

1 June 2010



Dear Shareholder

Pyne Gould Corporation's proposed merger initiative

It is with great pleasure that I write to let you know of an exciting initiative announced today by Pyne Gould Corporation (PGC), along with Canterbury Building Society (CBS) and Southern Cross Building Society (SCBS), involving a proposal to merge our banking related services. In the case of PGC, this is primarily its subsidiary MARAC Finance Limited (MARAC)¹.

The merger would create a New Zealand owned company providing a full range of banking and financial services to customers in Heartland New Zealand based on meeting the needs strongly voiced by individual and business customers throughout the country.

We believe the proposal will provide a significant growth and value opportunity for you. The PGC board and management are in full support of the concept.

While the details are yet to be finalised, it is envisaged that any agreed merger will be achieved by:

- Merging SCBS and CBS so that they form a single entity.
- Acquisition by that merged entity from PGC of the applicable PGC businesses (being primarily MARAC). That acquisition is anticipated to be in exchange for shares in the merged entity.

The PGC board will in due course decide whether to commit to an Implementation Agreement with the other parties. If this occurs, it is likely that the proposal will ultimately be dependent on the approval of shareholders, along with other stakeholders and relevant regulatory bodies. It would take several months to bring the proposal to a point where it can be put forward for approval.

If the proposal does proceed, it will define the future of PGC as part of a new group dedicated to servicing the banking and financial needs of New Zealanders and which has significant potential market advantages and capabilities including:

- A starting asset base of approximately \$2.2bn, providing the critical mass likely to be required to obtain a banking licence.
- The amalgamation of three established compatible businesses with a long and proud heritage in providing financial services to New Zealanders.
- New Zealand's only locally owned NZX-listed bank offering a full service to customers in Heartland New Zealand.
- The scale to capitalise on real growth opportunities to drive shareholder value.
- A headquarters in the South Island with an extensive national reach.

¹ None of PGC, SCBS, CBS or MARAC is a registered bank. No merged entity will be a registered bank until it has been registered as such under the Reserve Bank of New Zealand Act 1989.

I must stress that the achievement of a banking licence is a significant hurdle and is crucial to the concept being explored. We are confident, however, that the scale and financial resources created by the merger would be sufficient to enable this requirement to be met.

Additional information

The announcement sent to the NZX today can be viewed on the PGC website at www.pgc.co.nz under the 'News' section. If after viewing the announcement you have any remaining questions, I encourage you to contact me on the details below. Ongoing information will be posted online, to register to receive this information, go to the 'News' section and sign up for News Alerts.

I look forward to bringing you further details on this important development when the proposal is more advanced.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bruce Irvine', with a large, sweeping initial 'B'.

Bruce Irvine

Chairman

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