

The Treasury

South Canterbury Finance Limited Information Release

Release Document

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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: Andrew Hemphill^[1]
Sent: Wednesday, 21 October 2009 3:11 p.m.
To: Peter Wilding; ^RBNZ: Mike Frith
Cc: John Park; Andy Wood
Subject: [seemail] RE: Asset Management scenario testing.DOC
Attachments: SCF workings Oct 09.xlsx

I have done some further analysis on the loss estimates of SCF – a bit more in-depth than the generic model we use on all DGS entities to calculate losses under a receivership scenario.

My thoughts are this is a more accurate starting point to determine what level of \$ benefits need to be achieved from either Asset Mgmt or DAF options.

Next step is to more closing look at specific loans (you can see that the attached worksheet does detail the SCF loan portfolio – but we probably need a bit more detail). John - do you have anything that KM provided - particularly security description, updated valuation est's.

From: Peter Wilding^[1]
Sent: Friday, 16 October 2009 12:00 p.m.
To: Mike Frith; Andrew Hemphill
Cc: Andy Wood; John Park
Subject: Asset Management scenario testing.DOC

Mike, Andrew

Attached is a quick write up of what we discussed. Have I missed anything? What resource do you guys think you'll be able to put into this?

Cheers

Peter

Peter Wilding | Senior Analyst | **The Treasury**
^[1]

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Assets		Recorded Values	Original RBNZ Loss model	Revised Values	Est Value under receivership
Description	Notes			Other assets based on RB estimates	Other assets based on RB estimates
Liquid Assets	as at 9th Oct 09	62	62	62	62
		62	62	62	62
Loan Book					
Rural	RB Loss model assumes 25% default rate & 15% recovery rate	267	210		
Property Development	RB Loss model assumes 25% default rate & 10% recovery rate	399	310		
Other Property	RB Loss model assumes 25% default rate & 70% recovery rate	140	130		
Commercial	RB Loss model assumes 25% default rate & 30% recovery rate	552	455		
Residential Mortgages	RB Loss model assumes 25% default rate & 15% recovery rate	-	-		
Consumer	RB Loss model assumes 25% default rate & 50% recovery rate	76	65		
Other	RB Loss model assumes 25% default rate & 15% recovery rate	274	215		
		1,709	1,385	1,500	1,200
Other Assets					
Trade and Receivables		23	12	10	10
Operating leases		6	0	0	0
Property held for Resale	Assumed repossessed property from bad debts	52	0	25	25
Property, Plant & Equipment		105	10	75	75
Equity in Related Party	Commtest Instruments Ltd (40% ownership)	7		0	0
Equity in Related Party	Dairy Holdings Ltd (33.59% ownership)	76		40	40
Equity in Related Party	Financial Synergy Ltd (50% ownership)	1		0	0
Related Party shares/investments	South Island Farm Holdings - preference shares (74% ownership - Hubbard directly owns remaining 26%)	67		35	35
Related Party shares/investments	Scales Corporation Ltd	16		10	10
Related Party shares/investments	Helicopters (NZ) Ltd	20		10	10
Other Shares / Investments	Mostly unknown investments - known investments include; Airwork (NZ) Ltd, Monstavisoin, taxrefund.co.nz.	105	20	50	50
Tax		48		39	39
Derivatives		37		37	37
		563	42	331	331
		2,333	1,489	1,893	1,593
Liabilities					
Description	Notes	Recorded Values	Estimate Market Values	Estimate Market Values	Estimate Market Values
Retail deposits		1,926	1,926	1,926	1,926
Wholesale funding		125	125	125	125
Other liabilities		23	23	23	23
		2,074	2,074	2,074	2,074
Shareholder value		259	585	181	481