



30 June 2010

Dear Members

On behalf of the SBS Bank Board of Directors, Management and Staff I am pleased to present our 141<sup>st</sup> Annual Report. In our first full year of trading as a registered bank we have recorded a solid profit result and at the same time improved liquidity and strengthened our capital ratios.

This result is extremely pleasing given that the economic climate has been amongst the most difficult in our 141 year history.

We all know that success does not happen by accident, particularly during a time when many others within the sector have either failed or are struggling for survival. SBS Bank, like all others, has been affected by the downturn. However, the impact has been mitigated by prudent management, your continued support and by having a blend of the right people, the right attitude and the right business model.

Our mutual ownership and values underpin the way we operate. We are there for you, our members, as well as our staff and the community. We are not driven by the needs of shareholders wanting to maximise their return on investment and as a consequence we do not compromise the business by taking on too much risk.

We are all very excited at the recent announcement of merger talks with the Hastings Building Society.

While the outcome of these talks will not be finalised until early September, we are confident their members will see the benefit of being part of SBS Bank and at the same time allow us to take a further step toward being a national, customer-owned 'community' bank.

If you have only received a Summary Financial Report and would prefer a full set of Financial Reports these are available online at our website [www.sbs.net.nz](http://www.sbs.net.nz).

Thank you for your ongoing support and enjoy reviewing these results of your building society confident in the knowledge that SBS Bank's success belongs to you, our members.

Yours sincerely

A handwritten signature in black ink that reads 'Ross Smith'. The signature is written in a cursive style with a long horizontal stroke underneath.

Ross Smith  
CHIEF EXECUTIVE

PS: Please refer to P24 in the Annual Report for the Notice of Annual General Meeting being held at 5.30pm Monday 26<sup>th</sup> July 2010 at 51 Don Street, Invercargill.