Moderate	**35,337**	**6,917**	**60**	**-**	**42,314**
Acceptable (Internal risk grade 5)					
Loans and advances	356,861	340	80	9	357,290
Total Acceptable	**356,861**	**340**	**80**	**9**	**357,290**
Managed (Internal risk grade 6)					
Loans and advances	1,487	385	1,347	4,273	7,492
Total Managed	**1,487**	**385**	**1,347**	**4,273**	**7,492**
Total	**9,006,285**	**20,004**	**34,655**	**4,282**	**9,065,226**
Financial assets by ECL stage					
Cash and cash equivalents	221,739	-	-	-	221,739
Receivables due from financial institutions	1,133,697	-	-	-	1,133,697
Other assets	566	-	-	-	566
Loans and advances	6,618,068	20,004	34,655	4,282	6,677,009
Due from controlled entities	59,754	-	-	-	59,754
Undrawn credit commitments	972,461	-	-	-	972,461
Total financial assets by ECL stage	**9,006,285**	**20,004**	**34,655**	**4,282**	**9,065,226**

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

(ii) Financial instruments subject to impairment by collateral

The Group employs a range of policies and practices to mitigate credit risk, most notably the receipt of collateral for funds advanced. The Group has internal policies on the acceptability of collateral and credit risk mitigation.

The principal collateral types for financial assets are:

- Home loans secured by registered mortgages over residential properties. Lenders mortgage insurance contracts are entered as part of the Group's lending policy to manage >80% LVR credit risk in the home lending portfolio.
- Commercial loans are secured by registered mortgages over commercial residential or non-residential properties.
- Personal loans are provided on both a secured or unsecured basis. Secured loans are mostly secured by a charge over motor vehicles.

The table below discloses the most recent valuation of the collateral held by category.

Year Ended 30 June 2024		**Group**				
		Gross amount $000	**ECL Provision $000**	**Carrying amount $000**	**Collateral held Other $000**	**Collateral held Property $000**
Maximum credit exposure	**Note**					
Cash and cash equivalents	8	**255,582**	**-**	**255,582**	**-**	**-**
Receivables due from financial institutions	9	**1,225,887**	**(351)**	**1,225,536**	**-**	**-**
Loans and advances (i)	13	**7,341,403**	**(4,976)**	**7,336,427**	**46,228**	**15,267,172**
- Home loans		6,865,622	(2,239)	6,863,383	3,194	14,029,734
- Secured overdrafts		34,302	(34)	34,268	310	329,329
- Personal loans		41,165	(506)	40,659	42,453	-
- Overdraft & credit cards		36,915	(1,133)	35,782	100	2,965
- Commercial & property finance		363,399	(1,064)	362,335	171	905,144
Total		**8,822,872**	**(5,327)**	**8,817,545**	**46,228**	**15,267,172**
Off-Balance Sheet						
Undrawn credit commitments	31	**1,028,776**	**(529)**	**1,028,247**	**-**	**-**
Maximum credit exposure		**9,851,648**	**(5,856)**	**9,845,792**	**46,228**	**15,267,172**

(i) Gross loans and advances include effective interest rate adjustment

Year Ended 30 June 2023		**Group**				
	Note	**Gross amount $000**	**ECL Provision $000**	**Carrying amount $000**	**Collateral held Other $000**	**Collateral held Property $000**
Maximum credit exposure						
Cash and cash equivalents	8	309,257	-	309,257	-	-
Receivables due from financial institutions	9	1,133,697	(409)	1,133,288	-	-
Loans and advances (i)	13	6,677,008	(5,743)	6,671,265	46,351	13,462,582
- Home loans		6,236,046	(3,694)	6,232,352	3,937	12,239,541
- Secured overdrafts		39,115	(137)	38,978	90	336,342
- Personal loans		35,522	(391)	35,131	41,150	-
- Overdraft & credit cards		37,702	(913)	36,789	90	3,645
- Commercial & property finance		328,623	(608)	328,015	1,084	883,054
Total		8,119,962	(6,152)	8,113,810	46,351	13,462,582
Off-Balance Sheet						
Undrawn credit commitments	31	973,822	(574)	973,248	-	-
Maximum credit exposure		9,093,784	(6,726)	9,087,058	46,351	13,462,582

(i) Gross loans and advances include effective interest rate adjustment

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management – objectives and policies (continued)

Year Ended 30 June 2024

		Bank				
		Gross amount $000	ECL Provision $000	Carrying amount $000	Collateral held Other $000	Collateral held Property $000
Maximum credit exposure	**Note**					
Cash and cash equivalents	8	**183,238**	**-**	**183,238**	**-**	**-**
Receivables due from financial institutions	9	**1,225,887**	**(351)**	**1,225,536**	**-**	**-**
Loans and advances (i)	13	**7,341,403**	**(4,976)**	**7,336,427**	**46,228**	**15,267,172**
- Home loans		6,865,622	(2,239)	6,863,383	3,194	14,029,734
- Secured overdrafts		34,302	(34)	34,268	310	329,329
- Personal loans		41,165	(506)	40,659	42,453	-
- Overdraft & credit cards		36,915	(1,133)	35,782	100	2,965
- Commercial & property finance		363,399	(1,064)	362,335	171	905,144
Due from controlled entities	16	**28,749**	**-**	**28,749**	**-**	**-**
Total		**8,779,277**	**(5,327)**	**8,773,950**	**46,228**	**15,267,172**
Off-Balance Sheet						
Undrawn credit commitments	31	**1,028,776**	**(529)**	**1,028,247**	**-**	**-**
Maximum credit exposure		**9,808,053**	**(5,856)**	**9,802,197**	**46,228**	**15,267,172**

(i) Gross loans and advances include effective interest rate adjustment

Year Ended 30 June 2023

		Bank				
		Gross amount $000	ECL Provision $000	Carrying amount $000	Collateral held Other $000	Collateral held Property $000
Maximum credit exposure	**Note**					
Cash and cash equivalents	8	221,739	-	221,739	-	-
Receivables due from financial institutions	9	1,133,697	(409)	1,133,288	-	-
Loans and advances (i)	13	6,677,008	(5,743)	6,671,265	46,351	13,462,582
- Home loans		6,236,046	(3,694)	6,232,352	3,937	12,239,541
- Secured overdrafts		39,115	(137)	38,978	90	336,342
- Personal loans		35,522	(391)	35,131	41,150	-
- Overdraft & credit cards		37,702	(913)	36,789	90	3,645
- Commercial & property finance		328,623	(608)	328,015	1,084	883,054
Due from controlled entities	16	59,754	-	59,754	-	-
Total		8,092,198	(6,152)	8,086,046	46,351	13,462,582
Off-Balance Sheet						
Undrawn credit commitments	31	973,822	(574)	973,248	-	-
Maximum credit exposure		9,066,020	(6,726)	9,059,294	46,351	13,462,582

(i) Gross loans and advances include effective interest rate adjustment

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital management

The Group maintains an appropriate level of capital commensurate with the level and extent of risks to which it is exposed from its banking activities. The purpose of capital is to absorb unexpected losses from loans, investments and general operations. Capital is also held for unexpected operational risk events. Capital growth enables balance sheet growth and healthy levels of capital maintain the confidence of depositors and creditors.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) ensures that capital is held at a level consistent with the Group's risk appetite and helps inform the Capital Management plan, supported by the Risk Management Framework which ensures systems and procedures are in place to identify, assess, measure, monitor and manage the risk arising from activities on a continuous basis. The Capital Management plan supports the forward projections (over three years) to assist in managing capital within the Group's risk parameters. The Capital Management plan sets capital target levels and the mechanisms for securing additional capital. In order to ensure compliance with the minimum capital ratios, capital adequacy is calculated monthly, reported to ALCO and thereafter reported to the Risk Committee and Board. The level of capital adequacy is also calculated every quarter and reported to APRA.

The Group is required by APRA to measure and report capital on a risk weighted basis in accordance with the requirements of the Prudential Standards. This risk weighted approach measures the ratio of actual eligible capital held against a risk weighted balance for all on and off-balance sheet risk positions and for operational risk.

The Prudential Standards reflect the international risk-based capital measurement practices commonly known as Basel II and Basel III. This approach results in a difference in the measurement of the capital ratio of the consolidated entity, as defined by the Australian Prudential Standards, to include the Bank and its subsidiaries involved in financial service activities (referred to as level 2) and the Bank for the current financial year compared to the prior financial year.

The Group implemented a Capital Note Programme and has a hybrid tier one capital note of $75,000,000 in issuance, refer to note 27.

Year Ended 30 June 2024	**Group**		**Bank**	
	2024	2023	**2024**	2023
Capital adequacy ratio as at 30 June	**14.82%**	14.89%	**14.80%**	14.84%

36 EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no material subsequent events identified.

Consolidated Entity Disclosure Statement

As at 30 June 2024

Name of entity	Type of entity	Trustee, partner or participant in joint venture	% of share capital held	Country of incorporation	Australian resident or foreign resident for tax purpose	Foreign tax jurisdiction(s) of foreign residents
Police & Nurses Limited	Body Corporate	N/A	N/A	Australia	Australian Resident	N/A
Members Holding Company Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
P&N Landreach Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
National Home Loans Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
Police & Nurses Financial Planning Pty Ltd	Body Corporate	N/A	65%	Australia	Australian Resident	N/A
P&N Recruitment Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
P&N Management Pty Ltd	Body Corporate	N/A	100%	Australia	Australian Resident	N/A
Pinnacle RMBS Warehouse Trust No 1	Trust	N/A	100%	Australia	Australian Resident	N/A
Pinnacle Series Trust 2014 - SST	Trust	N/A	100%	Australia	Australian Resident	N/A
Pinnacle Series Trust 2017 - T1	Trust	N/A	100%	Australia	Australian Resident	N/A
Pinnacle Series Trust 2021 - T1	Trust	N/A	100%	Australia	Australian Resident	N/A
Pinnacle Series Trust 2024 - T1	Trust	N/A	100%	Australia	Australian Resident	N/A

Basis of preparation

This consolidated entity disclosure statement (CEDS) has been prepared in accordance with *Corporations Act 2001* and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 *Consolidated Financial Statements*.

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 34 to 93 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's and Bank's financial position as at 30 June 2024 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

b) there are reasonable grounds to believe that the Group and Bank will be able to pay its debts as and when they become due and payable.

c) the consolidated entity disclosure statement on page 93 is in accordance with the Corporations Act 2001 and is true and correct as at 30 June 2024.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors.

Gary Humphreys
Director

Monish Paul
Director

Date: 27 August 2024
PERTH WA

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Independent Auditor's Report

To the Members of Police & Nurses Limited

Report on the audit of the financial report

Opinion

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

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

a giving a true and fair view of the Group and the Bank's financial position as at 30 June 2024 and of their performance for the year ended on that date; and

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

Basis for opinion

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

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

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

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

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

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

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

Responsibilities of the Directors' for the financial report

The Directors are responsible for the preparation of:

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Darren Scammell

Darren Scammell
Partner – Audit & Assurance

Melbourne, 27 August 2024

Police & Nurses Limited
ABN 69 087 651 876
AFSL/Australian Credit Licence 240701