

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
- [2] 9(2)(b)(i) - to protect trade secrets
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- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
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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.

***Deposit Guarantee Provisioning Group
Minutes for the Meeting dated 12 August 2009***

I. Preliminaries

The following persons were present: Hugh Packer, Craig Murphy, Maureen Tong, John Park, Kathryn McBride, [1], Ken Warren, Jeremy Corban, Peter Bushnell and Joanna Gordon.

II. Provisioning

Group One:

South Canterbury Finance:

- Have 2 weeks in which to plug the gap in their capital structure and if they don't they will have the guarantee pulled as they have already breached (30 June, and will be in negotiations from 30 Aug.)
- As of that even there will be a trigger of events that will pull the guarantee, they have 14 days - no one is going to do anything until everyone is onboard.
- Meeting scheduled on Friday morning with CEO of the entity and grant gram (lead of KordaMentha) to see how things are going.
- SO: we think it's probably (as over 51%) as they most likely they will go over even if the extension happened.
- Their asset quality - key issues are in their property business and their property book. So, they have no visibility to the underlying asset (they have files that don't exist even if you wanted to go read every file to find out all information).
- There is nothing that indicates anything fraudulent except some lending (no internal audit, no quality control - just bad managers). [6]
- [6]
- Quite a bit of related party and relationship lending, and it's clear, we're aware of it, but that's not the big issue.
- \$200m is on there because there is so much on there that isn't visible to us = \$465 is original RBNZ estimate; \$585 is Craig's because of the provisioning that we have that RBNZ doesn't.
- But in the meeting with KordaMentha - note that if this was to breach, this number is going to be a LOT bigger because we don't know what is under there that we can't see.
- Got a huge liquidity issue, no one is lining up to buy them.
- **Provision: Put \$585 as the recommended (AT LEAST, will probably update higher with further info)**

Vision Securities Limited

- Management: dubious, no longer even a finance company
- Policy people will look on how it goes into the Scheme...
- We have enough information to pull them
- **Provision: \$37 m YES**

[3]

[3]

Equitable Mortgages Limited

- They have quality management, quality of their assets are dubious
- Liquidity is very thin - key issue
- This is doomed to failure
- If SCF fails...will make this one go under
- These assets are impaired - they are locked, they don't have funding
- **Provision: \$40m**

[3]

Allied Nationwide Finance Limited

- A conglomerate of 4 finance companies that have been cobbled together
- Have been hesitant of giving KordaMentha full access
- If extended, they would probably be OK ,but if not, then they would probably be hit quite hard
- **Provision: \$35 as suggested by RBNZ**

Group One

- Do individual provisioning

Group Two

- These are the people that if we extended with the -BB they won't be making it and will definitely need the provision

Group Three

- Would be a good group to do a portfolio approach - will come back to the numbers

III. Adjournment

- **Report to minister on how and why numbers have moved with a total of \$917 for Provisioning.**
- From now on - meet on fortnightly
- Proposed note by Ken W ([DGPG: Considerations regarding provisioning for Crown Deposit Guarantee Scheme:1326286](#)) - please add your comments, by end of the week.
 - Has four things that he wants covered in his feedback
- Contingency, what is appropriate if these people don't make the -BB rating to be discussed in future meetings (from the timeline)