

Southland Building Society

143rd Annual Report and Financial Summary 2012

# people

making a difference since 1869



“People like doing business with people they like. We make sure we employ people who really make a difference to our customers.”

SBS Bank CEO  
Ross Smith

HIGHLIGHTS AT A GLANCE

OUR VISION

SBS Bank – New Zealand's Favourite Bank.

OUR MISSION

SBS Bank will be the essential partner on an individual's path to financial independence ... a continuous relationship.



SBS Bank CEO Ross Smith with Roy Morgan Research CEO Michele Levine

Winner of **Financial Institution of the Year** at the Roy Morgan Customer Satisfaction Awards 2011.



Given to non-profit, Star banking account holders throughout New Zealand.

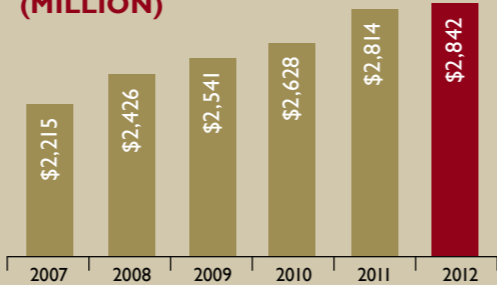
\$480,000

OPERATING SURPLUS

Operating surplus increased 2% to

\$17.7 MILLION

TOTAL ASSETS (MILLION)



HBS Bank Havelock North branch opened in August 2011.

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OUR VALUES

Commitment to mutual benefit

We will ensure members' interests are at the heart of our purpose and at the forefront of decisions made. The society must prosper, but members' common interests will always be paramount in commercial decisions.

Our people make the difference

The people of SBS Bank are the driving force behind our purpose. Our charge is to provide an environment offering challenge, encouragement and fair recognition, thereby allowing delivery of professional service to members.

Sustainability through prudence

Through careful stewardship, based on commercial robustness and operational prudence, we will continue to exercise ethical practices and due care in growing the value of SBS Bank.

The prosperity of our community

We will contribute to community development and prosperity on behalf of, and for the ultimate benefit of, our members.

# ACTON BY NAME, ACTION BY NATURE

To say that he's one of a kind doesn't really seem to do justice to the man with the MacGyver streak. Retiring SBS Bank Chairman Acton Smith is so much more than that. He's a ground breaker, a revolutionary and you'd be lucky to meet anyone else who could match his passion for SBS Bank.

In fact, without him it's highly likely SBS Bank would not be around today. Many of you will be familiar with the story. In 1991, a group of Southland businessmen, led by Acton Smith, beat off a bid by the Westpac Banking Corporation to

"By my leaving now I leave room for the next generation to start making changes that best suit their age groups rather than mine. One thing I never wanted to receive was the DCM (Don't Come Monday) and the longer you stay the more

Throughout 21 years it's pretty hard to pick out the most memorable moments. Here Acton shares with us the five SBS Bank moments he is most proud of:

**1991:** Challenging and fighting off the offer made by the Westpac Banking Corporation to buy 100% of the Southland Building Society.

*"Not a bad effort for a bunch of country boys who were told they would fail."*

**1992:** The appointment of Ross Smith as CEO of the Southland Building Society.

**2000:** The unanimous decision by the Board of Directors to expand product and services by bringing on the following:

**2008:** The Southland Building Society gained bank registration and was renamed SBS Bank to reflect this change.

*"We were the first building society in the world to gain bank registration without having to relinquish our customer-owned mutual structure. The fact that the Reserve Bank of New Zealand had enough confidence in the Southland Building Society to back us, at the height of the Global Financial Crisis, was a proud moment for me. We had achieved something we had always been told we couldn't."*



“I've been extraordinarily lucky. People say you make your own luck but I think it's all about the people you're with. If you can choose the right people, who you're compatible with, who share common values, who like challenges and who want to make things happen and succeed, then you're very privileged to have those people around you. It's so important to surround yourself with good people.” Acton Smith

buy the Southland Building Society for around \$41 million.

It was an epic effort that spelled the survival of SBS Bank and would forever change the future of both the company and the man.

At 65 years of age, Acton certainly does not lack the energy and drive to continue as Chairman of SBS Bank's Board of Directors but FatherTime has other plans. After 21 years of service to SBS Bank, Acton is hanging up his hat to make way for, as he puts it, "new blood to ensure the organisation stays vital and virile."

likely you'll get it!"

Whatever the future may hold for Acton Smith you get a sense that it will be filled with passion, excitement and adventure. After all he does have a bit of a MacGyver streak and is known for carrying around a large Swiss Army knife, ready to perform any unusual tasks that may arise.

So as another chapter closes in the SBS Bank story we wish Acton all the best for the future.

- A local Contact Centre in Invercargill.
- A new subsidiary company – Finance Now.
- A new subsidiary company – Southsure Insurance.
- A new subsidiary company – FANZ (Funds Administration New Zealand).
- Transactional banking services.

*"When the Board was presented with these options by the Executive team they expected we might have only agreed to one of them. They sure got a surprise when we said let's do the lot! It was a very proud moment for me because we were prepared to break the mould of a building society by stepping out and asking ourselves what is it our members want and can we provide that for them?"*

**2010:** SBS Bank merger with HBS (Hastings Building Society).

*"We were extremely conscious of the parochial views of HBS' members. When their members voted 98% in favour of the merger, it was an incredible moment. It really reinforced the credibility of SBS and what it really means to people. It was also a great reflection on the way we'd presented ourselves and conducted ourselves to HBS members."*

# DIRECTORS' REVIEW

An unfaltering commitment to the well-being of our members underpins another solid performance by SBS Bank in 2012, despite the challenges of a protracted and difficult economic environment.

We are proud to announce to members a \$17.7 million operating surplus for the 2012 year. While this is just below record levels, it is in line with our expectations and appropriate given the challenges being faced by New Zealanders in this difficult economic environment.

## THE YEAR IN REVIEW

Our growth over the past 12 months has been a modest \$28 million, on the back of a slow housing market and aggressive competitor activity. Our priority, as always, is to look after both new and existing customers and to offer the same competitive rates and superior service to

SBS Bank has no exposure to the international markets either as a borrower or a lender, with all of our business undertaken in New Zealand.

While the economy has not been buoyant during recent years, and housing growth has been flat, we have taken the opportunity to improve both our capital ratio and our liquidity so that we are now among the leading banks in New Zealand in these categories.

We are currently well in excess of the minimum for all of our regulatory ratios and your directors are confident this will continue to be the case.

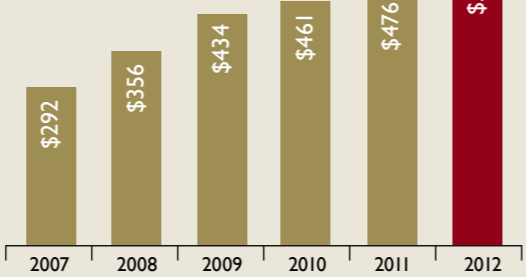
Liquidity on our balance sheet (cash) is now \$379 million and total liquidity (accessible cash reserves) is now \$594 million. Members' equity stands at a pleasing \$208 million.

New provisions and bad debt expense this year amounted to \$22 million. While no bank has been immune to loan losses, your directors are disappointed at the number of loans that have succumbed to the economic downturn. We have identified all of our higher risk category losses and have taken the necessary steps to see a reduction in provisioning levels in 2013.



Acton Smith

### CASH & LIQUID ASSETS (MILLION)



### DEPOSITORS FUNDS

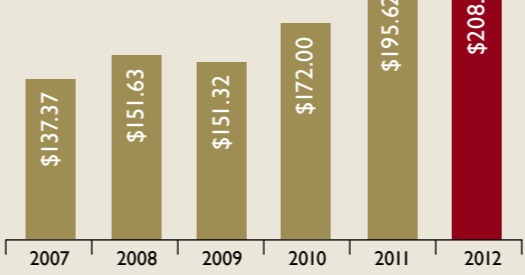
Depositors funds increased 3.2% to

**\$2.55**  
**BILLION**

### LOAN ADVANCES

**\$2.4**  
**BILLION**

### MEMBERS' EQUITY (MILLION)



Ross Smith

The Global Financial Crisis (GFC) has left many of the world's markets in turmoil and unfortunately New Zealand has not been immune. Although the New Zealand economy remains vulnerable due to our reliance on export markets, the effect on SBS Bank has been relatively minimal and limited to a small increase in loan provisioning. With 95% of our lending secured by mortgage over land, this prudent and conservative management approach has shielded us from severe impacts on our profitability.

all, unlike the strategy the larger banks seem to have adopted whereby new customers get discounted rates and incentives at the expense of existing customers.

## FINANCIAL STRENGTH

Because we are a customer-owned bank it is important for us to ensure we manage our exposure to risk in the market and protect your investments.

When we gained bank registration in October 2008, many people asked at the time whether we were doing the right thing. There is no doubt in our minds that coming under the supervision of the Reserve Bank of New Zealand, as a registered bank, was one of the best decisions we have made. Complying with the conditions of registration, and then with increasing regulation flowing from the GFC has increased our costs, however, we are now benefitting from significant enhancements to risk management practices and financial strength.

## SUPPORT FOR CHRISTCHURCH

The Christchurch earthquakes have continued to impact our staff and customers throughout the Canterbury region and we are only too aware of the difficulties this has created.

The Earthquake Recovery Team we set up in Ferrymead completely understands the frustrating processes our Christchurch members are wading through. Their efficiency, care and attention to the needs of our members has been nothing short of outstanding.

## DIRECTORS' REVIEW CONTINUED

Many of you will be aware that our Manchester Street branch, located in the heart of Christchurch's CBD, was red stickered and subsequently demolished.

The 30 plus staff based in this building have been relocated to Riccarton, Papanui and an extended Ferrymead branch. Despite how

### SUPERIOR SERVICE

In March we were thrilled to be named the 2011 Financial Institution of the Year at the Roy Morgan Research Customer Satisfaction Awards, beating all other banks and financial institutions throughout New Zealand.

All credit goes to our people and the care and attention they give to our customers. We would

On the product front, we launched an innovative new banking package called **kiwidream**, designed to help young New Zealanders on to the property ladder. The cost of home ownership is increasing for everyone but particularly difficult for the first home buyer. This package provides assistance for prospective borrowers in the form of incentives to save and has been designed to fast track the home ownership process.

While family farm successions are still occurring, this invariably requires some financial concessions by the family and, sadly, traditional pathways to farm ownership via sharemilking/farming and stepping stone units have diminished. The face of agriculture is gradually changing with a high demand for top farm managers.

SBS Bank Rural members are involved in a variety of rural enterprises (traditional pastoral

Michelle Keene from our Human Resources department.

Left to right: Tony Caudwell, Joanna Hazley and Monique Dearden from our Projects department.

Left to right: General Manager of Agribusiness Malcolm Little, General Manager of Retail Paul Atkinson, General Manager of Finance Tim Loan, CEO Ross Smith, General Manager of Corporate Performance Lana Winders and General Manager of Risk and Support Mark McLean make up our Executive team.

Left to right: Judy Hodson and Angela Blair from our Contact Centre.

Left to right: Chris Rout and Rogan Pike from the Risk and Support department.



It takes many exceptional people to make SBS Bank as strong as it is. Here's a sneak peek at some of our Head Office stars.

**266**  
SBS AND HBS STAFF  
MEMBERS ACROSS  
NEW ZEALAND

Left to right: Aaron Kerr, Yoo Jin Ko and Michelle Shaw from our Treasury and Finance departments.

Left to right: Antony Huynh, Trudee Clearwater and Anne-Marie Affleck from the Lending Support Centre.

Mark Radcliffe from our Technology Services department.

unsettling this was for our Christchurch folk, their transition into alternative locations couldn't have been smoother and is a real testament to their determination to stay available to our members, even in the most trying of circumstances.

The planned rebuild of Christchurch really is the silver lining in these tragic events. Although the road to recovery will not be quick or simple, it does signal exciting times ahead for the Garden City.

also like to thank those of our members who were among the 12,000 New Zealanders polled in the monthly Roy Morgan Research surveys. We appreciate your support.

Service to our Hawke's Bay members took a superb step forward with the opening of a new HBS Bank branch in Havelock North last August. Members in Blenheim, Tauranga and Napier will also be delighted later this year when we relocate to fresh new premises sporting the latest of our innovative in-branch designs.

### SBS BANK RURAL

Global volatility, limited sources of capital and relatively high farm debt has resulted in a subdued farm property market despite two years of much improved farm profitability and historically low interest rates. Farm sales have been dominated by overseas investors and/or equity partnerships with large corporate farming starting to dominate the dairy sector.

farming, cropping, horticulture/viticulture, fishing etc) with some diversifying into complementary businesses such as eco-tourism and direct produce retail. Most farmer members have experienced relatively good income levels but the higher dollar and fall in global commodity prices late in the farming year will see some downside adjustments to 2012 - 2013 farm budgets.

# DIRECTORS' REVIEW CONTINUED

## SUBSIDIARIES

### Southsure Insurance

Southsure achieved its annual budgeted profit despite a difficult operating environment with a sluggish housing market nationwide. The continuing impact of the Christchurch earthquakes has effectively stalled new business growth in Canterbury across fire, general and selected personal lines.

Appropriately, Southsure's Christchurch team continues to focus on supporting SBS Bank members through the claims and settlement

### Funds Administration New Zealand (FANZ)

FANZ produced another solid financial performance during the past 12 months on the back of strong growth in funds under management, solid returns for investors and sound financial management. Continued growth in the Lifestages KiwiSaver scheme and the KiwiSaver proposition will be key parts of this business now and for many years to come.

Part of the continued focus on compliance will be re-branding the Financial Adviser service to

### Finance Now

Finance Now specialises in providing retail finance, personal loans and small business finance throughout New Zealand.

Many of New Zealand's largest retailers are Finance Now clients and the company has served close to 500,000 customers since they commenced trading.

The past 12 months has seen Finance Now continue to grow its loan book and market share. Arrears and bad debt levels are at record low levels and are among the lowest in New

Zealand. These achievements have seen a healthy increase in return to SBS and its members.

Acton was a key player in defeating the sale of SBS to Westpac in 1991. He pushed for bank registration as a mutual in 2008 and was an inspirational leader throughout the merger process with Hastings Building Society.

There is no doubt Acton Smith will be remembered fondly as one of the most important directors in SBS Bank history.

We acknowledge Acton's outstanding contribution to SBS Bank and wish him well.

## MEMBERS' EQUITY

The value of your shared ownership in SBS Bank has increased by 6.6% to

\$208  
MILLION

## TOTAL ASSETS

The total assets of SBS Bank has continued to grow, reaching

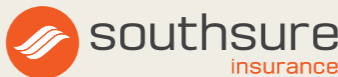
\$2.84  
BILLION



**Graham Duston** *Executive Director*  
**FANZ**  
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180 Manchester Street  
Christchurch, (PO Box 13801)  
Telephone: 0800 502 442



**David Newman** *Chief Executive*  
**Southsure Insurance**  
11 Don Street  
Invercargill, (PO Box 1404)  
Telephone: 0800 002 002



**Phil Ellison** *Chief Executive (Joint)*  
**Finance Now**  
118 Spey Street  
Invercargill, (PO Box 1204)  
Telephone: 0508 888 999



processes with its fire and general insurance underwriter, Lumley Insurance.

With the launch of a revamped suite of life and disability products in May, Southsure is well placed to meet SBS Bank members' needs with its new Annual Renewable Term Life, Critical Condition, and Income Protection policies offering more benefits and greater flexibility.

The Reserve Bank has granted Southsure a provisional licence in response to recent legislative changes requiring all insurance companies to be licensed and to operate under Reserve Bank supervision. Southsure is well on track to achieve a full licence by September 30.

FANZ Private Wealth in mid 2012. This will help members understand that FANZ's proposition is geared towards an investment proposition as opposed to lending or insurance. The financial adviser brand has been somewhat tainted due to the actions of other advisers placing investments that have defaulted or gone into receivership. FANZ continues to be one of the few wealth firms in New Zealand that have no investments in receivership, default or under a liquidity moratorium.

The management of FANZ is confident the philosophy of quality, a focus on delivering consistent returns and no surprises for investors will mean a bright future for all.

## DIRECTORS

It is with considerable gratitude for his outstanding service that we announce our Chairman for the past 18 years, Acton Smith, has chosen to step down from the Board following this year's Annual General Meeting. Acton's involvement with SBS Bank spans 21 years. During that time, Acton has been instrumental in shaping the course of SBS Bank while never losing sight of its purpose or values.

We expect the next 12 months will continue to be challenging for all in the banking sector and probably throughout New Zealand. However, that does not mean we will be lying low. We have some new and exciting products in store for release later in 2012 and we will continue to look for potential new branch locations to better serve you all.

R L (Ross) Smith  
*Chief Executive*

J W A (Acton) Smith  
*Chairman*

# HOME REALLY IS WHERE THE HEART IS

The home ownership process is never easy, especially when you're an immigrant in a new country, saving furiously for a deposit on your first home. But one Gore couple, Roshini and Philip Chand, have shown that with a lot of hard work and a little help from SBS Bank anything is possible.

The Chands' story is the sort that warms your heart. Born and raised in Fiji, Roshini and Philip, along with their two sons Norris and Neilson, immigrated to New Zealand in 2008. They quickly settled into life in Eastern Southland with Roshini working at a local rest home, Philip working on a dairy farm and Norris working as an accountant.

"When the bank told me they wanted a 20% deposit I was really angry. I had my KiwiSaver, my insurance and everything else with that bank, but they still couldn't help me even though they knew we couldn't afford 20%. My loan officer at the bank told me it wasn't her decision, that it had been made by someone at head office, but all I thought

“When Chris told me our application had been accepted I was so happy I could have cried, in fact I cried inside and said thank you God, thank you.” *Roshini Chand*



“When I told Roshini she had been approved she was so excited she started jumping for joy! It was such an awesome feeling to tell her the good news and make her and her family so happy.”

*Chris Bannerman from SBS Bank Gore.*

The Chands shared the good news of their SBS Bank story with family and friends.

“We rang our families back home and told them we've got a house and that we're moving into it. We did all this in three years. We came here with nothing, no money and now in three years time we've got our own home. That's what our family is most proud of. Some immigrant families are here for 10 years and still don't own their own home.” *Roshini Chand*

When the family was granted residency in September 2010, they decided to make their move to Gore permanent.

“We sat down as a family and decided our first priority was to buy a house. Our son (Norris) was engaged in October and we needed enough room for everyone. In our culture boys don't leave the house. Girls marry and move out, whereas boys marry and move their wives in, so we needed the extra space.”

So the Chands started saving furiously. Every spare bit of money was put towards a deposit and very quickly they had saved enough to go and speak to the bank about buying a home.

was, how can that be right?”

Then by chance, a friend of Roshini's mentioned SBS Bank's Welcome Home Loan package, and the couple never looked back.

“I went in to see Chris (Chris Bannerman of SBS Bank's Gore branch). When she told me our application had been accepted I was so happy I could have cried, in fact I cried inside and said thank you God, thank you.

“As soon as we had the go ahead I went back to the other bank and said SBS has helped me and I'm changing everything over to them. I nearly had a fight with them about it! Why would I want to stay with them when SBS had been so good to me?”



# TURNING LEMONS INTO LEMONADE

When life deals you a bad hand it's not always easy to pick yourself up, dust yourself off and keep moving forward. But a can-do attitude and one special SBS Banking Consultant are proof that Kiwi dreams can come true.

In 2010 Stuart Ross walked through the doors of SBS Bank Nelson and started a relationship that would forever change his life. He was 31 at the time and ready to climb the first rung on the property ladder. He'd saved enough for a deposit and was looking around for the right bank to help

circumstances. Then I met Ann from SBS Bank and it was so different. She did care and did understand but above all I really felt she wanted to help me."

With Ann's help, Stuart got onto the property ladder by utilising SBS Bank's Welcome Home Loan package.

Stuart spent the next 12 months pouring thousands of dollars, as well as plenty of blood, sweat and tears into doing up his property in the hope of making a return on its future sale. But that unfortunately is when everything went pear-shaped.

Call it bad luck, naivety or what you will, Stuart ended up selling his property for \$40,000 less than what it was worth and was left with a sour taste in his mouth.

Truly believing that life is what you make it, Stuart decided to get back on the property horse and there was only one bank in town he headed straight for.

"At SBS Bank everyone already knew my situation and what I'd been through so I didn't have to relive it again and again. Ann and I were talking and she mentioned they had a new package called



"When you've got someone who comes through your door and needs your help, you do everything that you can for them."

Mark Radloff and Ann Boyd from SBS Bank Nelson.

“Ann and the team at SBS Bank were the only ones who would give me any time. They were the only ones who would really help me. Sure the others wanted to take my money but they just didn't understand that my circumstances were a little different and they really didn't care...but SBS did.”

Stuart Ross



him into his first home. But as he soon found out, not all banks are equal.

"My banking needs are a little different from most. I spend up to six months each year out at sea. When I was looking around for a mortgage the big Australian banks didn't understand and, to be honest, they didn't really care about my

"When I put the house on the market I couldn't understand why there wasn't that much interest, especially with the Nelson housing market being the way it was. Then I found out the valuers had made a mistake and hadn't got the zoning right. My house was zoned as 'industrial' when it should have been 'residential.' My lawyer hadn't picked up on it either. I was absolutely gutted."

the **kiwidream**. It had a lot of great features and made it easy and rewarding to save for a house so I thought why not?"

Three months later and Stuart is well on his way to buying his second dream home. Proof that with determination and a little help from SBS Bank, you can make lemonade out of lemons.

IN YOUR COMMUNITY

At SBS Bank there's nothing our staff love more than rolling up their sleeves and helping out their local communities. It's not only the SBS way of life, it's vital to how we grow and build loyalty for our business.

Communities can be wonderfully inspirational. SBS Bank and HBS Bank people are involved in positive community events and causes everyday, and we are constantly moved by the passion and selflessness of the members and staff who volunteer their personal time and resources, for the greater good. Over the last 12 months we have been busy helping out at more than 300 events and causes throughout the South Island, Hawke's Bay, Waikato and Bay of Plenty. And sometimes it's the smallest of contributions that bring the most joy.

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Because it's the little things that count, here's a snapshot of how our staff have made a difference over the past 12 months.



Thanks to SBS Bank's sponsorship the Foveaux Harmony Chorus have been able to purchase scarves for each member to wear when competing at national events.

SBS Banks staff pitched in to help local school children to pull out the invasive Wilding Conifer trees which were taking over the natural environment in one SBS Bank community.



100



FREE BREAKFASTS

It was chaos when free Milo breakfasts were dished out to 100 starving Cromwell Junior Rugby Club kids by SBS Bank staff.

150th ANNIVERSARY

Spotted. One SBS Bank staff member working as the official tour guide for the Chinese Fortnight; part of 150th anniversary celebrations of the discovery of gold in Central Otago.



Getting the family involved took on a whole new meaning when one SBS Bank staff member's step-daughter showed him up by selling more fundraising programmes in one hour than he could all day!

Whether it's as a MC or as a guest judge, SBS Bank staff step up to play their part for a range of events in their communities including school quiz nights, quilting groups' raffles and judging the arts and craft sections at a local A&P Show.



100



CHILDREN IN SPORT

The love of the game has seen one SBS Bank staff member set up a junior soccer club which has more than 100 children, from a low decile area, now engaged in the sport.

15

At SBS Bank we believe that together we're better. The value of our commitment can range and we are no slouch when it comes to investing in significant community sponsorships. But we are constantly delighted by the value that can be extracted by community groups from even the smallest contributions of time and money.

# YOUR DIRECTORS

**J W A (Acton) Smith** BCom, FNZIM, FlntD  
*Chairman (Retiring July 2012)*

Mr Smith is managing director of H & J Smith Ltd, a large, privately-owned retail company that operates five department stores and several allied businesses throughout the South Island.  
He is chairman of the Southland Leisure Centre Charitable Trust, was a founding director of Foveaux Radio and recently retired as deputy chairman of Mitre 10 New Zealand Ltd. He is also a Fellow of the Institute of Directors.  
Mr Smith was elected to the board in 1991 and served as vice-chairman until his appointment as chairman in 1994.

**Member:** Audit & Risk Committee  
**Trustee:** SBS Charitable Trust  
**Member:** Board Appointment Committee

**J F (John) Ward** B Com, FCA, FlntD  
*Deputy Chairman*

A chartered accountant, Mr Ward was appointed to the board in 2002.  
He is chairman of H & J Smith Holdings Ltd, the A J Hackett Bungy Group and is a director of various private companies, including Wilson Holdings Ltd and Otago Innovation Ltd. He chairs the Transport for Disabled Trust (Southland), is a Fellow of both the New Zealand Institute of Directors and the Institute of Chartered Accountants and is a trustee for a number of charitable trusts.  
Mr Ward is also the Chancellor of the University of Otago.

**Chairman:** Finance Now Ltd  
**Trustee:** SBS Charitable Trust  
**Member:** Audit & Risk Committee  
**Chairman:** Remuneration Committee  
**Chairman:** Board Appointment Committee

**R L (Ross) Smith** BCom, FNZIM

Mr Smith was appointed SBS Bank chief executive in 1992, joining the board as an executive director later that year.  
He has a financial accounting background and has held various executive positions in the banking and travel industries, both in New Zealand and overseas.  
Mr Smith attended the prestigious Harvard Business School Advanced Management Programme, sits on the NZ Bankers Association Council and is a past member of the Executive of the Financial Services Federation. Mr Smith is also a director of Electricity Invercargill Ltd, PowerNet Ltd and Power Services Ltd.

**Managing Director:** SBS Group  
**Director:** Southsure Assurance Ltd  
**Director:** Funds Administration New Zealand Ltd  
**Director:** Finance Now Ltd  
**Trustee:** SBS Charitable Trust  
**Member:** IT Committee

**F E (Frank) Spencer** BBS (Val & Pty Mgt), FNZIV, FPINZ, AREINZ

A registered valuer, Mr Spencer joined the board in November 2010, following the merger of HBS with SBS Bank.  
Mr Spencer was appointed to the Hastings Building Society board as a director in 2001 and became chairman in 2008 – a role he held until HBS merged with SBS Bank on 1 October 2010.  
The managing director of Logan Stone Ltd, Mr Spencer has experience in investment, development operational and special purpose property. In addition to valuation work, Mr Spencer provides property advice to a broad range of clients. He is active in the Hawke's Bay business community and is a former Trustee of the Hastings Tourism Facilities Trust.  
Mr Spencer is a Fellow of both the New Zealand Institute of Valuers and the Property Institute of New Zealand, a member of the Institute of Directors and an Associate of the Real Estate Institute of New Zealand.

## What does the 2012-2013 financial year have in store for SBS Bank?



"The crisis in Europe has the propensity to reignite the financial crisis that occurred in 2008. Fortunately SBS Bank's business model relies almost 100% on New Zealand funding so we can continue to meet the lending requirements of our members."



"A continual focus on our core values and the philosophy in our Charter will assist SBS Bank as it does business within the communities that our members live and work."



"With the continued economic turmoil in Europe I expect the New Zealand economy is in for another roller coaster ride in 2012-2013. However SBS Bank's strong capital and liquidity ratios will position it well to ride out this uncertainty over the next 12 months."



"An expected continuation of the current tough economic environment through 2012 and beyond will mean growth at SBS will be constrained. However, the coming year provides an opportunity to invest in the future."



"We will be working hard to provide better and a greater range of services for our members. Top of the list will be improved internet banking facilities."



"We will continue to define who we are and what we do, getting our products up to scratch, and getting New Zealanders to understand this and opt in to the family of our New Zealand owned community bank."



"SBS Bank will continue with its conservative approach to growth during the financial turmoil, whilst ensuring our outstanding service is provided to our members."



"SBS Bank will continue to build its already very sound financial structure whilst providing our members with exceptional customer service."

**J B (Jeff) Walker** LLB

Mr Walker, a practising barrister and solicitor in Invercargill, was elected to the board in 1998.  
He was a member of Southland District Law Society Council from 1991 until 2009 when he retired as past president.  
Mr Walker is both a past president and a life member of Relationship Services. He is president of Football South, Southland Football Inc and Southland WEA.  
**Chairman:** Funds Administration New Zealand Ltd  
**Member:** IT Committee  
**Member:** Board Appointment Committee

**K J (Kathryn) Ball** BCom, CA

Mrs Ball, a practising chartered accountant and taxation specialist, was appointed to the board of SBS Bank in April 2006.  
She is a principal in Invercargill accounting firm McIntyre Dick & Partners Ltd and a member of the New Zealand Institute of Chartered Accountants.  
Prior to becoming a director, Mrs Ball had been the independent representative on SBS Bank's audit committee for five years and was a member of the SIT council until December 2005, serving periods as deputy chairperson and the audit and finance committee's chairperson.

**Chairperson:** Audit & Risk Committee  
**Trustee:** SBS Charitable Trust

**J J (Jeff) Grant**

Mr Grant, in partnership with his wife Julia, is farming sheep and deer at Balfour. He joined the board of SBS Bank in 2007.  
Formerly a Member of Parliament from 1987 to 1993, Mr Grant has since been involved in agribusiness directorships with a range of companies and organisations, including Landcorp, Wrightson and Beef and Lamb NZ and he was previously chairman of the NZ Meat Board and Meat and Wool NZ.  
Mr Grant is chairman of the Milford Development Authority, the Agricultural and Marketing Research and Development Trust (AGMARDT), Southland Shared Services and is a director of the Animal Health Board and National Animal Identification and Tracing (NAIT).  
**Director:** Finance Now Ltd

**G J (Greg) Mulvey** B Com, FCA, FNZIM

The Invercargill Licensing Trust's general manager for more than two decades, Mr Mulvey joined the board of SBS Bank in 2004.  
He is a fellow of the New Zealand Institute of Chartered Accountants (FCA) and a fellow of the New Zealand Institute of Management.  
A director of DB South Island Brewery Ltd, Mr Mulvey is also a trustee of the Stadium Southland Charitable Trust.  
**Director:** Funds Administration New Zealand Ltd  
**Trustee:** SBS Charitable Trust  
**Member:** Audit & Risk Committee  
**Member:** Remuneration Committee  
**Chairman:** IT Committee

# YOUR BRANCH MANAGERS

Our vision to become New Zealand’s favourite bank is driven by our desire to provide the best service every time, to our members.

Over the past 12 months our branch managers have spent more than 6,500 hours in their communities. From the HBS Bank Hawks, to the Tasman Makos to the Bluff Oyster and Food Festival, our branch managers have led all 300 of our local community sponsorships. They’re an amazing bunch of people who are dedicated to helping our members and their communities succeed.

Left to right: Scott Bowden, Gore, and Neil Bramley, Invercargill

Rod Fox, Hamilton, and Terri Gregory, Tauranga

Left to right: Lynn Manson, Cromwell, Matthew Isbister, Dunedin, and Patricia Muir, Queenstown

Combined, over the last 12 months, our Branch Managers have spent 6,500 hours getting involved in your communities.

6,500

HOURS SPENT IN YOUR COMMUNITY



Greg Stretch, Blenheim

Left to right: Ian Pollock, Papanui, Simon Maule, Ferrymead, and Matthew Mark, Riccarton

Since April 2008 we’ve given back \$480,000 to non-profit organisations throughout New Zealand

\$480,000

GIVEN BACK TO NON-PROFIT ORGANISATIONS



Kerry Harding, HBS Bank Napier, and Blair Cross, HBS Bank Hastings

We know our sales and service teams go above and beyond for our members and it’s this determination to provide outstanding service which has seen SBS Bank named the Financial Institution of the Year at the Roy Morgan Research 2011 Customer Satisfaction Awards. Our retail, contact centre and agribusiness teams’ passion for superior, personalised service has been the driving force behind this prestigious win.

# SOUTHLAND BUILDING SOCIETY: SUMMARY FINANCIAL STATEMENTS

## Summary Income Statement - Banking Group for the year ended 31 March 2012

	31/3/12 \$000	31/3/11 \$000
Interest income	185,200	182,286
Interest expense	13,518	16,037
Dividends on redeemable shares	101,726	102,565
	115,244	118,602
<b>Net interest income</b>	<b>69,956</b>	<b>63,684</b>
Other income	18,611	18,235
<b>Total operating income</b>	<b>88,567</b>	<b>81,919</b>
Operating expenses	48,928	47,554
Provision for credit impairment	21,983	17,057
<b>Operating surplus</b>	<b>17,656</b>	<b>17,308</b>
Net gain/(loss) from financial instruments designated at fair value	(588)	5,117
Revaluation of investment properties	-	(88)
<b>Surplus before income tax</b>	<b>17,068</b>	<b>22,337</b>
Less income tax expense	5,303	8,087
<b>Net surplus</b>	<b>11,765</b>	<b>14,250</b>
<b>Attributable to:</b>		
Members' interests	9,220	11,761
Non-controlling interests	2,545	2,489
	<b>11,765</b>	<b>14,250</b>

## Summary Statement of Comprehensive Income - Banking Group for the year ended 31 March 2012

Net surplus for the year	11,765	14,250
<b>Other comprehensive income</b>		
Net change in reserves, net of tax	3,799	(3,853)
<b>Total comprehensive income for the year</b>	<b>15,564</b>	<b>10,397</b>
<b>Attributable to:</b>		
Members' interests	12,853	8,163
Non-controlling interests	2,711	2,234
	<b>15,564</b>	<b>10,397</b>

## Summary Statement of Changes in Equity - Banking Group for the year ended 31 March 2012

Equity at beginning of the year	202,040	177,664
Net surplus for the year	11,765	14,250
Other comprehensive income for the year	3,799	(3,853)
<b>Total comprehensive income for the year</b>	<b>15,564</b>	<b>10,397</b>
Dividends	(2,243)	(1,479)
Acquired on merger	-	15,458
<b>Total equity at end of the year</b>	<b>215,361</b>	<b>202,040</b>
<b>Equity represented by:</b>		
Revaluation reserves	(2,193)	(5,825)
Retained earnings	210,667	201,447
Total equity attributable to member's interests	208,474	195,622
Non-controlling interests	6,887	6,418
<b>Total equity at end of the year</b>	<b>215,361</b>	<b>202,040</b>

# SOUTHLAND BUILDING SOCIETY: SUMMARY FINANCIAL STATEMENTS

## Summary Statement of Financial Position - Banking Group as at 31 March 2012

	31/3/12 \$000	31/3/11 \$000
<b>Assets</b>		
Liquid assets and securities	379,187	191,244
Advances to customers	2,425,723	2,584,656
Other assets	36,986	37,933
	<b>2,841,896</b>	<b>2,813,833</b>
<b>Liabilities</b>		
Redeemable shares	2,234,814	2,169,465
Deposits from customers	253,500	240,546
Subordinated redeemable shares	61,242	61,232
Other liabilities	76,979	140,550
	<b>2,626,535</b>	<b>2,611,793</b>
<b>Equity</b>		
Attributable to members of the society	208,474	195,622
Attributable to non-controlling interests	6,887	6,418
	<b>215,361</b>	<b>202,040</b>

## Summary Statement of Cash Flows - Banking Group for the year ended 31 March 2012

Net cash flows provided by/(used in) operating activities	189,157	25,335
Net cash flows provided by/(used in) investing activities	(146,192)	(77,579)
Net cash flows provided by/(used in) financing activities	(2,249)	(946)
<b>Net increase/(decrease) in cash held</b>	<b>40,716</b>	<b>(53,190)</b>
Add opening cash and cash equivalents	70,853	90,460
Add opening cash and cash equivalents on merger	-	33,583
<b>Closing cash and cash equivalents</b>	<b>111,569</b>	<b>70,853</b>

  
Chairman  
J W A Smith

5 June 2012

  
Group Managing Director/ Chief Executive Officer  
R L Smith

I Accounting Policies

Southland Building Society (SBS) was established in 1869, is incorporated under the Building Societies Act 1965, and was registered as a bank under the Reserve Bank of New Zealand Act 1989 on 7 October 2008. The summary financial statements presented here are consolidated statements for the reporting entity of the Banking Group comprising SBS and its subsidiaries.

These summary financial statements have been prepared in compliance with FRS-43: Summary Financial Statements and comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as it relates to summary financial statements. SBS has prepared the summary financial statements for members who have made an election under section 97B of the Building Societies Act 1965 to receive summary financial statements. The specific disclosures included in the summary financial statements have been extracted from the full financial statements dated 5 June 2012. The full financial statements from which the summary financial statements have been produced have been audited by KPMG, who expressed an unmodified opinion in relation to those financial statements as at 5 June 2012. These summary financial statements have been examined by KPMG for consistency with the full financial statements.

Users of the summary financial statements should note that the information contained therein cannot be expected to provide as complete an understanding as provided by the full financial statements of the income statements, statements of financial position and statements of cash flows of the Banking Group.

Users who require additional information are encouraged to access the SBS Disclosure Statement and Annual Financial Statements on the SBS website at [www.sbs.net.nz](http://www.sbs.net.nz). Alternatively a hard copy of the SBS Disclosure Statement and Annual Financial Statements can be requested by any person and will be dispatched within two working days after the day on which the request is made at no charge.

The full financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and under NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities and the Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order 2012. The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The functional and presentation currency of the Banking Group is New Zealand dollars. All amounts contained in the summary financial statements are presented in thousands of New Zealand dollars, unless otherwise stated.

There have been no changes in accounting policies and all accounting policies adopted are consistent with those used in previous periods. To ensure consistency with the current period, comparative figures have been restated where appropriate.

2 Critical Estimates and Judgements Used in Applying Accounting Policies

The full financial statements upon which the summary financial statements are based have been prepared in accordance with stated accounting policies which are based on New Zealand equivalents of International Financial Reporting Standards (NZ IFRS) and other authoritative accounting pronouncements. Notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by the Banking Group in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out in the full financial statements.

3 Risk Management Policies

SBS's objective is to appropriately manage all the risks that arise from its activities. SBS does not naturally seek treasury and financial risk from its involvement in the financial markets and consequently minimises risks wherever possible. Reviews of risk management policies, systems and reporting are conducted on a regular basis.

Risk Governance Structure

The Board has responsibility for reviewing all aspects of risk management. The Board receives comprehensive monthly reporting covering each area of risk management. In addition SBS has specific policies in relation to liquidity and capital management which contain trigger points at which Board involvement is required. The following committees also report into the Board.

*Audit and Risk Committee* – responsible for overseeing the effectiveness and integrity of the internal control environment and the quality of financial information presented to the Board;

*Lending Committee* – responsible for reviewing and approving all lending proposals in excess of \$1 million;

*Asset and Liability Committee (ALCO)* – responsible for all aspects of balance sheet risk management and strategy including interest rate, liquidity, funding, credit and margin;

*Credit Risk Committee (CRC)* – responsible for monitoring and reviewing exposure to credit risks in SBS's lending portfolios;

*Operational Risk Committee (ORC)* – responsible for monitoring and reviewing exposure to operational risks arising from SBS's day to day activities;

SBS's internal audit function conducts independent reviews that assist the board of directors and management to meet their statutory and other obligations. The internal audit function has been carried out by the Dunedin based firm of Chartered Accountants, Deloitte.

Credit risk management

Credit risk is the risk of loss arising from the non-performance of a counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual arrangements, and encompasses both on and off-balance sheet instruments. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent on the level of risk. Credit risk management involves a thorough evaluation of the credit risk associated with potential borrowers, the taking of security against the loan and close ongoing monitoring of account performance. Loans which show signs of adverse performance are managed by the credit risk management function, which is responsible for the collections and recovery process. For wholesale arrangements, credit risk is managed with reference to specific limits as outlined in detailed treasury management policies and reported to the Board on a monthly basis.

Interest rate risk management

Interest rate risk is the risk of loss arising from adverse changes in interest rates. Management's objective is to produce strong and stable net interest income over time. Interest rate risk management focuses on mismatches between the repricing dates of interest bearing assets and liabilities. Interest rate risk is managed using financial instruments to manage the risks within set limits as defined by SBS treasury policy. Regular reporting of interest rate risk against limits is provided to the Board.

Liquidity risk management

Liquidity risk is the risk that, under certain conditions, cash outflows can exceed cash inflows in a given period. SBS maintains sufficient liquid funds to meet its commitments based on historical and budgeted cash flow forecasts. Management of liquidity risk is achieved by maintaining a prudent level of liquid assets, use of committed and uncommitted wholesale funding facilities, utilisation of securitisation vehicles and, management control of the growth of the business. The Banking Group's liquidity risks are governed by a Board approved liquidity strategy that defines policy, systems and procedures for measuring, assessing, reporting and managing liquidity. This also includes a formal contingency plan for dealing with a liquidity crisis. This also meets the RBNZ liquidity policy requirements.

Operational risk management

Operational risk is the risk arising from day to day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to SBS's reputation. Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

4 Advances - Banking Group

	31/3/12 \$000	31/3/11 \$000
Gross advances	2,457,873	2,609,357
Provisions for credit impairment	(29,563)	(21,708)
Deferred fee revenue and expenses	(2,587)	(2,993)
Total net advances	2,425,723	2,584,656

5 Provision for Credit Impairment - Banking Group

	31/3/12 \$000	31/3/11 \$000
Individual provisions against advances and loans		
Balance at beginning of the year	12,680	12,510
New provisions during the year	16,816	8,592
Balances written off / recoveries during the year	(9,249)	(9,853)
Acquired on merger	-	1,431
Balance at end of the year	20,247	12,680
Collective provisions against advances and loans		
Balance at beginning of the year	9,028	4,706
Charged to income statement	288	3,824
Acquired on merger	-	498
Balance at end of the year	9,316	9,028
Total provisions for credit impairment	29,563	21,708
Reconciliation of provision movements		
Bad debts written off during the year	4,879	4,641
Individual provisions	16,816	8,592
Collective provisions	288	3,824
Provision for credit impairment to income statement	21,983	17,057

6 Asset Quality - Banking Group

	31/3/12 \$000	31/3/11 \$000
Advances to customers		
Neither past due or impaired	2,370,753	2,520,711
Individually impaired	41,210	38,342
Past due	43,323	47,311
Provision for credit impairment	(29,563)	(21,708)
Total carrying amount	2,425,723	2,584,656

7 Liquidity Risk - Banking Group

Liquidity risk is the risk that the Banking Group will encounter difficulty in meeting commitments associated with its financial liabilities. The Banking Group manages its exposure to liquidity risk on a cash flow mismatch and also core funding basis and maintains sufficient liquid funds to meet its commitments. The following maturity profile of assets, liabilities, derivatives and commitments show cash flows prepared on a contractual maturity basis as at balance date. These have been created using a run-off scenario which assumes no further origination of assets or liabilities. Further detail on this maturity profile and the contractual undiscounted maturity profile, including the assumptions underlying them, can be obtained from the full financial statements. Note that the contractual maturity profile is not indicative of future cash flows.

Contractual Maturity Profile	31/3/12			31/3/11		
	Current Assets \$000	Non-current Assets \$000	Total \$000	Current Assets \$000	Non-current Assets \$000	Total \$000
Assets						
Advances	272,181	2,153,542	2,425,723	343,747	2,240,909	2,584,656
Liquid assets and securities	116,962	262,225	379,187	91,038	100,206	191,244
Other monetary assets	2,031	-	2,031	2,795	-	2,795
	391,174	2,415,767	2,806,941	437,580	2,341,115	2,778,695
	Current Liabilities \$000	Non-current Liabilities \$000	Total \$000	Current Liabilities \$000	Non-current Liabilities \$000	Total \$000
Liabilities						
Redeemable shares	2,030,748	204,066	2,234,814	2,080,122	89,343	2,169,465
Other deposits	243,596	9,904	253,500	224,200	16,346	240,546
Subordinated redeemable shares	-	61,242	61,242	-	61,232	61,232
Other monetary liabilities	6,855	52,092	58,947	53,682	65,711	119,393
	2,281,199	327,304	2,608,503	2,358,004	232,632	2,590,636
Net derivative cash flows	(5,647)	(2,650)	(8,297)	(8,173)	(8,220)	(16,393)
Unrecognised loan commitments	12,734	-	12,734	21,994	-	21,994

The following table outlines the liquid investments and committed funding lines that are available to SBS to meet both expected and unexpected fluctuations in operating cash flows. Included within total liquidity are residential mortgage backed securities ('RMBS') that are eligible under the Reserve Bank of New Zealand liquidity management arrangements.

	31/3/12 \$000	31/3/11 \$000
Asset liquidity	379,187	191,244
Committed and undrawn funding lines	85,000	125,000
Eligible RMBS collateral (less haircut*)	130,047	160,254
Total liquidity	594,234	476,498

\* A haircut is a percentage that is subtracted from the par value of the assets that are being used as collateral. The size of the haircut reflects the perceived risk associated with holding the assets.

8 Capital Adequacy

The Banking Group's objectives in relation to the management of capital adequacy are to comply at all times with the regulatory capital requirements set out by the Reserve Bank of New Zealand (RBNZ); to maintain a strong capital base to cover the inherent risks of the business and maintain a targeted credit rating; and to support future business development and growth.

The Banking Group is subject to regulation by the RBNZ. The RBNZ has set minimum regulatory capital requirements for banks that are consistent with the internationally agreed framework developed by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by the Banking Group. The Banking Group must comply with RBNZ minimum capital adequacy ratios as determined in its Conditions of Registration which are as follows:

- Total qualifying capital must not be less than 8% of risk weighted exposures
- Tier one capital must not be less than 4% of risk weighted exposures
- Capital must not be less than NZ \$30 million.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk weighted exposures. Risk weighted exposures are derived by assigning risk weight percentages to certain material risk categories of exposures. These exposures are measured or estimated from selected balance sheet assets and off balance sheet exposures and market contracts. It should be noted that the regulatory risk weightings may not necessarily be consistent with the loss experience of the Banking Group.

	31/3/12	31/3/11
Regulatory Capital Ratios		
Tier one capital expressed as a percentage of total risk weighted exposures	12.52%	11.26%
Capital expressed as a percentage of total risk weighted exposures	14.35%	13.60%

9 Directors Fees

	31/3/12 \$000	31/3/11 \$000
Amounts received, or due and receivable by directors:		
JWA Smith (Chairman)	121	112
JF Ward (Deputy Chairman)	81	75
KJ Ball	66	62
JB Walker	66	63
GJ Mulvey	61	57
GJ Diack (retired July 2011)	22	63
JJ Grant	61	57
FE Spencer (appointed November 2010)	65	25
RL Smith*	-	-
	543	514
Provision for directors retiring allowance	95	72
	638	586

\*RL Smith is an executive director and received no directors fees in addition to his salary.

10 Subsequent Events

There have been no material subsequent events after 31 March 2012.

Independent Auditor's Report on the Summary Financial Statements



To the Members of Southland Building Society

The accompanying summary financial statements on pages 20 to 26, which comprise the summary statement of financial position as at 31 March 2012, summary income statement and summary statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, are derived from the audited financial statements of Southland Building Society ("the Bank") and its subsidiaries ("the Banking Group") for the year ended 31 March 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 5 June 2012.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Bank and Banking Group.

Directors' Responsibility for the Financial Statements

The Directors' are responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 *Engagements to Report on Summary Financial Statements*.

Partners and employees of our firm may also deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. These matters have not impaired our independence as auditor of the Bank. The firm has no other relationship with, or interest in, the Bank.

Opinion

In our opinion, the summary financial statements, derived from the audited financial statements of Southland Building Society ("the Bank") and its subsidiaries ("the Banking Group") for the year ended 31 March 2012, are a fair summary of those financial statements, in accordance with FRS-43 *Summary Financial Statements*.

KPMG

5 June 2012  
Wellington

## NOTICE OF 2012 ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of the Southland Building Society (SBS) will be held on the 6th floor of the Kelvin Hotel, Invercargill on Wednesday 18 July 2012, at 2.30pm.

### I. Ordinary Business

#### I.1 Adoption of Annual Report

To receive and consider the Financial Statements together with the reports of the Directors and Auditors of Southland Building Society for the year ended 31 March 2012.

#### I.2 Election of Directors

Messrs J J Grant and G J Mulvey retire by rotation and, being eligible, are offering themselves for re-election. There being no other candidates, the re-appointment of Messrs J J Grant and G J Mulvey is to be confirmed.

#### I.3 Approval of Directors' Fees

To authorise the Directors to fix their remuneration.

#### I.4 Appointment of Auditors

To record the appointment of the auditors for the 2012/2013 year.

#### I.5 General Business

To transact any other business which may be properly submitted to the Annual General Meeting.

*By order of the Board*

T D R Loan  
Secretary  
5 June 2012

### NOTE:

#### I. Proxies

In compliance with Section 79 of the Building Societies Act 1965, members are reminded that a member entitled to attend and vote at the above meeting, is entitled to appoint a proxy to attend and vote instead of him/her and that a proxy need not also be a member. Proxy forms are available from SBS's registered office.

To be valid, proxies must be deposited at SBS's registered office not less than 48 hours before the scheduled meeting time of the Annual General Meeting.

## DIRECTORY

### Chairman (Retiring)

Mr J W A Smith  
BCom, FNZIM, FlntD  
Company Director  
Invercargill

### Deputy Chairman

Mr J F Ward  
BCom, FCA, FlntD  
Chartered Accountant  
Invercargill

### Directors

Mr J B Walker  
LLB  
Barrister & Solicitor  
Invercargill

Mr G J Mulvey  
BCom, FCA, FNZIM  
General Manager  
Invercargill

Mrs K J Ball  
BCom, CA  
Chartered Accountant  
Invercargill

Mr R L Smith  
BCom, FNZIM  
Group Managing Director/  
Chief Executive Officer  
SBS Bank  
Invercargill

Mr J J Grant  
Farmer / Company Director  
Balfour

Mr F E Spencer  
BBS (Val & Pty Mgt)  
FNZIV, FPINZ, AREINZ  
Registered Valuer  
Hastings

All Directors can  
be contacted:  
c/- Southland Building Society  
51 Don Street  
Invercargill

### Group Managing Director/ Chief Executive Officer

Mr R L Smith  
BCom, FNZIM  
Invercargill

### Secretary

Mr T D R Loan  
BCom, CA, DipBusStuds (IS)  
General Manager Finance  
Invercargill

### Registered Office

51 Don Street  
Invercargill

### Solicitors

Buddle Findlay  
245 St Asaph Street  
Christchurch

### Auditors

KPMG  
10 Customhouse Quay  
Wellington

## BRANCH DIRECTORY

### SBS BANK

#### Invercargill – Head Office

51 Don Street  
PO Box 835  
Invercargill  
Telephone: 03 211 0700  
Fax: 03 211 0793

#### North Invercargill

54 Windsor Street  
Telephone: 03 211 0745  
Fax: 03 217 7933

#### Gore

80 Main Street  
PO Box 212  
Telephone: 03 209 0080  
Fax: 03 209 0077

#### Dunedin

Cnr George & Hanover Streets  
PO Box 5492  
Telephone: 03 477 5100  
Fax: 03 471 4439

#### Queenstown

7 Shotover Street  
PO Box 710  
Telephone: 03 441 0033  
Fax: 03 441 0279

#### Cromwell

21 The Mall  
PO Box 226  
Telephone: 03 445 0672  
Fax: 03 445 0697

#### Timaru

235 Stafford Street  
PO Box 844  
Telephone: 03 684 9536  
Fax: 03 688 4598

#### Christchurch – Ferrymead

23 Humphreys Drive  
PO Box 19835  
Telephone: 03 376 6198  
Fax: 03 376 6298

#### Christchurch – Riccarton

109 Riccarton Road  
PO Box 80058  
Telephone: 03 982 5700  
Fax: 03 982 5706

#### Christchurch – Papanui

2-6 Main North Road  
PO Box 5038  
Telephone: 03 375 0840  
Fax: 03 375 0841

#### Nelson

126 Trafalgar Street  
PO Box 211  
Telephone: 03 548 9200  
Fax: 03 545 9839

#### Blenheim

76 Market Street  
PO Box 1188  
Telephone: 03 579 5293  
Fax: 03 579 5249

#### Hamilton

Cnr Victoria & Bryce Streets  
PO Box 19222  
Telephone: 07 957 6350  
Fax: 07 957 6351

#### Tauranga

Cnr Elizabeth Street &  
Devonport Road  
PO Box 13020  
Telephone: 07 578 9217  
Fax: 07 578 9219

#### SBS Bank Rural – Invercargill

66 Don Street  
PO Box 835  
Telephone: 0800 502 442  
Fax: 0508 526 363

### HBS BANK

#### Hastings

Cnr Queen & Market Streets  
PO Box 10  
Telephone: 0800 427 2265  
Fax: 06 878 9361

#### Napier

93 Dalton Street  
PO Box 1041  
Telephone: 0800 427 2265  
Fax: 06 835 4471

#### Havelock North

1 Napier Road  
PO Box 8604  
Telephone: 0800 427 2265  
Fax: 06 877 3902



SBS Bank head office – Invercargill



OUR PEOPLE MAKE THE DIFFERENCE

