



CEO Report

During the past financial year, financial markets globally have experienced a great deal of volatility. It's been a challenging year for most organisations and people worldwide.

PSIS, however, has weathered the turbulence well, and much of this I believe has been owing to our customer ownership, co-operative structure and the values and purpose that are inherent in co-operatives like ours.

We exist for the benefit of our customer/owners. We focus on the long-term, both in our relationships with our customer/owners and in the way we manage our business. We're profit-conscious, not profit driven. All of this has held us in good stead.

Our overall performance for the year 2008/09 has been stronger than anticipated with a \$10.7m pre-tax profit being recorded, largely a result of the favourable performance of our treasury assets.

Our underlying profit was a little below expectations (\$3.9m), because of the current market conditions impacting our lending volumes and associated insurances, and causing an increase in our loan losses.

Our loan losses, although rising a bit, are still low relative to the experience of major banks. We attribute this to our conservative lending policy and our increased focus on credit risk management. This latter emphasis has enabled us to be proactive in identifying customer/owners who are at risk of going into arrears. We've often worked with these customer/owners to help them get back on track financially.

The introduction of the Crown deposit guarantee scheme in October 2008 has had a positive influence on our deposit growth, with deposits up by 8% over the year. We continue to maintain a strong balance sheet with high levels of liquidity. At the end of March, our reserves were \$104m.

We're particularly proud of the latest customer/owner satisfaction survey results, which show that over 91% of our customer/owners are likely to recommend us. Referrals are one of the greatest compliments we can receive and we're thrilled to know that so many of our customer/owners are happy to recommend us.

I believe, in these uncertain times, PSIS as a co-operative is more relevant than ever. One of our key goals for the year ahead is to continue to focus on what we do best – helping our customer/owners get ahead financially. With this goal in mind, as well as others, we're feeling very positive about the year ahead, whatever it may bring.

Key end-of-year results for 31 March 2009 were:

- Capital adequacy (using the Reserve Bank formula) of 14.6%, well above the 8% minimum required for registered banks
- Total assets up 6% to \$1,327m
- Deposits up 8% to \$1,067m
- Loans up 1% to \$1,063m

Fresh new look for PSIS

Over the past few months, we've adopted a fresh new look to better reflect our brand and co-operative values.

We've introduced images of real people across our promotional materials, because as a co-operative we truly value the 'people' side of our business. We feel these new images help convey that our customer/owners' best interests are our number one priority.

Although our look has changed, our strong values and our mandate to help New Zealanders get ahead financially remain the same, as they've been since our inception in 1928.

Our website and Internet Banking site, along with our advertising and in-branch promotional materials have all been updated with our new look. We'll continue to roll out our fresh new look across the remainder of our promotional materials over the next few months.



www.psis.co.nz

Pay less tax and increase your returns with PIE

If your earnings put you in the 33% or 38% income tax bracket, you'll soon be able to benefit from our new Portfolio Investment Entity (PIE) Term Fund, which caps the tax on your investment at 30%.*



Our PIE Term Fund will work in a similar way to a standard Term Deposit. You'll receive a fixed return over a fixed period and you can choose from a range of terms to suit your needs. There's no temptation as withdrawals aren't allowed, so your money is safely out of reach while you earn a better return.

Check our website www.psis.co.nz from July for further information and updates

about the launch of our new PIE product.

An example of a PIE Term fund for a high income earner:

John earns over \$70,000 p.a. so is on the 38% income tax rate. He recently inherited \$100,000 and would like to invest the money for a year.

The table below compares the after-tax return on a standard Term Deposit with the PIE Term Fund.

	PIE Term fund	Term Deposit
Investment amount	\$100,000	\$100,000
Tax rate on returns	30%	38%
Example rate of return p.a.	5.00% (5.65% p.a. effective rate for a 38% tax payer)	5.00%
Total after-tax return p.a.	\$3,500**	\$3,100**

*No money is currently being sought and no applications for securities will be accepted or money received unless the subscriber has received an Investment Statement.

**Presumes interest on maturity.

Getting involved in our local communities

At PSIS, we place a lot of importance on being actively involved in the local communities where our branches and customer/owners are located. We're continually striving to strengthen our local presence in the communities we operate in, by taking part in local events and initiatives.

In 2008, we got involved in a number of community events and initiatives, and this year we hope to continue to build on our level of involvement in our local communities.

Here's a few community events and initiatives we've been involved in over recent months:

PSIS Children's Day

Following on from the success of the Christchurch City Council organised event in 2007, PSIS was proud to again be the naming rights sponsor of the Children's Day.

The PSIS Children's Day, held on Sunday 1 March at the Groynes in Christchurch, had a fantastic turnout. It was a fun-filled day with lots of great activities and entertainment.

Spreading the Christmas cheer

PSIS branches in Invercargill, Levin and Whangarei teamed up with their local Salvation Army in 2008, to help put the heart into Christmas for people in their communities. The branches collected food and gifts to donate to the local Salvation Army.

Invercargill branch manager, Jacqui Molloy, says her team were very proud to have been involved in such a worthy cause.

Porirua branch takes part in the local "Strong Pacific Community" week

In November, PSIS Porirua showed their true community spirit by taking part in the local Pacific Island Family Information Expo, which ran as part of the local "Strong Pacific Community" week. Porirua branch supervisor, Andy Brown, says it was great to be involved in the event.

Napier supports Breast Cancer month

In support of Breast Cancer month, our Napier branch staff dressed in pink on Friday October 10, 2008. The response from customer/owners was fantastic and there was a true appreciation for the effort made by staff to raise awareness and support. Clad from head-to-toe in pink, our staff made quite an impression!



Left to right:
The Pink Ladies –
Karen, Andrea and
Helen supporting
Breast Cancer month.



Left to right: Joyce Gesta (Onehunga), Jacqui Molloy (Invercargill), Faye Foster (Riccarton), Mark Haycock (Papanui).

Congratulations to...

Riccarton branch, who won Branch of the Year 2008/09, and Jacqui Molloy from Invercargill who was selected as Branch Manager of the Year.

Riccarton branch has excelled in various areas of the business and has maintained a consistent level of high performance.

Jacqui Molloy's achievements over the year includes the development of great local marketing initiatives and

consistently fulfilling our customer/owners' needs. During this time she also built a strong team culture and is well respected by her team.

Congratulations also to:

- Joyce Gesta from Onehunga branch – this year's winner of the Contribution of the Year award.
- Papanui branch – winner of the Relationship Branch of the Year award.

Congratulations to all our winners!

Are you a member of the Government Superannuation Fund?

If you contribute to the Government Superannuation Fund (GSF), or receive a GSF annuity you've made a sound retirement planning decision.

But have you considered how this long-term contract with your employer could be affected if changes are made to provisions of the scheme?

To protect your annuity from unexpected changes, join the Government Superannuitants Association (GSA). We provide a collective voice to protect the superannuation rights of Government employees who have contributed to the Government Superannuation Fund.

Our purpose is to safeguard the current provisions of the Government Superannuation Fund scheme.

Join the Government Superannuitants Association

Subscription only costs \$1.80 every four weeks, including your annuity partner.

For more information and an application form visit www.gsa.org.nz



This article is not a substitute for professional and individually tailored advice. The views expressed are not necessarily those of PSIS Limited.

PSIS joins the New Zealand Savings Institutions Association

Last year, PSIS became a foundation member of the New Zealand Savings Institutions Association, launched in August 2008 to promote its members and provide them with a stronger voice in the financial services market.

The new association is also a vehicle for celebrating the member organisations' shared history and collective values.

The New Zealand Savings Institutions Association is made up of like-minded financial institutions.

Association members include: CBS Canterbury; Heretaunga Building Society; Nelson Building Society; PSIS; Southern Cross Building Society; Hastings Building Society, Napier Building Society and Southland Building Society.

Bob Smith, chair of the association, says the members have a history in

New Zealand that can't be matched by any other group in the finance sector.

"We were the first to enable ordinary New Zealanders to own their own homes, have all been through depressions/sharemarket crashes and our experience is great, with most of us having been collecting and lending money in New Zealand for well over 100 years."

Together the association members have total assets of around \$5 billion, represent 300,000 New Zealanders and have provided over 660 combined years of service.



Seated left to right: Girol Karacaoglu – PSIS; Bob Smith – Southern Cross Building Society (Chair); Ross Smith – SBS Bank.
Standing left to right: David Street – CBS Canterbury; George Speedy – Heretaunga Building Society; Ken Beams – Nelson Building Society.
Absent; Darryn Thomas – Hastings Building Society; Morris Williams – Napier Building Society.

We're part of the Crown deposit guarantee scheme

Since last year, PSIS has had a guarantee under the New Zealand deposit guarantee scheme.

PSIS chief executive, Dr Girol Karacaoglu, says despite PSIS having been largely protected from the international turmoil to date, the move to be included in the scheme was to reassure our customer/owners about the security of their deposits.

"So far we've been partially insulated from the global credit crunch because we source our funding primarily

from domestic retail deposits and our lending is mainly first mortgage property lending over property in New Zealand. We're New Zealand owned and New Zealand funded."

For further information on the Crown deposit guarantee scheme, visit the question and answer section on the Treasury's website www.treasury.govt.nz

Stop your paper statements and help the environment

Now you can do your bit for the environment by stopping your paper statements being mailed.

In May, due to customer/owners' demand and our desire to reduce the amount of paper we use, we introduced a service to enable customer/owners to stop their paper statements.

You can cancel statements for certain accounts by contacting your local branch or through your Internet Banking. Statements can be stopped on most accounts except those with money owing, such as overdrafts and loans.

Your last 99 transactions of an account can be viewed via Internet Banking. If you'd like to obtain past statements and tax certificates, these are available through your local branch.*

If you don't have access to our Internet Banking service, it's provided free-of-charge and can be easily set up by one of our branch staff. It's a convenient way to bank and to stop and/or reactivate your statements.

Paper statements can be stopped or reactivated at any time and at no cost.

For further information about stopping your statements log-on to your Internet Banking, contact your local branch or visit www.psis.co.nz

*A fee for past statements might apply.

Market conditions favourable for home buyers

Recent reductions in the Official Cash Rate (OCR) have resulted in falling home loan interest rates, which coupled with decreasing house prices, means houses are now more affordable than they've been for a long time.

Interest rates are at historical lows, our 2-year rate on 3 June was 6.10% compared to 9.40% a year ago – a drop of 35% which has a huge impact on required mortgage repayments.

We offer a full range of Home Loan options, including fixed and floating. This, combined with repayment terms of up to 30 years, means we can easily tailor a home loan solution to suit your situation.

You'll find that our home loan interest rates are very competitive and we may even be able to contribute towards the legal and administration costs of setting up the loan.

If you're wanting to save a deposit for your first home, we can help you put an achievable savings plan in place, so you can reach your goal sooner. We've got an extensive range of savings and investment accounts.

So whether you're looking to get into your first home, or at buying a new home, or if your mortgage is coming up for renewal, we can help find a solution that's in your best interests – so come in and talk to us.

PSIS Limited lending and insurance criteria, and fees apply.

You'll find a home here.

And for the first 50 people you'll receive a copy of the Complete Kiwi Home Fix It Guide.

At PSIS, we believe there's a lot more to getting a home than just the loan. That's why we look after our customers and do everything we can to help you get ahead.

Be one of the first 50 people who take out a home loan with us and we'll send you a copy of the 'Complete Kiwi Home Fix It Guide'.

It's a guide with over 2,000 helpful hints to make your DIY projects that much easier.

So if you're looking to buy a home and want more than just a home loan, come and talk to us today.



A co-operative way of banking

☎ 0800 287 747 ☎ www.psis.co.nz

PSIS is not a registered bank, but a very co-operative co-operative.



➤ Everyday Banking

➤ Home Loans

➤ Investments

➤ Insurance