

1. What is a Transfer of Engagements?

A Transfer of Engagements is a legal process whereby all assets, liabilities and undertakings of one or more credit unions are transferred to another credit union, similar to a merger.

2. When will the Transfers of Engagements take effect?

Heads of Agreement were signed on 17 December 2018 by all five credit unions. The Transfer Agreement, which further sets out the terms of the Transfer of Engagements and steps to implementation, was signed by all five credit unions on 14 January 2019.

Members of the transferring credit unions will vote on the proposed Transfer of Engagements at Special Meetings for each credit union in the week commencing 11 March 2019. NZCU Baywide will also hold a Special Meeting on 15 March 2019 to accept the transfers.

The effective date of the transfer is expected to be 1 May 2019.

3. How do I request more information or ask questions?

Please email enquiries@nzcubaywide.co.nz and we will respond within 48 hours.

4. Why are you proposing to merge all five credit unions?

All five credit unions have a collective vision to continue to develop a strong, competitive and sustainable sector that delivers on its core purpose of 'people helping people' across New Zealand.

The scale of a larger, stronger credit union is intended to create efficiencies to deliver better pricing for savings and lending rates, competitive fees and enable us to invest in technology to improve services and provide wider access to capital for the benefit of our member-owners.

In an increasingly competitive sector, we believe our united approach will provide a competitive banking alternative that is 100% customer and Kiwi owned.

The merged credit union will become the largest New Zealand credit union and approximately the 8th largest Non-Bank Deposit Taker in New Zealand.

5. Why did our Board agree to this?

Our Board of Directors believe that this is a logical and significant step towards creating a sustainable credit union that is strongly positioned for the future. The proposed Transfers of Engagements will provide significant benefits to not only our own member-owners but also those of our fellow credit unions.

Uniting together will ensure the credit union movement continues to grow and thrive while ensuring the co-operative principles remain at the core of our focus and that credit unions remain as a viable alternative within the New Zealand financial services market.

6. As member-owners do we have a choice?

Yes, you can vote on this at the Special Meeting. To proceed with the Transfers of Engagement we are seeking at least 50% of the votes, cast in person or by proxy at the Special Meeting, to be in favour of the Transfers of Engagements.

Further amendments to the Rules will require at least 75% of the votes to be in favour.

7. What resolutions are required to be approved by members to enable the Transfers of Engagements to proceed?

To enable the transfers to proceed, the Board is seeking member approval for:

1. the transfers, and
2. Rule changes including the acceptance of a securitisation programme and temporary governance changes.

Refer to the Notice of Special Meeting, Proxy Form and supplementary information.

8. What happens if we vote against the Transfers of Engagements?

To proceed with the merger we require at least 50% of the votes, cast in person or by proxy at the Special Meeting, to be in favour of the Transfers of Engagements. If less than 50% of the votes are in favour of the merger then NZCU Baywide will not accept the Transfers of Engagements.

Small financial entities find it difficult to compete due to relatively higher costs to meet and deliver services and in recent years the increased cost of compliance. This is shown by the number of credit unions in New Zealand reducing from seventy 20 years ago, to thirty 10 years ago and just twelve remaining today.

The Board and management agree and support that merging the five credit unions will provide a stronger more sustainable credit union and sector within the New Zealand market.

In the instance that 50% of members approve the Transfers of Engagements but we do not receive the required 75% of votes to approve the Rule changes, it is expected that the Transfers of Engagements will proceed, subject to Board approval.

For example, the securitisation would move across under the Transfers of Engagements, however we would not be able to sell new loans into the program and it would subsequently close over time.

9. What happens if the other credit union's members vote against the transfer?

If any of the transferring credit unions withdraw from the transfer, due to their members voting against the transfer or otherwise, the remaining transferring credit unions may still proceed to transfer their engagements to NZCU Baywide. Therefore it is possible that NZCU Baywide may accept the Transfer of Engagements from only some of the transferring credit unions.

10. Will there be changes to how I bank with you?

No, there will be no immediate changes with your day-to-day dealings with us and our products and services. Your loans and investments will continue to be managed the same way. As we complete our review of products and services to enhance our offering, you may be notified of some changes in the future.

11. Why are there a number of Credit Unions who have decided not to merge?

The five credit unions that are merging share very similar core values and vision for the future of credit unions in New Zealand. Four of the five are already branded NZCU and have close working relationships. We have a long-history of supporting each other, sharing resources and providing assistance whenever it was needed.

12. Will staff lose their jobs?

The merged credit union will be a large entity and will require a lot of people to meet the needs of its 70,000 members across the communities it serves. This will provide significant opportunity for staff to grow and develop within a much larger organisation. Inevitably there will be some duplication of roles and a reduction in staff numbers will be necessary to ensure efficient resource utilisation, particularly in management areas.

The details of future resource requirements will be worked through during the planning and implementation phase.

13. How will the Board of Directors be structured?

All credit unions will be represented on the board of the merged credit union – with an increased number of board members in the initial years.

14. Will all products and services remain the same?

There are a large number of products and services across the combined five credit unions. Some will be similar, some unique. As part of the planning phase a review of all products will be undertaken to identify duplicated products and review opportunities for new and, where appropriate, improved products and services.

15. The members of all five credit unions are quite different, how will this work?

Yes, each credit union has its own unique membership base. While there are some differences, there are many more similarities. All five credit unions have shared values and a core focus of helping everyday Kiwis to improve their financial wellbeing. We believe that by combining all five credit unions, we can take the best from each and improve the services to all members.

16. How will this merger specifically benefit me, as a member-owner

The scale of the larger credit union will enable us to provide efficiencies, better pricing for savings and lending rates, competitive fees, greater reach and access across the nationwide branch network and online channels, enhanced technology to improve services and wider access to capital, all for the benefit of our member-owners.

17. What impact did Aotearoa Credit Union have in any decision?

Aotearoa Credit Union has enabled the five credit unions to recommence discussions on how we can collectively ensure a strong stable credit union for all New Zealanders into the future.

For more information on Aotearoa Credit Union you can view their Product Disclosure Statement on their website:
<https://www.acu.nz/About-Us/information-to-download.html>

18. Will this mean lower fees in the future?

The merged credit union will provide improved efficiency and reduced costs in the future - enabling fees, interest rates and offerings to be reviewed.

19. You just implemented a new banking system. What happens with it now?

All five credit unions have now successfully migrated over to the new Oracle core banking system. This modern platform is on a par with technology used by leading Tier One banks and will provide the merged credit union greater flexibility to grow its customer base and add many more services in the future.

Our Board approved investment in this system to improve services to members and to leverage future technology still holds true and the larger scale and presence of the merged credit union will allow us to deliver greater resilience in the future.

To have all five credit unions on the same banking platform from day one is a great benefit to our members and will assist immensely with a smooth transition process.

20. Some media have reported you have issues with your core banking system, is the merger a reaction to this?

No. All five credit unions have migrated their core banking systems across to Oracle Flexcube. It's a significant strength, given that as a merged credit union we will all operate off the same core banking technology from day one, allowing for a simple integration in the future.

Any IT change of this scale will result in teething issues, which we have all acknowledged. We are now looking forward to the future opportunities this powerful system will provide our member-owners.

21. What will the merger cost me as a member?

There will be no direct cost to members. The credit unions will face some initial costs upfront to implement the merger, but in subsequent years these will be more than offset by cost efficiencies.

22. Does this increase my risk?

As Credit Unions, we operate under the 'supervision' of the Reserve Bank of NZ (RBNZ) and an independent Supervisor, Trustee Executors Limited (TEL) – including regular reporting to RBNZ, and TEL to ensure a safe and robust financial organisation.

Collectively we have a solid, diverse loan portfolio that is built on conservative lending policies and practices.

Liquidity or surplus funds are held in banks or Co-op Money NZ and not invested in shares or commercial property.

The Board of Directors and Management team of all five credit unions include experienced and skilled professionals.

Credit unions are unique financial organisations. They are member-owned co-operatives that are controlled by a board elected by you, the member.

It is important to note that no investment is free from risk and we refer you to section 6 of NZCU Baywide's Product Disclosure Statement for further information, which can be found on our website: <https://nzcubaywide.co.nz/about-us/legal-ts-and-cs/>