



MTF reports half-year profit (half-year ended 31 March 2009)

Profit after tax for the six months ended 31 March 2009 was \$4.04 million (last year: \$0.73 million).

Net interest income has come under pressure as credit margins and bank fees have increased. Although interest margin has improved as the impact of increased funding costs has been factored into rates charged to customers, the impact on loans written prior to the sub-prime crisis has reduced net interest income by about \$1m.

Expense is lower, following a review of non-beneficial expenditure and suspension of the staff incentive scheme.

Total assets are down 1.5%, to \$609m, in line with lower sales. We expect assets to reduce further through the remainder of the year, as transacting shareholders are encouraged to be more selective in new loan origination.

A capital restructure is reflected in the balance sheet, with capital of \$60.5m (last year \$41.8m), giving an improved capital percentage of 9.9% (last year: 6.8%).

Arrears remain within target, but there is upwards pressure as consumers feel the weight of a slowing economy and we expect increasing unemployment to result in higher arrears towards the end of 2009. A high proportion of our customers are protected against redundancy, through our payment waiver, which will soften the blow for the customer and the company.

Additional resource drafted into credit management will assist shareholders and customers in managing through this difficult period.

MTF continues to operate profitably because the model is simple and because of the daily cash flow generated by loans that are relatively low in value, have regular principal and interest flows and are managed locally by transacting shareholders.

Staff and transacting shareholders have responded favourably as the operating environment has become more difficult, with shareholders understanding and accepting the reduction in lending flexibility, which was previously an important difference in the *modus operandi* of MTF.

The economy will recover when confidence returns to markets of all types. MTF has a place in the economy, if for no other reason than it is proving able to manage through these difficult times.

Visit www.mtf.co.nz/halfyearreport

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