



2021

POLICE BANK

Annual General Meeting & Director Elections

PoliceBank 
The strength of community

borderbank 

Bank of
Heritage Isle 

A MESSAGE FROM OUR CEO

Dear Member,

On behalf of the Board of Directors of Police Bank, it is my pleasure to invite you to the 2021 Annual General Meeting (AGM) of Police Bank Ltd on Thursday, 27 January 2022. The AGM was pushed back two months until January 2022, and will be held virtually because of Covid and the restrictions during 2021. It will commence at 2pm.

At the AGM, our Board Chair, Mr. Peter Remfrey, and I will provide members with an overview of your Bank's performance for the financial year ending 30 June 2021, and will update you on our strategy for the year ahead. We will also provide an update regarding the progress of the strategic and cultural refresh journey the Bank has been on and our investment in transformation through the 2021 financial year.



Eligible Members have the opportunity to vote in our 2021 Board of Directors election, which is also being held online with details enclosed in this pack. The final results will be announced at the AGM. Eligible Members will also have the opportunity to vote on Board Remuneration and other important matters set out in the agenda by attending our AGM online, or if you prefer, by lodging a proxy as detailed later in this booklet.

A copy of the Police Bank 2021 Annual Report is available for viewing on our website.

The Directors and Executive team of Police Bank look forward to seeing you at the AGM.

A handwritten signature in black ink, appearing to read 'G. McKenna'. The signature is stylized and somewhat abstract, with a large loop at the beginning and a small 'a.' at the end.

Greg McKenna
CEO
21 December 2021

NOTICE OF ANNUAL GENERAL MEETING

POLICE BANK LTD ABN 95 087 650 799

Police Bank Ltd hereby gives notice that the 2021 Annual General Meeting of Members will be held as a virtual meeting on Thursday, 27 January 2022 commencing at 2:00pm AEDT.

AGENDA

Ordinary Business

1. Apologies

2. Minutes

To confirm the minutes of the 2020 AGM held on 26 November 2020.

3. Financial statements and reports

To receive and consider the consolidated financial statements of the Company and its controlled entities and the reports of the directors and auditor for the financial year ended 30 June 2021.

4. Director Elections

To receive the announcement of results of the 2021 Board of Director Elections.

5. Directors' remuneration for 1 December 2021 to 30 November 2022

To consider, and if thought fit, pass the following as an ordinary resolution:

"That Members approve a 2% increase to \$750,720, as the total pool of Directors' Fees for the period 1 December 2021 to 30 November 2022 inclusive of superannuation with the payment to individual Directors being at the discretion of the Board."

Special Business

6. Constitutional Amendments

6.(a) Change in Director Rotation Elections

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

"That the Constitution be amended as set out in the marked-up version identifying the amendments to Clauses 22.2.2 and 22.10 which has been tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification and made available to Members on the Police Bank website prior to this Annual General Meeting."

6.(b) Mutual Capital Instruments

To consider and, if thought fit, to pass the following as a special resolution in accordance with section 167AJ of the Corporations Act:

"That Police Bank's Constitution be modified to allow Police Bank to issue mutual capital instruments (MCIs) in accordance with the Corporations Act, by making the amendments

contained in a copy of Police Bank's Constitution marked to show the proposed changes (other than the changes proposed to Clauses 22.2.2 and 22.10, which are subject to a separate resolution at this meeting) which has been tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification and made available to Members on the Police Bank website prior to this Annual General Meeting."

Further information about the proposed amendments to Police Bank's Constitution are set out in the Explanatory Notes. A copy of Police Bank's Constitution marked up to show the proposed changes is available from the Police Bank website at: www.policebank.com.au/about-us/annual-reports

7. General Business

IMPORTANT INFORMATION ABOUT ATTENDING AND VOTING ONLINE

Police Bank has been closely monitoring Federal and State government guidance and ongoing developments in response to the COVID-19 pandemic. In planning for the meeting, we have focused on ensuring the safety of our members, directors, staff and their families, as well as seeking to maximise the opportunity for members to participate in the AGM. Accordingly, this year, the Board has decided to hold the 2021 Annual General Meeting online.

Members attending the virtual Annual General Meeting will be able to hear and view the Annual General Meeting on their own devices, vote on the business of the meeting and ask questions.

The Meeting will be held via an online platform at Link Market Services, which you can access at the link on our website at www.policebank.com.au/about-us/annual-reports. Further details on how to attend and participate in the 2021 AGM can be found in the Virtual Meeting Online Guide on our website at www.policebank.com.au/about-us/annual-reports.

EXPLANATORY NOTES

2. Minutes

The Minutes from the previous year's AGM can be viewed on our website at www.policebank.com.au/about-us/annual-reports, or you can request a copy from our Company Secretary by emailing secretary@policebank.com.au.

3. Financial statements and reports

The Corporations Act 2001 and the Constitution require that the Bank's Financial

Report, Directors' Report and the Auditor's Report for the year ended 30 June 2021 be presented at the meeting.

These reports will be tabled and discussed at the AGM and directors and management will be available to answer questions from members. In addition, a representative of the Company's auditors, Deloitte Touche Tohmatsu, will be present to answer any questions about the conduct of the audit or the preparation and content of the Auditor's Report.

The Police Bank 2021 Annual Report, which includes the financial statements and reports is available on our website at www.policebank.com.au/about-us/annual-reports.

4. Director elections

The results of the 2021 Board of Director Elections, conducted by secret ballot before the AGM, will be announced at the AGM as required by the Constitution. No Member vote in this regard is required at the AGM.

There are two Director positions to be filled and three candidates. In accordance with the Constitution: the election process is via a ballot; the order in which the candidates appear has been determined by the returning officer by lot; and the candidates with the highest number of votes are appointed as Directors. The Directors elected at this AGM will hold office for the period as set out below.

Colin Dyson is an existing Director of the Bank. In accordance with the Bank's Constitution, the term of office for this Director ends at the conclusion of the 2021 Annual General Meeting. Mr Dyson seeks re-election to the Board for a three year period expiring at the 2024 Annual General Meeting. Mr Dyson has been interviewed by the Nomination Committee and passed the tests for fitness and propriety under the Board's Fit and Proper Policy.

Deputy Commissioner Justine Saunders is an existing Director of the Bank, appointed to fill a casual vacancy during the year of a Member Elected Director whose term of office was due to expire at the 2022 Annual General Meeting. In accordance with clauses 22.2.2 (c) and 22.2.2 (e) of the Bank's Constitution, Deputy Commissioner Saunders seeks confirmation and approval of her appointment until the 2022 Annual General Meeting. Deputy Commissioner Saunders passed the tests for fitness and propriety under the Board's Fit and Proper Policy at the time of her appointment to the Board in October 2021.

Fleur Hannen, a Member of the Bank seeks

election to the Board, having been nominated by five Members for election as Director and, if appointed, would serve for a three year period ending at the 2024 Annual General Meeting. Ms Hannen has been interviewed by the Nomination Committee and passed the tests for fitness and propriety under the Bank's Fit and Proper Policy.

Your Board endorses the sitting Board Members Colin Dyson and Justine Saunders as candidates in the forthcoming Board elections and encourages Members to support their election.

The content of the statements on the following page have been reproduced as received from the candidates.

CANDIDATE STATEMENTS

* Current Member Director seeking re-election

Colin DYSON*

Fellow Members, in recent times, COVID-19, unprecedented low interest rates, and the continuing spectre of cybercrime, have tested the strength of the industry.



Notwithstanding, Police Bank has emerged as an outstanding performer in the Mutual Sector. We are currently transforming the way we do business through the development of a range of digital technologies that will streamline member services. We continue our strong support of very worthwhile causes such as NSW and AFP Legacy. We also support police and their families in times of need.

In addition to my other duties, as the long-serving Chair of the Risk Committee, and the Board 'Champion' in respect of Information Security, I will continue to utilise my skills as the former Commander of the Fraud & Cybercrime Squad to good use, ensuring the best possible security for the Bank from the risks that prevail in cyberspace. Equally as important, your personal information and privacy as Members, falls within the ambit of my responsibilities. I make it my objective to ensure your personal information and privacy is as secure as possible at all times.

I encourage all members to vote for the person you feel can best serve you on the Board.

Justine SAUNDERS

- Director of Police Bank
- 33 years' service, commencing in the Australian Federal Police in 1989.
- Appointed Deputy Commissioner Australian Border Force in 2018.
- Chief Operating Officer for ABF and the Department of Home Affairs.
- Former member Australian Federal Police Association.
- Awarded Australian Police Medal.
- Completed Australian Company Directors Course.
- Hold a Master of Leadership and Management, Bachelor of Social Sciences with Distinction and Graduate Certificate in Applied Management.



I am committed to serving our community and supporting my law enforcement colleagues. With two sons in the police family, I understand the challenges police families face. I have senior leadership experience in managing risk, finance, strategy, policy and governance. I oversight a budget of more than \$3.2 billion. My experience extends to

all areas of policing at the local, national and international level. As a Director, I can leverage my experience to ensure the Police Bank continues to deliver affordable banking services to our members and their families. My success in driving and guiding successful change through collaboration, consultation, and negotiation, will be an asset to the Board and our members, as we continue to evolve to meet increasing challenges in this complex and evolving economic environment.

Most importantly I care.

Fleur HANNEN

Throughout my career I have had a number of job titles – CEO, Director Care Compliance, GM Operations/ Business Services, Registered Nurse Advisor, Assessor, but one thing unites them, passion for community/stakeholder engagement, governance and accountability and being a Registered Nurse in aged/disability care sectors, that I have been fortunate to be a part of.



I would bring to the Police Bank the perspective of being part of the police family – wife to a former police officer (21 years), now Assistant Secretary of PANSW (13 years in PANSW) and mother of current serving police officer stationed at Mount Druitt.

I have been a Police Bank member since 1987 and have championed the Bank to ensure local communities are at the centre of decision-making– especially the availability of banking to those emergency services personnel that look after us 24/7.

After 30+ years in the dynamic and rapidly evolving world of governance, I continue to provide a unique insight and collaborate with Boards, Leadership Teams and workforces. I have literally walked in their shoes – as I work with my own consultancy clients to navigate challenges, accountabilities and delivering local, convenient, quality services rightly demanded by customers, stakeholders, oversight bodies and regulators.

5. Directors' remuneration

Clause 22.4.1 provides that the Directors are entitled to be paid for their services an annual sum to be determined by the Company in general meeting, divided between them in such proportions as the directors may determine.

The Board is seeking approval for a 2% increase in the Directors Fee pool from \$736,000 to \$750,720 for the twelve months 1 December 2021 to 30 November 2022. The last increase to Directors Fees was effective 1 December 2018.

6. Constitutional Amendments

The Schedule of Proposed Constitutional Amendments are as follows:

6.(a) Change in Director Rotation Elections

The Board recommends the following special resolution:

"That the Constitution be amended as set out in the marked-up version identifying the amendments to clauses 22.2.2 and 22.10 which has been tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification and made available to Members on the Police Bank website prior to this Annual General Meeting."

The Board is seeking to simplify the process in relation to the appointment of a Director by the Board to fill a casual vacancy of a Member Elected Director (the Appointee).

Currently, the Constitution provides that an appointment by the Board to fill a casual vacancy of a Member Elected Director seek confirmation and approval by a ballot in order to remain in office following the next annual general meeting.

The Board is recommending that this be changed such that the Appointee remain in office until the end of the term of the office of the Member Elected Director whose office has become vacant. This will enable the election sync to continue as is and not potentially create an issue with multiple board members up for election at the same time.

To give effect to this proposal, amendments are required to Clauses 22.2.2 and 22.10 of the Police Bank Constitution.

6.(b) Mutual Capital Instruments

The Board recommends the following special resolution:

"That Police Bank's Constitution be modified to allow Police Bank to issue mutual capital instruments (MCIs) in accordance with the Corporations Act, by making the amendments contained in a copy of Police Bank's Constitution marked to show the proposed

changes which has been tabled at the Annual General Meeting and signed by the Chairman for the purposes of identification."

Background

On 6 April 2019, the Treasury Laws Amendment (Mutual Reforms) Act 2019 (Cth) (Mutual Reforms) commenced. The Mutual Reforms gave effect to recommendations 5, 8 and 9 of the Hammond Review by amending the Corporations Act to, among other things:

(a) introduce the concept of a "mutual entity" into the Corporations Act (being a company in which each member has no more than one vote for each capacity in which the person is a member);

(b) expressly permit mutual entities registered as public companies under the Corporations Act to issue equity capital without risking their mutual structure or status; and

(c) provide a standard process to allow eligible mutual entities to amend their constitutions to take advantage of the reforms (the Special Procedure).

The Mutual Reforms enable eligible mutual entities to raise equity capital through the issuance of MCIs, a bespoke new capital instrument for mutual entities, which allows for capital to be raised through the issuance of shares, while retaining the organisation's status as a mutual entity.

The ability to raise equity capital removes a significant barrier to investment, innovation, growth and competition in the sector and provides mutual entities, such as Police Bank, with access to a broader range of capital raising and investment options to advance the interests of Police Bank's Members and the other mutual objectives of Police Bank.

Please refer to the attached Fact Sheet, which explains what the key features of an MCI will be, and the impact that an issuance of MCIs may have on Members of Police Bank.

Proposed Amendments

Police Bank is a "mutual entity" for the purposes of the Corporations Act, which means that it is able to issue mutual capital instruments (**MCIs**), subject to amending its Constitution.

An MCI is a new type of share in a mutual entity (provided for under the Corporations Act), which must have certain characteristics as described in the attached Fact Sheet. The proposed amendments will enable Police Bank to issue MCIs in future if it is necessary or desirable to do so, while protecting Police Bank's mutual status. If Police Bank decides to issue MCIs, Police Bank will remain a mutual, because holders of MCIs will have limited rights and will not be entitled to vote at general meetings. A demutualisation will not be triggered

either by making the proposed amendments or by issuing MCIs.

The Corporations Act allows Police Bank to update its Constitution using a special procedure involving Members passing an "MCI amendment resolution". This special procedure is only available until 6 April 2022 and is further described below under "Background".

The "MCI amendment resolution" being proposed to Police Bank Members at the 2021 Annual General Meeting is a special resolution (i.e. a resolution which must be passed by 75% of Members (or proxies) who are present at the meeting and eligible to vote) to amend Police Bank's Constitution for the following purposes:

- (d) to include a statement that Police Bank is intended to be an "MCI mutual entity" for the purposes of the Corporations Act;
- (e) to provide for Police Bank to issue MCIs (which would be subject to any necessary regulatory approvals and board approval);
- (f) to provide for the rights and obligations attached to MCIs; and
- (g) to make changes that are incidental or ancillary to the purposes specified above (for example, to include references to MCIs in provisions throughout the Constitution which relate to shares, where relevant).

Other Information

Proposed Amendments

Police Bank is a "mutual entity" for the purposes of the Corporations Act, which means that it is able to issue mutual capital instruments (**MCIs**), subject to amending its Constitution.

Directors' Recommendation

The Board unanimously recommends that Members **vote in favour** of the resolution.

The proposed updated Constitution may be obtained from or inspected at the Bank's registered office, 25 Pelican Street, Surry Hills NSW. Alternatively, it can be downloaded from the Bank's website at www.policebank.com.au/about-us/annual-reports/ or you can request a copy from our Company Secretary by emailing secretary@policebank.com.au.

INSTRUCTIONS

Registration

In order to provide the opportunity for more of our members to attend the AGM together with the ongoing risk of COVID-19 restrictions on public gatherings and for the health and safety of our members, the AGM will be held virtually and there will be no physical meeting where shareholders can attend.

Online registration will open at 1:00pm AEDT on the day of the AGM. Information on how to log on, ask questions and vote online are set out in the Online Voting User Guide available on the Bank's website at www.policebank.com.au/about-us/annual-reports/.

Members and proxyholders will be able to participate, vote and ask questions at the AGM online by using the link **Participate in the 2021 AGM** at www.policebank.com.au/about-us/annual-reports/ on a smartphone, tablet or computer (using the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox).

All members and proxyholders participating online in the AGM will be taken for all purposes to be present at the AGM while so participating.

Voting and Participation

As the meeting is being conducted as a virtual meeting the Chairman has determined that all resolutions will be voted on by way of a poll. Your username is your Member ID (which can be located on your Notice of AGM email or letter). You will also need the postcode or Country (if outside Australia) registered on your holding.

Participating in the AGM online enables members to ask questions and cast votes in real time during polling at the appropriate times during the AGM.

How to appoint a proxy to vote on your behalf at the AGM

A Member who is entitled to attend the Annual General Meeting and vote is entitled to appoint a proxy. A proxy need not be a Member. To be effective the appointment of a proxy must be received by the Bank at least 48 hours prior to the meeting either online or at its registered office at 25 Pelican St, Surry Hills NSW 2010, Reply Paid 63593 Surry Hills NSW 2010 or by emailing secretary@policebank.com.au.

By Order of the Board of Directors,



Geoffrey Stirton
Company Secretary
21 December 2021

FACT SHEET

CHANGES TO POLICE BANK'S CONSTITUTION TO PERMIT ISSUANCE OF MUTUAL CAPITAL INSTRUMENTS

The proposed updated Constitution may be obtained from or inspected at the Bank's registered office, 25 Pelican Street, Surry Hills NSW. Alternatively, it can be downloaded from the Bank's website at www.policebank.com.au/about-us/annual-reports/ or you can request a copy from our Company Secretary by emailing secretary@policebank.com.au.

WHAT IS A MUTUAL ENTITY?

A mutual entity is an organisation based on the principle of mutuality: people organising together to meet their shared needs. The Members of a mutual are its customers. The mutual sector is very diverse with mutual entities operating in almost every sector of the Australian economy. Until recently, there was no legal definition of "mutual entity".

As of 2019, the Corporations Act 2001 (Cth) [Corporations Act] now includes a definition of "mutual entity" for the first time in Australia's history. Essentially, a "mutual entity" is a company where no person has more than one vote at a general meeting for each capacity in which the person is a Member.

Police Bank is a "mutual entity" and, if it amends its constitution, it will be able to become an "MCI mutual entity" by issuing mutual capital instruments (MCIs) if the Board considers it necessary or desirable to do so (see below for further details).

WHAT ARE MUTUAL CAPITAL INSTRUMENTS (MCIS)?

MCIs are a new type of share in a mutual entity, being bespoke capital instruments for issuance by mutual entities. MCIs allow mutual entities to raise capital while retaining their status as mutual entities.

Enabled by the "Mutual Reforms" to the Corporations Act in 2019, MCIs are fully paid shares with non-cumulative dividends, meaning Police Bank is not required to pay any unpaid dividends. Police Bank will have full discretion over whether to pay dividends and the conditions around any financial returns.

Police Bank's Board will have discretion to decide the entitlements, requirements and obligations which attach to MCIs. This gives Police Bank the flexibility to issue MCIs which meet APRA's requirements for regulatory capital, if it is necessary or desirable to do so, without needing to update the Constitution again in future to align with evolving APRA prudential standards.

WHAT ARE THE PROPOSED CHANGES TO POLICE BANK'S CONSTITUTION?

The proposed changes will allow Police Bank to issue MCIs in future, if the Board decides it is necessary or desirable to do so. MCIs will give Police Bank access to capital that will better equip us to invest, grow, innovate and compete, while remaining committed to our future as a mutual. The proposed changes do not affect Police Bank's status as a mutual and is not a move towards a demutualisation or public listing.

A copy of the Constitution may be obtained from or inspected at the Bank's registered office, 25 Pelican Street, Surry Hills NSW. Alternatively, it can be downloaded from the Bank's website at www.policebank.com.au/about-us/annual-reports/ or you can request a copy from our Company Secretary by emailing secretary@policebank.com.au.

This Fact Sheet outlines some specific aspects of and background to the amendments.

WHY IS POLICE BANK PROPOSING THESE CHANGES TO POLICE BANK'S CONSTITUTION?

The Mutual Reforms herald a new era for mutual entities in Australia and, with better access to capital, Police Bank will be able to continue to invest, innovate, grow and compete, while maintaining our mutuality. Our Board and Police Bank management have given careful consideration to the proposed changes. We believe the changes are an important step which will give Police Bank more flexibility in future to raise capital as a modern mutual, and authorised deposit-taking institution regulated by APRA, to continue to put the interests of our Members first.

IS POLICE BANK PLANNING TO ISSUE MCIS?

Police Bank has no current plans to issue MCIs but the Board and Police Bank management consider it is important to take advantage of the Mutual Reforms now to update Police Bank's Constitution. This will give Police Bank the flexibility to issue MCIs should it be necessary or desirable to do so in future — whether for regulatory capital or to seize business opportunities. Any decision to issue MCIs would need to be approved by the Board of Police Bank who would need to determine that this decision was in the best interests of Police Bank and our Members.

WILL HOLDERS OF MCIS BE MEMBERS OF POLICE BANK?

The Board may choose to issue MCIs to Members and non-Members.

Under the Constitution, a person may be a Member of Police Bank if they are admitted to membership in accordance with Clause 6 of the Constitution and once the person is entered in the Register of Members. The MCI amendments would introduce MCI Holders as a category of shareholder. These MCI Holders are not "Members" under Police Bank's Constitution, but they will nonetheless be considered "members" of Police Bank for the technical purposes of the Corporations Act. As MCI Holders are not considered a "Member" under Police Bank's Constitution they will not be entitled to the benefits that Members are entitled to (unless an MCI is issued to an existing Member or an MCI Holder separately becomes a Member by being admitted to membership under the Constitution).

WILL HOLDERS OF MCIS HAVE VOTING RIGHTS?

No. Holders of MCIs would not be able to vote at general meetings (unless they are also Members).

WHAT IS THE DIFFERENCE BETWEEN MCIS AND INVESTOR SHARES?

MCIs are a separate class of share and, unlike Investor Shares, carry an entitlement to claim in surplus assets and profit of Police Bank in the unlikely event of a winding up (but this entitlement is capped at the amount the MCI Holder invested). Nothing in the proposed amendments or issuing of MCIs will mean that Police Bank ceases to be a "mutual entity" and the Mutual Reforms specifically provides for mutuals to issue MCIs as a new type of capital without losing their mutual status. As a mutual, Police Bank does not issue Investor Shares, but Investor Shares can rank equally with Member Shares on a winding up.

DO THE PROPOSED CHANGES MEAN POLICE BANK IS DEMUTUALISING?

No, Police Bank is committed to our future as a mutual and the proposed changes will clearly retain Police Bank's status as a mutual now and into the future. Police Bank remains committed to mutuality and to supporting Members.

WOULD MCI HOLDERS HAVE PRIORITY OVER MEMBERS IN THE UNLIKELY EVENT OF A WINDING-UP OF POLICE BANK?

In the unlikely event that Police Bank is wound up, MCI Holders would rank below all senior claims. Senior claims include all of our depositors, and any subscription amounts Members have paid for their Member Shares.

After all senior creditors in a winding-up are paid,

MCI Holders would be entitled to a claim on any surplus assets and profits. However, MCI Holders can't receive any more than the amount that was initially paid to Police Bank for the MCIs. After MCI Holders have been paid their capped amount, any remaining surplus would be shared between the Members of Police Bank.

WOULD ALL MCIS BE ISSUED ON THE SAME TERMS?

The Board will have discretion to set the terms of issue of each MCI, which may be different from previous issues, depending on Police Bank's capital needs, regulatory requirements and other relevant considerations at the time of issue.

WILL MCIS BE LISTED ON A SECURITIES EXCHANGE?

Although there are no plans to list MCIs on a securities exchange, the proposed constitutional amendments give the Board some flexibility to consider this option if in the future this is considered to be advantageous to Police Bank.

WHO CAN I SPEAK TO FOR MORE INFORMATION ABOUT THE PROPOSED CHANGES?

We are very happy to talk to you about the proposed changes, if you have any questions or comments on them.

If you have any questions or comments about the changes or attending or voting at the Annual General Meeting, please contact us by emailing secretary@policebank.com.au



Police Bank



Border Bank and Bank of Heritage Isle are a divisions of Police Bank Ltd.
ABN 95 087 650 799. AFSL/Australian Credit Licence No 240018.
25 Pelican Street, Surry Hills, NSW 2010.