



**Product Disclosure Statement**

**dated 24 August 2017**

**for an offer of deposits by Christian Savings Limited**

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This document gives you important information about this investment to help you decide whether you want to invest. There is useful information about this offer on [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). Christian Savings Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013.

You can also seek advice from a financial adviser to help you to make an investment decision.

**Dated – 24 August 2017**

## Section 1 - Key information summary

### What is this?

This is an offer of call, term, charitable and funeral deposits. The deposits are debt securities issued by Christian Savings Limited (**Christian Savings, we, our or us**). You give us money, and in return we promise to pay you interest (if applicable) and repay the money at the end of the term. If we run into financial trouble, you might lose some or all of the money you invested.

### About Christian Savings

Christian Savings is a registered charity (CC47731) and, as from 1 September 2017 (**Offer Open Date**), is a licensed non-bank deposit taker. For over fifty years Christian Savings and Christian Savings Incorporated (together the **Christian Savings Group**) have lent money raised from depositors to New Zealand Christian churches and organisations and associated persons of those groups, for the general broad purpose of growing God's Kingdom. The Christian Savings Group is restructuring and with effect from the Offer Open Date Christian Savings is the entity responsible for issuing deposits and making loans (see section 3 of this PDS (Christian Savings and what it does)).

### Key terms of the offer

	Call deposits	Term deposits	Charitable deposits	Funeral deposits
Description	Secured debt securities.	Secured debt securities.	Secured debt securities.	Secured debt securities.
Offer opening and closing dates	The offers open on 1 September 2017. These are continuous offers with no closing date.			
Term	Call deposits are repayable on request.	Term deposits are issued for 30 days, 3 months, 6 months, 9 months, 1 year, 18 months, 2 years, 3 years or 5 years.	Charitable deposits may only be issued for a term of 1 year, 18 months, 2 years, 3 years or 5 years.	Funeral deposits are issued for your lifetime.
Interest rates	The interest rates applicable are on our website and are subject to change without notice.	The interest rates applicable are on our website and are subject to change without notice. The interest rate for each term deposit is fixed until maturity.	You do not earn interest on charitable deposits. Instead, we donate an amount equal to the interest which you would have earned on a term deposit of the same term to an eligible charity nominated by you.	The interest rate is the same as for a 9-month term deposit available on our website, as may be varied from time to time.
Interest payments	Calculated on your daily balance and paid in arrears on 31 March and 30 September in each year (or on the next business day	Calculated on the balance of the deposit, and in respect of a deposit for:	We make the donation at such times as agreed with the nominated charity.	Calculated on the balance of the deposit and payable in arrears into the deposit each 6 months from the date of

	Call deposits	Term deposits	Charitable deposits	Funeral deposits
	following these dates), or on closure of the call deposit.	<ul style="list-style-type: none"> <li>6 months or less, is payable on maturity.</li> <li>9 months, is payable quarterly in arrears.</li> <li>all other terms greater than 9 months, is payable in arrears each 6 months from the date of deposit and on maturity. Interest may be compounded or credited to the nominated bank account.</li> </ul>		deposit and on maturity.
Early withdrawal	There is no charge for withdrawal.	At our discretion.		

### Who is responsible for repaying you?

Christian Savings is responsible for repaying you, together with Christian Savings Incorporated, which is a guarantor in relation to the deposits.

### How you can get your money out early

Call depositors may request repayment at any time, without charge.

Term, charitable and funeral depositors may request early repayment, which is at our sole discretion. We reserve the right to charge break fees and reduce interest rates (or donations) as described in section 2 of this PDS (terms of the offer).

The deposits are transferable, however Christian Savings does not intend to quote these deposits on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your deposits before the end of their term.

### How deposits rank for repayment

On liquidation of Christian Savings, claims under the deposits would rank:

- **after** all creditors preferred by law and any permitted prior security interests;
- **equally** with all other depositors and amounts owing to the supervisor; and
- **ahead** of any lesser ranking secured creditors, unsecured creditors and the distribution of surplus assets of Christian Savings.

Further information can be found in section 4 of this PDS (key features of deposits).

### **What assets are these deposits secured against?**

With effect from the Offer Open Date, Christian Savings and our guarantor have granted a security interest to Covenant Trustee Services Limited as supervisor, to secure our payment obligations under the deposits, over all present and after-acquired personal and real property.

Further information regarding the security can be found in section 4 of this PDS (key features of deposits).

### **Where you can find Christian Savings' financial information**

The financial position and performance of Christian Savings are essential to an assessment of Christian Savings' ability to meet its obligations under the deposits. You should also read section 5 of this PDS (Christian Savings' financial information) and the Disclose register entry that section refers to.

### **Key risks affecting this investment**

Investments in debt securities have risks. A key risk is that Christian Savings 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 rates for these deposits 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.

Christian Savings considers that the most significant risks factors are:

#### *Loan default risk*

If a number of borrowers default on their loans around the same time, there may be insufficient funds to repay depositors. As at 31 July 2017, the five biggest loans represented approximately 34.13% of the loan portfolio.

To mitigate this risk, we have conservative lending parameters and a diversified portfolio of borrowers. Our borrowers also increasingly have diversified income streams, so as not to be solely reliant on just one income source.

#### *Liquidity risk*

Liquidity risk is the risk that Christian Savings may not be able to meet its short term financial obligations, which may be affected by our lending commitments, borrower repayments, ability to raise or retain deposits, or the mismatch between the funds held on short terms for depositors and the longer terms offered to borrowers. We mitigate this risk by maintaining at least 15% of the funds we have invested with banks in liquid short term cash investments and by ensuring the majority of our loan book is on terms less than 15 years.

#### *Operational risk*

Christian Savings has a small team and is reliant on the competency and availability of each team member to complete transactions. There is a chance of staff mistake or fraud resulting in the loss of funds. To mitigate operational risk, Christian Savings uses external service providers to supplement

the team and applies internal control procedures and other policies (including maintaining comprehensive insurance).

This summary does not cover all of the risks of investing in the deposits. You should also read section 6 of this PDS (risks of investing).

**What is Christian Savings’ credit rating?**

With effect from the Offer Open Date, Christian Savings’ credit rating is B+, Positive Outlook (indicated by the shaded row in the table below).

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.

Christian Savings has been rated by Fitch Ratings Inc. (**Fitch**). Fitch gives ratings from AAA through to C.

Credit rating <sup>1</sup>	Description of the rating	Rate of default statistics — 10 year average of 3 year cumulative default rates (%) 2004-2013 <sup>2</sup>
AAA	Highest credit quality	0.97
AA	Very high credit quality	—
A	High credit quality	0.68
BBB	Good credit quality	0.59
BB	Speculative	1.07
<b>B+</b>	Highly speculative	<b>4.83</b>
B	Highly speculative	7.20
CCC	Substantial credit risk	} Statistics are not available for these ratings.
CC	Very high levels of credit risk	
C	Exceptionally high levels of credit risk	
RD	Restricted default	
D	Default	

<sup>1</sup> The modifiers “+” or “-” may be added to the above ratings to indicate relative status within the major rating categories. Rate of default statistics for “+” or “-” ratings, other than that held by Christian Savings, have been excluded.

<sup>2</sup> Source: Fitch Ratings Global Corporate Finance 2015 Transition and Default Study. This study is only available to Fitch member issuers who have signed up for an account on the Fitch website.

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## Letter from the Chairman of the Christian Savings Board

Christian Savings represents a special interdenominational partnership that helps Christians throughout New Zealand. For over 50 years the Christian Savings Group has provided investors with an opportunity to support the work of Christian organisations that seek to grow God's Kingdom.

Christian Savings provides an ethical and meaningful investment opportunity for individuals and organisations by offering a range of on-call, term, charitable and funeral deposit options. The funds that we hold are used to provide loans to Christian churches and charities, small and large. The need for a Christian-based lending provider continues to be as relevant today as it was since the humble beginnings of the Christian Savings Group in 1962. Since then, we have grown significantly in our size and scope and have become a common ground for Christian denominations to work together.

It is both a blessing and a privilege to fund the vision of Christian churches and charities in New Zealand. We have funded a wide range of initiatives, from a new church sound system in Dunedin, a new roof for a west Auckland church, a manse in Nelson, a large new urban church in Lower Hutt, to Christian child care centres throughout New Zealand and community housing projects. Christian Savings has become a significant resource for churches and charities who require a faith-based lending partner.

Thank you for your support.

Blessings,

A handwritten signature in black ink, appearing to be 'Graham Shaw', with a long horizontal line extending to the right.

Graham Shaw  
Chairman

## Section 2 - Terms of the offer

### Terms of the offer

	Call deposits	Term deposits	Charitable deposits	Funeral deposits
Offer opening and closing dates	The offers open on 1 September 2017. These are continuous offers with no closing date.			
Description	Secured debt securities.	Secured debt securities.	Secured debt securities.	Secured debt securities.
Minimum investment	\$1,000.	\$1,000.	\$1,000.	\$1,000.
Term	There is no fixed term as the call deposits are repayable on request.	Term deposits are issued for terms of 30 days, 3 months, 6 months, 9 months, 1 year, 18 months, 2 years, 3 years or 5 years.	Charitable deposits may be issued for a term of 1 year, 18 months, 2 years, 3 years or 5 years.	Funeral deposits are issued for your lifetime, and repaid upon your death to your legal representative (e.g. the executor of your estate).
Interest rates	The interest rates on the call deposits are set on a regular basis after considering current market conditions.	The interest rates for term deposits are set as described for call deposits, but by reference to the term of the deposit selected.  Once set, the interest rate for each term deposit is fixed until maturity.	You do not earn interest on charitable deposits. Instead, we donate an amount equal to the interest which you would have earned on a term deposit of the same term to an eligible charity nominated by you.	The interest rates for funeral deposits are the same as for a 9-month term deposit, as may be varied from time to time.
	Our current policy is to set the interest rates by reference to the deposit interest rates of the five largest New Zealand banks. The interest rates applicable from time to time are available on our website and are subject to change without notice. Other than for charitable deposits, the interest rate will be confirmed to you by correspondence following deposit.			
Interest payments	In arrears on 31 March and 30 September in each year (or where relevant, on the next business day following these dates), or on closure of the call deposit.	Interest payable in respect of a term of 6 months or less will be paid in arrears on maturity. For terms of 9 months, interest is payable quarterly in arrears. For all other terms, greater than 9 months, interest is payable in arrears each 6 months from the date of deposit and on maturity. Interest may be compounded or credited to the	You do not earn interest on charitable deposits. We make the donation to the nominated charity at such times as agreed with the charity.	Interest is payable in arrears each 6 months from the date of deposit and on maturity, paid into the deposit account and compounded.

	Call deposits	Term deposits	Charitable deposits	Funeral deposits
		nominated bank account.		
Early withdrawal	At call. Minimum withdrawal amount is \$100. There is no charge on withdrawal.	Early withdrawal of term deposits and charitable deposits is at our sole discretion. Depositors can apply to have all or a portion of those deposits repaid prior to maturity by submitting a request to us and completing the Partial or Full Break Application Form. A request will be reviewed and a decision made at the sole discretion of Christian Savings and we reserve the right to charge break fees. We may charge an administration fee (as at the Offer Open Date this fee applies to term deposits only and is \$30) and the interest rate, and the donation amount on charitable deposits, may be adjusted to a reduced rate reflecting the rate offered by Christian Savings for the term nearest to which we have held your funds.		No withdrawals of funeral deposits are permitted during your lifetime, except at our sole discretion. Depositors can apply to have all or a portion of funeral deposits repaid prior to maturity by submitting a request to us and completing the Partial or Full Break Application Form. Break fees may be charged at our discretion for early withdrawal, as for a term deposit.
Ranking on liquidation	On liquidation of Christian Savings, your rights and claims under the deposits would rank: <ul style="list-style-type: none"> <li>• <b>after</b> all creditors preferred by law and any permitted prior security interests (at the Offer Open Date there are no prior security interests);</li> <li>• <b>equally</b> with all other depositors and amounts owing to the supervisor; and</li> <li>• <b>ahead</b> of any lesser ranking secured creditors (at the Offer Open Date there are none), all unsecured creditors and the distribution of surplus assets of Christian Savings.</li> </ul>			

### Trust deed and supplemental trust deeds

With effect from the Offer Open Date, we are bound by the terms and conditions of a trust deed with Covenant Trustee Services Limited as supervisor, in relation to the deposits and supplemental trust deeds (relating to call deposits, term deposits, charitable deposits and funeral deposits), in each case with Covenant Trustee Services Limited as supervisor. A copy of the trust deed and each supplemental trust deed may be obtained from the Disclose register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

### Interest rate comparison

The diagram below demonstrates the interest rates payable on the deposits for terms ranging from 90 days up to five years. The interest rates are compared with the following in relation to each of the terms noted in the diagram below:<sup>3</sup>

- the average interest rates of the five largest New Zealand retail banks by reference to which we currently set the interest rates for our deposits; and

<sup>3</sup> Interest rates from the banks are based on a minimum deposit range of \$5,000 - \$10,000. Interest rates from non-bank financial institutions (encompassing finance companies and credit unions) are based on a minimum deposit range of \$500 - \$5,000.

- other than as noted below, the average interest rates of eight non-bank financial institutions in New Zealand (including finance companies, credit unions and building societies) having a credit rating between B and BB+.

Rates are as published in the morning of 31 July 2017 on [www.interest.co.nz](http://www.interest.co.nz).

Because Christian Savings is a registered charity our operations are different to most other issuers of deposits, particularly in the way we set the interest rates on our deposits.

The interest rates for the deposits are determined by reference to the deposit rates of selected banks in New Zealand (as illustrated by the red bar in the diagram below), which generally have a lower credit risk than us, in order to allow us to on-lend to our borrowers at preferential rates. The banks used to set the interest rates on the deposits as at 31 July 2017 have credit ratings between A and AA-. Our credit rating is currently B+, Positive Outlook.

The credit risk of the non-bank financial institutions included in the diagram below is closer to our credit risk. The eight financial institutions used to compile the data represented by the green bar in the diagram below currently have credit ratings between B and BB+. Our current credit rating sits within this band. The difference between the interest rates on the deposits (illustrated by the blue bar) and the average interest rates of the non-bank financial institutions used (illustrated by the green bar), allows us to lend to borrowers at lower interest rates.

The interest rates for the deposits would normally reflect the degree of credit risk, however, the interest rate you receive (as illustrated by the blue bar in the diagram below) may not reflect the degree of credit risk in relation to our payment obligations under the deposits. You need to decide whether the offer is acceptable to you.



## Section 3 - Christian Savings and what it does

### Overview of Christian Savings Group

The Christian Savings Group comprises two entities:

1. The key operational arm is Christian Savings Limited, a charitable company registered with Charities Services. With effect from the Offer Open Date, Christian Savings is licenced by the Reserve Bank of New Zealand as a non-bank deposit taker. It receives deposits and makes loans primarily to New Zealand Christian churches and other Christian organisations, and people associated with them. Its shares are held by various Christian charitable groups.

With effect from the Offer Open Date, Christian Savings acquired all the assets and obligations of Christian Savings Incorporated as part of the restructure of the Christian Savings Group. The purpose of the restructure is to transfer all of the operations of Christian Savings Incorporated (including all deposit obligations, loans (and supporting security), staff, systems and premises) to Christian Savings, with governance and management being undertaken by the same people. The new structure has the benefit of operating in the form of a limited liability company under the Companies Act 1993, which is a more robust, familiar and modern legal framework than the framework applying to Christian Savings Incorporated under the Incorporated Societies Act 1908. In addition, it is easier to raise additional capital using a company structure. Prior to the restructure, Christian Savings was a subsidiary of Christian Savings Incorporated and guarantor of the deposits issued by Christian Savings Incorporated.

2. Christian Savings Incorporated is an incorporated society originally set up by the Baptist Union of New Zealand in 1962. From March 2015 up to and including 31 August 2017, it operated as a non-bank deposit taker, but following the restructure described above, with effect from the Offer Open Date, it now has only residual functions. Its directors are the same as the directors of Christian Savings Limited and it is a guarantor of the deposits issued by Christian Savings.

Because Christian Savings acquires all of the assets and obligations of Christian Savings Incorporated with effect from the Offer Open Date (with the result that, as from that date, Christian Savings 'stands in the shoes' of Christian Savings Incorporated) the historical information in this document relates to, and has been provided for, the operations of Christian Savings Incorporated.

#### **(a) Loan application and loan assessment policies**

Christian Savings finances New Zealand Christian churches and other registered charities with a Christian purpose, and persons associated with them. These can include acquiring new property, developing existing property or financing new equipment such as vehicles or projectors. All approved loans are reported to the full board at the next board meeting. The board is also advised of applications that are declined and the reasons for those decisions.

#### **(b) Security**

Before any funds are advanced to a borrower, we require:

- a completed loan agreement; and
- a certificate confirming appropriate insurance is in place.

For loans secured by land and/or buildings, we require confirmation that all mortgage(s) have been registered on settlement.

For loans that are not secured by a mortgage, we register a security interest on the Personal Property Securities Register.

**(c) Engaging with borrowers who are struggling to meet their obligations to us**

In default situations, we immediately make contact with the borrower, progressing to a face-to-face meeting if problems continue. The board is notified as soon as a loan is technically in default, and is involved in any decision on how to respond. We also engage with the relevant denominational or other applicable leadership groups. On two occasions in the period since 2000, the Christian Savings Group has funded professional advisors to assist struggling borrowers.

**(d) Loan portfolio**

The table below summarises borrower type as at 31 July 2017.

Type of borrower	Number of borrowers	Percentage of total value of loan portfolio
Christian churches	154	80.67%
Christian charities	17	15.22%
Vehicle loans	21	0.11%
Others	5	4.00%
Total	197	100%

Most property loans are secured over land and buildings used by churches. Our practice is to take an Auckland District Law Society form registered 'all obligations' first ranking mortgage security over all advances.

The tables below summarise loan to value ratio split between commercial and residential loans.

The loan to value ratio is the amount borrowed divided by the value of the secured property, e.g. \$100,000 (loan) / \$500,000 (value of security) = 20% loan to value ratio. The lower the loan to value ratio is, the higher the degree of comfort that the security should be sufficient to cover the amount of the loan in the event of a default. We require a registered or government valuation as evidence of the value of the property.

**Loans secured over commercial and predominantly commercial property as at 31 July 2017**

Loan to Value Ratio	Number of loans	Total value of loans	Percentage of commercial loan portfolio
80%+	0	0	0.00%
60-79%	4	\$2.99m	3.50%
40-59%	54	\$37.89m	44.24%
20-39%	97	\$33.44m	39.04%
0-19%	85	\$11.27m	13.16%
Unsecured	3	\$0.05m	0.06%
Total	243	\$85.65m	100%

### Loans secured over residential and predominantly residential property as at 31 July 2017

Loan to Value Ratio	Number of loans	Total value of loans	Percentage of residential loan portfolio
80%+	0	\$0.00	0.00%
60-79%	4	\$1.37m	8.99%
40-59%	23	\$11.02m	72.43%
20-39%	7	\$2.42m	15.92%
0-19%	12	\$0.41m	2.66%
Unsecured	0	0	0
<b>Total</b>	<b>46</b>	<b>\$15.21m</b>	<b>100%</b>

#### Notes:

1. If the residential property market price level dropped by 20% then none of the borrowers (as at 31 July 2017) would be in a negative equity position (i.e. their loan would not be larger than the value of their property), as none have a loan to value ratio over 80% based on the current valuations.
2. If the commercial property market price level dropped by 20% then only 1 of the borrowers (as at 31 July 2017) would be in a negative equity position.
3. If we enforced a mortgage and sold a building but there were insufficient proceeds to completely repay the loan, we still have the right to sue the church or charity to recover any money owed. While we reserve the right to do so in a particular case, depositors are best to assume that we would not use aggressive recovery strategies such as these against a church community. Accordingly, if the proceeds of a mortgagee sale were insufficient to discharge a church's debt, then we will likely take a loss. This is one of the reasons we set conservative loan to value ratio requirements.

#### ***The industry in which we operate***

For over 50 years, the Christian Savings Group has been offering deposits to the public. Anyone can invest with us. We are classified as a non-bank deposit taker and, with effect from the Offer Open Date, are licensed under the Non-bank Deposit Takers Act 2013. We are part of the financial services industry and operate alongside banks and other non-bank deposit takers which issue deposits.

We are also a registered charity. Our charitable purpose is the advancement of religion generally, and more particularly, the Christian religion. This means we actively work with churches and Christian charities from a variety of denominations.

Our borrowers are primarily churches and other charities with a Christian purpose. They typically rely on donations as their primary source of income. However, increasingly churches that borrow from us have other sources of income which are available to service our loans. We lend to individuals where we believe the loan will be supportive of their Christian endeavours. This includes a small car loan portfolio, which allows us to support pastors and ministers into more affordable finance for cars. As at 31 July 2017, this represented 0.11% of the total lending portfolio.

## **Keys to generating income**

The basic keys for us to generate income are:

- **Interest Rate Margin:** the preservation of the rate margin between what we pay our depositors, and what we can lend those funds out for, or alternatively, what we can invest any surplus funds with the banks for.
- **Growing new Lending:** between 2015 and 31 July 2017, over \$25 million of loans has been added to the Christian Savings Group's portfolio.
- **Growing Deposits:** between 2015 and 31 July 2017, total deposit base of the Christian Savings Group has grown by over \$7 million.

## **Board of directors and senior management**

The chair of our board is **Graham Shaw** BCom, a member of Wellington Central Baptist Church. He is a chartered accountant and a professional director including nearly nine years on the board of Xero and is a current non-executive director of Pushpay and Gentrack as well as a number of private companies and not-for-profits. He is a Member of Chartered Accountants Australia and New Zealand, a Chartered Member of the Institute of Directors in New Zealand, a Fellow of the New Zealand Institute of Management and a Companion of the Institution of Professional Engineers New Zealand

**Gray Hughson** BCA, is a member of Karori Baptist Church. He was a consultant for Moore Stephens, Markham Wellington Limited, having previously been a principal in various accounting firms since 1973. He holds several directorships, is a fellow of the New Zealand Trustees Association and is a member of the Institute of Directors in New Zealand, Chartered Accountants Australia and New Zealand, and Governance New Zealand.

**Elizabeth Johnstone** RPharmNZ, FPS is a member of Karori Baptist Church. She is a New Zealand registered pharmacist, and since 2004 has been the National Manager of the Professional Development programme for New Zealand pharmacists. Previously she was the National Moderator, Pharmacy Industry Training Organisation from 2002 to 2007, and the Assessor/Moderator of New Zealand national pharmacist registration exams from 1998 to 2015. She is currently a member of the International Federation of Pharmacy (FIP The Hague) Education Committee (FIPEd) and the Capital Coast Health DHB Integrated Health Services Board.

**Andrew Allan** BProp BCom (CA), attends Life Church in Manukau. He is a Finance Manager at Vodafone New Zealand, principally within the Planning & Reporting function. Previously he was a Senior Auditor at Ernst & Young.

**Rod Robson** LLB BAppTheol (Carey), is a member of Linwood Baptist Church and currently is the Interim Pastor of Opawa Baptist Church. He has been a pastor, a youth pastor, the chief legal advisor for Work and Income, and also assists us on compliance and regulatory issues.

**Kim Thibault** MBA, PGDip BusAdmin, BA, attends Whangaparaoa Baptist and was previously Finance Ministry Leader. A serial entrepreneur, Kim spent 7 years with Youth With a Mission, helped pioneer a church plant in Siberia, and has lived in New Zealand since 1998.

**Char-Le Wang** MCom MPhil ACA, is leading a multi-ethnic church plant team initiated by the Auckland Baptist Tabernacle and the Northern Baptist Association. Char-Le is a Contract Lecturer for the University of Auckland Business School and is undertaking a PhD in Finance looking into the governance and capital structure of agriculture co-operatives. He has more than 18 years of mergers and acquisitions, strategy, business development and corporate governance experience with a number of Australia and New Zealand dairy co-operatives.

**Glenn Teal** MSc (Hons), BTP, Grad Cert Mgmt, MNZPI is a member of the Auckland Baptist Tabernacle Church. He is a consultant to private and public sector clients with extensive experience in Property, Planning and Transportation. Among the range of roles he undertakes, Glenn is the Executive Chairperson of the TabTrust. The TabTrust manages commercial properties and other investments, the surpluses from which are used to advance Baptist projects/ministries throughout New Zealand.<sup>4</sup>

### **Senior managers**

Our Chief Executive Officer (**CEO**) is **James Palmer** BA, LLB, who has held that position within the Christian Savings Group since 2015. He currently attends Life Church in Manukau. As a lawyer, his areas of practise included commercial and property law and the not-for-profit sector. He was previously on our board and was a lawyer at Palmer & Associates.

Our Chief Financial Officer is **Bruce Anderson** BCom, BAcc, who has held that position within the Christian Savings Group since early 2017. He is a qualified chartered accountant and member of the Institute of Directors. He has over 25 years' experience working in senior financial positions including eight years at the ANZ Bank (including a role as Head of Finance for UDC Finance Limited). Bruce has significant experience in the implementation of new software solutions and the development of management information systems. Through his experience on various boards he has acquired excellent governance skills. He attends Windsor Park Baptist Church.

## **Section 4 - Key features of deposits**

### **Ranking and security**

We offer deposits secured, with effect from the Offer Open Date, by a security interest over all our assets granted under the terms of the trust deed. This is granted in favour of Covenant Trustee Services Limited, as supervisor. The security interest secures all amounts payable by us on the deposits and all other moneys payable by us under the terms of the trust deed. As at 31 July 2017, the amount of the liability secured by the security interest was \$127,840,981 (being aggregate deposits of \$126,911,719 and accrued interest on those deposits of \$929,262) and the total value of the assets subject to the security interest was \$142,141,099. In the event of our liquidation, the deposits would rank equally with all other deposits and behind all preferred claimants and any permitted prior security interests (at the date of this PDS there are no prior security interests).

We may incur further liabilities which rank equally with, or in priority to, the deposits on our liquidation, including by issuing further deposits. This could include fees payable to our supervisor, Covenant Trustee Services Limited under the trust deed and any fees payable to a receiver appointed in respect of our assets, statutory based claims such as employee entitlements, outstanding interest payments and amounts owing to trade creditors.

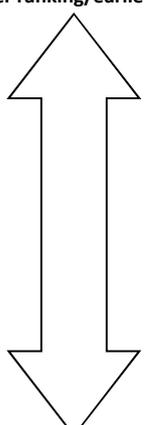
We are also permitted under the trust deed to secure any borrowing or money owed in purchasing or acquiring assets, by creating security interests over our assets. This security would rank in priority to the security interests granted in favour of Covenant Trustee Services Limited under the trust deed, provided that the amount secured by all prior ranking security interests does not exceed 1% of our total tangible assets. Apart from this, the trust deed prevents us from creating any security interest which ranks in priority to, or equally with, the security interest granted to Covenant Trustee Services Limited.

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<sup>4</sup> A suitability notice under the Non-bank Deposit Takers Act 2013 has been lodged with the Reserve Bank of New Zealand in relation to Mr Teal on the Offer Open Date.

As at the date of this PDS, we have not granted any security interests which rank in priority to, or equally with, Covenant Trustee Services Limited's security interest.

The diagram below illustrates the ranking of the deposits on our liquidation and is based on \$127,840,981 of deposits being on issue, being the number of deposits issued by Christian Savings as at 31 July 2017 together with accrued interest to that date.

	Ranking on liquidation of Christian Savings	Examples	Indicative amount as at 31.07.2017
<p>Higher ranking/earlier priority</p>  <p>Lower ranking/later priority</p>	Liabilities that rank in priority to the deposits	Creditors preferred by law (including IRD for unpaid tax) and any permitted prior ranking security interests	\$63,372
	Liabilities that rank equally with the deposits	Deposits, including the accrued interest	\$127,840,981
	Liabilities that rank below the deposits	Lesser ranking secured creditors and unsecured creditors	\$112,377
	Equity	Distribution of surplus assets	\$14,025,957

## Guarantees

With effect from the Offer Open Date, Christian Savings Incorporated has given an unlimited and unconditional guarantee in relation to our obligations under the deposits by executing a guarantor accession deed in favour of Covenant Trustee Services Limited, as supervisor, and for the benefit of depositors. This guarantee is secured by a security interest over all present and after-acquired personal property, and over real property and property other than personal property.

The security interest is insufficient to repay the liability of the guarantee.

With effect from the Offer Open Date, Christian Savings Incorporated is an associated person of Christian Savings, with the Baptist Union of New Zealand and entities associated with the Baptist Union of New Zealand being the ultimate majority members of both Christian Savings Incorporated and Christian Savings.

Covenant Trustee Services Limited does not guarantee our obligations under the deposits. No other person, employee or director of the Christian Savings Group guarantees our obligations under the deposits.

## **Transfer**

The deposits are transferable, however Christian Savings does not intend to quote the deposits on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell the deposits before the end of their term.

The trust deed permits Christian Savings to delay a transfer of the deposits to undertake customer due diligence on the transferee to its satisfaction in accordance with the requirements of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, and may charge a fee to you for conducting the customer due diligence.

## **Section 5 - Christian Savings' financial information**

With effect from the Offer Open Date, Christian Savings is required by law and its trust deed to meet certain financial requirements. Christian Savings must maintain a minimum capital ratio, ensure its aggregate exposures to related parties do not exceed certain maximum limits, and maintain minimum liquidity requirements. Detailed information showing how Christian Savings is meeting these requirements, and financial information relating to the Christian Savings Group, is set out in the Disclose register in the document entitled "Financial Information". The Disclose register is available at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

Meeting the minimum requirements does not mean that Christian Savings is safe. Section 6 of this PDS (risks of investing) contains specific risks relating to Christian Savings' creditworthiness that could cause Christian Savings' financial position to deteriorate.

### **Financial covenants**

The trust deed with Covenant Trustee Services Limited requires that:

- The maximum amount owing by any one borrower or a related group of borrowers (such as organisations or charities which are related through common membership or control) cannot exceed the greater of 35% of our capital, or \$5 million. However, the supervisor has the power to waive this requirement when appropriate.
- We may only borrow on the security of a security interest that ranks in priority to that granted to Covenant Trustee Services Limited under the trust deed up to the value of 1% of our total tangible assets.

## **Section 6 - Risks of investing**

### **General risks**

Your investment is subject to the general risk that we become insolvent and are not able to meet our obligations to you to pay interest and to repay the principal when due under the deposits. If you wish to sell or transfer your deposit before maturity (where applicable), you may be unable to find a buyer or the amount received may be less than the principal amount of the deposit.

In the event we experience significant losses through banks that we have invested in becoming insolvent, and/or we experience significant losses through our lending, we may not have the funds to meet our obligations to our investors under the terms of any deposit.

## **Specific risks relating to Christian Savings' creditworthiness**

### ***Loan default risk***

If a number of borrowers defaulted on their loan obligations at or around the same time, there may be insufficient funds to fully repay our depositors.

As at 31 July 2017, the five biggest loans represented approximately 34.13% of the loan portfolio. If all or a majority of the borrowers under these loans defaulted at or around the same time, this could significantly increase the risk of default on our payment obligations to depositors.

A registered first mortgage and/or security interest on the Personal Property Securities Register provides security for us in the event of a default by a borrower, the risk is that we may not be able to realise the value of those secured assets in a timely manner and/or the value of those assets may have reduced.

Because of our charitable and Christian purpose, in the event of a default, we are unlikely to use aggressive recovery strategies which would involve us suing a church community. Accordingly, if the proceeds of a mortgagee sale were insufficient to discharge a borrower's debt, then it is likely that we would take a loss in relation to the loan.

To mitigate these risks, we have conservative lending parameters and loan to value ratios. Our borrowers also increasingly have diversified income streams, so as not to be solely reliant on just one income source, such as donations. We also lend our funds to borrowers from a variety of denominations and in locations throughout New Zealand to help reduce our geographical and concentration risks. We are also engaged in an on-going exercise of seeking new investors to grow our capital base, so that we are less vulnerable to loan default risk.

### ***Liquidity risk***

Liquidity risk is the risk that Christian Savings may not be in a position to meet its short term financial obligations. Examples of these financial obligations include loan drawdowns, interest payments to depositors, repaying matured deposits and operating expenses. Our ability to meet these obligations is determined by our lending commitments, borrower repayments, and our ability to raise new deposits and retain existing deposits.

Liquidity risk is also created by the mismatch that exists between the funds we hold for depositors for short terms and the longer terms offered to borrowers.

There is therefore a risk that at any one time there might not be enough cash to fully meet our financial obligations to our depositors.

We mitigate our liquidity risk by maintaining at least 15% of the funds we have invested with banks in liquid short term cash investments. We also limit our exposure to liquidity risk caused by the mismatch by ensuring the majority of our loan book is on terms less than 15 years.

### ***Operational risk***

Christian Savings has a small team and is therefore reliant on the competency and availability of each team member. With a larger team there is the ability to have greater depth in expertise and staff coverage to manage compliance and operational obligations. Managing our compliance obligations is vital, as failure in this area might result in us being fined or sanctioned by either the

Reserve Bank of New Zealand or the Financial Markets Authority. Suffering damage to our reputation could impact our ability to generate a surplus and the level of deposits we hold. Christian Savings mitigates this risk in relation to our compliance and operational obligations by utilising external service providers to supplement our team. This includes using external legal specialists, including MinterEllisonRuddWatts. We also maintain an internal compliance committee, comprising members from the board, and risk management policies and procedures.

Another operational risk is staff mistake or fraud. Because we are a non-bank deposit taker, which includes the day-to-day management and transfer of money and potentially complicated transactions and procedures, there is a chance of staff mistake or fraud resulting in the loss of funds.

To mitigate this risk, we apply internal control procedures such as requiring two signatories to approve payments. Our accounts are subject to an annual audit, and the auditors are contracted to make up to three random unannounced visits per year. We also maintain comprehensive insurance, which includes cover for negligence and embezzlement.

## **Section 7 - Tax**

New Zealand residents, or non-residents who derive the interest for the purposes of a business they carry on in New Zealand through a fixed establishment in New Zealand, will have resident withholding tax deducted from their interest payments on call, term and funeral deposits, and there may be other tax consequences from acquiring or disposing of the deposits. We do not pay you interest on charitable deposits. Instead, we donate an amount equal to the interest which would have been payable to you on a term deposit of the same term, to a charity nominated by you. The donation is not made on your behalf but rather in our name. As such, no withholding tax will arise in relation to donations made on charitable deposits, and you will not be able to claim a donation tax credit from Inland Revenue for amounts paid to a charity.

The resident withholding tax rates at the date of this PDS are 28% for companies (other than corporate trustees) and 10.5%, 17.5%, 30% and 33% for all other investors. If you do not provide us with your IRD number, you will automatically have resident withholding tax deducted at the maximum rate (33% at the date of this PDS). If you do not provide us with your resident withholding tax rate, you will automatically have resident withholding tax deducted at the maximum rate (33% at the date of this PDS), unless you are a company, in which case it will be deducted at 28%.

Non-resident withholding tax (**NRWT**) will be deducted from interest payments on call, term and funeral deposits to non-resident investors who do not derive the interest for the purposes of a business they carry on in New Zealand through a fixed establishment in New Zealand. The rate of NRWT deducted from your interest payments will depend on your country of residence and whether a double taxation agreement applies, and can be up to 15%. Instead of deducting NRWT, Christian Savings may agree (where permitted by law) to deduct the approved issuer levy from the interest paid to non-residents. The current rate of the approved issuer levy is 2%. As no interest is paid on charitable deposits, no withholding tax will arise in relation to donations made on charitable deposits.

If you have queries relating to the tax consequences of your investment, then you should seek independent financial and tax advice which is specific to your circumstances before deciding to invest.

## Section 8 - Who is involved?

### Who is involved?

	Name	Role
Issuer	Christian Savings Limited.	Issuer of the deposits.
Supervisor	Covenant Trustee Services Limited.	Provides independent oversight of us in relation to the deposits.
Guarantor	Christian Savings Incorporated.	Guarantees Christian Savings' obligations under the deposits.
Solicitor to the issuer	MinterEllisonRuddWatts.	Legal adviser to the issuer.

## Section 9 - How to complain

We endeavour to maintain a very good relationship with all of our investors. If you are unhappy with the service you receive from us, please contact our CEO, James Palmer:

Chief Executive  
55 Hugo Johnston Drive  
Penrose  
Auckland 1061

Telephone: 0508 SAVING (0508 728 464)  
Email: james@christiansavings.co.nz.

If after talking to the Chief Executive you are not satisfied, you have the right to ask him to refer the matter to the Chairman, Graham Shaw, who can be contacted at the address and phone number set out above.

Complaints may also be made to Covenant Trustee Services Limited at:

Covenant Trustee Services Limited  
Level 6, Crombie Lockwood Building  
191 Queen Street, Auckland

Telephone: (09) 302 0638

Christian Savings is a member of a dispute resolution scheme, Financial Services Complaints Limited (**FSCL**). If Christian Savings cannot agree on how to resolve your issue, you can refer the matter to FSCL:

Financial Services Complaints Limited  
Level 4, 101 Lambton Quay  
P O Box 5967  
Wellington 6145

Telephone: 0800 347 257  
Email: info@fscl.org.nz

Financial Services Complaints Limited will not charge you a fee for investigating or resolving a complaint.

Complaints can also be made to the Financial Markets Authority through its website [www.fma.govt.nz](http://www.fma.govt.nz).

## **Section 10 - Where you can find more information**

Further information regarding Christian Savings and the deposits is available free of charge by request to us at the details and information contained in section 12 of this PDS (contact information), on Christian Savings' website at [www.christiansavings.co.nz](http://www.christiansavings.co.nz) and on the Disclose register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose), and can also be obtained by request from the Registrar of Financial Service Providers at:

Financial Service Providers Register (FSPR)  
Northern Business Centre  
Private Bag 92061  
Victoria Street West  
Auckland 1142

## **Section 11 - How to apply**

To apply for the call, term, charitable or funeral deposits, you need to complete an application form and submit it to us. An application form is attached to this PDS and an online version can be found at [www.christiansavings.co.nz](http://www.christiansavings.co.nz).

## **Section 12 - Contact information**

Christian Savings Limited  
  
55 Hugo Johnston Drive  
Penrose  
Auckland 1061  
P O Box 12738  
Toll free phone 0508 SAVING (0508 728 464)  
[www.christiansavings.co.nz](http://www.christiansavings.co.nz)

Please complete the appropriate sections.  
Please use CAPITALS.

Investor Account Type	Sections you need to complete
Individual	Sections 1 + 3 + 4 + 5
Joint	Sections 1 + 3 + 4 + 5
Trust, Company, Incorporated Society, Unincorporated Society, Limited Partnership	Sections 2 + 3 + 4 + 5 + 6

## Anti-Money Laundering and Countering Financing of Terrorism Act 2009

Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT), Christian Savings is required to verify your identity and address when you become an investor. To help us complete this, you authorise Christian Savings to use such online information sources as Christian Savings considers necessary in the circumstances to confirm any information relating to you for AML/CFT purposes or as otherwise required.

For standard electronic verification, we will need each investor to confirm their full name, date of birth, address and occupation. We can then electronically verify your information with the number from your New Zealand government issued identification document, e.g. Passport or Driver's Licence. If you do not have any current New Zealand government issued identification document, or we cannot verify your information electronically, we will need to work with you to confirm other options to meet this requirement.

## Section 1 | INDIVIDUAL (S)

### Individual One

Surname \_\_\_\_\_

Title \_\_\_\_\_ First Name \_\_\_\_\_

Date of Birth \_\_\_\_\_ Occupation \_\_\_\_\_  Tick if retired

Physical Address \_\_\_\_\_

Home Number \_\_\_\_\_ Mobile \_\_\_\_\_

Email \_\_\_\_\_  Tick to receive e-mail communication

IRD Number \_\_\_\_\_

IDENTITY VERIFICATION (PROVIDE ONLY ONE) If none are available, please call us.	Passport Number _____	Driver's Licence Number _____
	Expiry Date _____	Expiry Date/ Card Version Number _____

### For Joint Account: Individual Two

Surname \_\_\_\_\_

Title \_\_\_\_\_ First Name \_\_\_\_\_

Date of Birth \_\_\_\_\_ Occupation \_\_\_\_\_  Tick if retired

Physical Address \_\_\_\_\_

Home Number \_\_\_\_\_ Mobile \_\_\_\_\_

Email \_\_\_\_\_

IRD Number \_\_\_\_\_

IDENTITY VERIFICATION (PROVIDE ONLY ONE) If none are available, please call us.	Passport Number _____	Driver's Licence Number _____
	Expiry Date _____	Expiry Date/ Card Version Number _____

### SIGNING AUTHORITY TABLE

Name of Authorised Signatory	Specimen Signature	Method of Signing (e.g. any 2 signatures jointly/severally)	Authority (Tick as appropriate)	
			Obtain Information	Transfer or Withdraw Funds

## Section 2 | FOR ENTITIES (Trust, Company, Incorporated Society, Unincorporated Society, Limited Partnership)

Legal Entity Type

Registration Number

If you are a church, please confirm the name of the church.

Are you a registered charity?

YES  NO

If yes, provide Charity Registration Number

Physical Address

Postal Address

Business Phone Number

Website

Balance Date

IRD Number

Source of Funds

(Where did the deposit funds come from?). E.g. Offerings/donations received by our Church.

## Section 3 | DEPOSIT DETAILS

Type of Deposit	Investment Term	Amount to be Invested
<input type="checkbox"/> Call Deposit	On Call Deposit	\$ _____
<input type="checkbox"/> Term Deposit	<input type="checkbox"/> 30 days <input type="checkbox"/> 3 months <input type="checkbox"/> 6 months <input type="checkbox"/> 9 months <input type="checkbox"/> 1 year <input type="checkbox"/> 18 months <input type="checkbox"/> 2 years <input type="checkbox"/> 3 years <input type="checkbox"/> 5 years	\$ _____
<input type="checkbox"/> Charitable Deposit	<input type="checkbox"/> 1 year <input type="checkbox"/> 18 months <input type="checkbox"/> 2 years <input type="checkbox"/> 3 years <input type="checkbox"/> 5 years	\$ _____

Nominated Charity (as chosen from list of charities available at [www.christiansavings.co.nz](http://www.christiansavings.co.nz))

Tick if you agree to have your details released to your nominated charity.

Funeral Deposit

Lifetime deposit

\$ \_\_\_\_\_

### DIRECT CREDIT DETAILS

Regular amount to be deposited as follows:

Call Deposit

\$ \_\_\_\_\_

Funeral Deposit

\$ \_\_\_\_\_

Direct Credit must be made to:

- Christian Savings Limited at BNZ, Dominion Road
- Account number 02 0264 0225481 000
- Reference payee name

We also accept cheques.

Please make out to Christian Savings Limited.

**We DO NOT accept cash**



## Section 6 | ADDITIONAL NON-INDIVIDUAL INVESTOR DETAILS

Please complete this section for all Directors, Trustees, Partners, Authorised Signatories, Shareholders or other people who have a 25% or more interest in the investor.

Director  Trustee  Partner  Authorised Signatory  Shareholder  Other

Title First Name Surname

Date of Birth Occupation

Postal Address and post code:

Home Number Work Number Mobile Number

Email  Tick to receive e-mail communication

IDENTITY VERIFICATION (PROVIDE ONLY ONE)	Passport Number	Driver's Licence Number
	Expiry Date	Expiry Date/ Card Version Number

Signature

Director  Trustee  Partner  Authorised Signatory  Shareholder  Other

Title First Name Surname

Date of Birth Occupation

Postal Address and post code:

Home Number Work Number Mobile Number

Email  Tick to receive e-mail communication

IDENTITY VERIFICATION (PROVIDE ONLY ONE)	Passport Number	Driver's Licence Number
	Expiry Date	Expiry Date/ Card Version Number

Signature

Director  Trustee  Partner  Authorised Signatory  Shareholder  Other

Title First Name Surname

Date of Birth Occupation

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Signature

Director  Trustee  Partner  Authorised Signatory  Shareholder  Other

Title First Name Surname

Date of Birth Occupation

Postal Address and post code:

Home Number Work Number Mobile Number

Email  Tick to receive e-mail communication

IDENTITY  
VERIFICATION  
(PROVIDE ONLY  
ONE)

Passport Number

Driver's Licence Number

Expiry Date

Expiry Date/  
Card Version Number

Signature

Director  Trustee  Partner  Authorised Signatory  Shareholder  Other

Title First Name Surname

Date of Birth Occupation

Postal Address and post code:

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Email  Tick to receive e-mail communication

IDENTITY  
VERIFICATION  
(PROVIDE ONLY  
ONE)

Passport Number

Driver's Licence Number

Expiry Date

Expiry Date/  
Card Version Number

Signature

Director  Trustee  Partner  Authorised Signatory  Shareholder  Other

Title First Name Surname

Date of Birth Occupation

Postal Address and post code:

Home Number Work Number Mobile Number

Email  Tick to receive e-mail communication

IDENTITY  
VERIFICATION  
(PROVIDE ONLY  
ONE)

Passport Number

Driver's Licence Number

Expiry Date

Expiry Date/  
Card Version Number

Signature