

# PGC Shareholder Meeting

To Vote on the  
Proposed Merger

# In Attendance

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## Directors

- **Bruce Irvine, Chairman**
- **Jeff Greenslade, Managing Director**
- **George Gould**
- **Bryan Mogridge**
- **John Harvey (MARAC)**
- **Michelle Smith (MARAC)**

## Senior Management

- **Sean Kam, Chief Financial Officer of PGC and MARAC**
- **Craig Stephen, Chief Investment Officer of PGC and MARAC**
- **Michael Jonas, General Counsel of PGC and MARAC**

# Agenda

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- The proposal
- Why it's compelling
- Questions
- Voting



# The Proposal

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**For Pyne Gould Corporation's subsidiary, MARAC, to merge with Canterbury Building Society (CBS) and Southern Cross Building Society (SCBS), with the intention to become a New Zealand controlled listed banking group to meet the needs of individuals, farmers, and small-to-medium businesses in 'Heartland' New Zealand <sup>1,2</sup>.**



# The Proposed Merger

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**Your Board considers this to be the single greatest value enhancing proposition for shareholders at this time**



# Expected Shareholder Benefits

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- **Increased shareholder returns superior to those that could be achieved on a standalone basis**
- **A sustainable business model in the new regulatory environment**
- **Enhanced consistent profitability – improved prospect of delivering dividends, subject to profitability**



# What is 'Heartland'?

These three entities once merged have the intention to become a New Zealand controlled listed banking group to meet the needs of individuals, farmers, and small-to-medium businesses in 'Heartland' New Zealand

**Lasting and positive contribution to New Zealand communities**



**Full service, customer focused offering – valuing client relationships over the long term**



**By New Zealand for Heartland New Zealanders**



- Only listed New Zealand controlled bank <sup>1, 2</sup>
- Centred in the South Island, but extensive national reach

**Provider of credit for Heartland New Zealand**



- "Middle income" New Zealanders
- SMEs
- Rural / Agriculture

# Strategic Rationale

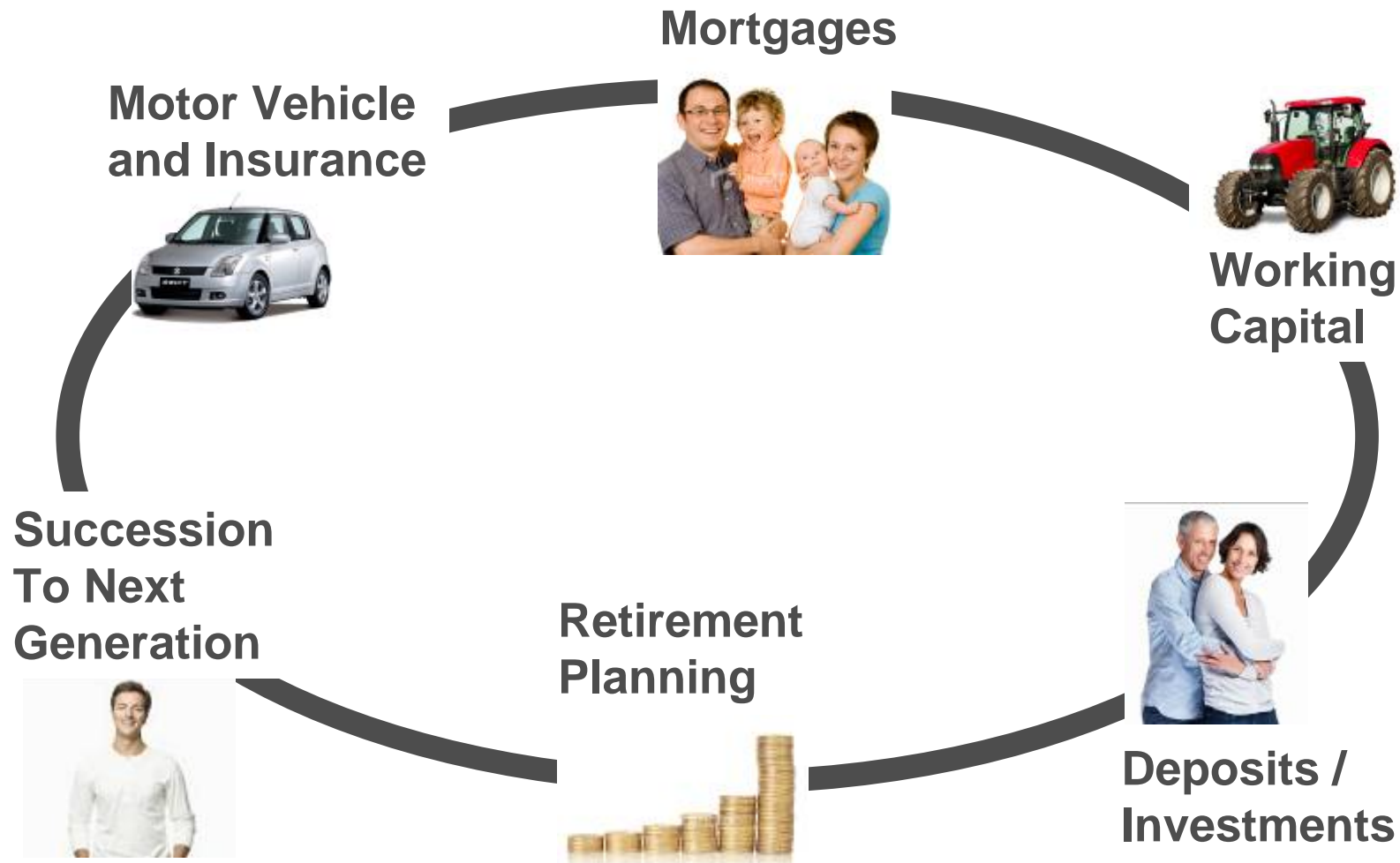
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- **Outlook for MARAC, CBS and SCBS on a standalone basis is less attractive**
- **Changing regulatory landscape**
- **Greater diversity (sector, geography)**
- **Stronger case for obtaining investment grade credit rating**
- **Creates true opportunity to build a strong, sustainable, locally controlled and operated, regional bank\* in New Zealand**
- **Nationwide distribution platform for growth with broad range of products and services**

\*Neither PGC, MARAC, CBS, nor SCBS is a registered bank. No merged entity will be a registered bank until it has been registered as such under the Reserve Bank of New Zealand Act 1989.



# Financial Life-Cycle



# Independent Report\*

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- “The business case for the Merger appears **robust**, based on our assessment of BSHL’s strategy and the Merger valued drivers and risks”
- “The merits of the Merger for each of the Merging Entities relative to each Merging Entities standalone outlook appears **compelling**”

\* The Merger parties jointly commissioned Cameron Partners and Northington Partners to prepare an Independent Report on the merits of the proposed Merger. The conclusions of Cameron Partners and Northington Partners should be read in the context of the full Independent Report. Cameron Partners is an independent investment bank providing independent advice in relation to mergers and acquisitions and other matters. Northington Partners provides an independent corporate advisory service specialising in mergers and acquisitions and other matters.

# NZX Listing <sup>1, 2</sup>

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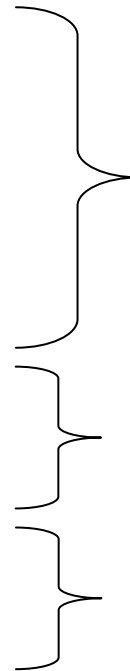
- **Greater investor interest**
- **Access to capital**
- **Ultimately inclusion in the NZX50**
- **In specie distribution**



# Governance

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- **Bruce Irvine (Chairman)**
- **George Gould (since 2010)**
- **Bryan Mogridge**
- **Jeff Greenslade (since 2009)**
- **Michelle Smith (since 2010)**
- **Gary Leech**
- **Graham Kennedy**
- **Christopher Mace**
- **Geoffrey Ricketts**



**Current PGC/MARAC directors**

**Current CBS directors**

**Current SCBS directors**

# Executive Team

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- **Jeff Greenslade, Managing Director (since 2009)**
  - **Chris Flood, Head of Consumer**
  - **Michael Jonas, General Counsel (since 2010)**
  - **Sean Kam, Chief Financial Officer (since 2009, ex ABN AMRO Bank)**
  - **Mark Mountcastle, Chief Risk Officer (since 2010, ex ASB)**
  - **Craig Stephen, Treasurer (since 2009, ex Westpac & Fonterra)**
  - **Will Purvis, Head of Rural (since 2010, ex ASB & BNZ)**
  - **James Mitchell, Head of Business (Merger Project since 2010, ex ANZ & ASB)**
  - **Bryan Inch, Head of Retail**
  - **Mark Bellas, Chief Operating Officer (since 2010)**
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- PGC/MARAC
- New talent attracted
- CBS
- SCBS

# Merger All or Nothing Proposition

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- **The merger steps are largely inter-conditional, and will not commence unless CBS, SCBS and BSHL are first satisfied that all steps of the merger can be completed**
- **The merger process requires a number of transactions be effected in accordance with the Building Societies Act 1965, the Companies Act 1993 and orders to be obtained from the High Court**
- **Merger targeted to be completed on or about 7 January 2011**
- **Quotation of BSHL's shares on NZX is anticipated to occur on or about 1 February 2011**

# Notes

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1. None of Combined Building Society, Building Society Holdings Limited, CBS, SCBS, PGC or MARAC is a registered bank under the Reserve Bank Act 1989. The ultimate intention of the Merger parties is that Combined Building Society will become a registered bank. Obtaining bank registration is subject to satisfaction of the Reserve Bank's registration requirements.
2. An application has been made to NZX Limited for permission to list the shares in Building Society Holdings Limited, and all requirements of NZX Limited that can be complied with on or before the date of this presentation have been duly complied with. However, NZX Limited accepts no responsibility for any statement in this presentation. NZX Limited is a registered exchange regulated under the Securities Markets Act 1988.
3. Building Society Holdings Limited and Combined Building Society are working titles pending a formal branding process.
4. It is a condition to the Merger that the Merger will not proceed unless Combined Building Society has a guarantee under a Crown retail deposit guarantee scheme, being a guarantee that expires on 31 December 2011, on terms acceptable to the Merger participants (Crown Guarantee). If granted, the Crown Guarantee will cover MARAC Stock, CBS Canterbury Deposits and Southern Cross Deposits, which currently have the benefit of a Crown guarantee. Combined Building Society Deposits which are not Crown Guaranteed Deposits will not be covered by the guarantee given under the Crown retail deposit guarantee scheme. See the Summary of the Crown Guarantee section of the prospectus dated 29 October 2010 for more details about the Crown Guarantee.
5. All securities to be issued by Combined Building Society will be unsecured.

# Summary

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- **This is a once-in-a-generation opportunity to create a strong, sustainable, locally controlled and operated, regional bank in New Zealand <sup>1</sup>**
- **Merger parties have an established New Zealand heritage and the collective experience and resources to work together as an NZX listed financial services group <sup>2</sup>**
- **The merger creates a larger more diverse organisation and enhanced credit rating prospects**
- **Cameron Partners and Northington Partners have given a positive endorsement of the proposed merger**
- **Standard & Poor's have placed MARAC on CreditWatch Positive**



# Summary

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- Your Board is confident the merger is a compelling value enhancing proposition for all stakeholders – the directors voted unanimously to proceed
- **YOUR BOARD RECOMMENDS YOU VOTE YES TO THIS PROPOSAL**



# Questions

# Voting