



## Explanatory information about the proposed transfer of engagements from Credit Union Auckland to First Credit Union

Dear Valued Member,

We hope this finds you well. The Board of Credit Union Auckland Incorporated (**CUA**) is excited to inform you about our proposed transfer of engagements to First Credit Union Incorporated (**First**). This strategic move is aimed at offering a stronger and more sustainable credit union to which our valued member-owners would transfer for their benefit.

### Introduction

CUA, in collaboration with First, seeks your approval for a transfer of engagements. This decision is driven by the vision of offering a stronger and more sustainable credit union to which our valued member-owners would transfer, and one that aligns with the co-operative principles integral to credit unions in New Zealand.

Members of CUA are being asked to approve a transfer of engagements to First at a Special General Meeting to be held on Thursday, 18 April 2024.

This document explains the proposal, and what it would mean for CUA and its members. You should read it carefully, and contact us if you have any questions. Our contact details are included at the end of this document.

### Our recommendation

CUA's Board firmly believes the proposed transfer of engagements is in the best interests of members. Therefore, we recommend that members approve the transfer of engagements to First.

### What would the transfer mean for you and what are the benefits?

- Joining a credit union with the scale to deliver efficiencies, the potential for better pricing for savings and lending rates, and more competitive fees.
- Leveraging First's strength and capabilities for enhanced member experiences.
- Access to resources for technological advancement and increased digital presence.
- Providing branch locations throughout the central and upper North Island.
- Greater opportunities to invest in and leverage technology for improved member access and experience.
- Regulatory compliance costs will be spread across a larger member base, mitigating risks through the larger entity.
- This is a positive and exciting move for CUA and our member owners.

### What do we need from you?

#### Vote yes.

We ask you to believe in and support a transfer of engagements from CUA to First. This will ensure members can join a stronger, more sustainable organisation for the future. As a member-owner, we need your vote to support this exciting initiative so that it can proceed. We invite you to attend the upcoming Special General Meeting or provide your vote by way of proxy or postal vote (see the accompanying notice of Special General Meeting for more information about voting).

To proceed with the transfer of engagements, we need at least 75% of the votes cast at the Special General Meeting in person or by way of proxy or postal vote to be in favour of the transfer of engagements.

## 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 – it is similar to a merger. In this case, we are proposing that all of CUA's assets, liabilities, and undertakings will be transferred to First. This means that members of CUA will become members of First. However, it's expected that First will continue to use the CUA name for some time after the transfer is completed.

## Why do we want to do this?

The proposed transfer of engagements will provide significant benefits to our members. The transfer of engagements has been proposed to a larger, more resilient credit union to try to help secure the future of your credit union membership.

First have a similar vision to continue to develop a strong, competitive and sustainable sector that delivers on its purpose of 'people helping people' across New Zealand.

First has around 55,800 members and \$473 million in total assets (as at 31 December 2023). CUA is much smaller: we have around 6,400 members and \$25 million in total assets (as at 31 December 2023). As a small financial entity, CUA has been finding it difficult to compete due to relatively higher costs to meet and deliver services and, in recent years, the increased cost of compliance. This trend is expected to continue in the future and is not unique to CUA. Many other smaller credit unions have transferred their engagements to larger credit unions including Steelsands and Westforce Credit Union which also transferred to First.

The scale of a larger, stronger credit union creates efficiencies that we expect will enable First to deliver better pricing for savings and lending rates, and competitive fees for our members. In addition, First is able to invest in technology to improve services and provide wider access to capital for the benefit of members.

The Board has considered all available options for CUA. CUA has been supported by First for financial and administrative support but if that support is no longer available, reliance on CUA's own resources to continue to operate would, the Board considers, be risky and possibly not viable. Accordingly, the Board has reluctantly decided that the transfer of engagements is the best option in the interests of CUA's members.

**Important financial and other information is set out in the Schedule.**

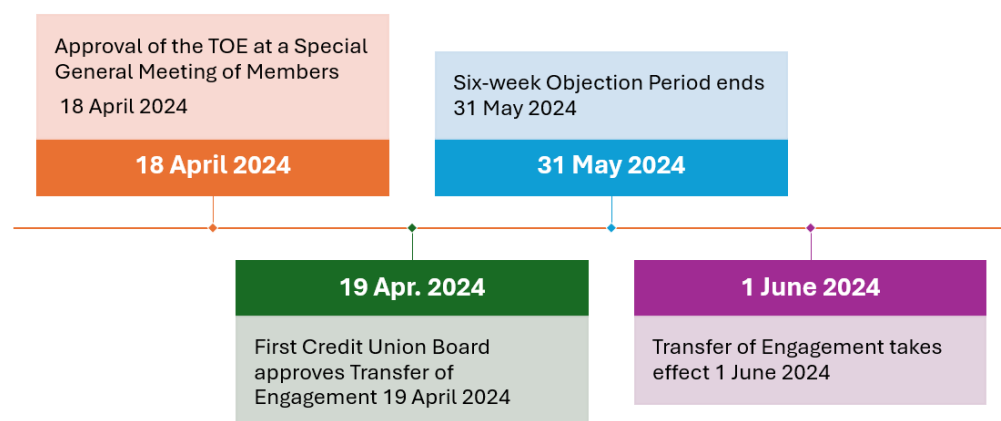
## What is the process and timeline?

A memorandum of understanding was signed between CUA and First on 27 February 2024. The memorandum of understanding sets out the terms of the transfer of engagements and steps to complete it. The transfer of engagements is conditional on a number of matters, including approval by CUA's members.

If the members vote in favour, First's Board will need to provide final approval of the transfer of engagements. It is expected this will occur, as First has given its commitment to the transfer.

Following the approval of the transfer of engagements by members and First's Board, a mandatory six-week period to allow for objections is required under the Friendly Societies and Credit Unions Act 1982. Certain other legal formalities must also be met.

### Proposed Process and Expected Timeline:



## What happens if the transfer is not approved?

It is important for CUA that the transfer of engagements to First is successful. CUA's Board does not believe it is financially viable for CUA to continue in its current form.

To proceed with the transfer of engagements we require at least 75% of the votes, cast at the Special General Meeting in person, or by way of proxy or postal vote, to be in favour of the transfer of engagements. If less than 75% of voting members approve the transfer of engagements, then CUA will not transfer its engagements to First.

If the transfer of engagements is not approved by members, then CUA's Board would need to consider other options as CUA continuing as a separate credit union is not financially viable. At this stage there are no other obvious options to secure the long-term future of CUA (and in any event, CUA's Board believes this transfer is the best option for members).

Under CUA's Trust Deed dated 1 January 2020, our Supervisor may declare an event of review if the Supervisor reasonably considers that such a declaration is necessary to protect the financial stability of CUA. An event of review would give the Supervisor a broad range of powers, including requiring a transfer of engagements to another credit union (as is being proposed here), or prohibiting CUA from carrying out some or all of its business activities (such as stopping new members from joining). In a worst-case scenario, if the event of review became an event of default, CUA could have a receiver appointed over it.

## **Answers to other Frequently Asked Questions**

### ***Will there be changes to how I bank with you?***

No, there will be no immediate changes to your day-to-day dealings with us, or to our products and services. Your investments will continue to be managed the same way. If you have a loan with us there will not be any changes to your loan terms. As First completes a review of our products and services to enhance our offering you may be notified of some changes in the future but this could take up to 12 months.

### ***Will staff lose their jobs?***

Most staff will be retained in their current positions, with some being redeployed to better serve member's needs. However, it is expected that some staff will leave CUA after completion of the transfer of engagements.

### ***Will my branch close?***

First intends to retain CUA's Penrose branch (which First and CUA currently share), which means there will be no immediate change to your local branch or the staff who you are used to dealing with. In addition, you will have access to First's wider network of branches across the central and upper North Island.

### ***Will all products and services remain the same?***

There are a large number of products and services across CUA and First. Some are 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. This process could take up to 12 months and we will communicate with you in advance of any changes.

### ***Will this mean lower fees and better rates in the future?***

The merged credit union is expected to provide improved efficiency and reduced costs in the future - enabling fees, interest rates and offerings to be reviewed. First expects that the process of improving efficiency and reducing costs may last 12 months or more.

### ***What will the transfer of engagements cost me as a member?***

There will be no direct cost to members. CUA and First will face some initial costs upfront to implement the transfer of engagements, but in subsequent years these are expected to be more than offset by cost efficiencies.

### ***Why should I not just move my savings and investments to a bank?***

The credit union ethos is not changing. First holds the same values we always have had and will remain a co-operatively owned not-for-profit business, governed by members, for members. Members of a credit union do not see the profits go offshore and this will not change. The transfer of engagements will mean you become a member of a stronger, more competitive member-owned credit union.

### ***What do I do if I have any other questions?***

Please feel free to contact us if you have any questions. You can pop into a branch, call our friendly team on 09 579 1026 or send us an email at [info@cua.co.nz](mailto:info@cua.co.nz). We're here to keep you informed and updated all the way.

If you have any questions about First, you can visit their website [www.firstcreditunion.co.nz](http://www.firstcreditunion.co.nz), call them on 07 834 4810, or email them at [welcome@firstcu.co.nz](mailto:welcome@firstcu.co.nz).

For more detailed information, please refer to the enclosed documents, including the Notice of Special Meeting, Proxy Voting Form and Schedule 1 Important Information.

Your involvement and support are invaluable to us as we embark on this journey.  
Thank you for your continued support and loyalty.

## Schedule – Important financial and other information

Important information required pursuant to section 135A(2) of the Friendly Societies and Credit Unions Act 1982, including the financial position and other information of Credit Union Auckland Incorporated and First Credit Union Incorporated, is provided below.

<b>Audited and unaudited financial position – Credit Union Auckland Incorporated</b>				
<i>Financial information for the years ending 30/6/2021, 30/6/2022, and 30/6/23 is audited. Financial information for the 6 months ending 31/12/2023 is unaudited and subject to change.</i>				
Date	31/12/2023	30/06/2023	30/06/2022	30/06/2021
Total Equity	\$2,858,289	\$2,408,625	\$3,240,021	\$3,179,321
Total Assets	\$25,973,499	\$29,187,500	\$29,203,769	\$21,674,738
Total Liability	\$23,115,210	\$26,778,875	\$25,963,748	\$18,495,417
Total Surplus (Deficit)	-\$156,880	-\$805,884	-\$290,766	-81,925
Capital Ratio	9.86%	7.75%	11.84%	14.83%
<b>Number of members – Credit Union Auckland Incorporated</b>				
Total members (approximate)	6404	6658	6503 (includes NZ Firefighter’s Credit Union (NZFCU) members.)	4110
<b>Audited and unaudited financial position – First Credit Union Incorporated</b>				
<i>Financial information for the years ending 30/6/2021, 30/6/2022, and 30/6/23 is audited and reflects the consolidated financial position of First Credit Union Incorporated and its subsidiary First Insurance Limited. Financial information for the 6 months ending 31/12/2023 is unaudited and unconsolidated and subject to change.</i>				
Date	31/12/2023	30/06/2023	30/06/2022	30/06/2021
Total Equity	\$69,346,000	\$68,112,000	\$63,967,000	\$59,495,000
Total Assets	\$472,734,000	\$459,036,000	\$442,356,000	\$415,313,000
Total Liability	\$403,388,000	\$390,924,000	\$378,389,000	\$355,818,000
Total Surplus (Deficit)	\$974,000	\$2,327,000	\$4,472,000	\$1,867,000
Capital Ratio	13.27%	14.33%	14.55%	13.53%
<b>Number of members – First Credit Union Incorporated</b>				
Total members (approximate)	55,800	56,000	49,000	49,050
<b>Interests of officers</b>				
None of the officers of Credit Union Auckland Incorporated or First Credit Union Incorporated have any interest in the transfer of engagements, other than retaining their existing membership and associated rights (if any).				
<b>Compensation and payments</b>				
Compensation or consideration to officers	No compensation or consideration is to be paid to the officers of Credit Union Auckland Incorporated or First Credit Union Incorporated as a result of the transfer of engagements.			
Payments to members	No payments are to be made to any members of Credit Union Auckland Incorporated or First Credit Union Incorporated in consideration of the transfer of engagements.			
Further information about Credit Union Auckland Incorporated or First Credit Union Incorporated (including the most recent Product Disclosure Statements and audited accounts) may be obtained online by accessing the Disclose register at <a href="http://www.disclose-register.companiesoffice.govt.nz">www.disclose-register.companiesoffice.govt.nz</a> (using the “Search for an Offer” function).				