



Police and Families Credit Union

SUMMARY OF TRUST DEED

Background

The Previous Trust Deed was replaced by a new trust deed dated 12 December 2017 (Trust Deed). The current Trust Deed has been redrafted to reflect the change in Supervisor to Public Trust and to delete clause 4.5 under the Former Trust Deed, dated 7 November 2016, relating to the right of the Police and Families Credit Union to have a defined amount of secured indebtedness outstanding in favour of New Zealand Association of Credit Unions which ranked in priority to the security held by the Supervisor. This clause is now redundant.

Full Copy of Trust Deed

A full copy of the Current Trust Deed can be obtained from the Disclose Register at:
www.business.govt.nz/disclose

Summary of Key Provisions of the Trust Deed

Any terms in this Summary of Trust Deed shall have the same meaning as set out in the Trust Deed.

Securities

The Police and Families Credit Union's ability to create and issue credit union debt securities (Shares) to its Members is set out in the Current Trust Deed which outlines that fully paid up Shares, which rank equally amongst themselves may be issued to Members.

The Supervisor holds on trust for the Members the right to enforce the duties of the Police and Families Credit Union in relation to the Shares.

Security interest in personal property to Supervisor

The Supervisor has a charge over all of the assets of the Police and Families Credit Union which has been granted in accordance with the Current Trust Deed which provides charge provisions over all personal property, the Police and Families Credit Union's present and future interests in and present and future rights in relation to any land and any other assets of the Police and Families Credit Union in favour of the Supervisor. This charge is also registered as a security interest (for the purposes of the Personal Property Securities Act 1999) over all of the Police and Families Credit Union's present and after acquired property.

Further charges

Under the Current Trust Deed, the Police and Families Credit Union has covenanted that it will not grant any charge or other security interest over the Secured Property, without the Supervisor's prior written consent.

Financial covenants

Under the Current Trust Deed, the Police and Families Credit Union has covenanted, subject to the terms and conditions contained in the Current Trust Deed, to:

(a) Borrow money

it will not borrow money or lend other than permitted by the Friendly Societies and Credit Unions Act 1982 (FSCU Act);

(b) Capital Ratio

it shall ensure that at all times its Capital Ratio is not less than 10% (ten per cent), as determined and calculated in accordance with the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010;

(c) Related Party Exposures

it will ensure that at all times the aggregate exposure of the Police and Families Credit Union to all Related Parties of the police and Families Credit Union does not exceed a maximum limit ratio of 15% (fifteen per cent) of Capital calculated in accordance with the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010;

(d) Liabilities

it will not permit its Creditor Liabilities to exceed 5% (five per cent) of Total Liabilities;

(e) Liquidity

(i) it will not permit the Assets comprising Cash to fall below an amount equal to 10% (10 per cent) of Total Assets;

(ii) One Month Mismatch Ratio

it shall ensure that the One Month Mismatch Ratio is not less than zero at any time, where the One Month Mismatch Ratio means:

(aa) the sum of:

- (A) Cash and Other Investment Assets; plus
- (B) contractual inflows due on Loan Assets at any time within one (1) month; plus
- (C) 80% (eighty per cent) of committed funding lines available for drawing by the Credit Union within one (1) month; less
- (D) 10% (ten per cent) of callable Member funds and term deposits due within one (1) month (or such higher percentage of callable Member funds and term deposits that the Committee of Management, acting reasonably and in accordance with the Credit Union's Liquidity Policy, expects to be withdrawn within one (1) month); less
- (E) 15% (fifteen per cent) of the gross balance of committed lines granted by the Credit Union and drawable within one (1) month;

divided by;

(bb) Total Funding;

(iii) One Year Funding Ratio

it shall ensure that the One Year Funding Ratio is not less than 70% (seventy per cent) at all times, where the One Year Funding Ratio is the ratio, expressed as a percentage, of:

(aa) the sum of:

- (A) Member funds and term deposits with a residual maturity of more than one (1) year; plus
- (B) 80% (eighty per cent) of Member funds and term deposits able to be withdrawn on demand or which have a scheduled maturity repayment date falling less than 1 year from the test date; plus
- (C) Total Equity; divided by;
- (bb) Total Assets;

Other covenants

The Police and Families Credit Union has given a number of other covenants to the Supervisor under the Current Trust Deed in order to better assure the performance of its obligations to its Members. Some of the most important covenants that the Police and Families Credit Union has given include:

- (a) to carry on and conduct business in accordance with the FSCU Act, the Financial Markets Conduct Act 2013, the Non-bank Deposit Takers Act 2013 and all other applicable laws and regulations;
- (b) it will not make any alteration to the nature of its business as carried out at the date of this Current Trust Deed;
- (c) to maintain its register of Members, comply with all its obligations and pay its debts in a timely manner;
- (d) to meet all its registration, filing and reporting obligations required by the Current Trust Deed or any other laws;
- (e) at all times to comply with a risk management framework that meets the requirements of the Reserve Bank of New Zealand and the Non-bank Deposit Takers Act 2013.
- (f) to give to the Supervisor, receiver or any other person appointed by the Supervisor such information as required relating to all matters relating to Members and to ensure such information is true and accurate;
- (g) to notify the Supervisor immediately if it becomes aware that an event has occurred or a circumstance has arisen which would allow the Supervisor to review the Police and Families Credit Union's compliance with the Current Trust Deed or to enforce its rights under the Current Trust Deed or of any event or circumstance that may have a material adverse effect on the Police and Families Credit Union;
- (h) it will not amalgamate with another credit union or other entity or alter its legal status from that of a credit union unless such action is approved by a Special Resolution of Members passed at a General Meeting.;
- (i) it will not to issue securities while in breach of the Current Trust Deed or the provisions of all applicable law.

The Police and Families Credit Union is also required to furnish the Supervisor with monthly internal financial statements, half-yearly and annual financial statements prepared in accordance with NZ generally accepted accounting practice (NZ GAAP), and any other financial statements requested by the Supervisor. Annual financial reports must be accompanied by a separate report by the Auditors in a form that is determined by the Supervisor.

The Police and Families Credit Union's Directors are also required to furnish the Supervisor with a quarterly certificate in a form determined by the Supervisor and accounts or any reports or information as the Supervisor may require from time to time.

Supervisor's powers and obligations

The Supervisor is appointed to act on behalf of the Members in relation to the Police and Families Credit Union, any matter connected with the Current Trust Deed or terms of the Shares or Debt Securities, any contravention or possible contravention of the Police and Families Credit Union's issuer obligations. The Supervisor is under a duty to:

- (a) act honestly and in the best interests of Members;
- (b) exercise reasonable diligence to ascertain whether or not the Police and Families Credit Union has committed any breach or alleged breach of the Issuer Obligations or any breach of the terms of the Current Trust Deed or the terms of the offer of the Shares;
- (c) do all things that it is empowered to do to cause any breach of those terms to be remedied (except if it is satisfied that the breach will not have a material adverse effect on Members).

The Supervisor is also responsible for supervising the Police and Families Credit Union's performance of its obligations under the Current Trust Deed and to ascertain whether or not the assets of the Police and Families Credit Union are sufficient, or likely to be sufficient, to meet its obligations to Members, as they fall due.

The Current Trust Deed gives the Supervisor wide ranging powers to enforce the Police and Families Credit Union's obligations under the Current Trust Deed. For example, if the Police and Families Credit Union was to breach the Current Trust Deed then the Supervisor may declare:

- (a) an "Event of Review", in which case the Supervisor may require the Police and Families Credit Union to provide a proposal to restore itself to a sound financial position or otherwise improve its financial structure, which, if approved by the Supervisor, it must implement under the Supervisor's supervision; or
- (b) an "Event of Default", in which case the Supervisor may declare all or any part of the indebtedness due and payable on demand or due and payable, appoint a Receiver to manage the affairs of the Police and Families Credit Union and/or deal with the Police and Families Credit Union's property or perform the functions of a Receiver itself as if it were a Receiver.

The Supervisor may delegate any of its powers under the Current Trust Deed which cannot conveniently be exercised by it as it thinks fit, provided such delegation will not

relieve the Supervisor of its responsibilities under the Current Trust Deed and there are certain functions of the Supervisor that cannot be delegated.

The Supervisor may be removed by the Financial Markets Authority, by a Special Resolution of Members, by written notice from the Police and Families Credit Union or by resignation.

Other Obligations

The Police and Families Credit Union must pay the fees of the Supervisor as agreed from time to time and the expenses reasonably incurred in connection with the Supervisor performing its duties under the Current Trust Deed and in relation to the Police and Families Credit Union.