



## MTF reports profit for half-year ended 31 March 2011

	6 months to 31/03/2011	6 months to 31/03/2010	
new loans	\$133.9m	\$128.5m	slow economy, tight credit
total assets	\$428.2m	\$480.6	subdued sales
expense/average total assets	2.3%	1.8%	static expense, lower assets
return on average total assets	1.3%	1.1%	better margin
net interest income/ average loans under administration	8.6%	7.4%	risk based pricing

Profit after tax is \$2.9 million (last year: \$2.8 million).

Profit before commission remained stable at \$16.5m (last year: \$16.6m), a reflection of improved interest margin, as the company has encouraged shareholders to use a pricing model that more accurately reflects individual credit risk.

Sales were solid in the first quarter of the financial year, only to falter in the second quarter, as consumer confidence remained weak.

Administration expense is down 7% on last year. Communication and processing expense increased, as MTF continues to invest in technology to enable the delivery of its long-term strategy. Consumers are forcing business to rethink distribution of all goods and services, including financial services, and migration to web-based loan origination, marketing and customer relationship management is a key strategy for the company.

Total assets are down 11.4%, to \$425.9m, due to lower sales volumes and withdrawal from the operating lease market. We expect finance receivable levels to stabilise through the coming year, as the direct business continues to grow and transacting shareholders continue to be more selective in new loan origination. The decrease in cash position, from year-end levels, is a result of higher cash investment required in the securitisation programmes.

Capital, including perpetual preference shares, totals \$67.9m (last year \$65.0m), giving an improved capital percentage of 15.9% (last year: 13.5%). The company continues 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.

In November 2010, MTF finalised a new securitisation facility, to replace the Euro commercial paper securitisation programme. At the end of the reporting period MTF, has issued \$189.6m of AAA(sf) rated notes.

At the date of this release, MTF is managing shareholder ledgers totalling \$6.1m (last year: \$9.3m), where MTF may be at risk. Provision for specifically impaired assets totals \$2.5m (last year: \$3.3m).

We have written off \$0.4m (last year: \$1.1m), for loans that we are not able to recover from borrowers or individual shareholders. Bad debt expense is in large part a consequence of irregular lending by certain transacting shareholders. The company is pursuing every legal remedy to recover the losses incurred.

The global financial crisis first hit the headlines in July 2007, almost four years ago. Since then the face of the banking and finance industry has substantially changed, and in most cases, these changes have been for the better. The board is proud that MTF has weathered some of the toughest business conditions in modern times and has retained the support of its bankers throughout. The focus now is to use the experience and knowledge gained to position MTF to achieve its goal to become the market leader in consumer vehicle finance in New Zealand.



MTF has a strong, balanced presence in the Canterbury region and many of our shareholders and customers have been affected by the earthquakes. In addition to a donation of \$20,000 to the Red Cross, the company has arrangements in place to assist affected customers to meet their obligations. The full impact is yet unknown, but the company has sufficient provisions to meet any loss.

MTF market share, as measured by PPSR registrations, continues its measured improvement. A key factor is the direct franchise, which continues to grow, with 18 franchises nationwide, from Invercargill to Auckland. This business model will play a major part in the future of the company, providing additional scale and strength to supplement the traditional vehicle dealer shareholders.

Sales in the first half of the financial year were frustrated by variable consumer confidence, driven by natural disaster and international uncertainty. We expect sales to show modest growth as the economy continues to recover from the effects of recession and disaster. We face the future with confidence, knowing we have positioned MTF to turn challenge into opportunity.

Visit us at [www.mtf.co.nz](http://www.mtf.co.nz)

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