



wbs

loans & investments

wbs.net.nz

Product Disclosure Statement (PDS)

For unsecured Redeemable Shares and Deposits (collectively the **Investment** or **Investments**) issued by Wairarapa Building Society (**WBS**, the **Issuer**, **we**, **our** or **us**)

This is a replacement PDS, which replaces the PDS dated 12 April 2019

24 December 2020

This document gives you important information about this Investment to help you decide whether you want to invest. There is other useful information about this Offer on www.business.govt.nz/disclose. WBS has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advisor to help you make an investment decision.

1. Key Information Summary

What is this?

This is a continuous offer of unsecured Redeemable Shares and Deposits on either a call or term basis.

Within this PDS:

- Call Redeemable Shares and Call Deposits are collectively referred to as **Call Investments**; and
- Term Redeemable Shares and Term Deposits are collectively referred to as **Term Investments**.

Redeemable Shares and Deposits are **debt securities** issued by WBS. You give WBS money, and in return WBS promises to pay you interest and repay the money at the end of the term. If WBS runs into financial trouble, you might lose some of or all the money you invested.

Unless otherwise previously agreed with you, all applications for Investments made under this PDS will be for Redeemable Shares.

About WBS

WBS is a Wairarapa based building society licensed by the Reserve Bank of New Zealand (RBNZ) as a non-bank deposit taker under the Non-Bank Deposit Takers Act 2013 (the NBDT Act).

WBS offers Investments to the public and provides a range of financial services including the provision of loans to enable customers to achieve their personal and commercial financial goals. Subsidiaries of WBS also hold investments in commercial buildings.

Key terms of the offer

We offer two types of Investments; Call Investments and Term Investments.

	Call Investments	Term Investments
Description	Call Investments are unsecured Redeemable Shares or Deposits that you invest with us with no fixed term.	Term Investments are unsecured Redeemable Shares or Deposits that you invest with us for a fixed period of time. Your Term Investment will be repaid or re-invested at the end of the agreed term in accordance with your instructions.
Term	There is no fixed term. You can withdraw Call Investments at any time.	Term Investments are accepted for various periods as agreed between WBS and you.
Interest rates	The interest rates we offer for the Investments are set out in our current rate card which can be obtained: <ol style="list-style-type: none"> Over the counter at our branch at 75 Queen Street, Masterton; By visiting our website: www.wbs.net.nz/investments; or On the Disclose register at www.business.govt.nz/disclose. 	
	The interest rate applicable to Call Investments can change from time to time without notice.	While interest rates offered on new Term Investments may vary from time to time once a Term Investment is made the interest rate is fixed for its term unless you have requested that WBS repay your Investment prior to maturity and WBS has agreed to do so.
Opening and closing dates	This offer opens on the date of this PDS, is continuous and therefore has no end date.	
Interest payments	Interest is calculated on a daily basis on the balance of your Investments and is paid on the frequency agreed at the time of making your Investments as described in section 2 of this PDS (Terms of the Offer).	
	Interest when paid can be either credited to your account or paid out.	Interest paid on maturity can be either compounded and reinvested or paid out. Interest paid prior to maturity cannot be compounded and must be paid out as described in section 2 of this PDS (Terms of the Offer).

	Call Investments	Term Investments
Fees and charges	Some fees and charges may be payable in connection with your Call Investments for certain transactions, services or other activities. See section 2 of this PDS (Terms of the Offer) for more information.	There are no fees and charges payable by you in connection with your Term Investments, except where you request repayment of your Term Investments before maturity. If requested by you, we may agree to repay Term Investments early. In these circumstances, we may decide to make the charges described in section 2 of this PDS (Terms of the Offer).
No further obligation	Once you have made your initial Investment there is no obligation on you to contribute additional funds unless you choose to do so.	
Right to extend	Your Call Investment is always repayable on demand but the interest rate may vary as above.	We have no rights to vary the time for the repayment of your Term Investment or the interest rate payable on your Term Investment.

Who is responsible for repaying you?

WBS is responsible for repaying you the principal and interest on your Investment.

WBS's subsidiaries, Wairarapa Property Investments Limited and Perry Street Properties Limited (together the **Guarantors**) each unconditionally guarantee the obligations of WBS to pay interest and repay your Investment. Your Investment is not guaranteed by any other person.

How can you get your money out early?

- **Call Investments:** You can come into our branch; contact us during business hours; or through WBS Internet Banking at www.wbs.net.nz/index.php/internet-banking and require that we repay, some or all of, your Call Investment.
- **Term Investments:** Term Investments are ordinarily repayable at the end of the agreed term, but we may, at our discretion, agree to repay your Term Investment earlier in which case fees may apply as set out in section 2 of this PDS (Terms of the Offer).
- WBS does not intend to quote these Investments 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 Investment before the end of the term.

How redeemable shares and deposits rank for repayment

WBS has no secured creditors. As a result, upon liquidation of WBS, your Investment would rank:

- **After** any prior security interests permitted by the Trust Deed and claims given priority by law;

- **In respect of Deposits** equally with themselves and all other unsecured creditors but ahead of Redeemable Shares and capital shares;
- **In respect of Redeemable Shares** equally with themselves but ahead of capital shares.

Further information can be found in section 4 of this PDS (Key features of Redeemable Shares and Deposits).

No security

The Investments offered in this PDS are unsecured debt securities.

Where you can find WBS's financial information

The financial position and performance of WBS are essential to an assessment of WBS's ability to meet its obligations under the Investments. You should also read section 5 of this PDS (WBS's Financial Information).

Key risks affecting this Investment

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

The interest rate for these Redeemable Shares and 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.

WBS considers that the most significant risk factors are:

Risk factor	Description of risk
Geographic risk	WBS has a significant geographic concentration in the Wairarapa, both in terms of sourcing most of its funding and its lending activities. WBS is therefore dependent to a significant degree on the fortunes of the wider Wairarapa economy.
Loan default risk	There is a risk of financial loss if a significant number of customers do not repay their loans on time or in full as WBS may have insufficient funds available to repay investors.
Liquidity risk	Most Investments with WBS are for terms of less than a year, whereas WBS loans have terms of up to 30 years. As a result WBS is significantly dependent on its ability to continue to attract investments from its customers.

This summary does not cover all of the risks of investing in the Investments. You should also read section 6 of this PDS (Risks of investing) and section 4 of this PDS (Key features of Redeemable Shares and Deposits).

What is WBS’s credit rating?

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

WBS has been rated by Fitch Ratings (**Fitch**). Fitch gives ratings from ‘AAA’ through to ‘C’, excluding ratings attaching to entities in default. The modifiers ‘+’ or ‘-’ may be appended to a rating to denote relative status within major rating categories.

As at the date of this PDS, WBS has a credit rating of **BB+ (Negative)**.

Fitch rating	Description	10 year default rate ¹
AAA	Highest credit quality	AAA 0.0%
AA	Very high credit quality	AA+ 0.0% AA 0.0% AA- 0.0%
A	High credit quality	A+ 0.0% A 3.7% A- 1.5%
BBB	Good credit quality	BBB+ 5.4% BBB 2.4% BBB- 1.1%
BB	WBS CREDIT RATING BB+ (Negative) Speculative: ‘BB’ ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.	BB+ 4.4% BB 0.0% BB- 0.0%
B	Highly speculative	B+ 10.3% B 3.6% B- 12.1%
CCC	Substantial credit risk	CCC+ 0.0% CCC 0.0% CCC- 0.0%
CC	Very high levels of credit risk	CC 0.0%
C	Near default	C 80.0%
D	Default	

¹ 10 year default rates reflect the historical proportion of global Financial Institutions, Brokers or Dealers rated by Fitch that experienced some level of default on their obligations in the period 31 December 2009 to 31 December 2019. These default rates are extracted from a document issued by Fitch Ratings, Inc. entitled ‘2020 Form NRSRO Annual Certification’ with data contained in Exhibit 1 and drawn from the table entitled ‘A. Financial Institutions, Brokers or Dealers – 10 Year Transition and Default Rates’. Credit ratings issued by Fitch, as opinions on relative ranking of vulnerability to default, do not imply or convey a specific statistical probability of default, notwithstanding the agency’s published default histories that may be measured against ratings at the time of default. Credit ratings are opinions on relative credit quality and not a predictive measure of specific default probability.

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2. Terms of the Offer

This section explains the terms that apply to the Call Investments and the Term Investments.

	Call Investments	Term Investments
Description	Call Investments are unsecured Redeemable Shares or Deposits that you may invest with us with no fixed term.	Term Investments are unsecured Redeemable Shares or Deposits or Redeemable Shares that you may invest with us for a fixed period of time. Your Term Investment will be repaid or re-invested at the end of the agreed term in accordance with your instructions.
Term	There is no fixed term. You can withdraw Call Investments at any time.	Term Investments are accepted for various periods as agreed between WBS and you.
Minimum investment	\$500 minimum on establishment. Thereafter any amount may be deposited or withdrawn as long as the balance of your Call Investment is maintained at \$500 or higher.	\$500
Interest rates	<p>We review our interest rates regularly and may adjust them after considering the market for similar investment products and in light of our funding requirements.</p> <p>The interest rates we offer for the Investments are set out in our current rate card which can be obtained:</p> <ol style="list-style-type: none"> Over the counter at our branch at 75 Queen Street, Masterton; By visiting our website: www.wbs.net.nz/investments On the Disclose register at www.business.govt.nz/disclose. 	
	<p>The interest rate applicable to Call Investments can change from time to time at the sole discretion of WBS and without prior notice.</p> <p>If we change the interest rate it will apply to your Call Investments from the date of the interest rate adjustment.</p>	<p>The interest rate at the start of your Term Investment is fixed for the duration of the agreed term unless you have requested that WBS repay your investment prior to maturity and WBS has agreed to do so. See below under the heading 'Reinvestment / Repayment - Term Investments' for more information.</p>
Opening and closing dates	This offer opens on the date of this PDS, is continuous and therefore has no end date.	

	Call Investments	Term Investments
Interest payments	Interest is calculated daily on the balance of your Investments and is paid on the frequency agreed at the time of making your Investments.	
	<p>Depending on the type of Call Investment chosen, interest payments are made either:</p> <ol style="list-style-type: none"> 1. Monthly; 2. Quarterly; 3. Six monthly. <p>Interest when paid can be either credited to your account or paid out.</p>	<p>Depending on the type of Term Investment chosen, interest payments are made either:</p> <ol style="list-style-type: none"> 1. Monthly; 2. Quarterly; 3. Six monthly; 4. On maturity. <p>Interest payment dates for options 1, 2 & 3 are based on the anniversary date of the investment and cannot be compounded back into your Term Investment. Interest must be paid to a WBS Call Investment or to an external domestic 3rd party bank account.</p> <p>Interest when paid at maturity can be either credited and reinvested or paid out.</p>
Fees and charges	<p>The following fees and charges are payable in connection with your Call Investments for certain transactions, services or other activities:</p> <ul style="list-style-type: none"> • \$2.50 to set up or amend an automatic payment from your Call Investments. • \$5.00 for a dishonoured automatic payment from your Call Investments. 	<p>There are no fees and charges payable by you in connection with your Term Investments, except where you request repayment of your Term Investments before maturity.</p> <p>If you request repayment of your Term Investment prior to maturity and the request is agreed to by WBS then a flat fee equal to the higher of:</p> <ul style="list-style-type: none"> • \$25.00; or • 1.00% of the amount withdrawn <p>will be charged and deducted from the funds paid to you.</p> <p>In addition, the interest rate applying to your Term Investment will be retrospectively adjusted to the rate that would have applied for the actual term of your initial Investment.</p>
AML/CFT	Term investments must comply with the current WBS Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) programme requirements.	

	Call Investments	Term Investments
No further obligation	Once you have made your initial Investment there is no obligation on you to contribute additional funds unless you choose to do so.	
Right to transfer	<p>Call Redeemable Shares and Term Redeemable Shares are transferable but only with the prior approval of the WBS Board, and such approval is rarely given.</p> <p>There is no right to transfer the ownership of your Call Deposits or Term Deposits to a 3rd party.</p>	
Right to extend	Your Call Investment is always repayable on demand, but the interest rate may vary as above.	We have no rights to vary the time for the repayment of your Term Investment or the interest rate payable on your Term Investment.

Reinvestment/repayment - Call Investments

You can require that we repay your Call Investment at any time by:

- Coming into our branch at 75 Queen Street, Masterton during normal business hours;
- Contacting us on (06) 370 0070 during normal business hours; or
- Logging onto WBS Internet Banking at onlinebanking.wbs.net.nz/mvplive at any time (subject to having previously established WBS Internet Banking access).

Where possible your funds will be transferred the same day. Otherwise, subject to your instructions, your funds will not be transferred until the next business day.

Reinvestment/repayment - Term Investments

Term Investments upon maturity

We will notify you two weeks before your Term Investment matures, advising the details of your maturing Term Investment and giving you the option to reinvest or to be repaid your Term Investment (either in part or in full).

Unless you provide us with alternative reinvestment and/or repayment instructions, prior to the maturity date of your Term Investment, we will reinvest your Term Investment for the same term at no less than the relevant interest rate as specified in our then current rate card (and subject to the terms of the then current PDS). Interest payments will continue on the same basis unless you tell us otherwise.

Early repayment of Term Investments

Term Investments are ordinarily repayable at the end of the agreed term but we may, at our discretion, agree to repay your Term Investment earlier.

WBS is not obliged to agree to any request for early repayment and in considering any request will consider:

- The reason for the request;
- Whether the event that gave rise to the request was unforeseen; and
- Whether or not declining the request would create material Financial Hardship. Financial Hardship means a sudden and unforeseen event that requires you to urgently access your Term Investment to pay for necessary and unavoidable expenses.

You will be required to give 30 days' notice to withdraw a Term Investment early. Notice can be given via email to wbs@wbs.net.nz; letter, sending us a withdrawal form, internet banking, informing us at the branch or by phoning the branch (06-370 0070).

If we agree to a request for early repayment of your Term Investment, then a flat fee equal to the higher of:

- \$25.00; or
- Up to 1.00% of the amount withdrawn;

will apply and the interest rate applying to your Term Investment will be retrospectively adjusted to the rate that would have applied for the actual term of your initial Investment based on the early withdrawal date.

Method of repayment

We will pay your funds on the 31st day after your early withdrawal request (or on the next business day if that day is not a business day). If the maturity date occurs during your notice period, we will pay your funds on the maturity date. Any repayment will be made by direct credit to a New Zealand dollar bank account, held at a bank in New Zealand, as nominated by you in writing. If no such account has been nominated, payments will be withheld until account details have been provided.

Taxation Payments

Refunds of Term Investment funds and associated interest will be net of any tax paid to Inland Revenue (IRD). If you are entitled to a refund of Resident Withholding Tax or Non-resident Withholding Tax you must claim this directly from the IRD.

Ranking of Investments

On liquidation of WBS, your rights and claims under the Investments would rank:

- **After** any prior security interests permitted by the Trust Deed and claims given priority by law;
- **In respect of Deposits** equally with themselves and all other unsecured creditors but ahead of Redeemable Shares and Capital Shares;
- **In respect of Redeemable Shares** equally with themselves but ahead of Capital Shares.

Further information can be found in section 4 of this PDS (Key features of Redeemable Shares and Deposits).

Trust Deed

The issue, terms and condition of the Investments offered under this PDS are governed by a Trust Deed dated 28 November 2003 (as subsequently amended and restated) (the **Trust Deed**) entered into between WBS, the Guarantors and Trustees Executors Limited as Supervisor for the benefit of the investors.

A copy of the Trust Deed is available on the Disclose register www.business.govt.nz/disclose

Trustees Executors Limited has been granted a licence under the Financial Markets Supervisors Act 2011. Details of this licence, including its duration and conditions are available on the Financial Service Providers Register at www.business.govt.nz/fsp and at the website of the Financial Markets Authority at www.fma.govt.nz/compliance/lists-and-registers/licensed-supervisors/

Rules

By making an Investment in Redeemable Shares with us you become a member of WBS and bound by the Rules of WBS (the **Rules**).

A copy of the Rules is available on the Disclose register www.business.govt.nz/disclose or on our website www.wbs.net.nz/financial-statements

3. WBS and what it does

This section explains who WBS is, what we do and who is involved in making this offer to you.

Overview

WBS is a mutual building society with its key stakeholder being the WBS Charitable Trust Board (**WBSCT**). WBSCT holds all the capital shares of WBS.

The primary purpose of WBS is to contribute to the development of the Wairarapa economy by providing financial services that promote thrift and home ownership. It has a limited product range and for this reason could best be described as a savings and loan institution. This is consistent with our purpose and objectives.

The funds we raise from the issue of Investments under this PDS will be principally used to finance our ongoing lending activities.

Our principal classes of asset are:

Asset class	% of WBS Group total assets as at 31 March		
	2020	2019	2018
Loans to customers	77.2%	81.5%	82.8%
Commercial property investments	5.2%	4.7%	6.7%
Other liquid investments	17.6%	13.8%	10.5%

The ability of WBS to repay your Investment is dependent on these assets generating sufficient income to: cover the costs of operation; create adequate capital; and repay investors. WBS has never defaulted on any obligations under any debt security it has issued.

History

WBS was originally named the North Wairarapa Permanent Building and Investment Society and has existed in its current form for 40 years. The building societies that merged to form WBS in 1980 have a history dating back to 1873. The underlying purpose of the 1980 amalgamation was to establish a strong Wairarapa based regional building society of a size and scale able to compete in the Wairarapa financial marketplace and provide Wairarapa residents with a credible alternative to the major trading banks.

WBS Group

The WBS Group comprises WBS and its subsidiaries. The only significant members of the WBS Group, other than WBS, are the Guarantors:

- Wairarapa Property Investments Limited – incorporated in 1998 to act as the primary vehicle for the Issuing Group’s commercial property investments; and
- Perry Street Properties Limited – incorporated in 2009 to hold a commercial property investment.

The industry in which we operate

WBS and its predecessors have been offering Investments to the public for over 145 years. Although anybody can invest with WBS we are not obliged to accept any application for investment. WBS is licensed under the NBDT Act to accept deposits from the public. We compete with banks and other non-bank deposit takers.

Keys to generating income

WBS's income is primarily generated from the difference between the interest income we earn on our lending activities and the interest expense we pay you on your Investments. The WBS Group's property portfolio provides a limited income diversification but is not one of the key drivers of income. Profitability can be adversely affected by credit losses we incur on any loans.

Loan book

Key characteristics of our loan book are summarised below:

Sector concentration	31 March 2020	31 March 2019	31 March 2018
Residential housing	76.3%	76.0%	69.3%
Commercial	21.4%	21.4%	27.1%
Farming	2.3%	2.6%	3.6%

Security	31 March 2020	31 March 2019	31 March 2018
Secured by mortgage	98.1%	98.0%	98.0%
Secured by other collateral	1.4%	1.5%	1.7%
Unsecured	0.5%	0.5%	0.3%

Geographic concentration	31 March 2020	31 March 2019	31 March 2018
Domiciled in the Wairarapa region	88.6%	89.3%	92.1%
Domiciled outside the Wairarapa region	11.4%	10.7%	7.9%

Lending policy and loan quality

Although geographically concentrated, WBS has a conservative lending policy. The key elements of our lending policy are described in section 6 of this PDS (Risks of Investing).

The conservative nature of our lending policy contributes to a consistently low level of loan arrears and impairment as illustrated below:

Loan book status	31 March 2020	31 March 2019	31 March 2018
Performing loans	79.6%	88.3%	88.8%
Restructured loans	0.7%	0.7%	1.4%
Restructured loans due to COVID-19	12.4%	n/a	n/a
Loans past due:			
• 0 to 30 days	4.4%	8.4%	4.3%
• 31 to 90 days	0.9%	1.3%	2.9%
• 91 to 120 days	0.8%	0.5%	1.8%
Impaired loans	1.2%	0.8%	0.8%

Impairment charges	31 March 2020	31 March 2019	31 March 2018
Annual impairment charge (as a % of loan book)	0.24%	(0.09%)	0.09%
Annual impairment charge (\$000's)	301	(126)	124

Updated details of the statistics set out in this section for subsequent financial years will be found in the WBS financial statements which can be found on our website www.wbs.net.nz/financial-statements or on the Disclose register at www.business.govt.nz/disclose

Directors and Senior Managers

Colin Oldfield (Chair)

Colin became a Director of WBS in January 2012. Colin was Managing Director of Oldfield Group Limited, a roading contracting company with branches in Masterton, Wellington and Nelson. He held that position for over 20 years before the sale to Higgins Group Limited. He currently holds several Directorships both locally and nationally. They include ForsythMorison Limited, Glendonald Land Company Limited, Wedglock Equipment Limited, Renalls (2004) Limited and formerly Infratrains and Roding NZ with time as Chairperson. He also holds Directorships in several other private companies.

Kristy McDonald, QC (Deputy Chair)

Kristy was appointed to the Board of WBS in July 2012. Kristy is a barrister with extensive experience in commercial, civil, criminal and administrative law. Kristy has undertaken a range of government and public sector inquiries and has been a Crown prosecutor for many years. Kristy is a member of the Crown prosecution panel in Wellington and a member of the Serious Fraud Office prosecution panel. As well as being in active practice as a barrister Kristy has considerable governance experience. She was Chair of the Judicial Control Authority for Racing between 2008 -2015. She is also a director of ACC, Chair of Kiwifruit NZ and an independent member and Chair of the MSD Audit and Risk Committee.

Anthony Beech, FCA BBS (Director)

Tony moved to the Wairarapa over 30 years ago and was appointed to the WBS Board in January 2016. He is a Director of Lawson Avery Limited, a local accounting firm originally founded in 1909. Tony joined Lawson Avery in 1985 after working for Ernst & Young in Wellington and four years overseas working in London. Tony has stepped back from full time involvement with Lawson Avery during 2020. He has had a large client base servicing mainly Wairarapa based clients, delivering a broad spectrum of services, as well as highly tailored advisory services to larger clients and has several Directorships on local businesses. He has been heavily involved in local sport and local schools including terms as Chairman at Masterton Intermediate and Wairarapa Bush Rugby Football Union.

Adam Parker, LLB BSc (Director)

Adam joined the WBS Board in 2016. Adam has been practising law since 1999 and is a partner at Gawith Burrige in Masterton. Adam has a wide range of legal experience at several organisations including competition law at the Commerce Commission, Ministerial advice and drafting legislation (Ministry of Economic Development), intellectual property law at AJ Park, litigation and general practice. Adam also holds Directorships in several trustee companies and has served on the Hadlow School Board and is Honorary Solicitor for several local charitable organisations.

Nicholas (Nick) Rogers (Director)

Nick joined the WBS Board in 2017 and has been a resident of the Wairarapa region for over 11 years. Nick previously worked for DB Breweries in various commercial and marketing roles for 17 years before deciding to run his own businesses, including management of the Tui Brewery and Monteith's Brewery Experiences. Nick and his wife are now the owners of the White Swan Country Hotel in Greytown. Nick is also affiliated with Wings Over Wairarapa, Castlepoint Station and the New Zealand National Aviation Centre.

Blair Stevens, B Com (VPM), MPINZ, AREINZ (Director)

Blair joined the WBS Board in January 2020 and has been a resident of the Wairarapa region for over 25 years. Blair is a registered valuer who spent 14 years as a senior rural banker. Using his skills and experience from both these professions, Blair moved to rural real estate 11 years ago. He established his own highly successful real estate company in 2014, NZR Real Estate Limited. Blair has also been Co-Chairman and a Trustee of the Wairarapa Sports Education Trust and Chairman of the Lakeview School Board of Trustees.

Paul Bywater CA BBS (CEO)

Paul is a Chartered Accountant and since returning from the UK in 2004, has operated in senior financial management roles for a number of New Zealand's major corporates including Meridian Energy, NZ Post and as Group Treasurer for the Todd Corporation. Prior to this Paul worked for global accountancy firm KPMG for 10 years both in New Zealand and London, working across the audit, corporate finance and insolvency practices. Paul first joined WBS in 2016 as CFO. Paul was appointed CEO in September 2019.

Jennie Mitchell CA BBS (Finance Manager)

Jennie joined WBS in February 2020. Jennie is a Chartered Accountant with a Bachelor of Business Studies from Massey University. Jennie started her career working in Chartered Accounting firms and has since worked in variety of roles including tutoring accounting and management studies at a Polytechnic. Jennie has held senior finance and corporate services roles in telecommunications and energy companies, local government, chartered accountancy, and health sector organisations.

Andrew Bond, BSc (Operations Manager)

Andrew joined WBS in July 2014 after time spent as Business Manager of Markhams Wairarapa, a local Chartered Accountancy firm. Prior to returning to Masterton, Andrew worked within the commercial fishing industry as a senior manager for several years gaining experience in contract management, people management, administration and customer service.

None of our Directors or Senior Managers have been adjudged bankrupt, convicted of a crime involving dishonesty, or prohibited from acting as a director or taking part in the management of a corporate entity.

4. Key features of Redeemable Shares and Deposits

This section explains further some of the key features of the Investments and should be read in conjunction with section 2 of this PDS (Terms of the Offer).

Ranking

The Investments offered in this PDS are unsecured debt securities.

Although the Trust Deed permits WBS and the Guarantors to use up to 2.50% of their assets as security for liabilities that would rank ahead of the Investments, there are presently no such secured liabilities.

The following diagram illustrates the ranking of Redeemable Shares and Deposits on a liquidation of WBS and is based on the level of our liabilities and equity as at 31 March 2020 including Redeemable Shares (principal and interest outstanding) of \$131,195,202 and Deposits (principal and interest outstanding) of \$12,586,795. The level of Redeemable Shares and Deposits is constantly changing depending on the level of investment, reinvestment and withdrawal at any point in time.

	Ranking on liquidation of WBS	Liability types	Indicative amount of existing liabilities and equity as at 31 March 2020
HIGHER RANKING / EARLIER PRIORITY			
	Liabilities that rank in priority to Deposits, Redeemable Shares and Capital Shares	Creditors preferred by Law	\$229,246
	Liabilities that rank equally with Deposits	Deposits, trade and general creditors	\$12,586,795
	Liabilities that rank behind Deposits but in priority to equity	Redeemable Shares	\$131,195,202
	Equity	Transferred to WBSCT in accordance with the WBS Rules	\$21,850,683
LOWER RANKING / LATER PRIORITY			

The creditors preferred by law shown above as ranking ahead of Deposits and Redeemable Shares principally comprise wages due to employees and amounts due to the IRD in respect of PAYE, GST and RWT. Trade and general creditors ranking equally with Deposits principally comprise amounts arising from the day-to-day operations of the business. WBS expects both types of liabilities to continue to be incurred at broadly similar levels to those represented in the diagram above.

Updated details for subsequent financial years will be found in a document named 'Key Ratios and Selected Financial Information' which can be found on our website www.wbs.net.nz/financial-statements or in the Disclose register at www.business.govt.nz/disclose

Other limitations specified in the WBS Trust Deed are set out in section 5 under the sub-heading "Other Limitations, Restrictions and Prohibitions".

Guarantees

The Guarantors, being Wairarapa Property Investments Limited and Perry Street Properties Limited, each unconditionally guarantee the obligations of WBS to pay interest and repay your Investments. They are both members of the WBS Group and their guarantees are unsecured.

5. WBS's Financial Information

WBS is required by law and its Trust Deed to meet certain financial requirements. This table shows how WBS is currently meeting those requirements. There are minimum requirements. Meeting them does not mean that WBS is safe. The section on specific risks relating to WBS's creditworthiness sets out risk factors that could cause its financial position to deteriorate. The offer register provides a breakdown of how the figures in this section are calculated, as well as full financial statements.

Updated details for subsequent financial periods and more detailed financial information about the calculation of the figures in this section, can be found in a document named 'Key Ratios and Selected Financial Information' on our website at www.wbs.net.nz/financial-statements or on the offer register at www.business.govt.nz/disclose. References in this section to the **2010 Regulations** means the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

All figures and financial information presented in this section represent consolidated financial information of WBS and the Guarantors as required by the 2010 Regulations.

Key ratios

Capital Ratio

	31 March 2020	31 March 2019	31 March 2018
WBS Capital Ratio as calculated by the 2010 Regulations	14.3%	13.2%	11.7%
Minimum Capital Ratio required by the Trust Deed	8.0%	8.0%	8.0%
Minimum capital ratio required by regulation 8(2) of the 2010 Regulations	8.0%	8.0%	8.0%

The Capital Ratio is a measure of the extent to which WBS is able to absorb losses without becoming insolvent. The lower the Capital Ratio, the fewer financial assets that WBS has to absorb unexpected losses arising from its business activities.

Related party exposures

	31 March 2020	31 March 2019	31 March 2018
Amount of WBS's aggregate exposures to related parties as calculated by the 2010 Regulations	0.0%	0.0%	0.5%
Maximum limit on aggregate exposures to related parties permitted by the Trust Deed	15.0%	15.0%	15.0%
Maximum limit on aggregate exposures to related parties permitted by regulation 23(3)(b) of the 2010 Regulations	15.0%	15.0%	15.0%

Related Party Exposures are financial exposures that WBS has to related parties. A related party is an entity that is related to WBS through common control or some other connection that may give the party influence over WBS (or WBS over the related party). These related parties include relatives of Directors or Senior Management.

Liquidity requirements

		31 March 2020	31 March 2019	31 March 2018
Liquidity calculated in accordance with the Trust Deed	Liquid assets ratio ²	36.7%	35.4%	28.8%
	Liquidity mismatch ratio ³	284.2%	287.4%	236.5%
Minimum liquidity requirements under the Trust Deed	Liquid assets ratio	10.0%	10.0%	7.5%
	Liquidity mismatch ratio	115.0%	115.0%	115.0%

Liquidity requirements help to ensure that WBS has sufficient realisable assets on hand to pay its debts as they become due in the ordinary course of business. Failure to comply with liquidity requirements may mean that WBS is unable to repay investors on time and may indicate other financial problems in its business.

² The Liquid Assets Ratio is a measure of the extent to which liquid assets maintained by WBS can support claims on its assets. The higher the ratio, the greater the level of liquid resources immediately available to WBS if it experienced liquidity issues.

³ The Liquidity Mismatch Ratio is a liquidity stress test which measures the ratio of liquid funds available to cover any short term mismatch in contractual cash flows which have been adjusted to reflect the estimated impacts of a short term loss of investor confidence. The higher the resulting ratio, the greater the ability of WBS to meet its payment obligations in a stressed scenario. This is calculated in accordance with the Trust Deed and the 2010 Regulations.

Selected financial information

All figures in NZ\$000's	31 March 2020	31 March 2019	31 March 2018
Total assets	167,785	160,159	159,809
Total liabilities	145,935	140,265	141,760
Net profit after tax	2,020	1,751	677
Net cash flows from operating activities	6,905	5,142	1,247
Cash and cash equivalents	29,612	22,039	16,813
Capital as calculated in accordance with the 2010 Regulations	21,627	19,594	17,942

Other limitations, restrictions and prohibitions

Trust Deed

The Trust Deed places certain financial covenants on WBS and the Guarantors, some of which have already been summarised in the Key Ratios section above. Those that have not already been summarised above are set out in the Trust Deed a copy of which is available on our website at www.wbs.net.nz/financial-statements or the Disclose register www.business.govt.nz/disclose.

Committed standby funding lines

The committed standby funding lines that WBS maintains require WBS to meet certain financial covenants in order to retain continued access to the facilities. The nature of these covenants is broadly similar to those contained in the Trust Deed but each facility contains lender-specific covenants. WBS monitors these covenants on a monthly basis with the aim of ensuring enough headroom to maintain access to the facilities to assist in managing its liquidity risk, as described in section 6 of this PDS (Risks of investing).

6. Risks of investing

General risks

Your Investment is subject to the general risk that if WBS becomes insolvent we may not be able to pay interest and/or repay part or all of your Investment. In this event, you may suffer a direct financial loss, but you would not be liable to pay any further money to us.

WBS does not intend to quote the Call Investments or Term Investments on a market licenced in New Zealand and there is no other established market for trading them. In respect of Term Investments, this means you may not be able to sell your Term Investment before the end of the agreed term unless WBS has otherwise consented to you withdrawing your Term Investment prior to maturity as set out in section 2 of this PDS (Terms of the Offer).

Specific risks relating to WBS's creditworthiness

The NBDT Act requires that we have and maintain a Risk Management Programme. Our Risk Management Programme is in writing, is regularly reviewed, and sets out how we identify, analyse, evaluate, eliminate and/or mitigate risk.

The principal risks that we face are: geographic concentration risk; loan default risk; liquidity risk; interest rate risk and operational risk.

Geographic concentration risk

WBS has a significant geographic concentration in the Wairarapa, both in terms of sourcing the majority of its funding and its lending activities. WBS is therefore dependent to a significant degree on the fortunes of the wider Wairarapa economy.

Should the Wairarapa region suffer an adverse event then WBS, and ultimately your Investment, could be adversely impacted.

Loan default risk

WBS lends money to a variety of customers.

Loan default risk is the risk that if a material number of our borrowers default on their loan obligations there may be insufficient funds available to repay investors.

This is a risk that is inherent to any lending institution. However, as noted in section 3 of this PDS (WBS and what it does), WBS employs a conservative lending policy to manage and mitigate this risk.

This lending policy helps to ensure that any credit risk assumed by WBS falls within acceptable parameters:

a. Loan to Valuation Ratios (LVR's)

Retention of conservative LVR's:

- Residential housing loans - 80% LVR;
- Commercial loans - 60% LVR;
- Farming loans - 50% LVR;
- Bare land loans - 50% LVR;

In order to provide some flexibility to our lending the Trust Deed allows WBS to have up to 15% of its total assets outside these criteria. Typically, WBS has less than 10% of its total assets outside these LVR criteria.

b. Debt servicing

Similarly, WBS adopts a conservative approach to debt servicing such that most borrowers contribute less than 1/3rd of their gross household income to debt servicing.

c. Credit history

Credit checks are undertaken on all new borrowers and if the result is a score lower than our usual lending criteria then an application is declined unless mitigating circumstances are present.

d. Borrower concentration

The Trust Deed does not allow WBS to lend more than 7.5% of its assets to any single borrower, nor to lend more than 30% of its assets to its 10 largest borrowers.

Liquidity risk

Like virtually all financial institutions, WBS has a mismatch in the maturity profile of our available sources of funding and loans to customers. This mismatch arises in the ordinary course of business given that WBS is taking in short-term or on-call funding, while a major part of our lending to customers is in long-term residential mortgages.

Liquidity risk is the risk that WBS may have insufficient funds or may not be able to raise sufficient funds at short notice, to meet our financial obligations as they fall due, including the repayment of your Investment.

We manage liquidity risk on a daily basis and in a number of ways including:

- Monitoring the maturity profile for existing loans, Redeemable Shares and Deposits.
- Seeking to maintain diversity and stability in our retail funding base.
- Holding cash surpluses in the form of on call or liquid securities to ensure we retain immediate access to these funds.
- Maintaining strong bank relationships including access to committed standby funding lines for a period of at least 12 months forward (and ideally 24 months forward).
- Forecasting and managing our cash position so as to maintain cash surpluses where possible to minimise bank funding line utilisation.
- Ensuring on-going compliance with Trust Deed and RBNZ NBDT liquidity requirements as set out in section 5 (WBS's Financial Information).

If there was a sustained decline in our ability to retain or attract new Redeemable Shares and Deposits or if access to our committed bank funding lines were not able to be renewed, this could result in increased liquidity pressure and could affect our ability to repay investors.

Interest rate risk

As noted in section 3 (WBS and what it does), WBS derives the majority of its income from the margin between the interest income we earn on our lending activities and the interest expense we pay you on your Investment.

Active and sustained management of this margin is essential to ensure that sufficient income is generated to cover the costs of business including repayment of your Investments.

If both investor interest rates and borrowing interest rates are short-term, such as if they are fixed for less than a year, then the impact on WBS of any such variation in margin is likely to be minimal. However, where lending rates are fixed for longer terms a rapid change in investor rates will have a greater effect.

All of WBS's fixed rate loans with a fixed rate term greater than two years are hedged by interest rate swaps which remain in place for the life of the fixed rate period of the loan. Interest rate swaps are agreements with other financial institutions by which they agree to bear that risk, effectively fixing WBS's funding cost and with it, the profit margin. For those fixed rate loans where the fixed rate term is less than two years, only a portion of these fixed rate assets may be hedged by WBS using interest rate swaps. This is because WBS has other hedging options available, in particular the ability to attract Term Investment funds to match these shorter re-pricing time periods.

To ensure that interest rate risk is appropriately managed, The Trust Deed requires WBS to report quarterly to the Supervisor on any fixed rate exposures that are in excess of two years and to demonstrate that these exposures have been appropriately hedged.

Operational risk

Operational risk is the risk that inadequate or failed procedures, systems or policies give rise to either financial loss or damage to WBS's reputation and standing in the marketplace.

WBS's reputation in its home market is paramount. Therefore, WBS operates conservatively but also with a degree of flexibility in its business, always keeping in mind the benefits of a positive perception from our interactions not only with our customers, but also with Wairarapa residents generally as well as with other key stakeholders including: regulators, the Supervisor, our bankers and auditors.

A material or sustained loss of confidence in WBS could result in a reduction in WBS's ability to attract or retain access to its primary sources of funding. This could in turn result in adverse liquidity outcomes and limit our ability to repay investors as described above.

WBS actively manages and seeks to mitigate operational risk through ensuring tested procedures and robust systems are in place including: appropriate segregation of duties; delegations of authority; tiered and monitored access to key IT systems; and cross job-training. Legal risks associated with the enforcement of security held in relation to loan exposures are minimised through standardised loan documentation which is regularly updated. We have also formulated and enacted a disaster recovery plan to ensure that in the event of disruption or natural disaster we are able to continue to operate our business to the fullest extent possible.

7. Tax

New Zealand residents will have resident withholding tax (**RWT**) deducted from interest that is payable in respect of their Investment in Redeemable Shares and Deposits, unless they hold a valid RWT exemption certificate or appear on the IRD online exemption register (from 1 April 2020).

RWT rates as at the date of this PDS are:

- 28% for companies (other than corporate trustees) or 33% if such rate is elected by the company; and
- 10.5%, 17.5%, 30% and 33% for all other investors.

If you do not provide us with your IRD number, or your RWT rate, you will automatically have RWT deducted at the maximum rate of 45% from 1 April 2020.

There may also be other tax consequences of depositing or withdrawing funds with us, or from selling your Investment in the limited circumstances where this may be possible. If you have queries relating to the tax consequences of an Investment in the Redeemable Shares and Deposits, you should obtain professional independent advice on those consequences.

8. Who is involved?

	Name	Role
Issuer	Wairarapa Building Society	Issuer of the Redeemable Shares and Deposits
Supervisor	Trustees Executors Limited	Supervisor and provider of independent oversight of WBS and the Guarantors for holders of Redeemable Shares and Deposits
Auditor	KPMG	Independent auditors of WBS and the WBS Group financial statements
Solicitors	Buddle Findlay	Legal advisor to the Issuer

9. How to complain

If you have a problem, concern, question or complaint about your Redeemable Shares or Deposits, you may contact us in the first instance via Andrew Bond, Operations Manager on (06) 370 0070, by email to andrew.bond@wbs.net.nz or in person at our head office located at 75 Queen Street, Masterton.

If you are not satisfied with the outcome you can contact WBS by email to wbs@wbs.net.nz or in writing at:

WBS
P O Box 441
Masterton 5840

If you are still not satisfied with the outcome of any complaint you may also choose to lodge your complaint with the Insurance & Financial Services Ombudsman (IFSO), an external dispute resolution scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. IFSO may be contacted on 0800 888 202 or (04) 499 7612, by email at info@ifso.nz, by post to:

Insurance & Financial Services Ombudsman Scheme
P O Box 10-845
Wellington 6143

or by fax on (04) 499 7614, or through their website at www.iombudsman.org.nz

IFSO will not charge you for investigating or resolving a complaint.

Complaints may also be made to the Supervisor at:

Trustees Executors Limited
Level 6, 10 Customhouse Quay
PO Box 10-519
Wellington 6143

or by telephone on 0800 878 783 or by email at enquiries@trustees.co.nz.

Alternatively, complaints can be lodged with the Financial Markets Authority at any time via its website www.fma.govt.nz.

10. Where you can find more information

Further information relating to WBS and the debt securities offered in this PDS (including Annual Reports, the WBS Rules and the Trust Deed) is available free of charge on our website www.wbs.net.nz/financial-statements and on the Disclose register at www.business.govt.nz/disclose

Copies of documents lodged on the Disclose register are available free of charge from our head office:

WBS
75 Queen Street
P O Box 441
Masterton 5840
P: (06) 370 0070

Information is also available on the Companies Office website at www.business.govt.nz/companies/learn-about/other-registers/building-societies

11. How to apply

Redeemable Shares

Applications for the Redeemable Shares offered within this PDS must be made in person at our head office at 75 Queen Street, Masterton by completing the appropriate application forms that are available for download from our website www.wbs.net.nz/application-forms

Deposits

Applications for the Deposits offered within this PDS must be made via our head office at 75 Queen Street, Masterton.

General terms and conditions

The minimum amounts and interest rates then applicable to the period of your Investment are set out in section 2 of this PDS (Terms of the Offer), in the rate card accompanying the application forms or as published from time to time on our website www.wbs.net.nz/investments

All applicants must meet our customer due diligence requirements which arise under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

Duly completed applications together with payment in full must be made:

- By electronic transfer from a 3rd party or WBS account to 02-0688-0089022-000; or
- By cheque either in person at our office or by post to: WBS, PO Box 441, Masterton 5840.

WBS will not accept your application to invest until full payment has been received and all customer due diligence procedures have been adequately completed.

We reserve the right to decline any application either in whole or in part, without giving any reason. If you have deposited funds with us and your application is subsequently declined, we will return your funds together with any interest accrued thereon.

Privacy policy

Applying for an Investment with WBS indicates your acceptance of our Privacy Policy and as such you authorise us to collect, use and share your personal information as described in our Privacy Policy. A copy of our Privacy Policy is available for download from our website www.wbs.net.nz

12. Contact information

Enquiries about the Redeemable Shares or Deposits may be directed to any WBS employee at our head office or you can contact WBS at:

Wairarapa Building Society
PO Box 441
75 Queen Street
Masterton 5840

Telephone: (06) 370 0070
Email: wbs@wbs.net.nz

p 06 370 0070
e wbs@wbs.net.nz
w wbs.net.nz
a 75 Queen St, Masterton

