

INVESTMENT STATEMENT – FOR INVESTMENTS FROM 31 MAY 2010

Prepared on 31 May 2010.

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. See advice before committing yourself. In addition to the information in this document, important information can be found in the current register Prospectus for the investments. You are 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 are 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 1 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 will 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 does not provide you with the information required.

What sort of investment is this?

This investment statement relates to interest bearing term investments with WBS, either as unsecured deposits or as redeemable shares ("saver shares" and "senior shares"). Both unsecured deposits and shares are called "Investments". Saver shares entitle holders to the return of the amount paid for them, plus interest. Saver shares may confer voting rights but not necessarily other "ownership" rights such as a share in any surplus on winding up. Senior shares do carry that entitlement but otherwise they are similar to saver shares. Senior shares are issued automatically but only in rare circumstances where people who held accounts on 12 March 2008 increase their investment after reducing it below a minimum level deemed to have been held continuously since the commencement date. All shares they acquire above that level will be saver shares.

Who is involved in providing it for me?

The Issuer: Wairarapa Building Society (WBS), a building society incorporated under the Building Societies Act 1965, 75 Queen Street, Masterton.

The Trustee: Trustees Executors Limited, Level 1 TOWER Building, 50-64 Customhouse Quay, Wellington

Investments offered by WBS are issued under a Trust Deed dated 28 November 2003 between WBS and Trustees Executors Limited (the Trustee) as trustee for investors.

Activities: WBS provides savings and loan services, including residential, commercial and farm mortgage finance, to the Wairarapa Community.

How much do I pay?

Subject to a minimum of \$500, you may select the amount you wish to invest. Payment of the full amount to be invested will be required on the day you wish the investment to begin. Payment may be made by any method acceptable to WBS and must be accompanied by a completed application form. The most common method of payment is by cheque. Cheques should be drawn in favour of WBS and crossed "non transferable". Payment may be made at any WBS office.

What are the charges?

Should WBS agree to your withdrawing all or part of the funds invested before the agreed maturity date a \$10 fee will be charged. This is the only fee charged. In addition, an interest rate adjustment may also apply to the withdrawal (refer to "What returns will I get" below).

What returns will I get?

Interest will be credited to your Investment at the rate and frequency agreed to at the time of investment. Interest will be calculated on a daily basis on the balance of your Investment. Resident or Non Resident withholding tax will be deducted unless an exemption certificate is provided. If you ask to withdraw funds before the agreed maturity date (and if WBS agrees) WBS may adjust the interest to that which would have applied for the time the funds were invested.

A term of issue of saver shares assigns to the WBS Charitable Trust any windfall benefit (that is any amount in excess of the subscription price and interest) from holding a saver share. Senior shares carry the right to share in any surplus on winding up but otherwise rank for payment with saver shares and ahead of capital shares.

What are my risks?

The maximum risk you carry is the loss of your invested funds together with any interest owed to you because WBS is not able to repay you. This situation would eventuate if WBS became insolvent. WBS is exposed to business risks which are common to all financial institutions i.e. bank, finance companies, credit unions and investment companies. Those risks considered to be of most significance are, WBS being undercapitalised, WBS not being repaid by a customer(s) to whom it has advanced money, volatile interest rate movements and investor anxiety. WBS manages these business risks closely and operates within prudent financial ratios specified in its Trust Deed. Compliance with these ratios e.g. the nature and value of security taken for any advance, reduces these risks. WBS has standby funding facilities for liquidity assurance.

Should WBS become insolvent it would be wound up and you would have no additional liability to WBS. In the event of a winding up, deposits rank for payment equally with all other unsecured creditors but ahead of redeemable shareholders. Saver and senior shareholders rank for payment ahead of capital shareholders in WBS, and behind all other creditors of WBS.

Can the investment be altered?

Generally the terms of your Investment can not be altered without your agreement. However, the Trust Deed which governs Investments can be changed if the change does not prejudice your interests, or is agreed to by a majority of investors. The rights of redeemable shareholders are governed by the Trust Deed and WBS' Rules. Those Rules may be altered by a 75% majority of shareholders eligible to vote and voting who hold at least 2/3 of all shares. There is no guarantee that an investment can be renewed on the same terms. WBS can repay early if it chooses, if it pays interest to the end of any fixed term, and otherwise to the date of repayment.

How do I cash in my Investment?

On maturity you can withdraw your Investment or reinvest it for a further term. WBS will consider requests for withdrawal of your investment prior to maturity. If the request is agreed to the \$10 fee outlined above will be charged and an interest rate adjustment may be made. WBS is not obliged to agree to your request.

Term deposits are not transferable. Shares are transferable only with the approval of WBS' Board. Approval will be rare. There is no established market for the sale of shares.

Who do I contact with enquiries about my Investment?

Enquiries about your Investment should be directed to – The Secretary, WBS, 75 Queen Street, PO Box 441, Masterton.

Is there anyone to whom I can complain if I have problems with the Investment?

Complaints about these Investments can be made to: (a) WBS – by contacting the General Manager, WBS, 75 Queen Street, PO Box 441, Masterton (06) 370 0070; or (b) The Trustee – by contacting Trustees Executors Limited, Level 1 TOWER Building, 50-64 Customhouse Quay, Wellington (04) 495 0999.

Complaints about these Investments can not be made to an ombudsman.

What other information can I obtain about this Investment?

Other information about these Investments is available in the following documents: (a) The latest registered Prospectus; (b) The latest Annual Report and Published Accounts for WBS; (c) The Trust Deed. The latest Prospectus and Annual Report and Accounts are available free of charge from any WBS office and are also available for public inspection at the Companies Office of the Ministry of Commerce. A copy of the Trust Deed is available on request from the Secretary, WBS, 75 Queen Street, PO Box 441, Masterton (06) 370 0070.

Annual information

You will receive an Investment receipt at the commencement of your Investment. You will also receive a maturity notice one week before the maturity of your Investment. A statement of your account will be posted to you every six months or more frequently if you require.

Crown Guarantee

On 12 October 2008, the Crown announced the introduction of an opt-in-retail deposit guarantee scheme that would cover all retail deposits of participating New Zealand-registered banks and retail deposits by locals in non-bank deposit taking entities.

WBS has a guarantee under the Crown Retail Deposit Guarantee Scheme. With the exception of the guarantee, the material obligations of the Society are not guaranteed.

The guarantee is provided by the Crown under an initial Crown Deed of Guarantee entered into by WBS and the Crown on 20 November 2008 and a second Crown Deed of Guarantee dated 28 May 2010. Subject to the terms of the initial deed, the guarantee came into force on 12 October 2008 and shall remain in force until 12 October 2010. The second guarantee comes into force on 12 October 2010 and shall remain in force until 31 December 2011. A copy of the deeds, further information about the Crown Retail Deposit Guarantee Scheme, and the most recent audited statement of financial position of the Crown, are available on The Treasury website at www.treasury.govt.nz free of charge. A copy of the deeds are also available on the WBS website at www.wbs.net.nz.

WBS may offer both Guaranteed and Excluded investments. Subject to the terms of the initial deed, all investments prior to 12 October 2010 receive the benefit of the initial Crown Deed of Guarantee unless the investor elects otherwise. **From 12 October 2010 all investments will be Excluded unless the investor elects the Guarantee subject to WBS' terms and conditions applying to investments carrying that benefit. The status of the investment is determined by the investor at the time of investment.**



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