

## THE BEST OF BOTH WORLDS – A BUILDING SOCIETY AND A BANK!

Tuesday 7 October 2008 is now one of the most significant milestones in SBS' 139 year history. On this day we officially became a bank, by picking up our bank registration from the Reserve Bank of New Zealand.

This is monumental in many ways, the foremost being that SBS has potentially achieved an international first by becoming a bank, while retaining its mutual structure. SBS chief executive Ross Smith says the Society is privileged to be able to make national history by becoming the first and only bank in New Zealand that is owned by its customers with no foreign-based, shareholders drawing away profits.

"The decision to pursue bank registration is not one that has been made lightly. We have worked closely with the Reserve Bank to ensure we can take this significant step without diluting the rights and privileges of our members," Ross says.

"We have the best of both worlds.

"Achieving bank registration will not see any change in SBS' commitment to our members' interests. We will remain committed to delivering exceptional service and will maintain our strong community values."

As New Zealand's largest building society, the timing was right for the society to pursue bank registration with the regulatory regime for banks better suited to the scale and size of SBS.

"At a time when investors' faith has been shaken, bank registration automatically differentiates us, reflecting our heightened standards of governance and risk management," Ross says.

"It has taken a lot of people a tremendous amount of hard work, commitment and dedication to make SBS the success it has been for the first 139 years and we're proud to take SBS Bank and our members safely forward for the next 139 years.



A milestone: SBS chairman Acton Smith and chief executive Ross Smith receiving SBS' official letter of bank registration from Reserve Bank governor Alan Bollard.

### INSIDE THIS MONTH

- From the Chairman
- Deposit Guarantee Scheme
- Our Community Stars
- Dunedin Chinese Garden
- Nature's Big Dig
- Our Communities

## FROM THE CHAIRMAN



Acton Smith addresses media in Wellington

"This is indeed an exciting time for all of us.

"Having come on board as a director following the turbulent times of the proposed sale of SBS to Westpac in 1991 and personally being one of the five parochial Southlanders involved in the defeat of that sale, uplifting the bank registration on 7 October, particularly while

we still remain a building society which is owned by our members, will remain a particularly proud day in the history of SBS and for me as chairman representing our directors.

"For 139 years, we have taken a prudent and conservative approach and the success of this approach has been reflected in the ongoing success of our results, along with the growth and development of the society and our range of products and services.

"More important to our success has been our commitment to the values and service that come with being a building society and this has helped to set us apart.

"Under our new structure, SBS will continue to be committed to our people, the service they receive and the communities that they represent. By taking the path we have chosen, we can effectively continue to do this without compromising the commercial way we run the business and that's something we can all be proud of."

A handwritten signature in black ink, appearing to read 'Acton Smith'.

Acton Smith  
Chairman

## DEPOSIT GUARANTEE SCHEME

Greater assurance is now available for New Zealand depositors with the introduction of the Government's bank deposit guarantee scheme, which SBS has chosen to opt into.

SBS general manager finance Tim Loan says the scheme means the savings of most Kiwis are now government-backed.

"We have a proven track record of success as a result of our ongoing prudence, conservatism and 139 years of banking know-how and experience. However, the current world financial crises means there

are still some people who feel uneasy about the stability and security of financial institutions," Mr Loan says.

"The scheme means customers can be certain that they will have access to their deposits and the interest accrued."

"The whole sector relies on confidence and trust, and the Government's move will assist in improving both of those things. Any lack of confidence and trust is not because of poor performance by the New Zealand-based banks but just a general confusion. As the public read the bad stories about banks worldwide, they naturally just assume that it applies to the New Zealand-based banks."



Smiles all round – The SBS team of Lana Winders, Acton Smith, Ross Smith and Jeff Walker arrive at the Reserve Bank.

## YOURS FAITHFULLY

When the team at SBS agreed on our new brand line, we knew it was a big commitment that we were all willing to undertake.

SBS marketing manager Mandy Hudson says "Yours Faithfully Since 1869" was a true reflection of SBS' past, present and future as a bank.

"We wanted to assure our existing members that the actual essence of what makes SBS unique would remain – no matter what. To say we are faithful to our members' means we're committing to our heritage of being loyal, devoted, authentic, dependable, true and real and that's exactly what we intend to do."

The SBS Bank logo, featuring a stylized 'S' icon to the left of the text 'SBS | Bank'. Below the logo is the tagline 'Yours Faithfully Since 1869'.

Yours Faithfully Since 1869



SBS Bank headlines on the Blenheim Road over bridge in Christchurch

## GREAT TO HEAR FROM YOU

Here at SBS we value feedback from our members and it's been terrific to receive your many calls and messages of support and congratulations following our SBS Bank announcement. Thank you.

*"Congratulations on your new Bank Status. We look forward to the fantastic personal service we receive. All the Best."* The Burgess Team, Dipton.

*"Good old Southland - retains a Licensing Trust that donates millions to the community, sold a bank ... to Westpac for millions and that conservative trust also donates millions ... and now SBS is leading the way for Building Societies ... Must be that Scottish heritage."* Maria, interest.co.nz blog.

*"CONGRATULATIONS SBS on being the first building society in the World to become a registered bank. From two very happy customers of the Blenheim Branch."* Kay Hannam and Brian Williams - Wai-natur.

*"To the staff of our new bank, with our heartfelt congratulations at having achieved your new status - as it should be."* Kindest regards Miles & Gillian Hursthouse - Nelson



We've done it! Our SBS finance team is celebrating.

## FINANCE TEAM

Achieving bank registration has involved a tremendous amount of hard work, commitment and dedication from many people within SBS, along with our key professional advisers. Throughout the many months of arduous work, we have been fortunate to have our dedicated finance team working feverishly to prepare and submit our bank registration application, along with ensuring that all of our systems, processes and documentation are in place as required under the Reserve Bank of New Zealand supervisory regime for registered banks.

The finance team is also greatly thankful for the willing advice and support during this process from Mark Russell and his team at Buddle Findlay, Paul Skillender, David Bridgeman and their teams from PricewaterhouseCoopers, Malcolm Bruce and his team from KPMG and everyone at the Reserve Bank of New Zealand including particular thanks to Ken Matthews.

## WHAT ARE THE BENEFITS OF BANK REGISTRATION?

- As New Zealand's largest building society, status as a bank better reflects our existing heightened standards of governance and risk management and is more appropriate to our size and scale.
- Having the word 'BANK' in our name, brings clarity for many who were unclear about the services a building society provides. We already offer a full range of personal banking services and, for the most part, you will notice little change in how we operate.
- Bank registration improves access of SBS to new markets, i.e. guidelines and regulations placed restrictions on access by non-banks to trust funds held by professional firms.
- Bank registration opens up new opportunities for growth and sustainability through partnerships with like-minded organisations.
- With impending changes to regulations that distinguish banks from non-banks, bank registration gave us the opportunity to differentiate ourselves from those within the non-bank sector with higher risk profiles than our own.

## WHY WAS RETAINING OUR MUTUAL STRUCTURE SO IMPORTANT TO SBS?

- The 139-year-old mutual structure that SBS operates within places our customers in the role of members and 100% owners of SBS.
- Full 100% ownership of SBS by customers is important because it means SBS does not need to divert profits away from those customers to satisfy the profit expectations of other investors.
- Instead those profits are channelled back to SBS to provide direct benefits to customers through favourable rates and fees and continuous improvements to our products and service.
- Recognising the part SBS plays in the greater good of the community, part of those profits are channelled back to the communities of our customers through sponsorships and support for community events and assets.
- In terms of our reason for existence, it means that our customers are at the centre of our values, our strategies and our operations. The betterment of our customers and their communities permeates every decision we make.
- Alongside the betterment of our customers and their communities, values such as commercial prudence and caring for our staff ensure that we are able to serve our customers in a sustainable way with the respect they deserve by skilled, talented people that care.
- Until now, every other building society that has achieved bank registration has done so by demutualising or modifying their mutual structure in some way at the bidding of the central bank in their country.
- Your board of directors understood that if we lost our mutual structure, we lost customer ownership, which would quickly lead to a loss of the very heart and values that have brought about 139 years of success in New Zealand banking for SBS.

## LINING THE POCKETS OF OUR COMMUNITY STARS

Kids are cheering around our schools and kindys, bands are drumming up a storm and sports clubs are competing with more passion than ever. That's because they have had a phone call from one of our SBS people to tell them the good news that their coffers are about to receive a \$1000 top up.

Voluntary community groups involved in all manner of things, ranging from the arts, sport, community and cultural development, and education, and people of all ages, from pre-schoolers to veterans have all benefited from joining the SBS Stars.

Since our innovative product was launched in January, about 50 non-profit, voluntary community groups have benefited from the monthly SBS Star prize draws - to the total tune of \$70,000 and there are still five more monthly draws before SBS Star celebrates its first birthday.

We are more than delighted with the uptake of our SBS Star banking product with transactional accounts performing almost 200 percent over projected targets and Star investment more than 100 percent over forecast.

It's extremely gratifying and rewarding for us and the groups involved as they are able to benefit from fee-free transactions and high interest rates on savings and investments, alongside the opportunity to win monthly prizes.

## STAR INVESTMENT SPECIAL

To celebrate the initial success of SBS Star, we have launched a new 12-month investment special offering a competitive interest rate for investors, coupled with the Christmas bonus of SBS making a payment back to the investor's nominated Star account holder club.

SBS general manager corporate performance Lana Winders says the special investment offer is an opportunity for SBS to provide even greater benefit back to the community.

The SBS Star Investment Special is an enhancement of the highly successful SBS Star banking package, launched as a specific account for non-profit groups and societies. SBS Star offers fee-free transactions and high interest rates on savings and investments, alongside the opportunity to earn monthly prizes.

"We believe SBS Star and the new investment special are natural progressions of our ongoing commitment to support our communities. We are delighted that we've been able to inject \$70,000 back non-profit clubs and societies from as far a field as Stewart Island and Tauranga through the monthly prize draws so far," Lana says.

The investment is a limited edition special available only until Christmas with payments made to nominated clubs' Star accounts at the end of December.

## SOME OF OUR SATISFIED PRICE RECIPIENTS!

**MAKAREWA PLAYCENTRE** treasurer Karen Thwaites says it was wonderful news to hear they were to receive a \$1000 boost from the August prize draw.

"The monthly prize draws were only one of many reasons Makarewa Playcentre moved our accounts to SBS, the most important being that SBS had supported us several times in our fundraising efforts when we didn't even have our accounts with you!

"When you introduced the Star accounts, it was our chance to show our support to you and winning \$1000 has absolutely been a bonus," Karen says.

The money was ear-marked for the centre's operational costs and would also go towards some new equipment and books.



**SOUTHERN OPERA** marketing executive Donna Alley says winning the SBS Star account prize draw was a complete surprise for the team at Southern Opera.



"With the stunning opera 'Il trovatore' coming up the funds will be put to good use, both in the construction of the set and costumes and the provision of the stellar international cast.

"One thing is certain the continued support of live opera performance by SBS deserves a standing ovation."

**TABLE TENNIS SOUTHLAND** spokesman Greg Buzzard says being involved with non-profit community organisations involved a lot of people's personal time and commitment.

"Because everyone is already giving so much of their own time to make the organisation a success, it is always a huge bonus to find a banking product that's beneficial to the efforts of all of those individuals involved. Getting on board with SBS' Star banking investment special means Table Tennis Southland will receive an extra goody in its Christmas stocking, as well as the chance of winning \$1000 in the ten monthly prize draws," Greg says.

# SPONSORSHIP: GETTING IN BEHIND OUR COMMUNITIES



Dunedin Chinese Gardens Trust secretary Malcolm Wong, Trust chairman Peter Chin and SBS Dunedin branch manager Andrew Kilsby officially sign the 10-year sponsorship agreement.

## DUNEDIN CHINESE GARDEN

Culture, history, heritage, visual splendour and destinational tourism opportunities are all featured in a new major community partnership between SBS and the Dunedin Chinese Gardens Trust.

As proud supporters and endorsers of our members and the communities to which they belong, we were delighted to see a 10-year relationship between SBS and the Trust flourish into a major corporate sponsorship earlier this year.

Opened to the public in June this year, the Dunedin Chinese Garden was officially opened on September 16 with all the pomp and pizzazz of a Chinese New Year Celebration complete with a lion dance welcome and the Prime Minister of New Zealand, Chinese Ambassador and a delegation from Shanghai all in attendance.

SBS is delighted to play a part in the development of this late Ming, early Ching Dynasty Scholar's Garden.

"The significance of the gardens and the underlying relationship with China provides Dunedin and all of New Zealand with a massive destinational marketing opportunity," says Dunedin Branch Manager Andrew Kilsby.

Many parallels exist between the Dunedin Chinese Gardens Trust and SBS. Trust identities can trace their lineage to the late 1860s when many emigrated from China to the join the Otago gold rush.

Our heritage, as an organisation, mirrors the length of time that many prominent Chinese families have been resident in Otago and for whom their forebears the Gardens commemorate.

SBS and the Trust are thrilled to be continuing this rewarding and long-term relationship into the future.

Dunedin Mayor and Trust Chairman Peter Chin acknowledges the long-standing relationship with the SBS.

"This whole project has been founded on relationships such as this and the agreement with the SBS will greatly assist the Dunedin Chinese Gardens Trust to meet its end funding target."



Guests take in the splendour of the gardens. Photo: Winston Cooper - ARPS

Introducing...



**SBS | Bank**

Yours Faithfully Since 1869

SBS is proud to be the first building society in the world to become a registered bank.

It's the only bank in New Zealand to be owned by its customers with no foreign owner drawing profits away from New Zealand.

The high standard of personal service that our members have been enjoying for the past 139 years will remain.

We've stayed faithful to our members since 1869 and we will continue to do so.

*Yours faithfully*

SBS Bank  
0800 502 412 www.sbs.net.nz

Invercargill: 51 Don Street, Phone (03) 211 0700   Windsor (Nth Invercargill): 54 Windsor Street, Phone (03) 211 0745   Gore: 80 Main Street, Phone (03) 209 0800

Invercargill   Windsor   Gore   Dunedin   Queenstown   Cromwell   Timaru   Christchurch   Papanui   Riccarton   Ferrymead   Nelson   Blenheim   Hamilton   Tauranga

## NATURE'S WONDERS BIG DIG

**No amount of rain, hail, snow, wind or mud could deter a diverse group of community representatives on an environmental mission recently.**

Leading Otago eco-tourism attraction Nature's Wonders received a welcome boost to its environmental enhancement project when a team from SBS were joined by Portobello School students for a dedicated 'Big Dig' to re-establish native forest on the coastal peninsula at Taiaroa Head.

Devoted conservationist Perry Reid, wife Tracey, and their Nature's Wonders team were joined by staff from SBS and SBS' rural Agribusiness team, along with 14, Year 6 Portobello School students to plant native trees in a dedicated environment for penguins and other native, nesting birds.

Once destroyed by mankind, the native tree planting is a long-term project and dream come true for Perry to re-establish the natural wildlife habitat on Taiaroa Head. The Nature's Wonders team have already planted many natives, but long-term they are looking at hundreds of acres and around 17,000 trees in total.

Perry says it was a "tremendous effort" on the day and several hundred trees were planted in a dedicated block that has three beaches and will eventually have 4000 native trees in it and be predator-free.

"I'm a true believer that we are not the owners of the land, we are the caretakers and this project is one way of helping to enhance the wonderful natural environment we have while providing long-term benefits for all the fantastic wildlife in their natural habitat."

SBS General Manager Agribusiness Malcolm Little says his team had a great day and were rapt that it turned out to be such an all-out community effort.

"It was pretty cold and very wet, but there were still lots of laughs and everyone was able to literally get their hands dirty and plant several hundred trees."

The SBS team was happy to get on board with the event as a gesture of thanks to Perry, Tracey and their team at Nature's Wonders, for being the face of SBS' television commercial last year.



Dunedin branch manager Andrew Kilsby, Sam Kilsby, Perry Reid, Ricky Stanger, Martin Smith and Melissa Galt prepare to get at one with nature.

## TAURANGA BOWLING CLUB

SBS Tauranga is now major sponsor of the Tauranga Bowling Club with new signage revealed at the club's open day on 1 September. Proud of our record of support to giving back to our wider Tauranga community, SBS is delighted to partner with the Tauranga Bowling Club and we look forward to building strong relationships with its members – the SBS way through rapport and trust.

The Tauranga team will be busy bees involved with the club's 42 tournaments over the next seven months because here at SBS we believe in our community partnerships.



## LOUD SHIRT DAY

There was an incentive to break out the sun glasses if walking into SBS branches around the country on Friday 19 September when our staff took part in the annual Loud Shirt Day fundraising project.

Whether it was bright, colourful, garish, Hawaiian or just created with the thought of being ridiculous in mind, the team was again keen to support The Hearing House and the Southern Cochlear Implant Paediatric Programme.

It is the third year SBS staff have supported Loud Shirt Day and it also proves to be a fun way to brighten up everyone's day while supporting a worthwhile and valuable community cause.

## MEMBERS ONLY STAND

We'd like to know what you think of our recently published SBS Story online at [www.sbs.net.nz](http://www.sbs.net.nz). Have you visited our website recently and checked out the link on the home page? If so, did you like it? We've provided both high-speed broadband and dial-up options too.

To give us feedback, please email us via: [p-marketing@sbs.net.nz](mailto:p-marketing@sbs.net.nz) and to thank you for taking the time to give us your thoughts, 10 SBS members who have their say will be chosen to receive an SBS gift pack.

## APPLICATIONS NOW OPEN

Worthy community groups and organisations are now invited to apply to become the recipient to receive the proceeds from next year's SBS Charity Golf Invitational. If you belong to a group or organisation that is based in Southland, undertakes charitable work and has a project on the go, then call into an SBS Invercargill branch and collect an application form or you can download a form off our website [www.sbs.net.nz](http://www.sbs.net.nz) under the sponsorship section. Applications close Tuesday 18 November 2008.

## SBS HAMILTON HALF MARATHON



A record field of more than 1000 participants, an increased prize pool and extra events meant this year's Hamilton Half Marathon on 5 October was a fantastic success.

Hamilton branch manager Nicki Bennett says SBS was delighted to be back on board for the second year as principal sponsor of such a popular and well-supported community event that continues to grow each year.

"SBS and our sponsorship of fitness and sport-related activities are similar in many ways because the more effort you put in, the greater the reward," Nicki says.

This year's SBS Hamilton Half Marathon was fundraising for the True Colours Charitable Trust.

## JAFFA RACE

Holy jumping, rolling giant jaffas! The red tidal wave returned to Dunedin's highest street – Baldwin Street - again in July to the entertainment and delight of a record crowd for the annual fundraising event.

SBS' Dunedin team was back on deck for the iconic Dunedin event for the third year.

"Being part of events like the Jaffa Race is really what makes living and working in this town special," branch manager Andrew Kilsby says.

"Where else in the world would you get 30,000 round sweets tipped down a hill and about 15,000 people coming out to watch in the middle of winter? It's also fantastic to help support great causes like the Malcam Trust, Parents Centre and Otago/Southland primary schools raise in excess of \$60,000."

## PROBUS RENDEZVOUS 2008

'Probian' from through Australia and New Zealand converged in Christchurch in September and SBS was delighted to get on board with the local organising committee to help make the event a memorable success for everyone involved.

SBS Ferrymead Branch Manager Ian Pollock says he and his team knew the opportunity to host nearly 700 people in their beautiful city was an opportunity too good not to miss.

"Helping to arrange tour activities and day trips and work with the Probus groups here in Canterbury has been a terrific buzz for all of us here at SBS Ferrymead and we've gotten totally caught up in the whole experience."

Rendezvous committee chairperson Jean Burford says; "It was a tremendous opportunity to really showcase our beautiful city attractions, our wonderful people and our great local supporters and sponsors just like SBS."

## SNIPPETS

### GORE BRANCH REDEVELOPMENT



SBS' Gore Branch celebrated its 40th anniversary in style in late May with the opening of its refurbished Main Street premises.

The launch followed around two months of redevelopment work and was highlighted further with a significant community sponsorship announcement that SBS had become the principal sponsor of Gore's grand old lady, the St James Theatre in a 10-year partnership.

### CHRISTCHURCH MARATHON

Seven years since SBS hit the ground running as principal sponsor of the SBS Christchurch Marathon, we are delighted to have recorded another record-breaking field again this year.

Since its inception 22 years ago, the marathon's continued to go from strength to strength and the event has really excelled itself swelling from last year's record field of 4000 participants to the hugely impressive figure of more than 4700 this year.

Christchurch branch manager and fitness fanatic Mark Reid knows there is a synergy between SBS and its sponsorship of the many community events it is involved with such as sport.

"Whether it is sport or banking you have to decide what you want to achieve, plan how you are going to attain your goals, then get out and do it."

## WHAT'S COMING UP

To February 28 (Saturday mornings)	SBS Otago Children's Athletics, Caledonian Ground, Dunedin
November 13	SBS Ferrymead Branch 2nd Birthday
November 13, 20 & 27	SBS & Mosgiel RSA Summer Bowls Series
November 16	New Balance Round the Bridges Fun Run and SBS Schools Challenge, Hamilton
November 17 & December 1	SBS Mini-multis Junior Summer Series, Dunedin
December	Southland Bowls Clubs, Club 7's Competition
December 6	SBS Kids MiniBays / Armstrong Peugeot Festival of Cycling



## FROM THE CHIEF EXECUTIVE: SBS BANKING TO SBS BANK



### Dear Members

**The 'wrapper' may have changed slightly, however, you will find the chocolate is still the same.**

It is very important for you to know that the protection of your rights and privileges as members has been of paramount importance to us during the process of securing bank registration and the quality of our products, exemplary customer service and mutual ownership won't be changing.

Since securing our investment-grade credit rating last year and making the minor changes to our rules at the AGM this year to align with those that apply under the Companies Act, we have been ready to become a bank.

As we have progressed through the stringent banking registration application process we have remained firm that the membership ownership of SBS is essential to its mutual character and at the heart of our 139 years of success. In so doing we have possibly become the first building society in the world to gain bank registration and, in turn, become the only bank in New Zealand to be wholly owned by its customers.

So why become a bank? Several factors have prompted us to make this move. Recent rule changes aimed at tidying up the non-bank sector still didn't discriminate between SBS – a large, prudent and successful organisation – and those with a much higher-risk profile.

In a time where investors' faith has been shaken, a banking registration automatically differentiates us and brings greater levels of comfort to many. It also opens the way for new business opportunities, such as solicitor and accountants' trust accounts, and, in the longer term, it's likely to provide lower-cost funding opportunities.

Our commitment however, remains to you our members. While achieving a bank registration is a significant milestone for SBS, you will notice very little, if any, change in the way we do things.

We remain a building society and proud of it.

Most importantly, our people-focused business philosophy remains central to all we do. So, too, does our commitment to our communities – including successful initiatives like SBS Star and the recently introduced Star Investment Special. This product has been designed to cater specifically for hard working, non profit groups and the additional feature allows for investors to nominate their very own SBS Stars to receive a Christmas bonus. My congratulations to the deserving winners of the first seven months of our monthly prize draws – it's great to know these funds are making a difference in the community.

We have absolutely no desire to become a large, institutional bank. Quite the contrary, we want to see SBS filling the community banking void left when Trust Bank was sold to Westpac. Ours will be a bank with the heart of a building society that's been taking care of its members for nearly 140 years.

Ross Smith  
Chief Executive

