

17 October 2018

IMPORTANT NOTICE

Dear Investor

RE: 2018 ANNUAL RESULTS – SUBSTANTIAL LOSS

We are writing to report on a very important matter that you should seriously consider when deciding whether to make an investment with ACU.

If you are in any doubt about the contents of this notice, then we strongly recommend you seek advice from a financial advisor.

Substantial Loss

For the year ended 30 September 2018, ACU expects to make a substantial operating loss in the order of \$1,750,000.

The main contributors to the loss are:

- a) Reduced loan fee income of approximately \$950,000;
- b) Reduced income from other business activities, i.e. EFTPOS and ATM fees of approximately \$350,000;
- c) Reduced income from members of approximately \$85,000;
- d) Increases in staff and administration costs of approximately \$300,000;
- e) Increases in loan provisioning of approximately \$300,000.

The loss is after:

- a) New overdraft fees income of approximately \$200,000 expected to be earned on a recurring basis.

Solvency Capital

While the expected loss is substantial, ACU remains solvent, although it is in breach as at 30 September 2018 of its minimum capital ratio of 11% under its Trust Deed and also in breach of Reserve Bank legislation and regulations. ACU now calculates its capital ratio as at 30 September 2018 to be between 4.5% and 5.5%. ACU has notified the Reserve Bank and the Supervisor of these details. ACU needs to raise additional capital of approximately \$2,000,000 to comply with the capital ratio prescribed by its Trust Deed. The Supervisor has declared an Event of Default under ACU's Trust Deed. ACU currently expects to remedy the breach by raising the necessary capital pursuant to a capital raising initiative it is actively pursuing, or by transferring its engagements to another credit union, which ACU is also actively pursuing.

ACU has decided not to accept any new members until further notice.

If you have any questions relating to this notice, then please feel free to contact me – my details are listed below.

Yours sincerely



Wyn Osborne
Chief Executive
Aotearoa Credit Union
wyno@acu.nz
Mob: 021 984 500