

## **Minutes of the Special Meeting (SM)**

Friday, 15 March 2019 at 6.00pm

Havelock North Function Centre, 30 Te Mata Road, Havelock North

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A minute's silence was held as a mark of respect for the tragic event in Christchurch earlier today.

### **1 OPENING**

#### **1.1 Credit Union Prayer**

The International Credit Union Prayer was read by Graham Clouston.

The Chair, Iain Taylor, declared the SM open. The attendance of the following guests was acknowledged: John Dixon (PricewaterhouseCoopers), Janice Fredric and Tania Dickie (NZCU South), Susan Bingham (Trustees Executors Ltd), Claire Evans and Gerard Dale (Lane Neave), Wyn Osborne, Graham Pryor, Rangi McLean (Aotearoa Credit Union).

#### **1.2 Ascertain Quorum**

It was ascertained there was a quorum present (minimum 15 members).

### **2 APOLOGIES**

Apologies were received from Christine Lord (Director), Katrine Imrie (Director), Bruce Ross (NZCU Steelsands), Rex Ingram, Bob Strong, James Schafer and Gordon Tomlins. Apologies were accepted.

### **3 MINUTES**

The minutes of the 2018 Annual General Meeting were carried forward to the 2019 Annual General Meeting.

### **4 PRESENTATIONS**

Following the detailed presentation by the CEO, CFO and Chair of the nature, composition and financial impact projections, members were advised NZCU Steelsands members had rejected the proposed ToE while all other parties had very strong support from their members. Management also addressed each of the points in a document distributed by a member prior to the meeting.

A number of questions were asked by members, particularly around the stability of transferring credit unions, securitisation, equity decline, cost reductions and possible job losses. Discussion included:

- ToEs are not a 'bail out'. It was acknowledged there are some challenges, but there is also significant opportunities. Historically, NZCU Baywide has supported credit unions and this merger is vital to ensure a sustainable sector in the future.
- As part of the process, extensive reciprocal due diligence was completed which included the loan book quality, risks, cost benefit analysis, likely cost-efficiencies, etc. The Board is comfortable with the level of due diligence undertaken.
- Impairment costs are a cost of doing business in the financial market. One of the requirements of the NZCU Baywide's supervision regime is to meet numerous financial covenants.
- The benefits are significant. It's been a challenging year for the sector however, there is significant opportunity from coming together.
- NZCU South has had a loss in the region of \$850k. A big portion is linked to changes they made to their business which came with restructure costs. Their monthly profit position is improving. NZCU Central is on track for a profit. ACU have incurred and are forecasting more losses up to the ToE and are making changes to get to a profitable state as soon as possible.
- Concerns around the decline of equity at some merging Credit Unions. With the exception of ACU, the other credit unions are forecasting profitable trading positions going forward.

- If the ToEs proceed, the losses made as a combined position is relatively modest compared to the combined capital position which remains strong. Next financial year could be a mixed result. There may be an initial decline in equity post merger due to expected costs in the short-term, before efficiencies are realised in the medium to long term.
- Securitisation. Noted that this facility allows a credit union to obtain wholesale funding from a bank, not members, in this case from Westpac. The facility size is currently \$25M (80% funded by Westpac, 20% by NZCU South). There will be stronger liquidity under the merged credit union.
- A process will be worked through regarding cost reductions and any redundancies. Generally, there will be relatively few staff impacted from 1 May as there are four different businesses to run. Over time these will be integrated to align product offerings, processes, systems, etc.
- Historically members hadn't been asked to vote for ToE's however, the Prudential Supervisor felt given the enormity of the ToEs, it was a prudent step for the Baywide Board to go the membership and seek approval. The Directors also felt this was an appropriate process.
- Security for members' deposits is by way of a Deed Pool. The Prudential Supervisor is there to have recall over the assets of the credit union and to protect the interests of members

A number of members spoke of their support for the ToEs noting the credit union is for the members and underpinned by the philosophy of "people helping people". Some members also expressed their concern about the proposed ToEs. A lengthy questions and answers session followed.

Regarding concerns over ACU, Wyn Osborne (ACU CEO), commented that ACU did lose approximately 20% of valued members through the disruption to the business as the result of issues they had migrating to Flexcube. Being the first credit union to transfer he felt ACU's business was impacted significantly. They underestimated the challenge with the Oracle system conversion. He noted that other credit unions who have come onboard behind them have had very little disruption, noting a larger credit union has greater expertise and capacity. Members' funds have been relatively stable over recent months and retain the confidence of investors, however they haven't been able to accept new members since their breach.

Caroline Pollett asked, if the outcome from tonight's meeting is 'no', can the Board over-ride this. Iain Taylor advised that Board could, however it would take a lot of convincing for the Board to over-ride members' decision.

Richard Parker commented that if things did go "pear-shaped" that Directors are responsible. Iain Taylor replied that as elected Directors they are acutely aware of their governance responsibilities and always act in the best interests of the credit union and its members. The Board believes the ToEs are in the best interests of the credit union and wants to ensure a stable, flourishing credit union movement.

## 5 RESOLUTIONS

Noted the Board had approved PricewaterhouseCoopers as Scrutineer. Iain Taylor advised that a number of proxies had been received with the vast majority assigned to the Chair. Of those assigned to the Chair, members had instructed him on how to vote (being approximately 75% directing the Chair in a particular way, and 25% at the Chair's discretion).

### 5.1 Transfers of Engagements to CUB

Iain Taylor noted that the resolution to members would include a reference to NZCU Steelsands despite their members voting not to proceed. This is in line with communications already provided to members however the subsequent Board resolution would only include the remaining participating credit unions.

**Resolution**

Members approved the Transfers of Engagements from each of Credit Union South, Credit Union Central, NZCU Steelsands and Aotearoa Credit Union to Credit Union Baywide.

**Moved** Iain Taylor/John Reardon  
Carried

Noted: 97% of eligible votes received were in favour of the motion.

5.2 **Amendments to the Rules**

**Resolution**

The amendment to the Rules as circulated were approved.

**Moved** Iain Taylor/Tony Rhodes  
Carried

Noted: 98% of eligible votes received were in favour of the motion.

Iain Taylor welcomed the merging credit unions noting the six week no-objection period with a proposed implementation date of 1 May 2019.

Tony Rhodes commented that it was clearly evident that members' had questions. There is confidence in the entity and the way forward after the merger is critical. He urged that throughout the transition over the next two to three years that members are kept informed to ensure their confidence is maintained. He accepted there will be hiccups but reiterated there should be no big surprises for members. Iain Taylor endorsed those comments and advised he is excited about the opportunities ahead.

Given the increase in Directors, Perry Spiller queried Directors' remuneration. Iain Taylor advised the necessary increase in the total Directors fees resulting from the merger is covered under the current Rules.

6 **CLOSING**

There being no further business, the meeting closed at 7.55pm.

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_

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for Credit Union Baywide Inc