

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.

Entity Name:	South Canterbury Finance Ltd
Assessment date:	Oct 2009
Assessed by:	A Hemphill
Trustee	Trustee Executors [1] _____]
Guaranteed Deposits	\$1,821m (27,648)

Ownership

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

Key People:

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

Liquidity

Based upon the Bank’s weekly data, as at 27 November 09, the company held ~\$52m of liquid assets and had \$89m of deposits, either on call or maturing within 30 days. Loans on call of maturing within 30 days totalled \$201m.

Their most recent reinvestment rate was ~33%. Over the past 2 weeks, the coy has attracted ~ \$13m of new funding.

Estimated Loss in the event of company failure

- The estimated net claim under the DGS has been reduced to between \$450m - \$500m.

Monthly Movement

- Regulatory capital declined to < 1% - the result of new data being collected, specifically the preference shares which have are subject to a 75% haircut.
- Total funding reduced by \$30M
- Loan book segment movement recorded as follows:

	Sept \$m	Oct \$m	Movement
Rural	267	228	-14.70%
Prop Dev	397	320	-19.40%
Other prop	135	110	-18.20%
Comm	553	655	18.40%
Consm'r	76	76	-0.40%
Other	273	270	-0.90%

Company/trustee response to movement was as follows:

“Information is based on the segment analysis recorded in our data base. There has been a reduction in the rural property portfolio as a result of loan repayments. Property exposure is reduced in part to the write offs of previously provisioned loans”.

- \$25M of bad debt written off, \$10m of other assets written off. Provisions were “added back” to the value of \$21m.
- Related party lending reduced \$25m – likely to be the result of the removal of a director.

- \$10m increase on “offshore” exposure.
- High operating expenses for the month ~\$7.5M the result of a \$3.5M fee paid on USPP
- Loans with capitalising interest increased \$13M

Risk ranking

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

Entity classified as High risk.

Key Graphs



