

Building Society Holdings Limited including Combined Building Society - Opening Financial Statements as at 7 January 2011

11 APRIL 2011

Important Notice

This presentation has been prepared by Building Society Holdings Limited (“BSHL”) for the purpose of oral briefings provided by BSHL in relation to its financial statements

The presentation and the briefing constitute summary information only, and you should not rely on them in isolation from the fuller detail set out in the financial statements

Key Points

- Opening shareholders' equity of \$294m, net tangible assets of \$265m (88c / share inline with 30 June 2010 proforma accounts)
- NBDT "Capital Ratio" of 9.6% (8% requirement - approximately \$43m excess capital)
- Liquidity of \$590m (\$285m cash plus \$200m committed undrawn bank facilities, \$105m of unutilised securitisation facilities) providing a platform for growth
- Diversified asset mix – by sector and by geography
- Credit rating issued by S&P upon the merger taking place on 5 January 2011 Investment grade (BBB- Outlook: Stable)
- Asset quality – collective provisioning of \$11.5m taken at merger (as per proformas)
RECL Management Agreement in place providing BSHL with principal protection against losses on its remaining MARAC property loan portfolio up to a maximum of \$33m

Financial Statements

- Legally MARAC was acquired by, and is a subsidiary of, Combined Building Society
- Balance sheet at 7 January 2011 of BSHL represents the financial position of the Combined entity (MARAC, Southern Cross Building Society and Canterbury Building Society)
- However, under NZ IFRS, the merger is treated as a “reverse acquisition” by MARAC
- Therefore, the prior period balance sheet comparatives and profit and loss for the 6 months to 7 January 2011 are those of the MARAC Group, and do not represent a proforma amalgamation of the three entities (Canterbury Building Society, Southern Cross Building Society and MARAC Group)
- June 2011 reported result will therefore represent 6 months trading performance of MARAC (to 7 January 2011), plus 6 months trading performance of the new group

BSHL Actual versus Proforma Balance Sheet

COMPARISON OF PRO FORMA TO FINANCIAL STATEMENTS

Building Society Holdings Limited	Pro Forma Group as at 30 June 2010 \$000s	Group as at 7 January 2011 \$000s	Movement \$000s	Notes
EQUITY				
Share capital	137,074	137,074	0	
Reserves	151,468	157,051	5,583	1
Total Equity	288,542	294,125	5,583	
ASSETS				
Cash	120,547	285,675	165,128	2
Investments	178,316	24,040	(154,276)	2
Finance receivables	1,627,898	1,562,492	(65,406)	3
Finance receivables - securitised	160,853	194,403	33,550	3
Operating lease vehicles	42,895	38,005	(4,890)	
Property, plant & equipment	10,264	10,172	(92)	
Deferred tax	7,600	7,205	(395)	
Other assets	55,884	41,559	(14,325)	4
Intangibles	901	1,588	687	
Goodwill	14,829	20,141	5,312	5
Total Assets	2,219,987	2,185,280	(34,707)	
LIABILITIES				
Retail funding	1,667,793	1,676,713	8,920	
Wholesale funding	5,000	0	(5,000)	
Securitised funding	149,298	169,278	19,980	6
Other liabilities	109,354	45,164	(64,190)	7
Total Liabilities	1,931,445	1,891,155	(40,290)	
NET ASSETS	288,542	294,125	5,583	
NET TANGIBLE ASSETS	265,212	265,191	(21)	

Notes on movements

- 1 MARAC NPAT of \$5.1m for six months to 7 January 2011 plus MARAC Insurance and other comprehensive income*
- 2 Reclassification between Cash and Investments
- 3 Run off of Property books and lower Commercial and Retail new business volumes
- 4 Reduction of Promissory Note by \$16.2m (balance intended to be repaid following closing of Agria offer for PGW)
- 5 Additional Goodwill in line with reduced Building Societies net assets purchased
- 6 \$20m of Canterbury Building Society securitisation facility utilised
- 7 Payment of \$70m for GMAC book acquisition

* Under financial reporting standards, only the net assets of Southern Cross Building Society and Canterbury Building Society are amalgamated into BSHL, therefore no Southern Cross Building Society and Canterbury Building Society retained earnings are included in BSHL's comprehensive income

BSHL Balance Sheet Summary

BSH BALANCE SHEET SUMMARY

	Actual	Proforma	
	7 Jan 11 (NZ\$m)	30 Jun 10 (NZ\$m)	Mvmt (NZ\$m)
Total assets	2,185.3	2,220.0	(34.7)
Total liabilities	1,891.2	1,931.4	(40.2)
Total equity	294.1	288.5	5.6
Equity ratio	13.5%	13.0%	
Combined Regulatory capital - NBDT *	9.6%	9.7%	
Net tangible assets	265.2	265.2	
NTA per share	\$ 0.88	\$ 0.88	

* Combined Building Society

Funding and Capital

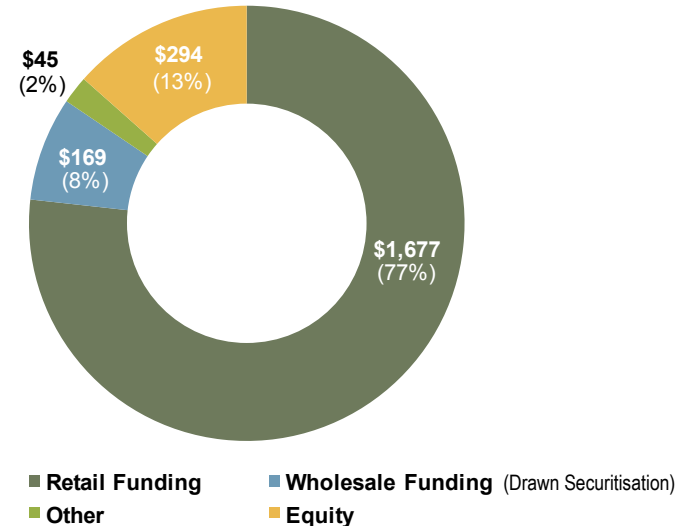
Core funding and liquidity principles:

- Diversified funding base through access to multiple sources of funding
- Actively manage liquidity and ensure prudent levels of liquidity at all times
- Minimise refinancing risk through spreading the maturity profile of the liabilities
- Match the duration of assets and liabilities

Funding is currently derived from:

- Retail deposits: cheque and savings accounts and term deposits
- Retail NZDX listed bonds
- \$275m Securitisation Programme
- \$200m committed undrawn bank facilities

Capital Structure of Combined Building Society as at 7 January 2011 (NZ\$ million)



NBDT Capital Adequacy

As at 7 January 2011, the “capital ratio” of the merger parties for the purposes of the NBDT Regulations was approximately **9.6%**, compared to the minimum 8% required

Surplus capital to meet near term growth with liquidity of \$590m – (cash and liquid assets of \$285m, undrawn bank facilities of \$200m and \$105m of unutilised securitisation facilities) equivalent to 31% of total liabilities

Funding (continued)

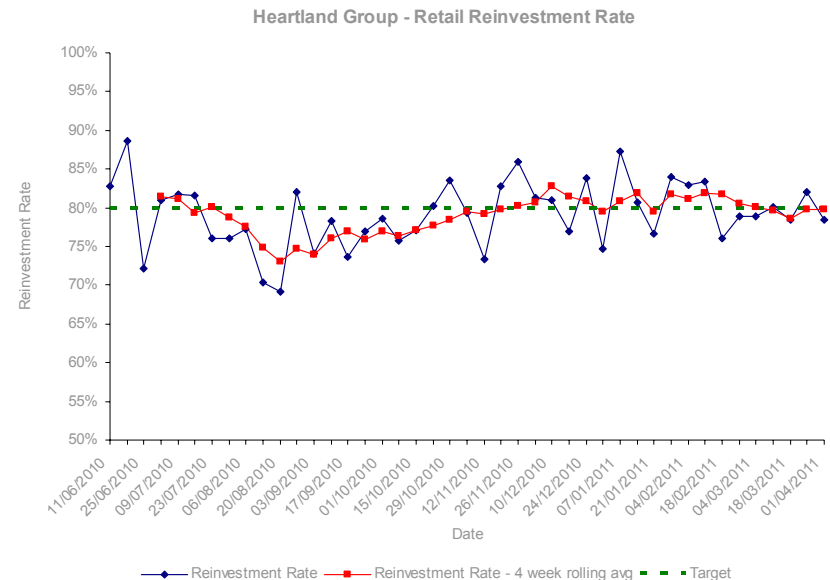
Retail funding is the mainstay of Heartlands funding base

Strong reinvestment rate and depositor loyalty reflecting:

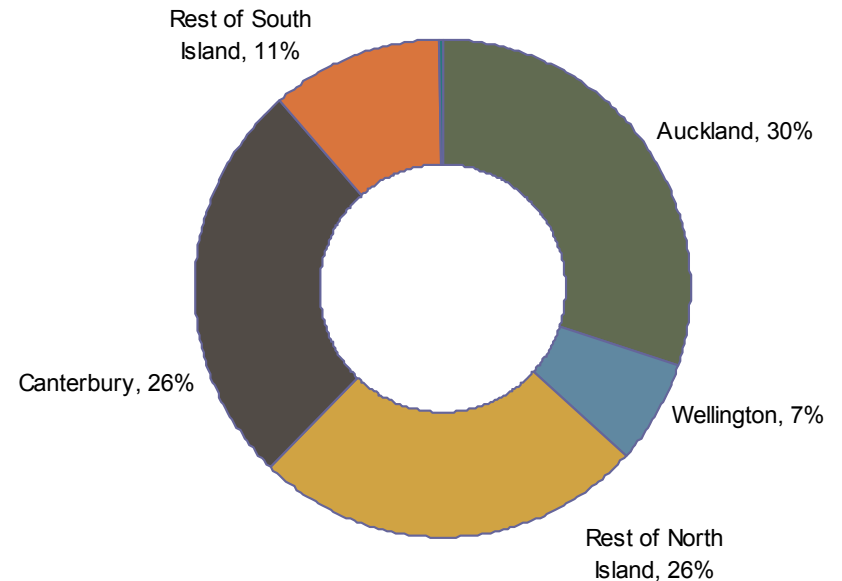
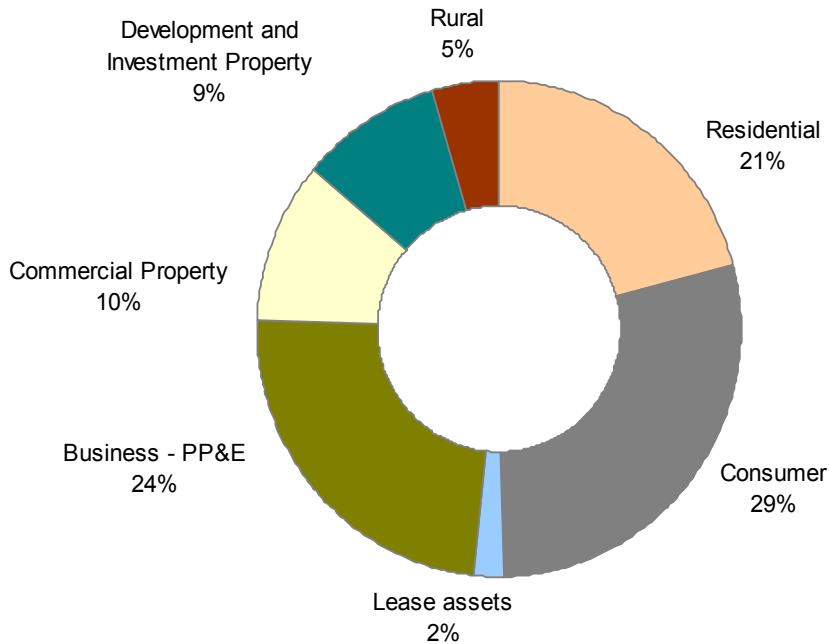
- Investment grade credit rating
- Size and scale benefits
- Access to capital
- Greater confidence from heightened regulatory oversight and compliance

Crown Guarantee expires 31 December 2011

- Investor transition to non guaranteed and beyond the expiry date progressing to plan

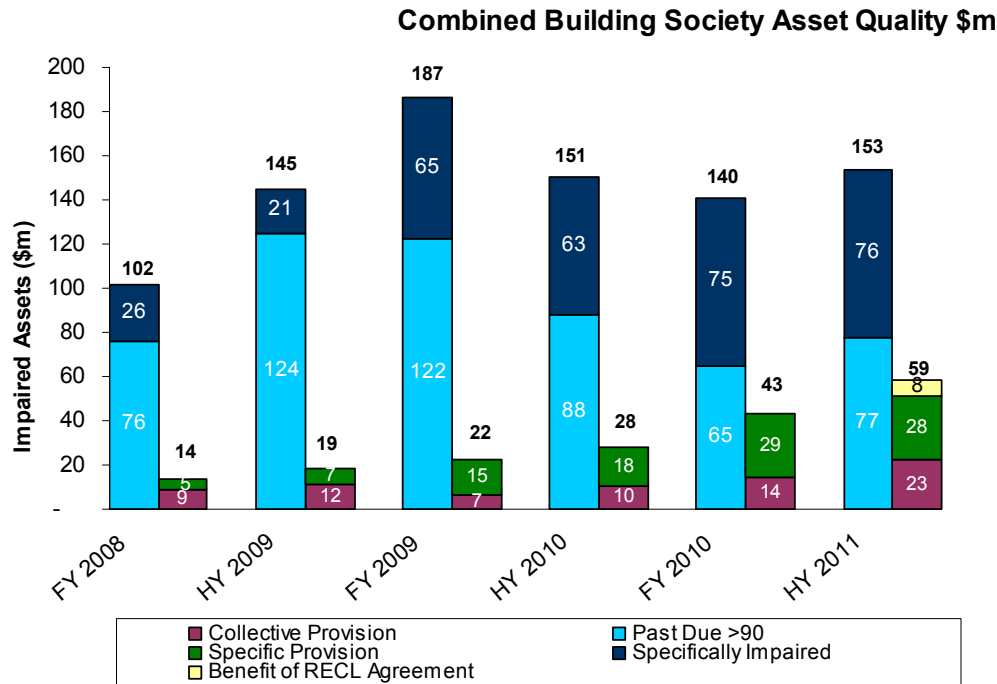


Net Receivables 7 January 2011 – Asset Mix



* Combined Building Society is progressively reducing its exposure to Development Property Lending and has put in place the RECL Management Agreement to provide principal protection against future impairments on the MARAC property loan portfolio

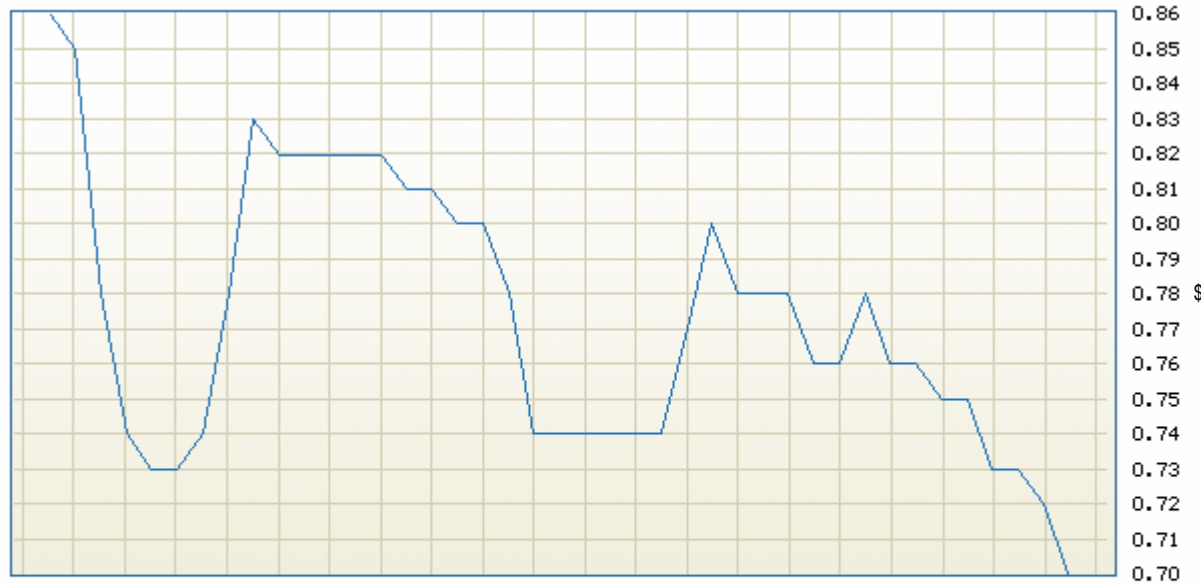
Consolidated Trends – Asset Quality



- Legacy property loan books being run down
- Collective provision of \$11.5m as agreed in merger negotiations taken at 7 January 2011 (as included in fair value adjustments per proformas)
- RECL Management Agreement provides \$33m of principal protection on MARAC property loan book
- Prior periods are notional amalgamation (MARAC & SCBS at 30 June & 31 December, Canterbury Building Society - 31 March and 30 September)

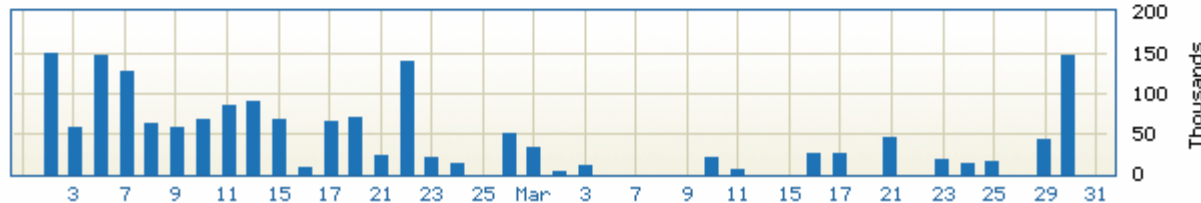
BSHL Share trading and Volume since Compliance Listing

BSH Daily



- NTA 88c per share
- Low volume and lack of liquidity has led to downward share price volatility
- Following in specie, the increase in free float and entry into NZSX50 expected to stimulate interest and volume of trading

Volume



Milestones and Next Steps

		Timing
• Investment Grade Rating	<input checked="" type="checkbox"/>	5 January 2011
• Merger	<input checked="" type="checkbox"/>	7 January 2011
• NZSX Compliance Listing	<input checked="" type="checkbox"/>	1 February 2011
• In Specie of BSHL* ¹	<input type="checkbox"/>	May 2011
• NZSX50 Inclusion* ²	<input type="checkbox"/>	October 2011
• Bank Registration Application* ³	<input type="checkbox"/>	2 nd Half 2011

*¹ Subject to PGC shareholder vote, further details of group and strategy released at that time

*² Subject to NZSX indexation

*³ Based on current intended timetable. None of Building Society Holdings Limited, Combined Building Society, MARAC are a registered bank