



*News Release*  
*1 June 2010*

## **MERGER PROPOSED TO CREATE NEW BANK**

- The creation of a New Zealand owned banking entity that brings together three established and compatible businesses that have a long and proud heritage of providing financial services to New Zealanders
- Giving the merged entity, with a starting asset base of approximately \$2.2 billion, the critical mass to obtain a banking licence
- Having the scale to capitalise on real growth opportunities to drive shareholder value
- Becoming the only NZ owned listed bank – providing its customers with the opportunity to benefit from returns earned as shareholders in the merged entity
- Being headquartered in the South Island but with extensive national reach
- Providing a full service banking offering to customers in “Heartland” New Zealand

Three long established financial services businesses are evaluating a merger that would create a New Zealand owned banking group with scale and resources to work with customers in Heartland New Zealand.

A memorandum of understanding was signed today by Canterbury Building Society (CBS), Southern Cross Building Society (SCBS) and Pyne Gould Corporation (PGC), involving a proposal to merge their banking related activities.

The proposal envisages that the merged entity would be listed on the NZSX, providing the only opportunity for New Zealand investors to own shares in a bank focused on the home market. The group would initially have assets of \$2.2 billion, 360 staff and about 70 customer outlets around the country, providing a national platform for growth.

While transaction details are yet to be finalised and are subject to further agreement, it is envisaged that the merger would be facilitated by amalgamating CBS and SCBS and then by the acquisition of applicable PGC businesses, primarily its wholly owned subsidiary MARAC. The resulting merged entity would be headquartered in the South Island, have a national operational network with a mandate to significantly grow the size of the business and have the capability of driving greater shareholder returns than

would be available separately. The aim is to more than double the \$2.2 billion asset base in five years.

The project is in its early stages, with due diligence still to be completed before a formal proposal can be put to the respective owners of the merging entities – expected to be in the latter part of this year. The branding strategy for the merged entity is currently under development and will incorporate the “Heartland” vision of the three parties – a New Zealand owned bank specialising in and understanding the core needs of Individual New Zealanders and their families, Small Businesses and Agriculture.

The respective ownership proportions and board structure of the merged business are still to be agreed, but PGC would likely be the largest shareholder. The merged entity would be sufficiently capitalised to take advantage of further growth opportunities.

The three entities said in a joint statement:

“The proposed new bank would draw on a proud heritage of servicing New Zealanders’ financial needs. CBS and SCBS have provided residential, commercial and rural customers with financial services and first mortgage facilities for a combined period of more than 200 years. PGC’s history stretches back to the 1850s when it started servicing stock and station businesses in Canterbury. Its subsidiary MARAC has serviced the Personal and Small and Medium Business market for almost 60 years.

“We believe that consolidating the three well established businesses will achieve the critical mass and quality of assets to support an investment grade credit rating and a banking licence. An asset base of more than \$2 billion provides the scale and diversity required to support an application for a bank licence.

“A banking licence brings advantages such as credibility and a lower cost of funds – leveling the playing field with other banks here, which are mainly Australian owned and driven. We see a significant opportunity in entering the banking market as it is clear to us that New Zealanders and New Zealand businesses are seeking an alternative to the incumbent banks in the markets we intend targeting.

“Our strong New Zealand roots, historical experience particularly at the local level and customer focus give us a distinct advantage in servicing the heartland market in New Zealand. We aim to establish and leverage a nationwide presence, broad depositor base and distribution networks to market a broadened range of products and services across the customer base. The strong community focus of each of the entities will be an ongoing strength of the merged entity and enhanced through respective charitable trusts.

“The proposed merger, and the associated business benefits, would also create a platform for building valuable market share. It would bring together these three very

strong and recognisable brands and our goal would be to more than double the combined asset base.

“Most importantly, the scale and growth opportunities resulting from the consolidation will drive greater shareholder value than would likely be achievable with three separate entities. Customers will be able to share in these benefits by becoming shareholders.”

The three entities hope to have an Implementation Agreement in place within the next few months, and then to make more detail available on the proposal, including shareholdings and board and management structures. Under the current proposal, approvals will be required from a number of stakeholders, including shareholders, depositors, debenture holders and regulators.

The merger will also require an amendment to the Building Society Act so as to allow shareholders in listed building societies to have one vote per share (and not one vote per shareholder) on special resolutions. Representations are currently being made to the appropriate authorities.

If all approvals are granted it is expected that the merged entity will commence trading by early next year. It is anticipated that should the merger proceed as expected, a banking application will be made by the middle of 2011.

Advisers to the three entities include First NZ Capital, PricewaterhouseCoopers and Chapman Tripp.

*NB: None of CBS, SCBS, PGC and MARAC is a registered bank, and any merged entity will not be a registered bank until it is registered as such under the Reserve Bank of New Zealand Act 1989.*

For further information please contact:

Geoff Senescall  
Senescall Akers  
(09) 3095659  
021 481234

## **Fact sheet**

<b>As at 31 March 2010</b>	<b>CBS</b>	<b>SCBS</b>	<b>PGC (MARAC)</b>
Shareholders	2572	530	4952
Staff	70	50	240
Customers	15,416	20,000	MARAC 34,000 customers and 20,000 investors
Branches	4	7	10
Agencies	0	40	9
Credit rating (all Standard & Poor's)	BB+ (Stable)	BB (Stable)	BB+ (Negative)
Extended Retail Crown Guarantee Scheme	Yes	Yes	Yes

### **About Canterbury Building Society**

CBS has provided high quality financial and personal banking services since 1875, to individuals, groups and organisations, as well as farming and commercial businesses. Founded in Ashburton, it has three other branches – two in Christchurch and one in Rangiora.

CBS is registered under the Building Societies Act 1965. It operates under its own Trust Deed, with Trustees Executors Limited as its trustee. It is also the only Building Society listed on the New Zealand Stock Exchange.

CBS specialises in a modern range of easy to use banking products tailored to meet the needs of its customers. The main emphasis is on providing loans secured by first ranking mortgages over residential, commercial and farming property.

CBS' funds are obtained from a large base of savings deposit and investment account customers. This is complemented by a wide range of general accounts, offering flexible banking options and encouraging prudent savings and sound financial management.

Considerable growth has been achieved in recent years, with SMC Building Society and the Loan and Building Society merging into the CBS Canterbury regional brand, in 2006 and 2008 respectively.

[www.cbscanterbury.co.nz](http://www.cbscanterbury.co.nz)

### **About Southern Cross Building Society**

Southern Cross Building Society has provided financial services since 1923. Its head office is based in Auckland, where it has three branches. It has further branches in Rotorua, Tauranga, Hamilton and Wellington. SCBS has a unique network of 40 independently owned and operated agencies located throughout the North Island.

SCBS offers a range of products and services including savings accounts, term investments, internet and telephone banking, home loans, rural loans and commercial loans. The Society's principal assets are first mortgage advances on commercial, rural and residential properties, Government and Local Authority Securities, Bank Deposits and Commercial Bills, and land and buildings leased as office accommodation.

Like CBS, SCBS is governed by the Building Societies Act and a separate trust deed, also with Trustees Executors Limited as its trustee.

In August 2007 SCBS acquired an 11.7% shareholding in CBS.

SCBS is a proud sponsor and supporter of many New Zealand organisations through its separate Charitable Trust, which will become a shareholder in the merged entity if the merger proceeds.

[www.buildingsociety.co.nz/](http://www.buildingsociety.co.nz/)

#### **About Pyne Gould Corporation**

PGC has a long and proud New Zealand history, stretching back to the 1850s, starting with a stock and station business in Canterbury. That business has grown through organic growth, acquisitions and mergers, and today comprises:

- Financial services – MARAC (100% ownership)
- Trustee services – Perpetual Trust (100% ownership)
- Funds management – Perpetual Asset Management (100% ownership)
- Rural services – an 18.3% shareholding in PGG Wrightson Ltd.

PGC's shares were originally held by the founding families. Over the years, shares have been offered to staff and acquired by customers and other investors, but descendants and connections of the founding families continue to hold substantial shareholdings. In 2004 the shares were listed on the New Zealand Stock Exchange, under the ticker "PGC". Its head office is based in Christchurch.

[www.pgc.co.nz](http://www.pgc.co.nz)

#### **About MARAC**

MARAC has been helping New Zealanders with finance for 58 years. It is a wholly-owned subsidiary of PGC and, accordingly, New Zealand-owned and operated. It is headquartered in Auckland and has nine offices throughout New Zealand, giving it a wide geographical spread enabling it to be close to the customers it serves.

MARAC has grown to be one of New Zealand's largest and most successful finance companies, offering finance, insurance and investment solutions. It has a track record that has earned it the trust of thousands of New Zealand investors and borrowers.

MARAC's lending business is focused on two main areas:

- Business – lending to small and medium-sized businesses for the purchase of assets, such as plant and equipment; and the provision of working capital finance, invoice finance and overdraft facilities. (This finance can be provided either direct to the customer or through an equipment supplier.)
- Personal – offering finance, leasing and insurance packages for the funding of new and used vehicles, and lending on the purchase of leisure assets such as yachts or motor homes. (This finance can be provided either by a dealer or direct to the customer.)

Completing its finance offer is a wide range of lifestyle protection, auto equity shortfall and warranty insurances.

[www.marac.co.nz](http://www.marac.co.nz)