Qudos Bank

Annual report

2022

mozo
EXPERTS CHOICE AWARD 2022
AUSTRALIA'S BEST LARGE MUTUAL BANK

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Chair's report to Members

While the 2021/2022 financial year continued to present a variety of challenges, the bank has continued to perform amazingly well. We have not only met our budget targets but have exceeded them - and we will continue to work hard to make you proud of being a customer of Qudos Bank.

BARRY JACKSON
CHAIR, NON-EXECUTIVE DIRECTOR

It is a testament that the bank has been awarded Mozo's Best Large Mutual Award three years in a row and this really emphasises our commitment to our customers - and highlights the care and diligence our staff put in to serving you.

Thankfully, the depth of health concerns resulting from COVID-19 has subsided somewhat, enabling customers to recommence travelling either for work or for personal reasons. It's great that so many are getting the opportunity to finally reunite with their family and friends or escape to their dream travel destination. It's also heart-warming to see the aviation and travel industries up-and-running again after so long.

Current economic climate, cost of living and rate rises

The economic climate has been a topical area in the last few months, driven partly by events in Europe, and supply-chain issues flowing from flooding events along the East Coast. As a customer-owned bank, we will always strive to offer competitive products and services. However, we need to strike a balance to ensure that we're a sustainable business, too.

In the end, we need to generate profit to continue to grow and innovate. We're proud to be a bank for customers, providing personal service and care, competitive rates and low fees.

Financial assistance

I am extremely proud of the commitment our business continues to show towards helping our customers get back on their feet following difficult times, whether that be tragic weather events, the COVID pandemic, or personal uncertainty a customer might be facing. Relief can be provided in many different ways, and our financial assistance team will work with customers to consider their personal circumstances and what support they might need.

Relief packages have included things like modifying/deferring loan repayments, increasing the loan contract terms to reduce repayments, and waiving certain fees.

We understand that after a natural disaster, it can take some time to get back on your feet, so being able to support our customers during a difficult period is one we're most proud of.

Special General Meeting (SGM) & 2022 AGM

In late July, we held a Special General Meeting at which a resolution was put to Members to reduce the number of directors from a maximum of 12 to 7. The change was introduced to align the size and composition of our Board with other similar sized organisations, while ensuring that the Board was large enough to carry out all of its corporate governance responsibilities, consistent with our commitment to have expertise in retail banking, governance, accounting, finance, strategy, management and technology.

This resolution was passed and will take effect following our 2022 Annual General Meeting.

I'd like to invite all customers to our upcoming 2022 AGM which is scheduled for **Thursday 24th of November 2022**. This AGM, as with the last few AGMs and the SGM held in July, will be conducted to enable remote participation. That participation helps shape the future of Qudos Bank, and ensures we have the right people in strategic leadership for the business.

Movements on the board

Directors Colin Adams and Dawson Petie will be retiring from their positions following the 2022 AGM.

Colin joined the Qudos Bank Board in 2008 and has been a loyal customer with the bank since 1973. He worked as a dedicated Captain at Qantas on the B747-400 aircraft and retired from his position in 2009 after 40 years of service. He is also a past President and Honorary Life Member of the Australian International Pilots Association (AIPA), the professional body representing Qantas pilots.

During his time serving as a director at Qudos Bank, Colin served on the Risk Committee for 7 years and following that, he remained a member of the Technology and Audit Committees. We thank Colin for his contributions as a director at Qudos Bank, and appreciate all his hard work, dedication, leadership and passion for the business and our customers.

Dawson began his time with Qudos Bank in 2019 as director. He brought a great deal of experience to the Board, particularly in governance, from the many senior executive positions he held in major business organisations, including commercial, government and non-for-profit businesses.

As a director at Qudos Bank, he was a valuable member of the Audit and Technology Committees. With his strong commitment to the mutual sector and expertise in retail banking, we appreciate Dawson's leadership and contributions made at Qudos Bank and acknowledge the value he brought to the business.

Director remuneration

I'd like to take this opportunity to raise a matter that has long been overdue. As mentioned in the 2020/21 Annual Report, the Qudos Bank Board has not received a remuneration increase since 2016. Since then, there has been growing expectations and increased workload across Australian Boards, especially in the banking industry.

In 2022, the Board engaged Reward Results to conduct a benchmarking exercise of the Bank's Director remuneration against not for profit / profit for member organisations. The review revealed that the Director remuneration at Qudos Bank is in the bottom 25% of comparable organisations.

To attract and retain high calibre Directors and to support strong governance, while balancing the other requirements of the organization, we are proposing to align Director remuneration at the midpoint of comparable organisations. Accordingly, Members will be asked to vote on an ordinary resolution to increase Director remuneration at the 2022 AGM.

It is important that we appropriately remunerate directors so that they can deliver the expectations and workload to meet quality outcomes, which will help the bank attract and retain directors with the expertise to move our business forward.

An exciting 2023 ahead

I'd like to take the opportunity to thank our Executive management team, which has been led by our CEO Michael Anastasi, as well as our employees, who continue to deliver the best support to our customers, no matter the situation.

I've been impressed by the outstanding work both our Management and staff have continued over the financial year 2021/2022, and it's a testament to our customer-first attitude that we continue to do the right thing for our customers each day. There are some exciting projects in the pipeline, which we can't wait to see come to fruition.

While 2022 wasn't without its challenges, I trust that as a business, we will continue to live and breathe our values in everything we do. I hope that in 2023, we can continue to deliver the best outcomes for our customers. Qudos has embarked on a journey that will set us up not only to survive but to thrive. We are working toward a 5-year plan to embrace a digital transformation that will set us up for the challenges of a dynamic future, with an emphasis on maintaining our culture of caring for our customers.

BARRY JACKSON
CHAIR

Chief executive officer's report to Members

The 2022 financial year saw Qudos Bank achieve strong financial results and deliver on key projects to improve customer services. Such achievements are a testament to the strong loyalty shown by our customers and the hard work and dedication of our people.

MICHAEL ANASTASI
CHIEF EXECUTIVE OFFICER

Financial performance

I'm pleased to share that we performed well in all key financial metrics in the 2022 financial year. Our loan portfolio grew by 10.7% from $3.55 billion to $3.93 billion, whilst our deposits portfolio grew by 4.7% from $4.46 billion to $4.67 billion. Total Assets rose to $5.2 billion and, our year end profit increased by 7.97%, from $20.82 million to $22.48 million, further strengthening our capital base.

Award-winning bank, three years in a row

We were thrilled to have been awarded Australia's Best Large Mutual Bank for the third year in a row by financial comparison site Mozo. Mozo highlighted that Qudos Bank looks after customers, no matter what their needs, while offering a broad range of competitive products and services.

We are humbled that our customer-first mindset has been recognised across the banking industry and know that these awards would not be possible without the commitment to outstanding customer service demonstrated by our people, especially those working in our frontline teams. I thank them for their passion and dedication.

Supporting our customers through the hard times

I would like to acknowledge and sympathise with all of our customers, their family and friends who experienced the brunt of major floods across New South Wales, Queensland and Victoria during 2022.

As we did during the pandemic, we offered impacted customers a relief package to assist them on the road to recovery.

Another systemic change that is impacting some of our customers is the rise of fraud and money scams. We continue to make investments in technology and our people to protect customers.

However, fraudsters and scammers are becoming more sophisticated. For this reason we have invested in providing guidance and tips around fraud prevention, most notably through our Fraud & Security Resource Hub which can be found at www.qudosbank.com.au/support/fraud-security. This is a place where customers can access useful articles to safeguard their personal information and most importantly, protect their hard-earned money.

Our customers can look forward to more resources being developed in the Fraud & Security space, to help educate and prevent you from falling victim to these scams.

Employee wellbeing and career development of our people

Following our most recent Engagement Survey of employees, it gives me great pleasure to announce that Qudos Bank was awarded Voice Project's Best Workplace Award for 2022. This prestigious award recognises great places to work, with excellent management practices and a highly engaged workforce.

Our employees reported exceptional levels of engagement and satisfaction and we exceeded the criteria of 80% or above for employee satisfaction. Only a small number of Voice Projects clients reach these exemplary scores. Employee Engagement was 85% with overall employee satisfaction of 80.1% which is 6.2% above the industry benchmark and is testament to the achievements of our people and our culture; The Qudos Way.

I am proud to outline just some of the initiatives that contributed to this result.

In 2022, we were able to run a program for our employees called Accelerate, which offers our people the opportunity to experience new roles and upskill them in different areas of the business. This is an investment into their future career growth and development.

I'd like to acknowledge our Human Resources team for its leadership in developing, advocating and executing this program, and for those successful employees who participated.

Career Development is a focus area of the organisation, and we will continue to run such programs in the future.

In May, we invited the Black Dog Institute to talk to our employees about their vision for a mentally healthier world and their strategy to deliver research with real world impact to treat, manage and prevent common mental health conditions and suicide. We donated $5,000 to support their vision. And raised additional funds from our people to support the cause.

With Mental Health being a key societal concern, Qudos Bank continues to find ways to advocate for mental health awareness and the wellbeing of our employees. We partnered up with The Resilience Project and launched a 5-week program in October 2021 to March 2022. This allowed our teams to collaborate with each other, while also having access to resources that helped promote mindfulness and encourage our people to look after their wellbeing. We also participated in Mental Health Awareness May and have extended our wellbeing resources to our customers through our MyQ newsletter and the Wellbeing with Wendy segment.

Technology improvements

Over the course of the financial year, we have been working on a project to develop a faster, more efficient Loan application and approval process for our customers. This system will reduce friction in the application process and support faster turnaround times by digitising, streamlining, and automating the lending process. This project will go live shortly, and we will advise you when it is available.

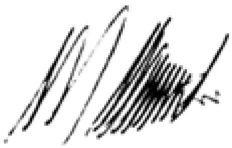
We have also continued to make improvements to our digital banking offering, with features like the ability to make payments on Wearables including Fitbit and Garmin Pay, the ability to manage your Cards, and the ability to make instant outbound payments using BSB and account number by via the New Payments Platform now live.

Our future

The Qudos Bank Board and Executive Management team have, over the course of the financial year, been reviewing key elements of our strategy to ensure a bright and prosperous future, with a focus on our purpose and identity and bringing that to life.

I'd like to thank all our customers and employees who have been part of the research underpinning this work as your insight will be critical in shaping the future direction of our business. I look forward to sharing more of this work with you, our customers, over the months ahead.

Thank you,



MICHAEL ANASTASI
CHIEF EXECUTIVE OFFICER

QUDOS BANK BY THE NUMBERS

Customer first

We were founded by our own customers and they have always been our centre. We think and act as though our customer is in the room.

$3.9 billion
Loan portfolio balance

$4.7 billion
Retail deposit portfolio balance

20,710
Cards issued

4.6
Product review rating

GREENFLEET TREE PLANTING

54,000+
Trees planted on your behalf

TOTAL DONATIONS

$30,000
Contributions made to support mental health, environmental, and charity initiatives

2,914,126
Website sessions

2,113
Hours watched on YouTube

57,096
Times financial calculators used

280,000
Times 'Qudos Bank was Googled

Qudos Ba

168,094,267
Qantas Points paid to our customers

What our customers say about Qudos Bank

While we all faced some challenges during 2021/2022, we've received some glowing reviews during the financial year about our products and most importantly, our outstanding customer service.

We recognise that our customers generally have a positive experience when it comes to their interactions with us, and we hope that we can continue doing this so that we can help support them, and their financial goals.

When we look back on our reviews, we've noticed some key things our customers have shared about Qudos Bank:

- Our customer service specialists add a personable touch with each customer interaction – they are always happy to help and go above and beyond where needed.
- The support provided to our customers has been praised – whether that be getting assistance for a home loan or being educated on a scam.
- Whether it's at a branch, online, or on the phone, our people can efficiently work with our customers no matter where they are in Australia.

Read some quotes we've pulled from our reviews and find out what our customers think about us.

"I've always found the bank reliable, and the customer assistance I've been given has always been helpful."

NICOLE

"I would not hesitate recommending Qudos Bank to any prospective customer for their banking requirements."

KEITH

"Qudos Bank Staff tick all the boxes for the mark of excellence."

MARGARET

"I've always been very pleased with the products and services provided."

SCOTT

"Qudos Bank is a very reliable bank. It offers excellent customer service and support."

LYDIA

In memory of Mary Gelevski

In August, we lost a dear and treasured contributor to Qudos Bank, former employee Mary Gelevski. It is with great sadness that we share the news of her passing.

MARY GELEVSKI

Mary was a significant part of the Qudos Bank family, formally Qantas Staff Credit Union/ Qantas Credit Union family. For over 23 years she supported our customers in our Melbourne and Niddrie branches.

Mary was extremely passionate about the Bank and our customers, and she emulated that in everything that she did.

Our thoughts go out to our Niddrie branch team and Mary's family and friends.

Directors' report

The Directors present their report together with the consolidated financial statements of the Qudos Mutual Limited ("the Bank") and its subsidiary (together: "The Group") for the year ended 30 June 2022 and the auditor's report thereon.

The Bank is a company registered under the Corporations Act 2001.

Information on Directors

The names of the Directors in office at any time, during or since the end of the year, are:

BARRY JACKSON

Chair, Non-Executive Director

BAv, MAICD, FRAeS
60 years old

- Director since 2015
- Chair, Board (appointed 3rd December 2020)
- Chair, Governance & Remuneration Committee (appointed 3rd December 2020)
- Chair, Technology Committee (appointed 26th February 2020)
- Member, Audit Committee
- Member, Australian International Pilots' Association, AIPA
- Fellow of the Royal Aeronautical Society, FRAeS

MARK BOESEN

Chair, Non-Executive Director
Resigned 18th July 2021

BBus, CPA, FAMI, MAICD
67 years old

- Director since 1992
- Member, Technology Committee (until 18th July 2021)
- Partner S&K Accounting Services

ANDREW LEITHHEAD

Deputy Chair, Non-Executive Director

BCom, GAICD, FFin, JP
62 years old

- Director since 2017
- Deputy Chair, Board (appointed 3rd December 2020)
- Member, Governance & Remuneration Committee (since 3rd December 2020)
- Member, Risk Committee
- Director, P.T Management Services P/L
- Director, Lutheran Laypeople's League of Australia (LLL Australia) since 2022
- Director, Australian Racing Drivers' Club Ltd

COLIN ADAMS

Non-Executive Director

MAMI, MAICD
72 years old

- Director since 2008
- Member, Technology Committee
- Member, Audit Committee (since 26th February 2020)
- Director of Columbia Securities Pty Ltd, Columbia Superannuation (NSW) Pty Ltd
- Honorary Life Member of Australian International Pilots Association (AIPA)

GARY HALLIDAY

Resigned 15th August 2021
Non-Executive Director

FIPA, FFA, FAMI, MAICD, JP
73 years old

- Director since 2004
- Chair, Audit Committee (until 31st July 2021)
- Member, Governance & Remuneration Committee (until 31st July 2021)

JENNIFER DALITZ

Non–Executive Director

BA, MBA, GAICD, FCPA
49 years old

- Director since 2019
- Chair, Risk Committee
- Member, Governance & Remuneration Committee

DAWSON PETIE

Non-Executive Director

FAICD, FASFA
71 years old

- Director since 2019
- Member, Risk Committee (until 15th August 2021)
- Member, Technology Committee
- Member, Audit Committee (from 15th August 2021)
- Chair, Nortec
- Director, Lowes Petroleum
- Councillor, Australian Institute of Company Directors

JOE DICKS

Non-Executive Director

BCom, GradDipAcct, CA, GAICD
62 years old

- Director since 2020
- Chair, Audit Committee (from 1st August 2021)
- Member, Audit Committee (until 31st July 2021)
- Member, Governance & Remuneration Committee (from 1st August 2021)
- Chair, Campus Living Funds Management Limited
- Audit & Risk Committee Chair Melbourne Polytechnic and Board member
- Chair, Agrifunder Holdings Pty Ltd
- Director, PPB Unit Trust, Falcon Discretionary Trust, Falcon ATA Pty Ltd

CLARE MAZZETTI

Non–Executive Director;
Management Consultant

BEc, MBA, MIR, GAICD, FFIN
42 years old

- Director since 2020
- Member, Risk Committee
- Director, Uniting Church Australia – Synod of NSW & ACT
- Director, Uniting Financial Services
- Director, Credit Corporation (PNG) LTD-present: Era Dorina Ltd (EDL); Era Matana Ltd (EML); Credit House Ltd (CHL); Credit Corporation Industrial Ltd (CCIL)

RODNEY WATSON

Appointed 15th August 2021
Non-Executive Director

MBA, FFIN, GAICD
64 years old

- Director since 15th August 2021
- Member, Risk Committee (from 15th August 2021)
- Non-Executive Director, AgriNous Pty Ltd

SALLY-ANN WILLIAMS

Appointed 15th September 2021
Non-Executive Director

BA, MA, GAICD
47 years old

- Director since 15th September 2021
- Member, Technology Committee (from 15th September 2021)
- CEO, Cicada Innovations Pty Ltd
- Chair, ANU School of Computing Industry
- Non-Executive Director, Biz Capital Pty Ltd
- Non-Executive Director, Australian Ocean Laboratory Ltd (AusOcean)
- Non-Executive Director, Data 61 [CSIRO]
- Non-Executive Director, Heavy Ion Accelerators (HIA)
- Non-Executive Director, Centre for Entrepreneurial Agriculture (CEAT)
- Non-Executive Director, NSW Smart Sensing Network (NSSN)

The names of the Company Secretaries in office at the end of the year are:

CINDY HANSEN

LLB (Hons), F Fin, GAICD
55 years old

- Company Secretary since 24 April 2007
- General Counsel and Company Secretary, Qudos Mutual Limited

MICHAEL ANASTASI

CA, B Comm, GAICD
51 years old

- Company Secretary since 25th September 2007
- Chief Executive Officer, Qudos Mutual Limited

Executive group

MICHAEL ANASTASI
Chief Executive Officer

ANNA MILINKOVIC
Chief Financial Officer

STEPHEN SWANNELL
Executive Manager Retail Banking

JOFF STEVENS
Executive Manager Strategic Marketing

DAVID BRIDGES
Chief Information Officer

ANTAR CHAHINE
Chief Risk Officer

CINDY HANSEN
General Counsel & Company Secretary

WENDY HADENHAM
Executive Manager Human Resources

Directors' meetings

The number of Directors meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Bank during the financial year are:

	Board meetings		Committee meetings	
DIRECTOR	HELD	ATTENDED	HELD	ATTENDED
B. Jackson (Chair)	10	10	26	26
A. Leithhead (Dep Chair)	10	10	29	29
C. Adams	10	10	10	10
J. Dicks	10	10	16	15
J. Dalitz	10	9	26	25
D. Petie	10	10	13	13
C. Mazzetti	10	10	11	11
R. Watson*	9	9	9	9
S. Williams**	7	7	3	3
M. Boesen***	1	1	1	1
G. Halliday****	2	2	4	4

All Directors requested, and were granted, leave for meetings they were unable to attend.

* DIRECTOR FROM 15TH AUGUST 2021

** DIRECTOR FROM 15TH SEPTEMBER 2021

*** RETIRED 18TH JULY 2021

**** RETIRED 15TH AUGUST 2021

Principal activities

The principal activities of the Group during the financial year related to the provision of retail financial and associated services to Members in accordance with our Constitution.

No significant changes to these activities occurred during the year.

Operating results

Profit before income tax for the 2022 financial year was $22.48 million (2021: $20.82 million), reducing to $15.73 million (2021: $14.54 million) after providing $6.75 million (2021: $6.29 million) for taxation.

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 Bank. (2021: Nil)

Review of operations

Total assets at year-end were $5,190.58 million, representing an increase of $184.37 million, or 3.68% over the previous year. Included in total assets are Member loans and advances of $3,932.16 million, having risen by $381.49 million or 10.74%. Deposits increased by $208.94 million, or 4.69% to $4,668.43 million at year end. Total Member's equity at year end was $320.23 million, an increase of $18.93 million, or 6.28%. Continued Member support together with strong lending levels and competitive interest rates offered to depositors and borrowers, along with prudent expenditure controls, enabled the Group to further strengthen its financial position during the year.

Significant changes in state of affairs

No significant changes occurred in the state of affairs of the Group during the year that has not otherwise been disclosed in this Report or the consolidated financial statements.

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 Group in subsequent years.

Indemnification of Directors and Officers

Since the end of the previous financial year, the Bank has not indemnified or made a relevant agreement for indemnifying against a liability for any person who is or has been an officer, Director or auditor of the Group.

Insurance of Directors and Officers

During the financial year, the Group paid an insurance premium of $142,556 (2021: $130,652) in respect of Directors' and Officers' Liability and Company Reimbursement insurance policies for any past, present or future, Director, secretary or executive officer of the Group. The policy does not contain details of the premiums paid in respect of individual Directors or officers. The insurance policy does not cover payments made arising out of claims made against any Directors or officers by reason of any wrongful act in their capacity as Directors or officers.

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

Likely developments

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

i. The operations of the Group;
ii. The results of those operations; or
iii. The state of affairs of the Group

in the financial years subsequent to this financial year.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' report for financial year ended 30 June 2022.

Rounding

Unless otherwise stated the amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Rounding instrument 2016/191 dated 1 April 2016. The Bank is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Public prudential disclosures

As an Approved Deposit taking Institution ("ADI") regulated by the Australian Prudential Regulation Authority ("APRA"), the group is required to publicly disclose certain information in respect of:

- Consolidated equity and regulatory capital;
- Risk exposure and assessment; and
- Remuneration disclosures.

The disclosures are to be found on the company's website:
https://www.qudosbank.com.au/AboutUs/CorporateInformation/FinancialReports

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

BARRY JACKSON
CHAIR

SYDNEY
28TH SEPTEMBER 2022

ANDREW LEITHHEAD
DEPUTY CHAIR DIRECTOR

SYDNEY
28TH SEPTEMBER 2022

KPMG

Lead Auditor's Independence

Declaration under

Section 307C of the Corporations Act 2001

To the Directors of Qudos Mutual Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Qudos Mutual Limited for the financial year ended 30 June 2022 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

Graeme Scott
Partner

Sydney
28 September 2022

Corporate governance statement

Corporate governance is the system by which we are directed and managed. It influences how we set and achieve our objectives, monitor and assess our risk, and optimise our performance.

We are committed to high standards of corporate governance and with this in mind, have articulated and formalised our corporate governance framework in a Board Charter, supported by detailed policies, processes and our Code of Conduct.

Our approach to corporate governance reflects The Qudos Way, our values, which we embed in everything that we do:

The Qudos way

CUSTOMER FIRST
THE HEART OF EVERYTHING

We were founded by our own customers and they have always been our centre.

We think and act as though our customer is in the room.

AUTHENTIC
TRUE TO OUR WORD AND REAL IN OUR ACTIONS

Trust is earned, not owed. We build it every time our actions match our words, whenever we have a frank conversation, and any time we prioritise the truth.

EMPOWERING
WE CHAMPION INITIATIVE

Every voice matters and we listen intently. And we believe that anyone should be able to act in the interests of what is right. Empowering is what makes us effective.

PASSIONATE
OUR SPIRIT IS OUR MOST PRECIOUS RESOURCE

Enthusiasm fuels us to rise to a challenge. It's the fullness of our spirit that creates incredible outcomes and that's why we can never do things by halves.

ONE TEAM
BETTER TOGETHER

Our individual talents are amplified by the talents of the whole.

As a team, we divide challenges to multiply success.

Statement of principles

CREATE, PROTECT AND RETURN MEMBER VALUE

Act on behalf of Members to achieve the agreed purpose by pursuing the sustainable creation, protection and return of value to current and future Members.

Strategic objectives

In conjunction with senior management, the Board has developed and will maintain a clear set of strategic objectives, consistent with the Bank's Constitution, purpose, values, risk appetite and banking business, to ensure the sustainable creation, protection and return of value for current and future Members.

The Board regularly reviews and updates the Bank's strategic objectives so that the strategy continues to be aligned with the changing Member value proposition over time.

The Board obtains Member collaboration and support for, and reports on, our strategic objectives via a range of measures including, Member approval for changes to the Constitution, surveys, targeted feedback, customer sentiment, complaints and compliments, customer communications, annual reports and effectiveness/success measures.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Establish and disclose the respective roles and responsibilities of Board and Management and how their performance is monitored and evaluated.

The role of the Board

Our Governance Framework outlines the role of the Board and senior management. In governing the Bank, the Directors must act in the best interests of the Bank as a whole.

The Board has the final responsibility for the successful operations of the Bank. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Bank. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Bank.

The Board is also responsible for establishing and maintaining a sound risk management culture throughout the Bank. It ensures that the Bank has in place an appropriate risk management framework (for both financial and non-financial risk) and sets the risk appetite within which the Board expects management to operate.

Board Committees

The details of some Board functions are handled through Board Committees. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations. Each Committee has its own Charter, which includes its structure, authority and responsibilities.

The Board currently has the following Committees:

Committee	Role
Governance & Remuneration Committee	Facilitates the governance activities of the Board and provides an objective non-executive review of the Bank's remuneration, including the CEO, CFO and Senior Executives.
Audit Committee	Provides an objective non-executive review of the effectiveness of the Bank's financial reporting, internal controls, risk management framework and internal and external audit functions.
Risk Committee	Provides an objective non-executive review, oversight and monitoring of the Bank's risk management policies and processes.
Nominations Committee	Applies the Bank's Fit and Proper Policy to candidates for appointment to the Board; comprises 2 non-Bank Members and 1 Board representative.
Technology Committee	Provides guidance to the Board in their consideration of technology strategy, resources and governance to support and enable Qudos Bank's business strategy.

Special purpose committees may also be formed from time to time.

The role of senior management

It is the role of senior management to manage the Bank in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. Senior management is responsible for the day-to-day management of the Bank.

Board and management evaluation

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability and the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board regularly evaluates performance of the Board, Board Committee's and Directors. A performance evaluation has taken place in the reporting period in accordance with this process.

Employees, including senior executives are subject to an annual performance evaluation, based on performance targets aligned to overall business goals and the requirements of the position. In the case of senior executives, performance is overseen by the Governance & Remuneration Committee. A performance review of senior executives has taken place in the reporting period.

Diversity and inclusion

Diversity and inclusion encompass acceptance and respect of the visible and invisible characteristics of an individual, which make one individual different from another. It is central to the maintenance of an inclusive work environment and culture that allows all employees to contribute to their full potential.

The Bank's diversity and inclusion policy, processes and initiatives focus on six principles:

Value Diversity and Inclusion - Recognising and promoting the diversity of our people and creating a culture that values a diverse range of views, knowledge, and experiences across all levels of our business, and where people feel valued and included.

Talent Acquisition and Development - Conducting recruitment and selection from a diverse pool of suitably qualified candidates, talent identification, succession planning and promoting internal career development based on relative ability, performance and potential that is free from discrimination.

Reward & Recognition - Rewarding and recognising achievement based on merit and performance and ensuring pay equity, that is free from known barriers.

Decisions - Making workplace decisions affecting employees fairly, based on fact and not preconceived notions and unconscious bias.

Education - Providing continuous development, training and support to our employees to promote a better understanding of diversity and inclusion in the workplace.

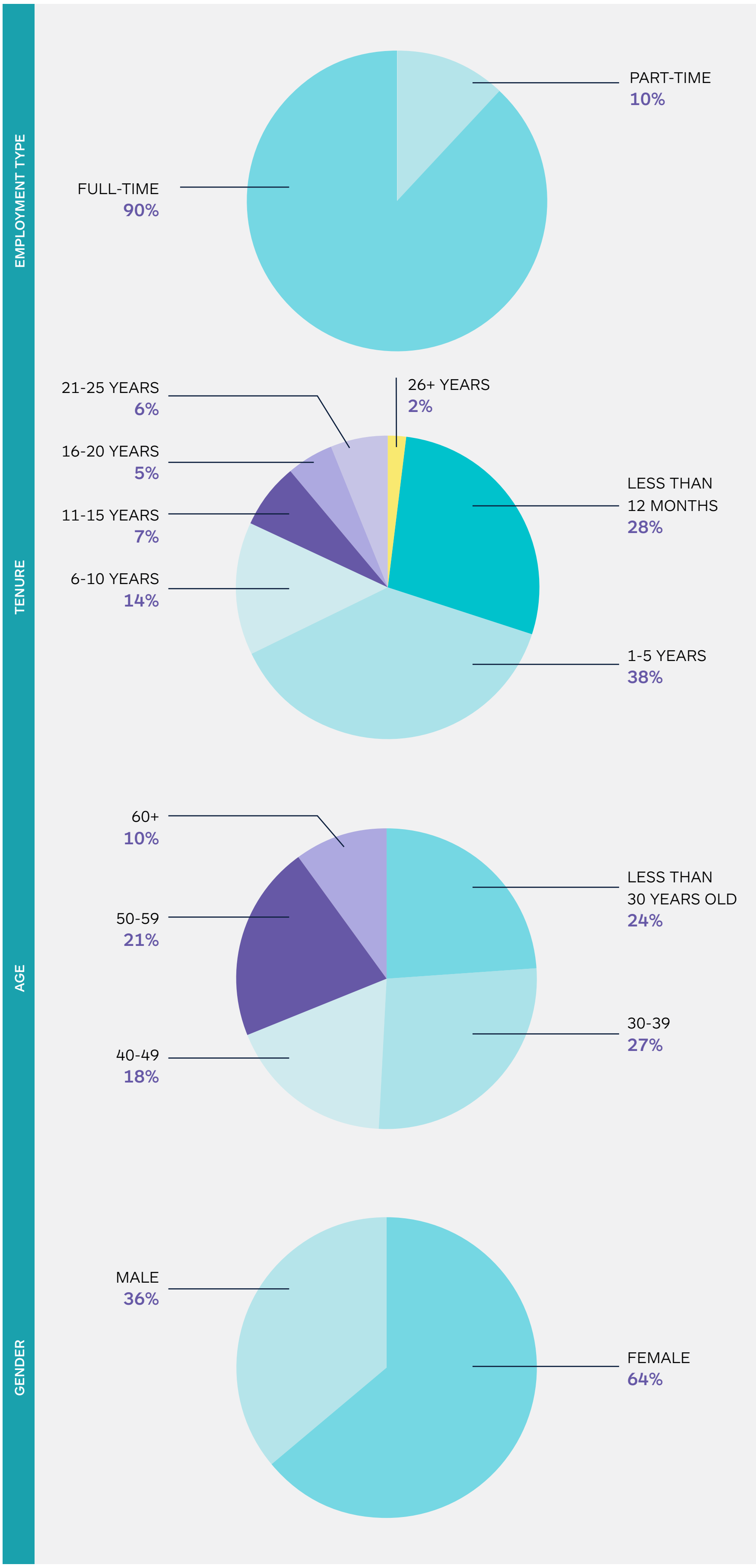
Workplace Health & Safety - Building a safe work environment by acting against inappropriate workplace behaviour that does not value diversity including discrimination, harassment, bullying, victimisation and vilification.

In accordance with our strategy, vision and values, the Board has set the following measurable objectives for achieving diversity in the composition of the board, executive and management teams, and the wider business.

	Objective	Time frame	Status
Board Gender Diversity	At least 30% female representation	AGM 2022	Met
	At least 40% female and at least 40% male representation	AGM 2025	On track
Senior Leadership Roles	At least 30% female representation	2022	Met
	At least 50% female representation	2025	On track

The Bank continues to meet the requirements of workplace gender equality via yearly reporting.

The Bank's employee demographic splits as at 30 June 2022 were:



As at 30 June 2022, the Bank gender diversity split was 64% female and 36% male. The Board was 33% female and 73% male. As we move through to Senior Executive, it was 38% female and 62% male and Management was 51% female and 49% male.

STRUCTURE THE BOARD TO ADD VALUE

Have a Board of appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Board composition

The Bank currently has 9 Directors. Members approved an amendment to the Constitution on 28 July 2022 to reduce the maximum number of Directors to 7 with effect from the end of the 2022 AGM.

The Bank's Constitution provides for three 'types' of Director: Member Elected; Board Appointed; and Executive. The majority of Directors must be Member elected. Member representation and voice is achieved through voting and elections in which Members participate.

Both Member Elected and Board Appointed Directors are non-executive directors and their role is the same, irrespective of their method of appointment. The Board has determined not to appoint an Executive Director.

Board skills

Collectively, the Board must have the necessary skills, knowledge and experience to understand the risks of the Bank, including its legal and prudential obligations, and to ensure that the Bank is managed in an appropriate way taking into account these risks. The Bank regularly reviews the need for various skills and experience against the current skills and experience represented on the Board.

All Directors must bring certain personal attributes to the Board table to allow them to make an effective contribution to Board deliberations and processes. In addition, the Board must have a blend of functional competencies and/or characteristics so as to maintain the appropriate mix of skills, experience, expertise and diversity as deemed necessary by the Board from time to time.

Prior to calling for nominations for the Directors' Election each year, or prior to appointing a person to fill a casual vacancy or as a Board Appointed Director, as applicable, the Board will provide to the Nominations Committee a list of the competencies for the role of Director for that election/appointment.

The overriding principle to which the Board has regard in relation to the structure of the Board is that all Directors must be fit and proper persons as defined in APRA Prudential Standard CPS 520 Fit and Proper. The Board Charter and Fit and Proper Policy set out how the Bank assesses whether or not a person is fit and proper. The Nominations Committee assesses the fitness and propriety of all candidates for appointment as a Director. All current Directors have been assessed as being fit and proper, in accordance with the Bank's policy.

Independence

In its Prudential Standard CPS 510 Governance, APRA requires the Board to have a majority of independent and non-executive Directors at all times. In addition, certain positions, such as Board Chair and Audit Committee Chair, must be held by an independent, non-executive Director.

The Board Charter sets out how the Bank assesses whether or not a person is independent. The Board has resolved that all Directors are independent, in accordance with the Board Charter. All Directors are currently non-executive.

INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Instil and continually reinforce a culture of acting lawfully, ethically and responsibly.

Culture and values

Acting lawfully, ethically and responsibly goes well beyond mere compliance with legal obligations and involves acting with honesty, integrity and in a manner that is consistent with the reasonable expectations of Members and the broader community. It includes being, and being seen to be, a 'good corporate citizen', having the customer at the centre of everything we do and asking 'should we' when making business decisions.

The Board instills and continually reinforces a culture across the Bank of acting lawfully, ethically and in a socially responsible manner, which is reflected in our vision, purpose, values, code of conduct and risk appetite. In making its decisions, the Bank not only complies with its legal obligations, but also considers the reasonable expectations of its stakeholders, including customers and employees.

Our values are our guiding principles that represent who we are and our culture; they define the character of our company and guide how we behave and make decisions. The Bank's policies and procedures reflect those values and promote responsibility, accountability and integrity.

Responsible Investing

The Board has integrated responsible and sustainable business practices into our approach to investing by adopting a Responsible Investing Policy.

The Bank has committed that we will not directly lend to or invest in businesses whose primary purpose harms people, animals, society or the environment, such as fossil fuels, uranium, weapons, gambling, tobacco, alcohol, pornography, deforestation or live export.

The Bank will also undertake a review of the investment policies of our current eligible counter parties by the end of the 2022/2023 financial year, with a view to identifying and favouring companies that follow good Environmental, Social and Governance practice, such as being environmentally and socially responsible, promoting workplace safety and diversity and supporting their communities.

Whistleblowing

In most cases, the best source of information about whether a company is living up to its values are its employees. The Board has adopted a Whistleblowing Policy to encourage eligible whistleblowers to speak up about any unlawful, unethical or irresponsible behaviour within the Bank. Eligible whistleblowers include employees, Directors, suppliers, employees of suppliers and the relatives and dependants of such people.

Conflicts of interest

The Bank has policies and procedures in relation to disclosing and managing actual or potential conflicts of interest that may or might reasonably be thought to exist, and to minimise the risk of related party transactions.

SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

The Board has in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Bank's financial position. The structure includes regular reporting to the Board and its Committees, review and consideration of the accounts by the Audit Committee, internal and external audit programmes and a process to ensure the independence and competence of the Bank's internal and external auditors.

MAKE TIMELY AND BALANCED DISCLOSURE

Make timely, transparent and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the value received from ongoing membership and the interests of members and other stakeholders.

As a non-disclosing entity, the Bank is not subject to continuous disclosure obligations. Member shares are not transferable and are redeemed when a member closes all of their accounts with the Bank.

However, the Bank is subject to obligations under company and banking law regarding the disclosure of financial and other information to members and other security holders. The Bank will ensure that members and relevant stakeholders (e.g. ratings agencies and security holders) have access to information relevant to the Bank.

RESPECT THE RIGHTS OF MEMBERS

Respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

The Bank makes information about the company freely and readily available on our website, including:

- this governance statement;
- Constitution; and
- other corporate information, including annual reports, notices of meetings and regulatory disclosures.

The Bank provides options for members to vote for Directors and at meetings electronically to encourage participation and allow members to vote ahead of the meeting if they choose to do so.

The Bank also provides:

- a secure email facility via our online banking website to allow members to send communications; and
- optional electronic communication channels for members to receive communications.

Electronic communications are formatted to be easily readable on a computer screen and other electronic devices commonly used and include a printer friendly option and/or download option for those members who wish to retain a copy of the communication.

RECOGNISE AND MANAGE RISK

Establish a sound risk management framework and periodically review the effectiveness of that framework.

Risk culture

The Board recognises that good risk management practices can not only help to protect established value, they can assist in identifying opportunities to create member value.

The Board and senior management lead by example and set the tone from the top on culture to create an environment where every employee has ownership and responsibility for 'doing the right thing' and ensuring 'good outcomes for customers'. These principles are reflected in the Bank's business strategy, business model, risk appetite and business practices.

Risk management

The Bank's risk management strategy, risk appetite statement and other risk management policies and procedures set out in detail how the Board ensures that the Bank has a risk management framework that is appropriate to its size, business mix and complexity and is consistent with the Bank's strategic objectives and plan.

The Board has in place a system of risk oversight and management and internal control to:

- identify, and where possible, quantify the major risks confronting the Bank;
- develop and review policies to monitor, control and where possible, minimise risks within the broader objectives of the Bank; and
- provide oversight and monitoring by the Risk Committee.

REMUNERATE FAIRLY AND RESPONSIBLY

Pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Directors are paid fees approved by Members. The Board regularly engages external consultants to review Directors fees as part of our commitment to balancing the need to adequately remunerate Directors with our principles of mutuality.

In 2022, the Board engaged Reward Results to conduct a benchmarking exercise of the Bank's Director remuneration against not for profit / profit for member organisations. The results of this review show that the Bank's Director remuneration is in the bottom 25% of comparable organisations. The Board has determined that in order to attract and retain high quality Directors and support strong governance, Director remuneration should be set at the midpoint of comparable organisations. Accordingly, Members will be asked to vote on an ordinary resolution to increase Director remuneration at the 2022 AGM.

The Board has adopted remuneration policies that comply with the requirements of APRA Prudential Standard CPS 510 Governance and the Banking Executive Accountability Regime (BEAR), set out in Part IIAA of the Banking Act 1959.

The policies are designed to encourage behaviour that supports the Bank's long-term financial soundness, risk management framework and the creation of member value. The policies aim to attract and maintain appropriately experienced Directors and employees so as to encourage enhanced performance by the Bank and the offering of the highest level of service to members. Qudos Bank's remuneration and performance frameworks are designed to encourage behaviour that supports our purpose, values and long-term financial soundness, and ensure that risk management is appropriately managed in accordance with the risk appetite.

Directors' declaration

1. In the opinion of the Directors of Qudos Mutual Limited ("the Bank"):
    a. the financial statements and notes that are contained on pages 27 to 74 are in accordance with the Corporations Act 2001, including:
        i. giving a true and fair view of the Bank's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
        ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
    b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and
    c. there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2022.

Signed in accordance with a resolution of the Directors:

BARRY JACKSON
CHAIR

SYDNEY
28TH SEPTEMBER 2022

ANDREW LEITHHEAD
DEPUTY CHAIR DIRECTOR

SYDNEY
28TH SEPTEMBER 2022

KPMG

Independent Auditor's Report

To the members of Qudos Mutual Limited

Opinion

We have audited the consolidated ***Financial Report*** of Qudos Mutual Limited (the Company).

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

iii. giving a true and fair view of the ***Group***'s financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

iv. complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The consolidated ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the 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 consolidated 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 Qudos Mutual Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

KPMG

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the consolidated Financial Report

The Directors are responsible for:

i. preparing the consolidated Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*

ii. implementing necessary internal control to enable the preparation of a consolidated Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

iii. 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:

i. to obtain reasonable assurance about whether the consolidated Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. 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

Graeme Scott
Partner
Sydney
28 September 2022

Consolidated statement

of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $000	2021 $000
Interest revenue	2.a	107,524	110,489
Interest expense	2.b	(37,108)	(50,004)
Net interest income		**70,416**	**60,485**
Other income	2.c	7,052	11,194
Total operating income		**77,468**	**71,679**
Non interest expenses			
Impairment losses on loans and advances	2.d	(46)	(18)
Other expenses	2.e	(54,943)	(50,841)
Profit before income tax		**22,479**	**20,820**
Income tax expense	3	(6,752)	(6,285)
Profit after income tax		**15,727**	**14,535**
Other comprehensive income			
Net fair value (loss)/gain on financial assets at FVOCI, net of tax		(5,417)	942
Net movement on cash flow hedge, net of tax		8,615	915
Total comprehensive income		**18,925**	**16,392**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements set out on pages 33 to 85.

Consolidated statement

of changes in equity

FOR THE YEAR ENDED 30 JUNE 2022

	Note	General reserve for credit losses $000	Cash flow hedge reserve $000	Financial assets at FVOCI reserve $000	Retained profits $000	Total $000
Total as at 1 July 2020		**1,796**	**(998)**	**5,875**	**278,240**	**284,913**
Profit for the year Other comprehensive income		-	-	-	14,535	14,535
Net fair value gain on financial assets at FVOCI, net of tax	19	-	-	942	-	942
Net movement on cash flow hedge, net of tax	19	-	915	-	-	915
Total as at 30 June 2021		**1,796**	**(83)**	**6,817**	**292,775**	**301,305**
Profit for the year Other comprehensive income		-	-	-	15,727	15,727
Net fair value gain on financial assets at FVOCI, net of tax	19	-	-	(5,417)	-	(5,417)
Net movement on cash flow hedge, net of tax	19	-	8,615	-	-	8,615
Total as at 30 June 2022		**1,796**	**8,532**	**1,400**	**308,502**	**320,230**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements set out on pages 33 to 85.

Consolidated statement

of financial position

AS AT 30 JUNE 2022

	Note	2022 $000	2021 $000
ASSETS			
Cash and cash equivalents	4	172,153	177,156
Receivables	5	5,189	3,712
Receivables due from other financial institutions	6	59,765	29,765
Loans and advances to Members	7	3,932,157	3,550,667
Financial Assets at FVOCI	9	979,772	1,210,597
Derivative Asset	29	12,187	-
Plant and equipment	10.a	9,033	11,123
Intangibles	10.b	1,367	1,108
Prepayments and Other Assets	11	17,024	18,769
Deferred Tax Assets	12	1,934	3,319
TOTAL ASSETS		**5,190,581**	**5,006,216**
LIABILITIES			
Payables to other Financial Institutions	13	173,209	217,183
Deposits	14	4,668,428	4,459,490
Creditor accruals and settlement accounts	15	14,070	11,778
Lease liability	18	7,726	9,538
Derivative liability	29	-	119
Current tax liability	16	1,643	2,044
Provisions	17	5,275	4,759
TOTAL LIABILITIES		**4,870,351**	**4,704,911**
NET ASSETS		**320,230**	**301,305**
MEMBERS' EQUITY			
Reserves	19	11,728	8,530
Retained earnings	20	308,502	292,775
TOTAL MEMBERS' EQUITY		**320,230**	**301,305**

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements set out on pages 33 to 85.

Consolidated statement

of cash flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $000	2021 $000
OPERATING ACTIVITIES			
Interest received		108,983	111,770
Fees and commissions received		7,000	11,169
Interest paid		(41,142)	(55,499)
Cash paid to suppliers and Employees		(51,981)	(45,631)
Income taxes paid		(7,361)	(5,965)
Net increase in Member loans		(381,536)	(94,122)
Net increase in deposits and shares		171,826	501,756
Net decrease in receivables from other financial institutions		193,087	(400,898)
Net cash from/(used in) operating activities	**28b**	**(1,124)**	**22,580**
INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		149	246
Purchase of property, plant and equipment		(1,054)	(498)
Purchase of intangibles		(1,162)	(625)
Net cash from/(used in) investing activities		**(2,067)**	**(877)**
FINANCING ACTIVITIES			
Payment for the principal portion of lease liabilities		(1,812)	(1,639)
Net cash from/(used in) financing activities		**(1,812)**	**(1,639)**
Total net cash increase/(decrease)		**(5,003)**	**20,064**
Cash at beginning of year		177,156	157,092
Cash and cash equivalents at end of year	**28a**	**172,153**	**177,156**

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements set out on pages 33 to 85.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

1. STATEMENT OF ACCOUNTING POLICIES

Qudos Mutual Limited (the "Company" or the "Bank") is a company domiciled in Australia. The address of the Company's registered office is 191 O'Riordan St, Mascot, NSW 2020. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 comprise the Company and the MEAA Funding Trust (the "Trust"), a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Bank, for the year ended 30 June 2022 (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the provision of financial products, services and associated activities to Members.

A. BASIS OF PREPARATION

(i) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 30th September 2022.

(ii) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets which are classified as fair value through other comprehensive income (FVOCI) and derivatives.

(iii) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group is of a kind referred to in ASIC Rounding instrument 2016/191 dated 1st April 2016 and in accordance with the Legislative Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(iv) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the following notes to the Financial Statements:

- 1(i) - Financial Instruments, including loan impairment
- 22 - Fair value of financial assets and liabilities
- 1(t) - Leases

Current Economic impacts on key estimates and judgements

The Group has considered the effects of economic uncertainty relating to rising interest rates, inflation, global conflicts, as well as the ongoing impacts of COVID -19. The Group has considered the implications of these in the preparation of the financial statements.

Whilst the impacts of the above have not resulted in new areas involving judgment, they have created additional challenges in the determination of estimates. The specific impacts are disclosed in the specific notes relating to those areas.

The estimation uncertainty is associated with:

- The extent and duration of the disruption to the economy, business, consumers and government;
- The possible economic downturn and key economic factors such as GDP, unemployment and house prices;
- Global economic uncertainty such as disrupted supply chains and staff shortage;
- Impacts of interest rates and increased inflation

The Group has included various accounting estimates in the financial statements based on forecasts of economic conditions and future events which reflect expectations and assumptions as at 30 June 2022.

There is a considerable degree of judgement required in preparing forecasts. The underlying assumptions are also subject to uncertainties beyond the control of individual entities. The actual economic outcomes are likely to differ from the forecast as the anticipated events and interaction will not always occur as expected. The effect of these differences may significantly impact accounting estimates included in the financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominately related to measurement of expected credit losses, fair value measurement of financial assets and recoverable amount assessments of assets.

B. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

C. LOANS AND ADVANCES TO MEMBERS

(i) Basis of inclusion

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans are subsequently measured at amortised cost using the effective interest method net of any credit impairment. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the loans using the effective interest method.

Loans to Members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Group at balance date, less any allowance or provision for impairment. Refer to note 1(i) for details on the approach to measure the expected credit losses on financial assets accounted for as amortised cost.

(ii) Interest earned

Term Loans - The loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a Member's account on the last day of each month.

Credit Cards - For interest free credit cards, interest will be charged only where the relevant transactions do not qualify for interest free status in accordance with the terms and conditions of the facility.

(iii) Loan origination fees and transaction costs

Loan establishment fees and associated transaction costs are initially deferred as part of the loan balance, and are brought to account as either a net expense or net income over the expected life of the loan. The amounts brought to account are included as part of interest revenue or expense as appropriate.

D. PLANT AND EQUIPMENT

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Plant and equipment with the exception of freehold land, are depreciated on a straight-line basis, so as to write off the net cost of each asset over its expected useful life to the Group. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives at the balance date are as follows:

- Leasehold Improvements – 3 to 10 years
- Plant and Equipment – 2.5 to 7 years

E. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. This does not include the ECL provision, for which the accounting policy is outlined in note 1(i).

F. INTANGIBLES

Research costs are expensed as incurred. Development expenditures on individual projects are recognised in capital work in progress when the Group can demonstrate:

- The technical feasibility of completing the capital project so that it will be available for use or sale;
- Its intention to complete and its ability to use the capital project;
- How the capital project will generate future economic benefits;
- The availability of resources to complete the capital project; and
- The ability to measure reliably the expenditure during the development.

The Group capitalises computer software costs and recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and will lead to future economic benefits that the Group controls. Capitalised software assets are carried at cost less amortisation and any impairment losses. The Group amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset, but usually not exceeding 3 years. Any impairment loss is recognised under operating expenditure in the profit or loss when incurred.

Software-as-a-Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group has considered all previously capitalised costs relating to cloud computing arrangements and has determined that they continue to meet the recognition criteria under AASB 138 Intangible Assets.

G. RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS

Receivables from other financial institutions include term deposits and settlement account balances due from other banks. They are recognised and accounted for as financial assets classified as amortised cost in accordance with Note 1(i).

Certificate of deposits and floating rate notes are recognised and accounted for as financial assets classified as Fair Value through OCI (FVOCI) in accordance with Note 1(i).

Interest on receivables due from other financial institutions is recognised on an effective yield basis.

H. FEES AND COMMISSIONS

Transaction and interchange fees are charged and recognised at the time of the transaction. Service based fees in relation to administering credit facilities are recognised over the service period.

The group earns trail commissions for the successful referral of customers for certain insurance products. Once the group has referred a successful insurance application to the insurance provider, its performance obligations have been met. As such, the Group recognises this revenue at a point in time, being when the policy is placed by the provider. On initial recognition, a contract asset is recognised, representing management's estimate of the variable consideration to be received from the completion of this performance obligation. The Group uses the 'expected value' method of estimating the variable consideration.

I. FINANCIAL INSTRUMENTS

Recognition and measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinate liabilities on the date on which they are originated. All other financial instruments including repurchase agreements are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instruments.

Amortised cost

Financial assets or financial liabilities are initially recognised at fair value, inclusive of any directly attributable costs. They are subsequently measured at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest (SPPI). Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

Fair value through other comprehensive income (FVOCI)

Financial assets including debt instruments are classified at FVOCI when they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

(i) Debt instruments at FVOCI

Debt instruments at FVOCI includes certificates of deposits and floating rate notes. Changes in the fair value are recognised in OCI, and are transferred to profit or loss when the asset is derecognised. Interest income using the effective interest method and impairment losses are recognised directly in the profit or loss.

(ii) Equity instruments at FVOCI

Management has made an irrevocable election to measure the unlisted shares at FVOCI. These equity securities represent investments that the Bank intends to hold for the long term for strategic purposes.

Fair Value through profit or loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. For financial assets in this category, all realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effectiveness portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then the amount accumulated in equity is reclassified to profit or loss.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Business model assessment

The Bank will make an assessment of the objective of the business model at a portfolio level as this best reflects the way the business is managed and information is prepared and reported. The information includes:

- Stated policies and objectives for the portfolio and the operation of those policies in practice, strategy on earning contractual interest revenue, the interest rate profile, matching the duration of financial assets to the duration of financial liabilities that are funding the assets or realising cash flows through the sale of assets;
- How performance of the portfolio is evaluated and reported to the Bank's Management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reason for such sales and expectation of future sales activity (as part of an overall assessment on how the Bank's objective of managing financial assets is achieved and how cash flows are realised).

In determining the business model the Group will assess whether the contractual cash flows are SPPI.

Contractual cash flows assessment

In assessing whether the cash flows are SPPI, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Impairment of financial assets

The impairment requirements apply to financial assets subsequently measured at amortised cost, debt instruments subsequently measured at FVOCI, loan commitments and financial guarantee contracts.

The Bank measures loss allowances at an amount equal to lifetime ECLs except for the following assets, where they are measured as 12-month ECLs: (1) Debt investment securities that are determined to have low credit risk at the reporting date and (2) financial instruments on which credit risk has not increased significantly since their initial recognition, where they are measured as 12-month ECLs.

The Bank considers a debt investment security to have low credit risk when its credit rating is equivalent to the globally understood definition of "investment grade". An ECL assessment is also undertaken over receivables from other financial institutions using an external rating based approach. The ECL as at 30 June 2022 was immaterial on these investments.

The Bank applies a three-stage approach in measuring ECLs based on changes in the financial assets' underlying credit risk and includes forward looking or macroeconomic conditions:

- **Stage 1:** Where credit risk has not increased significantly since initial recognition or the asset is not credit impaired upon origination, recognise a portion of the lifetime ECLs associated with the probability of default events occurring within the next 12 months.
- **Stage 2:** Where credit risk has increased significantly since initial recognition but not credit impaired (includes exposures that are greater than 30 days past due), recognise lifetime ECLs. A cure period of 6 months is considered to allow backward movement across stages. A loan that gets classified into Stage 2 or Stage 3 due to the Days Past Due (DPD) criteria must exhibit good payment behaviour for 6 consecutive months for backward movement.
- **Stage 3:** When a financial asset is assessed as credit impaired (includes exposures that are greater than 90 days past due), recognise lifetime ECLs.

Lifetime ECLs are generally determined based on the expected remaining life of the financial asset, after considering possible prepayments. When measuring ECLs, the Bank takes into account the probability weighted outcome of cash shortfalls over the expected life of the asset discounted at its current effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank is expected to receive.

Model inputs

The Bank uses AASB 9 collective provisioning models in calculating the ECL for mortgages and non-mortgage lending. The key model inputs used in measuring the ECL include:

- Exposure at default (EAD): The EAD represents the estimated exposure in the event of a default. The EAD is estimated taking into consideration a range of possible exposures including both repayments and future drawdowns of unutilised commitments up to when the exposure is expected to default.
- Probability of default (PD): The calculation of PD is generally performed at a facility level segmented based on product type, or any other shared characteristics that are highly correlated to credit risk. PDs are a function of transition matrices used to determine a point in time PD estimate.
- Loss given default (LGD): The LGD associated with PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios. These factors include collateral, recovery cost, LMI and the structure of the facility.

Forward looking information

Forward looking information used in the measurement of ECLs takes into account probability weighted scenarios and includes macroeconomic variables that influence credit losses. The Bank has a process to assess this information in determining a base case, downside and upside forecast scenario with adjustments to the PD and LGD assumptions used in the ECL model. The adjustments to the assumptions are determined by senior management based on the scenarios and involve significant judgement. Refer to the key estimates and judgements section below for details on changes in key assumptions in the current period.

Definition of default, impaired and write-offs

The Bank uses the definition of default used for in the Bank's internal credit risk management framework and has aligned the definition of credit impaired under AASB 9 Stage 3 with the definition of default for prudential purposes. Default is generally defined as the point in time when the borrower is unlikely to meet its credit obligations in full, without recourse by the Bank to take realisation of collateral; or the borrower is 90 days or more past due.

Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments, will be received in a timely manner. Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-offs. This assessment is carried out at the individual asset level. Recoveries of amounts previously written-off are included in the impairment of loans and advances line in the Income Statement.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons. If the terms of modification are substantial, the existing loan will have to be derecognised and the renegotiated loan recognised at a new effective interest rate. Where the modifications are not substantial and do not result in derecognition, the gross carrying amount of the loan is calculated by discounting the modified cash flows using the original effective interest rate. As of 30 June 2022, the Bank holds $1.8m (2021: $9.6m) financial assets where the contractual terms were modified.

Management overlay

An overlay adjustment is used by the Bank to adjust the total provision recognised where it is judged that the adopted inputs, assumptions and model techniques do not address all the risk factors, limitations or complexity involved in estimating the future expected credit losses of the loan portfolio. The Bank has created overlays for the following areas;

- Overlay on PD: Based on the external reports and communications with the regulators, the Bank has identified that loans with DTI more than 6, LVR more than 80% or Interest only loans are the most vulnerable to the economic conditions.
- Overlay on LGD: The Bank has created an overlay equal to 20% of LGD for home loan portfolio to provide for the impact of the expected fall in property prices in the LGD estimates. This is a potential risk not included in the Bank's ECL model. The Bank will continue to monitor this risk for potential inclusion in the model.

Key estimates and judgements

The ongoing developments of COVID-19, rising interest rates, inflation and global conflicts continues to result in increased levels of uncertainty in the global and domestic economy. This uncertainty is reflected in the Bank's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements.

In estimating the collectively assessed ECL, the Bank makes judgments and assumptions in relation to the selection of ECL inputs, assumptions and interdependencies between these inputs.

The judgements and associated assumptions have been made within the context of the impact of current economic conditions and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. These include judgements and assumptions about the extent and duration of the pandemic, the impacts of government assistance, movements in interest rates, inflation, housing prices and unemployment. The Bank's estimation of Expected Credit Loss is inherently uncertain and actual results and outcomes may differ from these estimates.

The following table summarises the key judgements and assumptions in relation to model inputs and interdependencies between these inputs, and highlights significant changes during the period.

Judgements and assumptions	Details	Approach for the period
Determining when a significant increase in credit risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since recognition of a loan, which would result in the financial assets moving from Stage 1 to Stage 2. This represents a key area of judgement with transition from Stage 1 to Stage 2 changing the estimate from 12 month losses to lifetime expected credit losses.	The Bank considers both qualitative and quantitative information to determine the SICR criteria. As per the rebuttable presumption in the standard, the Bank has classified all loans on which any instalment or part thereof are more than 30 days past due and less than 90 days past due as Stage 2, and calculated lifetime ECL on such loans. Further, the Bank considers the following qualitative indicators to identify loans that exhibit SICR as at the reporting date: 1. Borrowers that are employed in Qantas Airways 2. Borrowers that are employed in Virgin Australia Airlines 3. Borrowers employed in Airline and Tourism industry 4. Borrowers that have opted for payment deferrals due to hardship 5. Borrowers that are more than 30 DPD and less than 90 DPD These indicators are based on management assessment of additional credit risk on customers who are vulnerable due to COVID uncertainties and possible lockdowns.
Forecast economic scenarios	The Bank uses its judgement to develop a base, upside and downside scenario.	In light of current economic conditions the key assumptions in the base case, downside and upside scenarios were reassessed and updated. In performing this assessment consideration was given to the impact of federal and state government policy, the current economic outlook, uncertainty and potential volatility in residential property prices and additional risk factors such as the Bank's exposure to significantly impacted industries such as aviation and other related risks. The updated scenarios resulted in increased estimates for both PD and LGD assumptions used in the models. Assessing the impacts of forward-looking information on future losses involves significant judgment. The Bank considers the updated assumptions to reflect the best estimate of each forecast scenario. Expected Scenario reflects management's best estimate of future economic conditions. The best-case and worst-case scenarios are considered as one standard deviation away from the Expected Scenario.

Judgements and assumptions	Details	Approach for the period
Probability weighting of each scenario	The probability weighting of best estimate, downside and upside scenarios is determined by management considering the risks and uncertainties surrounding the base case.	The key consideration in the current period has been the economic outlook and continuation of COVID-19. In performing assessment of economic outlook, consideration was given to the impact of federal and state government policy, uncertainty and potential volatility in residential property prices and additional risk factors such as the Bank's exposure to significantly impacted industries such as aviation and other related risks. As such, the scenario weights as at 30 June 2022 for base case, upside and downside have been revised to 60% (2021: 60%), 0% (2021: 10%) and 40% (2021: 30%) respectively. The applied probability weightings are subject to inherent uncertainty and the actual outcomes may be significantly different to those projected. The Bank considers the weightings to provide the best estimate of probability outcomes.
Probability of default (PD) rates	PD rates are determined using available data to reflect the current economic environment.	During the period the Bank considered available historical data to determine the Through the Cycle (TTC) PD. The TTC PD is adjusted using forward looking information to appropriately reflect the current and future economic environment.
Management overlay	Management adjustments to the ECL allowance are adjustments used in circumstances where it is judged that existing inputs, assumptions and model techniques do not capture all the risk factors relevant to the credit portfolios. Examples of such circumstances are: risks associated to specific cohorts of loans, emerging domestic or global economic events, natural disasters, or forward looking information. The use of adjustments may impact the amount of ECL recognised.	To address known risks not included in the ECL model (largely linked to economic and COVID uncertainties), the management has created an overlay. Details of the overlay are noted above.

The uncertainty of the impact of current economic conditions increases the risk to the forecast resulting in understatement or overstatement of the ECL provision due to the uncertainty of the impacts and evolution of the crisis. The Bank's measurement of ECL is based upon available information and applied professional judgment as at 30 June 2022. The rapidly evolving consequences and interplay of government, business and consumer responses could result in significant adjustment to the ECL provision within the next financial year or years. Given the current uncertainties and judgement applied to factors used in determining the expected default of borrowers in future periods, expected losses reported by the Bank should be considered as a best estimate within a range of estimates. The Bank is continuing to closely monitor and measure the ECL with appropriate adjustments and application of professional judgement.

Sensitivity analysis

The following sensitivity table shows the reported provision for ECL based on the probability weighted scenarios and what the provisions for ECL (including any overlay) would be prior to rounding, assuming a 100% weighting is applied to the 3 scenarios as per the below table and when all other assumptions are held constant as at 30 June 2022.

June 2022

Description	$000	Weighting applied in ECL model	Weighted PV $'000
Base Case / Scenario	12,079	60%	7,247
Downside	19,339	40%	7,736
Upside	9,779	0%	-
		TOTAL	**14,983**

June 2021

Description	$000	Weighting applied in ECL model	Weighted PV $'000
Base Case / Scenario	13,535	60%	8,121
Downside	20,921	30%	6,276
Upside	7,028	10%	703
		TOTAL	**15,100**

J. DEPOSITS

(i) Basis for determination

All deposits, including savings, term investments and retirement savings accounts, are initially recognised at fair value (being the aggregate amount of money owing to depositors) less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

(ii) Interest on deposits

At Call

Interest on deposit balances is calculated and accrued on a daily basis at current rates and credited to accounts on a monthly basis.

Term Deposits

Interest on term deposits is calculated and accrued on a daily basis at agreed rates and is paid or credited to accounts in accordance with the terms of the deposit.

Retirement Savings Accounts (RSA)

Interest on Retirement Savings Accounts are calculated and accrued on a daily basis at current rates and credited to Retirement Savings Accounts on a monthly basis.

K. BORROWINGS

The Group initially recognises borrowings on the date that 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.

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

L. PROVISION FOR EMPLOYEE BENEFITS

The provision for long service leave is based on the present value of the estimated future cash outflows to be made resulting from employees' service up to reporting date, and having regard to the probability that employees as a group will remain employed for the period of time necessary to qualify for long service leave.

Provisions for annual leave represent present obligations resulting from employees' services calculated on undiscounted amounts based on remuneration, wage and salary rates that the Group expects to pay as at reporting date.

Contributions are made by the Group to an employee's superannuation fund and are charged to the profit or loss as the related service is provided.

M. INCOME TAX

The income tax expense shown in the profit or loss is based on the operating profit before income tax adjusted for any non-tax deductible or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the Statement of Financial Position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Group will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

N. GOODS AND SERVICES TAX (GST)

As a financial institution, the Group is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable. General apportionment may be recoverable in some cases.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Consolidated Statement of Financial Position. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

O. IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. The recoverable amount is determined and impairment losses are recognised in the profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

P. PRINCIPLES OF CONSOLIDATION

Subsidiaries 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 subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group are eliminated in full.

Q. OTHER TRADE AND OTHER RECEIVABLES

Trade and other receivables are held at amortised cost (see accounting policy 1(i).

R. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, short term bills and call deposits with maturity equal to or less than 3 months. Bank overdrafts that are repayable on demand and form an integral part of the Group cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

S. LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used

As a Lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'Plant and equipment' in the statement of financial position. Interest expense on the lease liability is presented separately from the depreciation charge for the right-of-use assets in the statement of profit or loss.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight- line basis over the lease term.

Amount recognised in Profit and Loss

	2022 $000	2021 $000
Interest on lease liabilities	(253)	(296)
Variable lease payments not included in the measurements of lease liabilities	(505)	(602)
ROU asset depreciation	(1,677)	(1,712)
	(2,435)	**(2,610)**

Real estate leases

The Group leases land and buildings for its office space and retail branches. The leases of office space typically run for a period of 10 years, and leases of retail branches for five years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Extension Options

Some leases of office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group has elected to not exercise any of the lease options.

T. TRADE AND OTHER PAYABLES

Trade and other payables are carried at amortised cost which is the fair value of the consideration for goods and services received. These items are recognised when incurred.

U. GOVERNMENT GRANTS

The group received $0 (2021: $3,811,050) in government grants in the form of JobKeeper payments.

The JobKeeper scheme provided eligible employers with a wage subsidy of $1,500 per fortnight for wages paid to eligible employees during the six-month period of 30 March 2020 until 27 September 2020.

The JobKeeper extension 1 scheme provides eligible employers with a wage subsidy of $1,200 per fortnight for wages paid to eligible employees during the period of 28 September 2020 to 3 Jan 2021.

The JobKeeper extension 2 scheme provides eligible employers with a wage subsidy of $1,000 per fortnight for wages paid to eligible employees during the period of 4 Jan 2021 to 28 March 2021.

Employers (including not-for-profit entities) can qualify for JobKeeper if they have eligible employees and:

- on 1 March 2020, they were carrying on a business in Australia, or was a not-for-profit body pursuing its objectives principally in Australia, and
- the employer:
  - has an aggregated turnover of less than $1 billion and their GST turnover declines by 30% or more, or
  - has an aggregated turnover of $1 billion or more and their GST turnover declines by 50% or more.

The group has satisfied the requirements of both the original JobKeeper scheme and JobKeeper extension 1 scheme in the required decline in turnover tests, however was ineligible for the JobKeeper extension 2 scheme.

The group has accounted for this grant in other income as per AASB 120.

2. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2022 $000	2021 $000
	ANALYSIS OF INTEREST REVENUE		
a.	**Category of interest bearing assets**		
	Loans and advances to Members	104,172	106,747
	Investment Securities	3,119	3,626
	Call Deposits with other Financial Institutions	98	99
	Term Deposits with other Financial Institutions	66	13
	Regulatory Deposits	69	4
	TOTAL INTEREST REVENUE*	**107,524**	**110,489**
	*Interest revenue is calculated using the effective interest rate method.		
b.	**Category of interest bearing liabilities**		
	Deposits	36,854	49,707
	Bank Overdraft	1	1
	Other	253	296
	TOTAL INTEREST EXPENSE	**37,108**	**50,004**
c.	**Other Income**		
	Fees and Commissions	6,609	7,180
	Dividends received	218	-
	Bad debts recovered	225	203
	Income from Government Grants	-	3,811
	TOTAL OTHER INCOME	**7,052**	**11,194**
d.	**Impairment losses on loans and advances**		
	Bad debts written off directly against profit	163	382
	Addition/(Release) to/(from) provision for doubtful debts	(117)	(364)
	TOTAL IMPAIRMENT LOSSES ON LOANS & ADVANCES	**46**	**18**

2. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		2022 $000	2021 $000
e.	**Other expenses**		
	Salaries and on costs	21,636	19,984
	Superannuation costs	1,771	1,580
	Transaction costs	8,520	8,712
	Information technology	5,821	6,495
	Insurance and legal	649	562
	Directors remuneration	646	630
	Depreciation of plant and equipment	1,318	1,502
	Lease Depreciation	1,677	1,712
	Amortisation of intangibles	903	723
	Amounts set aside to provisions:		
	Employee entitlements	874	645
	Occupancy expenses	985	1,079
	Supervision levies	281	176
	Marketing costs	3,579	1,930
	Other costs	6,283	5,111
	TOTAL OTHER EXPENSES	**54,943**	**50,841**

		2022 $000	2021 $000
f.	**Auditor's Remuneration** **Accounts received or due and receivable by KPMG for:**		
	Audit services		
	Audit of financial statements	191	200
	Other regulatory and audit services	93	90
	TOTAL AUDIT SERVICES	**284**	**290**
	Non-audit services		
	Other services	14	49
	TOTAL NON-AUDIT SERVICES	**14**	**49**
	TOTAL AUDITOR'S REMUNERATION	**298**	**339**

3. INCOME TAX EXPENSE

		2022 $000	2021 $000
a.	**Items recognised in Profit and Loss**		
	Current year	6,710	6,245
	Prior year over/(under) provision for current tax	(28)	82
	Deferred Tax Expense		
	Prior year under/(over) provision for deferred tax	28	(677)
	(Increase)/Decrease in net deferred tax asset	42	635
	TOTAL INCOME TAX EXPENSE IN INCOME STATEMENT	**6,752**	**6,285**
b.	**Reconciliation between tax expense and pre-tax net profit:**		
	Profit before tax	22,479	20,820
	Income tax using the Company tax rate of 30%	6,744	6,246
	Tax effect of expenses/income		
	- Other non-deductible expenses	8	39
	INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT	**6,752**	**6,285**

4. CASH AND CASH EQUIVALENTS

	2022 $000	2021 $000
Cash on hand	560	571
Deposits at call		
Cash at Bank	109,571	105,593
Other Financial Institutions	37,022	32,992
Other Authorised Deposit-taking Institutions	25,000	38,000
TOTAL CASH AND CASH EQUIVALENTS	**172,153**	**177,156**

5. RECEIVABLES

	2022 $000	2021 $000
Interest receivable	3,028	1,464
Sundry debtors and settlement accounts	2,161	2,248
TOTAL RECEIVABLES	**5,189**	**3,712**
Maturity Analysis		
Not longer than 3 months	3,024	1,806
3 to 12 months	2,165	1,906
	5,189	**3,712**

6. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

	2022 $000	2021 $000
Deposits with other Authorised Deposit-taking Institutions	59,765	29,765
TOTAL RECEIVABLE DUE FROM OTHER FINANCIAL INSTITUTIONS	**59,765**	**29,765**
Maturity Analysis		
Not longer than 3 months	10,000	-
3 to 12 months	49,765	29,765
	59,765	**29,765**
Fair Value		
Deposits with other Authorised Deposit-taking Institutions	59,601	29,765
	59,601	**29,765**

7. LOANS AND ADVANCES

	2022 $000	2021 $000
Amount due comprises:		
Home loans	3,918,023	3,532,721
Credit cards	18,723	18,667
Personal loans	5,348	7,624
Car loans	5,046	6,755
Subtotal	**3,947,140**	**3,565,767**
Less:		
Provision for impaired loans (Note 8)	(14,983)	(15,100)
TOTAL LOANS AND ADVANCES	**3,932,157**	**3,550,667**
Maturity analysis - gross loans and advances		
Not longer than 3 months	79,732	117,982
Longer than 3 months and not longer than 12 months	103,568	153,346
Longer than 1 year and not longer than 5 years	345,678	446,508
Longer than 5 years	3,418,162	2,847,931
	3,947,140	**3,565,767**

8. PROVISION FOR IMPAIRMENT

The table below represents the reconciliation from the opening to the closing balance of ECL allowances on loan assets to which the impairment requirements under AASB 9 are applied:

	Stage 1 12 month ECL $000	Stage 2 Lifetime ECL $000	Stage 3 Lifetime ECL $000	Management Overlay $000	Provision Total $000
As at 1 July 2020	**9,021**	**4,096**	**1,525**	**822**	**15,464**
Changes due to financial assets that have:					
Transferred to/(from) 12 months ECL collectively assessed	(2,272)	5,381	(440)	-	**2,669**
Transfer to/(from) lifetime ECL not credit impaired collectively assessed	(3,162)	(1,687)	(159)	-	**(5,008)**
Transfer to/(from) lifetime ECL credit impaired collectively assessed	(6)	(2)	(10)	-	**(18)**
New and increased provisions net of releases	(546)	(416)	(468)	-	**(1,430)**
Bad debts written off	31	39	312	-	**382**
Management overlay increase/(decrease)	-	-	-	3,041	**3,041**
As at 30 June 2021	**3,066**	**7,411**	**760**	**3,863**	**15,100**
As at 1 July 2021	**3,066**	**7,411**	**760**	**3,863**	**15,100**
Changes due to financial assets that have:					
Transferred to/(from) 12 months ECL collectively assessed	(31)	17	14	-	**-**
Transfer to/(from) lifetime ECL not credit impaired collectively assessed	573	(594)	21	-	**-**
Transfer to/(from) lifetime ECL credit impaired collectively assessed	31	29	60	-	**120**
New and increased provisions net of releases	(2,888)	(451)	1,588	-	**(1,751)**
Bad debts written off	-	-	(163)	-	**(163)**
Management overlay increase/(decrease)	-	-	-	1,677	**1,677**
As at 30 June 2022	**751**	**6,412**	**2,280**	**5,540**	**14,983**

Use of judgements and estimates

Refer to Note 1(i) for further details on the Group's methodology for estimating the provision for impaired loans.

9. FINANCIAL ASSETS AT FVOCI

	2022 $000	2021 $000
Equity Investments		
Indue Limited	13,689	11,596
Debt instrument investments		
Bank issued certificates of deposit	129,372	188,903
Government Securities	259,186	299,054
Floating rate notes	577,525	711,044
TOTAL FINANCIAL ASSETS AT FVOCI	**979,772**	**1,210,597**
Maturity Analysis		
Not longer than 3 months	400,421	542,715
3 to 12 months	187,434	383,756
1-5 years	378,228	272,530
No maturity	13,689	11,596
	979,772	**1,210,597**

10a. PLANT AND EQUIPMENT

	2022 $000	2021 $000
Leasehold property improvements - at cost	6,437	6,503
Less: Accumulated depreciation	(4,393)	(4,448)
	2,044	**2,055**
Office furniture and equipment - at cost	2,359	2,253
Less: Accumulated depreciation	(2,171)	(2,024)
	188	**229**
Computer equipment - at cost	4,720	4,488
Less: Accumulated depreciation	(4,345)	(3,963)
	375	**525**
Motor vehicles - at cost	928	1,052
Less: Accumulated depreciation	(486)	(399)
	442	**653**
TOTAL PLANT AND EQUIPMENT OWNED – NET BOOK VALUE	**3,049**	**3,462**
Right-of-use assets - at cost	11,071	11,071
Less: Accumulated depreciation	(5,087)	(3,410)
	5,984	**7,661**
TOTAL PLANT AND EQUIPMENT – NET BOOK VALUE	**9,033**	**11,123**

10a. PLANT AND EQUIPMENT (CONTINUED)

MOVEMENT IN THE ASSETS BALANCES DURING THE YEAR WERE:

Plant & Equipment	2022		2021	
	Leasehold improvements $000	Other plant & equipment $000	Leasehold improvements $000	Other plant & equipment $000
Opening balance	2,055	1,407	2,496	2,216
Purchases	544	510	26	472
Transfers	-	-	-	-
Less:				
Assets disposed	(16)	(133)	(12)	(234)
Depreciation charge	(539)	(779)	(455)	(1,047)
Balance at the end of the year	**2,044**	**1,005**	**2,055**	**1,407**

Plant & Equipment	2022	2021
	Right-of-use Assets $000	Right-of-use Assets $000
Opening balance	7,661	8,841
Additions during the year	-	608
Less:		
Derecognition during the year	-	(76)
Depreciation charge for the year	(1,677)	(1,712)
Balance at the end of the year	**5,984**	**7,661**

10b. INTANGIBLES

	2022 $000	2021 $000
Computer Software - at cost	13,863	12,701
Less: provision for amortisation	(12,496)	(11,593)
TOTAL INTANGIBLES	**1,367**	**1,108**
MOVEMENT IN THE INTANGIBLES BALANCES DURING THE YEAR WERE:		
Computer Software		
Opening balance	1,108	1,206
Purchases	1,162	625
Less:		
Assets disposed	-	-
Amortisation charge	(903)	(723)
Balance at the end of the year	**1,367**	**1,108**

11. PREPAYMENTS & DEBTORS

	2022 $000	2021 $000
Prepayments	2,555	2,081
Unamortised broker commissions*	7,945	5,275
Other assets	4,869	10,482
Capitalised expenses	1,655	931
TOTAL PREPAYMENTS & DEBTORS	**17,024**	**18,769**
*Unamortised broker commissions have been re-presented to reflect more appropriately the nature of the balance. The prior year amount was also represented to be consistent		
Maturity Analysis		
Less than 12 months	11,946	15,623
Greater than 12 months	5,078	3,146
	17,024	**18,769**

12. DEFERRED TAX

	2022 $000	2021 $000
Net Deferred Tax Asset	**1,934**	**3,319**
Net Deferred tax assets represents the estimated future tax benefit/liability at the applicable rate of 30% on the following items:		
Deferred Tax Assets		
- Provisions for impairment on loans	4,495	4,530
- Provisions for employee benefits not currently deductible	1,498	1,343
- Provisions for makegood	85	85
- Other accruals	664	509
- Fixed assets	(1,102)	(825)
- Lease AASB 16	523	563
- Financial Instruments	2,383	36
	8,546	**6,241**
Deferred Tax Liabilities		
- Financial Instruments	(6,612)	(2,922)
	(6,612)	**(2,922)**
NET DEFERRED TAX ASSETS	**1,934**	**3,319**

13. PAYABLES DUE TO OTHER FINANCIAL INSTITUTIONS

	2022 $000	2021 $000
Repurchase agreement with the RBA*	168,247	168,247
Electronic Certificates of Deposit issued	4,962	48,936
TOTAL PAYABLES TO OTHER FINANCIAL INSTITUTIONS	**173,209**	**217,183**
Maturity Analysis		
Not longer than 3 months	-	23,968
Longer than 3 and not longer than 6 months	4,962	24,968
Longer than 6 and not longer than 12 months	168,247	168,247
	173,209	**217,183**

*As at 30 June 2022, the Group had fully drawn from the RBA term funding facility (TFF) allowance of $168,000,000. Class A notes with a total face value of $227,040,000 were pledged in relation to this.

14. DEPOSITS

	2022 $000	2021 $000
Deposits		
- Call deposits	3,795,089	3,314,100
- Superannuation Savings Accounts	281,745	291,720
- Term deposits	591,013	853,021
Total deposits	**4,667,847**	**4,458,841**
Member withdrawable shares	581	649
TOTAL DEPOSITS & SHARES	**4,668,428**	**4,459,490**
Maturity analysis		
At call	4,077,415	3,606,469
Not longer than 3 months	278,996	440,241
Longer than 3 and not longer than 6 months	179,299	178,841
Longer than 6 and not longer than 12 months	109,374	188,040
Longer than 12 months and not longer than 5 years	23,344	45,899
	4,668,428	**4,459,490**

CUSTOMER OR INDUSTRY GROUPS

The majority of deposits are from employees and former employees of companies within the Qantas Group, associated companies, Commonwealth Government departments and authorities and from related or nominated persons or entities in accordance with the Constitution of the Bank. Deposits are also accepted from non-members and wholesale depositors.

CHARGE ON MEMBERS' ACCOUNTS

The Bank may charge the deposit accounts of a Member in relation to any debt owed by the member to the Bank.

Under the Corporations Act 2001, redeemable preference shares (member shares) may only be redeemed out of the Group's profit or through the new issue of shares for the purpose of the redemption. In previous periods the Group had transferred an amount equal to the value of redeemable preference shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Group), from retained earnings to the Capital Reserve Account. The Group's accounting policy was changed in 2019 to no longer recognise a specific reserve in equity and transferred the amount to retained earnings as of 30 June 2019. The value of members' shares is disclosed as a liability in Note 14 Deposits.

15. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2022 $000	2021 $000
Creditors and accruals	5,866	5,096
Interest payable on deposits	2,265	3,275
Sundry creditors	5,939	3,407
TOTAL CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS	**14,070**	**11,778**

16. TAXATION ASSETS AND LIABILITIES

	2022 $000	2021 $000
Current income tax (asset)/liability	1,643	2,044
TOTAL TAXATION (ASSET)/LIABILITIES	**1,643**	**2,044**
Current income tax liability comprises:		
Balance – previous year	2,044	1,509
Income tax paid	(7,389)	(5,883)
RSA tax liability	250	255
Liability for income tax in current year	6,710	6,245
(Over)/ understatement in prior year	28	(82)
	1,643	**2,044**

17. PROVISIONS

	2022 $000	2021 $000
Employee entitlements	4,992	4,476
Dispute resolution	283	283
TOTAL PROVISIONS	**5,275**	**4,759**
PROVISIONS MOVEMENTS		
Employee Entitlements		
Balance – previous year	4,476	4,126
Less amounts paid	(304)	(470)
Increase in provision	820	820
CLOSING BALANCE	**4,992**	**4,476**
Dispute Resolution		
Balance - previous year	283	-
Less amounts paid	-	-
Increase in provision	-	283
CLOSING BALANCE	**283**	**283**
TOTAL PROVISIONS	**5,275**	**4,759**

18. LEASE LIABILITY

	2022 $000	2021 $000
Opening Balance	9,538	10,721
Additions	-	608
Derecognition	-	(78)
Lease Payment	(2,066)	(1,918)
Other – Rent free	-	(91)
Interest Expense on Leases	254	296
BALANCE AT THE END OF YEAR	**7,726**	**9,538**
Maturity analysis – contractual undiscounted cash flows		
Less than 1 year	1,977	2,066
1 to 5 years	5,928	7,905
More than 5 years	299	299
TOTAL UNDISCOUNTED LEASE LIABILITIES AT THE END OF YEAR	**8,204**	**10,270**
LEASE LIABILITIES INCLUDED IN THE STATEMENT OF FINANCIAL POSITION AT END OF YEAR	**7,726**	**9,538**
Current	1,776	1,818
Non-current	5,950	7,720

19. RESERVES

	2022 $000	2021 $000
General Reserve for Credit Losses	1,796	1,796
Cash Flow Hedge Reserve	8,532	(83)
Financial Assets at FVOCI	1,400	6,817
TOTAL RESERVES	**11,728**	**8,530**
General Reserve for Credit Losses		
Balance at the beginning of the year	1,796	1,796
Add: Increase / (decrease) transferred from retained earnings	-	-
BALANCE AT THE END OF YEAR	**1,796**	**1,796**
This reserve records amounts set aside as a general provision for doubtful debts and is maintained to comply with the Prudential Standards set down by APRA.		
Cash Flow Hedge Reserve		
Balance at the beginning of the year	(83)	(998)
Movement of cash flow hedge	12,307	1,307
Effect of tax	(3,692)	(392)
BALANCE AT THE END OF YEAR	**8,532**	**(83)**
Financial Assets at FVOCI Reserve		
Balance at the beginning of the year	6,817	5,875
Fair value gain on available for sale financial assets	(7,738)	1,346
Effect of tax	2,321	(404)
BALANCE AT THE END OF YEAR	**1,400**	**6,817**

20. RETAINED EARNINGS

	2022 $000	2021 $000
Retained profits at the beginning of the financial year	292,775	278,240
Add: operating profit for the year	15,727	14,535
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR	**308,502**	**292,775**

21. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions that allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2022	Up to 3 months $000	Up to 12 months $000	1-5 years $000	Non interest bearing $000	Total $000
ASSETS					
Cash	171,593	-	-	560	**172,153**
Receivables	-	-	-	5,189	**5,189**
Financial assets at FVOCI:					
Shares in Indue Ltd	-	-	-	13,689	**13,689**
Certificates of deposit	79,846	49,526	-	-	**129,372**
Government Securities	239,376	19,810	-	-	**259,186**
Floating rate notes	81,198	118,098	378,228	-	**577,524**
Receivables due from other financial institutions	10,000	49,765	-	-	**59,765**
Loans & advances	2,628,186	203,737	1,115,217	-	**3,947,140**
Derivative Asset	180	5,383	6,624	-	**12,187**
Total Assets	**3,210,379**	**446,319**	**1,500,069**	**19,438**	**5,176,205**
LIABILITIES					
Payables to other financial institutions	173,209	-	-	-	**173,209**
Deposits from Members	4,355,830	288,673	23,344	-	**4,667,847**
Redeemable Preference Shares	-	-	-	581	**581**
Payables	-	-	-	2,265	**2,265**
Derivative Liability	-	-	-	-	**-**
Total Liabilities	**4,529,039**	**288,673**	**23,344**	**2,846**	**4,843,902**

21. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2021	Up to 3 months $000	Up to 12 months $000	1-5 years $000	Non interest bearing $000	Total $000
ASSETS					
Cash	176,585	-	-	571	**177,156**
Receivables	-	-	-	3,712	**3,712**
Financial assets at FVOCI:					
Shares in Indue Ltd	-	-	-	11,596	**11,596**
Certificates of deposit	156,934	31,969	-	-	**188,903**
Government Securities	204,080	94,974	-	-	**299,054**
Floating rate notes	711,044	-	-	-	**711,044**
Receivables due from others financial institutions	-	29,765	-	-	**29,765**
Loans & advances	2,871,657	143,050	535,960	-	**3,550,667**
Derivative Asset	-	-	-	-	**-**
Total Assets	**4,120,300**	**299,758**	**535,960**	**15,879**	**4,971,897**
LIABILITIES					
Payables to other financial institutions	217,183	-	-	-	**217,183**
Deposits	4,046,061	366,881	45,899	-	**4,458,841**
Redeemable Preference Shares	-	-	-	649	**649**
Payables	-	-	-	3,275	**3,275**
Derivative Liability	166	276	(323)	-	**119**
Total Liabilities	**4,263,410**	**367,157**	**45,576**	**3,924**	**4,680,067**

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	2022			2021		
	Fair Value $000	Book Value $000	Fair Value Level	Fair Value $000	Book Value $000	Fair Value Level
FINANCIAL ASSETS						
Investment Securities:						
Shares in Indue Ltd	13,689	13,689	Level 3	11,596	11,596	Level 3
Certificates of deposit	129,372	129,372	Level 2	188,903	188,903	Level 2
Government Securities	259,186	259,186	Level 2	299,054	299,054	Level 2
Floating rate notes	577,525	577,525	Level 2	711,044	711,044	Level 2
With other financial institutions	59,831	59,765	Level 2	29,765	29,765	Level 2
Derivative asset	12,187	12,187	Level 2	-	-	Level 2
Loans & advances	3,923,374	3,932,157	Level 2	3,548,454	3,550,667	Level 2
FINANCIAL LIABILITIES						
Payables to Other Financial Institutions	173,213	173,209	Level 2	217,218	217,183	Level 2
Deposits	4,664,511	4,667,847	Level 2	4,461,113	4,458,841	Level 2
Derivative liability	-	-	Level 2	119	119	Level 2

Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There have been no transfers between levels for the year ended 30 June 2022.

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following methods and assumptions are used to determine the fair values of financial assets and liabilities, including those where the carrying amount is a reasonable approximation of fair value.

CASH ASSETS

The carrying amounts approximate fair value because of their short term to maturity or are receivable on demand.

RECEIVABLES

The carrying amount approximates fair value because of their short term to maturity.

INVESTMENT SECURITIES

For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment / security.

LOANS AND ADVANCES

For variable rate loans, (excluding impaired loans) the amount shown in the Statement of Financial Position is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio's future principal and interest cash flows), based on the maturity of the loans. The discount rates applied are based on the current applicable rate offered for the average remaining term of the portfolio.

The fair value of impaired loans is calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

OTHER ASSETS

The carrying amount approximates fair value as they are short term in nature.

DEPOSITS

The book value of non-interest bearing, call and variable rate deposits, and fixed rate deposits is the amount shown in the Statement of Financial Position as at 30 June 2022. Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the fair value of other term deposits to members.

PAYABLES

The carrying value of payables approximates their fair value as they are short term in nature and reprice frequently.

DERIVATIVES

The fair value of derivatives is calculated by discounting expected cash flows using applicable market rates.

INDUE

Level 3 fair values	$000
Balance at 1 July 2020	11,073
- Net change in fair value recognised in OCI	523
Balance at 30 June 2021	11,596
Balance at 1 July 2021	11,596
- Net change in fair value recognised in OCI	2,093
Balance at 30 June 2022	13,689

FAIR VALUE FOR INDUE

The investment consists of shares in an unlisted entity which are not actively traded. In the current financial year, the fair value of these assets has been estimated based on the net asset value per share of the underlying investment. If there are recent transactions of the shares management will also consider the pricing of those transactions. There have been no transaction of the shares in the current financial year. The fair value through other comprehensive income investment is categorised at Level 3 in the fair value hierarchy given the lack of visibility of these valuation variables.

23. FINANCIAL COMMITMENTS

		2022 $000	2021 $000
a.	**Outstanding loan commitments**		
	Loans approved but not funded	**136,657**	**134,176**

The loans will be made available at the discretion of Management and the Board subject to the availability of funds, anticipated to be drawn down within 6 months.

		2022 $000	2021 $000
b.	**Outstanding overdraft commitments**		
	Member overdraft facilities approved but not funded	**36,832**	**39,541**

There are no restrictions as to the utilisation of such overdraft facilities.

		2022 $000	2021 $000
c.	**Outstanding credit card commitments**		
	Member credit card facilities approved but not funded	**59,266**	**62,325**
d.	**Loan Redraw Facilities**		
	Loan Redraw facilities available	**396,232**	**371,973**

e. **Material Contracts**

The Group signed an addendum to a contract with Data Action Pty. Ltd. who provide computer facilities, management services and associated support services. The contract addendum extended the term of the agreement for a period of at least to 31 July 2020. Post 31 July 2020 the contract can be terminated at Qudos discretion with 90 days notice, while Data Action can give 12 months notice to termination. The fees payable over the next years are as follows:

	2022 $000	2021 $000
Within 1 year	822	810
Later than 1 year but not exceeding 5 years	-	-
	822	**810**

f. **Contingent Liabilities and Contingent Assets**

The Directors of the Group are of the opinion that there are no contingent liabilities or assets requiring disclosure.

24. STANDBY BORROWING FACILITIES

Unrestricted access to the following credit facilities with a bank and an Authorised Deposit-taking Institution are held:

2022	Gross $000	Current Borrowing $000	Net Available $000
Unsecured Overdraft	11,100	-	11,100
TOTAL STANDBY BORROWING FACILITIES	**11,100**	**-**	**11,100**
2021	**Gross $000**	**Current Borrowing $000**	**Net Available $000**
Unsecured Overdraft	11,100	-	11,100
TOTAL STANDBY BORROWING FACILITIES	**11,100**	**-**	**11,100**

25. RELATED PARTIES

A. REMUNERATION OF KEY MANAGEMENT PERSONNEL (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

Key management personnel have been taken to comprise the Directors and the three Members (2021: three Members) of the executive management responsible for the day-to-day financial and operational management of the Group.

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

	2022 $	2021 $
(a) Short-term employee benefits	1,953,347	1,693,633
(b) Post-employment benefits - superannuation contributions	132,021	158,810
(c) Other long-term benefits	29,051	25,000
Total	**2,114,419**	**1,877,443**

25. RELATED PARTIES (CONTINUED)

In the preceding table, remuneration shown as short term benefits means (where applicable) wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the Members at the 2016 Annual General Meeting of the Bank.

*B. LOANS TO KEY MANAGEMENT PERSONNEL

		2022 $	2021 $
(i)	The aggregate value of loans to key management personnel as at balance date amounted to	**4,258,216**	**4,280,030**
(ii)	The total value of revolving credit facilities to key management personnel, as at balance date amounted to:	-	-
	Less amounts drawn down and included in (i)	-	-
	Net balance available	**-**	**-**
(iii)	During the year the aggregate value of loans disbursed to key management personnel amounted to:		
	Revolving credit facilities	-	-
	Term Loans	2,126,276	2,537,433
		2,126,276	**2,537,433**
(iv)	During the year the aggregate value of repayments received amounted to:	**2,251,824**	**2,092,679**
(v)	Interest and other revenue earned on Loans and revolving credit facilities to KMP	**103,734**	**122,511**

The Group's policy for lending to Directors and Management is that all loans are approved and deposits accepted on the same terms and conditions that applied to Members for each class of loan or deposit.

There are no loans that are impaired in relation to the loan balances with Directors or other KMP.

There are no benefits or concessional terms and conditions applicable to the close family members of the key management persons. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and other KMP.

*Disclosures in both periods have been reclassified to present only those balances relating to active KMP's in those respective years.

25. RELATED PARTIES (CONTINUED)

*C. OTHER TRANSACTIONS BETWEEN RELATED PARTIES INCLUDING DEPOSITS FROM KEY MANAGEMENT PERSONNEL ARE:

	2022 $	2021 $
Total value term and savings deposits from KMP	**247,939**	**108,362**
Total interest paid on deposits to KMP	**110**	**73**

The Group's policy for receiving deposits from KMP is that all transactions are approved and deposits accepted on the same terms and conditions that applied to Members for each type of deposit.

*Disclosures in both periods have been reclassified to present only those balances relating to active KMP's in those respective years.

D. TRANSACTIONS WITH OTHER RELATED PARTIES

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other KMP. The Group's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions that applied to Members for each type of deposit.

There are no benefits paid or payable to the close family members of the key management personnel.

26. MEMBERSHIP

A. ELIGIBILITY

Membership is available to employees and former employees of companies within the Qantas Group, associated companies and industries, Commonwealth Government departments and authorities and nominated or related persons or entities in accordance with the Constitution of the Bank.

All Members are required to hold five redeemable preference shares of $2 each in accordance with member eligibility. From 1 April 2010, the Bank ceased calling up the share capital and for all new Members who joined the Bank since this date, the share capital remains uncalled.

B. TOTAL MEMBERSHIP

	2022 Number	2021 Number
Total Membership	**89,879**	**100,303**
Of which fully paid	57,799	64,597
Of which uncalled	32,080	35,706

27. SUPERANNUATION LIABILITIES

The Group contributes to the Qantas Superannuation Plan ("the Plan") with other entities in the Qantas Airways Group. For all employees the Group contributes the minimum required under the Superannuation Guarantee Act (1992) plus additional contributions are made for those eligible permanent employees. Employees may also make additional contributions to the Plan, depending on their circumstances. All employees are entitled to benefits on resignation, retirement, disability or death. The Group has no interest in the Plan (other than as a contributor) and is not liable for the performance of the Plan, or the obligations of the Plan. The Group contributed $1,825,965 to the Plan during the 2022 financial year, ($1,632,767 in 2021). No contributions were outstanding as at 30 June 2022.

28. NOTES TO STATEMENT OF CASH FLOWS

		2022 $000	2021 $000
a.	**Reconciliation of Cash and Cash equivalents**		
	For the purpose of the Statement of Cash Flow, cash includes:		
	Cash on hand	560	571
	Deposits at call	134,571	143,593
	Other Financial Institutions	37,022	32,992
	TOTAL CASH AND CASH EQUIVALENTS	**172,153**	**177,156**
b.	**Reconciliation of cash from operations to accounting profit**		
	The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
	Profit after income tax	15,727	14,535
	Add/(Deduct):		
	Bad debts written off	163	382
	Depreciation & amortisation expense	3,898	3,937
	Profit on disposal of plant and equipment	(48)	(64)
	(Decrease)/increase in provision for impairment	(117)	(364)
	(Decrease)/increase in provisions for employee entitlements	516	350
	(Decrease)/increase in provision for income tax	(401)	535
	Increase / (decrease) in provision for Dispute Resolution	-	283
	(Increase)/decrease in net deferred tax assets	1,385	1,039
	(Decrease) in interest payable	(1,010)	(3,285)
	Increase in creditors and other liabilities	871	972
	Decrease/(increase) in prepayments	(3,868)	(1,522)
	Decrease/(increase) in sundry debtors	(52)	(26)
	(Increase)/decrease in interest receivable	(1,565)	(928)
	(Increase) in Member loans	(381,536)	(94,122)
	Increase in deposits and shares	171,826	501,756
	(Increase)/in receivables from other financial institutions	193,087	(400,898)
	NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**(1,124)**	**22,580**

29. FINANCIAL RISK MANAGEMENT

A. INTRODUCTION AND OVERVIEW

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This Note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing those risks, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established both a Risk Committee and Audit Committee to oversee the financial reporting, audit and risk management processes.

The Risk Committee is comprised of not less than three non-executive Directors.

The Risk Committee's major activities are to:

- Assist the Board to update and regularly review the Group's risk profile, including the Group's risk appetite;
- Assist the Board to review the Group's policy on risk and review the Group's system of risk management and internal control, having regard to the Group's material business risks. These risks may include but are not limited to:
  - Credit risk;
  - Liquidity risk;
  - Market risk (funding risk and interest rate risk);
  - Operational risk (risks attributable to the daily operations of the Group, such as data, legal, fraud, property and asset); and
  - Other risks which if not properly managed will affect the Group (such as environmental, sustainability, compliance, strategic, external, ethical conduct, reputation or brand, technological, product or service quality and human capital).
- Oversee, monitor and review the Group's system of risk management, policies and procedures;
- Report to the Board on all material matters arising from its review and monitoring functions by the provision to the Board of the Committee's minutes of meetings or by special report, as appropriate;
- Review and make recommendations on any changes to risk limit structures; and
- Oversee and monitor Management's annual risk assessment.

The Audit Committee is comprised of not less than three non-executive Directors, the majority of who must be independent. The Chair of the Board cannot be Chair of the Audit Committee.

The Audit Committee's major activities are to:

- recommend to the Board the appointment of both the internal and external auditor;
- monitor reports received from internal audit and external audit, and management's responses thereto;
- Liaise with the auditors (internal and external) on the scope of their work, and experience in conducting an effective audit;
- Ensure that external auditors remain independent in the areas of work conducted;
- Oversight compliance with statutory responsibilities relating to financial disclosure and management information reporting to the Board;
- Review and approve the compliance approach, ensuring that it covers all material risks and financial reporting requirements of the Group;
- Assist the Board in the engagement, performance assessment and remuneration of the auditors;
- Evaluate the adequacy and effectiveness of the Group's administrative, operating and accounting policies;
- Monitor and review the propriety of any related party transactions;
- Overseeing APRA statutory reporting requirements, as well as other financial reporting requirements; and
- Establish and maintain policies and procedures for whistle blowing.

B. CREDIT RISK

Credit risk is the risk of financial loss to the Group if a Member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to Members, liquid investments and investment securities.

Management of credit risk – loans and advances

The Board of Directors has delegated responsibility for the management of credit risk to the Lending & Credit Control departments in respect of loans and advances. The Group has established functional areas responsible for the oversight of the Group's credit risk, including:

- Formulating credit policies covering credit assessment, collateral requirements, reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are delegated by the Board of Directors and are detailed within policy;
- Total loan facilities to any one member or family group exceeding $5,000,000 requires the approval of the CEO and the Executive Manager – Retail Banking.
- Limit concentrations of exposure to counterparties. Total borrowings for any Member must not exceed 5% of the Group's tier 1 capital;
- Reviewing and assessing credit risk. The Credit Control department assesses all credit exposures where they are in breach of contractual obligations;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit quality – lending portfolios

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. The Bank sets aside provisions for impairment of loans in accordance with its internal policies and procedures, which comply with AASB 9 Financial Instruments: Recognition and Measurement and APRA's APS 220 Credit Quality.

The following table sets out information about the overdue status of loans and advances to members in Stage 1, Stage 2 and Stage 3 as defined in Note 1. The distribution of loans and advances by credit quality at the reporting date was:

	2022 Stage 1 $000	 Stage 2 $000	 Stage 3 $000	Total 2022 $000	Total 2021 $000
Mortgage loans					
Current & less than 30 days	2,965,068	922,329	-	3,887,397	3,525,630
31 days & less than 60 days	-	21,937	-	21,937	1,175
61 days & less than 90 days	-	4,026	-	4,026	1,989
91 days & less than 120 days	-	-	609	609	1,434
Greater than 120 days	-	-	4,054	4,054	2,493
Total Mortgage Loans	-	-	-	**3,918,023**	**3,532,721**
Personal loans					
Current & less than 30 days	16,699	11,862	-	28,561	32,627
31 days & less than 60 days	-	334	-	334	146
61 days & less than 90 days	-	99	-	99	77
91 days & less than 120 days	-	-	30	30	77
Greater than 120 days	-	-	93	93	119
Total Personal Loans	-	-	-	**29,117**	**33,046**
Total Loans	**-**	**-**	**-**	**3,947,140**	**3,565,767**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Management of credit risk – liquid investments

The risk of losses from liquid investments is reduced by the nature and quality of the independent rating of the counterparty, and the limits of concentration of investments to any individual counterparty. The Group will only hold investments with Authorised Deposit-taking Institutions (ADIs) trading in Australia and Australian Federal and State Governments. Any exposures to any individual ADI (or group) will not exceed 25% of the Group's Tier 1 capital. There is no set limit for government counterparties.

In addition to limiting counterparty exposures, the Group will only hold High Quality Liquid Investments (HQLA), assets which can be easily converted into cash in private markets, within the range detailed below:

Credit Rating Grade	Minimum % of investments	Maximum % of investments	Investments as at 30 June 2022
Credit Rating Grade 1 or 2	50%	100%	85.4%
Credit Rating Grade 3	0%	50%	14.6%

Management of credit risk – equity investments

In respect of equity investments, the Board must approve any equity holding, and will have regard to the size and risks associated with any proposed investment to ensure it will not have a detrimental effect on the Group's capital position.

The Board has approved the holding of membership and participation equity in Indue Limited and future equity subscriptions. The equity may be in the form of shares and/or subordinated debt. The level of equity is based on the assets of the Group and is reviewed twice yearly. The Constitution of Indue Limited also provides for deferral of equity subscriptions if, in Indue Limited's assessment, it holds sufficient capital. The Group is required at all times to hold sufficient equity in Indue Limited to support the services sourced from them, which may be raised from time to time. Indue Limited is an ADI supervised by APRA. The Group will obtain APRA's approval before committing to any exposure to an unrelated entity in excess of prescribed limits.

Impaired loans

Loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

Loans where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. Currently there are 5 restructured loans totalling $1.8m.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Allowances for impairment

The Group uses an Expected Credit Loss model as defined in AASB 9. Details are included in Note 1i.

Write-off policy

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-offs. This assessment is carried out at the individual asset level. Recoveries of amounts previously written-off are included in the impairment of loans and advances line in the Income Statement.

Collateral

Where the Group holds collateral against loans and advances to Members, it is in the form of mortgage interests over property, other registered securities over assets, and guarantees. 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.

An estimate of the fair value of collateral and other security enhancements held against past due and impaired financial assets are shown below:

Loans and advances to Members

Loans and advances to Members	2022 $000	2021 $000
Stage 3 Lifetime	4,663	3,927
Collateral value of loans	9,422	6,835

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Group does not use or take repossessed properties for business use. During the year ended 30 June 2022, the Group took possession of nil collateral (30 June 2021: nil).

LVR Summary

LVR Buckets	2022 $000	2021 $000
0 – 60%	1,507,470	1,362,328
60.01 – 80%	1,938,912	1,614,385
80.01 – 90%	392,750	423,586
90.01 – 100%	106,367	163,057
100% +	1,641	2,411
Total	**3,947,140**	**3,565,767**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group monitors concentration of credit risk by purpose. An analysis of concentrations of credit risk at the reporting date is shown below:

	2021 $000	2021 $000
Residential loans	3,918,023	3,532,721
Personal loans	29,117	33,046
Total gross loans	**3,947,140**	**3,565,767**

The Group also monitors the investment options in the market based on the credit rating of the counter party. An analysis of concentrations of investment credit risk at the reporting date is shown below:

	2022 $000	2021 $000
Short Term Rating (Standard and Poors or equivalent)		
A1 and above	850,753	927,877
A2	197,588	330,662
A3	4,991	-
Unrated	144,081	146,390
Total	**1,197,413**	**1,404,929**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

C. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting Member withdrawal requests in a timely manner.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds available to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses.

The Group maintains a portfolio of short term liquid assets to ensure that sufficient liquidity is maintained for daily operational requirements.

The Group has documented its strategy to manage liquidity risk in a liquidity policy and liquidity management plan which includes the following activities by Management:

- On a daily basis, an assessment is made of the daily cash position and the investment action to be undertaken.
- On a daily basis, a summary of the Group's liquidity position, including movements in major liquid assets and liabilities is reviewed.
- On a monthly basis, the liquidity position is reported to the Board, including an explanation of significant movements and corrective action taken, where applicable.
- Periodically liquidity forecasts and associated "stress-tested" worst-case scenarios are modelled and reported to the Risk Committee.
- Regularly reporting current and emerging liquidity management trends to the Risk Committee and highlighting risk areas and relevant market conditions/expectations.

Management provides an annual budget to the Board, which includes details of the Group's forecast liquidity position. Monthly Board reporting includes tracking against the budgeted forecast position.

APRA Prudential Standards require at least 9% of total adjusted liabilities to be held as liquid assets capable of being converted to cash within 48 hours. The Group's policy is to apply a minimum target of 11.5% (2021:11.5%) of funds as liquid assets to maintain adequate funds for meeting daily cash flow needs. A trigger level of 13% (2021:13%) has been set for a detailed review of liquidity levels by the Group to provide sufficient time for remedial action to be taken. During the past year the Group did not breach these requirements.

The liquidity policy and management plan are reviewed at least annually by the Risk Committee, with the policy then approved by the Board.

The liquidity ratio is calculated based on the formula prescribed by APRA in APS 210 as can be seen below:

	2022 $000	2021 $000
High quality liquid assets	1,099,245	1,320,487
Total Liabilities Base	5,403,199	5,211,059
Liquidity Ratio	**20.34%**	**25.34%**
MLH Ratio	**20.34%**	**25.34%**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

The residual contractual maturities of the financial liabilities are outlined in the table below:

30 June 2022 On Statement of Financial Position	Note	Carrying amount $000	Gross nominal (outflows) $000	Less than 1 month $000	1 – 3 months $000	3 months to 1 year $000	1 – 7 years $000
Financial Inst.	13	173,209	173,209	-	-	4,962	168,247
Deposits	14	4,668,428	4,670,854	4,181,408	162,435	286,469	40,542
Creditors and accruals	15*	11,805	11,805	11,805	-	-	-
Derivative Liability		-	-	-	-	-	-
Lease Liability	18	7,726	8,204	-	512	1,465	6,227
Subtotal		**4,861,168**	**4,864,072**	**4,193,213**	**162,947**	**292,896**	**215,016**
Off Statement of Financial Position							
Commitments to extend credit	23	136,657	136,657	136,657	-	-	-
Total		**4,997,825**	**5,000,729**	**4,329,870**	**162,947**	**292,896**	**215,016**

30 June 2021 On Statement of Financial Position	Note	Carrying amount $000	Gross nominal (outflows) $000	Less than 1 month $000	1 – 3 months $000	3 months to 1 year $000	1 – 5 years $000
Financial Inst.	13	217,183	217,183	6,975	16,993	24,968	168,247
Deposits	14	4,459,490	4,470,792	3,718,199	199,267	399,105	154,221
Creditors and accruals	15*	8,503	8,503	8,503	-	-	-
Derivative Liability		119	119	52	114	276	(323)
Lease Liability	18	9,538	10,270	-	509	1,557	8,204
Subtotal		**4,694,833**	**4,706,867**	**3,733,729**	**216,883**	**425,906**	**330,349**
Off Statement of Financial Position							
Commitments to extend credit	23	134,176	134,176	134,176	-	-	-
Total		**4,829,009**	**4,841,043**	**3,867,905**	**216,883**	**425,906**	**330,349**

*excluding interest payable and PAYG tax

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

D. MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, equity prices or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Group is exposed to interest rate risk arising from changes in market interest rates. However, the Group is not exposed to currency risk and other price risk as the Board prohibits trading in financial instruments.

Overall authority for market risk is vested in the Board. The Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by the Board) and review of their implementation.

Exposure to market risks

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The main tool used to measure and control market risk exposure within the Group's non-trading portfolio is Value at Risk (VaR). The VaR of the non-trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99% confidence level and assumes a 20-day holding period. The VaR model used is based mainly on historical simulation, taking account of market data from the previous two years, and observed relationships between different markets and prices. The model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 20-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR.
- A 250-day observation period. The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Group uses VaR limits for interest rate risk. The interest rate risk policy which details the overall structure of VaR limits is subject to review and approval by Risk Committee and the Board. The VaR limit has been set at a maximum of 3% of Capital. VaR is measured monthly and reported to the Board at each meeting. A detailed VaR report is provided to the Risk Committee on a monthly basis.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

A summary of the VaR position of the Group's non-trading portfolio at 30 June is as follows:

	2022 (% of Capital)	2021 (% of Capital)
At 30 June	0.26%	0.24%

A summary of the Group's interest rate gap position can be seen in note 21.

The management of interest rate risk also involves the monitoring of the sensitivity of the Group's financial assets and liabilities to a parallel shift across the yield curve. An analysis of the Group's sensitivity to a 200 basis points increase in market interest rates is as follows:

	2022 (% of Capital)	2021 (% of Capital)
At 30 June	0.66%	1.18%

Derivative assets and liabilities

The Group enters into derivative transactions which are designated and qualify as cash flow hedges, for at call deposits. The Group adopted hedge accounting on 1 July 2013.

The Group uses interest rate swaps to protect against changes in cash flows of certain fixed rate loans. For the year ended 30 June 2022, the Group recognised a profit of $nil (2021: $nil), which represents the ineffective portion of the cash flow hedges.

The effective portion of gains or losses on derivative contracts designated as cash flow hedges are initially recorded in the Cash Flow Hedge Reserve but are reclassified to current period earnings when the hedged cash flow occurs.

During the year ended 30 June 2022, the Group did not enter into any swaps designated in cash flow hedge relationships.

2022	Notional value $000	2022 Fair value asset $000	Fair value liability $000
Derivatives designated as cash flow hedges	489,000	12,187	-

Below is the schedule indicating as at 30 June 2022, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2022	Within 1 year $000	1 - 2 years $000	2 - 3 years $000	3 - 4 years $000
Cash outflows	(6,661)	(5,440)	(614)	(1)
Cash inflows	12,214	11,617	1,360	7
Net cash flows	**5,553**	**6,177**	**746**	**6**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

2021	Notional value $000	2021 Fair value asset $000	Fair value liability $000
Derivatives designated as cash flow hedges	295,000	-	119

2021	Within 1 year $000	1 - 2 years $000	2 - 3 years $000
Cash outflows	(951)	(594)	(333)
Cash inflows	509	728	523
Net cash flows	**(442)**	**134**	**190**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the first three columns of the tables below.

30 June 2022	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of financial assets $000	Gross amounts set off in the balance sheet $000	Net amount of financial assets presented in the balance sheet $000	Amounts subject to master netting arrangements and cash collateral $000	Net amounts $000
Financial assets					
Derivative financial instruments	12,187	-	12,187	-	12,187
Financial liabilities					
Derivative financial instruments	-	-	-	-	-

30 June 2021	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of financial assets $000	Gross amounts set off in the balance sheet $000	Net amount of financial assets presented in the balance sheet $000	Amounts subject to master netting arrangements and cash collateral $000	Net amounts $000
Financial assets					
Derivative financial instruments	-	-	-	-	-
Financial liabilities					
Derivative financial instruments	119	-	119	-	119

Master netting arrangement

Agreements with derivative counter parties are based on the 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 counter party in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the above table.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

E. OPERATIONAL RISK

Operational risk is a risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks (such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour). Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk, so as to balance the avoidance of financial loss and damage to the Group's reputation, against excessive cost and control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each business unit. This responsibility is supported by the development of the Group's overall standards for management of operational risk in the following areas:

- Compliance with regulatory and other legal requirements;
- Third party supplier relationships;
- Business continuity and contingency planning;
- People & key person risk including training and professional development;
- Outsourcing risk associated with materially outsourced services;
- Competition risk;
- Fraud risk;
- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with the Group's standards is supported by a program of periodic reviews undertaken by Internal Audit and Compliance. The results of these reviews are discussed with the management of the business unit to which they relate and are reported to the Audit & Compliance Committee.

F. CAPITAL MANAGEMENT

The Group is licensed as an ADI under the Banking Act 1959 and is subject to prudential supervision by APRA. APRA has issued a series of prudential standards to implement the Basel II capital framework which took effect from 1 January 2008. The Basel III measurement and monitoring of Capital has been effective since 1 January 2013.

The Basel III standards include *APS 110 Capital Adequacy which:*

(a) Imposes on the Board a duty to ensure that the Group maintains an appropriate level and quality of capital commensurate with the level and extent of the risks to which the Group is exposed from its activities; and

(b) Obliges the Group to have in place an Internal Capital Adequacy Assessment Process (ICAAP).

The Group has documented its strategy to manage capital in a capital policy and capital management plan.

Under Basel III framework, the regulatory capital is divided into Common Equity Tier 1, Additional Tier 1, and Tier 2 Capital. Common Equity Tier 1 capital consists of retained earnings and capital reserve less intangible assets and other regulatory adjustments. Tier 2 Capital consists of collective impairment reserve. Total capital is the aggregate of Tier 1 and Tier 2 capital.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital Adequacy is measured by means of a risk based capital ratios. The capital ratios reflect capital as a percentage of total risk weighted assets.

The Group is required to maintain at least 12.5% capital. The Group's policy is to apply a minimum target of 13.5% capital. A trigger level of 14% has been set by the Board to provide sufficient time for remedial action to be taken.

The Group's regulatory capital position at 30 June was as follows:

	2022 $000	2021 $000
Tier 1 Capital		
General reserves	301,566	283,891
Current year earnings	15,727	14,535
Upfront fee income	-	-
Less: Deferred tax assets	(1,934)	(3,319)
Less: Intangible assets	(2,892)	(1,908)
Less: Other capitalised expenses	88	(112)
Less: Equity investment in other ADI's	(3,743)	(3,743)
Less: Fair value adjustments	(9,932)	(6,734)
Total	298,880	282,610
Tier 2 Capital		
GRCL as determined for regulatory purposes	13,061	14,525
Total	13,061	14,525
Total regulatory capital	**311,941**	**297,135**
Risk weighted assets		
Credit risk	1,797,113	1,759,578
Operational risk	291,101	269,155
Total risk weighted assets	2,088,214	2,028,733
Capital ratios	**14.94%**	**14.65%**

30. SUBSEQUENT EVENTS

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

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2022 the parent of the Group was the Bank.

	2022 $000	2021 $000
Result of parent entity		
Profit for the year	15,727	14,535
Other comprehensive income	3,198	1,857
Total comprehensive income for the year	**18,925**	**16,392**
Financial position of parent entity at year end		
Total assets	6,614,401	6,487,007
Total liabilities	6,294,171	6,185,701
Total equity of parent entity comprising of:		
Reserves	11,728	8,530
Retained earnings	308,502	292,775
Total equity	**320,230**	**301,305**

We are humbled that our customer-first mindset has been recognised across the banking industry and know that these awards would not be possible without the commitment to outstanding customer service demonstrated by our people, especially those working in our frontline teams.

MICHAEL ANASTASI
CHIEF EXECUTIVE OFFICER

For all life's destinations

Qudos Mutual Limited trading as Qudos Bank

A.B.N. 53 087 650 557 Incorporated in Australia
30 June 2022 – Annual Consolidated Financial Statements
QUDOS0061/10 Registered Office: 191 O'Riordan St, Mascot NSW 2020