

stronger together

Vote **YES** for a stronger future



Member Information Document

Proposed transfer of Bananacoast Community
Credit Union Ltd to Police & Nurses Limited

Disclaimer This Member Information Document is dated 21 August 2019. It has been issued under an approval dated 16 August 2019 by APRA under Clause 9 of the Transfer Rules 2017 – Voluntary Transfers pursuant to the Financial Sector (Transfer and Restructure) Act 1999 (Cth). In deciding whether to approve this Member Information Document, APRA has consulted with the Australian Securities and Investments Commission (ASIC). Neither APRA nor ASIC nor any of its officers takes any responsibility for the contents of this Member Information Document.



Police & Nurses Limited
Level 6, 556 Wellington Street
Perth WA 6000
ABN 69 087 651 876

This Member Information Document contains important information about the proposed transfer of the business of Bananacoast Community Credit Union Ltd ABN 50 087 649 750 (**bccu**) to Police & Nurses Limited ABN 69 087 651 876 (**P&N, P&N Bank or Police & Nurses Limited**) under the Financial Sector (Transfer and Restructure) Act 1999 (Cth).

The directors of P&N Bank unanimously recommend that you vote in favour of the special resolution required to approve the transfer of business.



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Members of Police & Nurses Limited should read this Member Information Document carefully. If you have any questions about the information in this Member Information Document, please contact us using the details set out on page 14.

Capitalised terms used in this Member Information Document have the meanings set out in Section 12.



Paul Gabb
Chair
Police & Nurses Limited



Police & Nurses Limited
Level 6, 556 Wellington Street
Perth WA 6000
ABN 69 087 651 876

Dear P&N Bank Member,

I am pleased to provide you with this Member Information Document, which contains detailed information for you to consider the Board's unanimous recommendation to vote in favour of the proposed merger between P&N Bank and bcu.

The Merger involves the transfer of all bcu's assets and liabilities (including all deposits and loans held by bcu members) to P&N Bank.

Our Commitments

The Board believes that this Merger is crucial to our future strategic direction and as part of that strategy, we are making some important commitments to safeguard the critical P&N attributes that our members value most:

- P&N will continue to operate as a trusted customer-owned bank and put our Members at the heart of everything we do;
- our investment in the P&N brand and our personalised service will continue as we further seek to enrich the lives of our Members and their local communities;
- the strong focus on P&N's valued bond groups and our WA heritage will remain;
- Head Office will be located at our new Perth CBD premises, with regional offices in Coffs Harbour and Brisbane;
- the CEO and I will continue in our current roles as part of the merged entity; we will welcome a new Deputy Chair from bcu;
- there will be no branch closures as a result of the Merger; and
- our staff will enjoy employment security with no job losses, and greater career opportunities.

Why do we need to merge?

Although P&N is currently well positioned, there are considerable challenges ahead for smaller financial institutions such as ours. The ever-increasing real cost of regulation and reporting, the requirement to keep pace with digital banking and technological advances, and with that, the imperative to keep Members' money safe and secure online requires an ongoing investment that will be best met with size and scale.

Put simply, we need to keep growing so that we can continue to offer our current and future members competitive products, services and rates through convenient and modern banking channels.

1. Chair's letter to members

Directors' Recommendation

The P&N Board believe that customer-owned bcu is in a strong financial position, is progressive in its thinking and is the right partner to enable a much-needed expansion into the east coast. Further, the Directors have determined through a thorough due diligence process that the Merger **is in the best interests of P&N Members** and unanimously recommend that you vote in favour of the P&N Merger Resolution. The factors taken into account by the Board in making its recommendation include the following:

- P&N Members' day to day banking arrangements will be unaffected by the Merger;
- access to a wider range of products and services, particularly for small business Members where we can leverage bcu's existing offerings;
- a larger branch network spanning three states and expanded opening hours in the Contact Centre;
- removal of all account keeping fees and establishment fees on P&N home loans, transaction accounts and savings accounts;
- higher interest rates on selected transaction and savings accounts; and
- a doubling of P&N's commitment to our Helping &nds community program which supports deserving individuals, families and grass roots community groups.

Whilst less than half the size of P&N Bank, bcu are in a strong financial position and share P&N's customer-owned model, member first ethos and community focus. Should the Merger be approved, we have worked with bcu to design a multi-branded operating model that maintains local decision-making for each brand, which will be enhanced by the additional resourcing and capability of a larger consolidated group.

To enforce this commitment to the respective brands and their local communities, we will establish a dedicated P&N Advisory Council representing the voice of Members and advising on local priorities and community initiatives.

Our Shared Vision

Looking to the future, P&N and bcu believe we will be stronger together. We share a vision to become a more diversified financial institution that has the opportunity to leverage its collective scale with the reach and capability to deliver more competitive and innovative banking solutions that can provide even greater value for our Members.

With the traditional Australian banking model under intense pressure, we believe our new multi-branded model could in future attract other credit unions and mutual banks who are facing into the same industry headwinds. This Merger would therefore strategically position us to play an important role in expanding the relevance of customer-owned banking across Australia both now and in the future.

Your role

The Merger between P&N Bank and bcu has the **unanimous support of your Board of Directors**.

I encourage you to exercise your right to vote in favour of this important proposal in person at the Special General Meeting (SGM) to be held on 23 October 2019, online at <https://investorcentre.linkmarketservices.com.au/voting/PNB> or, complete and return the proxy form that accompanies this Member Information Document.

On behalf of the Board, I would like to thank you for your continued support of P&N Bank and we look forward to delivering a strong and sustainable future with you remaining at the heart of everything we do.

Yours faithfully,



Paul Gabb

Chair
Police & Nurses Limited

2. Summary of reasons to vote for and against the Merger

Please refer to remainder of document for details.

For the Merger

- ➔ The Board unanimously recommends that you vote in favour of the P&N Merger Resolution
- ➔ P&N will continue to operate as a trusted customer-owned bank and our investment in the P&N brand, our personalised member service and our local community focus will continue, as will our commitment to our bond groups and our all-important WA heritage
- ➔ Whilst we will remain relatively small, greater size and scale will allow us to better absorb the increasing regulatory burden and the investment in technology and digital banking, enabling us to allocate more funds to directly benefit Members
- ➔ Access to a wider range of products and services, particularly for our Members with small businesses
- ➔ A larger branch network spanning three states with scope for further growth and expanded opening hours in our Contact Centre
- ➔ Less dependence on fluctuations in the WA economy by being a part of a larger organisation located across different markets
- ➔ Higher interest rates on selected transaction and savings accounts
- ➔ Removal of all account keeping fees and establishment fees on P&N home loans, transaction accounts and savings accounts
- ➔ A doubling of our commitment to the Helping &nds community program
- ➔ The establishment of a P&N brand Advisory Council acting as the voice of P&N Members and advising on local priorities and community initiatives
- ➔ Employment security for our staff with no forced redundancies as a result of the Merger

Against the Merger

- ➔ You may disagree with the recommendation of your Directors
- ➔ You may be concerned about a loss of WA identity as P&N expands, or that we will eventually be taken over by a larger east coast organisation
- ➔ You may consider P&N doesn't need to get bigger, is at risk of becoming a "big bank" and could lose its personal approach
- ➔ You may have reservations about bcu being the right partner for P&N
- ➔ You may be concerned that the potential synergies identified do not flow through into meaningful value for Members
- ➔ Successful mergers across the industry are commonplace, however, they require management effort and planning to deliver
- ➔ Not all P&N Directors will go forward as part of the new P&N Board

3. Reasons why you should vote in favour of the Merger

a. The Board unanimously recommend that you vote in favour of the P&N Merger Resolution

After a thorough due diligence process conducted in conjunction with independent experts, the P&N Bank Directors unanimously consider that, for the reasons set out in this Member Information Document, the transfer of business of bcu to Police & Nurses Limited is in the best interest of P&N Bank Members as a whole. Each P&N Bank Director intends to vote in favour of the P&N Merger Resolution. See Section 10.3 for further information.

b. P&N will continue to operate as a trusted customer-owned bank and our investment in the P&N brand, our personalised member service and our local community focus will continue, as will our commitment to our bond groups and our all-important WA heritage

Many Members are proud of their customer-owned banking institution, and this is especially so in the case of P&N Bank given it began as an organisation created by and run for the benefit of those who serve the public. Those shared values remain reflected in the strong service ethics of our current employees.

As a customer-owned bank that now serves some 96,000 West Australians, P&N continues to place our Members at the centre of everything we do. We are trusted and we are local.

When our Board determined P&N's growth strategy and began considering suitable merger partners, it was underscored that we needed to retain and safeguard those attributes that resonate strongly with our Members i.e. our customer-owned model, our personalised service, our local community focus and investment, our respect of P&N's heritage and our loyal bond Members.

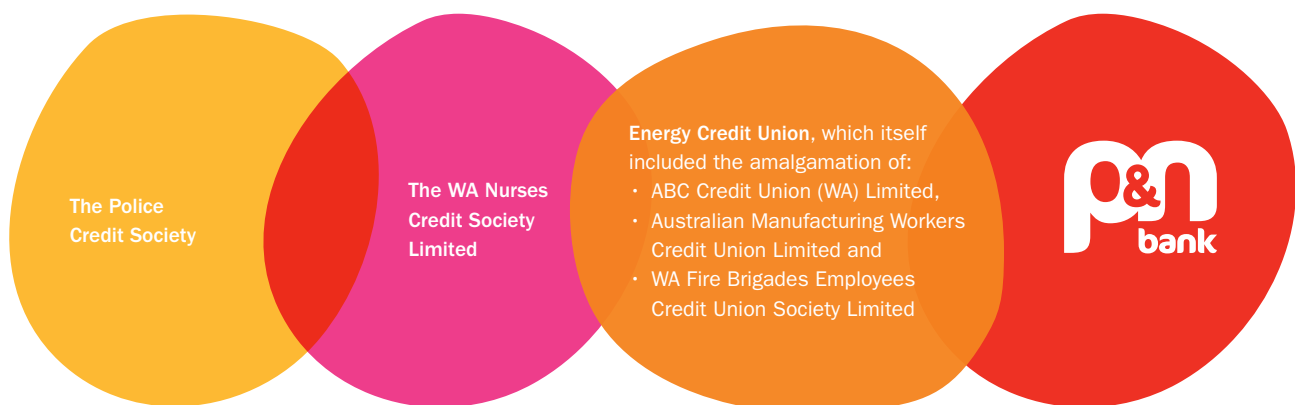
There is simply no strategic reason for P&N to move away from the very things that our Members value and that make us different from the listed banks.

The P&N Bank of today is the culmination of many mergers. Since we began in the 1960's, our organisation has continued to grow stronger with the members of the time supporting recommendations by the Board to keep pace with the changing face of banking.

While today our Bank is open to everyone to join, we have never lost sight of where we have come from and those who established and supported our organisation to become the size it is today.

Should this Merger proceed, **our much-loved P&N brand will remain, as will our commitment to our Western Australian base** and the fundamental attributes that our Members enjoy.

P&N BANK TODAY IS THE CULMINATION OF MANY MERGERS



c. Whilst we will remain relatively small, greater size and scale will allow us to better absorb the increasing regulatory burden and the investment in technology and digital banking, enabling us to allocate more funds that directly benefit Members

Banking has changed significantly over the past decade. Today there is much greater complexity and focus on regulation and compliance, alongside consumer demands for modern technology platforms, instant payments, mobile banking and digital security.

It's therefore no surprise that with these increasing costs, the customer-owned banking sector in Australia is consolidating. In 1990, there were some 400 customer-owned banking organisations, and today there are 70.

On your behalf and as part of our strategy to remain relevant and sustainable, P&N Bank wants to remain amongst the stronger customer-owned banking organisations in Australia but to do that, we need to grow.

i. Size, Scale and Relativity

P&N Bank is currently the 10th largest customer-owned banking organisation in Australia with an asset base of \$4.3B.

Compare this to the asset base of both the largest customer-owned banking organisation, Credit Union Australia (CUA), and major bank Australia and New Zealand Banking Group (ANZ).

P&N Bank is less than 2% of the size of ANZ yet operate within the same competitive environment, economic climate and regulatory regime, and report to the same regulator.

Should the Merger proceed, the combined asset base of P&N will be just over \$6B and would reinforce our position amongst the strongest customer-owned banks in Australia.

By sharing back office costs (examples outlined below), both brands would be in a position to channel greater investment directly back to Members:

- banking platforms, IT and digital and technology infrastructure;
- fraud and cyber security management; and
- operations and human resource management.

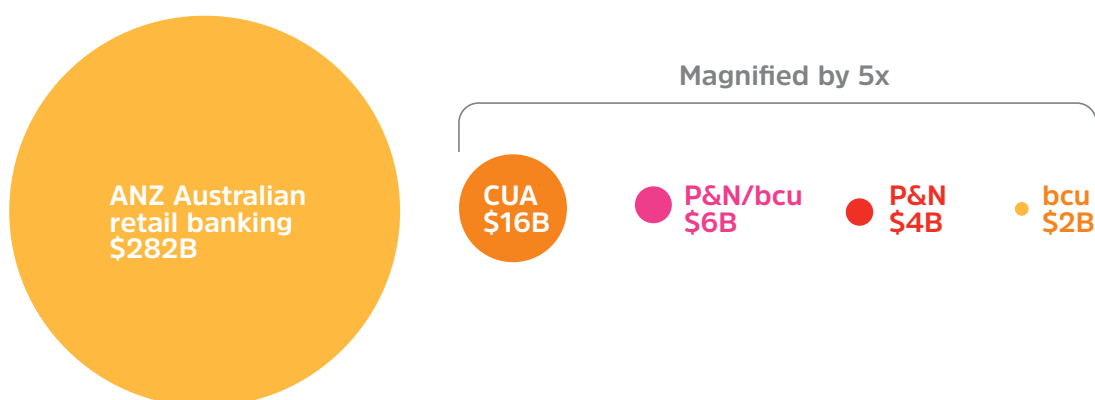
ii. Cost of regulation

P&N Bank strongly supports a stable and competitive banking sector on behalf of all Australian consumers. However, the burden of meeting the increasing number of regulatory standards together with the associated reporting regime is having a disproportionate negative impact on smaller banking organisations such as P&N Bank.

Post the Hayne Royal Commission, the significant cost and complexity of regulation will continue to increase. Last year alone, 40% of P&N Bank's project investment costs were assigned to mandated risk and compliance projects.

The Merger would result in an aggregate reduction in regulatory and compliance spend, meaning we can direct more of our annual investment spend towards improved products and services for our Members.

RELATIVE SIZE



Based on sourced 2018 Annual reports. Assets rounded to the nearest billion.

iii. The cost of keeping up with technological investment and keeping our Members safe and secure online

With society's growing reliance on instant, real time payments using mobile technology, the convenience of digital banking is now a way of life for many Australians.

A significant ongoing investment is required to continue to provide Members with digital banking services that are contemporary, competitive and safe.

In the 2017 financial year, the technology spend of all customer-owned banking organisations increased by 12.4% and this trend will likely continue.

Furthermore, the imperative of maintaining the security and safety of new digital technologies cannot be understated.

This quote from the KPMG Mutuals Review 2018 explains, "As technology revolutionises the way organisations function and brings competition from all areas of the globe, the array of new risks to pre-empt and mitigate is vast. Understanding these risks – in real time – and being able to respond quickly, is a necessary organisational capability today."

d. Access to a wider range of products and services, particularly for our Members with small businesses

If approved, the Merger would allow both organisations to share the best of each others' offerings.

For some time P&N Bank has wanted to offer business banking services to small business owners. P&N Bank would adopt bcu's successful business banking model without the heavy up front investment required to develop our own small business banking model.

e. A larger branch network spanning three states, scope for further growth and expanded opening hours in our Contact Centre

Should the Merger proceed, P&N Members would have access to a national organisation with a branch footprint across three states with further potential for expansion.

Given the time differences across three states and the increased scale of P&N post-Merger, we also see the potential to extend the opening hours of our Contact Centre to benefit Members.

f. Less dependence on fluctuations in the WA economy by being part of a larger organisation spread across different markets

The Merger should help mitigate and diversify our current market concentration by spreading our business across different geographies and markets. This is a factor that is taken into account by our ratings agencies and can ultimately influence the cost of capital.

g. Higher interest rates on selected transaction and savings accounts

See Schedule 2 of Attachment A for details.

h. Removal of all account keeping fees and establishment fees on P&N home loans, transaction accounts and savings accounts

See Schedule 3 of Attachment A for details.

i. A doubling of our commitment to the Helping &nds community program

Given our core purpose is to enrich the lives of our Members and their communities, we commit to doubling our investment in P&N's Helping &nds Program to demonstrate our commitment to our Western Australian base. The Helping &nds program allows Members to nominate deserving individuals, families and grass roots community groups for support. This program provides our Members with the ability to directly influence where our community support goes.

j. The establishment of a P&N brand Advisory Council acting as the voice of P&N Members and advising on local priorities and community initiatives

An Advisory Council will be established for the P&N brand comprising a number of council members including the current Directors who will not form part of the post-Merger Board.

The role on the P&N Advisory Council will be to champion the voice and the interests of the P&N Members and provide insights into the performance and opportunities for growth in terms of:

- service delivery;
- financial and non-financial performance of the P&N brand;
- local economic and competitive conditions; and
- feedback on product development to suit Members.

k. Employment security for our staff with no forced redundancies as a result of the Merger

We are committed to offering secure employment for our current staff with no forced redundancies as a result of the Merger. Our staff are supportive of the Merger based on a staff survey taken early in 2019. Career opportunities would be created for our staff by working for a larger, national organisation.

A significant ongoing investment is required to continue to provide Members with digital banking services that are contemporary, competitive and safe.



4. Reasons why you may vote against the Merger

a. You may disagree with the recommendation of your Directors

You may hold a different view to the Police & Nurses Limited Directors and believe that the benefits of the Merger, including an enhanced product and service offering, are inadequate and do not outweigh the disadvantages.

b. You may be concerned about a loss of WA identity as P&N expands, or that we will eventually be taken over by a larger east coast organisation

Notwithstanding the commitments already made, you may still form the opinion that being part of a national organisation will negatively impact our local WA footprint and brand.

Members can be reassured that as a customer-owned bank, they have the collective power to influence the direction of the organisation, and this will continue to be the case.

c. You may consider P&N doesn't need to get bigger, is at risk of becoming a "big bank" and could lose its personal approach

There is and will remain a huge gulf between our size and that of the major banks and there is no intent to grow for growth's sake.

The Hayne Royal Commission has shown that size in itself does not always result in good customer outcomes.

P&N remains committed to providing the high levels of personal service that our Members rely on.

d. You may have reservations about bcu being the right partner for P&N

In recent years bcu has experienced governance challenges that P&N Bank were aware of when we chose to enter into merger discussions.

bcu has been very transparent regarding these challenges and following a thorough assessment as part of P&N's due diligence process, the P&N Board are confident that bcu's new board has initiated the appropriate and necessary changes to mitigate and rectify any governance concerns.

Should the Merger be successful, the bcu brand will fall under P&N's governance model.

e. You may be concerned that the potential synergies identified do not flow through into meaningful value for Members

The potential synergies that have been identified will allow greater investment to be channelled directly to benefit Members and we believe they will be realised and delivered in full. Please refer to Schedules 2 and 3 of Attachment A for the details of these Member benefits.

f. Successful mergers across the industry are commonplace however, they require management effort and planning to deliver

Despite P&N's detailed Merger assessment and integration planning, you may believe that the time and commitment required to deliver a successful merger may negatively impact a successful and timely integration.

g. Not all P&N Directors will go forward as part of the new P&N Board

The post-Merger Board will comprise a majority of the current directors of P&N. Those directors coming to the end of their term this year will be offered a place on the new P&N brand Advisory Council should they wish, so that their expertise can continue to guide P&N in the future.

Should the Merger proceed:

- the current P&N Chair, Paul Gabb will remain the Chair;
- the current bcu Chair, Stephen Targett will be appointed Deputy Chair of P&N; and
- the current CEO and non-executive Director, Andrew Hadley will remain the CEO.

The Police & Nurses Limited Board has considered the entirety of the Merger and believes that the advantages significantly outweigh the disadvantages for P&N Bank Members arising from the Merger.

bcu's decisions are guided with the interests of its communities in mind and it is committed to serve in the best interests of its members.

5. About bcu

Almost 50 years ago, a small group of banana growers from the Macksville district came together to meet community needs that weren't being met by the commercial banks and formed the Nambucca Banana Growers' Federation Members Credit Union. In 1974 the name changed to the Bananacoast Community Credit Union.

bcu's decisions are guided with the interests of its communities in mind and it is committed to serve in the best interests of its members. bcu currently has approximately 55,000 members, 22 locations across NSW and QLD, employs approximately 200 staff across its offices and store networks and has total assets of \$1.7bn.

bcu has proudly contributed to its local community for nearly 50 years, and its community involvement includes donating both time and money to organisations and initiatives that are important to bcu members including:

- **bcu Coffs Tri + Scoot for Schools Cup:** bcu has been the main sponsor of the Coffs Tri since its inception in 2013. bcu has welcomed thousands of participants and spectators from Coffs Harbour, surrounding regions and interstate to see the event grow significantly over the years.
- **Macksville Ride Around the River:** bcu is proud to support this event that is in memory of legend Brian Cockbain and was launched in 2014. The event sees hundreds of cyclists traverse the beautiful Macksville and Nambucca Valley region, showcasing the best of the mid-north coast.
- **Bill Ussher Scholarship:** bcu is proud to invest in Australia's future leaders through its Bill Ussher Scholarship in honor of bcu's founding Chairman. Each year up to ten students receive \$2,000 to put towards their studies. With more than 260 applications from bcu members last year, this scholarship gives a hand up to the next generation of community leaders.



**P&N Bank is WA's
largest, locally owned
and managed bank.**



6. About P&N Bank

P&N Bank is WA's largest, locally owned and managed bank.

P&N currently has approximately 96,000 members, 15 branches in WA, employs approximately 350 staff across its offices and branches and has total assets of \$4.3bn.

P&N Bank provides a genuine banking alternative for people who value competitive and convenient banking products, outstanding customer service and a community spirit that works to provide a helping hand to those in need.

Operating under a customer-owned banking model, P&N Bank uses the power and strength of the organisation to enhance the value of individual Members, employees and those who through our Flourish Foundation are important to P&N Bank.

With strong foundations that began in the Perth credit society movement of the late 1960's, P&N Bank's heritage includes a number of mergers of smaller credit unions that have taken place over the previous three decades. P&N Bank remains committed to delivering benefits to the Members from those organisations as well as new and future Members.

P&N Bank offers a wide range of retail financial products and services, including home loans, personal loans, term deposits, credit cards, financial planning, insurance and foreign exchange through a WA branch network of 15 branches, digital and mobile banking channels and a Perth based Contact Centre.

Helping &nds, P&N Bank's community program provides the unique ability for Members to nominate individuals or families in need as well as support for grass roots WA charitable groups that help the WA community.

P&N Bank is industry-recognised for its exceptional customer service and approach to innovation, evidenced by frequent national Roy Morgan Customer Satisfaction Best Bank Awards, awards and high levels of staff engagement.

The ultimate measure of P&N Bank's strong customer advocacy is P&N Bank's Net Promoter Score (NPS), currently sitting at +44 (July 2019).

P&N Bank is an Approved Deposit Taking Institution (ADI) regulated by such government agencies as APRA, ASIC, AUSTRAC and the ACCC. It is governed by a Board of six member elected directors, three Board appointed directors and the CEO, Mr Andrew Hadley.

7. Key dates

Both P&N Bank and bcu must conduct a Special General Meeting so that respective Members can vote on the Merger.

Event	Time and Date
bcu General Meeting*	22 October 2019
P&N Bank Special General & Annual General Meeting*	23 October 2019
Final request for APRA approval to be lodged	24 October 2019
APRA approval expected by	31 October 2019
Transfer Date	1 November 2019

**NOTE – respective members will have the opportunity to vote*

This timetable is indicative only. The actual timetable will depend upon the time at which the conditions precedent to the Merger are satisfied or, if applicable, waived. The key conditions are summarised in Section 11.14 of this Member Information Document. P&N has the right to vary the timetable set out above where required. Members will be notified of any variation to the timetable.

8. What to do and how to vote

P&N Bank Special General Meeting

The Special General Meeting will be held at the BelleVue Ballroom 2 (Level 3), Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth WA 6000 on Wednesday 23 October at 2:00pm (WST).

P&N Bank Merger Resolution

P&N Bank Members will need to approve a P&N Merger Resolution to approve the Merger at the P&N Bank Special General Meeting in order for the Merger to proceed.

Entitlement to vote

For the P&N Merger Resolution to be passed, votes in favour must be received from at least 75% of Members, who are present and voting either in person, by direct voting or by proxy at the Special General Meeting.

How to vote

A notice of Special General Meeting accompanies this Merger Information Document. The notice sets out details of how to vote in person, by direct voting online or by appointing a proxy.

9. What if I have questions about the Merger?

If you have any further questions concerning the Merger, please consult your financial, legal, or other professional adviser, call our Contact Centre on 13 25 77, speak to P&N Bank branch teams or email strongertogether@pnbank.com.au.



10. Transfer overview

10.1 About the Merger process

bcu is proposing to transfer all of its business to P&N Bank. The Merger is being undertaken in accordance with the processes and approval procedures set out in the *Financial Sector (Transfer and Restructure) Act 1999* (Cth) and will involve a transfer of business by bcu to P&N Bank.

The members of each institution will be asked to vote on a Special Resolution approving the transfer at respective Special General Meetings on 22 October 2019 and 23 October 2019. If the Merger is approved by both the bcu members and P&N Bank Members, and the Australian Prudential Regulation Authority (APRA) gives the necessary regulatory approvals, it is proposed that the transfer of business will take effect on 1 November 2019 or a later date that APRA determines.

The Merger is by way of a total transfer of business from bcu to P&N Bank. All the assets and liabilities of bcu, including its reserves and all deposits and loans held by members, will be transferred to P&N Bank. The members of bcu will become Members of P&N Bank.

By becoming Members of P&N Bank, bcu members will continue to be members of a mutually owned financial institution.

Following the Merger, bcu's Australian Financial Services Licence, banking authority and Australian Credit Licence will be cancelled and bcu will be deregistered as a company, with no surplus funds being left.

The board of bcu has given assurances to APRA that it will ensure that all bcu funds are transferred to P&N Bank, and that it will prepare, sign-off and lodge financial statements for bcu up to the transfer date.

The Special General Meeting will provide a forum for you to raise questions. The Chair of the Special General Meeting will act as moderator to facilitate discussion in relation to the proposed transfer of business. No outside moderator will be appointed. We encourage you to raise any questions that you may have in relation to the Merger before the Special General Meeting. Contact details are set out on page 14 of this Member Information Document.

10.2 What if the Merger does not proceed?

If the necessary Special Resolution is not passed, either by members of bcu or by Members of P&N Bank, then the Merger will not proceed.

If the Merger is not approved, the operations of bcu and P&N Bank will continue to operate as they do today. However, the boards of bcu and P&N Bank expect the various competitive and market pressures to intensify in the years ahead.

As outlined in this Member Information Document, the board of each institution believes it has a responsibility to continue to seek scale economies and efficiencies by identifying other suitable merger partners and growth opportunities.

10.3 The P&N Bank Directors' recommendation

The P&N Bank Directors unanimously recommend that you vote in favour of the Merger.

The P&N Bank Directors unanimously consider that, for the reasons set out in this Member Information Document, the Merger is in the best interests of P&N Bank Members as a whole. Each P&N Bank Director intends to vote in favour of the P&N Merger Resolution.

In making their recommendation and determining how to vote on the Merger, the P&N Bank Directors have considered the advantages and disadvantages of the Merger.

In considering whether to vote in favour of the Merger, the P&N Bank Directors encourage you to read this Member Information Document carefully and in its entirety.

10.4 The bcu Directors' recommendation

The bcu Directors have unanimously recommended that their members vote in favour of the Merger.

10.5 Financial position

The tables below show the financial position of both P&N Bank and bcu as at 30 June 2017, 30 June 2018 and 31 December 2018 (unaudited). At the time of printing, there have been no material changes to either party's financial positions since 30 June 2018. Should any material changes occur between the date of printing and of the members' resolutions at the Special General Meetings, Members will be advised of these changes.

Statement of profit or loss	30/06/2017 (Audited)		30/06/2018 (Audited)		31/12/2018 (Unaudited 6 months)	
	bcu	P&N Bank	bcu	P&N Bank	bcu	P&N Bank
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Interest revenue	73,201	149,412	77,504	153,738	37,922	80,450
Interest expense	(28,738)	(81,281)	(30,473)	(81,380)	(14,612)	(43,331)
Net interest income	44,463	68,131	47,031	72,358	23,310	37,119
Other income	9,437	19,339	9,956	18,508	4,474	7,681
Impairment loss on loans	(2,591)	(3,555)	(1,381)	(3,287)	254	(192)
Other expenses	(37,695)	(70,248)	(39,784)	(70,796)	(21,714)	(36,049)
Profit before income tax	13,614	13,667	15,822	16,783	6,324	8,559
Income tax expense	(4,500)	(2,648)	(5,127)	(4,680)	(2,020)	(2,567)
Non-controlling interests	-	40	-	18	-	(37)
Net profit after income tax	9,114	11,059	10,695	12,121	4,304	5,955

Statement of financial position	30/06/2017 (Audited)		30/06/2018 (Audited)		31/12/2018 (Unaudited 6 months)	
	bcu	P&N Bank	bcu	P&N Bank	bcu	P&N Bank
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Assets						
Cash and cash equivalents	156,224	134,011	183,920	141,244	153,603	170,787
Financial assets held to maturity	73,667	394,768	79,498	397,972	125,901	422,003
Other financial assets	1,813	23,469	1,813	1,234	1,816	1,315
Available for sale investments	-	8,625	-	8,625	-	8,625
Derivative assets held for hedging purposes	-	318	-	112	-	81
Loans and advances to members	1,400,219	3,374,848	1,414,225	3,551,253	1,393,322	3,578,957
Property, plant and equipment	10,158	6,926	10,142	4,956	10,677	5,721
Intangible assets	51	7,905	694	7,511	810	7,151
Deferred tax assets	5,096	-	4,747	2,065	4,747	1,536
Other assets	3,234	34,622	5,334	34,238	5,222	45,219
Total assets	1,650,462	3,985,492	1,700,373	4,149,210	1,696,098	4,241,395

Statement of financial position	30/06/2017 (Audited)		30/06/2018 (Audited)		31/12/2018 (Unaudited 6 months)	
Liabilities						
Borrowings	25,543	835,743	-	864,575	-	808,076
Deposits	1,479,735	2,837,251	1,543,420	2,970,662	1,542,584	3,114,827
Liabilities associated with assets held for sale	-	16,097	-	-	-	-
Derivative liabilities	-	762	-	206	-	-
Other payables	12,425	16,975	15,370	20,277	8,018	23,730
Income tax payable	1,700	346	(23)	3,398	(579)	3,306
Provisions	2,622	3,815	2,474	4,277	2,638	4,333
Deferred tax liability	-	1,010	-	-	-	-
Total liabilities	1,522,025	3,711,999	1,561,241	3,863,395	1,552,661	3,954,272
Net assets	128,437	273,493	139,132	285,815	143,437	287,123
Equity						
Reserves	40,617	223,091	40,638	223,382	40,647	223,382
Cash flow hedge reserve	-	-	-	(40)	-	(12)
Retained earnings	87,820	49,795	98,494	61,884	102,790	63,127
Non-controlling interests	-	607	-	589	-	626
Total equity	128,437	273,493	139,132	285,815	143,437	287,123
Key Ratios	30/06/2017 (Audited)		30/06/2018 (Audited)		31/12/2018 (Unaudited 6 months)	
	bcu	P&N Bank	bcu	P&N Bank	bcu	P&N Bank
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Capital Adequacy	13.8%	14.54%	14.80%	15.44%	15.20%	15.26%
Liquidity						
High Quality Liquid assets ratio	13.90%	13.17%	15.4%	13.9%	16.62%	15.15%
Asset Quality						
Delinquent Loans / Total Loans	1.03%	1.10%	0.68%	1.02%	0.55%	1.19%
Specific Provision / Total Loans	0.23%	0.20%	0.19%	0.13%	0.10%	0.08%
Operating Ratios						
Margin (Net Interest Income / Avg Assets)	2.80%	1.81%	2.81%	1.82%	2.75%	1.69%
Return on Average Assets after Tax	0.57%	0.25%	0.64%	0.3%	0.51%	0.3%
Operating Expenses / Operating Income	69.9%	80.3%	69.8%	77.91%	78.15%	80.47%
Non-Interest Income / Total Income	17.5%	22.1%	17.5%	20%	16.1%	17%

The June 2018 audited figures were the last balance sheet laid before the P&N annual general meeting. Since the end of the financial year being 30 June 2018, both institutions continued to trade profitably and consistently within organisational objectives.



10.6 Independent advice

P&N Bank used the services of external advisers to complete financial and legal due diligence reviews of bcu. Following the due diligence, P&N concluded that none of the findings were material to the interests of the P&N Bank Members in accepting the transfer of bcu's business, assets and members.

10.7 Benefits to Officers

No officer of P&N Bank or bcu, whether current or retiring, has any interest (financial or otherwise) in the proposed Merger, other than as disclosed below.

Six current P&N Bank directors and three current bcu directors will be appointed to the Board of P&N Bank and will be entitled to fees as directors of P&N Bank. The collective remuneration of the nine P&N Bank directors will not exceed the aggregate amount that the 2018 Annual General Meeting of P&N Bank determined for that year (\$686,475). The remuneration of the CEO, Andrew Hadley, is not included in the director remuneration amount, as he is remunerated for acting as a Director pursuant to his employment contract.

An Advisory Council will be established for each of the P&N Bank and bcu brands, to comprise a maximum of 6 council members each, including the respective Directors who will not form part of the post-transfer P&N Bank Board. The members of each Advisory Council will be entitled to a fee for their services not exceeding \$10,000 per annum. Additionally, they will be entitled to an allowance not exceeding \$1,000 per annum for such education and training relevant to them assisting their respective Advisory Council.

Five current bcu members of staff are eligible to receive a retention payment, provided that they remain employed for a minimum of 3 or 6 months (as the case may be) after the effective date of the Merger. The aggregate of the 5 proposed payments is \$175,000 and any payments are subject to acceptable performance and conduct considerations. The intended effect of the proposed payments is to provide an appropriate financial incentive to key staff to remain employed for an appropriate period after the Merger becomes effective and to perform roles, critical to a successful Merger and subsequent integration, in line with expected performance and behavioural standards.

The current bcu Chief Executive Officer Alan Butler will receive a payment equivalent to 12 months of salary, consistent with the terms of his employment contract, which also includes a 9 month restraint on being able to be employed within financial services.

11. Post Merger

11.1 Corporate and governance structure

The current directors of the respective P&N and bcu boards are detailed below:

P&N Bank	bcu
Paul Marshall Gabb (Chair)	Stephen Targett (Chair)
Stephen Melville (Deputy Chair)	Geoffrey Keith Hardaker (Deputy Chair)
Edwin Roy Bradley	Sinclair Denis John Black
Julie Ann Elliott	Michael Wayne Gould
Eric Laurence Smith	Louise Clarke
Kellie Louise Properjohn	Gary Humphreys
Alan Craig Philp	
Trevor Joel Hunt	
Andrew Douglas Hadley – Executive Director	

Proposed Board

Should the Merger proceed, the P&N Bank Board will comprise the following ten (10) Directors whose respective terms of office finish either at end of the Annual General Meeting at which the financial report for the financial year identified in the third column of the following table is laid before the meeting, or in the case of Andrew Hadley in accordance with the terms of his employment contract. Their director classification for the purposes of the P&N Constitution is set out in the last column.

Director	Board	Term Ends	Board appointed director or member elected director
Paul Marshall Gabb	P&N Bank	2019-20	Member elected
Kellie Louise Properjohn	P&N Bank	2019-20	Member elected
Gary Humphreys	bcu	2019-20	Member elected
Edwin Roy Bradley	P&N Bank	2020-21	Board appointed
Alan Craig Philp	P&N Bank	2020-21	Member elected
Louise Clarke	bcu	2020-21	Member elected
Julie Ann Elliott	P&N Bank	2021-22	Board appointed
Trevor Joel Hunt	P&N Bank	2021-22	Member elected
Stephen Targett	bcu	2021-22	Board appointed
Andrew Douglas Hadley, CEO and Executive Director	P&N Bank	In accordance with CEO contract.	Appointed under rule 13.1(c) of the P&N Bank Constitution

11.2 Governance

To assist the P&N Board in discharging its responsibilities and oversight of the business, it has established a number of Board committees with specific structure and functional requirements. These committees are the Board Audit Committee, Board Risk Committee, the Board Governance & Remuneration Committee and the Nominations Committee.

Should the Merger proceed, Advisory Councils will be established for each of P&N Bank and bcu, whose members will include those Directors from each institution who will not be going forward as Directors of P&N Bank. Their role will include championing the interests of their respective brands and providing insights to the P&N Board.

The P&N Board has delegated authority to the Chief Executive Officer (CEO) to ensure P&N Bank's strategic objectives are met. The CEO is responsible for day-to-day leadership and management of the business activities. Should the Merger proceed, the CEO intends to appoint the following Executive Managers to implement Board-approved strategies, policies, resolutions and directions.

- (i) Chief Executive Officer - Andrew Hadley;
- (ii) General Counsel & Company Secretary
– Jackie Donald & Jennifer Handz;
- (iii) Chief Financial Officer – Patrick Jodas;
- (iv) Chief Operating Officer – Jill Marks;
- (v) Chief Risk Officer – Brendon Comrie;
- (vi) Chief Information Officer – Erik Fenna;
- (vii) General Manager bcu – Mike Ribbens;
- (viii) General Manager P&N – Anna Pearce;
- (ix) General Manager People & Culture – Mark Smith;
- (x) General Manager Specialist Lending – Mark Atwood;
- (xi) General Manager Strategy & Corporate Development
– Kim Radalj; and
- (xii) General Manager Customer Propositions & Insights
– Richard York.

11.3 Constitution – bcu members will become Members of P&N Bank

The P&N Bank Constitution will remain the Constitution after the Merger without any amendment as a consequence of the Merger.

The fundamental rights and liabilities attaching to member shares under the P&N Bank Constitution are similar to the rights and liabilities under the bcu Constitution. A comparison of the material differences in rights of bcu members before (as a bcu member) and after (as a P&N Bank Member) the implementation of the Merger is set out in **Attachment B**.

Members can obtain a copy of the existing Constitutions from the respective websites of P&N Bank and bcu. A copy of these documents can also be obtained by contacting the P&N Bank company secretary.

If approved, when the Merger takes effect:

- all members of bcu, except its directors, cease to be members of bcu and all of their shares in bcu are cancelled. The directors of bcu will remain members of bcu until it is deregistered as a company;
- all members of bcu, including its directors but excluding any members as otherwise set out below, will become Members of P&N Bank. Except as set out below, bcu members who become Members of P&N Bank in a particular capacity will be deemed to have become Members of P&N Bank in that capacity on the earliest date when they became members of bcu in that capacity (being a membership held continuously up to the time of the Merger);
- a member of bcu who holds a bcu share which was issued for:
 - \$10.00 and has been fully paid will be deemed to have been issued a member share in P&N Bank issued at \$10.00 (fully paid);
 - \$10.00 and which was partly paid will be deemed to have been issued a P&N Bank member share, issued at \$10.00 and partly paid to the same amount that was paid on the bcu share. The remaining issue price will be payable in accordance with the P&N Bank Constitution;
 - a subscription price that exceeds \$10.00, will be deemed to hold a P&N Bank member share issued at \$10.00 paid to:
 - \$10.00 or;
 - the amount paid on the bcu share (whichever is less). If the amount actually paid for such a share exceeds \$10.00, the member will receive a refund equal to the difference.
- if a member of bcu already holds a member share in P&N Bank (i.e. is a member of both institutions), in a particular capacity, that bcu member will continue to be a Member of P&N Bank and will not be issued an additional member share in P&N Bank in that capacity. In respect of any bcu member shares cancelled in these circumstances, the member will receive a refund of the amount subscribed (if any) and P&N Bank will recognise the length of membership from either bcu or P&N Bank in that capacity, whichever is the longest.

The Common Bond in Appendix 2 of the Constitution of Police & Nurses Limited recognises the right to admit persons as members as a consequence of a transfer of business (see clause A2-1(g)).

11.4 Future directions

The business of bcu will be integrated into P&N Bank's business operations as at the proposed transfer date of 1 November 2019. The required integration/rationalisation of core banking systems, risk management systems, products and transactional services and corporate policies will occur progressively in the months following. It is expected to be completed by 31 December 2020.

11.5 Post Merger name

The combined legal entity will be Police & Nurses Limited which will continue to operate under the trading name of P&N Bank. bcu will be used as a trading name which will be structured as an operating division of Police & Nurses Limited and promoted in its geographical region.

11.6 Registered office and branches

The administrative headquarters and registered office will remain at the current Police & Nurses Limited location in Perth. bcu's offices in Brisbane and Coffs Harbour will be maintained. There are no current plans to change the P&N Bank branches or bcu stores. The location and number of branches comprising the combined branch network will remain "as is" but may be reviewed in future years as per normal strategic and business requirements.

11.7 Staff

Both P&N Bank and bcu will maintain their staff, offices and store networks on opposite coasts.

The CEO of P&N Bank, Andrew Hadley, will continue as the CEO following the Merger. Whilst every effort has been made by P&N Bank to find a role for the current CEO of bcu, Alan Butler, a suitable position has not been agreed. Should the Merger proceed, his current role becomes redundant and Alan has indicated his preference is to leave the organisation.

At the transfer date, all employees of bcu become employees of P&N Bank on the same terms and conditions (including any accrued entitlement to employee benefits and length of service) on which they were employed by bcu immediately before the Merger is effective.

The roles of all other existing P&N Bank and bcu senior executives will be restructured from the transfer date. This restructure will undertake a re-allocation of responsibilities. However senior executive of both P&N Bank and bcu will be offered roles in the organisation, although these roles may be different.

The proposed executive team at the transfer date is outlined below. Importantly, for P&N Bank Members, a new position has been created, General Manager P&N who will be located in the Perth office and whose focus is to lead the local team to deliver an attractive bank offering to P&N Bank Members.

Position	Name
Chief Executive Officer (CEO)	Andrew Hadley
General Counsel & Company Secretary	Jackie Donald & Jennifer Handz
Chief Financial Officer (CFO)	Patrick Jodas
Chief Risk Officer (CRO)	Brendon Comrie
Chief Operating Officer (COO)	Jill Marks
Chief Information Officer (CIO)	Erik Fenna
General Manager (GM) - bcu	Mike Ribbens
GM - P&N	Anna Pearce
GM - People & Culture	Mark Smith
GM - Specialist Lending	Mark Atwood
GM - Strategy & Corp Development	Kim Radalj
GM - Customer Propositions & Insights	Richard York

A process of consultation with all other current staff of P&N Bank and bcu will be undertaken prior to the transfer date.

11.8 Products and services

Immediately after the Merger, all products currently held by members of either P&N or bcu will continue under their existing terms and conditions. As a benefit of the Merger P&N will be able to:

- remove account keeping and establishment fees for home loans, everyday accounts and savings accounts; and
- introduce higher interest rates on some savings and transaction accounts.

Attachment A contains a list and comparison of the products and services that P&N Bank and bcu currently provide, including details of fees, charges and interest rates that are changing as an outcome of the Merger.

11.9 Capital management

The Capital Management Plan currently in place at P&N Bank will be retained.

The Bank maintains an appropriate level of capital commensurate with the level and extent of risks to which the Bank is exposed from its activities. The purpose of capital is to absorb losses from loans, investments and general operations. Capital also functions as a cushion against credit risk, liquidity risk, interest rate risk, operational risk and other risks.

Immediately after the Merger, all products currently held by members of either P&N or bcu will continue under their existing terms and conditions.



11.10 Pro forma financial information

Based on the financial accounts prepared by bcu and P&N Bank, the following pro forma statements are provided as an indication of the financial position post-Merger. The figures as at 30 June 2018 show the audited figures for each entity as well as the figures for the combined entity.

Statement of Profit and Loss – Combined Entity

	P&N Bank (Audited 12 months)	bcu (Audited 12 months)	Combined entity
	30 Jun 2018	30 Jun 2018	30 Jun 2018
	\$,000	\$,000	\$,000
Net Interest income	72,358	47,031	119,389
Other income	18,508	9,956	28,464
Net impairment loss	-3,287	-1,381	-4,668
Other expenses	-70,796	-39,784	-110,580
Net profit before tax	16,783	15,822	32,605
Income tax expense	-4,680	-5,127	-9,807
Non-controlling interests	18	-	18
Net profit	12,121	10,695	22,816

Statement of Financial Position – Combined Entity

	P&N Bank (Audited 12 months)	bcu (Audited 12 months)	Combined entity
	30 Jun 2018	30 Jun 2018	30 Jun 2018
	\$,000	\$,000	\$,000
Assets			
Total Assets	4,149,210	1,700,373	5,849,583
Net Assets	285,815	139,132	424,947
Capital Adequacy Ratio	15.44%	14.80%	15.22%

11.11 Outlook of P&N post-Merger

Looking to the future, P&N and bcu believe we will be stronger together. We share a vision to become a more diversified financial institution that has the opportunity to leverage its collective scale, reach and capability to deliver more competitive and innovative banking solutions that can provide even greater value for our Members.

With the traditional Australian banking model under intense pressure, we believe our new multi-branded model could in future attract other credit unions and mutual banks who are facing into the same industry headwinds. This Merger would therefore strategically position us to play an important role in expanding the relevance of customer-owned banking across Australia both now and in the future.

11.12 Member transactions

P&N Bank and bcu use different banking systems. The transition of the bcu operations onto the P&N Bank system is proposed for mid-2020. We are committed to avoiding any changes to P&N or bcu member's banking details as a result of the transition. If there are some changes that cannot be avoided, detailed advice will be issued to all Members well before the changeover.

A comprehensive communications process will precede any changes and all efforts will be made to minimise impact to Members.

11.13 bcu will be de-registered

If approved, after the Merger, the legal entity 'Bananacoast Community Credit Union Ltd' will have no assets. It will complete final financial accounts and lodge a final taxation return. Once that is completed the company will be de-registered. P&N Bank is responsible for paying any costs, including any taxation liability, of this process. There will be no surplus funds to distribute to bcu members.

11.14 Summary of Merger Implementation Agreement

bcu and P&N Bank have entered into a Merger Implementation Agreement (**MIA**) setting out the terms and conditions on which bcu and P&N Bank have agreed to seek members' consent to the Merger and, if agreed by members and APRA, and the other conditions are met or waived, to implement the Merger.

Some of the key terms of the MIA are summarised below.

Conditions precedent

The Merger is conditional on a number of 'positive' and 'negative' conditions being met or waived:

The key positive conditions are:

- a. bcu Merger Resolution:** the bcu members approving the bcu Merger Resolution in accordance with its Constitution;
- b. P&N Bank Resolution:** approval of the P&N Bank Merger Resolution at the P&N Bank Special General Meeting;
- c. Regulatory Approvals:** all Regulatory Approvals are received;
- d. Brand Approval:** the Brand Approval being received on terms acceptable to bcu and P&N Bank (acting reasonably);
- e. Regulatory Conditions:** any regulatory conditions imposed by APRA or the Commonwealth Treasurer that are required to be satisfied prior to implementing the Merger are satisfied; and
- f. P&N Bank RSA:** P&N Bank obtaining an amendment to its Australian Financial Services Licence to authorise P&N Bank to provide retirement savings accounts.

The Merger is also conditional on certain negative conditions continuing to apply at the date of the Merger, namely:

- a. No Prescribed Occurrences:** certain 'prescribed occurrences' not having occurred in respect of either bcu or P&N Bank, such as neither entity has become insolvent or has made a material change to the way it conducts business or to its assets and liabilities or capital structure since it entered into the MIA; and
- b. No Breach of Warranties:** the warranties and representations provided by bcu and P&N Bank continue to be true and correct in all material respects as at 8:00 am on the transfer date.

Failure of conditions precedent

If a condition fails or the Merger is not effective by 31 March 2020¹, the parties must consult on alternative means to effect the Merger and an extension of time.

If agreement cannot be reached in 5 Business Days:

- a. either party may terminate the agreement; or
- b. the party with the benefit of the condition may elect to waive the condition or terminate the Merger Implementation Agreement.

Exclusivity arrangements

bcu and P&N Bank have each agreed to comply with certain restrictions in relation to soliciting alternative proposals or competing transactions with third parties, and responding to approaches by third parties. These restrictions apply until 31 March 2020² or until the MIA is terminated.

Break fee

Reflecting the investment by both parties to seek members' consent for the Merger, a break fee of \$900,000 will be payable by:

- a. bcu to P&N Bank if:
 - (i) bcu changes its recommendation or voting intention or otherwise issues a public statement that there is no longer support for the Merger by:
 - a. at least half of the bcu Board; or
 - b. any bcu director, and bcu terminates the Merger Implementation Agreement; or
 - c. any bcu director in circumstances where P&N Bank's Board either approves the Merger (because no P&N Bank General Meeting is convened) or otherwise continues to recommend and support the Merger and Adoption does not occur; or
 - (ii) bcu supports or recommends a superior proposal; or
 - (iii) P&N Bank validly terminates the MIA because of a material breach by bcu.

- b. P&N Bank to bcu if:

- (i) P&N Bank changes its recommendation or voting intention or otherwise issues a public statement that there is no longer support for the Merger by:
 - a. at least half of the P&N Bank Board; or
 - b. any P&N Bank Director, and P&N Bank terminates the Merger Implementation Agreement; or
 - c. any P&N Bank Director in circumstances where all the bcu Board continues to recommend and support the Merger and Adoption does not occur; or
- (ii) P&N Bank supports or recommends a superior proposal; or
- (iii) bcu validly terminates the MIA because of a material breach by P&N Bank.

In no circumstances is the break fee payable solely as a consequence of Adoption not occurring.

Termination

The MIA automatically terminates if:

- a. the bcu Merger Resolution or the P&N Merger Resolution is not approved or APRA refuses to approve the Merger; or
- b. both the bcu Merger Resolution and the P&N Bank Merger Resolution are approved; or
- c. at least half of the bcu Board or half of the P&N Bank Board no longer support the Merger.

Either party may also terminate the MIA if certain circumstances occur including the Merger not being implemented by 31 March 2020³, a material breach of the agreement by the other party or a majority of the other party's Board recommending or supporting a superior proposal.

1 Or such other date agreed in writing between bcu and P&N Bank

2 Or such other date agreed in writing between bcu and P&N Bank

3 Or such other date agreed in writing between bcu and P&N Bank

Definitions

Adoption means the passage of both the bcu Merger Resolution and the P&N Merger Resolution.

bcu Member means a person who is registered in the register of bcu maintained by or on behalf of bcu in accordance with Section 168(1) of the Corporations Act 2001 (Cth) as a holder of a redeemable preference share issued by bcu.

bcu Merger Resolution means the resolution to be put to bcu Members to approve the Merger.

Brand Approval means consent by APRA for P&N Bank to continue to use the brand “bcu” (as it is used by bcu in acronym form as at the date of the Merger Implementation Agreement) after implementation of the Merger.

Post-Meeting Regulatory Approvals means:

- a. approval by APRA of any Section 20 Statement;
- b. approval of the Merger by APRA under Section 11 of the Transfer Act;
- c. the issue by APRA of the certificate issued by APRA under Section 18 of the Transfer Act to give effect to the Merger.

Pre-Meeting Regulatory Approvals means the consent of the Commonwealth Treasurer (or APRA if the giving of such consent has been delegated) under Section 63(1) of the Banking Act and under Section 13A of the Financial Sector (Shareholdings) Act 1998 (Cth).

Regulatory Approvals means the Pre-Meeting Regulatory Approvals and the Post-Meeting Regulatory Approvals.

11.15 Other information material to the making of a decision in relation to the Merger

Except as set out in this Member Information Document, so far as the P&N Bank Directors are aware, there is no other information that is material to the making of a decision by a Member whether or not to approve the Merger, being information that is within the knowledge of Directors of P&N Bank and has not previously been disclosed to Members of P&N Bank.

a. Prospects for each institution as a standalone entity

If the Merger is not approved P&N Bank would have sufficient capital to fund its ongoing business operations. While P&N Bank would likely continue to grow, the outlook for growth would be incremental. As a stand-alone entity P&N Bank would remain highly-dependent on fluctuations in the WA economic cycle.

With limited scale P&N Bank would be less able to absorb the costs of compliance, regulation and technology. The pricing benefits expected from cost savings as a result of this Merger would not be passed through. The ongoing investment required in meeting regulatory and compliance obligations would limit our ability to roll-out new products and services, particularly around small business banking.

A stand-alone P&N Bank would also offer a less attractive proposition to staff, making it more challenging to retain and develop our people. Finally, if P&N Bank Members do not approve the Transfer this would limit the Bank's ability to shape and participate in the future of customer-owned banking in Australia.

The bcu directors are of the view that despite bcu's historical sound profitability, merging with another banking organisation at some time in the future is inevitable. The bcu board has conducted a comprehensive review of options for the future and has come to the view that failing to proactively secure this Merger with P&N Bank now may lead to a different merger in the future and with outcomes that could be poorer for bcu members and the community.

The bcu board believes the Merger would be mutually beneficial to bcu and P&N Bank and that it is in the best interests of bcu members and bcu for the Merger to proceed

b. Consequences of Members not approving

If the Merger does not proceed, each institution will continue to operate their business as a standalone entity. However, for the reasons outlined above, the Boards of both bcu and P&N Bank believe this Merger proposal is timely and prudent to proceed.



12. Definitions

Defined Term	Meaning
\$	means Australian dollars
APRA	means the Australian Prudential Regulation Authority
ASIC	means the Australian Securities and Investments Commission
B or bn	means Billions
Board or P&N Board	means the board of directors of P&N
bcu	means Bananacoast Community Credit Union Ltd ABN 50 087 649 750
Directors	means the directors of P&N
Member	means a person who is registered in the register of members of P&N maintained by or on behalf of P&N in accordance with Section 168(1) of the Corporations Act
Merger	means the proposed transfer of the business of bcu to P&N under the Financial Sector (Transfer and Restructure) Act 1999 (Cth)
P&N, P&N Bank or Police & Nurses Limited	means Police & Nurses Ltd ABN 69 087 651 876
P&N Merger Resolution	means the resolution to be put to Members to approve the Merger

Attachment A – Product & services comparison

Schedule 1 - Product and services comparison

Comparison of Products and Services

	P&N Bank	bcu
Savings Accounts	Yes	Yes
Retirement Savings Accounts	No	Yes
Term Deposits	Yes	Yes
Loan Accounts	Yes	Yes
Reverse Mortgage	Yes	No
Credit Cards	Yes	Yes
Statements	Electronic or Paper Monthly to Half Yearly	Electronic or Paper Monthly to Half Yearly
Account Access & Transaction Types	P&N Bank	bcu
Internet Banking	✓	✓
Mobile App	✓	✓
Telephone Banking	✓	✓
ATM/EFTPOS	✓	✓
Bpay	✓	✓
NPP/OSKO	✓	✓
Future Payments	✓	✓
Direct Debits & Credits	✓	✓
Eftpos Card	✓	✗
Visa Debit card	✓	✓
Cheque Books	✓	✓
Counter Cheques	✓	✓
Foreign currency	Travelex	Travelex
Apple/Android Pay	✓	✗
Bank @ Post	✓	✓
International payments	Western Union	AMEX & Australian Settlements Limited
Bank Feeds	✗	MYOB & Xero
Insurance Services (offered through third party provider)	QBE Insurance	Allianz
• General Insurance – Domestic	✓	✓
• Consumer Credit Insurance	✓	✓
• Mortgage Loan Protection Insurance	✓	✓
Financial Planning Service (offered through third party provider)	Police & Nurses Financial Planning Pty Ltd	✗

Schedule 2 - Product rate changes

This schedule contains details of the P&N Bank interest rates that are proposed to change post-Merger. All other interest rates remain unchanged and can be viewed at <https://www.pnbank.com.au>

DEPOSIT ACCOUNTS

Account name	Current	Proposed
& Retirement	1.50%*	1.60%
Swiftsaver	1.40%#	1.50%
CashSaver (>\$5,000)	0.75%*	0.85%
HiSaver (standard rate >\$5,000)	0.75%*	0.85%

*Rate effective from 12 July 2019 and is subject to change. #Rate effective 1 August 2019 and is subject to change.

Schedule 3 - Fees and charges changes

The P&N Bank fees and charges that will change following the Merger are detailed in the table below.

Loan Fees – Consumer Mortgage	Fee Type	Current fee	Proposed fee
	Loan establishment fees	\$395 for & Investor; Smooth Home Loan; Easy Living Loan; Bridging Loan; Easypay Home Loan; Equity Access Loan; Business Loan; Fixed Interest Rate Loan (all current products charging this fee)	\$0
	Monthly fees	\$8 per month for Fixed Interest Rate Loan; Bridging Loan; Easypay Home Loan; Business Loan (all current products charging this fee) \$10 per month for & Investor; Equity Access Loan; (all current products charging this fee)	\$0 for all current products list \$0 for all closed products (not listed)
	Maintenance fees	\$80 annually -for Easy Living Loan (all current products charging this fee).	\$0
Transactions and Savings Account	Fee type	Current fee	Proposed fee
	Bank cheques	\$10 per cheque	\$0
	Member cheque book	\$6	\$0
	SMS fee per message received	\$0.20	\$0
	Stop payment on P&N cheque	\$15	\$0
	Cheque special clearance	\$25	\$0
	Base balance fee	Business Account - \$5 per month if balance <\$1,000 Easypay Access Account - \$5 per month If minimum monthly balance of \$500 held or minimum \$500 per month electronic payroll received	\$0 for all current and closed products (not listed)

Attachment B – Material Constitutional differences

This table sets out the material differences between the Constitution of Bananacoast Community Credit Union Ltd 27 October 2016 and the Constitution of Police & Nurses Limited 7 November 2018.

Type of Company and Mutuality		
Provision	bcu Constitution	P&N Bank Constitution
Type	Public company limited by shares.	Public company limited by shares.
Mutuality	No equivalent to the Principles of Mutuality	<p>The Principles of Mutuality are contained in the Preamble and most are enforced via the Demutualisation Approval Procedure Rules [Preamble and Appendix 6]</p> <p>Any resolution modifying or repealing the constitution which affects most of the Principles of Mutuality must also be approved by at least 25% of all P&N Bank Members in writing either before or within 3 months after the resolution is passed [Clause 1.6]</p>
Demutualisation protection	<p>[Schedule 5]</p> <p>Schedule 5 applies to a resolution:</p> <ol style="list-style-type: none"> that will or may result in: <ol style="list-style-type: none"> bcu ceasing to be an ADI that can use the terms 'Credit Union', 'Credit Society' or 'Credit Co-operative'; bcu transferring its business under the Financial Sector (Transfer and Restructure) Act 1999 (Cth) to an entity that is not an ADI that can use the terms 'Credit union', Credit Society or 'Credit Co-operative'; bcu's shares becoming transferrable / saleable or assignable other than as provided in the bcu Constitution; or a right to vote attaching to any share other than a Redeemable Preference Share; where, other than a transfer of business to an ADI that can use the terms 'Credit Union', 'Credit Society' or 'Credit Co-operative', consent of the Treasurer is required in relation to the resolution under the Section 63 of the Banking Act 1959 or Section 11 of the Financial Sector (Shareholdings) Act 1998; the effect of which is to modify or repeal any clause of Schedule 5 (demutualisation protection); or the effect of which is to modify or repeal the bcu Constitution where the effect is to modify, exclude or restrict the operation of any clause of Schedule 5. <p>No power for ASIC to declare that these provisions cease to apply.</p>	<p>[Appendix 6]</p> <p>Appendix 6 applies to the following situations:</p> <ol style="list-style-type: none"> a modification or repeal of the P&N Bank Constitution where the effect of the modification or repeal: <ol style="list-style-type: none"> varies terms of issue or rights / restrictions attached to shares so that they are inconsistent with the Principles of Mutuality; enables P&N Bank to issue shares where the terms of issue or rights / restrictions attached to those shares are inconsistent with the Principles of Mutuality; varies rights, obligations or restrictions attaching to membership so that they are inconsistent with the Principles of Mutuality; enables P&N Bank to admit P&N Bank Members where the rights, obligations or restrictions attaching to membership are inconsistent with the Principles of Mutuality; or is that the P&N Bank Constitution is otherwise inconsistent with the Principles of Mutuality; P&N Bank proposes: <ol style="list-style-type: none"> to issue shares where the terms of issue or rights / restrictions attached to the shares are inconsistent with the Principles of Mutuality; to issue securities that confer a right or obligation to subscribe for shares where the terms of issue or rights / restrictions attached to the shares are inconsistent with the Principles of Mutuality; or to admit P&N Bank Members with rights, obligations or restrictions attaching to membership inconsistent with the Principles of Mutuality; P&N Bank proposes a reduction of capital, scheme / deed of arrangement, transfer of business or any other form of restructure, where after completion: <ol style="list-style-type: none"> P&N Bank no longer complies with the Principles of Mutuality; one person, other than a person entitled to use the term 'member owned bank', 'credit union', 'credit society' or 'credit co-operative', holds more than 90% of the shares in P&N Bank (other than shares fitting the description of 'additional shares' in the Principles of Mutuality); a group of associates, other than a group all of the members which are entitled to use the term 'member owned bank', 'credit union', 'credit society' or 'credit co-operative', between them hold more than 90% of the shares in P&N Bank (other than shares fitting the description of 'additional shares' in the Principles of Mutuality);

Type of Company and Mutuality (continued)

Provision	bcu Constitution	P&N Bank Constitution
		<p>(d) a person not entitled to use the term 'member owned bank', 'credit union', 'credit society' or 'credit co-operative' has a legal or equitable interest in more than 20% of P&N Bank's gross assets as disclosed in the latest report to APRA as at the time of transfer;</p> <p>(e) a group of associates, other than a group all of the members of which are entitled to use the term 'member owned bank', 'credit union', 'credit society' or 'credit co-operative' in their name, between then have a legal or equitable interest in more than 20% of the company's gross assets as disclosed in the latest report to APRA as at the time of transfer;</p> <p>or</p> <p>(f) the successor to P&N Bank's business is not entitled to use the term 'member owned bank', 'credit union', 'credit society' or 'credit co-operative'.</p> <p>4. the company proposes to modify or repeal:</p> <p>(a) any clauses of Appendix 6;</p> <p>(b) any of the Principles of Mutuality; or</p> <p>(c) the P&N Bank Constitution, where the effect is to modify, exclude or restrict the operation of Appendix 6.</p> <p>ASIC has power to determine that the Appendix ceases to have effect.</p>
Voting on a demutualisation resolution	<p>[Schedule 5, clause 3(e) and (f) and clauses 7.37 and 7.38]</p> <p>Member Participation Threshold: at least 25% of bcu members who have been bcu members for more than two years and 5% of bcu members who have been members for more than twelve months must vote on the Merger (whether for or against).</p> <p>Voting eligibility: Only bcu members who have been a bcu member for at least 12 months as at the date of the general meeting are entitled to vote on the resolution and, of those bcu members who actually vote, at least 75% must vote in favour of the resolution.</p> <p>No requirement for a prior postal ballot.</p>	<p>[Rule A6-4]</p> <p>Before convening a meeting to pass a resolution to amend the P&N Bank Constitution or issuing shares or otherwise taking action that falls within the demutualisation protections, P&N Bank must hold a postal ballot by sending a disclosure booklet and ballot paper to P&N Bank Members.</p> <p>In the ballot, not less than 25% of P&N Bank Members in each class of member must actually vote, and not less than 75% of members in each class who have voted must approve the resolution. If passed, P&N Bank may then convene the meeting to consider the resolution, issue the shares or take the other action.</p>
Common Bond	<p>No equivalent - any person is eligible for membership [clause 2.1]</p>	<p>A person must have a common bond to be eligible to be a P&N Bank Member [Rule 3.1(1)(b)]</p> <p>[Appendix 2]</p> <p>For natural persons:</p> <p>(a) a serving police officer;</p> <p>(b) a registered nurse;</p> <p>(c) employed in the health industry;</p> <p>(d) employed as a teacher;</p> <p>(e) a serving prison officer;</p> <p>(f) an individual that intends to contribute to and benefit from membership of P&N Bank;</p> <p>(g) a member of another ADI that transferred its business and members to P&N Bank under the Financial Sector (Transfer and Restructure) Act 1999 (Cth); or</p> <p>(h) a retired person of the above categories.</p> <p>A body corporate may be a P&N Bank Member, including the holder of a mutual equity interest and a body corporate member of another ADI that transferred its business and members to P&N Bank under the Financial Sector (Transfer and Restructure) Act 1999 (Cth).</p>

Type of Company and Mutuality (continued)		
Provision	bcu Constitution	P&N Bank Constitution
Limit on Powers	<p>[Clause 21.1]</p> <p>Must not provide financial accommodation to or accept deposits of money from a person who is not a bcu member. This does not prevent the Company otherwise investing its funds or from accepting deposits of money from a non-member, in accordance with applicable laws and prudential standards.</p>	<p>[Rule 2.2]</p> <p>Can only accept deposits from, or provide financial accommodation to, P&N Bank Members with the exception of:</p> <p>(a) bodies with no power to acquire, or prevented by law from acquiring, P&N Bank's shares;</p> <p>(b) ADIs; and</p> <p>(c) a person or class of persons as determined by the Board from time to time.</p>
Shares		
Provision	bcu Constitution	P&N Bank Constitution
Classes	<p>[Clauses 1, 2.8, 2.12 and 16.6, and Schedules 4 and 6]</p> <p>bcu must issue redeemable preference shares to bcu members.</p> <p>It may issue other classes of shares, including redeemable capital preference shares, Tier 1 shares and Bonus Shares. [There are no such shares on issue – all Bonus Shares were redeemed in 2017]</p>	<p>[Rule 5.1]</p> <p>May only issue Member shares and Mutual Equity Interests [no Mutual Equity Interests on issue]</p>
Member Rights & Liabilities		
Provision	bcu Constitution	P&N Bank Constitution
Who can hold shares?	<p>[clauses 2.2 and 2.3]</p> <p>A person may hold additional redeemable preference shares on trust for any other person or an unincorporated association, as external administrator of a corporation or in any other capacity required by law as well as holding a share in their own right.</p>	<p>[Rules 5.3 and 3.3]</p> <p>P&N Bank may only issue one member share to any person, but may issue additional member shares to a trustee for an unincorporated association. Joint members can also hold shares in their own capacity and as joint members.</p>
Delegation of power to admit members	<p>[clause 2.6]</p> <p>The bcu directors may delegate their power to admit bcu members, but must not authorise further delegation of that power.</p>	<p>[Rule 3.2]</p> <p>The P&N Bank Directors may delegate their power to admit P&N Bank Members, and may authorise further delegation of that power.</p>
Members who are minors	<p>[clause 2.5.4 and 2.9]</p> <p>Minors are required to acquire one \$10 redeemable preference share partly paid to \$2.</p> <p>On becoming an adult, the person must immediately pay any amount which is then unpaid.</p>	<p>The constitution makes no distinction between the liability of minors and other P&N Bank Members.</p> <p>On the transfer date, minors who are members of bcu will be deemed to have been issued a P&N Bank member share but the obligation to pay the balance of the subscription price will only arise if a call is made by P&N Bank's Board from time to time.</p>
Charge on redeemable preference shares and deposits etc	<p>[clause 5.5]</p> <p>bcu has a charge on a bcu member's redeemable preference shares, credit balances of deposits and any interest, bonus or rebate payable to the member, provided it advised the member when they took up their redeemable preference shares or placed money on deposit and at least once a year after that.</p>	No equivalent

Member Rights & Liabilities (continued)

Provision	bcu Constitution	P&N Bank Constitution
Termination of Membership for dormancy	<p>[clauses 4.8 and 4.9]</p> <p>bcu may classify a bcu member's deposit account as a dormant account if there have been no transactions for at least 1 year. Membership may be cancelled if the bcu member's only account is a dormant account.</p> <p>No equivalent</p>	<p>[Rule 4.4(2)]</p> <p>Deposit account may be declared dormant if there are no transactions for 1 year and 28 days' prior notice is given to the P&N Bank Member.</p> <p>A P&N Bank Member can be classified as inactive if:</p> <p>(a) the member has not had any deposit or other account open with P&N Bank for a continuous period of 12 months; and</p> <p>(b) P&N Bank has not received payments or remuneration (including commissions) which are directly attributable to the member using products or services supplied by, or made available through, P&N Bank, and</p> <p>(c) at least 28 days' notice is given to the member.</p> <p>Member shares may be redeemed if the P&N Bank Member is inactive, but has a right to have their deposit account reinstated.</p> <p>The Board may delegate its powers to a committee of directors, a director or an officer but they must not further delegate the power.</p> <p>[Rule 4.4(1)]</p> <p>Termination for dormancy does not apply to retirement savings accounts, first home saver accounts or any other account if applicable legislation provides otherwise.</p>
Termination of Membership by the Board	<p>[clauses 4.2 and 4.3]</p> <p>The Directors may expel a bcu member if they have failed to discharge their obligations to bcu, are guilty of conduct detrimental to bcu or obtained membership by misrepresentation or mistake, in which case their shares are cancelled.</p> <p>A bcu member has a right of appeal.</p>	<p>[Rule 4.3(1)]</p> <p>Similar powers of termination plus:</p> <p>If a P&N Bank Member holds more than one member share in the same legal capacity, the board may redeem the additional share.</p> <p>14 days notice must be given to the P&N Bank Member, and they have a right to be heard by the Board</p> <p>[Rule 4.3(7)]</p> <p>P&N Bank may redeem a member's member share without notice where:</p> <p>(a) the member is in default of any payment obligations to P&N Bank for a continuous period exceeding 90 days; or</p> <p>(b) P&N Bank has written off or accepted a compromise in respect of monies owing and there have been no transactions on any account of the member for 90 days.</p>
Termination of Membership at member's request	<p>[clause 5.2]</p> <p>The bcu member must repay all outstanding financial accommodation and discharged all other obligations to bcu.</p> <p>bcu may only redeem redeemable preference shares on request by a bcu member, if these additional provisos are met:</p> <p>(a) redemption is out of bcu's profits;</p> <p>(b) the redemption is permitted by APRA; and</p> <p>(c) the redemption will not result in bcu breaching any capital adequacy requirements.</p>	<p>[Rule 4.2]</p> <p>The P&N Bank Member must withdraw all deposits and repay all financial accommodation.</p> <p>No equivalent provisos on the redemption of member shares on request of the P&N Bank Member.</p>
Dividends	<p>[Clause 16.8.1]</p> <p>A dividend must not be paid on redeemable preference shares.</p>	<p>[Rule 7.1 and Appendix 3, Rule A3-4]</p> <p>The Board may determine that the company pay a dividend on member shares, but only if the general meeting approves the recommended dividend. The general meeting may only approve a dividend at a rate that does not exceed 50% of the company's after tax profit for the financial year to which the dividend relates.</p>

Member Rights & Liabilities (continued)

Provision	bcu Constitution	P&N Bank Constitution
Winding Up	<p>[Clause 19]</p> <p>Subject to any preferred or other rights or restrictions attaching to shares, bcu members are entitled to participate equally and without regard to the number of shares held by each member in any surplus. In a voluntary winding up, bcu members may resolve to transfer any surplus to any company with a mutual structure (determined by reference to any current policy of APRA or ASIC).</p> <p>On a winding up, a bcu member's liability is limited to the amount unpaid in relation to the member's contractual obligations with the bcu, and the liability of a holder of Statutory Redeemable Preference Shares (being all withdrawable shares on issue immediately before 1 July 1999 and which became redeemable preference shares) is limited to the amount unpaid in relation to those shares.</p>	<p>[Rule A3-5 Appendix 3]</p> <p>After repayment of the subscription price paid up for any member share; the remaining surplus is divided equally with respect to every member share. Any such amount can be offset against any amount unpaid on a member share or against any amount payable by the Member to P&N Bank.</p> <p>No equivalent provision.</p>
General Meetings		
Provision	bcu Constitution	P&N Bank Constitution
Adjourned Meetings	<p>[Clause 7.12]</p> <p>The chair may adjourn the meeting in their discretion, and must adjourn if directed by the meeting.</p> <p>[Clause 7.15]</p> <p>If the meeting is adjourned by more than 21 days, at least 3 clear days' notice of the adjourned meeting must be given to each member.</p>	<p>[Clause 11.2]</p> <p>The chair may adjourn the meeting with the consent of an ordinary resolution of the meeting, and must adjourn if directed by ordinary resolution of the meeting.</p> <p>[Rule 11.2]</p> <p>If the meeting is adjourned for one month or more notice of the adjourned meeting must be given to each member.</p>
Quorum	<p>[Clauses 7.4 and 7.5]</p> <p>10 members entitled to vote. Includes proxies held by the chairperson where the number of members present in person is 10 or less.</p>	<p>[Rule 11.3]</p> <p>25 members present in person, or if less than 50 members are eligible to attend and vote, then 50% of that number.</p>
Chair	<p>[clauses 7.8 and 7.9]</p> <p>If the chair or deputy chair is not present within the stated time or declines to act, the directors present may elect a chairperson, and failing that, the members may elect one of the directors, or failing that, one of the members as chair of the meeting.</p>	<p>[clause 11.3(3)]</p> <p>If the chair or deputy chair is not present within the stated time or declines to act, the members must elect an individual present to act as chair of the meeting,</p>
Standing Orders	<p>[Clauses 7.16 to 7.24]</p> <p>Some relevant provisions but not identical to P&N Bank.</p>	<p>[Rule 11.3(4) and Appendix 4]</p> <p>Standing orders for the conduct of general meetings are set out in Appendix 4.</p>
Voting rights	<p>[Clause 8.3]</p> <p>On a show of hands or on a poll, any member present either personally or by proxy has one vote, regardless of the number of shares held.</p>	<p>[Appendix 3, A3-3(2)]</p> <p>On a show of hands, each holder of member shares has one vote.</p> <p>On a poll, each holder of member shares has one vote for every member share they hold.</p>
Proxies	<p>[Clause 8.11]</p> <p>A proxy can vote on a show of hands</p> <p>[Clause 8.11]</p> <p>Only the chairperson of the meeting can act as proxy for more than 10 members.</p>	<p>[Rule 12.5(3)]</p> <p>A proxy cannot vote on a show of hands.</p> <p>No equivalent</p>
Show of hands	<p>[Clause 7.26]</p> <p>Resolutions are decided on a show of hands unless a poll is demanded.</p>	<p>[Rules 12.1(1) and 12.5(4)]</p> <p>Resolutions are decided on a show of hands unless a poll is demanded. If the chair is appointed a proxy and directed how to vote, the chair must demand a poll.</p>
Voting by joint members	<p>[clause 8.5]</p> <p>If two or more joint members purport to vote, only the vote of the joint member who appears first in the register is accepted.</p>	<p>[Rule 3.3(3)]</p> <p>Only the joint member who is named first in the register is entitled to vote.</p>
Direct Voting	No provision for direct voting.	<p>[Rule 12.7]</p> <p>The directors may decide to permit and regulate direct voting for any general meeting or class meeting.</p>

Directors		
Provision	bcu Constitution	P&N Bank Constitution
Number	[Clauses 9.1 and 9.3] Minimum of 5 or such higher number determined by the bcu Board. There is no maximum unless set by a resolution of a general meeting.	[Rule 13.1] Maximum of 10.
Board Composition - Elected & appointed	<p>[Clauses 9.4, 9.6, to 9.14 and Schedule 2] There are no special categories of directors.</p> <p>An election for directors is held at each annual general meeting in accordance with Schedule 2 (see below).</p> <p>At each annual general meeting, the number of directors nearest to but not less than one-third of the directors must retire from office. In any event, a director must retire at the third annual general meeting since their last election.</p> <p>The Board can also appoint directors (subject to the cap) to fill casual vacancies or as an addition to the Board, but their term of office expires at the end of the next Annual General Meeting (AGM), unless elected.</p>	<p>[Rules 13.1, 13.4 and 13.5 and Appendix 5] The Board comprises no more than 6 member elected directors; no more than 3 Board appointed directors and, if so determined by the Board, the CEO.</p> <p>Member elected directors generally have a term ending at the end of the third annual general meeting at which the director was elected. However, if the number of directors elected at a meeting is more than two, the two with the most votes retire at the end of the third annual general meeting, and the term of office of the remainder ends at the end of earlier annual general meetings where less than two member elected directors are due to retire.</p> <p>The term of office of Board appointed directors is 3 years. The Board may only appoint such a director if it considers the person has skills, experience or expertise not otherwise available to the Board.</p> <p>The term of office of director filling a vacancy arising other than because the director's term has ended ends at the end of the next AGM unless the general meeting approve that it expires at the end of the term of the director who caused the casual vacancy. If the person is appointed as an additional director because the number of member elected directors is less than 6, their office ends at the next annual general meeting.</p>
Eligibility to be a Director	<p>The following persons are ineligible to be bcu directors:</p> <p>[clause 9.3.2] A person who is not a bcu member and is not a representative of a body corporate or unincorporated association that is a bcu member.</p> <p>[Clause 9.3.4] Employees (unless an executive director under clause 12.24).</p> <p>[Clause 9.3.9] A person who has been a senior manager within 3 years of nomination.</p> <p>No equivalent</p>	<p>The following persons are ineligible to be Directors: [Rule 13.2] No equivalent - only P&N Bank Members may be directors, not representatives of corporate members</p> <p>No equivalent</p> <p>No equivalent</p> <p>[Rule 13.2(e)] In the case of a member elected director, has been a P&N Bank Member continuously for at least 12 months prior to nomination.</p>
Election Process	<p>[Schedule 2] Ballot held at the AGM, unless there are fewer candidates than positions, in which case the directors are elected by separate resolutions at the AGM.</p> <p>Nominations open at least 77 days before the AGM and close on a date determined by the Board which is between 14 and 56 days before the AGM. Two bcu members must nominate the candidate.</p> <p>Nominations are reviewed for eligibility by the Returning Officer appointed by the Board (who must not be a director or candidate).</p>	<p>[Appendix 5] Postal or electronic ballot before the AGM with the results announced at the AGM.</p> <p>Nominations open at least 56 days before the AGM and close at least 35 days before the AGM. Four P&N Bank Members must nominate the candidate.</p> <p>Nominations are reviewed for eligibility by a Nominations Committee, which comprises not less than three persons, where the majority are independent, none are employees of P&N Bank and none are directors being nominated.</p>



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