

Notice of Annual General Meeting

Notice is hereby given that the Sixty Forth Annual General Meeting of Members of Qudos Mutual Limited ('Company') will be held at 5pm on Tuesday, 28 November 2023 as a hybrid annual general meeting ('AGM'). Members can participate, vote and ask questions in the meeting by attending in person at the Burruga & Gweagal Rooms on Level 1, Pullman Sydney Airport Hotel, 191 O'Riordan Street Mascot, New South Wales or by registering at <https://web.lumiagm.com/326312403> ('Lumi platform'). Members can submit questions prior to the meeting by emailing sydneyreturningofficer@computershare.com.au or during the meeting by selecting the messaging tab at the top of the Lumi platform or by pressing the "Request to Speak" button on the Lumi platform, at the bottom of the broadcast window.

Agenda

1. Opening and Apologies

2. Minutes of the 2022 Annual General Meeting

To note the Minutes of the Sixty Third Annual General Meeting held on Thursday, 24 November 2022.

3. Reports

Receipt and consideration of the Annual Report 2023 including:

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

4. Directors

To consider, and if thought fit, pass the following ordinary resolutions:

- 4.1 **THAT** Andrew Leithhead, a Director retiring in accordance with article 12.3 of the Constitution, and being eligible, is re-elected as a Director of the Company.
- 4.2 **THAT** Joe Dicks, a Director retiring in accordance with article 12.3 of the Constitution, and being eligible, is re-elected as a Director of the Company.

5. Directors' Remuneration

To consider, and if thought fit, pass the following ordinary resolutions:

THAT with effect from 1 October 2023:

- 5.1 the remuneration for each Director be set at \$75,527 per annum (plus statutory superannuation);
- 5.2 subject to the passing of Resolution 5.1 above, the additional allowance paid to the Chair decrease to 80%; and
- 5.3 the additional allowance of 25% currently paid to the Deputy Chair and Chairs of the Audit and Risk Committees be applied to the Chairs of each remaining Board Committee.

6. General Business

7. Closure

Explanatory Statement

Members are referred to the Explanatory Statement accompanying and forming part of this notice.

By Order of the Board

Robert Agati
Company Secretary
Dated: 13 September 2023



Information for Members on how to vote

This year, Members are being given the opportunity to attend the AGM in person or virtually.

Members can vote before or during the AGM, as follows:

#	Option	Details	Instructions
1	Cast your vote before the AGM	<p>You can vote before the AGM online or by completing and submitting the Voting Form provided with paper notices or available by calling 1300 747 747 or on our website qudosbank.com.au.</p> <p>If you wish to vote before the AGM, you are encouraged to do so online.</p> <p>If you wish to vote before the AGM using the Voting Form, please be aware of current postal time frames.</p>	<p>Online - You can cast your vote directly by using a unique link that will be sent to you via email prior to the meeting, or by entering your Member number and postcode at www.investorvote.com.au/qudos and following the instructions online.</p> <p>Voting Form: You can lodge your completed Voting Form:</p> <ul style="list-style-type: none"> » by email to the Returning Officer at sydreturningofficer@computershare.com.au; » by post to the Returning Officer at Reply Paid 2062 Melbourne VIC 8060; or » by delivery to the registered office at c/o The Returning Officer Level 8, 191 O’Riordan Street, Mascot NSW 2020 <p>Your vote must be submitted online by 5pm on Sunday, 26 November 2023.</p>
2	Appoint a proxy before the AGM	<p>You may appoint a proxy to attend the AGM and vote on your behalf.</p> <p>A proxy may be an individual or a body corporate and need not be a Member of the Company.</p> <p>If you have specified how your proxy is to vote on an item of business, and your proxy votes on that item of business, your proxy must vote as you have directed.</p> <p>If you have specified how your proxy is to vote on an item of business and a poll has been called, but your proxy:</p> <ul style="list-style-type: none"> » does not attend the AGM; or » does not vote on that item, then your proxy will default to the Chair and the Chair will vote as you have directed. <p>If the Chair is appointed as a proxy or becomes a proxy by default, the Chair is expressly authorised to vote undirected proxies as he see fit. The Chair intends to vote all undirected proxies in favour of all resolutions. If you wish to appoint a proxy using the Voting Form, please be aware of current postal time frames.</p>	<p>Voting Form - To appoint a proxy using the Voting Form, please complete the form by following the instructions on the form.</p> <p>You can lodge your completed Voting Form:</p> <ul style="list-style-type: none"> » by email to the Returning Officer at sydreturningofficer@computershare.com.au; » by post to the Returning Officer at Reply Paid 2062 Melbourne VIC 8060: or » by delivery to the registered office at c/o The Returning Officer Level 8, 191 O’Riordan Street, Mascot NSW 2020 <p>For your proxy appointment to be valid, it must be submitted online, or your completed Voting Form must be received by the Company, at least 48 hours prior to the Meeting, (i.e., by 5pm on Sunday 26 November 2023).</p> <p>The Voting Form is available by calling 1300 747 747 or on our website qudosbank.com.au.</p> <p>Any enquiries regarding appointment of proxies should be directed to the Returning Officer at sydreturningofficer@computershare.com.au.</p>

#	Option	Details	Instructions
3	Vote online during the AGM	<p>If you attend the AGM virtually by logging into the online portal at https://web.lumiagm.com/326312403 you will be able to vote directly during the AGM.</p> <p>Voting on each item of business will be by poll. The Chairman will open the poll shortly after the AGM commences and you will be able to vote at any time during the AGM until the Chair closes the poll. The Chair will prompt members to vote before closing the poll.</p> <p>If you have lodged a direct vote before the AGM and then vote online during the AGM, your direct vote lodged before the AGM will be cancelled.</p>	<p>When you log into the online portal, you will be required to register as a Member or proxy holder and will be able to vote your shares or the shares you represent as proxy.</p> <p>If you are a Member, you will need to provide your Member number and the postcode for your membership to register to vote once you have logged in.</p> <p>If you are a proxy, you will need to contact the Returning Officer at Computershare on +61 3 9415 4024 at least one hour prior to the meeting to obtain login details to participate online during the AGM.</p> <p>More detailed information on how to vote during the Meeting is provided in the 'Virtual Meeting Online Guide' available on our website quodosbank.com.au.</p>
4	Vote in person during the AGM	<p>If you attend the AGM in person, you will be provided with a voting form when you register at the venue.</p> <p>Voting on each item of business will be by poll. The Chairman will open the poll shortly after the AGM commences and you will be able to vote at any time during the AGM until the Chair closes the poll. The Chair will prompt members to vote before closing the poll.</p> <p>If you have lodged a direct vote before the AGM and then vote in person during the AGM, your direct vote lodged before the AGM will be cancelled.</p>	<p>If you plan to attend the AGM in person, we ask that you:</p> <ul style="list-style-type: none"> » rsvp to hjames@quodosbank.com.au for planning purposes; and » arrive at the meeting venue at least 30 minutes prior to the time designated for the meeting so that we may check your name against our Register of Members, consider your entitlement to vote and note your attendance.

Explanatory Statement

Agenda Item 3

Reports

As required by the Corporations Act, the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2023 will be laid before the meeting. Copies of the Reports are available on the Qudos Bank website at: <https://www.qudosbank.com.au/about-us/corporate-information/> or by calling 1300 747 747.

Agenda Item 4

Directors

Andrew Leithhead and Joe Dicks retire as Directors by rotation and meeting the eligibility criteria set out in article 12.8 of the Constitution, stand for re-election as Directors under article 12.6 of the Constitution.

As the number of eligible candidates is equal to the number of positions to be filled, in accordance with Schedule 2 of the Constitution, the Directors shall be elected by separate resolutions at the annual general meeting.

Directors unanimously support these resolutions and recommend that you vote FOR the resolutions. The Chair intends to vote all undirected proxies in favour of the resolutions.

A profile for each candidate is set out below.



JOE DICKS

BCom, GradDipAcct, CA, GAICD

Service:

- » Director since 2020
- » Qudos Bank Customer since 2018

Additional Roles:

- » Chair of the Audit Committee
- » Member of the People & Remuneration Committee

Memberships:

- » Member, Australian Institute of Chartered Accountants
- » Member, Australian Institute of Company Directors
- » Chair, Campus Living Villages Group
- » Director, Nido Education Pty Ltd

Background

Joe Dicks has spent most of his professional life advising businesses on how to improve performance. His career spans corporate advisory, business restructuring, profit improvement and risk & governance. In the latter years of his professional career, he specialised in forensic accounting and providing accounting expert court testimony. He is a Chartered Accountant and Member of the Australian Institute of Company Directors.

Joe commenced his career as a non-executive director 20 years ago, becoming a founding director of Uniting AgeWell (Victoria and Tasmania). Since then, he has served on numerous boards and as chair on several of their audit and risk committees. He is currently the Chairman of Campus Living Villages Limited and a non-executive director on two other boards.



ANDREW LEITHHEAD

BCom, GAICD, FFin, JP

Service:

- » Director since 2017
- » Qudos Bank Customer since 1970's

Additional Roles:

- » Chair of the Risk Committee
- » Member of the Audit Committee
- » Member of the Distribution, Infrastructure & Technology Committee

Memberships:

- » Member, Australian Institute of Company Directors
- » Director, LLL Australia
- » Director, P.T Management Services Pty Ltd
- » Non-Executive Director of the Australian Racing Drivers' Club

Background

Andrew Leithhead's career has spanned many financial services disciplines, including investment portfolio management, stockbroking, investment banking, equity and debt capital markets and commercial banking (including digital transformation) in Australia and in the US.

Andrew has held senior leadership positions in large, multi-national companies and smaller, local businesses, including ANZ Banking Group, KPMG, Barclays Bank Group, Gilbert & Tobin Lawyers and Meares & Phillips. His experience as a director includes ANZ Equities, LINWAR Securities, The Scots College and KPMG Corporate Finance (Australia) and as Chair of the Australian Racing Drivers' Club (which operates Sydney Motorsport Park).

Agenda Item 5

Directors' Remuneration

As there have been no changes made to their remuneration structure since 2016, the Board is seeking Member approval to increase Directors' fees. Since 2016, the remuneration gap against the Bank's industry peers has continued to widen, creating a risk that the Bank may not be able to attract and retain Directors who are both sufficiently qualified and experienced to govern a large mutual bank.

The proposed resolutions will see Directors' fees increase from \$45,000 per annum to \$75,527 per annum (+\$30,527). At the same time, it is proposed that the allowance currently paid to the Chair will be decreased from 90% to 80%.

Whilst the payment of a 25% allowance for the Deputy Chair and Chairs of the Audit and Risk Committees remains unchanged, it is proposed that this allowance be extended to the Chairs of all Board Committees.

Note that as the changes are proposed to take effect from 01 October 2023, the minimum statutory Superannuation Guarantee Rate (SGR) to be applied is 11%. SGR is scheduled to increase by 0.5% to 11.5% in 2024, up to a maximum of 12% in 2025.

Directors unanimously support the proposed resolutions and recommend that Members vote FOR the resolutions. The Chair intends to vote all undirected proxies in favour of the resolutions.

Background

Members may recollect that a resolution to increase Director remuneration and to move to an aggregated Board remuneration pool was not passed at the 2022 AGM. Feedback from Members was that the proposed resolution and explanation were too complicated.

Accordingly, the Board has resolved to seek Member approval to adjust the fee for each Director to the mid-point of our peer group, while retaining the current remuneration structure and leaving Committee attendance fees unchanged.

If passed, the resolutions will decrease the allowance paid to the Chair from 90% to 80%. It will leave the allowance paid to the Deputy Chair, Chair of the Audit Committee and the Chair of the Risk Committee unchanged at 25% and extend the 25% allowance to the Chairs of other Board Committees to reflect their additional duties.

The Board is committed to balancing the need to adequately remunerate Directors with the Bank's principles of mutuality; to attract and maintain appropriately experienced Directors, encourage enhanced performance by the Bank and offer the highest level of service to Members. The Bank's aim is to remunerate Directors at the mid-point of comparable financial institutions in keeping with those principles.

In setting the proposed Directors fees, the Board has considered several surveys of our peers: the Non-Executive Directors Survey conducted by the Financial Institutions Remuneration Group published in March 2023, the 2023 Mutual Board Remuneration Survey Report published by McGuirk Management Consultants Pty Ltd and the 2023 Customer Owned Banking Non-Executive Director Survey conducted by Aon Advisory Australia Pty Ltd and the Customer Owned Banking Association.

All surveys indicate that Qudos Bank's Director remuneration is in the bottom 25% of comparable financial institutions. While the current Board has strong experience and expertise to oversee the affairs of the Bank, if this imbalance is not rectified there is a risk that we will not be able to attract and retain high quality Directors in the future.

The Board has overseen strong performance in the 2022/2023 financial year as set out in our Annual Report, while maintaining very competitive products and services for our customers, culminating in Qudos Bank once again being awarded Customer Owned Bank of the Year by Canstar and Mozo.

Since 2016, the Board has continued to strengthen risk and governance frameworks, further enhance products and services and give back to our Members, people and the planet. Some of these initiatives are summarised below:

- Completed a comprehensive Board renewal process to implement tenure limits approved by Members and ensure that the Board has the necessary skills and experience for the effective and prudent operations of the Bank.
- Conducted a review and refresh of our purpose, identity and strategic direction.
- Restructured Board Committees to further embed the Bank's commitment to our purpose, Members and employees.
- Commissioned several independent third-party reviews to uplift the Bank's risk and governance frameworks.
- Implemented a new lending origination system and electronic signing of loan documents to improve customer experience, increase efficiencies and reduce paper usage.
- Launched various improvements to the Bank's payments, online and mobile banking platforms to provide customers with faster, easier and safer ways to transact.
- Proactively engaged with home loan customers by providing assistance during COVID and more recently customers nearing the end of their fixed-rate home loan terms among rising interest rates.
- Commenced major projects to better engage with our Members and renew our commitment to good Environment, Social and Governance practices, including achieving Climate Active accreditation as a carbon neutral organisation.

Role of the Board

The Qudos Bank Board has the final responsibility for the sound and prudential management of the Bank, ensuring its strength and security for Members now and into the future. It is responsible for the governance, strategic direction and effective oversight of management of the Bank and is accountable to Members for the Bank's performance.

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.

The Board is dedicated to fulfilling these duties in a lawful and professional manner, and with the utmost integrity and objectivity. As such, the Board actively pursues best practice governance processes in keeping with community expectations and its regulator, the Australian Prudential Regulation Authority (APRA).

The personal liabilities held by Directors are significant, including the accountability obligations established by the Banking Executive Accountability Regime overseen by APRA.

Since the last remuneration change in 2016, the workload, complexity and expectations faced by Australian Boards has increased significantly, especially in the world of banking. The sector has been the subject of a Royal Commission, increasing regulation, increasing instances and severity of cybercrime and fraud.

To remain sustainable and competitive the Bank needs to continue to attract and retain Directors with the skills, capability and commitment to navigate and oversee the increasing variety and number of challenges faced by the Bank and to pursue the sustainable creation, protection and return of value to Members.

