



Te Uniana Whakanama Pirihimana
POLICE HELPING POLICE

ANNUAL REVIEW

2023





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Chair Report 2023

I'm delighted to present my second report as Chair of the Police Credit Union.

For the first time in 3 years, I'm very pleased that Covid is no longer dominating us medically, however its financial impact is clear with high interest rates and high inflation.

As a membership organisation that is not preoccupied with profit, we're an oddity in financial services. Whilst we made an overall surplus of **\$566,000**, we made a small operating loss of **\$61,000**. This loss was the result of the Credit Union regularly giving members higher returns for savings and deposits than what the competition was offering, so prioritising member financial well-being over our own short-term profits.

A clear highlight of the year has been the successful introduction of two new home loan products resulting in our loan book growing for the first time in several years!

Our reverse mortgage **Retire Easy** is one of only 3 in the market. **Retire Easy** enjoys NZ's lowest interest rate and overall fees making us a market leader. But as a membership

organisation we went further by only charging interest just once each year rather than monthly like everyone else. This means the Credit Union earns less money, but importantly members keep more of their money because they pay less interest.

First Home TOGETHER, our 2nd home loan product, is unique in NZ! Members buying their first home who don't have a big enough deposit could get an interest-free loan to supplement their deposit. It's been heartwarming to hear stories from our team of members being able to realise their dream of being homeowners.

Following our Special General Meeting in February 2023, we expanded the definition of "family" and also extended our services for the first time in 50 years to members of the New Zealand Defence Force, an organisation that works alongside our Police members regularly and reflects the same underlying values of serving and keeping Kiwis safe. We're taking a very measured approach to bringing them on board to ensure our Police members enjoy continued high service levels. We officially launch with Defence in February 2024.



Lane Todd
Chair of the Board

It's hard to believe we're approaching our 50th anniversary in 2024. The world looks very different to what it did when the Credit Union was setup in 1974 by members who were deeply concerned about the ability of Police and their family to get a loan from the big banks.

Today, we thank those visionary members for their foresight and as we head into our 50th year we're excited about the future. However, we are also very mindful of the challenges ahead, with lots of competition and more regulatory changes coming our way. We remain vigilant and ready to adapt to these changes to better serve members.

In closing, I am very proud of our achievements in the past year, and I am confident that we are on the right path to further success in the years to come.

I also want to express my sincere gratitude to our members, our dedicated Board, our sister organisation the NZ Police Association, and our own Wellington-based team.

Thank you all for your unwavering support and commitment which has been instrumental to our success.

Lane Todd
Chair of the Board



YEAR IN REVIEW

2022-2023

19,791

Total Membership number

15,220

Calls answered by our Member Services Team for a total of 981 hours on the phone helping members.

How we're helping members

60

Scholarships of up to \$1,000 awarded to members

8

Members moved into their first home with First Home TOGETHER.

3

Members living a better retirement with Retire Easy, our reverse mortgage.

13

Financial Capability webinars held





By the numbers

\$156.6m

Total Credit Union assets

\$28.2m

Total equity

\$566k

Annual surplus

\$128m

Member deposits

Chief Executive's Report 2023

At our 2022 AGM I asked how we would react if we could look back in 10 years' time to truly appreciate what members and the Police Credit Union have been through. Stepping out of our time machine we would see:

- » The impact of Covid.
- » Historically low interest rates.
- » Inflation out-of-control.
- » Cost of living crisis.
- » Slowing housing market.

So, what's changed in the last year?

- » Covid's impact on Kiwi's day-to-day lives is almost non-existent from a health perspective, but we are living with the significant economic consequences.

- » What were historically low interest rates are now the highest many have seen, although for those with longer memories I recall home loan rates approaching 20% in the 1980's!
- » Inflation appears to be coming under control.
- » The cost-of-living crisis has deepened.
- » The housing market appears to be turning upwards again.

As our Chair noted, we've enjoyed a sound surplus with a small operating loss. As with 2022, as a membership focused organisation members enjoyed savings rates that were often ahead of the market, so rewarding the very people who support us every day.

We're delighted with the support from members for our two new home loan products **Retire Easy** and **First Home TOGETHER**. As a small player in the market we don't try to take on the big banks; rather, we realise our strength lies in providing specialist products that are better than the market.



Craig Pomare
Chief Executive

I'm pleased we've started to open the doors to more family members, as well as other similar minded organisations such as the NZ Defence Force. We're taking our time to get this right so that our existing Police whānau are not impacted by the change.

Indeed, we're investing in making it easier for members to do business with us by automating our loan application process; a great 50th birthday present for members! This will benefit both our existing and new membership and recognises the ongoing investment the Board wishes to make in our business.

I also mentioned last year the impact of ongoing regulatory change. The level and breadth of change feels never ending for both the Police Credit Union and our sister organisation the NZ Police Association. However, if we both wish to keep providing members with the quality and level of services we both do, we must meet the regulatory onslaught head on.

This year starts a process where the Reserve Bank brings us directly under their governance umbrella and introduces the Deposit Compensation Scheme to protect the savings and investments of all Kiwis.

The Financial Markets Authority will introduce rules to ensure we look after our members, whilst lending laws will be reviewed. Both changes will be impacted by the new Government who've indicated they will stop or wind back these changes, so we're keeping a very close eye on developments.

None of what we have achieved in the past year would be possible without the support of our membership who will always be the reason we exist. May I thank our Board for their support, my team for striving to deliver great service every day to members, the NZPA team, our supervisor, and many great business partners.

Craig Pomare
Chief Executive



Summary Financial Statements

Summary Statement of Comprehensive Income

For the year ended 30 June 2023

	2023 \$000	2022 \$000
REVENUE		
Interest Revenue	6,387	4,600
Other Income	72	75
Total Revenue	6,459	4,675
EXPENDITURE		
Interest Expenditure	2,546	772
Operating Expenses	3,877	3,843
Strategic Objective Expense	97	74
Total Expenditure	6,520	4,689
Share of Equity Accounted Joint Venture Surplus for the Year	627	687
Total Comprehensive Revenue and Expense for the Year	566	672

Summary Statement of Changes in Equity

For the year ended 30 June 2023

	2023 \$000	2022 \$000
Opening Balance	27,673	27,001
Total Comprehensive Revenue and Expense for the Year	566	672
Closing Balance	28,239	27,673

Summary Statement of Financial Position

As at 30 June 2023

	2023 \$000	2022 \$000
ASSETS		
Cash and Cash Equivalents	7,990	8,509
Term Deposits	104,559	102,822
Loans to Members	34,281	31,066
Prepayments	829	381
Property, Plant and Equipment	328	20
Intangible Assets	16	36
Investment in Associate	7,651	7,023
Subordinated debt	1,000	5,500
Total Assets	156,654	155,358
LIABILITIES		
Trade and Other Payables	292	612
Employee Benefits	96	96
Members' Deposits	128,026	126,976
Total Liabilities	128,414	127,684
Accumulated Revenue and Expense	28,239	27,673
Total Members' Funds	28,239	27,673
	156,654	155,358

Summary Statement of Cashflows

For the year ended 30 June 2023

	2023 \$000	2022 \$000
Net Cash Provided by Operating Activities	(4,735)	9,337
Net Cash Used in Investing Activities	4,216	(6,750)
Total Net Increase (Decrease) in Cash and Cash Equivalents	(519)	2,587
Cash and Cash Equivalents at the Beginning of the Period	8,509	5,922
Cash and Cash Equivalents at the End of the Period	7,990	8,509

1. Policies

These summary financial statements are those of the reporting entity the Police and Families Credit Union (PCU) for the year ended 30 June 2023.

The summary financial statements were extracted from the draft financial statements. The presentation currency is New Zealand Dollars rounded to the nearest thousand.

As the summary financial statements do not include all the disclosures that are in the full financial statements they cannot be expected to provide a complete understanding as produced by the full financial statements. These summary financial statements have been prepared in accordance with Financial Reporting Standard No 43 'Summary Financial Statements'. The full financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and comply with Public Benefit Entity Accounting Standards (PBE Standards) as appropriate for Tier 1 not for profit public benefit entities.

2. Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity.

Loan Security Analysis

	2023 \$000	2022 \$000
Secured by Mortgage Over Real Estate with LVR <70%	2,612	2,962
Secured by Mortgage over Real Estate with LVR 70%> <80%	3,657	353
Secured by Mortgage over Real Estate with LVR 80%> <90%	2,264	
Partially Secured by Motor Vehicles or Other Collateral	3,398	3,970
Secured by Police Superannuation or Government Superannuation	22,379	23,798
Unsecured	93	112
Credit Quality of Gross Loans to Members	34,404	31,195
Less Loan Impairment Allowance	(123)	(129)
Total Loans to Members	34,281	31,066

3. Liquidity Risk

Liquidity risk is the risk that PCU may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the Board of Directors that PCU maintains adequate cash reserves so as to meet the member withdrawal demands when requested.

Financial assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans, the repayment amount and frequency. The associated table shows the period in which different financial assets and liabilities held will mature and be eligible for renegotiation or withdrawal.

Maturity Profile

	On Call \$000	Within 6 Months \$000	6 Months to 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000	Total \$000
30 June 2022						
Total Financial Assets 30 June 2022	8,509	44,558	30,498	60,510	12,455	156,530
Total Financial Liabilities 30 June 2022	79,158	32,633	12,996	3,332	-	128,118
30 June 2023						
Total Financial Assets 30 June 2023	7,990	40,977	36,007	51,610	13,909	150,493
Total Financial Liabilities 30 June 2023	72,822	34,992	17,172	3,332	0	128,318

4. Credit Rating

The Credit Union has been rated by Equifax. Equifax gives ratings from AAA through to C. The Credit Union has a long-term issuer default (IDR) rating of BB+ with a stable outlook, issued on 6 July 2023 (2022 BB+ with a stable outlook).





Te Uniana Whakanama Pirihimana
POLICE HELPING POLICE

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