

Southland Building Society

Key Information Summary

For the year ended 31 March 2011



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 operates under two brands "SBS Bank" and "HBS Bank". Southland Building Society 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 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 31 March 2011, 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 6 September 2010. There have been no changes made to the rating in the two years preceding 31 March 2011. The rating is not subject to any qualifications.

Government Guarantees

Southland Building Society does not have a guarantee under the New Zealand Deposit Guarantee Scheme.

	BANKING GROUP	
	Audited	Audited
	31/03/2011	31/03/2010
	(\$000's)	(\$000's)
Profitability		
Net profit of the Banking Group after tax for the 12 months ended 31 March	14,250	15,037
Net profit of the Banking Group after tax for the 12 months ended 31 March expressed as a percentage of the average of total assets	0.52%	0.58%
Size		
Total assets of the Banking Group as at 31 March	2,813,833	2,627,905
Percentage change in total assets of the Banking Group for the 12 months ended 31 March	7.08%	3.41%
Capital Adequacy		
Total tier 1 capital of the Banking Group expressed as a percentage of total risk-weighted exposures	11.26%	10.34%
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	13.60%	13.35%
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	38,342	29,907
Total individually impaired assets of the Banking Group expressed as a percentage of total assets	1.36%	1.14%
Total individual credit impairment allowance of the Banking Group	12,680	12,510
Total individual credit impairment allowance of the Banking Group expressed as a percentage of total impaired assets	33.07%	41.83%
Total collective credit impairment allowance of the Banking Group	9,028	4,706
Non-financial assets of the Banking Group acquired through the enforcement of security	3,479	-

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 31 March 2011 are disclosed below:

	Number of Non-Bank Counterparties		Number of Bank Counterparties	
	Audited	Audited	Audited	Audited
Percentage of Equity %	31/03/2011	31/03/2010	31/03/2011	31/03/2010
10 - 19	-	-	1	-
20 - 29	-	-	2	1
30 - 39	-	-	-	-
40 - 49	-	-	-	-
50 - 59	-	-	-	1

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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 31 March 2011, calculated using the Banking Group's tier one capital at the end of the period were:

	BANKING GROUP	
	Audited	Audited
	31/03/2011	31/03/2010
	(\$000's)	(\$000's)
Peak credit exposure to non-bank connected persons	1,051	1,008
Peak credit exposure to non-bank connected persons expressed as a percentage of tier one capital	0.51%	0.57%

Southland Building Society's Conditions of Registration require that aggregate credit exposures (of a non-capital nature and net of any allowances for impairment allowance) 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 31 March 2011.

Availability of Disclosure Statements

A copy of the most recent General 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 can be accessed at the following internet address: www.sbs.net.nz

Independent Auditor's Report



To the Members of Southland Building Society

We have examined the attached Key Information Summary. The information in the Key Information Summary has been extracted from the General Disclosure Statement of Southland Building Society (the "Bank") and its subsidiaries (the "Banking Group") for the year ended 31 March 2011 prepared in accordance with the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2008 (the "Order").

We have audited the financial statements and certain supplementary information contained within the General Disclosure Statement for the year ended 31 March 2011, on which we issued an opinion dated 2 June 2011.

Directors' Responsibilities

The directors are responsible for the preparation and presentation of the Key Information Summary in accordance with Clauses 20(1) to 20(5) of the Order.

Auditors' Responsibilities

In accordance with Clause 19(1) of the Order, 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 year ended 31 March 2011.

Our firm has provided other services to the Banking Group in relation to audit related services. Partners and employees of our firm may also deal with the Bank and Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group subject to certain restrictions on borrowings. These matters have not impaired our independence as auditors of the Bank and Banking Group. The firm has no other relationship with, or interest in, the Banking Group.

Statement of Findings

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

- the Key Information Summary has been prepared 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 year ended 31 March 2011.

For a better understanding of the scope of our examination of Southland Building Society's General Disclosure Statement, and of the balance sheet of the Bank and Banking Group as at 31 March 2011 and the results of their operations and cash flows for the year ended on that date, this report should be read in conjunction with the General Disclosure Statement for the year ended 31 March 2011 from which the information in the Key Information Summary was extracted and our auditor's report thereon.

Our audit was completed on 2 June 2011 and our statement of findings is expressed as at that date.

Wellington