Police & Nurses Limited Annual Report 2025

Financial Statements

Directory

Directors

Gary Humphreys (Chair)
Julie Elliott (retired 24 October 2024)
Andrew Hadley
Trevor Hunt
Louise Clarke
Monish Paul
Kellie Properjohn

Chief Executive Officer

Andrew Hadley

Company Secretary

David Fehlberg

Registered Office

Police & Nurses Limited
ABN 69 087 651 876

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Perth 6000
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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 3 to 7.

The financial report was authorised for issue by the Directors on 26 August 2025. 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'

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 2025

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 not for profit, with over 20 years' experience leading and operating large corporations as a senior executive, deputy CEO and COO. Board Chair, Nominations Committee Chair, and an ex officio member of the Audit & Sustainability Committee, Risk Committee and the Board Governance & Remuneration Committee.

Andrew HADLEY
BCom GAICD SFFin

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

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

Trevor HUNT
BBus FAICD

Experienced retail banking and financial services WA-based professional with over 30 years operating in Australia in banking and senior executive positions and over 20 years as a non-executive director across banking, superannuation, financial planning, mortgage broking and the care industry. Risk Committee Chair and Board Governance & 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. Risk Committee member until 29 October 2024, Board Governance & Remuneration Committee member - and Board Governance & Remuneration Committee Chair since 29 October 2024, and Audit & Sustainability Committee member.

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 & Sustainability Committee Chair, and Risk Committee member.

Report of the Directors

Kellie PROPERJOHN
Assoc Degree Criminology & Justice, Grad Certificate of Business (Leadership), GAICD (appointed 29 October 2024)

Previously the Assistant Commissioner, WA Police with 36 years of service spanning strategy, technology, operations and legislative reform. Formerly a Partner of Deloitte Australia. Ms Properjohn has a passion for business transformation and strengthening organisational culture to drive performance outcomes. Board Governance & Remuneration Committee member, Audit & Sustainability Committee member, and Risk Committee member – each since her appointment on 29 October 2024.

Julie ELLIOTT
FAICD FCA FFin MBA (Exec) BEc (retired 29 October 2024)

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. Until 29 October 2024, Ms Elliott was the Board Governance & Remuneration Committee Chair, and an Audit & Sustainability Committee member. Ms Elliott retired from the Board on 29 October 2024.

Each Director holds one member share in the Bank.

Company Secretary

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

Mr Fehlberg has more than 25 years' experience working in Australia and internationally, in governance, legal and risk roles.

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the year ended 30 June 2025 and the number of meetings attended by each Director.

Director	Directors' Meetings		Audit & Sustainability Committee Meetings		Risk Committee Meetings		Board Governance & Remuneration Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Member elected Directors								
T Hunt	8	8	*	*	9	9	5	5
G Humphreys**	8	8	** 5	** 5	** 9	** 5	**5	**4
M Paul	8	8	5	5	9	8	*	*
Board appointed Directors								
L Clarke	8	8	5	4	3	3	5	5
K Properjohn +	5	5	3	3	6	6	4	4
J Elliott ++	3	3	2	1	*	*	1	1
Chief Executive Officer (executive / Managing Director)								
A Hadley***	8	8	*	*	*	*	*	*

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.
+ - Ms Properjohn was appointed as a Director on 29 October 2024.
++ - Ms Elliott ceased to be a Director on 29 October 2024.
* Not a member of the relevant Committee.
** Mr Humphreys, as the Board Chair is also an ex officio member of the Audit & Sustainability Committee, Risk Committee and Board Governance & Remuneration Committee
*** During the year Mr Hadley was an attendee at meetings of the Audit & Sustainability Committee, Risk Committee and Board Governance & Remuneration Committee.

The Nominations Committee also met once during the year, chaired by Mr Humphreys.

Report of the Directors

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 five 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.

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 & Sustainability Committee

The Board has established the Audit & Sustainability Committee to assist in the execution of its responsibilities. This Committee was previously known as the Audit Committee; and its remit has recently been expanded to include sustainability. The Committee comprises at least three 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 review and endorsement of sustainability strategies, and monitoring progress towards sustainability goals and targets;
- the review of sustainability reporting and disclosures for accuracy and transparency to ensure compliance with regulatory 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 three 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 & Remuneration Committee

The Board has established the Board Governance & Remuneration Committee to assist it in the execution of its responsibilities. The Committee comprises at least three 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 & 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.

Report of the Directors

Nominations Committee

The Board has established a Nominations Committee to conduct assessments of the Fit and Proper status, and of the skills, experience and competency 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.

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 Group delivered a robust financial result for the year ended 30 June 2025 in a challenging operating environment. Inflation, living costs and interest rates remained elevated for much of the year albeit much improved from the prior year. Competition in retail and business banking remained intense in a moderate growth environment and ongoing requirements to invest in technology, customer protection, risk management and compliance remain key industry themes to address both customer and regulatory expectations.

The Group has navigated this environment carefully with a view to support our customers and deliver financial performance outcomes that protect long-term member value, resilience and sustainability. In that context, we are pleased to report in these financial statements:

- Above market growth in loans and advances (7.5%) and customer deposits (9.5%) as our products, value propositions and service offerings continue to attract an increased share of the market in both retail and business banking segments.
- An increase in profitability with Group profit after tax increasing to $28.3m (17%) attributable to the benefits of balance sheet growth, prudent net interest margin management and cost management discipline.
- A resilient and stable balance sheet with our total regulatory capital ratio ending the year at 14.83% and our Minimum Liquidity Holdings (MLH) regulatory liquidity ratio ending the year at 14.6%.
- 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.
- Ongoing investment in the business to deliver improved outcomes for customers, advance our strategic priorities and support future business performance as set out in the 2025 Annual Report.

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.

Looking forward the environment remains uncertain and subject to change. The Directors consider that these financial statements and the capital, liquidity and credit profile of the Group demonstrate that it is well positioned to navigate the forward environment and remain profitable, liquid and well capitalised over the coming year.

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.

Report of the Directors

Events Subsequent to the End of the Financial Year

There were no material subsequent events identified.

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

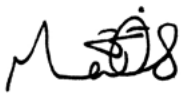
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001(Cth)* is set out on the page 8.

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: 26 August 2025
PERTH WA

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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 2025, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 26 August 2025

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Statements of Profit or Loss

Year Ended 30 June 2025	Notes	Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
Interest revenue	3	**492,714**	444,204	**562,038**	519,454
Interest expense	3	**301,066**	272,320	**377,851**	356,496
Net interest income		**191,648**	171,884	**184,187**	162,958
Non-interest revenue	4	**15,717**	14,579	**22,839**	24,724
Other income		**192**	1,131	**121**	603
Total non-interest revenue and other income		**15,909**	15,710	**22,960**	25,327
Total income		**207,557**	187,594	**207,147**	188,285
Credit impairment charge/(reversal)	5	**1,890**	180	**1,890**	180
Loss on sale of financial assets held at amortised cost		**-**	81	**-**	80
Other expenses	6	**165,423**	152,160	**165,599**	152,960
Total expenditure		**167,313**	152,420	**167,489**	153,220
Profit before income tax		**40,244**	35,174	**39,657**	35,065
Income tax expense	7	**12,020**	10,799	**11,635**	10,275
Profit after income tax		**28,224**	24,375	**28,023**	24,790
(Profit)/loss attributable to non-controlling interests		**43**	(151)	**-**	-
Profit attributable to members		**28,267**	24,224	**28,023**	24,790

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 2025	Notes	Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
Profit for the year from operations		**28,224**	24,375	**28,023**	24,790
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges	27(c)	**(3,056)**	(10,008)	**(3,056)**	(10,008)
Income tax (expense)/benefit relating to these items		**916**	3,003	**916**	3,003
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings	27(e)	**1,107**	-	**1,016**	-
Income tax (expense)/benefit relating to these items		**(345)**	-	**(317)**	-
Changes in the fair value of equity investments held at FVOCI	27(d)	**1,207**	(67)	**1,206**	-
Income tax (expense)/benefit relating to these items		**(362)**	20	**(362)**	-
Other comprehensive (loss)/income for the period, net of tax		**(533)**	(7,053)	**(597)**	(7,005)
Total comprehensive income for the period		**27,691**	17,322	**27,426**	17,785
Total comprehensive income/(loss) for the year is attributable to:					
Members of the Bank		**27,734**	17,171	**27,426**	17,785
Non-controlling interests		**(43)**	151	**-**	-
		27,691	17,322	**27,426**	17,785

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

Statements of Financial Position

As at 30 June 2025	Notes	Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
Assets					
Cash and cash equivalents	8	**188,989**	255,582	**120,368**	183,238
Receivables due from other financial institutions	9	**1,215,178**	1,225,536	**1,215,178**	1,225,536
Financial assets held at FVOCI [(i)]	10	**9,514**	10,380	**9,514**	10,380
Other assets	11	**20,477**	10,359	**19,832**	10,401
Other financial assets held at FVPL [(ii)]	12	**16**	64	**20,496**	20,498
Loans and advances	13	**7,884,032**	7,335,898	**7,884,032**	7,335,898
Derivative financial instruments	15	**402**	6,837	**398**	6,753
Due from controlled entities	16	**-**	-	**43,863**	28,749
Property and equipment	17	**20,379**	23,234	**18,522**	21,437
Right-of-use assets	18	**20,103**	25,282	**20,103**	25,282
Investments in controlled entities	19	**-**	-	**2,122**	2,625
Intangible assets	20	**27,188**	30,087	**27,188**	30,087
Deferred tax assets	21	**4,104**	2,258	**4,926**	2,871
Total assets		**9,390,382**	8,925,517	**9,386,541**	8,903,755
Liabilities					
Deposits	22	**7,663,713**	7,000,311	**7,663,713**	7,000,937
Other payables	23	**23,535**	30,640	**22,686**	29,299
Provisions	25	**10,720**	9,602	**10,720**	9,602
Current tax liabilities		**2,309**	2,172	**2,307**	2,144
Lease liabilities	18	**25,327**	30,919	**25,327**	30,919
Derivative financial instruments	15	**2,077**	4,050	**2,077**	4,050
Borrowings	24	**1,048,379**	1,258,926	**490,803**	488,051
Due to controlled entities	16	**-**	-	**554,352**	749,588
Total liabilities		**8,776,060**	8,336,620	**8,771,985**	8,314,590
Net assets		**614,322**	588,897	**614,556**	589,165
Members' funds					
Reserves	27	**225,443**	225,955	**227,234**	227,810
Retained earnings	27	**164,540**	138,138	**162,983**	136,702
Contributed equity	27	**150,405**	150,719	**150,405**	150,719
Issued capital	27	**73,934**	73,934	**73,934**	73,934
Non-controlling interests		**-**	151	**-**	-
Total members' funds		**614,322**	588,897	**614,556**	589,165

(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 2025	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 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)**
Transfer to other comprehensive income		-	-	-	-	-	-	**-**
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**
Opening adjustment		-	-	-	(178)	(178)	-	**(178)**
Total members' funds (equity) as at 1 July 2024		**225,955**	**150,719**	**73,934**	**137,960**	**588,569**	**151**	**588,719**
(Loss)/Profit for the year		-	-	-	28,267	28,267	(43)	**28,224**
Other comprehensive income/(loss)		(533)	-	-	-	(533)	-	**(533)**
Total comprehensive income/(loss) for the year		**(533)**	**-**	**-**	**28,267**	**27,734**	**(43)**	**27,691**
Opening adjustment	27	-	(314)	-	-	(314)	-	**(314)**
Dividends provided for or paid	28	-	-	-	(5,265)	(5,265)	-	**(5,265)**
Transfer (to)/from Other Comprehensive Income	27	-	-	-	3,599	3,599	-	**3,599**
Amount transferred to share capital reserve	27(b)	20	-	-	(20)	-	(108)	**(108)**
Transactions with owners in their capacity as owners		**20**	**(314)**	**-**	**(1,687)**	**(1,980)**	**(108)**	**(2,088)**
Total members' funds (equity) as at 30 June 2025		**225,443**	**150,405**	**73,934**	**164,540**	**614,322**	**-**	**614,322**

Year Ended 30 June 2025	Notes	Bank				
		Reserves	Contributed equity	Issued Capital	Retained earnings	Total
		$000	$000	$000	$000	$000
Total members' 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)	**(0)**
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**
Opening adjustment		-	(314)	-	(54)	**(368)**
Total members' funds (equity) as at 1 July 2024		**227,810**	**150,405**	**73,934**	**136,648**	**588,797**
Profit/(loss) for the year		-	-	-	28,023	**28,023**
Other comprehensive (loss)/income		(597)	-	-	-	**(597)**
Total comprehensive (loss)/income for the year		**(597)**	**-**	**-**	**28,023**	**27,426**
Capital note issuance costs	27(f)	-	-	-	-	**-**
Dividends provided for or paid	28	-	-	-	(5,265)	**(5,265)**
Transfer (to)/from Other Comprehensive Income	27	-	-	-	3,599	**3,599**
Amount transferred to share capital reserve	27(b)	21	-	-	(21)	**-**
Transactions with owners in their capacity as owners		**21**	**-**	**-**	**(1,687)**	**(1,666)**
Total members' funds (equity) as at 30 June 2025		**227,234**	**150,405**	**73,934**	**162,983**	**614,556**

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

Statements of Cash Flows

Year Ended 30 June 2025	Notes	Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
Cash flows from operating activities					
Interest received from loans		**429,932**	379,275	**429,932**	379,275
Bad debts recovered		**133**	205	**133**	205
Interest received from investments		**62,782**	64,929	**132,106**	140,179
Commissions and other income received		**14,890**	16,374	**22,089**	23,505
Borrowing costs - members		**(245,850)**	(224,441)	**(245,850)**	(224,479)
Net movement in interest rate swaps		**-**	(5)	**(80)**	(449)
Borrowing costs - financial institutions and SPVs		**(55,216)**	(47,879)	**(132,000)**	(132,017)
Interest paid		**(1,611)**	(1,327)	**(1,611)**	(1,327)
Payments to employees and suppliers		**(143,605)**	(118,118)	**(142,491)**	(116,890)
Income taxes paid		**(14,289)**	(8,464)	**(14,159)**	(8,401)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities		**47,166**	60,549	**48,069**	59,601
(Increase)/decrease in operating assets					
Net (increase)/decrease in balance of loans and other receivables		**(559,714)**	(659,182)	**(559,717)**	(659,181)
Net decrease/(increase) in receivables due from other financial institutions		**10,321**	(92,271)	**10,321**	(92,271)
Increase/(decrease) in operating liabilities					
Net increase in balance of deposits		**663,422**	616,114	**662,797**	614,878
Net increase/(decrease) in borrowings from other financial institutions		**(210,546)**	49,219	**2,752**	(65,942)
Net cash inflow/(outflow) from operating activities	29	**(49,351)**	(25,571)	**164,222**	(142,915)
Cash flows from investing activities					
Dividends received		**533**	489	**1,075**	2,665
Proceeds from sale of property and equipment		**581**	213	**540**	213
Payments for property and equipment		**(2,103)**	(6,927)	**(2,103)**	(6,927)
Payments for intangible assets		**(4,285)**	(10,316)	**(4,285)**	(10,316)
(Loans to)/repayments from controlled entities		**-**	-	**(210,350)**	103,574
Net cash inflow/(outflow) from investing activities		**(5,274)**	(16,541)	**(215,123)**	89,209
Cash flows from financing activities					
Principal element of lease payments		**(6,683)**	(6,283)	**(6,684)**	(6,283)
Member shares issued		**156**	186	**156**	186
Member shares redeemed		**(176)**	(209)	**(176)**	(209)
Proceeds from capital note net of issue costs		**-**	(6)	**-**	(6)
Securitisation notes (purchased)/sold		**-**	-	**-**	26,768
Dividends paid to Capital Note Holders		**(5,265)**	(5,251)	**(5,265)**	(5,251)
Net cash inflow/(outflow) from financing activities		**(11,968)**	(11,563)	**(11,969)**	15,205
Net increase/ (decrease) in cash and cash equivalents held		**(66,593)**	(53,675)	**(62,870)**	(38,501)
Cash and cash equivalents at the beginning of the year		**255,582**	309,257	**183,238**	221,739
Cash and cash equivalents at the end of the year	8	**188,989**	255,582	**120,368**	183,238

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

Notes to the Financial Statements

1 SUMMARY OF MATERIAL 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.

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

Notes to the Financial Statements

1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(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 third- party 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

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

1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(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.

(e) Carbon Offsets

The Group holds Australian Carbon Credits (ACCUs) which were purchased to offset against the Group's emissions. The offsets meet the definition of intangible assets as the Group has control over the offsets, it is probable that future economic benefits will flow to the Group and the cost of the offsets can be measured reliably.

Carbon offsets are measured at cost and are subsequently carried at cost less any accumulated impairment losses and are expensed on a first-in first-out basis when utilized.

(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

1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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 hand,

1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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
- 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

1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 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

1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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:

- 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

1 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 2025 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 issued 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.

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 detrimental 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 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
3	**NET INTEREST INCOME**				
	Interest revenue and interest expense				
	Interest income				
	Deposits with other banks/ADIs [(i)]	**62,782**	64,929	**132,106**	140,179
	Loans and advances [(ii)]	**429,932**	379,275	**429,932**	379,275
		492,714	444,204	**562,038**	519,454
	Interest expense				
	Members' deposits [(ii)(iii)]	**245,850**	224,441	**245,850**	224,479
	Borrowings from other banks/ADIs including wholesale deposits [(i)]	**55,216**	47,879	**132,001**	132,017
		301,066	272,320	**377,851**	356,496
	Net interest income	**191,648**	171,884	**184,187**	162,958

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 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
4	**NON-INTEREST REVENUE**				
	Loan fee revenue	**2,953**	2,661	**2,953**	2,661
	Financial services fees	**4,954**	4,713	**4,954**	4,709
	Securitisation servicing fees	**-**	-	**6,580**	7,973
	Insurance commissions	**3,241**	2,907	**3,241**	2,907
	Other commissions	**4,035**	3,809	**4,035**	3,809
	Dividend revenue	**533**	489	**1,075**	2,665
		15,717	14,579	**22,839**	24,724

Notes to the Financial Statements

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
5	**CREDIT IMPAIRMENT CHARGE/(REVERSAL)**				
	Receivables due from other financial institutions	**38**	(58)	**38**	(58)
	Loans and advances	**1,842**	428	**1,842**	428
	Undrawn credit commitments	**143**	15	**143**	15
	Bad debts recovered	**(133)**	(205)	**(133)**	(205)
		1,890	180	**1,890**	180
	CREDIT IMPAIRMENT CHARGE/(REVERSAL) BY STAGES				
	Collective stage 1	**580**	(860)	**580**	(860)
	Collective stage 2	**232**	179	**232**	179
	Collective stage 3	**355**	508	**355**	508
	Individual stage 3	**856**	558	**856**	558
	Bad debts recovered	**(133)**	(205)	**(133)**	(205)
		1,890	180	**1,890**	180
	OF WHICH RELATES TO LOANS AND ADVANCES				
	Collective stage 1	**542**	(802)	**542**	(802)
	Collective stage 2	**232**	179	**232**	179
	Collective stage 3	**355**	508	**355**	508
	Individual stage 3	**856**	558	**856**	558
	Total inclusive of undrawn credit commitments	**1,985**	443	**1,985**	443
	Undrawn credit commitments	**(66)**	(15)	**(66)**	(15)
	Total loans and advances	**1,919**	428	**1,919**	428

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
6	**OTHER EXPENSES**				
	Impairment of non financial assets	**-**	-	**551**	1,179
	Finance costs	**1,611**	1,327	**1,611**	1,327
	Depreciation and amortisation	**18,352**	16,147	**18,321**	16,116
	Fees and commissions	**21,626**	19,644	**21,333**	19,376
	Employee benefits expense	**84,496**	77,512	**84,496**	77,512
	Information technology costs	**18,878**	16,693	**18,878**	16,693
	Marketing costs	**6,163**	6,580	**6,163**	6,580
	Other general and administration costs	**14,358**	14,139	**14,307**	14,060
	Net (gain)/loss on disposal of property, plant and equipment	**(60)**	117	**(60)**	117
		165,423	152,160	**165,599**	152,960

Notes to the Financial Statements

	Year Ended 30 June 2025	Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
7	**INCOME TAX EXPENSE**				
(a)	**Income tax expense**				
	Current tax expense/(benefit)	**14,716**	12,254	**14,494**	12,041
	Deferred tax expense/(benefit)	**(2,734)**	(1,340)	**(2,925)**	(1,805)
	Under/(over) provided for current tax in prior years	**38**	(115)	**66**	39
	Income tax expense	**12,020**	10,799	**11,635**	10,275
	Income tax expense is attributable to				
	Profit from continuing operations	**12,020**	10,799	**11,635**	10,275
	Income tax expense	**12,020**	10,799	**11,635**	10,275
	Deferred income tax (benefit)/expense included in income tax expense comprises:				
	Decrease/(increase) in deferred tax assets (note 21)	**1,801**	1,521	**1,761**	1,056
	(Decrease)/Increase in deferred tax liabilities (note 26)	**(4,535)**	(2,861)	**(4,686)**	(2,861)
		(2,734)	(1,340)	**(2,925)**	(1,805)
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**				
	Profit before income tax expense	**40,244**	35,174	**39,657**	35,065
	Prima facie income tax calculated at 30% (2024: 30%)	**12,073**	10,552	**11,897**	10,519
	Tax effect of amounts which are not deductible(taxable) in calculating taxable income:				
	Non-deductible expenses	**108**	98	**108**	98
	Tax offset for franked dividends	**(217)**	(141)	**(212)**	(122)
	Taxable Intragroup dividend income	**60**	354	**-**	-
	Non-taxable Intragroup dividend income	**-**	-	**(168)**	(324)
	Other	**(44)**	-	**(56)**	14
		11,980	10,863	**11,569**	10,185
	Prior year losses recouped				
	(Over)/under provision in prior year, relating to:				
	- Other	**40**	(64)	**66**	90
	Income tax expense	**12,020**	10,799	**11,635**	10,275
(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)	**896**	(2,928)	**869**	(2,907)
(d)	**Franking credits**				
	Franking credits based on a tax rate of 30%	**193,981**	180,641	**193,981**	180,641

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.

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 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
8 CASH AND CASH EQUIVALENTS				
Cash on hand	**4,365**	4,627	**4,365**	4,627
Cash and deposits at call with ADIs	**184,624**	250,955	**116,003**	178,611
	188,989	255,582	**120,368**	183,238

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 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
9 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS				
Interest-earning deposits with ADIs	**1,215,567**	1,225,887	**1,215,567**	1,225,887
	1,215,567	1,225,887	**1,215,567**	1,225,887
Expected credit loss provision	**(389)**	(351)	**(389)**	(351)
	1,215,178	1,225,536	**1,215,178**	1,225,536

The majority of the above amounts are expected to be recovered less than one year after the balance sheet date.
The ECL provision of $389,040 (2024: $351,477) belongs to stage 1 collective, accounts with arrears up to 29 days.
The fair value of receivables due from other financial institutions are $1,218,338,811 (2024: $1,225,840,579).

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
10 FINANCIAL ASSETS HELD AT FVOCI				
Investment in Cuscal (a)	**8,117**	8,983	**8,117**	8,983
Investment in Indue Ltd	**1,397**	1,397	**1,397**	1,397
	9,514	10,380	**9,514**	10,380

(a) Investment in Cuscal – listed security

In prior years, Cuscal was an unlisted public company. Valuation of the investment was determined via Level 3 unobservable inputs. In November 2024, Cuscal undertook an initial public offering and listed on the Australian Securities Exchange. The Group has therefore determined the value of the investment in Cuscal using Level 1 quoted market prices as per the ASX as at year end.

Notes to the Financial Statements

	Year Ended 30 June 2025	Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
11	**OTHER ASSETS**				
	Prepayments	**7,770**	8,669	**7,770**	8,669
	Other receivables	**12,707**	1,690	**12,062**	1,732
		20,477	10,359	**19,832**	10,401

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.

	Year Ended 30 June 2025	Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
12	**OTHER FINANCIAL ASSETS AT FVPL**				
	Investment in Securitisation Notes	**-**	-	**20,495**	20,496
	Investment Other	**16**	64	**1**	2
		16	64	**20,496**	20,498

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

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
13	**LOANS AND ADVANCES**				
	Home loans	**7,290,253**	6,838,842	**7,290,253**	6,838,842
	Secured overdrafts	**29,689**	34,302	**29,689**	34,302
	Personal loans	**40,389**	41,165	**40,389**	41,165
	Overdraft & credit cards	**34,207**	36,915	**34,207**	36,915
	Retail loans and advances	**7,394,538**	6,951,224	**7,394,538**	6,951,224
	Commercial & property finance	**473,080**	363,966	**473,080**	363,966
	Gross loans and advances	**7,867,618**	7,315,190	**7,867,618**	7,315,190
	Effective interest rate adjustment	**22,993**	26,213	**22,993**	26,213
	Expected credit loss provision (table (a))	**(6,579)**	(5,505)	**(6,579)**	(5,505)
	Net loans and advances	**7,884,032**	7,335,898	**7,884,032**	7,335,898

- 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 2025, the fair value of Loans and Advances is $25,205,700 lower (2024: $61,611,098 lower) than net carrying value.

Year Ended 30 June 2025	Group		Bank	
The maturity tables are based on contractual terms.	**2025**	2024	**2025**	2024
	$000	$000	**$000**	$000
Time to maturity				
Not later than one year	**205,990**	181,364	**205,990**	181,364
One year to five years	**237,507**	151,745	**237,507**	151,745
Over five years	**7,424,121**	6,982,081	**7,424,121**	6,982,081
	7,867,618	7,315,190	**7,867,618**	7,315,190

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
Securitised Loans under management				
Pinnacle Series Trust 2014-SST	**1,301,137**	1,316,251	**1,301,137**	1,316,251
Pinnacle RMBS Warehouse Trust	**185,196**	247,760	**185,196**	247,760
Pinnacle Series Trust 2017-T1	**33,702**	46,955	**33,702**	46,955
Pinnacle Series Trust 2021-T1	**103,169**	131,005	**103,169**	131,005
Pinnacle Series Trust 2024-T1	**239,080**	330,076	**239,080**	330,076
	1,862,284	2,072,047	**1,862,284**	2,072,047

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

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.

13 LOANS AND ADVANCES (continued)

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
(a)	**Total loan expected credit loss provision including off balance sheet**				
	Collective stage 1	**4,313**	3,021	**4,313**	3,021
	Collective stage 2	**593**	575	**593**	575
	Collective stage 3	**1,047**	1,257	**1,047**	1,257
	Individual stage 3	**626**	652	**626**	652
	Total	**6,579**	5,505	**6,579**	5,505
	of which relates to undrawn credit commitments	**(700)**	(529)	**(700)**	(529)
	Total, on balance sheet loans	**5,879**	4,976	**5,879**	4,976
(b)	**On balance sheet loans total expected credit loss provision**				
	Opening balance	**4,976**	5,742	**4,976**	5,742
	Bad debts previously provided for written off	**(940)**	(1,194)	**(940)**	(1,194)
	Credit Impairment charge/(reversal) during the year	**1,843**	428	**1,843**	428
	Closing balance	**5,879**	4,976	**5,879**	4,976

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 2025	Group			
	Receivables due from financial institutions	**Loans and advances**	**Undrawn credit commitments**	**Total**
	$000	**$000**	**$000**	**$000**
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**
Credit Impairment charge/(reversal)	38	1,843	143	**2,024**
Amounts written off, previously provided for	-	(940)	28	**(912)**
Balance as at 30 June 2025	**389**	**5,879**	**700**	**6,968**

Year Ended 30 June 2025	Bank			
	Receivables due from financial institutions	**Loans and advances**	**Undrawn credit commitments**	**Total**
	$000	**$000**	**$000**	**$000**
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**
Credit Impairment charge/(reversal)	38	1,843	143	**2,024**
Amounts written off, previously provided for	-	(940)	28	**(912)**
Balance as at 30 June 2025	**389**	**5,879**	**700**	**6,968**

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 in WA is forecast to remain stable at 4% with peak in FY28 at ~4.25%. NSW forecast suggests peak of 4.5% during the coming financial year moderating to ~4% over the next three years. WA and NSW unemployment forecasts are used as PNL's lending activities are predominantly in these two states
- Inflation is forecast to remain mostly within RBA's 2-3% target range approximating the mid point throughout the forecast period. This assumption necessarily assumes adjustment in monetary policy by the RBA during the coming year.

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 $6,824,299 compared to $6,968,332 provision for impairment recognised as at 30 June 2025. 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 $7,790,895 as of 30 June 2025.

Hardship Support Offered

Hardship relief continues to be offered to members who require additional support. Bespoke hardship disaster relief is also provided when required e.g. Ex-Tropical Cyclone Alfred.

14 MOVEMENT OF EXPECTED CREDIT LOSS PROVISION (continued)

Year Ended 30 June 2025

	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 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**
Changes due to financial assets recognised in the opening balances that have:					
Transferred to 12-months ECL	824	(189)	(568)	(67)	-
Transferred to Lifetime ECL - not credit impaired	(44)	152	(93)	(15)	-
Transferred to Lifetime ECL - credit impaired - collective provision	(13)	(115)	155	(28)	(1)
Transferred to Lifetime ECL - credit impaired - specific provision	(17)	(62)	(59)	140	2
Bad debts written off	-	-	-	(912)	(912)
Charge/(reversal of impairment) to income statement from operations	542	232	355	856	1,985
Balance as at 30 June 2025	**4,313**	**593**	**1,047**	**626**	**6,579**

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

14 MOVEMENT OF EXPECTED CREDIT LOSS PROVISION (continued)

Year Ended 30 June 2025	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 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**
Changes due to financial assets recognised in the opening balances that have:					
Transferred to 12-months ECL	824	(189)	(568)	(67)	-
Transferred to Lifetime ECL - not credit impaired	(44)	152	(93)	(15)	-
Transferred to Lifetime ECL - credit impaired - collective provision	(13)	(115)	155	(28)	(1)
Transferred to Lifetime ECL - credit impaired - specific provision	(17)	(62)	(59)	140	2
Bad debts written off	-	-	-	(912)	(912)
Charge/(reversal of impairment) to income statement from operations	542	232	355	856	1,985
Balance as at 30 June 2025	**4,313**	**593**	**1,047**	**626**	**6,579**

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

15 DERIVATIVE FINANCIAL INSTRUMENTS

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	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	**4**	84	**-**	-
Interest rate swaps - held as cash flow hedges - assets	**398**	6,753	**398**	6,753
	402	6,837	**398**	6,753
Derivative financial liabilities				
Interest rate swaps - fair value through Profit or Loss - liabilities	**5**	85	**5**	85
Interest rate swaps - held as cash flow hedges - liabilities	**2,072**	3,965	**2,072**	3,965
	2,077	4,050	**2,077**	4,050

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	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	**620**	3,521	**-**	-
Interest rate swaps - held as cash flow hedges - assets	**164,000**	364,000	**164,000**	364,000
	164,620	367,521	**164,000**	364,000
Derivative financial liabilities				
Interest rate swaps - fair value through Profit or Loss - liabilities	**620**	3,521	**620**	3,521
Interest rate swaps - held as cash flow hedges - liabilities	**416,500**	441,500	**416,500**	441,500
	417,120	445,021	**417,120**	445,021

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 $10,619,522 (2024: $367,521,000), on which it pays 0.70% to 3.83% interest (2024: 0.40% 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 $10,000,000 (2024: $364,000,000), on which it pays 3.83% interest (2024: 0.40% 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 $571,119,522 (2024: $445,021,000), on which it receives 0.66% to 4.30% interest (2024: 0.52% to 4.53%) 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 $571,119,522 (2024: $445,021,000), on which it receives 0.66% to 4.30% interest (2024: 0.52% to 4.53%) 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.

15 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
Maturity period				
Less than one year	**84**	89	**84**	89
More than one year but less than two years	**27**	212	**27**	212
More than two years but less than five years	**307**	(2,103)	**307**	(2,103)
Five years or more	**181**	261	**181**	261
Net Deferred (gains)/losses (note 27(c))	**599**	(1,541)	**599**	(1,541)

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.

16 DUE FROM / TO CONTROLLED ENTITIES

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
Due from controlled entities (assets)				
Deferred securitisation receivable	**-**	-	**43,863**	28,749
	-	-	**43,863**	28,749
Due to controlled entities (liabilities)				
Amounts payable to controlled entities	**-**	-	**554,352**	749,588
	-	-	**554,352**	749,588

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

As at 30 June 2025, 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 $1,301,137,408 (2024: $1,316,251,411) and the gross amounts due from the Pinnacle Series Trust 2014-SST were $1,345,000,000 (2024: $1,345,000,000).

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
17 PROPERTY AND EQUIPMENT				
Land and buildings				
At fair value	**8,257**	7,366	**6,376**	5,546
Accumulated depreciation	**(163)**	(310)	**(133)**	(280)
	8,094	7,056	**6,243**	5,266
Leasehold improvements				
At cost	**24,320**	25,498	**24,320**	25,498
Accumulated depreciation	**(16,475)**	(14,397)	**(16,475)**	(14,397)
	7,845	11,101	**7,845**	11,101
Equipment				
At cost	**17,250**	16,495	**17,243**	16,487
Accumulated depreciation	**(12,810)**	(11,418)	**(12,809)**	(11,417)
	4,440	5,077	**4,434**	5,070
Total property and equipment	**20,379**	23,234	**18,522**	21,437

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

Year Ended 30 June 2025	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 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
Carrying amount at 1 July 2024	**7,056**	**11,101**	**5,077**	**23,234**	**5,266**	**11,101**	**5,070**	**21,437**
Additions	**-**	**160**	**1,943**	**2,103**	**-**	**160**	**1,943**	**2,103**
Disposals	**-**	**(193)**	**(327)**	**(520)**	**-**	**(193)**	**(327)**	**(520)**
Revaluations	**1,150**	**-**	**-**	**1,150**	**1,059**	**-**	**-**	**1,059**
Depreciation expense	**(112)**	**(3,223)**	**(2,253)**	**(5,588)**	**(82)**	**(3,223)**	**(2,252)**	**(5,557)**
Carrying amount at 30 June 2025	**8,094**	**7,845**	**4,440**	**20,379**	**6,243**	**7,845**	**4,434**	**18,522**

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 April 2025 by an external third party. Market rentals, outgoings and capitalisation rates are estimated by the independent valuer based on comparable transactions and industry data.

Notes to the Financial Statements

18 LEASES

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

(a) Amounts recognised in the Statements of Financial Position

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

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
Right-of-use assets				
Buildings	**20,103**	25,282	**20,103**	25,282
Net book value	**20,103**	25,282	**20,103**	25,282
Lease liabilities	**25,327**	30,919	**25,327**	30,919
	25,327	30,919	**25,327**	30,919

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

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

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
Depreciation charge of Right-of-use assets (buildings)	**5,574**	5,646	**5,574**	5,646
Interest expense (included in finance cost)	**603**	643	**603**	643
Expense relating to outgoings and variable lease payments not included in lease liabilities (included in other general and administration costs)	**1,239**	1,217	**1,239**	1,217
Expense related to low value leases or short term leases, exempt from AASB 16 (included in other general and administration costs)	**-**	178	**49**	225
Total expenses related to leases	**7,416**	7,684	**7,465**	7,731

Significant leasing arrangements

As at 30 June 2025, 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 2025	Bank			
	Interests in Controlled Entities		Value of Investment Held in Controlled Entities	
			Held by the Bank	Held by the Bank
	2025	2024	**2025**	2024
	%	%	**$**	$
Members Holding Company Pty Ltd	**100**	100	**-**	162,792
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	**-**	341,058
P&N Recruitment Pty Ltd	**-**	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**	100	**-**	-
			2,121,510	2,625,460

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.

Forms were lodged with the Australian Securities & Investments Commission (ASIC) to deregister Police & Nurses Financial Planning Pty Ltd on the 26th of February 2025. The deregistration was completed on the 6th of May 2025.

Forms were lodged with the ASIC to deregister P&N Recruitment Pty Ltd on the 4th of April 2025. The deregistration was completed on the 11th of June 2025.

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
20 INTANGIBLE ASSETS				
Internal Projects (a)				
At cost	**43,948**	35,123	**43,948**	35,123
Accumulated amortisation	**(20,536)**	(13,354)	**(20,536)**	(13,354)
	23,412	21,769	**23,412**	21,769
Computer Software (b)				
At cost	**2,596**	2,596	**2,596**	2,596
Accumulated amortisation	**(2,580)**	(2,562)	**(2,580)**	(2,562)
	16	34	**16**	34
WIP - Intangible (c)				
At cost	**3,744**	8,284	**3,744**	8,284
Accumulated amortisation	**-**	-	**-**	-
	3,744	8,284	**3,744**	8,284
Carbon Offsets (d)				
At cost	**17**	-	**17**	-
Accumulated amortisation	**-**	-	**-**	-
	17	-	**17**	-
Total intangible assets	**27,188**	30,087	**27,188**	30,087
Reconciliation of the carrying amounts of each class of intangible assets				
(a) Internal Projects				
Opening carrying amount	**21,769**	10,440	**21,769**	10,440
Additions	**8,825**	15,632	**8,825**	15,632
Disposals	**-**	-	**-**	-
Amortisation charge *	**(7,183)**	(4,303)	**(7,183)**	(4,303)
Closing carrying amount	**23,411**	21,769	**23,411**	21,769
(b) Computer software				
Opening carrying amount	**34**	123	**34**	123
Additions	**-**	-	**-**	-
Disposals	**-**	-	**-**	-
Amortisation charge *	**(18)**	(89)	**(18)**	(89)
Closing carrying amount	**16**	34	**16**	34
(c) WIP - Intangible				
Opening carrying amount	**8,284**	13,600	**8,284**	13,600
Additions	**4,285**	10,316	**4,285**	10,316
Transfer	**(8,825)**	(15,632)	**(8,825)**	(15,632)
Amortisation charge *	**-**	-	**-**	-
Closing carrying amount	**3,744**	8,284	**3,744**	8,284
(d) Carbon Offsets				
Opening carrying amount	**-**	-	**-**	-
Additions	**17**	-	**17**	-
Disposals	**-**	-	**-**	-
Amortisation charge *	**-**	-	**-**	-
Closing carrying amount	**17**	-	**17**	-
Total intangible assets	**27,188**	30,087	**27,188**	30,087

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

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
21 DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Provisions for impairment on loans and other receivables	**2,090**	1,757	**2,090**	1,757
Derivatives	**623**	1,139	**623**	1,139
Property and equipment	**494**	32	**494**	-
Financial assets at FVOCI	**180**	90	**90**	-
Lease liabilities	**7,452**	9,276	**7,452**	9,276
Provisions	**3,216**	2,881	**3,216**	2,881
Accruals	**1,508**	1,308	**1,501**	1,272
Capital Notes	**95**	187	**95**	187
Other	**41**	17	**31**	636
	15,699	16,687	**15,592**	17,148
Set off to deferred tax liabilities (note 26)	**(11,595)**	(14,429)	**(10,666)**	(14,277)
Net deferred tax assets	**4,104**	2,258	**4,926**	2,871
Movements:				
Opening balance prior to set off	**16,687**	18,196	**17,148**	18,260
Adjustment for change in tax estimate related to prior period	**-**	(11)	**206**	(58)
Reclassification from deferred tax liabilities (note 26)	**813**	-	**-**	-
Adjusted opening balance	**17,500**	18,185	**17,354**	18,202
(Charged)/credited to the income statement (note 7)	**(1,801)**	(1,521)	**(1,761)**	(1,056)
(Charged)/credited to equity (note 7) & (note 27)	**-**	23	**(1)**	2
Closing balance prior to set off	**15,699**	16,687	**15,592**	17,148
Unrecognised temporary differences:				
Unrecoverable losses not recognised	**600**	600	**-**	-
	600	600	**-**	-

Notes to the Financial Statements

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
22	**DEPOSITS**				
	Call deposits	**3,369,476**	3,168,866	**3,369,476**	3,169,492
	Term deposits including accrued interest*	**4,293,209**	3,830,397	**4,293,209**	3,830,397
	Withdrawable shares	**1,028**	1,048	**1,028**	1,048
		7,663,713	7,000,311	**7,663,713**	7,000,937

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. In addition, Term deposits include wholesale term deposits held by corporate entities. As at 30 June 2025 these accounts totalled $549,517 (2024: $583,350)

The fair value of deposits for the financial year ended June 2025 were $49,971,014 lower (2024: $67,955,867 lower) than the carrying value.

Concession Accounts
The Group offers low or no fee transaction accounts that do not 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 181 (2024: 100).

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		Number of shares	Number of shares	**Number of shares**	Number of shares
(a)	**MEMBERS' SHARES**				
	Number of $10 shares (fully paid)	**100,259**	102,229	**100,259**	102,229
	Number of $10 shares (partially paid $6)	**3,833**	3,917	**3,833**	3,917
	Number of $10 shares (partially paid $2)	**1,042**	1,060	**1,042**	1,060
	Number of $0 shares	**537**	550	**537**	550
	Number of $10 on-call shares	**99,048**	85,868	**99,048**	85,868
		204,719	193,624	**204,719**	193,624
	Movements:				
	Opening number of shares	**193,624**	179,498	**193,624**	179,498
	New shares issued during the year	**15,608**	18,647	**15,608**	18,647
	Resignations during the year	**(4,513)**	(4,521)	**(4,513)**	(4,521)
	Closing balance	**204,719**	193,624	**204,719**	193,624

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 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
23	**OTHER PAYABLES**				
	Other payables	**12,583**	11,186	**11,734**	9,845
	Transactions pending settlement	**10,952**	19,454	**10,952**	19,454
		23,535	30,640	**22,686**	29,299

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

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
24	**BORROWINGS**				
	Secured by home loan portfolios	**557,576**	770,875	**-**	-
	Unsecured	**490,803**	488,051	**490,803**	488,051
		1,048,379	1,258,926	**490,803**	488,051

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

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$000	$000	**$000**	$000
25	**PROVISIONS**				
	Employee benefits (a)	**9,802**	8,681	**9,802**	8,681
	Make good (b)	**918**	921	**918**	921
		10,720	9,602	**10,720**	9,602

(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. The required period of service differs from state to state.

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

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
Within the next 12 months	**8,016**	6,853	**8,016**	6,853
Between one and two years	**360**	494	**360**	494
Later than two years	**1,426**	1,334	**1,426**	1,334
	9,802	8,681	**9,802**	8,681

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 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
Opening balance	**921**	1,162	**921**	1,162
Make good released during the year	**(3)**	(241)	**(3)**	(241)
Make good provided for during the year	**-**	-	**-**	-
Closing balance	**918**	921	**918**	921

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
The Group expects the make good provisions to be paid out as follows:				
Within the next 12 months	**330**	119	**330**	119
Between one and two years	**95**	215	**95**	215
Later than two years	**493**	587	**493**	587
	918	921	**918**	921

26 DEFERRED TAX LIABILITIES

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
The balance comprises temporary differences attributable to:				
Financial assets at FVOCI	**1,948**	1,631	**1,948**	1,631
Derivatives	**119**	1,823	**119**	1,823
Property and equipment	**1,810**	1,736	**1,672**	1,584
Intangible assets	**1,513**	2,270	**1,513**	2,270
Right-of-use-assets	**5,414**	6,968	**5,414**	6,968
Other	**791**	1	**-**	1
	11,595	14,429	**10,666**	14,277
Set off of deferred tax assets (note 21)	**(11,595)**	(14,429)	**(10,666)**	(14,277)
Net deferred tax liabilities	**-**	-	**-**	-
Movements:				
Opening balance prior to set off	**14,429**	20,195	**14,277**	20,043
Adjustment related to prior period	**(8)**	-	**-**	-
Reclassification to deferred tax assets (Note 21)	**813**	-	**206**	-
Adjusted opening balance	**15,234**	20,195	**14,483**	20,043
Charged/(credited) to the income statement (note 7)	**(4,535)**	(2,861)	**(4,686)**	(2,861)
Charged/(credited) to equity (note 7) & (note 27)	**896**	(2,905)	**869**	(2,905)
Closing balance prior to set off	**11,595**	14,429	**10,666**	14,277

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
27 MEMBERS' FUNDS				
Reserves				
General reserve (a)	**220,000**	220,000	**220,000**	220,000
Share capital reserve (b)	**1,794**	1,773	**1,794**	1,773
Cash flow hedge reserve (c)	**(599)**	1,541	**(599)**	1,541
Financial asset held at FVOCI reserve (d)	**2,334**	1,489	**4,544**	3,700
Land and Buildings Revaluation held in FVOCI reserve (e)	**1,914**	1,152	**1,495**	796
	225,443	225,955	**227,235**	227,810
Retained earnings				
Balance at beginning of year	**138,138**	118,878	**136,702**	116,929
Prior period adjustment	**(178)**	310	**(54)**	257
Profit for the year	**28,267**	24,224	**28,023**	24,790
Total available for appropriation	**166,227**	143,412	**164,671**	141,976
Dividends Paid	**(5,265)**	(5,252)	**(5,265)**	(5,252)
Amount transferred to/(from) OCI	**-**	-	**-**	-
Gain on sale of Cuscal shares	**3,599**		**3,599**	
Amount transferred to share capital reserve (b)	**(20)**	(22)	**(21)**	(22)
Balance at end of year	**164,540**	138,138	**162,983**	136,702
Contributed equity				
Balance at beginning of year	**150,719**	150,719	**150,719**	150,719
Prior period adjustment	**(314)**	-	**(314)**	-
Balance at end of year	**150,405**	150,719	**150,405**	150,719
Issued Capital (f)				
Balance at beginning of year	**73,934**	73,940	**73,934**	73,940
Issue of Capital Notes net of issuance cost	**-**	(6)	**-**	(6)
Balance at end of year	**73,934**	73,934	**73,934**	73,934

(a) General Reserve

The general reserve represents an historical transfer from retained earnings.

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
(b) Share capital reserve				
Balance at beginning of year	**1,773**	1,752	**1,773**	1,752
Transfer from retained profits	**21**	22	**21**	22
Balance at end of year	**1,794**	1,773	**1,794**	1,773

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 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
(c) Cash flow hedge reserve				
Balance at beginning of year	**1,541**	8,546	**1,541**	8,546
Revaluation gain/(loss) of cash flow hedge instruments	**(3,056)**	(9,925)	**(3,056)**	(9,925)
Ineffective (effect)/benefit recognised in the income statement	**-**	(83)	**-**	(83)
Tax (effect)/benefit of revaluations	**916**	3,003	**916**	3,003
Changes in the fair value of cash flow hedges, net of tax	**(2,140)**	(7,005)	**(2,140)**	(7,005)
Balance at end of year	**(599)**	1,541	**(599)**	1,541

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 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
(d) Financial asset held at FVOCI reserve				
Balance at beginning of year	**1,489**	1,537	**3,700**	3,700
Revaluation increase for the year	**5,899**	-	**5,899**	-
Revaluation decrease for the year	**-**	(67)	**-**	-
Tax (effect)/benefit of revaluations	**(1,770)**	19	**(1,770)**	-
Amount transferred (to)/from Retained Earnings	**(4,692)**	-	**(4,693)**	-
Tax (effect)/benefit of transfers	**1,408**	-	**1,408**	-
Changes in the fair value of financial asset, net of tax	**845**	(48)	**844**	-
Balance at end of year	**2,334**	1,489	**4,544**	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 2025	Group		Bank	
	2025	2024	**2025**	2024
	$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	**1,107**	-	**1,016**	-
Tax effect of revaluations	**(345)**	-	**(317)**	-
Balance at end of year	**1,914**	1,152	**1,495**	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.

27 MEMBERS' FUNDS (continued)

Year Ended 30 June 2025	Group			
	2025	**2025**	2024	2024
	No.	**$000**	No.	$000
(f) Issued Capital				
Balance at beginning of year	**7,500**	**73,934**	7,500	73,940
Issue costs	**-**	**-**	-	(9)
Deferred Tax	**-**	**-**	-	3
Balance at end of year	**7,500**	**73,934**	7,500	73,934

Year Ended 30 June 2025	Bank			
	2025	**2025**	2024	2024
	No.	**$000**	No.	$000
Issued Capital				
Balance at beginning of year	**7,500**	**73,934**	7,500	73,940
Issue costs	**-**	**-**	-	(9)
Deferred Tax	**-**	**-**	-	3
Balance at end of year	**7,500**	**73,934**	7,500	73,934

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.

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$000	$000	**$000**	$000
28 DIVIDENDS				
Quarterly cash dividend for period ended 28 Aug 2024 at distribution rate of $176. per note. (Quarterly cash dividend for period ended 26 August 2022 at distribution rate of $120.6 per note)	**1,320**	1,312	**1,320**	1,312
Quarterly cash dividend for period ended 27 Nov 2024 at distribution rate of $178.22 per note. (Quarterly cash dividend for period ended 28 November 2022 at distribution rate of $147.1 per note)	**1,337**	1,294	**1,337**	1,294
Quarterly cash dividend for period ended 26 Feb 2025 at distribution rate of $179.4 per note. (Quarterly cash dividend for period ended 27 February 2023 at distribution rate of $154.6 per note)	**1,345**	1,326	**1,345**	1,326
Quarterly cash dividend for period ended 27 May 2025 at distribution rate of $168.42 per note. (Quarterly cash dividend for period ended 26 May 2023 at distribution rate of $156.9 per note)	**1,263**	1,320	**1,263**	1,320
	5,265	5,252	**5,265**	5,252
Franking credits allocated based on a tax rate of 30% (2023 - 30%)	**2,256**	2,251	**2,257**	2,250
	2,256	2,251	**2,257**	2,250

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 2025	Group		Bank	
	2025	2024	**2025**	2024
	$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	**28,224**	24,375	**28,023**	24,790
Depreciation and amortisation	**18,352**	16,147	**18,321**	16,116
Credit impairment charge excluding bad debts recovered	**2,024**	386	**2,024**	386
(Gain)/Loss on disposal of property and equipment	**(60)**	117	**(17)**	117
Non cash dividends received	**-**	-	**(360)**	(1,080)
Increase/(decrease) in provisions	**1,118**	410	**1,118**	410
Increase in loans	**(559,714)**	(659,182)	**(559,717)**	(659,182)
(Decrease)/increase in net borrowings from other financial institutions	**(210,547)**	49,219	**2,752**	(65,942)
Decrease/(Increase) in interest earning investments	**10,321**	(92,271)	**10,321**	(92,271)
(Increase)/Decrease in other receivables	**(11,017)**	6,455	**(10,331)**	6,145
Increase/(decrease) in member deposits	**663,422**	616,114	**662,797**	614,878
Decrease in interest rate swaps	**(80)**	(449)	**(80)**	(449)
Increase in accrued expenses and other payables	**13,045**	21,400	**13,979**	21,891
Decrease in current tax assets	**134**	3,676	**163**	3,641
Increase in deferred tax assets	**(1,846)**	(4,256)	**(2,056)**	(4,654)
Decrease in deferred tax liabilities	**(3,626)**	(5,765)	**(3,614)**	(5,765)
Decrease/(Increase) in sundry debtors and prepayments	**899**	(1,947)	**899**	(1,947)
Net cash (outflow)/inflow from operating activities	**(49,351)**	(25,571)	**164,222**	(142,915)

Notes to the Financial Statements

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$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	**34**	364	**34**	364
	- later than one year and not later than five years	**-**	-	**-**	-
	Aggregate contractual obligation for future capital commitments - not recognised as a liability	**34**	364	**34**	364
(b)	**Other expenditure commitments**				
	- not later than one year	**33,351**	35,402	**33,351**	35,402
	- later than one year and not later than five years	**50,395**	93,332	**50,395**	93,332
	Aggregate contractual obligation for other future commitments - not recognised as a liability	**83,746**	128,733	**83,746**	128,733
(c)	**Variable rental outgoings**				
	- not later than one year	**1,143**	1,214	**1,143**	1,214
	- later than one year and not later than five years	**2,999**	3,780	**2,999**	3,780
	- later than five years	**42**	375	**42**	375
	Aggregate contractual obligation for future variable outgoings - not recognised as a liability	**4,184**	5,369	**4,184**	5,369

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$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	**1,299,892**	1,028,776	**1,299,892**	1,028,776

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 2025).
- 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 2025).

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 $27,136,395 (2024: $27,228,609). Management and Directors are not aware of any claims, either current or pending, in relation to those guarantees.

Year Ended 30 June 2025		Group		Bank	
		2025	2024	**2025**	2024
		$	$	**$**	$
32	**KEY MANAGEMENT PERSONNEL DISCLOSURES**				
Total key management personnel remuneration		**6,105,654**	6,362,721	**6,105,654**	6,362,721
Short-term employee benefits		**5,488,426**	5,677,504	**5,488,426**	5,677,504
Post-employment benefits		**288,848**	304,770	**288,848**	304,770
Other long-term benefits		**-**	-	**-**	-
Termination benefits		**328,380**	380,447	**328,380**	380,447
		6,105,654	6,362,721	**6,105,654**	6,362,721

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.

Key management personnel of Police & Nurses Limited

The key management personnel of Police & Nurses Limited include the following whose remuneration details are included in the table above:

Andrew Hadley	Managing Director and Chief Executive Officer
Brendon Comrie	Chief Risk Officer
Chris Malcolm	Chief Data & Propositions Officer
Christine MacKenzie	Chief People Officer
Jacqueline Ryan	Chief Business Banking Officer
Mark Smyth	Chief Retail Banking Officer
Shaun Hassall	Chief Financial Officer
Warren Willis	Chief Transformation & Technology Officer
Angela Newland	Executive General Manager
Kaine Adamson	General Manager Broker
Gary Colin Humpherys	Director
Monish Paul	Director
Trevor Hunt	Director
Kellie Louise Properjohn	Director
Louise Anne Clarke	Director
Julie Elliot	Director

32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Year Ended 30 June 2025	Bank	
	2025	2024
	$	$
Loans outstanding to key management personnel and their related entities:		
Total loans as at 30 June 2025	**2,725,840**	1,583,798
Of which, loans under normal member terms and conditions	**499,240**	108,959
Loan advances	**-**	0
Loan repayments	**10,595**	292,777
Interest on loans	**7,551**	4,075
Loans outstanding to key management personnel and their related entities:		
Total discounted loans as at 30 June 2025	**2,226,600**	1,474,839
Of which, unsecured loan balance	**-**	-
Loan advances	**182,622**	-
Loan repayments	**47,219**	127,203
Interest on loans	**13,140**	18,078
Outstanding deposits held by key management personnel and their related entities:		
Balance of deposits as at 30 June 2025	**2,761,488**	2,633,977
Additional deposits	**1,142,647**	6,371,899
Withdrawals	**1,315,485**	6,677,279
Interest on deposits	**13,966**	59,565

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$	$	**$**	$
33 AUDITORS' 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	**275,578**	262,455	**275,578**	262,455
- other assurance services	**121,807**	94,673	**82,481**	57,228
	397,385	357,128	**358,059**	319,683
(b) Remuneration for other services:				
Auditor of the parent entity - Grant Thornton				
- taxation advice	**13,633**	18,385	**13,633**	18,385
Total auditors' remuneration	**411,018**	375,513	**371,692**	338,068

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 2025	**Bank**	
	2025	2024
	$000	$000
Aggregate amounts included in the determination of profit before income tax that resulted from transactions with entities in the Group:		
Interest revenue	**73,162**	79,105
Interest expense	**113,713**	122,425
Securitisation service fee revenue	**6,580**	7,973
Dividend revenue	**561**	2,259
Lease expense	**47**	47
Aggregate amounts receivable from entities in the Group at balance sheet date	**43,863**	28,749
Aggregate amounts payable to entities in the Group at balance sheet date	**554,352**	749,588

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 2025, the KMPs held 22 shares of the PNL Capital Note. During the period, they received $15,444 in distributions from these Capital Notes, detailed in note 28.

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 - Interest Rate Risk management - objectives and policies

The predominant risk that the Group is exposed to is interest rate risk. The Group does not transact in foreign currencies, commodities or equity products as part of its normal banking operations.

Interest rate risk exposures arise out of the central business model around taking deposits from members, providing loans to borrowing members and engaging in wholesale markets to meet liquidity requirements and maintain a diverse funding base. Through the process of credit intermediation and maturity transformation inherent in these banking book activities, repricing and maturity mismatches are created in the balance sheet that are sensitive to movements in interest rates. Adverse movement in interest rates can therefore pose risks to PNL's capital and earnings over time. This is defined as Interest Rate Risk in the Banking Book (IRRBB).

The management of IRRBB is governed by the Board RAS and IRRBB Policy which sets out how the Group identifies, measures, monitors, controls and mitigates IRRBB to prudent levels.

The Group monitors and manages its IRRBB 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 IRRBB by placing maximum limits on the sensitivity of capital and earnings to adverse movements in interest rates in either direction over the short and long-term. Sensitivity is measured and monitored via a range of methodologies including the Economic Value of Equity (EVE), Earnings at Risk (EAR), Present Value of a Basis Point (PVBP), Value at Risk (VaR) and repricing gap analyses.

The key strategies considered by ALCO under its delegation to manage interest rate risk relate to; managing the growth and composition of assets and liability giving risk to interest rate risk; managing the maturity and repricing profile of assets and liabilities within the consolidated entity's risk appetite; and interest rate risk hedging strategies. The Treasury Function is responsible for the implementation of the strategies approved by ALCO in relation to wholesale assets and liabilities, and the execution of derivative financial instruments for hedging purposes.

Interest rate sensitivity analysis

As at 30 June 2025 the impact on the Group and Bank of a 100 basis point parallel shift (bp) in interest rates (up and down) using a static balances sheet with constant volumes and margins was as follows:

- For a 100bp upwards parallel shift a gain of $16.1m representing 3.4% of common equity tier 1 capital (CET1) and 8.4% of net interest income for the year ended 30 June 2025.
- For a 100bp downwards parallel shift a loss of $14.1m representing 3.0% of common equity tier 1 capital (CET1) and 7.4% of net interest income for the year ended 30 June 2025.

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. The quality and diversification of the portfolio is governed by a Board approved limit framework which addresses asset type, credit quality, counterparty concentrations, portfolio concentrations and maturity profile.

Financing arrangements

Liquidity support is available in the form of a $3,000,000 (2024: $3,000,000) overdraft facility with Cuscal. This facility was undrawn as at 30 June 2025.

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 $185,000,000 (2024: $210,000,000), of which $16,424,832 (2024: $24,340,500) was available for drawdown as at 30 June 2025; and
- a self-securitisation facility under the Pinnacle Series Trust 2014-SST of $1,345,000,000 (2024: $1,345,000,000). The A Notes (AAA rated) of $1,195,000,000 (2024: $1,195,000,000) 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 Group and the Bank had access to the following undrawn borrowing facilities as at 30 June 2025:

Year Ended 30 June 2025	Group		Bank	
	2025	2024	**2025**	2024
	$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

The below tables represent the maturities of financial liabilities.

Year Ended 30 June 2025	Group					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Maturities of financial liabilities	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
2025						
Borrowings	**-**	**301,666**	**357,712**	**-**	**389,001**	**1,048,379**
Members' deposits	**3,411,178**	**2,227,464**	**1,935,907**	**89,164**	**-**	**7,663,713**
Derivative financial instruments	**-**	**4**	**1,185**	**888**	**-**	**2,077**
Other payables	**-**	**23,535**	**-**	**-**	**-**	**23,535**
Lease liabilities	**-**	**1,632**	**4,489**	**16,539**	**3,933**	**26,593**
	3,411,178	**2,554,301**	**2,299,293**	**106,591**	**392,934**	**8,764,297**
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

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

Year Ended 30 June 2025	Bank					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Maturities of financial liabilities	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
2025						
Borrowings	**-**	**301,666**	**189,137**	**-**	**-**	**490,803**
Members' deposits	**3,411,178**	**2,227,464**	**1,935,907**	**89,164**	**-**	**7,663,713**
Derivative financial instruments	**-**	**4**	**1,185**	**888**	**-**	**2,077**
Other payables	**-**	**22,686**	**-**	**-**	**-**	**22,686**
Lease liabilities	**-**	**1,632**	**4,489**	**16,539**	**3,933**	**26,593**
	3,411,178	**2,553,452**	**2,130,718**	**106,591**	**3,933**	**8,205,872**
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

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 Risk Management Framework (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 continues 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).

During the year, PNL engaged a professional climate risk specialist (Finity) to undertake physical climate risk scenario analysis to understand its exposure to physical risks arising from climate change on its residential mortgage book.

The scenario analysis assessed our current residential home loan book against climate change risks under two scenarios being low emissions (Limiting warming to 2 degrees) and a high emissions scenario based on current emissions pathway.

While the assessment deemed our current physical climate change risk as low risk with no immediate remedial actions required, management will continue to reassess material climate risks and adopt risk mitigation processes where appropriate.

35 FINANCIAL RISK MANAGEMENT (continued)

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

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 review Key Risk Indicator performance (KRIs) to account for potential emerging risks.

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.

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 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 or accounts where the customer is under a hardship arrangement 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.

35 FINANCIAL RISK MANAGEMENT (continued)

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

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 or an event of default has occurred as per the above.

Loss Given Default

For Personal Loans, Credit Cards, Home loans (P&N) and Overdrafts the Loss Given Default model is calculated across historic data. For Home Loans (BCU), 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. This is then used to add impact of economic outlook to an ECL outcome that has not considered economic condition. The impact of an ever changing 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.

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)

35 FINANCIAL RISK MANAGEMENT (continued)

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

- **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.

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 2025	Group				
	Stage 1	Stage 2	Stage 3		
Internal rating	Collective provision 12-months ECL $000	Collective provision Lifetime ECL not credit impaired $000	Collective provision Lifetime ECL credit impaired $000	Individual provision Lifetime ECL $000	Total $000
Low (Internal risk grade 1)					
Cash and cash equivalents	188,989	-	-	-	188,989
Receivables due from financial institutions	1,215,567	-	-	-	1,215,567
Loans and advances	6,920,804	36,755	9,055	-	6,966,614
Undrawn credit commitments	1,272,452	-	-	-	1,272,452
Total Low	**9,597,812**	**36,755**	**9,055**	**-**	**9,643,622**
Sound (Internal risk grade 2)					
Loans and advances	281,249	4,043	-	-	285,292
Total Sound	**281,249**	**4,043**	**-**	**-**	**285,292**
Stable (Internal risk grade 3)					
Loans and advances	81,086	1,238	-	-	82,324
Total Stable	**81,086**	**1,238**	**-**	**-**	**82,324**
Moderate (Internal risk grade 4)					
Loans and advances	40,136	136	24	-	40,296
Total Moderate	**40,136**	**136**	**24**	**-**	**40,296**
Acceptable (Internal risk grade 5)					
Loans and advances	504,338	600	42	-	504,980
Total Acceptable	**504,338**	**600**	**42**	**-**	**504,980**
Managed (Internal risk grade 6)					
Loans and advances	787	360	5,100	4,859	11,106
Total Managed	**787**	**360**	**5,100**	**4,859**	**11,106**
Total	**10,505,408**	**43,132**	**14,221**	**4,859**	**10,567,620**
Financial assets by ECL stage, gross balances					
Cash and cash equivalents	188,989	-	-	-	188,989
Receivables due from financial institutions	1,215,567	-	-	-	1,215,567
Loans and advances	7,828,400	43,132	14,221	4,859	7,890,612
Undrawn credit commitments	1,272,452	-	-	-	1,272,452
Total financial assets by ECL stage	**10,505,408**	**43,132**	**14,221**	**4,859**	**10,567,620**

35 FINANCIAL RISK MANAGEMENT (continued)

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

Year Ended 30 June 2024	Group				
	Stage 1	Stage 2	Stage 3		
Internal rating	Collective provision 12-months ECL $000	Collective provision Lifetime ECL not credit impaired $000	Collective provision Lifetime ECL credit impaired $000	Individual provision Lifetime ECL $000	Total $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					
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 2025	Bank				
	Stage 1	Stage 2	Stage 3		
Internal rating	Collective provision 12-months ECL $000	Collective provision Lifetime ECL not credit impaired $000	Collective provision Lifetime ECL credit impaired $000	Individual provision Lifetime ECL $000	Total $000
Low (Internal risk grade 1)					
Cash and cash equivalents	120,368	-	-	-	120,368
Receivables due from financial institutions	1,215,567	-	-	-	1,215,567
Loans and advances	6,920,804	36,755	9,055	-	6,966,614
Due from controlled entities	43,863	-	-	-	43,863
Undrawn credit commitments	1,272,452	-	-	-	1,272,452
Total low	**9,573,054**	**36,755**	**9,055**	**-**	**9,618,864**
Sound (Internal risk grade 2)					
Loans and advances	281,249	4,043	-	-	285,292
Total sound	**281,249**	**4,043**	**-**	**-**	**285,292**
Stable (Internal risk grade 3)					
Loans and advances	81,086	1,238	-	-	82,324
Total Stable	**81,086**	**1,238**	**-**	**-**	**82,324**
Moderate (Internal risk grade 4)					
Loans and advances	40,136	136	24	-	40,296
Total Moderate	**40,136**	**136**	**24**	**-**	**40,296**
Acceptable (Internal risk grade 5)					
Loans and advances	504,338	600	42	-	504,980
Total Acceptable	**504,338**	**600**	**42**	**-**	**504,980**
Managed (Internal risk grade 6)					
Loans and advances	787	360	5,100	4,859	11,106
Total Managed	787	360	5,100	4,859	11,106
Total	**10,480,650**	**43,132**	**14,221**	**4,859**	**10,542,862**
Financial assets by ECL stage, gross balances					
Cash and cash equivalents	120,368	-	-	-	120,368
Receivables due from financial institutions	1,215,567	-	-	-	1,215,567
Loans and advances	7,828,400	43,132	14,221	4,859	7,890,612
Due from controlled entities	43,863	-	-	-	43,863
Undrawn credit commitments	1,272,452	-	-	-	1,272,452
Total financial assets by ECL stage	**10,480,650**	**43,132**	**14,221**	**4,859**	**10,542,862**

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		
Internal rating	Collective provision 12-months ECL $000	Collective provision Lifetime ECL not credit impaired $000	Collective provision Lifetime ECL credit impaired $000	Individual provision Lifetime ECL $000	Total $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
Other assets	-	-	-	-	-
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
Due from controlled entities	-	-	-		-
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					
Cash and cash equivalents	183,238	-	-	-	183,238
Receivables due from financial institutions	1,225,887	-	-	-	1,225,887
Other assets	-	-	-	-	-
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)

(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 2025

		Group				
		Gross amount	ECL Provision	Carrying amount	Collateral held	
					Other	Property
Maximum credit exposure	**Note**	**$000**	**$000**	**$000**	**$000**	**$000**
Cash and cash equivalents	8	**188,989**	**-**	**188,989**	**-**	**-**
Receivables due from financial institutions	9	**1,215,567**	**(389)**	**1,215,178**	**-**	**-**
Loans and advances [(i)]	13	**7,890,612**	**(5,879)**	**7,884,733**	**59,071**	**16,946,096**
- Home loans		7,314,255	(3,546)	7,310,709	4,669	15,504,502
- Secured overdrafts		29,689	(17)	29,672	321	334,079
- Personal loans		40,389	(450)	39,939	41,250	-
- Overdraft & credit cards		34,207	(970)	33,237	100	2,914
- Commercial & property finance		472,072	(896)	471,176	12,731	1,104,601
Total		**9,295,168**	**(6,268)**	**9,288,900**	**59,071**	**16,946,096**
Off-Balance Sheet						
Undrawn credit commitments	31	**1,299,892**	**(700)**	**1,299,192**	**-**	**-**
Maximum credit exposure		**10,595,060**	**(6,968)**	**10,588,092**	**59,071**	**16,946,096**

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

Year Ended 30 June 2024

		Group				
		Gross amount	ECL Provision	Carrying amount	Collateral held	
					Other	Property
Maximum credit exposure	**Note**	**$000**	**$000**	**$000**	**$000**	**$000**
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

35 FINANCIAL RISK MANAGEMENT (continued)

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

Year Ended 30 June 2025

		Bank				
		Gross amount	ECL Provision	Carrying amount	Collateral held	
					Other	Property
Maximum credit exposure	**Note**	**$000**	**$000**	**$000**	**$000**	**$000**
Cash and cash equivalents	8	**120,368**	**-**	**120,368**	**-**	**-**
Receivables due from financial institutions	9	**1,215,567**	**(389)**	**1,215,178**	**-**	**-**
Loans and advances [(i)]	13	**7,890,612**	**(5,879)**	**7,884,733**	**59,071**	**16,946,096**
- Home loans		7,314,255	(3,546)	7,310,709	4,669	15,504,502
- Secured overdrafts		29,689	(17)	29,672	321	334,079
- Personal loans		40,389	(450)	39,939	41,250	-
- Overdraft & credit cards		34,207	(970)	33,237	100	2,914
- Commercial & property finance		472,072	(896)	471,176	12,731	1,104,601
Due from controlled entities	16	**43,863**	**-**	**43,863**	**-**	**-**
Total		**9,270,410**	**(6,268)**	**9,264,142**	**59,071**	**16,946,096**
Off-Balance Sheet						
Undrawn credit commitments	31	**1,299,892**	**(700)**	**1,299,192**	**-**	**-**
Maximum credit exposure		**10,570,302**	**(6,968)**	**10,563,334**	**59,071**	**16,946,096**

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

Year Ended 30 June 2024

		Bank				
		Gross amount	ECL Provision	Carrying amount	Collateral held	
					Other	Property
Maximum credit exposure	**Note**	**$000**	**$000**	**$000**	**$000**	**$000**
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

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 2025	Group		Bank	
	2025	2024	**2025**	2024
Common equity tier 1 capital adequacy ratio	**12.70%**	12.60%	**12.69%**	12.59%
Tier 1 capital adequacy ratio	**14.72%**	14.75%	**14.71%**	14.73%
Capital adequacy ratio as at 30 June	**14.83%**	14.82%	**14.83%**	14.80%

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 2025

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
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 9 to 66 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 2025 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

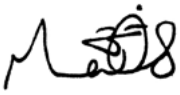
b) there are reasonable grounds to believe that the Group and Bank will be able to pay its debts as and when they become due and payable.

c) the consolidated entity disclosure statement on page 66 is in accordance with the *Corporations Act 2001* and is true and correct as at 30 June 2025.

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: 26 August 2025
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 2025, 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 2025 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.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group and Bank's annual report for the year ended 30 June 2025, 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/media/apzlwn0y/ar3_2024.pdf. This description forms part of our auditor's report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 26 August 2025

Grant Thornton Audit Pty Ltd

Police & Nurses Limited
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