

DIRECTORS' REPORT

Your Directors submit the Financial Accounts of the Credit Union for the financial year ended 30 June 2012.

Directors' Disclosures

The names of Directors in office at the date of this report, or who held office during the course of the financial year, are:

Kenneth Edward Moroney (Chairman)
David Charles Walton (Deputy Chairman)
Paul Thomas Biscoe
Raff Del Vecchio
Geoffrey Richard Green
Anthony Raymond Lauer
Graham James Loughlin
Gregory John McKenna*
Lloyd William Taylor

	Board		Audit Committee		Other Committees	
	Meetings Attended	Eligible Attended	Meetings Attended	Eligible Attended	Meetings Attended	Eligible Attended
Moroney	12	12	-	-	4	4
Walton	12	12	4	4	5	5
Biscoe	12	12	-	-	18	20
Del Vecchio	12	12	4	4	9	9
Green	12	12	4	4	9	9
Lauer	12	12	-	-	14	16
Loughlin	12	12	4	4	7	7
McKenna*	-	-	-	-	-	-
Taylor	12	12	-	-	21	22

*Mr Greg McKenna was appointed to the Board on 26 July 2012.

Directors' Benefits

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in note 31 of the financial report.

Indemnification and Insurance

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against any costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an Officer of the Credit Union. The Officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Secretary and Employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

Share Options

The Credit Union has not issued any options over shares. All shares issued by the Credit Union are withdrawable shares.

Principal Activities

The principal activities of the Credit Union during the year were the provision of financial and associated services to Members. There were no significant changes in the principal activities during the year.

Operating Results

The Credit Union's profit after providing for income tax and Non Controlling Interest amounted to \$8,875,305. Assets increased during the year by \$87M from \$1,142.1M to \$1,229.1M. The year's growth had no impact on the capital adequacy ratio which is 19.23%. At 19.23% the capital adequacy ratio remains well above the statutory minimum of 8%. The Credit Union loan portfolio grew by 5.0% and retail deposits grew by 8.0%.

The Credit Union continues to be a strong performing institution and these results were achieved in an environment where the ongoing effects of the global financial crisis continue, and competition in the domestic banking industry continues to be intense with depositors benefiting from higher margins. The results reflect the continuing support of the Membership for the products and services offered by the Credit Union and the ongoing attention given by both the Board and Management to Member service, relevant products and the control of costs. It is envisaged that the results for the year ending 30 June 2013 will be similar to those achieved in 2012.

Dividends

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Credit Union.

Review of Operations

The results of the Credit Union's operations from its activities of providing financial services to Members did not change significantly from those of the previous year.

During the year a number of significant activities and events took place:

- **Annual Employee Awards.** *Star Achievers* are awarded to staff who consistently deliver an outstanding level of service, demonstrating a commitment above and beyond the normal call of duty. Congratulations go out to our 2012 winners:

Ben Ashton - Transaction Services Goulburn
Lesley Chambers - Goulburn Branch
Tamara Leavey - Transaction Services Sydney
John Lupa - Information Technology
Elizabeth Trajcevski - Online Member Services

In addition to the above, the *PCU Young Achiever* prize is awarded to acknowledge, encourage and most importantly promote the positive achievements of young employees of the Credit Union. Congratulations to Tim Muir from Marketing our 2012 winner.

- **150 years of NSW Police.** During 2012, Police Credit Union was proud to be a major sponsor of the '150th Celebrations' honouring the Force's proud history. This significant milestone is deserving of public recognition and the Credit Union honours Police Officers past and present for their dedication and commitment to their role and the community.
- **Continued Sponsorship Association with NSW Police Legacy.** The Credit Union during the year continued our sponsorship association with Police Legacy. The Credit Union is recognised as a 'major sponsor' providing financial and operational support. PCU is proud to assist Legacy to help continue their excellent work assisting police families.
- **Supporter of Credit Union Foundation Australia (CUFA).** Police Credit Union is a 'Silver Sponsor' of the Foundation. CUFA develops community access to affordable financial services in the Asia-Pacific region, working cooperatively at grass-roots through to government levels. Through programs and activities, CUFA aims to create sustainability, improve lives and relieve poverty.
- **New Customs Credit Union Branch.** The Customs Credit Union (CCU) operation continues to expand with the opening during the year of an additional Branch in Melbourne. This modern facility provides our current and future Customs' Members with a more convenient banking service and is part of our strategy to continue to expand our product offerings into this new market. The Melbourne location is now the third office opened (Sydney and Canberra being the other two) since the merger of HMC Credit Union in 2009.
- **Additional Products/Enhancements:**
 - Industry Product Awards.** Police Credit Union received Awards for a number of products from independent rating agencies during the year. Our Visa Credit Card was awarded 'Gold 5 Stars' by *Canstar*. Our card was recognised for its outstanding value with a competitive interest rate and low fees. *Money Magazine* rated our Easy Access Account as the winner of the 'Best Everyday Account' highlighting its nil/low fees, multi access and the flexibility to attach other products.

New Children's Account. A new savings account called *Dynamo* was launched during the year. This account is specifically designed for children offering a competitive interest rate and incentives to build savings. The account also promotes and educates children on the fundamentals of saving and managing money.

Launch of new website. During the year the Credit Union launched a new, improved website. Navigating the site is now easier than ever with information quicker to access and more convenient options available. Interacting online whether to join PCU or apply for a loan is now a more streamlined process resulting in a quicker completion process, all within a secure online environment. In addition, a number of extra functions were introduced to help Members self-manage their accounts such as adding additional products or updating various details.

Development of Social Media sites. Our Members are steadily adopting social media as an additional communication channel to interact with the Credit Union. Both our Facebook and Twitter sites have been further developed during the year and it is anticipated that further growth will occur as more Members become familiar with social media.

Upgrade of Mobile Phone and Internet Banking. We were pleased to be able to offer Members upgrades to both our main internet banking and mobile phone banking platforms. In particular, demand from Members for banking from a mobile device has increased and we saw a need to offer an improved service through this channel. Whether its through internet or mobile banking, our Members are able to securely access their accounts at anytime whether it's to view account balances, analyse transaction listings, transfer funds or pay bills.

New Intranet Service. During the year PCU launched a new internal intranet site. Employees now have improved access to information, documents and records to assist with their duties.

Foreign Currency Digitisation. In March 2012 our foreign currency requests were digitalised meaning telegraphic transfers can now be requested online, making the process quicker and easier.

• Events:

Annual Police Games. PCU was once again a proud sponsor of the NSW Police Games. Held annually in March, the Games stage around 30 sports with the theme of encouraging integrity, fair play, team work and co-operation. The Games are a wonderful opportunity for PCU to support many of our Members and promote our services.

Family Fun Days. This year one family fun day was held at Luna Park. The event is designed to provide an opportunity to show appreciation to Members for their support of PCU. In all, over 300 Members took the opportunity to enjoy a family oriented day at an iconic venue.

Annual PCU Charity Golf Day. PCU held its Annual Charity Golf Day in May 2012 at North Ryde Golf Course. The successful event was well supported by Members with all money raised from the day being donated to NSW Police Legacy, in particular the David Rixon Memorial Fund.

- **PCU Sponsorship Program.** Police Credit Union is strongly committed to the Police Community and through our sponsorship program we generously supported during the year a varied number of Police charities, events and fund raisers. Many of these sponsorships have contributed towards significantly improving the lives of individuals as well as assisting with community projects.
- **Recognition of Police Academic Achievement.** In partnership with Charles Sturt University, Police Credit Union sponsors an academic achievement award at the Goulburn Police Academy recognising student officers who have excelled with their studies.

- **Community Employee Engagement.** During the year PCU staff were active with various initiatives to assist individuals and communities. A number of charities such as Westmead Children's Hospital, Beyond Blue, Cancer Council and the Children's Medical Research Institute all benefited from the fund raising efforts of PCU employees.
- **PCU Green Initiatives.** PCU is committed to improving the environment by undertaking a number of environmental initiatives. Producing electronic statements, engaging environmentally efficient suppliers, recycling/reduction of paper and a level of self sufficient water and power facilities at the Goulburn Processing Centre are some of the actions currently in place.
- **Continuous Operational Improvement.** Management has maintained its focus on continuous internal improvements through re-engineering of underlying processes aimed at improving Member service and internal productivity. The desired outcomes are to grow whilst limiting the need for additional capital, keeping cost increases to a minimum and to meet price competition without significantly impacting upon profitability.

Significant Changes In State Of Affairs

There were no significant changes in the state of the affairs of the Credit Union during the year.

Events Occurring After Balance Date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years, except for:

- **Price Competition.** Police Credit Union provides an excellent level of service, which allows it to compete on more than price alone. However, the Board and Management are mindful that competition cannot be ignored and that price is certainly a factor in Members' consideration of their ongoing relationship with the Credit Union. However, being a mutual organisation

and not having to provide dividends for shareholders does allow room to pass on pricing reflective in the marketplace.

- **Police Bank Ltd - Members** passed a resolution on 5 September 2012 to enable Police Credit Union to become Police Bank Ltd (trading as Police Bank) from 1 December 2012. As this is only a name change with the mutual structure of the organisation unaltered, there will be no fundamental change to the operation of the Credit Union.
- **Global Financial Markets.** Global turmoil could have a flow-on effect locally and impact on asset prices. Police Credit Union has no direct exposure to any overseas activity and is well placed to weather any effects of the volatility. PCU continues to adopt safe and conservative lending and investment practices.

Likely Developments and Results

The likely developments in the operations of the Credit Union and the expected results of those operations in the financial year subsequent to the year ended 30 June 2012 are as follows:

The Board of Directors anticipate that the profit will be in the vicinity of 0.70% - 0.85% return on average assets.

Planned capital expenditure on infrastructure amounts to \$2.7M for the year ending 30 June 2013. This covers general equipment and core banking upgrades.

No other matter, circumstances or likely developments in the operation has arisen since the end of the financial year that has significantly affected or may significantly affect:

- The operations of the Credit Union;
- The results of those operations; or
- The state of affairs of the Credit Union.

In the financial years subsequent to this financial year.

Auditor's Independence Declaration

To the Directors of The Police Department Employees' Credit Union Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of The Police Department Employees' Credit Union Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



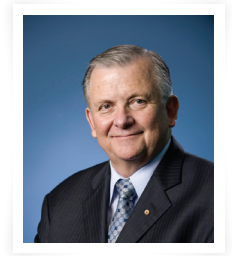
Neville Sinclair
Director - Audit & Assurance

Signed in Sydney this 11th day of October 2012

Information on Directors and Secretary

Mr K E Moroney AO, APM

Age	67
Qualifications	Remuneration Committee (Chairman) Doctor of the University, Hons Causa (Charles Sturt University) Master of Arts (Macquarie University) Diploma Justice Administration (Charles Sturt University) Graduate Diploma Management (Macquarie University) Company Directors Course (Australian Institute of Company Directors)
Other Qualifications	Officer in the Order of Australia (General Division) Former Commissioner, NSW Police Former Deputy President, Police Association of NSW Life Member, Police Association of NSW Holder of Australian Police Medal for Distinguished Service Member, Australasian Mutuals Institute Graduate, Federal Bureau of Investigation Academy (Quantico, Virginia, USA) Board Member since 1994
Other Responsibilities	Patron, Lifeline (Macarthur) Patron, Youth Off the Streets Chairman & Presiding Officer, Australian Graduate School of Policing, and Security
Experience	Member, State Parole Authority Member, Board & State Council St John's Ambulance NSW Member, Conduct Division, Judicial Commission Member, Law Enforcement Advisory Panel, World Bank Member, Oncology Children's Foundation Member, NSW Police Legacy Board
Interest in Shares	\$10.00 in ordinary shares in the Police Credit Union



Mr D C Walton

Deputy Chairman

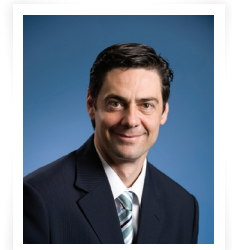
Age	47
Qualifications	Audit Committee (Chairman) Risk Management & Compliance Committee Bachelor of Business Master of Management & Leadership Company Directors Course Diploma, Australian Institute of Company Directors
Experience Current	Auditor, Retired Police Association Auditor, Police RSL Sub-Branch Leadership and Management Education, Fire and Rescue NSW Fellow, Australian Institute of Company Directors Corporate Member, Australasian Mutuals Institute
Previous	Manager Academic Programs - International, Australian Institute of Police Management Detective Inspector, NSW Police Force Detective Fraud Squad Auditor, Police Provident Fund Casual Academic Staff, Charles Sturt University (Graduate School of Policing) Casual Academic Staff, University of Western Sydney (Policing Studies) Executive Manager, Internal Audit, Investigations & Risk Management, Energy Australia Board Member since 2001
Interest in Shares	\$10.00 in ordinary shares in the Police Credit Union



Mr R Del Vecchio

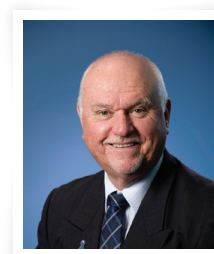
Director

Age	43
Qualifications	Corporate Governance Committee (Chairman) Audit Committee Risk Management & Compliance Committee Company Directors Course Diploma, Australian Institute of Company Directors Graduate, Australian Institute of Company Directors Post Graduate Diploma in Criminology Bachelor of Policing
Experience	Member, Australasian Mutuals Institute Current Head of Administrative Services, Police Association of NSW Chairman, Police Shop of NSW Director, Police Legacy NSW Member, Police Superannuation Advisory Board Member, Retired Police Association Senior management positions within financial institutions – specialising in fraud identification, risk management & card operations Co-author of ACTU publication on Financial Best Practices in Trade Unions (nationally published) Board Member since April 2008
Interest in Shares	\$10.00 in ordinary shares in the Police Credit Union



Mr G R Green**Director**

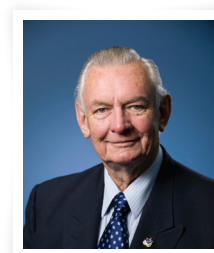
Audit Committee
 Corporate Governance Committee
 Remuneration Committee



Age 67
 Qualifications L.L.B. (Hons)
 Barrister of the Supreme Court of NSW
 Fellow, Australasian Mutuals Institute
 Experience Former Secretary Legal & Senior Vice President of the Police Association of NSW
 Life Member, Police Association of NSW
 Member, Retired Police Association
 Member, Australian Institute of Company Directors
 Board Member since 1989
 Interest in Shares \$10.00 in ordinary shares in the Police Credit Union

Mr A R Lauer**Director**

Credit Committee (Chairman)
 Risk Management & Compliance Committee



Age 76
 Qualifications Diploma in Criminology (University of Sydney) (1973)
 Graduate, NSW Police Senior Executive Course (Merit) (Australian Police College) (1986)
 Graduate, Senior Executive Police Officer Course (Australian Police Staff College) (1987)
 Graduate, Seventeenth National Executive Institute – Federal Bureau of Investigation Academy (Quantico, Virginia, USA) (1994)
 Honorary Fellow, NSW Police Academy (1996)
 Associate Fellow, Australasian Mutuals Institute (1996)
 Experience Career Police Officer (1955 – 1996)
 President, Police Association of NSW (1979 – 1982)
 Commissioner of Police 1991 – 1996
 Board Member since 1997
 Interest in Shares \$10.00 in ordinary shares in the Police Credit Union

Mr P T Biscoe**Director**

Credit Committee
 Remuneration Committee
 Corporate Governance Committee



Age 61
 Qualifications Member of the Australasian Mutuals Institute
 Experience President of the Retired Police Association
 Police Legacy Legator
 Police RSL Sub-Branch Member
 Board Member since 2000
 Interest in Shares \$10.00 in ordinary shares in the Police Credit Union

Mr G J McKenna**Appointed Director (July 2012)**

43
 Bachelor of Business (Banking & Finance) 1996 Monash University
 Master of Applied Finance 2002
 FINSIA - Senior Associate 2006
 ASIC - AFSL Holder of Foreign Exchange and Derivatives 2007
 Company Directors Course Diploma, Australian Institute of Company Directors
 Member Australian Institute of Company Directors



Experience
 Current Director Lighthouse Securities (2005 - present)
 Director Macro Associates (2012-present)
 Appointed Director July 2012
 Previous Treasurer Newcastle Permanent Building Society (2008 - 2012)
 Treasury Manager Newcastle Permanent Building Society (2007-2008)
 Executive Director CT Money Group (2004 - 2006)
 Head of Currency Strategy National Australia Bank (2000 - 2004)
 Currency Strategist Westpac Banking Corporation (1998 - 2000)
 Portfolio Manager Morgan Grenfell Asset Management (1993 - 1998)
 Dealer Capital Markets J.B Were Capital Markets Ltd (1992 - 1993)
 Dealer Capital Markets Westpac Banking Corporation (1988 - 1992)
 Interest in Shares Guarantor up to a maximum \$10.00

Mr G J Loughlin

Appointed Director

Risk Management & Compliance Committee (Chairman)

Audit Committee

Corporate Governance Committee

Age

62

Qualifications

Bachelor of Arts, Hons (Adelaide)

Graduate Certificate Management (Monash University - Mt. Eliza)

Fellow, Australian Institute of Company Directors

Subscriber, Chartered Secretaries Australia

Fellow, Australian Institute of Management

Experience

Current

Head of Group Strategic Development & Distribution and Company Secretary,

DataDot Technology Limited

Director - DataDot Technology (UK) Limited

Director - DataDot Technology (Asia) Pte. Ltd.

Director - DataDot Technology (India) Pvt. Ltd.

Director - DataDot N.Z. Pty. Ltd.

Appointed Director April 2008

Previous

Director, Data Advantage Limited

Chairman, AFCUL Service Corporation Limited (now CUSCAL Ltd)

General Manager, Credit Union Services Corporation (Australia) Limited

Member, Australian Housing Council

Member, Australian Payments System Council

Director, Jetset Tours (SA) Pty. Ltd.

Member, SA Credit Union Stabilization Board

Executive Assistant, SA Premier & Treasurer

Interest in Shares

Guarantor up to a maximum \$10.00



Mr L W Taylor

Director

Remuneration Committee

Credit Committee

Risk Management & Compliance Committee

Age

72

Qualifications

Mediator, Australian Commercial Disputes Centre

Fellow, Australasian Mutuals Institute

Member Australian Institute of Company Directors

Experience

Former President, Federation of Police Credit Unions (Australia) (1999 – 2006)

Convenor, Juvenile Justice (1997 – 2009)

Deputy Chairman, 1992 – 1996, Chairman (1996 – 2001)

Former Audit Chairman

Former Secretary Administration, Police Association of NSW

Former President, Police Association of NSW

Life Member, Police Association of NSW

Life Member, Police Federation of Australia & New Zealand

Board of Management, Retired Police Association

Member, Police Education Advisory Committee (1988 – 1996)

Member, Police Superannuation Advisory Committee (1986 – 1997)

Member, Australian Institute of Company Directors

Former Honorary Secretary, Police Legacy

Board Member since 1988

Interest in Shares

\$10.00 in ordinary shares in the Police Credit Union



Mr B A Williams

Secretary

Qualifications

Master of Business in Finance

FCIS

Experience

39 years of experience in banking and finance

Directorships

Cufss Limited

Chelsea Wealth Management Pty Limited

Chelsea Home Loans Pty Limited

