

TRANSFER OF ENGAGEMENTS FREQUENTLY ASKED QUESTIONS

The following questions and answers provide members with additional information about the proposed transfer of engagements. They have been collated based on discussions had by the Board in its deliberations prior to recommending the transfer and to provide information that has been agreed between Credit Union South, Credit Union Baywide, Credit Union Steelsands, Credit Union Central and Aotearoa Credit Union as part of the transfer discussions. It is not an exhaustive list.

What is a Transfer of Engagements?

A transfer of engagements is a 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.

Q1	When does the Transfer of Engagements take effect?	A	<p>The Heads of Agreement were signed by all five credit unions on the 17 December 2018.</p> <p>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 the 14 January 2019.</p> <p>Members of the transferring credit unions will vote on the Transfer of Engagements at a Special Meetings for each credit union between 11 – 14 March 2019.</p> <p>Credit Union Baywide will hold a Board meeting and a Special Meeting on 15 March 2019 to accept the transfers.</p> <p>The effective date of the transfer will likely be 01 May 2019.</p>
Q2	How do I get more information or ask any questions?	A	Please email feedback@nzcusouth.co.nz or call 0800 536 386.
Q3	Why is this being proposed?	A	<p>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.</p> <p>The scale of a larger, stronger credit union is intended to create potential cost savings, 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.</p> <p>In an increasingly competitive sector, we believe our united approach will provide a competitive financial services alternative that is 100% customer and New Zealand owned.</p>
Q4	Why did the Credit Union South Board agree to this?	A	The Board of Directors believes that this merger provides an opportunity for significant benefits to our members and those of our fellow credit unions. It will create a strong credit union, able to benefit from access to people, resources and assets of each other to grow significantly. Most importantly, it provides a stable base for a sustainable future.

Q5	As member owners do we have a choice?	A	Yes, you can vote electronically or in person at the Special Meeting. To proceed with the merger, not less than 75% of members entitled to vote and who vote on the matter, need to approve the Transfer of Engagements.
Q6	What happens if we as Members say no to the Transfer of Engagements?	A	<p>If less than 75% of voting members approve the merger then Credit Union South will not transfer engagements to Credit Union Baywide.</p> <p>If this happens, the current challenges of remaining a small entity, in the broader financial services sector, will remain.</p> <p>Small financial entities find it difficult to compete due to relatively higher costs to meet and deliver services and in recent years the increased costs of compliance. This is shown by the numbers of credit unions in New Zealand reducing from seventy (70), 20 years ago, to thirty (30) 10 years ago and just 12 today.</p> <p>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.</p>
Q7	When will members will be notified of result?	A	We will notify all members at the conclusion of the meeting and by placing the result on our website. We will also notify members by email.
Q8	Why have these Credit Unions decided to merge?	A	<p>The five credit unions that are merging share very similar core values and can build on these strengths. Four of the five are already branded NZCU. We have a long history of supporting each other, sharing resources and providing assistance where needed.</p> <p>The merged credit union will become the largest credit union in New Zealand and will be approximately the 8th largest Non-Bank in New Zealand.</p>
Q9	Where will the Head Office be located?	A	Details around locations of work will be worked through during the transition phase.
Q10	Will staff will lose their jobs?	A	<p>The merged credit union will be a large entity, will need a lot of people to meet member needs, and will provide significant opportunity for staff to grow and develop. However, there will be some duplication of roles and therefore you would expect a reduction in staff numbers, particularly in management areas.</p> <p>At Credit Union South we have recently completed restructuring of our branch network and operational structure. Any impact in this area will therefore be reduced.</p> <p>The details of future resource requirements will be worked though during the transition and implementation phase.</p>
Q11	How will Board members	A	All credit unions will be represented on the Board of the merged credit

	be appointed?		union with an increased number of Board members in the initial years.
Q12	Are all our products and services going to remain?	A	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 transition phase, a review of all products will be undertaken to identify duplicated products and identify opportunities for new products.
Q13	Our members are different, how will this work?	A	<p>Yes, each credit union has its own unique membership base. Whilst there are some differences, there are more similarities. We believe that by combining all five credit unions, we can take the best from each and improve the services to all members.</p> <p>All five credit unions have shared values and a core focus of helping everyday New Zealanders to improve their financial well-being.</p>
Q14	What are the specific benefits to me as a member from the merger?	A	The scale of the larger credit union will enable us to provide greater efficiencies, greater ease of access an extended branch network and online channels, enhanced technology to improve services and wider access to capital.
Q15	Will this mean lower fees in future?	A	The merged credit union will provide improved efficiency and reduced costs in the future - enabling fees, interest rates and offerings to be reviewed.
Q16	How much will the merger cost me as a member?	A	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.
Q17	<p>You've just invested in a new banking system.</p> <p>What happens with it now?</p>	A	<p>The new banking system is operating successfully and is a Tier One Banking Platform. Our investment in this system is to improve services to members and to leverage future technology. This still holds true and will deliver greater resilience in the future.</p> <p>All five credit unions have successfully implemented the same banking system – allowing greater flexibility to grow the member base through open banking, leveraging technology including API integration, and replacement of the internet and mobile banking applications.</p> <p>The larger scale and presence of the merged credit union will see these benefits realised more quickly. 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.</p>
Q18	How will you remain relevant to our local communities?	A	<p>We will continue to contribute to our local communities and the focus of the credit union movement of 'People Helping People" will continue.</p> <p>The national coverage provided by the merged credit union will give the ability to retain and fully service members who shift to other</p>

			areas of New Zealand from their existing community more easily.
Q19	Why should I not just move my savings and investments to a bank?	A	<p>We're not changing. We will still hold the same values we always have 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.</p> <p>The merger will make us stronger, more competitive and allow us to more easily differentiate our market positioning as a member owned credit union.</p>
Q20	How will this affect my Fisher Funds KiwiSaver?	A	There will no change to your KiwiSaver accounts.
Q21	I have a loan with Credit Union South. Can I expect any changes to how my loan repayments are paid?	A	There should not be any changes to how your loan repayments are made.
Q22	Will there be any changes to my day-to-day banking?	A	<p>Your day to day dealings with products and services will not change. As we complete our review of products and services, you may be notified of some changes in the future. This will include identifying duplicate products, unique products and opportunities for new products and improved products and services where appropriate.</p>