



MTF to seek shareholder approval to increase capital

(The following information was released to NZX on 25 September 2008)

In order to meet future capital requirements, resulting from the impending supervision of finance companies by the Reserve Bank and changes to International Reporting Standards (IFRS), the board of Motor Trade Finances Limited (MTF) will be putting a restructuring proposal to its co-operative shareholders. The proposal includes additional capital, capitalisation of undistributed profits and conversion to an investor owned company and, if acted upon, will ensure the company has appropriate capital to meet prudential, regulatory and operational requirements.

Co-operative capital, because of its redeemable nature, does not meet the test for equity under IFRS and may not meet Reserve Bank requirements. The level of capital required from co-operative shareholders has not increased since 1987 and the capital introduced and retained will reflect the capital looked for by banks and other investors and regulators.

There will be no change to the rights of perpetual preference shareholders, whose security position will be enhanced by the capital raised and the undistributed profit capitalised.

MTF continues to trade profitably, in a slowing economy, and will deliver a result in line with expectations and historical performance, for the year ending 30 September 2008. New loans written are marginally behind last year to date, with the reduction reflecting the slow down in vehicle sales, in more recent months. The loan book continues to perform well, with arrears within internal benchmarks, marginally above last year and performing better than expected, as greater pressure comes on households and businesses in the current economic climate. A large number of relatively small loans, spread throughout the country, and good credit assessment and management, mean that MTF enjoys a steady daily flow of principal and interest from its loan assets. MTF has no exposure to property assets.

Further information will be mailed to ordinary and perpetual preference shareholders, during the first half of October 2008.

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