SBS | Bank

Southland Building Society

General Disclosure Statement

For the six months ended 30 September 2009

Number 6 Issued December 2009

Contents

General Information

Southland Building Society (SBS Bank) was registered as a bank under the Reserve Bank of New Zealand Act 1989 on 7 October 2008, and was required to comply with the conditions of registration as laid down by the Reserve Bank of New Zealand from that date onwards.

This General Disclosure Statement has been issued by Southland Building Society in accordance with the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008 (the 'Order').

Words and phrases defined by the Order have the same meanings when used in this General Disclosure Statement.

Name and Address for Service of Registered Bank

The name of the registered bank is Southland Building Society (referred to either by its full name, as "SBS", or as the "Bank", or as the "Registered Bank") and the address for service is 51 Don Street, Invercargill. The "Banking Group" consists of the Bank and all of its controlled entities. All controlled entities are incorporated in New Zealand.

Details of Incorporation

Southland Building Society was established in 1869 and is incorporated under the Building Societies Act 1965. SBS's registration number is 1883/1.

Ownership

Southland Building Society is a mutual building society and is owned by its members by virtue of their membership interests in Southland Building Society. Membership entitlements and voting rights are set out in the Rules of Southland Building Society.

Guarantee Arrangements

Southland Building Society has a guarantee under the New Zealand Deposit Guarantee Scheme ("Crown Guarantee"). The Crown Guarantee is provided under a Crown Deed of Guarantee (Registered Bank) entered into by Southland Building Society and the Crown on 30 October 2008.

The following are features of the guarantee:

- The Crown Guarantee is provided by the New Zealand Government (Crown) and administered by the Treasury. The address for service in respect of the Crown Guarantee is: Secretary of the Treasury, The Treasury, 1 The Terrace, PO Box 3724, Wellington, New Zealand.

- Further information about the Crown Guarantee and a copy of the Crown Deed of Guarantee is available free of charge on the internet site maintained by, or on behalf of the Treasury (www.treasury.govt.nz).

- The Crown publishes information on its audited financial statements and credit ratings on the internet site maintained by, or on behalf of the Treasury (www.treasury.govt.nz).

- The Crown's long term domestic currency issuer credit ratings are AAA (Fitch Ratings), AAA (Standard & Poor's), Aaa (Moody's Investor's Service), and these have not changed in the two years immediately before the date of this General Disclosure Statement. Credit rating scale definitions are listed on page 5 of this General Disclosure Statement.

- The only material obligations of Southland Building Society that are guaranteed under the Crown Guarantee are the debt securities (including redeemable shares but excluding subordinated redeemable shares), as defined in the Crown Deed of Guarantee issued by Southland Building Society.

  For the purposes of the Crown Guarantee, debt securities issued by Southland Building Society to related parties or financial institutions, as defined in the Crown Deed of Guarantee are excluded from the guarantee.

  Under the Crown Guarantee, the Crown, subject to the terms and conditions of the Crown Guarantee, absolutely and irrevocably guarantees all obligations of Southland Building Society to pay all indebtedness from debt securities (including any interest owing) that is owing to a creditor that becomes due and payable during the Guarantee Period; and all indebtedness from debt securities (including any interest owing) that exists on the date of a Default Event as defined in the Crown Deed of Guarantee. The exception to this is when the extent of that indebtedness or interest is not paid solely as a result of administrative error or technical error and is subsequently paid within 7 days of its due date.

- The Crown Guarantee establishes a maximum liability of the Crown to each creditor under the Crown Guarantee of one million New Zealand dollars ($1,000,000).

- The Crown Guarantee commenced on 12.01am on 12 October 2008 and expires at 12.01am on 12 October 2010.

- The Crown will not be required to make any payment under the Crown Guarantee until the Crown has received notice in writing from a creditor in respect of the amount of the relevant indebtedness and has satisfied itself as to the amount of the indebtedness and as to such other matters as the Crown reasonably considers appropriate in order to ascertain the extent of its liability under the Crown Guarantee in respect of that indebtedness.

A copy of Southland Building Society's most recent Supplemental Disclosure Statement, containing a copy of the full Crown Deed of Guarantee will be provided immediately at no charge to any person requesting a copy where the request is made at Southland Building Society's head office at 51 Don Street, Invercargill, and within five working days where the request is made at any branch or agency of Southland Building Society. The Supplemental Disclosure Statement can also be accessed at the following website address: www.sbs.net.nz

Pending Proceedings or Arbitration

There are no pending proceedings at the date of this General Disclosure Statement that may have a material adverse effect on the Bank or the Banking Group.

Insurance Business

The Banking Group markets and distributes insurance products through subsidiary company Southsure Assurance Limited. The total assets of Southsure Assurance Limited as at 30 September 2009 are $7.3 million (September 2008 $6.7 million; March 2009 $7.1 million), which is 0.3% of the total assets of the Banking Group (September 2008 0.3%; March 2009 0.3%). This complies with the conditions of registration of Southland Building Society, which allows a maximum of 1% of the total consolidated assets of the Banking Group to be represented by insurance business assets.

Policies and procedures exist to ensure that the insurance activities of the Banking Group are conducted in an appropriate manner. These include regular reviews of the operations of the insurance business by management. Should adverse conditions arise, these policies and procedures are expected to mitigate the impact of the conditions on the Banking Group.

Other Material Matters

The Bank's directors are of the opinion that there are no other matters relating to the business or affairs of the Registered Bank or the Banking Group which would, if disclosed in this General Disclosure Statement, materially adversely affect the decision of a person to subscribe for debt securities of which the Registered Bank or any members of the Banking Group is the issuer.

Directorate

All directors of the Bank reside in New Zealand. All directors can be contacted at Southland Building Society, 51 Don Street, Invercargill.

Independent Non-Executive Directors

JWA (Acton) Smith, BCom FNZIM
(Chairman - Board of Directors)
Company Director

External Directorships: H&J Smith Holdings Ltd, H&J Smith Ltd, H&J Smith Corporate Ltd, H&J's Hardware Ltd, H&J's Electrical Ltd, H&J's Queenstown Properties Ltd, H&J Smith Parking Building Ltd, H&J Smith Finance Ltd, H&J's Carpet World Ltd, H&J's Properties Ltd, H&J's Cycles and Mowers Ltd, Outdoor World Ltd, Bainfield Investments Ltd, Bogcorp Ltd, Mangamahu Investments Ltd, Symphony Retailing Ltd, Lorneville Discount Centre Ltd, South Island Retail Ltd, Outdoor Adventures Ltd, South Island Sports Ltd, Smith Family Investments Ltd, Cross Roads Properties Ltd, South Island Department Stores Ltd, Sfi Properties Ltd, Sfi Buildings Ltd, Corner Trading Ltd, Steel Core Buildings Ltd, Southcom Ltd

JF (John) Ward, BCom FCA, FInstD
(Deputy Chairman - Board of Directors)
Chartered Accountant

External Directorships: H&J Smith Holdings Ltd, H&J Smith Ltd, H&J Smith Corporate Ltd, H&J's Hardware Ltd, H&J's Electrical Ltd, H&J's Queenstown Properties Ltd, H&J Smith Parking Building Ltd, H&J Smith Finance Ltd, H&J's Carpet World Ltd, H&J's Properties Ltd, H&J's Cycles and Mowers Ltd, Outdoor World Ltd, Symphony Retailing Ltd, Lorneville Discount Centre Ltd, South Island Retail Ltd, Outdoor Adventures Ltd, South Island Sports Ltd, Simner Investments Ltd, Cross Roads Properties Ltd, South Island Department Stores Ltd, Sfi Properties Ltd, Corner Trading Ltd, Amtex Corporation Ltd, Witrick No 4 Ltd, Southfields Investments Ltd, Southwold Corporation Ltd, Suffolk Securities Ltd, Hokonui Investments Ltd, Hambledon Properties Ltd, Canyon Investments Ltd, Parthenon Investments Ltd, Queensmere Investments Ltd, Trio Corporation Ltd, Tanknology (Nz) Ltd, Skippers Canyon Holdings Ltd, Queenstown Bungy Ltd, Auckland Bungy Ltd, Aj Gear Ltd, Bungy New Zealand Ltd, Paddington Investments No 8 Ltd, Fun Innovators NZ Ltd, Southcom Ltd, 595 Frankton Rd Ltd, Auckland Bridge Adventures Ltd, Passage Holdings Ltd, Auckland Bridge Climb Ltd, Kba Limited, Bnzl Properties Ltd, Zephyr NZ Ltd, Salt Kettle Ltd, Aviemore Corporation Ltd, H.A.T. Ltd, H.A.T. 2 Ltd, University of Otago Holdings Ltd, Bsp Corporation Ltd, Wilson Holdings Ltd, RD Petroleum Ltd, Skeggs Group Ltd, Otago Innovation Ltd

KJ (Kathryn) Ball, BCom CA
Chartered Accountant

External Directorships: McIntyre Dick & Partners Ltd, 143 Spey Ltd, 142 Spey Ltd

JB (Jeff) Walker, LLB
Barrister & Solicitor

External Directorships: Rough Gully Company Ltd, Rakiura Shipping Ltd, Craig Printing Co Ltd, Cargill Trustees Ltd, Manchester Enterprises Ltd

GJ (Greg) Mulvey, BCom FCA FNZIM
General Manager

External Directorships: DB South Island Brewery Ltd

GJ (Garry) Diack, MA (Hons)
Management Consultant

External Directorships: Cpi Ltd, Vera Facienda Ltd, General Cable Superconductors Ltd, Ashburton Trading Society

JJ (Jeff) Grant
Farmer / Company Director

External Directorships: Milford Sound Development Authority Ltd

Directorate (continued)

MH (Mike) Piper and WH (Warren) Conway both retired as independent non-executive directors on 23 July 2008.

Executive Directors

RL (Ross) Smith, BCom FNZIM
Southland Building Society - Group Managing Director/Chief Executive Officer

External Directorships: Electricity Invercargill Ltd, Electricity Southland Ltd, Powernet Ltd, PowerServices Ltd, Pylon Ltd

Audit & Risk Committee

Members of the Southland Building Society Audit & Risk Committee as at the date of this General Disclosure Statement are as follows:

KJ Ball (Chairperson) - Independent Non-Executive Director
JWA Smith - Independent Non-Executive Director
JF Ward - Independent Non-Executive Director
GJ Mulvey - Independent Non-Executive Director

Conflicts of Interest Policy

The policy and current practice of the board of directors (as set out in clause 16.6 of the Rules of Southland Building Society) for avoiding or dealing with conflicts of interest which may arise from personal, professional or business interests of the directors, are that, a director, after becoming aware of the fact that he or she is interested in a transaction or proposed transaction with the Society, shall disclose to the board and cause to be entered in the interests register:

(i) the nature and monetary value of the director's interest in a transaction if its monetary value is able to be quantified; or
(ii) the nature and extent of the director's interest in a transaction if its monetary value is not able to be quantified.

A director may not vote on a board resolution in respect of any matter in which that director is interested, nor shall the director be counted in the quorum for the purposes of consideration of that matter.

Interested Transactions

There have been no transactions between the Bank and any director or immediate relative or close business associate of any director which either, has been entered into on terms other than those which would in the ordinary course of business of the Bank be given to any other person of like circumstances or means or, which could be reasonably likely to influence materially the exercise of the director's duties.

Solicitors

Buddle Findlay
78 Worchester Street
Christchurch

Cruickshank Pryde
42 Don Street
Invercargill

Auditors

KPMG
10 Customhouse Quay
Wellington

Credit Rating

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

The following is a summary of the descriptions of the major ratings categories of each rating agency for the rating of long-term senior unsecured obligations:

Fitch Ratings	Standard & Poor's	Moody's Investors Service	Description of Grade
AAA	AAA	Aaa	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	AA	Aa	Very strong ability to repay principal and interest in a timely manner.
A	A	A	Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.
BBB	BBB	Baa	Adequate ability to repay principal and interest. More vulnerable to adverse changes.
BB	BB	Ba	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and therefore greater likelihood of default.
CCC	CCC	Caa	Likelihood of default considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.
CC - C	CC - C	Ca - C	Highest risk of default.
RD to D	D	-	Obligations currently in default.

Credit ratings from Fitch Ratings and Standard & Poor's may be modified by the addition of a plus or minus sign to show relative status within the major rating categories. Moody's Investors Service apply numerical modifiers 1,2, and 3 to show relative standing within the major rating categories, with 1 indicating the higher end and 3 the lower end of the rating category.

Conditions of Registration

The conditions of registration imposed on Southland Building Society by the Reserve Bank of New Zealand pursuant to section 74 of the Reserve Bank of New Zealand Act 1989, and which apply as at the date of signing of this General Disclosure Statement are as follows. These conditions of registration have applied from 22 October 2009.

1. That the banking group complies with the following requirements:
   (a) the total capital ratio of the banking group is not less than 8 percent;
   (b) the tier one capital ratio of the banking group is not less than 4 percent; and
   (c) the capital of the banking group is not less than $30 million.

For the purposes of this condition of registration, capital, the total capital ratio and the tier one capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document: “Capital Adequacy Framework (Standardised Approach)” (BS2A) dated November 2007.

1A. That—
   (a) the bank has an internal capital adequacy assessment process (“ICAAP”) that accords with the requirements set out in the document “Guidelines on a Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”)” (BS12) dated December 2007;
   (b) under its ICAAP, the bank identifies and measures its “other material risks” defined as all material risks of the banking group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document “Capital Adequacy Framework (Standardised Approach)” (BS2A) dated November 2007; and
   (c) the bank determines an internal capital allocation for each identified and measured “other material risk”.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.

3. That the banking group’s insurance business is not greater than 1% of its total consolidated assets.

   For the purposes of this condition:

   (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

   (ii) In measuring the size of a banking group’s insurance business:
      (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
         · the total consolidated assets of the group headed by that entity;
         · or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
      (b) otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
      (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
      (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating	Connected exposure limit (% of the Banking Group’s Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15 percent of the banking group’s tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled “Connected Exposures Policy” (BS8) dated March 2008.

Conditions of Registration (continued)

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the board of the registered bank contains at least two independent directors. In this context an independent director is a director who is not an employee of the registered bank, and who is not a director, trustee or employee of any holding company of the registered bank, or any other entity capable of controlling or significantly influencing the registered bank.

7. That the chairperson of the bank's board is not an employee of the registered bank.

8. That the bank's rules does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the society (i.e. the bank).

9. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made unless:

   (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (ii) the Reserve Bank has advised that it has no objection to that appointment.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the banking group complies with the following quantitative requirements for liquidity-risk management with effect from 1 April 2010:

    (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
    (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
    (c) the one-year core funding ratio of the banking group is not less than 65 per cent at the end of each business day;

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated October 2009 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated October 2009.

12. That, with effect from 1 April 2010, the registered bank has an internal framework for liquidity risk management that is adequate in the registered bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:

    (a) is clearly documented and communicated to all those in the organisation with responsiblity for managing liquidity and liquidity risk;
    (b) identifies responsiblity for approval, oversight and implementation of the framework and policies for liquidity risk management;
    (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
    (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

    For the purposes of these conditions of registration, the term "banking group" means Southland Building Society's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993).

Changes in Conditions of Registration

The following changes were made to the Bank's conditions of registration during the period since the signing of the previous General Disclosure Statement:

Conditions 11 and 12 have been added and are effective from 1 April 2010. These conditions require the banking group to comply with quantitative requirements as part of its liquidity risk management and also requires the bank to have an adequate internal framework for managing liquidity risk at a prudent level.

Directors' Statement

The directors of Southland Building Society (the "Bank") state that each director of the Bank believes, after due enquiry, that:

1. As at the date on which the General Disclosure Statement is signed:
   (a) the General Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008; and
   (b) the General Disclosure Statement is not false or misleading;
2. Each director of the Bank believes, after due enquiry, that during the six months ended 30 September 2009:
   (a) Southland Building Society has complied with the conditions of registration applicable during the period; and
   (b) credit exposures to connected persons were not contrary to the interests of the Banking Group; and
   (c) the Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk, and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated this 15th day of December 2009 and has been signed by or on behalf of all the directors.

JWA Smith
(Chairman)

JF Ward
(Deputy Chairman)

RL Smith
(Group Managing Director /
Chief Executive Officer)

KJ Ball

JB Walker

GJ Mulvey

GJ Diack

JJ Grant

Income Statements

All in $000's

	BANKING GROUP						
	Unaudited NZ IFRS 6 Months Ended 30 Sep 2009	Audited NZ IFRS 12 Months Ended 31 Mar 2009	Audited NZ IFRS 12 Months Ended 31 Mar 2008	Audited NZ IFRS 12 Months Ended 31 Mar 2007	Audited NZ GAAP 12 Months Ended 31 Mar 2007	Audited NZ GAAP 12 Months Ended 31 Mar 2006	Audited NZ GAAP 12 Months Ended 31 Mar 2005
Interest income	86,983	237,227	231,260	196,591	194,456	170,695	130,498
Interest expense	8,629	39,421	41,433	35,652	35,652	33,962	16,228
Dividends on redeemable shares	49,098	136,808	130,862	108,632	108,632	90,427	71,333
	57,727	176,229	172,295	144,284	144,284	124,389	87,561
Net interest income	**29,256**	**60,998**	**58,965**	**52,307**	**50,172**	**46,306**	**42,937**
Other operating income	9,077	16,489	12,499	11,100	15,174	12,879	11,304
Total operating income	**38,333**	**77,487**	**71,464**	**63,407**	**65,346**	**59,185**	**54,241**
Operating expenses	22,073	42,922	41,074	37,509	38,864	38,686	33,978
Provision for credit impairment	7,007	12,446	9,074	3,694	4,528	-	-
Operating surplus	**9,253**	**22,119**	**21,316**	**22,204**	**21,954**	**20,499**	**20,263**
Add net gain/(loss) from financial instruments designated at fair value	(333)	(6,022)	(1,340)	924	(19)	-	-
Add revaluation of property	-	60	60	749	952	770	625
Surplus before taxation	**8,920**	**16,157**	**20,036**	**23,877**	**22,887**	**21,269**	**20,888**
Less income tax expense	2,663	4,100	5,709	7,274	6,659	6,223	6,679
Net surplus	**6,257**	**12,057**	**14,327**	**16,603**	**16,228**	**15,046**	**14,209**
Attributable to:							
Members' interests	5,287	10,986	13,567	15,514	15,258	14,296	13,744
Minorities' interests	970	1,071	760	1,089	970	750	465
	6,257	**12,057**	**14,327**	**16,603**	**16,228**	**15,046**	**14,209**

Significant Statement of Financial Position Items

All in $000's

	BANKING GROUP						
	Unaudited NZ IFRS As At 30 Sep 2009	Audited NZ IFRS As At 31 Mar 2009	Audited NZ IFRS As At 31 Mar 2008	Audited NZ IFRS As At 31 Mar 2007	Audited NZ GAAP As At 31 Mar 2007	Audited NZ GAAP As At 31 Mar 2006	Audited NZ GAAP As At 31 Mar 2005
Total assets	2,611,981	2,541,177	2,426,271	2,214,785	2,217,153	2,058,351	1,823,010
Individually impaired assets	21,318	21,848	8,355	583	1,535	816	1,119
Total liabilities	2,444,630	2,385,597	2,270,905	2,074,264	2,074,243	1,931,776	1,711,278
Equity	167,351	155,580	155,366	140,521	142,910	126,575	111,732
Regulatory capital							
Tier one capital	168,861	162,927	151,644	136,702	141,237	125,545	110,644
Total capital	226,102	205,949	152,750	137,698	141,953	125,560	110,659
Tier one capital expressed as a percentage of total risk weighted exposures	10.01%	9.85%	9.52%	9.24%	9.48%	9.10%	9.10%
Total capital expressed as a percentage of total risk weighted exposures	13.40%	12.46%	9.59%	9.31%	9.53%	9.10%	9.10%

The amounts included in this summary have been extracted from the consolidated financial statements of the Banking Group.

The Banking Group adopted the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for the reporting period commencing 1 April 2006. Comparative data for the year ended 31 March 2007 has been restated and presented in accordance with NZ IFRS.

The Banking Group adopted the Basel II "standardised approach" to calculate regulatory capital requirements for the year ended 31 March 2008. Prior comparative periods were calculated under the Basel I methodology.

Contents

Southland Building Society
Income Statements for the six months ended 30 September 2009

All in $000's

	Note	BANKING GROUP Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	PARENT Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Interest income	(4)	86,983	125,111	237,227	76,921	113,345	213,738
Interest expense		8,629	23,229	39,421	7,079	17,400	29,945
Dividends on redeemable shares		49,098	71,929	136,808	49,183	71,993	136,961
	(5)	57,727	95,158	176,229	56,262	89,393	166,906
Net interest income		**29,256**	**29,953**	**60,998**	**20,659**	**23,952**	**46,832**
Other operating income	(4)	9,077	6,197	16,489	3,449	2,332	5,854
Total operating income		**38,333**	**36,150**	**77,487**	**24,108**	**26,284**	**52,686**
Operating expenses	(5)	22,073	21,717	42,922	14,953	15,619	30,198
Provision for credit impairment	(12)	7,007	4,500	12,446	4,099	1,978	7,054
Operating surplus		**9,253**	**9,933**	**22,119**	**5,056**	**8,687**	**15,434**
Add dividends from subsidiaries and associates		-	-	-	558	-	5,624
Add net gain/(loss) from financial instruments designated at fair value	(6)	(333)	(2,736)	(6,022)	(1,952)	(795)	(3,001)
Add revaluation of property	(22)	-	-	60	-	-	-
Less subvention payment		-	-	-	186	147	380
Surplus before income tax		**8,920**	**7,197**	**16,157**	**3,476**	**7,745**	**17,677**
Less income tax expense	(7)	2,663	1,833	4,100	(469)	1,864	4,474
Net surplus		**6,257**	**5,364**	**12,057**	**3,945**	**5,881**	**13,203**
Attributable to:							
Members' interests		5,287	5,078	10,986	3,945	5,881	13,203
Minorities' interests		970	286	1,071	-	-	-
		6,257	**5,364**	**12,057**	**3,945**	**5,881**	**13,203**

Southland Building Society
Statements of Comprehensive Income for the six months ended 30 September 2009

All in $000's

	Note	BANKING GROUP Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	PARENT Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Net surplus for the period		6,257	5,364	12,057	3,945	5,881	13,203
Other comprehensive income							
Net change in property, plant and equipment reserve, net of tax	(22)	-	-	55	-	-	20
Net change in available for sale asset reserve, net of tax	(22)	15	(23)	(53)	(5)	(1)	8
Net change in cash flow hedging reserve, net of tax	(22)	5,691	(4,184)	(11,309)	5,691	(4,184)	(11,309)
Other comprehensive income for the period, net of tax		5,706	(4,207)	(11,307)	5,686	(4,185)	(11,281)
Total comprehensive income for the period		**11,963**	**1,157**	**750**	**9,631**	**1,696**	**1,922**
Attributable to:							
Members' interests		10,990	876	(309)	9,631	1,696	1,922
Minorities' interests		973	281	1,059	-	-	-
		11,963	**1,157**	**750**	**9,631**	**1,696**	**1,922**

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

Southland Building Society
Statements of Changes in Equity for the six months ended 30 September 2009

All in $000's

	Note	BANKING GROUP			PARENT		
		Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Capital reserve							
Balance at beginning of the period		73	73	73	73	73	73
Balance at end of the period		73	73	73	73	73	73
Retained earnings							
Balance at beginning of the period		161,432	150,446	150,446	151,869	138,666	138,666
Net surplus for the period		5,287	5,078	10,986	3,945	5,881	13,203
Balance at end of the period		166,719	155,524	161,432	155,814	144,547	151,869
Revaluation reserve - property, plant and equipment							
Balance at beginning of the period		1,195	1,140	1,140	325	305	305
Other comprehensive income for the period		-	-	55	-	-	20
Balance at end of the period		1,195	1,140	1,195	325	305	325
Revaluation reserve - available for sale assets							
Balance at beginning of the period		(75)	(34)	(34)	5	(3)	(3)
Other comprehensive income for the period		12	(19)	(41)	(5)	(1)	8
Balance at end of the period		(63)	(53)	(75)	-	(4)	5
Revaluation reserve - cash flow hedging							
Balance at beginning of the period		(11,309)	-	-	(11,309)	-	-
Other comprehensive income for the period		5,691	(4,184)	(11,309)	5,691	(4,184)	(11,309)
Balance at end of the period		(5,618)	(4,184)	(11,309)	(5,618)	(4,184)	(11,309)
Total equity attributable to member's interests		**162,306**	**152,500**	**151,316**	**150,594**	**140,737**	**140,963**
Minorities' interests							
Balance at beginning of the period		4,264	3,741	3,741	-	-	-
Net surplus for the period		970	286	1,071	-	-	-
Other comprehensive income for the period		3	(4)	(12)	-	-	-
Dividends		(192)	(346)	(2,228)	-	-	-
Change in capital of minority interests		-	(19)	1,692	-	-	-
Balance at end of the period		5,045	3,658	4,264	-	-	-
Total equity at end of the period		**167,351**	**156,158**	**155,580**	**150,594**	**140,737**	**140,963**
Represented by:							
Equity at beginning of the period		155,580	155,366	155,366	140,963	139,041	139,041
Net surplus for the period		6,257	5,364	12,057	3,945	5,881	13,203
Other comprehensive income for the period		5,706	(4,207)	(11,307)	5,686	(4,185)	(11,281)
Total comprehensive income for the period		11,963	1,157	750	9,631	1,696	1,922
Dividends		(192)	(346)	(2,228)	-	-	-
Change in capital of minority interests		-	(19)	1,692	-	-	-
Total equity at end of the period		**167,351**	**156,158**	**155,580**	**150,594**	**140,737**	**140,963**

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

Southland Building Society
Statements of Financial Position as at 30 September 2009

All in $000's

	Note	BANKING GROUP Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	PARENT Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Assets							
Cash on hand and at bank		12,896	11,013	23,164	6,278	5,644	16,075
Funds with financial institutions	(8)	101,113	42,577	76,777	98,419	39,615	73,773
Investment securities	(9)	2,876	1,918	2,421	404	-	404
Derivative financial instruments	(10)	2,554	731	732	4,036	2,596	3,848
Current tax assets		2,475	3,642	-	2,611	2,796	-
Advances to customers	(11)	2,461,394	2,403,745	2,403,909	2,270,028	2,197,452	2,202,481
Loans to subsidiaries and associates	(15)	-	1,701	-	90,528	80,648	89,385
Investments in subsidiaries	(15)	-	-	-	13,451	9,161	13,451
Investments in associates	(15)	-	1,090	-	-	1,090	-
Other assets	(16)	1,972	2,298	4,924	4,243	2,826	4,007
Property, plant and equipment	(17)	16,078	16,384	15,904	5,472	5,627	5,222
Intangible assets	(18)	2,976	2,665	2,842	1,699	1,138	1,411
Deferred tax	(19)	7,647	2,429	10,504	6,854	1,786	8,425
		2,611,981	**2,490,193**	**2,541,177**	**2,504,023**	**2,350,379**	**2,418,482**
Liabilities							
Redeemable shares	(24)	1,924,641	1,746,179	1,851,828	1,927,942	1,747,762	1,854,755
Deposits from customers	(24)	249,275	188,744	234,475	249,275	188,744	234,475
Deposits from financial institutions	(24)	18,002	20,005	17,002	18,002	20,005	17,002
Derivative financial instruments	(10)	23,625	11,913	34,500	23,678	11,920	34,510
Current tax liabilities		-	-	1,057	-	-	1,755
Other borrowings		146,993	348,192	173,811	61,164	227,705	68,958
Other liabilities	(20)	25,486	19,002	30,698	16,760	13,506	23,838
Subordinated redeemable shares	(21)	56,608	-	42,226	56,608	-	42,226
		2,444,630	**2,334,035**	**2,385,597**	**2,353,429**	**2,209,642**	**2,277,519**
Net assets		**167,351**	**156,158**	**155,580**	**150,594**	**140,737**	**140,963**
Equity							
Reserves		(4,413)	(3,024)	(10,116)	(5,220)	(3,810)	(10,906)
Retained earnings		166,719	155,524	161,432	155,814	144,547	151,869
Attributable to members of the society		162,306	152,500	151,316	150,594	140,737	140,963
Attributable to minority shareholders		5,045	3,658	4,264	-	-	-
	(22)	**167,351**	**156,158**	**155,580**	**150,594**	**140,737**	**140,963**

For and on behalf of the Board of Directors:

Chairman
JWA Smith

Deputy Chairman
JF Ward

15 December 2009

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

Southland Building Society
Cash Flow Statements for the six months ended 30 September 2009

All in $000's

	Note	BANKING GROUP			PARENT		
		Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Cash flows from operating activities							
Interest received		87,501	124,039	237,524	78,312	113,748	217,127
Fees and other income		10,630	8,991	18,604	4,439	2,367	4,019
Dividends received		-	-	-	558	889	1,196
Interest paid		(8,577)	(23,514)	(39,918)	(7,027)	(16,985)	(29,742)
Dividends paid on redeemable shares		(52,817)	(60,864)	(130,448)	(52,906)	(60,924)	(130,584)
Operating expenses		(22,875)	(20,645)	(42,302)	(20,986)	(13,950)	(28,113)
Income taxes paid		(5,788)	(1,251)	(3,851)	(4,769)	(1,189)	(2,833)
Net cash flows from operating activities before changes in operating assets and liabilities		8,074	26,756	39,609	(2,379)	23,956	31,070
Net changes in operating assets and liabilities							
Net increase in advances		(70,524)	(65,981)	(64,525)	(78,459)	(81,959)	(206,476)
Net proceeds from securitised advances		-	-	-	-	-	123,104
Net increase in investment securities		(443)	-	(516)	-	-	(404)
Net increase in shares and deposits from customers		91,455	97,126	253,744	91,833	97,449	255,398
Net increase/(decrease) in deposits from financial institutions		1,000	(50,427)	(53,427)	1,000	(50,427)	(53,427)
Net increase/(decrease) in other borrowings		(26,818)	946	(173,435)	(7,794)	17,241	(141,506)
Net increase/(decrease) in subordinated redeemable shares		14,207	-	41,902	14,207	-	41,902
Net increase/(decrease) in cash held on behalf of Lifestages Mortgage Portfolio		(1,091)	(4,625)	4,908	(1,091)	(4,625)	4,908
Net cash flows provided by/(used in) operating activities	(23)	**15,860**	**3,795**	**48,260**	**17,317**	**1,635**	**54,569**
Cash flows from investing activities							
Sale of property, plant and equipment		84	50	62	65	43	43
Purchase of property, plant and equipment		(839)	(599)	(882)	(701)	(567)	(809)
Purchase of intangible assets		(645)	(568)	(1,311)	(636)	(459)	(1,068)
Net increase in loans to subsidiaries and associates		-	(288)	1,413	(1,143)	1,963	(6,774)
Investment in associates		-	-	1,000	-	-	1,000
Net cash flows provided by/(used in) investing activities		**(1,400)**	**(1,405)**	**282**	**(2,415)**	**980**	**(7,608)**
Cash flows from financing activities							
Dividends paid to minority interests		(306)	(346)	(406)	-	-	-
Repayment of minority interests share capital		-	(19)	(18)	-	-	-
Net cash flows provided by/(used in) financing activities		**(306)**	**(365)**	**(424)**	**-**	**-**	**-**
Net (decrease)/increase in cash held		14,154	2,025	48,118	14,902	2,615	46,961
Add opening cash and cash equivalents		99,426	51,308	51,308	89,375	42,414	42,414
Closing cash and cash equivalents		**113,580**	**53,333**	**99,426**	**104,277**	**45,029**	**89,375**
Reconciliation of cash and cash equivalents							
Cash on hand and at bank		12,896	11,013	23,164	6,278	5,644	16,075
Funds with financial institutions	(8)	101,113	42,577	76,777	98,419	39,615	73,773
Interest accrued on available for sale assets		(429)	(263)	(508)	(420)	(236)	(466)
Net decrease in fair value of available for sale assets		-	6	(7)	-	6	(7)
		113,580	**53,333**	**99,426**	**104,277**	**45,029**	**89,375**

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

1. Statement of Accounting Policies

(a) Basis of Preparation

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 consolidated financial statements presented here are for the reporting entity of the Banking Group comprising SBS and its subsidiaries.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and under New Zealand Generally Accepted Accounting Practice ("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-orientated entities and the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008. The financial statements also comply with International Financial Reporting Standards.

These financial statements were authorised for issue by the Board of Directors on 15 December 2009.

(b) Presentation Currency and Rounding

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

(c) Standards Issued But Not Yet Effective

The following new standards and amendments to standards relevant to the Banking Group are not yet effective and have not yet been applied in preparing the financial statements. Adoption of these standards will not have any impact on the Banking Group's reported profit or financial position.

- NZ IAS 34 *Interim Financial Reporting - Scope* will apply to the Banking Group from 1 April 2010.
- NZ IAS 39 *Amendment - Eligible Hedged Items* will apply to the Banking Group from 1 April 2010.

(d) Measurement Base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts except that the following assets and liabilities are stated at their fair value: derivative financial instruments, certain financial assets and liabilities designated at fair value through profit and loss or as available for sale, and the revaluation of certain non-current assets.

(e) Accounting Estimates

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates. For further discussion on judgements and estimates made by the Banking Group, in the process of applying its accounting policies, that have the most effect on the amounts recognised in the financial statements refer to Note 2 - Critical Estimates and Judgements Used in Applying Accounting Policies.

(f) Consolidation

The Banking Group financial statements consolidate SBS and the following entities:

- Fraser Properties Limited (wholly owned subsidiary) - owns the Southland Building Society's Head Office Building;
- Southsure Assurance Limited (80% owned subsidiary) - life insurance and related products;
- Finance Now Limited (71.5% owned subsidiary) - consumer credit and insurance services;
- Funds Administration New Zealand Limited (57% owned subsidiary) - funds management products and financial advisory services;
- SBS Invercargill W Trust (in substance subsidiary) - special purpose vehicle holding securitised loans purchased from SBS;
- SBS Oreti Trust No 1 (in substance subsidiary) - special purpose vehicle holding securitised loans purchased from SBS; and
- SBS Oreti Trust No 2 (in substance subsidiary) - special purpose vehicle holding securitised loans purchased from SBS

1. Statement of Accounting Policies (continued)

(f) Consolidation (continued)

Subsidiaries

Control means the power to govern, directly or indirectly, decision making in relation to the financial and operating policies of an entity so as to obtain benefits from its activities.

Where subsidiaries have been sold or acquired during the year, their operating results have been included to the date control ceases or from the date control is transferred to the Banking Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the cost of acquisiton over the fair value of the Banking Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Banking Group's share of net assets of the subsidiairy acquired, the difference is recognised directly in the income statement.

On consolidation, all significant inter-company transactions, balances and unrealised gains on transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the parent, SBS.

Associates

Associates are entities over which SBS exerts significant influence but does not exercise control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Associates are accounted for under the equity method of accounting.

Special Purpose Entites

SBS may invest in or establish special purpose entities to enable it to undertake specific types of transactions such as securitisation. Where SBS controls such vehicles, they are consolidated into the Banking Group's financial results.

(g) Revenue and Expense Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Banking Group and that revenue can be reliably measured. Expenses are recognised in the income statement on an accruals basis.

(h) Interest Income and Interest Expense

Interest income and interest expense (including dividends on redeemable and subordinated redeemable shares), for all instruments measured at amortised cost are recognised in the income statement as they accrue, using the effective interest method. Interest income and interest expense for all instruments measured at fair value are recognised in the income statement on a daily accrual basis.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense evenly in proportion to the amount outstanding over the expected life of the financial asset or liability.

Loan commitment fees are deferred and recognised as an adjustment to the effective interest on the loan once drawn or immediately to the income statement for expired commitments.

Fees and commissions payable to brokers in respect of originating lending business, where these are direct and incremental costs related to the issue of a financial instrument, are included in interest income as part of the effective interest rate.

(i) Fee and Commission Income

Fee and commission income integral to the effective yield of a financial asset or liability for all instruments measured at amortised cost are recognised as an adjustment to the effective interest calculation and included in net interest income.

Fee and commission income which relates to the execution of a significant act, for example maintaining and administering existing facilities is recognised at the time the services are provided and is recognised as income no later than when the loan is disbursed or the commitment to lend expires.

(j) Net Gain/(Loss) from Financial Instruments Designated at Fair Value

Net gains/(losses) on financial instruments designated at fair value comprises fair value gains and losses from financial instruments designated at fair value through profit or loss.

Interest income and interest expense on all financial instruments designated at fair value through profit or loss are reported within interest income or interest expense and not included in the fair value of these instruments.

Provision for credit impairment on all financial instruments designated at fair value through profit or loss are reported within provision for credit impairment and not included in the fair value of these instruments.

1. Statement of Accounting Policies (continued)

(k) Offsetting of Income and Expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where amounts are collected on behalf of third parties where the Banking Group is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Banking Group is reimbursed.

(l) Recognition and Derecognition of Financial Assets and Financial Liabilities

The Banking Group recognises a financial asset or liability on its statement of financial position when, and only when, the Banking Group becomes a party to the contractual provisions of the financial asset or liability.

The Banking Group derecognises a financial asset from its statement of financial position when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Banking Group has transferred all or substantially all of the risks and rewards of ownership of the financial asset and no longer controls the asset. The Banking Group derecognises a financial liability from its statement of financial position, when and only when, it is extinguished.

(m) Fair Value Measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets, or by using valuation techniques. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value and subsequently at valuation.

Valuation techniques include the discounted cash flow method and comparison to similar instruments for which market observable prices exist. The Banking Group uses widely recognised valuation models however some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering a transaction. Valuation adjustments are recorded to allow for liquidity risks as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments at fair value on the statement of financial position.

(n) Financial Instruments

The Banking Group classifies its financial instruments into the following categories at initial recognition: Financial assets at fair value through profit or loss, available for sale financial assets, loans and receivables, held to maturity financial assets, financial liabilities at fair value through profit or loss and other financial liabilities. Designation of financial assets and liabilities into instrument categories is determined by the business purpose of the financial instruments, policies and practices for their management, their relationship with other instruments and the reporting costs and benefits associated with each designation.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets acquired principally for the purpose of selling in the short term (held for trading), financial assets designated as fair value through profit or loss (FVTPL), and derivative financial instruments which are not designated as a cash flow hedge.

The Banking Group may designate financial assets at fair value through profit or loss when doing so significantly reduces measurement or recognition inconsistencies (accounting mismatch) that would arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. Under this criterion the Banking Group has designated certain advances to customers as fair value through profit or loss. Where derivative financial instruments have been transacted to risk manage these, an accounting inconsistency would arise if such advances were accounted on an amortised cost basis, as the derivatives are measured at fair value with movements in fair value recognised in the income statement. By designating these advances at fair value through profit or loss, fair value movements on the instrument will substantially offset the fair value movements on risk management derivatives in the income statement.

Other financial assets may be classified at fair value through profit or loss where they are part of a group of financial assets that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

Once a financial asset has been designated at fair value through profit or loss upon initial recognition, the Banking Group cannot subsequently change the designation. Financial assets at fair value through profit or loss are measured at fair value with realised and unrealised gains and losses included in the income statement. Assets classified in this category include certain advances to customers, certain investment securities, and derivative financial assets.

1. Statement of Accounting Policies (continued)

(n) Financial Instruments (continued)

Available for Sale Financial Assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. The Banking Group may designate financial assets as available for sale when they may be sold prior to maturity in response to needs for liquidity or due to changes in interest rates.

Available for sale financial assets are initially recognised at fair value plus transaction costs that are directly attributable to acquisition and are subsequently carried at fair value. Gains and losses (not attributable to accrued interest) arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Assets classified in this category include certain funds with financial institutions.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not available for sale, and not designated as fair value through profit or loss. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

Assets classified in this category include cash on hand and at bank, investment securities which are not managed on a fair value basis, advances to customers other than those classified at fair value through profit or loss, and loans to subsidiaries and associates.

Held to Maturity Financial Assets

Held to maturity financial assets are non-derivative financial assets where management has the intention and ability to hold to maturity. Held to maturity financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at amortised cost. The Banking Group has not classified any financial assets as held to maturity.

Other Financial Liabilities

Other financial liabilities includes all financial liabilities other than those classified at fair value through profit or loss. Other financial liabilities are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at amortised cost. Liabilities classified in this category include redeemable shares, deposits from customers, deposits from other financial institutions, current tax liabilities and subordinated redeemable shares.

(o) Derivative Financial Instruments held for Risk Management Purposes

Derivative financial instruments are contracts whose value is derived from changes in one or more underlying financial instruments or indices. They include swaps, options and combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Banking Group designates certain derivatives as hedges of highly probable future cashflows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Banking Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Banking Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective on offsetting changes in cash flows of hedged items.

Cash Flow Hedge

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the cash flow hedging reserve. The ineffective portion of a fair value gain or loss is recognised immediately in the income statement. When the transaction or item that the derivative is hedging (including cash flows from the transaction that were forecast when the derivative was effected) affects the income or expense then the associated gain or loss on the hedging derivative is simultaneously transfered from the cash flow hedging reserve to the corresponding income or expenses item in the income statement.

When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Banking Group elects to revoke the hedge designation, the cumulative gain or loss on the hedging derivative remains in the cash flow hedging reserve until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in the cash flow hedging reserve is immediately transferred to the income statement.

Derivative Financial Instruments at Fair Value through Profit or Loss

Certain derivative financial instruments that do not meet the criteria for hedge accounting under NZ IAS 39 are classified as at fair value through profit or loss. Changes in the fair value are reflected in the income statement immediately

The movement in the fair value of derivative financial instruments is included in the income statement as ‘net gain/(loss) from financial instruments designated at fair value’.

1. Statement of Accounting Policies (continued)

(p) Asset Quality

Credit Assessment

All advances and loans are subject to regular scrutiny of credit risk.

The Banking Group has classified its impaired assets into the following categories:

Impaired assets

Impaired assets are credit exposures where a credit event has occurred and for which it is probable the Banking Group will not be able to collect all amounts owing in terms of the contract and includes:

- advances and loans that are not contractually past due but where there is insufficient security to cover principal outstanding;
- advances and loans which are past due with insufficient security to cover principal and arrears of interest;
- restructured advances and loans where the interest rate charged is below that of the Banking Group's average cost of funds.

An individual provision is raised to cover the expected loss, where full recovery is doubtful.

Restructured assets

Restructured assets are defined as advances and loans on which the original contractual terms have been concessionally modified due to the financial difficulties of borrowers, and on which interest continues to be accrued at a rate which is equal to or greater than the Banking Group’s average cost of funds at the date of restructuring.

Real estate or other assets acquired through security enforcement

Real estate or other assets acquired through security enforcement are those assets which are legally owned by the Banking Group as a result of enforcing security.

Past due assets

Advances and loans are designated as past due assets where a counterparty has failed to make a payment when contractually due and which are not impaired assets.

(q) Impairment of Financial Assets

Advances and loans are regularly reviewed for impairment loss. Credit impairment provisions are raised for exposures that are known to be impaired. Advances and loans are impaired and impairment losses incurred if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the advance or loan and that loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the individual advance or loan or the collective portfolio of advances and loans.

Impairment is assessed initially for assets that are individually significant (or on a portfolio basis for small value loans), and then on a collective basis for those exposures not individually known to be impaired.

For those exposures that are assessed collectively, these are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characterisitics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The estimated individual impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value at the original effective interest rate. As this discount unwinds during the period between recognition of impairment and recovery of the written down amount, it is recognised in the income statement. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The provision for credit impairment (individual and collective) is deducted from advances and loans in the statement of financial position and the movement in the provision for the reporting period is reflected in the income statement as 'provision for credit impairment'.

When an advance or loan is uncollectible, it is written-off against the related provision for impairment. Subsequent recoveries of amounts previously written-off are taken to the income statement.

Where impairment losses recognised in previous periods are subsequently decreased or no longer exist, such impairments are reversed in the income statement.

(r) Property Plant and Equipment

Asset Recognition

Land and buildings are initially recognised at cost and are subsequently valued by independent registered valuers. Land and buildings are carried at the revalued amount less accumulated depreciation and impairment losses. Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of internally developed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

1. Statement of Accounting Policies (continued)

(r) Property Plant and Equipment (continued)

Revaluation

Land and buildings are carried at the revalued amount which is the market value at the date of the revaluation less any subsequent accumulated depreciation of buildings and accumulated impairment losses.

Where the land and building is revalued, any revaluation surplus net of tax is credited to the asset revaluation reserve included in equity unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to a particular asset being disposed is transferred to retained earnings.

Valuations of land and buildings are carried out annually, at market value.

Depreciation

Depreciation is provided in the financial statements on all property, plant and equipment other than land, on a basis which will write down the net cost or revalued amount of each item of property, plant and equipment over its expected useful life on a straight line basis.

The estimated useful lives are:

	Useful Life
Buildings	50 years
Building Alterations	3 - 11 years
Computer Equipment	2 - 5 years
Other Assets	2 - 5 years

At each reporting date, the carrying amounts of property, plant and equipment are reviewed for indications of impairment in light of commercial and technological developments. If any such indication exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the assets' existing carrying value exceeds its recoverable amount the difference is charged to the income statement. An impairment loss recognised in prior periods may be reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

(s) Intangible Assets

Goodwill

Goodwill arising on the acquisition of subsidiary shares represents the excess of the cost of acquisition over the fair value of the Banking Group's share of the net identifiable assets acquired, at the date of acquistion. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Software

Software comprises acquired and internally developed computer software and is amortised over its expected useful life to the Banking Group. The period of amortisation is between 1 and 3 years. At each reporting date, the software assets are reviewed for impairment against impairment indicators. If any indication of impairment exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

(t) Redeemable Shares, Deposits and Subordinated Redeemable Shares

Redeemable shares, deposits and subordinated redeemable shares are recorded in the statement of financial position inclusive of accrued interest. Redeemable shares and subordinated redeemable shares are considered to be compound instruments. Interest income on deposits and dividends on redeemable and subordinated redeemable shares are recorded in the income statement on an accruals basis using the effective interest method.

(u) Operating Leases

Leases as lessee

The leases entered in to by the Banking Group are primarily operating leases. Operating leases are recognised as an expense on a systematic basis over the lease term.

Leases as lessor

Operating lease rentals are included in the Income Statement on a systematic basis over the lease term. Gross operating lease income comprises amounts received under the lease contracts. Operating lease assets are stated at market value and are included as property, plant and equipment.

1. Statement of Accounting Policies (continued)

(v) Income Tax

Income Tax Expense

Income tax on profits for the year comprises current and deferred tax. It is recognised in the income statement as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity.

Current Tax

Current tax is the expected tax payable on taxable income for the year, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the balance sheet method. Deferred tax arises by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the Banking Group, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority and there is a legal right and intention to settle on a net basis and it is allowed under tax law.

(w) Employee Benefits

The amounts expected to be paid in respect of employee's entitlements to annual leave are accrued at expected salary rates. Liability for long service leave is calculated and accrued for in respect of all applicable employees using an actuarial valuation.

(x) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') except where the amount of GST incurred is not recoverable from the Inland Revenue Department ('IRD'). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as 'other assets' or 'other liabilities' in the statement of financial position.

Cash flows are included in the cash flow statement on a net basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the IRD are classified as operating cash flows.

(y) Offsetting of Assets and Liabilities

Assets and liabilites are offset and the net amount reported in the statement of financial position only where:

- There is a current enforceable legal right to offset the asset and liability; and
- There is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(z) Contingent Liabilities

Liabilities are no longer contingent, and are recognised on the statement of financial position, when the following requirements are met:

- The transaction is probable in that a contingency is likely to occur; and
- The contingency can be reasonably estimated.

Further disclosure is made within Note 25 - Contingent Liabilities and Credit Related Commitments, where the above requirements are not met but there is a possible obligation that is higher than remote. Specific details are provided together with an estimate of the range or a statement that such an estimate is not possible.

1. Statement of Accounting Policies (continued)

(aa) Statement of Cash Flows

Basis of Preparation

The statement of cash flows has been prepared using the direct approach modified by the netting of certain items as disclosed below.

Cash and Cash Equivalents

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day to day cash management of the Banking Group, which are unconditionally convertible at the Banking Group's option within three months.

Netting of Cash Flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Banking Group. These include customer loans and advances, customer shares and deposits and parent company funding.

(ab) Ranking of Securities

Deposits rank equally amongst themselves and equally with other unsecured creditors and behind creditors given priority by law. Redeemable shares rank equally amongst themselves and behind deposits, unsecured creditors and those creditors given priority by law. Subordinated redeemable shares rank equally amongst themselves and behind redeemable shares, deposits, unsecured creditors and those creditors given priority by law.

(ac) Lifestages Superannuation Scheme

SBS has entered into a trust deed made between SBS and Trustees Executors Limited as Trustee of a registered superannuation scheme known as the Lifestages Superannuation Scheme (previously known as Lifestages Capital Stable Portfolio). Under a Deed of Novation dated 31 March 2007, SBS novated its rights and obligations under this Trust Deed to Funds Administration New Zealand Limited (FANZ). From this date, FANZ is the founder and promoter of the Lifestages Superannuation Scheme. SBS accepts investments made through SBS's branch network. The fixed interest portion of the Lifestages Superannuation Scheme is invested with or managed by SBS who unconditionally guarantees the capital invested in it providing the investment is maintained for at least three years. Under a Deed of Amendment and Restatement of Guarantee dated 31 March 2007, this guarantee is now only applicable to members who joined the registered superannuation scheme before 31 May 2007.

The liability of SBS under the guarantee has not been taken over by FANZ under the Deed of Novation and SBS remains liable under this guarantee. A minimum of 80% of the funds invested in the Lifestages Superannuation Scheme are invested with or managed by SBS. The Lifestages Superannuation Scheme funds that are invested with SBS are included in the statement of financial position as deposits. FANZ is the Investment and Administration Manager of the Lifestages Superanuation Scheme.

(ad) Lifestages Portfolio Funds

FANZ has entered into a trust deed made between FANZ and Trustee Executors Limited as Trustee of five unit trusts registered under the Unit Trusts Act 1960, known as Lifestages Mortgage Portfolio (Distributing), Lifestages Income Portfolio (previously known as the Lifestages Mortgage Non-Distributing Portfolio), Lifestages Australasian Equity Portfolio, Lifestages World Equity Portfolio and the Lifestages Deposit Portfolio. FANZ is the issuer and manager of the above Portfolios. In addition, FANZ acts as Investment and Administration Manager with respect to the Lifestages Superannuation Scheme under an agreement entered into between Trustee Executors (as trustee and issuer), FANZ and SBS.

The fixed interest portion (2.5% to 10% of the portfolio) and the mortgage portfolio of the Lifestages Mortgage Portfolios are invested with or managed by SBS. The fixed interest portion (2.5% to 10% of the portfolio) of the Lifestages Australasian Equity Portfolio and Lifestages World Equity Portfolio are invested with or managed by SBS. The majority of the cash in the Lifestages Deposit Portfolio is invested with SBS.

The Lifestages Portfolio Funds that are invested with SBS are included in the statement of financial position as deposits.

(ae) Lifestages KiwiSaver Scheme

The Lifestages KiwiSaver Scheme was establised by the Trust Deed on 1 June 2007 and is a registered KiwiSaver scheme under the KiwiSaver Act 2006. Funds Administration New Zealand Limited is the "sponsor" of the scheme and has also been appointed as its administration and investment manager.

The fixed interest portion of the investments of this scheme are invested with or managed by SBS. The Lifestages KiwiSaver Scheme funds that are invested with SBS are included in the statement of financial position as deposits.

1. Statement of Accounting Policies (continued)

(af) Loan Securitisation

SBS sells its interest in certain loans to a unit trust known as the Lifestages Mortgage Portfolio by way of an equitable assignment. At the time of the sale all legal, equitable and certain beneficial interests in the mortgages are transferred to the purchaser. SBS has agreed from time to time to repurchase loans in order to facilitate liquidity in the Lifestages Mortgage Portfolio at the request of the Trustee. Securitised assets are recognised in the Parent and Banking Group statement of financial position.

SBS receives from the investment manager (Funds Administration New Zealand Limited – a 57% owned subsidiary) an ongoing fee for the management and administration of loans assigned to the Lifestages Mortgage Portfolio. This fee is recognised when earned.

SBS also sells its interest in certain loans (principally housing mortgage loans) to a trust known as the SBS Invercargill W Trust by way of an equitable assignment. At the time of the sale all legal, equitable and beneficial interests in the mortgages are transferred to the purchaser. SBS consolidates the financial statements of SBS Invercargill W Trust within the Parent on the basis that SBS retains some of the risks and rewards of ownership through the provision of a subordinated loan. The subordinated loan has been in place since September 2007 and removes the need to purchase lenders mortgage insurance on loans assigned to the Trust.

The SBS Invercargill W Trust sells its interest in certain loans (principally housing mortgage loans) to a trust known as the SBS Oreti Trust No.1 by way of an equitable assignment. At the time of the sale all legal, equitable and beneficial interests in the mortgages are transferred to the purchaser. These securitised assets are not included in advances in the Parent statement of financial position.

The SBS Invercargill W Trust also sells its interest in certain loans (principally housing mortgage loans) to a trust known as the SBS Oreti Trust No.2 by way of an equitable assignment. At the time of the sale all legal, equitable and beneficial interests in the mortgages are transferred to the purchaser. The SBS Oreti Trust No.2 issues residential mortgage backed securities that qualify as acceptable collateral under the RBNZ liquidity management arrangements. SBS consolidates the financial statements of the SBS Oreti Trust No.2 within the Parent on the basis that SBS retains a continuing involvement in the transferred assets by holding the securities issued by the trust.

SBS is the manager and servicer of mortgages assigned to the SBS Invercargill W Trust, the SBS Oreti Trust No.1, and the SBS Oreti Trust No.2. SBS receives a fee for providing these management services. This fee is recognised when earned.

(ag) Changes in Accounting Policies

During the period ended 30 September 2009, the Banking Group has changed the method of calculating depreciation on property, plant and equipment other than land from the diminishing value method to the stratight line method. The straight line method results in a constant charge over the useful life of the asset. This change, in accordance with NZ IAS 16, was implemented to align the method of calculating depreciation on property, plant and equipment other than land with internal processes and more accurately reflect the future economic benefits of these assets. The adoption of the straight line method is a change in an accounting estimate and does not have a material effect on the financial statements of the Banking Group. In accordance with NZ IAS 8, the full adjustment in relation to this change has been recongnised through depreciation expense and accumulated depreciation in the current financial period with no prior year adjustments made.

There have been no other changes in accounting policies and all other accounting policies adopted are consistent with those used in previous periods.

2. Critical Estimates and Judgements Used in Applying Accounting Policies

These financial statements are 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 in the financial statements. 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 below.

Credit Loss Provisioning

Provisions are raised for losses on exposures that are known to be impaired. The estimates of the cash flows on impaired exposures are then discounted to their present value. As this discount unwinds, there is a resulting recognition of a reduced specific provision and interest in the income statement during the period between recognition of impairment and recovery of the written down amount.

Exposures found not to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred, but not yet identified. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data. This may include data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Banking Group.

At 30 September 2009 the Banking Group's total provision for credit impairment was $11.53 million (September 2008 $7.92 million; March 2009 $12.80 million) representing 0.5% of total net loans and advances (September 2008 0.3%; March 2009 0.5%). The provisions represent provisions against individual loans and collective provisions.

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of credit provision and credit impairment charge recorded in the financial statements.

2. Critical Estimates and Judgements Used in Applying Accounting Policies (continued)

Fair Value of Derivatives

The Banking Group enters derivative agreements to hedge its interest rate risk, credit risk and other exposures relating to non-trading positions. The derivative instruments used to hedge the Banking Group's exposures include:
• swaps
• options, and
• combinations of the above instruments.

The Banking Group enters into derivatives for risk management purposes.

Derivatives which are entered into as part of the Banking Group's interest rate risk management strategies are measured at fair value, with any changes in fair value recognised in the income statement. The fair value of all derivatives are based on quoted market prices.

Hedge Accounting

A hedging instrument is a designated derivative, the changes in fair value or cash flows of which are expected to offset changes in the fair value or cash flows of a designated hedged item. A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that exposes the Banking Group to risk of changes in fair value or cash flows, and that is designated as being hedged. The Banking Group hedges a portion of its floating rate risk in the funding book.

For a relationship to qualify for hedge accounting, a number of criteria must be met including:
• the hedging relationship must be formally designated and documented at inception of the hedge;
• effectiveness testing must be carried out to ensure the hedge is effective consistent with the originally documented risk management strategy; and
• the instruments must involve a party external to the Banking Group

Judgement is required by management in selecting and designating hedging relationships and assessing hedge effectiveness. NZ IAS 39 does not specify a single method for assessing hedge effectiveness. The Banking Group adopts the hypothetical derivative approach to determine hedge effectiveness. Hedge ineffectiveness can arise for a number of reasons, and whilst a hedge may pass the effectiveness tests it may not be perfectly effective, thus creating volatility within the income statement through recognition of this ineffectiveness.

Loans and Advances

Certain loans and advances, for which there is an accounting mismatch at origination between the loans and advances and associated derivatives used for risk management, are measured at fair value, with any changes in fair value recognised in the income statement. Fair value is based on valuation techniques including the use of a discounted cash flow model based on wholesale rates adjusted with a retail lending margin. To the extent possible the model uses only observable data. Changes in assumptions used in these models and projections of future cash flows could affect the reported fair value of loans and advances.

Securitisation and Special Purpose Entities

The Banking Group sponsors the formation of special purpose entities (SPEs) primarily for the purpose of allowing clients to hold investments and for asset securitisation transactions. The Banking Group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Banking Group controls an SPE, it makes judgments about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In many instances, elements are present that considered in isolation indicate control or lack of control over an SPE, but when considered together make it difficult to reach a clear conclusion. In such cases, the SPE is consolidated.

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 it's 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.

Role of the Board and the Audit and Risk Committee

The Board has responsibility for reviewing all aspects of risk management. The Board receives comprehensive monthly reporting covering each area of risk management as outlined below. In addition SBS has specific policies in relation to liquidity and capital management which contain trigger points at which Board involvement is required. The lending committee is made up of the full Board and is responsible for reviewing and approving all lending proposals in excess of $1 million.

The Audit and Risk Committee which is a sub committee of the Board is charged with the responsibility of:

● overseeing the quality of financial information presented to the Board;
● the effectiveness and integrity of the internal control environment;
● SBS's compliance with regulatory requirements that impact on the business; and
● the external and internal audit functions.

The Committee consists of four directors. In addition the Chief Executive Officer, GM Finance and Operational Risk Manager are in attendance at meetings. The Audit and Risk Committee meets at least four times a year, and reports directly to the Board.

3. Risk Management Policies (continued)

Internal Audit

SBS' 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 no reporting line to SBS management. The function reports directly to the chairman of the Audit and Risk Committee. The internal audit function has been carried out by the Dunedin based firm of Chartered Accountants, Deloitte. In performing this role, the internal audit function adopts a risk-based approach, encompassing reviews of the major risks that could impact upon SBS. Significant findings are reported quarterly to the Audit and Risk Committee.

An audit plan is prepared annually covering each business area of SBS, with greater emphasis placed on those areas with perceived higher risk. The plan is endorsed by the Audit and Risk Committee.

Asset and Liability Committee (ALCO)

The ALCO is made up of members of the senior management team and treasury function. Up to two non-executive directors may also form part of this committee. The ALCO has responsibility for:

- reviewing SBS past performance with respect to asset and liability growth, yields, cost of funds, interest rate risk management and net interest margin;
- monitoring the interest rate risk position, liquidity, maturity, funding and credit position, financial investments portfolio, and financial performance;
- reviewing the current and recommended future hedging positions and risk profiles within risk control limits;
- monitoring interest rate pricing levels and interest margin levels for all assets and funding products;
- considering and evaluating the sensitivity of particular asset and liability classes to changes in market interest rates and yield curve shape;
- reviewing the liquidity position, investment and funding activity and making recommendations on future action;
- reviewing the funding strategy and funding risk mitigation;
- considering the level of capital employed, capital adequacy levels and the risk weighting of statement of financial position items; and
- reviewing SBS' credit risk position, credit policy and monitoring credit risk trends.

The ALCO usually meets at least twice a month, and reports directly to the Board.

Specific Areas of Risk Management

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 at a retail level is managed by the branch retail network and lending committee and 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 debt management team which is responsible for the collections and recovery process. At a wholesale level 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.

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.

Business units have primary responsibility for the identification and management of operational risk. Regular measurement, monitoring and reporting of operational risk is managed by the Audit and Risk Committee with summarised reporting provided to the Board.

All in $000's

4. Income

	BANKING GROUP Unaudited 30/09/2009	BANKING GROUP Unaudited 30/09/2008	BANKING GROUP Audited 31/03/2009	PARENT Unaudited 30/09/2009	PARENT Unaudited 30/09/2008	PARENT Audited 31/03/2009
Interest income						
Cash at bank	359	595	992	187	231	412
Funds with financial institutions - available for sale	1,562	1,136	4,067	1,506	1,011	3,854
Investment Securities - available for sale	10	15	43	-	-	-
Investment securities - designated at fair value through profit or loss	42	36	70	-	-	-
Derivative financial instruments	(14,640)	4,982	402	(12,593)	4,595	1,117
Advances to customers - at amortised cost	85,183	87,880	182,448	69,435	73,234	153,367
Advances to customers - designated at fair value through profit or loss	14,467	30,402	49,129	13,934	30,402	46,808
Loans to subsidiaries and associates	-	65	76	4,452	3,872	8,180
Total interest income	**86,983**	**125,111**	**237,227**	**76,921**	**113,345**	**213,738**
Other operating income						
Loan fees	1,363	66	2,990	1,623	179	3,216
Management fees	1,615	1,278	2,816	661	300	712
Other fee and commission income	2,850	2,434	5,122	932	822	1,732
Net insurance income	2,336	1,997	3,895	-	-	-
Dividends	-	-	-	-	889	-
Gain on sale of shares	8	-	-	-	-	-
Sundry income	905	422	1,666	233	142	194
Total other operating income	**9,077**	**6,197**	**16,489**	**3,449**	**2,332**	**5,854**

5. Expenses

	BANKING GROUP Unaudited 30/09/2009	BANKING GROUP Unaudited 30/09/2008	BANKING GROUP Audited 31/03/2009	PARENT Unaudited 30/09/2009	PARENT Unaudited 30/09/2008	PARENT Audited 31/03/2009
Interest expense						
Redeemable shares	47,228	71,928	136,482	47,228	71,928	136,482
Deposits from customers	5,202	6,812	13,688	5,202	6,812	13,688
Other financial institutions	61	811	855	61	811	855
Subsidiary companies	-	-	-	85	66	156
Other borrowings	3,365	15,607	24,879	1,815	9,776	15,400
Subordinated redeemable shares	1,871	-	325	1,871	-	325
Total interest expense	**57,727**	**95,158**	**176,229**	**56,262**	**89,393**	**166,906**
Other operating expenses						
Auditor's remuneration	215	211	345	177	168	271
Computer expenses	846	807	1,633	628	579	1,157
Fees and commissions	211	180	313	1	3	3
Fees to directors *	265	349	634	242	320	571
Marketing	2,324	2,694	4,632	1,551	2,209	3,604
Personnel	11,372	10,820	21,050	7,770	7,716	14,806
Actuarial life adjustment	357	8	157	-	-	-
Amortisation and depreciation	1,090	1,315	2,755	730	882	1,871
Rent and leases	1,098	1,076	2,045	1,078	1,053	2,035
Write off of property, plant and equipment	6	5	15	5	-	10
Loss on sale of shares	-	-	90	-	-	90
Other expenses	4,289	4,252	9,253	2,771	2,689	5,780
Total other operating expenses	**22,073**	**21,717**	**42,922**	**14,953**	**15,619**	**30,198**

*The provision for directors retiring allowance increased by $38,000 this period (September 2008 decrease of $146,000, March 2009 decrease of $108,000).

All in $000's

5. Expenses (continued)

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Amounts received, or due and receivable by the auditors:						
KPMG auditing the financial statements	154	195	315	116	155	244
KPMG other assurance services *	61	16	30	61	13	27
	215	**211**	**345**	**177**	**168**	**271**

* Other assurance services includes trust deed reporting and other accounting related assistance.

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Amounts received, or due and receivable by directors:						
JWA Smith (Chairman)	52	52	106	52	52	106
MH Piper (retired July 2008)[1]	-	139	139	-	137	137
WH Conway (retired July 2008)[1]	-	142	148	-	135	135
JF Ward (Deputy Chairman)	33	26	61	30	23	55
KJ Ball	29	26	55	29	26	55
JB Walker	32	32	66	21	21	41
GJ Mulvey	26	26	54	23	23	47
GJ Diack	29	26	60	23	23	50
JJ Grant	26	26	53	26	26	53
RL Smith[2]	-	-	-	-	-	-
	227	**495**	**742**	**204**	**466**	**679**
Provision for directors retiring allowance	38	(146)	(108)	38	(146)	(108)
	265	**349**	**634**	**242**	**320**	**571**

Fees to directors' include chairman fees, travel and other allowances.

[1] Includes directors retiring allowance
[2] RL Smith is an executive director and received no directors fees in addition to his salary

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Personnel expenses includes key management personnel compensation which comprised:						
Salaries and short-term employee benefits	1,882	2,042	3,556	887	1,042	1,516
Post-employment benefits	60	92	127	60	92	127
Other long-term benefits	28	38	26	28	38	26
Termination benefits	-	-	-	-	-	-
Total compensation of key management personnel	**1,970**	**2,172**	**3,709**	**975**	**1,172**	**1,669**

6. Net Gain/(Loss) from Financial Instruments Designated at Fair Value

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Net gain/(loss) arising on:						
- Investment securities	(17)	26	67	-	-	-
- Derivative financial instruments	5,919	(10,029)	(22,215)	4,283	(8,062)	(19,127)
- Hedge ineffectiveness on cash flow hedging	(105)	(321)	(379)	(105)	(321)	(379)
- Advances to customers	(6,130)	7,588	16,505	(6,130)	7,588	16,505
Total net gain/(loss) from financial instruments designated at fair value	**(333)**	**(2,736)**	**(6,022)**	**(1,952)**	**(795)**	**(3,001)**

All in $000's

7. Taxation

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Reconciliation of the prima facie income tax payable on profit with income tax expense in the income statement						
Surplus before income tax	8,920	7,197	16,157	3,476	7,745	17,677
Prima facie income tax	2,778	2,159	4,681	1,117	2,324	5,194
Adjust for the tax effect of :						
Imputation credits received	-	121	166	83	121	166
Other permanent items	(182)	(45)	(186)	68	(32)	176
Loss offset / subvention	-	-	-	(185)	(147)	(381)
Prior period adjustments *	66	-	(8)	(1,302)	-	(128)
	(116)	76	(28)	(1,336)	(58)	(167)
Tax on surplus	2,662	2,235	4,653	(219)	2,266	5,027
Intra - group dividend (imputation credits)	-	(402)	(553)	(250)	(402)	(553)
Taxation expense/(benefit)	**2,662**	**1,833**	**4,100**	**(469)**	**1,864**	**4,474**
Effective tax rate (%)	29.8%	25.5%	25.4%	(13.5%)	24.1%	25.3%
The major components of the income tax expense comprise:						
Amounts recognised in the income statement						
Current income tax						
Current income tax charge	932	2,177	8,981	(434)	2,317	8,025
Adjustments recognised in the current period in relation to current tax of prior periods	-	-	(1,313)	-	-	(1,309)
Deferred income tax						
Deferred tax expenses relating to the origination and reversal of temporary differences	1,731	(344)	(3,568)	(35)	(453)	(2,242)
Total income tax expense recognised in income statement	**2,663**	**1,833**	**4,100**	**(469)**	**1,864**	**4,474**
The following amounts were charged/(credited) direct to equity:						
Current income tax	-	(1,794)	-	-	(1,794)	-
Deferred income tax	2,439	(9)	(4,860)	2,439	-	(4,850)
Total income tax expense recognised directly in equity	**2,439**	**(1,803)**	**(4,860)**	**2,439**	**(1,794)**	**(4,850)**

* Prior period adjustments for Parent include ($1,328,000) which relates to the benefit of imputation credits received on dividend income accrued in the prior year.

8. Funds with Financial Institutions

	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Call funds	979	12,289	1,363	-	11,002	-
Registered certificates of deposit (RCD)	-	30,288	63,758	-	28,613	63,758
Term deposits	100,134	-	11,656	98,419	-	10,015
Total funds with financial institutions	**101,113**	**42,577**	**76,777**	**98,419**	**39,615**	**73,773**
Funds with financial institutions were recorded as:						
At amortised cost	-	-	-	-	-	-
Designated as available for sale	101,113	42,577	76,777	98,419	39,615	73,773
Total funds with financial institutions	**101,113**	**42,577**	**76,777**	**98,419**	**39,615**	**73,773**

All in $000's

9. Investment Securities

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Managed funds	621	576	624	-	-	-
NZ government securities	1,058	1,035	1,077	-	-	-
Equity securities	1,197	307	720	404	-	404
Total investment securities	**2,876**	**1,918**	**2,421**	**404**	**-**	**404**
Investment securities were recorded as:						
At amortised cost	-	-	-	-	-	-
Designated as fair value through profit or loss	1,472	1,035	1,090	-	-	-
Designated as available for sale	1,404	883	1,331	404	-	404
Total investment securities	**2,876**	**1,918**	**2,421**	**404**	**-**	**404**

10. Derivative Financial Instruments

The Banking Group uses the following derivative instruments for economic or risk management purposes:

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place. The Banking Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis within treasury policy guidelines, and with reference to a proportion of the notional amount of the contracts and the term to expiry of the contracts. To control the level of credit risk taken, the Banking Group assesses counterparties based on their published credit rating compared with treasury policy limits.

Interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of interest rate risk. The Banking Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Banking Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

The Banking Group undertakes 100% of its transactions in interest rate contracts with other financial institutions. Management has established limits such that, at any time, less than 30% of equity is at risk with any individual counterparty subject to their individual credit rating.

The risk management practices and accounting treatment are disclosed in the Statement of Accounting Policies. The movement in fair value of derivative financial instruments are included in the income statement as 'net gain/(loss) from financial instruments designated at fair value'.

Hedge Accounting

Cash flow hedges

The Banking Group hedges the forecast interest cash flows from floating rate deposits using interest rate swaps and interest rate options. There were no transactions where cash flow hedge accounting ceased in the period ended 30 September 2009 as a result of highly probable cash flows no longer expected to occur (September 2008 $nil, March 2009 $nil).

Fair value gains and losses deferred in cash flow hedge reserves will be transferred to income statement over the next one to five years, as the cash flows under the hedged transactions occur. The hedging practices and accounting treatment are disclosed in the Statement of Accounting Policies.

The gain and loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective. This amount is re-classified into the income statement on the maturity of the interest rate swap. The ineffective portion is recognised in the income statement immediately.

All in $000's

10. Derivative Financial Instruments (continued)

	BANKING GROUP			PARENT		
As at 30 September 2009	**Notional Principal**	**Fair Value Assets**	**Fair Value Liabilities**	**Notional Principal**	**Fair Value Assets**	**Fair Value Liabilities**
Held for risk management - at fair value						
Interest rate related contracts						
Swaps	759,865	1,139	2,345	838,427	2,621	2,398
Options	256,375	-	8,494	256,375	-	8,494
Total held for risk management at fair value	**1,016,240**	**1,139**	**10,839**	**1,094,802**	**2,621**	**10,892**
Held for hedging - cash flow hedges						
Interest rate related contracts						
Swaps	442,500	1,415	9,215	442,500	1,415	9,215
Options	90,000	-	3,571	90,000	-	3,571
Total held for hedging	**532,500**	**1,415**	**12,786**	**532,500**	**1,415**	**12,786**
Total derivative financial instruments	**1,548,740**	**2,554**	**23,625**	**1,627,302**	**4,036**	**23,678**
As at 30 September 2008						
Held for risk management - at fair value						
Interest rate related contracts						
Swaps	97,175	20	1,210	215,263	1,885	1,217
Options	579,875	659	5,605	579,875	659	5,605
Total held for risk management at fair value	**677,050**	**679**	**6,815**	**795,138**	**2,544**	**6,822**
Held for hedging - cash flow hedges						
Interest rate related contracts						
Swaps	288,750	-	4,524	288,750	-	4,524
Options	58,000	52	574	58,000	52	574
Total held for hedging	**346,750**	**52**	**5,098**	**346,750**	**52**	**5,098**
Total derivative financial instruments	**1,023,800**	**731**	**11,913**	**1,141,888**	**2,596**	**11,920**
As at 31 March 2009						
Held for risk management - at fair value						
Interest rate related contracts						
Swaps	522,125	616	4,150	623,942	3,732	4,160
Options	505,375	-	12,387	505,375	-	12,387
Total held for risk management at fair value	**1,027,500**	**616**	**16,537**	**1,129,317**	**3,732**	**16,547**
Held for hedging - cash flow hedges						
Interest rate related contracts						
Swaps	269,000	116	13,409	269,000	116	13,409
Options	90,000	-	4,554	90,000	-	4,554
Total held for hedging	**359,000**	**116**	**17,963**	**359,000**	**116**	**17,963**
Total derivative financial instruments	**1,386,500**	**732**	**34,500**	**1,488,317**	**3,848**	**34,510**

All in $000's

11. Advances to Customers

		BANKING GROUP			PARENT		
		Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Advances at fair value through profit or loss		374,324	685,605	521,381	374,324	685,605	521,381
Advances at amortised cost		2,103,447	1,728,917	1,901,139	1,904,400	1,517,959	1,690,904
Gross advances		**2,477,771**	**2,414,522**	**2,422,520**	**2,278,724**	**2,203,564**	**2,212,285**
Less provisions for credit impairment	(12)	11,531	7,924	12,798	6,925	4,415	8,055
Less deferred fee revenue and expenses		4,846	2,853	5,813	1,771	1,697	1,749
Total net advances	(27)	**2,461,394**	**2,403,745**	**2,403,909**	**2,270,028**	**2,197,452**	**2,202,481**

Advances to customers that met SBS fair value through profit or loss criteria have been designated at fair value through profit or loss. These advances have been matched with interest rate swaps as part of a documented risk management strategy. An accounting mismatch would arise if the advances were accounted for at amortised cost, because the related derivatives are measured at fair value, with movements in the fair value taken through the income statement. It should be noted that no such loans have been designated during the current year.

At 30 September 2009 the maximum credit exposure on these loans at fair value through the profit or loss was $374 million (September 2008 $686 million; March 2009 $521 million). The Banking Group has $nil credit risk derivatives at 30 September 2009 (September 2008 $nil; March 2009 $nil).

Details of changes in the fair value recognised on these advances on account of credit risk changes are set out below:

	For the Period 30/09/2009	Cumulative 30/09/2009	For the Period 30/09/2008	Cumulative 30/09/2008	For the Period 31/03/2009	Cumulative 31/03/2009
Advances at fair value through profit or loss	-	-	-	-	-	-

12. Provision for Credit Impairment

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Individual provisions against advances and loans (All relate to impaired assets)						
Balance at beginning of the period	8,055	3,405	3,405	8,055	3,405	3,405
New provisions during the period	3,450	2,185	7,727	3,450	2,185	7,727
Balances written off during the period	(4,557)	(794)	(2,061)	(4,557)	(794)	(2,061)
Recoveries/reversals of previously recognised provision	(23)	(381)	(1,016)	(23)	(381)	(1,016)
Balance at end of the period	**6,925**	**4,415**	**8,055**	**6,925**	**4,415**	**8,055**
Collective provisions against advances and loans						
Balance at beginning of the period	4,743	3,692	3,692	-	-	-
Charged to income statement	(137)	(183)	54	-	-	-
Provision on acquisition	-	-	997	-	-	-
Balance at end of the period	**4,606**	**3,509**	**4,743**	**-**	**-**	**-**
Total provisions for credit impairment	**11,531**	**7,924**	**12,798**	**6,925**	**4,415**	**8,055**

At 30 September 2009, the Banking Group did not have any material restructured assets or assets acquired through enforcement of security (September 2008 $nil; March 2009 $nil).

There is no collective provision calculated for the Parent due to the level of security held. The collective provision for the Banking Group is in relation to consumer finance lending by Finance Now Limited. Management regularly reviews economic conditions and credit conditions to determine collective provisioning.

The following provides a reconciliation of the above movements in provisions for credit impairment reported in the income statement:

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Bad debts written off during the period	8,274	3,673	7,742	5,229	968	2,404
Movement in individual provisions	(1,130)	1,010	4,650	(1,130)	1,010	4,650
Movement in collective provision	(137)	(183)	54	-	-	-
Provision for credit impairment to income statement	**7,007**	**4,500**	**12,446**	**4,099**	**1,978**	**7,054**

All in $000's

13. Asset Quality

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
(a) Asset quality - advances to customers						
Neither past due or impaired	2,426,824	2,370,974	2,359,234	2,240,920	2,170,268	2,161,064
Individually impaired amount	21,318	11,484	21,848	21,318	11,484	21,848
Past due amount	24,783	29,211	35,625	14,715	20,115	27,624
Total credit impairment	(11,531)	(7,924)	(12,798)	(6,925)	(4,415)	(8,055)
Total carrying amount	**2,461,394**	**2,403,745**	**2,403,909**	**2,270,028**	**2,197,452**	**2,202,481**
(b) Ageing of past due but not impaired assets						
Past due 0-29 days	13,389	15,280	19,499	8,093	8,585	13,157
Past due 30-59 days	2,469	4,665	2,550	788	3,522	1,789
Past due 60-89 days	1,459	2,140	3,336	491	1,835	2,872
Past due 90-119 days	3,175	7,126	10,240	2,362	6,173	9,806
Past due 120-365 days	4,291	-	-	2,981	-	-
Past due more than 1 year	-	-	-	-	-	-
Carrying amount	**24,783**	**29,211**	**35,625**	**14,715**	**20,115**	**27,624**
(c) 90 day past due assets						
Balance at beginning of the period	10,240	6,173	14,133	9,806	3,598	10,649
Additions to 90 day past due assets	7,997	9,561	9,750	5,343	8,025	8,663
Reduction in 90 day past due assets	(10,771)	(8,608)	(13,643)	(9,806)	(5,450)	(9,506)
Balance at end of the period	**7,466**	**7,126**	**10,240**	**5,343**	**6,173**	**9,806**
(d) Impaired assets						
Individually impaired assets						
Balance at beginning of the period	21,848	8,355	8,355	21,848	8,355	8,355
Additions to individually impaired assets	7,593	5,473	15,166	7,593	5,473	15,166
Reductions to individually impaired assets	(8,123)	(731)	(1,395)	(8,123)	(731)	(1,395)
Transfers back to productive ledger	-	(1,613)	(278)	-	(1,613)	(278)
Balance at end of the period	**21,318**	**11,484**	**21,848**	**21,318**	**11,484**	**21,848**
Less: individual provision at end of the period	6,925	4,415	8,055	6,925	4,415	8,055
Net carrying amount at end of the period	**14,393**	**7,069**	**13,793**	**14,393**	**7,069**	**13,793**

Interest revenue foregone on impaired assets is the amount of interest income that would have been recorded had interest been accrued. This amounts to $88,000 for the period ending 30 September 2009 (September 2008 $75,000, March 2009 $84,000).

Of Monetary assets receivable 0.106% (September 2008 0.092%, March 2009 0.175%) relate to repayments in arrears in excess of three months.

All in $000's

14. Loan Securitisation

Mortgages assigned by SBS to the Lifestages Mortgage Portfolio unit trust during the period ended 30 September 2009 amounted to $nil (September 2008 $nil; March 2009 $nil). SBS retains the majority of the risks and rewards of ownership and accordingly it is appropriate to record these securitised assets within the statement of financial position.

SBS has an obligation to repurchase loans in certain circumstances, when the securitised loans cease to conform with the terms and conditions of the assignment agreement or in order to facilitate liquidity in the trust as requested by the Trustee. The securities issued by the Lifestages Mortgage Portfolio do not represent deposits or other liabilities of SBS and are disclosed as other borrowings. SBS does not in any way stand behind the capital value and/or the performance of the securities or the assets of the trust except to the limited extent provided in the assignment agreement documents, through the provision of arms length services and facilities.

Mortgages assigned by SBS to the SBS Invercargill W Trust during the period ended 30 September 2009 amounted to $nil (September 2008 $47.22 million; March 2009 $47.41 million). SBS retains some of the risks and rewards of ownership through the provision of a subordinated loan and accordingly it is appropriate to consolidate the financial statements of SBS Invercargill W Trust within the Parent.

Mortgages assigned by the SBS Invercargill W Trust to the SBS Oreti Trust No. 2 during the period ended 30 September 2009 amounted to $nil (September 2008 $nil; March 2009 $123.10 million). SBS retains some of the risks and rewards of this Trust by holding the securities issued by the Trust and accordingly it is appropriate to consolidate the financial statements of SBS Oreti Trust No. 2 within the Parent.

Mortgages assigned by the SBS Invercargill W Trust to the SBS Oreti Trust No.1 during the period ended 30 September 2009 amounted to $nil (September 2008 $nil; March 2009 $nil). These loans are not included in the statement of financial position of the Parent. SBS does not guarantee the payment of interest or the repayment of principal due on the securities. SBS is not obliged to support any losses that may be suffered by investors.

Securitised loan balances

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Lifestages Mortgage Portfolio	61,164	75,829	68,958	61,164	75,829	68,958
SBS Invercargill W Trust	-	164,844	-	-	164,844	-
SBS Oreti Trust No. 2	105,791	-	122,651	105,791	-	122,651
SBS Oreti Trust No. 1	83,371	116,532	97,073	-	-	-
	250,326	**357,205**	**288,682**	**166,955**	**240,673**	**191,609**

15. Investments in Subsidiaries and Associates

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Investments in subsidiaries	-	-	-	13,451	9,161	13,451
Investments in associates	-	1,090	-	-	1,090	-
	-	**1,090**	**-**	**13,451**	**10,251**	**13,451**
Loans to subsidiaries (at amortised cost)	-	-	-	90,528	78,947	89,385
Loans to associates (at amortised cost)	-	1,701	-	-	1,701	-
	-	**1,701**	**-**	**90,528**	**80,648**	**89,385**

All in $000's

15. Investments in Subsidiaries and Associates (continued)

Significant subsidiaries and associates:	Percentage Held 30/09/2009	30/09/2008	31/03/2009	Balance Date	Nature of Business
Subsidiaries:					
Fraser Properties Limited	100.0%	100.0%	100.0%	31 March	Property Holding
Southsure Assurance Limited	80.0%	80.0%	80.0%	31 March	Insurance
Finance Now Limited	71.5%	71.5%	71.5%	31 March	Finance Company
Funds Administration New Zealand Limited	57.0%	57.0%	57.0%	31 March	Funds Administration
In-substance subsidiaries:					
SBS Invercargill W Trust	-	-	-	31 March	Mortgage Securitisation
SBS Oreti Trust No 1	-	-	-	31 March	Mortgage Securitisation
SBS Oreti Trust No 2	-	n/a	-	31 March	Mortgage Securitisation
Associates:					
Rural Livestock Finance Limited	-	25.7%	-	30 June	Livestock Finance
RLF Management Limited	-	25.7%	-	30 June	Management Company

All subsidiaries, in-substance subsidiaries and associates are incorporated in New Zealand. For all subsidiaries, the ownership percentage equates to the voting power held. Refer to Note 34 - Related Party Transactions for further details of loans to subsidiaries and associates.

During the year ended 31 March 2009, the Banking Group established the SBS Oreti Trust No 2, a special purpose vehicle holding securitised loans assigned from the SBS Invercargill W Trust.

Rural Livestock Finance Limited shares and RFL Management Limited shares were redeemed and repurchased during the year ended 31 March 2009. Rural Livestock Finance Limited issued new redeemable preference shares which SBS invested in and this shareholding no longer qualifies as an associate.

16. Other Assets

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Prepayments	582	431	402	432	335	260
Receivables from related parties	-	-	-	3,330	1,356	607
Other receivables	1,390	1,867	4,522	481	1,135	3,140
	1,972	**2,298**	**4,924**	**4,243**	**2,826**	**4,007**

All in $000's

17. Property, Plant and Equipment

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Freehold land (at valuation)	1,100	1,010	1,100	300	270	300
Buildings (at valuation)	9,640	9,725	9,640	480	515	480
Less depreciation to date	57	61	-	7	10	-
Total carrying amount	**10,683**	**10,674**	**10,740**	**773**	**775**	**780**
Leasehold assets (at cost)	4,397	4,375	4,387	4,178	4,176	4,176
Less accumulated depreciation	2,094	1,829	1,986	2,027	1,783	1,930
Total carrying amount	**2,303**	**2,546**	**2,401**	**2,151**	**2,393**	**2,246**
Computer equipment (at cost)	4,983	4,802	4,832	3,926	3,710	3,797
Less accumulated depreciation	4,150	3,808	4,042	3,186	2,972	3,154
Total carrying amount	**833**	**994**	**790**	**740**	**738**	**643**
Other assets (at cost)	6,392	6,075	6,172	4,103	3,893	3,937
Less accumulated depreciation	4,133	3,905	4,199	2,295	2,172	2,384
Total carrying amount	**2,259**	**2,170**	**1,973**	**1,808**	**1,721**	**1,553**
Total property, plant and equipment	**16,078**	**16,384**	**15,904**	**5,472**	**5,627**	**5,222**

Other assets include plant, furniture and fittings and motor vehicles.

Land and Buildings
Independent valuations of freehold land and buildings were carried out as at 31 March 2009 by Tony Chadderton, a registered valuer with Chadderton & Associates. Mr Chadderton is a member of the Property Institute of NZ. The valuations were based on capitalisation of net market rental. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable, willing seller in an arm's length transaction at the valuation date.

The current rateable valuations of Land and Buildings were notified 1 July 2008, the aggregate of these valuations for all land and buildings owned by the Banking Group as at September 2009 is $10.92 million (September 2008 $10.92 million; March 2009 $10.92 million).

The carrying amount of land and buildings had they been recognised under the cost model are as follows:

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Freehold land	1,561	1,561	1,561	220	220	220
Buildings	8,010	8,068	8,057	309	320	314
	9,571	**9,629**	**9,618**	**529**	**540**	**534**

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Freehold land and buildings						
Balance at beginning of the period	10,740	10,735	10,735	780	785	785
Additions	-	-	-	-	-	-
Net revaluation increments	-	-	126	-	-	16
Disposals	-	-	-	-	-	-
Depreciation	(57)	(61)	(121)	(7)	(10)	(21)
Balance at end of the period	**10,683**	**10,674**	**10,740**	**773**	**775**	**780**
Leasehold assets						
Balance at beginning of the period	2,401	2,626	2,626	2,246	2,464	2,464
Additions	10	88	123	2	88	110
Disposals	-	-	(7)	-	-	(7)
Depreciation	(108)	(168)	(341)	(97)	(159)	(321)
Balance at end of the period	**2,303**	**2,546**	**2,401**	**2,151**	**2,393**	**2,246**

All in $000's

17. Property, Plant and Equipment (continued)

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Computer equipment						
Balance at beginning of the period	790	1,293	1,293	643	956	956
Additions	279	25	183	250	18	193
Disposals	(7)	-	(3)	(4)	-	(3)
Depreciation	(229)	(324)	(683)	(149)	(236)	(503)
Balance at end of the period	**833**	**994**	**790**	**740**	**738**	**643**
Other assets						
Balance at beginning of the period	1,973	1,975	1,975	1,553	1,490	1,490
Additions	550	486	576	450	461	506
Disposals	(79)	(53)	(54)	(66)	(41)	(42)
Depreciation	(185)	(238)	(524)	(129)	(189)	(401)
Balance at end of the period	**2,259**	**2,170**	**1,973**	**1,808**	**1,721**	**1,553**
Total property, plant and equipment	**16,078**	**16,384**	**15,904**	**5,472**	**5,627**	**5,222**

18. Intangible Assets

Goodwill						
Cost						
Balance at beginning of the period	1,160	1,160	1,160	-	-	-
Additions	-	-	-	-	-	-
Balance at end of the period	**1,160**	**1,160**	**1,160**	**-**	**-**	**-**
Impairment						
Balance at beginning of the period	145	145	145	-	-	-
Amortisation for the period	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Balance at end of the period	**145**	**145**	**145**	**-**	**-**	**-**
Total carrying amount	**1,015**	**1,015**	**1,015**	**-**	**-**	**-**
Software						
Cost						
Balance at beginning of the period	7,895	6,584	6,584	5,338	4,270	4,270
Additions	645	568	1,311	636	459	1,068
Balance at end of the period	**8,540**	**7,152**	**7,895**	**5,974**	**4,729**	**5,338**
Amortisation and impairment						
Balance at beginning of the period	6,068	4,983	4,983	3,927	3,302	3,302
Amortisation for the period	511	519	1,085	348	289	625
Impairment losses	-	-	-	-	-	-
Balance at end of the period	**6,579**	**5,502**	**6,068**	**4,275**	**3,591**	**3,927**
Total carrying amount	**1,961**	**1,650**	**1,827**	**1,699**	**1,138**	**1,411**
Total intangible assets	**2,976**	**2,665**	**2,842**	**1,699**	**1,138**	**1,411**

No impairment losses have been recognised against the gross carrying amount of software and other intangible assets for the period ended September 2009 (September 2008 $nil; March 2009 $nil).

Testing for impairment on other intangible assets is undertaken using models to calculate valuations with reference to applicable price to earnings ratios.

All in $000's

19. Deferred Tax Assets and Liabilities

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Provision for deferred tax						
Balance at beginning of the period	10,504	2,076	2,076	8,425	1,333	1,333
Prior period adjustment	(8)	-	(1,402)	(8)	-	(1,279)
(Charged)/credited to income statement	(410)	344	4,970	876	453	3,521
(Charged)/credited to equity	(2,439)	9	4,860	(2,439)	-	4,850
Balance at end of the period	**7,647**	**2,429**	**10,504**	**6,854**	**1,786**	**8,425**
Recognised deferred tax assets and liabilities:						
Deferred tax assets comprise the following temporary differences:						
Provision for credit impairment	3,229	2,378	3,573	2,078	1,325	2,416
Financial instruments	4,165	(6)	7,106	4,146	(6)	7,058
Funds with other financial institutions - available for sale	42	28	42	-	1	-
Intangible assets	8	17	12	8	17	12
Provisions	407	348	369	342	289	304
Other	512	283	261	454	283	283
Total deferred tax assets	**8,363**	**3,048**	**11,363**	**7,028**	**1,909**	**10,073**
Deferred tax liabilities comprise the following temporary differences:						
Subsidiary dividends	-	-	-	-	-	1,328
Other	10	126	2	1	2	2
Property, plant and equipment	92	58	209	55	45	43
Advances at fair value through profit or loss	46	-	203	46	-	203
Revaluation of property	568	435	445	72	76	72
Total deferred tax liabilities	**716**	**619**	**859**	**174**	**123**	**1,648**
Net deferred tax assets	**7,647**	**2,429**	**10,504**	**6,854**	**1,786**	**8,425**
Movements in temporary differences during the period (charged)/credited to the income statement:						
Provision for credit impairment	(321)	249	1,444	(339)	304	1,395
Advances at fair value through profit or loss	157	(6)	(203)	157	(6)	(203)
Intangible assets	(4)	(4)	(9)	(4)	(4)	(9)
Provisions	38	(19)	2	38	(19)	(4)
Other	220	122	224	173	176	176
Subsidiary dividends	-	-	-	1,328	-	(1,328)
Property, plant and equipment	(6)	2	(149)	(12)	2	4
Financial instruments	(502)	-	2,259	(473)	-	2,211
Total deferred tax (charged)/credited to the income statement	**(418)**	**344**	**3,568**	**868**	**453**	**2,242**
Movements in temporary differences during the period (charged)/credited to equity:						
Funds with other financial institutions - available for sale	-	9	24	-	-	(1)
Cash flow hedges	(2,439)	-	4,847	(2,439)	-	4,847
Revaluation property	-	-	(11)	-	-	4
Total deferred tax (charged)/credited to equity	**(2,439)**	**9**	**4,860**	**(2,439)**	**-**	**4,850**

There are no unrecognised deferred tax assets as at September 2009 (September 2008 $nil; March 2009 $nil).

All in $000's

20. Other Liabilities

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Sundry creditors	7,979	10,696	12,319	4,013	9,290	9,857
Employee entitlements	2,829	2,576	2,854	2,147	2,058	2,290
Life fund	4,078	3,572	3,721	-	-	-
Provision for dividend	-	-	113	-	-	-
Other	10,600	2,158	11,691	10,600	2,158	11,691
	25,486	**19,002**	**30,698**	**16,760**	**13,506**	**23,838**

21. Subordinated Redeemable Shares

SBS Premier Bond	56,608	-	42,226	56,608	-	42,226
	56,608	**-**	**42,226**	**56,608**	**-**	**42,226**

The SBS Premier Bond was launched during February 2009 to retail investors. These five-year fixed rate bonds are issued continuously as subordinated redeemable shares and rank behind redeemable shareholders, depositors and other unsecured creditors of SBS.

At 30 September 2009 $56.11 million of subordinated redeemable shares qualify as lower tier 2 capital for Reserve Bank of New Zealand capital adequacy purposes (September 2008 $nil; March 2009 $41.90 million).

22. Equity

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Capital reserve	73	73	73	73	73	73
Revaluation reserve - property, plant and equipment	1,195	1,140	1,195	325	305	325
Revaluation reserve - available for sale assets	(63)	(53)	(75)	-	(4)	5
Revaluation reserve - cash flow hedging	(5,618)	(4,184)	(11,309)	(5,618)	(4,184)	(11,309)
Retained earnings	166,719	155,524	161,432	155,814	144,547	151,869
	162,306	152,500	151,316	150,594	140,737	140,963
Minority interests	5,045	3,658	4,264	-	-	-
	167,351	**156,158**	**155,580**	**150,594**	**140,737**	**140,963**
Movement in reserves:						
Revaluation reserve - property, plant and equipment						
Balance at beginning of the period	1,195	1,140	1,140	325	305	305
Surplus on revaluation of land and buildings	-	-	126	-	-	16
Deferred tax on revaluation	-	-	(11)	-	-	4
Transfer to income statement	-	-	(60)	-	-	-
Net movement for the period	-	-	55	-	-	20
Balance at end of the period	**1,195**	**1,140**	**1,195**	**325**	**305**	**325**
Revaluation reserve - available for sale assets						
Balance at beginning of the period	(75)	(34)	(34)	5	(3)	(3)
Net gains/(losses) from changes in fair value	22	(33)	(75)	(7)	(2)	11
Current/deferred tax on changes in fair value	(6)	10	22	2	1	(3)
Minority interests share of net gains/(losses) from changes in fair value	(6)	7	17	-	-	-
Minority interests share of deferred tax in fair value	2	(2)	(5)	-	-	-
Net movement for the period	12	(18)	(41)	(5)	(1)	8
Balance at end of the period	**(63)**	**(53)**	**(75)**	**-**	**(4)**	**5**
Revaluation reserve - cash flow hedging						
Balance at beginning of the period	(11,309)	-	-	(11,309)	-	-
Net gains/(losses) from changes in fair value	8,130	(5,978)	(16,156)	8,130	(5,978)	(16,156)
Current tax on changes in fair value	(2,439)	1,794	4,847	(2,439)	1,794	4,847
Net Movement for the Period	5,691	(4,184)	(11,309)	5,691	(4,184)	(11,309)
Balance at end of the period	**(5,618)**	**(4,184)**	**(11,309)**	**(5,618)**	**(4,184)**	**(11,309)**

All in $000's

22. Equity (continued)

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Retained earnings						
Balance at beginning of the period	161,432	150,446	150,446	151,869	138,666	138,666
Add realised reserves	-	-	-	-	-	-
Add net surplus for the period	6,257	5,364	12,057	3,945	5,881	13,203
Less minorities' interests	(970)	(286)	(1,071)	-	-	-
Balance at end of the period	**166,719**	**155,524**	**161,432**	**155,814**	**144,547**	**151,869**

23. Reconciliation Of Net Surplus To Net Operating Cash Flows

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Net surplus for period	6,257	5,364	12,057	3,945	5,881	13,203
Add/(less) non cash items						
Depreciation and amortisation	1,090	1,315	2,755	730	882	1,871
Provision for credit impairment	7,007	4,500	12,446	4,099	1,868	6,930
Write off property, plant and equipment	6	5	15	5	-	10
Loss on sale of shares	-	-	90	-	-	90
Building revaluations	-	-	(60)	-	-	-
Actuarial life adjustment	357	8	157	-	-	-
Dividend provision	-	-	-	-	-	(4,428)
Dividend provision - minority interest	113	-	(113)	-	-	-
Deferred fee revenue and expenses	(969)	(324)	(1,716)	22	(62)	(9)
Derivatives fair value adjustment	(5,814)	10,350	18,977	(4,183)	8,383	15,885
Advances fair value adjustment	6,131	(7,588)	(16,505)	6,131	(7,588)	(16,505)
Investment securities fair value adjustment	17	(26)	(67)	-	-	-
Interest free loans fair value adjustment	(122)	(248)	(386)	(122)	(248)	(386)
Net deferred tax assets	2,846	(343)	(3,581)	1,571	(453)	(2,241)
	10,662	**7,649**	**12,012**	**8,253**	**2,782**	**1,217**
Deferral or accruals of past or future operating cash receipts or payments						
Increase/(decrease) in income tax payable	(5,971)	925	3,830	(6,805)	1,128	3,885
Decrease/(increase) in sundry debtors	2,952	2,689	63	(236)	801	(242)
Increase/(decrease) in sundry creditors	(4,478)	(1,292)	722	(5,987)	725	1,524
Decrease/(increase) in accruals relating to interest receivable	2,239	666	5,332	2,075	1,156	5,134
Increase/(decrease) in accruals relating to accrued interest and dividends payable to customers	(3,667)	11,486	6,572	(3,671)	11,490	6,589
Decrease in accruals relating to accrued interest payable to financial institutions	-	(6)	(9)	-	(6)	(9)
Decrease in accruals relating to accrued interest payable on investment securities	(443)	-	(516)	-	-	(404)
Increase in net advances	(70,523)	(65,981)	(64,525)	(78,459)	(81,959)	(83,372)
Increase in shares and deposits	92,455	46,699	200,317	92,833	47,022	201,971
Increase/(decrease) in other borrowings	(26,818)	246	(174,135)	(7,794)	17,241	(141,506)
Increase in subordinated redeemable shares	14,207	-	41,902	14,207	-	41,902
Net increase/(decrease) in cash held on behalf of Lifestages Mortgage Portfolio	(1,091)	(4,625)	4,908	(1,091)	(4,625)	4,908
	(1,138)	**(9,193)**	**24,461**	**5,072**	**(7,027)**	**40,380**
Items classified as cash						
Increase in accruals relating to funds with financial institutions	79	(25)	(270)	47	(1)	(231)
Net cash flows From operating activities	**15,860**	**3,795**	**48,260**	**17,317**	**1,635**	**54,569**

All in $000's

24. Analysis of Borrowings

	BANKING GROUP					
	Total Unaudited 30/09/2009	Weighted Average Interest Rate %	Total Unaudited 30/09/2008	Weighted Average Interest Rate %	Total Audited 31/03/2009	Weighted Average Interest Rate %
Redeemable shares						
Between 0 and 1 year	1,807,277	4.68	1,698,567	8.33	1,715,949	5.67
Between 1 and 2 years	100,814	5.76	33,064	8.34	118,534	6.34
Between 2 and 3 years	15,220	5.69	13,778	8.03	16,015	7.44
Between 3 and 4 years	569	8.63	236	8.77	220	8.75
Between 4 and 5 years	761	7.88	534	8.61	1,110	7.84
Over 5 years	-	-	-	-	-	-
Total redeemable shares	**1,924,641**	**4.75**	**1,746,179**	**8.33**	**1,851,828**	**5.73**
Deposits from customers						
Between 0 and 1 year	237,532	4.17	178,991	8.05	228,215	4.76
Between 1 and 2 years	10,586	5.46	7,931	8.18	4,288	5.98
Between 2 and 3 years	154	5.27	819	7.48	969	7.15
Between 3 and 4 years	1,003	8.00	-	-	-	-
Between 4 and 5 years	-	-	1,003	8.00	1,003	8.00
Over 5 years	-	-	-	-	-	-
Total deposits from customers	**249,275**	**4.24**	**188,744**	**8.01**	**234,475**	**4.81**
Deposits from financial institutions						
Between 0 and 1 year	18,002	3.90	20,005	9.10	17,002	4.00
Between 1 and 2 years	-	-	-	-	-	-
Between 2 and 3 years	-	-	-	-	-	-
Between 3 and 4 years	-	-	-	-	-	-
Between 4 and 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total deposits from financial institutions	**18,002**	**3.90**	**20,005**	**9.10**	**17,002**	**4.00**
Subordinated redeemable shares						
Between 0 and 1 year	-	-	-	-	-	-
Between 1 and 2 years	-	-	-	-	-	-
Between 2 and 3 years	-	-	-	-	-	-
Between 3 and 4 years	-	-	-	-	-	-
Between 4 and 5 years	56,608	6.96	-	-	42,226	6.95
Over 5 years	-	-	-	-	-	-
Total subordinated redeemable shares	**56,608**	**6.96**	**-**	**-**	**42,226**	**6.95**
Total redeemable shares, deposits and subordinated redeemable shares	**2,248,526**	**4.74**	**1,954,928**	**8.31**	**2,145,531**	**5.64**

All in $000's

24. Analysis of Borrowings (continued)

	PARENT					
	Total Unaudited 30/09/2009	Weighted Average Interest Rate %	Total Unaudited 30/09/2008	Weighted Average Interest Rate %	Total Audited 31/03/2009	Weighted Average Interest Rate %
Redeemable shares						
Between 0 and 1 year	1,810,578	4.68	1,700,150	8.33	1,718,876	5.67
Between 1 and 2 years	100,814	5.76	33,064	8.34	118,534	6.34
Between 2 and 3 years	15,220	5.69	13,778	8.03	16,015	7.44
Between 3 and 4 years	569	8.63	236	8.77	220	8.75
Between 4 and 5 years	761	7.88	534	8.61	1,110	7.84
Over 5 years	-	-	-	-	-	-
Total redeemable shares	**1,927,942**	**4.75**	**1,747,762**	**8.33**	**1,854,755**	**5.73**
Deposits from customers						
Between 0 and 1 year	237,532	4.17	178,991	8.05	228,215	4.76
Between 1 and 2 years	10,586	5.46	7,931	8.18	4,288	5.98
Between 2 and 3 years	154	5.27	819	7.48	969	7.15
Between 3 and 4 years	1,003	8.00	-	-	-	-
Between 4 and 5 years	-	-	1,003	8.00	1,003	8.00
Over 5 years	-	-	-	-	-	-
Total deposits	**249,275**	**4.24**	**188,744**	**8.01**	**234,475**	**4.81**
Deposits from financial institutions						
Between 0 and 1 year	18,002	3.90	20,005	9.10	17,002	4.00
Between 1 and 2 years	-	-	-	-	-	-
Between 2 and 3 years	-	-	-	-	-	-
Between 3 and 4 years	-	-	-	-	-	-
Between 4 and 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total deposits	**18,002**	**3.90**	**20,005**	**9.10**	**17,002**	**4.00**
Subordinated redeemable shares						
Between 0 and 1 year	-	-	-	-	-	-
Between 1 and 2 years	-	-	-	-	-	-
Between 2 and 3 years	-	-	-	-	-	-
Between 3 and 4 years	-	-	-	-	-	-
Between 4 and 5 years	56,608	6.96	-	-	42,226	6.95
Over 5 years	-	-	-	-	-	-
Total deposits	**56,608**	**6.96**	**-**	**-**	**42,226**	**6.95**
Total redeemable shares, deposits and subordinated redeemable shares	**2,251,827**	**4.74**	**1,956,511**	**8.31**	**2,148,458**	**5.64**

Redeemable shares, deposits and subordinated redeemable shares are unsecured.

Floating rate redeemable shares and deposits have been included above, therefore the weighted average interest rates provided are only meaningful at the balance date noted. No analysis of other borrowings has been included above on the basis that these amounts relate to the loan securitisation vehicles discussed in notes 14 and 15.

All in $000's

25. Contingent Liabilities and Credit Related Commitments

	Unaudited Contract or Notional Amt 30/09/2009	Unaudited Credit Equivalent 30/09/2009	Unaudited Contract or Notional Amt 30/09/2008	Unaudited Credit Equivalent 30/09/2008	Audited Contract or Notional Amt 31/03/2009	Audited Credit Equivalent 31/03/2009
BANKING GROUP						
Contingent liabilities						
Lifestages Superannuation Scheme	26	26	985	985	185	185
Commitments						
Commitments with uncertain drawdown	18,413	9,207	31,768	15,884	22,212	11,106
Commitments to extend credit which can be unconditionally cancelled	198,570	-	234,611	-	227,507	-
Total contingent liabilities and credit related commitments	**217,009**	**9,233**	**267,364**	**16,869**	**249,904**	**11,291**
PARENT						
Contingent liabilities						
Lifestages Superannuation Scheme	26	26	985	985	185	185
Commitments						
Commitments with uncertain drawdown	19,319	9,660	24,221	12,111	15,884	7,942
Commitments to extend credit which can be unconditionally cancelled	198,570	-	234,611	-	227,507	-
Total contingent liabilities and credit related commitments	**217,915**	**9,686**	**259,817**	**13,096**	**243,576**	**8,127**

SBS has entered into a trust deed made between SBS and Trustees Executors Limited, as Trustee of a registered superannuation scheme known as Lifestages Superannuation Scheme (formally known as Lifestages Capital Stable Portfolio). The trust deed was effective from the 1st day of April 1992. Under the Deed of Guarantee executed on the 26th day of March 1992, SBS unconditionally guarantees the capital invested in the Lifestages Superannuation Scheme of $26,000 (September 2008 $985,000; March 2009 $185,000) providing the investment is maintained for at least three years. A Deed Of Amendment and Restatement of Guarantee dated 31 March 2007 amended the terms of the guarantee provided by SBS, such that the guarantee will now only be applicable to members who joined the registered superannuation scheme prior to 31 May 2007. The liability of SBS under the guarantee has not been taken over by FANZ under the Deed of Novation and SBS remains liable under this guarantee. A minimum of 80% of the funds invested in the Lifestages Superannuation Scheme are reinvested with the Society.

There are no other material contingent liabilities.

26. Commitments

Lease commitments

As at 30 September 2009 the value of the residual portion of lease commitments for SBS was $4.33 million (September 2008 $5.37 million; March 2009 $5.26 million). Of this amount $1.01 million (September 2008 $1.37 million; March 2009 $1.15 million) relates to lease commitments between Southland Building Society and its wholly owned subsidiary company, Fraser Properties Ltd.

Lease commitments payable after balance date:

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
0-12 Months	1,770	1,660	1,814	1,682	1,589	1,733
12-24 Months	1,277	1,465	1,483	1,407	1,454	1,525
24-60 Months	1,417	1,951	1,901	1,125	1,983	1,755
>60 Months	301	646	485	116	347	243
	4,765	**5,722**	**5,683**	**4,330**	**5,373**	**5,256**

The Banking Group leases land and buildings under operating leases expiring from one to eight years. Leases generally provide the Banking Group with a right of renewal at which time all terms are renegotiated. There are no restrictions placed upon the Leasee by entering into these leases.

All in $000's

27. Segmental Analysis

Business segment analysis

For management purposes, the Banking Group is organised into two major business units:

Banking operations

Banking operations incorporates SBS and its in-substance subsidiaries SBS Invercargill W Trust, SBS Oreti Trust No 1 and SBS Oreti Trust No 2 which operate solely in the New Zealand retail financial markets providing banking services, customer current accounts, savings, deposits, investment savings products, consumer loans and mortgages.

Other financial services

Other financial services incorporates subsidiaries Fraser Properties Limited, Southsure Assurance Limited, Finance Now Limited and Funds Administration New Zealand Limited (FANZ).

Fraser Properties Limited owns Southland Building Society's Head Office building which is located in the central business district of Invercargill. Major tenants are New Zealand Post, the Alliance Group Ltd and SBS.

Southsure Assurance Limited is a life insurance company operating in the New Zealand domestic market.

Finance Now Limited is a finance company operating in the New Zealand financial market.

Funds Administration New Zealand Limited (FANZ) is a funds management and financial advisory company operating in the New Zealand wholesale and retail financial market.

As at 30 September 2009 (Unaudited)	Consolidated Banking Operations	Other Financial Services	Eliminations	Total
Total operating income	26,172	16,141	(3,980)	**38,333**
Net profit before taxation	4,441	5,039	(560)	**8,920**
Total assets	2,708,025	130,866	(226,910)	**2,611,981**
Total liabilities	2,557,852	101,220	(214,442)	**2,444,630**
Other segment items:				
Acquisition of property, plant and equipment	704	135	-	**839**
Acquisition of intangible assets	636	9	-	**645**
Depreciation expense - property, plant and equipment	383	196	-	**579**
Amortisation expense - intangible assets	348	163	-	**511**
Provision for credit impairment	4,099	2,908	-	**7,007**

As at 30 September 2008 (Unaudited)	Consolidated Banking Operations	Other Financial Services	Eliminations	Total
Total operating income	26,936	12,043	(2,829)	**36,150**
Net profit before taxation	6,277	1,782	(862)	**7,197**
Total assets	2,492,293	111,560	(113,660)	**2,490,193**
Total liabilities	2,352,457	87,138	(105,560)	**2,334,035**
Other segment items:				
Acquisition of property, plant and equipment	567	32	-	**599**
Acquisition of intangible assets	459	109	-	**568**
Depreciation expense - property, plant and equipment	594	197	-	**791**
Amortisation expense - intangible assets	289	230	-	**519**
Provision for credit impairment	1,978	2,522	-	**4,500**

All in $000's

27. Segmental Analysis (continued)

As at 31 March 2009 (Audited)	Consolidated Banking Operations	Other Financial Services	Eliminations	Total
Total operating income	60,454	27,541	(10,508)	**77,487**
Net profit before taxation	15,856	5,835	(5,534)	**16,157**
Total assets	2,663,412	127,751	(249,986)	**2,541,177**
Total liabilities	2,523,549	100,968	(238,920)	**2,385,597**
Other segment items:				
Acquisition of property, plant and equipment	809	73	-	**882**
Acquisition of intangible assets	1,068	243	-	**1,311**
Depreciation expense - property, plant and equipment	1,246	423	-	**1,669**
Amortisation expense - intangible assets	625	460	-	**1,085**
Provision for credit impairment	7,076	5,370	-	**12,446**

Geographical segment analysis

The Banking Group operates solely in New Zealand and on this basis no geographical segment information is provided.

28. Fair Value

Disclosed below is the estimated fair value of the Banking Group's financial instruments disclosed in terms of NZ IFRS 7: Financial Instrument Disclosures issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants. It is intended to provide an indication of the fair value of financial instruments and not the fair value of the Banking Group's business as a whole. It specifically excludes certain non-financial instruments and a range of intangible and relationship benefits which are integral to a full assessment of the Banking Group's financial position and the value of its business.

Methodologies
The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments. The following methods have been used:

Cash on hand and at bank
Carrying amount is equivalent to fair value.

Funds with financial institutions
For funds with financial institutions recognised in the financial statements as available for sale, carrying amount equals fair value.

Investment securities
Investment securities are recognised in the financial statements as either fair value through profit or loss or available for sale, therefore carrying amount equals fair value. Fair values are based on quoted market prices.

Advances to customers
<u>Advances at amortised cost</u>
For variable rate advances the carrying amount is a reasonable estimate of fair value as they can be settled the following day at balance outstanding. For fixed rate advances, fair values have been estimated using the discounted cash flow approach by reference to relative wholesale rates for the term at original fixing and the wholesale rate for the remaining term at balance date.

Advances include some interest free advances made in support of community projects. As at 30 September 2009 total interest free advances were $0.26 million (September 2008 $4.21 million; March 2009 $4.26 million). These advances have been estimated using the discounted cash flow approach by reference to current rates at which similar advances would be made to other borrowers with a similar credit rating and the same remaining maturities. As at 30 September 2009 the fair value of these interest free advances as reported in the statement of financial position were $0.23 million (September 2008 $3.92 million; March 2009 $4.11 million).

<u>Advances at fair value through profit or loss</u>
Designated advances are recognised in the financial statements at fair value through the profit or loss, therefore carrying amount equals fair value. Fair value is based on valuation techniques including the use of a discounted cash flow model based on wholesale rates adjusted with a retail lending margin.

Redeemable shares and deposits
The fair value of demand deposits is the amount payable on demand at the reporting date. For other liabilities with maturities of less than 3 months, the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of 3 months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values have been estimated using the discounted cash flow approach by reference to rates currently offered for similar liabilities of similar remaining maturities.

Derivative financial instruments
<u>Interest rate contracts</u>
Interest rate contracts are recognised in the financial statements at fair value, therefore the carrying amount equals fair value.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

All in $000's

28. Fair Value (continued)

For unrecognised financial instruments which include financial guarantees and lending commitments, no secondary market exists, so no fair value can be calculated. The face value of these items are given in Notes 25 and 32.

Fair value hierarchy

All financial instruments that are recognised in the statement of financial position at fair value are valued using valuation models that are based upon observable market inputs (level 2 inputs).

	Unaudited 30/09/2009		Unaudited 30/09/2008		Audited 31/03/2009	
BANKING GROUP	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets						
Cash on hand and at bank	12,896	12,896	11,013	11,013	23,164	23,164
Funds with financial institutions	101,113	101,113	42,577	42,577	76,777	76,777
Investment securities	2,876	2,876	1,918	1,918	2,421	2,421
Derivative financial instruments	2,554	2,554	731	731	732	732
Current tax assets	2,475	2,475	3,642	3,642	-	-
Advances to customers	2,461,394	2,464,373	2,403,745	2,407,346	2,403,909	2,419,632
Loans to subsidiaries and associates	-	-	1,701	1,701	-	-
Other assets	1,972	1,972	2,298	2,298	4,924	4,924
Total financial assets	**2,585,280**	**2,588,259**	**2,467,625**	**2,471,226**	**2,511,927**	**2,527,650**
Financial liabilities						
Redeemable shares	1,924,641	1,928,547	1,746,179	1,761,469	1,851,828	1,874,733
Deposits from customers	249,275	249,112	188,744	191,740	234,475	235,319
Deposits from financial institutions	18,002	18,002	20,005	20,005	17,002	17,002
Derivative financial instruments	23,625	23,625	11,913	11,913	34,500	34,500
Current tax liabilities	-	-	-	-	1,057	1,057
Other borrowings	146,993	146,993	348,192	348,192	173,811	173,811
Other liabilities	18,579	18,579	12,854	12,854	24,123	24,123
Subordinated redeemable shares	56,608	49,022	-	-	42,226	37,658
Total financial liabilities	**2,437,723**	**2,433,880**	**2,327,887**	**2,346,173**	**2,379,022**	**2,398,203**
PARENT						
Financial assets						
Cash on hand and at bank	6,278	6,278	5,644	5,644	16,075	16,075
Funds with financial institutions	98,419	98,419	39,615	39,615	73,773	73,773
Investment securities	404	404	-	-	404	404
Derivative financial instruments	4,036	4,036	2,596	2,596	3,848	3,848
Current tax assets	2,611	2,611	2,796	2,796	-	-
Advances to customers	2,270,028	2,272,257	2,197,452	2,200,941	2,202,481	2,215,231
Loans to subsidiaries and associates	90,528	90,528	80,648	80,648	89,385	89,385
Other assets	4,243	4,243	2,826	2,826	4,007	4,007
Total financial assets	**2,476,547**	**2,478,776**	**2,331,577**	**2,335,066**	**2,389,973**	**2,402,723**
Financial liabilities						
Redeemable shares	1,927,942	1,931,848	1,747,762	1,763,052	1,854,755	1,877,660
Deposits from customers	249,275	249,112	188,744	191,740	234,475	235,319
Deposits from financial institutions	18,002	18,002	20,005	20,005	17,002	17,002
Derivative financial instruments	23,678	23,678	11,920	11,920	34,510	34,510
Current tax liabilities	-	-	-	-	1,755	1,755
Other borrowings	61,164	61,164	227,705	227,705	68,958	68,958
Other liabilities	14,613	14,613	11,448	11,448	21,548	21,548
Subordinated redeemable shares	56,608	49,022	-	-	42,226	37,658
Total financial liabilities	**2,351,282**	**2,347,439**	**2,207,584**	**2,225,870**	**2,275,229**	**2,294,410**

All in $000's

29. Liquidity Risk

Liquidity risk is the risk that the Banking Group will encounter difficulty in meeting commitments associated with its financial liabilities, e.g. overnight deposits, current accounts, and maturing deposits; and future commitments, e.g. loan draw-downs and guarantees. The Banking Group manages its exposure to liquidity risk by maintaining sufficient liquid funds to meet its commitment based on historical and forecasted cash flow requirements.

The Banking Group monitors its liquidity position on a daily basis and forecasts cash flows from operating activities taking account of the cash flow characteristics of and expected volatility in the balances of the various classes of recognised assets and liabilities and unrecognised items that have or can have a significant cash flow effect.

The maturity profiles of assets and liabilities and loan commitments show the cash flows and have been prepared on a contractual basis as at balance date. These have been created using a run-off scenario which assumes no further origination of assets or liabilities.

The contractual maturity profiles reflect the remaining period to contractual maturity of assets and liabilities as at balance date. This is not considered by the Banking Group to be in any way indicative of future cash flows. This is primarily because a significant proportion of the Banking Group's redeemable shares and deposits are renewed at maturity and therefore do not have a cash flow impact. Historical experience has shown that such balances are a stable source of funding for the Banking Group. The contractual maturity profile has also been prepared on the basis of the agreed terms of the advance with the customer. However, SBS mortgage's include a term giving SBS the ability to call mortgage advances which are repayable on demand, or repayable on three months notice of demand, at the Banking Group's discretion. While the Banking Group is not likely to call advances on demand the contractual maturity date is not indicative of future cash flows due to early repayments, further drawdowns and principal reductions.

The contractual undiscounted maturity profiles reflect the remaining period to contractual maturity of assets and liabilities as at balance date and include both principal and interest cash flows. Note that these will not agree to the carrying values in the balance sheets and nor do they reflect how the Bank or Banking Group manages its liquidity risk. The Bank and Banking Group manages liquidity through the maintenance of a portfolio of liquid assets and committed funding lines, as set out on page 58. As such no expected maturity profile is presented as this does not reflect how the Bank or Banking group manages its liquidity risk.

Monetary assets receivable matched against liabilities payable as at 30 September 2009 (contractual cash flows)

	BANKING GROUP						
	0-6 * Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	12,896	-	12,896	-	-	-	**12,896**
Funds with financial institutions	90,388	711	91,099	-	10,014	-	**101,113**
Investment securities	1,816	-	1,816	-	1,060	-	**2,876**
Derivative financial instruments	2,554	-	2,554	-	-	-	**2,554**
Current tax assets	2,475	-	2,475	-	-	-	**2,475**
Advances to customers	87,788	85,880	173,668	186,494	186,632	1,914,600	**2,461,394**
Other assets	1,972	-	1,972	-	-	-	**1,972**
Total	**199,889**	**86,591**	**286,480**	**186,494**	**197,706**	**1,914,600**	**2,585,280**
Non monetary assets							26,701
Total assets							**2,611,981**
Liabilities			**Current Liabilities**				
Redeemable shares	1,389,787	417,490	1,807,277	100,814	16,550	-	**1,924,641**
Deposits from customers	207,206	30,326	237,532	10,586	1,157	-	**249,275**
Deposits from financial institutions	18,002	-	18,002	-	-	-	**18,002**
Derivative financial instruments	23,625	-	23,625	-	-	-	**23,625**
Other borrowings	61,164	-	61,164	-	-	85,829	**146,993**
Other liabilities	18,579	-	18,579	-	-	-	**18,579**
Subordinated redeemable shares	-	-	-	-	56,608	-	**56,608**
Total	**1,718,363**	**447,816**	**2,166,179**	**111,400**	**74,315**	**85,829**	**2,437,723**
Non monetary liabilities							6,907
Total liabilities							**2,444,630**
Net monetary assets	**(1,518,474)**	**(361,225)**	**(1,879,699)**	**75,094**	**123,391**	**1,828,771**	**147,557**
Unrecognised loan commitments	18,413	-	18,413	-	-	-	**18,413**
Net liquidity gap	**(1,500,061)**	**(361,225)**	**(1,861,286)**	**75,094**	**123,391**	**1,828,771**	**165,970**
Net liquidity gap - cumulative	**(1,500,061)**	**(1,861,286)**	**(1,861,286)**	**(1,786,192)**	**(1,662,801)**	**165,970**	**165,970**

* 0-6 months includes on-call amounts of redeemable shares $280.89 million; deposits from customers $68.40 million; and deposits from financial institutions $18.00 million.

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 30 September 2009 (contractual cash flows)

	PARENT						
	0-6 * Months	**6-12 Months**	**Current Assets**	**12-24 Months**	**24-60 Months**	**> 60 Months**	**Total Carrying Amount**
Assets							
Cash on hand and at bank	6,278	-	6,278	-	-	-	**6,278**
Funds with financial institutions	88,405	-	88,405	-	10,014	-	**98,419**
Investment securities	404	-	404	-	-	-	**404**
Derivative financial instruments	4,036	-	4,036	-	-	-	**4,036**
Current tax assets	2,611	-	2,611	-	-	-	**2,611**
Advances to customers	80,060	65,157	145,217	145,930	143,375	1,835,506	**2,270,028**
Loans to subsidiaries and associates	-	-	-	-	-	90,528	**90,528**
Other assets	4,243	-	4,243	-	-	-	**4,243**
Total	**186,037**	**65,157**	**251,194**	**145,930**	**153,389**	**1,926,034**	**2,476,547**
Non monetary assets							27,476
Total assets							**2,504,023**
Liabilities			**Current Liabilities**				
Redeemable shares	1,393,088	417,490	1,810,578	100,814	16,550	-	**1,927,942**
Deposits from customers	207,206	30,326	237,532	10,586	1,157	-	**249,275**
Deposits from financial institutions	18,002	-	18,002	-	-	-	**18,002**
Derivative financial instruments	23,678	-	23,678	-	-	-	**23,678**
Other borrowings	61,164	-	61,164	-	-	-	**61,164**
Other liabilities	14,613	-	14,613	-	-	-	**14,613**
Subordinated redeemable shares	-	-	-	-	56,608	-	**56,608**
Total	**1,717,751**	**447,816**	**2,165,567**	**111,400**	**74,315**	**-**	**2,351,282**
Non monetary liabilities							2,147
Total liabilities							**2,353,429**
Net monetary assets	**(1,531,714)**	**(382,659)**	**(1,914,373)**	**34,530**	**79,074**	**1,926,034**	**125,265**
Unrecognised loan commitments	19,319	-	19,319	-	-	-	**19,319**
Net liquidity gap	**(1,512,395)**	**(382,659)**	**(1,895,054)**	**34,530**	**79,074**	**1,926,034**	**144,584**
Net liquidity gap - cumulative	**(1,512,395)**	**(1,895,054)**	**(1,895,054)**	**(1,860,524)**	**(1,781,450)**	**144,584**	**144,584**

* 0-6 months includes on-call amounts of redeemable shares $284.19 million; deposits from customers $68.40 million; and deposits from financial institutions $18.00 million.

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 30 September 2009 (contractual undiscounted cash flows)

	BANKING GROUP						
	0-6 Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	12,896	-	12,896	-	-	-	**12,896**
Funds with financial institutions	90,749	751	91,500	-	11,143	-	**102,643**
Investment securities	1,847	31	1,878	61	1,204	-	**3,143**
Derivative financial instruments	973	515	1,488	649	546	-	**2,683**
Current tax assets	2,475	-	2,475	-	-	-	**2,475**
Advances to customers	250,834	192,232	443,066	284,326	693,682	2,206,990	**3,628,064**
Other assets	1,972	-	1,972	-	-	-	**1,972**
Total	**361,746**	**193,529**	**555,275**	**285,036**	**706,575**	**2,206,990**	**3,753,876**
Non monetary assets							26,581
Total assets							**3,780,457**
Liabilities			**Current Liabilities**				
Redeemable shares	1,396,748	429,905	1,826,653	113,044	23,975	-	**1,963,672**
Deposits from customers	208,073	31,422	239,495	11,471	1,605	-	**252,571**
Deposits from financial institutions	18,002	-	18,002	-	-	-	**18,002**
Derivative financial instruments	14,165	7,074	21,239	2,344	1,142	-	**24,725**
Other borrowings	62,426	1,262	63,688	2,523	7,570	148,913	**222,694**
Other liabilities	18,579	-	18,579	-	-	-	**18,579**
Subordinated redeemable shares	-	-	-	-	77,265	-	**77,265**
Total	**1,717,993**	**469,663**	**2,187,656**	**129,382**	**111,557**	**148,913**	**2,577,508**
Non monetary liabilities							6,907
Total liabilities							**2,584,415**
Net monetary assets	**(1,356,247)**	**(276,134)**	**(1,632,381)**	**155,654**	**595,018**	**2,058,077**	**1,176,368**
Unrecognised loan commitments	18,413	-	18,413	-	-	-	18,413
Net liquidity gap	**(1,337,834)**	**(276,134)**	**(1,613,968)**	**155,654**	**595,018**	**2,058,077**	**1,194,781**
Net liquidity gap - cumulative	**(1,337,834)**	**(1,613,968)**	**(1,613,968)**	**(1,458,314)**	**(863,296)**	**1,194,781**	**1,194,781**

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 30 September 2009 (contractual undiscounted cash flows)

	PARENT						
	0-6 Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	6,278	-	6,278	-	-	-	**6,278**
Funds with financial institutions	88,745	-	88,745	-	11,143	-	**99,888**
Investment securities	404	-	404	-	-	-	**404**
Derivative financial instruments	1,538	813	2,351	1,026	862	-	**4,239**
Current tax assets	2,611	-	2,611	-	-	-	**2,611**
Advances to customers	198,904	154,106	353,010	246,234	662,970	2,133,887	**3,396,101**
Loans to subsidiaries and associates	2,763	2,763	5,526	5,527	16,581	211,623	**239,257**
Other assets	4,243	-	4,243	-	-	-	**4,243**
Total	**305,486**	**157,682**	**463,168**	**252,787**	**691,556**	**2,345,510**	**3,753,021**
Non monetary assets							27,476
Total assets							**3,780,497**
Liabilities			**Current Liabilities**				
Redeemable shares	1,400,014	429,905	1,829,919	113,044	23,975	-	**1,966,938**
Deposits from customers	208,073	31,422	239,495	11,741	1,605	-	**252,841**
Deposits from financial institutions	18,002	-	18,002	-	-	-	**18,002**
Derivative financial instruments	14,197	7,090	21,287	2,349	1,145	-	**24,781**
Other borrowings	61,164	-	61,164	-	-	-	**61,164**
Other liabilities	14,613	-	14,613	-	-	-	**14,613**
Subordinated redeemable shares	-	-	-	-	77,265	-	**77,265**
Total	**1,716,063**	**468,417**	**2,184,480**	**127,134**	**103,990**	**-**	**2,415,604**
Non monetary liabilities							2,147
Total liabilities							**2,417,751**
Net monetary assets	**(1,410,577)**	**(310,735)**	**(1,721,312)**	**125,653**	**587,566**	**2,345,510**	**1,337,417**
Unrecognised loan commitments	19,319	-	19,319	-	-	-	19,319
Net liquidity gap	**(1,391,258)**	**(310,735)**	**(1,701,993)**	**125,653**	**587,566**	**2,345,510**	**1,356,736**
Net liquidity gap - cumulative	**(1,391,258)**	**(1,701,993)**	**(1,701,993)**	**(1,576,340)**	**(988,774)**	**1,356,736**	**1,356,736**

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 30 September 2008 (contractual cash flows)

	BANKING GROUP						
	0-6 * Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	11,013	-	11,013	-	-	-	**11,013**
Funds with financial institutions	42,577	-	42,577	-	-	-	**42,577**
Investment securities	883	-	883	-	1,035	-	**1,918**
Derivative financial instruments	731	-	731	-	-	-	**731**
Current tax assets	3,642	-	3,642	-	-	-	**3,642**
Advances to customers	100,728	88,233	188,961	88,101	134,811	1,991,872	**2,403,745**
Loans to subsidiaries and associates	1,701	-	1,701	-	-	-	**1,701**
Other assets	2,298	-	2,298	-	-	-	**2,298**
Total	**163,573**	**88,233**	**251,806**	**88,101**	**135,846**	**1,991,872**	**2,467,625**
Non monetary assets							22,568
Total assets							**2,490,193**
Liabilities			**Current Liabilities**				
Redeemable shares	1,407,782	290,785	1,698,567	33,064	14,548	-	**1,746,179**
Deposits from customers	161,447	17,544	178,991	7,931	1,822	-	**188,744**
Deposits from financial institutions	20,005	-	20,005	-	-	-	**20,005**
Derivative financial instruments	11,913	-	11,913	-	-	-	**11,913**
Other borrowings	75,829	151,876	227,705	-	-	120,487	**348,192**
Other liabilities	12,854	-	12,854	-	-	-	**12,854**
Total	**1,689,830**	**460,205**	**2,150,035**	**40,995**	**16,370**	**120,487**	**2,327,887**
Non monetary liabilities							6,148
Total liabilities							**2,334,035**
Net monetary assets	**(1,526,257)**	**(371,972)**	**(1,898,229)**	**47,106**	**119,476**	**1,871,385**	**139,739**
Unrecognised loan commitments	31,768	-	31,768	-	-	-	**31,768**
Net liquidity gap	**(1,494,489)**	**(371,972)**	**(1,866,461)**	**47,106**	**119,476**	**1,871,385**	**171,507**
Net liquidity gap - cumulative	**(1,494,489)**	**(1,866,461)**	**(1,866,461)**	**(1,819,355)**	**(1,699,879)**	**171,507**	**171,507**

* 0-6 months includes on-call amounts of redeemable shares $257.37 million; deposits from customers $51.42 million; and deposits from financial institutions $27.01 million.

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 30 September 2008 (contractual cash flows)

	PARENT						
	0-6 * Months	**6-12 Months**	**Current Assets**	**12-24 Months**	**24-60 Months**	**> 60 Months**	**Total Carrying Amount**
Assets							
Cash on hand and at bank	5,644	-	5,644	-	-	-	**5,644**
Funds with financial institutions	39,615	-	39,615	-	-	-	**39,615**
Derivative financial instruments	2,596	-	2,596	-	-	-	**2,596**
Current tax assets	2,796	-	2,796	-	-	-	**2,796**
Advances to customers	91,621	72,013	163,634	57,827	96,296	1,879,695	**2,197,452**
Loans to subsidiaries and associates	-	-	-	-	80,648	-	**80,648**
Other assets	2,826	-	2,826	-	-	-	**2,826**
Total	**145,098**	**72,013**	**217,111**	**57,827**	**176,944**	**1,879,695**	**2,331,577**
Non monetary assets							18,802
Total assets							**2,350,379**
Liabilities			**Current Liabilities**				
Redeemable shares	1,409,365	290,785	1,700,150	33,064	14,548	-	**1,747,762**
Deposits from customers	161,447	17,544	178,991	7,931	1,822	-	**188,744**
Deposits from financial institutions	20,005	-	20,005	-	-	-	**20,005**
Derivative financial instruments	11,920	-	11,920	-	-	-	**11,920**
Other borrowings	75,829	151,876	227,705	-	-	-	**227,705**
Other liabilities	11,448	-	11,448	-	-	-	**11,448**
Total	**1,690,014**	**460,205**	**2,150,219**	**40,995**	**16,370**	**-**	**2,207,584**
Non monetary liabilities							2,058
Total liabilities							**2,209,642**
Net monetary assets	**(1,544,916)**	**(388,192)**	**(1,933,108)**	**16,832**	**160,574**	**1,879,695**	**123,993**
Unrecognised loan commitments	24,221	-	24,221	-	-	-	**24,221**
Net liquidity gap	**(1,520,695)**	**(388,192)**	**(1,908,887)**	**16,832**	**160,574**	**1,879,695**	**148,214**
Net liquidity gap - cumulative	**(1,520,695)**	**(1,908,887)**	**(1,908,887)**	**(1,892,055)**	**(1,731,481)**	**148,214**	**148,214**

* 0-6 months includes on-call amounts of redeemable shares $258.78 million; deposits from customers $51.42 million; and deposits from financial institutions $27.01 million.

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 30 September 2008 (contractual undiscounted cash flows)

	BANKING GROUP						
	0-6 Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	11,013	-	11,013	-	-	-	**11,013**
Funds with financial institutions	43,243	638	43,881	-	-	-	**43,881**
Investment securities	883	-	883	1	1,041	-	**1,925**
Derivative financial instruments	146	146	292	229	247	14	**782**
Current tax assets	3,642	-	3,642	-	-	-	**3,642**
Advances to customers	264,099	213,990	478,089	307,141	736,013	3,706,394	**5,227,637**
Other assets	2,298	-	2,298	-	-	-	**2,298**
Total	**325,324**	**214,774**	**540,098**	**307,371**	**737,301**	**3,706,408**	**5,291,178**
Non monetary assets							22,568
Total assets							**5,313,746**
Liabilities			**Current Liabilities**				
Redeemable shares	1,439,467	291,438	1,730,905	44,720	18,679	-	**1,794,304**
Deposits from customers	163,572	17,646	181,218	8,955	2,461	-	**192,634**
Deposits from financial institutions	20,005	-	20,005	-	-	-	**20,005**
Derivative financial instruments	3,325	3,325	6,650	5,046	1,229	19	**12,944**
Other borrowings	75,829	158,196	234,025	-	-	238,347	**472,372**
Other liabilities	12,854	-	12,854	-	-	-	**12,854**
Total	**1,715,052**	**470,605**	**2,185,657**	**58,721**	**22,369**	**238,366**	**2,505,113**
Non monetary liabilities							6,148
Total liabilities							**2,511,261**
Net monetary assets	**(1,389,728)**	**(255,831)**	**(1,645,559)**	**248,650**	**714,932**	**3,468,042**	**2,786,065**
Unrecognised loan commitments	31,768	-	31,768	-	-	-	
Net liquidity gap	**(1,357,960)**	**(255,831)**	**(1,613,791)**	**248,650**	**714,932**	**3,468,042**	**2,817,833**
Net liquidity gap - cumulative	**(1,357,960)**	**(1,613,791)**	**(1,613,791)**	**(1,365,141)**	**(650,209)**	**2,817,833**	**2,817,833**

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 30 September 2008 (contractual undiscounted cash flows)

	PARENT						
	0-6 Months	**6-12 Months**	**Current Assets**	**12-24 Months**	**24-60 Months**	**> 60 Months**	**Total Carrying Amount**
Assets							
Cash on hand and at bank	5,644	-	5,644	-	-	-	**5,644**
Funds with financial institutions	40,863	-	40,863	-	-	-	**40,863**
Derivative financial instruments	519	519	1,038	813	878	50	**2,779**
Current tax assets	2,796	-	2,796	-	-	-	**2,796**
Advances to customers	215,543	181,723	397,266	270,984	692,365	3,518,747	**4,879,362**
Loans to subsidiaries and associates	3,882	3,882	7,764	7,763	23,289	80,311	**119,127**
Other assets	2,826	-	2,826	-	-	-	**2,826**
Total	**272,073**	**186,124**	**458,197**	**279,560**	**716,532**	**3,599,108**	**5,053,397**
Non monetary assets							18,802
Total assets							**5,072,199**
Liabilities			**Current Liabilities**				
Redeemable shares	1,439,422	291,438	1,730,860	44,720	18,679	-	**1,794,259**
Deposits from customers	163,572	17,646	181,218	8,955	2,461	-	**192,634**
Deposits from financial institutions	20,005	-	20,005	-	-	-	**20,005**
Derivative financial instruments	3,327	3,327	6,654	5,049	1,229	19	**12,951**
Other borrowings	75,829	158,196	234,025	-	-	-	**234,025**
Other liabilities	11,448	-	11,448	-	-	-	**11,448**
Total	**1,713,603**	**470,607**	**2,184,210**	**58,724**	**22,369**	**19**	**2,265,322**
Non monetary liabilities							2,058
Total liabilities							**2,267,380**
Net monetary assets	**(1,441,530)**	**(284,483)**	**(1,726,013)**	**220,836**	**694,163**	**3,599,089**	**2,788,076**
Unrecognised loan commitments	24,221	-	24,221	-	-	-	24,221
Net liquidity gap	**(1,417,309)**	**(284,483)**	**(1,701,792)**	**220,836**	**694,163**	**3,599,089**	**2,812,297**
Net liquidity gap - cumulative	**(1,417,309)**	**(1,701,792)**	**(1,701,792)**	**(1,480,956)**	**(786,792)**	**2,812,297**	**2,812,297**

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 31 March 2009 (contractual cash flows)

	BANKING GROUP						
	0-6 * Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	23,164	-	23,164	-	-	-	**23,164**
Funds with financial institutions	76,524	-	76,524	253	-	-	**76,777**
Investment securities	1,345	-	1,345	-	1,076	-	**2,421**
Derivative financial instruments	732	-	732	-	-	-	**732**
Advances to customers	115,413	57,965	173,378	185,352	159,775	1,885,404	**2,403,909**
Other assets	4,924	-	4,924	-	-	-	**4,924**
Total	**222,102**	**57,965**	**280,067**	**185,605**	**160,851**	**1,885,404**	**2,511,927**
Non monetary assets							29,250
Total assets							**2,541,177**
Liabilities			**Current Liabilities**				
Bank overdraft	1,267,991	447,958	1,715,949	118,534	17,345	-	**1,851,828**
Redeemable shares	192,230	35,985	228,215	4,288	1,972	-	**234,475**
Deposits from customers	17,002	-	17,002	-	-	-	**17,002**
Deposits from financial institutions	34,500	-	34,500	-	-	-	**34,500**
Derivative financial instruments	1,057	-	1,057	-	-	-	**1,057**
Current Tax Liabilities	68,958	-	68,958	-	-	104,853	**173,811**
Other borrowings	24,123	-	24,123	-	-	-	**24,123**
Other liabilities	-	-	-	-	42,226	-	**42,226**
Total	**1,605,861**	**483,943**	**2,089,804**	**122,822**	**61,543**	**104,853**	**2,379,022**
Non monetary liabilities							6,575
Total liabilities							**2,385,597**
Net monetary assets	**(1,383,759)**	**(425,978)**	**(1,809,737)**	**62,783**	**99,308**	**1,780,551**	**132,905**
Unrecognised loan commitments	22,212	-	22,212	-	-	-	**22,212**
Net liquidity gap	**(1,361,547)**	**(425,978)**	**(1,787,525)**	**62,783**	**99,308**	**1,780,551**	**155,117**
Net liquidity gap - cumulative	**(1,361,547)**	**(1,787,525)**	**(1,787,525)**	**(1,724,742)**	**(1,625,434)**	**155,117**	**155,117**

* 0-6 months includes on-call amounts of redeemable shares $278.46 million; deposits from customers $88.34 million; and deposits from financial institutions $17.00 million.

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 31 March 2009 (contractual cash flows)

	PARENT						
	0-6 Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	16,075	-	16,075	-	-	-	**16,075**
Funds with financial institutions	73,773	-	73,773	-	-	-	**73,773**
Derivative financial instruments	404	-	404	-	-	-	**404**
Current tax assets	3,848	-	3,848	-	-	-	**3,848**
Advances to customers	106,230	43,571	149,801	145,703	114,106	1,792,871	**2,202,481**
Loans to subsidiaries and associates	-	-	-	-	-	89,385	**89,385**
Other assets	4,007	-	4,007	-	-	-	**4,007**
Total	**204,337**	**43,571**	**247,908**	**145,703**	**114,106**	**1,882,256**	**2,389,973**
Non monetary assets							28,509
Total assets							**2,418,482**
Liabilities			**Current Liabilities**				
Bank overdraft	1,270,918	447,958	1,718,876	118,534	17,345	-	**1,854,755**
Redeemable shares	192,230	35,985	228,215	4,288	1,972	-	**234,475**
Deposits from customers	17,002	-	17,002	-	-	-	**17,002**
Deposits from financial institutions	34,510	-	34,510	-	-	-	**34,510**
Derivative financial instruments	1,755	-	1,755	-	-	-	**1,755**
Current Tax Liabilities	68,958	-	68,958	-	-	-	**68,958**
Other borrowings	21,548	-	21,548	-	-	-	**21,548**
Other liabilities	-	-	-	-	42,226	-	**42,226**
Total	**1,606,921**	**483,943**	**2,090,864**	**122,822**	**61,543**	**-**	**2,275,229**
Non monetary liabilities							2,290
Total liabilities							**2,277,519**
Net monetary assets	**(1,402,584)**	**(440,372)**	**(1,842,956)**	**22,881**	**52,563**	**1,882,256**	**114,744**
Unrecognised loan commitments	15,884	-	15,884	-	-	-	**15,884**
Net liquidity gap	**(1,386,700)**	**(440,372)**	**(1,827,072)**	**22,881**	**52,563**	**1,882,256**	**130,628**
Net liquidity gap - cumulative	**(1,386,700)**	**(1,827,072)**	**(1,827,072)**	**(1,804,191)**	**(1,751,628)**	**130,628**	**130,628**

* 0-6 months includes on-call amounts of redeemable shares $281.39 million; deposits from customers $88.34 million; and deposits from financial institutions $17.00 million.

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 31 March 2009 (contractual undiscounted cash flows)

	BANKING GROUP						
	0-6 Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	23,164	-	23,164	-	-	-	**23,164**
Funds with financial institutions	76,849	-	76,849	278	-	-	**77,127**
Investment securities	1,378	34	1,412	67	1,323	-	**2,802**
Derivative financial instruments	348	206	554	141	57	-	**752**
Advances to customers	270,829	176,003	446,832	285,061	677,126	3,174,750	**4,583,769**
Other assets	4,924	-	4,924	-	-	-	**4,924**
Total	**377,492**	**176,243**	**553,735**	**285,547**	**678,506**	**3,174,750**	**4,692,538**
Non monetary assets							29,250
Total assets							**4,721,788**
Liabilities			**Current Liabilities**				
Redeemable shares	1,249,787	456,502	1,706,289	132,501	22,423	-	**1,861,213**
Deposits from customers	230,584	37,099	267,683	4,772	2,544	-	**274,999**
Deposits from financial institutions	17,002	-	17,002	-	-	-	**17,002**
Derivative financial instruments	15,189	12,391	27,580	7,762	1,232	-	**36,574**
Current tax liabilities	1,057	-	1,057	-	-	-	**1,057**
Other borrowings	68,958	-	68,958	-	-	207,420	**276,378**
Other liabilities	24,123	-	24,123	-	-	-	**24,123**
Subordinated redeemable shares	-	-	-	-	59,167	-	**59,167**
Total	**1,606,700**	**505,992**	**2,112,692**	**145,035**	**85,366**	**207,420**	**2,550,513**
Non monetary liabilities							6,575
Total liabilities							**2,557,088**
Net monetary assets	**(1,229,208)**	**(329,749)**	**(1,558,957)**	**140,512**	**593,140**	**2,967,330**	**2,142,025**
Unrecognised loan commitments	22,212	-	22,212	-	-	-	22,212
Net liquidity gap	**(1,206,996)**	**(329,749)**	**(1,536,745)**	**140,512**	**593,140**	**2,967,330**	**2,164,237**
Net liquidity gap - cumulative	**(1,206,996)**	**(1,536,745)**	**(1,536,745)**	**(1,396,233)**	**(803,093)**	**2,164,237**	**2,164,237**

All in $000's

29. Liquidity Risk (continued)

Monetary assets receivable matched against liabilities payable as at 31 March 2009 (contractual undiscounted cash flows)

	PARENT						
	0-6 Months	6-12 Months	Current Assets	12-24 Months	24-60 Months	> 60 Months	Total Carrying Amount
Assets							
Cash on hand and at bank	16,075	-	16,075	-	-	-	**16,075**
Funds with financial institutions	74,088	-	74,088	-	-	-	**74,088**
Investment securities	404	-	404	-	-	-	**404**
Derivative financial instruments	1,829	1,081	2,910	743	300	-	**3,953**
Advances to customers	219,488	139,709	359,197	245,346	640,266	3,038,238	**4,283,047**
Loans to subsidiaries and associates	2,349	2,349	4,698	4,698	14,093	88,508	**111,997**
Other assets	4,007	-	4,007	-	-	-	**4,007**
Total	**318,240**	**143,139**	**461,379**	**250,787**	**654,659**	**3,126,746**	**4,493,571**
Non monetary assets							28,509
Total assets							**4,522,080**
Liabilities			**Current Liabilities**				
Redeemable shares	1,252,646	456,502	1,709,148	132,501	22,423	-	**1,864,072**
Deposits from customers	230,584	37,099	267,683	4,772	2,544	-	**274,999**
Deposits from financial institutions	17,002	-	17,002	-	-	-	**17,002**
Derivative financial instruments	15,194	12,394	27,588	7,764	1,233	-	**36,585**
Current tax liabilities	1,755	-	1,755	-	-	-	**1,755**
Other borrowings	68,958	-	68,958	-	-	-	**68,958**
Other liabilities	21,548	-	21,548	-	-	-	**21,548**
Subordinated redeemable shares	-	-	-	-	59,167	-	**59,167**
Total	**1,607,687**	**505,995**	**2,113,682**	**145,037**	**85,367**	**-**	**2,344,086**
Non monetary liabilities							2,290
Total liabilities							**2,346,376**
Net monetary assets	**(1,289,447)**	**(362,856)**	**(1,652,303)**	**105,750**	**569,292**	**3,126,746**	**2,149,485**
Unrecognised loan commitments	15,884	-	15,884	-	-	-	15,884
Net liquidity gap	**(1,273,563)**	**(362,856)**	**(1,636,419)**	**105,750**	**569,292**	**3,126,746**	**2,165,369**
Net liquidity gap - cumulative	**(1,273,563)**	**(1,636,419)**	**(1,636,419)**	**(1,530,669)**	**(961,377)**	**2,165,369**	**2,165,369**

All in $000's

29. Liquidity Risk (continued)

To meet both expected and unexpected fluctuations in operating cash flows the Banking Group maintains a stock of liquid investments which it considers from analysis of historical cash flows, forecast cash flows and the current composition of the statement of financial position, to be adequate to meet day-to-day operational requirements or a potential crisis or 'funding stress' scenario.

Total liquidity includes committed but undrawn funding lines. As at 30 September 2009, the Banking Group had total committed funding lines with other registered banks of $210.00 million (September 2008 $410.00 million; March 2009 $250.00 million). Of these facilities $18.00 million (September 2008 $151.88 million; March 2009 $17.00 million) were drawn down on 30 September 2009.

In May 2008 the RBNZ expanded the range of acceptable collateral that banks can pledge and borrow against as part of changes to its liquidity management arrangement designed to help ensure adequate liquidity for New Zealand financial institutions in the event that global market disruption was to intensify. From 31 July 2008, acceptable collateral includes residential mortgage backed securities ('RMBS') that satisfy RBNZ criteria.

During the year ended 31 March 2009, the Banking Group established an in-house RMBS facility that could issue securities meeting the RBNZ criteria. The establishment of the facility resulted in the Parent incorporating the newly established entity, the SBS Oreti Trust No. 2. The assets of this trust do not qualify for derecognition as the Bank retains a continuing involvement in the transferred assets, therefore neither the Parent or the Banking Group financial statements change as a result of establishing this facility.

Included within total liquidity is RMBS that is eligible under the RBNZ liquidity management arrangements ('Eligible RMBS Collateral'). The Eligible RMBS Collateral is discounted for the 'haircut'[1] that applies to those securities under the Reserve Bank's Domestic Operations for the purposes of those operations.

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Asset liquidity	116,885	55,508	102,362	105,101	45,259	90,252
Committed and undrawn funding lines	192,000	298,124	233,000	192,000	298,124	233,000
Eligible RMBS collateral (less haircut[1])	90,508	-	98,537	90,508	-	98,537
Total liquidity	**399,393**	**353,632**	**433,899**	**387,609**	**343,383**	**421,789**

Asset liquidity includes investment securities, cash on hand and at bank and funds with other financial institutions.

In addition to commited lines, Southland Building Society has $nil of utilised (September 2008 $nil; March 2009 $nil) and $nil of unutilised (September 2008 $20.00 million; March 2009 $20.00 million) funding arrangements in place with other registered banks at 30 September 2009.

Cash demands are usually met by realising liquid investments, drawing uncommitted lines and raising new deposits.

[1] 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.

30. Credit Risk Exposure

The nature of SBS's activities as a financial intermediary necessitates SBS dealing in financial instruments that contain an inherent element of credit risk. Credit exposure means the amount of the maximum loss that SBS could incur as a result of the counterparty to a contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements and any potential recoveries. SBS's activities are conducted within the bounds of prudent and conservative banking practice.

The Banking Group's dominant activity is the provision of residential mortgage finance which comprises 69% (September 2008 68%; March 2009 68%) of the Banking Group's loan portfolio and is undertaken throughout New Zealand. Rural loans which comprise 16% (September 2008 16%; March 2009 16%) of the Banking Group's loan portfolio are predominantly concentrated in the Southland/Otago region.

(a) The maximum exposures to credit risk at the relevant reporting dates are:

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Cash on hand and at bank	12,896	11,013	23,164	6,278	5,644	16,075
Funds with financial institutions	101,113	42,577	76,777	98,419	39,615	73,773
Investment securities	2,876	1,918	2,421	404	-	404
Derivative financial instruments	2,554	731	732	4,036	2,596	3,848
Current tax assets	2,475	3,642	-	2,611	2,796	-
Advances to customers	2,461,394	2,403,745	2,403,909	2,270,028	2,197,452	2,202,481
Loans to subsidiaries and associates	-	1,701	-	90,528	80,648	89,385
Other assets	1,972	2,298	4,924	4,243	2,826	4,007
Total on-balance sheet credit exposures	**2,585,280**	**2,467,625**	**2,511,927**	**2,476,547**	**2,331,577**	**2,389,973**

All in $000's

30. Credit Risk Exposure (continued)

(b) Concentrations of credit risk by sector

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Residential	1,463,699	1,387,760	1,404,327	1,391,798	1,283,890	1,318,629
Residential investing	244,853	250,355	233,977	233,385	237,671	222,602
Agricultural	398,178	394,607	394,742	398,178	394,607	394,742
Commercial finance	17,869	4,050	16,081	90,528	80,648	92,397
Commercial other	242,757	279,188	261,279	246,370	277,243	259,305
Consumer finance	59,661	48,795	54,059	-	-	-
Consumer loans	34,080	36,650	35,253	-	-	-
Local authority	297	4,041	4,191	297	4,041	4,191
Corporate investments	119,439	56,239	103,094	109,137	47,855	94,100
Other	4,447	5,940	4,924	6,854	5,622	4,007
Total concentrations of credit risk by sector	**2,585,280**	**2,467,625**	**2,511,927**	**2,476,547**	**2,331,577**	**2,389,973**

(c) Concentrations of credit risk by geographical location

North Island	535,454	499,626	544,149	430,264	407,045	422,537
Canterbury	684,394	687,888	623,386	644,054	636,158	599,531
Otago	552,651	573,027	556,076	531,809	544,592	534,233
Southland	626,530	531,273	615,719	693,844	591,865	686,874
South Island other	186,251	175,811	172,597	176,576	151,917	146,798
Overseas	-	-	-	-	-	-
Total concentrations of credit risk by geographical location	**2,585,280**	**2,467,625**	**2,511,927**	**2,476,547**	**2,331,577**	**2,389,973**

(d) Currency risk

The Banking Group is not exposed to currency risk.

(e) Credit exposures to individual counterparties and groups of closely related counterparties

The Banking Group's disclosure of concentrations of credit exposure to individual counterparties and groups of closely related counterparties, which equalled or exceeded 10% of the Banking Group's equity, is based on actual credit exposures and calculated on a gross basis (net of specific provisions) and excludes credit exposures to connected persons and the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent. Peak end of day credit exposures to individual counterparties are calculated using the Banking Group's end of period equity.

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Balance sheet date credit exposures to individual counterparties and groups of closely related counterparties

	Number of non-bank counterparties			Number of bank counterparties		
Percentage of equity %	**Unaudited 30/09/2009**	**Unaudited 30/09/2008**	**Audited 31/03/2009**	**Unaudited 30/09/2009**	**Unaudited 30/09/2008**	**Audited 31/03/2009**
10-19	-	-	-	-	-	1
20-29	-	-	-	-	-	1
30-39	-	-	-	2	-	-
40-49	-	-	-	-	-	-

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Peak end of day credit exposures to individual counterparties and groups of closely related counterparties

	Number of non-bank counterparties			Number of bank counterparties		
Percentage of equity %	**Unaudited 30/09/2009**	**Unaudited 30/09/2008**	**Audited 31/03/2009**	**Unaudited 30/09/2009**	**Unaudited 30/09/2008**	**Audited 31/03/2009**
10-19	-	-	-	-	-	4
20-29	-	-	-	-	-	1
30-39	-	-	-	-	-	1
40-49	-	-	-	2	-	-

All in $000's

30. Credit Risk Exposure (continued)

(f) Credit exposures by credit rating

The following table presents the Banking Group's credit exposures based on the credit rating of the issuer. Credit exposure concentrations are disclosed on the basis of actual credit exposures and calculated on a gross basis (net of specific provisions and excluding advances of a capital nature). An investment grade credit rating means a credit rating of BBB- or Baa3 or above, or its equivalent. The amount and percentage of the Bankings Group's credit exposure, excluding connected persons and the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, where the period end aggregate exposure equalled or exceeded 10% of the Banking Group's equity, as at period end are:

	BANKING GROUP					
	Amount	% of total credit exposure	Amount	% of total credit exposure	Amount	% of total credit exposure
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Audited**	**Audited**
	30/09/2009	**30/09/2009**	**30/09/2008**	**30/09/2008**	**31/03/2009**	**31/03/2009**
Non-bank counterparties						
Investment grade credit rating	-	0%	-	0%	-	0%
Below investment grade credit rating	-	0%	-	0%	-	0%
Not rated	-	0%	-	0%	-	0%
Total non-bank exposures	-	0%	-	0%	-	0%
Bank counterparties						
Investment grade credit rating	103,177	100%	-	0%	66,620	100%
Below investment grade credit rating	-	0%	-	0%	-	0%
Not rated	-	0%	-	0%	-	0%
Total bank exposures	103,177	100%	-	0%	66,620	100%

(g) Credit exposures to connected persons

Credit exposure concentrations are disclosed on the basis of actual credit exposures and calculated on a gross basis (net of individual credit impairment allowances and excluding advances of a capital nature). The Banking Group does not have credit exposures to connected persons other than non-bank connected persons. Peak end of day credit exposures to non-bank connected persons have been calculated using the Banking Group's tier one capital at the end of the period. The rating-contingent limit, which is applicable to the Banking Group, based on the conditions of registration imposed by the RBNZ is 15%. There have been no rating-contingent limit changes during the last quarter. Within the rating-contingent limit there is a sub-limit of 15%, which applies to non-bank connected persons. All limits on aggregate credit exposure to all connected persons and non-bank connected persons in the Banking Group's conditions of registration have been complied with at all times over the last quarter. There are no individual credit impairment allowances against credit exposures to non-bank connected persons as at 30 September 2009 (September 2008: nil, March 2009: nil).

	BANKING GROUP		
	Unaudited	**Unaudited**	**Audited**
	30/09/2009	**30/09/2008**	**31/03/2009**
Credit exposures to non-bank connected persons at period end	1,024	741	696
Credit exposures to non-bank connected persons at period end expressed as a % of total tier one capital	0.61%	0.47%	0.43%
Peak credit exposures to non-bank connected persons during the quarter	1,062	953	731
Peak credit exposures to non-bank connected persons during the quarter expressed as a % of total tier one capital	0.63%	0.61%	0.45%

	BANKING GROUP			PARENT		
	Unaudited	**Unaudited**	**Audited**	**Unaudited**	**Unaudited**	**Audited**
	30/09/2009	**30/09/2008**	**31/03/2009**	**30/09/2009**	**30/09/2008**	**31/03/2009**
(h) Percentage of borrowers owing the six largest amounts						
The six largest borrowers as a percentage of monetary assets receivable	2.25%	2.32%	2.29%	5.72%	5.52%	5.82%

All in $000's

30. Credit Risk Exposure (continued)

(i) Collateral held

SBS takes collateral where it is considered necessary to support credit risk on financial instruments including both recognised and unrecognised financial instruments. An evaluation is undertaken of the customer's credit risk on a case by case basis and the amount of collateral taken if deemed necessary, is based on management's credit evaluation of the counterparty. The collateral taken varies but could include cash deposits, mortgages, debentures, investments and financial covenants.

In terms of SBS retail lending activity, credit is extended within predetermined loan to security valuation ratios, which vary depending on the class of an advance, and within established and proven repayment to income ratios. Independent credit evaluations are undertaken where this is deemed necessary. Additionally some advances are insured with an independent third party mortgage insurer. In excess of 96% of SBS advances are secured by first mortgage over real property as a minimum. Once established, loan performance is monitored constantly. The Debt Management team monitor exposures to non-performing loans on a daily basis and provide monthly reports to senior management and the board.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

An estimate of the fair value of collateral and other security enhancements held against financial assets that are individually impaired or past due are shown below:

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Against individually impaired	15,482	9,771	14,374	15,482	9,771	14,374
Against past due but not impaired	37,093	42,350	89,425	35,779	25,374	82,696
	52,575	**52,121**	**103,799**	**51,261**	**35,145**	**97,070**

31. Market Risk

Market risk is the risk that changes in market prices, such as interest rate, and credit spreads will affect the Banking Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Banking Group's exposure to market risk is governed by a policy approved by the Audit and Risk Committee and managed by the Asset and Liability Committee (ALCO). This policy sets out the nature of risk which may be taken and aggregate risk limits and the ALCO must conform with this. The objective of the ALCO is to derive the most appropriate strategy for the Banking Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints and capital adequacy.

The Banking Group's exposure to market risk is managed operationally by Treasury. Treasury manages market risk by using other securities, advances to banks, deposits from banks and appropriate risk management instruments. Market risk is managed within a clearly defined framework of policy limits. Treasury reports to and is represented on the ALCO Committee.

Market risk is measured and reported using a variety of techniques, according to the appropriateness of the technique to the exposure concerned. The techniques used include interest rate gap analysis and scenario analysis.

Policies for managing interest rate risk

Interest rate risk is the risk of loss to the Banking Group arising from adverse changes in interest rates. The Banking Group is exposed to interest rate risk in respect of its following activities: borrowing from and lending to customers, investing in physical money market instruments as well as derivatives such as interest rate contracts used for risk management purposes. Changes in interest rates can impact the Banking Group's financial results by affecting the spread earned on interest earning assets and interest paying liabilities and impacting on the market value of other financial instruments held.

Exposure to interest rate risk is measured primarily through the analysis of repricing maturities of the Banking Group's assets, liabilities and unrecognised financial instruments. Exposures are monitored continuously and reported to the board on a monthly basis.

Effective interest rates on risk management transactions within classes of financial assets or liabilities are disclosed exclusive of the impact of the derivative transaction. The financial assets or liabilities carrying values do not incorporate the values of the derivative transactions.

The interest rate repricing schedule reflects balance sheet financial assets and liabilities and has been prepared on the basis of the next repricing date.

All in $000's

31. Market Risk (continued)

The following schedule details the Banking Group's interest rate repricing profile:

BANKING GROUP As at 30 September 2009	0-6 Months	6-12 Months	12-24 Months	>24 Months	Non-Interest Sensitive	Total
Assets						
Cash on hand and at bank	12,896	-	-	-	-	**12,896**
Funds with financial institutions	100,402	711	-	-	-	**101,113**
Investment securities	1,816	-	-	1,060	-	**2,876**
Derivative financial instruments	-	-	-	-	2,554	**2,554**
Current tax assets	-	-	-	-	2,475	**2,475**
Advances to customers	1,392,167	493,991	318,228	257,008	-	**2,461,394**
Other assets	-	-	-	-	28,673	**28,673**
	1,507,281	494,702	318,228	258,068	33,702	**2,611,981**
Liabilities and equity						
Redeemable shares	1,389,787	417,490	100,814	16,550	-	**1,924,641**
Deposits from customers	207,206	30,326	10,586	1,157	-	**249,275**
Deposits from financial institutions	18,002	-	-	-	-	**18,002**
Derivative financial instruments	-	-	-	-	23,625	**23,625**
Other borrowings	146,993	-	-	-	-	**146,993**
Other liabilities	-	-	-	-	25,486	**25,486**
Subordinated redeemable shares	-	-	-	56,608	-	**56,608**
Equity	-	-	-	-	167,351	**167,351**
	1,761,988	447,816	111,400	74,315	216,462	**2,611,981**
On-balance sheet interest sensitivity gap	(254,707)	46,886	206,828	183,753	(182,760)	**-**
Net balance of derivative financial instruments	491,620	(136,380)	(225,820)	(129,420)	-	**-**
Total interest rate sensitivity gap	236,913	(89,494)	(18,992)	54,333	(182,760)	**-**

PARENT As at 30 September 2009	0-6 Months	6-12 Months	12-24 Months	>24 Months	Non-Interest Sensitive	Total
Assets						
Cash on hand and at bank	6,278	-	-	-	-	**6,278**
Funds with financial institutions	98,419	-	-	-	-	**98,419**
Investment securities	404	-	-	-	-	**404**
Derivative financial instruments	-	-	-	-	4,036	**4,036**
Current tax assets	-	-	-	-	2,611	**2,611**
Advances to customers	1,232,923	477,560	307,069	252,476	-	**2,270,028**
Loans to subsidiaries and associates	90,528	-	-	-	-	**90,528**
Other assets	-	-	-	-	31,719	**31,719**
	1,428,552	477,560	307,069	252,476	38,366	**2,504,023**
Liabilities and equity						
Redeemable shares	1,393,088	417,490	100,814	16,550	-	**1,927,942**
Deposits from customers	207,206	30,326	10,586	1,157	-	**249,275**
Deposits from financial institutions	18,002	-	-	-	-	**18,002**
Derivative financial instruments	-	-	-	-	23,678	**23,678**
Other borrowings	61,164	-	-	-	-	**61,164**
Other liabilities	-	-	-	-	16,760	**16,760**
Subordinated redeemable shares	-	-	-	56,608	-	**56,608**
Equity	-	-	-	-	150,594	**150,594**
	1,679,460	447,816	111,400	74,315	191,032	**2,504,023**
On-balance sheet interest sensitivity gap	(250,908)	29,744	195,669	178,161	(152,666)	**-**
Net balance of derivative financial instruments	479,532	(129,961)	(224,680)	(124,891)	-	**-**
Total interest rate sensitivity gap	228,624	(100,217)	(29,011)	53,270	(152,666)	**-**

All in $000's

31. Market Risk (continued)

BANKING GROUP As at 30 September 2008	0-6 Months	6-12 Months	12-24 Months	>24 Months	Non-Interest Sensitive	Total
Assets						
Cash on hand and at bank	11,013	-	-	-	-	**11,013**
Funds with financial institutions	41,965	612	-	-	-	**42,577**
Investment securities	883	-	-	1,035	-	**1,918**
Derivative financial instruments	-	-	-	-	731	**731**
Current tax assets	-	-	-	-	3,642	**3,642**
Advances to customers	1,075,345	504,908	639,793	183,699	-	**2,403,745**
Loans to subsidiaries and associates	1,701	-	-	-	-	**1,701**
Other assets	-	-	-	-	24,866	**24,866**
	1,130,907	505,520	639,793	184,734	29,239	**2,490,193**
Liabilities and equity						
Redeemable shares	1,407,782	290,785	33,064	14,548	-	**1,746,179**
Deposits from customers	161,447	17,544	7,931	1,822	-	**188,744**
Deposits from financial institutions	20,005	-	-	-	-	**20,005**
Derivative financial instruments	-	-	-	-	11,913	**11,913**
Other borrowings	348,192	-	-	-	-	**348,192**
Other liabilities	-	-	-	-	19,002	**19,002**
Equity	-	-	-	-	156,158	**156,158**
	1,937,426	308,329	40,995	16,370	187,073	**2,490,193**
On-balance sheet interest sensitivity gap	(806,519)	197,191	598,798	168,364	(157,834)	**-**
Net balance of derivative financial instruments	968,500	(282,000)	(565,500)	(121,000)	-	**-**
Total interest rate sensitivity gap	161,981	(84,809)	33,298	47,364	(157,834)	**-**

PARENT As at 30 September 2008	0-6 Months	6-12 Months	12-24 Months	>24 Months	Non-Interest Sensitive	Total
Assets						
Cash on hand and at bank	5,644	-	-	-	-	**5,644**
Funds with financial institutions	39,615	-	-	-	-	**39,615**
Derivative financial instruments	-	-	-	-	2,596	**2,596**
Current tax assets	-	-	-	-	2,796	**2,796**
Advances to customers	937,791	474,749	608,540	176,372	-	**2,197,452**
Loans to subsidiaries and associates	80,648	-	-	-	-	**80,648**
Other assets	-	-	-	-	21,628	**21,628**
	1,063,698	474,749	608,540	176,372	27,020	**2,350,379**
Liabilities and Equity						
Redeemable shares	1,409,365	290,785	33,064	14,548	-	**1,747,762**
Deposits from customers	161,447	17,544	7,931	1,822	-	**188,744**
Deposits from financial institutions	20,005	-	-	-	-	**20,005**
Derivative financial instruments	-	-	-	-	11,920	**11,920**
Other borrowings	227,705	-	-	-	-	**227,705**
Other liabilities	-	-	-	-	13,506	**13,506**
Equity	-	-	-	-	140,737	**140,737**
	1,818,522	308,329	40,995	16,370	166,163	**2,350,379**
On-balance sheet interest sensitivity gap	(754,824)	166,420	567,545	160,002	(139,143)	**-**
Net balance of derivative financial instruments	929,734	(261,890)	(554,153)	(113,690)	-	**-**
Total interest rate sensitivity gap	174,910	(95,470)	13,392	46,312	(139,143)	**-**

All in $000's

31. Market Risk (continued)

BANKING GROUP As at 31 March 2009	0-6 Months	6-12 Months	12-24 Months	>24 Months	Non-Interest Sensitive	Total
Assets						
Cash on hand and at bank	23,164	-	-	-	-	**23,164**
Funds with financial institutions	76,524	-	253	-	-	**76,777**
Investment securities	1,345	-	-	1,076	-	**2,421**
Derivative financial instruments	-	-	-	-	732	**732**
Advances to customers	1,485,790	342,719	409,119	166,281	-	**2,403,909**
Other assets	-	-	-	-	34,174	**34,174**
	1,586,823	342,719	409,372	167,357	34,906	**2,541,177**
Liabilities						
Redeemable shares	1,267,991	447,958	118,534	17,345	-	**1,851,828**
Deposits from customers	192,230	35,985	4,288	1,972	-	**234,475**
Deposits from financial institutions	17,002	-	-	-	-	**17,002**
Derivative financial instruments	-	-	-	-	34,500	**34,500**
Current tax liabilities	-	-	-	-	1,057	**1,057**
Other borrowings	173,811	-	-	-	-	**173,811**
Other liabilities	-	-	-	-	30,698	**30,698**
Subordinated redeemable shares	-	-	-	42,226	-	**42,226**
Equity	-	-	-	-	155,580	**155,580**
	1,651,034	483,943	122,822	61,543	221,835	**2,541,177**
On-balance sheet interest sensitivity gap	(64,211)	(141,224)	286,550	105,814	(186,929)	**-**
Net balance of derivative financial instruments	1,059,050	(185,550)	(619,500)	(254,000)	-	**-**
Total interest rate sensitivity gap	994,839	(326,774)	(332,950)	(148,186)	(186,929)	**-**

PARENT As at 31 March 2009	0-6 Months	6-12 Months	12-24 Months	>24 Months	Non-Interest Sensitive	Total
Assets						
Cash on hand and at bank	16,075	-	-	-	-	**16,075**
Funds with financial institutions	73,773	-	-	-	-	**73,773**
Investment securities	404	-	-	-	-	**404**
Derivative financial instruments	-	-	-	-	3,848	**3,848**
Advances to customers	1,320,953	324,647	393,100	163,781	-	**2,202,481**
Loans to subsidiaries and associates	89,385	-	-	-	-	**89,385**
Other assets	-	-	-	-	32,516	**32,516**
	1,500,590	324,647	393,100	163,781	36,364	**2,418,482**
Liabilities						
Redeemable shares	1,270,918	447,958	118,534	17,345	-	**1,854,755**
Deposits from customers	192,230	35,985	4,288	1,972	-	**234,475**
Deposits from financial institutions	17,002	-	-	-	-	**17,002**
Derivative financial instruments	-	-	-	-	34,510	**34,510**
Current tax liabilities	-	-	-	-	1,755	**1,755**
Other borrowings	68,958	-	-	-	-	**68,958**
Other liabilities	-	-	-	-	23,838	**23,838**
Subordinated redeemable shares	-	-	-	42,226	-	**42,226**
Equity	-	-	-	-	140,963	**140,963**
	1,549,108	483,943	122,822	61,543	201,066	**2,418,482**
On-balance sheet interest sensitivity gap	(48,518)	(159,296)	270,278	102,238	(164,702)	**-**
Net balance of derivative financial instruments	225,444	43,973	(275,030)	5,613	-	**-**
Total interest rate sensitivity gap	176,926	(115,323)	(4,752)	107,851	(164,702)	**-**

All in $000's

31. Market Risk (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Banking Group's financial assets and liabilities to various standard interest rate scenarios. The Banking Group's market risk model determines the mismatch between assets and liabilities after taking derivatives into account. The present value of the mismatched cash flows are discounted using the current yield curve at period end and the assessed most probable scenarios (100 basis point (bp) parallel rise or fall in the New Zealand yield curve). The difference in the present value of the scenario and the present value of the current yield curve are identified for each of the scenarios. Differences between equity and profit and loss are a result of interest rate derivatives designated in cash flow relationships which have most of the fair value movements in the derivatives taken directly to the cash flow hedge reserve in equity. An analysis of the Banking Group's sensitivity to an increase or decrease in market interest rates is as follows:

	BANKING GROUP			PARENT		
Impact on equity of increase or decrease to market interest rates	**30/09/2009**	**30/09/2008**	**31/03/2009**	**30/09/2009**	**30/09/2008**	**31/03/2009**
100 bp parallel increase	2,821	3,672	6,059	3,609	4,422	6,548
100 bp parallel decrease	975	756	(5,385)	(130)	(201)	(6,456)
Impact on profit and loss of increase or decrease to market interest rates						
100 bp parallel increase	(3,083)	668	(1,174)	(2,295)	1,418	(685)
100 bp parallel decrease	3,177	1,958	1,849	2,072	1,001	777

32. 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 stong 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.

For regulatory purposes, capital comprises two elements, eligible tier one and tier two capital, from which certain deductions are made to arrive at tier one and tier two capital as documented in RBNZ's "Capital Adequacy Framework" document (BS2A). Tier one capital includes revenue & similar reserves, retained profits and minority interests and less intangible assets and certain other deductions. Tier two capital is divided into two levels. Upper tier two capital consists of revaluation reserves and perpetual subordinated debt while lower tier two capital consists of term subordinated debt and other qualifying capital instruments. Tier two capital is limited to 100% of net tier one capital. Lower tier two capital is limited to 50% of tier one capital. The tangible element of investments in subsidiaries that are not wholly owned or funded is deducted from the sum of tier one and tier two capital to arrive at total regulatory capital.

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.

The Banking Group has adopted the Basel II "standardised approach" as per BS2A to calculate regulatory capital requirements. Basel II consists of 3 pillars - Pillar One covers the capital requirements for banks for credit, operational, and market risks, Pillar Two covers all other material risks not already included in Pillar One, and Pillar Three relates to market disclosure.

Pillar Two of Basel II is intended to ensure that banks have adequate capital to support all material risks inherent in their business activities and includes the requirement on banks to have an "Internal Capital Adequacy Assessment Process (ICAAP)" for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining adequate capital to support risk. Southland Building Society's ICAAP has identified other areas of risk and requires it to hold capital against them. These risks include but are not limited to:

i Earnings risk - The risk due to uncertainty in future reported earnings arising from adverse changes in the business environment and from adverse business decisions.

ii Liquidity risk - The risk that the Bank cannot meet or generate sufficient cash resources to meet it's cash out goings as they fall due. Capital is not held for liquidity risk. Instead a portfolio of cash, highly liquid instruments and committed funding lines is held. This largely mitigates the requirement to hold additional capital for liquidity risk. Capital is held to allow for excessive costs of raising suitable funds in adverse market conditions.

iii Access to capital - The risk that the Bank may not be able to raise additional capital as required in a timely manner, particularly arising from the mutual status of SBS.

iv Reputational risk - The potential that negative publicity regarding the banks business practices or financial position, whether true or not, will cause a decline in the customer base, costly litigation or impact future earnings and funding.

The Bank has made an internal capital allocation of $15 million to cover these identified risks.

All in $000's

32. Capital Adequacy (continued)

The Board of Directors has ultimate responsibility for capital adequacy, approves capital policy and establishes minimum internal capital levels and limits. These are typically higher than the regulatory minimum.

The capital adequacy calculations set out below summarise the composition of regulatory capital and capital adequacy ratios. For the purposes of calculating the capital adequacy ratios for the Registered Bank, wholly-owned and wholly-funded subsidiaries of the Banking Group are consolidated with the Registered Bank. In this context, wholly funded by the Registered Bank means that there are no liabilities (including off-balance sheet oligations) to anyone other than the Registered Bank, the Inland Revenue Department, and trade creditors, where aggregate exposure to trade creditors does not exceed 5% of the subsidiary's equity. Wholly owned means that all the equity issued by the subsidiary is held by the Registered Bank. During the periods shown the Banking Group fully complied with all RBNZ capital requirements as set out in the Banking Group's conditions of registration.

	BANKING GROUP			REGISTERED BANK		
	Unaudited 30/09/2009	**Unaudited 30/09/2008**	**Audited 31/03/2009**	**Unaudited 30/09/2009**	**Unaudited 30/09/2008**	**Audited 31/03/2009**
Regulatory capital ratios						
Tier one capital expressed as a percentage of total risk weighted exposures	10.01%	9.56%	9.85%	9.86%	9.57%	9.88%
Capital expressed as a percentage of total risk weighted exposures	13.40%	9.63%	12.46%	12.90%	9.40%	12.11%
(i) Qualifying capital						
Tier one capital						
Retained earnings	161,432	150,446	150,446	156,985	143,334	143,333
Current period's retained earnings	5,287	5,078	10,986	4,230	6,159	13,651
Revenue and similar reserves	73	73	73	73	73	73
Cash flow hedging reserve	(5,618)	(4,184)	(11,309)	(5,618)	(4,184)	(11,309)
Minority interests	5,045	3,658	4,264	-	-	-
Less deductions from tier one capital						
Intangible assets	(2,976)	(2,665)	(2,842)	(1,699)	(1,138)	(1,411)
Cash flow hedging reserve	5,618	4,184	11,309	5,618	4,184	11,309
Total tier one capital	**168,861**	**156,590**	**162,927**	**159,589**	**148,428**	**155,646**
Tier two capital						
Upper tier two capital						
Revaluation reserves	1,132	1,087	1,120	1,196	1,136	1,201
Total upper tier two capital	1,132	1,087	1,120	1,196	1,136	1,201
Lower tier two capital						
Subordinated redeemable shares	56,109	-	41,902	56,109	-	41,902
Total lower tier two capital	56,109	-	41,902	56,109	-	41,902
Total tier two capital	**57,241**	**1,087**	**43,022**	**57,305**	**1,136**	**43,103**
Total tier one and tier two capital	**226,102**	**157,677**	**205,949**	**216,894**	**149,564**	**198,749**
Less deductions from capital	-	-	-	(8,027)	(3,736)	(8,027)
Total capital	**226,102**	**157,677**	**205,949**	**208,867**	**145,828**	**190,722**

All in $000's

32. Capital Adequacy (continued)

(ii) Total risk weighted exposures

BANKING GROUP

	Total Exposure after Credit Risk Mitigation Unaudited 30/09/2009	Risk Weighting Unaudited 30/09/2009	Risk Weighted Exposure Unaudited 30/09/2009	Minimum Pillar One Capital Requirement Unaudited 30/09/2009
On balance sheet exposures				
Cash and gold bullion	386	0%	-	-
Sovereigns and central banks	1,058	0%	-	-
Banks	113,418	20%	22,684	1,815
Corporates	205	100%	205	16
Residential mortgages < 80% loan to value ratio (LVR)	1,355,435	35%	474,402	37,952
Residential mortgages 80 < 90% LVR	68,122	50%	34,061	2,725
Residential mortgages 90 < 100% LVR	59,081	75%	44,311	3,545
Residential mortgages welcome home loans	220,582	50%	110,291	8,823
Past due residential mortgages	306	100%	306	24
Impaired residential mortgages	5,030	100%	5,030	402
Equity holdings	793	300%	2,379	190
Equity holdings	404	400%	1,616	129
Other assets	786,237	100%	786,237	62,899
Non-risk weighted assets	924	0%	-	-
Total on balance sheet exposures	2,611,981		1,481,522	118,520

	Total Exposure after Credit Risk Mitigation Unaudited 30/09/2009	Credit Conversion Factor Unaudited 30/09/2009	Credit Equivalent Amount Unaudited 30/09/2009	Average Risk Weighting Unaudited 30/09/2009	Risk Weighted Exposure / Implied Risk Weighted Exposure Unaudited 30/09/2009	Minimum Pillar One Capital Requirement Unaudited 30/09/2009
Off balance sheet exposures						
Commitments with uncertain drawdown	18,413	50%	9,207	65%	6,012	481
Commitments to extend credit which can be unconditionally cancelled	198,570	0%	-	0%	-	-
Market related contracts [1]						
Interest rate contracts	1,548,740	n/a	4,957	20%	991	79
Total off balance sheet exposures	1,765,723		14,164		7,003	560
Total credit risk	4,377,704		14,164		1,488,525	119,080
Operational risk	n/a	-	-		169,309	13,545
Market risk	n/a	-	-		29,011	2,321
Total risk weighted exposure	4,377,704	-	-		1,686,845	134,946

[1] The credit equivalent amount for market related contracts was calculated using the current exposure method.

All in $000's

32. Capital Adequacy (continued)

REGISTERED BANK

	Total Exposure after Credit Risk Mitigation Unaudited 30/09/2009	Risk Weighting Unaudited 30/09/2009	Risk Weighted Exposure Unaudited 30/09/2009	Minimum Pillar One Capital Requirement Unaudited 30/09/2009
On balance sheet exposures				
Cash and gold bullion	386	0%	-	-
Sovereigns and central banks	-	0%	-	-
Public sector entities	-	20%	-	-
Banks	104,311	20%	20,862	1,669
Residential mortgages < 80% LVR	1,274,112	35%	445,939	35,675
Residential mortgages 80 < 90% LVR	66,453	50%	33,227	2,658
Residential mortgages 90 < 100% LVR	58,703	75%	44,027	3,522
Residential mortgages welcome home loans	220,582	50%	110,291	8,823
Past due residential mortgages	306	100%	306	24
Impaired residential mortgages	5,030	100%	5,030	402
Equity holdings	404	400%	1,616	129
Other assets	764,046	100%	764,046	61,124
Non-risk weighted assets	13,762	0%	-	-
Total on balance sheet exposures	2,508,095		1,425,344	114,026

	Total Exposure after Credit Risk Mitigation Unaudited 30/09/2009	Credit Conversion Factor Unaudited 30/09/2009	Credit Equivalent Amount Unaudited 30/09/2009	Average Risk Weighting Unaudited 30/09/2009	Risk Weighted Exposure / Implied Risk Weighted Exposure Unaudited 30/09/2009	Minimum Pillar One Capital Requirement Unaudited 30/09/2009
Off balance sheet exposures						
Commitments with uncertain drawdown	19,319	50%	9,660	82%	7,900	632
Commitments to extend credit which can be unconditionally cancelled	198,570	0%	-	0%	-	-
Market related contracts [1]						
Interest rate contracts	1,627,302	n/a	6,479	20%	1,296	104
Total off balance sheet exposures	1,845,191		16,139		9,196	736
Total credit risk	4,353,286		16,139		1,434,540	114,762
Operational risk	n/a	-	-		154,836	12,387
Market risk	n/a	-	-		29,302	2,344
Total risk weighted exposure	4,353,286	-	-		1,618,678	129,493

[1] The credit equivalent amount for market related contracts was calculated using the current exposure method.

All in $000's

32. Capital Adequacy (continued)

BANKING GROUP

	Total Exposure after Credit Risk Mitigation	Risk Weighting	Risk Weighted Exposure	Minimum Pillar One Capital Requirement
	Unaudited		Unaudited	Unaudited
	30/09/2008		30/09/2008	30/09/2008
On balance sheet exposures				
Cash and gold bullion	320	0%	-	-
Sovereigns and central banks	1,035	0%	-	-
Public sector entities	-	20%	-	-
Banks	53,270	20%	10,654	852
Residential mortgages < 80% loan to value ratio (LVR)	1,379,048	35%	482,667	38,613
Residential mortgages 80 < 90% LVR	59,362	50%	29,681	2,374
Residential mortgages 90 < 100% LVR	34,985	75%	26,239	2,099
Residential mortgages welcome home loans	155,388	50%	77,694	6,216
Past due residential mortgages	3,090	100%	3,090	247
Impaired residential mortgages	6,240	100%	6,240	499
Equity holdings	307	300%	921	74
Equity holdings	1,090	400%	4,360	349
Other assets	796,171	100%	796,171	63,694
Non-risk weighted assets	(113)	0%	-	-
Total on balance sheet exposures	2,490,193		1,437,717	115,017

	Total Exposure after Credit Risk Mitigation	Credit Conversion Factor	Credit Equivalent Amount	Average Risk Weighting	Risk Weighted Exposure / Implied Risk Weighted Exposure	Minimum Pillar One Capital Requirement
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	30/09/2008	30/09/2008	30/09/2008	30/09/2008	30/09/2008	30/09/2008
Off balance sheet exposures						
Commitments with uncertain drawdown	31,768	50%	15,884	66%	10,472	838
Commitments to extend credit which can be unconditionally cancelled	234,611	0%	-	0%	-	-
Market related contracts [1]						
Interest rate contracts	1,023,800	n/a	3,921	20%	784	63
Total off balance sheet exposures	1,290,179		19,805		11,256	901
Total credit risk	3,780,372		19,805		1,448,973	115,918
Operational risk	n/a	-	-		159,713	12,777
Market risk	n/a	-	-		28,447	2,276
Total risk weighted exposure	3,780,372	-	-		1,637,133	130,971

[1] The credit equivalent amount for market related contracts was calculated using the current exposure method.

All in $000's

32. Capital Adequacy (continued)

REGISTERED BANK

	Total Exposure after Credit Risk Mitigation	Risk Weighting	Risk Weighted Exposure	Minimum Pillar One Capital Requirement
	Unaudited		Unaudited	Unaudited
	30/09/2008		30/09/2008	30/09/2008
On balance sheet exposures				
Cash and gold bullion	320	0%	-	-
Sovereigns and central banks	-	0%	-	-
Public sector entities	-	20%	-	-
Banks	44,941	20%	8,988	719
Residential mortgages < 80% loan to value ratio (LVR)	1,265,524	35%	442,933	35,435
Residential mortgages 80 < 90% LVR	56,858	50%	28,429	2,274
Residential mortgages 90 < 100% LVR	34,801	75%	26,101	2,088
Residential mortgages welcome home loans	155,388	50%	77,694	6,216
Past due residential mortgages	2,749	100%	2,749	220
Impaired residential mortgages	6,240	100%	6,240	499
Equity holdings	-	300%	-	-
Equity holdings	1,090	400%	4,360	349
Other assets	779,249	100%	779,249	62,340
Non-risk weighted assets	7,471	0%	-	-
Total on balance sheet exposures	2,354,631		1,376,743	110,140

	Total Exposure after Credit Risk Mitigation	Credit Conversion Factor	Credit Equivalent Amount	Average Risk Weighting	Risk Weighted Exposure / Implied Risk Weighted Exposure	Minimum Pillar One Capital Requirement
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	30/09/2008	30/09/2008	30/09/2008	30/09/2008	30/09/2008	30/09/2008
Off balance sheet exposures						
Commitments with uncertain drawdown	24,221	50%	12,111	65%	7,917	633
Commitments to extend credit which can be unconditionally cancelled	234,611	0%	-	0%	-	-
Market related contracts [1]						
Interest rate contracts	1,141,888	n/a	6,077	20%	1,215	97
Total off balance sheet exposures	1,400,720		18,188		9,132	730
Total credit risk	3,755,351		18,188		1,385,875	110,870
Operational risk	n/a	-	-		140,134	11,211
Market risk	n/a	-	-		25,682	2,055
Total Risk Weighted Exposure	3,755,351	-	-		1,551,691	124,136

[1] The credit equivalent amount for market related contracts was calculated using the current exposure method.

All in $000's

32. Capital Adequacy (continued)

BANKING GROUP

	Total Exposure after Credit Risk Mitigation Audited 31/03/2009	Risk Weighting Audited 31/03/2009	Risk Weighted Exposure Audited 31/03/2009	Minimum Pillar One Capital Requirement Audited 31/03/2009
On balance sheet exposures				
Cash and gold bullion	299	0%	-	-
Sovereigns and central banks	1,077	0%	-	-
Public sector entities	-	20%	-	-
Banks	99,642	20%	19,928	1,594
Residential mortgages < 80% loan to value ratio (LVR)	1,358,575	35%	475,501	38,040
Residential mortgages 80 < 90% LVR	59,225	50%	29,613	2,369
Residential mortgages 90 < 100% LVR	31,206	75%	23,405	1,872
Residential mortgages welcome home loans	180,632	50%	90,316	7,225
Past due residential mortgages	2,300	100%	2,300	184
Impaired residential mortgages	6,365	100%	6,365	509
Equity holdings	316	300%	948	76
Equity holdings	404	400%	1,616	129
Other assets	802,305	100%	802,305	64,184
Non-risk weighted assets	(1,169)	0%	-	-
Total on balance sheet exposures	2,541,177		1,452,297	116,182

	Total Exposure after Credit Risk Mitigation Audited 31/03/2009	Credit Conversion Factor Audited 31/03/2009	Credit Equivalent Amount Audited 31/03/2009	Average Risk Weighting Audited 31/03/2009	Risk Weighted Exposure / Implied Risk Weighted Exposure Audited 31/03/2009	Minimum Pillar One Capital Requirement Audited 31/03/2009
Off balance sheet exposures						
Commitments with uncertain drawdown	22,212	50%	11,106	66%	7,322	586
Commitments to extend credit which can be unconditionally cancelled	227,507	0%	-	0%	-	-
Market related contracts [1]						
Interest rate contracts	1,386,500	n/a	3,287	20%	657	53
Total off balance sheet exposures	1,636,219		14,393		7,979	639
Total credit risk	4,177,396		14,393		1,460,276	116,821
Operational risk	n/a	-	-		163,952	13,116
Market risk	n/a	-	-		29,283	2,343
Total risk weighted exposure	4,177,396	-	-		1,653,511	132,280

[1] The credit equivalent amount for market related contracts was calculated using the current exposure method.

All in $000's

32. Capital Adequacy (continued)

REGISTERED BANK

	Total Exposure after Credit Risk Mitigation Audited 31/03/2009	Risk Weighting Audited 31/03/2009	Risk Weighted Exposure Audited 31/03/2009	Minimum Pillar One Capital Requirement Audited 31/03/2009
On balance sheet exposures				
Cash and gold bullion	299	0%	-	-
Sovereigns and central banks	-	0%	-	-
Public sector entities	-	20%	-	-
Banks	89,549	20%	17,910	1,433
Residential mortgages < 80% LVR	1,262,832	35%	441,991	35,359
Residential mortgages 80 < 90% LVR	58,090	50%	29,045	2,324
Residential mortgages 90 < 100% LVR	31,206	75%	23,405	1,872
Residential mortgages welcome home loans	180,632	50%	90,316	7,225
Past due residential mortgages	2,107	100%	2,107	169
Impaired residential mortgages	6,365	100%	6,365	509
Equity holdings	404	400%	1,616	129
Other assets	777,918	100%	777,918	62,234
Non-risk weighted assets	13,286	0%	-	-
Total on balance sheet exposures	2,422,688		1,390,673	111,254

	Total Exposure after Credit Risk Mitigation Audited 31/03/2009	Credit Conversion Factor Audited 31/03/2009	Credit Equivalent Amount Audited 31/03/2009	Average Risk Weighting Audited 31/03/2009	Risk Weighted Exposure / Implied Risk Weighted Exposure Audited 31/03/2009	Minimum Pillar One Capital Requirement Audited 31/03/2009
Off balance sheet exposures						
Commitments with uncertain drawdown	15,884	50%	7,942	65%	5,163	413
Commitments to extend credit which can be unconditionally cancelled	227,507	0%	-	0%	-	-
Market related contracts [1]						
Interest rate contracts	1,488,317	n/a	6,471	20%	1,294	104
Total off balance sheet exposures	1,731,708		14,413		6,457	517
Total credit risk	4,154,396		14,413		1,397,130	111,771
Operational risk	n/a	-	-		147,955	11,836
Market risk	n/a	-	-		30,143	2,411
Total risk weighted exposure	4,154,396	-	-		1,575,228	126,018

[1] The credit equivalent amount for market related contracts was calculated using the current exposure method.

All in $000's

32. Capital Adequacy (continued)

(iii) Residential mortgages by loan-to-valuation ratio

	BANKING GROUP			REGISTERED BANK		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
LVR Range						
0 - 80%	1,360,313	1,384,173	1,366,699	1,278,972	1,270,308	1,270,744
80 - 90%	68,368	66,400	59,579	66,706	63,896	58,454
90% +	279,875	187,540	212,025	279,508	187,356	212,034

Welcome Home Loans make up 79% of the residential mortgages in the 90% + loan to valuation grouping. The Welcome Home Loan product is fully insured by Housing New Zealand Corporation.

(iv) Market risk exposures

Market risk exposures have been calculated in accordance with the methodology detailed in Part 10 of the RBNZ's BS2A Captial Adequacy Framework, and Schedule 5A of the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008. Peak exposures are calculated using the Banking Group's equity at the end of the period.

	BANKING GROUP					
	End of Period			Peak End of Day		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Interest rate exposures						
Implied risk weighted exposure	29,011	28,447	29,283	34,313	36,500	59,288
Aggregate capital charge	2,321	2,276	2,343	2,745	2,920	4,743
Aggregate capital charge expressed as a percentage of the Banking Group's equity	1.39%	1.46%	1.51%	1.64%	1.87%	3.05%

33. Concentrations of Funding

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
(a) Concentrations of funding by geographical location						
North Island	331,136	255,392	340,679	331,136	255,392	340,679
Canterbury	546,621	507,751	568,138	546,621	507,751	568,138
Otago	355,980	351,367	350,512	355,980	351,367	350,512
Southland	884,011	1,010,427	830,153	801,487	891,523	728,225
South Island Other	194,740	109,889	155,203	194,736	109,889	155,205
Overseas	83,031	68,294	74,657	83,031	68,294	74,657
Total concentrations of funding by geographical location	**2,395,519**	**2,303,120**	**2,319,342**	**2,312,991**	**2,184,216**	**2,217,416**
(b) Concentrations of funding by product						
Redeemable shares	1,924,641	1,746,179	1,851,828	1,924,641	1,746,179	1,851,828
Deposits from customers	249,275	188,744	234,475	249,275	188,744	234,475
Deposits from financial institutions	18,002	20,005	17,002	18,002	20,005	17,002
Other borrowings	146,993	348,192	173,811	61,164	227,705	68,958
Subordinated redeemable shares	56,608	-	42,226	56,608	-	42,226
Due to subsidiary companies	-	-	-	3,301	1,583	2,927
Total concentrations of funding by product	**2,395,519**	**2,303,120**	**2,319,342**	**2,312,991**	**2,184,216**	**2,217,416**

All in $000's

34. Related Parties

The Banking Group is controlled by SBS who is also the ultimate parent. A number of transactions are entered into with related parties (including key management personnel)[1] in the normal course of business. Details of these transactions are outlined below.

[1] Key management personnel are defined as being directors and senior management of the Banking Group. The information relating to key management personnel disclosed below includes transactions with those individuals, their close family members and their controlled entities.

(a) Loans and advances to related parties

BANKING GROUP

	Directors and Other Key Management Personnel			Associated Companies		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Loans and advances outstanding at beginning of period	3,458	3,234	3,234	-	1,413	1,413
Net loans issued/(repaid) during the period	258	(29)	224	-	288	(1,413)
Loans and advances outstanding at end of period	**3,716**	**3,205**	**3,458**	**-**	**1,701**	**-**
Interest income earned on amounts due from related parties	**136**	**158**	**317**	**-**	**62**	**74**

PARENT

	Directors and Other Key Management Personnel			Associated Companies		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Loans and advances outstanding at beginning of period	2,671	2,734	2,734	89,385	82,611	82,611
Net loans issued/(repaid) during the period	287	(200)	(63)	1,143	(1,963)	6,774
Loans and advances outstanding at end of period	**2,958**	**2,534**	**2,671**	**90,528**	**80,648**	**89,385**
Interest income earned on amounts due from related parties	**109**	**128**	**257**	**2,405**	**4,260**	**7,466**

Loans and advances with directors of the Banking Group are made in the ordinary course of business on commercial terms and conditions. Loans and advances with key management personnel of the Banking Group are made either:
- on normal terms and conditions; or
- on terms and conditions which apply to other employees in the Banking Group.

All loans made to key management personnel have been made in accordance with the Banking Group's lending policies.

The loans and advances to associated companies are secured over the assets of the companies, carry variable interest rates and are repayable on demand.

No provisions have been recognised in respect of loans given to related parties. There were no debts with any of the above parties written off or forgiven during the period ended 30 September 2009 (September 2008 $nil; March 2009 $nil).

All in $000's

34. Related Parties (continued)

(b) Deposits from Related Parties

BANKING GROUP

	Directors and Other Key Management Personnel Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Associated Companies Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Deposits at beginning of period	2,633	2,068	2,068	-	-	-
Net deposits received during the period	(1,266)	404	565	-	-	-
Deposits at end of period	**1,367**	**2,472**	**2,633**	**-**	**-**	**-**
Interest expense on amounts due to related parties	**52**	**84**	**170**	**-**	**-**	**-**

PARENT

	Directors and Other Key Management Personnel Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Associated Companies Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Deposits at beginning of period	2,323	1,780	1,780	2,927	1,256	1,256
Net deposits received during the period	(1,248)	410	543	374	327	1,671
Deposits at end of period	**1,075**	**2,190**	**2,323**	**3,301**	**1,583**	**2,927**
Interest expense on amounts due to related parties	**44**	**68**	**146**	**97**	**65**	**169**

The above deposits are unsecured, carry variable interest rates and are repayable on demand.

(c) Other transactions with related parties

Associated Companies

	BANKING GROUP Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	PARENT Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Payments received from/(made to) subsidiaries under interest rate swap agreements	-	-	-	2,047	(387)	715
Net current account interest received from/(paid to) subsidiaries and associates	-	-	-	-	(1)	(2)
Net rent paid to subsidiaries	-	-	-	(225)	(207)	(452)
Technology services fees received from subsidiaries	-	-	-	61	10	107
Net commission received from subsidiaries	-	-	-	97	80	171
Management fees received from subsidiaries	-	-	-	705	366	835
Dividends received/receivable from subsidiaries	-	-	-	558	889	5,624
Fees received from subsidiaries	-	-	-	313	128	351
	-	**-**	**-**	**3,556**	**878**	**7,349**

All other transactions with key management personnel are conducted on an arm's length basis in the ordinary course of business and on normal terms and conditions.

During the period ending 30 September 2009, the Parent made subvention payments of $nil (September 2008 $nil; March 2009 $540,427).

(d) Key Management Compensation

Details of remuneration paid or payable to the directors and other key management personnel are outlined in Note 5 - Expenses.

All in $000's

35. Accounting Classifications

The table below sets out the Banking Group's classification of each class of financial assets and liabilities.

BANKING GROUP

As at 30 September 2009	Designated at Fair Value	Available for Sale	Loans & Receivables	Held to Maturity	Other Amortised Cost	Total Carrying Amount
Assets						
Cash on hand and at bank	-	-	12,896	-	-	**12,896**
Funds with financial institutions	-	101,113	-	-	-	**101,113**
Investment securities	1,472	1,404	-	-	-	**2,876**
Derivative financial instruments	2,554	-	-	-	-	**2,554**
Advances to customers	374,324	-	2,087,070	-	-	**2,461,394**
	378,350	102,517	2,099,966	-	-	**2,580,833**
Liabilities						
Redeemable shares	-	-	-	-	1,924,641	**1,924,641**
Deposits from customers	-	-	-	-	249,275	**249,275**
Deposits from financial institutions	-	-	-	-	18,002	**18,002**
Derivative financial instruments	23,625	-	-	-	-	**23,625**
Other borrowings	-	-	-	-	146,993	**146,993**
Subordinated redeemable shares	-	-	-	-	56,608	**56,608**
	23,625	-	-	-	2,395,519	**2,419,144**

PARENT

As at 30 September 2009	Designated at Fair Value	Available for Sale	Loans & Receivables	Held to Maturity	Other Amortised Cost	Total Carrying Amount
Assets						
Cash on hand and at bank	-	-	6,278	-	-	**6,278**
Funds with financial institutions	-	98,419	-	-	-	**98,419**
Investment securities	-	404	-	-	-	**404**
Derivative financial instruments	4,036	-	-	-	-	**4,036**
Advances to customers	374,324	-	1,895,704	-	-	**2,270,028**
Loans to subsidiaries and associates	-	-	90,528	-	-	**90,528**
	378,360	98,823	1,992,510	-	-	**2,469,693**
Liabilities						
Redeemable shares	-	-	-	-	1,927,942	**1,927,942**
Deposits from customers	-	-	-	-	249,275	**249,275**
Deposits from financial institutions	-	-	-	-	18,002	**18,002**
Derivative financial instruments	23,678	-	-	-	-	**23,678**
Other borrowings	-	-	-	-	61,164	**61,164**
Subordinated redeemable shares	-	-	-	-	56,608	**56,608**
	23,678	-	-	-	2,312,991	**2,336,669**

All in $000's

35. Accounting Classifications (continued)

BANKING GROUP

As at 30 September 2008	Designated at Fair Value	Available for Sale	Loans & Receivables	Held to Maturity	Other Amortised Cost	Total Carrying Amount
Assets						
Cash on hand and at bank	-	-	11,013	-	-	**11,013**
Funds with financial institutions	-	42,577	-	-	-	**42,577**
Investment securities	1,035	883	-	-	-	**1,918**
Derivative financial instruments	731	-	-	-	-	**731**
Advances to customers	685,605	-	1,718,140	-	-	**2,403,745**
Loans to subsidiaries and associates	-	-	1,701	-	-	**1,701**
	687,371	43,460	1,730,854	-	-	**2,461,685**
Liabilities						
Redeemable shares	-	-	-	-	1,746,179	**1,746,179**
Deposits from customers	-	-	-	-	188,744	**188,744**
Deposits from financial institutions	-	-	-	-	20,005	**20,005**
Derivative financial instruments	11,913	-	-	-	-	**11,913**
Other borrowings	-	-	-	-	348,192	**348,192**
	11,913	-	-	-	2,303,120	**2,315,033**

PARENT

As at 30 September 2008	Designated at Fair Value	Available for Sale	Loans & Receivables	Held to Maturity	Other Amortised Cost	Total Carrying Amount
Assets						
Cash on hand and at bank	-	-	5,644	-	-	**5,644**
Funds with financial institutions	-	39,615	-	-	-	**39,615**
Derivative financial instruments	2,596	-	-	-	-	**2,596**
Advances to customers	685,605	-	1,511,847	-	-	**2,197,452**
Loans to subsidiaries and associates	-	-	80,648	-	-	**80,648**
	688,201	39,615	1,598,139	-	-	**2,325,955**
Liabilities						
Redeemable shares	-	-	-	-	1,747,762	**1,747,762**
Deposits from customers	-	-	-	-	188,744	**188,744**
Deposits from financial institutions	-	-	-	-	20,005	**20,005**
Derivative financial instruments	11,920	-	-	-	-	**11,920**
Other borrowings	-	-	-	-	227,705	**227,705**
	11,920	-	-	-	2,184,216	**2,196,136**

All in $000's

35. Accounting Classifications (continued)

BANKING GROUP

As at 31 March 2009	Designated at Fair Value	Available for Sale	Loans & Receivables	Held to Maturity	Other Amortised Cost	Total Carrying Amount
Assets						
Cash on hand and at bank	-	-	23,164	-	-	**23,164**
Funds with financial institutions	-	76,777	-	-	-	**76,777**
Investment securities	1,090	1,331	-	-	-	**2,421**
Derivative financial instruments	732	-	-	-	-	**732**
Advances to customers	521,381	-	1,882,528	-	-	**2,403,909**
	523,203	78,108	1,905,692	-	-	**2,507,003**
Liabilities						
Redeemable shares	-	-	-	-	1,851,828	**1,851,828**
Deposits from customers	-	-	-	-	234,475	**234,475**
Deposits from financial institutions	-	-	-	-	17,002	**17,002**
Derivative financial instruments	34,500	-	-	-	-	**34,500**
Other borrowings	-	-	-	-	173,811	**173,811**
Subordinated redeemable shares	-	-	-	-	42,226	**42,226**
	34,500	-	-	-	2,319,342	**2,353,842**

PARENT

As at 31 March 2009	Designated at Fair Value	Available for Sale	Loans & Receivables	Held to Maturity	Other Amortised Cost	Total Carrying Amount
Assets						
Cash on hand and at bank	-	-	16,075	-	-	**16,075**
Funds with financial institutions	-	73,773	-	-	-	**73,773**
Investment securities	-	404	-	-	-	**404**
Derivative financial instruments	3,848	-	-	-	-	**3,848**
Advances to customers	521,381	-	1,681,100	-	-	**2,202,481**
Loans to subsidiaries and associates	-	-	89,385	-	-	**89,385**
	525,229	74,177	1,786,560	-	-	**2,385,966**
Liabilities						
Redeemable shares	-	-	-	-	1,854,755	**1,854,755**
Deposits from customers	-	-	-	-	234,475	**234,475**
Deposits from financial institutions	-	-	-	-	17,002	**17,002**
Derivative financial instruments	34,510	-	-	-	-	**34,510**
Other borrowings	-	-	-	-	68,958	**68,958**
Subordinated redeemable shares	-	-	-	-	42,226	**42,226**
	34,510	-	-	-	2,217,416	**2,251,926**

All in $000's

36. Interest Earning Assets & Interest Bearing Liabilities

	BANKING GROUP			PARENT		
	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009	Unaudited 30/09/2009	Unaudited 30/09/2008	Audited 31/03/2009
Total interest earning and discount bearing assets	2,578,279	2,460,954	2,506,271	2,465,657	2,323,359	2,382,118
Total interest and discount bearing liabilities	2,395,519	2,303,120	2,319,342	2,312,991	2,184,216	2,217,416

37. Fiduciary Activities

Funds management

The Banking Group markets and manages unit trusts, investment and superannuation funds through it's subsidiary Funds Administration New Zealand Limited ('FANZ'). FANZ is a registered unit trust manager, an approved KiwiSaver provider and also operates a financial advisory business providing custodial services, investment advice and portfolio management called SBS Financial Advisers. The Banking Group derives fee and commission income from these activities but is not responsible for any decline in performance of the underlying assets of the investors due to market forces.

SBS has entered into a trust deed made between SBS and Trustees Executors Limited, as Trustee of a registered superannuation scheme known as the Lifestages Superannuation Scheme (previously known as Lifestages Capital Stable Portfolio). Under a Deed of Novation dated 31 March 2007 SBS novated its rights and obligations under this Trust Deed to FANZ. From this date FANZ is the founder and promoter of the Lifestages Superannuation Scheme. The trust deed was effective from the 1st day of April 1992. Under the Deed of Guarantee executed on the 26th day of March 1992, SBS unconditionally guarantees the capital invested in the Lifestages Superannuation Scheme providing investment is maintained for at least three years. A Deed of Amendment dated 31 March 2007 amended the terms of this guarantee provided by SBS, such that the guarantee will now only be applicable to members who joined the registered superannuation scheme prior to 31 May 2007. The liability of SBS under the guarantee has not been taken over by FANZ under the Deed of Novation and SBS remains liable under this guarantee. A minimum of 80% of the funds invested in the Lifestages Superannuation Scheme are reinvested with SBS.

The outstanding value of assets related to funds management activities is set out in the table below. These assets are not owned by the Banking Group and are therefore not included on the Banking Group's balance sheet.

	30/09/2009 Unaudited	30/09/2008 Unaudited	31/03/2009 Audited
Funds under management on behalf of customers	288,000	249,900	284,100

Securitised assets

As at 30 September 2009, the Banking Group had securitised assets amounting to $250 million (September 2008 $357 million, March 2009 $289 million). These assets have been sold to the Lifestages Mortgage Portfolio (a unit trust managed by Funds Administration New Zealand Limited, a subsidiary of the Bank), the SBS Invercargill W Trust (a special purpose vehicle established for the purpose of purchasing residential mortgages from the Bank and funded through wholesale funding lines) the SBS Oreti Trust No. 1 (a special purpose vehicle investing in residential mortgages originated by the Bank and funded by institutional investors in New Zealand & Australia), and the SBS Oreti Trust No. 2 (a special purpose vehicle investing in residential mortgages originated and funded by the Bank through issue of residential mortgage backed securities). Note 14 provides further information. The Banking Group receives fees for various services provided to the securitisation vehicles on an arm's length basis, including servicing fees. These fees are recognised as earned. All securitisation vehicles form part of the Banking Group.

In May 2008, the RBNZ expanded the range of acceptable collateral that financial institutions can pledge and borrow against as part of changes to its liquidity management arrangement designed to ensure adequate liquidity for New Zealand financial institutions in the event that global market disruptions were to intensify. From 31 July 2008, acceptable collateral includes residential mortgage backed securities 'RMBS' that satisfy RBNZ criteria. During the year ended 31 March 2009, the Banking Group established the SBS Oreti Trust No. 2, an in-house facility that could issue securities meeting the RBNZ criteria. This facility has increased the Bank's contingent funding ability from the RBNZ. Further information is provided in Note 29.

Insurance business

The Banking Group markets and distributes insurance products through it's subsidiary Southsure Assurance Limited. The Banking Group derives commission income from the sale of insurance products.

The total assets of Southsure Assurance Limited as at 30 September 2009 are $7.3 million (September 2008 $6.7 million; March 2009 $7.1 million), which is 0.3% of the total assets of the Banking Group (September 2008 0.3%; March 2009 0.3%). This complies with the conditions of registration of Southland Building Society, which allows a maximum of 1% of the total consolidated assets of the Banking Group to be represented by insurance business assets.

Policies and procedures exist to ensure that the insurance activities of the Banking Group are conducted in an appropriate manner. These include regular reviews of the operations of the insurance business by management. Should adverse conditions arise, these policies and procedures are expected to mitigate the impact of the conditions on the Banking Group.

37. Fiduciary Activities (continued)

Risk management

The Banking Group has in place policies and procedures to ensure that the fiduciary activities identified above are conducted in an appropriate manner. It is considered that these policies and procedures will ensure that any difficulties arising from these activities will not impact adversely on the Banking Group. The policies and procedures include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management and internal auditors. Further information on SBS risk management policies and practices is included in notes 3 and 29 to 31.

Provision of financial services

Financial services provided by the Banking Group to entities which are involved in trust, custodial, funds management and other fiduciary activities, are provided on arm's length terms and conditions and at fair value. Any assets purchased from such entities have been purchased on an arm's length basis and at fair value.

The Banking Group has not provided any funding to individual unit trusts which the Banking Group distributes on behalf of third parties. All entities involved in securitisation and insurance activities are members of the Banking Group.

38. Subsequent Events

SBS reduced its level of committed liquidity lines by $35 million during October 2009. This decision was made on the basis of exceptional retail funding growth and the intended further issue of residential mortgage backed securities. There have been no other material subsequent events.

Independent Review Report

Independent Review Report to the Directors of Southland Building Society

We have reviewed the interim financial statements on pages 11 to 80 prepared and disclosed in accordance with Clause 23 of the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008 (the 'Order') and the supplementary information prescribed in Schedules 3 to 9. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of Southland Building Society (the 'Bank') and its subsidiary companies (the 'Banking Group') and the financial position as at 30 September 2009. This information is stated in accordance with the accounting policies set out on pages 15 to 23.

Directors' responsibilities

The Directors of Southland Building Society are responsible for the preparation and presentation of interim financial statements in accordance with Clause 23 of the Order which give a true and fair view of the financial position of the Bank and Banking Group as at 30 September 2009 and their financial performance and cash flows for the six months ended on that date.

They are also responsible for the preparation of supplementary information which gives a true and fair view, in accordance with Clause 23 of the Order, of the matters to which it relates; and complies with Schedules 3 to 9 of the Order.

Reviewers' responsibilities

We are responsible for reviewing the interim financial statements, including the supplementary information disclosed in accordance with Schedules 4, 6 to 9, and Clause 17 of Schedule 3 of the Order, presented to us by the Directors and reporting our findings to you.

It is also our responsibility to express a review opinion on the supplementary information as required by Schedule 5A of the Order in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the information disclosed in accordance with Schedule 5A is not in all material respects prepared in accordance with the Bank's Conditions of Registration and disclosed in accordance with Schedule 5A and for reporting our findings to you.

Basis of review opinion

We have performed our review in accordance with the review engagement standard RS-1 Statement of Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. A review is limited primarily to enquiries of Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

Review Opinion

Based on our review, which is not an audit, nothing has come to our attention that would cause us to believe that:

(a) the interim financial statements (excluding the supplementary information included in Notes 30, 32, 36 and 37) do not present a true and fair view of the financial position of the Banking Group as at 30 September 2009 and their financial performance and cash flows for the six months ended on that date;

(b) the supplementary information disclosed in Notes 30, 36 and 37 prescribed by Schedules 4 and 6 to 9 and Clauses 17 of Schedule 3 of the Order is not fairly stated in accordance with those Schedules; and

(c) the supplementary information relating to Capital Adequacy disclosed in Note 32 of the financial statements, as required by Schedule 5A of the Order, derived from the Registered Bank's interim financial statements and sources other than the Banks' accounting records, is not in all material respects derived in accordance with the Bank's Conditions of Registration, with the Reserve Bank of New Zealand document *Capital Adequacy Framework (standardised approach) (BS2A)* , and disclosed in accordance with Schedule 5A of the Order.

Our review was completed on 15 Decmeber 2009 and our review opinion is expressed as at that date.

KPMG

Wellington

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Chairman

Mr J F Ward, B Com FCA FInstD - Chartered Accountant, Invercargill
Deputy Chairman

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Mr J B Walker, LLB - Barrister & Solicitor, Invercargill

Mr G J Mulvey, B Com FCA FNZIM - General Manager, Invercargill

Mr G J Diack, MA (Hons) - Management Consultant, Christchurch

Mr J J Grant, Farmer/Company Director, Balfour

Mr R L Smith, B Com FNZIM - Group Managing Director / Chief Executive Officer of Southland Building Society, Invercargill

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