

1 July 2010

HBS poised to merge with SBS Bank

HBS Building Society may merge with SBS Bank if a proposal by the HBS Board is approved.

HBS Board Chairman Frank Spencer said that a Heads of Agreement has been signed with Southland-based SBS Bank to pursue a merger of the two New Zealand mutual Building Societies.

The Heads of Agreement provides for the retention of all staff and management in the Hastings and Napier offices.

The 125-year-old HBS brand, synonymous with many local sponsorships in Hawke's Bay, will continue and in fact, there was a guarantee for increased community distributions, Mr Spencer said.

In addition, the Agreement provides for an initial interest rate premium for term depositors.

Ross Smith, CEO of SBS Bank said "We are particularly excited about a merger with a fellow mutual building society of over 100 years standing. We look forward to bringing the strength of a bank and the full range of products and services to the members of HBS."

Upon completion of the merger, HBS members will become members of SBS Bank and will have representation on the SBS Bank board.

Mr Spencer said "The HBS Board is unanimous in its support of this opportunity. We believe this merger will see HBS well positioned to provide a viable banking option for the Hawke's Bay community and future generations."

HBS members will receive information in the mail in the next few days that sets out the motivation behind the proposed merger and the benefits it offers them, along with the HBS 2010 Annual Report.

In this communication, Mr Spencer states that "HBS has fared well over the year and has consolidated its strength through offering a secure haven for deposits, competitive rates, fair propositions to borrowers, making sensible investments, and providing community support in the form of sponsorship and donations.

"Times remain tough in the financial sector and the challenges of increasing regulation in a competitive environment are real for a small organisation such as HBS.

"We depend on being able to compete with the international banks and financial institutions and while we are successful in so doing at present, we must be realistic when we consider the future needs of our members."

Mr Spencer said that the operating environment for all financial institutions had changed dramatically as a consequence of the global financial crisis.

"HBS prefers to be a leader rather than a follower in this new operating environment; to be making the best decisions rather than having dictates imposed on us.

"We want to make decisions that will lead to HBS obtaining a stronger international credit rating and being even better positioned for the future as a secure haven for deposits at attractive interest



rates. All the while retaining our local identity, our reputation for excellent personal service and our local community support through our many sponsorships.”

SBS Bank is New Zealand’s only customer-owned community bank and may be the only building society in the world to have achieved bank registration while maintaining the mutual structure of being owned by its members.

SBS Bank has assets of \$2.63 billion and HBS has assets of \$185 million. SBS Bank currently has 15 branches including four in Christchurch and two in the North Island.

If the merger proposal is approved, the targeted effective date is 1 October 2010.

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