



Regional Australia Bank Ltd  
Technology Park, Madgwick Drive  
Armidale, NSW 2350  
ABN 21 087 650 360



Holiday Coast Credit Union Ltd  
1 Commerce Street  
Wauchope, NSW 2446  
ABN 64 087 650 164

# Member Information Document

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This Information Document contains important information about the proposed transfer of business of Holiday Coast Credit Union Ltd ABN 64 087 650 164 (Holiday Coast) and Regional Australia Bank Ltd ABN 21 087 650 360 (Regional Australia Bank) by way of a transfer of business under the *Financial Sector (Transfer and Restructure) Act 1999* (Cth).

**THE DIRECTORS OF REGIONAL AUSTRALIA BANK AND HOLIDAY COAST UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE RESOLUTIONS REQUIRED TO APPROVE THE TRANSFER OF BUSINESS.**

**Disclaimer**

This Member Information Document is dated 9 April 2019. It has been issued by each institution under an approval dated 9 April 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 Information Document.

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Members of Regional Australia Bank and Holiday Coast should read this Member Information Document carefully. If you have any questions about this information in this document, please contact your financial institution using the details as follows:

Holiday Coast Credit Union – Mr Neville Parson (Chief Executive Officer)	Phone: 02 6580 8226 Email: <a href="mailto:nparsons@hccu.com.au">nparsons@hccu.com.au</a> website: <a href="http://www.hccu.com.au">www.hccu.com.au</a>
Regional Australia Bank – Mr Kevin Dupé (Chief Executive Officer)	Phone: 02 6776 0437 Email: <a href="mailto:kdupe@regionalaustaliabank.com.au">kdupe@regionalaustaliabank.com.au</a> website: <a href="http://www.regionalaustaliabank.com.au">www.regionalaustaliabank.com.au</a>

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**1 Chairs' Letter**

The proposed transfer of business of Regional Australia Bank and Holiday Coast will create a financial institution with combined assets of more than \$2 billion. The transfer, once approved, will create a new organisation which will be more competitive in the marketplace as it develops new and innovative products and provides even greater service to members into the future.

Members of both institutions will also enjoy the benefits of an extended branch network and enhanced digital offerings. Both Regional Australia Bank and Holiday Coast will continue to trade under their existing trading names. Holiday Coast will be used as a trading name which will be structured as a division of Regional Australia Bank Ltd and used and promoted in its geographical region. The trading name of Holiday Coast will be retained so long as it continues to have market relevance and broader community support, with the future of the name being based on member and market research.

The transfer of business has the unanimous support of the Board of Directors of both Regional Australia Bank and Holiday Coast who recommend that you vote for the resolution relating to the transfer at the Special General Meeting for each institution.

We expect it will not only deliver a superior outcome for our member owners but will also attract more people who want a customer owned alternative banking offer.

Both institutions are committed to offering our members values based suitable banking products and services.

You are encouraged to vote on the proposal by attending the Special General Meeting of your organisation on the following date:

Holiday Coast: 29 May 2019

Regional Australia Bank: 30 May 2019

You will find further details of the Special General Meeting outlined below in this document.

If you cannot attend, you can vote by completing and returning the proxy form that accompanies this Member Information Document.

On behalf of both Boards, we would like to thank you for your continued support of your customer owned banking institution and encourage each of you to vote in favour of this transfer of business to ensure an ongoing regionally based customer-owned banking offering.



Peter Graham Olrich  
Chairman

Regional Australia Bank Ltd



Allan Greenlees Gordon  
Chairman

Holiday Coast Credit Union Ltd

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## 2 Transfer Overview

### 2.1 About the Transfer Process

The Boards of Holiday Coast and Regional Australia Bank have unanimously agreed to pursue merger discussions following extensive consultation between both parties over the last six months.

Holiday Coast is proposing to transfer its business to Regional Australia 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 total transfer of business by Holiday Coast to Regional Australia Bank.

The members of each institution will be asked to vote on a special resolution approving the transfer at respective Special General Meetings on 29 and 30 May 2019. If the transfer is approved by both the Holiday Coast members and Regional Australia 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 July 2019 or a later date that APRA determines.

The transfer is by way of a total transfer of business from Holiday Coast to Regional Australia Bank. All the assets and liabilities of Holiday Coast (including Holiday Coast's reserves and all deposits and loans held by members) will be transferred to Regional Australia Bank. The members of Holiday Coast will become members of Regional Australia Bank.

All of the Member Investment Securities issued by Holiday Coast will be cancelled on the transfer date and the holders will receive repayment of their investment and any unpaid dividend by no later than the end of the 5<sup>th</sup> business day after the transfer. **Important information about the cancellation of the Member Investment Securities can be found in Attachment C.**

The proposed transfer will not demutualise Holiday Coast. By becoming members of Regional Australia Bank, Holiday Coast members will continue to be members of a mutually owned financial institution.

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

The Board of Holiday Coast has given assurances to APRA that it will ensure that all Holiday Coast funds are transferred to Regional Australia Bank, and that it will prepare, sign-off and lodge financial statements for Holiday Coast up to the transfer date (see *Attachment D*).

The Special General Meeting will provide a forum for you to raise questions. The Chair of the respective Special General Meetings 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 2 of this document.

### 2.2 How To Vote

#### (a) Details of the Special General Meetings

The details of the Special General Meeting of each of the institutions are as follows:

	<b>Holiday Coast Credit Union Ltd</b>
<b>Date</b>	29 May 2019
<b>Time</b>	5:00pm
<b>Place</b>	Wauchope Country Club, 24 King St, Wauchope NSW 2446
	<b>Regional Australia Bank Ltd</b>
<b>Date</b>	30 May 2019
<b>Time</b>	5:00pm
<b>Place</b>	Regional Australia Bank Head Office, Technology Park, Madgwick Drive, Armidale NSW 2350

Each Special General Meeting will consider and, if thought fit, pass the Special Resolution approving the transfer of business. The passing of this resolution by both institutions is necessary for the transfer to be implemented.

Please note that the transfer proposal is being submitted for approval by each institutions' members as a total package. With the exception of the required member approvals for the payment of termination benefits to certain retiring Holiday Coast Directors, the members can only choose to approve or not approve the transfer of business transaction in its entirety as described in this Information Document.

For the transfer of business Special Resolution to be passed by each institution, votes in favour must be received from at least 75% of members, who are present and voting either in person or by proxy at the Special General Meeting. Payment of termination benefits to the retiring Holiday Coast directors is subject to approval by the Holiday Coast members as an ordinary resolution (see separate sections below titled "Other Information Material to the Making of a Decision in Relation to the Merger").

**(b) Voting at the Special General Meeting (SGM)**

You may vote at your institution's SGM:

- (i) in person by attending the SGM;
- (ii) by attorney appointed to vote on your behalf. Those persons attending as an attorney must bring the original power of attorney, or certified copy, unless the institution has already noted it;
- (iii) by corporate representative appointed to vote on behalf of a member that is a company. Those persons attending as a corporate representative must bring evidence of their authority, such as a letter or certificate evidencing their appointment; or
- (iv) by proxy. To be valid, a Proxy Form must be received by the Company Secretary for your institution at least 48 hours before the time for commencement of each SGM. For further information on proxy voting, please refer to the detailed instructions contained in the Proxy Form that accompanies this Information Document.

**(c) Voting by poll**

Voting at the SGM will be conducted by way of a poll. Each Member (other than minors) will have one vote.

**2.3 What if the Transfer Does Not Proceed?**

If the necessary special resolution is not passed, either by members of Holiday Coast or by members of Regional Australia Bank, then the transfer will not proceed.

If the transfer is not approved, the operations of Holiday Coast and Regional Australia Bank will continue (at least in the short term) to operate as they do today. However, the Holiday Coast and Regional Australia Bank Boards expect the various competitive and market pressures to intensify in the years ahead.

As outlined in this 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.

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### **3 Directors' Recommendation and Reasons for the Transfer of Business**

#### **3.1 The Holiday Coast Directors' Recommendation**

The Holiday Coast Directors unanimously recommend that you vote in favour of the transfer of business proposal.

The Holiday Coast Directors unanimously consider that, for the reasons set out in this document, the transfer of business is in the best interest of Holiday Coast members as a whole. Each Holiday Coast Director intends to vote in favour of the transfer.

In making their recommendation and determining how to vote on the transfer of business, the Holiday Coast Directors have considered the advantages and disadvantages of the transfer.

In considering whether to vote in favour of the transfer, the Holiday Coast Directors encourage you to read this Information Document carefully and in its entirety.

#### **3.2 The Regional Australia Bank Directors' Recommendation**

The Regional Australia Bank Directors unanimously recommend that you vote in favour of the transfer of business proposal.

The Regional Australia Bank Directors unanimously consider that, for the reasons set out in this document, the transfer of business is in the best interest of Regional Australia Bank members as a whole. Each Regional Australia Bank Director intends to vote in favour of the transfer.

In making their recommendation and determining how to vote on the transfer of business, the Regional Australia Bank Directors have considered the advantages and disadvantages of the transfer.

In considering whether to vote in favour of the transfer, the Regional Australia Bank Directors encourage you to read this Information Document carefully and in its entirety.

#### **3.3 Reasons Why You Should Vote in Favour of the Transfer**

The following is a summary of the reasons why you should vote in favour of the transfer of business.

(a) **The Transfer is in the Best Interests of Members of Holiday Coast and Regional Australia Bank**

The Australian financial services industry is challenged by intense market competition, a continuing downwards pressure on interest margins and an increase in capital and funding costs. There is also a stronger demand for adherence to regulatory, statutory and compliance obligations with smaller institutions being particularly exposed to these market and regulatory challenges and their associated cost pressures.

Regional Australia Bank's strategy is focused on organic growth as well as opportunities by way of transfers of business. One of the strategic benefits of this transfer of business is the ability to diversify risk geographically and to obtain a further diversified operational branch network.

The Boards of Holiday Coast and Regional Australia Bank have concluded that a transfer between both institutions is overwhelmingly in the best interests of members. The transfer of business will deliver tangible and immediate benefits to members of both institutions where the enhanced scale will substantially help to preserve a strong and sustainable banking offering for the benefit of communities throughout NSW through improved products, greater access and better services.

The Boards of Holiday Coast and Regional Australia Bank have recognised the compelling need to collaborate with strong performing like-minded institutions, in order to achieve greater scale economies and reduced risk concentrations. This provides the ability to acquire the financial capacity and management expertise that will enable them to maintain viable business models in the face of increasing competition. The trading name of Holiday Coast will be retained so long as it continues to have market relevance and broader community support, with the future of the name being based on member and market research.

The Boards of Holiday Coast and Regional Australia Bank believe that as both institutions are performing well, share similar values and cultures, and a deep commitment to continue providing a competitive and cooperative banking alternative for those communities throughout NSW, maintaining a banking service offering to people outside of the metropolitan area is imperative. While both institutions share some areas of operation, the overall geographic spread is different, meaning that members will be able to access services in new and broader areas.

Upon the transfer of business taking effect, the combined institution will have a network of approximately 40 locations, assets in excess of \$2 billion under management and around 300 employees. This organisational scale will create a far more sustainable financial institution that can yield tangible benefits to members and their communities. It will also enhance the capacity to attract and retain high quality skilled individuals and to expand employment and professional development opportunity.

(b) **Benefits of a Wider Range of Products and Services**

Both Holiday Coast and Regional Australia Bank provide competitive products to their members. A review of the product and services attributes after the effective transfer date will assist in creating an improved range of product and services for all members.

(c) **Specific Benefits to Holiday Coast Members**

The benefits to members of Holiday Coast is that they will have access to Regional Australia Bank's expanded range of products and services (including commercial loans, a comprehensive suite of fixed and variable rate mortgage loans and small business banking packages). Benefits will also include less fees by changing to a more contemporary fee structure that removes excess transaction fees and reduces monthly account servicing fees and better interest rates resulting in an estimated combined value of over \$750,000<sup>1</sup>pa in savings to members. As an immediate benefit of the merger, the members of Holiday Coast will have access to a substantially expanded network of branches throughout NSW as well as being part of the successful Community Partnership Program with the combined entity providing over \$1,500,000pa in support of local clubs, charities and community groups.

(d) **Specific Benefits to Regional Australia Bank Members**

Compared to the current balance sheet of Regional Australia Bank alone, the transfer of business will provide Regional Australia Bank with a more diversified risk profile (both geographically and across different employee/industry segments) and an enhanced ability to access more cost-effective capital to support future loan growth, branch and technology infrastructure, and product and service development.

(e) **Appointment of Holiday Coast Directors to the Regional Australia Bank Board**

Three (3) Holiday Coast Directors will join the six (6) Regional Australia Bank Directors on the nine (9) person Board of Regional Australia Bank from the date of the effect of the transfer of business to ensure continuity post-transfer. Over the two (2) years from the 2019 Annual General Meeting (AGM) until the 2021 AGM, the number of directors will remain at nine (9). From the 2021 AGM, the number of directors will reduce from nine (9) to seven (7), with two directors standing down, one being from the transferred Holiday Coast Board and one from the Regional Australia Bank Board.

The Regional Australia Bank Board will then consist of seven (7) directors until the 2022 AGM and therefore director elections will be suspended up until that 2022 AGM.

(f) **Alternatives to a Transfer between Holiday Coast and Regional Australia Bank**

The Board of Holiday Coast considered a range of alternative options that provide members with a sustainable financial institution. A part of these options also considered a number of mutual banking organisations but, on balance, Regional Australia Bank exhibited the preferable business model, performance, capital reserves, strongest alignment of values and culture and strategic focus.

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<sup>1</sup> Based on a comparative assessment of Holiday Coast and Regional Australia Bank loans, savings and investment product interest rates at October 2018.

As well as these factors Regional Australia Bank also provided a strong financial position which allows for the delivery of greater value, a broader range of competitive products, a simplified fee structure resulting in fee relief for many Holiday Coast members and a contemporary information technology architecture to assist in delivering effortless digital solutions to members.

Further, geographic distribution without overlap also featured strongly to support the case with Regional Australia Bank above all others. With all options considered, the Board of Holiday Coast believe that the proposed transfer of business with Regional Australia Bank is the best solution.

In reaching this decision, consideration was given to the values associated with mutual banking principles that place members above profits and the relative relationships that are created from that position.

It was strongly felt that the original concept that caused Holiday Coast's establishment and existence to date remain valid and any options that compromised that position would not be acceptable. Holiday Coast's business model remains sound and there is good reason to extend the service offer to more and more people in the broader communities.

Regional Australia Bank's strategy identifies business transfers as one of the important mechanisms through which the business can reach a larger number of members and deliver greater value to those members. The Board was focused on ensuring that potential transfer partners needed to first and foremost be a good cultural fit for the organisation in order to be successful.

Consistent with this strategy, Regional Australia Bank identified other mutual banking organisations, but chose to pursue a transfer with Holiday Coast as they shared the same values and a similar member service focussed culture. Following high level discussions between the two institutions over a period of time, it was determined that a transfer of business would present an opportunity to create a more sustainable organisation focussed on delivering more value to members and greater employment opportunities for people through the community-based customer-owned banking model.

### **3.4 Reasons Why you may Choose to Not Vote in Favour of the Transfer of Business**

The following are reasons why you may choose to not vote in favour of the transfer of business.

#### **(a) Operational Impact**

A potential disadvantage for all members is that full integration of core banking systems may not occur from the effective date of the transfer of business. It may take many months to integrate this. However, this will not have any direct effect on the delivery of banking services and access to any members.

#### **(b) You may be Concerned with the Loss of Your Institution Brand/Identity**

Both Holiday Coast and Regional Australia Bank are customer owned banking institutions. Upon the transfer of business from Holiday Coast to Regional Australia Bank, this will not change. From the effective date of the transfer of business Holiday Coast will no longer be a 'credit union'. Even though Regional Australia Bank uses the term 'bank', it is a mutual bank that is focused on the same 'principles of mutuality' as Holiday Coast. These principles are entrenched into the Constitution of Regional Australia Bank in the same way that they are for Holiday Coast as a 'credit union'.

Members generally are proud of their customer owned banking institution and build an affinity with the name and logo because the values and behaviours exhibited by employees are consistent with those of the members. Whilst the removal of the name 'credit union' may be perceived by some members as being a potential disadvantage, the combined transferred entity will continue to be owned by its members.

Both Holiday Coast and Regional Australia Bank employees and directors will remain focused on putting people before profits.

Whilst the Holiday Coast name will be retained, it will be without the reference to 'credit union'. The combined transferred entity will be Regional Australia Bank Ltd which will continue to operate under the trading name of Regional Australia Bank. Holiday Coast will be used as a trading name which will be structured as a division of Regional Australia Bank Ltd and used and promoted in its geographical region. The trading name of Holiday Coast will be retained so long as it continues to have market relevance and broader community support, with the future of the name being based on member and market research.

Except for the Holiday Coast Chief Executive Officer, Neville Lyle Parsons, who will be retiring at 1 July 2019, all of the Holiday Coast employees and three (3) of the Holiday Coast directors, Neville Lyle Parsons, David Lance Johnson and Allan Greenlees Gordon, will transfer to Regional Australia Bank, ensuring that the culture and values of Holiday Coast are well represented. This is critical to ensure that Holiday Coast members remain well represented in the governance of their customer owned banking institution.

(c) **You may be Concerned with the Cancellation of the Holiday Coast Member Investment Securities**

A number of Holiday Coast members have received reasonable returns on their investment in the Member Investment Securities over many years. The transfer proposal, if approved, will result in the cancellation of all Member Investment Securities and the repayment of the investment and any unpaid dividend. Please see *Attachment C* for more information.

### 3.5 Other Relevant Considerations

There are some relevant considerations, which relate to the transfer of business and the combined institution, which both Holiday Coast and Regional Australia Bank members should take into account when deciding whether or not to vote in favour of the transfer.

(a) **Prospects for each Institution as a Standalone Entity**

The Boards of both Holiday Coast and Regional Australia Bank recognise that both institutions operate in an extremely competitive market, and in order to provide valued products and services to members, it is vital to have the necessary scale to deliver suitable products at competitive prices through preferred delivery channels to achieve ongoing growth. Interest rates must be maintained at competitive levels and cost structures controlled at appropriate levels. Capital levels must be above the prudentially regulated minimum requirements.

Whilst both institutions are performing well in the current low margin environment and have always made profits, the relative size of each institution makes it difficult to continue to produce sufficient levels of revenue to support sustained growth, maintain capital levels and deliver the level of services needed by members.

(b) **Consequences of Members not Approving the Transfer**

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 Holiday Coast and Regional Australia Bank believe this merger proposal is timely and prudent to proceed.

(c) **The Merger may Only be Implemented if Sufficient Members Vote for it**

For the merger to proceed, 75% of members of each institution who vote on the proposal will need to vote in favour of the proposal. If you do not vote on the proposal there may be insufficient votes to see the resolution passed by both institutions.

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## **4 Information about Holiday Coast Credit Union Ltd**

### **4.1 Introduction**

Holiday Coast, as a customer owned banking institution, has been providing banking services to its members along the east coast of NSW since its inception in 1967 as the Hastings Rural Credit Union. From these beginnings, Holiday Coast has undertaken transfers of business with the Manning Local Government Employees Credit Union in 2001 and Maitland Community Credit Union in 1999.

At present, Holiday Coast operates 11 branches from Maitland in the south to Coffs Harbour in the north and employs close to 100 staff. Holiday Coast's current membership stands at 25,334 with assets of \$607 million.

### **4.2 Holiday Coast's Constitution: Mutuality, Membership, Voting and Shareholding**

Each Holiday Coast Member holds a Holiday Coast member share (paid up to \$10.00) with the rights described in this Section.

Holiday Coast Members currently have certain rights under the Holiday Coast Constitution. These rights include:

- (i) the right to attend and vote at Holiday Coast Members' meetings (unless the Holiday Coast Member is a minor);
- (ii) the right to elect Holiday Coast Directors; and
- (iii) the right to share in any surplus assets of Holiday Coast in the event that Holiday Coast is wound up.

Following the transfer, Holiday Coast members will become Regional Australia Bank members.

The rights and liabilities attaching to member shares under the Regional Australia Bank Constitution will be the same as the rights and liabilities attached to current member shares in Holiday Coast.

A comparison of the rights of Holiday Coast members before (as a Holiday Coast Member) and after (as a Regional Australia Bank member) the implementation of the merger is set out in *Attachment B*.

The Regional Australia Bank Constitution will become the Constitution of the merged institution.

Although the existing Constitutions of Regional Australia Bank and Holiday Coast are very similar, there are some minor differences between them, none of which disadvantage Holiday Coast members.

Members can obtain a copy of the existing Constitutions of Regional Australia Bank and Holiday Coast from their websites at [www.regionalaustaliabank.com.au](http://www.regionalaustaliabank.com.au) and [www.hccu.com.au](http://www.hccu.com.au) respectively. A copy of these documents can also be obtained by contacting the respective company secretary.

### **Holiday Coast Membership and Shares**

If the transfer of business is approved by the members of Holiday Coast, when the transfer takes effect:

- all members of Holiday Coast, except its Directors, will cease to be members of Holiday Coast and all of their member shares in Holiday Coast will be cancelled. The Directors of Holiday Coast will remain members of Holiday Coast until Holiday Coast is deregistered as a company;
- all members of Holiday Coast, including its Directors, will become members of Regional Australia Bank. They will be deemed to have become members of the Bank on the earliest date when they became members of Holiday Coast (being a membership held continuously up to the time of the merger);

- a Member of Holiday Coast who holds a member share which was issued for \$10.00 and has been fully paid will be deemed on the transfer date to have been issued a member share in Regional Australia Bank issued at \$10.00 (fully paid);
- if a member of Holiday Coast already holds a member share in Regional Australia Bank (i.e. is a member of both institutions), that member will continue to be a member of Regional Australia Bank and will not be issued an additional member share in Regional Australia Bank. In respect of any Holiday Coast member shares cancelled in these circumstances, the member will receive a refund of the amount subscribed (if any); and
- if a Member of Holiday Coast has more than one member share in Holiday Coast, that member will receive only one member share in Regional Australia Bank (corresponding to their member share in Holiday Coast that was issued earliest in time). In respect of other Holiday Coast member shares, the Member will receive a refund of the amount subscribed (if any).

#### **Holiday Coast Member Investment Securities (MIS)**

All of the Member Investment Securities (MIS) issued by Holiday Coast will be cancelled and the investment amount and any unpaid dividend will be paid to those members by the end of the 5<sup>th</sup> business day following the transfer. Please see *Attachment C* for important information about this process.

### **4.3 Corporate and Governance Structure**

Holiday Coast operates with a governance structure that has been developed to ensure the Board focuses on strategy, planning and enhancement of Holiday Coast's performance. The Board ensures control of the corporate governance structure through effective delegation, risk management and assurance regarding financial and non-financial reporting.

To assist the Board in discharging its responsibilities and oversight of the business, it has established a number of Board committees with specific functional requirements. These committees are as follows:

- (i) Audit Committee;
- (ii) Risk Committee;
- (iii) Director Nominations Committee; and
- (iv) Remuneration & Succession Planning Committee.

The CEO is responsible for day-to-day leadership and management of the business activities and has the following Executive Managers in place to implement Board-approved strategies, policies, and operational directives:

- (i) Chief Risk Officer and Company Secretary;
- (ii) Chief Information Officer;
- (iii) Executive Manager Retail - Southern;
- (iv) Chief Financial Officer;
- (v) Company Secretary; and
- (vi) Executive Manager Credit & Retail - Northern.

### **4.4 Holiday Coast's Business**

Holiday Coast's core business, similar to Regional Australia Bank, is to provide retail banking services to its members, principally taking deposits and providing loans.

Membership is predominantly individuals, with small to medium enterprise business clients and unincorporated groups making up the balance.

Holiday Coast provides a range of deposit and loan products. The composition of those portfolios, as at 30 June 2018 is as follows:

The deposit portfolio comprises:

On Call deposits	54%
Fixed Rate Deposits	46%

The loan portfolio breakup is as follows:

Housing Loans	87.3%
Personal Loans	5.4%
Overdrafts	1.4%
Commercial Loans	5.9%
Variable rate loans	71.6%
Fixed Rate loans	28.4%

Investment housing loans comprise 14.2% of the Loans portfolio.

#### 4.5 Directors

The Holiday Coast Board consists of the following Directors:

(i)	Allan Greenlees Gordon (Chairman)	(appointed 26/06/2006)
(ii)	Jeffrey Brian Pattinson (Deputy Chairman)	(appointed 25/10/2000)
(iii)	Ross William Gilshenan	(appointed 31/10/2011)
(iv)	David Lance Johnson	(appointed 29/10/2016)
(v)	Kristal Elizabeth Christie	(appointed 24/08/2012)
(vi)	Paul Donald Longworth	(appointed 20/10/2007)
(vii)	Susan Elizabeth McGinn	(appointed 23/10/2003)
(viii)	Neville Lyle Parsons	(appointed 27/08/2007)

#### 4.6 Financial Position

The following tables summarise the financial position of Holiday Coast and are based on its audited financial reports as at 30th June 2018.

There has been no material change to the financial position of Holiday Coast since 30th June 2018. Members will be informed of any material change between the date of this document and the date of the Special General Meeting.

Other than the merger proposal, there are no significant changes to the nature of Holiday Coast's activities since the date of this Information Document.

Since the end of the financial year being 30 June 2018, Holiday Coast has continued to trade profitably and consistently with organisational objectives.

#### Statement of Profit or Loss – Holiday Coast

	30 June 2017	30 June 2018
	\$'000	\$'000
Interest revenue	24,204	24,865
Interest expense	-9,527	-9,076
Net Interest income	14,677	15,789
Other income	3,441	3,483
Net impairment loss	-151	-115
Other expenses	-15,761	-15,961
Net profit before tax	2,206	3,196
Income tax expense	-651	-965
Other Comprehensive Income	328	0
Net profit	1,883	2,231

## Statement of Financial Position - Holiday Coast

	30 June 2017	30 June 2018
<b>Assets</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	19,452	17,539
Receivables from financial institutions	118,575	126,102
Loans to members	443,244	456,140
Other Investments	50	54
Property, plant and equipment	4,278	3,959
Other assets	3,503	3,863
<b>Total assets</b>	<b>589,102</b>	<b>607,657</b>
<b>Liabilities</b>		
Borrowings	0	0
Members deposits	539,854	556,556
Other payables	6,176	5,700
Deferred tax liabilities	743	969
Provisions	266	287
<b>Total Liabilities</b>	<b>547,039</b>	<b>563,512</b>
<b>Net Assets</b>	<b>42,063</b>	<b>44,145</b>
Preference Shares	3,279	3,279
Member Shares	405	442
Reserves	2,436	2,761
Retained earnings	35,943	37,663
<b>Total Members Equity</b>	<b>42,063</b>	<b>44,145</b>

### 4.7 Independent Advice

Holiday Coast used the services of Northcorp Financial Services Pty Ltd and Ingham CS Pty Ltd to conduct a due diligence review of Regional Australia Bank. The due diligence enquiries undertaken on behalf of Holiday Coast found that none of the findings were material to the interests of Holiday Coast members transferring the business to Regional Australia Bank.

The due diligence reports and subsequent assessment and clarification concluded that there were no issues reviewed that would be materially adverse to the interests of members on a transfer of business.

### 4.8 Other Information Material to the Making of a Decision in Relation to the Merger

Except as set out in this Information Document, so far as the Holiday Coast 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 transfer, being information that is within the knowledge of Directors of Holiday Coast and has not previously been disclosed to members of Holiday Coast.

No direct financial benefit will be paid to any Holiday Coast member in relation to the transfer of business.

### Benefits to Officers

No officer of Holiday Coast, whether current or retiring, has any interest (financial or otherwise) in the proposed transfer of business, other than as disclosed below.

The current Holiday Coast Directors, Neville Lyle Parsons, David Lance Johnson and Allan Greenlees Gordon will be appointed to the Board of Regional Australia Bank and will be entitled to fees as directors of Regional Australia Bank.

Subject to the approval of Holiday Coast members, the following non-continuing directors of Holiday Coast, who will not be directors of Regional Australia Bank, will therefore receive a payment for not becoming a Director of Regional Australia Bank:

<b>Director</b>	<b>Board</b>	<b>Payment</b>
Jeffrey Brian Pattinson	Holiday Coast	\$60,000*
Kristal Elizabeth Christie	Holiday Coast	\$60,000*
Ross William Gilshenan	Holiday Coast	\$60,000*
Susan Elizabeth McGinn	Holiday Coast	\$60,000*
Paul Donald Longworth	Holiday Coast	\$60,000*

*\*Note: This benefit is payable for not becoming a Director of Regional Australia Bank and will be payable within 5 business days of the date of deregistration of Holiday Coast.*

Please note that a separate resolution seeking member approval for the proposed payments to the Holiday Coast directors (in the table above) who are not proceeding onto the Regional Australia Bank Board appears as Agenda Item 4 in the Holiday Coast Credit Union Ltd Notice of Special General Meeting, as enclosed with this Member Information Statement.

No compensation shall be payable to any other person as a consequence of the transfer, except for Regional Australia Bank or Holiday Coast employees who take a voluntary redundancy as a result of the transfer and such employees are entitled to a payment under an employment contract or relevant Award.

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## **5 Information about Regional Australia Bank Ltd**

### **5.1 Introduction**

Regional Australia Bank, as a customer owned banking institution, has been providing a full range of banking services to its members across regional Australia for almost 50 years. From its beginnings with the New England Staff Credit Union at The University of New England in 1969, Regional Australia Bank has undertaken recent transfers of business with Peel Valley Credit Union in 2004, Orana Credit Union in 2008 and Hunter Mutual in 2010.

Being mindful of not losing the identity of those institutions, the trading names of New England Mutual, Orana Mutual and Hunter Mutual were used in the relevant geographical areas under the overarching brand of the Community Mutual Group. In 2016, the institution changed its name to Regional Australia Bank to better reflect who we are, what we do and the commitment we have to the prosperity of the individuals and communities in regional Australia.

Operating in regional NSW and the administrative head office located in Armidale, Regional Australia Bank has grown to be one of the premier banking alternatives to the 'Big Four' banks. Regional Australia Bank has over 62,000 members serviced by 28 branches and offices throughout New South Wales.

Assets at the end of June 2018 totalled \$1.4 billion.

### **5.2 Regional Australia Bank's Constitution: Mutuality, Membership, Voting and Shareholding**

Each Regional Australia Bank member holds a member share (paid up to \$10.00 if they became members prior to 29 November 2017 and paid up to \$1.00 after 29 November 2017) with the rights described in this Section.

Regional Australia Bank members currently have certain rights under the Regional Australia Bank Constitution. These rights include:

- (i) the right to attend and vote at Regional Australia Bank Members' meetings (unless the Regional Australia Bank Member is a minor);
- (ii) the right to elect Regional Australia Bank Directors; and
- (iii) the right to share in any surplus assets of Regional Australia Bank in the event that Regional Australia Bank is wound up.

Following the transfer, Holiday Coast members will become Regional Australia Bank members.

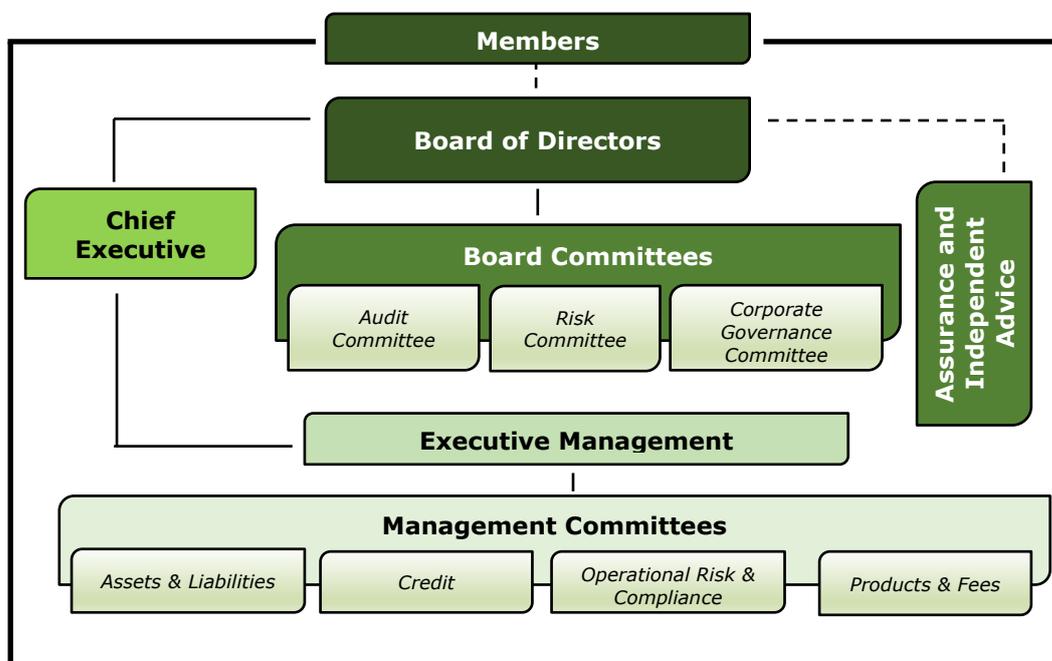
The rights and liabilities attaching to member shares under the Regional Australia Bank Constitution will be the same as the rights and liabilities attached to current member shares in Holiday Coast. A comparison of the member rights and liabilities in the Holiday Coast and Regional Australia Bank Constitutions are set out in *Attachment B*. The Regional Australia Bank Constitution will become the Constitution of the combined organisation from the effective transfer date.

Members can obtain a copy of the existing Constitutions of Regional Australia Bank and Holiday Coast from their websites at [www.regionalaustaliabank.com.au](http://www.regionalaustaliabank.com.au) and [www.hccu.com.au](http://www.hccu.com.au) respectively. A copy of these documents can also be obtained by contacting the respective company secretary.

### 5.3 Corporate Governance Structure

Regional Australia Bank's Board operates with a governance structure that has been developed to support its strategic plan, whilst ensuring a clear structure of oversight of key controls and effective leadership. These factors enable Regional Australia Bank to operate in an effective manner with prudent management.

The Board ensures effective control of the corporate governance structure through effective delegation, risk management and a system of assurance regarding financial and non-financial reporting. The corporate governance structure is outlined as follows:



To assist the 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 and the Board Corporate Governance Committee as shown above.

The Board has delegated authority to the Chief Executive Officer (CEO) to ensure Regional Australia Bank's strategic objectives are met. The CEO is responsible for day-to-day leadership and management of the business activities and has the following Executive Managers in place to implement Board-approved strategies, policies, resolutions and directions.

- (i) Chief Strategy Officer;
- (ii) Chief Operations Officer;
- (iii) Chief Governance Officer / Company Secretary;
- (iv) Chief Risk Officer;
- (v) Chief Information Officer;
- (vi) Chief Customer Relationship Officer;
- (vii) Chief Financial Officer; and
- (viii) Chief Marketing Officer.

### 5.4 Regional Australia Bank's Business

Regional Australia Bank's core business is to provide retail-banking services to its members, principally taking deposits and providing loans.

Membership is predominantly individuals, with small to medium enterprise business clients and unincorporated groups making up the balance.

Regional Australia Bank provides a range of deposit and loan products. The composition of those portfolios as at 30 June 2018 is as follows:

The deposit portfolio comprises:

On Call deposits	60%
Fixed Rate Deposits	40%

The loan portfolio breakup is as follows:

Housing Loans	81.5%
Personal Loans	6.4%
Overdrafts	2.2%
Commercial Loans	9.9%
Variable rate loans	78.7%
Fixed Rate loans	21.3%

Investment housing loans comprise 14.6% of the Loans portfolio.

## 5.5 Directors

The Regional Australia Bank Board consists of the following directors:

(i)	Peter Graham Olrich (Chairman)	(appointed 2011)
(ii)	Alison Jane Nethery (Sheridan)	(appointed 2003)
(iii)	Brian Maxwell Goodall	(appointed 1997)
(iv)	Katherine Emma James	(appointed 2008)
(v)	Michael Damien Fenech	(appointed 2014)
(vi)	Geoffrey Michael Thompson	(appointed 2008)

## 5.6 Financial Position

The following tables summarise the financial position of Regional Australia Bank and are based on its audited financial reports as at 30th June 2017 and 30th June 2018.

There has been no material change to the financial position of Regional Australia Bank since 30th June 2018. Members will be informed of any material change between the date of this document and the date of the Special General Meeting.

Other than the merger proposal, there are no significant changes to the nature of Regional Australia Bank's activities since the date of this Member Information Document.

Since the end of the financial year being 30 June 2018, Regional Australia Bank has continued to trade profitably and consistently in accordance with its strategic objectives.

### Statement of Profit or Loss – Regional Australia Bank

	30 June 2017	30 June 2018
	\$'000	\$'000
Interest revenue	56,922	59,828
Interest expense	-19,860	-21,179
Net Interest income	37,062	38,649
Other income	7,146	7,182
Net impairment loss	-1,064	-736
Other expenses	-31,389	-32,230
Net profit before tax	11,755	12,865
Dividends	0	0
Income tax expense	-3,612	-3,723
Other Comprehensive Income	3	686
Net profit	8,146	9,828

## Statement of Financial Position - Regional Australia Bank

	30 June 2017	30 June 2018
Assets	\$'000	\$'000
Cash and cash equivalents	89,212	80,233
Receivables from financial institutions	138,654	163,725
Loans to members	1,064,096	1,144,110
Other Investments	1,129	1,379
Property, plant and equipment	5,968	5,715
Other assets	11,951	8,785
<b>Total assets</b>	<b>1,311,010</b>	<b>1,403,947</b>
Liabilities		
Borrowings	3,994	0
Members deposits	1,176,723	1,269,157
Other payables	22,731	17,570
Provisions	380	160
<b>Total Liabilities</b>	<b>1,203,828</b>	<b>1,286,887</b>
<b>Net Assets</b>	<b>107,182</b>	<b>117,060</b>
Members Equity		
Member Shares	657	678
Reserves	768	1,454
Retained earnings	105,757	114,928
<b>Total Members Equity</b>	<b>107,182</b>	<b>117,060</b>

### 5.7 Independent advice

Regional Australia Bank used the services of Wallmans Lawyers to advise on legal matters relating to the transfer.

Regional Australia Bank did not use independent advice to perform a due diligence review on Holiday Coast. The results of the due diligence undertaken by Regional Australia Bank did not identify any matters that would be expected to materially affect the members of Regional Australia Bank on the transfer of business from Holiday Coast.

### 5.8 Proposed Constitutional Amendments

There will be no proposed Constitutional amendments to the Regional Australia Bank Constitution.

### 5.9 Other Information Material to the Making of a Decision in Relation to the Transfer

Except as set out in this Member Information Document, so far as the Regional Australia 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 transfer of business, being information that is within the knowledge of directors of Regional Australia Bank and has not previously been disclosed to members of Regional Australia Bank.

No Regional Australia Bank director will receive any payment or benefit as a consequence of this transfer of business.

All of the current Regional Australia Bank directors will continue on the Board after the effective transfer date and will remain to be entitled to fees as directors of Regional Australia Bank.

No compensation shall be payable to any other person as a consequence of the transfer, except for Regional Australia Bank or Holiday Coast employees who become redundant or who terminate as a result of the transfer. Such employees are entitled to a payment under an employment contract or relevant Award.

## 6 Information about Regional Australia Bank Ltd after the Transfer of Business

### 6.1 Rationale for the Proposal

The directors of both Holiday Coast and Regional Australia Bank believe that this transfer of business will be very beneficial for both institutions.

Both Holiday Coast and Regional Australia Bank were established to support members in regional New South Wales and both institutions remain committed to that resolve today. Both organisations share similar values driven by personal service, community support and an ethical culture with a commitment to offering suitable banking products and services that members can genuinely trust.

The transfer of business aligns with the strategy of both institutions, supporting their growth aspirations and contributing significantly to the achievement of long term operational goals. Product and service offerings of both institutions share similarities and will align well for members as will the complimentary branch networks.

Members of both Holiday Coast and Regional Australia Bank will benefit from the transfer.

The merger will provide a combined entity able to provide improved products, services and delivery methods and channels for members.

This merger will build a stronger, more resilient, regional bank and will strengthen the future of customer owned banking in regional New South Wales.

The combined entity with the scale created by the merger will provide an institution with increased resilience that is able to better manage the uncertainties of the domestic and global financial markets well into the future.

### 6.2 The Board of Regional Australia Bank

The Board of Regional Australia Bank at the transfer date will include the current directors of Regional Australia Bank and three (3) directors nominated by Holiday Coast. The composition of the Board will comprise:

Director	Board	Term Ends
Peter Graham Olrich	Regional Australia Bank	2024
Alison Jane Nethery (Sheridan)	Regional Australia Bank	2024
Katherine Emma James	Regional Australia Bank	2023
Michael Damien Fenech	Regional Australia Bank	2023
Geoffrey Michael Thompson	Regional Australia Bank	2022
Brian Maxwell Goodall	Regional Australia Bank	2021
Neville Lyle Parsons	Holiday Coast	2023
David Lance Johnson	Holiday Coast	2022
Allan Greenlees Gordon	Holiday Coast	2021

The three (3) Holiday Coast Directors as outlined in the table above will join the six (6) Regional Australia Bank Directors on the nine (9) person Board of Regional Australia Bank from the date of the effect of the transfer of business to ensure continuity post-transfer.

Over the two (2) years from the 2019 Annual General Meeting (AGM) until the 2021 AGM the number of directors will remain at nine (9). The intention will be that from the 2021 AGM the number of directors will reduce from nine (9) to seven (7), with two directors standing down, one being from the transferred Holiday Coast Board and one from the Regional Australia Bank Board.

From the date of effect of the transfer of business the directors named in the left column of the table above are deemed to be elected directors with their term of office ending at the end of the AGM indicated in the right column of the above table.

From the date of effect of the transfer of business Peter Graham Olrich will be elected as a Board appointed director and will be deemed to be Regional Australia Bank's chair of the board until the first meeting of the Board following the 2021 AGM. His appointment as chair will end if:

- (i) for any reason he ceases to be a director;
- (ii) he resigns from the office; or
- (iii) he is removed from the office by a resolution passed by a majority of the directors, whichever occurs first.

### **6.3 The Intentions of the Board of Regional Australia Bank for the Future Management and Operations of Regional Australia Bank**

The Board of Regional Australia Bank have provided the following statement setting out their intentions in relation to the future management and business operations of Regional Australia Bank from the effective transfer date.

#### Future Directions

The business of Holiday Coast will be integrated into Regional Australia Bank's business operations as at the proposed effective transfer date of 1 July 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 the effective transfer date. It is expected to be completed within 6 months of the transfer date.

#### Post Transfer Name

The combined transferred entity will be Regional Australia Bank Ltd which will continue to operate under the trading name of Regional Australia Bank. Holiday Coast will be used as a trading name which will be structured as a division of Regional Australia Bank Ltd and used and promoted in its geographical region. The trading name of Holiday Coast will be retained so long as it continues to have market relevance and broader community support, with the future of the name being based on member and market research.

#### Registered Office and Branches

The administrative headquarters and registered office will remain at the current Regional Australia Bank Ltd location in Armidale. Holiday Coast's current Head Office in Wauchope will be maintained and subject to current leases, Holiday Coast's existing eleven (11) branches and Regional Australia Bank's existing twenty eight (28) branches will be maintained. 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.

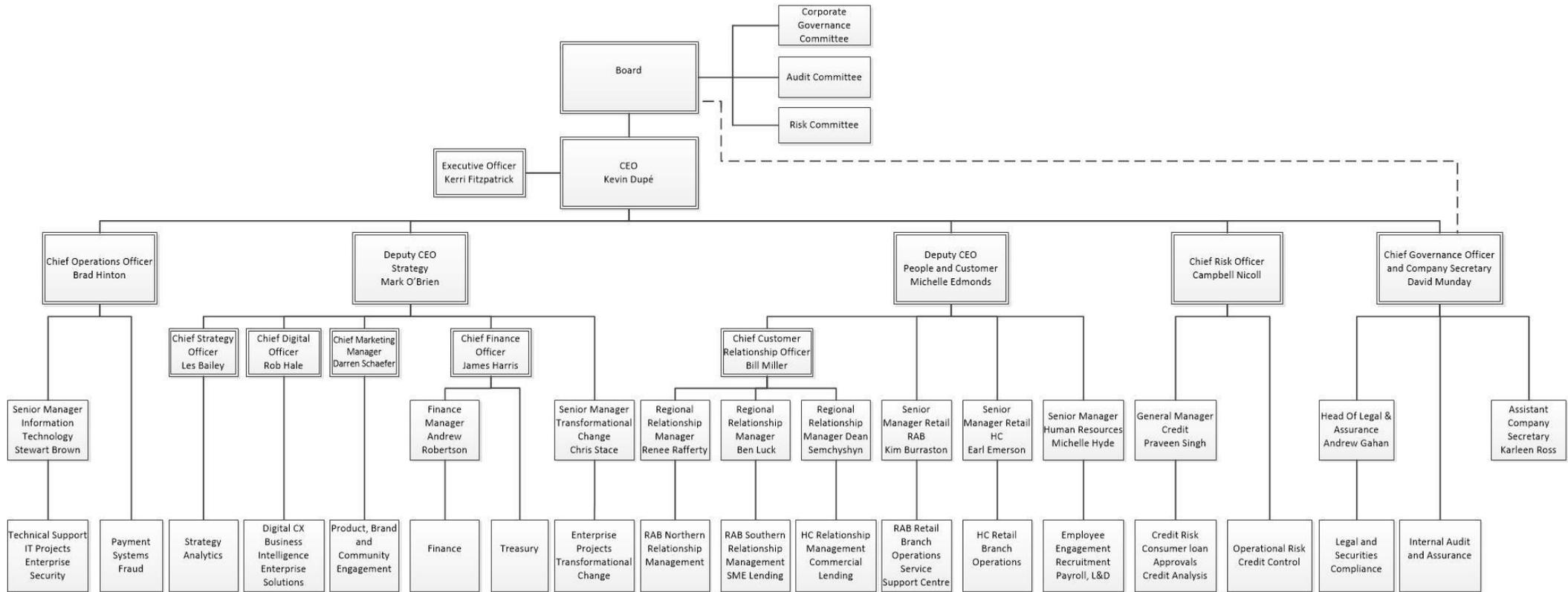
#### Staff

On the effective transfer date the current Chief Executive Officer (CEO) of Regional Australia Bank, Mr Kevin Dupé, will continue as the CEO. The CEO of Holiday Coast, Mr Neville Parsons, will retire as CEO.

From the effective transfer date, no employees of Holiday Coast (who are employed immediately before the effective transfer date) will be made forcibly redundant within the first twelve (12) months nor will there be any forced relocations of roles. However, it is acknowledged that Regional Australia Bank and Holiday Coast (in the pre-transfer period) and the new merged entity (following the effective transfer date) may choose to offer voluntary redundancy to selected employees. Any offer of voluntary redundancy after the effective transfer date will only be available for a period of six (6) months and will be at the discretion of the CEO.

The roles of the existing Regional Australia Bank and Holiday Coast Executive Managers will be restructured from the effective transfer date. This restructure will undertake a re-allocation of responsibilities. However no Executive Manager of either Regional Australia Bank or Holiday Coast will be made forcibly redundant. The proposed higher level organisational structure of Regional Australia Bank post effective transfer date is outlined as follows:

## Proposed Regional Australia Bank Organisation Structure – 1 July 2019



## Products and Services

Immediately after the transfer date, all products currently held by members of either Regional Australia Bank or Holiday Coast will continue under their existing terms and conditions including interest rates, fees and charges. *Attachment A* contains a list and comparison of the products and services that Regional Australia Bank or Holiday Coast currently provide, including details of fees, charges and interest rates.

It is intended that Regional Australia Bank will integrate the Regional Australia Bank and Holiday Coast products, fees and services as soon as possible after the effective transfer date. Regional Australia Bank will notify members of any changes to products, fees and services in advance of their implementation.

### **6.4 Capital Management**

The Capital Management Plan currently in place at Regional Australia Bank will become the plan for the merged entity.

Consistent with all banking organisations in Australia, the objective of Regional Australia Bank's capital management plan is to ensure that an appropriate level and quality of capital is maintained for the risks to which it is exposed from its activities. Retained capital provides a buffer that absorbs unanticipated losses from trading activities and would enable Regional Australia Bank to continue to operate in a sound and viable manner while addressing and resolving any problems.

### **6.5 Pro forma Financial Information**

Based on the financial accounts prepared by Holiday Coast and Regional Australia Bank, the following pro forma statements are provided as an indication of the financial position of the combined entity. The figures as at 30 June 2018 show the audited figures for each entity as well as the figures for the combined entity. They are best estimates only and are subject to market vagaries between time of writing and 30 June 2019.

#### **Statement of Profit and Loss – Combined Entity**

	<b>Regional Australia Bank audited</b>	<b>Holiday Coast audited</b>	<b>Combined entity</b>
	30 June 2018	30 June 2018	30 June 2018
	\$,000	\$,000	\$,000
Net Interest income	38,649	15,789	54,438
Other income	7,182	3,483	10,665
Net impairment loss	-736	-115	-851
Other expenses	-32,230	-15,961	-48,191
Net profit before tax	12,865	3,196	16,061
Income tax expense	-3,723	-965	-4,688
Other Comprehensive Income	686	0	686
Net profit	9,828	2,231	12,059

#### **Statement of Financial Position – Combined entity**

	<b>Regional Australia Bank audited</b>	<b>Holiday Coast audited</b>	<b>Combined entity</b>
	30 June 2018	30 June 2018	30 June 2018
Assets	\$,000	\$,000	\$,000
Total Assets	1,403,947	607,657	2,011,604
Net Assets	117,060	44,145	161,205
Capital Adequacy Ratio	16.11%	14.48%	15.65%

## **6.6 Outlook of Merged Entity**

Regional Australia Bank is committed to improving member value through access to a sustainable, community based, ethical, mutually owned financial institution with the capability to provide competitive products, exceptional service, strategically located branches, distribution models and channels.

Regional Australia Bank will continue to pursue business opportunities to build a stronger financial institution that maintains long-term sustainability of banking services across a diverse range of communities and markets.

## **6.7 Member Transactions**

Holiday Coast members may be allocated a new member number. If this is necessary, these details will be advised well before implementation and in the lead up to the time when the Holiday Coast member data base is integrated into the Regional Australia Bank computer system.

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

As both Holiday Coast and Regional Australia Bank currently use the same banking software, management has no reason to believe that existing transactions processed through the Holiday Coast system will not be similarly processed effectively in the Regional Australia Bank computer system.

Card transactions will be unaffected.

**7 Attachment A – Deposit & Loan Products, Fees and Charges and Product & Services Comparison**

<b>Schedule 1 - Comparison of Products and Services</b>		
	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>
<b>Savings Accounts</b>	Yes – refer to Schedule 2	Yes – refer to Schedule 2
<b>Term Deposits</b>	Yes – refer to Schedule 2.	Yes – refer to Schedule 2.
<b>Loan Accounts</b>	Yes – refer to Schedule 2.	Yes – refer to Schedule 2.
<b>Fees and Charges</b>	Yes – refer Schedule 3.	Yes – refer Schedule 3.
<b>Statements</b>	Electronic or Paper Monthly to Half Yearly	Electronic or Paper Monthly to Half Yearly
	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>
<b>Account Access &amp; Transaction Types</b>		
ATM/EFTPOS	✓	✓
Bpay	✓	✓
NPP/OSKO	✓	✓
Cheque Books	✓	✓
Counter Cheques	✓	✓
Credit Card	✓	✓
Reward/Platinum Credit Card	✓	x
Direct Debits & Credits	✓	✓
Internet Banking	✓	✓
Mobile App	✓	✓
Merchant facility	Offered through third party	Offered through third party
Future Payments	✓	✓
Eftpos Card	✓	✓
Telephone Banking	✓	✓
Travellers Cheques	Offered through third party	Offered through third party
Visa Debit card	✓	✓
Apple/Android Pay	x	✓
Bank @ Post	✓	✓
International payments	Online and In-Branch	In-Branch Only
Bank Feeds	XERO and BankLink	XERO and BankLink
<b>Insurance Services</b> (offered through third party provider)	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>
General Insurance – Domestic	✓	✓
General Insurance - Commercial	✓	✓
Consumer Credit Insurance	✓	✓
Mortgage Loan Protection Insurance	✓	✓
<b>Financial Planning Service</b> (offered through third party provider)	✓	✓
<b>Deposit Guarantee *</b>	✓	x

\* A Deposit Guarantee is a substitute for the cash deposit usually required when a contract to purchase a residential property is negotiated. At settlement the purchaser pays the full purchase price including the deposit.

## Schedule 2 - Comparison of Loans, Savings and Term Products

This schedule contains details of the loans, savings and investment products currently offered by both Regional Australia Bank and Holiday Coast. The loan and deposit interest rates quoted in the table are the respective institution's standard rates for each product type. It is possible, however, that some members holding the listed products may currently be paying (or receiving) interest at a rate different from that disclosed in the table.

<b>LOANS</b>		
<b>Mortgage Loans</b>	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>
Special Rate	Basic Home loan 3.79%pa for the first 3 years, then reverts to the Basic Variable Rate	New Business 3.99%pa
Basic Variable Rate	4.34%pa	4.99%pa
Standard Variable Rate	5.22%pa	N/A
Package Variable Rate	3.99%pa	4.79%pa
Investment Loans	5.72%pa	5.89%pa
Sustainable Home Loan	3.79%pa	N/A
Owner Builder Home Loan	7.09%pa	4.79%pa or 4.99%pa
1 Year Fixed	3.99%pa	4.19%pa, 3.99% new business
2 Years Fixed	3.99%pa	4.29%pa, 3.99% new business
3 Years Fixed	4.09%pa	4.49%pa, 4.09% new business
4 Years Fixed	N/A	N/A
5 Years Fixed	4.69%pa	4.79%pa, 4.39% new business
Maximum Term	30 years	30 years
<b>Loan secured by vehicle</b>	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>
New vehicles	7.49%	5.49%pa
Used vehicles 1 to 5 years old	7.49%	6.49%pa
Used vehicles over 5 years	11.49%pa	9.00%pa
Minimum loan amount	\$5,000 or \$10,000 depending on product.	\$5,000
Maximum loan term	5 years or 7 years, depending on product.	5 years or 7 years, depending on product
<b>Personal Loans</b>	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>
Interest rate - Standard	From 9.99%pa	13.00%pa whole of pay or 14.00% no whole of pay
Interest rate - Secured by Term	5.22%	4.74%
Deposit funds		
Minimum loan amount	\$8,000	\$5,000
Maximum loan term	5 years	5 years
<b>Commercial Loans</b>	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>
Variable rate	From 5.72%p.a.	From 5.25%p.a
1 Year Fixed	4.49%	5.19%
2 Years Fixed	4.49%	5.29%
3 Years Fixed	4.59%	5.49%
5 Years Fixed	5.19%	5.79%
Interest only period	Yes	Yes
Maximum Term	15 years	15 years
<b>Overdrafts/Lines of Credit</b>	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>
Interest rates - mortgage secured	From 5.72%pa	From 5.85%
Interest rate - partially/unsecured	From 16.99%	13.50% (unsecured max \$5,000)
Minimum Amount	\$500	\$1,000
Purposes	Personal and commercial	Personal and commercial
<b>Credit Cards*</b>	<b>Regional Australia Bank</b>	<b>Holiday Coast</b>

Current Interest Rate	From 9.69% to 19.99%	11.99% purchase 18.99% cash advance
Minimum Amount (\$)	\$500 Standard \$6,000 Reward/Platinum	\$1,000
Minimum Repayment	2.5% of balance or \$20, whichever is greater	2.5% of balance or \$20, whichever is greater
Interest Free Days	Up to 55 days for Standard Up to 45 days for Rewards/Platinum	Up to 55 days
Rewards program available	Qantas Frequent Flyer	N/A

### Term Deposit Products

Both Regional Australia Bank and Holiday Coast offer a range of fixed term deposit products. Regional Australia Bank offers a minimum deposit amount of \$1,000 and Holiday Coast offers a minimum deposit amount of \$500 for a member under the age of 21 and \$1,000 for all others. There is no maximum deposit amount. The interest rate on all fixed terms is set at the time of lodgement of the deposit, based on the amount deposited and the term of the investment. Interest is calculated daily of the range of term deposits offered by both organisations.

Regional Australia Bank				
Term in Months	\$1,000 to \$4,999		Over \$5,000	
	Annual Interest / at maturity	Monthly, quarterly or 6 monthly interest	Annual Interest / at maturity	Monthly, quarterly or 6 monthly interest
<b>1 to 2</b>	1.55%pa	1.40%pa	1.75%pa	1.60%pa
<b>3 to 5</b>	2.00%pa	1.85%pa	2.40%pa	2.25%pa
<b>6 to 9</b>	2.15%pa	2.00%pa	2.45%pa	2.30%pa
<b>12</b>	2.50%pa	2.35%pa	2.50%pa	2.35%pa
<b>24</b>	2.55%pa	2.40%pa	2.80%pa	2.65%pa

Holiday Coast						
Term in Months	\$1,000 to \$4,999		\$5,000 to \$99,999		\$100,000 to \$499,999	
	Annual Interest / at maturity	Fortnightly or Monthly Interest	Annual Interest / at maturity	Monthly Interest	Annual Interest / at maturity	Monthly Interest
<b>3</b>	1.30%	N/A	1.70%	N/A	1.90%	N/A
<b>6</b>	1.50%	N/A	1.90%	N/A	2.10%	N/A
<b>9</b>	1.50%	N/A	1.90%	N/A	2.10%	N/A
<b>12</b>	1.65%	1.40%	2.25%	2.00%	2.45%	2.20%
<b>24</b>	1.80%	1.55%	2.40%	2.15%	2.60%	2.35%
Great Day Retirement Account Holders						
<b>12</b>	1.90%	1.65%	2.50%	2.25%	2.70%	2.45%
<b>24</b>	2.05%	1.80%	2.65%	2.40%	2.85%	2.60%

Rates for amounts over \$500,000 will be provided by our Wholesale Funds Management team within the Finance Department.

Savings Accounts												
Regional Australia Bank												
	Interest Calculated	Interest Rate		Interest Credited	Funds Available	Cheque Facility	Overdraft Facility	ATM/EFTPOS	Internet /Phone	Counter	Direct Credit/Debit	BPAY
<b>Account Type:</b>	<b>Transaction Accounts</b>											
<b>S1 Access Savings</b>	N/A	Nil		N/A	At call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>S3 Community Partnership</b>	MMB	Less than \$5,000	0.00%pa	Annually	At call	Yes	No	Yes	Yes	Yes	Yes	Yes
		\$5,000 to \$49,999	0.05%pa									
		\$50,000 +	0.20%pa									
<b>S9 High Rise</b>	Daily	Less than \$50,000	0.00%pa	Annually	At call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		\$50,000 +	0.20%pa									
<b>Account Type:</b>	<b>Special Transaction Accounts – conditions apply</b>											
<b>S50 Freedom Retirement</b>	Daily	Portion less than \$2,000	0.25%pa	Quarterly	At call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Portion \$2,000 to \$48,000	1.00%pa									
		Portion over \$48,000	2.20%pa									
<b>S17 eFree</b>	N/A	Nil		N/A	At Call	No	No	Yes	Yes	Yes	Yes	Yes
<b>S16 Youth Savings</b>	MMB	0.25%p.a		6 monthly	At call	No	No	Yes Over 12	Yes	Yes	Yes	No
<b>Account Type:</b>	<b>Special Purpose Savings Accounts</b>											
<b>S13 Christmas Club</b>	MMB	0.25%pa		Annually	See note 2	No	No	No	See note 2	See note 2	Credit	No
<b>S30 Internet Maximiser</b>	Daily	Less than \$10,000	0.65%pa	Monthly	At call	No	No	No	Yes	No	Yes	Yes
		\$10,000 to \$99,999	1.40%pa									
		\$100,000 to \$249,999	1.70%pa									
		\$250,000 +	1.75%pa									
<b>S40 Savings Booster</b>	Daily	2.55%pa See note 6		Monthly	At Call	No	No	No	Yes	Yes	Credit	Yes

**Savings Accounts**

**Regional Australia Bank**

<b>Account Type: Overdrafts</b>											
<b>S10 Mortgage Secured</b>	MMB	0.25%p.a.	6 monthly	At call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>S11 Commercial Mortgage</b>	MMB	0.25%p.a.	6 monthly	At call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Account Type: Business Accounts</b>											
<b>S21 Real Estate Agents Trust</b>	No interest is credited to this account. Interest is calculated but paid to the entities specified in relevant legislation.			At call	Yes	No	No	Balances only	Yes	Credit	No
<b>S23 Solicitor's Trust &amp; S24 Statutory Trust</b>	No interest is credited to this account. Interest is calculated but paid to the entities specified in relevant legislation.			At call	Yes	No	No	Balances only	Yes	Credit	No
<b>Account Type: Mortgage offset account</b>											
<b>S77 Mortgage Offset S78 Partnership Advantage</b>	Daily	100% daily balance offset of linked mortgage.	N/A	At Call	Yes	No	Yes	Yes	Yes	Yes	Yes

Savings Accounts												
Holiday Coast												
	Interest Calculated	Interest Rate		Interest Credited	Funds Available	Cheque Facility	Overdraft Facility	ATM/EFTPOS	Internet /Phone	Counter	Direct Credit /Debit	BPAY
<b>Account Type:</b>	<b>Transaction Accounts</b>											
<b>S1 Basic Transaction</b>	N/A	Nil		N/A	At Call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>S2 Great Day Transaction</b>	N/A	Nil		N/A	At Call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Account Type:</b>	<b>Special Transaction Accounts – Conditions Apply</b>											
<b>S55 Great Day Retirement</b>	Daily	Portion less than \$49,200	0.80%pa	Monthly	At Call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Portion over \$49,000	1.80%pa									
<b>S10 First Start</b>	Daily	1.80%pa		Monthly	At Call	No	No	Yes	Yes	Yes	Yes	Yes
<b>S14 Community Support</b>	N/A	Nil		N/A	At Call	Yes	No	Yes	Yes	Yes	Yes	Yes
<b>Account Type:</b>	<b>Special Purpose Savings Account</b>											
<b>S3 Christmas Saver</b>	Daily	0.00% or 1.75% See note 7		Monthly	At Call	No	No	No	Balance Only	Yes	Credit	No
<b>S16 Great Day bonus Saver</b>	Daily	0.50% or 1.50% See note 8		Monthly	At Call	No	No	No	Yes	Yes	Credit	No
<b>S17 Percentage Plus</b>	Daily	\$0 to \$4,999	0%	Monthly	At Call	No	No	Yes	Yes	Yes	Yes	Yes
		\$5,000 to \$49,999	0.15%									
		\$50,000 to \$199,999	0.40%									
		\$200,000 +	1.40%									
<b>S21 &amp; S31 i-Saver</b>	Daily	\$0 to \$49,999	0.15%	Monthly	At Call	No	No	No	Yes see note 9	No	Credit	No
		\$50,000 to \$199,999	0.50%									
		\$200,000 +	1.40%									
<b>Account Type:</b>	<b>Overdrafts</b>											
<b>S18 Residential Overdraft</b>	N/A	Nil		N/A	At Call	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Account Type:</b>	<b>Business</b>											
<b>S8 Business Access</b>	N/A	Nil		N/A	At Call	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Savings Accounts												
Holiday Coast												
<b>S19 GST Plus</b>	Daily	\$0 to \$4,999	0%	Monthly	At Call	Yes	Yes	No	Yes	Yes	No	Yes
		\$5,000 to \$49,999	0.15%									
		\$50,000 to \$199,999	0.40%									
		\$200,000 +	1.40%									
<b>S12 Real Estate Trust</b>	No interest is credited to this account. Interest is calculated but paid to the entities specified in relevant legislation.				At Call	Yes	No	No	Yes	Yes	Credit	Yes
<b>S24 Body Corporate</b>	Daily	0% or 1.60% See note 10		Monthly	At Call	Yes	No	No	Yes	Yes	Credit	Yes
<b>Account Type:</b>	<b>Mortgage Offset</b>											
<b>S4 Great Day Offset</b>	Daily	75% daily balance offset of linked mortgage.		N/A	At Call	No	No	No	Yes	No	Yes	Yes

\* Balances rounded down to the nearest whole dollar;

\*\* MMB = Minimum Monthly Balance;

**Note 1:** All Savings accounts receive a statement. Debit interest is charged monthly on all savings accounts.

**Note 2:** Christmas Club Account – Regional Australia Bank & Holiday Coast allow deposits at any time of the year.

Holiday Coast allows 1 free debit per month, full balance transferred to nominated Holiday Coast account on 1st November.

Regional Australia Bank - Between 1 November and 31 December. For withdrawals outside this period you must transfer the whole account to your Access Savings Account (S1). You may access the Christmas Club Account, via Internet & Telephone Banking, only between 1 November & 31 December.

**Note 3:** All cheque and overdraft facilities are subject to approval.

**Note 4:** Where tiered interest rates are offered on products, interest is paid on the entire balance at the interest rate applicable to the highest tier that the member's balance has reached, with the exception of the Regional Australia Bank S50 & Holiday Coast S55 Retirement Accounts, where the higher interest tier is only applied to the portion of the balance in each tier.

**Note 5:** Regional Australia Bank charge a penalty interest rate to all savings accounts that become overdrawn without an overdraft arrangement. This interest rate is the annual percentage rate for a standard overdraft, plus a margin of 3.00%p.a.

**Note 6:** "Boosted" interest paid for each month in which a total of at least \$100 is deposited (not including interest paid on the account) and no withdrawals are made. Boosted interest is only paid on the first \$100,000.00 in the Savings Booster account. "Base" interest is paid where these conditions are not met. See Interest Rate Sheet for details of current rates.

**Note 7:** Deposit \$40 or more to your Christmas Club Account in a calendar month and make no withdrawals to receive bonus 1% interest.

**Note 8:** If you deposit \$100 or more to your Great Day Bonus Saver Account in a calendar month and make no withdrawals you will receive bonus interest on your savings.

**Note 9:** This account can only transfer funds to and from a nominated prime account held in the same name at Holiday Coast or another Financial Institution via Phone or Internet Banking facilities.

**Note 10:** Two interest payment options to either earn interest or reduce your taxable reporting requirements.

**Schedule 3 - Comparison of Fees and Charges**

**Note:** This schedule is intended to provide a reasonable comparison of the fee structures of each respective institution. Not all of the fees are included – detailed listings of all fees are available on respective institution’s web site at – [www.regionalaustaliabank.com.au](http://www.regionalaustaliabank.com.au) or [www.hccu.com.au](http://www.hccu.com.au)

Fee type		Regional Australia Bank	Holiday Coast									
<b>Membership Fees</b>	<b>Joining Fee</b>	\$1 Share purchase – refunded on closure of membership	\$10 Share purchase – refunded on closure of membership \$2 Junior Share purchase – Must upgrade to full share upon turning 18.									
	<b>Access Fee</b>	\$5 The Access Fee is a flat monthly fee which entitles your membership to unlimited withdrawals via EFTPOS, ATMs, Internet, Phone and Mobile Banking. Members who either; hold a monthly membership balance in excess of \$5000, are under 18 years of age or who do not withdraw within the month will not be charged the Access Fee. Transactions on certain accounts are also exempt from the Access Fee.  * The monthly membership balance is calculated by adding together the minimum savings, investment and lending balances held in the membership during the course of the month. The Your Choice VISA credit card balance is not taken into account in assessing the monthly membership balance	\$6 Monthly Account Servicing Fee per Account Type (Charged if 1 or more transactions conducted during the month) Rebate available as outlined below.									
			<table border="1"> <thead> <tr> <th>Minimum Monthly Balance</th> <th>Rebate Available</th> </tr> </thead> <tbody> <tr> <td>\$0.00 to \$2,999.99</td> <td>\$0.00</td> </tr> <tr> <td>\$3,000.00 to \$9,999.99</td> <td>\$2.00</td> </tr> <tr> <td>\$10,000.00 to \$14,999.99</td> <td>\$4.00</td> </tr> <tr> <td>More than \$15,000.00</td> <td>\$6.00</td> </tr> </tbody> </table>	Minimum Monthly Balance	Rebate Available	\$0.00 to \$2,999.99	\$0.00	\$3,000.00 to \$9,999.99	\$2.00	\$10,000.00 to \$14,999.99	\$4.00	More than \$15,000.00
Minimum Monthly Balance	Rebate Available											
\$0.00 to \$2,999.99	\$0.00											
\$3,000.00 to \$9,999.99	\$2.00											
\$10,000.00 to \$14,999.99	\$4.00											
More than \$15,000.00	\$6.00											
	<b>Additional Business Membership fee</b>	N/A	N/A									
<b>Transaction Fees</b>	<b>Excess transaction fees – per month</b>		Account access fee includes an allowance of Free transactions per month. This number varies with each account type. Once the limit is reached the below fees are applicable. Fees vary by account type. \$0.00 or \$0.20 or \$5.00 per Web/Mobile transaction \$0.00 or \$0.20 per Direct Debit or Visa transaction \$0.00 or \$0.80 per Eftpos transaction \$3.50 or \$5.00 per Staff assisted transaction for Savings accounts.									
	<b>ATM – Non-owned machine</b>	Direct charged via the ATM owner	Direct charged via the ATM owner									
	<b>Cheque deposits</b>	10 fee free per month, then \$0.50 per deposit	\$0.50 per deposit									
	<b>Counter / Corporate cheque</b>	\$11.00 per cheque	\$12.00 per cheque									
	<b>Member cheque withdrawals</b>	\$0.80 per cheque leaf collected immediately upon ordering Cheque book.	Collected per leaf via order of Cheque book: 25 leaf: \$4.00 50 leaf: \$6.00 100 leaf: \$12.00									

	<b>Over the Counter transaction</b>	\$2 per counter withdrawal or debit transfer once the monthly limit of 6 included withdrawals is exceeded. Members with a monthly membership balance greater than \$5,000 are exempt. Transactions on certain accounts are exempt from the Over the Counter Fee.	\$3.50 Staff assisted payments and withdrawals on transaction accounts.
	<b>Periodical Payments</b>	\$2.25 only applies to Periodical Payments initiated by branch or Service Support Centre staff.	\$10.00 Establishment fee per periodic payment.
<b>Exception fees</b>	<b>Cheque deposit dishonour</b>	\$12.50	\$2.00
	<b>Member Cheque Referral</b>	Nil	\$15.00
	<b>Direct debit dishonour fee</b>	\$12.50	\$15.00
	<b>Direct debit referral fee</b>	Nil	\$15.00
	<b>Dormant / Inactive account</b>	\$10 when membership becomes inactive and in each subsequent twelve month period where no transactions are conducted. .	Transfer to Dormancy \$15.00 Annual Fee (while in Dormancy) \$20.00 Transfer to ASIC (if applicable) \$25.00
	<b>Member cheque dishonour</b>	\$12.50	\$15.00

<b>Loan Establishment /Assessment Fees – Consumer Mortgage</b>	<b>Owner Builder Home Loan</b>	\$500	\$60 per drawdown on construction loans.
	<b>Loan Package fee</b>	\$375 annual	\$360 annual
	<b>Mortgage Preparation</b>	\$250	\$330
	<b>Establishment Fee</b>	Nil	\$400 (Home Sweet Home Loan exempt)
	<b>Security registration</b>	At cost	At cost
	<b>Restructure/Switch Fee</b>	\$200	\$250
	<b>Title Search</b>	At cost	\$25
	<b>Top Up Fees</b>	\$195	\$200
	<b>Valuation (if required)</b>	At cost	At Cost
	<b>Temp Overdraft Approval</b>	\$90	n/a
	<b>Discharge Mortgage</b>	\$250	\$225

<b>Loan Establishment Fees – Personal</b>	<b>Approval Fee</b>	\$195	Nil	
	<b>Establishment Fee</b>	N/A	\$200	
	<b>PPSR Registration &amp; Discharge</b>	At Cost	\$30 per interest	
<b>Credit Card and Overdraft Fees - Consumer</b>	<b>Unsecured Overdraft Approval</b>	\$150.00	Nil	
	<b>Overdraft Service fee</b>	Nil	Commercial & Residential Secured Overdrafts Based on Approved overdraft limit:	
			\$0.00 to \$10,000	\$10
			\$10,001 to \$25,000	\$20
			\$25,001 to \$50,000	\$35
			\$50,001 to \$100,000	\$60
	\$100,000 plus	\$85		
<b>Credit Card Annual Fee</b>	\$40	\$25		
<b>Cash Advance Fee</b>	Nil	\$2.50		
<b>Platinum Credit Card Annual Fee</b>	\$195	N/A		
<b>Loan Fees Other</b>	<b>Loan enforcement fees / expenses</b>	- 7 Day Reminder Notice	no charge	
		- 14 Day Arrears Notice	\$20	
		- 21 Day Default Notice	\$30	
		- Enforcement Expenses	At cost	
		Manual Arrears/Over-limit Fee	\$9.00 per Transfer	
		Email/SMS/Telephone Arrears/Over-limit Reminder Fee	\$9.00 per contact	
Arrears / Over-limit Notice Letter Fee	\$25			
Default Notice Fee	\$40			
Notice of Demand Fee	\$40			
Arrangement Default Fee	\$40			
<b>Loan Establishment /Assessment Fees – Commercial</b>		Commercial Loan fees are assessed on a case by case basis	Commercial Loan fees are assessed on a case by case basis	

**8 Attachment B – Material Differences in Member Rights and Liabilities between Holiday Coast Credit Union Ltd and Regional Australia Bank Ltd Constitutions**

**Rights Under the Regional Australia Bank Constitution (version 29 November 2017) and Holiday Coast Constitution (version 29 October 2007)**

<b>Mutuality and Membership</b>	
<b>Regional Australia Bank Constitution</b>	<b>Holiday Coast Credit Union Constitution</b>
<p><b>Mutuality</b> The Principles of Mutuality in the Preamble are enforced via the Mutuality Protection Rule [Preamble and Appendix 4]</p> <p><b>Delegation to Admit Members</b> The Board can delegate the power to admit members to officers, but no power to further delegate [Rule 3.2]</p> <p><b>Termination of Membership</b> The Board can delegate the power to terminate members to the Chief Executive Officer, but no power to further delegate [Rule 4.5]</p> <p><b>Mutuality Protection Rule</b> The Principles of Mutuality protected [Appendix 4]</p>	<p><b>Mutuality</b> The Principles of Mutuality in the Preamble are enforced via the Demutualisation Approval Procedure Rules [Preamble and Appendix 8]</p> <p><b>Delegation to Admit Members</b> The Board can delegate the power to admit members to officers [Rule 3.2]</p> <p><b>Termination of Membership</b> No equivalent</p> <p><b>Demutualisation Procedure Rule</b> The Principles of Mutuality protected [Appendix 8]</p>
<b>Shares</b>	
<b>Regional Australia Bank Constitution</b>	<b>Holiday Coast Credit Union Constitution</b>
<p><b>Subscription Price</b> \$10.00 prior to 29 November 2017 and \$1.00 after 29 November 2017. Minors 20% of subscription price prior to 29 November 2017 and \$1.00 after 29 November 2017.</p> <p><b>Classes of Shares</b> Member shares and Tier 1* shares [Rule 5.1 and Appendix 1]</p> <p>Board power to issue Tier 1* shares [Appendix 1-8]</p> <p><i>* There are no Tier 1 shares currently on issue</i></p>	<p><b>Subscription Price</b> \$10.00 Minors 20% of subscription price</p> <p><b>Classes of Shares</b> Member shares and Member Investment Securities* [Rule 5.1 and Appendix 6]</p> <p>Board power to issue Member Investment Securities* [Appendix 6-4]</p> <p><i>* There are 3,815,000 Member Investment Securities currently on issue</i></p>

<b>Rights Attaching to Shares</b>	
<b>Regional Australia Bank Constitution</b>	<b>Holiday Coast Credit Union Constitution</b>
<p><b>Dividends</b> The Board may determine that dividends can be paid on all classes of shares to which a right to receive dividends is attached. Differential dividends can be paid but no interest is payable. There is no right to dividends attaching to Member shares. The Tier 1 shares carry a right to participate in dividends as specified in the terms of issue [Division 7 and Appendix 1, Clause A1-11]</p> <p><b>Redemption of Member shares</b> On redemption the subscription price is payable less any amount unpaid on the member share. [Appendix 1, Clause A1-5(2)]</p> <p><b>Winding Up</b> The members may participate equally in any surplus assets [Appendix 1, Clause A1-4(2)]</p> <p>Entitlements of holders of member shares are subject to any preferred entitlement to payment on a winding up that holders of any other class of share may have [Appendix 1, clause A1-4(4)]</p>	<p><b>Dividends</b> The Board may determine that dividends can be paid on all classes of shares to which a right to receive dividends is attached. Differential dividends can be paid but no interest is payable. There is no right to dividends attaching to Member shares. The Member Investment Securities carry a dividend entitlement [Division 7, Appendix 3, Clause A3-4 and Appendix 6, Clause A6-7]</p> <p><b>Redemption of Member shares</b> On redemption the subscription price is payable less any amount unpaid on the member share [Appendix 3, clause A3-6(2)]</p> <p><b>Winding Up</b> The members may participate equally in any surplus assets or resolve that any surplus assets be transferred to another credit union or company organised on the principles of mutuality [Appendix 3, clause A3-5(2)]</p> <p>Entitlements of holders of member shares are subject to any preferred entitlement to payment on a winding up that holders of any other class of share may have [Appendix 3, clause A3-5(4)]</p>
<b>General Meetings</b>	
<b>Regional Australia Bank Constitution</b>	<b>Holiday Coast Credit Union Constitution</b>
<p><b>Calling Members Meetings</b> The Board may call a general meeting. Members may call a general meeting in accordance with the <i>Corporations Act</i> [Rule 11.1]</p> <p><b>Quorum</b> 15 members present in person and / or by a direct vote mechanism [Rule 11.3]</p>	<p><b>Calling Members Meetings</b> The Board may call a general meeting [Rule 11.1]</p> <p><b>Quorum</b> 25 members or, if less than 50 members eligible to attend and vote then 50% of that number [Rule 11.3]</p>

<b>Directors</b>	
<b>Regional Australia Bank Constitution</b>	<b>Holiday Coast Credit Union Constitution</b>
<p><b>Number</b> Minimum number of 5, or such greater number as the board may determine [Rule 13.1] The board may appoint directors provided that the majority are appointed by the members [Rule 13.4(1)]</p> <p><b>Appointment of Directors by the Board</b> Term of office of a director appointed or re-appointed by the board to be no longer than 3 years. The board may reappoint a person as a director for another term [Rule 13.4(4)]</p> <p><b>Eligibility</b> Must be a member, has not been disqualified by law and deemed to be a fit and proper person [Rule 13.2]</p> <p><b>Remuneration</b> The board may determine remuneration in accordance with the <i>Corporations Act</i> [Rule 17.1]</p>	<p><b>Number</b> Number of elected directors is 6, or such lower number as the board may determine [Rule 13.1(1)] The board may appoint up to 3 directors in addition to the 6 elected directors, one of whom can be the CEO [Rule 13.1(2)]. Majority of directors must be elected directors [Rule 13.1(3)].</p> <p><b>Appointment of Directors by the Board</b> Term of office of a director appointed by the Board to have an initial appointment of not more than 3 years [Rule 13.1(2)(b)]</p> <p><b>Eligibility</b> Must be a member, has not been disqualified by law and deemed to be a fit and proper person [Rule 13.2]</p> <p><b>Remuneration</b> Set by the general meeting [Rule 17.1]</p>

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## 9 Attachment C – Cancellation of Member Investment Securities (MIS)

Holiday Coast was a pioneer for the credit union movement in Australia with the issue of the first permanent share capital for credit unions that was counted towards its prudential capital requirements under the *Banking Act 1959*, with the approval of the Australian Prudential Regulation Authority (APRA) and the Australian Securities & Investments Commission (ASIC).

With the global financial crisis of 2008 the prudential regulator, APRA and banking regulators around the world tightened bank capital requirements by placing strict limits on the nature of capital instruments. A result was that in 2012 APRA would not endorse the issuance of further member investment securities (MIS) as meeting their stricter prudential benchmarks.

Since that time, Holiday Coast has not issued any further member securities as it would not meet the primary purpose for doing so and it has been able to count a smaller and smaller amount of the capital already raised towards its prudential capital requirements. At the date of issuing this Member Information Document, less than 30% of the capital raised can be counted towards Holiday Coast's prudential capital and that figure will continue to decrease rapidly. In the meantime, that capital still has to be paid for in the form of dividends.

The result for Holiday Coast, and for Regional Australia Bank if the members approve the transfer of business, is that continuing to retain or offer MIS no longer fulfils the objective for issuing them. If anything, it reduces the profits available to support the growth of the combined business.

In November 2018 the Commonwealth Government released draft legislation that will finally see legal recognition of mutual institutions as a different form of corporation in Australia and the capacity to issue a mutual capital instrument that maintains the mutual structure of credit unions and mutual banks and allows that capital to be counted as the highest form of prudential capital.

It is the case that Regional Australia Bank does not wish to take on, and does not require, the MIS to support the capital requirements of the combined operations after the transfer. As the MIS contribute less and less towards prudential capital they become a drain on profitability.

The cancellation of the MIS will result in a loss of available capital that Regional Australia Bank could have counted towards the prudential capital required to support the combined business undertaking. However, that impact is not material as it is 0.08% of the combined capital of both entities.

Ordinarily under the terms of the Constitution of Holiday Coast and the *Corporations Act 2001*, there are certain procedures that ordinarily have to be followed to approve and give effect to the cancellation of shares and a reduction in a company's capital. If the members of both parties approve the transfer then by operation of section 20 of the *Financial Sector (Transfer and Restructure) Act 1999* on the day the transfer becomes effective, the member investment securities will be cancelled, irrespective of the Constitution of Holiday Coast and the *Corporations Act 2001*.

**By voting in favour of the business transfer, the members will also be approving the cancellation of the Member Investment Securities (MIS).**

On cancellation, Regional Australia Bank is legally bound by the *Financial Sector (Transfer and Restructure) Act 1999* to repay the subscription amount and any declared but unpaid dividends to the holders of the MIS.

**Repayment of the subscription amount and any unpaid dividend will be paid by the end of the 5<sup>th</sup> business day following the transfer date. As all holders of MIS have to be members, the payment will be credited to your everyday deposit account unless you notify differently before the transfer date.**

Holiday Coast is grateful for the support that member investors have given to Holiday Coast over the last eighteen (18) years. It is the case however, that the MIS have served their purpose to support the growth of Holiday Coast but since 2012 and the change in the Prudential Capital Standards definition and requirements of APRA the MIS is diminishing and will soon disappear.

It is in the interests of the members of both Holiday Coast and Regional Australia Bank for the burden not to be imposed on the combined institution after the transfer date.

### **Assurances from the Holiday Coast Credit Union Ltd Board**

The Board of Holiday Coast Credit Union Ltd ABN 64 087 650 164 (Holiday Coast) gives the following assurances:

#### **A. Transfer of Shares**

The voluntary transfer of business from Holiday Coast to Regional Australia Bank Ltd ABN 21 087 650 360 (Regional Australia Bank) does not involve the transfer of any shares where such transfer would, if transferred other than by way of transfer of business, trigger the takeover provisions in *Corporations Act 2001* Chapter 6.

#### **B. Transfer of Relief**

Holiday Coast is registered with ASIC for the purposes of conducting a low volume financial market to allow trading in the Member Investment Securities issued under its Constitution. That relief and registration under the *Corporations (Low Volume Financial Markets) Instrument 2016/888* will no longer be required with the cancellation of the Member Investment Securities and will be automatically cancelled when the transfer becomes effective. The benefit of that relief will not transfer to Regional Australia Bank.

Apart from the above Holiday Coast does not have the benefit of relief or exemptions:

- that ASIC has granted; or
- in relation to any of the responsibilities ASIC assumed since 30 June 1999 – that any of ASIC's predecessor regulators have granted.

Therefore, the transfer does not involve the transfer of the benefit of any such relief or exemptions.

#### **C. Deregistration of Holiday Coast**

After the transfer of business from Holiday Coast to Regional Australia Bank takes effect, Holiday Coast will, as soon as practicable, be de-registered as a company and all funds will be physically transferred to Regional Australia Bank, as appropriate.

#### **D. Cancellation of HCCU's Australian Financial Services Licence & Australian Credit Licence**

Pursuant to the section 20 Statement, when the Certificate of Transfer comes into force HCCU's Australian Financial Services Licence and its Australian Credit Licence will be automatically cancelled. HCCU will notify ASIC when the Certificate of Transfer comes into force.

Prior to the Certificate of Transfer coming into force, HCCU will notify the Australian Financial Complaints Authority of the transfer of business.

ASIC will be requested to update the subscriber list to the ePayments Code once the certificate of transfer comes into effect.

RAB has all relevant authorisations under its Australian Financial Services Licence and its Australian Credit Licence to provide the financial services, and to undertake the credit activity, HCCU provided to its members.

**E. Financial Statements**

After the transfer of business, the directors of Holiday Coast remain responsible for preparation and sign off of the financial statements of the company, and are not relieved of the need to lodge financial statements in relation to any period prior to the transfer date by a transfer of business and will do so as soon as practicable.

Certified as a true extract of the Resolutions passed by the Board of Holiday Coast Credit Union Ltd on 19 December 2018.



Allan Greenlees Gordon  
Chairman

Holiday Coast Credit Union Ltd.