



## LETTER TO INVESTORS IN SOUTHERN CROSS BUILDING SOCIETY

31 May 2010

Dear Investor

### **Proposed merger to create a new bank**

For some time the Board of the Society has believed that a key strategy for the Society should be to merge with like-minded businesses with the objective of ultimately becoming part of a New Zealand-owned, new bank.

I am therefore pleased to advise you that today the Society signed a memorandum of understanding with Canterbury Building Society and Pyne Gould Corporation (the parent company of MARAC) involving a proposed merger of their respective banking<sup>1</sup> related activities. These businesses are very compatible with each having a long established and proud heritage of providing banking type services to New Zealanders. The objective of the merged group will be to become a new "Heartland" bank, which will be listed on the New Zealand Stock Exchange.

It is still very early in the merger evaluation process, with due diligence to be completed and various approvals to be obtained from shareholders, depositors and relevant regulatory bodies. The merged group will initially have total assets of approximately \$2.2 billion and have a nationwide presence - placing the merged group in a strong position to apply for a bank licence in a relatively short timeframe. Subject to obtaining all the required approvals, it is expected the merger would be completed in December 2010.

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<sup>1</sup> None of CBS, SCBS, PGC and MARAC is a registered bank, and any merged entity will not be a registered bank until it is registered as such under the Reserve Bank of New Zealand Act 1989.

## What would the proposed merger mean for you?

- There will be no effect on your current investments in the Society. It will be “business as usual” at your local Southern Cross Building Society branch or agency.
- Pending the merger, the existing security arrangements in relation to investments in the Society will remain unchanged. Also, the Society has been granted an extension under the New Zealand deposit guarantee scheme which covers the Society’s eligible deposits until 31 December 2011.
- As part of the merged group, a more extensive range of banking products and services will be available to offer to you.
- On completion of the merger, the merged entity will be listed on the New Zealand Stock Exchange which would provide you the opportunity to become a shareholder.

The Society will provide depositors with regular updates regarding this proposed merger. Details of the merger process will also be posted on the Society’s website at [www.buildingsociety.co.nz](http://www.buildingsociety.co.nz).

We undertake to keep you fully informed as we move through this process. However, if you would like to discuss the proposed merger with any of our staff, please contact your local Society Branch Manager, in the first instance.

As a valued customer of the Society, we are pleased to advise you of this exciting opportunity which the Society’s directors believe will benefit all the Society’s stakeholders.

Yours sincerely



**Bob Smith**  
**Director and Chief Executive Officer**