

The Treasury

South Canterbury Finance Limited Information Release

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [3] 9(2)(b)(ii) - to avoid unreasonable prejudice to the commercial position of the person who supplied the information or who is the subject of the information
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- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: Douglas Widdowson [Douglas.Widdowson@rbnz.govt.nz]
Sent: Monday, 30 March 2009 12:37 p.m.
To: John Park; Joanna Gordon
Cc: Grant Spencer; Toby Fiennes; PSD - Domestic Deposit-Taking Oversight; Craig Murphy
Subject: [SEEMAIL] [COMMERCIAL SENSITIVE] DGS - 2nd Report to Treasury - February 2009.pdf
Attachments: 2 Report to Treasury - February 2009.pdf
Importance: High

Dear All

Attached is the monthly DGS report to Treasury for the Month ending 31 January 2009

Regards

Doug

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FILE NOTE

AUTHOR Doug Widdowson
DATE Adviser - Domestic Deposit Taking Oversight
30/03/2009
SUBJECT RELATIVE RISK RANKING OF GUARANTEED NBDTS AT 31
JANUARY 2009

The attached list of institutions has been ranked by their relative level of riskiness as at 31 January 2009.

Factors that have been taken into account include:

- the amount of capital held in relation to the type and quality of assets reported;
- the level of impairment and assets in arrears;
- the sector in which the entity operates;
- the type, quality and extent of security held by the institution; and
- the level of operating expenditure of the entity.

These factors were evaluated on both a quantitative and qualitative level.

Note that this process has just commenced and that entities may have reported figures that are not absolutely complete or accurate. In order to correct for this, the list has been peer reviewed for reasonableness.

Entities covered by reporting include all non bank deposit takers that were approved for the Retail Deposit Guarantee Scheme as at 31 January 2009.

Mascot Finance has been removed from the reporting group.

Following the assessment of the January's DSG returns, notable adjustments in the ranking of the relative riskiness were made for Equitable Mortgages and [3]. Both entities demonstrate similar negative characteristics, such as; low levels of capital, concentrations limits to a small number of borrowers, a high proportion of facilities where interest is capitalized, exposure to property development and/or investment real estate activity. There is also concern over the levels of impaired assets or high levels of delinquencies.

Apart from these two companies, entities in this group show a relatively high level of capital in relation to total assets, but the level of impaired or assets in arrears are significant ranging up to 100% of total assets. A number of these entities are in wind down mode, and operational expenditure as a percentage of total income is increasing – with some at over 100%. This suggests the net worth of the business is being degraded.

The second grouping (medium) include companies that in general are capital constrained and if pressured by asset write offs will be more vulnerable to failure.

South Canterbury Finance is also prominent in this group because of its significant exposure to the agricultural sector, its level of second mortgages – over 80% of the book, and exposure to property development. Furthermore, South Canterbury has increased its level of fixed asset holdings significantly over the past month – with most of its retail issue from December being used to fund the purchase of these assets from related parties and others.

Other major changes in ranking are associated with better data being available for analysis, and in the case of [3], disclosure of the non applicability of its parental guarantee. Depositor numbers have also changed as a result of new entities reporting and data quality improvements from South Canterbury Finance and [3].

Over the past month, the following negative reports have been released about non bank deposit taking sector:

Date	Description
[3]	

Relative risk ranking of guaranteed NBDTs as at 31 January 2009

[3]