

Southland Building Society
Key Information Summary

For the six months ended 30 September 2009



Introductory Information

The purpose of this Key Information Summary is to provide customers and potential customers with information about the financial condition of their bank.

The information contained in the Key Information Summary is explained in the Reserve Bank publication "Your Bank's Disclosure Statement - What's In It For You?", which can be obtained from the Reserve Bank.

This publication is also available on the Reserve Bank of New Zealand website www.rbnz.govt.nz

Corporate Information

The name of the registered bank is Southland Building Society. Southland Building Society (SBS Bank) was established in 1869 and is incorporated in New Zealand under the Building Societies Act 1965. The address for service is 51 Don Street, Invercargill, Southland. Southland Building Society is a mutual building society and is owned by its members by virtue of their membership interests in Southland Building Society.

Credit Rating

As at 30 September 2009, the credit rating assigned to Southland Building Society is BBB stable. This credit rating is applicable to long term unsecured obligations payable in New Zealand, in New Zealand dollars. The credit rating was issued by Fitch Ratings on 17 July 2007 and was reaffirmed on 28 July 2009. There have been no changes made to the rating in the two years preceeding 30 September 2009. The rating is not subject to any qualifications.

Government Guarantees

Southland Building Society has a guarantee under the New Zealand Deposit Guarantee Scheme. Further information about the deposit guarantee scheme can be found in the General Disclosure Statement and Supplemental Disclosure Statement of Southland Building Society or alternatively is available, free of charge, on the internet site maintained by, or on behalf of, the Treasury (www.treasury.govt.nz).

| | BANKING GROUP | |
|---|----------------------|-------------------|
| | Unaudited | Unaudited |
| | 30/09/2009 | 30/09/2008 |
| | (\$000's) | (\$000's) |
| Profitability | | |
| Net profit of the Banking Group after tax for the 6 months ended 30 September | 6,257 | 5,364 |
| Net profit of the Banking Group after tax for the 12 months ended 30 September expressed as a percentage of the average of total assets | 0.51% | 0.43% |
| Size | | |
| Total assets of the Banking Group as at 30 September | 2,611,981 | 2,490,193 |
| Percentage change in total assets of the Banking Group for the 12 months ended 30 September | 4.89% | 2.63% |
| Capital Adequacy | | |
| Total tier 1 capital of the Banking Group expressed as a percentage of total risk-weighted exposures | 10.01% | 9.56% |
| Minimum percentage of tier 1 capital to risk-weighted exposures permitted under SBS's conditions of registration | 4.00% | 4.00% |
| Total qualifying capital of the Banking Group expressed as a percentage of total risk-weighted exposures | 13.40% | 9.63% |
| Minimum percentage of total qualifying capital to risk-weighted exposures permitted under SBS's conditions of registration | 8.00% | 8.00% |
| Asset Quality | | |
| Total individually impaired assets of the Banking Group | 21,318 | 11,484 |
| Total individually impaired assets of the Banking Group expressed as a percentage of total assets | 0.82% | 0.46% |
| Total individual credit impairment allowance of the Banking Group | 6,925 | 4,415 |
| Total individual credit impairment allowance of the Banking Group expressed as a percentage of total impaired assets | 32.48% | 38.44% |
| Total collective credit impairment allowance of the Banking Group | 4,606 | 3,509 |
| Non-financial assets of the Banking Group acquired through the enforcement of security | - | - |

Peak Credit Exposure Concentrations

The number of individual counterparties or groups of closely related counterparties (excluding the central government of any country with a long-term credit rating of A- or A3 or above and connected persons) to which the Banking Group had a peak end of day aggregate actual credit exposure (net of individual credit impairment allowances and excluding advances of a non-capital nature) which exceeded 10% of the Banking Group's equity during the three months ended 30 September 2009 are disclosed below:

| | Number of Non-Bank Counterparties | | Number of Bank Counterparties | |
|------------------------|-----------------------------------|-------------------|-------------------------------|-------------------|
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Percentage of Equity % | 30/09/2009 | 30/09/2008 | 30/09/2009 | 30/09/2008 |
| 10 - 19 | - | - | - | - |
| 20 - 29 | - | - | - | - |
| 30 - 39 | - | - | - | - |
| 40 - 49 | - | - | 2 | - |

Credit Exposures to Connected Persons

Credit exposure concentrations are disclosed on the basis of actual exposures, and calculated on a gross basis (net of individual credit impairment allowance and excluding advances of a non-capital nature). The Banking Group does not have credit exposures to connected persons other than non-bank connected persons. Peak end of day credit exposures during the three months ended 30 September 2009, calculated using the Banking Group's tier one capital at the end of the period were:

| | BANKING GROUP | |
|--|---------------|------------|
| | Unaudited | Unaudited |
| | 30/09/2009 | 30/09/2008 |
| | (\$000's) | (\$000's) |
| Peak credit exposure to non-bank connected persons | 1,062 | 953 |
| Peak credit exposure to non-bank connected persons expressed as a percentage of tier one capital | 0.63% | 0.61% |

Southland Building Society's conditions of registration require that aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed 15 percent of tier one capital and that, within this limit, aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons do not exceed 15 percent of tier one capital.

The limits on aggregate credit exposures to connected persons and to non-bank connected persons as set out in the Bank's conditions of registration have been complied with at all times during the three months ended 30 September 2009.

Availability of Disclosure Statements

A copy of the most recent General Disclosure Statement and Supplemental Disclosure Statement will be provided immediately at no charge to any person requesting a copy where the request is made at Southland Building Society's head office, 51 Don Street, Invercargill, and within five working days where the request is made at any branch or agency of Southland Building Society.

This Key Information Summary and the most recent General Disclosure Statement and Supplemental Disclosure Statement can be accessed at the following internet address: www.sbs.net.nz

Auditors' Report



Independent Examination Report to the Directors of Southland Building Society

We have examined the attached Key Information Summary. The information in the Key Information Summary has been extracted from Southland Building Society's (the 'Bank') General Disclosure Statement for the six months ended 30 September 2009. We have reviewed the interim financial statements and certain supplementary information contained within that General Disclosure Statement for the six months ended 30 September 2009, on which we issued an unqualified review opinion dated 15 December 2009.

Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the Key Information Summary in accordance with Clause 20 of the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008 (the 'Order').

Auditors' Responsibilities

We are responsible for examining the Key Information Summary presented by the Directors for compliance with the Order, and reporting our findings to you.

Basis of Report

We have examined the information contained in the Key Information Summary and compared it to the corresponding information contained in the General Disclosure Statement for the six months ended 30 September 2009.

Our firm has also provided other services to the Banking Group in relation to audit related services. This has not impaired our independence as auditors of the Bank and Banking Group. The firm has no other relationship with, or interest in, the Bank and Banking Group.

Statement of Findings

Based on our examination of the Key Information Summary, we report that:

- the Key Information Summary has been completed in accordance with the Order; and
- the information contained in the Key Information Summary has been properly extracted, where applicable, from the information contained in the General Disclosure Statement for the six months ended 30 September 2009.

For a better understanding of the scope of our review of Southland Building Society's General Disclosure Statement, and of the balance sheet of the Bank and Banking Group as at 30 September 2009 and the results of their operations and cash flows for the six months ended on that date, this report should be read in conjunction with Southland Building Society's General Disclosure Statement for the six months ended 30 September 2009.

Our review was completed on 15 December 2009 and our statement is made as at that date.

