

## Proposal to Transfer Engagements to NZCU Baywide

### Introduction

The Board of Directors of each of NZCU South, NZCU Central, NZCU Steelsands, Aotearoa Credit Union and NZCU Baywide recommend the merger of five credit unions to create one single credit union. The members of each credit union are being asked to approve the Transfers of Engagements to create one merged entity.

### Our recommendation

The Board of NZCU Baywide recommends that the members of NZCU Baywide approve:

1. the Transfers of Engagements from NZCU South, NZCU Central, NZCU Steelsands and Aotearoa Credit Union to NZCU Baywide, subject to the transferring credit union's members having approved the transfer, and subject to NZCU Baywide Board and regulatory approval, and
2. Rule changes including the acceptance of a securitisation programme from NZCU South and temporary governance changes.

Please refer to the enclosed Notice of Special Meeting and Proxy Form for more information.

### What does this mean for you?

- This is a positive and exciting move for our organisation and our member-owners
- It will result in a stronger merged credit union that will benefit all member-owners
- Potential for better savings, investment and lending rates and fees
- Scale (size) efficiencies allowing us to better serve you, our member-owners
- Board appointments will be made that include representation from each merging credit union

### What do we need from you?

#### Vote yes.

We ask you to believe in and support our vision of creating New Zealand's largest credit union that will ensure a stronger, more sustainable organisation for the future. As a member-owner we need your vote to support this exciting initiative and to proceed. We invite you to attend the upcoming Special Meeting or provide your vote by way of Proxy (see enclosed Notice of Special Meeting and Proxy form).

### Why are we doing it?

The formation of a larger, more resilient credit union into the future, will create increased opportunities to deliver improved products and services, and ensure credit unions remain as a sustainable and viable alternative within the New Zealand financial services market. All five credit unions have a collective vision to continue to develop a strong, competitive and sustainable sector that delivers on its purpose of 'people helping people' across New Zealand.

### What are the benefits?

- Scale to deliver efficiencies, better pricing for savings, lending rates and competitive fees
- Leveraging strength and capabilities of all merging credit unions
- Access to resources for delivering better member-owner experiences
- Wider geographic reach and presence providing easy access across New Zealand for members
- Greater opportunities to invest in and leverage technology and increase our digital presence, whilst improving member access
- One-off change management costs are projected to be offset by future financial efficiencies
- Cost savings and subsequent financial benefits are projected for members of the combined entity in future years
- Regulatory compliance costs will be reduced and risks mitigated through the single larger entity

### If approved, how will the transfers and changes occur?

- All assets, liabilities and undertakings will be transferred from the four transferring credit unions to NZCU Baywide
- Rule amendments are proposed to facilitate the transfers. Refer to enclosed Notice of Special Meeting for more information

## Proposed process and timeline



## Additional Information

### 1. 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.

### 2. As member-owners do we have a choice?

Yes, you can vote on this at the Special Meeting. To proceed with the merger 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.

### 3. 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 still proceed, subject to Board approval.

For example, the securitisation would move across from NZCU South 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.

For more information and a full list of FAQs please visit [nzcubaywide.co.nz](http://nzcubaywide.co.nz)

## Additional Information

### 4. What happens if members vote in favour of the Transfers of Engagements?

If the members vote in favour, the Board will consider the resolutions from each of the transferring credit unions, in accordance with the regulations. There are further legal procedures to be undertaken including no objection to be sought from the Supervisor and the Registrar of Friendly Societies and Credit Unions.

Following the approval of transfers by members and the Board a mandatory six week period to allow for objections is required under the Friendly Societies and Credit Unions Act 1982.

### 5. 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.

### 6. 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.

### 7. 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.

For more information and a full list of FAQs please visit [nzcubaywide.co.nz](http://nzcubaywide.co.nz)

Please feel free to contact us if you have any questions. You can visit our website for more details, pop into your local branch, call our friendly team or send us an email. We're here to keep you informed and updated all the way.

Call **0800 229 943**

Email [enquiries@nzcubaywide.co.nz](mailto:enquiries@nzcubaywide.co.nz)

Visit [nzcubaywide.co.nz](http://nzcubaywide.co.nz)

*Thank you for your continued loyalty and support!*