

REPLACEMENT PRODUCT DISCLOSURE STATEMENT

OFFER OF DEPOSITS ISSUED BY FIRST CREDIT UNION INCORPORATED

DATED 2 October 2023

This Product Disclosure Statement replaces the previous Product Disclosure Statement that was dated 2 August 2023

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.govt.nz> First Credit Union Incorporated has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

SECTION 1: KEY INFORMATION SUMMARY

What is this?

This is an offer of call and term accounts in First Credit Union Incorporated. The call and term accounts are redeemable shares (classified as debt securities) issued by First Credit Union Incorporated. You give First Credit Union Incorporated money, and in return First Credit Union Incorporated promises to pay you interest and repay the money at the end of the term. If First Credit Union Incorporated runs into financial trouble, you might lose some or all of the money you invested.

About First Credit Union Incorporated

First Credit Union Incorporated ("Credit Union") is a credit union incorporated under the Friendly Societies and Credit Unions Act 1982 ("FSCU Act"). Under the FSCU Act, the Credit Union has rules providing for its governance ("Rules"). People who deposit money with the Credit Union are called "members". Members must all fall within the Credit Union's "common bond" which is set out in the Rules.

On 1 August 2022, a process known as a "transfer of engagements" was completed, under which the Credit Union accepted all of the engagements of Westforce Credit Union ("Westforce"). On 1 December 2022, another transfer of engagements was completed, under which the Credit Union accepted all of the engagements of Steelsands Credit Union Incorporated ("Steelsands"). On 1 October 2023, another transfer of engagements was completed, under which the Credit Union accepted all of the engagements of Fisher & Paykel Credit Union Incorporated ("Fisher & Paykel CU"). This has, in effect, resulted in a "merger" of the four credit unions. The Credit Union currently uses the Westforce, Steelsands, and Fisher & Paykel Credit Union trading names in branches of the former credit unions and in some dealings with members of the former credit unions.

Purpose of this offer

The purpose of this offer is to provide a facility for members to deposit money with the Credit Union and to subsequently withdraw that money. Members may make various types of deposits, by opening accounts of different types. The moneys deposited are used to provide loans to other members and to other small to medium enterprises associated with members. The Credit Union uses the term "accounts" to refer to the terms on which the redeemable shares are issued.

Key terms of the offer

Call accounts

Description of the debt securities	The Credit Union offers the following secured redeemable shares called "call accounts" to members: Everyday Accounts, Special Purpose Accounts, BillPay Accounts, Travel Accounts, Expenses Accounts, Jimmy Jumper (Children's) Accounts, Youth Accounts, and Teen Accounts. There are also Loan Provider Accounts, Money Maker Accounts and On-line Savings Accounts, all of which are repayable on demand, unless pledged as a security for a loan (although the FSCU Act provides that the Credit Union may require a 60 day notice period for withdrawals).
Interest rates	Interest rates on call accounts are published by the Credit Union and are subject to change from time to time. Interest rates can be found from the websites www.firstcreditunion.co.nz and (for former Fisher & Paykel CU members) www.fpccreditunion.co.nz/savings/ .
Offer opening and closing dates	The offer opened on 11 November 2016. This is a continuous offer, so there is no closing date.
Dates and frequency of interest payments	The interest on call accounts is paid on closure of the accounts. Interest may also be paid at regular intervals, by agreement between the Credit Union and a member.

Term accounts

Description of the term of the debt securities	The Credit Union offers secured redeemable shares called "term accounts" of 1, 3, 6, 9, 12, 18, 24 and 36 months. There is also a Christmas Club Account which is only repayable between 1 November and 31 January in each year. If a withdrawal from a term account would reduce a member's paid-up shareholding in the Credit
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	Union to less than the member's total liability (including any contingent liability) to the Credit Union then, for a non-qualifying member, the withdrawal will not be permitted and in other cases withdrawal will be permitted at the discretion of the Credit Union.
Interest rates	Interest rates on term accounts are published by the Credit Union and are subject to change from time to time. Interest rates can be found from the website www.firstcreditunion.co.nz and (for former Fisher & Paykel CU members) www.fpccreditunion.co.nz/savings/ . The interest rate on a term account will be fixed for the length of the term. On expiry of the term the deposit will be reinvested for an equivalent term at the then current interest rate, unless a member has, prior to the expiry of the term, given written notice to the Credit Union requesting that the funds be placed in a call account. No notice of reinvestment needs to be given to the member.
After opening and closing dates	The offer opened on 11 November 2016. This is a continuous offer, so there is no closing date.
Dates and frequency of interest payment	The interest on term accounts is paid at the end of the term. Interest may also be paid at regular intervals during the term by agreement between the Credit Union and a member.
Early withdrawal	See "How you can get your money out early" below.

Further detail about the Credit Union's accounts, fees, charges, terms and conditions and interest rates can be found on the Disclose Register <https://disclose-register.companiesoffice.govt.nz>, on the Credit Union's websites www.firstcreditunion.co.nz and (for former Fisher & Paykel CU members) www.fpccreditunion.co.nz or from any Credit Union branch.

No guarantee

The accounts are not guaranteed by the Credit Union, Covenant Trustee Services Limited ("Supervisor"), or any other person and the Credit Union is solely responsible for the repayment of moneys in the accounts.

How you can get your money out early

Call accounts are generally repayable at call. However, the FSCU Act provides that the Credit Union may require a 60 day notice period for withdrawals.

If the Credit Union believes you have suffered real financial hardship, it has a discretion to allow you to withdraw your term account investment early. In these circumstances the interest rate may be adjusted to the nearest shortest-term deposit period prior to your early repayment request and/or an early withdrawal fee may be charged.

The accounts cannot be sold to anyone else.

How the accounts rank for repayment

On a liquidation of the Credit Union:

- all members' claims will rank equally with other members in relation to repayment priority;
- some specific claims will rank ahead of members' claims, for example, employees' unpaid wages, insolvency costs, Supervisor's fees and any prior permitted security interests; and
- all members' claims will rank ahead of unsecured creditors (to the extent permitted by law).

Further information on the matter can be found at Section 4 (Key features of the accounts) of this document.

What assets are these accounts secured against?

The Credit Union has entered into a Trust Deed with the Supervisor, under which the Credit Union has granted a first ranking security interest over all its personal property and has charged all of its other property to the Supervisor as security for the payment of the principal and interest payable to members under the accounts.

Further information on the matter can be found at Section 4 (Key features of the accounts) of this document.

Where you can find First Credit Union Incorporated's financial information

The financial position and performance of First Credit Union Incorporated are essential to an assessment of First Credit Union Incorporated's ability to meet its obligations under the accounts. You should also read Section 5 of this document (First Credit Union Incorporated's financial information).

Key risks affecting this investment

Investments in debt securities have risks. A key risk is that First Credit Union Incorporated does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of the PDS (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for the accounts should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair. First Credit Union Incorporated considers that the most significant risk factors are:

- **Liquidity Risk:** This is the risk that the Credit Union may encounter difficulties meeting its repayment obligations (e.g. to members wanting to withdraw money) because of a lack of available liquid assets. Traditionally members' funds at call and payable within one month exceed loans and recoverables due within the same timeframe. The methods that the Credit Union uses to manage this risk are described in Section 6 of this document.
- **Credit Risk:** This is the risk of people to whom the Credit Union has lent money not repaying their loans or making interest payments on time or the failure of organisations with which the Credit Union has deposited funds. Management of this risk includes assessment of the creditworthiness of borrowers and the value of any security given to support lending.

This summary does not cover all of the risks of investing in the accounts. You should also read Section 6 (Risks of investing) and other places in the PDS that describe risk factors (for example the Key features of the accounts).

What is First Credit Union Incorporated's credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

The Credit Union has been rated by Fitch Ratings. Fitch Ratings gives ratings from AAA through to C. The Credit Union has a long-term issuer credit rating of **BB with a stable outlook** and a short-term issuer credit rating of BB.

Rating	AAA	AA	A	BBB	BB	B	CCC	CC	C
Strength	Highest credit quality	Very high credit quality	High credit quality	Good credit quality	Speculative	Highly speculative	Substantial credit risk	Very high levels of credit risk	Near default
Historic likelihood of default over 5 years'	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5		1 in 2	

Ratings from "AA" to "B" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A Fitch Ratings rating may also include an 'Outlook' assessment. An Outlook assessment considers the potential direction of a long-term credit rating over the intermediate term (one to two years) but does not mean the rating will change. The principal Outlook definitions include: "Positive" – the rating may be raised; "Negative" – the rating may be lowered; and "Stable" – the rating is not likely to change.

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SECTION 2: TERMS OF THE OFFER

This is an offer for redeemable shares (called "accounts") in the Credit Union. Members and new members may open any of the accounts described below. By opening an account or by making deposits into an existing account the member or new member will be subscribing for redeemable shares of the type described in the relevant account terms and conditions. Accounts may be opened jointly with another person.

Call Accounts	
Description of Securities	The Credit Union offers the following call accounts: Everyday Accounts, Special Purpose Accounts, BillPay Accounts, Travel Accounts, Expenses Accounts, Jimmy Jumper (Children's) Accounts, Youth Accounts, and Teen Accounts. There are also Loan Provider Accounts, Money Maker Accounts and On-line Savings Accounts all of which are repayable on demand, unless pledged as a security for a loan.
Minimum investment amount	The minimum investment amount is \$1.00. The board of the Credit Union may from time to time (and also on a case by case basis) alter the maximum amount.
Term	Call accounts are generally repayable at call. However, the FSCU Act provides that the Credit Union may require a 60 day notice period for withdrawals. If a withdrawal from a call account would reduce a member's paid-up shareholding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union then, for a non-qualifying member, the withdrawal will not be permitted and in other cases withdrawals will be permitted at the Credit Union's discretion.
Basis for ascertaining the interest rates	Interest rates on call accounts are published by the Credit Union and are subject to change from time to time. Interest rates can be found by telephoning the Credit Union on 07 834 4810 or 09 828 8285, or from the websites www.firstcreditunion.co.nz and (for former Fisher & Paykel CU members) www.fpccreditunion.co.nz/savings/ .
Offer opening and closing dates	The offer opened on 11 November 2016. This is a continuous offer, so there is no closing date.

Dates and frequency of interest payments	The interest on call accounts is paid on closure of the accounts. Interest may also be paid at regular intervals, by agreement between the Credit Union and a member.
Ranking on liquidation	<p>Call accounts are secured by a first ranking security interest over all of the assets of the Credit Union in favour of the Supervisor, which is subject to the following potential prior charges:</p> <ul style="list-style-type: none"> • preferential creditors whose claims arise through the operation of law, including wages, taxes and liquidation costs; • permitted prior charges under the Trust Deed in favour of any lender approved by the Supervisor. This can be up to 10% of total tangible assets. At the date of this document there are no such prior charges, but there is a right for Westpac to set off up to \$7 million (being amounts owing by the Credit Union to Westpac in connection with the provision of transactional banking facilities) from moneys in a deposit in an account of the Credit Union's with Westpac. In addition, prior charges securing indebtedness for specific assets may be granted up to a further 2% of total tangible assets; and • Supervisor's fees, costs and disbursements. <p>Call accounts rank equally with all other call accounts and with all term accounts with the Credit Union. Call accounts rank ahead of unsecured creditors, to the extent permitted by law.</p>
Transfer rights	Call accounts are not transferable. However, a member may nominate a person to receive up to a maximum of \$2,000 of that member's shareholding on that member's death. This nomination must be in writing, signed by the member and sent to the Credit Union's registered office.
Term Accounts	
Description of securities	The Credit Union offers term accounts of 1, 3, 6, 9, 12, 18, 24 and 36 months. There is also a Christmas Club Account which is only repayable between 1 November and 31 January in each year. If a withdrawal from a term account would reduce a member's paid-up shareholding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union then, for a non-qualifying member, the withdrawal will not be permitted and in other cases withdrawals will be permitted at the Credit Union's discretion.
Minimum investment amount	The minimum amount for the Christmas Club Account is \$1.00. The minimum amount for all other term accounts is \$500. The board of the Credit Union may from time to time alter the maximum amount.
Term	There are term accounts of 1, 3, 6, 9, 12, 18, 24 and 36 months and a Christmas Club Account, as referred to above.
Basis for ascertaining the interest rates	<p>Interest rates on term accounts are published by the Credit Union and are subject to change from time to time. Interest rates can be found by telephoning the Credit Union on 07 834 4810 or 09 828 8285, or from the websites www.firstcreditunion.co.nz and (for former Fisher & Paykel CU members) www.fpccreditunion.co.nz/savings/. The interest rate on a term account will be fixed for the length of the term.</p> <p>On expiry of the term the deposit is reinvested for an equivalent term at the then current interest rate, unless the member has, prior to the expiry of the term given written notice to the Credit Union requesting that the funds be placed</p>

	in a call account. No notice of reinvestment needs to be given to the member.
Offer opening and closing dates	The offer opened on 11 November 2016. This is a continuous offer, so there is no closing date.
Dates and frequency of interest payments	The interest on term accounts is paid at the end of the term. Interest may also be paid at regular intervals during the term by agreement between the Credit Union and a member.
Ranking on liquidation	<p>Term accounts are secured by a first ranking security interest over all of the assets of the Credit Union in favour of the Supervisor, subject to the following potential prior charges:</p> <ul style="list-style-type: none"> • preferential creditors whose claims arise through the operation of law, including wages, taxes and liquidation costs; • permitted prior charges under the Trust Deed in favour of the any lender approved by the Supervisor. This can be up to 10% of Total Tangible Assets. At the date of this document there are no such prior charges, but there is a right for Westpac to set off up to \$7 million (being amounts owing by the Credit Union to Westpac in connection with the provision of transactional banking facilities) from moneys in a deposit in an account of the Credit Union's with Westpac. In addition, prior charges securing indebtedness for specific assets may be granted up to a further 2% of total tangible assets; and • Supervisor's fees, costs and disbursements. <p>Term accounts rank equally with all other term accounts and with all call accounts with the Credit Union. Term accounts rank ahead of unsecured creditors, to the extent permitted by law.</p>
Transfer rights	Term accounts are not transferable. However, a member may nominate a person to receive up to a maximum of \$2,000 of the member's shareholding on that member's death. This nomination must be in writing, signed by the member and sent to the Credit Union's registered office.
Early withdrawal	If you suffer real financial hardship, the Credit Union has a discretion to allow you to withdraw moneys from your term account early before its ordinary maturity date. In these circumstances the interest rate may be adjusted to the nearest shortest- term deposit period prior to your early repayment request and/or an early withdrawal fee may be charged.

The Credit Union charges fees for EFTPOS transactions, card transactions, ATM usage and other electronic banking. Information about these fees and charges can be found on the Disclose Register <https://disclose-register.companiesoffice.govt.nz>, on the Credit Union's websites www.firstcreditunion.co.nz and (for former Fisher & Paykel CU members) www.fpccreditunion.co.nz, or from any Credit Union branch.

Trust Deed

Accounts are opened subject to and governed by the provisions of an amended and restated trust deed between the Credit Union and the Supervisor dated 1 January 2020 ("Trust Deed").

A full copy of the Trust Deed can be obtained from the Credit Union or on the Disclose Register <https://disclose-register.companiesoffice.govt.nz>.

Rules

The Credit Union operates in accordance with its Rules, which are registered under the FSCU Act. The Rules govern all members of the Credit Union and can only be amended by way of a resolution passed by a majority of members voting at a meeting. A copy of the Rules can be found on the Disclose Register at <https://disclose-register.companiesoffice.govt.nz>. Copies are also available on

the Credit Union's website www.firstcreditunion.co.nz, and upon request at any branch of the Credit Union.

Offer made to members

Under the Rules of the Credit Union, the offer is made only to members who are:

- Any person residing or working in New Zealand including persons aged 16 years or younger;
- Any person who is a member of the same household as, and is a relative of, a member (a relative is a spouse, former spouse, de facto spouse, lineal ancestor or descendant, brother, sister, uncle, aunt, nephew, niece, first cousin or any of their spouses or former or de facto spouses);
- A charitable entity as defined by the Charities Act 2005; and
- An incorporated society registered under the Incorporated Societies Act 1908.

If a member ceases to be within the common bond, that member is called a non-qualifying member. Up to 10% of the Credit Union's membership can be non-qualifying members.

Meetings of members and voting rights

The Rules require the Credit Union to hold an annual general meeting of members each year. In certain circumstances a special general meeting of members may be called. Each member is entitled to one vote only, irrespective of the number of shares that member holds. With a joint account the person first named on the account will have the sole vote.

Directors

The Rules require that there are not less than 5 nor more than 9 directors. Directors are elected by the members at the annual general meeting, although the General Manager is also a director and does not need to be elected. There is also a provision in the Rules allowing the elected directors to co-opt an additional 2 independent directors to the board. The directors are to determine and implement the policies of the Credit Union and are responsible for the general management of the affairs of the Credit Union.

Transferring shares and nomination

Shares in the Credit Union are not transferable.

However, you may nominate in writing that on your death a person is to receive up to \$2,000 of your accounts in the Credit Union.

Non-Qualifying members

If a member ceases to meet the membership criteria that member will become a non-qualifying member.

A non-qualifying member may, subject to the provisions of the FSCU Act and the Rules, subscribe for shares and receive loans. A loan to a non-qualifying member may not exceed the shares held by that member.

The number of non-qualifying members must not exceed 10% of the total membership of the Credit Union. If the number of non-qualifying members exceeds 10% of the total membership of the Credit Union, the Credit Union will terminate the membership of the number of non-qualifying members necessary to ensure it meets this level in accordance with the Rules.

For further detail on the above, please refer to the Rules, a copy of which can be found on the Offer Register at <https://disclose-register.companiesoffice.govt.nz>, at www.firstcreditunion.co.nz, and upon request at the registered office of the Credit Union.

SECTION 3: FIRST CREDIT UNION INCORPORATED AND WHAT IT DOES

Overview

The Credit Union was originally established under the FSCU Act on 21 April 1958. It became an incorporated credit union on 1 January 2020.

Under the FSCU Act, a credit union can only act in accordance with its statutory objects which include the promotion of thrift amongst its members by the accumulation of their savings, 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 management of their financial affairs.

Under the Credit Union's Rules, members who have accounts with the Credit Union elect the board of directors of the Credit Union. The board of directors are responsible for the management of the Credit Union.

Since its establishment the Credit Union has operated in the finance sector, by taking deposits and making loans. Loans may be made to members and to other small to medium enterprises associated with members. This along with the fees charged on accounts are the aspects of the Credit Union's business that are key to generating income.

Money not lent out to members and their associated parties is held in deposits with registered banks or other financial institutions (with a credit rating equal or above to the Credit Union's) or otherwise invested in accordance with the Credit Union's Board approved policies and the FSCU Act.

Ownership of First Insurance Limited

The Credit Union holds all of the shares in First Insurance Limited ("FIL"). FIL has a share capital of \$6,000,000. It is licensed under the Insurance (Prudential Supervision) Act 2010 to provide certain insurance products (in accordance with FIL's licence as an issuer of insurance products) to those members of the Credit Union who wish to avail themselves of this product. FIL is operated as a separate business from the Credit Union.

Transfers of engagements from Westforce Credit Union, Steelsands Credit Union Incorporated, and Fisher & Paykel Credit Union Incorporated

On 1 August 2022 a process known as a "transfer of engagements" was completed and resulted in the Credit Union accepting all of the engagements of Westforce Credit Union.

This effective date is recorded in a Certificate of Transfer of Engagements issued on 1 August 2022 by the Registrar of Friendly Societies and Credit Unions, under 135C(3) of the FSCU Act. This followed a special meeting of the members of Westforce on 16 June 2022 which approved the transfer of engagements, and the board of the Credit Union subsequently passing resolutions approving and accepting the transfer.

A further transfer of engagements was completed on 1 December 2022 and resulted in the Credit Union accepting all of the engagements of Steelsands Credit Union Incorporated.

This effective date is recorded in a Certificate of Transfer of Engagements issued on 1 December 2022 by the Registrar of Friendly Societies and Credit Unions, under 135C(3) of the FSCU Act. This followed the annual general meeting of the members of Steelsands on 18 October 2022, which approved the transfer of engagements, and the board of the Credit Union subsequently passing resolutions approving and accepting the transfer.

A further transfer of engagements was completed on 1 October 2023 and resulted in the Credit Union accepting all of the engagements of Fisher & Paykel Credit Union Incorporated.

This effective date is recorded in a Certificate of Transfer of Engagements issued on 1 October 2023 by the Registrar of Friendly Societies and Credit Unions, under 135C(3) of the FSCU Act. This followed the annual general meeting of the members of Fisher & Paykel CU on 17 August 2023, which approved the transfer of engagements, and the board of the Credit Union subsequently passing resolutions approving and accepting the transfer.

The effect of these processes is that the Credit Union has assumed all of the assets, rights, liabilities, and obligations of Westforce, Steelsands, and Fisher & Paykel CU, and the members of Westforce, Steelsands, and Fisher & Paykel CU have become members of the Credit Union. The four credit unions now operate as a single merged entity.

The Credit Union currently uses the Westforce, Steelsands, and Fisher & Paykel CU trading names in branches of the former credit unions and in some dealings with members of the former credit unions.

For information about the risks relating to the transfers of engagements please see Section 6 (Risks of investing).

SECTION 4: KEY FEATURES OF THE ACCOUNTS

Ranking and security

The call and term accounts are secured by a security interest which the Credit Union has granted over all of its assets in favour of the Supervisor. The security interest secures all amounts payable by the Credit Union on the call and term accounts and all other moneys payable by the Credit Union under the terms of the Trust Deed, which include the Supervisor's fees. The amount of the liability secured by the security interest and the total value of the assets subject to the security interest based on the financial position of the Credit Union at its most recent balance date is incorporated by reference into this document and is available online on the Disclose Register <https://disclose-register.companiesoffice.govt.nz>.

The Credit Union is permitted under the Trust Deed to create a security interest 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 a lender approved by the Supervisor. 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.

The Credit Union is also permitted under the Trust Deed to create a security interest over specific assets which ranks in priority to the security interest granted to the Supervisor to secure any borrowing or money owed in connection with the purchase of that asset. The amounts secured in this way may not exceed 2% of the Credit Union's total tangible assets. At the date of this document some incidental charges have been granted.

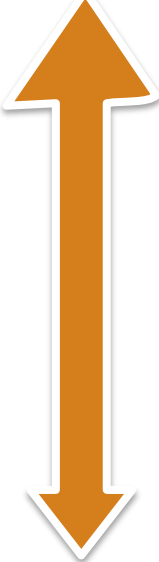
Except as set out above, the Trust Deed prevents the Credit Union from creating any security interest over its assets which ranks in priority to, or equally with, the security interest granted to the Supervisor.

In addition to the above prior charge restrictions, the Trust Deed imposes the following financial restrictions on the Credit Union:

- to maintain its capital ratio at 8% 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 1.3 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 for that month;
 - LR** means expected loan receivables within that month;
 - SC** means expected gross share (and any credit union security) contributions within that month; and
 - SR** means expected gross share (and any credit union security) redemptions within that month; and
- 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.

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.

The diagram below illustrates the ranking of the call and term accounts on liquidation of the Credit Union:

	Ranking on liquidation of First Credit Union Incorporated	Examples of Liabilities	
 <p>High ranking/priority</p> <p>Lower ranking/priority</p>	Liabilities that rank in priority to the call and term accounts	Liabilities owed to preferential creditors, (such as the employees of the Credit Union), permitted prior charges and the Supervisor's costs, fees and expenses	A ranking diagram, including indicative amounts based on the financial position of the Credit Union as at its most recent balance date is incorporated by reference into this document and is available online on the Disclose Register https://disclose-register.companiesoffice.govt.nz .
	Liabilities that rank equally with the call and term accounts	Call and term accounts will rank equally with all other term and call accounts issued by the Credit Union	
	Liabilities that rank below the term and call accounts	Lower ranking creditors, such as unsecured creditors	
	Equity	The amount owed to members following the distribution of surplus assets.	

SECTION 5: FIRST CREDIT UNION INCORPORATED'S FINANCIAL INFORMATION

On the online Disclose Register <https://disclose-register.companiesoffice.govt.nz> there is a document filed under the Credit Union's offer information entitled "Additional NBDT Financial Information". That document is incorporated by reference into this document. It sets out the following information for the most recently audited financial years of the Credit Union.

- Capital ratio
- Related party exposures
- Liquidity ratio
- Other selected financial information.

The financial information for the Credit Union made available through the Disclose Register for periods prior to 1 August 2022 reflects the financial position of the Credit Union prior to the completion of the transfer of engagements with Westforce, as described in Section 3 of this PDS.

The financial information for the Credit Union made available through the Disclose Register for periods prior to 1 December 2022 reflects the financial position of the Credit Union prior to the completion of the transfer of engagements with Steelsands, as described in Section 3 of this PDS.

The financial information for the Credit Union made available through the Disclose Register for periods prior to 1 October 2023 reflects the financial position of the Credit Union prior to the completion of the transfer of engagements with Fisher & Paykel CU, as described in Section 3 of this PDS.

However, the overall impact of the Westforce, Steelsands, and Fisher & Paykel CU transfers of engagements is relatively small as those credit unions were substantially smaller than the Credit Union prior to completion of the transfers.

SECTION 6: RISKS OF INVESTING

General risks

The principal risk to members is that they will not be repaid some or all of the amount in their accounts and/or the interest due on those accounts.

Members could be exposed to that risk if the Credit Union became insolvent for any reason, and the amounts recovered from its assets prove to be insufficient to meet its obligations to members, notwithstanding the security granted by the Credit Union to the Supervisor (for the protection of the amounts in the members' accounts).

Specific risks relating to First Credit Union Incorporated's creditworthiness

Liquidity risk

Liquidity risk is the risk that the Credit Union will not have enough cash to advance loans or to repay members' accounts. Many members can withdraw their moneys immediately or on very short notice. However, loans are made for longer terms. This means that the Credit Union must manage the maturity of loans and balance this with the anticipated need to repay funds in members' accounts.

Historically, members have "rolled over" short term investments and not withdrawn money so that there have not been liquidity issues. However, if "roll over" or reinvestment rates in term accounts materially reduced there is a risk that the Credit Union would not have enough cash to repay members wanting to withdraw their funds.

The Credit Union aims to manage liquidity risk by:

- Continuously monitoring forecast and actual daily cash flows.
- Reviewing the maturity profiles of financial assets and liabilities.
- Maintaining cash reserves (the policy is to maintain 15% of readily available cash).

Credit risk

The Credit Union focuses on meeting the financing needs of its members (and to a lesser extent small to medium enterprises associated with members) many of whom may be in a relatively low socio-economic group. Members and their associates may have only limited borrowing and loan repayment capacity.

Interest earned on loans is the Credit Union's primary source of income. Credit Risk is the risk that borrowers do not repay their loans as required by the loan contracts or that they are unable to pay interest on those loans. The risk is that multiple loan defaults will occur at the same time reducing the Credit Union's income and also requiring the Credit Union to write off loans that will not be repaid.

If multiple loans went into default, there is a risk of loss of income to the Credit Union and a risk that deposits might not be able to be repaid.

The adverse impact expected from a small number of loan defaults would be low. However, the adverse impact expected from multiple loan defaults would be moderate to high for the Credit Union.

In relation to credit risk, the Credit Union has the following credit risk management policies:

- risk assessment and security requirements for each loan;

- limits on exposure to individual borrowers, limits on non-mortgage secured loans and limits relating to concentrations of exposures to geographic and industry groups considered at high risk of default;
- reassessment and review of credit exposures on loans;
- provisions to recognise the impairment of loans; and
- debt recovery procedures.

Counterparty risk

This is a risk that a party with which the Credit Union has deposited surplus funds does not return those funds, so preventing the Credit Union from keeping its repayment commitments to members and its debts.

The Credit Union has significant surplus funds in excess of its capital, invested with New Zealand registered banks or other financial institutions (with a credit rating equal or above to the Credit Union's) in accordance with the Credit Union's Board approved policies. Should any bank or financial institution fail, the Credit Union would lose a portion of its funds. This would be likely to result in the Credit Union not being able to repay the members' accounts.

The risk of loss on bank deposits is reduced by the nature and quality of the independent rating of the individual bank or financial institution. The risk of failure is considered to be low, but if it occurred this would have a major impact on the Credit Union.

Transfer of engagement risk

The transfers of engagements from Westforce, Steelsands, and Fisher & Paykel CU described in Section 3 of this PDS (First Credit Union Incorporated and what it does) raise some additional risks for the Credit Union.

The transfer of engagements processes and the integration of Westforce, Steelsands, and Fisher & Paykel CU members and offerings with the Credit Union requires a commitment of time, money and resources before the Credit Union will realise any benefits from the transfers of engagements. This could create operational risks for the Credit Union in the short term while the merging and integration takes place.

The Credit Union considers this risk to be reasonably low, particularly given the Credit Union is substantially larger and better resourced than Fisher & Paykel CU, Steelsands, and Westforce were prior to their transfers of engagements with the Credit Union. The Credit Union has mitigated the risk in part by retaining most former Westforce and Steelsands employees, and some of Fisher & Paykel CU's employees.

SECTION 7: TAX

The Credit Union is required by law to deduct resident withholding tax ("RWT") from any returns paid or credited to any member resident in New Zealand and to account for this deduction to the Inland Revenue Department ("IRD"). For members who supply the Credit Union with their IRD number and nominate a RWT rate, RWT will be deducted at the rate nominated. In the event that an individual member:

- omits to notify the Credit Union of that member's IRD number, the Credit Union will deduct RWT at 45%, or such other amount as required by law; or
- has notified the Credit Union of that member's IRD number but omits to nominate the rate at which that member wishes RWT to be deducted, RWT will be deducted at 17.5% for existing accounts or 33% for new accounts, or such other amount as required by law.

For members who are incorporated societies, the Credit Union will deduct RWT at 30% or such other amount as required by law.

The Credit Union is not required to deduct RWT from returns to any member who has an exemption. Members who hold an exemption from RWT issued by the IRD are required to notify the Credit Union.

In addition to RWT there may be other tax consequences from you acquiring or disposing of (opening and closing) accounts.

Further information is available at the Inland Revenue website at www.ird.govt.nz.

If you have queries relating to the tax consequences of your accounts, you should obtain independent professional advice on those consequences, which is specific to your circumstances.

SECTION 8: WHO IS INVOLVED?

	Name	Role
Issuer	First Credit Union Incorporated	The issuer of the call and term accounts and responsible to you for repayment of the accounts
Supervisor	Covenant Trustee Services Limited	Provides independent monitoring and oversight of the Credit Union under the Trust Deed and applicable law

SECTION 9: HOW TO COMPLAIN

Any complaints about your accounts can be made to the Credit Union, the Supervisor or the Credit Union's approved dispute resolution scheme.

In the first instance complaints should be made to the General Manager of the Credit Union:

Email: complaints@firstcu.co.nz

Telephone: (07) 834 4810

Post: First Credit Union Incorporated, P.O Box 585, Waikato Mail Centre

If you are still not satisfied, you may raise concerns with the Supervisor:

Covenant Trustee Services Limited
Level 6, 191 Queen Street
PO Box 4243, Shortland Street,
Auckland 1140

Telephone: (09) 302 0638

Email: team@covenant.co.nz

As a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 First Credit Union Incorporated is a member of an approved dispute resolution scheme. The scheme is operated by Financial Services Complaints Limited ("FSCL"). FSCL will not charge a fee to any complainant to investigate or resolve a complaint.

FSCL's contact details are as follows:

Financial Services Complaints Limited
PO Box 5967
Lambton Quay
Wellington 6145

Telephone: 0800 347257 or (04) 472 FSCL (472 3725)

Fax: (04) 472 3728

Website: www.fscl.org.nz

Email: info@fscl.org.nz

SECTION 10: WHERE YOU CAN FIND MORE INFORMATION

Further information relating to the Credit Union and the accounts is available on the Disclose Register (for example, financial statements). A copy of the Trust Deed may also be obtained from the Disclose Register. The Disclose Register is at <https://disclose-register.companiesoffice.govt.nz> and the information can be obtained on request by you to the Registrar of Financial Service Providers.

The Credit Union does not presently provide information to investors on an annual basis, (other than by means of the interest on accounts on a six-monthly basis) but the Credit Union does from time to time contact members with news believed to be of interest to them and details of promotional offers.

You are entitled to request from the Credit Union:

- A copy of the most recent financial statements.
- A copy of the current Product Disclosure Statement.
- Certain information concerning your investment(s) (such as its principal amount, maturity date and the next date on which interest is payable).

The information is available to you free of charge by contacting the Credit Union using our contact details listed under Section 12 (Contact Information).

SECTION 11: HOW TO APPLY

You may apply to open an account by completing an application form and sending it to the Credit Union. Membership is open to all persons and entities coming within the Credit Union's common bond (refer Section 2). The current version of the application form is available to download from our website www.firstcreditunion.co.nz, and at any Credit Union branch. Enquires about investing can be made to First Credit Union Incorporated, 111 Collingwood Street, Hamilton on 07-834 4810 or by email to welcome@firstcu.co.nz, or at any branch.

SECTION 12: CONTACT INFORMATION

The contact details for the Credit Union are, at the date of this document:

111 Collingwood Street
Hamilton

Website: www.firstcreditunion.co.nz

Telephone: Call Centre 07 834 4810