

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:	June 2009
Assessed by:	A Hemphill
Trustee	Trustee Executors ([1])
Guaranteed Deposits	\$1,854m (30,669)

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

- The estimated net claim under the DGS has increased to circa \$550m - \$600m. This increase is a result of the company reclassifying their exposure to different sectors plus an increase in the level of delinquency.

Movement

- SCF has reclassified some Rural exposure into “Prop Dev” and “other Prop” sectors.

	June	May	Movement
Rural	292.24	346.63	-15.7%
Prop Dev	395.99	347.94	13.8%
Other prop	96.54	85.46	13.0%
Comm	585.88	591.83	-1.0%
Consm'r	76.94	78.04	-1.4%
Other	265.48	263.36	0.8%

- Now reporting \$48M of securities are held off-shore – previously nil
- Provisions increased \$25M
- Loans with capitalising interest increased \$85M
- Operating expenses for the month are reported at \$85M – obviously this is partly the recognition of provisions and likely to also include some write-offs ? Also, \$11M of dividends paid during the month
- The loss for the month has resulted in Capital reducing from 2.1% to 1.8% of Risk Weighted Assets
- Liquid Asset reduced \$38M – now represent ~6% of total deposits
- Fixed Assets and Listed Equities reduced by \$53M – offset by a \$78M increase in “other assets”
- Related Party lending reduced \$42M

Risk ranking

- Low levels of capital.
- High level of related party lending
- Diminishing Loan book quality
- Concentration / Large exposure risk
- Modest levels of provisions

Review of guaranteed NBDT entity

Entity to remain High end of Medium risk.

Recent announcement

Standard & Poor's recently updated their SCF credit rating to BB+ (Neg outlook)

Key Graphs

