



Motor Trade Finances Limited (MTFHC)

MTF reports half-year profit of \$2.4 million

Profit after tax is \$2.4 million (last year: \$2.9 million).

Profit before commission and other gains (losses) is up 9% to \$17.9m, resulting from strong interest margin and funding efficiencies. Commission paid to shareholder originators increased by an equivalent 9%.

Unrealised losses on the fair value of financial instruments totalled \$0.85m, against a gain of \$0.2m a year ago, and has driven profit after tax down to \$2.4m, compared to \$2.9m last year. Fair value revaluation is a point in time accounting exercise, at the date of valuation, disclosing losses that would occur only in the event of liquidation. The revaluation has no impact on cash flow or on future profits, since all assets and liabilities are settled at face value.

Sales are tracking marginally ahead of last year and in recent months have shown encouraging signs of continuing improvement. Business and consumer confidence remains fickle and demand for credit is likely to may remain inconsistent for some considerable time. Market share, measured by PPSR registrations, was 12.5% for March, an improvement on a previously steady 10%.

Total assets sit at \$404.9m, down just 0.1% on 30 September 2011. The decline in finance receivables has slowed, with total finance receivables down only 2.8% since September 2011. Finance receivables consist of credit contract and lease, with the operating lease book in run off since we withdrew the product from the market in 2009. The credit contract book has been growing solidly since September 2011, with both credit quality and income indicators meeting performance targets. Net interest income as a percentage of finance receivables remains healthy at 10.1%, up from 8.6% a year ago.

Capital at 31 March 2012, at 17.4% of total assets, is sufficient to underpin projected growth over the near term.

The focus on credit quality in recent years has continued to produce excellent results. 31+ day arrears continue to improve, and at the reporting date stood at 0.93% (2011: 1.85%). This has been achieved through a systematic review of origination procedures to ensure quality, well documented lending, to desirable customers, and through improved reporting and active management.

Provisions total 1.3% of net receivables and are considered by management and the board as adequate, given continuing economic uncertainty and actual experience.

The global financial crisis prompted businesses to review everything and we have made the necessary adjustments to most things we do to ensure we are well placed to manage through the still uncertain times ahead.

Increasing regulation, a tough credit environment and the need to completely rebuild our funding platform, at a time when volumes of new business have been significantly less than previously experienced, have meant that resources have been stretched and sometimes unable to meet all



expectations. Since 2007, staff numbers have been constant, operating expense maintained at the same level, and yet we have continued to deliver improved returns, as measured by return on assets and return on equity.

The AA(sf) rated bank warehouse structure, implemented in 2010, provides a base from which to enter securitisation markets as they become more accessible. The work involved in putting this structure together has been significant and the fact that our bankers have been more than willing to provide support throughout the GFC, and in setting up the new funding structure, is a reflection of the quality of the company and all its stakeholders.

MTF is probably in a better position than it has ever been to face the future.

With the funding issues of recent years behind us, the board and management can now concentrate on executing growth strategies and looking for further opportunities to improve performance and increase returns to shareholders.

Visit us at www.mtf.co.nz

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