

MTF reports half year profit of \$3.2 million

Profit before commission and fair value movements is up 6%, to \$22.0m, reflecting moderate asset growth and continued funding efficiency. Commission paid to shareholder originators increased by 6% to \$16.6m.

Unrealised loss on fair value of financial instruments totalled \$0.8m giving net profit after tax of \$3.2m (31 March 2014: \$3.0).

Underlying profit after tax, which removes the volatility of unrealised fair value movements and provides a more consistent measure of company performance, was up 9% to \$3.6m (31 March 2014: \$3.3m). A reconciliation of profit after tax to underlying profit is provided on page 1 of the half year report available at www.mtf.co.nz/halfyearreport.

Sales have remained steady at \$202.5m (31 March 2014: \$200.9m). MTF's traditional market of used car finance has come under pressure with the high NZ dollar making new cars an attainable proposition for consumers and the car lending market generally remains very competitive. This is reflected in the market share for the period, measured by PPSR registrations, which has reduced marginally to 12.2% (30 September 2014: 12.5%).

Operating expense, excluding bad debt, as a percentage of assets under administration, improved to 2.8% in the first half of the financial year (September 2014: 2.9%). We continue to focus on strong cost management, while investing in areas that will ensure the business' future success.

Securitised borrowings increased \$18.7m to \$452.6m, with securitisation facilities totalling \$487.2m and \$34.6m undrawn at year end. MTF has committed bank facilities of \$45m, with \$20m drawn at 31 March 2015. The funding position remains sound, with sufficient facilities to fund forecast growth. The Warehouse facility has an expiry date of 30 August 2015, and the rollover process is underway. The facility has a strong track record, demonstrated by two AAA medium term note issues in the past three years and keen demand expressed for future issues from satisfied investors.

Our internal development focus continues to be driven by impending changes to updated consumer laws and regulations. The Responsible Lending Code was released by the Ministry of Commerce and Consumer Affairs on 17 March 2015, with the Code and lender responsibility principles being hurried into force on 6 June 2015.

The code sets out guidance on everything from advertising of credit through to repossession, and continues the theme of pushing the responsibility for enforcement back onto lenders. Our digital loan origination platform will focus on creating simple and effective ways for our originator network to meet their responsibilities, with smart electronic document capture and best practice customer affordability assessment the key components in the pipeline.

The Court of Appeal hearing in the Sportzone case was held in November 2014 with the judgment delivered on 30 March 2015. The Court of Appeal dismissed the appeal by Sportzone Motorcycles Ltd and MTF.

This case is significant and has implications for the lending industry, as the principles will be incorporated in the Responsible Lending Code. MTF is disappointed with the decision and is concerned that the Court failed to address some key aspects of the case. With the support from

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others in the industry, MTF has filed a notice of application for leave to appeal to the Supreme Court.

Long serving Managing Director, Angus Bradshaw, retired on 1 December 2014 and after a comprehensive recruitment process, facilitated by a national recruitment consultancy, the Board appointed Glen Todd as Chief Executive Officer on 4 December 2014. Glen has been with MTF since 1999, and has been a key member of the senior management team, involved in all facets of the MTF business.

The board and management are extremely appreciative of the commitment and contribution of our staff and originators. This year has been, and will continue to be, a busy year full of change, as we position the company for an exciting future.

For further information, please contact:

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