

Introducing Pyne Gould Rural

As a MARAC investor, you're a key stakeholder in our business. Along with providing a competitive return and excellent service, we believe it is important for us to let you to know 'what we do with your money'. Here, we'd like to tell you about a new finance division that is specifically designed to support our rural customers and their businesses.

Pyne Gould Rural

OUR FARMING PAST – FINANCING YOUR FARMING FUTURE



What is Pyne Gould Rural?

Pyne Gould Rural is a specialised finance division within MARAC, which launched in October 2010. It was created so we can help New Zealand farmers with a range of farm finance and working capital solutions to help maintain or grow their farming businesses.

Why set up a rural division?

Pyne Gould Corporation started business as a stock and station agent back in the 1850s. That began a long association with rural New Zealanders and their businesses. MARAC has always offered finance to farmers and rural service operators, but we felt there was a need to provide more tailored products and specialist staff to better service this vital sector of New Zealand's economy. This also fits with our long-term goal of becoming a New Zealand listed banking* and financial services group to service Heartland New Zealand customers.

What products are offered?

Pyne Gould Rural offers finance and leasing options that are similar to those offered for general businesses, but specifically tailored to suit the stock management and income flows of farming businesses. This includes finance for livestock, plant and equipment, and working capital facilities which can be tailored to farmers seasonal cashflow requirements.

Service remains key

As with all MARAC's services, whether investments, insurance, finance or leasing, service is central to the way we do business. Pyne Gould Rural is proud to offer personal, friendly service and tailored finance solutions for each customer. We have a team of experienced Financial Services Managers who understand farming and what farmers really need.

If you know of anyone whose farm could benefit from specialised Pyne Gould Rural finance, please feel free to pass on our contact details below – we're here to help.

Questions?

For more information about Pyne Gould Rural, visit www.pgrural.co.nz, call me on 09 927 9008 or email info@pgrural.co.nz.

Will Purvis

Head of Rural

*Neither PGC nor MARAC is a registered bank under the Reserve Bank of New Zealand Act 1989.

Garden Makeover promotion winners

Congratulations to John and Sandra Hayward of Nelson, who were the main prize winners of our Garden Makeover promotion. Their prize included:

- two days with a landscape gardener to help design, develop or remodel their garden
- \$2,000 worth of Mitre 10 gift cards
- a 12-month subscription to NZ House & Garden magazine.

20 investors also won a 12-month subscription to NZ House & Garden magazine.

Thank you to everyone who invested or reinvested with MARAC during the promotional period.

DIRECTORY

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Email invest@marac.co.nz

GENERAL ENQUIRIES

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Email info@marac.co.nz
Website www.marac.co.nz

YOU'RE WELCOME TO VISIT THESE OFFICES FOR ANY ENQUIRIES

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Tauranga 3151

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Wellington
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Nelson
PO Box 3330, Richmond 7050

Otago/Southland
PO Box 217, Dunedin 9054

Every effort has been made to ensure the accuracy of this newsletter. It is provided on the basis that the items are necessarily generalised and are not a substitute for commercial judgement or professional advice.

Readers are urged:

1. to seek specific advice on any particular matter from a qualified professional person; and
2. not to rely solely on this text.

For an Investment Statement call 0800 26 27 22.

Neither Pyne Gould Corporation nor any other Shareholder of MARAC or Combined Building Society guarantees any securities offered by MARAC or Combined Building Society or the return payable thereon.

Outlook

JANUARY – MARCH 2011

THE NEWSLETTER OF MARAC | INVESTMENT EDITION



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As you read this, enjoying another fantastic New Zealand summer, we are busy putting the final touches on the merger between MARAC, CBS Canterbury and Southern Cross Building Society which is expected to occur early in the new year. All organisations have now held meetings which saw shareholders and investors vote resoundingly in support of the merger. We are very pleased that MARAC investors overwhelmingly supported the proposal, with 96.29% of those who voted being in favour. This is a strong endorsement of the benefits we see for all stakeholders. I would like to thank you for your support. You can read more about the merger on page 2.

You'll notice this is a shorter edition of *Outlook* and we have not featured our regular investment offer. From the completion of the merger, interest rates for MARAC, operating as a division of Combined Building Society, can be found by visiting www.marac.co.nz or calling us on 0800 26 27 22.

2010 has been a very difficult year for many families affected by the Christchurch earthquake and more recently, the tragic events at the Pike River Mine on the West Coast. Pyne Gould Corporation, MARAC's parent company and majority shareholder of Building Society Holdings Limited, has donated \$50,000 to support the local communities. MARAC staff also raised an additional \$700 for the families of the Pike River miners, and we are working closely with our Christchurch customers to support them as the city rebuilds after the earthquake.

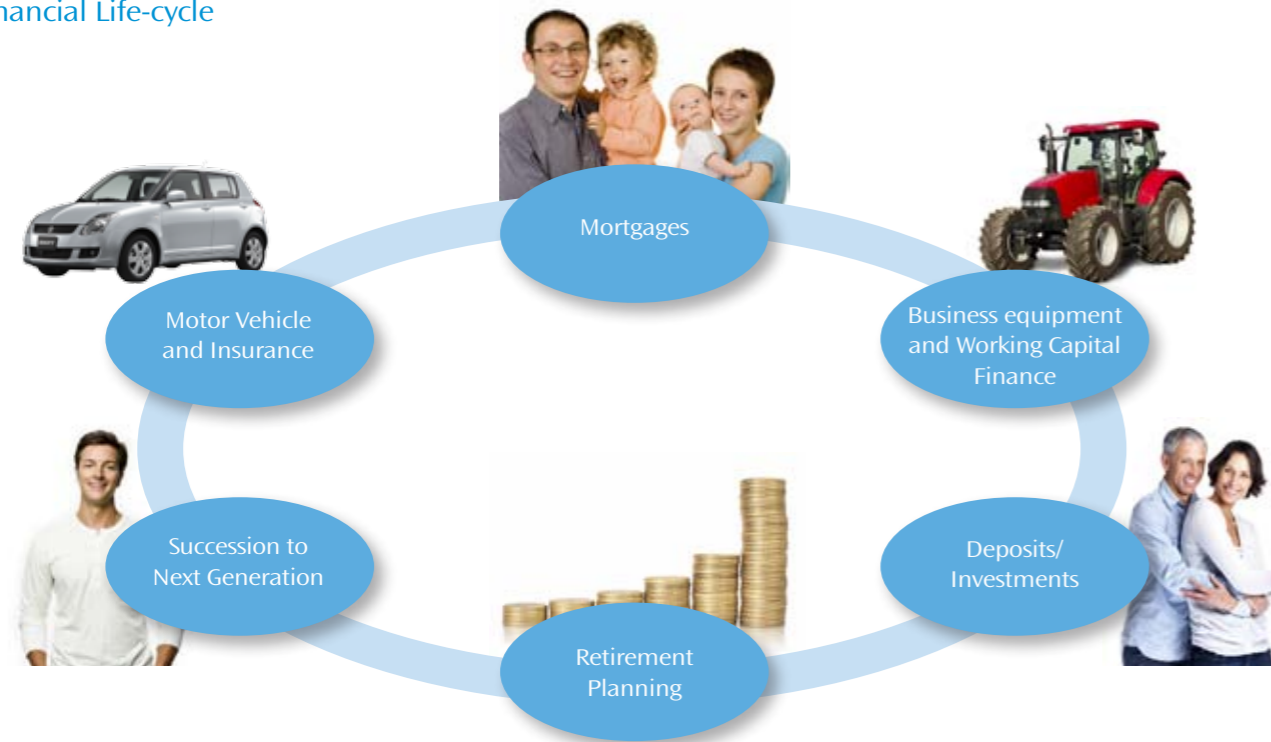
From the team at MARAC, we hope you have enjoyed a great kiwi Christmas and New Year, and we wish you all the best for 2011. It is going to be a busy year for us, but one which we are certainly looking forward to!

Andrew Ford
Retail Investment Manager

Merger gets the green light

On 8 December 2010, MARAC investors voted resoundingly in favour of merging with two long established and respected building societies – CBS Canterbury and Southern Cross Building Society to form a new financial services entity called Combined Building Society (of which Building Society Holdings Limited is the parent company). MARAC investors were one of seven stakeholder groups, including the shareholders and investors of each of the entities involved (along with the MARAC PIE Fund), who overwhelmingly supported the merger. Encouragingly, support for our plans to create a banking¹ and financial services group to service customers in Heartland New Zealand has been widespread with businesses, community leaders, politicians and others all wanting to see us succeed.

Financial Life-cycle



We certainly believe we are well placed to look after part of the market which is currently under serviced and one that we have extensive experience in – that being the banking market for small to medium-sized businesses, rural businesses and New Zealand individuals and families. Our aim is to build our business with a focus on personal service to all of our customers.

The chart below illustrates the financial life-cycle of a typical New Zealander and we believe that our customer first approach will result in the merged entity being able to provide a range of quality products and services throughout the life-cycle.

Thank you for your support

96.29% of MARAC investors who voted were in favour of the merger. Thank you for your support – we are delighted you share our vision for the future. High voting support was also achieved from investors and shareholders of our merger partners.

This is an exciting opportunity for all involved, as it will create an organisation with improved scale and diversity which will increase the likelihood of obtaining an investment grade credit rating and is an important step towards achieving our goal of becoming a registered bank. We were pleased that Standard & Poor's placed MARAC's credit rating on "CreditWatch Positive" following the announcement of the merger in September.

What does the merger mean for MARAC investors?

No change to the way your investment is operated, interest rate or personal service

There will be no change to the way your investment is operated, the interest rate you receive or the maturity date of your investment. In addition, you will still get the same personal service and wide range of investment products we've always offered. Your investment will continue to be known as a MARAC Deposit until a formal branding process is completed (refer "what happens next" on following page).

Continued over the page.

New legal entity

Under the first stage of the implementation of the merger, expected to be on 5 January, your investment with MARAC will become a senior unsecured unsubordinated deposit in Combined Building Society, the operating arm that incorporates the business of the three merger parties. This is consistent with market practice for building societies and banks in New Zealand and with Combined Building Society's aspiration to become a registered bank. All deposits in Combined Building Society rank equally, and equally with a \$200 million facility from Bank of New Zealand and Westpac, Combined Building Society's bank lenders.

What happens next?

The next milestone will be the NZSX listing of Combined Building Society's parent company, Building Society Holdings Limited (BSHL)². This is expected to occur on 31 January 2011. Having a listed parent company is expected to provide Combined Building Society with significant financial flexibility and strength. Shares in BSHL will initially be held by Pyne Gould Corporation (PGC) (72%), the shareholders of CBS Canterbury (13%) and the shareholders of Southern Cross Building Society (15%). PGC has announced that it intends to distribute the majority of its stake in BSHL directly to PGC shareholders. This is expected to take place in the first half of 2011. This placement is likely to elevate BSHL into being a NZX top 50 company.

Our vision

Our vision is to become an NZX-listed banking group. We expect to be in a position to apply for banking registration in the second half of 2011. We are confident that we have a

strong executive team, with extensive banking experience, to drive this process. This team is supported by an experienced board who will oversee the business strategy. The board is headed by current MARAC Chairman Bruce Irvine, has representation from all of the merger parties and will include two independent directors.

A new brand name is coming soon

Combined Building Society and BSHL are simply transition names and we are in the process of developing a new brand. We will write to you again once the new brand for the merged entity is ready to launch. The new brand will seek to capture the proud heritage and character of the merged parties. We will also continue to use the MARAC brand.

Further information

For latest news releases and frequently asked questions about the merger, please visit www.marac.co.nz/merger. Alternatively, you can call MARAC's Investment Team with any questions you have on 0800 26 27 22 – they're here to help.

Jeff Greenslade
Chief Executive Officer

¹ None of Combined Building Society, MARAC, CBS Canterbury, Southern Cross Building Society or PGC are currently a registered bank, and Combined Building Society will not be a registered bank until it is registered under the Reserve Bank of New Zealand Act 1989.

² An application has been made to NZX Limited for permission to list Building Society Holdings Limited, and all the requirements of NZX Limited that can be complied with on or before the date of this newsletter have been complied with. However, NZX Limited accepts no responsibility for any statement in this newsletter. NZX Limited is a registered exchange regulated under the Securities Markets Act 1988.

MARAC investor forums a success

In November MARAC held seven investor forums around the country to discuss MARAC's merger with CBS Canterbury and Southern Cross Building Society with our investors, and answer any questions. This was also a fantastic opportunity for MARAC's Investment Team to meet you, our investors – a number of you are already well known to us, but it was also great to see some new faces.

The forums were held in Dunedin, Christchurch, Wellington, Paraparaumu, Hamilton, Auckland and Napier, which turned on such spectacular weather for us, it made it difficult to leave! Christchurch presented the strongest turnout, reflecting the significant base of MARAC depositors who reside in the Garden City.

In my view, the most valuable part of the forums meetings was when the floor was opened for questions. I was very impressed with the range of questions raised, which demonstrated that investors are doing the proper homework to analyse where they invest. Furthermore, it was nice to chat to investors in a

less formal manner over a cup of tea following the presentations.

MARAC investors are the most important part of our business and we pride ourselves on communicating clearly with you. Given the success of the forums, we will look to hold another series next year. In the meantime, if you have any further questions, you can always call our Investment Team on **0800 26 27 22**. We're here to help.

Andrew Ford
Retail Investment Manager

