



MTF reports full year profit of \$8.8 million

(The following information was released to NZX on 20 November 2009)

Profit after tax recorded in these accounts is \$8.8 million (last year: \$3.7 million).

- new loan sales decreased 34.9% to \$288.0m (last year: \$442.6m), as motor vehicle sales slowed
- assets reduced by 14.0% to \$536.4m, as a consequence of lower sales
- expense, excluding bad debt, as a percentage of average total assets, was 1.71% (last year: 1.75%)
- return on average total assets was 1.5% (last year: 0.6%)

Net interest income has come under pressure, as credit margins and bank fees have increased. Although interest margin on new business has improved, as the full impact of increased credit margins and bank fees has been factored into interest rates charged to customers, the impact on loans written prior to the global financial crisis has reduced net interest income.

Total assets are down 14%, to \$536.4m, in line with lower sales. We expect assets to reduce further through the coming year, in a depressed motor vehicle market, as transacting shareholders are encouraged to be more selective in new loan origination.

Ordinary share capital of \$22.3 million reflects the capital structure approved by transacting shareholders, on 29 October 2008, to convert from a co-operative to an investor owned company. Capital, as recorded in the balance sheet, totals \$63.5m (last year \$43.3m), including perpetual preference shares, giving an improved capital percentage of 11.8% (last year: 6.9%).

Bills of exchange, issued through the securitisation programme, continue to be rated A1+/P-1 (extremely strong/superior) by Standard & Poor's/Moody's. At the date of this report, securitised loans are funded by bills of exchange, provided by banks, under a revolving liquidity facility, an integral part of the securitisation programme since 1995. The facility was extended to 23 June 2009, and subsequently to 24 December 2009. We are working with our bankers and professional advisers to implement a funding structure to replace the securitisation programme, and this process is well advanced.

At the time of writing, we are managing ledgers totalling \$12.0m (last year \$2.5m), where we believe MTF may be at risk. There have been no material additions to managed ledgers since year end and the amount managed is down from \$18.0m reported at the half year.

Provisions for expected losses total \$4.7m, including \$3.3m for specifically impaired assets, and we have written off loans that we have not been able to recover from borrowers or shareholders totalling \$1.9m.

Because of our experience in this recession, we have tightened lending criteria, with the primary focus on our traditional business of used motor vehicles.

In our view, vehicle sales will remain depressed until at least the middle of 2010, resulting in reduced opportunities for finance sales.

Based on what we know today, we have sufficient capital, we have identified our vulnerable loans and are well into the process of introducing a new wholesale funding programme.

With the support of its shareholders, MTF has come through the two most difficult years in its thirty-nine year history, in good shape. We believe we are well prepared to face another year of challenge and uncertainty.

Visit us at www.mtf.co.nz

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