



MTF reports full year profit of \$5.3 million

(The following was released to the NZX on 12 November 2010)

Profit after tax recorded in these accounts is \$5.3 million (last year: \$8.8 million).

- new loan sales of \$267.0m (last year: \$288.0m), reflecting lower motor vehicle sales
- assets down by 13.8% to \$462.4m, as a consequence of lower sales
- net interest income, as a percentage of average loans under administration increased to 7.9% (last year: 6.6%)
- weighted average yield on finance receivables increased to 15.58% (last year: 15.24%)

Profit before commission paid to transacting shareholders has remained steady at \$32.7m (last year: \$33.3m), despite reducing finance receivables and increased bad debt expense. This is a reflection of improved interest margins, as the company has encouraged transacting shareholders to charge interest rates that more accurately reflect individual credit risk.

Since 1995, MTF has sourced the bulk of its funding requirements from asset backed securitisation, through the issue of euro commercial paper, by MTF Securities Limited (MTFS). Investors deserted the asset backed commercial paper market at the end of 2008 and, since then, MTF has been working closely with its bankers and professional advisors to implement a funding structure to replace the MTFS securitisation programme.

MTF, together with Trustees Executors Limited, Commonwealth Bank of Australia and Westpac Banking Corporation, completed the establishment of the MTF Warehouse Trust (Warehouse Trust) and the MTF Settlement Trust (Settlement Trust) on 4 November 2010. This is a significant milestone in the history of MTF and provides a funding platform that will enable the board and management to drive the company forward as a market leader in vehicle finance.

Notes issued from the Warehouse Trust are rated AAA(sf) (Standard & Poor's long-term, structured finance rating, 4 November 2010) and reflect the quality of paper written by transacting shareholders and the strength of the systems MTF has in place to prudently manage receivables.

Arrears management has been a primary focus of the company and its shareholders. At year end, 31+ day arrears were 1.75% (2009: 2.47%). Provisions for specifically impaired assets total \$2.7m (last year: \$3.3m), and we have written off loans that we have not been able to recover from borrowers or shareholders totalling \$2.8m (last year: \$1.9m). Where one transacting shareholder is not able to meet its obligations, all transacting shareholders share in the loss and in recoveries, if any.

New loan originations bottomed out in August 2009 and since then we have seen improving sales activity. Used car finance is improving and new car finance has seen reasonable growth. We expect some pressure on motorcycle financing, for recreational bikes and farm bikes, both of which have a discretionary element. The direct franchise continues to grow by the number of franchises and the volume of business generated. Despite our withdrawal from operating lease, we have maintained market share at historic levels, as measured by PPSR registrations.

We continue to face an uncertain future with confidence and we do not expect life to return to pre 2008 "normal" until well into 2012. We will manage MTF in the prudent fashion that has ensured our survival. We will continue to doubt the economic forecasters, until the recovery is reflected in the confidence and actions of the real economy, characterised by small to medium business and the rural producers that provide our export revenue.

For further information, please contact:

Angus Bradshaw
Managing Director
Motor Trade Finances Limited
03 467 7988
abradshaw@mtf.co.nz

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