

NOTICE OF ANNUAL GENERAL MEETING

First Option Bank Ltd
ABN 95 087 650 735

The Annual General Meeting of First Option Bank Ltd (the Bank) will be held on **Tuesday 26 November 2024 at 12:00 pm** at Community Room 2, The Bryan Brown Theatre & Function Centre 80 Rickard Road Bankstown NSW 2200.

Notes in relation to the Annual General Meeting are included within this Notice. Please read these notes carefully.

AGENDA

1. Annual Report

To receive the Bank's Financial Report, the Directors' Report, and the Auditor's Report for the financial year ended 30 June 2024.

2. Directors' Remuneration

To consider and, if thought fit, to approve as a resolution:

"That the maximum aggregate directors' remuneration be set at \$112,914 following the 2024 Annual General Meeting"

3. Appointment of Directors

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

"That Dharmendra Kumar be re-appointed as Director until the end of the 2027 AGM"

4. Constitution

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

"That the Bank's Constitution be amended by repealing the existing Constitution and adopting a new Constitution in the form tabled at the Meeting and signed by the Chair of the Meeting for the purposes of identification"

The changes to the Constitution made by adopting the new Constitution are described in the Explanatory Notes to this Notice. A copy of the new Constitution, along with a marked-up copy showing the proposed amendments, is available on the Bank's website or alternatively, members can request a copy by contacting the Bank via email or telephone as shown below. A copy will also be available to view at the Annual General Meeting.

A legal review of the Constitution and changes was undertaken by the Bank's legal advisors.

BY ORDER OF THE BOARD



Dean Jepsen
Secretary

EXPLANATORY NOTES

Agenda Item 1 - Annual Report

A copy of First Option Bank's 2024 Financial Report will be available on the Bank's website and a copy will also be available to view at the Annual General Meeting.

Agenda Item 2 – Directors' Remuneration

This item is for the approval of Directors' remuneration. The aggregate amount of \$112,914 represents an increase of \$3,821 over last year. This remuneration is to be shared amongst the directors and is provided to reimburse directors for the time and effort that they put in to governing your Bank.

Agenda Item 3 – Appointment of Directors

At the 2024 Annual General Meeting there is one director who is due to retire. Dharmendra Kumar has offered himself for re-election.

As there were no other candidates, the election procedure is discontinued and members may appoint Dharmendra Kumar by ordinary resolution.

Agenda Item 4 – Constitution

This special resolution will replace the Bank's Constitution with a new amended version. This follows a review of Constitution by the Bank to address legal and regulatory developments and provide greater flexibility.

The main changes made to the Constitution:

- allow the Bank to make corporate notices and documents available for members to access electronically;
- allow the Bank to accept deposits from non-members;
- set the subscription price for new member shares to \$nil;
- expand the common bond of membership;
- allow the Board to delegate its authority to terminate a membership, simplify the procedure to terminate for cause, and add a new right to terminate if a member ceases to hold any accounts;
- allow the Board to cancel, postpone, or vary the place or method of conducting a members' meeting;
- allow the Bank to hold purely virtual members' meetings and give the chair discretion to address technical issues with virtual meeting technology;
- allow the Board to implement direct voting on resolutions at members' meetings;
- modify prohibitions relating to current employees and recent former senior executives being directors;
- cap director's total time in office;
- remove the need for member approval for directors appointed to fill a casual vacancy to receive the remaining term of the director they replaced;
- clarify the method of calculating votes for the purpose of the director rotation provisions when directors are appointed by resolution rather than election;
- remove alternate director rules;
- modify the calculation used to determine the quorum for Board meetings;

- provide greater flexibility in how the Board may pass circulating resolutions without a Board meeting;
- remove the requirement for member approved director remuneration to be calculated per financial year, and allow the Board to determine the remuneration of board appointed directors;
- make changes to the director election rules to allow the Bank to call for nominations by advertisement on its website, and to allow the Board to determine voting procedures to apply to the director election instead of the existing postal ballot process.

These changes are described in more detail below.

To be passed the special resolution requires the approval of at least 75% of the votes cast by members.

Your directors unanimously support this special resolution and recommend that you vote FOR it.

Making documents available electronically

Changes to the Corporations Act allow a company to make documents available to members to access electronically, so long as the company sends the member information (whether physically or electronically) allowing the member to access the document. For example, a company may place a notice of meeting on its website and send the member an email informing the member where the notice is available.

The new Constitution will supplement and support these new notice provisions by:

- applying them to documents and notices required or allowed under the Constitution, not just under the Corporations Act;
- allowing the Bank to send notices to members at any address for receiving notices provided by a member, not just an address in the Register of Members;
- clarifying that the Bank may send information to members about how to access the document electronically via any of the delivery methods already set out in the Constitution (by hand, post, fax or electronically);
- specifying that a member is taken to have received a document made available electronically at the later of the time that the document is made accessible electronically or the time the information about accessing it is taken to have been sent to the member (in accordance with the existing deemed delivery rules in the Constitution).

Accepting deposits from non-members

The Bank's Constitution currently prohibits it from accepting deposits from or lending to non-members, subject to some limited exemptions. The amendments will remove the prohibition against accepting deposits from non-members, but retain the restriction against lending to non-members.

While membership will continue to be the norm for new customers this change will provide the Bank with greater flexibility in accepting new deposits.

\$nil Subscription Price for new member shares

Currently the Bank issues Member Shares for a \$2 subscription price, which is repayable when the membership ends and the Member Share is redeemed. There is little benefit to the Bank in receiving the \$2 subscription price, and it creates a barrier to persons becoming members.

Under the new Constitution the subscription price for a new Member Share will change to \$nil. This will not affect existing members who will continue to hold a \$2 Member Share.

Common bond

The common bond restricts the persons the Bank can accept as members. The common bond will be amended to expand the types of businesses whose employees, officers and agents are covered by the common bond, to include the Public Service, and businesses in the recreation services, energy, telecommunications or manufacturing industry (or any other industry approved by the Board or its delegate), and to also cover persons who own such businesses. The bond categories relating to family members of existing members will be simplified. Existing conditions requiring at least 12 months membership of related members or of a past membership will be

removed. Any body corporate that is owned or controlled by an individual eligible for membership will also be eligible under the common bond. Changes will clarify that the Board can delegate to its officers its discretion to approve for membership individuals and bodies corporate with an affinity with the Bank and to approve corporations and businesses whose owners, employees, officers and agents can also be admitted.

Termination of Membership

The existing Constitutional rules allowing the Bank to terminate a membership for cause (if the member fails to discharge obligations to the Bank, is guilty of conduct detrimental to the Bank or obtains membership by misrepresentation or mistake) will be amended to:

- allow the Board of directors to delegate its power to terminate;
- remove the member's right to receive advance notice of, and to attend and be heard at, a Board meeting at which the termination resolution is to be considered;
- clarify that the termination trigger of member conduct detrimental to the Bank applies when the member has engaged in such conduct, rather than requiring that they have been guilty of such conduct;
- clarify that the grounds for termination must be as reasonably assessed by the Board or its delegate.

The ability of the Board to delegate termination authority will also apply to the existing right of the Board to terminate membership where a member's accounts are dormant.

In addition, the Board or its delegate will have a new right to terminate membership if a member ceases to hold any accounts (whether deposit or loan) with the Bank, subject to giving the member at least 21 days' notice before taking such action. This allows the Bank to close the membership after a member's last account is closed, whether by the member or the Bank, without the need for the member to request termination, or for the Bank to wait 12 months for dormancy.

Cancelling, postponing or varying the place or method of conducting a members' meeting

A rule will be added to the Constitution to allow the Board to cancel, postpone or change the venue or method of conducting (e.g. at a physical venue, via virtual meeting technology, or a hybrid of both) a meeting of members. This will apply to any members' meeting, including those requisitioned or called by members.

To cancel, postpone or vary the meeting of shareholders, the Board will need to provide notice to each person entitled to notice of the meeting, by such methods as permitted for giving notice of that meeting. The Board must give this notice before the date of the meeting. However, accidental failure to give a notice to, or non-receipt of notice by, any person will not invalidate the cancellation, postponement or change, or any resolution passed at the postponed or changed meeting.

Case law makes it clear that the Board may only exercise such power in accordance with their directors' duties, acting for a proper purpose and in good faith. The Board and the Bank must also continue to comply with the Corporations Act.

Conducting members' meetings using virtual meeting technology

Changes to the Corporations Act expressly allow for meetings of members to be conducted using virtual meeting technology. However, a company can only hold a purely virtual meeting, with no physical venue, if the company's Constitution expressly allows it. A person attending via virtual meeting technology is present in person at the meeting.

The new Constitution will include new rules mirroring the Corporations Act provisions relating to the use of virtual meeting technology. In addition, the new rules will:

- expressly allow the Bank to hold a members' meeting as a purely virtual meeting;
- allow the chair of the meeting to decide whether to adjourn or continue a meeting held using virtual meeting technology if there are technical difficulties, so long as a quorum of members remains present and able to participate.

Direct voting

The new Constitution allows for the Board to implement means of direct voting on resolutions before or during a members' meeting, such as by postal or online voting. This allows the Bank to provide a means for members to vote directly on resolutions even if they are not attending the meeting (whether via physical attendance or virtual meeting technology).

Chief Executive Officer as board appointed director

Currently the Constitution prohibits employees from being directors, other than 1 employee director nominated by the Board. The new Constitution will prohibit employees being directors other than the Chief Executive Officer, who the Board may directly appoint as director. If the Board appoints the CEO as director this counts as one of the maximum of 3 directors the Board can appoint. The CEO's term of office as director ends when they cease to be CEO, or such earlier date as set by the Board prior to appointing them.

Former senior executive as board appointed director

Currently a person who was a senior executive of the Bank in the previous 3 years cannot be a director. Recent former senior executives are considered not independent, and under APRA prudential standards, the Bank must ensure that the majority of its directors are independent.

The new Constitution will limit the prohibition on appointing recent senior executives as directors to elected directors only, but allow them to be board appointed directors. The Board will be able to ensure that it only appoints a former senior executive as director if the majority of directors remain independent. This gives the Board greater flexibility in who it may appoint as director.

Capping director's total time in office

Currently the Constitution does not impose any cap on the time a person can be a director of the Bank. To aid in succession planning, and address concerns that long standing directors may cease to be independent, the new Constitution will prohibit a person who has been a director of the Bank for a combined total period of 12 years or more from being appointed or elected as director. To allow the existing Board time to transition to this new prohibition, time in office prior to 29 September 2023 (the date the Board adopted a policy to limit directors' total time in office) will not be counted.

Term for casual vacancy director appointments

Under the current Constitution, if the Board appoints a director to fill a casual vacancy left by an elected director ceasing to hold office before the end of their term, then the director is appointed for a term ending at the next AGM after appointment, unless members approve the appointment by resolution at that AGM, in which case they hold office until the end of the term of the director they replaced. The new Constitution will remove the need for member approval, so that such directors automatically hold office for the remainder of the term of the director they replaced. There will be no change to casual vacancy appointments due to other reasons, who will continue to hold office until the next AGM.

Director rotation when appointed by resolution

The Constitution includes rotation provisions that apply when more than a third of the elected directors are elected at one time. This gives the elected directors with the lowest votes shorter terms of office to ensure that roughly a third of elected directors retire by rotation each year. The current rotation rules do not properly address the circumstance where the number of candidates is equal to or less than the number of vacancies to fill and directors are appointed by separate resolutions at the Annual General Meeting, instead of by election. To address this, the new Constitution will specify that in those circumstances the number of FOR votes minus the number of AGAINST votes on the resolution appointing the director is used to determine which directors receive the full 3-year term, and which receive a shorter term. In the event of equal votes, the decision is determined by lot.

Remove alternate director provisions

The Constitution includes rules allowing directors to appoint an alternate director to act in their place, subject to Board approval. In practice these provisions are not used, and the Board considers that the use of alternate directors, who are not appointed by members or the Board, is not appropriate. These provisions will be removed from the new Constitution.

Board quorum

The number of directors required to attend a Board meeting for it to be validly held is currently set at the maximum of half the number of directors or 3 directors. The new Constitution will modify this so that in calculating half the number of directors, the number is rounded down when the total number of directors is an odd number. This would reduce the quorum by 1 if the number of directors is an odd number of 7 or more. Currently the Bank has 9 directors, so the change would reduce the current quorum from 5 to 4 directors.

The new Constitution will also set the board quorum at 3 if there is one or more directors with a material personal interest in a matter to be considered at the Board meeting, but only in relation to that matter or determining whether the interested director can participate and vote on that matter. This could assist directors to continue to hold the Board meeting to address such matters despite not being able to count the interested director or directors as part of the quorum. However, this would only reduce the required quorum when the total board size is 8 or more.

Circulating Board resolutions

The new Constitution will vary and expand the existing right of directors to pass a circulating resolution without a Board meeting, by requiring approval from only a majority of directors entitled to vote on the resolution rather than from all directors, and allowing circulating resolutions to be approved by directors by such means as approved by the Board (including electronic means), not just by a signed written document. This provides the Board with greater flexibility in how it may pass circulating resolutions without a meeting.

Directors' remuneration

The current restriction that the aggregate directors' remuneration for any financial year must be limited to the amount approved by members for that year will be amended:

- to remove reference to financial year, to provide more flexibility in the period the member approval can apply to; and
- so it only applies to the remuneration of elected directors, with the remuneration of board appointed directors determined solely by the Board.

Allowing the Board to separately determine the remuneration of board appointed directors better addresses Board appointments outside of the AGM cycle (when members could approve increases to aggregate remuneration) and recognises that board appointed directors may be appointed due to having particular skills or expertise to add to the Board.

Director election process

The current director election process by postal ballot will be amended to:

- allow the call for nominations to be made by advertisement on the Bank's website, in addition to the other options already available (being individual member notice, or advertisement in newspapers or the Bank's offices);
- allow the Board to approve voting procedures to apply to the election instead of the existing default postal ballot process.

The new Constitution will set out factors for the Board to consider in developing voting procedures, and require the voting procedures to be given to all candidates and to members on request. The voting procedures could require the election to be conducted before or during the Annual General Meeting. They could allow for the use of electronic forms of voting or a combination of different voting options. This provides the Bank with greater flexibility as to the means and timing of its elections.

Additional changes

Other minor changes made in the new Constitution include:

- removing rules relating to use of the company seal, noting that the Bank is not required to have a seal, and the Corporations Act already regulates its use;
- correcting formatting and typographical errors.

Proxies

You can appoint a proxy to attend and vote at the meeting on your behalf. Your proxy does not have to be a member of the bank.

You can obtain an Appointment of Proxy form from the Bank by contacting the bank via email or telephone as shown below.

To be valid, your Appointment of Proxy form must reach the Bank no later than **48 hours** before the start of the Annual General Meeting.

Contact Details

Telephone: 1300 855 675
Email: info@firstoption.com.au
Website: www.firstoption.com.au