

# The Treasury

## South Canterbury Finance Limited Information Release

### Release Document

April 2011

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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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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

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**From:** Andrew Hemphill<sup>[1]</sup>  
**Sent:** Friday, 30 October 2009 3:44 p.m.  
**To:** John Park; Joanna Gordon; Craig Murphy  
**Cc:** Douglas Widdowson; Sean Hadfield; Peter Williams  
**Subject:** [seemail] August DGS reporting suite  
**Attachments:** *[Remainder of attachments not relevant to release]*

Review SCF 31Aug09c789bfb1.doc;

[SEEMAIL]

Please find attached the monthly reporting suite for August 2009, including:

1. Relative Risk ranking
2. Estimated loss calculations
3. Watchlist reports
4. Sector reports

We raise your attention to the materially modified loss estimate on SCF, revised down c.\$60m. It is now our view that the value of certain assets (previously considered to have nominal value because of uncertainty) should be revised upward.

Andrew Hemphill

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## Review of guaranteed NBDT entity

Entity Name:	<b>South Canterbury Finance Ltd</b>
Assessment date:	August 2009
Assessed by:	A Hemphill
Trustee	Trustee Executors <sup>[1]</sup> ]
Guaranteed Deposits	\$1,831m (29,606)

### Ownership

100% - Southbury Group (Allan Hubbard holds 70% shareholding).

### Key People:

Allan Hubbard – Chairman, Lachie McLeod – CEO,<sup>[1]</sup> CFO

### New prospectus / Latest announcements

Summary of pertinent points as follows:

- SCF have entered into an agreement to repay USD\$100m private placement facility over various tranches – the first payment of USD\$45m + USD\$15m fee is due 25 October 09.
- The arrangement with the USPP holders waives their current default rights re. credit rating downgrades
- A new NZD\$75m facility is in the process of being arranged with a new provider. This facility will hold priority over deposit holders.
- Coy plans to divest non-core assets over next 6 – 12 months – including farming assets. It also plans to refocus on tradition fin coy business, reduced related party exposure by \$50m before June 2010.
- Company reaffirmed it hold \$485m of property finance assets – with 43% secured by 2<sup>nd</sup> ranking mortgages. 52% of the past due loans are held in this asset class.

### Liquidity

Based upon the Bank's weekly data, as at 2nd October 09, the company held ~\$70m of liquid assets and had \$92m of deposits, either on call or maturing within 30 days.

### Estimated Loss in the event of company failure

- The estimated net claim under the DGS has been reduced to between \$450m - \$500m.
- Now with a greater understanding of the "other assets" that the company report – the RBNZ is of the view that there is some value attributed to these assets, whereas previously, the modelling discounted these assets by 100%.

### Monthly Movement

- Guaranteed deposits declined by \$42m during the month
- Reinvestment rate at 18.8% - due to prospectus not issued
- Provisions increased \$12m
- Restructured assets increased \$31m
- Loans with capitalising interest increased \$27M
- Related Party lending reduced \$9m

# Review of guaranteed NBDT entity

## Risk ranking

- Low levels of capital.
- High level of related party lending
- Diminishing Loan book quality
- Concentration / Large exposure risk
- Property development / 2<sup>nd</sup> mortgages exposure
- Modest levels of provisions

Entity classified as High risk.

## Key Graphs

