This is a replacement Product Disclosure Statement. It replaces the Product Disclosure Statement dated 19 December 2017 relating to an Offer of Secured Redeemable Shares in Credit Union Baywide (trading as NZCU Baywide)

Date: 1 March 2018

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on https://disclose-register.companiesoffice.govt.nz/disclose. Credit Union Baywide 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.

Contents

1. Which products are offered under this PDS?

This offer is for secured redeemable shares (the *Shares*) in one or more of the share accounts (the *Accounts*) offered by Credit Union Baywide (trading as NZCU Baywide) (*Credit Union Baywide, we, us* or *our*) which rank equally with all other Shares issued (the *Offer*). Prospective and existing Members *(you)* are invited to subscribe for Shares at $1.00 per Share, to be held in one or more of the Accounts operated by Credit Union Baywide.

Each Share account is either on-call or for a fixed term, and (where applicable) the term is agreed when you invest. Under the Friendly Societies and Credit Unions Act 1982 (the *FSCU Act*), as part of the terms and conditions of the Shares, we may require a 60 day notice period for withdrawal from time to time.

The rate of return on Shares is dependent on the type of Account you invest in, the terms of the account and the duration of your investment.

We offer a number of different Accounts to our Members including On-Call Accounts, Term Accounts and Special Share Investment Accounts.

Further details on our On-Call Accounts, Term Accounts and Special Share Investment Accounts terms and conditions, fees and charges and interest rates can be found on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose, at any Branch Office, or by visiting our website: www.nzcubaywide.co.nz.

The Shares are treated as debt securities under the Financial Markets Conduct Act 2013, and this PDS is prepared under Schedule 7 of the Financial Markets Conduct Regulations 2014.

You may apply for Shares if you currently reside or formerly resided in New Zealand, and you are:

(a) an individual;

(b) a charitable entity as defined by the Charities Act 2005; or

(c) an incorporated society registered under the Incorporated Societies Act 1908.

We reserve the right to accept or decline any application without giving you any reason for our decision.

2. Credit Union Baywide and what it does

Overview of Credit Union Baywide

We are a financial co-operative registered as a credit union under the FSCU Act.

Our objects are the promotion of thrift amongst our Members by the accumulation of their savings, the use and control of our Members' savings for their mutual benefit, the training and education of our Members in the wise use of money and in the management of their financial affairs and, at our discretion and as a minor adjunct to our other objects, the welfare of our Members and the making of donations for charitable, cultural, benevolent or philanthropic purposes.

We operate in accordance with our trust deed dated 22 August 2016 (the *Trust Deed*) and our Rules (the *Rules*), both as amended from time to time, which are registered in accordance with the FSCU Act. The Trust Deed and the Rules are available on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose, our website, www.nzcubaywide.co.nz and upon request at our registered office.

We are registered on the Financial Service Providers Register with the registration number FSP27482. We are a non-bank deposit taker (*NBDT*) in terms of the Non-bank Deposit Takers Act 2013 (the *NBDT Act*) and are licensed under section 14 of the NBDT Act, subject to conditions imposed by the Reserve Bank of New Zealand. We are not a registered bank in terms of the Reserve Bank of New Zealand Act 1989.

Operations and Main Activities of Credit Union Baywide

Our primary activities over the five years preceding the date of this Product Disclosure Statement (*PDS*) and since our inception on 10 August 1971 have been to provide a co-operative savings facility and banking services for our Members to form a loan fund.

We make loans from your investments and retained surpluses. The availability of loans to Members is dependent upon the availability of our funds. Loans to Members will only be made in accordance with our Rules, the Trust Deed, and the provisions of the FSCU Act, which may from time to time specify the maximum amount which may be loaned to any Member, the maximum term of loans, or the lending to assets ratio to be observed by us. Please contact us for details of the conditions existing under the Rules and the FSCU Act at the date of application. Further information on the composition and maturity of the loan portfolio can be found in the notes to our financial statements which can be found on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose. All loans are subject to our lending criteria and we reserve the right to decline any application for a loan without giving any reason.

Main sector in which Credit Union Baywide operates

We operate as a NBDT in the financial services industry with a focus on savings and lending for individuals and families who live in New Zealand.

Aspects of the business that are key to generating income

The aspects of our business that are key to generating income are as follows.

Growing the Loan Portfolio

We make loan advances from your investments and retained surpluses to our Members. We make income from the interest charged on these loans. The majority of our loan advances are of a consumer nature and are made to assist Members with residential home loans or to fund various personal items such as vehicle purchases, holidays and debt consolidations. As the loan portfolio provides the majority of our surplus, it is desirable to grow the loan portfolio.

Other Products and New Markets

We also generate income from commissions on loan insurance, KiwiSaver products and retail transactional banking. Historically, our membership has been concentrated in the lower North Island but we have recently expanded our national presence.

Investment

We have a number of investments which contribute to our overall income including, deposits with banks, deposits with Co-op Money NZ and Base Capital Notes issued by Co-op Money NZ.

3. What is Credit Union Baywide's credit rating?

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

Credit Union Baywide has been rated by Fitch Ratings. Fitch Ratings gives ratings from AAA through to C. We have a local and foreign currency long-term issuer credit rating of **BB with a stable outlook** and a short-term issuer credit rating of **B**, issued on 17 October 2016 and affirmed on 30 August 2017.

Rating	AAA	AA	A	BBB	**BB**	**B**	CCC	CC	C
Strength	Extremely strong	Very strong	Strong	Adequate	**Less Vulnerable**	More vulnerable	Currently vulnerable	Currently highly vulnerable	Default imminent or inevitable
Historic likelihood of default over 5 years[1]	1 in 600	1 in 300	1 in 150	1 in 30	**1 in 10**	1 in 5	1 in 2		

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

Further information regarding our credit rating is outlined in "Specific risks – Credit Ratings" in Section 6.

[1] Reserve Bank of New Zealand publication 'Know your credit ratings', dated March 2010, https://www.rbnz.govt.nz/research-and-publications/fact-sheets-and-guides/factsheet-know-your-credit-ratings.

4. Credit Union Baywide's financial information

Credit Union Baywide is required by law and its Trust Deed to meet certain financial requirements. The Key Ratios table shows how Credit Union Baywide is currently meeting those requirements. These are minimum requirements. Meeting them does not mean that Credit Union Baywide is safe. The section on specific risks of investing sets out risk factors that could cause its financial position to deteriorate. The Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose provides a breakdown of how the figures in this table are calculated, as well as full financial statements.

Prior Ranking Debt

The Shares are secured to the extent permitted by law by a first ranking security interest granted in favour of the Supervisor under the Trust Deed over all of our present and after acquired personal property ("Supervisor's Security Interest").

Under the Trust Deed, we are permitted, with the consent of the Supervisor, to create security interests that rank prior to, or equally with, the Supervisor's Security Interest. Those permitted prior ranking security interests are set out in more detail below.

Under the terms and conditions of our banking arrangements with Co-op Money NZ, a settlement bond is held by way of term deposit with Co-op Money NZ. The settlement bond is an agreement between us and Co-op Money NZ, consented to by the Supervisor, whereby a sum of up to 3% of our total tangible assets is excluded from the Supervisor's Security Interest over those assets. In the event that we are unable to settle our inter-bank requirements the settlement bond provides security to Co-op Money NZ.

Except as otherwise agreed with the Supervisor, we will ensure that all debts or liabilities owed by us to third parties other than normal trade creditors are Subordinated Debt (as that term is defined in the Trust Deed).

Key Ratios

The key ratios and other financial information tables can be found on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose.

Other limitations, restrictions and prohibitions

Set out below is a summary of the other limitations, restrictions and prohibitions applicable to us. For further details refer to the Trust Deed on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose.

Financial Covenants

Under the Trust Deed, we have agreed that we will not grant any charge or other security interest in priority to or ranking equally with the security interest granted in favour of the Supervisor, without the Supervisor's prior written consent. Credit Union Baywide has further covenanted, subject to the terms and conditions contained in the Trust Deed, not to:

(a) permit its secured liabilities to exceed 1% of its total tangible assets;

(b) permit its liquid assets to be less than 8% of its total tangible assets;

(c) permit its liquid assets to be less than 115% of any deficit arising from the contracted principal and interest due to it in the next 3 months less the aggregate of 20% of the principal due on specified securities, 100% of the interest due on those specified securities (in each case based on contractual maturities) and 20% of its undrawn committed lending facilities;

(d) fail to ensure that it has sufficient assets at all times to discharge all debts as they fall due;

(e) permit the aggregate of its secured investments, unsecured investments and listed securities, to exceed 15% of its total tangible assets;

(f) permit the aggregate of its unsecured investments to exceed 1% of its total tangible assets;

(g) allow the capital ratio, as calculated under the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 to be less than 8% as Credit Union Baywide has a credit rating;

(h) allow its aggregate exposure to related parties to exceed 15% of capital (as calculated in accordance with the regulations mentioned in (g) above); and

(i) borrow any monies except on terms and conditions to which the Supervisor has previously consented in writing. Such borrowing is not to exceed 15% of Credit Union Baywide's total equity, unless the borrowing is to fund expenditure of a capital nature subject to the prior approval of the Supervisor.

The Supervisor has agreed that in calculating the amounts under (f) above, the amount of $1,434,629 (being a proportion of the Base Capital Notes issued by the Co-op Money NZ on terms further set out in the Notes to the Financial Statements, which can be found on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose) may be disregarded.

5. Guarantors

The Shares and return on the Shares are not guaranteed by us, the Supervisor or any other person. We are solely responsible for repayment of the Shares.

6. Specific risks of investing

In this section we have described the circumstances of which we are aware, that exist or are likely to arise, that significantly increase the risk that we may default on our payment obligations under the shares.

Specific risks relating to Credit Union Baywide's creditworthiness

Liquidity risk

Liquidity risk is about ensuring that we have sufficient levels of liquid assets so that we can promptly meet our obligations as they fall due, in a wide range of operating circumstances including unknown and unforeseen events and times of extreme liquidity pressure.

We are reliant on funding from retail depositors only. The contractual maturity profile highlights that the funding maturity profile is shorter than the lending maturity profile. Therefore as a large proportion of Members can withdraw their funds at any time (or with relatively short notice), there is a risk that at any one time there might not be enough funds to meet our payment obligations. We rely on high reinvestment rates for Term Accounts, a consistent and reliable level of On-Call and Special Share Investment Accounts, and regular receipts of principal and interest from borrowers. If reinvestment rates, Member Account balances or borrower repayments were to reduce materially, there is a risk that we may not have enough cash on hand at any one time to repay Members in a timely manner.

We manage liquidity risk by:

- continuously monitoring forecast and actual daily cash flows;
- maintaining adequate cash reserves, currently at least 11.5% of total tangible assets as liquid assets, to meet Member withdrawals when requested. Should the liquidity ratio fall below this level, then we may limit or suspend loans, obtain new deposits, utilise borrowing facilities and assess what assets can be sold;
- reviewing the maturity profiles of financial assets and liabilities;
- regularly monitoring loan repayments and comparing to forecast cash flows; and
- maintaining a liquidity mismatch ratio so we have sufficient funds available to meet any short term funding deficit.

Further information on liquidity, including expected maturity analysis and reinvestment assumptions, can be found in the Notes to the Financial Statements. The Financial Statements can be found on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose.

Loan default risk

Loan default risk is the risk that a borrower does not repay the full amount of principal and interest due to us. Loan default risk includes both credit risk and security position risk as outlined below.

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in a financial loss. This usually occurs when borrowers fail to repay their loans.

We have a risk policy for loans to manage credit risk. The key points are:

- credit assessment of all applications for loans and facilities is based on potential credit risk, suitability of security offered, and ability to repay;
- specifying the level and type of security required for a loan;
- setting exposure limits for individual borrowers;
- reassessment and review of the credit exposures on loans and facilities;
- monitoring and reviewing loans in arrears;
- establishing appropriate provisions for impaired loans;
- maintaining and reviewing the performance of debt recovery; and
- regular compliance monitoring by internal audit.

If we experience significant credit losses (ie. borrowers not repaying their loans), this will have an adverse impact on financial performance and the ability to pay returns to Members. If this was sufficiently substantial so as to cause the liquidation and winding up of our operations, then the value returned to you, in respect of your Shares, may be less than the amount you invested.

We may take security from a Member for loans to them. To the extent that we do or do not take security or we take security that ranks subsequent in priority to another party's security, then in a default situation:

- our ability to realise the Member's assets taken as security may be restricted or prohibited by the terms of any prior ranking security;
- where the Member's assets are realised, the value of those securities taken may fluctuate due to market prices; and

- where the Member's assets are realised, the Member may be unable to repay some or all of the remaining funds advanced by us.

We may incur losses in the above circumstances, which may affect our profitability and returns payable to you. Therefore, we make provision for doubtful debts in our financial statements in accordance with industry standards, to reflect this risk.

Our loan portfolio, subject to lending criteria, includes loans to Members with high Loan-to-Value (LVR) ratios. These Members are more susceptible to credit losses if there are fluctuations in market prices. We may be exposed to increased security risk in the residential property market if house prices fall. To mitigate this risk we limit the proportion of high LVR lending at a portfolio level.

In the unlikely event that the security position deteriorates for a significant number of Members this could have an adverse impact on our financial performance. If this was sufficiently substantial so as to cause the liquidation and winding up of our operations, then the value returned to you, in respect of your Shares, may be less than the amount you invested.

The Trust Deed provides that indebtedness of a Member must not exceed:

- 10% of our total tangible assets, in the case of a secured loan;
- 5% of our total tangible assets, in the case of an unsecured loan; or
- such lesser amount as we may from time to time determine.

As at the date of this PDS, the maximum indebtedness of any one Member does not exceed 1% of our total tangible assets. We are therefore not exposed to any one large loan going into default.

General Credit risk – debt securities, term investments, cash and cash equivalents

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in a financial loss. This usually occurs when debtors fail to settle their obligations to us.

Our investments include call deposits and term deposits with banks and Co-op Money NZ and an equity investment in Base Capital Notes issued by Co-op Money NZ. These investments are permitted under our Trust Deed, however there are no trust or security arrangements governing these investments. Member credit unions invest in Base Capital Notes to fund Co-op Money NZ which enables them to provide core services to us. The Base Capital Notes constitute unsecured obligations of Co-op Money NZ and rank equally and without priority to other Co-op Money Base Capital Notes. The Base Capital Notes rank after creditors in the event of winding up Co-op Money NZ. Further, there is no active market for the Base Capital Notes issued by Co-op Money NZ.

Accordingly, there is a concentration of credit risk with respect to our investments in Co-op Money NZ, which are unsecured. If Co-op Money NZ runs into financial difficulties and defaults on its obligations, we could experience losses which could affect payment obligations to Members (Refer to Specific Credit Risk – Co-op Money NZ, Service Risk – Co-op Money NZ and Information Technology Risks below for further information). We continue to actively monitor Co-op Money NZ's performance, our exposure to this credit risk, and the need to impair our investments with Co-op Money NZ.

Specific Credit Risk – Co-op Money NZ

Co-op Money NZ is reliant upon maintaining a certain level of business, including non-member business, in order to have the scale to provide its essential services efficiently.

Its revenue is concentrated on a small number of customers. Recently, some members have reduced and/or ceased the utilisation of some services from Co-op Money NZ and have indicated further planned reductions thus reducing Co-op Money NZ's future revenue streams. Co-op Money could be requested to repay certain Base Capital Notes it has issued, and also has on-going capital spending requirements to deliver its current, planned and future projects.

Co-op Money NZ has experienced a number of issues impacting its financial performance, liquidity and capital base, including the loss of revenue from credit unions and third parties, costs associated with appealing the Registrar of Friendly Societies and Credit Unions decision in respect of third party business, proposed restructuring, legislative changes and the spend on the new banking platform exceeding budget. A critical milestone for Co-op Money NZ is the prompt completion of the sale of its insurance business to a third party provider in order to release capital to Co-op Money NZ.

These factors have caused deterioration in the financial performance of Co-op Money NZ and there is a risk that any downturn in business levels or a failure to meet its forecasted financial growth will cause financial difficulties for Co-op Money NZ and adversely impact the value and/or returns of our investments in Co-op Money NZ and/or increase the cost of services obtained from Co-op Money NZ. If regulatory approval of the sale of the insurance business is not obtained or the sale does not proceed for any other reason, there will be a significant financial impact on Co-op Money NZ that will likely result in a need for further capital investment into Co-op Money NZ. This could have an adverse financial impact on our financial position.

We are working with Co-op Money NZ to improve their financial position including consideration of a potential restructuring.

Services risk - Co-op Money NZ

We invest deposits in, and are reliant on Co-op Money NZ to provide us with essential services such as our core banking system, a central bank and "treasury" function, debit card facilities and insurance products. In the event that, for whatever reason, Co-op Money NZ was unable to provide services then the short term ability for us to continue to provide services to our Members will be impeded. This would likely impact the confidence Members have in us and have an adverse impact on withdrawal and reinvestment rates for Member deposits, which could affect our ability to meet our payment obligations to our Members. Co-op Money NZ has an extensive business continuity and disaster recovery program that is regularly tested and audited and we are supporting Co-op Money NZ in their efforts to develop and deliver their business strategies to ensure continuity of essential services.

Credit risk – credit rating

As at the date of this PDS, we have a local and foreign currency long-term issuer credit rating of BB and a short-term issuer credit rating of B, with a stable outlook, issued by Fitch Ratings.

In its report dated 17 October 2016, Fitch Rating issued us a short-term issuer credit rating of B and a long-term issuer credit rating of BB with a stable outlook. This was affirmed by Fitch Ratings in a press release dated 30 August 2017 in respect of foreign currency long-term and short-term issuer credit ratings, and assigned in respect of local currency long-term and short-term issuer credit ratings.

Fitch Ratings' rating reflects a trend of improving asset quality, supported by a favourable operating environment and re-weighting of our portfolio towards residential mortgages. However, residential mortgage growth has largely been driven by higher loan-to-value lending during a time of increasing macro risks. Fitch Ratings believes this could leave the mortgage book susceptible to losses in a downturn but Fitch Ratings believes that these exposures should still outperform consumer lending.

The credit rating reflects our greater risk appetite against that of most of our domestic peers with a focus on higher loan-to-value mortgages and consumer lending. Fitch Ratings believes this increases the susceptibility of our loan performance to a weaker operating environment through the cycle. In Fitch Ratings view, our risk controls are adequate for our size and consistent with regional peers, but our risk controls are not as developed as the larger banks.

In its press release relating to the affirmation of our credit rating dated 30 August 2017, Fitch Ratings comments that the affirmation reflects their view that we are likely to continue performing solidly over the next year or two. However, Fitch Ratings maintains a negative sector outlook for New Zealand, reflecting rising household indebtedness and high property prices, which could lead to asset quality deterioration if unemployment or interest rates rise. Conversely, dairy exposures, for the institutions that have them, are likely to see improved asset quality if higher global dairy prices are sustained into 2018. Fitch Ratings believes that market conditions and regulatory action, including already-implemented macro-prudential tools, may make it increasingly difficult to sustain strong loan growth levels.

In the same press release, Fitch Ratings notes that our risk-weighted and un-risk-weighted capitalisation ratios have historically been above those of peers. However, Fitch Ratings expects ongoing growth, which exceeds internal capital generation, to pressure capitalisation over the next two years. Fitch Ratings notes that we have a small absolute capital base and limited ability to generate fresh common equity outside of internal capital generation.

Fitch Ratings also notes that an upgrade of our rating would require an improved risk appetite, possibly through lower risk underwriting or a stronger risk-control framework, evidenced by performance through the cycle. Conversely, a downgrade may result if risk appetite increases substantially. If the credit rating is downgraded for whatever reason, this will have an adverse effect on our reputation, and may decrease its attractiveness as a credit union.

The reports issued by Fitch Ratings are available on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose.

Capital Risk

Capital risk management is about ensuring we have sufficient capital to meet the regulatory requirements, which provides a buffer against unexpected losses and supports the ability to fund future investment in products and services.

We are reliant on generating surpluses to provide retained earnings to increase our capital. Our asset growth over recent periods has resulted in a reduced capital ratio. We manage capital risk to remain within the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 requirements by:

- maintenance of a capital adequacy policy and reporting requirements
- continuously monitoring the actual and forecast capital ratio
- restricting lending if required
- managing interest rate margin and other revenue and expense items

Further information on capital requirements can be found in the Notes to the Financial Statements and on the Key Ratios Table. The Financial Statements and Key Ratios Table can be found on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose.

Geographic concentration

The concentration of deposits from Members and loans to Members in an area can create a risk from those groups of Members having similar risks due to common underlying factors, e.g. economic sector or geographical location.

In a significant event, such as a natural disaster or economic downturn, in an area where there are a significant number of Members it, could have an adverse impact on withdrawal and reinvestment rates for Member deposits and the ability of Members to meet their repayment obligations to us. This could affect our ability to meet our payment obligations to our Members. We have no single name concentration exposure to any individual Member. We mitigate this risk by limiting exposure to individual Members and monitoring exposure by regions. We also have business continuity and disaster recovery plans in place.

Further information on geographic concentration, including regions with greater than 5% of our total loans and/or deposits, can be found in the Notes to the Financial Statements. The Financial Statements can be found on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose.

Interest rate margin risk

We are subject to interest rate margin risks. This is because we make the bulk of our income from the difference in the interest rate we pay to Members for deposits and what interest rate we earn from Members who borrow funds and our investments. This difference is called net interest margin. As some of these interest rates are fixed for differing periods on some loans and Member accounts, there is a risk that changes in market interest rates may cause fluctuations in net interest margin, as Members Accounts and loans to Members re-price at different times.

We adopt an 'on-book' hedging strategy to manage interest rate risk. The objective of this approach is to match the interest rate repricing profile of loans provided to Members and our investments to the repricing profile of the borrowing of funds from Members. The approach is ultimately limited by the investment and borrowing decisions of individual Members that impact the repricing profile. We do not currently use derivatives, such as interest rate swaps, to manage interest rate risk.

We maintain a market risk policy which covers how this risk will be managed to minimise interest rate margin risk. In the event of a reduced net interest margin, resulting from an interest rate repricing mismatch, there would be an adverse impact on our financial performance. If this was sufficiently substantial so as to cause the liquidation and winding up of our operations, then the value returned to you, in respect of your Shares, may be less than the amount you invested.

Further information on interest rate risk, including interest rate risk analysis can be found in the Notes to the Financial Statements included on the Offer Register. https://disclose-register.companiesoffice.govt.nz/disclose.

Risk of non-compliance with the prudential requirements for NBDTs

The NBDT Act governs matters such as licensing of NBDTs, suitability assessments for directors and senior officers, restrictions on changes of ownership and includes powers for the Reserve Bank to manage instances of distress and failure of NBDTs.

In the unlikely event that we failed to comply with NBDT requirements it may result in us having our NBDT licence revoked and being ordered to cease trading.

Under the terms and conditions of our banking arrangements with Co-op Money NZ, we place some funds on term deposit with Co-op Money NZ. As noted in the Prior Ranking Debt section in section 4 above, Co-op Money NZ holds security over these funds to a maximum of 3% of our total tangible assets. Further to this we maintain a current account with Co-op Money NZ linked to the provision of banking services. In the likely event that the number of member credit unions in Co-op Money NZ reduces to ten or fewer these exposures to Co-op Money NZ will become a related party exposure as defined in section 6 of the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 due to each credit union having 10% or more of the voting rights in Co-op Money NZ. There is a low likelihood that this could result in us breaching our related party exposure ratio. Co-op Money NZ member credit unions are currently researching available options, including having submitted an exemption application to the Reserve Bank of New Zealand, to vary the related party regulatory requirements.

Information technology risks

Information technology plays a critical role in our business, with the delivery of financial services to customers dependent on the availability and reliability of our information technology systems. Our ability to compete effectively in the future will, in part, be driven by our ability to maintain an appropriate information technology platform for the efficient delivery of our products and services. Our operations are likely to be significantly affected should our information technology systems fail or not operate in an efficient manner. We mitigate this risk by ensuring we have appropriate information security and backup systems in place and all third party suppliers have appropriate disaster recovery procedures.

We are currently working with Co-op Money NZ to implement and embed a new banking platform. The banking platform is integral to our operations and on-going development of relevant products and services for our Members. In the unlikely event that the transition to the replacement banking platform was unsuccessful, we would remain on the existing system. In the unlikely event that, post transition, critical systems issues were encountered, we would initially work with our vendor for urgent resolution and then rely on our backup systems and disaster recovery procedures. Failure to implement and embed the new banking platform would adversely impact our ability to enhance our products and services for the future. The project has experienced delays and an escalation in costs which have adversely impacted the financial position of Co-op Money NZ. In the event that the delays and cost escalations were significantly prolonged or excessive, this could have a further adverse financial impact on Co-op Money NZ and/or us. The risks associated with this project are managed through project safeguards.

Cyber security risk

Cyber security risk is the risk of a breach or unauthorised access to our customer data, or other confidential information, or the risk of an incident occurring that causes us or our service providers to suffer data breaches, data corruption or lose operational functionality. A successful cyber-attack may result in negative consequences, including loss of revenue, additional regulatory scrutiny, remediation costs, litigation and reputational damage. Information technology controls are in place to mitigate the risk of cyber-attacks that could destroy or damage data and critical systems and hamper the smooth running of our operations.

7. Register entry

Further information regarding Credit Union Baywide and the Shares on offer can be found on the Offer Register at https://disclose-register.companiesoffice.govt.nz/disclose or on request from the Registrar of Financial Service Providers by emailing: registrar@fspr.govt.nz.

The information contained on the Offer Register includes among other things a copy of the Trust Deed, financial information for Credit Union Baywide, the Rules, an Account application form, details of each of the Accounts available and their associated fees and interest rates.

A copy of this PDS, the Rules, the Trust Deed and other information regarding Credit Union Baywide and our Accounts can also be found on our website, www.nzcubaywide.co.nz or free of charge on request at any of our Branch Offices.