



BankVic

For police, emergency
and health workers

Annual Report 2023



Contents

A message from our Chair and CEO	4
Financial Year 2023 Highlights	6
Members	8
Being BankVic	14
Community	22
Sustainable futures	34
Board of Directors	36
Executive Team	42
Corporate Governance Statement	46
Directors' Report	51
Auditor's Report	54
Financial Statements	55
Statement of comprehensive income	56
Balance sheet	57
Statement of changes in equity	58
Statement of cash flows	59
Notes to and forming part of..... the financial statements	60
Directors' Declaration	89
Independent Auditor's report	90



A message from our Chair and CEO

On behalf of the Board, the Executive Team and our people, we are pleased to share with you the 2023 Annual Report in what has been another successful and rewarding year.

At BankVic, we serve those who serve the community, and it is a privilege to work alongside you to support your financial wellbeing and make a difference to the causes most important to you.

Delivering results and consistency in challenging times

With many industries facing significant challenges in the current economic environment, we have delivered another year of strong growth, continuing to hold our position as one of Victoria's largest Mutual banks¹. We achieved new lending of \$749M while maintaining a strong liquidity and capital position of 21.1% and 19.5% respectively.

We also started 2023 with a significant milestone, officially reaching \$3 billion in assets. This is a growth of 50% in just four years – from \$2 billion in 2019. In our 49-year history, we have doubled in size in the last seven years and we could not have done this without our members' support.

We recognise that the rising cost of living impacts the lives of our members. It was important for us to minimise this impact for our home loan members by not passing on the full amount of the RBA

cash rate increases, over four successive months - one of very few banks in Australia to do so. At the same time, we increased deposit rates to build and safeguard our members' savings.

Elevating the member journey: Enriching the experience and keeping your money safe

We are committed to improving every aspect of banking for our members, continuing to make it simple and more secure to bank with us, providing value for money, and making it easier to access our products and services.

A major part of this is our Digital Transformation program - streamlining our processes from becoming a member, to buying a house or applying for a credit card, saving you time and making your life easier.

The Australian Bureau of Statistics reported that 65 per cent of people received a scam offer or request last year, up from 55 per cent. To help protect our members and the community, we were pleased to extend our partnership with Crime Stoppers Victoria with the launch of a podcast series to raise awareness on cybercrime and provide practical ways to stay safe online.

In addition, we launched 'BankSafe with BankVic', a range of resources to empower our members to protect their personal and financial information. We have also extended our use of one-time passwords, layering additional security on payments to help keep you safe.

We remain committed to providing straightforward and personal banking for our members and are pleased to see our efforts recognised with a member satisfaction score of 85%².

Investing in our people

We have supported our people's growth by providing opportunities through memberships with organisations including Women in Banking and Finance, the Diversity Council Australia, and professional development training at the Australian Institute of Management and the Financial Services Institute of Australasia.

Building our community partnerships

We have continued to support our members' communities by investing

in their professional and career development, health and wellbeing and in fostering connections with the broader community.

Thank you to our members for your commitment to protecting our community, and for keeping us safe. We are so proud to be part of your community, and your support of BankVic drives us to better serve you and meet your financial needs, making your lives easier.

From humble beginnings in the Victoria Police Association store room in 1974, we are delighted to celebrate our 50 year anniversary next year, and look forward to celebrating this milestone with you.



Lucinda Nolan

Lucinda Nolan
Chair



Anthony De Fazio

Anthony De Fazio
Chief Executive Officer

1. KPMG Mutual Report 2021 Mutuals Industry Review 2021 | Banking - KPMG Australia
2. Member Satisfaction Score calculated as the 3-month rolling average as at 30 June, 2023

FY23 Highlights



Financial Highlights

Loans (\$'billion)



Deposits (\$'billion)



Profit after tax (\$'million)



Members' funds (\$'million)



³ Member Satisfaction Score calculated as the 3-month rolling average as at 30 June, 2023



We are here for our members

Creating greater value

In the last financial year, we have seen rapid increases in the cash rate, inflation, and the cost of living.

Providing great value and going further for our members is what drives us at BankVic. We were founded to provide peace with financial wellbeing and we continue to demonstrate this focus for all our members and their families.

We do this by responding to both the market and our members' needs – our home loan and term deposit rates continue to be some of the most competitive in the country, with BankVic one of the only banks in Australia not to pass on every RBA rate rise to home loan borrowers.

Making banking easier and safer

BankVic is committed to making it easier and more secure for our members to bank with us.

Whether it's becoming a member for the first time, buying a house or applying for a credit card, our digital transformation program is making your member experience quicker and easier. This automation has reduced the time from application to settlement for our members by 50%.

Accessing BankVic home loans through brokers

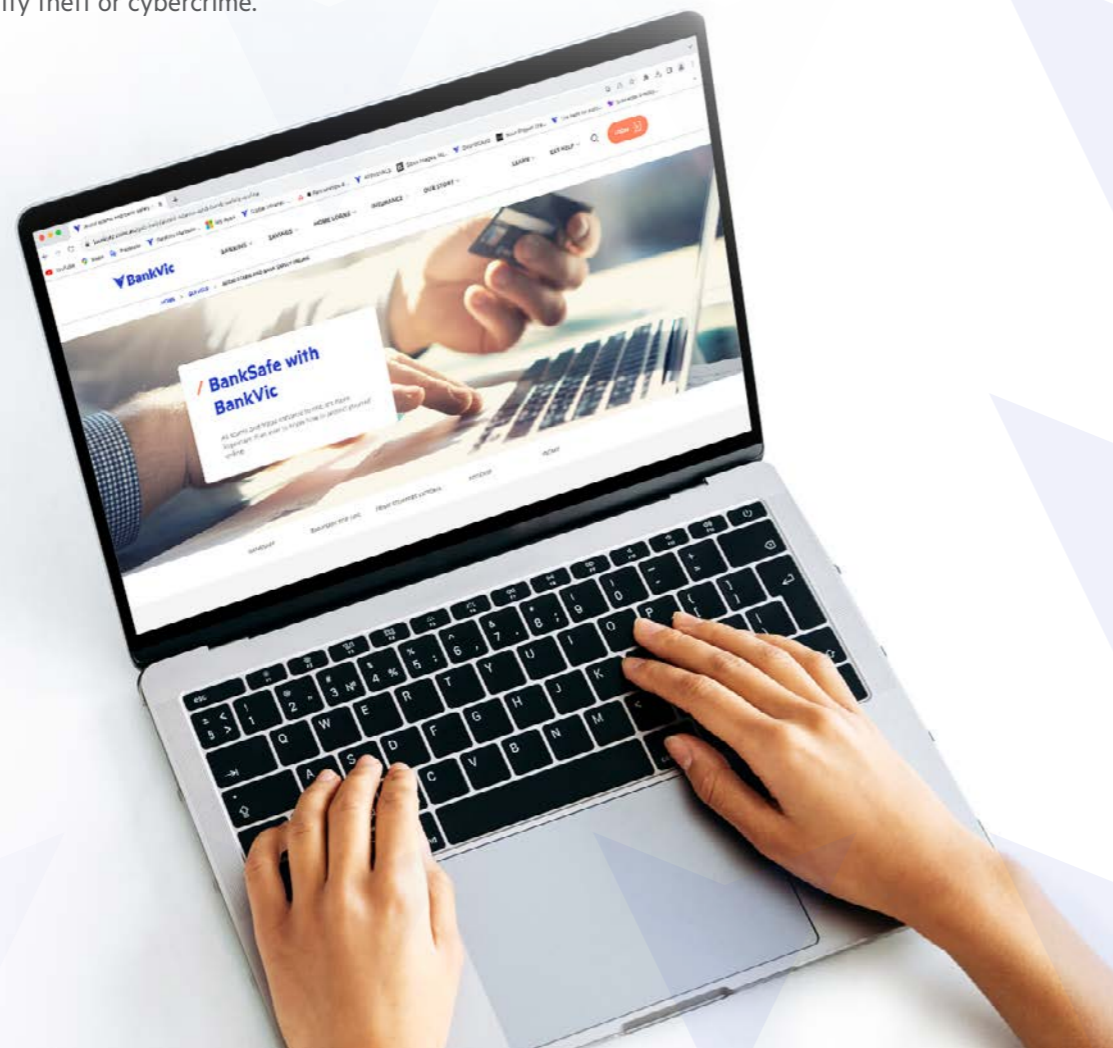
Some of our members prefer to use a broker when looking for a home loan, so we have made our loans available through a select group of brokers.

BankSafe with BankVic

As scams and fraud continue to rise, we are aware of the devastating impact that cybercrime can have on our members.

As part of our response to these threats, we introduced the BankSafe with BankVic Hub on our website. The hub hosts a range of resources, tools, and information to empower our members with the knowledge to help keep their personal and financial information safe.

The hub also features our continuing work and partnership with Crime Stoppers Victoria, and the support available for our members with IDCARE, a not-for-profit organisation that provides support to victims of identity theft and cybercrime. BankVic members can access IDCARE services free of charge and receive guidance on the appropriate steps to take to minimise any damage caused by identity theft or cybercrime.



This year we also expanded the use of one-time SMS passwords to provide members with an additional layer of security when making payments, helping to keep their money safe.

Voice of Member (VOM) program

We are committed to listening to our members to ensure that we are delivering on what's important. Through our VOM program, we collect and analyse feedback from our members to understand the full user experience – from applying for a home loan to changing their password. This program ensures that we remain member-focused, competitive, and responsive to changing needs and market dynamics.



Building our bond with our members

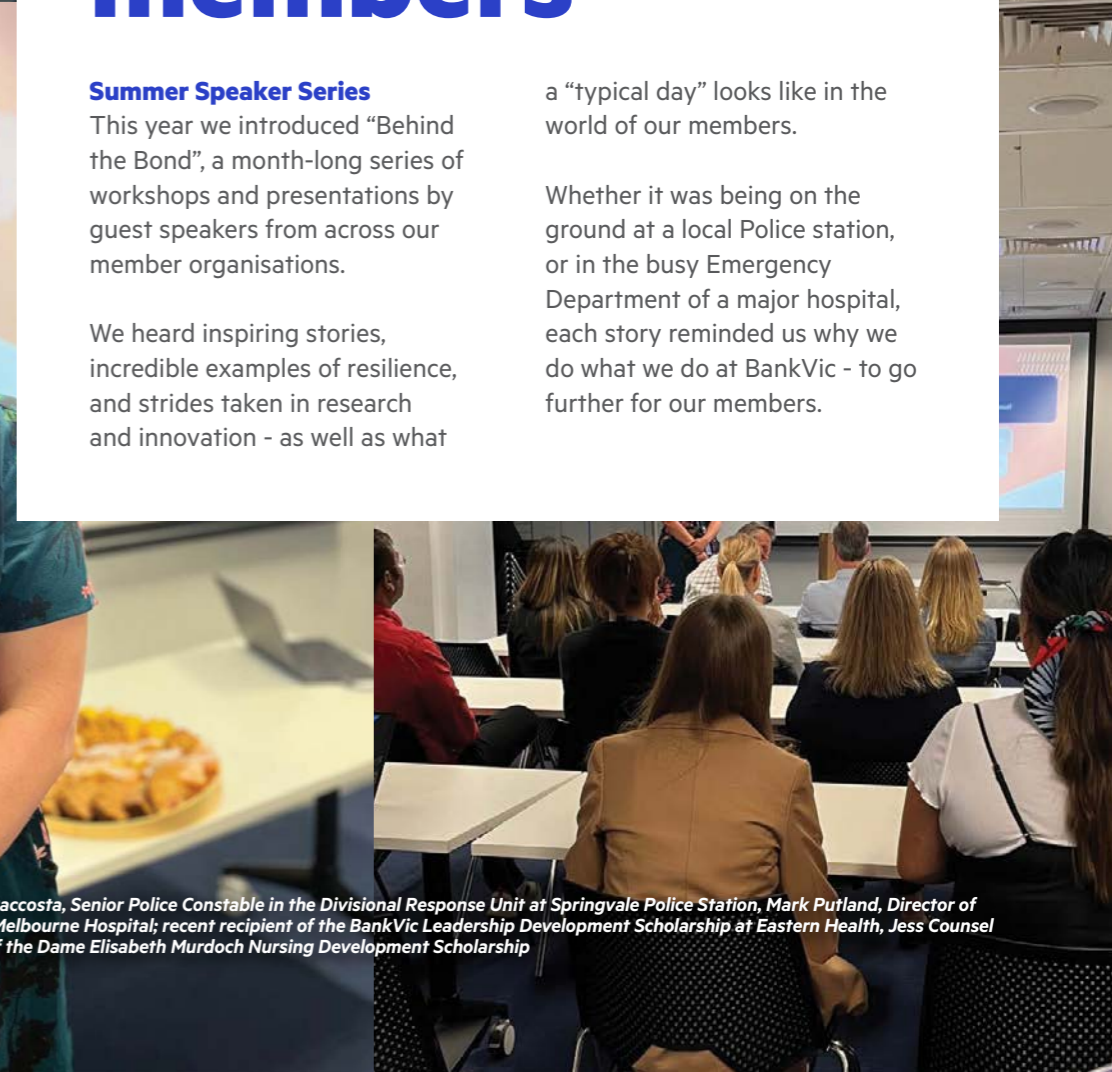
Summer Speaker Series

This year we introduced “Behind the Bond”, a month-long series of workshops and presentations by guest speakers from across our member organisations.

We heard inspiring stories, incredible examples of resilience, and strides taken in research and innovation - as well as what

a “typical day” looks like in the world of our members.

Whether it was being on the ground at a local Police station, or in the busy Emergency Department of a major hospital, each story reminded us why we do what we do at BankVic - to go further for our members.



Speakers included Marianna (Maddy) Raccosta, Senior Police Constable in the Divisional Response Unit at Springvale Police Station, Mark Putland, Director of Emergency Medicine at The Royal Melbourne Hospital; recent recipient of the BankVic Leadership Development Scholarship at Eastern Health, Jess Counsel and Eloise Borello, the 2022 recipient of the Dame Elisabeth Murdoch Nursing Development Scholarship



Recognition

The WeMoney Banking Awards recognise and celebrate the best financial products and innovators in Australia. BankVic is proud to have received awards in both the 2022 and 2023 WeMoney Banking

Awards, winning six in 2022, and eight in 2023. These included the “Outstanding Customer Service” awards in both the Home Loans and Everyday Banking categories.



Health and financial wellbeing of members

Building on the success of our “Financial Wellbeing for Women in Policing” sessions, we undertook further research and discussions with our partner organisations to create a host of Financial Wellbeing resources, covering key areas of financial literacy and safety.

Working closely with The Police Association of Victoria (TPAV) we have developed resources directly addressing the financial issues that our members told us were most important, and how they see BankVic supporting their financial wellbeing.





Our people: 'Being BankVic'

What sets BankVic's people apart is their commitment to, and deep understanding of, our members.

Health, safety and wellbeing of our people

At BankVic, we continue to create a culture where everyone thrives, where we can develop and grow to be the best version of ourselves at work, at home and in the community. We do this by nurturing a culture through our values "Together, Honest and Brave".

Our employee wellbeing program, Positive Pulse, offers a range of benefits, events and webinars covering all aspects of wellbeing including social, financial, physical and mental health. We recently undertook a mental health pulse-check, asking our people to have their input into how we evolve our mental health support programs. Key insights from this survey showed that our people feel positive around the work they are doing and are

supported by BankVic. The survey results provide us with areas for opportunity and assist us in planning actions to continue to support health and wellbeing at BankVic.

Training and development

Our people are our most valuable asset, and our investment in their development directly supports their careers and the experience for our members.

We have supported our people's growth by providing opportunities through memberships with organisations including Women in Banking and Finance, the Diversity Council Australia, and professional development training at the Australian Institute of Management and the Financial Services Institute of Australasia.



Recognising our people

“When you work alongside the amazing people that I do at BankVic, being nominated and chosen as the People’s Choice winner is a huge privilege. It’s a pleasure to go to work every day at such a great company, supporting our fantastic members.”

Eddie Prunty
People’s Choice BV Star Award winner



Once a year we recognise a team member who has made a substantial contribution to the BankVic culture and has helped make BankVic a great place to work.

We were delighted to congratulate this year’s winner of the People’s Choice BV Star Award – Eddie Prunty, our Sunshine Branch Manager.

Eddie received multiple nominations, showing the significant contribution he has made to his peers, members, and to BankVic. Across his nominations, Eddie was described as a supportive team player with a ‘member first’ attitude.

Talent attraction and retention

We are committed to supporting and developing our people. Growing our talent, offering learning opportunities, and increasing the diversity of people we recruit and promote within the business, is critical to our future. This investment in our people has resulted in 45% of all new appointments being internal movements and secondments and 25% of those were promotions into a leadership position.





women banking and finance

Diverse and inclusive workforce

We are committed to a culture that embraces diversity and inclusion, where everyone is treated fairly, with respect and can be the best version of themselves at work, at home and in the community.

As part of this commitment, BankVic became a member of the Diversity Council Australia (DCA). BankVic is proud to be part of a community of Australian organisations committed to building and supporting diverse and inclusive workplaces. As Australia's only independent, not-for-profit peak body for workplace diversity and inclusion,

the DCA offers our people a unique knowledge bank of research, best practice and expertise across all the diversity dimensions.

BankVic has become a member of Women in Banking and Finance (WiBF). WiBF's vision is to create a positive impact in the Australian banking sector that will lead to improved gender diversity and inclusive leadership practices. Our membership gives all team members exclusive access to webinars, resources, and industry events. A number of our female leaders and emerging leaders have completed WiBF development programs through the year.

The Workplace Gender Equality Agency (WGEA) annual reporting assesses BankVic's pay equity, gender balanced leadership, parental leave, and flexible working.

BankVic's results continue to demonstrate gender balance at management level, including a gender balanced Executive team. We have seen

ongoing growth in the representation of female leaders and the promotion of females within the organisation.

We have also been successful in reducing the organisation-wide gender pay gap by another 2.6% from last year, 8% better than the Financial Services average, and ensuring equal pay in like-for-like roles across BankVic.

We can break the bias in our workplaces

International Women's Day is a day to celebrate the social, economic, cultural, and political achievements of women. This year's theme was **#EmbraceEquity** – that gender equity isn't just something we say, it is something we think about, understand, and embrace.

For the fourth year in a row, BankVic hosted an IWD event where we had a meaningful

conversation with a fantastic panel of women, moderated by BankVic Board Chair, Lucinda Nolan. Panellists included:

- **Stella Smith**, CEO of Crime Stoppers Victoria,
- **Professor Lee Boyd**, Chief Nursing and Midwifery Officer at Eastern Health, and
- **Rachel Morley**, BankVic Chief Growth and Experience Officer.



IWD 2023 #EmbraceEquity

We were also the principal sponsor of The Women's International Women's Day breakfast for 2023. The Royal Women's Hospital works hard to

improve the lives of women and babies through innovative research, specialist support programs and adoption of new technologies.



Lucinda Nolan
Board Chair
BankVic

Rachel Morley
Chief Growth and
Experience Officer
BankVic

Stella Smith
Chief Executive Officer
Crime Stoppers Victoria

Professor Lee Boyd
Chief Nursing and
Midwifery Officer
Eastern Health



International Women's Day



BankVic



BankVic

BLUE RIBBON FOUNDATION
Angela Taylor
MEMORIAL RUN/WALK

Angela Taylor
MEMORIAL
RUN/WALK

Community

Building on B Corp

A B Corp certification is an important recognition for businesses that meet specific social and environmental performance standards. As a certified B Corporation, we take pride in our membership within a collective of over 4,000 dedicated organisations making a positive global impact.

B Corp certification is not a one-time achievement; it requires ongoing recertification to ensure the company continues to meet the rigorous standards set by the certifying body, B Lab. Throughout the last financial year, we have worked to identify where we could improve our impact score, and where we could improve our standing as an ethical, for-purpose business.

Top 40 Workplaces to Give Back

We were proud to be included in the list of Australia's Best Workplaces to Give Back for the second year in a row – improving our performance and coming in at number 24, up from number 37 the previous year.

This result reflects our continuing commitment to build on our strong foundation of giving, including:

- our pledge to match all workplace giving,
- widening community service leave to include choice of organization or cause, and
- the growing impact we are seeing from our incredible community partnerships

Certified



Corporation

This company meets the highest standards of social and environmental impact



WE ARE PROUD TO BE A PART OF THE
TOP 30
BEST WORKPLACES
TO GIVE BACK
2022
BROUGHT TO YOU BY GODCOMPANY

Image: the Angela Taylor Memorial Run/Walk

Contributing to our community

This year, we contributed \$705k in donations and sponsorships across our partners.

Investing in critical research

What makes BankVic different from other banks is the connection we have with our members, one based on a mutual commitment to the community. Our members care for those who need it the most.

That is why we invest in initiatives that support our members and their work. We do this by providing funding for research grants, education scholarships, and career development.

At Eastern Health, this includes:

- The BankVic Leadership Development Scholarships, supporting emerging leaders in the healthcare industry, and
- The BankVic Research and Innovation Grants, which support medical professionals to better understand diseases, discover treatments and improve practices.

We look forward to continuing to support the work Eastern Health does, improving the lives of those in our community.

2023 BankVic Research and Innovation Grants: Eastern Health

Implementing an evidence based clinical supervision training program to reduce staff burnout and improve patient safety. Dr Nicholas Taylor.

Eastern Health's world-leading team has developed the first effective evidence-based clinical supervision training program and will evaluate its implementation across the physiotherapy workforce at Eastern Health.

The educational resources accompanying the training program have been incorporated within an online Eastern Health training package for staff participants to access during the study.

Consumer Experiences of Mentalization Based Treatment (MBT): A Qualitative Study. Dr Fiona Donald

Mentalizing is the ability to understand both our own and others' thoughts (or more broadly mental states) and how these influence behaviour. For people living with Borderline Personality disorder, this process is significantly compromised.

Mentalization Based Treatment is provided in one of Eastern Health's Spectrum clinics, a specialist service established to meet the needs of people with severe Borderline Personality Disorder. This qualitative project involves interviewing approximately ten mental health consumers about their experience of a psychotherapy program run at Spectrum using Mentalization Based Treatment.





Image: Kelly Light, the recipient of the 2023 Dame Elisabeth Murdoch Nursing Development Scholarship.

Dame Elisabeth Murdoch Nursing Development Scholarship (DEMNDs)

The Dame Elisabeth Murdoch Nursing Development Scholarship is an opportunity to recognise, celebrate and support the development of nurses at the Royal Children's Hospital. BankVic is very proud to continue to support this scholarship, and congratulates 2023 recipient Kelly Light, Clinical Nurse Educator. Light will use the scholarship to develop a trauma-informed care implementation plan that focuses on Ambulatory Care settings.

“The word trauma in healthcare is most often associated with terrible physical injuries and life-or-death situations. However, in the context

of trauma-informed care, the term ‘trauma’ means understanding that our patients and families have unique lived experiences, not only in terms of their health or abilities – but regarding adversities they have faced,”

“I am incredibly humbled and grateful to be awarded the Dame Elisabeth Murdoch Nursing Development Scholarship. I can’t thank the scholarship committee enough for seeing my passion and drive and giving me the opportunity to bring about meaningful change in nursing practice. I want to thank the RCH Auxiliaries and BankVic for supporting this scholarship, which enables nursing development and the provision of excellent paediatric care.”

Inclusion, diversity and equal opportunity

We are committed to recognising, accepting and embracing individual differences in our community, amongst our people, partners, members and others in society to bring about equal opportunity and inclusion.

Rainbow Families Day

For Victoria Police’s second annual Rainbow Families Day, Victoria Police Pride families were treated to a special tour of the Victoria Mounted Branch Dog Squad facilities.

BankVic was proud to present at, and support the International Family Equality Day event.



Torch Run 2023

BankVic enjoys a strong and continuing partnership with the Law Enforcement Torch Run (LETR), a non-for-profit organisation that provides opportunities for inclusion, personal development, and overall well-being for people with intellectual disabilities.

By engaging in sporting activities, promoting health, and fostering a sense of belonging, LETR and the Special Olympics work together to empower individuals with intellectual disabilities and enhance their quality of life. The Torch Run is a much-loved event on the BankVic calendar.



Victorian Police Women's Football Club (VPWFC) Sponsorship

We were proud to sponsor the VPWFC at the National Police Football Championships in October 2022 – with the team winning the inaugural cup.

This was the first time the women's teams had been invited to compete in the nation-wide event, and BankVic was behind the first Victorian team all the way to victory.



WHAT IS FINANCIAL ABUSE?

WITH LAUREN CALLAWAY

ASSISTANT COMMISSIONER AT VICTORIA POLICE

“WHENEVER THEY ARE RESTRICTING THAT PERSON’S LIBERTIES OR THEIR FINANCIAL INDEPENDENCE, THAT IS A FORM OF ABUSE.”



Creating safe and healthy communities

Online scams are becoming more prevalent and sophisticated, with Australians losing a staggering \$568 million to scams in 2022 alone. These losses are impacting people every day, so we were pleased to extend our partnership with Crime Stoppers Victoria to raise awareness around cybercrime and to help keep the community safe.

We were delighted to partner with both Crime Stoppers Victoria and Victoria Police on two podcast series; ‘Spotting a Scam’, which covered identity theft, investment scams, and remote hacking scams, as well as a two-part series on “Financial Abuse” which explored the complex nature of these crimes and the support available for victims.





Images top then clockwise: Emergency Services Games launch, Blue Light Disco attendees, BankVic Volunteers at DEMNDS, BankVic Volunteer taking donations at DEMNDS, BankVic CEO Anthony De Fazio speaking at the Blue Light Disco.

The Victoria Police & Emergency Services Games

The annual 2023 Police and Emergency Services Games were held, with thousands of people representing 30 different Police and emergency service agencies competing across more than 40 different sports.

BankVic is a trusted partner of the games – proud to invest in supporting the physical, psychological and community wellbeing of everyone in the Police and emergency service sector.

“We all know that physical exercise and spending time with friends are great ways to maintain mental health and general wellbeing. The Victoria Police and Emergency Services Games provide an invaluable opportunity for workers in the police and emergency services sectors to take time out from the day-to-day stresses of their jobs, connect with their colleagues and enjoy being part of an inclusive, friendly event.”
- Deputy Commissioner Rick Nugent

Over the 5 days of the Games, over 2,500 participants took part across 40 sports, with over 1,780 medals awarded.

The Blue Light Gala

We were so proud to be Principal Sponsor of the 2023 Blue Light Victoria (BLV) fundraiser, with this year’s Gala highlighting the new program of Blue Light Victoria - Blue EDGE (Educate, Develop, Grow, Empower), which is a fitness program designed to combine physical training, personal growth and life skills in partnership with Victoria Police. Blue EDGE is now being run in 14 schools across Victoria with 16 sessions at each school over eight weeks.

Engaging our people

BVgive, our volunteering and Workplace Giving Program, gives our people an easy way to support one or more of 14 non-profit organisations. This year we committed to matching donations, bringing the total for FY23 to \$7,830.

The non-profit organisations we support include:

- Victoria Police Legacy
- Blue Light Victoria
- Blue Ribbon Foundation
- Crime Stoppers Victoria
- TLC Ambulance
- Royal Children’s Hospital Foundation
- Royal Melbourne Foundation
- Eastern Health

- Monash Health
- Northern Health
- Western Health
- Ready Set
- Wildlife Victoria
- Habitat for Humanity

Community Participation

Over 30% of our people took part in volunteering and community service in FY23.

Empowering the BankVic team to volunteer their time to support our partners and their communities not only contributes to their personal sense of purpose, but also fosters a socially responsible and engaged workforce, creating a positive impact that extends beyond the office. BankVic offers two paid days of volunteer and community service leave to all team members.

The Victoria Police Legacy Children’s Christmas Appeal, supported by BankVic, raised \$15,700 for young legatees across the state - an incredible achievement. BankVic team members volunteered their time to help pack Christmas hampers, with 265 young people and 50 parents supported through the successful appeal.

2023 Angela Taylor Memorial Run/Walk

It was a record turnout for the 2023 Angela Taylor Memorial Run/Walk, held every year in honour of Constable Angela Taylor, who died in the line of duty in the 1986 Russell Street bombing, and all Victoria Police members who have died serving and protecting our community. BankVic was proud to have the largest team registered this year, with team members and their families getting into the spirit of competition.

We are proud to be a long-term sponsor of this event, with this year's proceeds supporting the Victoria Police Blue Ribbon Foundation Police Assistance Dog Program, providing assistance dogs to Victoria Police veterans requiring mental health support.

IT Team planting

As part of their paid volunteer and community service leave, the BankVic Technology team participated in a tree planting event organised by TreeProject in Wandin North, Victoria.

“This experience was both meaningful and fun, and I am incredibly grateful for the opportunity to volunteer alongside my team” shared Shefali, our Digital Optimisation Specialist. “We engaged in conversations, shared laughter, and appreciated the splendid weather.”

By the end of the day, the team had successfully planted approximately 800 trees – making a positive impact on the environment while strengthening the bonds within the team.

Charity Board representation by BankVic Executives.

Anthony De Fazio,
Chief Executive Officer
is a Non-Member Director of
Victoria Police Legacy

Michelle Arundel,
Chief People & Culture Officer
is the Chair of
Blue Light Victoria



Sustainable futures

BankVic has begun taking steps to reduce the environmental impact across our business.

We track our carbon emissions so that we can monitor and review usage and have commenced the development of a Sustainability program that will focus on reducing wastage and emissions, increasing recycling, and choosing best-practice suppliers.

Givvable

BankVic is committed to making a positive environmental and social impact through our purchasing activities. As such, we engaged Australian supplier sustainability platform, givvable, to monitor the sustainability actions of our vendors.

Since joining givvable, we have undertaken an engagement program to encourage our suppliers to participate in the platform – resulting in an increase in the sustainable certifications recorded by our suppliers.



MobileMuster is part of our focus on BankVic's environmental footprint and serves as a great way to encourage and engage our people to repair, reuse and recycle.

With MobileMuster we have encouraged our people to drop all personal technological items such as mobile phones, handset batteries, chargers and accessories into designated bins.





Image: Board of Directors, L-R Michael Liu, Lucinda Nolan APM, Rhyl Gardner, David Cowan, Debra Robertson, Faith Page and Tony Long.

Board of Directors



**Lucinda Nolan APM
Chair**

Master of Arts, Bachelor of Arts (Hons), Grad Dip PSM, Advanced Management Program (Harvard University), GAICD
Lucinda was elected to the BankVic Board in 2016. She has over 30 years' experience in the police and emergency services sector and has served as Deputy Commissioner with Victoria Police. Lucinda was the first female CEO of the Country Fire Authority and was CEO of the Ovarian Cancer Research Foundation from 2016 to 2023.

Lucinda is a Director of the Alkira Institute, the Melbourne Archdiocese Catholic Schools Board and Cleo Diagnostics.

Lucinda is a member of the Governance, Remuneration & Nominations Committee.



**Debra Robertson APM
Deputy Chair**

Advanced Diploma of Public Safety (Investigation), GAICD, CF
Debra was elected to the Board in 2017. She is a Commander in charge of Intelligence and Covert Support at Victoria Police with over 40 years' experience across operational policing and strategic projects.

Debra holds an Advanced Diploma of Public Safety and Police Investigation, an Advanced Certificate in Management, and postgraduate qualifications in Gender and Policing. She was Vice President of The Police Association Victoria (TPAV) for two years, has served as a Director of the Police Federation Australia (PFA) and was a recipient of a Churchill Fellowship in 2017.

Debra is a former Chair and currently a Board Member of Blue Light (Victoria). She is on advisory boards for RMIT and Latrobe Universities and is a Member of the Police Registration and Services Board (Victoria). She is a recipient of the Australian Police Medal (2015), a graduate of the Australian Institute of Company Directors (AICD) and completed the AICD Board Mastery Course in 2021.

Debra is a member of the Audit Committee, and a member of the Governance, Remuneration & Nominations Committee.



**David Cowan
Director**

David was elected to the Board in November 2020.

David has been a member of Victoria Police for over 30 years.

He currently serves as a Superintendent in the Southern Metro Region and is the President of the Australia and New Zealand Society of Evidence Based Policing. He is an advocate for rigorous research and collaboration with academia and holds a Master of Studies in Criminology (Cambridge), Graduate Diploma Executive Leadership (PES), and Senior Executives in Government Program (Harvard). He has undertaken several organisational reviews and held positions in corporate planning and risk management.

He has been awarded a Churchill Fellowship to investigate Evidence Based Policing worldwide.

David is the Chair of the Audit Committee, and a member of the Risk Committee.



**Rhyll Gardner
Director**

Rhyll was appointed to the Board in November 2022.

Rhyll is a highly experienced non-executive director with over 15 years of board and committee experience.

Her 35 years of senior executive roles in banking and finance include Managing Director/CEO of Foresters Group, and Group Head of Strategy and Mergers & Acquisitions at the Bank of Queensland.

During her 20-year career at St George Bank, Rhyll held executive and senior management roles in retail and business banking, product and marketing, third-party distribution, risk management, strategy, and business development. Rhyll is a non-executive director at Identitii Ltd where she chairs the Audit and Risk Committee, InterFinancial Ltd where she sits on the Compliance Committee, and at Innovation & Business Skills Australia, where she is Chair of the Finance, Audit & Risk Committee.

She is also a non-executive director at Foodbank (Qld) where she chairs the Governance and Risk Committee. Rhyll's qualifications include a Global Executive Master of Business Administration from INSEAD, Master of Arts, Master of Applied Finance, Bachelor of Economics, and a Bachelor of Commerce. She is also a graduate of the AICD Directors Course and a Fellow of FINSIA.

Rhyll is a member of the Audit Committee and a member of the Risk Committee.



Michael Liu
Director

Bachelor of Laws (Honours) and Bachelor of Commerce (University of Melbourne).
Michael was appointed to the Board in November 2018.

Michael has over 25 years of financial services experience, including governance, risk, and board experience. He is currently a non-executive director on the Board of WCM Global Growth (WQG – ASX listed), where he is Chair of the Audit and Risk Committee. Michael is a non-executive director and Deputy Chair on the Board of Foresters Financial, where he is also Chair of the Investment Committee and a member of the Audit and Compliance Committee.

Having commenced his career as a lawyer at Allens Arthur Robinson, Michael has held senior executive positions at UBS Investment Bank, Macquarie Bank, leadership roles at a global fintech headquartered in London and a venture capital firm established in Singapore.

Michael is the Chair of the Digital Transformation & Cyber Committee, and a member of the Governance, Remuneration & Nominations Committee.

Michael is also a non-executive director at Defence Health Limited (where is also a member of the Investment Committee) and a non-executive director at the Law Institute of Victoria (where he is also a member of the Finance and Investment Committee).



Tony Long
Director

GAICD, GIA (Affiliated)
Tony was elected to the Board in November 2020.

Tony is a member of Victoria Police with over 40 years with experience across operations, investigations, strategic and management roles. He holds a Graduate Certificate in Applied Management, Diploma of Business in Frontline Management, and Certificate III in Information Technology for Software Applications.

Tony has an extensive history of community service volunteerism. He is currently the Vice President of the Westgate Branch of the Blue Ribbon Foundation and is a Life Member of Apex Australia.

Tony is the Chair of the Governance, Remuneration and Nominations Committee and a member of the Digital Transformation & Cyber Committee.



Faith Page
Director

Bachelor of Science (Economics and Computer Science), GAICD, CGEIT, CISA
Faith was appointed to the Board in November 2018. She is a highly experienced senior executive with expertise in technology, information security and cyber risk management, as well as assurance, regulatory compliance, and digital transformation.

Faith has extensive experience with global professional services firms (BDO, EY, Deloitte, and IBM) advising boards and audit and risk committees on operational, information security, technology, and cyber risk management. She views technology-enabled change through an experienced risk lens to enable organisations to optimise outcomes.

Faith was previously a partner at EY and at Deloitte, advising boards and audit and risk committees on operational IT security, cyber risks, and controls. She is currently a client servicing Director at Ashurst Risk Advisory.

She is also a member of the Australian Institute of Company Directors (AICD) Gippsland Committee.

Faith is the Chair of the Risk Committee and a member of the Digital Transformation & Cyber Committee.



Steven Coulson (retired)
Director

GAICD, FCPA, FIML, CFE, BCom, Grad Dip Fraud Investigation, Dip Company Directorship
Steven was elected to the Board in 2013.

He holds a Bachelor of Commerce (majoring in Accounting and Commercial Law) and is a Certified Practising Accountant (Fellow) and Certified Fraud Examiner.

Steven is currently Manager of Forensic Accounting Unit, Crime Command at Victoria Police. He has held senior management positions with the Australian Taxation Office, Department of Justice and Regulation and Ernst & Young.

Having reached the maximum tenure of 9 years, Steven retired from the Board on 15 November 2022.

Auditors KPMG, Tower Two, 727 Collins Street, Melbourne, 3008
Board membership as at 30 June 2023. Committee membership is stated on page 51



Image: Executive Team, L-R Rachel Morley, Steve Whiting, Michelle Arundel, Penny Maroulis, Anthony De Fazio, Karl Holden and Shane Kuret.

Executive Team



Anthony De Fazio
Chief Executive Officer
 BCom, FCPA

Anthony has been BankVic's Chief Executive Officer since April 2018, having joined BankVic in January 2017 as Chief Financial Officer.

A Financial Services Executive with 30 years' experience in the banking, superannuation and investment sectors, Anthony has provided leadership and strategy across multiple functions including Finance, Investment, Business Intelligence, Operations and Technology.

Anthony is a Non-Executive Director of Indue Limited and Non-Member Director of Victoria Police Legacy.



Karl Holden
Chief Financial Officer

With over 20 years' experience in financial operations, Karl brings with him a wealth of experience in financial operations, having led finance functions in ANZ's International banking operations over the last seven years. Karl's most recent role was as ANZ's Chief Financial Officer for North Asia and was previously ANZ's Chief Financial Officer for Greater Mekong. Karl's experience includes treasury, mergers and acquisitions, financial/regulatory reporting, broker commission structures, and design and implementation of process improvement programs and business efficiency initiatives.



Penny Maroulis
Company Secretary
 Bachelor of Laws (Honours), Bachelor of Arts (Honours) University of Melbourne, FGIA, MAICD, FGIA

Penny was appointed Company Secretary in October 2017 and is responsible for corporate governance and all matters relating to the operations and policy of the BankVic Board.

Penny commenced her career as a solicitor at Mallesons Stephens Jaques and has held senior legal policy, risk, and corruption prevention and integrity roles across the public sector.

Prior to BankVic, Penny was the Executive Advisor to the Chief Commissioner of Victoria Police for several years, working closely with the Chief Commissioner of Police and the Victoria Police Executive Command.



Steve Whiting (retired)
Chief Risk Officer
 BSC HONS, MBA, Dip Superannuation, MAICD

Steve joined BankVic in March 2021 and is responsible for BankVic's risk and compliance management function.

With over 17 years in Financial Services, Steve brings extensive risk leadership experience in the banking and superannuation industries.

Prior to BankVic, Steve held senior risk positions at AustralianSuper, Bank of New Zealand and NAB.



Michelle Arundel
Chief People & Culture Officer
 BBus, Dip Human Resources

Michelle joined BankVic in March 2018 and is responsible for building our culture, employee engagement and workforce performance.

Michelle brings extensive people leadership, coaching and performance management experience and has held senior positions at Westpac, Australian Super and IAG.

Michelle is also Chair of Blue Light Victoria.



Rachel Morley
Chief Growth & Experience Officer

Rachel joined BankVic in January 2023 and is responsible for BankVic's growth and customer experience functions. She is an experienced senior Executive with broad ranging experience across Retail banking and Institutional transaction banking, strategy and program development.

Rachel has held leadership positions at ANZ, Esanda, Westpac and most recently Bank of Melbourne, where she played a key role in the creation of the retail business proposition and network expansion. Rachel has a deep passion for people leadership and service excellence.



Shane Kuret
Chief Information Officer

Shane joined BankVic in 2022 and is responsible for leading BankVic's Technology and Information Security functions. He has over 15 years' experience within the Banking and Finance industry having held senior Technology roles at ME Bank, MyLife MyFinance and Equip Super.

Shane has extensive experience across a broad range of technology capabilities including Strategy, Information Security, Architecture, Vendor management and Digital Transformation.

Corporate Governance Statement

BankVic is a member-owned mutual bank.

We are an Australian public company registered under the Corporations Act 2001 (Cth) and regulated by the Australian Securities and Investments Commission (ASIC).

As an Authorised Deposit-taking Institution (ADI) we are also regulated by the Australian Prudential Regulation Authority (APRA), and we have a continuing and strong focus on enhancing governance, financial strength, and security.

Our Board, led by Chair Lucinda Nolan, comprises four member-elected Directors and three Board-appointed Directors. Collectively the Board has the full range of skills and experience required to direct and oversee BankVic's operations.

The Board strives to ensure that BankVic's reputation and business ethics are of the highest standard. We regularly review our corporate governance structure to ensure appropriate development, prioritisation, and delivery of BankVic's business strategies.

As the responsible regulator for BankVic, APRA has prescribed prudential standards relating to the

fitness and propriety of Directors and other Responsible Persons. These include an assessment of their character, integrity, judgement and their ability and capacity to perform the duties of a Director of an ADI.

As such, all candidates for the position of Director are required to undertake extensive reference and administrative checks.

Directors participate in ongoing Director Professional Development through formal training, information sessions on industry and regulatory developments and attendance at industry forums.

Board Performance

The Board is accountable to BankVic members and aims to ensure BankVic operates ethically and responsibly in delivering a real alternative to other profit driven competitors.

The Board adheres to strong corporate governance principles, underpinned by the following duties carried out by the Board:

- setting and monitoring our 3-year strategy
- approving the budget, plans, and organisational policies setting strategic directions, targets and

monitoring the performance of executive management

- monitoring and enhancing the performance of each Board member, of the Board as a whole and of each Board Committee
- ensuring appropriate Board renewal and succession planning
- identifying and monitoring the principal business and prudential risks of BankVic
- monitoring the financial performance of BankVic
- ensuring compliance with BankVic's corporate and legal responsibilities, and
- ensuring business operations are undertaken in an honest, open, and ethical manner.

The Board has delegated responsibility for management of the day-to-day activities of BankVic to the Chief Executive Officer and Executive Committee.

Board Assessment

The Board assesses its effectiveness through an annual Board Assessment, conducted independently, and includes:

- documented performance evaluation and review of each Director and their contribution
- documented evaluation of Board Committees and the Board's performance and effectiveness as a whole
- the appropriateness of meeting schedules and assessment of the relevance, content, and standard of Board material
- the identification and appropriate management of business and prudential risks facing BankVic
- assessment of the necessary range and standard of skills needed at Board level through an independent Board Skills Gap Analysis process.

Additionally, the Board assesses annually the performance of the CEO and Executives against agreed objectives and key performance criteria.

Board Committees

To assist the Board in fulfilling its responsibilities, the Board currently has the following committees:

- **Audit Committee**
- **Risk Committee**
- **Governance, Remuneration & Nominations Committee***
- **Digital Transformation & Cyber Committee**

*In November 2022, the former Corporate Governance Committee, the Nominations Committee, and the Remuneration, People & Culture Committee were consolidated into the Governance, Remuneration & Nominations Committee.

Audit Committee

Chair: David Cowan (Steven Coulson, to 15 November 2022)

Members: Debra Robertson, Rhyll Gardner (from 15 November 2022), Tony Long (to 15 November 2022)

The principal responsibilities of the Audit Committee are to:

- oversee and appraise the quality of the audits conducted by the Company's external auditors (KPMG) and internal auditors (Deloitte)
- maintain open lines of communication among the Directors, the internal auditors, and the external auditors to exchange views and information
- review the financial information presented to members and regulators
- determine the adequacy of the company's administrative, operating, and internal financial controls, and
- review annually internal audit and other policies as required.

Risk Committee

Chair Faith Page

Members David Cowan, Steven Coulson (to 15 November 2022), Rhyll Gardner (from 15 November 2022)

The principal responsibilities of the Risk Committee are to:

- maintain the risk appetite statement as defined by the Board
- approve the risk management strategy
- overview the major policies relevant to the risk management framework
- oversee prudential standards relating to the fitness and propriety of officers and employees,
- oversee the compliance of responsible managers with their statutory obligations, and
- monitor and review all material key financial and non-financial risk areas, including credit risk, market risk, liquidity risk, operational risk (including digital and cyber risks), strategic risk, compliance risk and reputational risks.

Governance, Remuneration & Nominations Committee

Chair Tony Long

Members Michael Liu, Lucinda Nolan, Debra Robertson

The key responsibilities of the Governance, Remuneration & Nominations Committee are to support effective and integrated decision-making across the governance portfolios of BankVic.

This includes key governance, remuneration, people and culture, and Board renewal and nominations functions. The Committee drives the programme of work across these portfolios, including:

- Oversighting the annual programme of Directors Professional Development
- Recommending to the Board processes for annual Board Assessment and Evaluation

- Developing recommendations on Board Renewal and Succession Planning, including Board Skills Matrices
- Reviewing Director Elections Communications and Nominations Processes
- Oversighting the BankVic People and Culture strategy
- Recommending to the Board the level of Directors' Remuneration (recommended to members for approval at the Annual General Meeting)
- Oversighting the completion of Director Induction Programmes
- Monitoring Banking Executive Accountability Regime (BEAR) compliance
- Reviewing Executive Committee Succession Planning
- Reviewing People & Culture and Ethical Health Framework Indicia and Reporting
- Managing Conflicts of Interest

Digital Transformation & Cyber Committee

Chair Michael Liu

Members Tony Long, Faith Page

The key responsibilities of the Digital Transformation & Cyber Committee are to assist the Board in ensuring the delivery of BankVic's Digital Strategy, through:

- review of the Digital Strategy, products and services to ensure they remain relevant to BankVic's members and to the environment in which BankVic operates
- oversight of the bank's prioritisation and funding of projects pertaining to delivery of the Digital strategy
- monitoring the agreed program of work to deliver the Digital Strategy, and
- in conjunction with the Risk Committee, monitoring BankVic's Digital, Information Technology and Cyber risk profile.

Superseded Board Committees

Corporate Governance Committee (superseded on 15 November 2022)

Chair Tony Long

Members Steven Coulson, Michael Liu, Debra Robertson

The key responsibilities of the Corporate Governance Committee were to:

- ensure that BankVic's operations and business risks procedures fully comply with the legal obligations of the Company and good corporate governance principles
- determine applicable procedures to ensure the highest standards of ethical conduct
- oversight BankVic Director Induction and Director Professional Development
- develop the Board's professional development program on current and emerging strategic issues
- manage Directors' potential conflicts of interests and outside interests
- ensure the Directors' obligations under the Banking Executive Accountability Regime (BEAR) are fulfilled.

Remuneration, People & Culture Committee (superseded on 15 November 2022)

Chair David Cowan

Members Lucinda Nolan, Debra Robertson

The key responsibilities of the Remuneration, People & Culture Committee were to:

- oversee the BankVic People and Culture strategy
- recommend the remuneration of the Chief Executive Officer and Executive Committee to the Board
- recommend to the Board the level of Directors' Remuneration (recommended to members for approval at the Annual General Meeting)
- oversight BankVic's Ethical Framework Reporting

- review BankVic's reporting to the Workplace Gender Equality Agency
- review Executive Committee succession planning

Nominations Committee (superseded on 15 November 2022)

Chair Debra Robertson

Members Lucinda Nolan, Michael Liu

APRA prudential standards require BankVic to assess whether nominees for Director are fit and proper persons to act as directors of the company. The fit and proper assessment includes investigations into nominees' character, competence, skills and experience relative to the requirements of the role.

The Nominations Committee made recommendations to the Board on:

- the fitness and propriety of candidates who nominate for positions on the Board
- selection processes for Board-appointed Directors
- Board renewal and Board succession planning.

Directors' Report

Interests in the shares of the Company and related bodies corporate:
POLICE FINANCIAL SERVICES LIMITED \$1 WITHDRAWABLE SHARES

Mr D Cowan.....	10	Ms L Nolan.....	10
Ms R Gardner.....	10	Ms F Page.....	10
Mr M Liu.....	10	Ms D Robertson.....	10
Mr T Long.....	10		

Directors' meetings

During the financial year the following number of meetings were held:

9 Board of Directors Meetings, 2 Governance, Remuneration & Nominations Committee Meetings, 4 Audit Committee Meetings, 1 Corporate Governance Committee Meeting, 3 Digital, Transformation & Cyber Committee Meetings, 1 Remuneration, People & Culture Committee Meeting, 4 Risk Committee Meetings, 0 Nominations Committee Meetings

The number of meetings attended by each director was as follows:

A = Meetings held during Director's tenure B = Meetings attended.

Director	Board meetings		Risk Committee meetings		Audit Committee meetings		Corporate Governance Committee meetings		Rem, People and Culture Committee meetings		Digital, Transformation and Cyber Committee meetings		Governance, Rem and Nominations Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Ms L Nolan	9	9	-	-	-	-	-	-	1	1	-	-	2	2
Ms D Robertson	9	8	-	-	2	2	-	-	1	1	-	-	2	2
Mr D Cowan	9	9	4	2	2	2	-	-	1	1	-	-	-	-
Ms R Gardner	7	7	2	2	2	2	-	-	-	-	-	-	-	-
Mr M Liu	9	8	-	-	-	-	1	1	-	-	3	3	2	2
Mr T Long	9	9	-	-	2	2	1	1	-	-	3	3	2	2
Ms F Page	9	8	4	4	-	-	-	-	-	-	3	3	-	-
Mr S Coulson (Retired)	2	2	2	2	2	2	1	1	-	-	-	-	-	-

Principal activities

During the year there were no significant changes to the principal activities of the Company, these being the provision of deposit taking facilities, credit facilities and related financial services.

Results of operations

Profit after tax of the Company for the financial year was \$15.4m (2022: \$11.6m).

Review of operations growth

Over the financial year 2023 new home lending growth increased by \$309 million. This was supported by strong deposit growth of \$220 million. During the year new memberships grew 0.7% reflecting continued support for the products and services offered by BankVic. Profit for the year after income tax was \$15.4 million, an increase of 32.5% over the previous year, reflecting strong home loans growth and higher margins where deposits repriced has been slower than home loans. Total income for the year was \$72.7 million, an increase of 24.5% over the previous year. Operating expenses for the year were \$53.4 million, an increase of 23.4% compared to the previous year.

Capital adequacy

As a mutual financial institution, BankVic uses its retained earnings as the major source of its capital. Therefore, maintenance of adequate capital over time depends on balancing profit after tax with growth in risk-weighted assets. Capital adequacy ratio in financial year 2023 was 19.5% (17% in financial year 2022). This remains significantly above the minimum level required to be maintained as determined by the Board's risk appetite and APRA Prudential Standards.

Dividends

No dividends have been paid or declared since the end of the previous financial year (2022 \$ nil).

Share issues

The only shares issued by the Company during the year were 26,510 \$1 redeemable preference shares, issued to members in the normal course of business. Note that there were 22,720 \$1 redeemable preference shares redeemed during the year.

State of affairs

There remains significant uncertainty in the global and local economy. High inflation, low unemployment and significant increases in interest rates in the last 12 months have created an environment where both local and Global recessions are possible outcomes. Throughout COVID and in the last 12 months BankVic has managed disruption and prepared for an uncertain environment by ensuring our capital and liquidity levels remain strong and resilient. BankVic members play an ongoing critical role in our society. The importance of their role with the majority of BankVic members being employed within the emergency services sector mitigates potential downside exposures in an uncertain environment. As interest rates have risen BankVic has supported members by not passing on the full impact of rate rises to home loans and BankVic will continue to support members impacted by the challenges of a deteriorating macro-environment.

Directors' benefits

Neither during the financial year nor since the end of the financial year, has a Director received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received, or due and receivable, by Directors shown in the Company financial statements) because of a contract made by the Company, or a related body corporate with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest.

Rounding off

Amounts in the financial statements have been rounded to the nearest thousand dollars (unless otherwise stated) in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Environmental regulation

The Bank's operations are not subject to significant environmental regulation under both Commonwealth and State legislation in relation to its principal business and operating activities.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

Likely developments

The Directors are not aware of any other likely developments in financial years subsequent to 30 June 2023 that may significantly affect the operation and expected results of the Company.

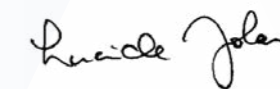
Indemnification and insurance

During the year a premium was paid in respect of a contract insuring Directors and officers of the Company against liability. The officers of the Company covered by the insurance contract include the Directors, executive officers, Company Secretary, and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract. No insurance contract has been provided for the benefit of the auditors of the Company.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 54 and forms part of the Directors' report for the financial year ended 30 June 2023.

Signed this 26th day of September 2023 in accordance with a resolution of the Board of Directors.



Lucinda Nolan
Chair



Debra Robertson
Deputy Chair



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

To the Directors of Police Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Police Financial Services Limited for the financial year ended 30 June 2023 there have been:

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

KPMG

KPMG

Dean Waters

Partner

Melbourne

26 September 2023

**Financial
Statements.**

Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Interest income	4a	115,457	60,083
Interest expense	4b	(48,250)	(7,811)
Net interest income		67,207	52,272
Other income	4c	7,509	7,597
Total income		74,716	59,869
Impairment (charge)/reversal on loans and advances, net of recoveries	4d	(789)	644
Salaries and related expenses		(23,299)	(20,580)
Card and payment expenses		(9,483)	(8,398)
Other expenses	4e	(19,805)	(14,918)
Total expenses		(53,376)	(43,252)
Profit before income tax expense		21,340	16,617
Income tax expense	5	(5,955)	(5,003)
Profit for the period		15,385	11,614
Other comprehensive income		–	–
Total comprehensive income		15,385	11,614
Total comprehensive income available to members		15,385	11,614

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes from pages 66-67.

Balance Sheet

As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Cash and Cash Equivalents	6	105,580	85,431
Receivables Due from Other Financial Institutions	7	615,594	754,843
Accrued Receivables and Other Assets	8	11,203	5,023
Loans and Advances (Net)	9	2,279,196	1,971,861
Investments	10	2,205	2,205
Property, Plant and Equipment	11	5,936	7,111
Intangible Assets	12	109	160
Deferred Tax Asset	5	788	1,081
TOTAL ASSETS		3,020,611	2,827,715
Liabilities			
Deposits	13	2,720,086	2,499,989
Payables and Other Liabilities	14	21,811	12,234
Borrowings	15	41,521	93,663
Current Tax Liability		99	572
Provisions	16	3,755	3,304
TOTAL LIABILITIES		2,787,373	2,609,762
NET ASSETS		233,338	217,953
Members' Funds			
Reserves		22,910	22,413
Redeemed Capital Reserve		549	545
Retained Earnings		209,879	194,995
TOTAL MEMBERS' FUNDS		233,338	217,953

The above Balance Sheet should be read in conjunction with the accompanying notes from pages 68-75.

Statement of Changes in Equity

As at 30 June 2023

	General Reserve	General Reserve for Credit Losses	Redeemed Preference Share Capital Account	Retained Earnings	Total Member Funds
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2021	15,000	6,608	534	184,197	206,341
Change in reserve during the year	-	805	-	(805)	-
Transfer from retained earnings	-	-	11	(11)	-
Profit or loss	-	-	-	11,614	10,619
Balance as at 30 June 2022	15,000	7,413	545	194,995	217,953
Balance as at 1 July 2021	15,000	7,413	545	194,995	217,953
Change in reserve during the year	-	497	-	(497)	-
Transfer from retained earnings	-	-	4	(4)	-
Profit or loss	-	-	-	15,385	15,385
Balance as at 30 June 2023	15,000	7,910	549	209,879	233,338

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

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		112,652	59,403
Interest paid		(38,228)	(8,963)
Other income received		8,008	7,587
Cash payments to suppliers and employees		(52,625)	(45,266)
Net increase in loans and advances		(308,134)	(211,083)
Net increase in deposits		220,093	159,609
Net increase in receivables due from other financial institutions		138,569	(31,518)
Income tax paid		(5,843)	(4,697)
Net Increase in settlement accounts		(669)	(3,139)
Net increase in borrowings		(51,472)	(2,156)
Net Cash inflow/(outflow) provided by Operating Activities	17(ii)	22,350	(80,223)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of property, plant and equipment - remove		28	-
Payments for property, plant, equipment and intangibles		(636)	(97)
Net Cash outflow used in Investing Activities		(608)	(97)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in member shares		4	11
Payment of lease liabilities		(1,597)	1,553
Net Cash inflow provided by Financing Activities		(1,593)	1,564
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		20,149	(78,756)
Cash and cash equivalents at Beginning of Financial Year		85,431	164,187
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	17(i)	105,580	85,431

The above Statement of Cash Flows should be read in conjunction with the accompanying notes page 75-76.

Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2023

1. Reporting Entity

Police Financial Services Limited (the “Company”), trading as BankVic, is a company domiciled in Australia.

The Company is a for profit entity which primarily is involved in the raising of funds as authorised by the Prudential Standards administered by APRA and the *Banking Act 1959*, and the application of those funds in providing financial products to members.

2. Basis of Preparation

a. Statement of Compliance : Corporations Act 2001 (Cth)

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) (including Australian interpretations) adopted by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001 (Cth). The financial report of the Consolidated Company also complies with the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The consolidated financial position and performance are equal to the Parent, except for Cash (refer to Note 24).

The financial statements were authorised for issue by the Directors on 26th September 2023.

b. Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for investments, which are stated at fair value.

c. Functional and Presentation Currency

The financial statements are presented in Australian dollars, which is the Company’s functional and presentation currency. Amounts in the financial statements have been rounded to the nearest thousand dollars (unless otherwise stated) in accordance with ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191.

The Balance Sheet is stated in order of liquidity.

d. Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 5 – Income tax in relation to deferred tax
- Note 9 – Provision for Impairment of loans and advances
- Note 11 – Property, Plant and Equipment (including Right of Use Assets)
- Note 16 – Provisions
- Note 21 – Financial Instruments

3. Significant Accounting Policies

A number of new standards, amendments to standards and interpretations are effective from from 1 July 2022 but they do not have a material effect on the Company’s financial statements.

a. Property, Plant and Equipment

Items of Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of Property, Plant and Equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and Equipment (including Right of Use Assets): 4-25 years
- Leasehold improvements: 5-10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

b. Non-derivative financial instrument

i. Recognition and initial measurement

The Company initially recognises loan receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through the profit or loss) and financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable with a significant financing component) or financial liability is initially measured at fair value plus, for an item not fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification of financial assets

On initial recognition, the Company classifies its non-derivative financial assets except investment in equity securities, as measured at amortised cost. Investment in equity securities are measurement at fair value through other comprehensive Income (FVOCI).

A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held in a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates on cash flows that are solely payment of principal and interest (SPPI) on principal outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and any impairment charge are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

iii. Classification of financial liabilities

Financial liabilities are classified as measured at amortised cost on initial recognition. Subsequently, these are measured at amortised cost using effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains and losses on derecognition are also recognised in profit or loss.

c. Investments

All purchases and sales of investments are recognised on the trade date i.e. the date that the Company commits to purchase or sell the assets. Investments are initially recognised at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs.

Investments in equity securities are designated as FVOCI.

Subsequent to initial recognition, they are measured at fair value with changes therein recognised directly in equity. When an investment is de-recognised, the cumulative gain or loss in equity is transferred from equity to the retained earnings.

Investments in debt securities are classified at amortised cost as these are held to collect the contractual cash flows solely from payments of principal and interest. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method and are assessed for impairment under the expected credit loss impairment model.

Securities sold subject to repurchase agreements are considered to be transferred assets that do not qualify for derecognition when substantially all the risks and rewards of ownership remain with the

Company. An associated liability is recognised for the consideration received from the counterparty.

d. Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term bills and call deposits, with maturities of less than three months and are measured at amortised cost using effective interest rate method. Cash equivalents are readily convertible to cash and are subject to an insignificant risk of change in value.

f. Loans and advances

Loans and advances include home loans, commercial loans, personal loans and other forms of retail lending. Loans and advances are initially recorded at fair value, including direct and incremental transaction costs. They are subsequently measured at amortised cost using the effective interest method as these are held to collect contractual cash flows solely from payments of principal and interest.

The Impetus Funding Trust No. 1 was established in September 2012 for the purpose of creating a Special Purpose Entity (SPE) for contingent liquidity purposes. A portion of the loan portfolio has been internally securitised specifically to create residential mortgage backed securities that are eligible for repurchase agreement (repo) with the Reserve Bank of Australia (RBA). These loans are treated as on balance sheet financial assets for reporting purposes. The terms of the transfer agreement is an equitable assignment to receive all the future income the mortgages generate but not a legal transfer of ownership.

In applying its policies on securitised financial assets, the Company has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Company over the other entity:

- When the Company, in substance, controls the entity to which financial assets have been transferred, the entity is included in these financial statements and the transferred assets are recognised in the Company’s balance sheet; and
- When the Company has transferred financial assets to another entity, but has not transferred substantially all of the risk and rewards relating to the transferred assets, the assets are recognised in the Company’s balance sheet.

Securitised assets are included on the balance sheet of the Company, in accordance with this policy.

g. Impairment

i. Financial assets

An expected credit loss impairment model is applied to all the Company’s financial assets, except for those which are FVPL, and

Notes To and Forming Part of the Financial Statements (continued)

equity securities designated as at FVOCI, which are not subject to impairment assessment. The expected credit loss model recognises credit losses earlier and may also result in more sensitive provisioning levels depending on the economic cycle - refer Note 22.

ii. Non-financial assets

The carrying amount of the Company's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

h. Derecognition of financial assets and liabilities

i. Financial assets

Loans and advances (or, where applicable, a part of loan and advance or part of a group of similar loans and advances) are derecognised when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risk and rewards of the asset; or (b) has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

ii. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

i. Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine whether the cash flows of the modified asset are substantially different. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date.

Where a modification is considered non-substantial, the existing financial asset is not derecognised. In this case, the gross carrying value of the financial asset is recalculated and the amount arising from adjusting the carrying amount is recognised as modification gain or loss.

j. Interest-bearing borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method with any difference between the costs and redemption value recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

k. Employee benefits

i. Long-term service benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related oncosts and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating to the terms of the Company's obligations.

ii. Wages, salaries, annual leave and non-monetary benefits

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

iii. Superannuation

Obligations for contributions to superannuation are expensed as the related service is provided.

l. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle an obligation and the amount can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m. Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

n. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the Retirement Savings Account (RSA) tax plus expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is not recoverable. In these circumstances, the GST is recognised as part of the cost of acquisition or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST is included as a current asset or liability in the Balance Sheet.

p. Revenue

AASB 15 established a comprehensive framework for determining whether, how much, and when revenue is recognised. Revenue is recognised when the performance obligations have been satisfied to the extent that it is probable that the economic benefits will flow to the entity and that revenue can be reliably measured. The principal sources of revenue are interest income, fees and commissions.

i. Interest income

Interest income is recognised as interest accrued using the effective interest method, in accordance with AASB 9. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that discounts estimated

future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Interest receivable is included in the amount of accrued receivables in the Balance Sheet. Interest earned on loans and advances is calculated and accrued on the daily outstanding balance and is charged to a member's loan on the last day of each month.

ii. Lending fees

Fee income and direct costs relating to loan origination, financing or restructuring are deferred and amortised to interest income over the life of the loan using the effective interest method. Where fees are received on an ongoing basis and represent the recoupment of the costs of maintaining and administering existing loans, these fees are recognised over time upon completion of performance obligation.

iii. Other non-interest income

Service charges are recognised as income when services are rendered and charged to the member. Insurance and other commission is recognised as income upon the provision of services.

q. Expenses

i. Interest expense

Interest is calculated on the daily balance and posted to the accounts systematically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis. The amount of the accrual is shown as part of payables.

ii. All other operating expenses

Operating expenses are recognised when the Company has incurred the liability for goods and services purchased.

r. Intangible assets

Intangible assets, which consist of computer software, are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, which is between 3 and 6 years.

s. Redeemed capital reserve

Redeemed capital reserve represents the amount of redeemable preference shares redeemed since 1 July 1999. *The Corporations Act 2001 (Cth)* requires redemption of shares to be made out of profits. The value of the shares redeemed has been paid to members in accordance with the Constitution of the Company.

t. Leases

i. Leased Assets

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

Notes To and Forming Part of the Financial Statements (continued)

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on the index or a rate; initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

ii. Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liability for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Some property leases contain extension options exercisable by the Company up to a number of years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

iii. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Prior to 30 June 2023 the Company entered into a contract to lease a new head office premises. As there is no right to use the premises in the 2023 financial year, the contract is not recorded as a lease in this period. A lease and right of use asset will be recognised in the Balance Sheet and disclosed in Note 11 during the 2024 financial year

u. New standard not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted however, the Company has not early adopted them in preparing these consolidated financial statements. The following amended standards are not expected to have a significant impact on the Company's consolidated financial statements.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of liabilities as current or non-current

- AASB 17 – Insurance contracts
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of accounting policies and definition of accounting estimates
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred tax related to assets and liabilities arising from a single transaction

Notes To and Forming Part of the Financial Statements

	2023 \$'000	2022 \$'000
Note 4: Profit		
Profit before income tax has been determined after:		
a. Interest Income		
Loans and Advances (other than commercial loans)	91,531	51,282
Commercial Loans	1	2
Other Financial Institutions	23,925	8,799
Total Interest Income	115,457	60,083
b. Interest Expense		
Member Deposits	48,101	7,646
Borrowings	149	165
Total Interest Expense	48,250	7,811
c. Other Income		
Fees and Commissions	6,090	5,345
Insurance Commissions	1,636	2,098
Other Income	181	154
Write-Off of Non-Current Assets	(398)	-
Total Other Income	7,509	7,597
d. Impairment charge/(reversal) on loans and advances, net of recoveries		
Bad debts written off: Member Loans and Advances	115	41
Charge/(reversal) in Provision for Impairment	684	(680)
Bad Debts Recovered	(11)	(4)
Total Impairment losses on loans and advances, net of recoveries	789	(644)
e. Other Expenses		
Depreciation and amortisation	1,889	1,977
Employee entitlements	828	522
Administration costs	4,873	3,504
Motor vehicle running costs	298	301
Supervision levies	206	225
Professional services costs	710	428
Product and marketing costs	2,174	1,988
Information technology costs	6,024	4,210
Occupancy costs	1,549	555
Directors' fees	635	607
Directors' severance benefits	76	184
Insurance – general	337	283
Other expenses	206	134
Total Other Expenses	19,805	14,918

	2023 \$'000	2022 \$'000
Note 5: Income tax		
Income Tax Expense recognised in the Statement of Comprehensive Income		
Current tax expense Current Year	5,955	4,292
Under/(Over) provided in prior year	(294)	-
	5,661	4,292
Deferred tax expense		
Utilisation/(Recognition) of Temporary Differences	294	711
Total Income Tax Expense in Income Statement	5,955	5,003
Numerical reconciliation between tax expense and pre-tax profit		
Profit Before Tax	21,340	16,617
Income tax using the domestic corporation tax rate of 30% (2022: 30%)	6,401	4,985
Increase in income tax expense due to:		
- Non-deductible expenses and other permanent differences	436	18
Decrease in income tax expense due to:		
- Non-assessable / lower tax income	(882)	-
	5,955	5,003
Under/(Over) provided in prior year	(294)	-
Income tax expense on pre-tax profit	5,661	5,003

All movements recognised in the Profit and Loss.

	Assets 2023 \$'000	Assets 2022 \$'000	Liabilities 2023 \$'000	Liabilities 2022 \$'000	Net 2023 \$'000	Net 2022 \$'000
Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable						
to the following:						
Provision for Impairment	(889)	(684)	-	-	(889)	(684)
Lease liability	(223)	(187)	-	-	(223)	(187)
Property, Plant and Equipment	(33)	(36)	-	-	(33)	(36)
Payables	(226)	(212)	1,710	1,029	1,484	817
Employee Entitlements	(1,127)	(991)	-	-	(1,127)	(991)
Net tax (assets)/liabilities	(2,498)	(2,110)	1,710	1,029	788	(1,081)

Notes To and Forming Part of the Financial Statements (continued)

	2023 \$'000	2022 \$'000
Note 6: Cash and Cash Equivalents		
Cash on Hand	752	772
Deposits at Call	104,828	84,659
	105,580	85,431
Note 7: Receivables due from other Financial Institutions		
Negotiable Certificates of Deposit	61,272	93,892
Floating Rate Notes *	315,476	401,829
Term Deposits	33,776	38,776
Fixed Rate Bonds	205,070	220,346
	615,594	754,843
a. Maturity Analysis		
Up to 3 months	68,861	58,719
From 3 months to 1 year	70,783	178,088
From 1 year to 5 years	360,650	395,215
Later than 5 years	115,300	122,821
	615,594	754,843
b. Market Value		
Negotiable Certificates of Deposits, Floating Rate Notes and Term Deposits	593,584	732,168
In 2023, FRNs and Bank Term Deposits have an average maturity of 1,132 days (2022: 982 days) with effective interest rates of 0.50% to 5.94% (2022: 0.00% to 5.50%) p.a		
Note 8: Accrued Receivables and Other Asset		
Interest receivable	3,569	
Other	7,634	3,017
	11,203	5,023
Note 9: Loans and Advances		
Continuing credit facilities	16,465	15,869
Other loans and advances *	2,268,340	1,960,031
Directors and Director-related parties	619	1,504
	2,285,424	1,977,405
Provision for impairment	(6,228)	(5,544)
Net loans and advances	2,279,196	1,971,861

*As at 30 June 2023 \$539m (2022: \$539m) of loans have been internally securitised via the Impetus Funding Trust No. 1. These loans are treated as on balance sheet. Refer note 3 (f).

	2023 Gross loans \$'000	2022 Gross loans \$'000
Note 9: Loans and Advances (continued)		
a. Maturity analysis		
Up to 3 months	22,222	29,620
From 3 months to 1 year	60,641	48,973
From 1 year to 5 years	318,010	312,342
Later than 5 years	1,884,551	1,586,470
	2,285,424	1,977,405
b. Loans by security		
Secured by mortgage*	2,252,877	1,943,792
Secured other	13,505	13,805
Unsecured	19,042	19,808
	2,285,424	1,977,405
c. Loans by purpose		
Residential	2,252,877	1,943,677
Personal	32,547	33,613
Commercial	-	115
	2,285,424	1,977,405
*The loan to value of the collateral for loans secured by mortgage as at 30 June 2023 was 43.98% (2022: 44.36%). Effective Interest Rate ranges for Loans and Advance is 1.75% - 14.95% (2022: 1.75% - 16.95%).		
d. Concentration of risk		
i. As at 30 June 2023 there was no loan to any individual member, which represents 10% or more of capital.		
ii. The customer or industry concentration of loans which represent in aggregate 10% or more of total loans are set out below:		
Victoria Police	935,281	759,372
Health	425,283	261,021
iii. The geographic concentration of loans in the State of Victoria	94.74%	94.95%
e. Provision for Impairment of Loans and Advances		
Balance at beginning of the year	5,544	6,224
Net charge/(reversal) for the year	788	(680)
Bad debts recovered	11	-
Bad debts written off	(115)	-
Balance at the end of the year	6,228	5,544

Notes To and Forming Part of the Financial Statements (continued)

f. Expected Credit Loss (ECL) Provision

	Gross Loans & Advances \$'000	Provision Stage 1 (0-29 Days) \$'000	Provision Stage 2 (30-89 Days) \$'000	Provision Stage 3 (90+ Days) \$'000	Total Provisions \$'000
2023					
Secured by mortgage	2,252,877	2,363	12	1,592	3,967
Secured other	13,505	96	-	110	206
Unsecured	19,042	1,503	9	542	2,054
	2,285,424	3,962	21	2,244	6,228
2022					
Secured by mortgage	1,943,792	2,187	10	1,257	3,454
Secured other	13,805	94	1	117	212
Unsecured	19,808	1,263	3	612	1,878
	1,977,405	3,544	14	1,986	5,544

Expected Credit Loss (ECL) Movement

	Provision Stage 1 (0-29 Days) \$'000	Provision Stage 2 (30-89 Days) \$'000	Provision Stage 3 (90+ Days) \$'000	Total Provisions \$'000
2023				
Balance as at 1 July 2022	3,543	14	1,986	5,543
Charge/(reversal) during the year	419	8	258	684
Closing as at 30 June 2023	3,962	22	2,244	6,228
2022				
Balance as at 1 July 2021	2,937	17	3,270	6,224
Charge/(reversal) during the year	606	(3)	(1,284)	(680)
Closing as at 30 June 2022	3,543	14	1,986	5,544

g. Gross Loans by Expected Credit Loss (ECL) Stage

	Gross Loans & Advances \$'000	Stage 1 (0-29 Days) \$'000	Stage 2 (30-89 Days) \$'000	Stage 3 (90+ Days) \$'000
2023				
Secured by mortgage	2,252,215	2,237,886	3,212	11,117
Secured other	13,505	13,324	23	158
Unsecured	19,704	18,952	131	621
	2,285,424	2,270,162	3,366	11,896
2022				
Secured by mortgage	1,943,792	1,929,660	2,251	11,881
Secured other	13,805	13,595	37	173
Unsecured	19,808	19,086	34	688
	1,977,405	1,962,341	2,322	12,742

h. Allowance for Expected Credit Losses

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
1 Jul 2021	2,937	17	3,279	6,224
Transfer between stages	(245)	(49)	294	-
New and increased provisions (net of releases)	247	2	(185)	64
New Overlays assessed / reversed including changes	603	44	(1,393)	(744)
30 Jun 2022	3,543	14	1,986	5,544
Transfer between stages	(1,032)	(124)	1,155	-
New and increased provisions (net of releases)	67	(0)	90	157
New Overlays assessed / reversed including changes	1,383	132	(988)	528
30 Jun 2023	3,962	22	2,244	6,228

2023
\$'000

2022
\$'000

Note 10: Investments

Shares in Indue Ltd	2,205	2,205
	2,205	2,205

Shares in Indue: The Company is a founding member and shareholder in Indue Ltd, a company established to provide payment related processing services. These shares are not quoted on the stock exchange and therefore do not have a recognised market value. The carrying value of the shares approximates the fair value.

Notes To and Forming Part of the Financial Statements (continued)

	2023 \$'000	2022 \$'000
Note 11: Property, Plant And Equipment		
Leasehold improvements at cost	1,158	2,336
Less accumulated depreciation	(1,013)	(1,633)
	145	703
Right of Use (ROU) Asset	11,287	11,200
Less accumulated depreciation	(6,084)	(4,817)
	5,203	6,383
Plant and Office Equipment at cost	4,314	3,365
Less accumulated depreciation	(4,311)	(3,340)
	3	25
Capital Work in Progress	585	-
Total	5,937	7,111

	Right of use assets* \$'000	Leasehold Improvements \$'000	Plant and Office Equipment \$'000	Capital Work in Progress \$'000	Total \$'000
--	--------------------------------	----------------------------------	--------------------------------------	------------------------------------	-----------------

2023

	Right of use assets* \$'000	Leasehold Improvements \$'000	Plant and Office Equipment \$'000	Capital Work in Progress \$'000	Total \$'000
Movement in the carrying amounts for Leasehold Improvements and Plant and Office Equipment					
Balance at 1 July 2022	6,383	703	25	-	7,111
Additions	-	-	949	585	1,534
Recognition of ROU Asset	515	-	-	-	515
Transfers from Capital Work in Progress	-	-	-	-	-
Disposals	-	(426)	(903)	-	(1,329)
Depreciation expense	(1,695)	(131)	(67)	-	(1,893)
Carrying amount at 30 June 2023	5,203	146	3	585	5,937

*There have been no derecognition of right of use assets during the year. There are also no expense relating to short-term leases or low-value assets nor variable lease payments not included in the measurement of lease liabilities, income from subleasing right-of-use assets, and gains or losses arising from sale and leaseback transactions.

2022

	Right of use assets* \$'000	Leasehold Improvements \$'000	Plant and Office Equipment \$'000	Capital Work in Progress \$'000	Total \$'000
Movement in the carrying amounts for Leasehold Improvements and Plant and Office Equipment					
Balance at 1 July 2021	7,967	911	62	-	8,940
Additions	-	-	-	-	-
Recognition of ROU Asset (adoption of AASB 16)	91	-	-	-	91
Transfers from Capital Work in Progress	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation expense	(1,675)	(208)	(37)	-	(1,920)
Carrying amount at 30 June 2022	6,383	703	25	-	7,111

	2023 \$'000	2022 \$'000
Note 12: Intangible Assets – Software		
At cost	2,517	2,517
Accumulated amortisation	(2,408)	(2,357)
Net carrying amount	109	160
Carrying amount at the beginning of the year	160	211
Additions	-	-
Disposals	-	-
Amortisation expense	(51)	(51)
Carrying amount at the end of the year	109	160

Note 13: Deposits

Call deposits	1,825,842	2,001,487
Term and at notice deposits (Retail)	518,522	448,456
Term and at notice deposits (Wholesale)	374,673	49,000
Redeemable preference shares	1,049	1,046
	2,720,086	2,499,989

Effective Interest Rate ranges for call deposits is 0.01% - 4.05% (2022: 0.01% - 1.1%)

a. Maturity Analysis

Deposits are repayable over the following terms:

On call	1,825,842	2,002,533
Up to 3 months	312,315	294,495
From 3 months to 6 months	264,322	108,479
From 6 months to 1 year	273,720	77,931
From 1 year to 5 years	42,838	16,551
	2,719,037	2,499,989

b. Concentration of Risk

- As at 30 June 2023 there was no member who individually held deposits which represents 10% or more of total liabilities
- The customer or industry concentration of deposits which represented in aggregate 10% or more of total liabilities are:

Victoria Police	453,066	457,409
Health	306,151	286,239
iii. The geographic concentration of deposits in the State of Victoria	92%	90%

Notes To and Forming Part of the Financial Statements (continued)

	2023 \$'000	2022 \$'000
Note 14: Payables and Other Liabilities		
Accrued deposit interest	11,176	1,153
Creditors and accrued expenses	4,688	4,073
Lease liabilities (refer to Note 31)*	5,947	7,008
	21,811	12,234

*Interest on lease liabilities is \$14k and payments for lease liabilities is \$1.58m during the year.

	2023 \$'000	2022 \$'000
Note 15: Borrowings		
Settlement Accounts	7,039	7,708
Repurchase Agreements	34,482	85,955
Other loans	-	-
	41,521	93,663

The Company utilised the RBA Term Funding Facility. The Term Funding Facility to Support Lending to Australian Businesses (TFF) was announced on 19 March 2020 as part of a package of measures to support the Australian economy. The Bank has one tranche of funding through a repurchase agreement at a fixed price of 10 basis points per annum.

Maturity Analysis		
Borrowings will be repaid under current repayment conditions over the following periods:		
Up to 3 months	7,039	7,708
From 3 months to 1 year	34,482	51,472
From 1 year to 5 years	-	34,482
Later than 5 years	-	-
	41,521	93,663

Changes in liabilities arising from financing activities		Repurchase agreements \$'000
1 July 2021		85,955
Proceeds of repurchase agreements		-
Payments of repurchase agreements		-
30 June 2022		85,955
Proceeds from repurchase agreements		(51,473)
Payments of repurchase agreements		-
30 June 2023		34,482

	2023 \$'000	2022 \$'000
Note 16: Provisions		
Employee Entitlements	3,755	3,304
	3,755	3,304

In arriving at the Employee Entitlements the following variables were used:

Long Service Leave

- Accrued at the rate of 13 weeks per 10 years of completed continuous service, and 1.3 weeks per year thereafter.
- Current \$1.4m (2022: \$1.3m), non current \$1.0m (2022: \$0.8m).
- Probability factor of 30% in year 1 increasing to 100% from 7 years onwards.
- Future increases in wage and salary rates including related oncosts of 2% per annum.
- Discounted using Commonwealth Government bond rates, which have maturity dates approximating the terms of the company's obligations. Average rate of 1.19% per annum.

Annual Leave

- Current \$1.3m (2022: \$1.2m)
- Annual leave liabilities are expected to be settled within 12 months and are calculated at undiscounted amounts based on current wage and salary rates including related oncosts at balance date.

	2023 \$'000	2022 \$'000
--	----------------	----------------

Note 17: Statement of Cash Flows

Reconciliation of profit after income tax to net cash flow from operating activities

i. Reconciliation of Cash and Cash Equivalents

Cash on hand	752	772
Deposits at call	104,828	84,659
	105,580	85,431

ii. Reconciliation of operating profit after income tax to net cash provided by operating activities

Profit after income tax	15,385	11,618
Adjustments for:		
(Profit)/Loss on sale of non-current assets	426	-
Bad debts written off	115	41
Amounts set aside to provide for impairment	684	(680)
Depreciation and Amortisation	1,889	1,977
Net cash provided by operating activities before changes in working capital and provision	18,492	13,016
Decrease/(Increase) in deferred tax assets	485	711
(Increase)/Decrease in interest receivable	(1,563)	(680)
(Increase)/Decrease in other assets	(3,064)	(1,071)
(Increase)/Decrease in interest payable	10,022	(1,152)
(Increase)/Decrease in creditors and accrued expenses	(491)	(2,843)
(Decrease)/Increase in provision for employee entitlements	451	368
(Decrease)/Increase in taxes payable	(369)	(469)

Notes To and Forming Part of the Financial Statements (continued)

	2023 \$'000	2022 \$'000
ii. Reconciliation of operating profit after income tax to net cash provided by operating activities (Continued)		
(Decrease) in directors severance benefits	-	184
Increase in loans and advances	(308,134)	(211,083)
Net increase in deposits	220,093	159,609
Increase in receivables due from other financial institutions and investments	138,569	(31,518)
Net Increase/(Decrease) in settlement accounts	(669)	(3,139)
Net Increase/(Decrease) in borrowings	(51,472)	(2,156)
Net cash flows from operating activities	20,350	(80,223)

	2023 \$'000	2022 \$'000
--	----------------	----------------

Note 18: Contingent Liabilities and Credit Commitments

i. Binding commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Many of the commitments are expected to expire without being drawn upon.

Approved but undrawn loans	70,944	98,128
Undrawn continuing line of credit commitments	60,892	61,259
Balance available for redraw under redraw facilities of term loans	354,892	304,014

ii. Operating lease commitments:

Expenditure contracted but not provided for:

Not later than one year	994	117
One year or later and no later than five years	4,953	6,891

	2023 \$	2022 \$
--	------------	------------

Note 19: Auditors' Remuneration

Auditors of the Company – KPMG Australia

Audit and related services

Audit of financial report	159,390	133,395
Other regulatory audit services	137,075	114,605

Non audit services

Taxation services	22,898	19,965
	319,363	267,965

Note 20: Key Management Personnel Disclosures

a. Directors

The names of the persons who were Directors of the Company at any time during the financial year were as follows:

S. J. Coulson (until 15 November 2022), L. J. Nolan, D.L. Robertson, F. Page, M. Liu, T. Long, D. Cowan, and R Gardner.

b. Executives

The names of the persons who were Executives of the Company at any time during the financial year were as follows:

A. De Fazio, Chief Executive Officer, S. Kuret, Chief Information Officer, S. Whiteling, Chief Risk Officer, K. Holden, Chief Financial Officer, P. Maroulis, Company Secretary, M. Arundel, Chief People and Culture Officer, S. Barnes, Chief Product and Marketing Officer, R. Morley, Chief Growth and Experience Officer, A. Theuma, acting Chief Information Officer (until 11 July 2022), C. Hadley, acting Chief Financial Officer (until 03 October 2022) and N. Winbanks, acting Chief Product and Marketing Officer (from 17 October 2022 to 30 January 2023).

	2023 \$	2022 \$
Directors' fees	635,458	607,214
Directors' severance benefits	75,994	184,000
Key management personnel salaries	2,754,411	2,338,085
Key management personnel annual leave	46,860	2,190
Superannuation contributions	196,476	171,946
	3,709,199	3,303,435

d. Loans to key management personnel

The following loan facilities were outstanding by key management personnel or related parties who are related to key management personnel at normal member rates during the year:

Balance owing as at 30 June	2,611,242	5,284,352
-----------------------------	------------------	-----------

Summary of Mortgage Transactions

New Advances	975,308	1,912,647
Repayments made during the year	781,281	637,212
Interest Received on loans to key management personnel	92,595	107,522

Summary of Credit Card Transactions

New Advances	220,562	339,799
Repayments made during the year	218,372	328,985
Interest Received on loans to key management personnel	75	28

Summary of Other Transactions

New Advances	-	-
Repayments made during the year	61,752	87,868
Interest Received on loans to key management personnel	7	10

The key management personnel who held a loan or continuing credit account with the Company during the year were:

L.J. Nolan, T. Long, D.L. Robertson, A. De Fazio, M. Arundel, P. Maroulis, R. Morley & S. Whiteling.

e. Other key management personnel transactions

There are no other transactions or contracts to which key management personnel are a related party.

Notes To and Forming Part of the Financial Statements (continued)

Note 21: Financial Instruments

a. Interest rate risk

The Company's exposure to interest rate risk for the classes of financial assets and financial liabilities is set out below:

Financial Instruments	Floating Interest Rate	Fixed Rates Maturing In			Non-interest bearing	Total carrying amount as per Balance Sheet
		1 year or less	1 to 5 years	More than 5 years		
30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
i. Financial assets						
Cash and Cash Equivalents	104,828	-	-	-	752	105,580
Receivables	-	-	-	-	3,569	3,569
Term Deposits	-	33,776	-	-	-	33,776
Certificates of Deposit	-	61,271	-	-	-	61,271
Floating Rate Notes	315,476	-	-	-	-	315,476
Fixed Rate Bonds	-	2,120	87,650	115,300	-	205,070
Loans and Advances - Gross	1,840,664	195,875	248,676	209	-	2,285,424
Equity Investments	-	-	-	-	2,205	2,205
	2,260,968	293,042	336,326	115,509	6,526	3,012,372
ii. Financial liabilities						
Payables	-	-	-	-	21,811	21,811
Deposits	1,797,531	850,357	42,838	-	29,361	2,720,087
Borrowings	-	-	-	-	7,038	7,038
	1,797,531	850,357	42,838	-	58,210	2,748,936

Effective Interest Rate ranges for Financial Instruments excluding Loans and advances 0.50% - 5.94%, Loans and advances is 1.75% - 14.95%

(2022: excluding Loans and advances 0.1% - 1.1%, Loans and advances is 1.75% - 16.95%)

Note 21: Financial Instruments (continued)

Financial Instruments	Floating Interest Rate	Fixed Rates Maturing In			Non-interest bearing	Total carrying amount as per Balance Sheet
		1 year or less	1 to 5 years	More than 5 years		
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
i. Financial assets						
Cash and Cash Equivalents	84,659	-	-	-	772	85,431
Receivables	-	-	-	-	2,006	2,006
Term Deposits	-	38,776	-	-	-	38,776
Certificates of Deposit	-	93,892	-	-	-	93,892
Floating Rate Notes	401,829	-	-	-	-	401,829
Fixed Rate Bond	-	-	87,525	132,821	-	220,346
Loans and Advances - Gross	585,179	78,554	1,313,581	91	-	1,977,405
Equity Investments	-	-	-	-	2,205	2,205
	1,071,667	211,222	1,401,106	132,912	4,983	2,821,890
ii. Financial liabilities						
Payables	-	-	-	-	12,234	12,234
Deposits	1,969,412	480,905	16,551	-	33,122	2,499,989
Borrowings	-	-	85,956	-	7,707	93,664
	1,969,412	480,905	102,507	-	53,063	2,605,887

b. Credit risk exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-Balance Sheet Financial Instruments

The credit risk on financial assets, excluding investments of the Company, which have been recognised on balance sheet, is the carrying amount, net of any provision for impairment. Receivables from other financial institutions are receivables with high credit quality financial institutions and therefore credit risk is minimal. The Company is not materially exposed to any individual customer. The Company has a concentration to the Victorian Police and Health industries as disclosed in Notes 9 and 13.

c. Net fair value of financial assets and liabilities Valuation Approach

Net fair value of financial assets and liabilities are determined by the Company on the following basis:

The carrying value of loans and advances is net of the provision for impairment. For variable rate financial assets and liabilities, including loans and advances, deposits and securitised funding, the carrying value approximates the fair value. For fixed rate financial assets and liabilities, adjustment has been made based on the differences between historical rates and current fixed rates.

The carrying amounts of cash and liquid assets, receivables, term deposits, certificates of deposit, equity investments and payables approximate fair value.

Notes To and Forming Part of the Financial Statements (continued)

Note 21: Financial Instruments (continued)

On Balance Sheet Financial Instruments	Total Carrying Amount as per Balance Sheet		Aggregate Net Fair Value	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
i. Financial assets				
Cash and liquid assets	105,580	85,431	105,580	85,431
Interest receivable	3,569	2,006	3,569	2,006
Term deposits	33,776	38,776	33,776	38,861
Certificates of deposit	61,271	93,892	61,793	99,986
Floating rate note	315,476	401,829	315,166	397,234
Fixed rate bond	205,070	220,346	182,849	196,087
Loans and advances (Net)	2,285,424	1,971,861	2,260,776	1,937,816
Equity Investments	2,205	2,205	2,205	2,205
Total financial assets	3,012,371	2,816,346	2,965,714	2,759,627
ii. Financial liabilities				
Payables	21,811	12,234	21,811	12,234
Deposits	2,720,087	2,499,989	2,716,479	2,501,522
Borrowings	7,038	93,664	7,038	93,663
Total financial liabilities	2,748,936	2,605,887	2,745,328	2,607,419

Loans and advances and deposits are disclosed at fair value using level 3 inputs using internally developed interest rates as unobservable inputs. Interest rates are developed by using external rates plus margin.

All other financial assets are measured at amortised cost (except where otherwise stated), with fair value estimates at Level 1 or Level 2.

There have been no reclassifications from level 1, 2 or 3 in the current year.

Note 22: Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committees which are responsible for developing and monitoring risk management policies. The Audit and Risk Committees report regularly to the Board of Directors on their activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and a control framework, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk Committee oversees and monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Committee is assisted in its oversight role by the Company's 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 and Risk Committees.

The Company has undertaken the following strategies to minimise the risks arising from financial instruments.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations as they become due. Credit risk arises principally from loans and advances to members, debt and investment securities which are key aspects of the Company's business.

The key policies which BankVic has embedded to mitigate and manage credit risk are:

- Credit Risk Policy
- Large Exposures Policy
- Impairment Provisioning Policy

The Credit Risk Policy sets out the framework for the Company's lending practices including delegated credit approval limits.

The Large Exposures Policy sets out the Company's practices for dealing with and mitigating against large exposures in lending to members and investing with counterparties.

The Impairment Provisioning Policy sets out an operational framework for the management of BankVic's AASB 9 model which is used to recognise and measure impairments, and provision for expected credit loss (ECL).

i. Credit risk – loans

The Company's exposure to credit risk is influenced mainly by the changes in credit quality and the recoverability of loans and amounts due from members and counterparties.

Adverse changes in credit quality and the recoverability of loans and the amounts due from members or a downturn in economic conditions may impact the value and recoverability of the Company's assets.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 9(b) describes the nature of the security held against the loans as at the balance date.

The Company has a concentration in retail lending to members who comprise employees in the police, health and emergency services.

This concentration is considered acceptable on the basis that the Company exists to service these members. These industries are considered essential services and hence are stable, though the employment concentration is not exclusive.

ii. Expected Credit Loss (ECL) model

The Company applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macroeconomic level information. The ECL is the probability-weighted present value estimate of credit losses over the expected life of the portfolio. This is the product of Exposure at Default (EAD), Loss Given Default (LGD), and Probability of Default (PD) (adjusted by macroeconomic variables and scenarios).

Sources which may be considered when determining the economic scenarios include:

- National government publications (e.g. Reserve Bank of Australia (RBA) forecasts and statistics);
- Economic forecasts as published by the four local major banks or other industry peers; and
- Other publicly available sources such as QBE or CoreLogic housing outlooks, Bloomberg, Trading Economics.

The ECL methodology implemented by the Company requires the estimation of the following three scenarios with respective weights:

	Weights
Base case	50%
Upside (representing favourable economic conditions)	25%
Downside (representing unfavourable economic conditions)	25%

Notes To and Forming Part of the Financial Statements (continued)

To achieve this methodology the Company inputs unemployment rate as the macro economic variable into the ECL model.

A financial asset moves from Stage 1 to Stage 2 or Stage 3 when there is a significant increase in credit risk (SICR) since initial recognition. The Company applies a combination of quantitative and qualitative factors to assess whether a SICR has occurred. These include:

- forbearance status: including requests for repayment relief coupled with risk indicators in bureau data and relevant application attributes; and
- more than 30 days past due.

Determination of SICR requires judgement and is used to determine whether an exposure's credit risk has increased significantly and requires higher PD factors. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full or the borrower is more than 90 days past due. The Company sometimes modifies the terms of customer loans provided to members due to commercial renegotiations with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays, and payment forgiveness and are based on indicators or criteria which, in the judgement of management, indicate the payments will most likely continue. The policies are kept under continuous review.

The Company writes off financial assets in whole or in part when it has exhausted all practical recovery efforts and/or the assessed cost of further recovery action is considered prohibitive or uneconomical.

Stage	Criteria	Impairment Calculation Approach
1	0-29 days in arrears	Expected losses over a 12 month period
2	30-89 days in arrears	Expected losses over life of loan - significant increase in credit risk
3	90+ days in arrears or in hardship	Expected losses over life of loan and assume 100% probability of default

Management has assessed a new Overlay of \$1.3m (\$1.0m 2022) in financial year to capture potential losses due to the impact of rising interest rates, the approaching end of low fixed rate mortgage terms and inflationary pressures which are not currently reflected in the ECL model.

ii. Credit risk – investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investor and the limits to concentration in one entity.

The Company limits its exposure to credit risk by generally investing with counterparties that have an external rating of at least investment grade. Unrated counterparties comprise Indue Limited and other Australian ADIs.

In addition, limits are imposed on the maximum exposure with any one counterparty as a percentage of capital.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company is required to maintain at least 9% of total liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Board policy is to apply a minimum level of 11% of liabilities as liquid assets to maintain adequate funds for meeting member withdrawal requests. As at 30 June 2023, the Company had 21.1% of total liabilities as liquid assets and an MLH (Minimum Liquidity Holdings) ratio of 21.1%. Various trigger levels have been set to ensure appropriate measures are undertaken to maintain liquidity above the minimum level.

The company has a repurchase agreement (repo) in place with the Reserve Bank of Australia (RBA) which provides an additional source of contingent liquidity.

In addition, excessive concentration of liabilities is minimised by setting limits on the maximum amount of single and multiple liabilities.

The Company has set out below the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements.

30 June 2023							
Financial Liabilities (\$'000)	Carrying Amount	Contractual Cash Flow	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5+ years
Deposits*	2,720,087	2,719,037	1,602,135	228,781	621,484	266,637	-
Trade and other payables	21,811	21,811	21,811	-	-	-	-
Borrowings	41,521	41,521	7,039	-	34,482	-	-
Total	2,783,419	2,781,262	1,630,985	228,781	655,966	266,637	-

30 June 2022							
Financial Liabilities (\$'000)	Carrying Amount	Contractual Cash Flow	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5+ years
Deposits*	2,499,989	2,498,944	1,728,763	224,035	279,163	266,983	-
Trade and other payables	12,234	12,234	12,234	-	-	-	-
Borrowings	93,664	93,663	7,708	-	51,472	34,482	-
Total	2,605,887	2,604,841	1,748,705	224,035	330,635	301,466	-

* Deposits less than 1 month include deposits with no maturity.

Notes To and Forming Part of the Financial Statements (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rate risk and other market prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is not exposed to currency risk and other price risk. The Company does not trade in the financial instruments it holds on its books. The most significant form of market risk to which the Company is exposed is interest rate risk arising from changes in market interest rates.

i. Interest Rate Risk

The policy of the Company is to manage the variability in the net interest margin as a result of adverse movements in interest rates. This is achieved by keeping the mismatch between rate sensitive assets and liabilities to an acceptable level.

The Company manages interest rate risk by setting prudent limits for the impact of movements in market rates on net interest income, net present value and Value at Risk (VaR).

ii. Interest Rate Sensitivity

At 30 June 2023, a 1% increase or decrease in interest rates compared to actual rates would improve/(reduce) annual net interest income by the following amounts. The impact on equity is not material.

	2023 \$'000	2022 \$'000
1% increase	5,240	2,309
1% decrease*	(4,616)	(2,411)

*The decrease assumes a floor of 0%.

Capital Management

The Board is responsible for ensuring BankVic has in place a process for assessing its overall capital adequacy relative to its risk profile and a strategy for maintaining capital levels.

BankVic has established a process for identifying and classifying all material inherent risks and controls to mitigate such risks. A minimum level of capital is determined taking account of the net residual risks.

The current strategy is for the Company's core capital to be derived entirely from retained earnings. Maintenance of adequate capital over time therefore depends on balancing profit after tax with growth in risk-weighted assets. Note that the minimum capital level determined by the Board exceeds the minimum level required pursuant to the Prudential Standards.

The Company's regulator, APRA sets and monitors capital requirements for the Company as a whole. In implementing capital requirements, APRA requires the Company to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital is analysed into two tiers:

- Tier 1 capital includes general reserves, retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. The Company had a net Tier 1 capital ratio of 18.9% of risk weighted assets as at 30 June 2023 (30 June 2022: 16.4%).
- Tier 2 capital includes qualifying collective impairment allowance and asset revaluation reserves after applying other regulatory adjustments. The Company had a net Tier 2 capital ratio of 0.7% of risk weighted assets as at 30 June 2023 (30 June 2022: 0.6%).

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures plus an allowance for operational risk as prescribed by APRA.

The Company has complied with all externally imposed capital requirements throughout the period. There are no material changes in the Company's management of capital during the year.

Note 23: Regulatory Capital Reconciliation

	2023 \$'000	2022 \$'000
i. Tier 1 Capital		
General Reserve	15,000	15,000
Redeemed Preference Share Capital Account	549	545
Retained Earnings	209,879	194,995
	225,428	210,540
Less Deductions from Tier 1 Capital		
Deferred Tax Assets	(788)	(1,081)
Intangible Assets – Software	(109)	(160)
Equity Investment in Indue Ltd.	(2,205)	(2,205)
	(3,102)	(3,446)
Total Tier 1 Capital	222,326	207,094

ii. Tier 2 Capital

General Reserve for Credit Losses	7,910	7,413
Total Tier 2 Capital	7,910	7,413
Total Regulatory Capital	230,236	214,507

iii. Capital Ratios

Tier 1 Capital	18.9%	16.4%
Total Regulatory Capital	19.5%	17.0%

Reconciliation of Regulatory Capital to Balance Sheet

Total Members Funds	233,338	217,953
Less Deductions from Tier 1 Capital	(3,102)	(3,286)
Total Regulatory Capital	230,236	214,507

Legal Entities included:

- Police Financial Services Limited
- Impetus Funding Trust No. 1

Note 24: Note Parent entity disclosures

As at 30 June 2023, the parent entity is Police Financial Services Pty Ltd (“BankVic”).

	2023	2022
	\$'000	\$'000
Results of parent entity		
Profit for the period	15,385	11,614
Other comprehensive income	-	-
Total comprehensive income for the period	15,385	11,614
Key Financial position information of parent entity at year end		
Cash	105,580	30,170
Net loans and advances	2,279,196	1,971,671
Total assets	3,020,611	2,828,554
Deposits and other borrowings	2,720,087	2,499,989
Total liabilities	2,787,272	2,611,459
Total equity of parent entity comprising of:		
Reserves	22,910	22,413
Redeemed capital reserve	549	545
Retained earnings	209,879	195,061
Total equity	233,338	218,019

Refer to Note 18 for the Parent entity's contingent liabilities and credit commitments.

Note 25: Events Subsequent To Balance Date

The Company has entered into a contract to lease a new head office premises. As there is no right to use the premises in the 2023 financial year, the contract is not recorded as a lease in this period. A lease and right of use will be recognised in the Balance Sheet and disclosed in Note 11 during the 2024 financial year.

Otherwise there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

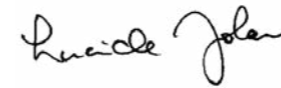
Directors' Declaration.

In the opinion of the Directors of Police Financial Services Limited (the Company):

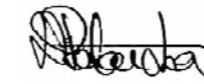
- a. the financial statements and notes set out on pages 55 to 87 are in accordance with the *Corporations Act 2001 (Cth)*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a); and
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 26th day of September 2023

Signed in accordance with a resolution of the Directors.



Lucinda Nolan
Chair



Debra Robertson
Deputy Chair



Independent Auditor's Report

To the members of Police Financial Services Limited

Opinion

We have audited the **Financial Report** of Police Financial Services Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Balance Sheet as at 30 June 2023;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entity it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

We are independent of the Group 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 fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

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

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

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



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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Dean Waters

Partner

Melbourne

26 September 2023



