

CAPITAL REQUIRED TO COVER ASSESSED CAPITAL LOSS

Current Capital Position	202.33
<i>less</i> Preference Shares	120.00
Total Ordinary capital	82.33
<i>less</i> Capital Loss	(333.44)
Total Capital Required	(251.12)

REGULATORY CAPITAL REQUIRED UNDER RBNZ REGULATION

Required Regulatory Capital	263.37
<i>less</i> Preference Share Allowance	65.84
Total Required Regulatory Capital	197.53

ADDITIONAL CAPITAL REQUIREMENT TO MEET RBNZ REGULATIONS

Total Capital Loss	(251.12)
Total Required Regulatory Capital	197.53
Total Capital Requirement	(448.64)
<i>less</i> Expected Additional Capital Losses	(244.00)
Total Capital Requirement	(692.64)
Total Capital Requirement	(692.64)
<i>less</i> Crown Capital (capital on exit)	197.53
Total Capital Cost to the Crown	(495.12)

CAPITAL FLOW RECONCILIATION

Preference Shares	120.00
Ordinary Shares	82.33
sum Total Capital	202.33
<i>less</i> Capital Loss	(333.44)
<i>plus</i> Capital injection (to bring ordinary capital to \$0m)	251.12
<i>plus</i> Capital injection (required regulatory capital)	197.00
sum Total Capital	317.00
<i>less</i> Capital loss through additional provision	(244.00)
<i>plus</i> Capital injection (to bring ordinary capital to \$197m)	244.00
sum Total Capital	317.00
Preference Shares	120.00
Ordinary Shares	197.00
sum Total Capital	317.00

WAITING ON INFORMATION FROM RBNZ TO FULLY UNDERSTAND THIS

Total SCF proclaimed "Good Book" is \$661.6m, we have assumed a book of \$1,149.5m. We could therefore assume that credit losses on the difference over three year would be circa 50% or \$244.0m.

South Canterbury Finance

Liabilities

1.1	Retail funding			
1.1.1	Call	9.09	-	9.09
1.1.2	< 90 days until maturity	355.41	-	355.41
1.1.3	> 90 days until maturity	1,462.98	-	1,462.98
1.1.4	Total term funding	1,818.38	-	1,818.38
1.1.5	Total retail funding	1,827.47	-	1,827.47
1.2.1	Financial Institutions	75.38		75.38
1.1.6	Less non-guaranteed retail funding	19.79	-	19.79
1.1.7	Total guaranteed deposits	1,732.30	-	1,732.30
1.4	Capital & reserves			
1.4.1	Paid-up capital	399.84	-	399.84
1.4.2	Retained earnings	(317.51)	(333.44)	(650.96)
1.4.3	Other capital instruments (inc preference shares)	120.00		120.00
1.4.4	Total Capital	202.33	(333.44)	(131.12)
	Other capital instruments (inc preference shares)	120.00	-	120.00
	Total Capital	82.33	(333.44)	(251.12)
1.5	Other liabilities	31.01		31.01
1.6	Total liabilities	2,060.81	(333.44)	1,727.37

Assets

2.1	Total loans - gross of provisions			
2.1.1	Agriculture / farming	216.21	-	216.21
2.1.2	Property development	283.59	-	283.59
2.1.3	Other property (including investment property)	77.65	-	77.65
2.1.4	Commercial	724.29	-	724.29
2.1.5	Residential mortgages (houses, flats, apartments)	-	-	-
2.1.6	Consumer loans	73.56	-	73.56
2.1.7	All other sectors (if greater than 5% note purpose)	256.63	-	256.63
2.1.8	Total Loans	1,631.93	-	1,631.93
2.3	Liquid assets			
2.3.1	Registered bank deposits and securities	91.57	305.00	396.57
2.3.2	Guaranteed non-bank financial institutions	-	-	-
2.3.3	Government securities	0.53	-	0.53
2.3.4	Local authority, corporate and all other	-	-	-
2.3.5	Total liquid assets	92.09	305.00	397.09
2.4	Other assets			
2.4.1	Trade and receivables	6.56	-	6.56
2.4.2	Operating leases	-	-	-
2.4.3	Fixed assets	75.36	(65.00)	10.36
2.4.4	Listed equity investments	-	-	-
2.4.5	Provisions (in 2.1.8) - should be negative	(219.40)	(263.00)	(482.40)
2.4.6	Intangibles + deferred tax	70.44	(70.44)	-
2.4.7	All other assets	403.83	(240.00)	163.83
2.4.8	Total	336.79	(638.44)	(301.66)
2.5	Total assets	2,060.81	(333.44)	1,727.37

Asset Class		Asset Value	Amendments	Restated Asset Value	Capital Weighting	Risk Weighted Capital
Agriculture	Rural - 1st Mtg	78.15	-	78.15	100.00%	78.15
Agriculture	Rural - PPSR	125.51	10.00	115.51	150.00%	173.27
Property Dev	Prop Dev - 1st Mtg	249.27	10.00	239.27	200.00%	478.53
Property investment	Prop Inv - 1st mtg	65.26	-	65.26	150.00%	97.90
Commercial	Comm - PPSR	630.84	213.00	417.84	150.00%	626.76
Consumer	Cons'mr - PPSR	62.82	10.00	52.82	100.00%	52.82
All other sectors	Other - PPSR	165.12	10.00	155.12	150.00%	232.68
All other sectors	Other - Other	55.49	10.00	45.49	350.00%	159.23
Trade		6.56	-	6.56	0.00%	-
Fixed Assets		10.36	-	10.36	350.00%	36.26
Equity Investments		-	-	-	0.00%	-
Other assets		163.83	-	163.83	600.00%	982.98
Market and Operational Risk				2,134.39	17.50%	373.52
Total Capital Weighted Assets						3,292.09
Capital Ratio						8.0%
Capital Required						263.37

South Canterbury Finance

Liabilities

1.1	Retail funding				
1.1.1	Call	9.09	-	-	9.09
1.1.2	< 90 days until maturity	355.41	-	-	355.41
1.1.3	> 90 days until maturity	1,462.98	-	-	1,462.98
1.1.4	Total term funding	1,818.38	-	-	1,818.38
1.1.5	Total retail funding	1,827.47	-	-	1,827.47
1.2.1	Financial Institutions	75.38	-	-	75.38
1.1.6	Less non-guaranteed retail funding	19.79	-	-	19.79
1.1.7	Total guaranteed deposits	1,732.30	-	-	1,732.30
1.4	Capital & reserves				
	Liquidation Costs	-	-	(5.00)	(5.00)
1.4.1	Paid-up capital	399.84	-	-	399.84
1.4.2	Retained earnings	(317.51)	-	(658.51)	(976.03)
1.4.3	Other capital instruments (inc preference shares)	120.00	-	-	120.00
1.4.4	Total Capital	202.33	-	(663.51)	(461.19)
	Other capital instruments (inc preference shares)	120.00	-	-	120.00
	Total Capital	82.33	-	-	(581.19)
1.5	Other liabilities	31.01	-	-	31.01
1.6	Total liabilities	2,060.81	-	(663.51)	1,397.30

Assets

2.1	Total loans - gross of provisions				
2.1.1	Agriculture / farming	216.21	-	-	216.21
2.1.2	Property development	283.59	-	-	283.59
2.1.3	Other property (including investment property)	77.65	-	-	77.65
2.1.4	Commercial	724.29	-	-	724.29
2.1.5	Residential mortgages (houses, flats, apartments)	-	-	-	-
2.1.6	Consumer loans	73.56	-	-	73.56
2.1.7	All other sectors (if greater than 5% note purpose)	256.63	-	-	256.63
2.1.8	Total Loans	1,631.93	-	-	1,631.93
2.3	Liquid assets				
2.3.1	Registered bank deposits and securities	91.57	305.00	-	396.57
2.3.2	Guaranteed non-bank financial institutions	-	-	-	-
2.3.3	Government securities	0.53	-	-	0.53
2.3.4	Local authority, corporate and all other	-	-	-	-
2.3.5	Total liquid assets	92.09	305.00	-	397.09
2.4	Other assets				
2.4.1	Trade and receivables (@ 50% recovery)	6.56	-	(3.28)	3.28
2.4.2	Operating leases	-	-	-	-
2.4.3	Fixed assets (@ 10% recovery)	75.36	(65.00)	(9.32)	1.04
2.4.4	Listed equity investments	-	-	-	-
2.4.5	Provisions (in 2.1.8) - should be negative	(219.40)	-	(564.00)	(783.40)
2.4.6	Intangibles + deferred tax (@ nil recovery)	70.44	-	-	70.44
2.4.7	All other assets (@ 50% recovery)	403.83	(240.00)	(81.91)	81.91
2.4.8	Total	336.79	(305.00)	(658.51)	(626.73)
2.5	Total assets	2,060.81	-	(658.51)	1,397.30

OPTIONS FOR DEALING WITH THE FAILURE OF SOUTH CANTERBURY FINANCE LIMITED

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|------------------------------------|--|
| 1 Full Equity "Purchase" of SCF | a Wind down and sell off "right sized entity"
b Controlled liquidation |
| 2 Partial Equity "Purchase" of SCF | a Provide equity through a co-invest type model with third party (s |
| 3 Receivership | a Acquire assets proactively, controlled liquidation
b Managed receivership - with purchase of assets in "market failure" situations
c Managed receivership
d Full hands off receivership |
| 4 Statutory Management | a Acquire assets proactively, controlled liquidation
b Managed receivership - with purchase of assets in "market failure" situations
c Managed receivership
d Full hands off receivership |

South Canterbury Finance

Liabilities

1.1	Retail funding			BUY		Recivorship
1.1.1	Call	9.09	-	9.09	-	9.09
1.1.2	< 90 days until maturity	355.41	-	355.41	-	355.41
1.1.3	> 90 days until maturity	1,462.98	-	1,462.98	-	1,462.98
1.1.4	Total term funding	1,818.38	-	1,818.38	-	1,818.38
1.1.5	Total retail funding	1,827.47	-	1,827.47	-	1,827.47
1.2.1	Financial Institutions	75.38	-	75.38	-	75.38
1.1.6	Less non-guaranteed retail funding	19.79	-	19.79	-	19.79
1.1.7	Total guaranteed deposits	1,732.30	-	1,732.30	-	1,732.30
1.4	Capital & reserves					
1.4.1	Paid-up capital	399.84	-	399.84	-	399.84
1.4.2	Retained earnings	(317.51)	(577.44)	(894.96)	(728.96)	(1,046.47)
1.4.3	Other capital instruments (inc preference shares)	120.00	-	120.00	-	120.00
1.4.4	Total Capital	202.33	(577.44)	(375.12)	(728.96)	(526.63)
	Other capital instruments (inc preference shares)	120.00	-	120.00	-	120.00
	Total Capital	82.33	(577.44)	(495.12)	(728.96)	(646.63)
1.5	Other liabilities	31.01		31.01		31.01
1.6	Total liabilities	2,060.81	(577.44)	1,483.37	(728.96)	1,331.85

Assets

2.1	Total loans - gross of provisions					
2.1.1	Agriculture / farming	216.21	-	216.21	-	216.21
2.1.2	Property development	283.59	-	283.59	-	283.59
2.1.3	Other property (including investment property)	77.65	-	77.65	-	77.65
2.1.4	Commercial	724.29	-	724.29	-	724.29
2.1.5	Residential mortgages (houses, flats, apartments)	-	-	-	-	-
2.1.6	Consumer loans	73.56	-	73.56	-	73.56
2.1.7	All other sectors (if greater than 5% note purpose)	256.63	-	256.63	-	256.63
2.1.8	Total Loans	1,631.93	-	1,631.93	-	1,631.93
2.4.5	Provisions (in 2.1.8) - should be negative	(219.40)	(507.00)	(726.40)	(564.00)	(783.40)
		1,412.53	(507.00)	905.53	(564.00)	848.53
2.3	Liquid assets					
2.3.1	Registered bank deposits and securities	91.57	305.00	396.57	305.00	396.57
2.3.2	Guaranteed non-bank financial institutions	-	-	-	-	-
2.3.3	Government securities	0.53	-	0.53	-	0.53
2.3.4	Local authority, corporate and all other	-	-	-	-	-
2.3.5	Total liquid assets	92.09	305.00	397.09	305.00	397.09
2.4	Other assets					
2.4.1	Trade and receivables	6.56	-	6.56	(3.28)	3.28
2.4.2	Operating leases	-	-	-	-	-
2.4.3	Fixed assets	75.36	(65.00)	10.36	(74.32)	1.04
2.4.4	Listed equity investments	-	-	-	-	-
2.4.6	Intangibles + deferred tax	70.44	(70.44)	-	(70.44)	-
2.4.7	All other assets	403.83	(240.00)	163.83	(321.91)	81.91
2.4.8	Total	556.19	(375.44)	180.74	(469.96)	86.23
2.5	Total assets	2,060.81	(577.44)	1,483.37	(728.96)	1,331.85