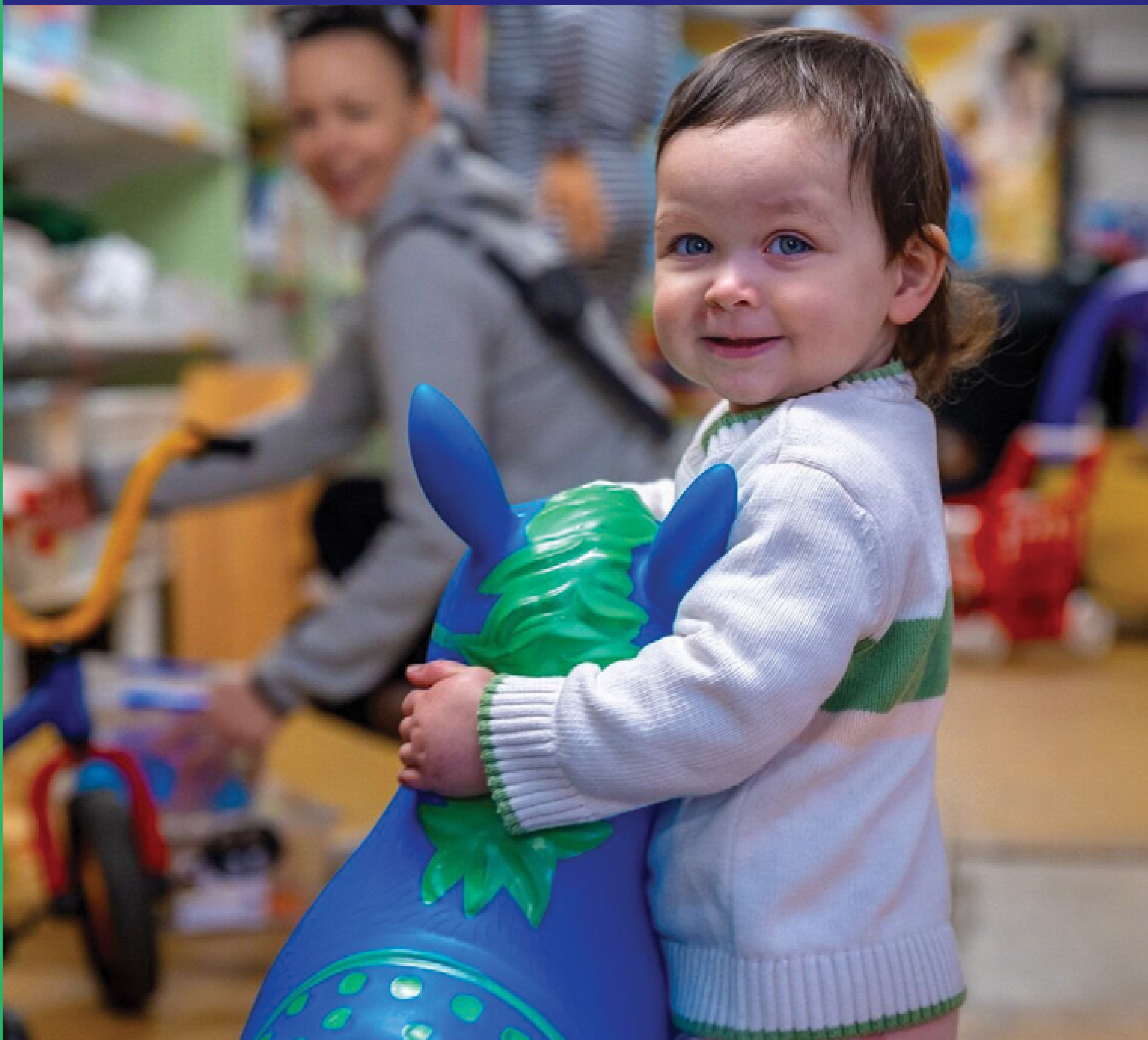
People First Bank

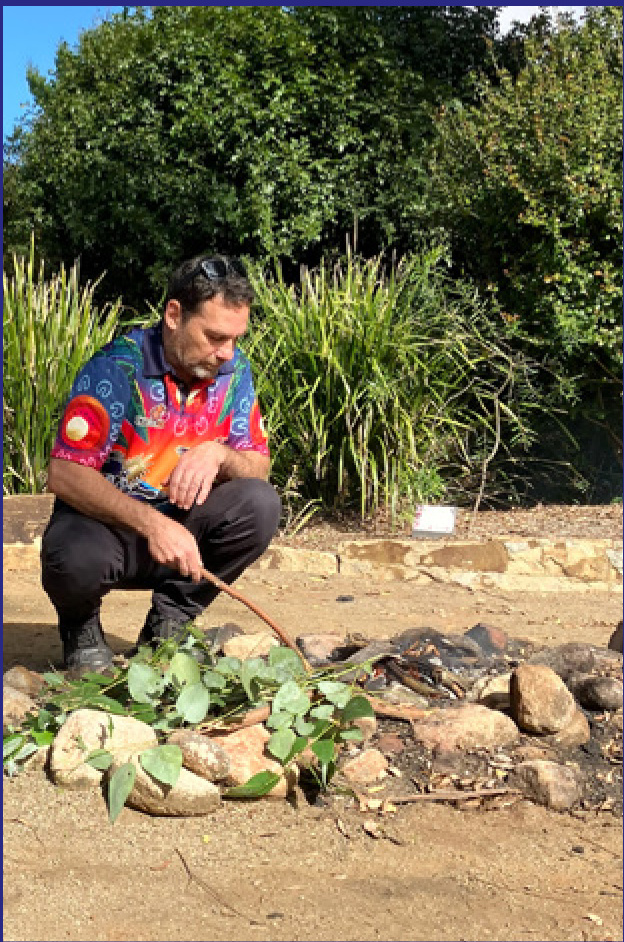
Banking for you, better for all.

2024 Financial Report



Acknowledgement of Country

We acknowledge and honour the Traditional Custodians of the land on which we meet, work and live. We pay our respect to Aboriginal and Torres Strait Islander cultures and to Elders past, present and future.



First Nations lecturer Paul Carmody leading a cultural experience with People First Bank employees through the Gumbi Gumbi Gardens at the University of Southern Queensland.

About this report

The 2024 Financial Report outlines the financial performance of People First Bank for the 12 months ended 30 June 2024.

People First Bank, People's Choice Credit Union ('People's Choice'), and Heritage Bank are all trading names of Heritage and People's Choice Limited.

A digital version is available on the People's Choice and Heritage Bank websites, along with our 2024 Customer Report which details our wider impact on our customers, community, environment, people and governance.

Also available on our websites are our Modern Slavery Statement, Workplace Gender Equality Agency Report and our Carbon Neutral disclosure is available via the Climate Active website.

Cover photograph: A young visitor enjoying the Brisbane South Toy Library, one of many organisations which benefited from the expansion of the People First Community Lottery into Queensland.

Heritage and People's Choice Limited
Financial Report for the year ended 30 June 2024

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The Directors present their report together with the financial report of Heritage and People's Choice Limited (**HPC**) (formerly Australian Central Credit Union Ltd) and its controlled entities (together referred to as the **Group**), for the year ended 30 June 2024 and the Auditor's Report.

DIRECTORS

The Directors of the Group at any time during or since the end of the financial year were:

Michael A. Cameron
Non-Executive Chairman and Independent Director
BBus, FCA, FCPA, FAICD

Kerry J. Betros AM
Deputy Chairman and Independent Director
BBus, HonDBus USQ, FCPA, MAICD

Brendan P. Baulch
Independent Director
BCom, LLB, CA, MAICD

Dennis P. Campbell
Independent Director
PhD, MBA, FCHSE, CHE, FAIM, GAICD

Peter Clare
Independent Director
BCom, MBA, FCPA, MAICD

Stephen Davis
Independent Director
AAPI, MAICD

Amanda E. Heyworth
Independent Director
BA (Accounting), MBA (AGSM), FAICD

Virginia S. Hickey
Independent Director
BA, LLB, FAICD

Wendy Machin
Independent Director
BA (Communication), MCom, GAICD

John P. Patton
Independent Director
FCA, MAICD

Wendy Thorpe
Independent Director
BA, BBus, GradDip, AppFin & Inv, AMP (Harvard), GAICD, FFin

Georgina Williams
Independent Director
BCom, BA, GAICD

Directors were in office from the beginning of the financial year until the date of this report, except where indicated otherwise.

Details of Directors, their experience and any special responsibilities, are available from our websites at www.peopleschoice.com.au and www.heritage.com.au.

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year is shown in the Corporate Governance Statement.

COMPANY SECRETARY

Ms Taryn Shearn LLB (Hons), BCom was appointed to the position of Company Secretary on 2 February 2017.

PRINCIPAL ACTIVITIES

HPC is a mutual Authorised Deposit-taking Institution that is incorporated and domiciled in Australia. The principal activities of the Group during the year were the provision of financial products and services to members. There has been no significant change in the nature of these activities during the year.

DIVIDENDS

The Heritage and People's Choice Limited's Constitution prohibits the payment of dividends on member shares.

STATE OF AFFAIRS

On 1 March 2023 Australian Central Credit Union Ltd (**ACCU**) merged with Heritage Bank Limited to form Australia's leading customer-owned financial institution, Heritage and People's Choice Limited trading as People First Bank, Heritage Bank and People's Choice Credit Union. The merger has provided the scale needed to deliver more for members through improved products, services, digital capabilities and competitive pricing.

In the opinion of the Directors, there have been no significant change in the state of affairs of the Group during the year ended 30 June 2024 not otherwise contained in the Directors' report or the financial statements.

REVIEW OF OPERATIONS

The 2024 financial year represents the first full financial year of the merged entity's operations. As a result of the merger on 1 March 2023, the 2023 comparative financial year comprises eight months of ACCU on a standalone basis, and the final four months of the 2023 financial year includes profit earned in relation to the operations of HPC.

The current year performance has been disclosed below with a comparison to the prior year. However, comparison of financial information between years is materially impacted by the timing of the merger in the prior financial year.

The Group recorded a profit after tax for the year ended 30 June 2024 of $41.4 million (2023: $32.1 million).

The Group reported a 5% increase in total consolidated assets to $24.5 billion (2023: $23.3 billion).

EVENTS SUBSEQUENT TO THE REPORTING 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 HPC, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of such information is likely to result in unreasonable prejudice to the Group.

REGULATORY DISCLOSURES

Prudential Standard APS 330 *Public Disclosure* requires the Group to meet minimum requirements for the public disclosure of information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of the financial markets and to enhance market discipline. This information is published on our websites at www.peopleschoice.com.au under Regulatory Disclosures and at www.heritage.com.au under Prudential Information.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, HPC paid a premium in relation to a Directors' and Officers' liability insurance policy indemnifying the Directors and its Executives against certain liabilities. The insurance contract prohibits the disclosure of the nature of the liabilities insured against and the premium paid in respect of that insurance.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2024.

ROUNDING

The Company is of a kind referred to in the Australian Securities & Investment Commission Corporations (Amendment) Instrument 2016/191 and in accordance with that Rounding Instrument, the Company has applied an alternative rounding factor and amounts in the Financial Report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

Signed on the 30 September 2024
in accordance with a resolution of the Board of Directors.

M. A. CAMERON
Chairman

K. J. BETROS AM
Deputy Chairman

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

To the Directors of Heritage and People's Choice Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Heritage and People's Choice Limited for the financial year ended 30 June 2024 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

Paul Cenko
Partner

Adelaide

30 September 2024

Independent Auditor's Report

To the members of Heritage and People's Choice Limited

Opinion

We have audited the ***Financial Report*** of Heritage and People's Choice Limited (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the ***Group***'s financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001,* in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statements of financial position as at 30 June 2024.
- Statements of profit or loss and other comprehensive income, Statements of changes in members' funds, and Statements of cash flows for the year then ended.
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024.
- Notes, including material accounting policies.
- Directors' Declaration.

The ***Group*** consists of the Company and the entities 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 Heritage and People's Choice Limited's annual report 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.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report in accordance with the Corporations Act, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the Corporations Act, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error; and
- 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

Paul Cenko

Partner

Adelaide

30 September 2024

Directors' Declaration

In the opinion of the Directors of Heritage and People's Choice Limited:

a) the financial statements and notes of Heritage and People's Choice Limited and of the Group, set out on pages 11 to 68 are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of Heritage and People's Choice Limited and the Group's financial position as at 30 June 2024 and of their performance, for the financial year ended on that date;

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;

b) the financial statements also comply with the International Financial Reporting Standards as disclosed in Note 2;

c) the consolidated entity disclosure statement, as set out on page 69 is prepared in accordance with the *Corporations Act 2001* (s.295(3A)(a)) and is true and correct; and

d) there are reasonable grounds to believe that Heritage and People's Choice Limited will be able to pay its debts as and when they become due and payable.

Signed on the 30 September 2024
in accordance with a resolution of the Board of Directors.

M. A. CAMERON	**K. J. BETROS AM**
Chairman	**Deputy Chairman**

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2024

	Note	Consolidated 2024 $m	Consolidated 2023 $m	Parent 2024 $m	Parent 2023 $m
Interest income	4	**1,244.4**	622.5	**1,400.9**	668.0
Interest expense	4	**(754.7)**	(303.1)	**(930.5)**	(359.8)
Net interest income		**489.7**	319.4	**470.4**	308.2
Share in net profit/(loss) of equity accounted investees	23	**1.4**	0.9	**-**	-
Other income	5	**74.8**	57.1	**91.7**	66.8
Non-interest income		**76.2**	58.0	**91.7**	66.8
Net release/(impairment charge) on loans and advances	10	**0.7**	(7.1)	**0.7**	(7.1)
Other expenses	6	**(508.3)**	(327.5)	**(505.7)**	(325.5)
Profit before tax		**58.3**	42.8	**57.1**	42.4
Income tax expense	7	**(16.9)**	(12.4)	**(16.6)**	(12.2)
Profit from continuing operations		**41.4**	30.4	**40.5**	30.2
Discontinued operation					
Profit from discontinued operation, net of tax		**-**	1.7	**-**	1.4
Profit for the year		**41.4**	32.1	**40.5**	31.6
Profit attributable to:					
Members of the Parent		**41.4**	32.1	**40.5**	31.6
Other Comprehensive Income					
Items that may be reclassified subsequently to profit or loss					
Movement in cashflow hedge reserve:					
Cash flow hedges - effective portion of changes in fair value		**(5.8)**	(10.7)	**(5.8)**	(10.7)
Cash flow hedges - reclassified to profit or loss		**(30.3)**	(1.8)	**(30.3)**	(1.8)
Changes in fair value of debt investments held at FVOCI		**-**	2.3	**-**	2.3
Income tax on comprehensive income		**10.8**	3.1	**10.8**	3.1
Other comprehensive loss, net of income tax		**(25.3)**	(7.1)	**(25.3)**	(7.1)
Total comprehensive income for the year		**16.1**	25.0	**15.2**	24.5

The accompanying notes form part of these financial statements.

Statements of Financial Position

AS AT 30 JUNE 2024

	Note	Consolidated		Parent	
		2024	2023	**2024**	2023
		$m	$m	**$m**	$m
Assets					
Cash and cash equivalents	8	**283.2**	661.2	**141.7**	499.6
Loans and advances	9	**20,314.4**	19,121.9	**20,314.4**	19,121.9
Derivative assets	11	**5.9**	53.9	**3.8**	41.6
Investment securities	12 a)	**3,551.9**	3,107.4	**3,551.9**	3,107.4
Other investments	12 b)	**97.0**	126.7	**2,870.8**	4,057.2
Property, plant and equipment	21	**66.2**	88.1	**66.2**	88.1
Intangible assets	22	**16.9**	23.2	**16.9**	23.2
Interest in equity accounted investees	23	**12.9**	12.0	**4.2**	4.2
Deferred tax assets	7	**62.4**	52.8	**65.0**	55.1
Other assets	13	**64.1**	62.9	**71.3**	73.4
Total Assets		**24,474.9**	23,310.1	**27,106.2**	27,071.7
Liabilities					
Deposits	14	**19,883.7**	18,529.3	**19,884.3**	18,529.3
Other financial liabilities	15	**0.1**	281.9	**0.1**	281.9
Derivative liabilities	11	**5.9**	13.1	**5.9**	13.1
Other payables	16	**250.4**	145.0	**250.3**	137.6
Current tax payable	7	**0.8**	13.3	**0.8**	13.3
Lease liabilities	21 b)	**41.5**	55.5	**41.5**	55.5
Borrowings	17	**2,827.6**	2,825.8	**5,467.2**	6,602.7
Provisions	24	**52.0**	49.4	**52.0**	49.4
Total Liabilities		**23,062.0**	21,913.3	**25,702.1**	25,682.8
Net Assets		**1,412.9**	1,396.8	**1,404.1**	1,388.9
Members' Funds					
Retained earnings		**533.5**	492.1	**524.7**	484.2
Reserves	25	**879.4**	904.7	**879.4**	904.7
Total Members' Funds		**1,412.9**	1,396.8	**1,404.1**	1,388.9

The accompanying notes form part of these financial statements.

Statements of Changes in Members' Funds

FOR THE YEAR ENDED 30 JUNE 2024

Consolidated Entity	Note	Retained Earnings $m	Reserves $m	Total $m
Opening balance at 1 July 2023		**492.1**	**904.7**	**1,396.8**
Profit after tax for the year		**41.4**	**-**	**41.4**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes in fair value		**-**	**(4.1)**	**(4.1)**
Reclassified to profit or loss		**-**	**(21.2)**	**(21.2)**
Total comprehensive loss for the year		**-**	**(25.3)**	**(25.3)**
Closing balance at 30 June 2024		**533.5**	**879.4**	**1,412.9**
Opening balance at 1 July 2022		460.0	224.9	684.9
Profit after tax for the year		32.1	-	32.1
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes in fair value		-	(7.5)	(7.5)
Reclassified to profit or loss		-	(1.2)	(1.2)
Change in fair value of investments held at FVOCI		-	1.6	1.6
Total comprehensive loss for the year		-	(7.1)	(7.1)
Transactions recorded directly in members' funds				
Merger with Heritage Bank	33	-	686.9	686.9
Total recorded directly in members' funds		-	686.9	686.9
Closing balance at 30 June 2023		492.1	904.7	1,396.8

The accompanying notes form part of these financial statements.

FOR THE YEAR ENDED 30 JUNE 2024

Parent	Note	Retained Earnings $m	Reserves $m	Total $m
Opening balance at 1 July 2023		**484.2**	**904.7**	**1,388.9**
Profit after tax for the year		**40.5**	**-**	**40.5**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes in fair value		**-**	**(4.1)**	**(4.1)**
Reclassified to profit or loss		**-**	**(21.2)**	**(21.2)**
Total comprehensive loss for the year		**-**	**(25.3)**	**(25.3)**
Closing balance at 30 June 2024		**524.7**	**879.4**	**1,404.1**
Opening balance at 1 July 2022		452.6	224.9	677.5
Profit after tax for the year		31.6	-	31.6
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes in fair value		-	(7.5)	(7.5)
Reclassified to profit or loss		-	(1.2)	(1.2)
Change in fair value of investments held at FVOCI		-	1.6	1.6
Total comprehensive loss for the year		-	(7.1)	(7.1)
Transactions recorded directly in members' funds				
Merger with Heritage Bank	33	-	686.9	686.9
Total recorded directly in members' funds		-	686.9	686.9
Closing balance at 30 June 2023		484.2	904.7	1,388.9

The accompanying notes form part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2024

	Note	Consolidated		Parent	
		2024 $m	2023 $m	**2024 $m**	2023 $m
Cash from operating activities					
Interest received		**1,228.3**	605.1	**1,384.8**	650.2
Interest paid		**(721.0)**	(231.9)	**(875.0)**	(298.4)
Fees and commission received		**82.5**	50.8	**102.5**	55.7
Other income received		**1.3**	1.0	**1.3**	1.0
Net increase in loans and advances		**(1,191.8)**	(983.0)	**(1,191.8)**	(983.0)
Net increase in deposits and short term borrowings		**1,072.6**	1,284.8	**1,073.2**	1,284.8
Proceeds from close out of derivatives		**16.2**	74.0	**16.2**	74.0
Payments to employees and suppliers		**(402.0)**	(337.9)	**(423.9)**	(328.8)
Income taxes paid		**(27.0)**	(12.0)	**(27.0)**	(12.0)
Net cash from operating activities	29	**59.1**	450.9	**60.3**	443.5
Cash from investing activities					
Acquisition of investment securities		**(4,239.5)**	(4,386.8)	**(4,239.5)**	(4,386.7)
Disposals of investment securities		**3,794.9**	4,312.6	**3,794.9**	4,312.6
Disposal / (acquisition) of other investments		**30.1**	(21.5)	**1,186.2**	(61.5)
Acquisition of property plant and equipment		**(7.3)**	(13.5)	**(7.3)**	(13.5)
Acquisition of software intangibles		**-**	(5.0)	**-**	(5.0)
Dividends received		**2.2**	2.0	**2.2**	2.0
Proceeds from sale of discontinued operations		**-**	2.1	**-**	2.1
Cash transferred on merger with Heritage Bank Limited		**-**	274.3	**-**	274.3
Net cash (used in)/from investing activities		**(419.6)**	164.2	**736.5**	124.3
Cash from financing activities					
Payment of lease liabilities		**(19.2)**	(14.4)	**(19.2)**	(14.4)
Proceeds from borrowings		**399.3**	-	**399.3**	-
Proceeds from RMBS issue		**1,616.9**	615.5	**671.7**	1,114.5
Repayment of borrowings		**(764.3)**	(265.5)	**(2,206.5)**	(1,251.3)
Payments to noteholders		**(1,250.2)**	(466.0)	**-**	-
Net cash used in financing activities		**(17.5)**	(130.4)	**(1,154.7)**	(151.2)
Net (decrease)/increase in cash and cash equivalents		**(378.0)**	484.7	**(357.9)**	416.6
Cash and cash equivalents at 1 July		**661.2**	176.5	**499.6**	83.0
Cash and cash equivalents at 30 June	8	**283.2**	661.2	**141.7**	499.6

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

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1. ABOUT OUR FINANCIAL STATEMENTS

On 30 September 2024 the Directors resolved to authorise the issue of the consolidated financial statements for Heritage and People's Choice Limited (trading as People First Bank, Heritage Bank and People's Choice Credit Union) and its controlled entities (together, the **Group**) for the year ended 30 June 2024.

The parent entity, Heritage and People's Choice Limited (**HPC**), is a for-profit entity that is incorporated and domiciled in Australia. The nature of operations and principal activities of the Group is the provision of financial products and services to members. There have been no significant change in the nature of these activities during the year.

Information in the financial statements is included to the extent that it is material and relevant. The Group considers a disclosure material and relevant if, for example:

- the amount is significant in size;
- the information is significant in nature;
- the user cannot understand the Group's results without the specific disclosure; and
- the information is required under legislative requirements of the *Corporations Act 2001.*

The registered office is 6th Floor, 400 Ruthven Street, Toowoomba, Queensland, Australia, 4350.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial report is a general purpose financial report, prepared by a for-profit entity, in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**), the *Corporations Act 2001*, International Financial Reporting Standards (**IFRS**) and interpretations published by the International Accounting Standards Board.

HPC holds an Australian Financial Services Licence and has therefore applied Australian Securities & Investment Commission (**ASIC**) Class Order CO 2021/195 and has presented both parent company and consolidated entity financial statements in this financial report.

b) Basis of measurement

The Group has prepared the financial information in accordance with the historical cost convention, except for the following assets and liabilities which are stated at their fair value:

- Derivative financial instruments;
- Investment securities held at FVOCI;
- Other investments; and
- Freehold land and buildings.

The financial report has been prepared on a going concern basis.

c) Functional and presentation currency

The financial report is presented in Australian dollars, which is HPC's functional currency, and all values have been rounded to the nearest million dollars ($m) unless otherwise stated under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191.

d) Use of judgments and estimates

The preparation of a financial report in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgment about the carrying values of assets and liabilities that are not readily apparent from other sources.

2. BASIS OF PREPARATION (continued)

d) Use of judgments and estimates (continued)

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

- Note 10 Impairment of loans and advances
- Note 20 Fair value of financial instruments
- Note 21 Property, plant and equipment
- Note 22 Intangible assets
- Note 33 Business combination

Actual results may differ from these estimates. The 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.

3. NEW ACCOUNTING STANDARDS

The Group adopted Amendments to *Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* (AASB 2021- 2) from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity specific accounting policy information that users need to understand other information in the financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024 and earlier application is permitted. The Group however, has not early adopted them in preparing this financial report as those standards remain subject to ongoing assessment and no significant impacts to the Group's financial statements have been identified to date.

Financial Performance

4. NET INTEREST INCOME

	Consolidated 2024 $m	Consolidated 2023 $m	Parent 2024 $m	Parent 2023 $m
Interest income				
Cash and investment securities	**191.9**	79.2	**178.9**	74.1
Loans and advances	**1,023.9**	514.1	**1,023.9**	507.0
Interest rate derivatives	**28.6**	29.2	**7.9**	14.2
Other investments	**-**	-	**190.2**	72.7
Total interest income	**1,244.4**	622.5	**1,400.9**	668.0
Interest expense				
Deposits	**598.1**	214.8	**598.1**	214.7
Borrowings	**156.6**	88.3	**332.4**	145.1
Total interest expense	**754.7**	303.1	**930.5**	359.8
Net interest income	**489.7**	319.4	**470.4**	308.2

Recognition and measurement

The Group recognises interest income and interest expense using the effective interest rate (**EIR**) method for financial assets and liabilities which are held at amortised cost. The EIR is the rate that discounts estimated future cash receipts or payments over the expected life of the financial asset or liability to the gross carrying amount or amortised cost.

The Group recognises fees and costs that form an integral part of the financial instrument (for example, loan origination fees and transaction costs) as part of interest income or expense. These incremental fees and costs are directly attributable to the acquisition or issue of a financial asset or financial liability. For purchased or originated credit impaired financial assets a credit adjusted effective interest rate is calculated using estimated cash flows including expected credit losses.

5. OTHER INCOME

	Consolidated		Parent	
	2024 $m	2023 $m	**2024 $m**	2023 $m
Loan fees, banking fees and other commissions	**46.6**	35.3	**63.1**	44.5
Insurance commissions	**25.6**	19.8	**25.6**	19.8
Dividends received	**1.8**	1.5	**2.2**	2.0
Other income	**0.8**	0.5	**0.8**	0.5
Total other income	**74.8**	57.1	**91.7**	66.8

Recognition and Measurement

Loan fees, banking fees and other commissions

Loan fees, banking fees and other commissions that do not form an integral part of the EIR are recognised when the performance obligation is satisfied, which is at the point of time or over a period of time when the customer benefited from the service provided by the Group.

Insurance commissions

The Group recognises insurance commission revenue when the Group acts in the capacity as an agent and refers insurance policies with third party insurers and the performance obligation is satisfied. The performance obligation includes initial referrals, policy renewals and ongoing processing and promotion obligations. The total consideration to be received under the contract is calculated and allocated to separate performance obligations, with the revenue recognised over time as each performance obligation is completed.

Dividends received

Dividends from other investments are recognised when the right to receive the dividend has been established.

6. OTHER EXPENSES[1]

	Consolidated		Parent	
	2024 $m	2023 $m	**2024 $m**	2023 $m
Personnel				
Salaries and related costs	**242.0**	150.4	**241.8**	150.2
Superannuation	**22.2**	12.4	**22.1**	12.3
Total personnel expense	**264.2**	162.8	**263.9**	162.5
Occupancy				
Occupancy expenses	**15.3**	7.6	**15.3**	7.6
Depreciation of property, plant and equipment	**27.6**	17.1	**27.6**	17.1
Impairment of land held for development	**7.1**	-	**7.1**	-
Lease liability interest expense	**1.4**	1.3	**1.4**	1.3
Total occupancy expense	**51.4**	26.0	**51.4**	26.0
Information technology				
Information technology costs	**55.8**	45.9	**55.8**	45.9
Amortisation of intangible computer software	**4.3**	5.0	**4.3**	5.0
Total information technology expense	**60.1**	50.9	**60.1**	50.9
Operating and administrative				
Administrative expenses	**70.0**	43.5	**67.4**	41.6
Marketing costs	**18.0**	11.6	**18.3**	11.8
Distribution channel costs	**42.8**	32.1	**42.8**	32.1
Amortisation of core deposit intangible	**1.8**	0.6	**1.8**	0.6
Total operating and administrative expense	**132.6**	87.8	**130.3**	86.1
Total other expenses	**508.3**	327.5	**505.7**	325.5

[1] Other expenses includes $34.7m (2023: $24.4m) of costs incurred during the financial year associated with merger and integration activities. These costs include Personnel expenses $21.1m (2023: $7.5m), Information technology expenses $4.0m (2023: $7.8m) and Operating and administrative expenses $9.6m (2023: $9.1m).

Recognition and Measurement

Personnel

Personnel include employee entitlements and other entitlements. The Group accrues annual leave and other entitlements expected to be paid within twelve months using remuneration rates that the Group expects to pay when the liabilities are settled. Staff expenses are recognised over the period the employee renders their service.

Long service entitlements are accrued for all employees from their date of commencement. Long service leave is calculated by discounting to present value using assumptions relating to staff departures, leave utilisation, future salary increases and expected years of service.

Occupancy

The Group recognises occupancy and equipment expenses in accordance with AASB 16 *Leases* and applies the straight-line method of amortisation over the asset's estimated useful life. The Group recognises its right to use an underlying leased asset over the lease term as a right of use (**ROU**) asset, and its obligation to make lease payments as a lease liability. The Group recognises depreciation expense on the ROU asset and interest expense on the lease liability over the term of the lease.

Further information is included in Note 21 Property, plant and equipment.

The Group has elected not to recognise ROU assets and lease liabilities for leases of low value assets. These costs have been included in operating and administrative expenses.

7. INCOME TAX

	Consolidated 2024 $m	Consolidated 2023 $m	Parent 2024 $m	Parent 2023 $m
Profit before tax from continuing operations	**58.3**	42.8	**57.1**	42.4
Tax at the tax rate of 30% (2023: 30%)	**17.5**	12.8	**17.1**	12.7
Adjust for tax effect of:				
Fully franked dividends received	**(0.7)**	(0.6)	**(0.7)**	(0.6)
Sundry items	**0.1**	0.2	**0.2**	0.1
Income tax expense	**16.9**	12.4	**16.6**	12.2
The components of tax expense comprise:				
Current tax	**14.7**	24.6	**14.7**	24.6
Deferred tax	**2.2**	(12.2)	**1.9**	(12.4)
Income tax expense	**16.9**	12.4	**16.6**	12.2
Income tax recognised in other comprehensive income				
Net gain/(loss) on cash flow hedges	**(10.8)**	(3.7)	**(10.8)**	(3.7)
Net gain on investments held at FVOCI	**-**	0.6	**-**	0.6
Income tax in other comprehensive income	**(10.8)**	(3.1)	**(10.8)**	(3.1)
Current tax payable	**(0.8)**	(13.3)	**(0.8)**	(13.3)
Deferred tax assets comprise:				
Amounts recognised in profit or loss				
Allowance for expected credit loss	**7.5**	7.2	**7.5**	7.2
Employee benefits	**12.5**	13.1	**12.5**	13.1
Provisions	**9.5**	2.3	**9.5**	2.3
Lease liability	**12.5**	1.9	**12.5**	1.9
Plant and equipment	**14.3**	6.3	**14.3**	6.3
Intangible assets	**7.0**	6.8	**7.0**	6.8
Other items	**9.7**	10.0	**9.7**	13.7
Merger fair value adjustments	**10.3**	-	**10.3**	-
	83.3	47.6	**83.3**	51.3
Amounts recognised directly in Members' Funds				
Merger fair value adjustments	**-**	26.8	**-**	26.8
Cash flow hedges	**1.1**	-	**1.1**	-
Total deferred tax assets	**84.4**	74.4	**84.4**	78.1
Deferred tax liabilities comprise:				
Amounts recognised in profit or loss				
Right of use asset	**10.8**	-	**10.8**	-
Equity accounted associates	**2.6**	2.3	**-**	-
Derivative assets at fair value through profit or loss	**-**	-	**-**	3.7
	13.4	2.3	**10.8**	3.7
Amounts recognised directly in Members' Funds				
Cash flow hedges	**1.1**	11.8	**1.1**	11.8
Fair value reserve - other investments held at FVOCI	**7.5**	7.5	**7.5**	7.5
Total deferred tax liabilities	**22.0**	21.6	**19.4**	23.0
Net deferred tax assets	**62.4**	52.8	**65.0**	55.1

The effective tax rate on continuing operations of the consolidated group is 29% (2023: 29%).

7. INCOME TAX (continued)

Recognition and Measurement

Income tax expense
Income tax expense comprises current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatment of income and expenses (taxable income). The Group recognises tax expense in the Statements of Profit or Loss and Other Comprehensive Income.

Current tax expense
Current income tax is the tax the Group expects to pay on taxable income for the year, including any adjustments for prior years. The tax is based on tax rates and tax laws which are enacted at the reporting period.

Deferred tax assets and liabilities
Deferred tax arises from the differences between financial reporting and taxation reporting which creates temporary differences that usually reverse over time. Until these are reversed, a deferred tax asset or deferred tax liability is recognised on the Statements of Financial Position. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if they are expected to be settled or realised at the same time. Deferred tax assets are recognised for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation
HPC and its Australian wholly-owned controlled entities, with the exception of People's Choice Community Foundation Limited, have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the consolidated group is HPC. Refer to the Consolidated Entity Disclosure Statement for further details.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group. This is applied using the separate taxpayer within group approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Goods and services tax
Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statements of Financial Position are inclusive of GST.

Financial Instruments and Risk Management

Financial Instruments

Overview

Financial instruments include cash, loans and advances, investments, deposits, other financial liabilities, borrowings and derivatives and account for the majority of the Group's Statements of Financial Position.

Recognition and Measurement

Initial recognition and measurement
Financial assets and liabilities are recognised on the Group's Statements of Financial Position on the date they are originated or the trade date, which is the date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognised at fair value. Directly attributable transaction costs are added or deducted from the financial asset or liabilities, except for financial instruments measured at fair value through profit or loss, where directly attributable transaction costs are recognised in profit or loss.

There are three measurement classifications for financial assets under AASB 9 *Financial Instruments* (AASB 9):

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

Financial assets are classified into these categories on the basis of two criteria:

- the business model within which the financial asset is managed (business model assessment); and
- the contractual cash flow characteristics of the financial asset, whether the cash flows represent solely payments of principal and interest (SPPI test).

Business model assessment
The Group determines the business model by considering the purpose of the portfolio, how the relevant risks are managed and the basis on which the performance of the portfolio is evaluated.

SPPI test
In making the SPPI assessment the Group considers relevant factors such as how principal is repaid and whether interest reflects the time value of money and credit risk.

The resulting financial asset classifications are as follows:

- *Amortised cost:* Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- *FVOCI:* Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- *FVTPL* : Any other financial assets not falling into one of the above two categories.

Financial Instruments (continued)

Overview (continued)

Recognition and Measurement

Derecognition of financial instruments
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) the right to receive cash flows from the asset has expired;
b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them without material delay to a third party; or
c) the Group has transferred its rights to receive cash flows from the asset and either:
  (i) has transferred substantially all the risks and rewards of the asset; or
  (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. 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. The difference in the respective carrying amounts is recognised in profit or loss.

8. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Cash on hand and at bank	**37.0**	36.2	**37.0**	36.2
Deposits at call	**245.7**	566.0	**104.2**	404.4
Foreign currency floats	**0.5**	59.0	**0.5**	59.0
Cash and cash equivalents	**283.2**	661.2	**141.7**	499.6

Recognition and Measurement

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits at call with ADIs and foreign currency floats with prepaid card partners. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows. Cash and cash equivalents are measured at amortised cost.

9. LOANS AND ADVANCES

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Residential loans	**19,566.3**	18,313.5	**19,566.3**	18,313.5
Business loans	**186.1**	217.7	**186.1**	217.7
Credit cards	**93.3**	98.9	**93.3**	98.9
Personal and other loans	**453.0**	486.7	**453.0**	486.7
Gross loans and advances	**20,298.7**	19,116.8	**20,298.7**	19,116.8
Provision for impairment (Note 10)	**(25.0)**	(23.9)	**(25.0)**	(23.9)
Net deferred origination costs and fee revenue	**40.7**	29.0	**40.7**	29.0
Net loans and advances	**20,314.4**	19,121.9	**20,314.4**	19,121.9

Recognition and Measurement

Loans and advances comprise term and revolving credit facilities that the Group enters into with members. Loans and advances are initially recognised at fair value plus directly attributable transaction costs such as broker expenses, origination fees received and costs incurred. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, less impairment losses. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the loan or advance, to the carrying amount of the loan or advance.

When estimating the future cash flows, the Group consider all contractual terms of the loan or advance excluding any expected credit losses (**ECLs**). Included in this calculation are all fees paid or received that are integral to the contract. The ECL on loans and advances are calculated in accordance with Note 10 Impairment of loans and advances.

The Group enters into transactions where it transfers financial assets, primarily loans and advances. The transferred assets remain on the Group's balance sheet as the Group retains substantially all of the risks and rewards of the transferred assets. Refer to Note 27 Transfer of financial assets for further details.

Modified financial assets

If the terms of a financial asset are modified, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. If the change in cash flows are substantially different, the original financial asset is derecognised and a new asset is recognised at fair value. Any gain or loss between the original and new asset is recognised in profit or loss. Where a modification is considered to not be substantial, the Group recalculates the gross carrying amount using the original effective interest rate and recognises the difference in profit or loss.

The loan portfolio of the Group does not include any loans or groups of related loans which represent 10% or more of capital (2023: $nil).

10. IMPAIRMENT OF LOANS AND ADVANCES

	Consolidated		Parent	
	2024 $m	2023 $m	**2024 $m**	2023 $m
Specific provision:				
Balance at beginning of year	**0.5**	0.1	**0.5**	0.1
Recognition of credit impaired loans on merger	**-**	0.3	**-**	0.3
Increase in provision	**-**	0.1	**-**	0.1
Balance at end of year	**0.5**	0.5	**0.5**	0.5
The gross value of loans specifically provided for is $2.2m (2023: $1.9m) and the total value of collateral held for loans specifically provided for is $1.9m (2023: $1.5m).				
Collective provision:				
Balance at beginning of year	**23.4**	9.2	**23.4**	9.2
Recognition of credit impaired loans on merger	**-**	3.3	**-**	3.3
Increase in provision	**1.1**	10.9	**1.1**	10.9
Balance at end of year	**24.5**	23.4	**24.5**	23.4
Total provision for impairment	**25.0**	23.9	**25.0**	23.9
Charge/(recovery) to profit or loss comprises:				
Provision for loan impairment	**(2.2)**	5.5	**(2.2)**	5.5
Loans written off during the year as uncollectable	**2.8**	2.4	**2.8**	2.4
Bad debts recovered	**(1.3)**	(0.8)	**(1.3)**	(0.8)
Total (recovery)/charge to profit or loss	**(0.7)**	7.1	**(0.7)**	7.1

Recognition and Measurement

The provision for impairment of loans and advances is categorised as follows:

Specific Provision
Loans and advances that meet significant delinquency and loan size criteria are individually assessed for impairment to estimate the expected credit loss on the loan.

Collective Provision
Loans and advances that are not individually assessed are placed into portfolios of assets with similar credit risk characteristics, taking into account product and borrower type and a collective assessment of impairment is performed based on objective evidence from historical experience and other forward-looking indicators.

Loans and advances are written off and derecognised when negotiations for collection of a debt are unsuccessful and there is no reasonable expectation that the outstanding principal and interest will be recovered.

The Group considers that its cash and cash equivalents and investment securities have a low credit risk based on the external credit ratings of the counterparties.

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

The following table presents the movement in the provision for impairment for the year:

Consolidated and Parent

	Stage 1	Stage 2	Stage 3 Collective	Specific	Stage 3 POCI loans	Total
	$m	$m	$m	$m	$m	$m
Balance as at 1 July 2023	**12.4**	**4.5**	**3.6**	**0.5**	**2.9**	**23.9**
Changes due to loans and advances that have:						
Transferred to Stage 1	**1.3**	**(1.2)**	**(0.1)**	**-**	**-**	**-**
Transferred to Stage 2	**(0.3)**	**1.6**	**(1.3)**	**-**	**-**	**-**
Transferred to Stage 3	**-**	**(0.4)**	**0.4**	**-**	**-**	**-**
Transferred to Stage 3 - Specific	**-**	**-**	**-**	**-**	**-**	**-**
New and increased provisions (net of provision releases)	**(1.3)**	**0.7**	**2.5**	**-**	**(0.8)**	**1.1**
Balance as at 30 June 2024	**12.1**	**5.2**	**5.1**	**0.5**	**2.1**	**25.0**
Balance as at 1 July 2022	5.9	1.0	2.3	0.1	-	9.3
Loans and advances transferred on merger	-	-	-	0.3	3.3	3.6
Changes due to loans and advances that have:						
Transferred to Stage 1	0.9	(0.7)	(0.2)	-	-	-
Transferred to Stage 2	(0.1)	0.7	(0.6)	-	-	-
Transferred to Stage 3	-	-	-	-	-	-
New and increased provisions (net of provision releases)	5.7	3.5	2.1	0.1	(0.4)	11.0
Balance as at 30 June 2023	12.4	4.5	3.6	0.5	2.9	23.9

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Recognition and Measurement

The measurement of ECL reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

ECLs are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

Stage 1: 12 month ECL
The Group collectively assesses ECLs on exposures that have not significantly increased in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Group recognises a collective provision equal to the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months.

Stage 2: Lifetime ECL – asset is not impaired
The Group collectively assesses, based on shared credit risk characteristics, ECLs on exposures that have significantly increased in credit risk since initial recognition but are not credit impaired. Credit risk is considered to have significantly increased when contractual payments are 30 days past due at some time in the last 6 months, there is significant change in serviceability, financial hardship or default events. For these exposures, the Group recognises a collective provision equal to the lifetime ECL.

Stage 3: Lifetime ECL – asset is impaired
The Group assesses ECLs both collectively and individually on those exposures that are assessed as credit impaired. Exposures are credit impaired when they are equal to or greater than 90 days past due or where one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, including loan modifications. For exposures that have become credit impaired, a lifetime ECL is recognised as a collective or specific provision.

Stage 3: Purchased or originated credit-impaired (POCI)
For financial assets that are credit-impaired on initial recognition, lifetime ECL is recognised within collective provisions regardless of the performance status of the account as at the reporting date.

Measurement of expected credit loss
ECL is calculated as the product of the following credit risk factors, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macroeconomic variables.

The definition of default used in measuring credit losses is aligned with the Australian Prudential Regulation Authority (**APRA**) definition of default. Default occurs when there are indicators that a customer is unlikely to fully satisfy contractual credit obligations to the Group, the exposure is 90 days past due or a loss has already been incurred.

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

KEY JUDGMENTS AND ESTIMATES

In estimating collectively assessed ECL the Group makes judgments and assumptions in relation to the selection of a modelling methodology, and the selection of inputs for the models. The following table summarises the key judgments and assumptions in relation to the models and also highlights significant changes during the year.

Judgment / assumption and description	Changes during the year ended 30 June 2024
Selection of macroeconomic variables Judgment is involved in determining which forward looking variables have the highest correlation to default rates observed in the portfolio.	The variables include unemployment rates, RBA cash rate, GDP and property price.
Economic forecast assumptions Judgment is involved in determining the forecast settings for each relevant economic variable under each scenario (Base Case, Upside, Downside and Severe Downside).	The forecast settings for each relevant economic variable are based on Management's view of the most likely future macroeconomic conditions at 30 June 2024. In forecasting future economic conditions, assumptions for the Base Case are sourced from a number of external sources such as the Reserve Bank of Australia. The settings for the current year reflect expectations of unemployment rate and economic growth.
Probability weighting of each economic scenario Probability weighting of each economic scenario is determined by considering the risks and uncertainties surrounding the base case scenario.	The assigned probability weightings have been updated since the prior year to reflect a higher weighting to the downside and severe downside scenarios, as there is less certainty around the base case scenario with increasing downside risks.
Determining when a Significant Increase in Credit Risk (SICR) has occurred In the measurement of ECL, judgment is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2.	There has been no material change to SICR criteria in FY24.
Management overlay Management overlay adjustments to the ECL allowance are used in circumstances where it is judged that existing inputs, assumptions and modelling techniques do not capture all the risk factors relevant to the lending portfolios.	A model risk reserve continues to be included in the model to mitigate the potential for modelling risk.

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Sensitivity analysis

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining the allowance as at 30 June 2024 together with the prior year comparative:

	2024 **$m**	2023 $m
Reported probability weighted ECL	**24.5**	23.4
100% Upside scenario	**8.2**	18.1
100% Base scenario	**10.6**	19.8
100% Downside scenario	**24.9**	26.9
100% Severe Downside scenario	**68.9**	42.0

The Group uses four alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating the ECL; Base, Upside, Downside and Severe Downside scenarios.

2024	**Upside Scenario %**	**Base Scenario %**	**Downside Scenario %**	**Severe Downside Scenario %**
Forecast unemployment rate	**4.1**	**4.5**	**6.5**	**9.0**
Forecast cash rate	**3.9**	**4.4**	**4.9**	**5.4**
Forecast annual GDP growth	**3.0**	**2.0**	**-**	**(4.0)**
Property price increase/(fall)	**10.0**	**5.0**	**(15.0)**	**(30.0)**
Scenario weight	**5.0**	**40.0**	**40.0**	**15.0**

2023	Upside Scenario %	Base Scenario %	Downside Scenario %	Severe Downside Scenario %
Forecast unemployment rate	3.8	4.3	6.5	9.0
Forecast cash rate	3.9	4.1	4.4	5.1
Forecast annual GDP growth	2.5	1.3	-	(2.0)
Property price increase/(fall)	5.0	-	(10.0)	(20.0)
Scenario weight	7.5	50.0	35.0	7.5

11. DERIVATIVES

	Consolidated 2024 $m	Consolidated 2023 $m	Parent 2024 $m	Parent 2023 $m
Assets				
Derivatives held at fair value through profit or loss				
Foreign currency swaps	**-**	2.3	**-**	2.3
Interest rate swaps	**2.1**	12.3	**-**	-
Derivatives held as cash flow hedges				
Interest rate swaps	**3.8**	39.3	**3.8**	39.3
Total derivative assets	**5.9**	53.9	**3.8**	41.6
Liabilities				
Derivatives held at fair value through profit or loss				
Foreign currency swaps	**-**	(0.6)	**-**	(0.6)
Interest rate swaps	**(2.2)**	(12.5)	**(2.2)**	(12.5)
Derivatives held as cash flow hedges				
Interest rate swaps	**(3.7)**	-	**(3.7)**	-
Total derivative liabilities	**(5.9)**	(13.1)	**(5.9)**	(13.1)

Feature and purpose

Foreign currency and interest rate swaps are contractual arrangements whose value is derived from an underlying price index defined in the contract that are settled at a future date. The two parties exchange a series of cash flows. Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

The Group's derivative financial instruments include the following categories:

Held at fair value	Swaps held in order to manage risks that are not in a designated hedge accounting relationship (balance sheet management).
Designated in hedging relationships	Swaps designated into hedge accounting relationships in order to minimise volatility in net interest income arising from interest rate risk.

The Group utilises cash flow hedges for the hedge accounting relationship, detailed below:

Cash flow hedges	Description
Objective	To hedge variability in cash flows from recognised financial assets and liabilities arising from interest rate risk
Hedged risk	Interest rate risk
Hedging instruments	Pay fixed / receive variable, receive fixed / pay variable interest rate swaps
Hedged item	Variable interest rate financial liabilities and assets
Hedge effectiveness	Regression analysis / hypothetical derivative method
Potential sources of ineffectiveness	Primarily mismatches in terms of the hedged item and the hedging instrument as well as prepayment risk

11. DERIVATIVES (continued)

The following table shows the average rates of hedging instruments and the maturity profile for hedging instruments by notional amount.

Consolidated and Parent

	Weighted average fixed interest rate %	Within 1 year $m	1 to 5 years $m	Over 5 years $m
2024				
Cash flow hedges - interest rate swaps	**4.16%**	**1,925.0**	**535.0**	**-**
2023				
Cash flow hedges - interest rate swaps	1.76%	905.0	1,025.0	-

The following table shows amounts related to the hedging instruments, including the fair value changes during the year used as the basis for calculating hedge ineffectiveness.

Consolidated and Parent

	Gains / (losses) on hedging instruments $m	Gains / (losses) on hedged items $m	Hedge ineffectiveness in profit or loss $m
2024			
Cash flow hedges - interest rate swaps	**(5.8)**	**5.8**	**-**
2023			
Cash flow hedges - interest rate swaps	(10.7)	10.7	-

11. DERIVATIVES (continued)

Recognition and Measurement

Initial and subsequent recognition
Initially and at each reporting date the derivatives are recognised at fair value. If the fair value is positive then the derivative is recognised as an asset, if it is negative it is recognised as a liability.

Impact on the Income Statement and Other Comprehensive Income
How the movement (gain or loss) in the fair value of the derivative financial instrument is recognised depends on the accounting category:

Held at fair value through profit or loss
Gains or losses arising from changes in the fair value are recognised in profit or loss under net interest income.

Designated as a cash flow hedge relationship
The Group recognises the effective portion of changes in the fair value in the cash flow hedge reserve (Other Comprehensive Income). Any ineffective portion is recognised in the profit or loss under net interest income.

Hedge effectiveness
In assessing the hedge effectiveness the Group determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics and quantitative analysis. The Group considers whether the critical terms of the hedged item and instrument closely align when assessing the presence of an economic relationship.

To qualify for hedge accounting, a hedge is expected to be highly effective. A hedge is highly effective if it meets the following criteria:

- effective in achieving offsetting changes in cash flows attributable to the hedged risk during the period; and
- the actual results of the hedge are within the range of 80% to 125% effectiveness.

Measurement
Both the interest rate swaps and the foreign currency swaps that the Group transacts are over the counter arrangements with no active market. The measurement of the fair value is undertaken using a discounted cash flow analysis. Refer to Note 20 Fair value of financial instruments for further information.

AASB 9 provides the Group with an accounting policy choice to continue to apply the AASB 139 hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

Offsetting financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group does not have a legally enforceable right to set-off any interest rate swap agreements.

Master netting arrangement
Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (**ISDA**) Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As neither the Group nor the Parent presently have a legally enforceable right of set-off, these amounts have not been offset in the Statements of Financial Position and accordingly derivative assets and derivative liabilities are shown on a gross basis in the Statements of Financial Position.

If under the ISDA Master Agreement there was a legally enforceable right of set-off, there would be a reduction in both the derivative asset and derivative liability of $5.9 million as at 30 June 2024 ($13.1 million at 30 June 2023), and a reduction in repurchase agreement balances of the Group (including the Term Funding Facility) to nil (2023: nil).

12. INVESTMENTS

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
a) Investment securities				
Interest-bearing deposits	**59.3**	59.3	**59.3**	59.3
Negotiable certificates of deposit	**177.7**	450.5	**177.7**	450.5
Floating rate notes	**1,551.1**	1,279.3	**1,551.1**	1,279.3
Bonds	**1,495.6**	877.1	**1,495.6**	877.1
Promissory notes	**268.2**	441.2	**268.2**	441.2
Total investment securities	**3,551.9**	3,107.4	**3,551.9**	3,107.4
Of which: total investment securities held at FVOCI	***-***	*524.6*	***-***	*524.6*
Of which: total investment securities held at amortised cost	***3,551.9***	*2,582.8*	***3,551.9***	*2,582.8*
b) Other investments				
Shares in unlisted entities	**46.1**	46.1	**46.1**	46.1
Capital notes	**-**	-	**2,778.0**	3,965.1
Other investments	**50.9**	80.6	**41.7**	41.0
Shares in controlled entities	**-**	-	**5.0**	5.0
Total other investments	**97.0**	126.7	**2,870.8**	4,057.2
Total Investments	**3,648.9**	3,234.1	**6,422.7**	7,164.6

Recognition and Measurement

Debt investment securities are held within a business model whose objective is to hold assets to collect contractual cash flows. These are measured at amortised cost under the business model.

On 1 March 2023, Heritage Bank Limited (**HBL**) merged with ACCU (refer to Note 33 Business combination). As of the merger date, the objectives of the business model within which the financial assets are managed were reassessed including the purpose of the portfolios held, how risks are managed and the basis on which the performance of the portfolios is evaluated. It was determined that debt securities are held to collect contractual cash flows and the sale of debt securities in prior periods has been infrequent and the value insignificant relative to the portfolio. As such, the Group considers that debt securities are held within a business model whose objectives is to hold assets to collect contractual cash flows. As a result of this reassessment, any new debt securities acquired from 1 March 2023, including those acquired from HBL, are measured at amortised cost under the business model. Any existing debt securities remained measured at fair value through Other Comprehensive Income until 1 July 2023, when they were reclassified to amortised cost.

Shares in unlisted entities are initially recognised at fair value and subsequently measured at fair value through other comprehensive income. These shares represent investments that HPC intend to hold for the long term. Amounts in the fair value reserve are subsequently transferred to retained earnings, and not profit or loss, when the asset is derecognised.

Capital notes, other investments and shares in controlled entities are initially recognised at cost and subsequently held at amortised cost.

The Group's investment securities are subject to impairment testing with nil impairment recognised in current year (2023: nil). Refer to Note 10 Impairment of loans and advances for further details.

13. OTHER ASSETS

	Consolidated		Parent	
	2024 $m	2023 $m	**2024 $m**	2023 $m
Accrued interest receivable	**20.6**	16.1	**20.6**	16.1
Prepayments	**23.1**	22.0	**23.1**	22.0
Other receivables	**20.4**	24.8	**27.6**	35.3
Total other assets	**64.1**	62.9	**71.3**	73.4

Recognition and Measurement

Other assets include non-interest bearing receivables that are stated at cost less any impairment losses.

14. DEPOSITS

	Consolidated		Parent	
	2024 $m	2023 $m	**2024 $m**	2023 $m
Member at call and deposit accounts	**19,042.0**	17,811.5	**19,042.6**	17,811.5
Short term wholesale deposit and borrowings	**841.7**	717.8	**841.7**	717.8
Total deposits	**19,883.7**	18,529.3	**19,884.3**	18,529.3

Recognition and Measurement

Deposits are financial liabilities and are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The Group's deposit portfolio does not include any deposits or groups of related deposits which represent 10% or more of liabilities (2023: $nil).

15. OTHER FINANCIAL LIABILITIES

	Consolidated		Parent	
	2024 $m	2023 $m	**2024 $m**	2023 $m
Foreign currency liabilities	**0.1**	281.9	**0.1**	281.9
Total other financial liabilities	**0.1**	281.9	**0.1**	281.9

Recognition and Measurement

Other financial liabilities primarily relate to settlement liabilities associated with prepaid card schemes managed by the Group.

16. OTHER PAYABLES

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Accounts payable and other payables	**138.0**	68.6	**103.5**	58.5
Accrued interest payable	**112.4**	76.4	**146.8**	79.1
Total other payables	**250.4**	145.0	**250.3**	137.6

Recognition and Measurement

Other payables are non-interest bearing payables, which are normally settled between seven and thirty day terms and are stated at amortised cost.

17. BORROWINGS

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Loans payable to securitisation trusts	**-**	-	**4,943.2**	5,713.8
Notes payable	**2,303.6**	1,936.9	**-**	-
Term funding facility	**-**	764.3	**-**	764.3
Subordinated debt	**124.7**	124.6	**124.7**	124.6
Senior unsecured debt	**399.3**	-	**399.3**	-
Total borrowings	**2,827.6**	2,825.8	**5,467.2**	6,602.7

Loans payable to securitisation trusts and Notes payable
Refer to Note 26 Related parties for details of the Group's securitisation program.

Securitisation funding facility
The Group maintains securitisation warehouse funding facilities to assist with liquidity management. The facilities are renewed annually. The Group has utilised $648.2m with $151.8m unutilised. In 2023 the Group had utilised $853.2m with $146.8m unutilised. The Group expects to maintain broadly similar levels of utilised and unutilised balances across the next 12 months, given the size of its balance sheet and forecast funding requirements. The utilised funding facility is included within Notes payable.

Term Funding Facility
In response to the COVID-19 pandemic, the RBA had provided a Term Funding Facility to the Group, for a term of three years at a fixed interest rate. Securities sold under this agreement to repurchase were retained on the Statements of Financial Position when the majority of the risk and rewards of ownership remained with the Group. The counterparty liability was included within Borrowings on the Statements of Financial Position when cash consideration was received.

17. BORROWINGS (continued)

Subordinated Debt (Tier 2 Capital)
The subordinated debt comprises of two tranches of fully paid, unsecured, cumulative subordinated notes:

- $50m with a maturity date of 24 June 2030, with an option for HPC to redeem the notes on the early redemption date of 24 June 2025, subject to APRA approval.
- $75m with a maturity date of 16 September 2031, with an option for HPC to redeem the notes on the early redemption date of 16 September 2026, subject to APRA approval.

The subordinated debt securities pay interest quarterly in arrears. If APRA determines that a non-viability event has occurred the subordinated notes will be subject to write off. If a write off occurs the debt will be extinguished with a corresponding gain or loss taken to profit or loss.

Senior Unsecured Debt
On 8 February 2024, HPC issued $400m of senior unsecured debt at a variable interest rate for a term of 3 years.

Recognition and Measurement

The Group initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs (including securitisation establishment costs). Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using an effective interest rate method.

18. STANDBY BORROWING FACILITIES

The Parent has the following borrowing facilities in addition to the securitisation funding facilities:

	Consolidated and Parent	
	2024	2023
Overdraft facility	**$m**	$m
Gross facility amount	**5.0**	5.0
Less: current borrowing	**-**	-
Net available	**5.0**	5.0

19. RISK MANAGEMENT

Introduction
This note focuses on the financial risks (primarily market, credit and liquidity risks) associated with the use of financial instruments. These risks are a significant proportion of the Group's key material risks (currency and equity risk are not considered material for HPC). This note provides an overview of the risk framework and details of the Group's policies and processes and quantitative disclosure in relation to the financial risks. Further information on risk and governance is provided in the Corporate Governance Statement following the financial statements.

Financial risk management objectives
The Group is exposed to a range of risks as part of its daily operations. These risks are managed using an enterprise wide approach in line with sound business practice, Australian risk management standards, prudential requirements and the Board's approved risk appetite, providing the Board with a comprehensive view of its risk profile.

As part of the risk management framework, HPC has a Board approved Risk Management Strategy (**Strategy)** which includes policies and plans which detail the Group's approach to the management of risk exposures. The Strategy includes systems for the identification, analysis, evaluation, treatment, monitoring and reporting of risk, is subject to regular review and is responsive to the changing regulatory and operating environments. HPC also has a Board approved Risk Appetite Statement which includes specific appetite settings for material financial risks and includes Board approved Risk Tolerance Indicators which are monitored on an ongoing basis.

The Board ensures a sound risk management culture is maintained and embedded in the Group's values and behaviours and the conduct of business.

Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Group as part of its normal business activities. The Group utilises two key market risk management strategies: a Product and Pricing Committee facilitates direct (pricing) intervention strategies and an Asset and Liability Committee (**ALCO**) has oversight of indirect (hedging) intervention strategies.

The Group is not exposed to significant equity risk. The Group does not trade in the financial instruments it holds. The Group is exposed to interest rate risk, which is the risk of volatility in income or economic value resulting from changes to market interest rates.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate risk volatility of net interest income and economic value exposures. Positions are monitored regularly and hedging strategies are executed to ensure sensitivities and exposures are maintained within the established limits.

Monitoring of adherence to policies, limits and procedures is controlled through the ALCO and the Board Risk and Compliance Committee.

The Group undertakes scenario analysis to stress test the impact of extreme events on the Group's market risk exposures. The Group model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial year.

	Consolidated	
	2024	2023
	$m	$m
Impact of 1% rate shock on 12 months of net interest income		
100 bp rise	**4.0**	11.1
100 bp fall	**(4.1)**	(11.0)

19. RISK MANAGEMENT (continued)

Market risk management (continued)

Interest rate risk (continued)

The tables below show HPC's exposure to interest rate risk through the interest rate gap analysis. The values reported for the Group do not differ materially from that of the Parent.

Consolidated

	0 - 1 month $m	1 - 12 months $m	1 - 5 yrs $m	> 5 yrs $m	Non-interest bearing $m	Total $m
Financial Assets						
Cash and cash equivalents	**258.5**	**-**	**-**	**-**	**24.7**	**283.2**
Loans and advances	**15,741.8**	**2,021.3**	**2,535.6**	**-**	**15.7**	**20,314.4**
Investment securities	**535.0**	**2,085.5**	**925.4**	**-**	**6.0**	**3,551.9**
Other investments	**50.9**	**-**	**-**	**-**	**46.1**	**97.0**
Total financial assets	**16,586.2**	**4,106.8**	**3,461.0**	**-**	**92.5**	**24,246.5**
Financial Liabilities						
Deposits	**12,015.3**	**6,555.5**	**1,312.9**	**-**	**-**	**19,883.7**
Other financial liabilities	**-**	**0.1**	**-**	**-**	**-**	**0.1**
Borrowings	**2,302.6**	**525.0**	**-**	**-**	**-**	**2,827.6**
Total financial liabilities	**14,317.9**	**7,080.6**	**1,312.9**	**-**	**-**	**22,711.4**
Interest rate swaps held in a hedge relationship - assets/ (liabilities)	**2,460.0**	**(1,925.0)**	**(535.0)**	**-**	**-**	**-**

2023						
Financial Assets						
Cash and cash equivalents	636.9	-	-	-	24.3	661.2
Loans and advances	11,402.1	4,421.4	3,297.4	1.0	-	19,121.9
Investment securities	465.6	1,871.2	748.1	-	22.5	3,107.4
Other investments	-	80.6	-	-	46.1	126.7
Total financial assets	12,504.6	6,373.2	4,045.5	1.0	92.9	23,017.2
Financial Liabilities						
Deposits	11,523.0	5,499.2	1,507.1	-	-	18,529.3
Other financial liabilities	-	281.9	-	-	-	281.9
Borrowings	1,962.6	863.2	-	-	-	2,825.8
Total financial liabilities	13,485.6	6,644.3	1,507.1	-	-	21,637.0
Interest rate swaps held in hedge relationship - assets/ (liabilities) Notional value	1,930.0	(905.0)	(1,025.0)	-	-	-

19. RISK MANAGEMENT (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk 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 its reputation.

The Group has in place information systems and a structured process to monitor and manage liquidity risk. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding to maturity of surplus funds in liquid assets which meet APRA's criteria for classification as eligible Minimum Liquidity Holdings (**MLH**), the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily liquidity projections.

APRA Prudential Standards place specific management and reporting requirements on ADIs in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on a MLH basis. APRA has approved the Group to adopt a MLH approach, whereby the Group is required to maintain a minimum holding in specified eligible assets at all times.

The liquidity ratio as at the reporting date (30 June) is provided below:

	Group	
	2024	2023
	%	%
Liquidity ratio	**16.31**	16.27

19. RISK MANAGEMENT (continued)

Liquidity risk management (continued)

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Group's and the Parent's financial liabilities as at 30 June 2024 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice is given immediately. However, the Group and the Parent expect that many members will not request repayment on the earliest date the Group or the Parent could be required to pay and the tables do not reflect the cash flows indicated by the Group's or the Parent's deposit retention history. Derivatives designated are based on their contractual maturity. The amounts represent principal and interest cash flows and may differ when compared to the carrying amounts reported on the Statements of Financial Position.

Consolidated	At call $m	3 months or less $m	3 to 12 months $m	1 to 5 years $m	Greater than 5 years $m	Total $m	Carrying amount $m
2024							
Financial Liabilities							
Deposits	**12,557.4**	**3,239.4**	**4,065.0**	**95.9**	**-**	**19,957.7**	**19,883.7**
Other financial liabilities	**-**	**-**	**0.1**	**-**	**-**	**0.1**	**0.1**
Other payables	**-**	**250.4**	**-**	**-**	**-**	**250.4**	**250.4**
Lease liabilities	**-**	**4.8**	**12.2**	**26.5**	**0.1**	**43.6**	**41.5**
Borrowings	**-**	**1,012.6**	**370.6**	**1,273.4**	**2,519.1**	**5,175.7**	**2,827.6**
Derivative Financial Instruments							
Interest rate swaps liabilities - inflows	**-**	**(27.6)**	**(37.0)**	**(32.1)**	**-**	**(96.7)**	**5.9**
Interest rate swaps liabilities - outflows	**-**	**26.1**	**34.4**	**43.5**	**-**	**104.0**	
Total cash flows	**12,557.4**	**4,505.7**	**4,445.3**	**1,407.2**	**2,519.2**	**25,434.8**	**23,009.2**
2023							
Financial Liabilities							
Deposits	12,419.6	2,391.5	3,638.8	137.4	-	18,587.3	18,529.3
Other financial liabilities	-	-	281.9	-	-	281.9	281.9
Other payables	-	145.0	-	-	-	145.0	145.0
Lease liabilities	-	5.1	13.9	38.9	0.4	58.3	55.5
Borrowings	-	397.1	699.8	683.4	2,572.8	4,353.1	2,825.8
Derivative Financial Instruments							
Interest rate swaps liabilities - inflows	-	(2.8)	(0.1)	-	-	(2.9)	13.1
Interest rate swaps liabilities - outflows	-	8.8	4.3	2.9	-	16.0	
Total cash flows	12,419.6	2,944.7	4,638.6	862.6	2,573.2	23,438.7	21,850.6

19. RISK MANAGEMENT (continued)

Liquidity risk management (continued)

Contractual undiscounted cash flows (continued)

Parent	At call $m	3 months or less $m	3 to 12 months $m	1 to 5 years $m	Greater than 5 years $m	Total $m	Carrying amount $m
2024							
Financial Liabilities							
Deposits	**12,557.4**	**3,239.4**	**4,065.0**	**95.9**	**-**	**19,957.7**	**19,884.3**
Other financial liabilities	**-**	**-**	**0.1**	**-**	**-**	**0.1**	**0.1**
Other payables	**-**	**250.3**	**-**	**-**	**-**	**250.3**	**250.3**
Lease liabilities	**-**	**4.8**	**12.2**	**26.5**	**0.1**	**43.6**	**41.5**
Borrowings	**-**	**1,065.2**	**528.3**	**2,112.9**	**6,345.5**	**10,051.9**	**5,467.2**
Derivative Financial Instruments							
Interest rate swaps liabilities - inflows	**-**	**(27.6)**	**(37.0)**	**(32.1)**	**-**	**(96.7)**	**5.9**
Interest rate swaps liabilities - outflows	**-**	**26.1**	**34.4**	**43.5**	**-**	**104.0**	
Total cash flows	**12,557.4**	**4,558.2**	**4,603.0**	**2,246.7**	**6,345.6**	**30,310.9**	**25,649.3**
2023							
Financial Liabilities							
Deposits	12,419.6	2,391.5	3,638.8	137.4	-	18,587.3	18,529.3
Other financial liabilities	-	-	281.9	-	-	281.9	281.9
Other payables	-	137.6	-	-	-	137.6	137.6
Lease liabilities	-	5.1	13.9	38.9	0.4	58.3	55.5
Borrowings	-	456.4	877.7	1,630.4	6,787.1	9,751.6	6,602.7
Derivative Financial Instruments							
Interest rate swaps liabilities - inflows	-	(2.8)	(0.1)	-	-	(2.9)	13.1
Interest rate swaps liabilities	-	8.8	4.3	2.9	-	16.0	
Total cash flows	12,419.6	2,996.6	4,816.5	1,809.6	6,787.5	28,829.8	25,620.1

19. RISK MANAGEMENT (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statements of Financial Position. For customer commitments the maximum exposure to credit risk is the full amount of the commitment facilities as at the reporting date (refer Note 30 Commitments). The maximum credit exposure does not take into account the value of any collateral or other security held in the event other entities/parties fail to perform their obligations under the financial instruments in question. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Group holds collateral against loans and advances to members in the form of mortgage interests over real property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

Credit quality by class of financial asset

Investment securities are included in the Group's investment policy where individual counterparties need to have the appropriate investment grading and are monitored in respect to their limits and credit ratings. The appropriate credit ratings and sector and counterparty limits ensure the Group is not exposed to any significant individual counterparty exposure. Unrated balances relate to cash on hand and the Group's cash and receivable balances held with a settlement provider.

The following tables outlines the credit ratings of the Group's exposure to counterparties excluding loans and advances:

Consolidated

2024	**AAA+ to AA- $m**	**A+ to A- $m**	**BBB+ to BBB- $m**	**Unrated $m**	**Total $m**
Cash and cash equivalents	**195.5**	**14.8**	**-**	**72.9**	**283.2**
Investment securities	**2,521.7**	**798.2**	**207.4**	**24.6**	**3,551.9**
Other investments	**48.0**	**-**	**-**	**49.0**	**97.0**
Total	**2,765.2**	**813.0**	**207.4**	**146.5**	**3,932.1**

2023	AAA+ to AA- $m	A+ to A- $m	BBB+ to BBB- $m	Unrated $m	Total $m
Cash and cash equivalents	495.7	66.4	-	99.1	661.2
Investment securities	1,979.6	653.0	386.5	88.3	3,107.4
Other investments	76.8	-	-	49.9	126.7
Total	2,552.1	719.4	386.5	237.3	3,895.3

19. RISK MANAGEMENT (continued)

Credit risk management (continued)

Concentration of credit risk

The Group manages concentration risk through a geographically diversified membership base. The following table shows gross loans and advances by state:

	Consolidated and Parent	
	2024	2023
	$m	$m
Australian Capital Territory	**186.7**	170.7
New South Wales	**2,587.6**	2,263.4
Northern Territory	**1,558.3**	1,683.6
Queensland	**6,193.5**	5,968.9
South Australia	**5,258.8**	5,215.0
Tasmania	**105.9**	90.3
Victoria	**3,912.2**	3,347.6
Western Australia	**495.7**	377.3
Total	**20,298.7**	19,116.8

Loan to value ratio for gross loans and advances

The majority of the Group's loan portfolio is secured with mortgages over relevant properties and as a result credit risk is managed by reference to the loan to value ratio (LVR). The following table shows the Group's LVR on its residential loan and business loan portfolios.

	Consolidated and Parent	
	2024	2023
LVR Band		
0-60%	**37%**	32%
61-80%	**49%**	50%
81-90%	**12%**	14%
91-100%	**2%**	4%
> 100%	**0%**	0%
Total	**100%**	100%

19. RISK MANAGEMENT (continued)

Credit risk management (continued)

Loan portfolio by provision staging

The following is an analysis of the gross carrying value of loans and advances by overdue status in the different stages of the ECL model as defined in Note 10 Impairment of loans and advances.

2024 **Loans and advances (gross)**	**Stage 1 $m**	**Stage 2 $m**	**Stage 3 $m**	**Stage 3 POCI loans $m**	**Total $m**
Residential loans					
Current	**18,595.3**	**407.5**	**-**	**19.7**	**19,022.5**
Overdue less than or equal to 30 days	**215.7**	**97.1**	**-**	**3.1**	**315.9**
Overdue more than 30 days	**-**	**94.5**	**113.1**	**20.3**	**227.9**
Total residential loans	**18,811.0**	**599.1**	**113.1**	**43.1**	**19,566.3**
Business loans					
Current	**182.0**	**0.7**	**-**	**-**	**182.7**
Overdue less than or equal to 30 days	**0.7**	**0.3**	**-**	**-**	**1.0**
Overdue more than 30 days	**-**	**1.5**	**0.5**	**0.4**	**2.4**
Total business loans	**182.7**	**2.5**	**0.5**	**0.4**	**186.1**
Personal and other loans					
Current	**434.3**	**4.4**	**-**	**0.3**	**439.0**
Overdue less than or equal to 30 days	**8.2**	**2.1**	**-**	**-**	**10.3**
Overdue more than 30 days	**-**	**1.8**	**1.7**	**0.2**	**3.7**
Total personal and other loans	**442.5**	**8.3**	**1.7**	**0.5**	**453.0**
Credit cards					
Current	**80.9**	**7.6**	**-**	**0.4**	**88.9**
Overdue less than or equal to 30 days	**0.8**	**2.0**	**-**	**0.1**	**2.9**
Overdue more than 30 days	**-**	**0.3**	**1.0**	**0.2**	**1.5**
Total credit cards	**81.7**	**9.9**	**1.0**	**0.7**	**93.3**

2023 Loans and advances (gross)					
Residential loans					
Current	17,588.9	241.3	-	0.9	17,831.1
Overdue less than or equal to 30 days	239.7	34.3	-	1.0	275.0
Overdue more than 30 days	16.9	75.7	54.8	60.0	207.4
Total residential loans	17,845.5	351.3	54.8	61.9	18,313.5
Business loans					
Current	210.6	1.0	-	0.4	212.0
Overdue less than or equal to 30 days	4.0	-	-	-	4.0
Overdue more than 30 days	0.3	1.0	0.1	0.3	1.7
Total business loans	214.9	2.0	0.1	0.7	217.7
Personal and other loans					
Current	470.0	3.1	0.1	0.2	473.4
Overdue less than or equal to 30 days	7.7	0.7	-	-	8.4
Overdue more than 30 days	0.3	1.5	2.2	0.9	4.9
Total personal and other loans	478.0	5.3	2.3	1.1	486.7
Credit cards					
Current	92.9	1.3	0.1	0.3	94.6
Overdue less than or equal to 30 days	2.7	0.1	0.2	0.1	3.1
Overdue more than 30 days	-	0.4	0.3	0.5	1.2
Total credit cards	95.6	1.8	0.6	0.9	98.9

19. RISK MANAGEMENT (continued)

Capital management

The management of the capital of a financial institution is a fundamental part of its risk management process, as an essential element of capital is its availability to absorb future, unexpected and unidentified losses.

APRA Prudential Standards require ADIs to maintain at all times a minimum ratio of capital to risk weighted assets. As part of its risk management process, the Group has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market, credit and strategic risk.

The Group's capital management governance process ensures capital holdings are maintained in proportion to its risk exposure from its activities. The Group has complied with all the APRA capital adequacy requirements throughout the year.

The Group's capital adequacy ratio as at the end of the reporting date (30 June) and the comparative are as follows:

	Consolidated	
	2024	2023
	$m	$m
Capital Adequacy Ratio	**15.49%**	14.50%
Qualifying capital		
Tier 1	**1,228.0**	1,189.9
Tier 2	**142.3**	142.0
Total qualifying capital	**1,370.3**	1,331.9
Risk Weighted Assets	**8,849.1**	9,182.1

On 6 September 2023, the Group settled $1bn of Residential Mortgage Backed Securities (**RMBS**). The securitisation transaction qualified for capital relief in accordance with APRA prudential standards resulting in a reduction in risk weighted assets during FY24.

For further detail on the Group's capital adequacy please refer to the information published on our websites at www.peopleschoice.com.au under Regulatory Disclosures and at www.heritage.com.au under Our Prudential Information.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy - financial instruments measured at fair value

The following tables set out the fair value of financial instruments that are measured at fair value and categorises them by the level in the fair value hierarchy.

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Consolidated Entity				
2024				
Financial Assets				
Other investments	**-**	**-**	**46.1**	**46.1**
Derivative assets	**-**	**5.9**	**-**	**5.9**
Total financial assets	**-**	**5.9**	**46.1**	**52.0**
Financial Liabilities				
Derivative liabilities	**-**	**5.9**	**-**	**5.9**
Total financial liabilities	**-**	**5.9**	**-**	**5.9**
2023				
Financial Assets				
Investments securities	-	524.6	-	524.6
Other investments	-	-	46.1	46.1
Derivative assets	-	53.9	-	53.9
Total financial assets	-	578.5	46.1	624.6
Financial Liabilities				
Derivative liabilities	-	13.1	-	13.1
Total financial liabilities	-	13.1	-	13.1
Parent				
2024				
Financial Assets				
Other investments	**-**	**-**	**46.1**	**46.1**
Derivative assets	**-**	**3.8**	**-**	**3.8**
Total financial assets	**-**	**3.8**	**46.1**	**49.9**
Financial Liabilities				
Derivative liabilities	**-**	**5.9**	**-**	**5.9**
Total financial liabilities	**-**	**5.9**	**-**	**5.9**
2023				
Financial Assets				
Investments securities	-	524.6	-	524.6
Other investments	-	-	46.1	46.1
Derivative assets	-	41.6	-	41.6
Total financial assets	-	566.2	46.1	612.3
Financial Liabilities				
Derivative liabilities	-	13.1	-	13.1
Total financial liabilities	-	13.1	-	13.1

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy - financial instruments not measured at fair value

The following tables set out the fair value of financial instruments that are not measured at fair value and categorises them by the level in the fair value hierarchy.

	Level 1 $m	Level 2 $m	Level 3 $m	Total Fair Value $m	Carrying Amount $m
Consolidated Entity					
2024					
Loans and advances	**-**	**-**	**20,290.2**	**20,290.2**	**20,314.4**
Investment securities	**-**	**3,535.9**	**-**	**3,535.9**	**3,551.9**
Other investments	**-**	**50.9**	**-**	**50.9**	**50.9**
Total financial assets	**-**	**3,586.8**	**20,290.2**	**23,877.0**	**23,917.2**
Borrowings	**-**	**-**	**2,832.2**	**2,832.2**	**2,827.6**
Total financial liabilities	**-**	**-**	**2,832.2**	**2,832.2**	**2,827.6**
2023					
Loans and advances	-	-	18,968.8	18,968.8	19,121.9
Investment securities	-	2,578.4	-	2,578.4	2,582.8
Other investments	-	80.6	-	80.6	80.6
Total financial assets	-	2,659.0	18,968.8	21,627.8	21,785.3
Borrowings	-	-	2,849.3	2,849.3	2,825.8
Total financial liabilities	-	-	2,849.3	2,849.3	2,825.8

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy - financial instruments not measured at fair value (continued)

	Level 1 $m	Level 2 $m	Level 3 $m	Total Fair Value $m	Carrying Amount $m
Parent					
2024					
Loans and advances	**-**	**-**	**20,290.2**	**20,290.2**	**20,314.4**
Investment securities	**-**	**3,535.9**	**-**	**3,535.9**	**3,551.9**
Other investments	**-**	**2,824.7**	**-**	**2,824.7**	**2,824.7**
Total financial assets	**-**	**6,360.6**	**20,290.2**	**26,650.8**	**26,691.0**
Borrowings	**-**	**-**	**5,471.8**	**5,471.8**	**5,467.2**
Total financial liabilities	**-**	**-**	**5,471.8**	**5,471.8**	**5,467.2**
2023					
Loans and advances	-	-	18,968.8	18,968.8	19,121.9
Investment securities	-	2,578.4	-	2,578.4	2,582.8
Other investments	-	4,011.1	-	4,011.1	4,011.1
Total financial assets	-	6,589.5	18,968.8	25,558.3	25,715.8
Borrowings	-	-	6,626.2	6,626.2	6,602.7
Total financial liabilities	-	-	6,626.2	6,626.2	6,602.7

The following assets and liabilities have not been included in the tables above as their carrying amount is a reasonable approximation of fair value due to their short term nature:

Cash and cash equivalents
Other assets
Other payables
Deposits
Other financial liabilities

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Recognition and Measurement

Fair value methodologies
Disclosed in the preceding pages is the estimated fair value of the Group's financial instruments presented in accordance with the requirements of Accounting Standard AASB 7 *Financial Instruments: Disclosures.*

A financial instrument is defined by AASB 132 *Financial Instruments: Presentation* as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial liability is a contractual obligation either to deliver cash or another financial asset to another entity, or, to exchange financial instruments with another entity under conditions that are potentially unfavourable.

Loans and advances
The fair value is determined by adjusting the fixed rate loan portfolio for current market rates as at balance date. For variable rate loans, the carrying amount is a reasonable estimate of the net fair value. The net fair value for fixed rate loans was calculated utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2024.

Investment securities
The fair value of investment securities is estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Other investments
For shares in unlisted entities the fair value is based on limited market transactions. Observable market transactions may include sales of shares held by other shareholders.

Derivative financial instruments
The Group enters into swaps with various counterparties who have investment grade credit ratings. The fair value is calculated as the present value of the estimated future interest cash flows based on observable yield curves. Other inputs include the credit quality of counterparties and foreign exchange spot and forward rates.

Borrowings
Borrowings are estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

KEY JUDGMENTS AND ESTIMATES

Judgment is required when selecting the valuation models to determine fair values. Where the fair values of the financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation models. The inputs to these models are derived from observable market data where possible. Where unobservable market data is used more judgment is required and generally the Group derives unobservable inputs from other relevant market data where available.

21. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Parent	Land held for development $m	Freehold land $m	Heritage Plaza building $m	Plant and equipment $m	Right of use assets $m	Total $m
At 1 July 2023, net of accumulated depreciation	**10.3**	**2.5**	**5.7**	**20.3**	**49.3**	**88.1**
Additions	**-**	**-**	**-**	**7.3**	**5.6**	**12.9**
Disposals	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Depreciation expense	**-**	**-**	**(0.5)**	**(8.4)**	**(18.7)**	**(27.6)**
Impairment expense	**(7.1)**	**-**	**-**	**-**	**-**	**(7.1)**
Balance at 30 June 2024	**3.2**	**2.5**	**5.2**	**19.2**	**36.1**	**66.2**
At 30 June 2024						
Cost / Fair Value	**10.3**	**2.5**	**7.3**	**77.7**	**103.1**	**200.9**
Accumulated depreciation and impairment	**(7.1)**	**-**	**(2.1)**	**(58.5)**	**(67.0)**	**(134.7)**
Net carrying amount	**3.2**	**2.5**	**5.2**	**19.2**	**36.1**	**66.2**
At 1 July 2022, net of accumulated depreciation	-	-	-	13.0	42.7	55.7
Merger with Heritage Bank Limited	-	2.5	5.7	9.2	24.3	41.7
Additions	10.3	-	-	3.2	0.2	13.7
Disposals	-	-	-	-	(5.9)	(5.9)
Depreciation expense	-	-	-	(5.1)	(12.0)	(17.1)
Balance at 30 June 2023	10.3	2.5	5.7	20.3	49.3	88.1
At 30 June 2023						
Cost / Fair Value	10.3	2.5	9.4	105.6	113.2	241.0
Accumulated depreciation and impairment	-	-	(3.7)	(85.3)	(63.9)	(152.9)
Net carrying amount	10.3	2.5	5.7	20.3	49.3	88.1

21. PROPERTY, PLANT AND EQUIPMENT (continued)

a) Right of use assets

Right of use assets includes lease of office and branch premises, ATMs, motor vehicles and IT equipment. Any renewal rights, escalation and termination clauses have been considered in determining the right of use assets.

	2024 $m	2023 $m
Net carrying amount	**36.1**	49.3

b) Lease liabilities	2024 $m	2023 $m
Current	**15.9**	18.4
Non-current	**25.6**	37.1
Balance at 30 June	**41.5**	55.5

The total cash outflows for leases for the year ended 30 June 2024 was $20.7m (2023: $15.7m).

Recognition and Measurement

Acquisition of assets

All assets acquired, including property, plant and equipment are initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed or internally generated by the Group include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets (other than research costs), is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Land and buildings

The freehold land and Heritage Plaza building (situated at 400 Ruthven Street, Toowoomba) are measured at fair value less accumulated depreciation on the buildings. Valuations are performed with sufficient frequency to ensure that the fair value does not differ materially from its carrying amount.

The fair value of land and building was updated at the date of the merger (1 March 2023). The fair value was determined using the capitalisation approach. In determining the valuation a capitalisation rate of 9.25% was applied to the net market rentals. The fair value hierarchy classification of land and buildings is Level 3.

Land held for development (situated at 502- 514 Ruthven Street, Toowoomba) is measured at amortised cost.

Plant and equipment

Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Plant and equipment primarily includes office and branch equipment, furniture and fittings.

Depreciation

All property, plant and equipment other than land are depreciated on a straight-line basis over the estimated useful life of the assets as follows:

- Building - 40 years
- Leasehold improvements (included within plant and equipment) - the lease term
- Plant and equipment - 3 to 8 years

21. PROPERTY, PLANT AND EQUIPMENT (continued)

Recognition and Measurement (continued)

Right of use assets
The Group identifies leases under AASB 16 that provide the right to control the use of an identified asset for a specified time. For these leases, the Group is required to recognise a right of use asset on balance sheet, representing the right to use the underlying asset, and a lease liability, representing the future lease payment obligations.

The ROU asset is initially measured at cost which comprises the initial measurement of the lease liability. The ROU asset is subsequently measured using the cost model, being cost less depreciation and any impairment losses. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life as follows:

Branch and office premises	3 to 12 years
ATMs	3 years
Motor vehicles	3 years
IT equipment	3 to 4 years

Lease liabilities
The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and making certain adjustments, where necessary, to reflect the terms of the lease and type of asset leased.

The lease liability is subsequently 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, a change in the estimated amount expected to be paid at the end of the lease or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use lease asset or is recorded in profit or loss if the asset has been reduced to nil.

Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date with recoverable amounts being estimated when changes in circumstances indicate the carrying value may be impaired. An impairment loss exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

Land held for development was reviewed for impairment and written down by $7.1m to its recoverable amount as at the reporting date.

KEY JUDGMENTS AND ESTIMATES

Valuation of land and buildings
Judgment is required in assessing the key inputs used in the valuation of the freehold land and buildings. Inputs include rental income, capitalisation rate, capital expenditure and outgoings. The selection of the valuation technique also requires judgment and is supported by the results of alternate valuation techniques.

Leases
Accounting for leases under AASB 16 requires management to make certain key judgments. These include identifying arrangements that contain a lease, the determination of lease terms and the assumed borrowing rate.

22. INTANGIBLE ASSETS

Consolidated and Parent	Computer software $m	Core deposit intangible $m	Total $m
At 1 July 2023, net of accumulated amortisation	**15.0**	**8.2**	**23.2**
Additions	**-**	**-**	**-**
Disposals	**(0.2)**	**-**	**(0.2)**
Amortisation	**(4.3)**	**(1.8)**	**(6.1)**
Balance at 30 June 2024	**10.5**	**6.4**	**16.9**
At 30 June 2024			
Cost	**34.1**	**8.8**	**42.9**
Accumulated amortisation	**(23.6)**	**(2.4)**	**(26.0)**
Net carrying amount	**10.5**	**6.4**	**16.9**
At 1 July 2022, net of accumulated amortisation	7.5	-	7.5
Merger with Heritage Bank Limited	7.5	8.8	16.3
Additions	4.9	-	4.9
Disposals	0.1	-	0.1
Amortisation	(5.0)	(0.6)	(5.6)
Balance at 30 June 2023	15.0	8.2	23.2
At 30 June 2023			
Cost	40.7	8.8	49.5
Accumulated amortisation	(25.7)	(0.6)	(26.3)
Net carrying amount	15.0	8.2	23.2

Recognition and Measurement

Capitalised software

Capitalised software includes 'off the shelf' software and costs incurred in building software and computer systems. The Group measures capitalised software initially at cost and then subsequently, carried at cost less accumulated amortisation and any accumulated impairment losses. Capitalised software is amortised over its expected useful life of between three and five years.

Prepaid Software as a Service (SaaS) implementation costs

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Implementation costs relating to the SaaS arrangements generally include customisation and configuration of the software. Where the SaaS provider provides the implementation services and these are not distinct from the SaaS access, the costs are recognised as a prepayment and expensed over the contract term. Where the services are distinct, or provided by a third party the costs are expensed as incurred. These costs are included within Information technology costs in Note 6 Other expenses.

Core deposit intangible

A core deposit intangible was recognised on merger with HBL and represents the value of having a deposit base from customer and businesses, providing a more favourable source of funding than alternative sources of funding such as in wholesale and securitisation markets. The core deposit intangible is amortised over 5 years and assessed for any indication of impairment at least annually.

22. INTANGIBLE ASSETS (continued)

KEY JUDGMENTS AND ESTIMATES

Capitalised software
At each reporting date, capitalised software is assessed for indicators of impairment and, when such indicators are identified, an impairment assessment is performed. In the event that the carrying amount is determined to be greater than its recoverable amount, the carrying amount of the asset is written down.

Prepaid SaaS implementation costs
Judgment is applied to determine whether the implementation services provided by the SaaS arrangement supplier are distinct or not from the underlying use of the SaaS application software.

Useful Lives
Expected useful lives of intangible assets are assessed on an annual basis. The assessment requires management judgment with a number of factors influencing the expected life such as business strategy, regulatory and compliance changes and pace of technological change. Assessing what components of a software project meet the criteria for capitalisation also requires management judgment.

23. EQUITY ACCOUNTED INVESTEES

Interests in equity accounted investees

The Group's interests in equity accounted investees comprise interests in an associate and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Interest in joint venture	**3.8**	3.9	**1.5**	1.5
Interest in associate	**9.1**	8.1	**2.7**	2.7
Total interest in equity accounted investees	**12.9**	12.0	**4.2**	4.2
Share of profit in joint venture	**0.4**	0.9		
Share of profit/(loss) in associate	**1.0**	-		
Total share in net profit/(loss)	**1.4**	0.9		

The following tables provide the total amount of transactions that were entered into during the relevant financial year.

	Purchases from related parties		Amounts owed to related parties	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Joint venture: Mutual Marketplace Pty Ltd	**71.0**	69.1	**-**	-
Associate: Data Action Pty Ltd	**9.0**	9.6	**0.6**	1.3
Total	**80.0**	78.7	**0.6**	1.3

23. EQUITY ACCOUNTED INVESTEES (continued)

Interests in equity accounted investees (continued)

a) Interest in Joint Venture

Mutual Marketplace Pty Ltd (**Mutual Marketplace**) operates in Australia and is a joint venture jointly controlled by HPC and Great Southern Bank with both parties having a 50% ownership interest. Mutual Marketplace commenced operations in April 2017 and provides professional procure-to-pay services to the mutual sector with its principal places of business in both Adelaide and Brisbane. The Group has a residual interest in the net assets of Mutual Marketplace and accordingly, the investment is classified as a joint venture and accounted for under the equity method.

The following table summarises the financial information of Mutual Marketplace and reconciles the financial information to the carrying amount of the Group's interest in the joint venture.

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Carrying amount of investment in joint venture	**3.8**	3.9	**1.5**	1.5
Share of joint venture's equity				
Paid up share capital	**1.5**	1.5		
Retained earnings	**2.3**	2.3		
Total	**3.8**	3.8		
Share of joint venture's balance sheet				
Cash	**3.9**	4.2		
Other current assets	**3.5**	2.4		
Non-current assets	**0.3**	0.3		
Current liabilities	**3.8**	3.0		
Non-current liabilities	**0.1**	0.1		
Share of net assets	**3.8**	3.8		
Share of joint venture's profit or loss				
Revenue	**101.2**	111.0		
Interest income	**0.2**	0.1		
Depreciation and amortisation	**(0.1)**	(0.1)		
Other expenses	**(100.7)**	(109.7)		
Profit/(loss) before income tax	**0.6**	1.3		
Income tax (expense)/benefit	**(0.2)**	(0.4)		
Profit/(loss) after income tax	**0.4**	0.9		
Dividend received	**0.4**	0.5		

23. EQUITY ACCOUNTED INVESTEES (continued)

Interests in equity accounted investees (continued)

	Consolidated	
	2024	2023
Reconciliation to carrying amount of investment:	**$m**	$m
Share of joint venture's net assets	**3.8**	3.8
Other adjustments	**-**	0.1
Carrying amount of investment in joint venture	**3.8**	3.9

As at 30 June 2024, Mutual Marketplace has non-cancellable commitments of $1.2m (2023: $1.9m) to be settled over the next five years.

b) Interest in Associate

The Group has an interest in Data Action Pty Ltd (**Data Action**), a company operating in Australia, and owns 27.5% (2023: 27.5%) of the equity interest and holds 27.5% (2023: 27.5%) of the voting rights. The Group has determined that it exercises significant influence over Data Action and accordingly, the investment is classified as an associate and accounted for under the equity method.

The following table summarises the financial information of Data Action and reconciles the financial information to the carrying amount of the Group's interest in the associate.

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Carrying amount of investment in associates	**9.1**	8.1	**2.7**	2.7
Share of associate's balance sheet				
Current assets	**9.6**	6.5		
Non-current assets	**6.3**	8.0		
Current liabilities	**4.6**	3.6		
Non-current liabilities	**4.0**	4.6		
Share of associate's net assets	**7.3**	6.3		
Share of associate's profit or loss				
Revenue	**24.0**	21.6		
Expenses	**(22.7)**	(21.7)		
Profit/(loss) before income tax	**1.3**	(0.1)		
Income tax benefit/(expense)	**(0.3)**	0.1		
Profit/(loss) after income tax	**1.0**	-		
Dividend received	**-**	-		
Reconciliation to carrying amount of investment				
Share of associate's net assets	**7.3**	6.3		
Adjustments for 2015 shareholding restructure	**1.8**	1.8		
Carrying amount of investment in associates	**9.1**	8.1		

24. PROVISIONS

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Employee benefits	**40.5**	44.5	**40.5**	44.5
Other	**11.5**	4.9	**11.5**	4.9
Total Provisions	**52.0**	49.4	**52.0**	49.4
Maturity analysis				
Not longer than 12 months	**47.1**	47.0	**47.1**	47.0
Longer than 12 months	**4.9**	2.4	**4.9**	2.4
Total	**52.0**	49.4	**52.0**	49.4

Recognition and Measurement

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

Employee benefits
Employee benefits includes annual leave, long service leave and other employee benefit related provisions. Refer to Note 6 Other expenses for recognition and measurement details.

Other
Other provisions include make good for leased premises and expected costs associated with integration, regulatory and remediation activities.

25. RESERVES

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Redeemed member shares	**0.9**	0.9	**0.9**	0.9
Fair value reserve - financial assets held at FVOCI	**17.5**	17.5	**17.5**	17.5
Hedging reserve - cash flow hedges	**2.4**	27.7	**2.4**	27.7
Contributed equity reserves	**858.6**	858.6	**858.6**	858.6
Total Reserves	**879.4**	904.7	**879.4**	904.7

Recognition and Measurement

Redeemed member shares
The *Corporations Act 2001* requires that redeemable preference shares (Members $2 shares) may only be redeemed out of the Group's profit or through a new issuance for the purpose of the redemption. This reserve represents the amount of Preference Shares redeemed since 1 July 1999 to date.

Fair value reserve - financial assets held at FVOCI
The fair value reserve is the difference between the initial acquisition cost and the carrying value of financial assets held at FVOCI.

Hedging reserve - cash flow hedges
The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge reserve that are recognised directly in other comprehensive income, as described in Note 11 Derivatives. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Contributed equity reserves
The contributed equity reserves represents the net assets of Heritage Bank Limited (refer to Note 33 Business combination) and Savings & Loans Credit Union (S.A.) Limited recognised upon merger.

25. RESERVES (continued)

Contributed equity reserves	Consolidated		Parent	
	2024 $m	2023 $m	**2024 $m**	2023 $m
Opening balance 1 July	**858.6**	171.7	**858.6**	171.7
Contributed equity from merger with Heritage Bank Limited	**-**	686.9	**-**	686.9
Total	**858.6**	858.6	**858.6**	858.6

26. RELATED PARTIES

Controlled entities

The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the controlled entity. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commenced, until the date when control ceases. Investments in controlled entities are carried at cost. Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial report. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

			% held by Holding Entity	
	2024 $m	2023 $m	**2024 %**	2023 %
Controlled entities				
Australian Central Services Pty Ltd	**-**	-	**100**	100
Financial Solutions Australasia Pty Ltd[1]	**5.0**	5.0	**100**	100
People's Choice Community Foundation Limited	**-**	-	**100**	100
Shares in controlled entities	**5.0**	5.0		

[1] Financial Solutions Australasia Pty Ltd discontinued its operations on 1 February 2022

The Parent entered into transactions with its Controlled Entities. These transactions were all carried out under normal commercial terms and are eliminated on consolidation in the financial reports. The following table provides the total amount of transactions that were entered into with controlled entities for the relevant financial year.

	Parent Income/(expense)		Parent Payable/(receivable)		Deposits with the Parent	
	2024 $m	2023 $m	**2024 $m**	2023 $m	**2024 $m**	2023 $m
Financial Solutions Australasia Pty Ltd	**-**	-	**6.5**	6.4	**-**	-
Australian Central Services Pty Ltd	**0.6**	0.5	**1.2**	1.0	**-**	-
People's Choice Community Foundation Limited	**(0.9)**	(0.5)	**0.7**	(0.1)	**0.6**	-

26. RELATED PARTIES (continued)

Special purpose entities

The Group has established a number of special purpose entities (**SPEs**) for the purpose of issuing RMBS. The SPEs are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of SPEs are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Fees are received for various services provided to the SPEs on an arms-length basis, including servicing fees and management fees and are reported in profit or loss. The Group also provides arms-length interest rate swaps and loan facilities to the SPEs. Costs incurred in the establishment of a securitisation issue are amortised over the expected life of the issue.

The special purpose entities are wholly owned by HPC.

- Light Trust No. 5R
- Light Trust No. 6
- Light Trust 2017-2
- Light Trust 2016-2
- Light Trust 2017-1
- Light Trust 2018-1
- Light Trust 2019-1
- Light Trust 2021-1
- Light Trust 2023-1
- HBS Trust 2008-1R
- HBS Trust 2017-1
- HBS Trust No. 4

	2024 $m	2023 $m
Custodian and servicer fee	**8.4**	8.3
Net interest swap expense/(income)	**15.2**	14.6

Other Entities

HPC does not meet all the conditions for the control of People First Bank Foundation (**Foundation**) and accordingly the Foundation is not required to be consolidated. The Foundation deposits funds with the Group on standard terms and conditions. During the year the Group contributed $0.8m (2023: $0.8m) towards the running costs of the Foundation.

27. TRANSFER OF FINANCIAL ASSETS

The Group enters into transactions that result in the transfer of financial assets, primarily loans and advances to members and debt securities. These transactions do not result in the derecognition of the transferred assets from the Group's balance sheet, because the Group retains substantially all of the risks and rewards of ownership.

Securitisation

The Group conducts a securitisation program under an arrangement where mortgage loans equitably assigned to a SPE are converted to debt securities which are purchased by investors. The holders of the issued debt securities have full recourse to the pool of mortgages which have been securitised and the Group cannot otherwise pledge or dispose of the transferred assets. In some instances the Group is also the holder of the securitised notes.

Repurchase agreements

The Group enters into repurchase agreements involving the sale of interest-bearing securities and simultaneously agrees to buy them back at a pre-agreed price on a future date. The interest-bearing securities transferred are included in Note 12 Investments. The obligation to repurchase is included in Note 17 Borrowings.

Term Funding Facility

The Group's drawdown of the TFF has been performed by entering into long term repurchase agreements with the RBA (refer to Repurchase agreements above). The debt securities transferred as collateral for the borrowing include a portion of the Group's internal investments in securitised notes issued by its SPEs[1]. The obligation to repurchase is included in Note 17 Borrowings under Term Funding Facility.

The table below sets out the carrying amounts of financial assets transferred that do not qualify for derecognition and associated liabilities:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Securitisations:				
Carrying amount of transferred assets:				
Loans and advances	**2,325.8**	1,970.9	**4,946.0**	5,715.5
Carrying amount of associated liabilities:				
Notes payable	**2,303.6**	1,936.9	**-**	-
Amounts payable from Parent to the SPEs	**-**	-	**4,943.2**	5,713.8
Total	**2,303.6**	1,936.9	**4,943.2**	5,713.8
Repurchase agreement:				
Carrying amount of transferred assets	**100.6**	10.0	**100.6**	10.0
Carrying amount of associated liabilities	**100.4**	8.3	**100.4**	8.3
Term Funding Facility:				
Carrying amount of transferred assets	**-**	1,141.3	**-**	1,141.3
Carrying amount of associated liabilities	**-**	764.3	**-**	764.3

[1]Certain SPEs issue notes internally to the Parent to facilitate repurchase activities with the Reserve Bank of Australia. The gross amount of securitised notes issued is $4.9b (2023: $5.7b), with $2.7b (2023: $3.7b) internally issued to the Parent.

28. KEY MANAGEMENT PERSONNEL

Key Management Personnel (**KMP**) include Directors of the Group and the Executive Committee members. The Executive Committee members include those personnel with a key responsibility for the strategic direction and management of the Group.

Remuneration of KMP during the year comprising amounts paid or payable or provided for was as follows:

	2024 $'000	2023 $'000
Short-term benefits	**12,051**	8,733
Post-employment benefits	**515**	347
Long-term benefits	**1,709**	1,657
Termination benefits	**879**	242
Total	**15,154**	10,979

Short-term benefits
Short-term benefits includes salaries, fees, annual leave and sick leave paid during the year. Benefits also include cash-based incentive payments that are paid or payable and calculated with reference to a documented incentive plan.

Post-employment benefits
Included in post-employment benefits is superannuation contributions.

Long-term benefits
Long-term benefits include accrued long service leave, provision for retention plans and provision for incentive payments that have been deferred as required by Banking Executive Accountability Regime or prudential standard CPS 511 *Remuneration* with deferral periods of between 4 to 6 years.

Key Management Personnel of Heritage and People's Choice Limited

The KMP of HPC for FY24 and 4 months of the comparative period since the merger (1 March 2023 to 30 June 2023) include the following whose remuneration details are included in the table above:

Directors

M. Cameron (Chairman)
K. Betros (Deputy Chairman)
B. Baulch
D. Campbell
P. Clare
S. Davis
A. Heyworth
V. Hickey
W. Machin
J. Patton
W. Thorpe
G. Williams

Executive Committee Members

P. Lock	Chief Executive Officer
S. Laidlaw	Deputy Chief Executive Officer
M. Camilleri	Chief Member Officer
K. Potter	Chief Merger Integration Officer
D. Dredge	Chief Transformation Officer
A. Weir	Chief Information Officer
V. Pace	Chief Operating Officer
P. Williams	Chief Financial Officer
P. Corolis	Chief Risk Officer
B. Wogan	Chief Regulatory and Compliance Officer
T. Shearn	Chief Legal Officer and Company Secretary
D. Stephens	Chief People Officer

28. KEY MANAGEMENT PERSONNEL (continued)

Key Management Personnel of Australian Central Credit Union Ltd

The KMP of ACCU for 8 months of FY23 prior to the merger (1 July 2022 to 28 February 2023) include the following whose remuneration details are included in the table above:

Directors

M. Cameron (Chairman)
S. Laidlaw (Managing Director)
A. Heyworth
V. Hickey
J. Patton
W. Thorpe
G. Williams

Executive Committee Members

M. Camilleri	Chief Member Officer
V. Pace	Chief Financial Officer
P. Corolis	Chief Risk Officer
M. Tons	Chief Merger Transition Officer
T. Shearn	Chief Legal Officer and Company Secretary
S. Bradley	Chief People and Culture Officer
A. Weir	Chief Information Officer

Loans with key management personnel
Loans to Directors and other KMP are either unsecured or secured by registered mortgage over eligible security in accordance with standard lending policies. Transactions are at an arms length with interest earned on loans at the same rate available to members.

	2024 $'000	2023 $'000
Total aggregate loans as at the reporting date	**4,526**	4,883

Other transactions with key management personnel
Other transactions with KMP generally relate to deposits and financial planning advice. Financial transactions (including loans disclosed within this report) with Directors occur in the ordinary course of business on an arms length basis. For other KMP, financial transactions are made at an arms length with interest earned on loans at the same rate available to members. Disclosure of financial transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with KMP and entities controlled or significantly influenced by them. All such financial transactions that have occurred between entities within the Group and their KMP were in the nature of normal personal banking.

29. NOTES TO THE STATEMENTS OF CASH FLOW

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

	Consolidated		Parent	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Profit for the year	**41.4**	32.1	**40.5**	31.6
Adjustments for non cash items:				
Depreciation and amortisation	**33.7**	22.7	**33.7**	22.7
Impairment on land held for development	**7.1**	-	**7.1**	-
Provision for impairment	**(2.2)**	6.3	**(2.2)**	6.3
Bad debts written off net of recoveries	**1.5**	0.8	**1.5**	0.8
Dividend income classified as investing cash flow	**(2.2)**	(2.0)	**(2.2)**	(2.0)
Net (profit)/loss on sale of property, plant & equipment	**-**	(0.1)	**-**	(0.1)
Share of profit of equity accounted investees	**(1.4)**	(0.9)	**-**	-
Proceeds on sale of discontinued operation classified as	**-**	(1.7)	**-**	(1.4)
Change in assets:				
Deferred tax assets	**2.2**	(13.2)	**1.7**	(13.4)
Loans and advances	**(1,191.8)**	(983.0)	**(1,191.8)**	(983.0)
Interest receivable	**(4.5)**	(15.1)	**(4.5)**	(15.1)
Derivative assets	**3.9**	72.7	**(6.3)**	61.5
Other assets	**3.3**	4.9	**6.7**	1.2
Change in liabilities:				
Deposits and other short term borrowings	**1,072.6**	1,284.8	**1,073.2**	1,284.8
Provisions	**2.6**	3.2	**2.6**	2.8
Provision for income tax	**(12.5)**	17.5	**(12.5)**	17.5
Interest payable	**36.0**	72.4	**67.8**	70.6
Other payables	**69.4**	(50.5)	**45.0**	(41.3)
Net cash from operating activities	**59.1**	450.9	**60.3**	443.5

Reconciliation of liabilities arising from financing activities to financing cash flows:

Consolidated	**Lease Liabilities**	**Notes payable**	**Term Funding Facility**	**Subordinated Debt**	**Senior Unsecured Debt**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Balance at 1 July 2023	**55.5**	**1,936.9**	**764.3**	**124.6**	**-**	**2,881.3**
Financing cash inflows	**-**	**1,616.8**	**-**	**-**	**399.3**	**2,016.1**
Financing cash outflows	**(19.2)**	**(1,250.1)**	**(764.3)**	**-**	**-**	**(2,033.6)**
Non-cash movements	**5.2**	**-**	**-**	**0.1**	**-**	**5.3**
Balance at 30 June 2024	**41.5**	**2,303.6**	**-**	**124.7**	**399.3**	**2,869.1**

Parent						
Balance at 1 July 2023	**55.5**	**5,713.8**	**764.3**	**124.6**	**-**	**6,658.2**
Financing cash inflows	**-**	**671.7**	**-**		**399.3**	**1,071.0**
Financing cash outflows	**(19.2)**	**(1,442.3)**	**(764.3)**	**-**	**-**	**(2,225.8)**
Non-cash movements	**5.2**	**-**	**-**	**0.1**		**5.3**
Balance at 30 June 2024	**41.5**	**4,943.2**	**-**	**124.7**	**399.3**	**5,508.7**

30. COMMITMENTS

Credit commitments

	Consolidated	
	2024	2023
	$m	$m
The Group has the following credit commitments:		
Commitments with certain drawdown	**367.2**	524.7
Other commitments - funds available for redraw and unused credit limits	**2,329.8**	2,355.0
	2,697.0	2,879.7

31. CONTINGENT ASSETS AND LIABILITIES

	Consolidated	
	2024	2023
Guarantees	**$m**	$m
The Group has issued guarantees as follows:		
Guarantees issued for members	**9.5**	8.9

As the probability and value of guarantees being called upon is unpredictable, it is not practical to state the timing of any payment.

Regulatory matters

The Group engages with its regulators on a number of matters in the ordinary course of business including supervisory activities, regulatory reviews and formal and informal enquiries in relation to compliance with laws and regulations. The possibility of any potential financial exposure in relation to these matters is uncertain at this time.

32. AUDITOR'S REMUNERATION

	Consolidated		Parent	
	2024	2023	**2024**	2023
Amounts paid or payable to the external auditors - KPMG:	**$'000**	$'000	**$'000**	$'000
Audit services	**763.3**	950.3	**670.7**	857.9
Assurance services	**210.0**	253.5	**210.0**	253.5
Non-audit services	**148.6**	262.1	**126.9**	244.1
Total remuneration	**1,121.9**	1,465.9	**1,007.6**	1,355.5

33. BUSINESS COMBINATION

On 1 March 2023 Australian Central Credit Union Ltd (acquirer) merged with Heritage Bank Limited (acquiree) to form Heritage and People's Choice Limited. The merger has provided the scale needed to deliver more for members through better products, services, digital capabilities and competitive pricing.

The merger, originally announced in August 2021, was approved by the members of both organisations in November 2022 and subsequently approved by APRA. The merger legally took effect on 1 March 2023. On this date Heritage Bank Limited voluntarily transferred its assets and liabilities to Australian Central Credit Union Ltd under the *Financial Sector (Transfer and Restructure) Act 1999 (Cth)* . As a result, there was no consideration transferred or purchase price of the merger. Heritage members ceased to be members of Heritage and each was automatically issued a new share and became a member of HPC.

Costs of $24.4m were incurred in relation to merger and integration costs during the prior year. These expenses are included within the respective nature of expense line. Refer to Note 6 Other expenses for further details.

The fair value of the identifiable assets and liabilities of Heritage Bank Limited assumed at the date of acquisition were:

	1 March 2023 $m
Assets	
Cash and cash equivalents	274.3
Investments	1,891.0
Loans and advances	9,325.8
Derivatives	74.0
Deferred tax asset	26.8
Property, plant and equipment	41.7
Other assets	18.2
Intangible assets	16.3
Total Assets	**11,668.1**
Liabilities	
Deposits	9,648.5
Other financial liabilities	209.7
Wholesale funding	1,002.1
Other liabilities	120.9
Total Liabilities	**10,981.2**
Net Assets	**686.9**

The loans and advances comprises of gross contractual amounts due of $9.403 billion.

HBL's net assets recognised in the 2023 Financial Report were based on a provisional assessment of their fair value at that time. No new information has arisen during the year about factors and circumstances that existed at the date of acquisition. Accordingly, no adjustments to the fair values presented above are required in the current financial year.

33. BUSINESS COMBINATION (continued)

Recognition and Measurement

Business combinations are accounted for using the acquisition method. The consideration transferred by the Group to obtain control in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. Acquisition costs are expensed as incurred.

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

Where the consideration transferred exceeds the fair value of identifiable net assets acquired, goodwill is recognised. Where the fair value of identifiable net assets acquired exceeds the consideration transferred, the excess amount is recognised directly in equity for a Mutual organisation.

34. EVENTS SUBSEQUENT TO REPORTING 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, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

AS AT 30 JUNE 2024

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the *Corporations Act 2001 (s.295(3A)(a))* .

		Body corporates		Tax residency
Entity name	**Entity type**	**Place formed or incorporated**	**% of share capital held**	**Australian or foreign**
Heritage and People's Choice Limited [1]	Body corporate	Australia	-	Australia
Australian Central Services Pty Ltd [1]	Body corporate	Australia	100%	Australia
Financial Solutions Australasia Pty Ltd [1]	Body corporate	Australia	100%	Australia
People's Choice Community Foundation Limited [2]	Body corporate	Australia	-	Australia
People First Foundation Limited [2,3]	Body corporate	Australia	-	Australia
Light Trust No. 5R	Trust	N/A	N/A	Australia
Light Trust No. 6	Trust	N/A	N/A	Australia
Light Trust 2017-2	Trust	N/A	N/A	Australia
Light Trust 2016-2	Trust	N/A	N/A	Australia
Light Trust 2017-1	Trust	N/A	N/A	Australia
Light Trust 2018-1	Trust	N/A	N/A	Australia
Light Trust 2019-1	Trust	N/A	N/A	Australia
Light Trust 2021-1	Trust	N/A	N/A	Australia
Light Trust 2023-1	Trust	N/A	N/A	Australia
HBS Trust 2008-1R	Trust	N/A	N/A	Australia
HBS Trust 2017-1	Trust	N/A	N/A	Australia
HBS Trust No. 4	Trust	N/A	N/A	Australia

[1] These entities form part of the Heritage and People's Choice Limited tax consolidated group.
[2] Company limited by guarantee and Heritage and People's Choice Limited is the sole guarantor.
[3] The trustee for People First Bank Foundation.

KEY JUDGMENTS AND ASSUMPTIONS

Determination of Tax Residency

Subsection 295(3A) of the Corporations Act 2001 requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance of Tax Ruling *TR 2018/5.*

Trusts

Australian tax law does not contain specific residency tests for trusts. Generally, trusts are taxed on a flow-through basis so there is no need for a general residence test. There are some provisions which treat trusts as residents for certain purposes, but this does not mean the trust itself is an entity that is subject to tax.

Corporate Governance Statement

This Corporate Governance Statement has been approved by the Board of Heritage and People's Choice Limited (ACN 087 651 125) trading as People First Bank, Heritage Bank and People's Choice Credit Union (**People First**). It describes People First's key governance practices and articulates how the Board makes decisions based on sound corporate governance, acknowledging People First's specific and broader responsibilities to its members, employees and the communities in which it operates.

HOW WE DO BUSINESS

Together with management, the Board of People First is committed to acting lawfully, responsibly and ethically.

People First adopts a principles-based approach to achieve sound corporate governance and business practices by adopting policies at Board level and cascading them throughout the organisation. People First adheres to the regulatory "fit and proper" framework and has regard to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations".

ROLE OF THE BOARD

In 2023, the Board and management played a crucial role in the merger between Heritage Bank Limited (**Heritage**) and Australian Central Credit Union Ltd trading as People's Choice Credit Union (**People's Choice**) which completed on 1 March 2023 (**Merger**). Following the Merger, the Board has overseen and continues to support the integration of the two entities and the fulfilment and implementation of People First's purpose and strategic direction as the new combined entity.

Each of the members of the Board has significant experience and brings accountability and judgment to the Board's deliberations with a view to benefitting its key stakeholders.

The role and responsibilities of the Board are set out in the Board Charter, and include responsibilities such as overseeing the operations of People First as a whole, providing strategic direction, appointing and reviewing the performance of Chief Executive Officer, reviewing and approving risk management and internal compliance and controls, monitoring the performance of management, approving and monitoring capital expenditure and capital management, assessing People First's financial position and performance, approving and monitoring financial and other reporting, ensuring continuous improvement in People First's performance, ensuring that the structure of remuneration for People First is linked to the achievement of People First's objectives, deciding the nature of delegations to management, and approving significant changes in the legal structure of the People First group.

Importantly, the Board is also responsible for assessing compliance by People First with its regulatory requirements and operating policies and practices, and ensuring that People First meets its statutory, regulatory and fiduciary obligations.

STRUCTURE OF THE BOARD

The Board of People First is comprised of twelve Directors, six from each of the former Heritage and People's Choice entities. Over the next two years, the People First Constitution requires that the total number of Directors reduces to eight. This will be achieved by retirements provided for in the Constitution which are designed to ensure there will continue to be equal numbers of former People's Choice Directors and former Heritage Directors on the People First Board. In line with these requirements, Kerry Betros AM and Georgina Williams will retire at the conclusion of the Annual General Meeting (**AGM**) which is scheduled to be held on 14 November 2024. It is also intended that two further directors will retire at the 2025 AGM.

Of the Directors who remain on the Board of People First at the third anniversary of the Merger, the term of two Directors will end at the 2027 AGM, the term of three Directors will end at the 2028 and the term of the remaining three Directors will end at the 2029 AGM.

The Board of People First will, at all times, include at least two Directors who have a strong affinity with South Australia (through residing in, or formerly residing in, South Australia) and at least two Directors who have a strong affinity with South East Queensland (through residing in, or formerly residing in, South East Queensland).

Directors who held office during or since the end of FY2023, and the year in which each was appointed to the Board (including service on the Board of Heritage immediately prior to the Merger being implemented), are set out below:

Directors – Non-Executive	Year Elected/Appointed
M.A Cameron (Chairman)	2019
K.J. Betros (Deputy Chairman)	1991
B.P. Baulch	2007
D.P Campbell	2000
P. Clare	2020
S. Davis	2011
A.E Heyworth	2017
V.S. Hickey	2014
W.S. Machin	2019
J.P. Patton	2016
W. Thorpe	2019
G. Williams	2021

Further information on the Directors can be found on the Heritage and People's Choice websites.

COMMITTEES OF THE BOARD

The Board has established standing Audit, Remuneration and Governance, Risk and Compliance, and Technology and Integration Committees. Each of these Committees has been delegated particular functions and responsibilities, and each Committee's authority and responsibilities are set out in its respective Charter, as approved by the Board. The members of each Committee have been carefully selected by People First and have the necessary depth and breadth of knowledge, skills and experience relevant to the roles, responsibilities and subject matter of the relevant Committee.

The Committees generally meet at least four times a year to consider and make recommendations or decisions on matters within their Charter. Committee Chairs provide a verbal report to the Board at Board meetings, and the minutes of all Committee meetings are available to all Directors. The Board also has access to all information prepared for the consideration of Committees.

Set out below is a summary of each Committee and its functions.

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities by providing objective oversight of the effectiveness of People First's prudential and statutory financial reporting, professional accounting activities and related policies and control frameworks, as well as internal and external audit functions. Activities undertaken by the Committee include overseeing People First's internal and external audit functions and processes, and reviewing financial information presented by management.

Remuneration and Governance Committee

The Remuneration and Governance Committee is responsible for overseeing the design, operation and monitoring of People First's remuneration and corporate governance matters, including the remuneration of Directors, and the remuneration and performance of the Chief Executive Officer. The Remuneration and Governance Committee oversees the process for evaluating the performance of the Board, its Committees and individual Directors, as well as ensuring that appropriate checks are undertaken for Directors, the size and composition of the Board, Director and Executive succession plans, the conduct of the Director nominations and elections and the conduct of the AGM.

Risk and Compliance Committee

The Risk and Compliance Committee assists the Board by providing objective oversight of the implementation and operation of People First's risk management and compliance frameworks, including overseeing the formulation and implementation of an appropriate organisational-wide risk management strategy, ensuring that appropriate systems are in place to monitor emerging risks, assessing the impact of regulatory and legislative change on People First's operations and obligations, monitoring the cadence and rhythm for prudential and compliance risk reporting, ensuring that a sound risk management culture is maintained, making recommendations to the Board on the setting of People First's risk appetite and ensuring that appropriate systems and resources are in place to identify and manage material risks and to monitor and review the performance of all aspects of capital management.

Technology and Integration Committee

The Technology and Integration Committee is responsible for overseeing the formulation, implementation and delivery of People First's technology and integration strategies, including setting clear direction and expectations regarding strategic technology and integration decision making and ensuring that technology and merger integration decisions enhance the customer experience and build business model resilience.

REMUNERATION REPORT

In accordance with APRA standard *APS 330 Public Disclosure*, the People First Remuneration Report forms part of the Prudential Disclosure Report, which can be found on the Heritage and People's Choice websites.

STRATEGY

The Board is committed to regularly evaluating People First's strategy to ensure that its decisions align with People First's long term strategic direction and meets People First's responsibilities to its members, employees and communities in which it operates. The Board considers that this is particularly important following the Merger to ensure the proper integration of People's Choice and Heritage and the fulfilment of commitments made to members as part of the Merger.

BOARD SKILLS AND EXPERIENCE

The Board believes that its membership should consist of Directors with an appropriate mix of skills, professional experience, tenure and backgrounds that allow the Directors individually, and the Board collectively, to discharge its responsibilities and duties. In reviewing the Board skills and diversity matrix, the Board identifies the competencies and diversity required to enable the Board to fulfil its responsibilities.

The Board considers that it has the appropriate diversity of knowledge, skills and experience to effectively discharge its responsibilities. The relevant qualifications, experience and other directorships of each Director are available on the People's Choice and Heritage websites.

DIVERSITY

The Board is committed to diversity, inclusion and the promotion of an environment conducive to the appointment of well-qualified employees, management and Directors. In accordance with the Remuneration and Governance Committee Charter and the Merger commitment to employees, a diversity and inclusion strategy has been adopted which supports a culture of inclusion, builds diversity and creates opportunities for our people to enhance organisational performance. This leverages the foundational Diversity and Inclusion elements from the former People's Choice and Heritage policies and strategies and will align with the new People First brand.

In addition, a Workplace Gender Equality Report is prepared annually and is available on the respective Heritage and People's Choice websites.

BOARD POLICIES

People First maintains policies relating to its operational, compliance, legal and regulatory reporting requirements, which are reviewed on a regular basis and supported by procedures to ensure compliance and effective monitoring of People First's business. Further details of some of these policies and procedures are set out in the Board Charter, which can be found on the Corporate Governance section of the People's Choice and Heritage websites.

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The membership and details of attendances at People First Board and Committee meetings are outlined below:

Director	Board		Audit		Technology and Integration		Risk and Compliance		Remuneration and Governance	
	A(1)	B	A(2)	B	A(3)	B	A(4)	B	A(5)	B
M.A Cameron (Chairman)[1]	7	7							5	5
K.J. Betros (Deputy Chairman)	7	6							5	5
B.P. Baulch	7	7	4	4						
D.P Campbell	7	7			7	6			5	5
P. Clare	7	6			7	5	6	6		
S. Davis	7	7	4	3						
A.E. Heyworth	7	7	4	4	7	7				
V.S. Hickey	7	7							5	5
W.S. Machin	7	7					6	5		
J.P. Patton	7	7	4	4			6	6		
W. Thorpe	7	7			7	7				
G. Williams	7	7					6	5		

(1) Seven scheduled Board meetings were held during FY2024.
(2) Four scheduled Audit Committee meetings were held during FY2024
(3) Six scheduled Technology and Integration Committee meetings and one adhoc meeting were held during FY2024.
(4) Five scheduled Risk and Compliance Committee meetings and one adhoc meeting were held during FY2024.
(5) Five scheduled Remuneration and Governance Committee meetings were held during FY2024

A The number of meetings held during the period the Director was a member of the Board or Board Committee

B The number of meetings attended by the Director

[1]The Chairman attended meetings of the Audit Committee, Risk and Compliance Committee and Technology and Integration Committee in an *ex-officio* capacity.

People First Bank, a trading name of Heritage and People's Choice Limited
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