

MTF reports full year profit of \$5.7million

The following was released to the NZX on 17 November 2011

Profit after tax is \$5.7 million (last year: \$5.3 million).

- new loan sales of \$267.9m (last year: \$267.0m), reflecting a slow economy and tight credit
- assets down by 12% to \$405.3m, as a consequence of lower sales
- profit before commission, as percentage of average total assets increased to 7.68% (last year: 6.56%)
- net interest income, as a percentage of average finance receivables, increased to 8.9% (last year: 7.9%)

Profit before commission remained stable at \$33.3m (last year: \$32.7m), on a lower asset base, reflecting improved interest margin, over a stable cost of funds. Return on assets has improved, accordingly.

New loan originations were level with last year, after showing early signs of improvement. The second half saw a slow down in new loan activity, a reflection of weakened consumer confidence and a general economic malaise in New Zealand and throughout the world.

Capital, including perpetual preference shares, totals \$69.4m (last year \$66.2.0m), giving an improved capital percentage of 17.1% (last year: 14.3%). The company will continue to grow the capital base, through retained earnings, to ensure that the company has adequate capital to provide for asset growth, when the market shakes off the recession.

During the period, all banking facilities have been reviewed and extended.

In November 2010, the Euro commercial paper securitisation programme was replaced by a AAA(sf)(Standard & Poor's) medium term note facility. At the request of MTF, Commonwealth Bank of Australia (CBA) and Westpac Banking Corporation (WBC), the programme was rated AA(sf) on 26 October 2011, to provide for more efficient use of capital. In the short term, the facility is supported by our bankers, CBA and WBC, with the capacity to issue AAA(sf) rated medium term notes to the wider market when conditions are suitable.

A committed revolving cash facility of \$37m, provided by Bank of New Zealand, was approved on 23 December 2010, with the first review due on 31 December 2012. At balance date, the facility was undrawn.

MTF has survived, and continue to perform well, in the last four years because the business model has continued to evolve as the vehicle finance market has changed. Public to public sales now make up more than 70% of vehicles sales and the growing MTF franchise of outbound finance outlets is making a significant contribution to sales. At year-end, twenty-three franchises were in operation from Auckland to Invercargill, contributing over 40% of monthly new loan originations.

New car finance is increasingly dominated by manufacturer finance or white label deals with independent finance companies. Because of the lack of choice available to the new car dealer, there is limited opportunity for MTF in that market. Used car dealers will continue to make a significant contribution to new loan originations and MTF continues to have a strong presence in motor cycle finance.

For further information, please contact:

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