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MEDIA RELEASE – EMBARGOED UNTIL 12am MIDNIGHT 30 JUNE 2010

SBS Bank poised to merge with HBS

SBS Bank may merge with HBS Building Society if a proposal by the board of the Hawke's Bay-based mutual is approved.

SBS Bank chief executive Ross Smith said: "We are particularly excited about a merger with a fellow mutual building society of over 100 years standing with identical principles and values. Our members can be assured that this merger will further strengthen SBS Bank's position in the market. As New Zealand's only customer owned bank, the best interests of our members have always remained our number one priority.

"In terms of day-to-day operations nothing will change for existing SBS Bank members except the ability to conduct their banking at more North Island branches around the country. At the same time, the merger will allow us to take a further step toward being a fully national, mutually-owned 'community' bank."

Mr Smith advised that a Heads of Agreement had been signed with HBS to pursue a merger of the two New Zealand mutual building societies and that both the SBS Bank and HBS boards were in unanimous support of this opportunity.

The Heads of Agreement provides for the retention of all staff and management at HBS, the 125-year-old HBS brand and a guarantee for continued and increased community distributions through sponsorships.

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

HBS board chairman Frank Spencer stated that "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."

SBS Bank is New Zealand's only member-owned community bank and may be the only building society in the world to have achieved bank registration while maintaining its mutual structure.

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. HBS has two branches, one in Hastings and one in Napier.

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

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