



**PYNE GOULD CORPORATION
2010 ANNUAL MEETING
29 OCTOBER 2010**

MANAGING DIRECTOR'S ADDRESS: JEFF GREENSLADE

Slide 33 – Overview

Just over a year ago this Company was on the brink, beset by the consequences of the Global Financial Crisis and facing substantial losses.

Many of you, our shareholders were justifiably angry with what had occurred.

We are now profitable and announcing a dividend; hoping shortly to complete a historic merger involving MARAC, which we trust will pave the way for an investment grade credit rating and bring the possibility of bank registration one step closer. Elsewhere we have expanded the activities of the Perpetual Group into private equity through Torchlight and generated new sources of income, and are also investing separately in a wealth management business.

What has made this turn-around possible?

Firstly, the confidence and commitment of you, our shareholders as exemplified by the successful capital raising; secondly, the determination in the face of adversity of current and former board members; thirdly, the long hours of hard work put in by your management; and fourthly and perhaps most importantly, a recognition of where the future lies for Pyne Gould Corporation: which is in financial services and also that in this capacity Pyne Gould Corporation has unrealised potential.

Over the last year we have begun to recruit, manage, govern and behave as a financial services business.

And while we can to some extent be pleased with the last 12 months, it is important to note that what has been achieved just gets us back to the starting line – the real potential is yet to be realised.

Slide 34 – The Future – Heartland

When it comes to potential we believe the opportunities for PGC shareholders are in “banking” in its broadest sense: the conventional banking services, but also the allied activities such as insurance, and wealth management, retirement and succession planning.

Slide 35 – Strategic Rationale

The banking strategy we are embarking on is known as 'Heartland' and many of you will have read about the Heartland proposal which aims to build a unique financial services institution in New Zealand. One that is listed, locally controlled, has a regional strength, but is a truly national institution that meets the needs of Heartland New Zealanders: small businesses, rural New Zealand and New Zealand families. This group of customers represents the cornerstone of the New Zealand economy; it offers a sound risk profile and in return for providing a reliable, accessible service generates good returns.

The Heartland initiative represents a positive opportunity. But it is also fair to say that in the post Global Financial Crisis environment, it is a necessary response to the harsh realities facing sub-scale non-bank deposit takers.

Slide 36 – Heartland

A Merger Implementation Agreement has been signed by the parties which includes MARAC, CBS and SCBS. Following this, Standard & Poor's has placed MARAC on CreditWatch Positive BB+ (Stable). In its statement, Standard & Poor's said: "If the merger is successfully executed and underlying assumptions are met, the rating benefit is likely to be one notch with a stable outlook."

A critical element for the Heartland strategy is to achieve efficient Cost of Funds and this will be assisted by an investment grade credit rating. While there are no guarantees either on timing or likelihood of an upgrade, and Standard & Poor's statement was subject to qualifications, the early and positive response of Standard & Poor's augers well. Clearly "one notch" higher is investment grade, BBB-.

Standard & Poor's went on to say "The proposed group's credit profile would reflect its enlarged and improved business and financial profile. Specifically, we believe that the group would benefit from increased scale, diversification, and geographic reach across New Zealand, being comprised of the combined operations of MARAC, CBS, and SCBS."

Slide 37 – The Heartland Proposition

The next stage of the Heartland proposal is that the merger now goes to the various stakeholders for approval, this includes PGC shareholders, CBS shareholders and depositors, SCBS shareholders and depositors, and various groups of MARAC lenders.

An independent report has been commissioned and was prepared by Cameron & Co in conjunction with Northington Partners of Christchurch. This report is being mailed out today but it concluded:

- "The business case for the merger appears robust, based on our assessment of Building Society Holdings Limited's (which is the new holding company of the merged entities) strategy and the merger value drivers and risks; and

- The merits of the Merger for each of the Merging Entities relative to each Merging Entity's standalone outlook appear compelling, and the basis on which the exchange ratio has been established is fair.”

Assuming the merger proposal is approved, MARAC will become a subsidiary of the operating vehicle, Combined Building Society, which will have over \$2bn in assets and \$288m of equity. It will employ more than 300 people across 17 branches throughout New Zealand.

We are confident that this merger gives us “reach” into a section of the market that will welcome a local, service based proposition.

Slide 38 – Customer Focus

It remains to be seen how well the Heartland proposition will be received in the market but in financial services, consistent and sustainable returns are available to those who avoid the short term temptations of easy gains and instead provide long term financial services to customer groups who value that service.

We believe there is demand for and rewards in delivering a personalised, non-mass market service to customers such as SMEs, the rural sector and their families.

Large financial institutions, faced with the demands of mass markets often struggle to maintain a personalised level of service. This is one area where being big is not an advantage. The key to Heartland's success is not losing the culture that comes from being small and local.

Slide 39 – Core Proposition

Across the merger partners, we believe we have the ingredients of a successful proposition. With the two building societies, we gain expertise in deposits and residential mortgages, which form an important part of these customers' needs, together with MARAC's products such as motor vehicle, and plant and equipment finance. We are also continuing to develop capability in working capital and seasonal finance to service the needs of SMEs and the rural sector.

Above all, we bring together cultures within the merger partners which identify very strongly with their local communities and comprise of people who are committed to their regions and see the long term provision of financial services as an important part of the social and economic framework of their communities. It is these values that will underpin the success of Heartland.

Slide 40 – Financial Life-Cycle

These values are important in developing the trust of Heartland New Zealand so that we fulfil the aim of meeting the needs of middle New Zealand as they progress through their financial

life cycle: owning a car, buying a home, financing a business or a farm – we also intend to be there to manage their free cash in the form of deposits and to assist in planning for their retirement.

This is where Perpetual comes in – providing wealth and trustee services to Heartland customers. It is our intention that this business be part of the Heartland story but how that will be achieved is still to be determined.

Slide 41 – PGC Strategic Review

We are taking an open mind to this review starting with the assumption that the composition of Pyne Gould Corporation is essentially an outcome of exigencies and history: it includes a finance company, a trustee company, a wealth management business, a private equity fund management business and a shareholding in a rural services company, PGG Wrightson.

The logic for continuing to hold all these activities and under what structure is something which we are testing. There is a strategic direction towards banking and some activities may fit with this strategy, but there are activities such as Torchlight that clearly may not. If the Heartland merger proceeds, PGC will be exchanging its MARAC business for 71% of shares in a new entity currently called Building Society Holdings Limited.

Prior to this occurring, we must ensure that PGC itself has a sensible future that will benefit shareholders.

We are looking at all options:

- to continue with PGC becoming a holding company with 71% in Heartland plus its current holdings and activities;
- to go to the opposite extreme and liquidate PGC via distribution of its assets in cash or kind; or
- occupy a middle ground in between these extremes based on one of various possible permutations.

No decision has been made, no particular outcome is pre-determined but we will be thorough and endeavor to be as swift as possible in reaching conclusions.

Slide 42 – Heartland

In particular, we are focusing on the best options for PGC's shares in Building Society Holdings Limited (or Heartland).

Leading up to the stakeholder approvals for the merger, we aim to give you clarity on what we consider to be the best course for our shares in the merged entity.

In considering this, we are endeavoring to balance three objectives:

1. Create sufficient liquidity in the Heartland shares to support an NZX50 listing;
2. Maintain and develop a diverse and supportive shareholder base in Heartland; and
3. Maintain local control.