





Queensland Country
Bank

Annual Report

2021-2022

Contents

Annual Report 2021-2022 Queensland Country Bank Limited And Subsidiaries ABN 77 087 651 027

Group financial highlights

	2022	2021	Growth
Net Assets	$289.0M	$275.3M	5.01% growth
Total Assets	$2.90B	$2.71B	7.04% growth
Gross Loan Balances	$2.19B	$2.04B	6.99% growth
Total Deposits	$2.51B	$2.33B	7.52% growth
Capital Adequacy	15.30%	15.33%	
Profit Before Tax	$19.5M	$19.0M	471k growth
Profit After Tax	$13.7M	$13.3M	422k growth

Chair and CEO report

Queensland Country Bank has achieved significant progress in the past 12 months, thanks largely to our amazing Members who choose us to assist with their financial needs and, more broadly the support of communities we operate in. During the 2021-22 financial year, 40% of new loans were provided to first time Queensland Country Members after they experienced the value in dealing with a member-owned Bank.

This progress includes the continued growth of the organisation's assets and Membership base. A significant contribution to the asset growth has been record loan issues of $594m which has helped Members purchase vehicles, houses and further invest in their businesses. Areas of focus for the Bank in achieving the funding of these loans has been the continued support of first home buyers. During the financial year Queensland Country provided loans totaling $90m to help first home buyers purchase and build new homes.

Queensland Country is proud to offer better supporting small and medium businesses through improved access to business banking managers and business banking products. We now have a Head of Business Banking and three Business Banking Managers working across Townsville, Cairns and Mackay. Importantly, we now offer improved products and services to the business sector. Having business bankers on the ground in regional areas with the discretion to support the needs of businesspeople continues to be a viable way to support our Members. We'll continue to pursue this model, supported by our 28 strong branch network which can deliver the daily banking needs of many businesses.

We continued to invest in our communities, and this is evident with the refurbishment of our administration centre in Cairns. This was a major renovation of our property in Sheridan Street and has delivered a much-improved work environment for our Cairns team. We have administration and management staff working in several locations around the state. This provides a range of different employment opportunities for people in our communities.

Our Board has recognised the importance of the Bank remaining relevant from a digital perspective and has endorsed a significant investment in digital transformation over the next three years. Two major projects are currently being progressed to deliver enhanced digital services to Members. The first of these projects provides improvements to our transactional banking experience and includes the launch of Samsung Pay and Google Pay, along with increasing the access to ApplePay to all of our Members. We have also increased the availability of real time payments so that all outbound payments by Members will be received into other accounts immediately.

In June 2022, Queensland Country Bank was formally accepted as a participant of The United Nations Global Compact and the United Nations Global Compact Network Australia.

This is a significant milestone in our sustainability journey and recognises our desire to be accountable and transparent in our environmental and social commitments to our Members.

The Australian Network includes some of Australia's largest and most well-known businesses. Its purpose is to demonstrate a commitment to universal principles such as human rights, labour, environment, and anti-corruption; uniting businesses so that they may learn, share and transform commitment into action.

The strength of our business is underpinned by our committed and capable people. We have a team of over 400 staff across Queensland who enjoy working for an organisation that has the Member at the centre of everything we do. This gives us a competitive advantage that will enable us to continue to expand our market share and meet the needs of our Members.

"Our Board has recognised the importance of the Bank remaining relevant from a digital perspective and has endorsed a significant investment in digital transformation over the next three years."

Profit and Loss
at a glance

The 2021–22 Financial Year

	Bank		Group	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Interest Income	75,368	76,503	71,632	73,032
Interest Expense	- 19,195	- 24,224	- 14,377	- 19,680
Net Interest Income	56,173	52,279	57,255	53,352
Other Income	39,243	33,865	165,941	155,971
Impairment Loss	537	714	537	714
Operating Expenses	- 81,072	- 76,620	- 204,243	- 191,018
Profit Before Income Tax	14,881	10,238	19,490	19,019
Income Tax Expense	- 3,333	- 3,077	- 6,187	- 6,408
Profit for the Year	11,548	7,161	13,303	12,611
Other comprehensive income/(loss) net of income tax	434	704	434	704
Profit after tax	11,982	7,865	13,737	13,315

	Group			
	2021-22	**2020-21**	**2019-20**	**2018-19**
Net Interest Income	$57.3m	$53.4m	$50.3m	$50.8m
Profit (after tax)	$13.3m	$12.6m	$6.7m	$7.8m

Profit and Loss commentary

Operating Profit

This year saw another very strong performance from both our Bank and Health Fund, with Profit before income tax for the Bank increasing from $10.2 million to $14.9 million and the Group's increasing from $19.0 million to $19.5 million. The business continues to build on its financial strength, invest in its future and put our Members needs first.

Interest Margin

Net interest margin finished the 12 months at 1.80%, the same as the prior year. Managing interest margin is always a focus, finding the balance between the interests of borrowers and depositors can be challenging, however we endeavour to offer market competitive rates for all our Members. We are pleased that we have been able to maintain our margin in this competitive environment.

Other Income

Other income for the Bank increased from $33.9 million to $39.2 million, mostly from commission income and dividend income with a $3.5 million dividend received from the Health Fund.

Overall, the Group's other income increased by $10.0 million. This was due to the growth in Contribution income earned by the Health Fund of $10.6 million, following good membership growth.

Operating Expenses

Operating Expenses for the Bank, increased from $76.6 million to $81.1 million. Increases were mostly a result of Employee costs and Payment Services Project costs. We continue to invest in our people and prepare the business for the future, particularly in the digital space, allowing the business to implement more efficient business processes and introduce new products and services.

Operating Expenses for the Group increased by $13.2 million, with an increase to Health Fund benefits paid of $7.7 million, in addition to the Bank variances detailed above.

Impairment Costs/Recovery on Loans

Impairment was a recovery again this year, the amount decreasing from $0.7 million to $0.5 million. The business hasn't incurred any losses to date due to COVID-19, and as such the prudent provision that was raised in previous years has been written back.

Balance Sheet
at a glance

The 2021–21 Financial Year

	Bank		Group	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Cash and Investments	1,025,183	957,132	660,586	609,988
Property, plant and equipment	16,551	17,804	42,462	44,996
Loans to Members (net of provision)	2,188,742	2,044,370	2,188,742	2,044,370
Other assets	11,131	12,188	12,495	13,864
Total Assets	3,241,607	3,031,494	2,904,285	2,713,218
Deposits from Members	2,531,816	2,351,584	2,507,986	2,332,500
Payables and Provisions	509,310	491,411	107,250	105,406
Total Liabilities	3,041,126	2,842,995	2,615,236	2,437,906
Net Assets	200,481	188,499	289,049	275,312

	Group			
	2021-22	**2020-21**	**2019-20**	**2018-19**
Gross Loans to Members	$2,191.8m	$2,048.7m	$1,879.4m	$1,836.3m
Deposits from Members	$2,508.0m	$2,332.5m	$2,101.3m	$1,991.6m
Total Assets	$2,904.3m	$2,713.2m	$2,443.1m	$2,294.4m
Net Assets	$289.0m	$275.3m	$260.8m	$254.8m
Capital Adequacy	15.30%	15.33%	15.73%	16.16%

Balance Sheet commentary

The Total Assets for the Bank increased by 6.93% to $3.2 billion, which included an upgrade to our Internal Securitisation program of $50 million. The Group's Total Assets increased by 7.04% to $2.9 billion.

Record lending levels for the business, resulted in Total loans growing by 6.99% to $2.2 billion. This strong growth for the Bank was a pleasing result, and contributes to building a stronger, more resilient organisation.

Queensland Country's funding is sourced primarily from Members. Of Member deposits, approximately 26% were held in fixed term deposits, 74% in at-call deposits. Member deposits increased by 7.52% from $2.3 billion to $2.5 billion during the year.

Total Equity for the Group increased by $13.7 million to $289.0 million.

With continued high levels of member deposits, liquidity levels remained well above prudential requirements, averaging 18.05% of adjusted liabilities and finishing at 16.97% at 30 June 2022. The Bank continues to have access to an Internal Securitisation Trust, a facility established to be used as an emergency liquidity backstop. This year, to meet regulatory requirements, we increased our Internal Securitisation Program from $500 million to $550 million. This arrangement enables the Bank to raise funds from the RBA utilising its loans and advances as the underlying security.

Queensland Country's capital, which is comprised of reserves that have been accumulated from past profits and a business combination reserve (being the reserves of previous merged entities), increased to $200.5 million. Total capital adequacy percentage was 15.30%. This percentage is well above the regulator's minimum requirements and provides sufficient capital resources to support business activities and operating requirements while providing a strong buffer for the future.

Sustainability

While caring for our people and communities has been a core value since our inception over 50 years ago, Queensland Country has now taken steps to be formally accountable and transparent in our commitment as a responsible corporate citizen.

Our Sustainability Statement, which has been endorsed by the Board and embraced throughout the organisation, declares that we are committed to being environmentally, culturally and socially responsible, and recognises that people are at the heart of everything we do. It further affirms that Queensland Country is committed to:

- Treating all people, communities and the environment with care and respect;
- Contributing to building a sustainable environment and resilient communities for future generations; and
- Holding ourselves accountable to high ethical standards.

In June we were officially accepted as a participant of the United Nations (UN) Global Compact initiative, a voluntary leadership platform for the development, implementation and disclosure of responsible business practices. We are extremely proud to join the growing number of companies who have committed to aligning our operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption; and to take action in support of the UN's Sustainable Development Goals. This provides us with a framework and accountability practices to think globally while acting locally and is a significant milestone in our sustainability journey.

Small steps by many of us can achieve lasting change, and our staff are leading the way to implement environmental initiatives state-wide throughout our offices and branches. Our first organisation-wide survey on sustainability has been successfully completed and action based on feedback has included establishing Containers for Change collection points with money from the recycled bottles and cans donated to charity, a battery recycling program, and community cart in head office with reusable bags and keep cups. We've also begun transitioning our fleet vehicles to electric and hybrid models, have installed solar panels in our owned locations, increased our electronic record keeping processes and implemented new software to reduce our paper usage.

In the community, our environmental sponsorships have included supporting the Centacare School Savvy Program to keep school uniforms out of landfill while helping families struggling financially; and providing a grant to Townsville Cycle Club for solar panels. We are actively seeking more opportunities to support events and projects with a sustainability focus, including through our well established Good for Good Community Grants program.

Another key initiative has seen Queensland Country design two new products that make it easier for Members to make planet-friendly financial decisions. Our Green Car Loan not only offers a very competitive interest rate to buy a new or demo hybrid or electric car, it also removes a common obstacle by allowing charging equipment to be funded as part of the loan. We have also launched a Green Reno Loan, which rewards Members who choose energy efficient home improvements, with an interest rate significantly lower than our standard Reno Loan.

As a member-owned organisation it's in our DNA to do good in the world, and we will continue this quest to embed sustainability across all aspects of our business.

As a member-owned organisation it's in our DNA to do good in the world, and we will continue this quest to embed sustainability across all aspects of our business. We are also absolutely determined to address important social issues, such as developing a Reconciliation Action Plan that recognises the critical role Aboriginal and Torres Strait Islander culture plays in the landscape of our workplace and nation. Queensland Country will continue to lead through actions in reducing our own greenhouse gas emissions and will take a measured approach in strengthening our lending policies to avoid industries that cause destruction or harm. We acknowledge that our growth is directly linked to the prosperity of our communities and will support these communities in the transition to low carbon. Finally, we will be transparent on all these issues with the publication of an annual Environmental and Social Impact Report. There is much more to be done, but together we can pave the way to a greener future.

Business Growth

Despite the challenges of COVID-19, we welcomed strong annual Member growth with 4,092 new Members joining Queensland Country, taking our total membership tally to 114,630.

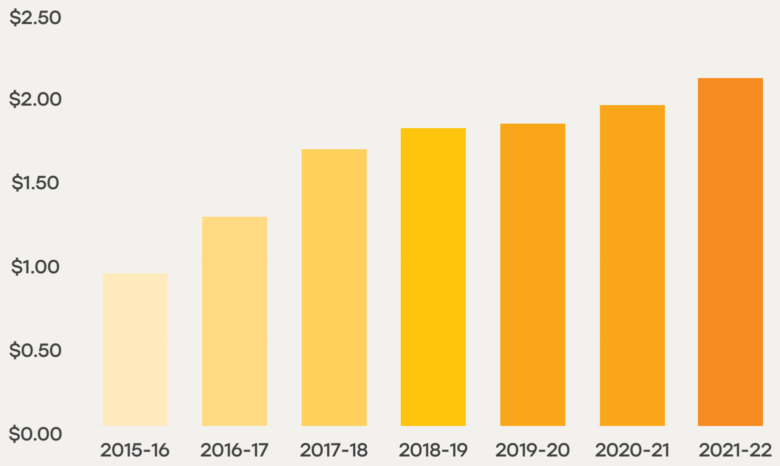
To better service our growing membership base, we took steps to continue expanding our footprint. The decision was made to open a specialist lending office in Maroochydore to capitalise on one of the fastest growing economic regions in Australia. A Business Development Manager was welcomed into the fold in late 2022 and will provide Sunshine Coast based Members with a face-to-face option to discuss all their residential and commercial lending requirements.

In order to provide the best possible user experience for our Members, our flagship Caneland Central branch in Mackay received a $285,000 refurbishment. Our CEO and Area Manager hosted valued Members, community partners and local dignitaries at an unveiling and networking function. The new and improved branch will allow Members to meet face to face with staff and have meaningful conversations about their financial goals. Further investment was also made to reinvigorate the Cairns administration office.

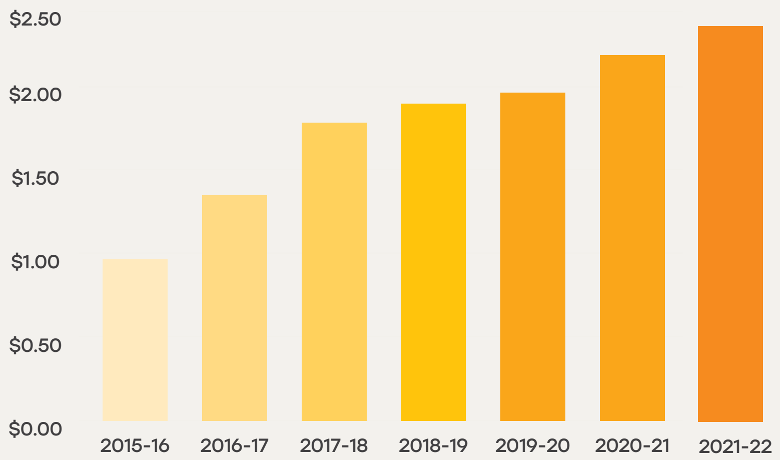
Queensland Country Group's Board of Directors met with local dignitaries from Mackay's key industry sectors. The region plays an important part in our success and the Board are committed to engaging with the regional communities that support the brand. The visit with community leaders ensured that Members needs were kept at the forefront of their minds when making strategic decisions for the business.

The Business Banking team hosted their first networking event for Members at the Cowboys High Performance Training Centre. Guests were lucky enough to tour the facility and hear from Cowboys General Manager of Football Micheal Luck about the parallels between high performance and the business world. We were able to offer this money can't buy experience to Members thanks to our long-standing partnership with the North Queensland Cowboys.

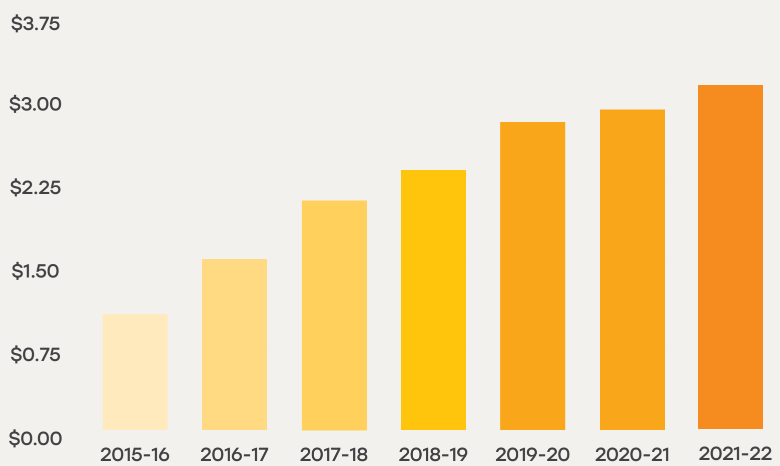
Total Loans ($billion)



Total Deposits ($billion)



Total Assets ($billion)



Our member-focused products were duly recognised with Mozo Experts Choice Awards for best packaged home loan and new car loan. These awards highlight our work creating value driven product for Members. This ethos was further reinforced with our new car loan taking out the award for the second year running.

ProductReview named Queensland Country Bank as one of Australia's Top Rated Banks for 2022. Beating 80 other competitors, the award highlighted our commitment to providing the best experience for Members when accessing our banking services.

Continuing as an approved lender under the Home Guarantee Scheme, including the First Home Guarantee and Family Home Guarantee, the organisation experienced sustained lending growth. In a bid to continue driving economic stimulus, the Government extended the program in response to the ongoing COVID-19 pandemic. Following on from our appointment as an approved lender in 2021, we are committed to providing better banking products that help Members achieve their personal goals, such as owning their own home sooner.

The booming property market and ultra-low interest rates delivered record breaking loan approvals during October and November 2021 with over $116 million in loans funded. This resulted in our biggest lending year to date with just over $594 million in loans funded.

Despite the challenges posed by COVID-19, the organisation has sustained massive growth. We will continue to be agile and adapt to an ever changing market post the pandemic but we must thank our staff for delivering these outstanding results.

"Having all these defibrillators stationed at different bays now makes it much easier for people to save lives and will give peace of mind to the community just knowing that there is some help available if they need it."

RAY, CAPE UPSTART

Member and community

Queensland Country staff were able to get back out into their communities to support the people that support us, our Members. With COVID-19 restrictions slowly unwinding in 2021, staff were able to volunteer their time for important community and fundraising events.

Volunteers hit the fairways to help our long-time charity partner Ronald McDonald House Charities North Australia with their annual golf day fundraiser in October. Staff manned the ninth hole with Wood Fire Pizza Townsville and golfers were encouraged to dig deep into their pockets with donations to the House exchanged for piping hot pizzas.

Queensland Country staff generously volunteered their time to get back in the kitchen and prepare home cooked meals for families with sick loved ones at the Townsville General Hospital. For families returning to the House after a long day on the wards, a home cooked ready to eat meal was a well appreciated gesture. Using our allocation of tickets at Queensland Country Bank Stadium, we provided families and volunteers of the House the opportunity to get away for a few hours and enjoy some sense of normality. The chance to spend an afternoon or evening out cheering the mighty North Queensland Cowboys to victory was just another way we could help ease the burden on those families looking after ill loved ones.

The Queensland Country Bank volunteer army took their customer service skills to new levels during our takeover of the Vinnies Garbutt Store in Townsville. Staff took on the challenge of running the second-hand clothing store to help raise much needed funds for those less fortunate and drive awareness about the need for volunteers. Giving back to the communities that support us is at the core of what we do at Queensland Country. Our amazing team of retail professionals worked their magic to help the store achieve a sales record with proceeds going to those less fortunate. Staff from the Townsville Head Office and local branches all visited the store to pick up pre-loved items to ensure they could hit the town in style.

Severe flooding events took a toll on our Members in South-East Queensland and Northern New South Wales at the start of 2022. We rallied behind affected Members with a comprehensive support package for those needing financial relief following the disaster. Our insurance partner, CGU Insurance, also stepped up efforts to support Members with a claims hotline available 24 hours a day, seven days a week. Further to this package, Queensland Country donated $50,000 to the recovery effort through Australian charity

"Without a reliable water truck, we simply cannot function as it maintains the quality of the racing track which is crucial for our members, so the funding received to purchase a new truck has given the club a new lease on life."

MICHAEL, MAREEBA MOTOR RACING CLUB

GIVIT, with 100% of donated funds going towards purchasing exactly what people and communities impacted by storms and flooding needed.

Our Good for Good Community Grants awarded $128,958 to eight not-for-profit groups throughout Queensland. We were proud to support a wide range of worthy projects in the communities we operate in. Members in the Far North, Edge Hill United Football Club and Mareeba Motor Racing Club, received close to $50,000 in funding to improve their facilities. Edge Hill United constructed a new boundary fence to improve player safety while rev heads in Mareeba will now hit top speed thanks to an upgraded water truck keeping their track in prime condition.

In Townsville, Community Gro used their $30,000 grant to purchase a commuter van to assist the community in accessing services and deliver food while the Townsville Cycle Club installed a new $10,000 solar system to reduce their environmental footprint and operating costs. The Magnetic Island Koala hospital will continue to nurse sick and injured animals back to health with new equipment courtesy of a $10,000 cash injection.

Lifesaving defibrillators will be available for visitors to remote Cape Upstart with over $10,000 going towards an initiative to improve community health and safety. Further south, Rockhampton Brothers AFL Club used their $5,000 grant to upgrade their field lighting while the Maleny Community Centre completed over $13,000 worth of renovations to ensure their premises met workplace health and safety standards.

Queensland Country Good for Good Community Grants continue to positively impact our communities. We're extremely proud to make meaningful differences to not-for-profit groups to allow them to continue the great work they do for our Members and communities.

Despite the threat of COVID-19, Queensland Country Bank Stadium continued to deliver packed out major events. Relatively unaffected by the spread of the pandemic, Townsville was treated a historic rugby union double header between World Champions South Africa and the iconic All Blacks before hometown favourites Australia clashed with Argentina. The National Rugby League selected Queensland Country Bank Stadium for the 2021 elimination semi-finals between the Roosters and Titans while competition heavyweights Penrith and the Rabbitohs also did battle before a parochial North Queensland crowd. The upper echelon of women's football also converged on Townsville with the Matilda's beating the New Zealand Football Ferns 2 – 0 in a thrilling clash in April 2022. Our stadium sponsorship delivered tremendous brand exposure with these first class sporting events being televised nationally and internationally throughout 2021/2022.

Supporting all communities across our branch footprint is equally important for Queensland Country. Community events in regional centres are central to the social fabric of these towns and we love nothing more than helping people come together to celebrate. After a torrid run of Covid-19 false starts, we were proud to finally see the Apple and Grape Festival come to life in Stanthorpe while our support of Ipswich Cricket helped the club sweep the competition for the 2021-22 season. These sponsorships were only just a snapshot of the great community events and groups we supported throughout the year all over Queensland.

Former Mackay resident, Eve Murray, received $10,000 to continue her Bachelor of Echocardiography and Cardiac Physiology thanks to the CQUnicares Queensland Country Bank scholarship. Based in Brisbane for her studies, Eve was dedicating her scholarship to funding placement travel and accommodation costs. Once her studies are completed, Eve plans to head back to regional centres to help communities in need.

Our staff went over and above to deliver for our Members and achieved a Net Promoter Score of 9.3 for the year, eclipsing our target of 8.5. The Net Promoter Score measures how Members feel about our service and the likelihood they'd recommend us. We were pleased to welcome over 4,000 new Members to the Queensland Country family during the year and we are looking forward to watching their finances grow into the future.

Operational efficiency and innovation

Queensland Country has begun a significant project to upgrade our banking services and in turn improve the Member experience. A dedicated project team has been working hard to facilitate the transition to new debit and credit cards while introducing a new dedicated BSB number for the organisation. Moving forward, Members will utilise the new BSB: 654 000 for all their banking transactions.

The move to a new card provider will deliver a more sustainable environment with replacement cards made from 82% recycled material. This important work will pave the way for us to provide a far superior banking experience for Members. Once completed Members will be able to better manage their cards in the banking app and internet banking; access increased digital wallet options including Apple Pay, Google Pay and Samsung Pay; increased access to real time transfers to and from other banks; new credit card loyalty rewards program; and benefit from numerous fee reductions.

Given the magnitude of the project, management employed additional contact centre staff, extended contact centre hours, up-skilled existing team members, assigned specialist across the network and asked staff to implement their own changes to help Members through the process.

Following significant review and investigation, the Loan Origination System will be upgraded to significantly improve the Member experience throughout the loan application process. This decision will allow Queensland Country to achieve key strategic objectives such as lending growth. The new system will provide efficiencies to better manage growth and integrate with a variety of other systems immediately.

Comprehensive Credit Reporting (CCR) is improving how our member credit information is reported to credit reporting bodies to provide a clearer picture of Members credit history. These changes are intended to better recognise people displaying sound credit management and enhance responsible lending requirements and borrowing practices.

People, culture and engagement

At Queensland Country, we take pride in recognising our top performers. Whether it be individual staff, branches or whole departments, we make a big deal out of congratulating those that go above and beyond delivering fantastic service for our Members.

Our top three performing branches across Member growth, net promoter score (NPS), mystery shopper experience, SmartBudget, insurances and lending were – Charters Towers, Ayr and Earlville.

The Charters Towers branch scored a maximum score of 1,000 with Ayr (970) and Earlville (940) in hot pursuit. All branches produced excellent results across loans issued and insurance premiums. Interestingly, all branches scored higher than 86 percent for mystery shopper results and this was well above the organisation average.

The staff in all those branches should be congratulated and acknowledged for their dedication to our Members and their communities.

The workplace excellence for outstanding achievement goes to QC Direct "Third Party Distribution" with a KPI score of 950. The team consisting of Broker North, Broker South, Online and Specialised Lending made a substantial contribution to our lending results issuing $211 million in loans and $566k in general insurance premiums.

Similarly, our departments play an important role in Queensland Country Bank's success. The top three teams were Finance, SmartBudget and People and Culture. The award winners delivered exceptionally high service standards to the rest of the organisation and should be congratulated for their commitment to the business.

We take the opportunity to acknowledge our high performing staff and departments each year and these awards allow us to do so. It must also be recognised, however, the individual commitment of each staff member to their teams and delivering outstanding outcomes for Members.

Following the easing of COVID-19 restrictions, we were able to welcome staff back to face to face group settings for training. Although we were lucky to complete training online during the pandemic, there is no substitute for staff maximising their professional development opportunities in person.

Queensland Country Health Fund

This year saw us navigate the next phase of COVID-19 and its variants. In recognition and understanding of the challenges faced and as part of our ongoing initiative to support Members impacted, we were delighted to return $2.5 million dollars in profits from the financial year ending June 2021 (FY21) back to our eligible Members, just in time for Christmas.

Queensland Country Health Fund celebrated its 45th Birthday on Monday, 14 February 2022 while Territory Health Fund celebrating its fifth birthday on Tuesday, 22 March 2022.

The fund performed strongly with Members increasing by 4.41% for the year, more than double the industry average.

Our Members are at the core of everything we do, and we were honoured by the feedback received. In the January 2022 Satisfaction Survey, the Health Fund received a 97% satisfaction rating, with 70% of 1,528 respondents saying they were very satisfied.

In the annual Trust Survey where Members were asked how much they trusted Queensland Country Health Fund and nine other well-known brands; Members ranked us the highest.

We were very pleased with our Net Promoter Score of 9.2 out of 10. The net promoter score is a measure of how Members feel about our service and the likelihood they'd recommend us. A recommendation is the greatest compliment we can receive. We encourage Members to utilise our Refer a Friend offer and we say thank you with a gift card.

Increased benefits with additional Healthy Living Benefit inclusions and increased the age dependents can stay on a family and extended family policy, recognizing the changing family structure and children living at home longer. The year saw us also expand our Premier Provider Network which provide great discounts, so more value for money.

We strive to assist Members to live better lives through better health and the help communities be more active with our ongoing sponsorships of the Townsville Fire, Townsville Running Festival, Reef to River and NT City2Surf.

"The improvements in lighting will be a huge gamechanger for our club as it means we can play night games, train safely on a fully lit field, use the whole space after hours, and schedule our Youth Girls into Saturday fixtures.

RACHELE, BROTHERS KANGAROOS AFC

Directors’ report 2021-22

Your Directors present their report on the affairs of the Group for the financial year ended 30 June 2022.

The Parent Entity is a company registered under the Corporations Act 2001.

Christine Flynn BA; DipEd; FAICD; MAMI
Chair (since 1 April 2020) and Independent Non-Executive Director

Term of office: Appointed 1 April 2018

Skills & Experience:
Christine is an experienced Board Chair and Director, and executive leader, recognised for her capabilities in Board governance, organisational strategy, strategic risk, and leadership. Christine is an accredited facilitator for the Australian Institute of Company Directors and also serves as a Director on the Board of Queensland Country Health Fund Ltd. Christine is a Director on the Board of the International Research Society for Public Management, and a Director of Connexity Ltd, a small consulting firm. Christine has held roles as a senior executive in the public service and past board roles including as President of Institute of Public Administration Australia (Queensland), Member of the Audit and Risk Committee of the Queensland Audit Office, and the QUT School of Business Advisory Board. Christine was formerly the Chair of the Board of Queenslanders Credit Union until 2018 when it merged with Queensland Country Credit Union (now Queensland Country Bank.)

Lewis Ramsay B Bus (Com); MBA; GAICD
Deputy Chair (since 1 July 2020) and Independent Non-Executive Director

Term of office: Appointed 1 February 2020

Skills & Experience:
A fifth-generation Townsville resident, Lewis is a former General Manager of the Townsville Bulletin and surrounding regional newspapers. Lewis has also worked for the Federal Government in Canberra (Tourism portfolio), served as the Commercial Manager for the North Queensland Cowboys and the Brisbane Broncos Rugby League Clubs, and spent nearly two years as Director, Commercial of Brisbane Marketing (Brisbane’s Office of Economic Development.) Lewis is a Director of Queensland Country Health Fund Ltd and Queensland Country Care Navigation Pty Ltd and holds a non-executive Directorship with the North Queensland Cowboys (Chair).

Gregory (Greg) Nucifora B Com; CA; FAICD
Independent Non-Executive Director

Term of office: Appointed 1 April 2017

Skills & Experience:
Greg is a private client advisor with Bell Potter Securities in Cairns. Greg has extensive Board experience, including current appointments as Deputy Chair of Queensland Country Health Fund Ltd, Director and Finance & Performance Committee Chair of the Cairns and Hinterland Hospital and Health Board, Chair of St Michael’s Parish Finance Committee, Gordonvale, Chair of the Catholic Development Fund for Diocese of Cairns, and Chair of the Finance and Audit Risk Management Committee for Tourism Tropical North Queensland. Greg was formerly Chair of ECU Australia Ltd, which merged with Queensland Country in April 2017.

Directors’ report 2021-22

Patricia O’Callaghan B Com; GAICD
Independent Non-Executive Director

Term of office: Appointed 1 November 2015

Skills & Experience:
Patricia is the Chief Executive Officer of Destination Gold Coast and is also a Director of Queensland Country Health Fund Ltd. Patricia’s diverse career includes four years heading up the Mount Isa Chamber of Commerce, four years as the General Manager of Tourism and Events at Townsville Enterprise, and five years as the CEO of Townsville Enterprise. Patricia has been awarded during her career the Young Manager of the Year through the Australian Institute of Management and the Australian Financial Review Young BOSS Executive of the Year, and is a graduate of the Australian-American Young Leadership Dialogue.

Karen Read B Bus; FCPA; GAICD; MAMI
Independent Non-Executive Director (Deputy Chair from 6 April 2006 – 31 March 2018, and from 1 April 2020 – 1 July 2020)

Term of office: Appointed 15 April 2005

Skills & Experience:
Karen is a senior finance and commercial executive and has extensive experience within the mining and resources sector with a career spanning 30 years. From 2014 to 2017, Karen was employed as the Chief Financial Officer for Premise (formerly known as 02UDP Group Pty Ltd), a consulting, engineering, and project practice with offices across Queensland and in PNG. Karen has extensive Board experience including the following current positions: Chair of Queensland Country Health Fund Ltd, Director on the Mount Isa Water Board, Director on the Wesley Medical Research Board, Member of the North Queensland Sustainable Resources Corridor Regional Reference Group, Member of the Mount Isa 100 years Celebration Advisory Committee, and Deputy Chair of NQ Branch Council of CPA Australia.

John Weier Dip FS; GAICD; FAMI
Independent Non-Executive Director

Term of office: Appointed 1 April 2018

Skills & Experience:
John is an Ipswich local who began his career in the credit union industry at the Coal Miners Credit Union (later Discovery Credit Union) in 1980, before being appointed General Manager in 1981 and holding that position for 27 years. Discovery Credit Union merged with Queenslanders Credit Union in December 2007, and John led Queenslanders Credit Union as Chief Executive Officer from January 2008 until the merger of that organisation with Queensland Country Credit Union in April 2018. John remains actively involved in the Ipswich area through his membership of various sporting and community groups.

Anthony (Tony) Williamson B Com; FAICD
Independent Non-Executive Director
Term of office 1 April 2017 – 7 March 2022

The name of the Company Secretary in office at the end of the year is:
Jill Cason BA LLB (Hons); GDLP; GAICD; FGIA; FCG.

Directors’ report 2021-22

Committee Memberships

Until 10 July 2021
Audit: Greg Nucifora (Chair), Patricia O’Callaghan, Lewis Ramsay, Tony Williamson
Remuneration and Governance: Christine Flynn (Chair), Patricia O’Callaghan, Lewis Ramsay, Tony Williamson
Risk Management: John Weier (Chair), Christine Flynn, Greg Nucifora, Lewis Ramsay
Strategic Projects and ICT: Greg Nucifora (Acting Chair), Christine Flynn, John Weier, Tony Williamson
Merger Strategy: Greg Nucifora (Chair), Christine Flynn, John Weier
Nominations: Christine Flynn (Chair), Sean Kelly (Independent Representative), Bill O’Toole (Independent Representative)

*Director Karen Read was on an approved leave of absence until 10 July 2021.

From 11 July 2021
Audit: Greg Nucifora (Chair), Patricia O’Callaghan, Lewis Ramsay, Tony Williamson (until 7 March 2022), John Weier (from 14 March 2022)
Remuneration and Governance: Christine Flynn (Chair), Patricia O’Callaghan, Lewis Ramsay, Tony Williamson (until 7 March 2022), Karen Read (from 14 March 2022)
Risk Management: John Weier (Chair), Christine Flynn, Lewis Ramsay, Karen Read
Strategic Projects and ICT: Karen Read (Chair), Greg Nucifora, John Weier, Tony Williamson (until 7 March 2022), Lewis Ramsay (from 14 March 2022)
Merger Strategy: Greg Nucifora (Chair), Karen Read, John Weier
Nominations: Christine Flynn (Chair), Sean Kelly (Independent Representative), Bill O’Toole (Independent Representative)

Directors’ report 2021-22

Directors’ Meeting Attendance

The table below shows the attendance record for the number of meetings Board members were eligible to attend.

	Board	Audit	Remuneration and Governance	Risk Management	Strategic Projects and ICT	Merger Strategy	Nominations
		COMMITTEES					
No. of Meetings held	**13**	**4**	**3**	**4**	**5**	**2**	**0**
Christine Flynn	13/13		3/3	4/4			
Lewis Ramsay	13/13	3/4	3/3	3/4	2/3		
Karen Read	12/13		1/1	4/4	5/5	2/2	
Greg Nucifora	13/13	4/4			5/5	2/2	
Patricia O’Callaghan	12/13	4/4	3/3				
John Weier	13/13	2/2		4/4	5/5	2/2	
Tony Williamson	7/9	2/2	1/2		1/2		

Directors' Benefits
No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Group, a subsidiary, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest.

Indemnification of Officers or Auditor
The Company has agreed to indemnify the following current Directors of the Company: C Flynn, L Ramsay, G Nucifora, P O'Callaghan, K Read, and J Weier, the Company Secretary and all executive officers of the Company and of any related body corporate, against any liability that may arise from their positions within the Company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability indemnified. The Company has paid premiums in respect of Directors' and Officers' liability insurance during the financial year. The contract of insurance does not include details of premiums paid in respect of individual officers of the Company and prohibits disclosure of the amount of the premium paid. Except as noted above, the Company has not, during or since the Financial Year, indemnified or agreed to indemnify an officer or auditor of the Company, or of any related entity, against a liability incurred in their capacity as an officer or auditor.

Principal Activities
The principal activities of the Group during the year were the provision of financial services to Members in the form of lending and taking deposits, as prescribed by the Constitution; the provision of health insurance to health insurance policy holders including the acceptance of contributions and payment of benefits and the provision of dental facilities to its Health Fund policy holders. The Health Fund has established a subsidiary company, Queensland Country Care Navigation Pty Ltd to provide care coordination services to the Health Fund's policy holders.

Operating Results
The net profit of the Group for the year after providing for income tax was $13,737,000 (2021: $13,315,000).

The capital adequacy ratio measured for prudential purposes as at reporting date decreased to 15.30% (2021: 15.33%).

Options
No options over unissued shares or interests in the Parent Entity or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares have been issued as a result of the exercise of an option.

Review of Operations
The results of the Bank's operations from its activities of providing financial services to its members, increased from those of the previous year from $7,865,000 to $11,982,000. Net operating income increased from $86,858,000 to $95,953,000, with the increase attributable to both net interest income and dividend income. Operating expenses increased from $76,620,000 to $81,072,000 resulting mainly from employee related costs and project costs.

Total Assets of the Bank increased by 6.93%, which also included an upgrade to the Internal Securitisation program of $50,000,000. Total Loans increased by 6.99%. The capital adequacy ratio decreased to 15.30%.

The results of the Group's operations from its activities of providing financial services to its members and health insurance to its policy holders increased from those of the previous year. Net operating income increased by $13,696,000, resulting mostly from an increase in Health Fund contribution income. This was partially offset by an increase in total operating expenses of $13,225,000 with the main contributor being an increase in Health Fund benefits paid.

Total Assets of the Group increased by 7.04%.

Significant Changes in State of Affairs
Apart from disclosures elsewhere in this report, there were no significant changes in the state of the affairs of the Group during the year.

Events Subsequent to the End of the Reporting Period
There are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, or state of affairs of the Bank or the Group in subsequent financial years.

Likely Developments and Results
Looking ahead in a competitive, challenging environment the Board has determined that it will make the appropriate decisions to enable the Group to continue to deliver financial services and health insurance to its members and policy holders.

Queensland Country will continue to build on its financial strength and invest for the future by investing in technology that will allow the business to introduce new products and services, particularly digital and more efficient business processes.

No other matter, circumstance or likely development in the operations has arisen since the end of the reporting period 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.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Proceedings
No person has applied for leave of the Court to bring proceedings on behalf of the Group or interfere in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Rounding
The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations Instrument 2016/191. The Parent Entity and Group are permitted to round to the nearest one thousand dollars ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Regulatory Disclosures
The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the website at https://www.queenslandcountry.bank/help-info/about-us/governance-reporting/.

Auditor's Independence Declaration
The auditor's independence declaration for the year ended 30 June 2022 forms part of this report and a copy of this declaration is attached.

CORPORATE GOVERNANCE DISCLOSURES

Board
The Board of Queensland Country Bank Limited has responsibility for the overall management and strategic direction of the Bank. All Directors are independent of Management and appointed pursuant to the provisions of the company Constitution.

Five (5) of seven (7) Board members are elected by members on a 3-yearly rotational basis. Two (2) of seven (7) Board members are appointed pursuant to clause 50A.1 of the Constitution, which allows for the Board to appoint a person as a Director if the Board considers the person has skills or expertise of particular benefit to the Board.

Each Director must be eligible to act under the Company Constitution and in accordance with Corporations Act 2001 criteria. The Directors also need to satisfy APRA Fit and Proper requirements.

The Board has established policies to govern conduct of Board meetings, Director conflicts of interest, and training so as to maintain Director awareness of emerging issues and to satisfy all governance requirements.

Board Remuneration
The Board receives remuneration from the Bank in the form of allowances agreed to each year at the AGM and out of pocket expenses. Directors receive no other benefits from the Bank.

Board Committees
An Audit Committee, Merger Strategy Committee, Remuneration & Governance Committee, Risk Management Committee, and Strategic Projects & ICT Committee have been formed to assist the Board in relevant matters of corporate governance. Only Directors are members of these committees with participation of Management as required.

A Nominations Committee has also been established to assist the Board in assessing persons for election or appointment as a Director. In accordance with the company Constitution, the Committee comprises one Director and two persons independent of the Board and Executive Management.

Audit Committee
The responsibilities of the Audit Committee include:
- Ensuring effectiveness of systems for monitoring compliance with laws, statutory requirements, and Board policies
- Overseeing the Bank's audit function and providing a forum for communication between the Board, external auditor, and internal auditor
- Reviewing significant accounting and reporting issues and annual audited financial statements to ensure integrity and completeness of information to external parties
- Ensuring any Related Party Transactions are appropriate, and
- Ensuring a Whistleblower Policy is established, maintained, and communicated.

Merger Strategy Committee
The Merger Strategy Committee is established to support the Board and Management with the identification, analysis and execution of merger opportunities which align with Queensland Country's Strategic Plan, and make recommendations to the Board as to whether a proposed merger is in the best interests of Members.

Remuneration and Governance Committee
The responsibilities of the Remuneration and Governance Committee include, in relation to Remuneration:
- Initiating and overseeing the annual process of reviewing performance and remuneration of the Chief Executive Officer and the Chief Executive Officer's direct reports
- Each year, reviewing and providing recommendations in relation to appropriate Executive and Director Remuneration and generally reviewing remuneration strategies, practices, and disclosures
- Reviewing and proposing revisions to the Bank's governance policies and practices, including the Board Charter
- Reviewing and proposing revisions to the Bank's Constitution
- Initiating and overseeing the evaluation of Board and Director Performance as required by the Board Charter, and
- Co-ordinating the process of Director orientation.

Risk Management Committee
The responsibilities of the Risk Management Committee include:
- Ensuring the Board is aware of the risks to which the organisation is exposed to and that management operate within an appropriate 'risk management control framework'
- Assisting the Board to set risk limits and parameters appropriate to the Board's appetite for risk and ensuring adequate management reporting against set limits
- Ensuring Board policies reflect the Board's risk appetite
- Ensuring adequacy of Business Continuity Management, and

- Ensuring adequacy and effectiveness of the Bank's compliance program and actions to address identified compliance weaknesses.

Strategic Projects and ICT Committee
The Strategic Projects and ICT Steering Committee assists the Board in monitoring the management of strategic projects, cyber security, and progress against the digital roadmap for the Queensland Country Group.

Risk, Legal and Compliance
The Bank has a Risk, Legal and Compliance department responsible for maintaining the awareness of staff for all changes in compliance obligations and responding to staff inquiries on compliance matters. The Legal and Compliance department also monitors compliance with the Australian Financial Services and Australian Credit Licence obligations, AML/CTF and other regulatory obligations.

External Audit
For the 2021/2022 Financial Year, External Audit is performed by PwC, a leading international accounting body.

Internal Audit
There is an established Internal Audit function which deals with the areas of internal control.

Internal audit matters are also examined by the external auditors. The work performed by the external auditors is examined by the Audit Committee to ensure that it is consistent with the current external audit reporting role and does not impair their independence.

Dispute Resolution
The Internal Dispute Resolution officer responds to all internal and external dispute resolution matters.

Regulation
The Bank is regulated by:
- Australian Prudential Regulation Authority (APRA) for the Prudential risk management of the Bank and the Health Fund; and
- ASIC for adherence to the disclosure requirements in the Corporations Act, Accounting Standards disclosures in the financial report and Australian Financial Services Licence (AFSL) and Australian Credit Licence (ACL).

Under the AFSL all staff who deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

APRA conduct periodic inspections. The external auditors report to both authorities on an annual basis regarding compliance with respective requirements.

The external auditors also report to ASIC on FSR compliance and APRA on Prudential policy compliance.

Workplace Health & Safety
The nature of the finance industry is such that the risks of injury to staff and the public are less apparent than in other high-risk industries. Nevertheless, our two most valuable assets are our staff and our Members, and steps need to be taken to maintain their security and safety when circumstances warrant.

WH&S policies have been established for the protection of both Members and staff, and are reviewed annually for relevance and effectiveness.

Staff are trained in armed holdup procedures and offices are designed to mitigate risk of such incidents by:
- Minimising the amount of cash held in accessible areas; and
- Installing cameras to assist detection and identification of unauthorised persons.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs of the public and staff. Independent security consultants report periodically on the areas of improvement that may be considered.

The Bank has established a WH&S policy and has contracted independent consultants to review our WH&S policy and procedures and to recommend any improvements that may be considered. All matters of concern are reported for actioning by management. Secure cash handling policies are in place, and injury from RSI and lifting heavy weights are managed by proper techniques to minimise the risk of damage.

All staff have access to trauma counsellors where required following an incident which may impair their feeling of safety in the workplace.

Environmental Statement
Queensland Country acknowledges that climate change presents a risk to the prosperity and sustainability of the communities we operate in. Nationally and globally, societal expectation around environmental and social sustainability is shifting, consumers are demanding proactive and socially responsible practices by the organisations they engage with. This shift is rapidly driving regulatory requirements and government policy.

Directors' report 2021-22

As an organisation, Queensland Country values a science-based approach and will prioritise direct decarbonization in reducing the group's own impacts on the environment. A measured approach to the low-carbon transition is critical to ensure communities have access to secure, reliable, and affordable energy and to ensure the transition is fair for everyone. This includes how we provide financial services, support communities, operate Queensland Country facilities and contribute to industry initiatives.

Queensland Country is evolving its business to help manage the effects of climate change and support the measured transition to a low-carbon economy. Critically, Queensland Country is doing this whilst mindful of the challenges and opportunities of Members, and the potential impacts on the communities where many Queenslanders are employed in mining and agricultural industries.

There is more that Queensland Country needs to do, and our initial focus is on reducing our greenhouse gas emissions and becoming a more efficient and a less resource consuming organisation. Following are the key environmental impacts Queensland Country is taking steps to improve:

- Generation of greenhouse emissions contributing to climate change
- Ozone depletion through emissions from air conditioning
- Increase in landfill
- Degradation of water quality

The objectives of Queensland Country's environmental agenda are as follows:

- Developing an understanding of, and management of, environmental risks and opportunities
- Developing products and services to help Members respond to environmental challenges
- Leading through actions; that is, reducing Queensland Country's own greenhouse gas emissions; and
- Engaging and assisting Queensland Country personnel in their personal contribution to environmental sustainability

Queensland Country's environmental strategy has been developed with the above objectives in mind and the key strategies are outlined below:

- Develop climate change knowledge and insights
- Invest in organisational capability to identify and respond to climate change risks and opportunities
- Measure and report on greenhouse gas emissions
- Continue to reduce greenhouse gas emissions
- Improve resource efficiency in line with environmental performance targets
- Continue engaging employees and foster positive environmental behaviors
- Continue to embed environmental conscious purchasing decisions
- Create tailored products and services that encourage Members to make positive environmental financial decisions

Signed for and on behalf of the Directors in accordance with a resolution of the Board:

C. Flynn
Chair
Signed and dated this 21st day of September 2022

G. Nucifora
Director

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Queensland Country Bank Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Queensland Country Bank Limited and the entities it controlled during the period.

Kristy van Horck
Partner
PricewaterhouseCoopers

Brisbane
21 September 2022

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Statements of profit or loss

and other comprehensive income for the year ended 30 June 2022

	NOTE	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Interest income	3	75,368	76,503	71,632	73,032
Interest expense	3	(19,195)	(24,224)	(14,377)	(19,680)
Net interest income		56,173	52,279	57,255	53,352
Other revenue and income	4	39,243	33,865	165,941	155,971
Impairment recovery on loans and advances	4,29	537	714	537	714
Net operating income		95,953	86,858	223,733	210,037
Employee benefits expense	5	(38,592)	(36,555)	(38,592)	(36,555)
Occupancy expense	5	(3,320)	(3,344)	(2,818)	(2,816)
Depreciation and amortisation expense	5	(5,559)	(5,761)	(5,535)	(5,779)
Other expenses	5	(33,601)	(30,960)	(157,298)	(145,868)
Total operating expenses	5	(81,072)	(76,620)	(204,243)	(191,018)
Profit before income tax		14,881	10,238	19,490	19,019
Income tax expense	6	(3,333)	(3,077)	(6,187)	(6,408)
Profit for the year		11,548	7,161	13,303	12,611
Other comprehensive income for the year, net of income tax					
Items that will not be subsequently reclassified to profit or loss					
Net change in fair value on financial assets (equity instruments) designated at fair value through other comprehensive income (**FVOCI**)		620	1,006	620	1,006
Income tax attributable to other comprehensive income	6	(186)	(302)	(186)	(302)
Other comprehensive income or the year, net of income tax		434	704	434	704
Total comprehensive income for the year		11,982	7,865	13,737	13,315

The accompanying notes should be read in conjunction with these financial statements.

Statements of financial position

as at 30 June 2022

	NOTE	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
ASSETS					
Cash and cash equivalents	9	52,483	63,336	55,114	69,879
Financial assets at fair value through profit or loss	10	-	-	40,277	37,220
Other receivables	11	5,271	3,445	7,884	5,512
Income tax receivable	12	995	448	(33)	579
Debt instruments at amortised cost	13	963,059	887,468	555,554	496,561
Loans and advances at amortised cost	14	2,188,742	2,044,370	2,188,742	2,044,370
Property, plant and equipment	15	8,322	8,580	31,011	32,312
Right-of-use assets	15	8,229	8,394	7,756	7,919
Intangible assets	16	306	483	306	538
Investment property	17	-	830	3,695	4,765
Equity instruments at FVOCI	18	9,641	9,020	9,641	9,020
Deferred tax assets	19	2,226	3,274	2,005	2,697
Other assets	20	2,333	1,846	2,333	1,846
TOTAL ASSETS		3,241,607	3,031,494	2,904,285	2,713,218
LIABILITIES					
Other borrowings	21	484,616	464,369	46,254	46,208
Deposits from Members	22	2,531,816	2,351,584	2,507,986	2,332,500
Other payables	23	11,501	13,962	34,137	34,929
Lease liabilities	15	8,435	8,730	7,974	8,319
Provisions	24	4,758	4,350	18,885	15,950
TOTAL LIABILITIES		3,041,126	2,842,995	2,615,236	2,437,906
NET ASSETS		200,481	188,499	289,049	275,312
EQUITY					
Reserves	25	109,201	108,767	109,201	108,767
Retained earnings		91,280	79,732	179,848	166,545
TOTAL EQUITY		200,481	188,499	289,049	275,312

The accompanying notes should be read in conjunction with these financial statements.

Statements of changes in equity

for the year ended 30 June 2022

Bank ($'000)	FVOCI Reserve $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2020	3,263	103,755	72,571	179,589
Total comprehensive income for year				
Profit for the year	-	-	7,161	7,161
Other comprehensive income, net of income tax	704	-	-	704
Total comprehensive income for the year	704	-	7,161	7,865
Transfers				
Transfer of reserves on merger	-	1,045	-	1,045
Balance at 30 June 2021	3,967	104,800	79,732	188,499
Total comprehensive income for year				
Profit for the year	-	-	11,548	11,548
Other comprehensive income, net of income tax	434	-	-	434
Total comprehensive income for the year	434	-	11,548	11,982
Balance at 30 June 2022	4,401	104,800	91,280	200,481

The accompanying notes should be read in conjunction with these financial statements.

Statements of changes in equity

for the year ended 30 June 2022

Group ($'000)	FVOCI Reserve $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2020	3,263	103,755	153,941	260,959
Total comprehensive income for year				
Profit for the year	-	-	12,611	12,611
Other comprehensive income, net of income tax	704	-	-	704
Total comprehensive income for the year	704	-	12,611	13,315
Transfers				
Transfer of reserves on merger	-	1,045	-	1,045
Other	-	-	(7)	(7)
Balance at 30 June 2021	3,967	104,800	166,545	275,312
Total comprehensive income for year				
Profit for the year	-	-	13,303	13,303
Other comprehensive income, net of income tax	434	-	-	434
Total comprehensive income) for the year	434	-	13,303	13,737
Balance at 30 June 2022	4,401	104,800	179,848	289,049

The accompanying notes should be read in conjunction with these financial statements.

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Statements of cash flows

for the year ended 30 June 2022

	NOTE	Bank 2022 $'000 Inflows/ (Outflows)	Bank 2021 $'000 Inflows/ (Outflows)	Group 2022 $'000 Inflows/ (Outflows)	Group 2021 $'000 Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		74,892	76,745	71,064	73,319
Dividends received		3,973	30	473	30
Other income		22,353	20,585	3,736	5,240
Fees and commissions received		13,688	13,386	14,291	13,469
Contributions received – Queensland Country Health Fund		-	-	150,555	139,157
Interest paid		(19,512)	(26,172)	(14,693)	(21,622)
Interest paid on leases		(490)	(535)	(457)	(496)
Payments to suppliers and employees		(80,092)	(76,461)	(79,375)	(80,711)
Benefits paid – Queensland Country Health Fund		-	-	(122,261)	(112,331)
Income taxes (paid)/received		(3,019)	(2,608)	(5,069)	(4,845)
Net movement in loans and advances		(143,836)	(143,753)	(143,836)	(143,753)
Net movement in deposits from members		180,549	188,660	175,802	182,313
Net cash provided by operating activities	26(c)	48,506	49,877	50,230	49,770
CASH FLOWS FROM INVESTING ACTIVITIES					
Net movement in financial assets		(75,591)	61,800	(62,050)	(48,880)
Payments for property, plant and equipment		(1,508)	(1,444)	(1,561)	(1,466)
Proceeds from sale of property, plant and equipment		489	566	422	507
Proceeds from sale of investment property		792	-	792	-
Net cash provided by/(used in) investing activities		(75,818)	60,922	(62,397)	(49,839)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net movement in borrowings		20,247	(86,329)	47	26,198
Payment for lease liabilities		(3,788)	(3,674)	(2,645)	(2,523)
Repayment of member investment shares		-	(1,091)	-	(1,091)
Net cash provided by/(used in) financing activities		16,459	(91,094)	(2,598)	22,584
Net increase/(decrease) in cash held		(10,853)	19,705	(14,765)	22,515
Cash at the beginning of the financial year		63,336	41,359	69,879	45,092
Cash received from merger		-	2,272	-	2,272
Cash at the end of the financial year	26(a)	52,483	63,336	55,114	69,879

The accompanying notes should be read in conjunction with these financial statements.

Notes to the financial statements

for the year ended 30 June 2022

NOTE 1 Summary of significant accounting policies

These financial statements were authorised for issue on September 22, 2022 by the Board of Directors. The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial statements cover Queensland Country Bank Limited as an individual entity, and Queensland Country Bank Limited and Subsidiaries as a Group. Queensland Country Bank Limited is a public company limited by shares, incorporated and domiciled in Australia. For the purposes of preparing the financial statements, Queensland Country Bank Limited is a for-profit entity.

(i) Compliance with IFRS
The financial statements of Queensland Country Bank Limited as an individual entity and the consolidated financial statements of the Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(ii) Historical cost convention
The financial statements have been prepared on a historical cost basis, except for investment property and certain financial assets that have been measured at fair value. The presentation currency of the financial statements is Australian Dollars.

(iii) New and amended standards adopted by the Group
There are no new and amended accounting standards that became effective as of 1st July 2021 that have a material impact to the Group.

(iv) New standards and interpretations not yet adopted
Certain new accounting standards have been published that are not yet mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

1. AASB 17 *Insurance Contracts*

AASB 17 Insurance Contracts is effective for reporting periods beginning on or after 1 January 2023 and will replace AASB 4 Insurance Contracts and AASB 1023 General Insurance Contracts.

The standard introduces a new general measurement model for accounting for insurance contracts. However, a simplified premium allocation approach, similar in nature to the Group's existing measurement basis under AASB 1023 is permitted in certain circumstances.

The Group will first apply AASB 17 for the annual period beginning 1 July 2023 and ending 30 June 2024. The Group expects to be ready to comply with AASB 17 by 30 June 2023.

All estimates in these financial statements are based on existing AASB standards. Current forecasts and strategy planning are performed without modification for changes required under AASB 17.

The Group plans to use the simplified premium allocation approach under AASB 17 for all insurance contracts.

Limited systems changes are expected to be required; a number of new processes and reports will be required. Due to the speed with which insurance contracts are resolved, the Group plans to implement AASB 17 using the full retrospective approach on transition.

Expected Impacts
AASB 17 has significantly different entries for insurance contracts on the balance sheet and statement of comprehensive income to current practice. This will change the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the balance sheet and statement of comprehensive income.

There will be increased disclosure requirements compared with existing reporting requirements.

The Group expects that AASB 17 will reduce both the assets and liabilities in the balance sheet, with the impact on net assets expected to be relatively small.

AASB 17 does not change the underlying performance of insurers. The timing of when revenue, expenses, and profit are recognised may change under AASB 17, but due to the short-tailed nature of the Group's insurance liabilities, any changes in timing are anticipated to be small. In

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addition to the changes in presentation of the financial statements, changes to the disclosures are also expected.

Implementation progress
The Group has a comprehensive project underway to assess the potential impact on its consolidated financial statements. This includes identifying changes to the Group's accounting policies, reporting requirements, systems, processes and controls and consideration of industry interpretations and regulatory responses.

(b) Consolidated financial statements

(i) Basis of consolidation
The consolidated financial statements incorporate the assets and liabilities of all Subsidiaries of Queensland Country Bank Limited ('the Company', 'Parent Entity' or 'the Bank) as at 30 June 2022 and the results of all subsidiaries for the year then ended. The Bank and its subsidiaries together are referred to in these financial statements as the Group.

(ii) Subsidiaries
Subsidiaries are all entities, including special purpose entities, over which the Group has control. The Group has control over an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect these returns. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

The existence and effect of potential voting rights where the Group has the practical ability to exercise them are considered when assessing whether the Group controls another entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of Subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Group.

The names of the subsidiaries are contained in note 28. All subsidiaries have a 30 June financial year-end and are accounted for at cost in the separate financial statements of Queensland Country Bank Limited less any impairment charge.

(c) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deductible temporary differences brought to account as deferred tax assets is based on the assumption

Notes to the financial statements
for the year ended 30 June 2022

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that no adverse change will occur in income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the deferred tax asset to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(d) Financial assets and financial liabilities

(i) Measurement methods
Amortised cost and effective interest rate:
The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount and, for financial assets, minus any reduction for impairment.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before any impairment provision) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income:
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except where they have subsequently become credit impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement:
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial and assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss provision (**ECL**) is recognised for financial assets measured at amortised cost, as described in note 29(b), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Offsetting:
Financial assets and financial liabilities are set off and the net amount presented in the Statements of Financial Position when, and only when, the Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Financial assets
Classification and subsequent measurement of financial assets – overview:
The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (**FVPL**);
- Fair value through other comprehensive income (**FVOCI**); or
- Amortised cost.

Classification and subsequent measurement of financial assets that are debt instruments:
For debt instruments, the classification and subsequent measurement depends on the Group's

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business model for managing the financial assets and the contractual terms of the cash flows. Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

A) Amortised Cost
These assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (**SPPI**) and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL provision recognised and measured as described in note 29(b). Any gain or loss arising on derecognition is recognised directly in profit or loss.

Financial assets (debt instruments) classified by the Group as subsequently measured at amortised cost in the current period include:

- **Cash and cash equivalents** – these include cash on hand, unrestricted balances held in ADIs, settlement account balances due from banks, and highly liquid financial assets, which are subject to insignificant risks of changes in their value, and are used by the Group in the management of its short-term commitments.
- **Trade debtors –** these are short term receivables due to the Group from other parties.
- **Investment securities** – these include bank bills of exchange, some floating rate notes and some deposits with other financial institutions. The Group's business model for the liquidity portfolio is to collect contractual cash flows, with sales of these financial assets only arising if they no longer meet the Group's investment policy or in a stressed liquidity scenario.
- **Loans and receivables** – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. The Group's business model for the loan book is to collect contractual cash flows, with sales of loans only being made internally to a consolidated SPV for the purpose of collateralising notes issued, with no resulting derecognition by the Group.

B) FVOCI
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI are measured at FVOCI. Movements in the carrying amount are taken to OCI, except for the recognition of impairment gains or losses and interest income which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

In the current period the Group does not hold any financial assets (debt instruments) classified as subsequently measured at FVOCI.

C) FVPL
Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net with other gains/(losses) in the period in which it arises.

Financial assets (debt instruments) classified by the Group as subsequently measured at FVPL in the current period include:

- **Investment securities** – these include managed funds, capital notes, some floating rate notes, and some deposits with other financial institutions, where the securities are managed within a portfolio that is held for short-term profit-making purposes (i.e. held for trading purposes).

Interest income from financial assets that are debt instruments assets is calculated using the effective interest rate method and recognised in profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. Such changes are expected to be very infrequent and none occurred during the period.

Classification and subsequent measurement of financial assets that are equity instruments:
For equity instruments, these are classified and subsequently measured at FVPL, unless the Group has elected at initial recognition to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Dividends, when representing a return on equity investments, continue to be recognised in profit or

Notes to the financial statements
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loss as other income when the Group's right to receive payments is established. Gains and losses on equity investments at FVPL are recognised in profit or loss and presented net with other gains/(losses) in the period in which they arise.

Financial assets (equity securities) classified by the Group as subsequently measured at FVOCI in the current period include:

- **Unlisted equity securities** – these relate to shareholdings in unlisted entities which are not held to enable the Group to receive essential banking services.

Impairment of financial assets:
The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The impairment methodology applied depends on whether there has been a significant increase in credit risk (**SICR**).

The Group recognises an impairment provision for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

For trade debtors, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 29(b) provides more detail on how the expected credit loss provision is measured.

Modification of loans:
The Group sometimes renegotiates or otherwise modifies contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is subsequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a SICR has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest for credit-impaired financial assets).

Derecognition of financial assets (other than on a modification):
Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Securitisation arrangements:
The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Where these criteria are not met, then the assets are not de-recognised.

Where the assets are derecognised, the Group also recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. In addition to this, the Group may receive

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any residual income of the securitisation program once all associated costs have been met. The residual income is recognised as revenue when received. The timing and amount of cash flows and any residual income to be earned cannot be reliably measured because of the significant uncertainties inherent in estimating future repayment rates on the related mortgage loans and the associated loan interest margins. Consequently, any residual income receivable has not been recognised as an asset and no gain is recognised on sale of the housing mortgage loans. Any associated income or expenditure is recognised when receivable or payable.

The Trustee of the securitisation program has funded the purchase of housing mortgage loans through the issue of securities. The securities issued by the Trust do not represent deposits or liabilities of the Group. The Group does not guarantee the capital value or performance of the securities, or the assets of the Trust. The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The Group is not obliged to support any losses incurred by investors in the Trust and does not intend to provide such support. The Group has no right to repurchase any of the securitised loans.

Loan commitments:
Loan commitments provided by the Group are measured as the amount of the impairment provision (calculated as described in note 29(b)A(iv)). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments, the impairment provision is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the impairment provision for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(iii) Financial liabilities
Financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, which is applied to financial liabilities held for trading and other financial liabilities designated as such at initial recognition.
All financial liabilities are measured at amortised cost in the current and comparative periods, and include:

- **Deposits from members** - interest on deposits is recognised on an accrual basis. Interest accrued at the end of the reporting date is shown as a part of deposits.
- **Trade payables** – these are short term payables due to the Group from other parties.
- **Borrowings** – these relate to the Group's securitisation vehicle and a Term Funding Facility with the Reserve Bank of Australia (RBA).

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(e) Revenue

Fees and charges:
Unless included in the effective interest rate, fees and charges earned from members are recognised at the point in time that the underlying transaction is completed. Fees charged for providing ongoing services are recognised as income over the period the service is provided, in line with the performance obligation delivered to the members.

Commission revenue:
Commissions are earned by the Group on the sale of third party products and services to members. Unless included in the effective interest rate, commissions are recognised at the point in time when the Group's performance obligation in respect of this income is considered to be met. Where there is variable consideration (e.g. trail commissions and renewals), this is only recognised to the extent it is highly probable it will

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not reverse in future periods, at its net present value.

Management fees:
Under the terms of a management agreement between the Bank and the Health Fund, a fee is paid to reimburse all costs incurred by the Bank relating to the operation of the Health Fund. In addition, the agreement specifies that the management fee may include a charge per Health Fund member, payable to the Bank. Management fee revenue is recognised over time, in line with the period the services are provided.

(f) Contribution income

Contribution income for the Health Fund comprises contributions received from Policy holders, inclusive of any Government Rebate.

Contribution income is recognised when earned over the period of the membership. Contributions in advance amounts are recognised as revenue as the income is earned.

(g) Fair value measurement

Fair values may be used for financial and non-financial asset and liability measurements as well as sundry disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market.

The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. This is described further in note 30.

(h) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Depreciation
The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

The following are the minimum rates of depreciation applied on a straight line basis:
- Buildings 5.0%
- Plant & Equipment 2.5% - 33.3%
- Leasehold Improvements 10.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments that reflect the time value of money and the risks specific to the asset.

Impairment losses are recognised in the profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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(j) Investment property

Investment property held for rental is initially measured at cost including transaction costs.

Subsequent to initial recognition, investment property is carried at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in fair values of investment properties are included in profit or loss as part of other income in the year in which they arise. Fair value is determined based on an annual valuation performed by an accredited external, independent valuer, applying a valuation model appropriate for the investment property.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(k) Intangible assets

(i) Computer software:
Items of computer software which are not integral to the computer hardware owned by the Group are classified as an intangible asset. Computer software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated on a straight-line basis over the expected useful life of the software. These lives are currently five years. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits of the computer software. All other expenditure is expensed as incurred.

Costs incurred in configuring or customising Software as a Service (SaaS) arrangements can only be recognised as intangible assets if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangements to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement."

(l) Leases

(i) Lessee accounting
Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (included in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:
- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions, and
- Makes adjustments specific to the lease, e.g. term, security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjustment against the right-of-use asset.

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Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or less over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months of less. Low-value assets comprise IT equipment and small items of furniture and equipment.

Extension and termination options are included in property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

(ii) Lessor accounting
The Group is a lessor of office facilities and accommodation. The investment properties are leased to tenants under operating leases. Office facilities require rental payable monthly, and accommodation rentals require rental payable based on length of occupancy. Lease payments for some contracts include CPI increases or depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease.

The Group retains the leased asset, and accounts for operating leases by recognising income received (net of lease incentives provided to the lessee) on a straight-line basis over the term of the lease. Contingent rentals are recognised at the point in time that the underlying transaction is completed.

Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties where relevant.

(m) Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Short-term employee benefits:
Liabilities for wages, salaries and bonuses and the value of fringe benefits received (including non-monetary benefits) that are expected to be settled wholly within twelve months of the end of the reporting period are recognised in Other Liabilities in respect of employee services provided to the end of the reporting period and are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long-term employee benefits:
Liabilities for long service leave and annual leave that are not expected to be settled within twelve months of the end of the reporting period are recognised as provisions for employee benefits and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary and wage increases, experience of employee departures and periods of service. Expected future payments are discounted using a standardised set of discount rates specifically available for the purpose of discounting employee benefit liabilities, at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are considered as current liabilities if the Group does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

Contributions are made by the Group to employee superannuation funds and are recognised in the profit and loss when incurred.

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(n) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statements of Financial Position are shown inclusive of GST.

(p) Assets backing private health insurance liabilities

The Health Fund manages its financial investments to ensure it has sufficient funds to meet all private health insurance liabilities, such as members' claims and operational expenses as they fall due. To ensure that the risks inherent in the Health Fund's investments are appropriately managed, the Board has endorsed a strategy of placing no more than 25% of the total term deposits with any one financial institution, while ensuring that there is reasonable spread of maturity dates. Central to the management of the Health Fund's liquidity is the forecasting of daily cash flows. The Board is regularly advised about the extent of surplus funds available based on historical records and latest projections of cash flows, including expectations of contributions and risk equalisation funds and claims to be paid out. As at 30 June 2022 and 2021, the Board determined that private health insurance liabilities are reasonably backed by financial assets.

(q) Insurance contracts

Insurance contracts for the Health Fund are defined as those containing significant insurance risk at the inception of the contract, or those where, at the inception of the contract, there is a scenario with commercial substance in which the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

(r) Outstanding claims provision

The provision for outstanding claims for the Health Fund provides for claims received but not assessed, claims assessed but not yet paid, and claims incurred but not received.

The provision is based on actuarial assessment taking into account historical patterns of claim incidence and processing. No discounting is applied to the provision due to the generally short time period between claim incidence and settlement. The provision also provides for the expected payment to or receipt from the Risk Equalisation Trust Fund in relation to an amount provided for unpresented and outstanding claims. Under AASB 1023, risk margin has been applied in the calculation as capital for prudential purposes.

(s) Deferred claims liability

A provision is made for deferred claims at the reporting date for the Health Fund, measured with regard to the claims that were expected to occur but did not eventuate at the reporting date due to reduced access to surgeries and other procedures as a result of COVID-19. The Group believes they have a responsibility for the claims that would have ordinarily incurred under normal circumstances and that will ultimately be paid to members. The expected future payments include those in relation to deferred claims which are likely to materialise in the next 12 months, together with allowances for Risk Equalisation Policy Levy (REPL) consequences and risks and uncertainties. Refer further information in Note 2(f) Critical accounting estimates and judgements.

(t) Actuarial assumptions and methods

(i) Outstanding claims and risk margin
The outstanding claims estimate is derived based on three valuation classes, namely hospital, medical and general treatment services. In calculating the estimated cost of unpaid claims, a chain ladder method is used, this assumes that the development pattern of the current claims will be consistent with historical experience. Where deemed necessary, manual adjustments were made to the outstanding claims by service month to produce an appropriate estimate of incurred claims for the service month.

Notes to the financial statements

for the year ended 30 June 2022

NOTE 1 cont

As the run-off of health insurance claims is relatively rapid, the claims to be paid in the future were not discounted.

Actuarial assumptions:
The following assumptions have been made in determining the outstanding claims liability based on inputs from management and advice from the Appointed Actuary.

	2022			2021		
Variables	**Hospital %**	**Medical %**	**General treatment %**	Hospital %	Medical %	General treatment %
Proportion paid to date	93.00	95.00	98.00	93.00	95.00	98.00
Expense rate	4.00	4.00	4.00	4.00	4.00	4.00
Discount rate	Nil	Nil	Nil	Nil	Nil	Nil
Risk equalisation rate	14.86	14.86	N/A	11.06	11.06	N/A
Risk margin	6.00	6.00	6.00	6.00	6.00	6.00

The risk margin was determined from the assumption that there is a normal distribution of differences between the calculated provisions required for past periods and the finally determined requirements of those periods. A probability of sufficiency of 75% is intended to be achieved through the adoption of the risk margin of 6% (2021: 6.00%) at the end of the reporting period.

Process used to determine assumptions:
A description of the processes used to determine these assumptions is provided below:

(i) Proportion paid to date
The proportion paid to date summarises the application of the chain ladder method (over the 12 months to 30 June 2022) described above to determine the total expected incurred in each service month. The proportion paid to date has been determined with one month's paid claims hindsight.

(ii) Discount rate
As claims for health funds are generally settled within one year, no discounting of claims is usually applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material. An increase in the proportion assumed paid to date, would lead to more claims being paid earlier and therefore a decrease in the liability.

(iii) Expense rate
Claims handling expenses were calculated by reference to past experience of total claims handling costs as a percentage of total past payments. An increase or decrease in this expense would have a corresponding effect on the claims expense.

(iv) Risk equalisation rate
In simplified terms, each private health insurer is required to contribute to the risk equalisation pool or is paid from the pool to equalise their hospital claims exposure to members aged over 55 years of age and in respect of high cost claims. This is an allowance made in respect of the claims incurred but not yet paid. An increase or decrease in this expense would have a corresponding effect on the claims expense.

(v) Risk margin
The risk margin has been based on an analysis of the past experience of the Health Fund. This analysis examined the volatility of past payments that has not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility and has been set at a level estimated to equate to a probability of adequacy greater than 75% (2021: 75%). An increase or decrease in this margin would have a corresponding effect on the outstanding claims liability.

NOTE 1 cont

Sensitivity analysis – Insurance contracts:

Summary
The Appointed Actuary conducts sensitivity analyses to quantify the exposure risk of changes in the key underlying variables and assumptions. The movement in any key variable will impact the performance and equity of the Group.

The tables below describe how a change in each assumption will affect the health insurance liabilities and hence the profit or loss and the equity of the Group.

	Profit 2022 $'000	Equity 2022 $'000
Recognised amounts in the financial statements	13,617	289,115

Variables	Movement in variable %	Adjustments on surplus $'000	Adjusted amount included in profit or loss $'000	Adjustments in Equity $'000	Adjusted amount included in Statements of Financial Position $'000
% development	+1%	(78)	13,539	(78)	289,037
% development	-1%	78	13,695	78	289,193
Expense rate	+1%	(75)	13,542	(75)	289,040
Expense rate	-1%	75	13,692	75	289,190
Risk equalisation rate	+1%	(63)	13,554	(63)	289,052
Risk equalisation rate	-1%	63	13,680	63	289,178
Risk margin	+1%	(74)	13,543	(74)	289,041
Risk margin	-1%	74	13,691	74	289,189

	Profit 2021 $'000	Equity 2021 $'000
Recognised amounts in the financial statements	13,315	275,312

Variables	Movement in variable %	Adjustments on surplus $'000	Adjusted amount included in profit or loss $'000	Adjustments in Equity $'000	Adjusted amount included in Statement of Financial Position $'000
% development	+1%	(69)	13,246	(69)	275,243
% development	-1%	69	13,384	69	275,381
Expense rate	+1%	(66)	13,249	(66)	275,246
Expense rate	-1%	66	13,381	66	275,378
Risk equalisation rate	+1%	(57)	13,258	(57)	275,255
Risk equalisation rate	-1%	57	13,372	57	275,369
Risk margin	+1%	(65)	13,250	(65)	275,247
Risk margin	-1%	65	13,380	65	275,377

Notes to the financial statements

for the year ended 30 June 2022

NOTE 1 cont

(ii) Deferred claims liability (DCL)

The approach to determine the deferred claims estimate between 1 January 2022 and 30 April 2022 had been developed in line with APRA's standard method from its September 2021 guidance to provide at least 75% probability of sufficiency.

If cover remains in place, a responsibility exists to provide for these claims that have been deferred and health fund members with continuing cover would have had an expectation to use and therefore claim on hospital, medical and ancillary services had the pandemic not arisen.

Actuarial assumptions
The following assumptions have been made in determining the deferred claims liability based on inputs from management and advice from the Appointed Actuary.

- Estimating the reduction in claims due to suspension of non-urgent surgeries and supply side restrictions in hospitals. This was done by comparing the expected claims for the period to the actual claims incurred to estimate the financial impact.
- Estimating net risk equalisation costs to be zero based on modelling of calculated and gross deficit payments based on the Group's recent experience.
- Applying a deferral rate on claims which did not occur to adjust the provision to claims that are expected to occur. The Group as applied APRA's standard method from its September 2021 guidance, therefore the following rates were applied:
    - 75% of hospital and medical claims which did not occur; and
    - 50% on ancillary claims which did not occur

Sensitivity analysis – insurance contracts
The table below describes how a change in each assumption will affect the health insurance liabilities and hence the profit or loss and the equity of the Group.

	Profit 2022 $'000	Equity 2022 $'000
Recognised amounts in the financial statements	13,617	289,115

Variables	Movement in variable %	Adjustments on surplus $'000	Adjusted amount included in profit or loss $'000	Adjustments in Equity $'000	Adjusted amount included in Consolidated Statement of Financial Position $'000
recent claims forecast prior to the pandemic	+1%	299	13,916	299	289,414
	-1%	(299)	13,318	(299)	288,816
deferral rate for hospital deferred claims	+1%	56	13,673	56	289,171
	-1%	(56)	13,561	(56)	289,059
deferral rate for ancillary deferred claims	+1%	9	13,626	9	289,124
	-1%	(9)	13,608	(9)	289,106
Risk equalisation	+1%	227	13,844	227	289,342
	-1%	(227)	13,390	(227)	288,888

NOTE 1 cont

	Profit 2021 $'000	Equity 2021 $'000
Recognised amounts in the financial statements	13,315	275,312

Variables	Movement in variable %	Adjustments on surplus $'000	Adjusted amount included in profit or loss $'000	Adjustments in Equity $'000	Adjusted amount included in Consolidated Statement of Financial Position $'000
recent claims forecast prior to the pandemic	+1%	131	13,446	131	275,443
	-1%	(131)	13,184	(131)	275,181
deferral rate for hospital deferred claims	+1%	45	13,360	45	275,357
	-1%	(45)	13,270	(45)	275,267
deferral rate for ancillary deferred claims	+1%	18	13,333	18	275,330
	-1%	(18)	13,297	(18)	275,294
Risk equalisation	+1%	N/A	N/A	N/A	N/A
	-1%	N/A	N/A	N/A	N/A

(u) Rounding of amounts

The Group and Parent Entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 and accordingly, amounts in the financial statements have been rounded off to the nearest thousand dollars ($'000) unless otherwise stated.

(v) Comparatives

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current year.

(w) Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.
Acquisition-related costs are expensed as incurred.

NOTE 2 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

COVID-19 impact on the use of estimates and judgments

On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic. The Group has considered the impact of COVID-19 when preparing the consolidated financial statements and related note disclosures. COVID-19 resulted in an increased estimation uncertainty in June 2021 and application of further judgment specifically around loan impairment. See Note 29(b) A(iv) for further information. At 30 June 2022 COVID-19 has resulted in application of further judgement around Claims Liability. See Note 1(t) (ii) for further information.

The following areas involve a higher degree of judgment or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgments is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements:

(a) Measurement of the expected credit loss provision
The measurement of the ECL provision for loans and advances at amortised cost is an area that requires use of complex models and significant assumptions about future economic conditions and credit behaviour.

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining the criteria for SICR, and when determining an impairment loss for individual borrowers in respect of loans and advances. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors including forward looking information available at the time. As actual results may differ, future changes to the impairment provision may be required.

Refer to note 29(b)A(iv) for further details on the judgments and estimates and how they have been applied.

(b) Estimated fair values of certain financial assets
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 30(b)(ii).

(c) Estimated fair values of investment property
The fair value of investment property is determined using valuation techniques. The Group uses its judgment to select assumptions that are based on market conditions at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 30(b)(vii).

(d) Outstanding claims liability and risk margin
The provision is made at the period end for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under private health insurance contracts issued by the company. This 'central estimate' of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered and a risk margin is added. Actual results could differ from the estimate.

Outstanding claims liability risk margins are determined on a basis that reflects the company's business. Regard is made to the robustness of the valuation models, the reliability and volume of available data, past experience of the company and the industry and the characteristics of the classes of business written. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported, together with an allowance for the RESA consequences and claims handling expenses.

NOTE 2 cont

The provision for outstanding claims liability is determined after taking into account claims paid in July of the following financial year, that relate to services provided in the current financial year.

Refer to Note 1(t) for the accounting estimates and judgements used in determining the outstanding claims liability at the end of the reporting period.

(e) Unexpired risk reserve
A Liability Adequacy Test (LAT) is required to be performed for the period over which the insurer is "on risk" in respect of premiums paid in advance. At each reporting date, the LAT is performed to ensure that unearned premiums and premiums expected to be received based on a current policyholder's option to renew their existing contract is adequate to cover the expected liabilities arising from the policyholder's existing rights and obligations. The expected liabilities include benefits, member servicing costs and a margin for risk. The period of the projections is up until the next price review or change in contractual benefits.

The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April of the following calendar year, the next premium adjustment opportunity allowed by the Department of Health. An unexpired risk reserve was required at 30 June 2022 amounting to $1,881,942 (2021: $786,734).

A risk margin of 4.00% (2021: 4.00%) has been applied in the calculation of the unexpired risk liability as at 30 June 2022. As with outstanding claims, the overall risk margin is intended to achieve a 75.00% probability of adequacy.

(f) Deferred claims liability
The provision is made at the period end for the liability due to the uncertainty around the impact of COVID-19 related restrictions on hospital, medical and ancillary services. It is measured with regard to the claims that were expected to occur but did not eventuate at the reporting date under private health insurance contracts issued by the company.

Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements. Actual results could differ from the estimate. Refer to Note 1(t)(ii) for further details on the assumptions.

The Deferred claims liability at 30 June 2022 is $4,391,444 (2021: $3,961,272) determined in accordance with the accounting policy as disclosed in Note 1.

NOTE 3 Interest income and interest expense

		Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
(a)	**Interest income**				
	Cash and cash equivalents	-	7	-	7
	Debt instruments at amortised cost	6,750	5,776	2,285	1,825
	Financial assets at FVPL	-	-	729	480
	Loans and advances at amortised	68,618	70,720	68,618	70,720
	Total interest income	75,368	76,503	71,632	73,032
(b)	**Interest expense**				
	Borrowings	47	33	47	33
	Borrowings – securitisation	5,129	4,769	393	345
	Deposits from financial institutions	71	307	71	307
	Deposits from members	13,458	18,580	13,402	18,492
	Lease liability interest	490	535	464	503
	Total interest expense	19,195	24,224	14,377	19,680

NOTE 4 Other revenue and income

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
- Dividends received – other corporations	473	30	473	30
- Dividends received – Queensland Country Health Fund Ltd	3,500	-	-	-
- Fees and commissions	13,221	12,898	13,221	12,441
- Bad debts recovered	67	78	67	78
- Impairment recovery on loans and advances	537	714	537	714
- Net gain on disposal of property, plant and equipment	-	34	-	34
- Rental income from investment property	-	-	663	656
- Rental income from operating leases	528	552	71	89
- Management fee	21,242	19,903	-	-
- Contribution income – Queensland Country Health Fund	-	-	149,834	139,187
- Net gain on financial assets at FVPL	-	-	-	1,794
- Fair value gain on investment property	-	370	-	375
- Dental income – Queensland Country Health Fund	-	-	1,400	1,287
- Other income	212	-	212	-
Total other revenue and income	39,780	34,579	166,478	156,685

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
NOTE 5 Operating expenses				
- Fees and commissions	1,772	1,705	1,772	1,705
- Depreciation - buildings	471	359	1,267	1,164
- Depreciation - plant and equipment	655	621	914	871
- Depreciation - right of use asset	3,659	3,734	2,498	2,606
- Amortisation - leasehold improvements	597	697	624	724
- Amortisation - software	177	350	232	414
- Rental expense on operating leases	464	593	213	317
- Employee benefits - superannuation	3,161	2,815	3,161	2,815
- Employee benefits - other	35,431	33,740	35,431	33,740
- Net loss on financial assets at FVPL	-	-	792	-
- General administration	6,604	5,880	6,994	6,233
- Direct property expenditure from investment property generating rental income	208	233	208	233
- Benefits paid - Queensland Country Health Fund	-	-	122,261	114,553
- Loss on disposal of property, plant and equipment	82	98	96	98
- Fair value loss on investment property	-	-	240	-
- Information technology costs	9,903	9,817	9,903	9,817
- Transaction processing costs	7,993	7,245	7,993	7,245
- Marketing and promotion costs	3,368	3,321	3,368	3,321
- Other operating expenses	6,527	5,412	6,276	5,162
Total Expenses	81,072	76,620	204,243	191,018

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
NOTE 6 Income tax				
(a) Numerical reconciliation of income tax expense to prima facie tax payable:				
Profit before income tax	14,881	10,238	19,490	19,019
Tax at the Australian tax rate of 30% (2021 30%)	4,464	3,071	5,847	5,706
Add Tax effect of:				
Assessable Intra-group Dividend	-	-	1,050	-
Investment property expenses	-	-	684	819
Commission expense	-	-	(104)	(6)
Other assessable income	511	4	579	71
Non-deductible expenses	95	52	104	62
	5,070	3,127	8,160	6,652
Less Tax effect of:				
Tax offset for franked dividends	(1,703)	(13)	(1,930)	(237)
Tax building depreciation/building allowance	(34)	(37)	(34)	(36)
Other non-assessable items	-	-	-	-
	3,333	3,077	6,196	6,379
Adjustment recognised for prior periods		-	(9)	29
Income tax expense	3,333	3,077	6,187	6,408
(b) Major components of tax expense/(income):				
- Current tax	2,472	2,226	5,678	3,300
- Deferred tax relating to the origination and reversal of temporary differences	861	851	518	3,079
- Adjustment recognised for prior periods		-	(9)	29
	3,333	3,077	6,187	6,408
(c) Major components of tax expense/(income) recognised in Other Comprehensive Income:				
- Deferred tax relating to the origination and reversal of temporary differences	186	302	186	302
	186	302	186	302
(d) Balance of franking account at year end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the end of the reporting date based on a tax rate of 30% (2021 30%)	50,663	46,489	59,270	52,638

	Bank		Group	
	2022	2021	**2022**	2021
	$	$	**$**	$
NOTE 7 Auditor's remuneration				
Auditor Remuneration PricewaterhouseCoopers Australia:				
Auditing of financial statements	258,000	225,000	339,000	283,000
Other assurance services				
– audit and review of prudential returns	50,000	42,000	107,000	82,000
– other assurance services	51,455	60,540	60,455	69,540
– due diligence services	-	13,000	-	13,000
Taxation services	18,000	15,848	30,350	27,998
	377,455	356,388	536,805	475,538

NOTE 8 Key management personnel

(a) Remuneration of key management personnel (KMP)

Compensation of KMPs in total and for each of the following categories was as follows				
- short term employee benefits	2,424,030	2,122,944	2,744,593	2,426,120
- post-employment benefits – superannuation contributions	242,403	202,848	274,459	231,650
- other long-term benefits – net increase/(decrease) in long service leave provision	111,927	60,754	111,927	60,754
- terminations	-	30,790	-	30,790
Total	2,778,360	2,417,336	3,130,979	2,749,314

(b) Loans to KMPs and their close family members

The Bank's policy for lending to KMPs is that all loans are assessed on an individual basis, and approved in accordance with terms and conditions that applied to Members for each class of loan. There are no benefits or concessional terms and conditions applicable to the close family members of the KMPs. There are no loans that are impaired in relation to the loan balances with KMPs. There are also no loans that are impaired in relation to the loan balances with close family relatives of KMPs.

The aggregate value of loans at year end	9,012,748	8,151,664	10,765,396	9,810,043
The aggregate value of other credit facilities at year end	119,000	137,500	121,000	139,500
Amounts drawn down included in the aggregate value	(23,243)	(57,688)	(23,243)	(57,766)
Net balance available	95,757	79,812	97,757	81,734

Notes to the financial statements

for the year ended 30 June 2022

NOTE 8 cont

	Bank		Group	
	2022	2021	**2022**	2021
	$	$	**$**	$
During the year, the aggregate value of loans disbursed amounted to:				
- Term loans	4,533,398	807,681	4,533,398	807,681
	4,533,398	807,681	4,533,398	807,681
Interest and other revenue earned on loans and revolving credit facilities	234,094	238,398	287,395	306,180

(c) Other transactions with KMPs and their close family members

KMPs have received interest on deposits with the Bank during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Bank.				
Total value of deposits at year end	2,504,308	2,084,220	3,724,645	3,091,379
Total interest paid on these deposits during the year	2,280	7,800	4,530	13,583

The Bank's policy for receiving deposits from other related parties, and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit. There are no other benefits paid or payable to the close family members of the KMPs. There are no service contracts to which KMPs, or their close family members are an interested party.

Key management personnel include those that have held the position of Director or in Executive Management at any time during the year, and are considered as having authority and responsibility, either directly or indirectly, for planning, directing and controlling the activities of the Group.

NOTE 9 Cash and cash equivalents				
Cash on hand at amortised cost	4,739	4,828	4,739	4,829
Deposits with ADI's at amortised cost	45,453	55,816	48,084	62,358
ADI receivables	2,291	2,692	2,291	2,692
	52,483	63,336	55,114	69,879

The effective interest rate on short-term bank deposits was 0.00% (2021: 0.00%); these deposits are available at-call. Refer to note 26 for a detailed reconciliation of cash and cash equivalents, note 29(b) for further information relating to the credit risk of cash and cash equivalents, and note 30(b) for information relating to their fair values.

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
NOTE 10 Financial assets at FVPL				
Financial assets, at fair value				
- Managed funds	-	-	10,210	10,409
- Interest bearing notes	-	-	30,067	26,811
Total	-	-	40,277	37,220
Movement in fair value – Managed funds				
- Opening balance	-	-	10,409	8,804
- Acquisition	-	-	-	1,000
- Redemption	-	-	-	-
- Net distribution	-	-	135	109
- Changes in market conditions	-	-	(334)	496
Closing balance	-	-	10,210	10,409
Movement in fair value – Interest bearing capital notes				
- Opening balance	-	-	26,811	24,591
- Acquisition	-	-	7,153	6,888
- Redemption	-	-	(3,950)	(5,630)
- Reclassification of investments	-	-	900	-
- Gain/(Loss) on redemption	-	-	-	8
- Changes in market conditions	-	-	(847)	954
Closing balance	-	-	30,067	26,811

Financial assets at fair value through profit and loss expected to mature more than 12 months after the reporting date for the Bank amounted to $nil (2021: $nil), for the Group amounted to $23,779,000 (2021: $24,571,000). Refer to note 30(b) for information on how fair values are determined.

All financial assets at FVPL are mandatorily measured at FVPL. During the year, the Group recognised $(792,000) (2021: $1,794,000) of fair value gains/(losses) on financial assets at FVPL in profit or loss (other expenses – refer to note 5).

NOTE 11 Other receivables

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Accrued interest	635	160	791	223
Trade debtors	1,809	2,162	505	598
Sundry debtors	2,827	1,123	6,588	4,691
	5,271	3,445	7,884	5,512

Trade debtors are classified and measured at amortised cost, and all expected to mature within 12 months after the reporting date for the Bank and the Group in both periods presented. Refer to note 29(b) for further information relating to the credit risk of trade debtors and note 30(b) for information relating to their fair values.

NOTE 12 Income tax receivable

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Current income tax receivable	995	448	(33)	579

Notes to the financial statements

for the year ended 30 June 2022

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
NOTE 13 Debt instruments at amortised cost				
Bank bills of exchange and certificates of deposit	163,951	217,437	163,951	217,437
Deposits with ADI's	129,858	98,471	261,253	196,314
MTG QCB Trust – Class A floating rate notes	501,200	451,200	-	-
MTG QCB Trust – Class B floating rate notes	48,800	48,800	-	-
Other floating rate notes	119,250	71,560	130,350	82,810
	963,059	887,468	555,554	496,561

Amounts of debt instruments at amortised cost expected to mature more than 12 months after the reporting date for the Bank amounted to $109,046,000 (2021: $52,459,000), for the Group amounted to $124,354,000 (2021: $57,209,000). Refer to note 29(b) for further information relating to the credit risk of debt instruments at amortised cost and note 30(b) for information relating to their fair values.

Queensland Country Bank Limited has transferred loans and advances to a securitisation entity known as The MTG QCB Trust Repo Series No. 1 (The Trust). This Trust has been established to support the on-going liquidity management framework of Queensland Country Bank Limited. The Bank has purchased the floating rate notes issued by the Trust. The senior notes held by the Bank are eligible to be utilised as collateral in repurchase arrangements with the Reserve Bank of Australia (RBA). The total floating rate notes as at 30 June 2022 amounted to $550,000,000 (2021: $500,000,000), split between Class A and Class B notes. For further information on securitisation arrangements refer to note 31.

NOTE 14 Loans and advances at amortised cost

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Loans and advances outstanding				
– Overdrafts	27,089	30,254	27,089	30,254
– Term loans	2,151,452	2,004,899	2,151,452	2,004,899
– Credit cards	13,263	13,536	13,263	13,536
Gross loans and advances	2,191,804	2,048,689	2,191,804	2,048,689
Provision for impairment	(3,062)	(4,319)	(3,062)	(4,319)
Net loans and advances	2,188,742	2,044,370	2,188,742	2,044,370

Amounts of loans and advances expected to be recovered more than 12 months after the reporting date for the Bank amounted to $2,124,947,000 (2021: $1,953,087,000), and for the Group amounted to $2,124,947,000 (2021: $1,953,087,000). Refer to note 29(b) for further information relating to the credit risk of loans and advances and note 30(b) for information relating to their fair values.

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
NOTE 15 Property, plant and equipment				
(a) Carrying amounts				
Land				
- At cost	1,969	1,969	8,042	8,042
Buildings				
- At cost	7,843	7,300	28,980	28,392
- Accumulated depreciation	(5,103)	(4,668)	(10,559)	(9,328)
	2,740	2,632	18,421	19,064
Leasehold improvements				
- At cost	9,382	9,740	9,653	10,010
- Accumulated amortisation	(8,465)	(8,426)	(8,572)	(8,506)
	917	1,314	1,081	1,504
Plant and equipment				
- At cost	6,405	6,579	8,873	9,098
- Accumulated depreciation	(3,709)	(3,914)	(5,406)	(5,396)
	2,696	2,665	3,467	3,702
Total property, plant and equipment	8,322	8,580	31,011	32,312

Notes to the financial statements
for the year ended 30 June 2022

NOTE 15 cont

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the financial year are set out below.

	Land $'000	Buildings $'000	Leasehold Improvements $'000	Plant & Equipment $'000	Total $'000
Bank					
Balance at 1 July 2021	1,969	2,632	1,314	2,665	8,580
- Additions	-	579	200	730	1,509
- Disposals	-	-	-	(44)	(44)
- Depreciation expense	-	(471)	(597)	(655)	(1,723)
Balance at 30 June 2022	1,969	2,740	917	2,696	8,322
Balance at 1 July 2020	1,969	2,979	1,338	2,524	8,810
- Additions	-	12	720	818	1,550
- Disposals	-	-	(47)	(56)	(103)
- Depreciation expense	-	(359)	(697)	(621)	(1,677)
Balance at 30 June 2021	1,969	2,632	1,314	2,665	8,580
Group					
Balance at 1 July 2021	8,042	19,064	1,504	3,702	32,312
- Additions	-	629	201	732	1,562
- Disposals	-	(5)	-	(53)	(58)
- Depreciation expense	-	(1,267)	(624)	(914)	(2,805)
Balance at 30 June 2022	8,042	18,421	1,081	3,467	31,011
Balance at 1 July 2020	8,042	20,192	1,555	3,820	33,609
- Additions	-	36	720	818	1,574
- Disposals	-	-	(47)	(65)	(112)
- Depreciation expense	-	(1,164)	(724)	(871)	(2,759)
Balance at 30 June 2021	8,042	19,064	1,504	3,702	32,312

(c) Valuations

Independent valuations were performed by Certified Practicing Valuers: S Butterworth (AAPI); J Sayce (AAPI); B Walsh (AAPI) T Adams (AAPI); D Ackroyd (AAPI); J Searston (AAPI) A Creswick (AAPI) and A. Dickinson (AAPI) as at 30th June 2022. The valuations were obtained in accordance with an internal policy to value land and buildings every three years. The increase in value over cost has not been brought to account. The valuations have been based on the current market value of freehold land and buildings, taking into consideration the sales of similar land and buildings in the area, and are categorised as Level 3 in the fair value hierarchy (refer note 30). The directors are satisfied that the outcome of these valuations adequately support the carrying values above.

NOTE 15 cont

	Note	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
(d) Leases					

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the Statements of Financial Position

	Note	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Right-of-use Assets					
Buildings		7,739	8,258	7,266	7,783
Equipment		490	136	490	136
		8,229	8,394	7,756	7,919
Lease Liabilities					
Payable within 12 Months		2,791	2,706	2,240	2,170
Payable > 12 Months		5,644	6,024	5,734	6,149
		8,435	8,730	7,974	8,319

Additions to the Right-of-use Assets during the 2022 financial year for the Bank were $1,023,000 (2021: $1,462,000), and for the Group were $1,023,000 (2021: $1,529,000).

(ii) Amounts recognised in the Statements of Profit or Loss

	Note	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Depreciation charge of Right-of-use Assets					
Buildings		3,478	3,648	2,317	2,520
Equipment		181	86	181	86
	5	3,659	3,734	2,498	2,606
Interest expenses	3	490	535	464	503
Expense relating to short-term leases (included in occupancy expenses)	5	88	54	90	107
Expenses relating to variable lease payments not included in lease liabilities (included in occupancy expenses)	5	7	17	15	17

The total cash outflow for leases in 2022 for the Bank amounted to $4,067,000, (2021: $4,123,000), and for the Group amounted to $2,942,000 (2021: $3,057,000).

NOTE 16 Intangible Assets

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
(a) Carrying amounts				
Computer Software				
- At cost	4,115	4,115	4,778	4,778
- Accumulated amortisation	(3,809)	(3,632)	(4,472)	(4,240)
Total computer software	306	483	306	538

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of intangible assets between the beginning and end of the financial year are set out below.

	Computer software $'000
Bank	
Balance at 1 July 2021	483
- Additions	-
- Disposals	-
- Amortisation expense	(177)
Balance at 30 June 2022	306
Balance at 1 July 2020	833
- Additions	-
- Disposals	-
- Amortisation expense	(350)
Balance at 30 June 2021	483
Group	
Balance at 1 July 2021	538
- Additions	-
- Disposals	-
- Amortisation expense	(232)
Balance at 30 June 2022	306
Balance at 1 July 2020	952
- Additions	-
- Disposals	-
- Amortisation expense	(414)
Balance at 30 June 2021	538

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
NOTE 17 Investment property				
Movements				
Opening balance	830	460	4,765	4,390
Capital expenditure	-	-	-	-
Proceeds from disposal	(792)	-	(792)	-
Net gain/(loss) on disposal	(38)	-	(38)	-
Net gain/(loss) from fair value adjustments	-	370	(240)	375
Closing balance	-	830	3,695	4,765

The fair value model is applied to all investment property. Investment properties are independently valued annually. Values are based on an active liquid market value and are performed by a registered independent valuer. The independent valuations were carried out by Paige Park, registered valuer no. 3848 and Alistair Weir API number 66276, of Herron Todd White on 23 May 20222; Alexander Dickinson, registered valuer no. 2278 and Ben Farquar, registered valuer no. 4091 of Opteon on 5 May 2022. The revaluations have been based on the current market value of freehold land and buildings, taking into consideration the sales of similar land and buildings in the area. Refer to note 30 for further disclosure on fair value measurement.

NOTE 18 Equity instruments at FVOCI

	Bank 2022	Bank 2021	Group 2022	Group 2021
Shares in unlisted entities	9,641	9,020	9,641	9,020

Refer to note 29(a) for further information relating to the market risks associated with these investments and note 30(b) for further information relating to the determination of fair values.

During the year, the Group recognised $434,000 (2021: ($704,000) of fair value gains/(losses) on equity instruments at FVOCI in the Statements of Profit or Loss and Other Comprehensive Income, net of tax.

During the year, the Group recognised $473,000 (2021: $30,000) of dividends from equity instruments at FVOCI in profit or loss (other income – refer note 4).

The shares in unlisted entities relate to shareholdings in Indue Limited and Cuscal Limited. These companies were created to supply services to the member credit unions and do not have an independent business focus. The Group has designated these investments at FVOCI from 1 July 2019, because the investments are held to enable the Group to receive essential banking services, rather than with a view to profit on subsequent sale, and there are no plans to dispose of these investments during the short term. These shares are not publicly traded and are not redeemable.

NOTE 19 Deferred tax assets

	Bank 2022	Bank 2021	Group 2022	Group 2021
(a) Deferred tax assets comprise temporary differences attributable to:				
- provision for impairment	918	1,296	918	1,296
- provision for outstanding claims	-	-	91	74
- employee benefits	1,960	1,976	1,960	1,976
- depreciation	561	1,000	1,430	1,818
- land and buildings	417	385	(2,362)	(1,868)
- deferred claims liability	-	-	1,317	1,188
- other	256	317	537	(87)
	4,112	4,974	3,891	4,397
Amounts recognised in other comprehensive income				
- equity interests	(1,886)	(1,700)	(1,886)	(1,700)
Net deferred tax assets	2,226	3,274	2,005	2,697

Notes to the financial statements

for the year ended 30 June 2022

NOTE 19 cont

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
(b) The movement in deferred tax assets for each temporary difference during the year is as follows:				
Provision for impairment				
Opening balance	1,296	1,654	1,296	1,654
Change recognised in profit or loss	(378)	(358)	(378)	(358)
Closing balance	918	1,296	918	1,296
Provision for outstanding claims				
Opening balance	-	-	74	74
Change recognised in profit or loss	-	-	17	-
Closing balance	-	-	91	74
Employee benefits				
Opening balance	1,976	1,842	1,976	1,842
Change recognised in profit or loss	(16)	134	(16)	134
Closing balance	1,960	1,976	1,960	1,976
Depreciation				
Opening balance	1,000	1,471	1,818	2,296
Change recognised in profit or loss	(439)	(459)	(388)	(458)
Adjustment recognised for prior periods	-	(12)	-	(20)
Closing balance	561	1,000	1,430	1,818
Land and buildings				
Opening balance	385	464	(1,868)	(1,059)
Change recognised in profit or loss	32	(78)	(494)	(808)
Adjustment recognised for prior periods	-	(1)		(1)
Closing balance	417	385	(2,362)	(1,868)
Deferred claims liability				
Opening balance	-	-	1,188	1,920
Change recognised in profit or loss	-	-	129	(732)
Closing balance	-	-	1,317	1,188

NOTE 19 cont

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Equity Interests				
Opening balance	(1,700)	(1,398)	(1,700)	(1,398)
Change recognised in profit or loss	(186)	(302)	(186)	(302)
Closing balance	(1,886)	(1,700)	(1,886)	(1,700)
Other				
Opening balance	317	271	(87)	635
Restatement due to accounting standard	-	123		123
Under/Overprovision in prior year	(4)	-	9	(1)
Change recognised in profit or loss	(57)	(77)	615	(844)
Closing balance	256	317	537	(87)

NOTE 20 Other assets

	Bank 2022	Bank 2021	Group 2022	Group 2021
Prepayments	2,333	1,846	2,333	1,846

NOTE 21 Other borrowings

	Bank 2022	Bank 2021	Group 2022	Group 2021
RBA Term Funding Facility	46,254	46,208	46,254	46,208
MTG QCB Trust Repo Series No. 1	438,362	418,161	-	-
	484,616	464,369	46,254	46,208

Borrowings for the RBA Term Funding Facility are for a three-year term. Eligible collateral for this funding consists of all collateral currently eligible for the Reserve Bank's domestic market operations. This includes self-securitised asset backed securities. Refer to note 31 (ii) for details regarding collateral pledged for the RBA Term Funding Facility. Other borrowings are on an at-call basis. Refer to note 29 for further information relating to the financial risk management of borrowings and note 30(b) for information relating to their fair values.

NOTE 22 Deposits from members

	Bank 2022	Bank 2021	Group 2022	Group 2021
Member call deposits (including withdrawable shares)	1,845,482	1,587,383	1,825,054	1,574,303
Member term deposits (including accrued interest)	661,395	726,959	657,993	720,955
Negotiable Certificates of Deposit (including accrued interest)	24,939	-	24,939	-
Member retirement savings account deposits (including accrued interest)	-	37,242	-	37,242
	2,531,816	2,351,584	2,507,986	2,332,500

Amounts of deposits from members expected to be settled more than 12 months after reporting date for the Bank amounted to $24,222,000 (2021: $2,498,000), for the Group amounted to $24,222,000 (2021: $2,498,000).

There are no deposits from an individual member, or association groups of members which exceed 10% of total liabilities of the Bank or Group in the current or prior year.

Refer to note 29 for further information relating to the financial risk management of deposits from members and note 30(b) for information relating to their fair values.

Notes to the financial statements
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NOTE 23 Other payables

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Accrued expenses	3,416	3,321	3,416	3,321
Contributions in advance – Queensland Country Health Fund	-	-	19,064	18,347
Employee entitlements	3,160	3,328	3,160	3,328
Trade Payables	917	854	1,009	944
Other liabilities	4,008	6,459	7,488	8,989
	11,501	13,962	34,137	34,929

Trade payables are classified and measured at amortised cost, and all expected to mature within 12 months after the reporting date for the Bank and the Group in both periods presented. Refer to note 29 for further information relating to the financial risk management of trade payables and note 30(b) for information relating to their fair values.

NOTE 24 Provisions

	Bank 2022	Bank 2021	Group 2022	Group 2021
Long service leave	3,373	3,260	3,374	3,259
Make good provision	1,385	1,090	1,393	1,075
Outstanding claims provision	-	-	7,845	6,868
Deferred claims liability	-	-	4,391	3,961
Unexpired risk liability reserve	-	-	1,882	787
	4,758	4,350	18,885	15,950

(a) **Make good provision**

The movements in the make good provision were as follows:

	Bank 2022	Bank 2021	Group 2022	Group 2021
– Carrying amount – opening balance	1,090	816	1,075	816
– Additional provisions raised during the year	305	370	328	355
– Amounts used	(10)	(96)	(10)	(96)
– Carrying amount – closing balance	1,385	1,090	1,393	1,075

The Group is required under the terms of their leases to restore the leased premises at the end of the lease to its original condition. A provision has been recognised for the present value of the estimated expenditure required to demolish any leasehold improvements at the end of the lease. These costs have been capitalised as part of the cost of the leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(b) **Outstanding claims provision**

	Bank 2022	Bank 2021	Group 2022	Group 2021
– Carrying amount – opening balance	-	-	6,868	6,169
– Additional provisions required	-	-	977	699
– Reduction in provisions required	-	-	-	-
– Carrying amount – closing balance	-	-	7,845	6,868

The provision for outstanding claims relates to Queensland Country Health Fund Ltd, it provides for claims received but not assessed and claims incurred but not received. The provision is based on actuarial assessment taking into account historical patterns of claim incidence and processing. The provision also provides for the expected payment to the Risk Equalisation Trust Fund and claims handling costs.

NOTE 24 cont

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
(c) Deferred claims liability				
The movements in the deferred claims liability were as follows:				
– Carrying amount – opening balance	-	-	3,961	6,402
– Add claims provided for during the yea	-	-	4,391	1,953
– Less claims utilised during the year	-	-	(3,961)	(4,394)
– Carrying amount – closing balance	-	-	4,391	3,961

The deferred claims liability relates to Queensland Country Health Fund Ltd, it provides for claims that were expected to occur but did not eventuate due to the impact of COVID-19 related restrictions on hospital, medical and ancillary services.

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
(d) Unexpired risk liability reserve				
– Carrying amount – opening balance	-	-	787	2,776
– Additional provisions required	-	-	1,845	1,976
– Reduction in provisions required	-	-	(750)	(3,965)
– Carrying amount – closing balance	-	-	1,882	787

The unexpired risk liability reserve relates to Queensland Country Health Fund Ltd; it provides for a deficiency between future premium income and future claims and expenses. The provision is based on actuarial liability adequacy testing performed on hospital and general treatment contracts up to 1 April 2022.

NOTE 25 Reserves

(a) FVOCI reserve

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 1. These changes are accumulated within the FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
The movements in the FVOCI reserve were as follows:				
– Carrying amount – opening balance	3,967	3,263	3,967	3,263
– Other comprehensive income net of income tax	434	704	434	704
Carrying amount – closing balance	4,401	3,967	4,401	3,967

(b) Other reserves

The nature and movements in other reserves are shown below:

(i) Business combination reserve

The business combination reserve recognises the net assets acquired on previous mergers.

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
The movements in the business combination reserve were as follows:				
– Carrying amount – opening balance	60,543	59,498	60,543	59,498
– Transfer of reserves on merger	-	2,136	-	2,136
– Repayment of member investment shares	-	(1,091)	-	(1,091)
Carrying amount – closing balance	60,543	60,543	60,543	60,543

(ii) General reserve

The general reserve records funds set aside for future expansion of the Bank. There were no movements in the general reserve at $44,257,000 (2021: $44,257,000).

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000

NOTE 26 Statements of cash flows

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and "at call" deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Cash and cash equivalents	52,483	63,336	55,114	69,879

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statements of Cash Flows:

- Member deposits in and withdrawals;
- Sales and purchases of maturing certificates of deposit;
- Receivables due from other financial institutions;
- Other borrowings; and
- Provision of member loans and the repayment of such loans.

(c) Reconciliation of cash flow from operations with profit after income tax

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
Profit after income tax	11,982	7,865	13,737	13,315
– (Gain)/loss on sale of property, plant and equipment	44	(34)	58	(34)
– (Gain)/loss on sale of investment property	38	-	38	-
– Depreciation and amortisation	1,411	1,491	2,614	2,703
– Depreciation – right of use asset	3,658	3,735	2,463	2,580
– Decrease/(increase) in investment property	-	(370)	240	(375)
– Decrease/(increase) in fair value of equities	(620)	(1,006)	(620)	(1,006)
– Provision for loan impairment	(537)	(714)	(537)	(714)
Changes in operating assets and liabilities:				
– (Increase)/decrease in loans and advances	(143,836)	(143,753)	(143,836)	(143,753)
– Increase/(decrease) in member deposits	180,549	188,660	175,802	182,313
– Increase/(decrease) in interest payable	(317)	(1,948)	(316)	(1,942)
– (Increase)/decrease in interest receivable	(475)	242	(568)	288
– (Increase)/decrease in prepayments	(487)	(196)	(487)	(203)
– (Increase)/decrease in sundry debtors	(1,351)	(1,510)	(1,804)	(1,695)
– (Increase)/decrease in deferred tax assets	1,047	1,030	692	3,266
– Increase/(decrease) in income tax payable	(547)	(260)	612	(1,401)
– Increase/(decrease) in provisions	408	496	2,934	(3,252)
– Increase/(decrease) in payables and other liabilities	(2,461)	(3,851)	(792)	(320)
Net cash provided by/(used in) operating activities	48,506	49,877	50,230	49,770

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NOTE 27 Commitments

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
(a) Future capital commitments	-	-	-	-
(b) Operating lease commitments Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:				
– Not longer than 1 year	21	3	23	22
– Longer than 1 and not longer than 5 years	-	-	-	-
– Longer than 5 years	-	-	-	-
	21	3	23	22

The group leases various sites for branch or office operations under non-cancellable operating leases expiring within four months to five years. Leases have varying terms and renewal rights.
From 1 July 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, and leases committed to but not yet commenced. See Note 1(l) and Note 15 for further information.

	Bank 2022 $'000	Bank 2021 $'000	Group 2022 $'000	Group 2021 $'000
(c) Outstanding loan commitments Loans and credit facilities approved but not funded or drawn at the end of the financial year:				
– Loans approved but not funded	69,742	60,826	69,742	60,826
– Undrawn overdraft, line of credit and VISA facilities	64,837	67,634	64,837	67,634
(d) Operating leases receivable Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:				
– Not longer than 1 year	49	87	471	517
– Longer than 1 and not longer than 5 years	49	136	1,220	1,562
– Longer than 5 years	-	-	-	-
	98	223	1,691	2,079

Operating lease receivables relate to property leases of excess space within Branch and Head Office premises, and lease of Investment properties to third parties. Leases are non-cancellable and are of varying terms up to 5 years with option periods of up to 5 years.

NOTE 28 Subsidiaries and other entities

The parent entity is Queensland Country Bank Limited. Particulars in relation to Subsidiaries and Other Entities:

Name	Country of incorporation	Ownership interest held by group 2022	Ownership interest held by group 2021
Queensland Country Health Fund Ltd	Australia	100%	100%
MTG QCB Trust Repo Series No.1	Australia	100%	100%
Queensland Country Care Navigation Pty Ltd	Australia	100%	100%

NOTE 28 cont

Queensland Country Health Fund Ltd is a registered “for profit” health insurer and is operated by the Bank under a contract of management. The Health Fund changed its status to “for profit” on 1st January 2016 and has the capacity to pay dividends to Queensland Country Bank. In February 2011, Queensland County Health Fund Ltd changed its constitution to make Queensland Country Bank Limited its only member.

The MTG QCB Trust Repo Series No. 1 is a structured entity that has been established to support the ongoing liquidity management framework of Queensland Country Bank Limited. The Bank has purchased the Floating Rate Notes issued by the Trust which are able to be sold to and repurchased from the Reserve Bank of Australia if required. However, this is only expected to occur in the event of a stressed liquidity scenario. Queensland Country Bank Limited is the residual income unit holder of the Trust. Refer to note 31 for further details on securitisation.

Queensland Country Care Navigation Pty Ltd was established on the 4th of January 2016 and is a subsidiary company of Queensland Country Health Fund Ltd. This company has an agreement with the Health Fund to provide care coordination services to Members of the Health Fund and there is a management agreement in place with the Bank.

NOTE 29 Financial risk management

The Board of Directors (the Board) has endorsed a strategy of compliance and risk management to suit the risk profile of the Bank.

Key risk management policies encompassed in the overall risk management framework include:

- Risk Management Strategy
- Interest Rate (Market) Risk Management
- Liquidity and Funding Risk Management
- Credit Risk Management
- Capital Management

(a) Market risk

The objective of the Group’s market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and other volatilities will have an adverse effect on the Group’s financial condition or results. The Group does not have any material exposure to market risk other than interest rate risk and equity price risk. As such disclosures have not been made for foreign currency risks. The management of market risk is the responsibility of the ALCO Committee.

(i) Interest rate risk

Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates. Most ADIs are exposed to interest rate risk within their treasury operations. The Group’s exposure to interest rate risk is measured and monitored using interest rate sensitivity models. There has been no change to the Group’s exposure to interest rate risk or the way the Group manages and measures interest rate risk in the reporting period.

The policy of the Bank is to maintain a balanced ‘on book’ strategy by ensuring the net interest rate gaps between assets and liabilities are within Board approved risk appetite. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels.

NOTE 29 cont

The Health Fund’s interest rate risk arises from financial assets. Financial instruments held at variable rates including cash and cash equivalents, notes and managed funds, expose the company to interest rate risk. The expected volatility of interest rates is monitored using market data and forecasts. To manage interest rate risk, the Health Fund has adopted an investment strategy which delivers a diversified portfolio with heavier weighting towards defensive assets.

The Bank’s exposure to interest rate risk at the end of the reporting period was as follows:

Bank Repricing Period: 30 June 2022	Floating Interest Rate $’000	Fixed interest rate maturing: 1 year or less $’000	 1 to 5 years $’000	Non Interest Sensitive $’000	Total $’000
Financial Assets					
- Cash and cash equivalents	45,453	-	-	7,030	52,483
- Trade debtors				1,809	1,809
- Debt instruments at amortised cost	550,000	304,013	109,046	-	963,059
- Loans and advances at amortised cost	1,175,203	347,209	666,330	-	2,188,742
- Equity instruments at FVOCI	-	-	-	9,641	9,641
	1,770,656	651,222	775,376	18,480	3,215,734
Financial Liabilities					
- Other borrowings	438,362	-	46,254	-	484,616
- Deposits from members	1,846,605	660,988	24,223	-	2,531,816
- Trade payables	-	-	-	917	917
	2,284,967	660,988	70,477	917	3,017,349
Repricing Period: 30 June 2021					
Financial Assets					
- Cash and cash equivalents	55,816	-	-	7,520	63,336
- Trade debtors	-	-	-	2,162	2,162
- Debt instruments at amortised cost	500,000	335,009	52,459	-	887,468
- Loans and advances at amortised cost	1,193,882	198,473	652,015	-	2,044,370
- Equity instruments at FVOCI	-	-	-	9,020	9,020
	1,749,698	533,482	704,474	18,702	3,006,356
Financial Liabilities					
- Other borrowings	418,161	-	46,208	-	464,369
- Deposits from members	1,626,049	723,038	2,497	-	2,351,584
- Trade payables	-	-	-	854	854
	2,044,210	723,038	48,705	854	2,816,807

Based on calculations at 30 June 2022 the net profit impact to the Bank of a 1% (2021:1%) movement in interest rates would be $3,379,000 (2021: $3,826,000). This represents 1.77% (2021: 2.16%) of the current regulatory capital base of $190,832,000 (2021: $177,704,000).

NOTE 29 cont

The Group's exposure to interest rate risk at the end of the reporting period was as follows:

Group Repricing Period: 30 June 2022	Floating Interest Rate $'000	Fixed interest rate maturing: 1 year or less $'000	1 to 5 years $'000	Non Interest Sensitive $'000	Total $'000
Financial Assets					
- Cash and cash equivalents	48,084	-	-	7,030	55,114
- Trade debtors	-	-	-	505	505
- Debt instruments at amortised cost	111,638	319,562	124,354	-	555,554
- Loans and advances at amortised cost	1,175,203	347,209	666,330	-	2,188,742
- Equity instruments at FVOCI	-	-	-	9,641	9,641
	1,334,925	666,771	790,684	17,176	2,809,556
Financial Liabilities					
- Other borrowings	-	-	46,254	-	46,254
- Deposits from members	1,826,175	657,588	24,223	-	2,507,986
- Trade payables	-	-	-	1,009	1,009
	1,826,175	657,588	70,477	1,009	2,555,249
Repricing Period: 30 June 2021					
Financial Assets					
- Cash and cash equivalents	62,358	-	-	7,521	69,879
- Trade debtors	-	-	-	598	598
- Debt instruments at amortised cost	81,839	357,513	57,209	-	496,561
- Loans and advances at amortised cost	1,193,882	198,473	652,015	-	2,044,370
- Equity instruments at FVOCI	-	-	-	9,020	9,020
	1,338,079	555,986	709,224	17,139	2,620,428
Financial Liabilities					
- Other borrowings	-	-	46,208	-	46,208
- Deposits from members	1,612,965	717,038	2,497	-	2,332,500
- Trade payables	-	-	-	944	944
	1,612,965	717,038	48,705	944	2,379,652

Based on calculations at 30 June 2022 the net profit impact to the Group of a 1% (2021:1%) movement in interest rates would be $3,379,000 (2021: $3,826,000). This represents 1.77% (2021: 2.16%) of the current capital base of $190,832,000 (2021: $177,704,000).

Notes to the financial statements

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NOTE 29 cont

(ii) Equity price risk

The Group's exposure to equity securities price risk arises from equity investments held by the Group and classified in the balance sheet as FVOCI. The investments consist of unlisted equity securities held by the Bank in Indue and Cuscal. (refer note 18).

The Group's maximum exposure to equity securities price risk is the carrying amounts of the investments of $9,641,000 (2021: $9,020,000). The impact of an increase/decrease of 10% on the net asset backing per share would result in an increase/decrease in fair value of $964,000 (2021: $902,000). The impact is based on the assumption that the equity indexes had increased or decreased by 10% with all other variables held constant.

(b) Credit risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Group which may result in financial losses. Credit risk arises from contractual cash flows of debt instruments carried at amortised cost and FVPL (including cash and cash equivalents), trade debtors, and credit exposures to wholesale and retail customers, including loans and advances and outstanding receivables.

A. Loans and advances at amortised cost

(i) Risk management

Credit risk is managed by way of strict adherence to the credit assessment policies before loans are approved and close monitoring of defaults in the repayment of loans thereafter on a regular basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are credit-worthy (capable of meeting loan repayments).

The Bank has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations of geographic and industry groups considered a high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the expected credit losses for loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

NOTE 29 cont

(ii) Collateral
The majority of Queensland Country Bank's loan book is secured on residential property in Australia. Therefore, the Bank is exposed to risks in the reduction of the Loan to Value Ratio (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan or advance and is required to be no less than 100% of the loan or advance for mortgage loans. Collateral may be less than 100% of the loan or advance on personal loans. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. Collateral is usually not held over loans and advances to, or deposits with, other financial institutions.

It is the policy of the Bank to allow members with a secured loan or advance reasonable assistance and opportunity to rectify a default prior to recovery procedures being initiated. In general, the Group does not take possession of collateral it holds as security or call on other credit enhancements that would result in recognition of an asset on the balance sheet.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. The following table shows the distribution of LVR ratios for the Group's mortgage and other secured credit-impaired portfolio.

Bank and Group	Credit-impaired (Gross carrying amount) 2022 $'000	2021 $'000
Mortgage and other secured portfolio – LVR Distribution at 30 June 2022		
- Lower than 50%	592	1,231
- 50 to 60%	7	-
- 60 to 70%	303	1,693
- 70 to 80%	23	311
- 80 to 90%	193	420
- 90 to 100%	340	498
- Higher than 100%	485	141
Total	1,943	4,294

(iii) Concentration risk
Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. Concentration exposures are closely monitored.

The Bank lends predominantly to regional Queensland, and therefore is exposed to economic conditions in this geographic region. Factors such as unemployment and property prices can impact the credit risk of loans in this region. The maximum exposure to credit risk arising from loans originated in regional areas in Queensland at 30 June 2022 is $1,854,486,000 (2021: $1,710,252,000).

NOTE 29 cont

Concentration risk can also arise from the Bank's exposure to an individual counterparty (or group of related parties). The Bank minimises this risk by undertaking transactions with a large number of customers. Concentration risk is also managed in accordance with the Prudential Standards. A large exposure is considered to exist if prudential limits are exceeded as a proportion of the Bank's regulatory capital (10 per cent). No capital is required to be held against these, but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10 per cent capital benchmark to be higher than acceptable. At 30 June 2022, the Bank did not hold any large loan exposures to individual counterparties (or groups of related parties).

(iv) Impairment
The Group applies a three-stage approach to measuring ECL on loans and advances, including loan commitments. Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis. The measurement basis for each stage is as detailed below:

- Stage 1 – 12-month ECL: For loans where there has not been a significant increase in credit risk (**SICR**) since original recognition, the portion of lifetime ECL associated with the probability of default (**PD**) events occurring within the next 12 months is recognised as the 12 month ECL, adjusted for forward looking information. Stage 1 includes facilities where the credit risk has improved, and the loan has been reclassified from Stage 2 or Stage 3.
- Stage 2 – Lifetime ECL (not impaired): Where there has been a SICR, the lifetime ECL is determined with reference to the probability of default events occurring throughout the life of a loan, adjusted for forward looking information. Stage 2 includes facilities where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3 – Lifetime ECL (credit impaired): The provision is also equivalent to the lifetime ECL, but interest income is measured based on the carrying amount of the loan net of the associated ECL.

The credit risk of loans is continuously monitored by the Group. At each reporting date, the Group assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and also forward looking analysis.

<u>SICR:</u>
The Group considers a loan to have experienced a SICR if any of the following indicators are present:
- Significant financial difficulties of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- The borrower is more than 30 days past due on their contractual repayments for loans, and 5 days past due for revolving credit facilities.

<u>Default:</u>
The Group considers a loan to be in default (which is fully aligned with the definition of credit-impaired) if any of the following indicators are present:
- It is becoming probable that the borrower will enter bankruptcy
- The borrower is more than 90 days past due on their contractual repayments for loans, and 14 days past due for revolving credit facilities.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a continuous period of six months.

NOTE 29 cont

Incorporation of forward-looking information:
The assessment of SICR and the calculation of ECL both incorporate forward looking information. The Group has considered the potential impact of the key economic variables impacting credit risk and expected credit losses for each portfolio, including unemployment, domestic GDP, property prices, interest rates, and the impacts of regulatory, legislative and political changes. Judgment has been applied in the process, and where applicable management adjustments or overlays are made to account for situations where known or expected risks and information have not been considered in the modelling process.

Impact of COVID-19

Key assumptions employed in the Group's ECL calculation were previously revised in response to COVID-19 and the expectations of economic impacts. The expected impacts of COVID-19 were previously captured via the modelled outcome including a separate economic overlay reflecting the uncertainty of the future impact of the pandemic.

The Group has supported members experiencing financial difficulties as a result of COVID-19 via financial assistance including temporary loan repayment deferrals. In accordance with regulatory and industry guidance, temporary deferrals were offered up to a maximum of 10 months.

As per industry guidance, a payment deferral request does not automatically result in a significant increase in credit risk, and automatically transition facilities from a Stage 1 ECL to a Stage 2 ECL. Facilities granted temporary financial assistance are not being treated as being in arrears during the deferral period, and not considered Restructured, in accordance with regulatory guidance. The Group has elected, however, to classify those facilities with temporary deferrals as Stage 2 for ECL purposes, given uncertainty associated with COVID.

The gross carrying value of loans and advances subject to COVID-19 financial assistance at the reporting date were nil (2021: $ nil).

Maximum exposure to credit risk:
The following table contains an analysis of the credit risk exposure of loans for which an ECL provision is recognised. The Bank does not use a credit grading system for loans and advances, and therefore the credit grade of loans within each portfolio is considered comparable. The gross carrying amount of loans below also represents the Group's maximum exposure to credit risk on these loans:

Bank and Group	**Stage 1** 12-month ECL Collective **$'000**	**Stage 2** Lifetime ECL Collective **$'000**	**Stage 3** Lifetime ECL Specific **$'000**	**Total** **$'000**
30 June 2022				
- Commercial	60,705	235	-	60,940
- Housing	1,959,934	9,399	2,033	1,971,366
- Personal	118,362	485	299	119,146
- Overdraft	26,698	-	391	27,089
- Visa	13,089	-	174	13,263
Gross carrying amount	2,178,788	10,119	2,897	2,191,804
Impairment provision	1,251	680	1,131	3,062

Notes to the financial statements

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NOTE 29 cont

Bank and Group	**Stage 1** 12-month ECL Collective **$'000**	**Stage 2** Lifetime ECL Collective **$'000**	**Stage 3** Lifetime ECL Specific **$'000**	**Total** **$'000**
30 June 2021				
- Commercial	59,290	510	-	59,800
- Housing	1,819,487	10,444	3,156	1,833,087
- Personal	110,751	767	494	112,012
- Overdraft	29,899	-	360	30,259
- Visa	13,139	-	392	13,531
Gross carrying amount	2,032,566	11,721	4,402	2,048,689
Impairment provision	1,170	1,136	2,013	4,319

Calculation of ECL:
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. Loans have been grouped by product type (commercial loans, housing loans, personal loans, overdrafts, credit cards and overdrawn savings) for the purpose of modelling ECL. Stage 3 loans have been assessed individually.

The ECL is measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (**PD**), Exposure at Default (**EAD**), and Loss Given Default (**LGD**), defined as follows:

- The 12-month and lifetime PD represent the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation, respectively, based on conditions existing at balance date and future economic conditions that affect credit risk.
- EAD is based on the amounts the Group expects to be owed at the time of default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

NOTE 29 cont

Provision for impairment:
The following table explains the changes in the provision for impairment between the beginning and the end of the period:

Bank and Group	Stage 1 12-month ECL Collective $'000	Stage 2 Lifetime ECL Collective $'000	Stage 3 Lifetime ECL Specific $'000	Total $'000
Balance at 1 July 2020	1,141	2,513	1,861	5,515
Movements with profit or loss impact	-	-	-	-
Movements due to model enhancements and other changes	-	-	-	-
Transfers during the period:				
- Transfers from Stage 1 to Stage 2	(60)	60	-	-
- Transfers from Stage 1 to Stage 3	(143)	-	143	-
- Transfers from Stage 2 to Stage 3	-	(138)	138	-
- Transfers from Stage 2 to Stage 1	39	(39)	-	-
- Transfers from Stage 3 to Stage 1	2	-	(2)	-
- Transfers from Stage 3 to Stage 2	-	20	(20)	-
Increase in ECL Collective/Specific	58	(1,215)	609	(548)
New financial assets originated	253	5	344	602
Financial assets derecognised	(120)	(70)	(392)	(582)
Total net profit and loss charge during the period	29	(1,377)	820	(528)
Other movements with no profit or loss impact				
Write-offs	-	-	(668)	(668)
Balance at 30 June 2021	1,170	1,136	2,013	4,319
Movements with profit or loss impact				
Movements due to model enhancements and other changes	(555)	69	29	(457)
Transfers during the period:				
- Transfers from Stage 1 to Stage 2	(99)	99	-	-
- Transfers from Stage 1 to Stage 3	(198)	-	198	-
- Transfers from Stage 2 to Stage 3	-	(37)	37	-
- Transfers from Stage 2 to Stage 1	2	(2)	-	-
- Transfers from Stage 3 to Stage 1	2	-	(2)	-
- Transfers from Stage 3 to Stage 2	-	30	(30)	-
Increase/(decrease) in ECL Collective/Specific	826	(594)	(271)	(39)
New financial assets originated	212	3	11	226
Financial assets derecognised	(109)	(24)	(133)	(266)
Total net profit and loss charge during the period	636	(525)	(190)	(79)
Other movements with no profit or loss impact	-	-	-	-
Write-offs	-	-	(721)	(721)
Balance at 30 June 2022	1,251	680	1,131	3,062

The modelled outcome for COVID-19 resulted in additional Stage 2 Lifetime ECL Collective of nil (2021: $500,000). A separate economic overlay reflecting the further uncertainty of $500,000 (2021: $500,000) was also included in Stage 2 Provision.

NOTE 29 cont

Enhancements were made to the model during the financial year which resulted in changes to the ECL Collective and Specific amounts determined at 30 June 2021. The most significant change was a reduction to the Stage 1 Collective Provision, and a reduction overall to the amount provided.

Collective Provision 12 Month ECL (Stage 1) showed an increase as a result of incorporating additional data in the model impacting the LGD. This offset the increase from the model enhancements. Stage 1 otherwise showed a decrease with loans migrating to Stages 2 and 3.

Collective Provision Lifetime ECL (Stage 2) reduced as a result of the COVID-19 overlay of $500,000 reducing to nil, and an overall improvement in credit quality. The economic overlay of $500,000 was retained.
Specific Provision Lifetime ECL reduced due to an improvement in credit quality.

Write-offs:
The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 June 2022 was Nil. The Group may seek to recover amounts it is legally owed in full, but which have been partially written off to no reasonable expectation of full recovery. A reconciliation of the impairment expense on loans and advances to members is provided below:

	Bank		Group	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Impairment expense on loans and advances				
- New and increased provisions (net of releases)	(1,258)	(1,382)	(1,258)	(1,382)
- Recoveries of specific provisions		-		-
- Write-off of specific provisions	721	668	721	668
Total impairment expense/(benefit) for loans and advances	(537)	(714)	(537)	(714)

Modifications:
The Group sometimes modifies the terms of loans provided to members due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer note 1(d)). The Group monitors the subsequent performance of these assets, and where it improves may move them from Stage 3 or Stage 2 (lifetime ECL) into Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The gross carrying amount of such assets held at 30 June 2022 was $1,513,000 (2021: $3,019,000).

NOTE 29 cont

B. Debt instruments at amortised cost and FVPL (including cash and receivables due from other financial institutions)

(i) Risk management

Credit risk in relation to debt instruments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when counterparties fail to settle their obligations owing to the Group.

The Group uses the ratings of reputable ratings agencies to assess the credit quality of all debt exposures, where applicable, using the credit quality assessment scale in APRA Prudential Standard 112. The credit ratings of the investments are monitored for credit deterioration. Individual risk limits are set based on credit ratings in line with prudential requirements, and internal board approved limits. The compliance with limits is regularly monitored by management and has been complied with during the current and previous periods.

(ii) Collateral

Collateral is usually not held against debt instruments.

(iii) Concentration risk

There is a concentration of credit risk with respect to debt instruments with the placement of investments in Indue Limited. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one entity. Also, the relative size of the Group compared to the industry is relatively low such that the risk of loss is reduced. All other investments are limited to various percentages of the capital base depending on their external ratings as per below:

	Maximum (% of capital base)
Indue Limited	60%
Cuscal	60%
Any single/group related ADI – rated AA	25%
Any single/group related ADI – rated A	25%
Other External Parties	25%
Unrated Parties	15%

(iv) Impairment

All of the Group's investments in debt instruments at amortised cost are considered to be low credit risk, as they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. The identified impairment loss relating to these investments was assessed by the Group as immaterial, and as such no impairment losses or provisions relating to debt instruments at amortised cost have been recognised in the current or prior periods.

The maximum exposure to credit risk for debt instruments at cost and FVPL are the carrying amounts of these assets as disclosed in the Statements of Financial Position. No modifications of financial assets have occurred during the current or prior reporting periods.

C. Trade debtors

(i) Risk management

Trade debtors of the Bank consist primarily of management fees receivable from the Health Fund. Trade debtors of the Group relate to amounts receivable from leased properties. Trade debtors are generally due for settlement within 21 to 30 days. Collectability is reviewed on an ongoing basis.

(ii) Collateral

Collateral is usually not held against trade debtors.

NOTE 29 cont

(iii) Concentration risk

There are no significant concentrations of credit risk for trade debtors.

(iv) Impairment

All of the Group's trade debtors are considered to be low credit risk, as they have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term. The identified impairment loss relating to trade debtors was assessed by the Group as immaterial, and as such no impairment losses or provisions relating to trade debtors have been recognised in the current or prior periods.

The maximum exposure to credit risk for trade debtors are the carrying amounts of these assets as disclosed in note 11. No modifications have occurred during the current or prior reporting periods.

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments (e.g. borrowing repayments or member withdrawal demands). It is the policy of the Board that the Group maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Group manages liquidity risk by:

- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

Under the APRA Prudential Standards, the minimum requirement is to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours. The Bank's policy is to maintain at least 11% of funds as liquid assets to maintain adequate funds for meeting Member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, the Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and the borrowing facilities available.

The ratio of liquid funds held over the past year is set out below:

	2022	2021
Liquid funds to total adjusted liabilities:		
- As at 30 June	16.97%	17.61%
- Average for the year	18.05%	16.84%
- Minimum during the year	16.29%	15.13%
Liquid funds to total member deposits		
- As at 30 June	18.34%	19.12%

To manage liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investments grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. At the end of the reporting period, the total of such deposits held by the Group was $387,978,000 (2021: $389,935,000) and for the Bank was $387,978,000 (2021: $389,935,000). The Group also has access to an overdraft facility through Indue Limited and Cuscal Limited. These facilities as shown below are floating rate, and may be withdrawn at any time without notice:

NOTE 29 cont

	Bank		Group	
	2022 $'000	2021 $'000	**2022 $'000**	2022 $'000
Overdraft facility approved	500	500	500	500
Overdraft facility used	-	-	-	-
Overdraft facility available	500	500	500	500

(d) Capital management

The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for the Bank under Australian Prudential Standard (APS) 110 Capital Adequacy. Under the Standard the Bank must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits.

Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings; and
- Rank behind claims of depositors and other creditors in the event of winding up.

The Bank's Tier 1 Capital includes preference share capital, retained profits and realised reserves.

Tier 2 capital comprises capital instruments that, to varying degrees, fall short of the quality of Tier 1 capital but exhibit some of the features of equity and contribute to the overall strength of the Bank as a going concern.

The Bank's Tier 2 capital includes collective impairment allowances where the standardised approach is used (general reserve for credit losses).

Capital in the Bank is made up as follows:

	2022 $'000	2021 $'000
Tier 1 Capital		
General Reserves	109,201	108,767
Retained earnings	91,280	79,732
Less:		
Prescribed deductions	(12,173)	(12,778)
Net Tier 1 capital	188,308	175,721
Tier 2 Capital		
Reserve for credit losses	1,931	1,983
Net Tier 2 capital	1,931	1,983
Total capital	190,239	177,704

The Bank is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time in accordance with APRA Prudential Standards. The Bank has complied with all externally imposed capital requirements throughout the period.

NOTE 29 cont

The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The capital ratios as at the end of each reporting period, for the past 5 years are as follows:

2022	2021	2020	2019	2018
15.30%	15.33%	15.73%	16.16%	15.82%

The Bank's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally imposed capital ratios. To manage the Bank's capital, the Bank reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 12.90%.

The Health Fund is subject to prudential regulation prescribed in the *Private Health Insurance Act 2007* and administered by the Australian Prudential Regulation Authority (APRA). The prudential regulation includes solvency and capital adequacy requirements that are designed to protect the long-term viability of the company and the best interest of contributors. The Health Fund has capital objectives significantly exceeding the solvency and capital adequacy requirements and utilises the appointed actuary for advice in determining an appropriate target capital level for the company.

NOTE 29 cont

The maturity profile of financial liabilities based on the contractual repayment terms is set out in the following table. The table shows the periods in which the financial liabilities mature. Contractual cash flows shown in the table are at undiscounted values (including future interest expected to be paid). Accordingly, these values may not agree to the carrying amounts.

		Carrying amount $'000	Total Cash flows $'000	Within 1 month $'000	1 – 3 months $'000	3 – 12 months $'000	1 – 5 years $'000	Over 5 years $'000
Bank - Maturity profile of financial liabilities								
2022	**Financial liabilities**							
	- Other borrowings	484,616	554,156	12,279	23,985	96,637	316,506	104,749
	- Deposits from members	2,531,816	2,533,839	1,957,404	267,669	284,207	24,559	-
	- Trade payables	917	917	917	-	-	-	-
	- Unrecognised loan commitments	69,742	69,742	38,956	22,833	4,803	3,150	-
		3,087,091	3,158,654	2,009,556	314,487	385,647	344,215	104,749
2021	**Financial liabilities**							
	- Other borrowings	464,369	479,473	9,020	17,520	70,912	246,227	135,794
	- Deposits from members	2,351,584	2,356,567	1,724,722	230,161	399,159	2,525	-
	- Trade payables	854	854	854	-	-	-	-
	- Unrecognised loan commitments	60,826	60,826	33,976	19,914	4,189	2,747	-
		2,877,633	2,897,720	1,768,572	267,595	474,260	251,499	135,794
Group – Maturity profile of financial liabilities								
2022	**Financial liabilities**							
	- Other borrowings	46,254	46,274	-	-	-	46,274	-
	- Deposits from members	2,507,986	2,509,916	1,934,973	266,667	283,804	24,472	-
	- Trade payables	1,009	1,009	1,009	-	-	-	-
	- Unrecognised loan commitments	69,742	69,742	38,956	22,833	4,802	3,151	-
		2,624,991	2,626,941	1,974,938	289,500	288,606	73,897	-
2021	**Financial liabilities**							
	- Other borrowings	46,208	46,320	-	-	-	46,320	-
	- Deposits from members	2,332,500	2,333,011	1,708,052	225,806	396,640	2,513	-
	- Trade payables	944	944	944	-	-	-	-
	- Unrecognised loan commitments	60,826	60,826	33,976	19,914	4,189	2,747	-
		2,440,478	2,441,101	1,742,972	245,720	400,829	51,580	-

Notes to the financial statements
for the year ended 30 June 2022

NOTE 30 Fair value measurement

(a) Fair value hierarchy

The Group measures fair values of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument. The quoted market price for financial assets is the current bid price;
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets and liabilities valued using:
  - Quoted market prices in active markets for similar instruments;
  - Quoted prices for identical or similar instruments in markets that are considered less than active; or
  - Other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

To the extent possible, assumptions used are based on observable market prices and rates at the end the reporting date. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There have been no significant transfers into or out of each level during the current or prior periods.

The following table classifies assets and liabilities that are recognised and measured at fair value in the financial statements on a recurring basis at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statements of Financial Position.

		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Bank					
2022	Financial assets at FVPL	-	-	-	-
	Equity instruments at FVOCI	-	-	9,641	9,641
	Investment property	-	-	-	-
Total		-	-	9,641	9,641
2021	Financial assets at FVPL	-	-	-	-
	Equity instruments at FVOCI	-	-	9,020	9,020
	Investment property	-	-	830	830
Total		-	-	9,850	9,850
Group					
2022	Financial assets at FVPL	-	40,277	-	40,277
	Equity instruments at FVOCI	-	-	9,641	9,641
	Investment property	-	-	3,695	3,695
Total		-	40,277	13,336	53,613
2021	Financial assets at FVPL	-	37,220	-	37,220
	Equity instruments at FVOCI	-	-	9,020	9,020
	Investment property	-	-	4,765	4,765
Total		-	37,220	13,785	51,005

NOTE 30 cont

(b)Valuation techniques to determine fair values

(i) Cash and cash equivalents, trade debtors, trade payables, other borrowings – securitisation, and debt instruments at amortised cost

Due to the short-term nature of these assets and liabilities, their carrying amounts are considered to be the same as their fair values as disclosed in the Statements of Financial Position and accompanying notes.

(ii) Investment securities

Equity instruments at FVOCI:

The Bank holds unlisted equity investments in Indue and Cuscal (refer note 18). The fair value measurements of the unlisted equity securities have been categorised as level 3 in the fair value hierarchy based on the inputs to the valuation techniques used. Details of the significant unobservable inputs used and relationship between unobservable inputs and fair value follow:

Valuation approach	Unobservable inputs used	Fair value at 30 June 2022 $'000	Fair value at 30 June 2021 $'000	Relationship of unobservable inputs to fair value
Measurement of the value of the shares has been made with reference to the net asset backing per share, taken from the most recent available audited financial statements from the organisations.	**Indue** Director's valuation at 30 June 2022. The financial statements note that although the majority of assets are disclosed at cost, the cost is considered to be equivalent to fair value based on the short-term nature of the assets. 30 June 2022: $471 per share 30 June 2021: $399 per share	6,297	5,335	An increase/ decrease of 10% on the net asset backing per share would result in an increase/ decrease in the fair value by $629,000 (2021: $533,000)
	Cuscal Net asset backing per share at April 2022. The majority of assets are disclosed at fair value, and for those assets disclosed at amortised cost, it would be reasonable to expect the fair value would be equivalent to cost. 30 June 2022: $1.66 per share 30 June 2021: $1.83 per share	3,344	3,685	An increase / decrease of 10% on the net asset backing per share would result in an increase/ decrease in the fair value by $334,000 (2021: $369,000)

Financial assets at FVPL:

These are valued using quoted market prices or dealer quotes for similar instruments. The fair values are disclosed in the Statements of Financial position.

(iii) Loans and advances

For variable rate loans, the carrying amount value is considered to be a reasonable approximation of the fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at balance date. These are classified as level 2 in the fair value hierarchy and their fair values are below:

NOTE 30 cont

	2022		2021	
	Carrying Amount $'000	**Fair Value $'000**	Carrying Amount $'000	Fair Value $'000
Loans and advances				
Bank	2,188,742	2,189,534	2,044,370	2,095,043
Group	2,188,742	2,189,534	2,044,370	2,095,043

(iv) Deposits

The fair value of at-call and variable rate deposits and fixed rate deposits repriced within twelve months approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate the fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at balance date. These are classified as level 2 in the fair value hierarchy and their fair values are below.

Deposits from members				
Bank	2,531,816	2,529,056	2,351,584	2,352,268
Group	2,507,986	2,643,885	2,332,500	2,333,183

(v) Property, plant and equipment

Properties carried at historical cost are revalued every three years in accordance with internal policy. The basis of these valuations is described in note 15. They are categorised as level 3 in the fair value hierarchy.

(vi) Other borrowings – RBA Term Funding Facility

The fair value of the RBA Term Funding Facility was calculated by utilising a discounted cash flow model based on the maturity of the facility. The discount rates applied were based on the current benchmark rate offered for the remaining term of the facility. It is classified as level 2 in the fair value hierarchy and its fair value is below.

RBA Term Funding Facility				
Bank	46,254	43,684	46,208	45,145
Group	46,254	43,684	46,208	45,145

NOTE 30 cont

(vii) Investment property

The fair value measurement the investment property has been categorised as level 3 fair value based on the inputs to the valuation techniques used. Details of the significant unobservable inputs used and relationship between unobservable inputs and fair value follow:

Valuation approach	Inputs Used	Fair value at 30 June 2022 $'000	Fair value at 30 June 2021 $'000	Relationship of unobservable inputs to fair value
Direct comparison approach whereby the property is directly compared to relevant sales of similar properties within the area. Appropriate adjustments are then made for differences in property itself and such factors as movement in the market and the circumstances of each sale.	**1-6, 12 McIlwraith Street, Auchenflower** Selling price based on market value of similar properties in the area. Range: 2022: $475,000 – $578,250 per unit. 2021: $475,000 – $485,000 per unit.	Bank: - Group: 2,635	Bank: - Group: 2,875	An increase/ decrease of 10% on the value per unit would result in an increase/ decrease in the fair value by $264,000 (2021: $288,000) for the Group.
	1-4, 30 Cheyne Street, Pimlico Selling price based on market value of similar properties in the area. Range: 2022: $242,500 - $315,000 per unit. 2021: $265,000 per unit.	Bank: - Group: 1,060	Bank: - Group: 1,060	An increase/ decrease of 10% on the value per unit would result in an increase/ decrease in the fair value by $106,000 (2021: $106,000) for the Group.
	8 William Street, Beaudesert Selling price based on market value per m2 of building area. Range: 2022: n/a 2021: $1,000 – $3,000 per m2 of lettable area	Bank: - Group: -	Bank: 830 Group: 830	An increase/ decrease of 10% on the value per m2 of lettable area would result in an increase/ decrease in the fair value by nil (2021: $83,000) for the Bank and the Group.

NOTE 30 cont

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2022 and 30 June 2021:

	Bank		Group	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Movements in level 3 of the fair value hierarchy – Unlisted equity securities				
Balance at the beginning of the financial year	9,020	8,014	9,020	8,014
Additions/(disposals)	-	-	-	-
Gains/(losses) recognised in other comprehensive income	621	1,006	621	1,006
Transfers into/(out of) Level 3	-	-	-	-
Balance at the end of the financial year	9,641	9,020	9,641	9,020
Movements in level 3 of the fair value hierarchy – Investment property				
Balance at the beginning of the financial year	830	460	4,765	4,390
Additions/(disposals)	(792)	-	(792)	-
Gains/(losses) recognised in profit or loss (other income)	(38)	370	(278)	375
Gains/(losses) recognised in other comprehensive income	-	-	-	-
Transfers into/(out of) Level 3	-	-	-	-
Balance at the end of the financial year	-	830	3,695	4,765

NOTE 31 Transfer of financial assets – securitisation

(i)Securitisation

The MTG QCCU Trust Repo Series No. 1 (The Trust) has been established to support the on-going liquidity management framework of Queensland Country Bank Limited. The Bank has purchased the floating rate notes issued by the Trust. The senior notes held by the Bank are eligible to be utilised as collateral in repurchase arrangements with the Reserve Bank of Australia (RBA). The total floating rate notes as at 30 June 2022 amounted to $550,000,000 (2021: $500,000,000). These arrangements enable the Bank to raise funds from the RBA utilising its loans and advances as the underlying security. The Bank has retained substantially all the risks and rewards of ownership of the relevant loans and advances as it has retained credit risk and interest rate risk. Due to the retention of substantially all the risks and rewards of ownership, Queensland Country Bank Limited continues to recognise the transferred assets within loans and advances and the transfer is accounted for as a secured financing transaction. Queensland Country Bank Limited assigned mortgage secured loans to the securitisation entity during 2022 amounting to $168,259,000 (2021: $32,247,000). The total assigned mortgage secured loans to the securitisation entity amounted to $438,362,000 as at 30 June 2022 (2021: $418,161,000).

Queensland Country Bank Limited collects the cash receipts relating to the loans and advances and passes these receipts on to the MTG QCCU Trust Repo Series No. 1. The Bank cannot use the transferred assets as they have been transferred to the Trust and pledged as security for securities issued by the Trust.

The following table sets out the carrying amounts of transferred financial assets and the related liabilities at the reporting date:

	Bank		Group	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Carrying amount of transferred assets	438,362	418,161	-	-
Carrying amount of associated liabilities	438,362	418,161	-	-

(ii) RBA Term Funding Facility

The Group obtained funding through the facility by entering into repurchase agreements with the RBA. At 30 June 2022 the Group has drawn down $46,254,000 of the facility. Interest is charged at a fixed rate of 10 basis points on the drawn down portion of the facility. The repurchase agreements entered into under the TFF, require the Group to pledge eligible collateral. This includes self securitisation asset-backed securities. As at 30 June 2022 $55,320,000 (2021: $55,320,000) of the self-securitisation floating rate notes were pledged as collateral. As the Group retains substantially all the risks and rewards of ownership, the notes are not de-recognised in the accounts.

Notes to the financial statements

for the year ended 30 June 2022

NOTE 32 Events occurring after the reporting date

There are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, or state of affairs of the Bank or the Group in subsequent financial years.

NOTE 33 Economic dependency

The Bank has an economic dependency on the following suppliers of services:

(a) **Indue Limited**
This entity supplies the Bank rights to VISA Card in Australia and provides services in the form of settlement with Bankers for ATM and VISA Card transactions, personal and corporate cheques, and the production of VISA and Cuecards for use by members. This entity also supplies institutional banking services to the Bank. The Bank has significant liquidity investments with this entity. The Bank also has its borrowing facilities with this entity (refer to note 29 (b) and (c)).

(b) **First Data International**
This company operates the switching computer used to link Cuecards and VISA cards operated through ATM and EFTPOS devices to the Bank's systems.

(c) **Data Action Pty Ltd**
This company is the current facility manager of the Bank's computer system. It also supplies the computer hardware system used by the Bank for its core banking software.

(d) **NTT Australia Pty Ltd**
This company provides Windows environment hosting, applications and support for the Bank and Health Fund.

(e) **Cuscal Limited**
This entity supplies the Bank rights to VISA Card in Australia and provides services in the form of settlement with Bankers for ATM and VISA Card transactions, personal and corporate cheques, and the production of VISA and Cuecards for use by members. This entity also supplies institutional banking services to the Bank. The Bank has liquidity investments with this entity. The Bank also has its borrowing facilities with this entity (refer to note 29 (b) and (c)).

NOTE 34 Related party transactions

(i) Key management personnel
Refer note 8 for details of transactions with key management personnel.

(ii) A number of key management personnel (KMP) hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with Queensland Country Bank Limited in the reporting period. The terms and conditions of the transactions with key management personnel related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with entities not related to key management personnel on an arm's length basis.

There were no loans provided during the year relating to related parties of the KMP.

Notes to the financial statements

for the year ended 30 June 2022

NOTE 34 cont

The aggregate amounts of deposits with Queensland Country Bank Limited during the year relating to related parties of the KMP were as follows:

Deposits from KMP related entities	Closing Balance $	Opening Balance $	Total deposit interest $	Number of deposits
2022	-	1,342,141	-	-
2021	1,342.141	1,430,750	13,430	5

(iii) Subsidiaries

Transactions with Subsidiary

Transactions with the Subsidiaries, Queensland Country Health Fund Ltd and Queensland Country Care Navigation Pty Ltd are on normal commercial terms and conditions unless otherwise stated. Transactions during the year comprised:

	2022 $'000	2021 $'000
- Balance of Queensland Country Health Fund Ltd deposit accounts held with Queensland Country Bank Limited	23,828	19,081
- Interest paid on deposit accounts held by Queensland Country Health Fund Ltd	56	88
- Management fees received by Queensland Country Bank Limited from Queensland Country Health Ltd	21,242	19,903
- Rental income received by Queensland Country Bank Limited from Queensland Country Health Fund Ltd	457	463
- Rental expense paid by Queensland Country Bank Limited to Queensland Country Health Fund Ltd	1,333	1,304

Under the terms of a management agreement, a fee is paid to reimburse all costs incurred by the Bank relating to the operation of the Health Fund (including personnel costs, computer costs, communication costs and premises costs). In addition, the agreement specifies that the management fee may include a charge per Health Fund member, payable to the Bank.

NOTE 35 Company details

The registered office of the company is:
Queensland Country Bank Limited, 333 Ross River Road, Aitkenvale, Queensland, 4814

The principal place of business of the company is:
Queensland Country Bank Limited, 333 Ross River Road, Aitkenvale, Queensland, 4814

The Bank operates in the Financial Services industry in Queensland.

Directors' Declaration

for the year ended 30 June 2022

DIRECTORS' DECLARATION

The directors of Queensland Country Bank Limited declare that:

(a) The financial statements, comprising the statements of profit or loss and other comprehensive income, statements of financial position, statements of cash flows, statements of changes in equity and accompanying notes are in accordance with the Corporations Act 2001, and:

  (i) comply with Accounting Standards and the Corporations Regulations 2001; and

  (ii) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Bank and of the Group;

(b) The Bank and the Group have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards; and

(c) In the directors' opinion, there are reasonable grounds to believe that Queensland Country Bank Limited will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the directors in accordance with a resolution of the Board

C. Flynn

C. Flynn, Chair
Dated this 21st day of September 2022

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Independent auditor's report

To the members of Queensland Country Bank Limited

Our opinion

In our opinion:

The accompanying financial report of Queensland Country Bank Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and Group's financial positions as at 30 June 2022 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Company and Group financial report comprises:

- the Consolidated and Company statements of financial position as at 30 June 2022
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company statements of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Kristy van Horck

Kristy van Horck
Partner

Brisbane
21 September 2022

Queensland Country Bank Limited
ABN 77 087 651 027
AFSL/Australian Credit Licence 244 533

Queensland Country Health Fund Ltd
ABN 18 085 048 237

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