

## CEO's Report

### Good operating profit and strong balance sheet

Over the past few years PSIS has put a number of strategies in place, which has put us in good stead to deal with the current uncertainty in global financial markets. We have a strong governance structure, conservative risk management practices and continuous reporting/monitoring programmes and strong relationships with our customers, all of which position us for continued growth.

During 2007/08 PSIS' operating profit (\$7.1m) was in line with our financial plan for the year and our reserves exceeded \$95m. We have maintained a strong balance sheet, as reflected by all key risk indicators – including loan losses and arrears – being well within our own prudent targets, and are favourable to industry benchmarks. Our capital adequacy is at 14.8% and continues to be very strong, with the minimum required for bank registration being 8%.

### International financial market volatility

However owing to the current volatility of, and lack of liquidity in, global markets some of our capital guaranteed investments (\$38.5m), which make up only 3.1% of our total assets, decreased in value. The Board made a decision that it was appropriate to value these investments as at 31 March 2008 assuming that we will receive no income until they mature in six years' time (at \$24.1m). As a consequence of this, we have reported an overall after-tax loss of \$3.6m for the year.

This 'unrealised loss' is by no means a reflection of PSIS' underlying performance. The values of these assets move up and down with changing

market circumstances – increasing our overall profit when markets are strong and having a negative effect on profits when markets are weak (as they were over the past twelve months). We are long-term holders of these investments and their values may recover as and when market circumstances improve.

### International investments capital guaranteed

The great proportion of these investments, which mature in stages by 2014, are capital guaranteed on maturity by ABN AMRO, which is owned by the Royal Bank of Scotland (a AA+ rated bank); the remaining portion is capital guaranteed by Barclay's Bank (also a AA+ rated bank). PSIS will receive its full investment of \$38.5m back, when these investments mature. Meanwhile, we will be able to reflect in our profits, in each of the next six years, approximately one-sixth of the gap between the current book value of the investment (\$24.1 m)



and the value guaranteed by ABN AMRO and Barclay's Bank in six years' time (\$38.5m), being approximately \$2.3m p.a.

### Good Credit Rating from Standard and Poor's: BB+

A significant event in the past year was our move to acquire a credit rating from Standard & Poor's. In December last year we were assigned a BB+ credit rating and a rating outlook of "stable."

A Standard & Poor's rating is an opinion of the probability of default. Based on Standard & Poor's historical default studies, a BB+ rating indicates that over a 12-month period there is a 99% probability that entities rated BB+ will meet all their obligations in full and on time.

This rating was reaffirmed in April this year.

Girol Karacaoglu  
Chief Executive

### Key end-of-year results for 31 March, 2008 were:

- **Capital adequacy (using the Reserve Bank formula) of 14.8%, well above the 8% minimum required for registered banks**
- **Total assets up 15.9% to \$1,246m**
- **Deposits up 8.3% to \$988m**
- **Loans up 14.1% to \$1,056m**

# Congratulations to...

Keith Twiddy and his team at the Gisborne branch, who won Branch of the Year, and Hans Van Bunnik, who was selected as Branch Manager of the Year for 2007/08.

Gisborne branch has continuously demonstrated high performance, enjoying a string of successes over the years. It won Branch of the Year in 2005/06 and was runner-up in 2006/07.

Hans has been nominated a number of times for the Branch Manager of the Year award, which highlights his continued commitment and support. He's developed and motivated a dedicated team that constantly performs well.

Congratulations also to:

- Riccarton branch – this year's runner-up for Branch of the Year and winner of the Customer Relationship award.

- Joyce Gesta from our Onehunga branch – this year's runner-up for the Branch Manager of the Year.

A big congratulations to all of our nominees and winners – fantastic work!

Below: Gisborne branch manager, Keith Twiddy and his team



## Shift stubborn credit card debt

Over recent months we've noticed that a growing number of customers are struggling to get on top of credit card debt, so we've developed the PSIS Credit Card Wiper Loan.

With a repayment plan tailored to fit your budget, our Credit Card Wiper Loan helps you get on top of your credit card debt.

By shifting debt off your card and on to our Credit Card Wiper Loan you can:

- Watch your loan balance reduce with each repayment.
- Set an end date for clearing your debt.
- Schedule repayments to match your payday.
- Move to a low fixed interest rate – 14.50% p.a.\*

PSIS marketing and products manager Margot King, says it can be very difficult to get on top of credit card debt, given the way a credit card works.

"For some people the best option is to move the debt off the card and place it on to a loan, with a regular fixed repayment. By doing this you know exactly when the debt will be repaid.

Repaying the debt off the card can be challenging, especially if you choose to continue using the card. It's not easy to set an end date, and your interest costs grow."

## 5 smart ways to get on top of your credit card debt

### 1: Clear your credit card balance each month

Easy to say – but often hard to do. Especially if your credit card balance has got out of control. To avoid this happening get into the habit of using your card in a way that fits your budget. If your credit card debt is getting out of control contact PSIS – we can help!

### 2: Lower your credit card limit

If you're having trouble paying off your card, lower your limit. Work out

a realistic limit based on how much you can afford to repay each month.

### 3: Set an end date to clear your debt

Make the date realistic and chip away at the balance regularly. Always pay more than the minimum payment due and you'll find you'll pay off the debt quicker.

### 4: Stop using the card

If you're unable to repay the total balance owing each month you'll be charged interest on everything you've put on the card, from day one.

This adds to your costs of making a purchase, and makes it so much harder for you to get on top of the debt.

### 5: Talk to PSIS

If you're finding it hard to manage your credit card balance PSIS may be able to help you with a PSIS Credit Card Wiper Loan. Not only will you get a tailored repayment plan to fit your budget, but you'll also have the certainty that your loan will be repaid by an agreed date.

\* Interest rate is subject to change. PSIS Limited lending and insurance criteria, and fees apply.

# PSIS obtains a Credit Rating

PSIS was assigned a BB+ credit rating and a rating outlook of "stable" by a reputable international ratings agency, Standard & Poor's, in December. These ratings were reaffirmed by Standard & Poor's in April 2008.

Standard & Poor's says the rating "reflects the company's very good asset quality, supported by a relatively low-risk lending profile in the New Zealand non-bank loans market, strong customer

focus underpinned by a loyal customer base, and good capital adequacy on a risk-weighted basis".

A Standard & Poor's rating is an opinion of the probability of default. Based on Standard & Poor's historical default studies, a BB+ rating indicates that over a 12-month period there is approximately a 99% probability that entities rated BB+ will meet all their obligations in full and on time.

Until recently, only banks were required to have a credit rating as a precondition of bank registration. Last year, the Government indicated that by 2010 every financial institution will be required to have a credit rating. PSIS thought this was a wise provision so moved quickly to obtain a credit rating.

For further information on Standard & Poor's credit ratings visit [www.yourinvestments.standardandpoors.co.nz](http://www.yourinvestments.standardandpoors.co.nz)



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## Dollars and Sense Annual Prize Winner



8-year-old Sky Davies, a customer at our Tauranga branch, is the winner of PSIS' annual Dollars and Sense Account prize draw. Sky is going to share her \$500 prize with her 5 year-old sister Ocean and plans to use some of her savings to buy a bike. Congratulations Sky!

*Sky Davies and Tauranga branch manager, Sam Jones.*

## Internet Banking customers now have more services at their fingertips

Current Account and Smile On Call Account customers who use Internet Banking can do more banking at their convenience, thanks to the launch of two new online services in May.

The new automatic payment service means customers can now establish automatic payments online. This is a great alternative to contacting the branch because it's fast, simple and has a lower service fee than having a PSIS staff member set them up (\$2 instead of \$4).

With the new one-off bill payment service, Internet Banking customers can now make

one-off bill payments to any external bank account in New Zealand.

We've also introduced a new daily limit on the total amount that can be transferred out via online payments.

The daily online bill payment limits for new Internet Banking customers are:

- up to \$50,000 for customers with a SafeKey.
- up to \$1,500 for customers without a SafeKey.

The current limits in place for existing Internet Banking users remain unchanged.

## PSIS deposit products are star performers

PSIS' Smile On Call and Dosh accounts received a five-star "superior product" rating in CANNEX's latest deposit account star rating guide.

Over 90 deposit products from more than 20 New Zealand financial institutions were assessed and evaluated using the star rating methodology.

Star ratings range from one star to five stars. Only the top five percent of products assessed in each category receive a five-star rating.

This is the third year running that PSIS' Smile On Call account has won a CANNEX five-star award.



# A great investment for volatile times

With a lot of uncertainty and volatility in the economic market worldwide, people are understandably cautious about where to invest their money.

But it's not all doom and gloom. There are stable places to invest. The trick is to find a balance between security and earning a good interest rate – which is what we can offer you with PSIS' Online Account.

Our Online Account has one of the best rates currently available on the market – **8.40% p.a.\***

Besides a great rate it also offers:

- No minimum balance, so you earn interest on every dollar.
- No account or transaction fees on your Online Account.\*
- Anytime access via Internet, Telephone and TXT banking – 24 hours a day, 7 days a week.

- No fixed terms, so you can transfer money in or out of your Online Account whenever you want. To withdraw money or make transfers to non-PSIS accounts you will need a PSIS transaction account.\*\*

\* Interest rates subject to change. Service fees may apply. \*\* Standard fees may apply to the PSIS transaction account. All deposits are secured by first Ranking Stock and rank equally with all existing deposits with PSIS Limited. A copy of the current registered Prospectus can be obtained from any PSIS branch, or by visiting [www.psis.co.nz](http://www.psis.co.nz)

# Life Insurance low amongst NZ mums

A number of studies over recent years have shown that large sections of the New Zealand population, in particular women, are under-insured.

According to a study carried out by a major New Zealand insurer in 2006, one in three mothers have no life insurance cover to protect their families in the event of their untimely death or serious illness. One of the most common reasons preventing people from purchasing life insurance is the cost.

At PSIS we believe that life insurance is incredibly important - that's why it has to be affordable. Our policies have some

premiums that are amongst the lowest on the market – \$100,000 cover could cost as little as \$4.65 a fortnight.

Ideally your life insurance cover should be enough to ensure your family's needs are met if the unthinkable were to happen.

PSIS also offers a range of insurance policies to cover vehicles and other assets, home and contents, disability, health and travel.

Life Cover Sum Insured	Female Fortnightly Premium	Male Fortnightly Premium
\$150,000	\$5.63	\$7.48
\$200,000	\$6.22	\$8.44
\$250,000	\$7.10	\$9.87
\$300,000	\$7.40	\$10.35

Premiums are based on year one of cover, for a 25-year-old non-smoker.\*

\*This is a premium estimate only. If your application is not accepted by the underwriter on standard terms then the final premium may differ to those detailed above.

## Dosh Annual Prize Winner

Thomas Wootton, a customer at our Armagh St branch (Christchurch), won \$1,000 in PSIS' annual Dosh account prize draw. Congratulations Thomas!

*Thomas Wootton and Armagh St branch manager, Sandra Bamford.*

