

# Notice of Annual General Meeting

Notice is hereby given that the Sixty First Annual General Meeting of Members of Qudos Mutual Limited will be held at 5pm on Wednesday 25 November 2020 as a virtual AGM. Members can participate, vote and ask questions in the meeting by registering at [web.lumiagm.com/376506481](http://web.lumiagm.com/376506481). Members can vote prior to the meeting by using a unique link that will be sent to them via email prior to the meeting, or by entering their Member number and postcode at [www.investorvote.com.au/qudos](http://www.investorvote.com.au/qudos).

## Agenda

### 1. Opening and Apologies

### 2. Minutes of the 2019 Annual General Meeting

- a. Confirmation of the Minutes of the sixtieth Annual General Meeting held on Wednesday 27 November 2019.
- b. Matters arising from the minutes.

### 3. Reports

Receipt and consideration of the Annual Report 2020 including:

- |  |                                      |
|--|--------------------------------------|
| a. Chairman's Report to Members                | g. Directors' Declaration            |
| b. Chief Executive Officer's Report to Members | h. Income Statement                  |
| c. Directors' Report                           | i. Statement of Changes in Equity    |
| d. Lead Auditor's Independence Declaration     | j. Balance Sheet                     |
| e. Corporate Governance Statement              | k. Statement of Cash Flows           |
| f. Independent Audit Report                    | l. Notes to the Financial Statements |

### 4. Directors

- a. Declaration of the result of the ballot for the election of Directors.

### 5. Special Business:

- a. **Resolution 1 – Amendments to Qudos Bank's Constitution to enable Qudos Bank to meet the definition of "mutual entity" under the Corporations Act**

To consider, and if thought fit, pass the following special resolution:

**THAT** in accordance with section 136(2) of the Corporation Act, Qudos Bank's Constitution be modified to enable Qudos Bank to satisfy the definition of "mutual entity" under the Corporations Act, by making the amendments to articles 10.14(a)(ii)(A), 10.14(a)(ii)(B), 10.14(a)(ii)(C), 10.18(b), 10.18(b)(i)(A) and 10.18(b)(i)(B) contained in a copy of Qudos Bank's Constitution marked to show the proposed changes which has been tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification.

- b. **Resolution 2 (Contingent Resolution) – Amendments to Qudos Bank's Constitution to permit issuance of mutual capital instruments (MCIs)**

To consider, and if thought fit, pass the following special resolution:

**THAT** Qudos Bank's Constitution be modified to allow Qudos Bank to issue mutual capital instruments (MCIs) in accordance with the Corporations Act, by making the amendments, other than the amendments noted in Item 5(a), contained in the copy of Qudos Bank's Constitution marked to show the proposed changes which has been tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification.

A copy of Qudos Bank's Constitution marked to show the proposed changes to it is available from Qudos Bank's website at [qudosbank.com.au/AGM](http://qudosbank.com.au/AGM)

Resolution 2 (Contingent Resolution) is subject to and contingent on Resolution 1 being passed by the required 75% of votes cast by Members. If Resolution 1 is not passed, the Contingent Resolution will not be put to the meeting.

### 6. General Business

### 7. Closure

By Order of the Board      Dated: 18 September 2020  
Cindy Hansen  
Company Secretary



### Resolution 1:

#### Please note that:

1. A Member of the Company entitled to attend and to vote is entitled to appoint a proxy.
2. A proxy need not be a Member of the Company.
3. A Member who is entitled to cast 2 or more votes may appoint 2 (but no more than 2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

### Resolution 2:

#### Please note that:

1. A Member of the Company entitled to attend and to vote is entitled to appoint a proxy.
2. A proxy need not be a Member of the Company.
3. For the avoidance of doubt, a Member is entitled to 1 vote for each capacity in which the person is a Member. A Member who is entitled to cast 2 or more votes (i.e. 1 vote for each capacity in which the person is a Member) may appoint 2 (but no more than 2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

Proxies must be produced to the Company **at least 48 hours prior to the Meeting**, i.e. by 5pm on Monday 23 November 2020.

Proxies are regulated by sections 249X to 250C of the *Corporations Act* and sections 44 to 48 of the Company's Constitution.

The proxy form is available by calling 1300 747 747 or on our website **quodosbank.com.au/AGM**.

Proxies will be accepted if they are produced in the following manner:

- » By mail or delivery to the registered office at Level 8, 191 O'Riordan Street, Mascot NSW 2020; or
- » By mail to the Returning Officer at Reply Paid 2062 Melbourne VIC 8060; or
- » By email to the Returning Officer at [sydreturningofficer@computershare.com.au](mailto:sydreturningofficer@computershare.com.au).

Any enquiries regarding appointment of proxies should be directed to the Returning Officer, email [sydreturningofficer@computershare.com.au](mailto:sydreturningofficer@computershare.com.au).

# Explanatory Statement

## Agenda Item 5

### Item 5(a) Amendments to Qudos Bank's Constitution to enable Qudos Bank to meet the definition of "mutual entity" under the Corporations Act

#### Resolution

The Board recommends the following special resolution:

*"That, in accordance with section 136(2) of the Corporation Act, Qudos Bank's Constitution be modified to enable Qudos Bank to satisfy the definition of "mutual entity" under the Corporations Act, by making the amendments to articles 10.14(a)(ii)(A), 10.14(a)(ii)(B), 10.14(a)(ii)(C), 10.18(b), 10.18(b)(i)(A) and 10.18(b)(i)(B), contained in a copy of the Qudos Bank's Constitution marked to show the proposed changes which has been tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification."*

### Item 5(b) Amendments to Qudos Bank's Constitution to permit issuance of mutual capital instruments (MCIs)

#### Resolution

The Board recommends the following special resolution:

*"That Qudos Bank's Constitution be modified to allow Qudos Bank to issue mutual capital instruments (MCIs) in accordance with the Corporations Act, by making the amendments, other than the amendments noted in Item 5(a), contained in the copy of Qudos Bank's Constitution marked to show the proposed changes which has been tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification."*

#### Background

1. In 2019, The Federal Government created new legislation that formally recognised mutual entities. On 6 April 2019, the *Treasury Laws Amendment (Mutual Reforms) Act 2019* (Cth) (**Mutual Reforms**) commenced. The Mutual Reforms amended the Corporations Act to, among other things:
  - a. introduce the concept of a "mutual entity" into the Corporations Act (being a company in which each member has no more than one vote for each capacity in which the person is a member);
  - b. expressly permit mutual entities registered as public companies under the Corporations Act to issue equity capital without risking their mutual structure or status; and
  - c. provide a standard process to allow eligible mutual entities to amend their constitutions to take advantage of the reforms (the **Special Procedure**).
2. The Mutual Reforms enable eligible mutual entities to raise funds through the issuance of MCIs, a bespoke new financial instrument for mutual entities. This will allow eligible mutual entities to raise money through the issuance of shares, without relying solely on debt or retained earnings from profits or compromising the entity's mutual status.
3. The ability to raise additional funds by issuing MCIs removes a significant barrier to investment, innovation, growth and competition in the sector. Mutual entities will be able to provide greater value to their members, invest in more products and services and advance their mutual objectives.
4. Please refer to the outline of proposed amendments below and to the attached Fact Sheet, which explains what a "mutual entity" is, what the key features of an MCI will be, and the impact that an issuance of MCIs may have on Members of Qudos Bank.

## Proposed Amendments

### Resolution 1:

5. Resolution 1 proposes amendments to Qudos Bank's Constitution that would enable Qudos Bank to satisfy the definition of a "mutual entity" for the purposes of the Corporations Act, (i.e. each Member of Qudos Bank will have no more than one vote at a general meeting of Qudos Bank, for each capacity in which the person is a Member). Once Qudos Bank satisfies the definition of "mutual entity", it will be able to issue mutual capital instruments (**MCI**s), if it is necessary or desirable to do so, subject to amending its Constitution (pursuant to the Contingent Resolution). A demutualisation will not be triggered by making the proposed amendments under Resolution 1.
6. Resolution 1 being proposed to Qudos Bank Members at the 2020 Annual General Meeting is a special resolution (i.e. a resolution which must be passed by 75% of Members (or proxies) who are present at the meeting and eligible to vote) to amend Qudos Bank's Constitution.
7. Item 5(a) contains the proposed Resolution 1 for Qudos Bank's Constitution. A copy of the Constitution showing the proposed changes to it is available from Qudos Bank's website at [qudosbank.com.au/AGM](http://qudosbank.com.au/AGM).

### Resolution 2 (Contingent Resolution):

8. Resolution 2 (Contingent Resolution) is subject to and contingent on Resolution 1 being passed by the required 75% of votes cast by Members. If Resolution 1 is not passed, the Contingent Resolution will not be put to the meeting.
9. An MCI is a new type of share in a mutual entity (provided for under the Corporations Act), which must have certain characteristics as described in the attached Fact Sheet. The amendments proposed in accordance with Resolution 2 (Contingent Resolution) will enable Qudos Bank to issue MCIs in future if it is necessary or desirable to do so, while protecting Qudos Bank's mutual status. If Qudos Bank decides to issue MCIs, Qudos Bank will remain a mutual, because holders of MCIs will have limited rights. The Board may in its sole discretion determine the voting rights attaching to MCIs on the terms of issue, subject to the requirements of the Constitution, the Corporations Act and any applicable prudential standards. If holders of MCIs are given voting rights, they would be entitled to one vote at general meetings, regardless of the number of MCIs they hold. A demutualisation will not be triggered either by making the proposed amendments or by issuing MCIs.
10. Recent amendments to the Corporations Act allow Qudos Bank to update its Constitution using a special procedure involving Members passing an "MCI amendment resolution". This special procedure is only available until 6 April 2022.
11. The "MCI amendment resolution" being proposed to Qudos Bank Members at the 2020 Annual General Meeting is a special resolution (i.e. a resolution which must be passed by 75% of Members (or proxies) who are present at the meeting and eligible to vote) to amend Qudos Bank's Constitution for the following purposes:
  - a. to include a statement that Qudos Bank is intended to be an "MCI mutual entity" for the purposes of the Corporations Act;
  - b. to provide for Qudos Bank to issue MCIs (which would be subject to any necessary regulatory approvals and board approval);
  - c. to provide for the rights and obligations attached to MCIs; and
  - d. to make changes that are incidental or ancillary to the purposes specified above (for example, to include references to MCIs in provisions throughout the Constitution which relate to shares, where relevant).

12. Item 5(b) contains the proposed MCI amendment resolution for Qudos Bank’s Constitution. A copy of the Constitution showing the proposed changes to it is available from Qudos Bank’s website at [qudosbank.com.au/AGM](http://qudosbank.com.au/AGM).

13. The following tables (showing the proposed changes to Qudos Bank’s Constitution are a summary only):

**Resolution 1:**

Article/Clause	Summary of proposed amendment
<b>10.14 (Entitlement to vote)</b>	<p>» Article 10.14(a) updated to now:</p> <ul style="list-style-type: none"> <li>(i) remove each reference to “each Membership held by the Member” in order to enable Qudos Bank to satisfy the definition of a “mutual entity” for the purposes of the Corporations Act, (i.e. each Member of Qudos Bank will have no more than one vote at a general meeting of Qudos Bank, for each capacity in which the person is a Member);</li> <li>(ii) provide that on a show of hands, each Member present in person and each other person present as a proxy, attorney or Representative of a Member has one vote; and</li> <li>(iii) on a poll: <ul style="list-style-type: none"> <li>(A) each Member present in person has one vote;</li> <li>(B) each person present as proxy, attorney or Representative of a Member has one vote as proxy, attorney or Representative for each Member that the person represents; and</li> <li>(C) each Member who has duly lodged a valid direct vote in respect of the relevant resolution under article 10.18 of the Constitution has one vote.</li> </ul> </li> </ul>
<b>10.18 (Direct Voting)</b>	<p>» Article 10.18 amended to now remove references to a Member’s “Membership held” in order to enable Qudos Bank to satisfy the definition of a “mutual entity” and in accordance with article 10.14 above.</p>

## Resolution 2:

Please note: The below table is set out on the assumption that the changes summarised in the above table (being the proposed amendments to Qudos Bank's Constitution under Resolution 1) have been passed by the Members of Qudos Bank at the general meeting.

Article/Clause	Summary of proposed amendment
Schedule 1 (Interpretation) (Definitions)	» New definition of <b>Board</b> inserted.
	» New definition of <b>MCI</b> inserted.
	» New definition of <b>MCI Holder</b> inserted.
	» Definition of <b>Member</b> amended to refer to eligibility criteria which includes the holding of "Member Shares" and the person's particulars being entered into the "Register of Members".
	» Definition of "Member Elected Director" replaced with the new defined term " <b>Elected Director</b> ".
	» Definition of <b>Member Shares</b> inserted (which includes each of the redeemable preference shares in the Company).
	» Definition of <b>Prudential Standard</b> inserted.
	» Definition of "Register" replaced with the new definition of <b>Register of Members</b> — (MCI Holders will be added to the Register of Members, but they will not be Members of Qudos Bank and therefore will not have the benefits and entitlements of a Member of Qudos Bank, unless they are also admitted to membership, in accordance with the Constitution.
	» Definition of <b>Representative</b> amended to now provide that in addition to a corporate Member, a Voting MCI Holder may appoint a person to act as his or her representative at the general meeting of Qudos Bank.
	» Definition of <b>Share</b> amended to now also include "Member Shares" and, unless expressly stated otherwise, "MCIs".
	» Definition of <b>Voting MCI Holder</b> inserted.
» Definition of <b>Voting Qualification Criteria</b> of a Member amended to replace the reference to "Shares" with "Member Shares".	
Schedule 1 (Interpretation) 1.2 (Interpretation)	» Clause 1.2(k) amended to include reference to "MCI Holder" where "Member" is referred to, in order to provide that a power, authority or discretion given to an MCI Holder (among others) may be exercised at any time and from time to time.
Schedule 1 (Interpretation) 1.6 (Intention to be an MCI mutual entity)	» New article 1.6 inserted to confirm that Qudos Bank is intended to be an "MCI mutual entity" for the purposes of the Corporations Act.
2.1 (Eligibility)	<p>» New article 2.1(b)(i) – (iii) inserted to confirm that:</p> <ul style="list-style-type: none"> <li>(i) an MCI Holder is not a Member of Qudos Bank merely by virtue of holding an MCI;</li> <li>(ii) an MCI Holder may be (or may become) a Member of the Company under the provisions of the Constitution; and</li> <li>(iii) an MCI Holder who is also a Member is not deemed to be a Member (and the provisions of this Constitution relating to membership do not apply) in respect of any MCIs held by that person.</li> </ul> <p>If a Member is also an MCI Holder, they have no more than one vote at a general meeting of the Company, regardless of the applicable terms of issue of the MCI.</p>

Article/Clause	Summary of proposed amendment
<b>2.4 (Admission to Membership)</b>	» Article 2.4 amended to replace reference to “Shares” to “Member Shares”, confirming that the Directors may admit a person to Membership if the person (among other things), subscribes for 5 Member Shares.
<b>2.5 (Issue of new Member Shares upon admission to Membership)</b>	» Article 2.5 amended to replace reference to “Shares” to “Member Shares”, confirming that if the Directors admit a person to Membership, they must issue and allot new Member Shares to the person.
<b>3 (MCIs)</b>	<p>» New article 3 inserted to:</p> <ul style="list-style-type: none"> <li>(i) provide for the issuance of MCIs or capital instruments convertible into MCIs to raise capital (including the various rights that may attach to MCIs), subject to compliance with the Corporations Act;</li> <li>(ii) provide that the subscription price for an MCI is determined by the board;</li> <li>(iii) confirm that an MCI is issued as a fully paid up share and any dividends are non-cumulative;</li> <li>(iv) confirm that subject to the terms of issue of an MCI, an MCI Holder is entitled to participate in the winding up of Qudos Bank (subject to the satisfaction of all senior claims) and an MCI Holder’s claim ranks equally and proportionately with claims of all other MCI Holders and the claim cannot exceed the subscription price of the MCI;</li> <li>(v) confirm that the rights attached to MCIs (or a class of MCIs) may only be varied or cancelled by special resolution of Qudos Bank and of either the meeting of the MCI Holders holding MCIs of that class or with written consent of MCI Holders of at least 75% of MCIs of that class;</li> <li>(vi) clarify that except as provided by the rules of a “licensed CS facility” (which is a clearing and settlement facility licensed to operate in Australia) a person is registered as the holder of that MCI upon that person’s particulars being entered into Qudos Bank Register of Members as the MCI Holder of that MCI; and</li> <li>(vii) provide for the issuance of share certificates by Qudos Bank to MCI Holders, in accordance with the Corporations Act.</li> </ul>
<b>4.1 (When a person ceases to be a Member)</b>	» Article 4.1 amended to replace reference to “Shares” to “Member Shares”, which provides (among other things) that the Member Shares of a person who ceases to be a Member will be cancelled immediately on the person ceasing to be a Member.
<b>4.2 (Termination of Membership)</b>	» Article 4.2 amended to replace reference to “Shares” to “Member Shares”, which provides that where the Directors terminate a person’s membership in accordance with the Constitution, the Company must pay the Member the amount paid up on that Member’s Member Shares after satisfaction of all liabilities and obligations.
<b>5.1 (Directors to issue Shares)</b>	» Article 5.1 amended to include that the issue, allotment and disposal of Shares is subject to (among other things) any requirements of APRA in Prudential Standards (where applicable).



Article/Clause	Summary of proposed amendment
<b>5.2 (Rights conferred on Holders of Member Shares)</b>	» Each article amended to replace reference to “Shares” to “Member Shares”, confirming that (among other things): (i) Each Member Share ranks equally with each other Member Share.
<b>5.3 (Ranking of Member Shares)</b>	(ii) The Holders of Member Shares have the same rights and obligations.
<b>5.4 (Repayment of Share capital)</b>	
<b>5.5 (Shares not transferrable)</b>	» Article 5.5(a) amended to replace reference to “Share” to “Member Share”, to confirm that the prohibition on Share transfers extends to Member Shares only. » New Article 5.5(b) inserted to provide that the provisions of article 5.5(a) do not apply to a transfer of an MCI effected through a licensed CS facility (as defined in the Corporations Act) to the extent provided in the terms of issue applicable to the MCI.
<b>5.7 (Joint Holders of Shares)</b>	» New explanatory note inserted in article 5.7 to provide that the provisions of the Constitution relating to joint holders of Member Shares apply so far as they are capable of application and with any necessary changes to joint holders of MCIs.
<b>6 (Lien)</b>	» Article 6.1, 6.2, 6.3, 6.4 and 6.6 amended to replace reference to “Shares” to “Member Shares”, confirming (among other things) that the Company has a first and paramount lien on every Member Share.
<b>7 (Calls on Member Shares)</b>	» Articles 7.1, 7.3, 7.4, 7.6, 7.7, 7.8 and 7.9 amended to replace reference to “Shares” to “Member Shares”, confirming among other things that the Directors may make calls on Member Shares in accordance with the Constitution.
<b>8 (Forfeiture of Member Shares)</b>	» Articles 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8 and 8.9 amended to replace reference to “Share” to “Member Share”, confirming the consequences in relation to a Member’s failure to pay a call or instalment of a call on a Member Share.
<b>9 (Death, Bankruptcy, or winding up of a Member or MCI Holder)</b>	» Articles 9.1, 9.2 and 9.3 amended to include reference to “MCI Holder”, where “Member” is referred to, in order to now provide that: (i) If a Member or MCI Holder who does not hold Shares jointly dies, the estate of the deceased Member or MCI Holder retains any entitlements due from the Company; (ii) If a Member or MCI Holder who holds Shares jointly dies, the Company will recognise only the survivor as being entitled to the Member’s or MCI Holder’s interest in the Shares and the survivor retains any entitlements due from the Company; and (iii) The rights and liabilities of Members or MCI Holders made bankrupt or wound-up are as provided in the laws relating to bankruptcy and insolvency.



Article/Clause	Summary of proposed amendment
<b>10 (General Meetings)</b>	<p>» Article 10 amended to now insert references to the term “Voting MCI Holder” where “Member” is referred to, such that (in summary) subject to (among other things) the terms of issue of MCIs:</p> <ul style="list-style-type: none"> <li>(i) in addition to Members, Voting MCI Holders may request the Directors to convene a general meeting under 249D of the Corporations Act, but may only convene or join in convening general meeting in accordance with section 249E or 249F of the Corporations Act;</li> <li>(ii) In addition to Members, Voting MCI Holders have the right to participate in general meetings;</li> <li>(iii) In addition to Members, Voting MCI Holders have a right to receive any notice of a cancellation or postponement of a general meeting; and</li> <li>(iv) Voting MCI Holders must comply with the requirements in the Constitution for appointing proxies and representatives.</li> </ul>
<b>11.3 (If quorum not present)</b>	<p>» Article 11.3 amended to now insert references to “Voting MCI Holders” where “Member” is referred, in order to now provide that where meetings are convened at the request of Members and/or Voting MCI Holders, or in any other case, and the requisite quorum is not present, the meeting may be (a) dissolved, or (b) adjourned, in each case, in accordance with the provisions of the Constitution.</p>
<b>11.8 (Adjournment of general meeting)</b>	<p>» Article 11.8 amended to now insert references to “Voting MCI Holders” where “Member” is referred to, in order to now provide that, where the chairman adjourns the general meeting (or any business, question or motion to be considered at the meeting) the chairman may, but need not seek the approval of Members and Voting MCI Holders. Furthermore, unless required by the chairman, a vote may not be taken or demanded by the Members or Voting MCI Holders present in person or by proxy, attorney or Representative in respect of any adjournment.</p>
<b>11.11 (No casting vote for chairman)</b>	<p>» Article 11.11 amended to now insert references to “Voting MCI Holders” where “Member” is referred to, in order to now provide that if there is an equality of votes, either on a show of hands or on a poll, the chairman of the general meeting is not entitled to a casting vote in addition to any votes to which the chairman is entitled as a Member or Voting MCI Holder or as proxy or attorney or Representative of a Member or Voting MCI Holder.</p>
<b>11.14 (Entitlement to vote)</b>	<p>» Article 11.4(a) updated to now insert references to “Voting MCI Holders” where “Member” is referred to now provide that:</p> <ul style="list-style-type: none"> <li>(i) on a show of hands, each Member and Voting MCI Holder present in person and each other person present as a proxy, attorney or Representative of a Member or Voting MCI Holder has one vote; and</li> <li>(ii) on a poll: <ul style="list-style-type: none"> <li>(A) each Member and Voting MCI Holder present in person has one vote;</li> <li>(B) each person present as proxy, attorney or Representative of a Member or Voting MCI Holder has one vote as proxy, attorney or Representative for each Member or Voting MCI Holder that the person represents; and</li> <li>(C) each Member and Voting MCI Holder who has duly lodged a valid direct vote in respect of the relevant resolution under article 11.18 of the Constitution has one vote.</li> </ul> </li> </ul>

Article/Clause	Summary of proposed amendment
<b>11.15 (Joint Shareholders' vote)</b>	» Article 11.15 amended to now insert references to "Voting MCI Holders" where "Member" is referred to, to now provide that if Shares are held jointly and more than one Member or Voting MCI Holder votes in respect of those Shares, only the vote of the Member or Voting MCI Holder whose name appears first in the Register of Members counts.
<b>11.16 (Validity of vote in certain circumstances)</b>	» Article 11.16 amended to now insert references to "Voting MCI Holders" where "Member" is referred to, in order to provide for the validity of votes by Members or Voting MCI Holders.
<b>11.18 (Direct Voting)</b>	» Article 11.18 amended to now insert references to "Voting MCI Holders" where "Member" is referred to, in order to provide that the Directors may determine that Voting MCI Holders are entitled to a direct vote in respect of a resolution proposed at a general meeting (subject to the terms of the applicable terms of issue of the MCI).
<b>12 (The Directors)</b>	<p>» Article 12.1 amended to now include references to "Voting MCI Holders" where "Member" is referred to, in order to provide that a minimum of 4 Directors may be elected by Members and any Voting MCI Holders (subject to the relevant terms of issue of the MCIs).</p> <p>» Given the above provisions, each reference to "Member Elected Director" in article 12, and the Constitution is now replaced with "Elected Director".</p>
<b>13 (Powers and duties of Directors)</b>	» Throughout article 13, all references to "Member Elected Director" now replaced with "Elected Director".
<b>13.2 (Specific powers of Directors)</b>	» Article 13.2 amended to include that the Directors may exercise the powers of the Company to borrow or raise money (including by way of issuing MCIs or capital instruments convertible into MCIs).
<b>14 (Proceedings of Directors)</b>	» Throughout article 14, all references to "Member Elected Director" now replaced with "Elected Director".
<b>17 (Inspection of records)</b>	» Articles 17.1 and 17.2 amended to insert references to "MCI Holders" where "Members" are referred to, in relation to the inspection of the accounting records and other documents of Qudos Bank by Members and MCI Holders.
<b>18.2 (Reserves)</b>	» Article 18.2 amended to replace reference to "Shares" to "Member Shares", confirming that no dividend is payable on a Member Share.
<b>19 (Service of Documents)</b>	<p>» New article 19.3(b) inserted to now provide that the Company may give a document to an MCI holder in any manner permitted by the Corporations Act and any relevant terms of issue of the MCIs.</p> <p>» Article 19.7 amended to include reference to "MCI Holder" where "Member" is referred to, in order to now provide that a certificate signed by a Director or a Secretary stating that a document was sent, delivered or given to a Member or MCI Holder personally, by post, fax, electronic or other means on a particular date is evidence that the document was sent, delivered or given on that date and by that means.</p> <p>» In Article 19, all references to "Register" are now updated to "Register of Members".</p>

Article/Clause	Summary of proposed amendment
<b>20 (Winding up)</b>	<ul style="list-style-type: none"> <li>» Article 20.1 and 20.2 amended to:               <ul style="list-style-type: none"> <li>(i) replace all references to “Shares” to “Member Shares”; and</li> <li>(ii) clarify that in the event Qudos Bank is wound-up, a Member’s right to participate in surplus assets is subject to article 3.3(b) which provides for an MCI Holder’s right to participate in surplus assets (limited to being paid no more than the amount they put in – the remaining surplus would be shared between Members of Qudos Bank) — it is a requirement of the Corporations Act to set out the rights of MCI Holders to surplus assets in the Constitution.</li> </ul> </li> </ul>
<b>22.2 (Dispute Resolution)</b>	<ul style="list-style-type: none"> <li>» Article 22.2(a) amended to now include references to “MCI Holders” where “Member” is referred to, in order to provide that the Directors must appoint a person to settle disputes between the Company and a Member or MCI Holder (in their capacity as a Member or MCI Holder), and establish procedures for the settlement of such disputes.</li> <li>» New article 22.2(c)(iii) inserted to now provide that an ‘MCI Holder’ includes any person aggrieved who has not for more than three months ceased to be an MCI Holder.</li> </ul>
<b>22.3 (Fines and forfeitures)</b>	<ul style="list-style-type: none"> <li>» Article 22.3 amended to replace reference to ‘member’ to “Member” and to include reference to “MCI Holder” where “Member” is referred to, in order to provide that unless expressly provided by this Constitution, no Member or MCI Holder is liable to any fine or forfeiture other than as may be imposed by law.</li> </ul>
<b>Schedule 2 (Election of Elected Directors)</b>	<ul style="list-style-type: none"> <li>» Throughout Schedule 2, all references to “Member Elected Directors” replaced with “Elected Directors”.</li> <li>» References to “Members” now updated to also include “Voting MCI Holders” to provide for the procedures for the election of “Elected Directors” by Members and Voting MCI Holders (including by postal and electronic voting).</li> </ul>
<b>Schedule 3 (Demutualisation Resolutions)</b>	<ul style="list-style-type: none"> <li>» In summary, new clause 6 inserted to provide that:               <ul style="list-style-type: none"> <li>(i) The provisions of Schedule 3 will not apply in relation to the creation or issuance of, or the agreement to create or issue, nor the cancellation or variation of any rights attached to or reduction in capital in relation to, any MCIs or capital instruments convertible to MCIs.</li> <li>(ii) Any Demutualisation Resolution passed at a general meeting and approved in accordance with the terms of Schedule 3, that would result in the Company ceasing to be an MCI mutual entity (as defined in the Corporations Act) can only take effect if:                   <ul style="list-style-type: none"> <li>o there are no MCIs in the company; or</li> <li>o Subject to article 3.3(d) of the Constitution, if a Demutualisation Resolution provides for each MCI to be cancelled at or before the time the Company ceases to be an MCI mutual entity (as defined in the Corporations Act) (whether or not the holders of the MCIs to be cancelled are to receive other securities in respect of those MCIs.</li> </ul> </li> </ul> </li> </ul>

## Other information

The Chair of the Meeting intends to vote all available proxies **in favour** of this resolution.

## Recommendation

The Board unanimously recommends that Members **vote in favour** of the resolution.

**If you have any questions or comments about the changes or attending or voting at the AGM, please contact us.**

## Fact Sheet

### CHANGES TO QUDOS BANK'S CONSTITUTION TO ALLOW QUDOS BANK TO MEET THE DEFINITION OF "MUTUAL ENTITY" UNDER THE CORPORATIONS ACT AND TO PERMIT ISSUANCE OF MUTUAL CAPITAL INSTRUMENTS

Copies of Qudos Bank's Constitution marked to show the proposed changes to it under Resolution 1 and Resolution 2 are available at [qudosbank.com.au/AGM](https://qudosbank.com.au/AGM)

#### What is a mutual entity?

A mutual entity is an organisation based on the principle of mutuality: people organising together to meet their shared needs. The members of a mutual are its customers. The mutual sector is very diverse with mutual entities operating in almost every sector of the Australian economy. At Qudos Bank, we are a customer-owned, responsible bank, in the business to create mutual prosperity — for customers and the communities they live in.

Until recently, there was no legal definition of "mutual entity". As of last year, the Corporations Act now includes a definition of "mutual entity" for the first time in Australia's history. Essentially, a "mutual entity" is a company where no member has more than one vote in a general meeting.

It's great to have official recognition at last, and this definition of "mutual entity" is also important because only mutual entities can issue mutual capital instruments (**MCI**s) (see below for further details). By amending our Constitution to enable Qudos Bank to satisfy the definition of "mutual entity", Qudos Bank will have the flexibility to raise capital through the issue of MCIs in the future, if the Board decides it is necessary or desirable to do so, while retaining our mutual status. The proposed amendments do not affect Qudos Bank's status as a mutual and is not a move towards a demutualisation or public listing, but rather positively affirms Qudos Bank's status as a mutual entity in light of the recent developments in legislation.

#### What are mutual capital instruments (MCIs)?

MCIs are a new type of share in a mutual entity, being bespoke capital instruments for issuance by mutual entities. MCIs allow mutual entities to raise capital while retaining their status as mutuals.

Enabled by the Mutual Reforms earlier this year, MCIs are fully paid shares with non-cumulative dividends, meaning Qudos Bank is not required to pay any unpaid dividends. Qudos Bank will have full discretion over whether to pay dividends and the conditions around any financial returns.

MCI Holders will have an entitlement to claim surplus assets and profits in the unlikely event of a winding up of Qudos Bank. However, MCI Holders can't receive any more than the amount they invested and they can't be paid until after senior creditors have been paid. Senior creditors include Qudos Bank Members in relation to any subscription monies they may have paid. After MCI Holders have been paid their capped amount, any remaining surplus would be shared between Qudos Bank Members.

Qudos Bank's Board will have discretion to decide the entitlements, requirements and obligations which attach to MCIs. This gives Qudos Bank the flexibility to issue MCIs which meet APRA's requirements for regulatory capital, if it is necessary or desirable to do so, without needing to update the Constitution again in future to align with evolving APRA prudential standards.

## What are the proposed changes to Qudos Bank's Constitution?

As noted above, the proposed changes under Resolution 1 will allow Qudos Bank to meet the definition of "mutual entity" under the Corporations Act.

The proposed changes under Resolution 2 (Contingent Resolution) will allow Qudos Bank to issue MCIs in future, if the Board decides it is necessary or desirable to do so. MCIs will give Qudos Bank access to capital that will better equip us to invest, grow, innovate and compete, while remaining committed to our future as a mutual. The proposed changes do not affect Qudos Bank's status as a mutual and is not a move towards a demutualisation or public listing.

A summary of the proposed changes are listed in the tables above. Copies of the Constitutions showing the proposed changes to it under Resolution 1 and Resolution 2 are available from Qudos Bank's website at [qudosbank.com.au/AGM](http://qudosbank.com.au/AGM).

## Why is Qudos Bank proposing these changes to Qudos Bank's Constitution?

The Mutual Reforms herald a new era for mutual entities in Australia and, with better access to capital, Qudos Bank will be able to continue to invest, innovate, grow and compete, while maintaining our mutuality. Our Board and Qudos Bank management have given careful consideration to the proposed changes. We believe the changes are an important step which will give Qudos Bank more flexibility in future to raise capital as a modern mutual, and to continue to put the interests of our Members first.

## Is Qudos Bank planning to issue MCIs?

Qudos Bank has no current plans to issue MCIs but the Board and Qudos Bank management consider it is important to take advantage of the Mutual Reforms now to update Qudos Bank's Constitution. This will give Qudos Bank the flexibility to issue MCIs should it be necessary or desirable to do so in future — for example, to seize business opportunities. Any decision to issue MCIs would need to be approved by the Board of Qudos Bank who would need to determine that this decision was in the best interests of Qudos Bank and our Members.

## Will holders of MCIs be Members of Qudos Bank?

Under the Constitution, a person may be a Member of Qudos Bank who is entered in the Register of Members as a holder of Member Shares in the capital of Qudos Bank (**Member**). The MCI amendments would introduce MCI Holders as a category of shareholder. These MCI Holders are not "Members" under Qudos Bank's Constitution, but they will nonetheless be considered "members" of Qudos Bank for the technical purposes of the Corporations Act. As MCI Holders are not considered a "Member" under Qudos Bank's Constitution they will not be entitled to the benefits that Members are entitled to (unless an MCI is issued to an existing Member or an MCI Holder separately becomes a Member by being admitted to membership under the Constitution).

## Will holders of MCIs have voting rights?

The terms of issue for any MCIs will be decided by the Board when MCIs are issued, and the terms will spell out any voting rights. The Board may choose to issue MCIs which do, or do not, carry up to one vote in a general meeting of Qudos Bank or in an election of directors. In either case, MCI Holders will not count towards quorum at a general meeting and no MCI Holder will have more than one vote in respect of their MCIs no matter how many MCIs they hold. If an MCI Holder is already an existing Member or becomes a Member of Qudos Bank and they are entitled to vote at a general meeting, they may only be eligible to hold one vote (in respect of their voting rights as a Member) at general meetings.

## Do the proposed changes mean Qudos Bank is demutualising?

No, Qudos Bank is committed to our future as a mutual and the proposed changes will clearly retain Qudos Bank's status as a mutual now and into the future. Nothing in the proposed amendments or issuing of MCIs will mean that Qudos Bank ceases to be a "mutual entity" and the Mutual Reforms specifically provides for mutuals to issue MCIs as a new type of capital without losing their mutual status.



## **Would MCI Holders get the same vote as Members if a demutualisation of Qudos Bank is proposed in future?**

Following the Mutual Reforms, “demutualisation” could mean two things: (i) passing a “Demutualisation Resolution”, under Schedule 3 to Qudos Bank’s Constitution, or (ii) a constitutional amendment which results in Qudos Bank ceasing to be a “mutual entity” as defined in the Mutual Reforms Act.

If a “Demutualisation Resolution” is proposed, Qudos Bank’s Constitution requires a general meeting to be convened at which the “Demutualisation Resolution” will be considered as a special resolution. The “Demutualisation Resolution” is only passed if at least 25% of all Members entitled to vote on the Demutualisation Resolution do vote on the Demutualisation Resolution and 75% of the votes cast by Members entitled to vote on the resolution, vote to approve at the general meeting.

In general, the terms of issue for any MCIs would be decided by the Board when MCIs are issued, and the terms would spell out any voting rights. The Board has resolved to issue MCIs which do not carry a vote on (among other things) a “Demutualisation Resolution” under Schedule 3 of Qudos Bank’s Constitution. The proposed amendments do not provide for MCI Holders to have a vote to approve a “Demutualisation Resolution” in the terms of issue of MCIs.

If a constitutional amendment which would result in Qudos Bank ceasing to be a “mutual entity” is proposed, the provisions of the Corporations Act which apply to protect Members in relation to the proposed demutualisation would apply, MCI Holders will not count towards quorum at a general meeting and no MCI Holder will have more than one vote in respect of their MCIs, no matter how many MCIs they hold.

If MCIs are on issue, no resolution that would result in Qudos Bank ceasing to be an “MCI mutual entity” under the Mutual Reforms Act can take effect unless the resolution provides for each MCI to be cancelled at or before the time the entity ceases to be an MCI mutual entity (whether or not the holders of the MCIs to be cancelled are to receive other securities in respect of those MCIs). Cancelling the rights attached to MCIs would require both a special resolution in a general meeting of the company and a special resolution of all affected MCI Holders.

## **Would MCI Holders have priority over Members in a winding up of Qudos Bank?**

In the unlikely event that Qudos Bank is wound up, MCI Holders would rank below all senior claims (including our depositors). After all senior creditors in a winding-up are paid, MCI Holders would be entitled to a claim on surplus assets and profits. However, MCI Holders can’t receive any more than the amount that was initially paid to Qudos Bank for the MCIs. After MCI Holders have been paid their capped amount, any remaining surplus would be shared between Qudos Bank’s Members.

If you paid a subscription price for your Member Share, you would be a ‘senior creditor’ in relation to the payment of that subscription price. This wording follows the current requirements of the Australian Prudential Regulation Authority for MCIs to be eligible as regulatory capital.

## **Will MCIs be listed on a securities exchange?**

Although there are no plans to list MCIs on a securities exchange, the proposed constitutional amendments give the Board some flexibility to consider this option if in the future this is advantageous to Qudos Bank.

## **Who can I speak to for more information about the proposed changes?**

We are very happy to talk to you about the proposed changes, if you have any questions or comments on them.

**If you have any questions or comments about the changes or attending or voting at the AGM, please contact us.**