

## A letter from the Chairman

Dear Member,

It is my pleasure to invite you to the 2019 Annual General Meeting (AGM) of Credit Union Australia Limited (CUA) on Wednesday, 13 November 2019.

The CUA executive team, the Board, our new CEO Paul Lewis and I will provide members with an overview of your company's performance for the year ended 30 June 2019 and we will update you on our strategy for the year ahead.

CUA attracted a record number of new members over the past year and achieved strong balance sheet growth. Most importantly, this growth has been achieved with a continued commitment to our purpose and mutuality. A significant investment was made in initiatives to grow the financial wellbeing of our members and communities, including a \$2.2 million community investment program – equating to 3 per cent of our pre-tax profit.

As we continued on our mutual journey in 2019, we remained focused on our members' interests and pursuing exciting new initiatives. We delivered more value for members by investing in our digital and physical channels to provide a seamless, convenient experience while retaining our human touch. And as we have done for the past 73 years, we navigated the challenges and opportunities facing our business – including the headwinds being felt across the financial services sector – by placing our members at the heart of our decisions.

As a member and owner of CUA, we encourage you to participate in the AGM and we look forward to hearing your views on CUA's growth as a strong, sustainable and relevant member-focused organisation.

Members are being asked to vote on a special resolution this year to position CUA to take advantage of the Hammond Review legislation passed by the Australian Government in April 2019. This legislation is a major win for our sector and has been widely acknowledged as a critical reform for banking sector competition. It gives mutuals like CUA the ability to raise Tier 1 capital, while retaining our mutuality. Access to this type of capital will better equip CUA to invest, grow, innovate and compete, ensuring sustainability for future generations of members.

We have no current plans to issue this new type of capital – called a 'Mutual Capital Instrument'. However, we must ensure we are ready to do so, should the opportunity arise. The first step is to amend our Constitution to ensure it references this type of capital and the instrument holders. Making this change now means we can make use of the special procedure to amend our Constitution, which is included in the new legislation.

**We are asking members to vote in favour of the resolution.** You can read more about the resolution, including the opportunity for CUA and our members, in the Explanatory Notes and Fact Sheet attached to this letter.

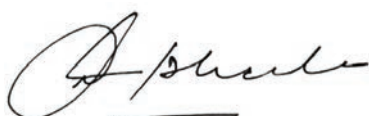
Please spend some time exploring our digital Annual Report at [cua.com.au/2019](http://cua.com.au/2019). You can hear firsthand from our members in our video series and read more about CUA's achievements against our four strategic pillars.

I encourage you to attend the AGM and take an active interest in the management of your credit union. The meeting will be held in our Brisbane Head Office, Level 23, 145 Ann Street, Brisbane QLD 4000, commencing at 2.30pm (AEST). Details on how to get to the meeting are set out in this Notice of Annual General Meeting.

After the AGM you are invited to join the Board and Executive team for some light refreshments. The directors and executives of CUA look forward to seeing you in Brisbane on 13 November.

If you have any questions about the AGM, the special resolution or want to provide an email address for future notices, please phone our AGM Information Line on **1300 494 781**.

Yours sincerely,



**Nigel Ampherlaw**  
Chairman  
17 October 2019

\*If you have 'opted in' to receive a hard copy of our Annual Report you will find a copy enclosed. To enjoy more content, you can easily make the switch from a hard copy to the digital edition by providing CUA with your email address to be notified electronically of next year's report. Opting out of the hard copy reduces costs for CUA while helping the environment through saving valuable resources including paper, energy and ink.

# 2019 Notice of Annual General Meeting

Credit Union Australia Ltd (ABN 44 087 650 959)

Notice is hereby given that an Annual General Meeting (AGM) of Credit Union Australia Limited (CUA) will be held at:

**Location:** Level 23, 145 Ann Street  
Brisbane, QLD, 4000

**Date:** Wednesday, 13 November 2019

**Time:** 2.30pm (AEST)

## Items of Business

1. Chairman and CEO Presentations
2. Financial Statements and Reports

To receive and consider CUA's Financial Statements and Reports for the year ended 30 June 2019.

3. Appointment of Directors

- (a) To appoint Nigel Ampherlaw as director of CUA. His appointment will be for the period commencing at the end of this AGM until the end of the third AGM thereafter.
- (b) To appoint Andrew Reeves as director of CUA. His appointment will be for the period commencing at the end of this AGM until the end of the third AGM thereafter.
- (c) To appoint Louise McCann as director of CUA. Her appointment will be for the period commencing at the end of this AGM until the end of the third AGM thereafter.

**NOTE:** The CUA Constitution provides that where the number of candidates is equal to or less than the number of positions to be filled each candidate shall be declared elected by the Chair during the AGM.

4. Amendment to CUA's Constitution

To consider and, if thought fit, to pass the following as a special resolution:

*"That CUA's Constitution be modified to allow CUA to issue mutual capital instruments (MCIs) in accordance with the Corporations Act, by making the amendments contained in the document tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification."*

Further information about the proposed amendments to CUA's Constitution is set out in the Explanatory Notes.

A copy of CUA's Constitution marked to show the proposed changes to it is available on our website at [cua.com.au/constitution](http://cua.com.au/constitution)

Please refer to the attached Explanatory Notes.

By Order of the Board



**Nicole Pedwell**  
Company Secretary  
17 October 2019

## Member Guide to Proxies

### PROXIES

Any member entitled to attend the Annual General Meeting may appoint a proxy to attend the meeting for them.

A proxy does not need to be a member of CUA.

A Proxy Form and Reply Paid envelope are enclosed with this Notice of Meeting.

You can appoint a proxy to attend the meeting and vote in accordance with the directions on the Proxy Form.

### WHAT IS A PROXY?

If a member of CUA cannot attend a general meeting of members, they can appoint a person to attend on their behalf. If you are a member jointly with another person, only the 'primary joint member' can sign the Proxy Form. You are the primary member if CUA notices are addressed to you. The person appointed is called your 'proxy'.

Your proxy is entitled to ask questions at the meeting and to cast a vote on your behalf.

### WHO CAN YOU APPOINT AS PROXY?

You can appoint the Chair of the meeting or any other person. That person need not be a member of CUA.

### WHEN A PROXY DOES NOT APPLY

Your proxy will not apply if you personally attend the meeting.

Your proxy will not apply if your proxy fails to attend the meeting.

Your proxy may not apply if you have not completed the Proxy Form correctly.

### SPECIAL REQUIREMENTS – INCORPORATED BODIES AND ATTORNEYS

Where an incorporated body is giving the proxy, the Proxy Form must be completed in accordance with the requirements of that body's Constitution. If an authorised person signs the proxy on behalf of the incorporated body, the original or a certified copy of the authorisation, along with the signed Proxy Form, must be received by CUA.

If you have appointed someone else as your Attorney, your Attorney can sign the Proxy Form on your behalf provided that the original or certified copy of the Power of Attorney, along with the signed Proxy Form, is received by CUA.

### WHAT TO DO NEXT

In accordance with best practice Corporate Governance for member owned institutions, CUA has outsourced the administration of our Annual General Meeting and associated communications to Link Market Services. Link has extensive experience delivering meeting services for clients in the public, private and government sectors, conducting over 600 events in the previous financial year. Link also holds an ISO27001 accreditation – the highest global standard – for its information security management systems.

Proxies may be lodged by:

- Using the Reply Paid envelope enclosed
- Posting to the Company Secretary, Credit Union Australia Limited, C/- Link Market Services, Locked bag A14, Sydney South NSW 1235
- Emailing to [CUAproxy@linkmarketservices.com.au](mailto:CUAproxy@linkmarketservices.com.au)
- Delivery to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138
- Online: [cua.com.au/agm](http://cua.com.au/agm)

### IMPORTANT

Proxy Forms must be received by Link Market Services Limited **no later than 2.30pm (AEST) on Monday, 11 November 2019.**

## Explanatory Notes

### ITEM 2: FINANCIAL STATEMENTS AND REPORTS

The Financial Reports for the year ended 30 June 2019 include the Directors' Report, Statement of Financial Performance, Statement of Financial Position, Directors' Declaration, Notes to the Financial Statements and the Independent Auditor's Report for Credit Union Australia Limited (CUA) and of the Group, being CUA and its controlled entities.

Copies of CUA's 2019 Annual Report are available:

- online at [cua.com.au/2019](http://cua.com.au/2019)
- by emailing [company.secretary@cua.com.au](mailto:company.secretary@cua.com.au)
- by calling the **AGM Information Line on 1300 494 781**

## ITEM 3: APPOINTMENT OF DIRECTORS

In accordance with CUA's Constitution, Nigel Ampherlaw, Andrew Reeves and Louise McCann retire at the conclusion of this AGM and offer themselves for re-election.

The CUA Constitution requires that all persons nominated for appointment as a director pursuant to rule 13.3 be assessed by the CUA Board to determine their fitness and propriety to act as a CUA director in accordance with the requirements of the Board's Fit & Proper Policy. Once they have been assessed as having the appropriate fitness and propriety they become 'candidates' for appointment under CUA's Constitution.

In addition, the Australian Prudential Regulatory Authority (APRA), which regulates Banks, Building Societies and Credit Unions requires the Board, through the APRA Governance Standard CPS 510, to ensure that it maintains a sound governance framework. To achieve this Standard, the CUA Board regularly reviews its composition to ensure an appropriate mix of skills, experience and knowledge to meet the good governance and strategic demands of the CUA Group.

The Board has assessed Nigel Ampherlaw, Andrew Reeves and Louise McCann as being fit and proper with the appropriate set of skills, experience and knowledge to act as a CUA director.

As the number of candidates is less than or equal to the number of positions to be filled, the chair of the meeting shall declare each candidate elected at the AGM under paragraph A3-3(1) of Appendix 3 of the CUA Constitution.

## ITEM 4: AMENDMENT TO CUA'S CONSTITUTION

### Resolution 4: Amendments to CUA's Constitution to permit issuance by CUA of Mutual Capital Instruments (MCIs)

#### Proposed Amendments

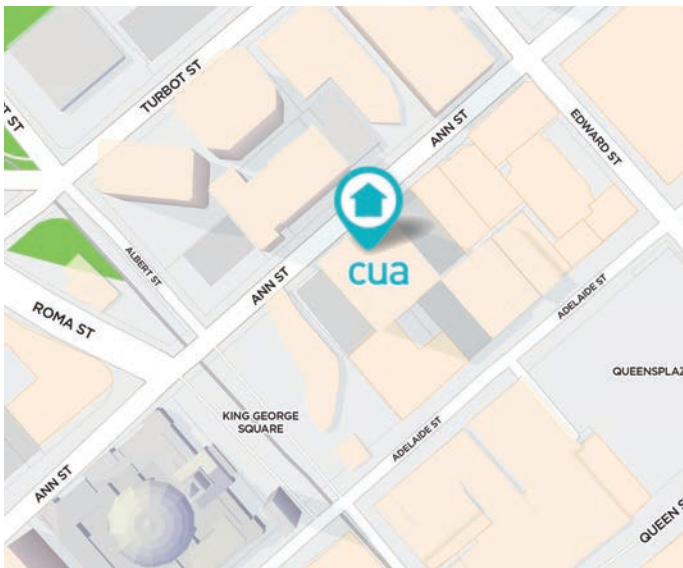
1. CUA is a "mutual entity" for the purposes of the Corporations Act, which means that it is able to issue Mutual Capital Instruments (MCIs), subject to amending its Constitution. An MCI is a new type of share in a mutual entity (provided for under the Corporations Act), which must have certain characteristics as described in the attached Fact Sheet. The proposed amendments will enable CUA to issue MCIs in future if it is necessary or desirable to do so, while protecting CUA's mutual status. If CUA decides to issue MCIs, CUA will remain a mutual, because holders of MCIs will have limited rights and if holders of MCIs are given voting rights, they would only be entitled to one vote at general meetings, regardless of the number of MCIs they hold. A demutualisation will not be triggered either by making the proposed amendments or by issuing MCIs.
2. Recent amendments to the *Corporations Act* allow CUA to update its Constitution using a special procedure involving members passing an "MCI amendment resolution". This special procedure is only available until 6 April 2022 (further described below under "Background").
3. The "MCI amendment resolution" being proposed to CUA members at the 2019 Annual General Meeting is a special resolution (i.e. a resolution which must be passed by 75% of members (or proxies) who are present at the meeting and eligible to vote) to amend CUA's Constitution for the following purposes:
  - (a) to include a statement that CUA is intended to be an "MCI mutual entity" for the purposes of the *Corporations Act*;
  - (b) to provide for CUA to issue MCIs (which would be subject to any necessary regulatory approvals and board approval);
  - (c) to provide for the rights and obligations attached to MCIs; and
  - (d) to make changes that are incidental or ancillary to the purposes specified above (for example, to include references to MCIs in provisions throughout the Constitution which relate to shares, where relevant).
4. Item of Business 4 contains the proposed MCI amendment resolution for CUA's Constitution. A copy of the Constitution showing the proposed changes to it is available from the CUA website at [cua.com.au/constitution](http://cua.com.au/constitution). The following table is a summary only.

Rule	Summary of proposed amendment
Preamble (Principles of Mutuality)	<ul style="list-style-type: none"><li>• New Principle 7 to confirm that CUA is intended to be an "MCI mutual entity" and that MCI holders (if any) may only receive dividends and participate in surplus assets in their capacity as an MCI holder to the extent permitted by the Constitution, the Corporations Act, APRA prudential standards and the terms of issue of the MCIs</li></ul>
	<ul style="list-style-type: none"><li>• Amendment to Principle 6 to provide that MCI holders (if any) can share in any undistributed surplus of CUA (in the event it is wound up) subject to the Constitution and the terms of issue of the MCIs (note that MCI holders would be paid no more than the amount they put in – the remaining surplus would be shared between holders of member shares)</li></ul>
1.1 (Definitions)	<ul style="list-style-type: none"><li>• Definition of <b>general meeting</b> amended to include voting MCI holders (if any)</li></ul>
	<ul style="list-style-type: none"><li>• New definition of <b>MCI</b> inserted</li></ul>
	<ul style="list-style-type: none"><li>• New definition of <b>MCI holder</b> inserted</li></ul>
	<ul style="list-style-type: none"><li>• New definition of <b>Register of Members</b> inserted (MCI holders will be added to the Register of Members, but they will not be holders of member shares and therefore will not have the benefits and entitlements of a holder of a member share, unless they are also holders of member shares)</li></ul>
	<ul style="list-style-type: none"><li>• Definition of <b>subscription price</b> amended to include a subscription price definition for MCIs</li></ul>

	<ul style="list-style-type: none"> <li>New definition of <b>voting MCI holder</b> inserted (which limits any MCI holders to one vote each at a general meeting – if a voting MCI holder is also a holder of a member share, he or she will have only one vote)</li> </ul>
<b>1.5</b> (Notices)	<ul style="list-style-type: none"> <li>New Rule 1.5(3)(c) inserted in relation to the giving of notices to an MCI holder</li> </ul>
<b>1.6</b> (Intention to be an MCI mutual entity)	<ul style="list-style-type: none"> <li>New Rule 1.6 inserted to confirm that CUA is intended to be an “MCI mutual entity” for the purposes of the <i>Corporations Act</i></li> </ul>
<b>5.1</b> (Classes of Shares)	<ul style="list-style-type: none"> <li>Rule 5.1 amended to give CUA the power to issue MCIs as a class of shares alongside member shares and additional shares</li> </ul>
<b>7</b> (Dividends)	<ul style="list-style-type: none"> <li><i>Corporations Act</i> Commentary amended to insert commentary on section 254WA(2) of the <i>Corporations Act</i> with respect to an MCI mutual entity paying dividends</li> </ul>
<b>8.1</b> (Share Certificates)	<ul style="list-style-type: none"> <li>New Rule 8.1.3 inserted in relation to CUA issuing share certificates to MCI holders</li> </ul>
<b>9</b> (Transfer of Shares)	<ul style="list-style-type: none"> <li>Rules 9.1 (Form of Share Transfer), 9.3.2.7 (Registration of Share Transfer) and 9.4 (Powers of Attorney) amended to include references to an ‘MCI holder’ where a ‘member’ is referred to</li> <li>New Rule 9.6 inserted to clarify that, subject to the <i>Corporations Act</i> and only to the extent provided in the terms of issue of MCIs, Division 9 (Transfer of Shares) of the Constitution will not apply to transfers of MCIs if such transfers are effected through a “licensed CS facility” (which is a clearing and settlement facility licensed to operate in Australia) – this is intended to give CUA future flexibility to decide on how MCIs, if issued, can be transferred</li> </ul>
<b>10</b> (Transmission of Shares)	<ul style="list-style-type: none"> <li>Rules 10.1 (Transmission of Shares on Death), 10.2 (Transmission of Shares on Bankruptcy) and 10.3 (Transmission of Shares on Mental Incapacity) amended to include references to an ‘MCI holder’ where a ‘member’ is referred to</li> </ul>
<b>12</b> (Voting at General Meetings)	<ul style="list-style-type: none"> <li>Rules 12.1.2.4 (Voting), 12.4 (Direct Voting), 12.5 (Body Corporate Representatives) and 12.6 (Proxies) amended to include references to a ‘voting MCI holder’ where a ‘member’ is referred to – this is intended to give CUA future flexibility to decide if MCIs will carry these voting rights (noting that MCI holders will only ever have one vote at a general meeting – even if the MCI holder is also a holder of a member share)</li> <li>Rule 12.5 (Body Corporate Representatives) amended to replace reference to a ‘member’s meeting’ to a ‘meeting’</li> </ul>
<b>13</b> (Directors – Appointment & Vacation of Office)	<ul style="list-style-type: none"> <li>Rules 13.3 (Appointed by Members – Election) and 13.4 (Appointment by Board) amended to include references to a ‘voting MCI holder’ where a ‘member’ is referred to – this is intended to give CUA future flexibility to decide if MCIs will carry these voting rights (limited to one vote per MCI holder)</li> </ul>
<b>15.2</b> (Quorum of Board)	<ul style="list-style-type: none"> <li>Rule 115.2.2.2 amended to replace reference to a ‘general meeting of members’ to a ‘general meeting’</li> </ul>
<b>17.2</b> (Travelling Expenses and Insurance)	<ul style="list-style-type: none"> <li>Rule 17.2.1.2 amended to replace reference to ‘members’ meetings’ to ‘general meetings’</li> </ul>
<b>Appendix 1</b> (Shares)	<ul style="list-style-type: none"> <li>Rule A1-6(2) (Distribution on Winding-Up) of Division 1 (Member Shares) amended to clarify that in the event CUA is wound-up, a member’s right to participate in surplus assets is subject to Rule A1-18(2) (Rights of MCI holders) which provides for an MCI holder’s right to participate in surplus assets (limited to being paid no more than the amount they put in – the remaining surplus would be shared between holders of member shares) – this is intended to allow CUA to issue MCIs which satisfy APRA prudential standards (it is also a requirement of the <i>Corporations Act</i> to set out the rights of MCI holders to surplus assets in the Constitution).</li> </ul> <p>New Division 3 (MCIs) inserted to:</p> <ul style="list-style-type: none"> <li>provide for the issuance of MCIs or capital instruments convertible into MCIs to raise capital (including the various rights that may attach to MCIs), subject to compliance with the <i>Corporations Act</i> and any APRA prudential standards;</li> <li>provide that the subscription price for an MCI is determined by the Board;</li> <li>confirm that an MCI is issued as a fully paid up share and any dividends are non-cumulative;</li> <li>confirm that subject to the terms of issue of an MCI, an MCI holder is entitled to participate in the winding up of CUA (subject to the satisfaction of all senior claims, including the subscription price paid for any member shares) and an MCI holder’s claim ranks equally and proportionately with claims of all other MCI holders and the claim cannot exceed the subscription price of the MCI;</li> <li>confirm that the rights attached to MCIs (or a class of MCIs) may only be varied or cancelled by special resolution of CUA and of either the meeting of the MCI holders holding MCIs of that class or with written consent of MCI holders of at least 75% of MCIs of that class; and</li> <li>clarify that except as provided by the rules of a “licensed CS facility” (see further above), a person is registered as an MCI holder upon that person’s particulars being entered into CUA’s Register of Members as the MCI holder of that MCI.</li> </ul>

## Background

- On 2 March 2015, the Senate Economics References Committee was asked to review and report on the role, importance and operations of co-operative and mutual entities in the Australian economy. The Committee tabled its report (**Senate Report**) on 17 March 2016.
- On 24 March 2017, the then Treasurer appointed Mr Greg Hammond OAM to conduct further consultation on the recommendations of the Senate Report and assist in developing a Government response. Mr Hammond provided his Report on Reforms for Cooperatives, Mutuals and Member-owned Firms on 31 July 2017 (**Hammond Report**).
- On 8 November 2017, the Federal Government tabled its response to the Senate Report and accepted all 11 recommendations of the Hammond Report. The recommendations were aimed at improving access to capital for mutuals and reducing barriers to enable cooperatives and mutuals to invest, innovate, grow and compete.
- On 6 April 2019, the *Treasury Laws Amendment (Mutual Reforms) Act 2019 (Cth) (Mutual Reforms)* commenced. The Mutual Reforms gave effect to recommendations 5, 8 and 9 of the Hammond Review by amending the Corporations Act to, among other things:
  - introduce the concept of a "mutual entity" into the *Corporations Act* (being a company in which each member has **no more than one vote** for each capacity in which the person is a member);
  - expressly permit mutual entities registered as public companies under the *Corporations Act* to issue equity capital **without risking their mutual structure** or status; and
  - provide a standard process to allow eligible mutual entities to amend their constitutions to take advantage of the reforms (the **Special Procedure**).
- The Mutual Reforms enable eligible mutual entities to raise equity capital through the issuance of MCIs, a bespoke new capital instrument for mutual entities, which allows for capital to be raised through the issuance of shares, while retaining the organisation's status as a mutual entity.
- The ability to raise equity capital removes a significant barrier to investment, innovation, growth and competition in the sector and provides mutual entities, such as CUA, with access to a broader range of capital raising and investment options to advance the interests of CUA's members and the other mutual objectives of CUA.
- Please refer to the attached Fact Sheet, which explains what the key features of an MCI will be, and the impact that an issuance of MCIs may have on members of CUA.



## Getting There

Level 23, 145 Ann Street, Brisbane QLD 4000  
Commencing at 2.30pm (AEST) on Wednesday,  
13 November 2019.

The nearest station is Central Station and there are a number of bus routes that pass Central Station, King George Square and the Myer Centre.



CUA Building and meeting location

## 2019 Annual Report

A copy of CUA's 2019 Annual Report for the year ended 30 June 2019 is available on CUA's website at: [cua.com.au/2019](http://cua.com.au/2019)

CREDIT UNION AUSTRALIA Ltd  
ABN 44 087 650 959

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Credit Union Australia

## Fact Sheet

# CHANGES TO CUA'S CONSTITUTION – MUTUAL CAPITAL REFORMS

### What are mutual capital instruments (MCIs)?

Mutual Capital Instruments, or MCIs, are a new type of share, which can only be issued by mutual entities. An MCI can be issued by a mutual entity to raise capital, while maintaining its status as a mutual.

This new type of capital instrument was created as part of the *Treasury Laws Amendment (Mutual Reforms) Act 2019*, which commenced in April 2019. The legislation implemented a number of recommendations from the Hammond Review, which was an inquiry into the barriers that co-operatives, mutuals and member-owned businesses faced in being able to compete. The review examined the challenges faced by mutuals in raising capital, including that they do not have access to the sources of capital that larger listed banks or other companies can access by issuing ordinary shares. This has meant mutuals, like CUA, have relied primarily on retained earnings from profits to grow their business.

The Hammond Review, and subsequent introduction of this legislation, was a major win for the mutual sector and has been widely acknowledged as a significant reform for banking sector competition.

### Why is CUA proposing changes to its Constitution and how will this benefit members?

The change to CUA's Constitution will position CUA to take advantage of the Mutual Reforms, which herald a new era for mutual entities in Australia. Access to this type of capital will assist CUA to continue to **invest, innovate, grow and compete**, ensuring sustainability for future generations of members, while **maintaining our mutuality**.

The first step is to ensure our Constitution provides for CUA to issue MCIs.

Making this change now means we can make use of the special procedure to amend our Constitution, which streamlines the process for mutuals intending to issue MCIs in the future. This special procedure is available for eligible mutuals for a limited period of time under the new Mutual Reforms legislation.

A summary of the proposed changes is included in the table in the Explanatory Notes. A copy of the Constitution, showing the proposed changes, is available from [cua.com.au/constitution](http://cua.com.au/constitution)

Importantly, the proposed changes do not affect CUA's status as a mutual. This is absolutely not a move towards a demutualisation.

### Is CUA planning to issue MCIs?

CUA has no current plans to issue MCIs but the Board and CUA management consider it important to take advantage of the Mutual Reforms now to update CUA's Constitution. This will help future-proof CUA, giving us the flexibility to issue MCIs in a timely manner should it be necessary or desirable to do so at a later stage — either to raise capital which meets APRA's requirements to be classified as 'regulatory capital' or to seize on business opportunities.

Any decision to issue MCIs would need to be approved by the Board of CUA, who would need to determine that this decision was in the best interests of CUA and our members. The issue of MCIs would also be subject to CUA obtaining the necessary regulatory approvals.

### Will holders of MCIs be members of CUA?

Each MCI holder will be a member of CUA under the *Corporations Act*, but they will not hold a member share like a CUA account holder. This means that they will not be entitled to the same benefits that holders of member shares are entitled to (unless they happen to also hold a member share as a CUA account holder).

### Will holders of MCIs have voting rights?

The terms of issue for any MCIs will be decided by the Board when MCIs are issued and these will spell out any voting rights. Each MCI holder would receive no more than one vote at a CUA general meeting. If an MCI holder is also a CUA account holder, they would still only be entitled to one vote at a CUA general meeting.

## What returns would an MCI holder be entitled to receive?

Under the new Mutual Reforms legislation, an MCI is a fully paid share with non-cumulative dividends. This means CUA's Board will have discretion to decide what return on investment or dividend (if any) will be paid to MCI holders. If CUA decides not to pay dividends in any given year, no dividends will accumulate or carry over to the following year. CUA would not carry a liability on its balance sheet, as MCI holders can't claim the unpaid dividends in subsequent years.

The CUA Board will also have discretion to set the entitlements, requirements and obligations which attach to MCIs. This gives CUA the flexibility to issue MCIs which meet the Australian Prudential Regulation Authority (APRA) requirements for regulatory capital, if it is necessary or desirable to do so, without needing to update the Constitution again in the future.

In the unlikely event that CUA is wound up, MCI holders would rank below all 'senior creditors'. Any CUA members who paid for their member share (before CUA made changes that meant new members no longer paid for a member share) would be 'senior creditors' in relation to that amount. After these and all other senior creditors in a winding up are paid, MCI holders would be entitled to a claim on surplus assets and profits. However, MCI holders can't receive any more than the amount that was initially paid to CUA for the MCIs.

After MCI holders have been paid their capped amount, any remaining surplus would be shared between CUA members.

## What is the difference between MCIs and additional shares?

MCIs are not the same as additional shares. For example, MCIs may carry voting rights (no more than one vote per MCI holder, regardless of the number of MCIs they hold); there is no obligation on CUA to pay dividends (any dividends will be non-cumulative); and the Board can decide to include more restrictive conditions in the terms of issue for any MCI (for example, they might decide in some circumstances that MCI holders will not have any voting rights).

## Do the proposed changes mean CUA is demutualising?

No. In fact, the changes will strengthen CUA's ability to compete as a mutual entity and clearly maintain CUA's status as a mutual. CUA is Australia's largest and oldest credit union and we are committed to remaining a purpose-led mutual and to supporting members through life's changes, just as we have been doing for the past 73 years.

## What is CUA asking members to do?

The CUA Board and management are encouraging our members to **vote in favour of the changes**, so we can leverage the benefits of the new Mutual Reforms legislation. These changes will give CUA the ability to raise capital in the future which is beneficial to CUA and to you, our members, as it means we can continue to invest, innovate, grow and compete. This will ensure sustainability for future generations of members, while maintaining our mutuality.

Members can vote in just a few minutes using our online portal at [cua.com.au/agm](http://cua.com.au/agm)

Alternatively, you may wish to assign your proxy to the Chairman or another person, or you can cast your vote by attending the AGM in Brisbane on 13 November 2019.

## Who can I speak to for more information about the proposed changes?

If you have any questions or comments on the changes, we are happy to discuss these with you.

**For questions about this change or voting at the AGM, you can ring the CUA AGM information hotline on 1300 494 781**

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