

**REPLACEMENT PRODUCT DISCLOSURE STATEMENT
REPLACING A PRODUCT DISCLOSURE STATEMENT DATED 10 DECEMBER 2021**

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

Date: 12 April 2022

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 <https://disclose-register.companiesoffice.gov.nz>. 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.

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1. Updates To This Product Disclosure Statement

2022 updates

6 April 2022: The NZFCU received approval from the Registrar of a new Notice to Members and other SGM documents for a postponed meeting date of 6 May 2022. The NZFCU Board continues to work towards holding the meeting on this date.

5 April 2022: The NZFCU was advised that it was in breach of the Trust Deed for failure to comply with requirements under the Friendly Societies and Credit Unions Act 1982 (**FSCUA**) and a further Event of Default and a further Event of Review were declared under the Trust Deed. The Supervisor agreed not to exercise its right to appoint a receiver at that stage provided that the NZFCU agreed to: hold the SGM on or before 6 May 2022; communicate with Members; ensure its capital ratio remains above 5%; and maintain its liquidity position (including ceasing new lending, keeping operating expenses to a minimum, undergoing daily supervision, and continuing not to accept new members).

31 March 2022: The NZFCU was scheduled to hold a SGM to vote on two Special Resolutions: Special Resolution 1 - a Transfer of Engagements to NZCU Auckland; and Special Resolution 2 - an orderly wind up (liquidation). Votes in relation to Special Resolution 2 would only be counted if Special Resolution 1 did not pass. The NZFCU failed to obtain the Registrar's approval of the Notice of Meeting and other SGM documents prior to the distribution of the documents to Members, and the SGM was therefore unable to proceed pending the Registrar's approval.

21 February 2022: The NZFCU agreed in principle to transfer its engagements to Credit Union Auckland Incorporated (**NZCU Auckland**), subject to Member approval.

2021 updates

2 December 2021: NZFCU is in breach of its undertakings under the Trust Deed. Specifically, NZFCU has failed to furnish the Annual Report and the Auditors Report by the due date of 30 November 2021. Consequently, the NZFCU is now in breach of its statutory responsibilities to provide its audited financial statements to the regulatory authorities by the published date.

October 2021: The Credit Union has furthered its discussions with potential TOE partners and remains intent on addressing the issues it currently faces as outlined below.

September 2021: The Credit Union took significant steps to amend and update its RMP in accordance with the breach outlined above. This was submitted and accepted by the Supervisor and there has been no further Event of Review.

12 August 2021: The Credit Union was advised that in the opinion of the Supervisor, our Risk Management programme did not satisfy the requirements of section 27(2) of the NBDT Act and furthermore that the failure to have a Risk Management Programme (**RMP**) that complies with section 27(2) of the NBDT Act is an Event of Default under clause 10.1(j) of the Trust Deed. As a result, the Supervisor declared a further Event of Review under clause 9.1 of the Trust Deed.

4 June 2021: The audited financial statements were signed off and uploaded to the Disclose Register, thus the event of breach declared on 5 January 2021 was addressed.

2 June 2021: At the Special General Meeting, members rejected the Board's recommendation for a TOE with CU Baywide. The vote count was 32.4% in favour for and 58.6% against the TOE.

March 2021: The Supervisor advised the Credit Union that we had breached our AML/CFT processes. In response to this the Credit Union have engaged an AML specialist who is working with the Credit Union to ensure that these processes are robust, completed in accordance with our AML requirements as prescribed by the Trust Deed and relevant legislation, and recorded accurately in the Credit Unions Risk Management Programme and Risk Register.

20 April 2021: The Supervisor advised the Credit Union that we had breached our minimum capital ratio set out in clause 7.2(b)(i) of the Trust Deed, as at 28 February 2021 and accordingly declared an Event of Default under clause 10.1(j) of the Trust Deed.

Late February 2021: The Credit Union entered into a Heads of Agreement with Credit Union Baywide (CU Baywide) for the purpose of investigating the possibility of a Transfer of Engagements (TOE).

Due diligence was completed by both parties, and our Board recommended to Members that we meet via a special General Meeting to vote to accept the TOE. The meeting was scheduled for 2 June 2021.

28 February 2021: The Credit Union was declared in breach of its undertakings under the Trust Deed to lodge audited financial statements for the year to 30 June 2020 and in addition, to maintain a Capital Ratio in excess of 10% as at 28 February 2021.

29 January 2021: The Credit Union was unable to comply with that notice and was advised by the Supervisor that an Event of Default had occurred under Clause 10.1(c) of the Trust Deed. As such, the Supervisor had the power to appoint a Receiver to the Credit Union at any time after an Event of Default had occurred.

5 January 2021: The Credit Union FSCU Act was required to complete its audited financial statements for the year ended 30 June 2020 by 31 December 2020 and lodge those statements on the Disclose Register (sections 460, 461D and 461H of the Financial Markets Conduct Act 2013 and section 127(3)(b) of the FSCU Act. However, the Credit Union failed to comply with these requirements and as a result had breached clause 7.1(f) of the Trust Deed.

Accordingly, the Supervisor provided the Credit Union with notice pursuant to the Trust Deed requiring it to remedy the breach by completing, auditing, and lodging its audited financial statements by 26 January 2021.

As at the date of this replacement PDS

Our Board is currently working towards the SGM to be held on 6 May 2022 where Members will vote on: Special Resolution 1 - a transfer of engagements to NZCU Auckland; and Special Resolution 2 - an orderly wind up. Votes in relation to Special Resolution 2 will only be counted if Special Resolution 1 does not pass. If a 75% majority is not achieved on either option then the Supervisor intends to appoint a Receiver to wind up the NZFCU. For more information regarding our proposed transfer of engagements to NZCU Auckland please visit our website at <https://firefighters.co.nz/>.

The Supervisor has not appointed a Receiver but is closely monitoring our Capital Adequacy Ratio and our ability to return a profit.

We are required to maintain a Capital Ratio of not less than 10%. However, due to additional provisioning of costs incurred with the TOE process and increased compliance costs pertaining to the current Event of Review, our Capital Ratio sits at 5.28% as at 28 February 2022. This is a breach of the Trust Deed (under both the Trust Deed and current legislation).

Given that an Event of Default has occurred under clause 10.2 of the Trust Deed, NZFCU must cease to accept new Members that are not registered on the Register. This must continue until the Credit Union is no longer committing an Event of Default under the Deed.

Divestment from Base Capital Notes

During November 2019, we sold all of our Base Capital Notes issued by the New Zealand Association of Credit Unions (formerly trading as Co-op Money New Zealand limited) now trading as Banzpay (**Banzpay**), to CU Baywide, alongside a number of other member credit unions of Banzpay which conducted their own parallel sales of Base Capital Notes to CU Baywide.

Base Capital Notes are effectively the unsecured capital issued by Banzpay and had formed part of our investment in Banzpay.

Following the parallel sales of Base Capital Notes, CU Baywide acquired all Base Capital Notes on issue, and a number of member credit unions of Banzpay resigned from their membership. We, alongside CU Baywide and one other credit union, remain members of Banzpay.

Our divestment from our Base Capital Notes and the subsequent change of membership of Banzpay protects the continuity of services offered by Banzpay to its customers.

Incorporation of Credit Union

On 1 January 2020, the Credit Union incorporated in accordance with the changes introduced to the FSCU Act by the Friendly Societies and Credit Unions (Regulatory Improvements) Amendment Act 2018.

2. Which products are offered under this 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, us** or **our**) which rank equally with all other Shares issued (**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.

Accounts

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

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

Fees

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 <https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328, at our office, or by visiting our website: www.firefighters.co.nz.

You may apply for Shares if you meet the following Membership criteria.

Admission to Membership of the Credit Union shall be limited to:

- a) Any person who is a Member or an employee of Fire and Emergency New Zealand (**FENZ**) or any FENZ organisation within the meaning of the Fire and Emergency New Zealand Act 2017 or any replacement Act thereof, or any employee of any emergency services organisation or emergency services management organisation, or any employee of the Credit Union
- b) Members and associate Members, including any such person aged 16 years or younger, as follows:
 - (i) Any person may be eligible to be admitted into the common bond as an associate Member of the Credit Union who is classified as a relative of any Member of the Credit Union.
 - (ii) An associate Member must be nominated by the connecting Member.

- (iii) Associate Members have full rights of the Credit Union with the exception that they cannot nominate any other individual to the Credit Union, i.e. no associate Member may join a relative.
- c) Where a couple or group apply to join the Credit Union the first person named shall be the Member.
- d) Children upon reaching the age of 16 and requiring any Account other than a normal Share Account must become an individual Member.
- e) A Member as described at a) above may, upon leaving the common bond, retain Membership.
- f) A charitable entity as defined by the Charities Act 2005.
- g) An incorporated society registered under the Incorporated Societies Act 1908.
- h) For the purposes of (b)(i) above, the term 'relative', in relation to any person means:
 - (i) The spouse of that person including any former spouse or de-facto spouse.
 - (ii) Any lineal ancestor, lineal descendant, brother, sister, uncle, aunt, nephew, niece, or first cousin of that person or that person's spouse.
 - (iii) The spouse (including any former spouse or de facto spouse) or any relative specified in subparagraph (ii) hereof.

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

3. New Zealand Firefighters Credit Union and what it does

We are a financial co-operative registered and incorporated 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 the Trust Deed (**Trust Deed**) entered into between the Credit Union and Covenant Trustee Services Limited (**Supervisor**) and our Rules (**Rules**), both as amended and replaced from time to time, which are registered in accordance with the FSCU Act. The Trust Deed and the Rules are available on the Disclose Register at <https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328, our website, www.firefighters.co.nz and upon request at our office.

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 (**NBDT Act**) and are licensed under section 14 of the NBDT Act, subject to conditions imposed by the Reserve Bank of New Zealand (**Reserve Bank**). 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 inception on May 5th, 1976 have been to provide a co-operative savings facility and banking services for Members, to form a loan fund.

We make loans from your investments and retained surpluses. The availability of loans is dependent upon the availability of funds. Loans 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, the maximum term of loans, or the lending to assets ratio as observed by us.

As part of the changes to the FSCU Act upon our incorporation, we are permitted to provide loans to certain small and medium-sized enterprises related to Members, provided that such loans are in accordance with the requirements of the FSCU Act, our Trust Deed, and the Rules.

Further information on the composition and maturity of the loan portfolio is set out in the notes of our Financial Statements which can be found on the Disclose Register at:

<https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328. 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 to 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 from Members' investments with us. 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 consolidation. 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 investing surplus funds for interest and income from commissions, (for example placing insurance policies, home loans, 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.

In November 2019, we divested from our previous investment in Base Capital Notes issued by Banzpay, via a sale and purchase arrangement entered into with CU Baywide. Further details of this transaction can be found above, under the heading “Divestment from Base Capital Notes”.

4. No Credit Rating

The Credit Union was exempt from the requirement to have its creditworthiness assessed by an approved rating agency. This was because we operate within the Non-Bank Deposit Takers (Credit Ratings Minimum Thresholds) Exemption Notice 2016 (**Exemption Notice**). The Exemption Notice applied 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 maintained a capital ratio of at least 10%. (The Credit Union is currently in breach of the minimum Capital Ratio requirements (refer Clause 3).)

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.

The Exemption Notice has been extended to 2024.

5. New Zealand Firefighters Credit Union’s financial information

The 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 Banzpay or any other lender approved by the Supervisor (**Approved Lender**), 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 Banzpay or such other Approved Lender. The amount secured by any such prior ranking security interest may not exceed 10% of the Credit Union's total tangible assets.

In addition to the prior ranking security interests which may be provided in favour of Banzpay or an Approved Lender, the Credit Union is permitted to create a security interest in respect

of any asset of the Credit Union necessary to secure any money borrowed, raised or owing in acquiring that asset. Any security interest granted in respect of such assets would rank in priority to the security interest granted in favour of the Supervisor. The aggregate of all amounts secured by such prior ranking security interests must not exceed 2% of the Credit Unions total tangible assets.

At the date of this PDS and except as otherwise disclosed in this PDS, 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:

<https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328.

Settlement Bond

Under the terms and conditions of our banking arrangements with Banzpay, we have lodged a settlement bond with Banzpay. In the event that we are unable to settle our inter-bank requirements the settlement bond provides security to Co-op Money, and ultimately to the bank(s) that provide settlement services to Co-op Money. The bond is held on term deposit in a trust account.

Security Interest over Leased Assets

We lease a number of photocopiers and other office assets from Ricoh New Zealand Limited (**Ricoh**). As part of this lease arrangement, Ricoh has registered a financing statement on the Personal Property Securities Register in recognition of its security interest. The security interest does not secure the payment or performance of an obligation from us, but instead registers Ricoh's interest in its own property leased to us in order to protect Ricoh's ownership of that property. Accordingly, the leased assets do not have an asset value to us. This security interest in relation to specific leased office equipment ranks in priority to the security interest granted in favour of the Supervisor, on behalf of Members.

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:

<https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328.

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 <https://disclose-register.companiesoffice.govt.nz>

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:

<https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328. 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. (The Credit Union is currently in breach of the minimum Capital Ratio requirements (refer Clause 3).)
- 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.

6. Guarantors

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

7. 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 and maturity

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. The Credit Union has no tolerance for breaches of liquidity ratios, or lack of emergency funds.

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 our liquid assets fall below 12% of the value of our total tangible assets, 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 <https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328.

Lending Risk

This is the risk that borrowers to whom the Credit Union has lent money do not repay their loans or make interest payments on time. Where borrowers 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.

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 borrowers fail to repay their loans.

We have Credit Risk Policies for loans to manage credit risk. The key points are:

credit assessment of all applications for loans;

- specifying the level and type of security required for a loan;
- monitoring and reviewing loans in arrears;
- establishing appropriate provisions for impaired loans; and
- maintaining and reviewing the performance of debt recovery

If we experience significant credit losses (i.e. borrowers not repaying their loans), this will have an adverse impact on financial performance and the ability to pay returns to Members. If this was sufficiently substantial so as to cause the liquidation and winding up of our operations, then the value returned to members, in respect of their Shares, may be less than the amount they invested.

We may take security from a borrower for loans made to them. To the extent that we do or do not take security or we take security that ranks subsequent in priority to another party's security, then in a default situation:

- the ability to realise the borrower's assets taken as security may be restricted or prohibited by the terms of any prior ranking security;
- where the borrower's assets are realised, the value of those securities taken may fluctuate due to market prices; and
- where the borrower's assets are realised, the borrower may be unable to repay some or all of the remaining funds advanced by us.

We may incur losses in the above circumstances, which may affect our profitability and returns payable to members. Therefore, we make provision for doubtful debts in our financial statements in accordance with industry standards, to reflect this risk.

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 borrowers 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.

Capital Risk

Capital risk management is about ensuring we have sufficient capital to meet the regulatory requirements, including the NBDT Regulations, which provides a buffer against unexpected losses and supports the ability to fund future investment in products and services.

We are reliant on generating surpluses to provide retained earnings to increase our capital. Our asset growth over recent periods has resulted in a reduced Capital Ratio. We manage our capital risk by:

- maintenance of a capital adequacy policy and reporting requirements;
- monitoring the actual and forecast Capital Ratio;
- restricting lending if required; and
- managing interest rate margin and other revenue and expense items.

we are required to maintain a Capital Ratio of not less than 10%. Due to the additional provisioning of costs and increased compliance costs pertaining to the current Event of Review our Capital Ratio sits at 5.28% as at 28 February 2022. We are in the process of addressing the event of a review in a manner that is fit for long term sustainability of the Credit Union.

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 Rules. The restriction on taking deposits and providing lending means the Credit Union cannot easily compete with other marketplace 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. These obligations impacted our ability to complete the audited financial statements for 2020 year.

We did not have the resources to provide the amount of information required by the Auditor. This was compounded by a change in the reporting information received from Banzpay. This risk is heightened by the continuing breaches outlined earlier in this PDS. Breaches have occurred, they are likely to continue until a significant change in organisational profitability occurs. We are at risk of Supervisory and/or Regulatory intervention such as being placed into receivership if we do not maintain a Capital Adequacy Ratio of above 10% and demonstrate to the Supervisor it can be a legitimate going concern moving forward.

Specific Credit risk – Banzpay

Banzpay was reliant upon maintaining a certain level of business, including non-member business, in order to have the scale to provide its essential services efficiently. Its revenue was concentrated on a small number of customers.

Changes to the credit union sector over 2017 and 2019 have had an adverse impact on Banzpay's revenue, primarily as some member credit unions reduced and/or ceased the utilisation of services from Banzpay, thus reducing Banzpay's future revenue streams. In addition, the merger of Aotearoa Credit Union, Credit Union Central and Credit Union South into CU Baywide, has reduced existing business revenue. Banzpay also has on-going capital spending requirements to deliver its current, planned, and future projects.

Between 2018 and 2019, Banzpay's liquidity and financial performance deteriorated as a result of capital expenditure, operating losses, decreased trading activity, and one-off costs and losses. This has resulted in Banzpay operating a net deficit and a negative cash position. Banzpay has an existing overdraft facility that it will use to fund its day-to-day operations.

In November 2019, Banzpay was acquired by CU Baywide. Since then, there have been improvements to the banking App provided by Banzpay, changes to the core banking system and a reduction in uncertainty pertaining to Banzpay's ability to continue to provide core banking systems and services to the Credit Union.

Services Risk – Banzpay

We are reliant on Banzpay to provide us with essential services such as our core banking system, agency banking, settlement services, a "treasury" function and debit card facilities.

Information technology risks

Information technology plays a critical role in our business, with the delivery of financial services to customers dependent on the availability and reliability of our information technology systems. Our ability to compete effectively in the future will, in part, be driven by our ability to maintain an appropriate information technology platform for the efficient delivery of our products and services. Our operations are likely to be significantly affected should our information technology systems fail or not operate in an efficient manner.

Cyber security risk

Cyber security risk is the risk of a breach or unauthorised access to our Member data, or other confidential information, or the risk of an incident occurring that causes us or our service providers to suffer data breaches, data corruption or lose operational functionality. A successful cyber-attack may result in negative consequences, including loss of revenue, additional regulatory scrutiny, remediation costs, litigation, and reputational damage.

8. Register entry

Further information regarding the Credit Union and the Shares on offer can be found on the Disclose Register at <https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328.

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 <https://disclose-register.companiesoffice.govt.nz> by searching Offer Number OFR11328. Copies are also available, free of charge, on request from our office.