REPLACEMENT PRODUCT DISCLOSURE STATEMENT
REPLACING A PRODUCT DISCLOSURE STATEMENT DATED 22 NOVEMBER 2016

OFFER OF SECURED REDEEMABLE SHARES MADE BY NEW ZEALAND FIREFIGHTERS CREDIT UNION

Date: 11 April 2017

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this Offer on www.business.govt.nz/disclose. New Zealand Firefighters Credit Union has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advisor to help you make an investment decision.

Contents

1. Which products are offered under this Replacement Product Disclosure Statement ("PDS")?

This offer is for secured redeemable shares (Shares) in one or more of the share accounts (Accounts) offered by New Zealand Firefighters Credit Union (Credit Union or we) which rank equally with all other Shares issued (the Offer). Prospective and existing members of the Credit Union who come within our common bond (described below) (Members or you) are invited to subscribe for Shares at $1.00 per Share, to be held in one or more of the Accounts operated by the Credit Union.

Each Share is either on-call or for a fixed term, and (where applicable) the term is agreed when you invest. Under the Friendly Societies and Credit Unions Act 1982 (FSCU Act), we may require, as part of the terms and conditions of the Shares, a 60 day notice period for withdrawal from time to time.

The rate of return on Shares is dependent on the type of Account you invest in, the terms of the Account and the duration of your investment.

We offer a number of different Accounts to our Members including On-Call Accounts and Term Accounts.

Further details of our On-Call Accounts and Term Accounts terms and conditions, fees and charges and interest rates can be found on the Disclose Register at http://www.business.govt.nz/disclose : Offer number 11328, at our office, or by visiting our website: www.firefighters.co.nz.

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You may apply for Shares if you meet the following membership criteria:

- A member of any fire service or fire brigade or an employee of any fire service, fire brigade, emergency services or emergency services management organisation;
- Relatives (as defined in our Rules) of any of the above persons (including children over 16 years); and
- Charitable entities and incorporated societies.

We reserve the right to accept or decline any application without giving you any reason for our decision.

2. New Zealand Firefighters Credit Union and what it does

Overview of the Credit Union

We are a financial co-operative registered as a credit union under the FSCU Act.

The objects of the Credit Union are:

- the promotion of thrift among Members by the accumulation of their savings; and
- the use and control of Members' savings for their mutual benefit; and
- the training and education of Members in the wise use of money and in the management of their financial affairs; and
- at the discretion of the Credit Union and as a minor adjunct to the other objects to further the welfare of Members and the making of donations for charitable, cultural, benevolent, or philanthropic purposes.

We operate in accordance with an Amended and Re-stated Trust Deed between the Credit Union and our Supervisor, Covenant Trustee Services Limited, dated 22 November 2016 (Trust Deed) and our Rules (Rules) which are registered in accordance with the FSCU Act. The Trust Deed and the Rules are available on the Disclose Register at www.business.govt.nz/disclose : Offer number 11328, our website, www.firefighters.co.nz and upon request at our offices.

We are registered on the Financial Service Providers Register with the registration number FSP452566. We are a non-bank deposit taker (NBDT) in terms of the Non-bank Deposit Takers Act 2013 (the NBDT Act) and are licensed under section 14 of the NBDT Act. We are not a registered bank in terms of the Reserve Bank of New Zealand Act 1989.

Operations and main activities of the Credit Union

Our primary activities since our inception on May 5th 1976 have been to provide a co-operative savings facility and banking services for our Members, to form a loan fund.

We make loans to Members from your investments and retained surpluses. The availability of loans to Members is dependent upon the availability of our funds. Loans to Members will only be made in accordance with our Rules, the Trust Deed, and the provisions of the FSCU Act, which may from time to time specify the maximum amount which may be loaned to any Member, the maximum term of loans, or the lending to assets ratio to be observed by us.

Further information on the composition and maturity of the loan portfolio is set out in the notes to our financial statements which can be found on the Disclose Register at www.business.govt.nz/disclose : Offer number 11328. All loans are subject to our lending criteria and we reserve the right to decline any application for a loan without giving a reason.

Main sector in which the Credit Union operates

We operate as a NBDT in the financial services industry, with a focus on savings and lending for our Members in emergency services and their families.

Aspects of the business that are key to generating income

The aspects of our business that are key to generating income are as follows:

Growing the Loan Portfolio

We make loan advances to Members from Members' deposits and retained surpluses. We make income from the interest charged on these loans. The majority of our loan advances are of a consumer nature, made to fund various personal items such as vehicle purchases, holidays and debt consolidations. As the loan portfolio provides the majority of our surplus, it is desirable to grow the loan portfolio.

Other Products

We also generate income from commissions on loan insurance, Kiwisaver products and retail transactional banking.

Investment

We have a number of investments which contribute to our overall income including, deposits with banks, deposits with the New Zealand Association of Credit Unions ("Co-op Money") and Base Capital Notes issued by Co-op Money.

3. No Credit Rating

The New Zealand Firefighters Credit Union is exempt from the requirement to have its creditworthiness assessed by an approved rating agency. This is because the New Zealand Firefighters Credit Union operates within the Non-Bank Deposit Takers (Credit Ratings Minimum Thresholds) Exemption Notice 2016 ("Exemption Notice"). The Exemption Notice applies because the average consolidated liabilities of the Credit Union are less than $20 million, making it unduly onerous for the Credit Union to comply with the requirement under the NBDT Act to have a credit rating and the Credit Union must maintain a capital ratio of at least 10%.

This means that the Credit Union has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

4. New Zealand Firefighters Credit Union's financial information

New Zealand Firefighters Credit Union is required by law and its Trust Deed to meet certain financial requirements. The Key Ratios table shows how the Credit Union is currently meeting those requirements. These are minimum requirements. Meeting them does not mean the Credit Union is safe. The section on specific risks of investing sets out risk factors that could cause the Credit Union's financial position to deteriorate. The Disclose Register provides a breakdown of how the figures in this table are calculated, as well as full financial statements.

Ranking of Securities

The Credit Union has (under its Trust Deed) granted a first security interest in favour of the Supervisor, on behalf of the Members.

The Credit Union is permitted under the Trust Deed to create a security interest, in favour of Co-op Money, over its assets which ranks in priority to the security interest granted in favour of the Supervisor. The prior ranking charge would be to secure any borrowing or money owed to the Co-op Money. The amount secured by any such prior ranking security interest may not exceed 10% of the Credit Union's total tangible assets.

At the date of this document no such prior ranking charge has been granted and no securities are secured by a mortgage or charge over any of the assets of the Credit Union that rank in point of security ahead of the shares being offered under this PDS. The aggregate amount of securities, being the shares issued by the Credit Union can be found in the notes to our financial statements which can be found on the Disclose Register at www.business.govt.nz/disclose : Offer number 11328.

Key Ratios

The key ratios under which the Credit Union must operate is set out in a document entitled "Key Ratios Table". This is incorporated by reference into this PDS. As this is a continuous offer, the Key Ratios table and other financial information can be found on the Disclose Register at www.business.govt.nz/disclose : Offer number 11328.

Other financial information

Details of our assets, liabilities, profit, cash flows and other financial information are set out on a document entitled "Other Financial Information". This is incorporated by reference into this PDS and can be found on the Disclose Register www.business.govt.nz/disclose.

Other limitations, restrictions and prohibitions

Set out below is a summary of the other limitations, restrictions and prohibitions applicable to the Credit Union. For further details refer to the Trust Deed on the Disclose Register at www.business.govt.nz/disclose : Offer number 11328. That information is incorporated by reference into this PDS.

The following financial covenants are given by the Credit Union under the Trust Deed:

- To maintain its capital ratio at 10% or more.
- To ensure the maximum aggregate exposure of the Credit Union to related parties will not exceed 15% of the Credit Union's capital.

- To ensure that the Liquidity Coverage Ratio shall not fall below 1.2 at any time, where:

  "Liquidity Coverage Ratio" means, in respect of the immediately following month, the ratio of:

  $$\frac{L + LR + SC}{SR}$$

  "L" means Liquid Assets;
  "LR" means expected loan receivables within that month;
  "SC" means expected gross Share contributions within that month; and
  "SR" means expected gross Share redemptions within that month.

- To ensure to the satisfaction of the Supervisor (acting reasonably), that the liquid assets of the Credit Union that are or may be available to it are sufficient or likely to be sufficient to enable the Credit Union to meet its liabilities to members when they become due, and shall confirm this in writing to the Supervisor as requested by the Supervisor from time to time.
- To ensure that creditor liabilities do not exceed 10% of total liabilities.

The terms used in these covenants and the calculations under these covenants, are in accordance with the terms of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 (Regulations) and the Trust Deed.

5. Guarantors

Neither the Supervisor, the Credit Union's trustees, directors or any other person guarantees the repayment of any Accounts, or the payment of any interest or any dividends in respect to any Accounts held in the Credit Union.

6. Specific risks of investing

In this section we describe the circumstances of which we are aware, that exist or are likely to arise, that significantly increase the risk that we may default on our payment obligations under the Shares.

Liquidity risk

Liquidity risk is about ensuring that we have sufficient levels of liquid assets so that we can promptly meet our obligations as they fall due, in a wide range of operating circumstances including unknown and unforeseen events and times of extreme liquidity pressure.

We are reliant on funding from Member depositors only. Our contractual maturity profile highlights that the funding maturity profile is shorter than the lending maturity profile. As Members can withdraw their funds at any time (or with relatively short notice), there is a risk that at any one time there might not be enough funds to meet our payment obligations. We rely on high reinvestment rates for Term Accounts, a consistent and reliable level of On-Call Accounts and regular receipts of principal and interest from borrowers. If reinvestment rates, Member Account balances or borrower repayments were to reduce materially, there is a risk that we may not have enough cash on hand at any one time to repay Members.

While the Credit Union is of the view that liquidity risk is unlikely to materialise, if it did, the impact would be significant for the Credit Union.

We aim to manage liquidity risk by:

- Continuously monitoring forecast and actual daily cash flows;
- Maintaining adequate cash reserves, to meet Member withdrawals when requested. Should the liquidity level fall below 12%, then we will limit or suspend loans and seek new deposits;
- Reviewing the maturity profiles of financial assets and liabilities; and
- Regularly monitoring loan repayments and comparing these to forecast cash flows.

Further information on liquidity, including expected maturity analysis and reinvestment assumptions, can be found in the Notes to the Financial Statements. The Financial Statements can be found on the Disclose Register at www.business.govt.nz/disclose : Offer number 11328.

Risks arising from Common Bond

Under the FSCU Act the Credit Union is restricted as to the persons it may accept as Members and the persons it can make loans to. This restriction is called the Credit Union's Common Bond, and is specified in the Credit Union's Rules. The restriction on taking deposits only from and making loans only to members means the Credit Union cannot easily compete with other market place deposit takers and lenders, such as banks. This restricts the ability of the Credit Union to grow which, in turn, limits the returns that can be given to members.

In addition, because the Common Bond is associated with the emergency services industry, the Credit Union is vulnerable to any economic downturn in that industry, as it has a concentration of credit exposure to Members in that industry.

While the Credit Union has a concentration of exposure to the emergency services industry, that concentration is geographically diverse as the Common Bond allows for Members to be anywhere in New Zealand.

Any overall cut back in the emergency services industry would be likely to have an adverse impact on the Credit Union.

Regulatory / Compliance Risk

The Credit Union is subject to the risk of legislation being enacted that affects the Credit Union in a materially adverse way. Because of its size, the direct cost implications of compliance with regulatory regimes such as the NBDT Act and associated regulations and the Anti-Money Laundering and Counter Financing of Terrorism Act have a substantial impact on the Credit Union.

The NBDT Act governs matters such as licensing of NBDTs, suitability assessments for directors and senior officers, restrictions on changes of ownership and new powers for the Reserve Bank to manage instances of distress and failure of the NBDTs. In the unlikely event that we failed to comply with NBDT requirements this may result in us having our NBDT licence revoked and being ordered to cease trading. This would have a significant adverse impact on the Credit Union and its profitability.

Third Party Credit Exposure Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in a financial loss. This usually occurs when debtors fail to settle their obligations to us.

In addition to loans to Members, our investments include call deposits, term deposits and Base Capital Notes issued by Co-op Money. There is no trust or security arrangements governing the Base Capital Notes and there is no active market for the Base Capital Notes. The Credit Union is not able to call for repayment of the Base Capital Notes. The Credit Union has approximately $120,000 in Base Capital Notes at the date of this document.

Accordingly, there is a concentration of credit risk with respect to our investments in Co-op Money. If Co-op Money runs into financial difficulties and defaults in its obligations, we would experience losses which could affect payment obligations to Members. We continue to actively monitor Co-op Money's performance, our exposure to this credit risk and the need to impair our investments with Co-op Money. Any impairment would have a significant impact on our ability to continue our business.

Provision of Banking Service Risk

The Credit Union relies on Co-op Money to provide the Credit Union with its core computer operating system, a central bank and "treasury" function and debit card facilities. If Co-op Money failed, the immediate short term ability of the Credit Union to continue to provide services to its members would be impeded. This would have an adverse impact on the Credit

Union’s ability to meet its payment obligations to its members. The Credit Union could approach alternative providers if Co-op Money were unable to meet its contracted obligations to us at any time. There are a range of alternatives but these would come at a cost of the Credit Union and there would be a time delay.

The Registrar of FSCU has recently formed the view that the current rules of Co-op Money do not comply with the requirements of section 143 of the FSCU Act. Consequently, there is a risk that if Co-Op Money is restricted from providing services to third party non-members, this may cause financial difficulties for Co-Op Money which could affect our investments in Co-op Money and/or increase the cost of the services it provides to its members. If the cost of services increased significantly or our investments were impaired then this may have a negative impact on our financial performance and profitability.

Lending Risk

This is the risk that Members to whom the Credit Union has lent money do not repay their loans or make interest payments on time. Where Members default, the Credit Union must attempt to realise the loan through enforcement against the borrower and by realising any security taken as part of the loan.

Lending risk incorporates factors such as the value of security provided by the borrower, the nature of the security, and the ability of the borrower to service and repay the loan. The Credit Union has a risk policy for loans which involves credit assessment of the borrower and the security available; setting exposure limits for borrowers; monitoring and reviewing any arrears; setting debt recovery reviews and maintaining internal audit of compliance with the lending policy.

Interest Rate Margin Risk

The Credit Union, as a financial services provider, is subject to interest rate margin risks. This is where the interest rate on loans made to Members falls below the returns promised to Members on their deposits. The Credit Union has a policy of regularly reviewing the interest rates and rates of return, to ensure it does not promise more than it can deliver. Distributions are subject to the approval of the Board. The Credit Union also has the ability, under its loan agreements, to alter interest rates by giving notice to borrowers.

7. Register entry

Further information regarding New Zealand Firefighters Credit Union and the Shares on offer can be found on the Disclose Register at www.business.govt.nz/disclose : Offer number 11328.

The information contained on the Disclose Register includes among other things a copy of the Trust Deed, financial information of the Credit Union and the Rules.

A copy of this PDS and our financial statements can also be found on our website, www.firefighters.co.nz or on the Disclose Register at .business.govt.nz/disclose : Offer number 11328. Copies are also available, free of charge, on request from our office.