



## **MTF reports full year profit (year ended 30 September 2008)**

(The following information was released to NZX on 14 November 2008)

Profit after taxation and before perpetual preference share dividends was \$3.717 million (last year: loss \$1.158 million), and includes a fair value loss of \$0.538 million, arising from the recognition of finance receivables and interest rate derivatives at fair value.

- new loan sales were \$442.6m (last year: \$454.7m)
- expense, as a percentage of average total assets, was 1.75% (last year: 1.78%)
- return on assets was 8.0% (last year: 8.7%)
- average earnings per transacting shareholder increased 5% to \$73,000

Transacting shareholders received \$46.1m (last year: \$47.6m), through their participation in MTF, including \$13.4m (last year: \$11.9m) in fees and payment waiver premium, paid directly.

At ninety seven percent of the previous year, sales were better than expected, but we can expect volumes to drop significantly in the coming year, as vehicle sales slow and the recession has an impact on consumer appetite for debt.

Arrears remain within benchmark, primarily because we have always taken a conservative view on lending and because we have stuck to our core business of lending to the borrower, rather than the vehicle. We have tightened credit criteria and we are working with shareholders to ensure that arrears are managed as hard as is reasonably possible for the company and customers alike.

Cost of funds has risen by 44bp and credit margin on euro commercial paper has increased from 72bp to 89bp. Although interest rates have now started to fall, volatility in credit margins and continuing uncertainty in debt markets provide little suggestion that interest margins will improve in the near future.

At a Special Meeting on 29 October 2008, transacting shareholders voted to support a restructuring proposal, which includes the issue of further shares, capitalisation of undistributed profits as bonus shares, cancellation of registration under the Co-operative Companies Act 1996 and the adoption of a new constitution. We expect to issue a prospectus towards the end of November 2008. If the share offer is successful, and following the bonus issue, MTF will have total capital of approximately \$60m, including perpetual preference shares of \$39m.

Commercial paper, issued through the securitisation programme, continues to be rated A1+/P-1 (extremely strong/superior) by Standard & Poor's/Moody's, a reflection of the quality of paper written by transacting shareholders and of our continuing focus on credit quality. Issuance has been difficult, and, at the date of writing, 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 global credit crisis has changed funding for the short to medium term and we are evaluating a number of options, to ensure that MTF remains efficiently and cost effectively funded.

We remain positive because we have a proven business model, which we continue to improve to meet ever-changing market requirements and conditions. In these uncertain times, we believe that MTF is a survivor and it will be as long as it continues to receive the support of its shareholders and its customers.

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

For further information, please contact:

Angus Bradshaw  
Managing Director  
Motor Trade Finances Limited  
03 467 7988  
[abradshaw@mtf.co.nz](mailto:abradshaw@mtf.co.nz)