

Explanatory Notes

The Board proposes a number of amendments to Horizon Bank's Constitution to modernise the Constitution, improve operational efficiency, facilitate member participation and better align the Constitution with Horizon Bank's current governance and regulatory requirements.

Member shares

The Constitution currently requires a person applying for membership to pay a subscription price of \$2.00 for a member share.

The proposed amendments will reduce the subscription price for future member shares to nil. This will simplify the membership process, particularly for online applications, while preserving the rights attaching to membership. Existing members who previously paid a subscription price for their member share will not be affected by this change.

Directors and elections

The proposed amendments will update provisions relating to directors and the director election process.

The amendments will:

- introduce an express minimum of five directors and retain the existing maximum of nine directors;
- remove obsolete provisions relating to alternate directors and historical tenure provisions; and
- introduce a formal process for assessing whether nominees for election or appointment as directors satisfy Horizon Bank's fit and proper requirements before becoming eligible candidates.

These amendments are intended to strengthen governance arrangements and ensure continued compliance with prudential requirements applicable to Horizon Bank.

Membership termination

The proposed amendments will allow Horizon Bank to terminate membership where a member no longer maintains any deposit or lending accounts with Horizon Bank.

The amendments will also expressly permit the Board to delegate membership termination decisions where appropriate and replace the requirement for an in-person hearing with a written notice and response process. Members affected by a proposed termination will continue to be given notice and an opportunity to respond before a decision is made.

Electronic meetings and voting

The proposed amendments will allow Horizon Bank to conduct members' meetings using electronic meeting technology and permit electronic voting for members' resolutions and director elections, where approved by the Board.

These amendments are intended to make participation in Horizon Bank's governance more accessible and convenient for members while maintaining appropriate voting controls and safeguards.

Regulatory alignment

The proposed amendments will clarify that, where there is any inconsistency between the Constitution and applicable legislation, APRA prudential standards or APRA directions, those regulatory requirements will prevail.

This amendment is intended to ensure the Constitution remains aligned with Horizon Bank's regulatory obligations as an authorised deposit-taking institution.