

The Treasury

South Canterbury Finance Limited Information Release

Release Document

April 2011

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(i) - to protect trade secrets
- [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
- [4] 9(2)(ba) - to protect information that is subject to an obligation of confidence, or that was or could be provided under legal compulsion, where making the information available would be likely to prejudice the supply of similar information and it is in the public interest for that information to continue to be supplied
- [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
- [7] 9(2)(h) - to maintain legal professional privilege
- [8] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [8] appearing where information has been withheld in a release document refers to section 9(2)(i).

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

Review of guaranteed NBDT entity

Entity Name:	South Canterbury Finance Ltd
Assessment date:	March 2009
Assessed by:	A Hemphill
Trustee	Trustee Executors [1]
Guaranteed Deposits	\$1,857m (31,255)

Ownership

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

Key People:

Allan Hubbard – Chairman, Lachie McLeod – CEO, [1] – CFO

Estimated Loss in the event of company failure

- Given the size of the entity and the limited understanding of the loan book, fixed assets and listed equity assets, the estimated potential claim is imperfect.
- The estimated claim under the DGS is estimated at between \$350M - \$500M

Risk ranking / Movement

- Value of deposits over \$1M increased from \$21M to \$56M
- Non Resident funding increased from \$129M to \$160M
- Total deposits increased \$27M (Guaranteed deposits reduced by \$40M)
- Fixed Assets and Listed Equity Investments increased by a combined \$80M. Liquid Assets reduced by \$36M
- Loan book quality has deteriorated – mostly seen in early day delinquency buckets. Impaired Assets increased \$15M
- Provisions reduced by \$4M – now totals \$16M
- Paid-up capital increased \$20M to \$210M

The above points are going to be raised with Trustee to confirm accuracy

+90+ Past Dues and Impaired Assets are reasonable against pairs

+ Modest levels of loans with Interest Cap – though acknowledge this has circa doubled since Dec

+ Reasonable liquidity / match funding position (as demonstrated in Feb 09 watchlist report)

- 4 Month annualised ROE is low at 8.0% - also considering low level of equity and loss provisions

- Very low levels of capital – though acknowledge increase in March.

- High level of related party lending

- Concentration / Large exposure risk – 81% of the loan book has loan sizes > \$1M

- Modest levels of provisions

Entity to remain High end of Medium risk.

Review of guaranteed NBDT entity
COMMERCIALLY SENSITIVE

Key Graphs

