



Te Uniana Whakanama Pirihimana

POLICE HELPING POLICE

ANNUAL REVIEW

2024



Contents

Chair Report	3
Year in Review	5
Chief Executive's Report	7
Summary Financial Statements	10

Chair Report 2023/2024

I'm pleased to present my third report as Chair of the Police Credit Union. Over the past year, we have had a strong focus on strategic initiatives that position us for long-term success and sustainability.

Celebrating 50 Years and a new partnership

February 2024 marked a milestone for us as we celebrated our 50th anniversary and officially launched our partnership with the New Zealand Defence Force.

Reflecting on our five decades of dedicated service to Police and their families, we continue to honour the founding vision of the Police Credit Union of members 'being united in a single common bond of pooling their savings as loans to each other, not for charity, not for

profit, but for service'. While a lot has changed in the last 50 years, our commitment to serving members and their families remains the same.

Our partnership with NZDF extends this shared ethos to a new group with similar values. This strong partnership is off to a successful start, and we are focused on continuing to grow this membership base.

Leadership Transitions

In February, we farewelled our Chief Executive, Craig Pomare, who was instrumental in launching our reverse mortgage **Retire Easy** and our shared ownership home loan package **First Home TOGETHER**. We are grateful for Craig's contributions and wish him well.

We welcomed our new Chief Executive, Mike Davy, in June. Mike brings over 32 years of experience across finance, banking, insurance and investments, and is a strong advocate for membership organisations. Mike's strategic leadership will guide us as we continue to grow and innovate to meet our members' needs.



Lane Todd
Chair of the Board

Financial Results

For the 2024 financial year, we achieved an overall surplus of **\$13k** with an operating loss of **\$482k**, offset by returns from our strategic joint venture investment in Finzsoft.

Two contributing factors to the operating loss were:

1. Investment in the organisation

To enhance member experience and ensure we're equipped for growth, we invested in both our team and our systems. First, we expanded our team so we could continue to provide exceptional service while supporting our new partnership with NZDF.

Second, we upgraded our systems, including launching a streamlined online loan application to speed up our loan decisioning time, and our new Debit Mastercard which provides the functionality members told us they wanted from our debit card.

2. Accounting adjustments

We have applied changes to interest accruals and the accounting treatment of prepayments, which were outcomes of our external audit of FY23/24 financials. This impacted operating expenses in our Profit and Loss statement.

The operating loss is not ideal, but we have built a strong equity position over many years to ensure we can navigate periods of economic volatility alongside increasing costs to operating as a financial service provider. It is also critical that we continue to invest in setting a strong foundation for future growth.

Looking Ahead

As we move forward, we're aware of the challenges posed by competition and regulatory changes. Our focus is on continued investment in member experience and meeting compliance expectations from our regulators, offset by growth in membership.

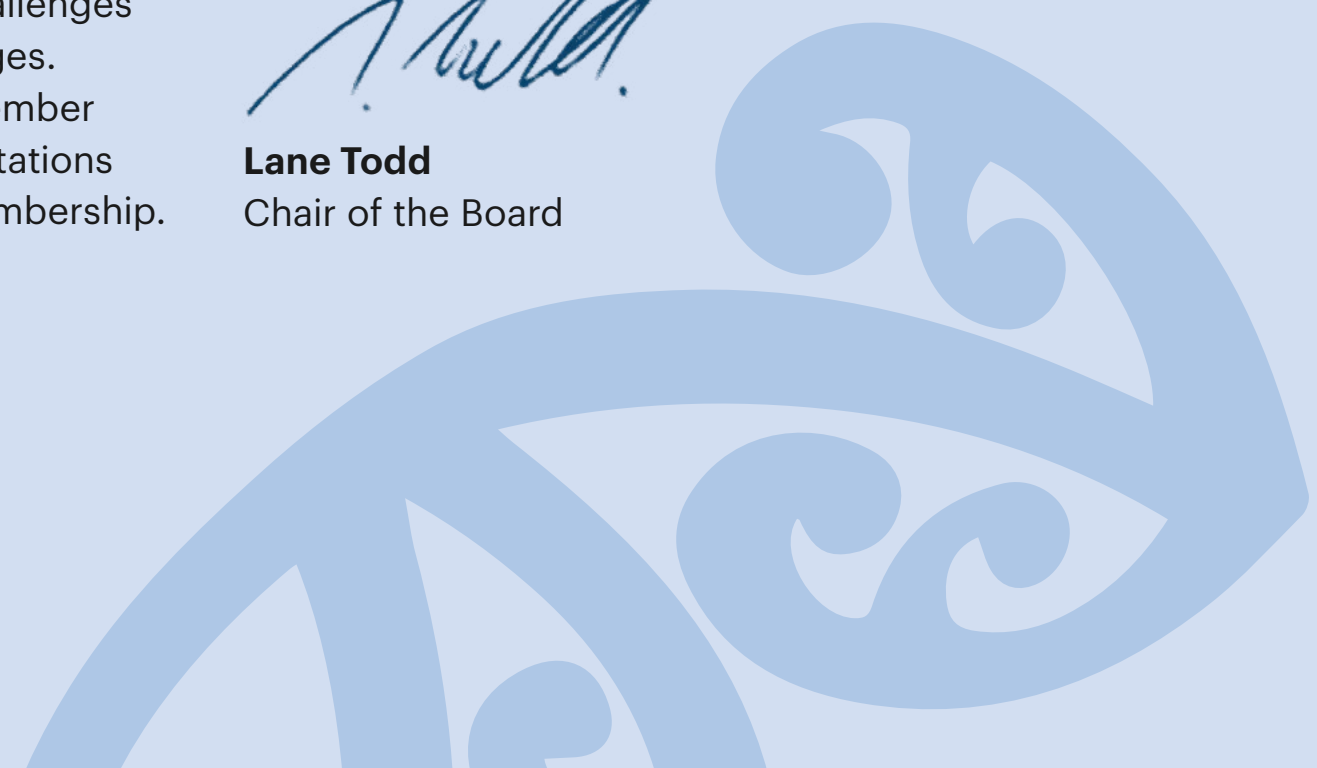
We are determined to continue investing to provide our members with the personal service and tools they need to get the best financial start in life and confidently manage their money for long-term financial wellbeing.

In closing, I want to express my gratitude to our members, our dedicated Board, our sister organisation the NZ Police Association (Chris, Bryan, and team), our partners at NZDF, and our own Wellington-based team.

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



Lane Todd
Chair of the Board



YEAR IN REVIEW

2023-2024

18,939

Total membership number.

15,552

Calls answered by our Member Services Team for a total of 916 hours on the phone helping members.

How we're helping members

\$1.12m

of high-interest debt refinanced helping 77 members get into a better financial place.

\$2.68m

of home lending helping 6 members into their first home.

\$478k

of equity released through Retire Easy, helping 5 members live a better retirement.

101

NZDF members joined the PCU whānau.



By the numbers

\$147.6m

Total Credit Union assets

\$28.2m

Total equity

\$13k

Annual surplus

\$119m

Member deposits

POLICE

Chief Executive's Report 2023/2024

Member-owned organisations have the unique ability to make a meaningful impact in their members' lives. After a few months at PCU, I've seen first hand how we've made a difference to members at all stages of their financial life and I'm proud to join an organisation with such a rich heritage of member service.

How we've helped members

With the cost-of-living crisis affecting households nationwide, this year has seen our team laser-focused on supporting members' financial wellbeing.

- » \$2.5m in lending was for over 160 members who came to us for a personal loan for their big life purchases like getting a new car, going on a holiday, doing some home renovations and even buying an engagement ring.
- » We helped 77 members get their money sorted by consolidating high-interest debt into a lower-rate personal loan, for a total of \$1.12m of debt consolidation loans. One member shared that they're now saving \$100 every fortnight after bundling their credit card debt with us.

- » We supported six members to get into their first home, either by boosting their deposit with First Home TOGETHER or with a home loan with less than 20% deposit.
- » Five retired PCU members are enjoying a more comfortable retirement with Retire Easy, our reverse mortgage that allows them to access the hard-earned equity in their properties.
- » Thousands of other members have used our savings accounts and low-entry point term deposits to invest and save towards their goals.

We pride ourselves on working with members to get them financially ahead, in some cases where banks have said 'NO'. Even if we can't help for some reason, we make sure to set members up with a financial mentor.

This is what makes PCU different and why we exist. In a time of record bank profits, members can be assured that we will do what's in the best interest of our members, not what makes us the most money.



Mike Davy
Chief Executive

Investing in PCU

As our Chair noted, we've invested in our business this year so we can continue to grow and support our members.

Our last Annual Review flagged we would make it easier for members to do business with us by automating our online loan application. The new loan application was launched in May 2024 and has streamlined the process. Members can now sign and return their loan documents digitally, with loan payouts taking just 8 minutes instead of 8 hours!

We invested in 3 additional people to join our small team here in Wellington to maintain the fast and personal service our members love, especially as we began welcoming new NZDF members onboard. During the year, our Member Services team took 15,552 calls and our Lending Team assessed hundreds of loans.

Our new Debit Card launched in January, offering enhanced features and protections including the ability to PIN your card online, to apply a temporary block if you've misplaced your card, and extra online protection via 3D Secure, with more features on the horizon.

To navigate the rising costs of doing business in today's economic climate, growing our membership is more important than ever. This supports our continued investment in platform upgrades to ensure the highest level of security for our members' money and enhancing the digital experience to make it easy to do business with us.



Upcoming Legislative Changes

Two major regulatory changes are on the horizon: the Conduct of Financial Institutions (CoFI) and the Deposit Compensation Scheme (DCS).

- » **CoFI** aims to ensure fair treatment in services offered by banks and non-bank deposit takers. As an organisation that exists to do what's best for our members, this doesn't change anything we already do, but we have developed a Fair Conduct Programme (FCP) to ensure we have the tools in place to consistently provide fair outcomes for members. We are required to hold a new Financial Institution licence with the FMA, which takes effect in April 2025, and our FCP is a key requirement of this licence. You can find a summary of this on our website.
- » **DCS** was created under the Deposit Takers Act and comes into effect mid-2025. The DCS will protect up to \$100,000 of each members' money (or up to \$200,000 for joint accounts), so members can feel even more secure depositing funds with PCU. The scheme itself is funded by deposit takers, which means there'll be a new cost for us once it's in place.

The year ahead

Our focus for the next year is to continue to grow our membership base with Police, NZDF, and their families and to keep improving our digital capabilities with features like Google Pay and Apple Pay.

We want to ensure our home and personal loans appeal to members who choose to place their business with PCU, knowing it benefits all members.

Lastly we will continue to uphold the personal service and member-focused ethos that sets us apart.

I'd like to thank our members, who remain at the heart of our purpose. I also want to extend my gratitude to our Board for their guidance, to my team for their dedication to delivering exceptional service to our members, to the NZPA team, our supervisor, and our many valued business partners.



Mike Davy
Chief Executive

Summary Financial Statements

Summary Statement of Comprehensive Income for the year ended 30 June 2024

	2024 \$000	2023 \$000
REVENUE		
Interest Revenue	7,608	6,387
Other Income	69	72
Total Revenue	7,677	6,459
EXPENDITURE		
Interest Expenditure	3,792	2,546
Operating Expenses	4,265	3,877
Strategic Objective Expense	102	97
Total Expenditure	8,159	6,520
Share of Equity Accounted Joint Venture Surplus for the Year	495	627
Total Comprehensive Revenue and Expense for the Year	13	566

Summary Statement of Changes in Equity For the year ended 30 June 2024

	2024 \$000	2023 \$000
Opening Balance	28,239	27,673
Total Comprehensive Revenue and Expense for the Year	13	566
Closing Balance	28,252	28,239

Summary Statement of Financial Position

As at 30 June 2024

	2024 \$000	2023 \$000
ASSETS		
Cash and Cash Equivalents	2,508	7,990
Term Deposits	101,125	104,559
Loans to Members	34,123	34,281
Prepayments	1,324	829
Property, Plant and Equipment	443	328
Intangible Assets	1	16
Investment in Associate	8,145	7,650
Subordinated debt	-	1,000
Total Assets	147,669	156,653
LIABILITIES		
Trade and Other Payables	314	292
Employee Benefits	99	96
Members' Deposits	119,004	128,026
Total Liabilities	119,417	128,414
Accumulated Revenue and Expense	28,252	28,239
Total Members' Funds	28,252	28,239
	147,669	156,653

Summary Statement of Cashflows

For the year ended 30 June 2024

	2024 \$000	2023 \$000
Net Cash used by Operating Activities	(10,269)	(4,735)
Net Cash Provided by Investing Activities	4,787	4,216
Total Net Increase (Decrease) in Cash and Cash Equivalents	(5,482)	(519)
Cash and Cash Equivalents at the beginning of the Period	7,990	8,509
Cash and Cash Equivalents at the end of the Period	2,508	7,990

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 2024.

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

	2024 \$000	2023 \$000
Secured by Mortgage Over Real Estate with LVR <70%	2,517	2,612
Secured by Mortgage Over Real Estate with LVR 70%> <80%	5,152	3,657
Secured by Mortgage over Real Estate with LVR 80%> <90%	3,244	2,264
Partially Secured by Motor Vehicles or Other Collateral	3,307	3,399
Secured by Police Superannuation or Government Superannuation	19,929	22,379
Unsecured	83	93
Credit Quality of Gross Loans to Members	34,230	34,404
Less Loan Impairment Allowance	(109)	(123)
Total Loans to Members	34,123	34,281

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 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	-	128,318
30 June 2024						
Total Financial Assets 30 June 2024	2,508	57,311	41,756	29,069	7,112	137,756
Total Financial Liabilities 30 June 2024	66,804	33,696	15,893	2,611	-	119,004

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 negative outlook, issued on 12 June 2024 (2023 BB+ with a stable outlook).



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