

# Investment Statement

*Read this before you invest*



PSIS is not a registered bank, but a very co-operative co-operative.

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**PSIS Secured Term Deposits, Bonds, Ultra Saver,  
Step Saver and Dosh accounts Investment Statement**  
prepared on 9 September 2009 for the purposes of the  
Securities Act 1978

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**Important Information**

(The information in this section is required  
under the Securities Act 1978)

Investment decisions are very important.  
They often have long-term consequences.  
Read all documents carefully. Ask questions.  
Seek advice before committing yourself.

**Choosing an investment**

When deciding whether to invest, consider carefully  
the answers to the following questions that can be  
found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered Prospectus for the investment. You're entitled to a copy of that Prospectus on request.

### **Engaging an investment adviser**

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You're strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by one or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- the nature and level of the fees you'll be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she doesn't provide you with the information required.

### **What sort of investment is this?**

#### **Description of accounts**

You're invited to deposit money with PSIS Limited ("PSIS", "we", "us", "our").

The accounts we offer in this Investment Statement are Term Deposit accounts, Bond accounts, Ultra Saver, Step Saver and Dosh accounts which rank equally with all existing secured deposits with us. Term Deposit accounts include standard term deposit, special term deposit, monthly income and special monthly income accounts. All accounts are secured by First Ranking Stock.

We offer these accounts under a Trust Deed which is available at [www.companies.govt.nz](http://www.companies.govt.nz)

Ultra Saver is only offered under this Investment Statement to our customers who currently have an Ultra Saver account which was opened before 6 June 2006.

## Who's involved in providing it for me?

### Names and addresses

The Issuer PSIS Limited ("PSIS")  
PSIS House  
Cnr Featherston and Ballance Streets  
(PO Box 54), Wellington 6140

The Trustee The New Zealand Guardian Trust  
Company Limited  
Guardian Trust House  
15 Willeston Street  
(PO Box 913), Wellington 6140

### Our activities

We were established in 1928 to provide financial services – including savings, loans and insurance products. Our basic functions are those of a financial institution. We lend your money out mainly on residential property mortgages but also on vehicle loans, and secured and unsecured personal loans. We don't lend to rural or corporate businesses, or to commercial property developments.

## How much do I pay?

The minimum amount you need to deposit with us at the time that this Investment Statement is issued for:

- (a) a standard Term Deposit is \$2,000;
- (b) a Bond account is \$2,000;
- (c) an Ultra Saver account is \$500; and
- (d) a special Term Deposit, Monthly Income, or Special Monthly Income account is \$5,000.

There's no minimum deposit for a Step Saver or Dosh account. Otherwise, you may choose the amount you wish to deposit. You can make this payment at any of our branches or by mail, along with an

appropriate completed application form. If you're already a PSIS customer, you can open a Term Deposit account online at [www.psis.co.nz](http://www.psis.co.nz). We have the right to change the minimum deposit amount of any account.

## What are the charges?

You currently pay no establishment or account maintenance fees when you deposit money with us. For a detailed list of fees you may have to pay and how you could exempt yourself from paying transaction fees, please refer to our website, [www.psis.co.nz](http://www.psis.co.nz) or our current Fees brochure, which is available from any of our branches.

We have the right to change the rate of interest on investments which are withdrawn early. We'll tell you the changed rate of interest if and when you ask to withdraw your money early and we accept.

We may change the fees and charges applicable to the accounts we offer in this Investment Statement. We'll tell you when we do.

## What returns will I get?

You'll receive interest on the amount of your account, which may be paid to you regularly during the term of your account, and we'll repay the original amount you deposited when it's due.

### Returns on Term Deposits and Bonds

Interest will be paid according to the frequency, method and the investment option that you choose and as detailed in the Prospectus (which may be monthly, quarterly, six monthly or at maturity). Interest will be compounded to your existing term deposit (if the interest is paid quarterly only), or credited to a PSIS at call account, or paid to an

external bank account. Interest will accrue from the date we receive your money.

When your term deposit matures, unless you instruct us otherwise, we'll reinvest it for the same term, if available, as the original deposit (or the next shorter term available on our standard Term Deposit schedule) at the interest rate, and on the terms and conditions, current at the time of reinvestment. If you hold a Bond account and we haven't been instructed otherwise, we'll contact you before the maturity date to ask you what you want to do next. If we can't contact you within 14 days after the maturity date of the Bond, we'll reinvest it in a Term Deposit with a one month term.

### **Returns on Ultra Saver, Step Saver and Dosh accounts**

There's no set maturity date for the Ultra Saver, Step Saver or Dosh accounts.

We'll repay you your balance of any Ultra Saver account when you want it, but any withdrawal made within a month will alter the interest rate earned for that month.\* Interest won't be paid on an Ultra Saver account if the balance is less than \$500 or the balance reduces below the selected tier's minimum balance (the three tiers being: \$500-749, \$750-\$999 and \$1000+). Increasing the account balance to the minimum balance of the next tier doesn't earn the higher rate of interest. Formal application must be made to change tiers.

We'll repay you your balance of any Step Saver account when you want it, but if more than one withdrawal is made within a month the bonus interest won't be paid. We'll also pay you bonus interest on a Step Saver account if the account

balance, exclusive of interest, is higher at the end of the month than at the start of the month.\*

We'll repay you your balance of any Dosh account when you want it, but if more than one withdrawal is made within a month, interest won't be paid for that month.\*

We calculate interest on Ultra Saver, Step Saver and Dosh accounts on the daily balance of the account and add that to your account at the end of the month if interest is payable for that month. You'll earn interest on the amount in your account from the date that we receive your money.

\* For the purposes of calculating interest and determining when a withdrawal or a deposit has been made, a month runs from 8.00pm on the last day of the calendar month to 7.59pm on the last day of the next calendar month.

### **How much will my return be?**

We can't tell you how much interest you'll earn on your account as at the date of this Investment Statement for the reasons described below. We'll pay you interest on your account after deducting Government Resident Withholding Tax at the appropriate rate (as detailed in the Prospectus), unless you give us a copy of an IRD exemption certificate. If you don't give us your IRD number, we have to deduct tax at a rate that might be higher than your applicable rate. If you're a non-resident in New Zealand, we'll deduct the Approved Issuer Levy from your interest payments. You need to keep us up-to-date with any changes to your tax rate or residence status. Our interest rates are shown on a current deposit interest rate sheet, available at any of our branches, or [www.psis.co.nz](http://www.psis.co.nz).

## Key factors affecting your returns

The key factors affecting your returns are:

- (a) the interest rates that we offer. In part, these will be governed by factors affecting the New Zealand economy;
- (b) the extent to which risks, including those summarised in the “What are my risks?” section actually arise;
- (c) the loans and other investments we made performing to our expectations;
- (d) us complying with our obligations under the Trust Deed;
- (e) our continuing solvency; and
- (f) tax rates.

Our obligations under the Trust Deed (including financial covenants) are summarised in the Prospectus on pages nine and ten.

## Guarantee of accounts

We’re legally liable to pay the returns to you.

## Group Guarantee

Each of our subsidiary companies, PSIS Life Limited, Pubvest Securities Limited, Pubvest Nominees Limited, Investment Travel Limited and Data Networks Limited guarantees repayment of your account and payment of your interest. Each company is a wholly-owned company and has granted security under the Trust Deed.

The guarantee is for the full amount owed to you and is subject only to the condition that we fail to make a payment in relation to your account.

## Crown Guarantee

We have a guarantee under the New Zealand deposit guarantee scheme, whereby the Crown guarantees all retail deposits held by us for qualifying investors up to a maximum of \$1million per depositor. That means that the amount that you would be entitled to if you claim under the scheme depends on the terms of the Crown Deed of Guarantee between the Crown and us. The guarantee expires on 12 October 2010.

The Crown has recently introduced a new deposit guarantee scheme to apply from 13 October 2010 and end on 31 December 2011, after the current deposit guarantee scheme expires on 12 October 2010. Qualifying institutions will need to apply if they want to be covered by the new scheme (rather than it being a simple extension of the current scheme). It’s currently expected that there’ll be different eligibility requirements for acceptance into the new scheme, and that the maximum cover for eligible non-bank deposits will be limited to \$250,000 per depositor per institution. If PSIS elects to opt into the new scheme we’ll announce this on our website ([www.psis.co.nz](http://www.psis.co.nz)).

Investors whose deposits aren’t guaranteed include Financial Institutions (as defined in the Crown Deed of Guarantee between the Crown and us) and persons who are non-New Zealand citizens and non-New Zealand tax residents. Certain “related parties” (as defined in section 157B of the Reserve Bank of New Zealand Act 1989) are also excluded from having their deposits covered by the scheme. “Related parties” generally includes our directors and senior office holders, and their relatives. In general, nominees or trustees of these creditors are also not covered by the scheme.

Further information about the deposit guarantee scheme, the new deposit guarantee scheme, and the most recent audited statement of financial position of the Crown, is available, free of charge and at all reasonable times, on the Treasury website ([www.treasury.govt.nz](http://www.treasury.govt.nz)).

## What are my risks?

The main risks you may face are that you may not recover all of the money you've deposited or receive the interest you expected. This could happen for a number of reasons which we describe below. There's no risk that you'll have to pay any more than the amount you've deposited with us, and you won't be required to pay any more money on your account to anyone else if we become insolvent.

We're subject to the same general risks which all financial institutions face. Our primary risks are credit, competitor, liquidity, funding, price, legal and regulatory compliance, solvency and claims on PSIS Life. We manage these risks within a formal corporate governance framework overseen by our Board and according to our constitution.

These risks are partially mitigated by the guarantee that we have under the New Zealand deposit guarantee scheme (refer to the "Crown Guarantee" section above).

(a) **Credit risk** is the risk of loan defaults. If New Zealand was affected by a major downturn in the residential property market or high unemployment levels, we could be affected by people defaulting on their loans.

To mitigate credit risk, we often take security over properties, deposits, motor vehicles and other assets. Credit risk exposure is higher on personal unsecured loans but this risk is mitigated by limits on such loans

both individually and collectively within our lending policies.

Before approving a loan, we generally undertake an independent credit check, seek an asset valuation where appropriate and assess the borrower's capacity to make repayments, their financial position and their credit history with us. Following any loan approval, we regularly monitor loan repayment arrears, take prompt action to address arrears/default situations and take fair but firm action to realise security and minimise losses in the event of default.

All our loans are within New Zealand.

(b) **Competitor risk** is the risk of profit being adversely impacted by our inability to obtain new customers and/or retain existing customers. We implement various marketing campaigns and offer strong customer service to manage this risk.

(c) **Liquidity risk** is the risk that we'll struggle to raise funds at short notice to meet our financial obligations. We monitor our liquidity daily, weekly and monthly and maintain appropriate assets and funding facilities to meet all our obligations in a timely and cost-efficient manner. We manage liquidity risk to ensure that we have the ability to pay our debts as they fall due. The Board policy is to maintain readily realisable investments plus unutilised committed funding facilities at, or above, 20% of retail deposits.

(d) **Funding risk** is the risk that we rely too much on a particular source of funding and find that it runs out or becomes too expensive. We look to raise our funds from a variety of sources. We want to ensure we have a stable diversified funding base without over-reliance on any one source.

The objectives of our liquidity and funding policies are to:

- (i) ensure we pay our debts when due;
- (ii) provide adequate cost-effective protection against funding risk, even in a crisis; and
- (iii) achieve sustainable, lowest-cost funding within the limitations of funding diversification requirements.

(e) **Price risk** is the risk that the value of our loans, deposits and investments and the interest we earn on them will fluctuate as a result of changes in interest rates. The risk is that the interest we earn on our loans, deposits and investments may change at a different time and/or by a different amount than the interest we pay on our financial liabilities, including your accounts.

We manage this risk by setting limits on the amount of interest margin at risk and through monthly monitoring of this risk. We use interest rate hedging instruments (including fixed rate agreements, options and interest rate swaps) to limit interest rate risk.

(f) **Legal and regulatory compliance risk** is the risk of not anticipating changes to legislation and converting these into policies for maintaining compliance. We have a risk management plan to identify and manage these risks as they arise and we get legal advice from legal professionals who have specialist knowledge.

(g) **Solvency risk** is the risk that we can't pay our debts. To mitigate this risk, our Board sets prudent policies to ensure we have enough capital and adequate access to funding to meet our debts as they arise. Our total capital adequacy, set at a

minimum of 12% on a risk adjusted basis, is 50% higher than the minimum 8% required by the Reserve Bank for registered banks.

The New Zealand Guardian Trust Company Limited, as our Trustee, supervises the Trust Deed and ensures we operate within it, including financial ratios specified in the Trust Deed. If we don't comply with our obligations under the Trust Deed (including financial ratios), we're in default, and the Trustee has enforcement rights against us.

If we're put into liquidation, the money we owe you will rank equally with those of our other secured investors, but behind:

- (a) "Prior Charges" permitted by the Trust Deed; and
- (b) creditors required by law to be paid in priority to secured creditors.

Our Trust Deed sets limits on the amount of Prior Charges we're allowed to create (basically, we can't grant Prior Charges which have total security over more than 5% of our "Total Tangible Assets"). We describe what debts will rank ahead of you and what safeguards are in place to limit those debts in our Prospectus on pages eight and nine under "Ranking of Securities". Otherwise the money we owe you will rank ahead of all our other obligations.

However, as we have a guarantee under the New Zealand deposit guarantee scheme, the Crown will make due and punctual payment of any money owing to you that we're unable to make as a result of being insolvent, provided that the guarantee scheme is in place at the time you claim and you're not a person who is excluded from the guarantee scheme. For more information, please refer to the "Crown Guarantee" section above.

**(h) Claims on PSIS Life.** We underwrite life insurance via our wholly-owned subsidiary, PSIS Life Limited. If we're required to satisfy a large number of claims over a short period of time, our profitability might suffer. To manage this risk, we hold appropriate levels of reinsurance cover and maintain a prudent level of capital. We also engage an independent actuary to ensure adequate provision for future liabilities (including claims), is maintained.

Our Board is responsible for the review and approval of our systems of risk management, compliance and internal control.

Our Board maintains a formal set of delegated authorities (including policies for credit and treasury), that clearly define the responsibilities delegated to management and those retained by the Board. Our Board approves these delegated authorities and reviews them annually.

Management formally reports on all aspects of key risks to the Audit and Risk Review Committee of the Board at least three times each year. In addition, the following management committees review and manage key risks:

- (a) the Senior Management Team meets regularly to consider new and emerging risks, review actions required to manage and mitigate key risks, and to monitor progress; and
- (b) an Asset and Liability Committee meets weekly to consider, monitor and review exposure to interest rate risk, liquidity and funding, investments, portfolio performance, credit risk and credit policy.

We have a BB+ credit rating and a rating outlook of stable from Standard & Poor's. This was reaffirmed in July 2009 and remains correct as at the date of this Investment Statement. A Standard & Poor's rating is an opinion of the probability of default. Based on Standard & Poor's historical default studies, a BB+ rating indicates that over a 12-month period there's approximately a 99% probability that an organisation will meet its obligations in full and on time. Ratings are subject to change. Our current rating and publications on our rating are available at [www.standardandpoors.co.nz](http://www.standardandpoors.co.nz)

### **Can the investment be altered?**

Certain terms of your account can only be altered by amendment to the Prospectus. Details of any such amendment must be filed with the Registrar of Companies. In this case, the terms of your account can't be altered by you or by us before maturity without our mutual agreement.

However, in certain circumstances, the Trust Deed which governs your account can be altered without your agreement.

### **How do I cash in my investment?**

You may withdraw your deposits in Ultra Saver, Step Saver and Dosh accounts or close your account at any time. The amount of interest we'll pay to you may depend on the number of withdrawals you've made from the account during the month.

Term Deposits and Bonds are repaid at your maturity date; except in cases of financial hardship, emergency or death, we may choose to repay part or all of your investment early. If we agree to an early repayment this may be subject to an interest rate reduction appropriate to the shorter term of

your investment. Early repayment of a Bond isn't allowed except in the event of death, in which case the contract interest rate will be paid to the date the Bond is repaid. Accounts and Bonds can't be transferred.

### **Who do I contact with enquiries about my investment?**

Please call your local Branch Manager if you have any questions.

Our branch contact details are available from our Head Office, PSIS House, Cnr Featherston and Ballance Streets (PO Box 54), Wellington, Tel (04) 495-7700 and at [www.psis.co.nz](http://www.psis.co.nz)

### **Is there anyone to whom I can complain if I have problems with the investment?**

Please contact the Chief Executive if you have any complaints, at PSIS House, Cnr Featherston and Ballance Streets (PO Box 54), Wellington, Tel (04) 495-7700. If you're not satisfied with how we deal with your complaint, you can contact:

- our Trustee – by contacting The Manager, Corporate Trusts, The New Zealand Guardian Trust Company Limited, 15 Willeston Street, (PO Box 913), Wellington 6140, Tel (04) 495-7900; or
- the industry association to which we belong – by contacting the Executive Director, Financial Services Federation (Inc.), 6th Floor Wakefield House, 90 The Terrace, (PO Box 10 053), Wellington 6140, Tel (04) 472-1731.

Complaints about your account can't be made to an ombudsman.

### **What other information can I obtain about this investment?**

Our latest registered Prospectus and financial statements have other information about us and our accounts. Our latest registered Prospectus and our most recent financial statements are available free-of-charge from any of our branches. Information about our branches, products and services is available at [www.psis.co.nz](http://www.psis.co.nz)

A copy of our registered Prospectus, financial statements and other documents are filed with the Companies Office of the Ministry of Economic Development and can be viewed at any time on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz). Where relevant documents aren't available on the website, a request for the documents can be made by contacting the Companies Office Contact Centre on 0508 266 726 (fees apply).

In addition, the following information is available:

- a copy of the most recent Annual Report is available at [www.psis.co.nz](http://www.psis.co.nz);
- a copy of the most recent financial statements that have been registered under the Financial Reporting Act 1993, together with all documents that are required to be registered with those statements;
- a copy of the Trust Deed.

This information is available for inspection at any of our branches. Please don't hesitate to ask us for a copy if you require one. Requests can be made to one of our Branch Managers or our Head Office, PSIS House, Cnr Featherston and Ballance Streets, Wellington, Tel (04) 495-7700. There's no charge for this information, except that copies of the Trust Deed will only be sent to you on payment of a \$10 fee.

## Want to know more or have any questions?

Give us a ring or drop in and see us. Alternatively visit our website.



**0800 AT PSIS (287 747)**



**[www.psis.co.nz](http://www.psis.co.nz)**

