

# MEDIA & BROKER PRESENTATION

27 February 2009

Interim Results to 31 December 2008



Pyne Gould Corporation

# AGENDA

- **PGC Performance and Highlights**

- Sam Maling (Chairman)

- **Individual Business Performance**

- Brian Jolliffe (Managing Director) and Alan Williams (Chief Financial Officer)

- **Financials**

- Alan Williams

- **Summary and Outlook**

- Sam Maling

- **Questions**

# PGC PERFORMANCE AND HIGHLIGHTS



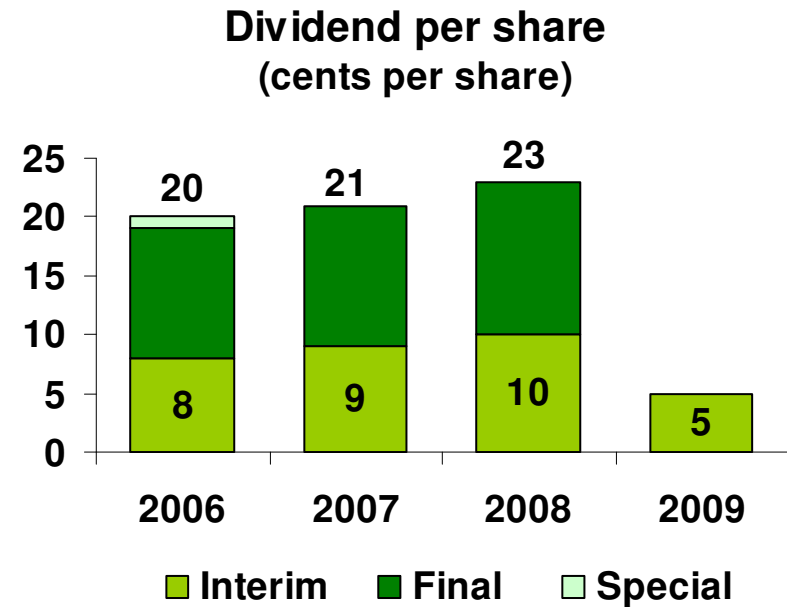
Pyne Gould Corporation

# HALF YEAR HIGHLIGHTS

- Businesses record solid performances in difficult times
  - MARAC net profit before tax of \$11.0m
  - Perpetual Trust net profit before tax of \$2.4m
  - PGG Wrightson net operating profit before tax of \$21.0m, but loss after “one-offs” result in a loss to PGC of (\$6.9m)
- PGC fully commits a \$25.0m underwrite to MARAC for property loans
- NPAT is a \$17.0m loss
- Interim Dividend of 5 cents per share declared

# DIVIDEND

- Fully imputed Interim dividend of 5 cps (last year 10 cps)



# INDIVIDUAL BUSINESSES PERFORMANCE

## Brian Jolliffe



  
Perpetual Trust

**MARAC**

  
**PGG Wrightson**

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Pyne Gould Corporation

# MARAC'S BUSINESS PERFORMANCE



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**MARAC**

  
Pyne Gould Corporation

# MARAC

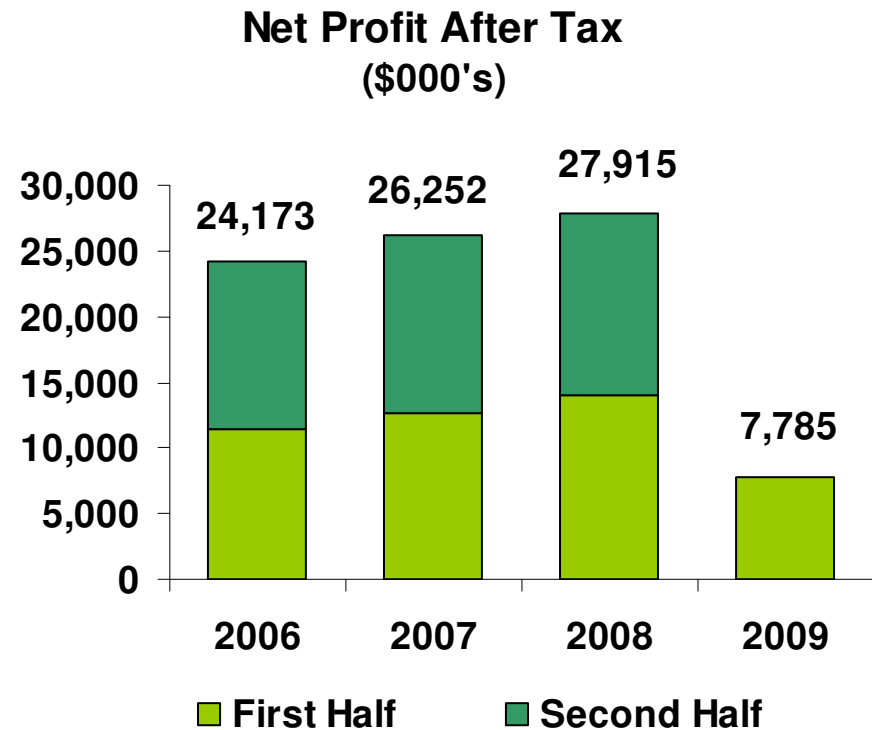
(Includes MARAC Finance Limited, MARAC Insurance Limited, MARAC Securities Limited, MARAC Investments Limited and Nissan Finance New Zealand Limited)

- Net profit after tax \$7.8m
- Finance receivables down slightly to \$1.366bn
- New business opportunities still evident in the current market
- Arrears and Impaired Asset expense rises
- Funding position and liquidity strengthened



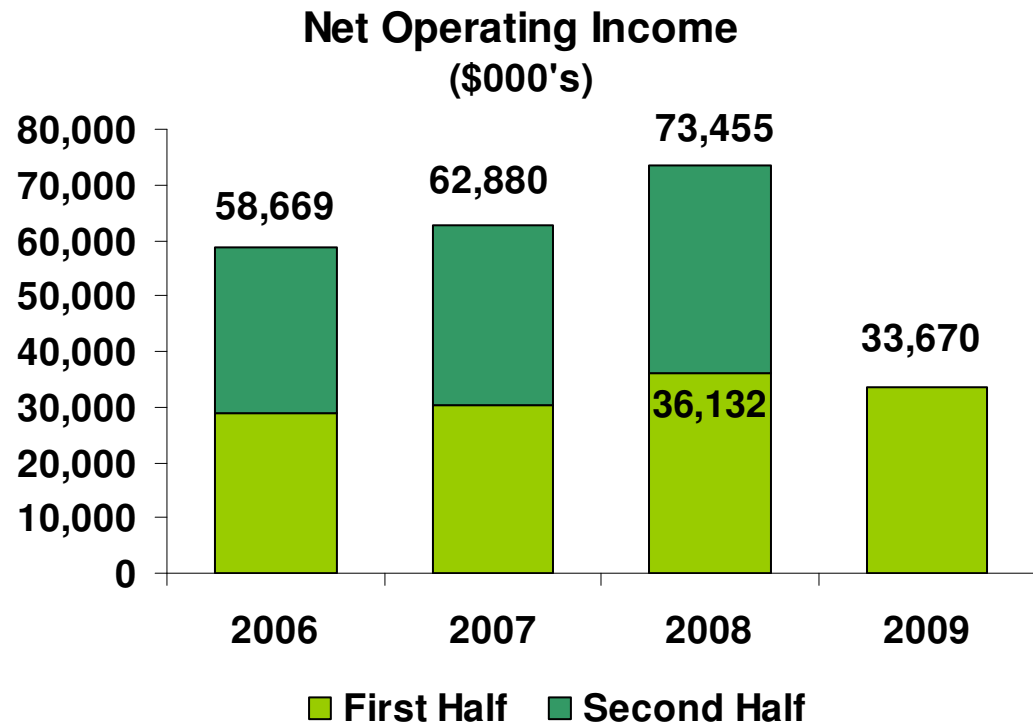
# NET PROFIT AFTER TAX

- \$7.8m down 45%
- Net operating income down just 7%
- Operating costs below last year
- Impaired asset expense major contributor to reduced result



# NET OPERATING INCOME

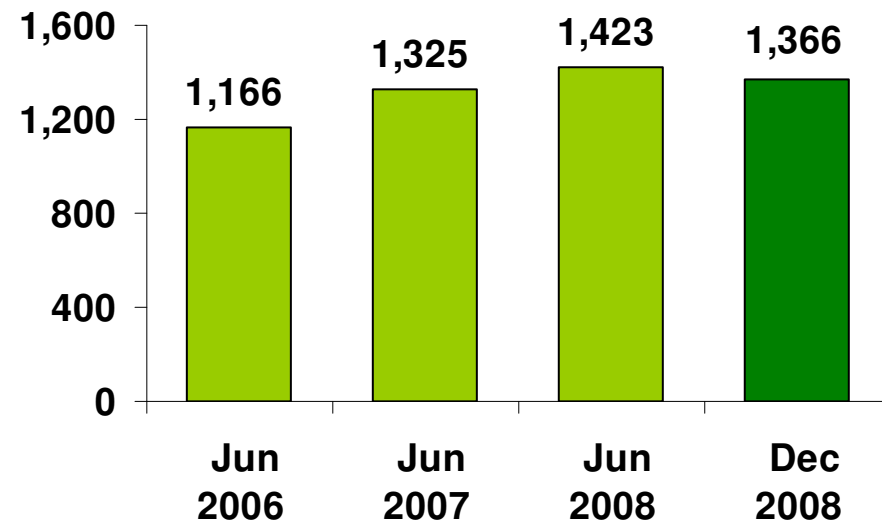
- Down just 7%
  - Smaller balance sheet
  - Reduced fee revenue



# FINANCE RECEIVABLES

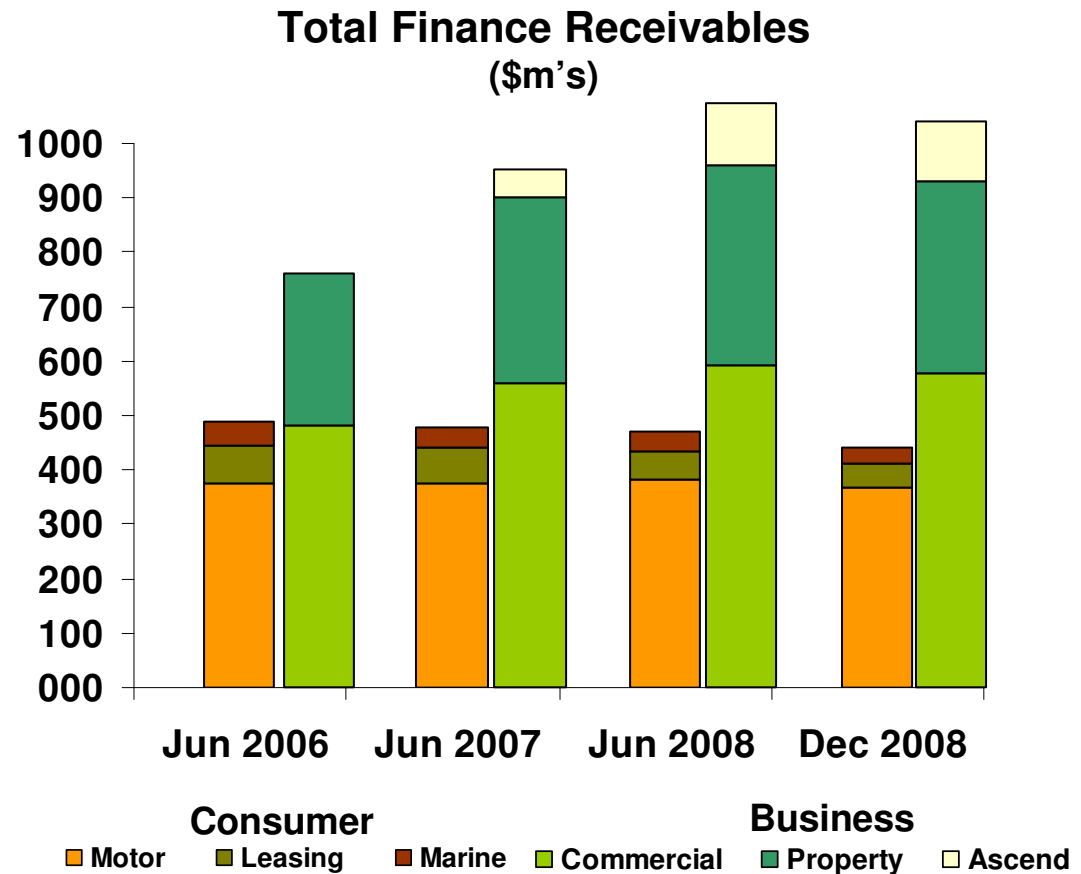
- \$1.366bn down 4% in the six months

Total Finance Receivables  
(\$m's)



# FINANCE RECEIVABLES

- Receivables mix similar to June 2008
- All segments show small reductions
- Reflects focus on existing customers and credit



# CONSUMER DIVISION

(Includes Motor Vehicle, Leasing, Marine & Leisure and Insurance)

- Sales of motor vehicles are sharply lower than last year (new car registrations down 13%, imported used down 34%)
- Some key competitors have exited the market
- Greater share of a smaller market now occurring
- Increasing car prices benefiting lease fleet

## Strategy

- Wider business opportunity from “new” dealers being solidified
- Credit focus continues
- Improved interest margin

# BUSINESS DIVISION

**(Includes Commercial, Plant & Equipment, Property Finance and Ascend Finance Division)**

- Clear signs of slowdown evidenced in the small business market
- Good opportunities are still being seen but we remain cautious
- Property is all about the market risk

## Strategy

- We remain focused on existing customers and new quality opportunities
- Credit focus continues
- Improved interest margin

# PROPERTY DIVISION

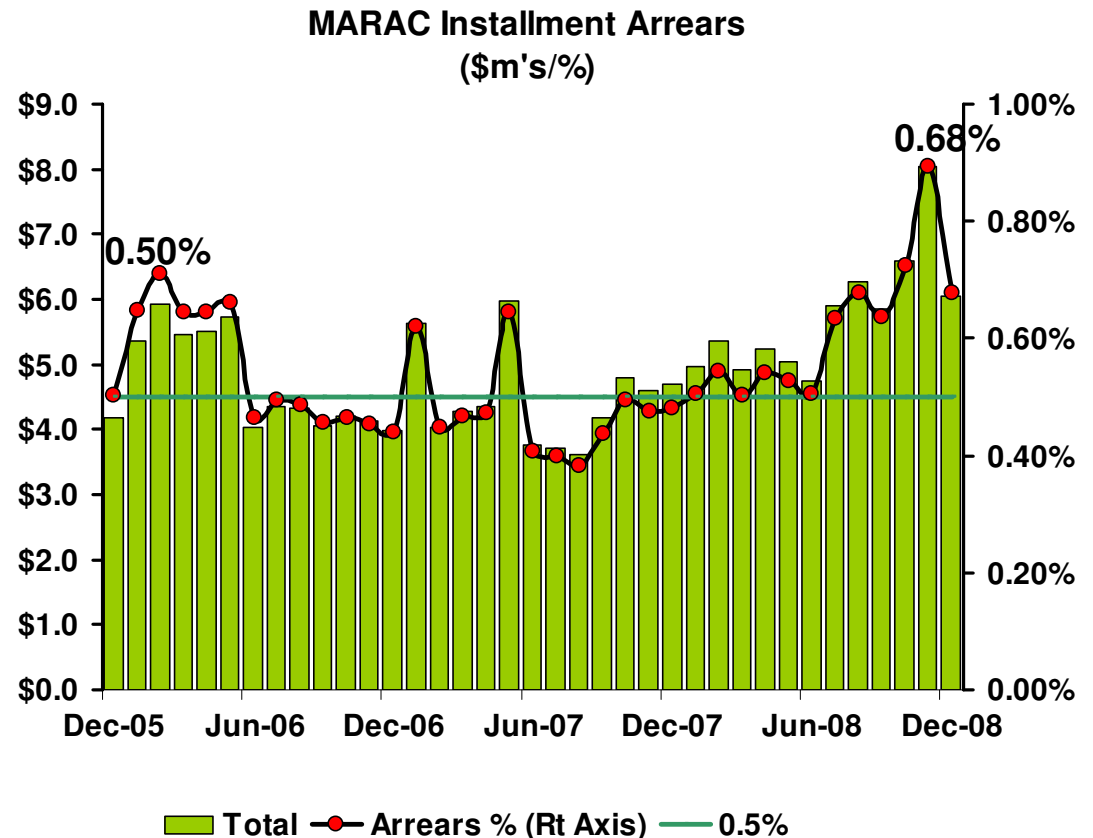
## Total property loans at 31 December 2008 of \$360m

- Investment loans total \$110m and over a broad spectrum of properties
- 'Development Loans' total \$250m or 19% of MARAC's balance sheet
  - 88% are secured by first mortgage
  - Little new business has been undertaken
  - Limited development risk remains
  - PGC has provided an underwrite of \$25m for impaired loans
  - Market risk and uncertainty is the challenge

# CREDIT ARREARS – ALL DIVISIONS

(Installment Loans)

- Deterioration reflects economic conditions
- Normal post Christmas increase is evident
- Flows through to increased provisioning



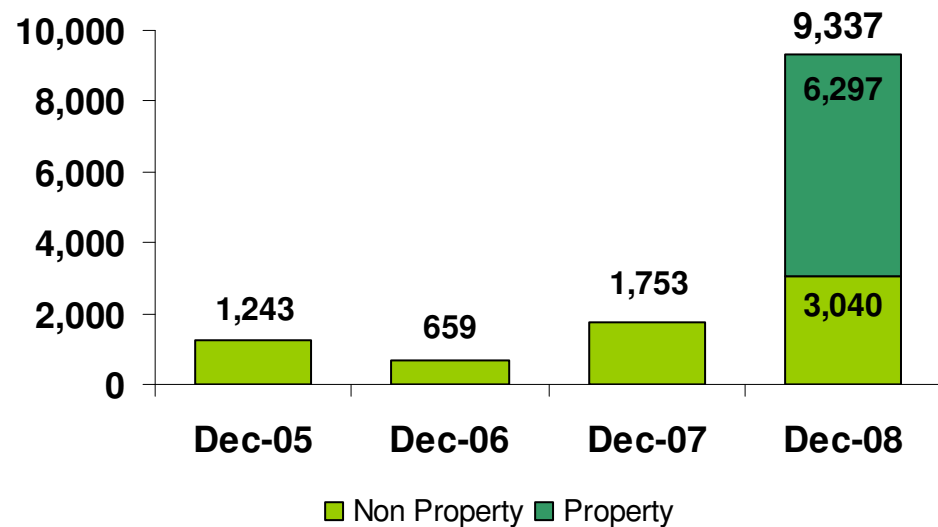


# IMPAIRED ASSET EXPENSES

(Bad debts, recoveries, provisions)

- First half impaired asset expense of \$9.3m
- Excluding property (nil in all prior periods) result is \$3.0m
- Provision increases driven by arrears and risk grade changes

Impaired Assets Expense  
(first half \$000's)



# FUNDING

Alan Williams



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**MARAC**

  
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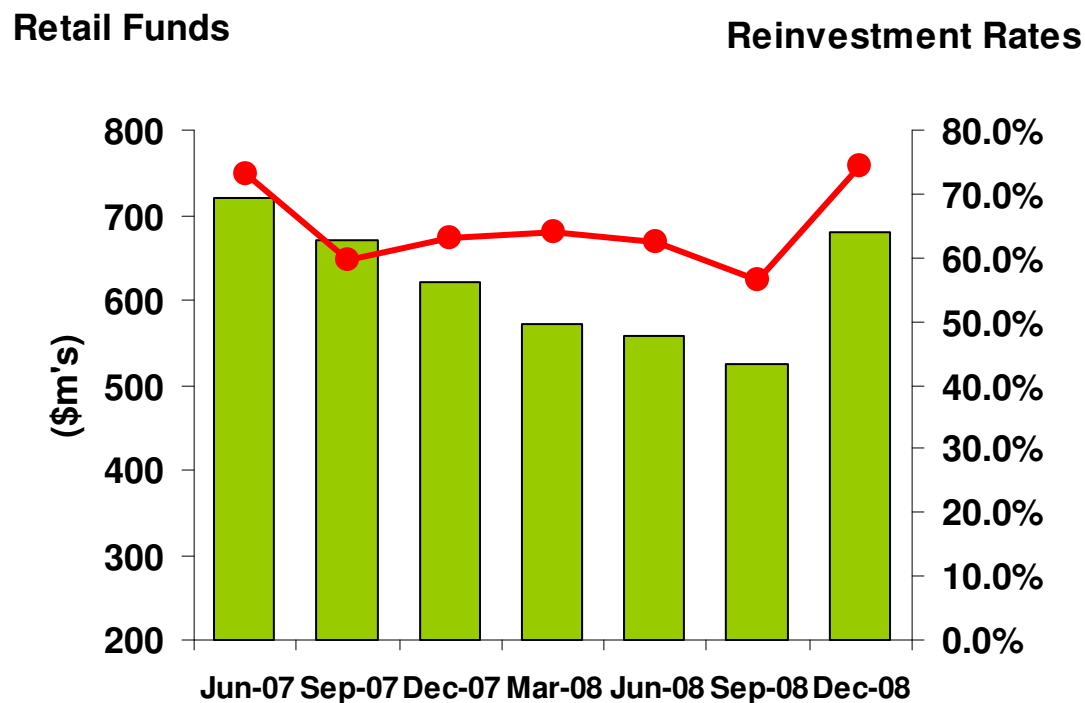
# FUNDING ENVIRONMENT

- Significant changes in the interest rate environment
- MARAC builds liquidity to buffer uncertainty in economic environment
- Government Guarantee produces significant change to the New Zealand funding environment
- Outcomes for MARAC:
  - Further funding diversification
  - Strong funding inflows
  - Increased retail investment book
  - Excellent cash reserves

# RETAIL FUNDING GROWTH

- Retail bond oversubscribed
- Retail debenture book increases \$133m in the six months
- Government Guarantee and S&P rating assists growth
- Reinvestment rates at historical highs
- MARAC PIE products launched

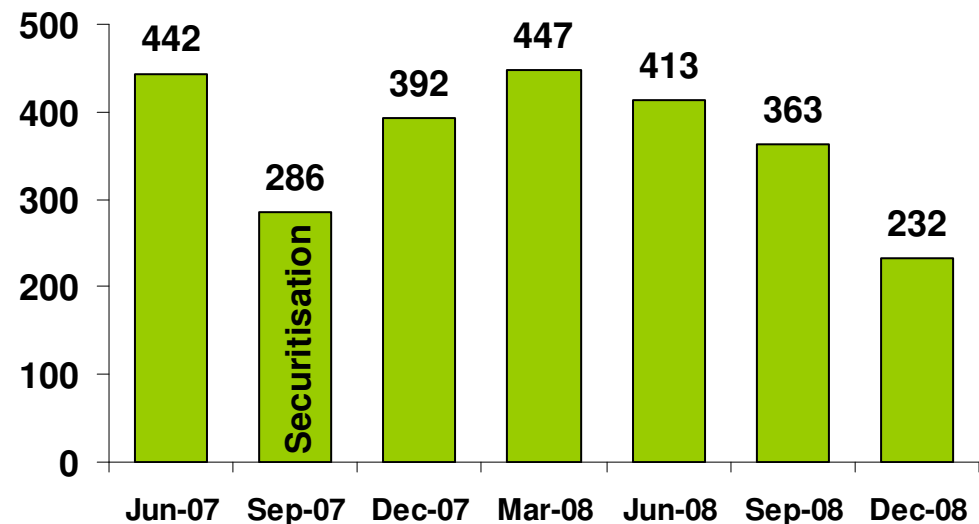
**Retail Debenture Book**



# WHOLESALE BANK FUNDING

- Utilisation reduced following growth in retail base
- Syndicate with 5 strongest NZ banks
- Pricing locked for next 1-2 years

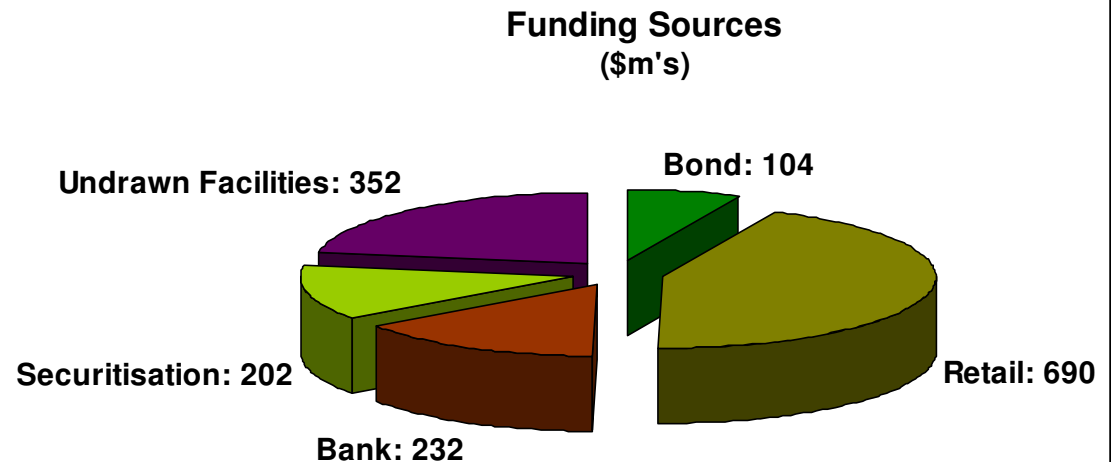
Wholesale Facilities utilised from Banks  
(\$m's)



# FUNDING SOURCES

(31 December 2008)

- Retail growth provided increased liquidity
- Securitisation lower due to limited commercial paper markets
- New source of long term funding from 5 year bond
- Cash and term PIE attracts new investors



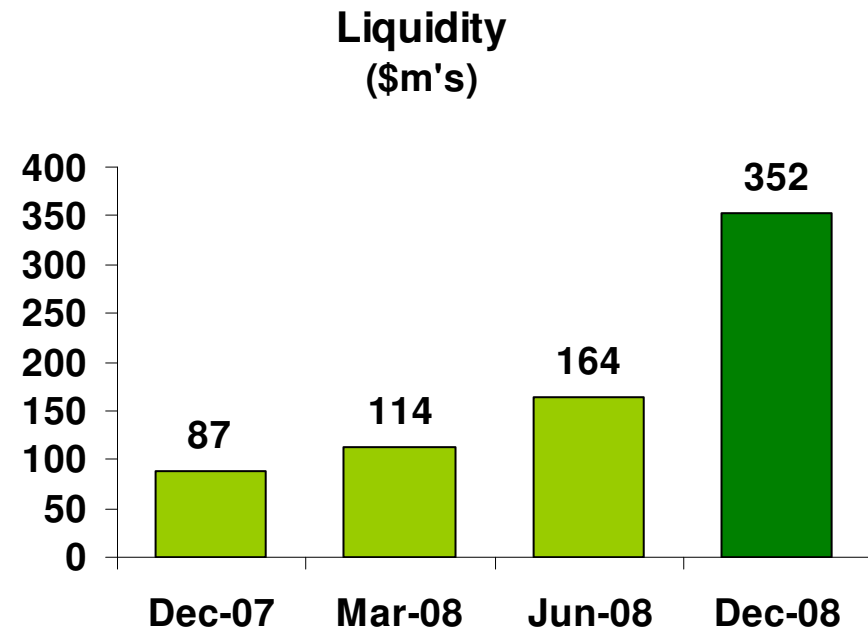
## Strategy

- Lengthen duration well beyond Government Guarantee period
- Rebalancing of funding mix

# LIQUIDITY

MARAC's drive to increase liquidity

- Planned processes
- Provides increased comfort for investors
- Gives MARAC options in regards to lending opportunities and changes in funding mix
- Now in excess of \$400m



# MARAC SUMMARY

Brian Jolliffe



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**MARAC**

  
Pyne Gould Corporation



# MARAC CURRENT BUSINESS POSITION AND OUTLOOK

- Current market is unlikely to improve in the second half
- Some segments show clear opportunities for growth
- Modest balance sheet growth expected
- Credit remains our focus across all ledgers
- Funding will continue to concentrate on longer dated maturities
- Reduced funding costs will lead to reduced lending rates but expected better interest margin overall

*Outlook - Second half trading result in line with the first half expected*

# PERPETUAL TRUST



Perpetual Trust



Pyne Gould Corporation

# PERPETUAL

- Net profit after tax of \$1.6m down 8% on last year
- Revenue down 6% over same period last year
  - Corporate revenues up
  - Managed Funds and Personal Revenues down



Perpetual Trust

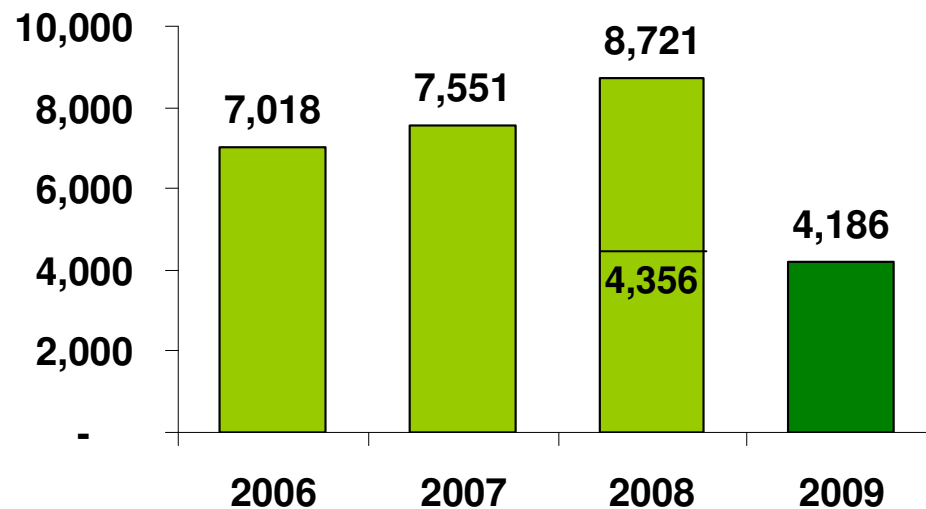


Pyne Gould Corporation

# PERSONAL WEALTH MANAGEMENT AND ADVICE

- Down just 4%
- Trust and Investment Client base growing but offset by a decline in:
  - Property values
  - Investment values

Personal Client Revenue  
(\$000's)



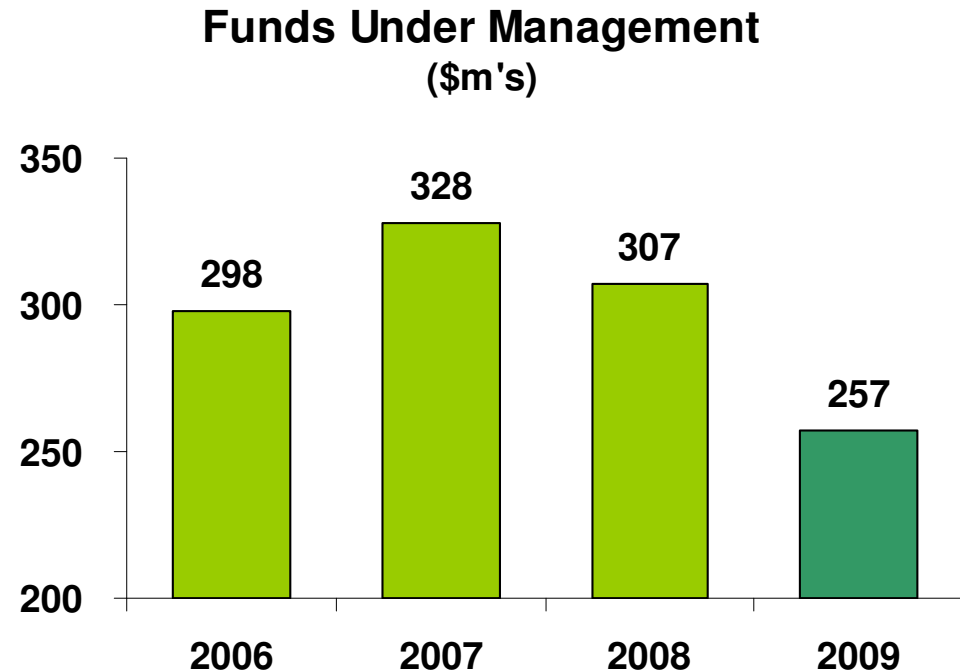
Perpetual Trust



Pyne Gould Corporation

# MANAGED FUNDS

- Affected by “market perceptions”
- Especially around Mortgage Funds
- Perpetual’s Mortgage Fund:
  - Remains actively managed
  - Good liquidity and asset quality (no arrears)
  - Size of fund reduced
- Other funds steady



Perpetual Trust

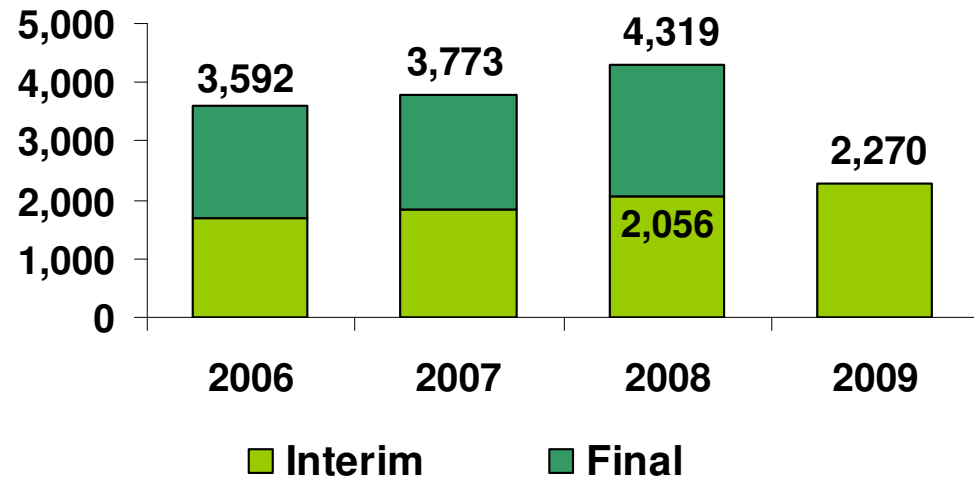


Pyne Gould Corporation

# CORPORATE TRUST

- Revenue up 10%
- Spread from new clients, existing clients and special fees

Corporate Trust Revenue  
(\$000's)



Perpetual Trust



Pyne Gould Corporation

# PERPETUAL BUSINESS SUMMARY AND OUTLOOK

## Current Business Position

- Personal client numbers are continuing to increase but asset values are reducing
- Managed funds are steady, except the mortgage fund
- Corporate Trust is growing both new clients and new issues

## *Outlook*

- *A second half expected in line with the first half*



Perpetual Trust



Pyne Gould Corporation

# PGG WRIGHTSON



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**PGG Wrightson**

  
Pyne Gould Corporation



# PGG WRIGHTSON

PGG Wrightson announced their interim results yesterday

- NOPBT was \$22.1m, an increase of 32% compared to last year
- Non trading items affected bottom line result – Loss \$32.8m
- Market guidance for full year was reaffirmed: \$46-51m
- Strategies adjusted to reflect changing world market
- Debt facilities from banks refinanced

# FINANCIALS

## Alan Williams



Pyne Gould Corporation

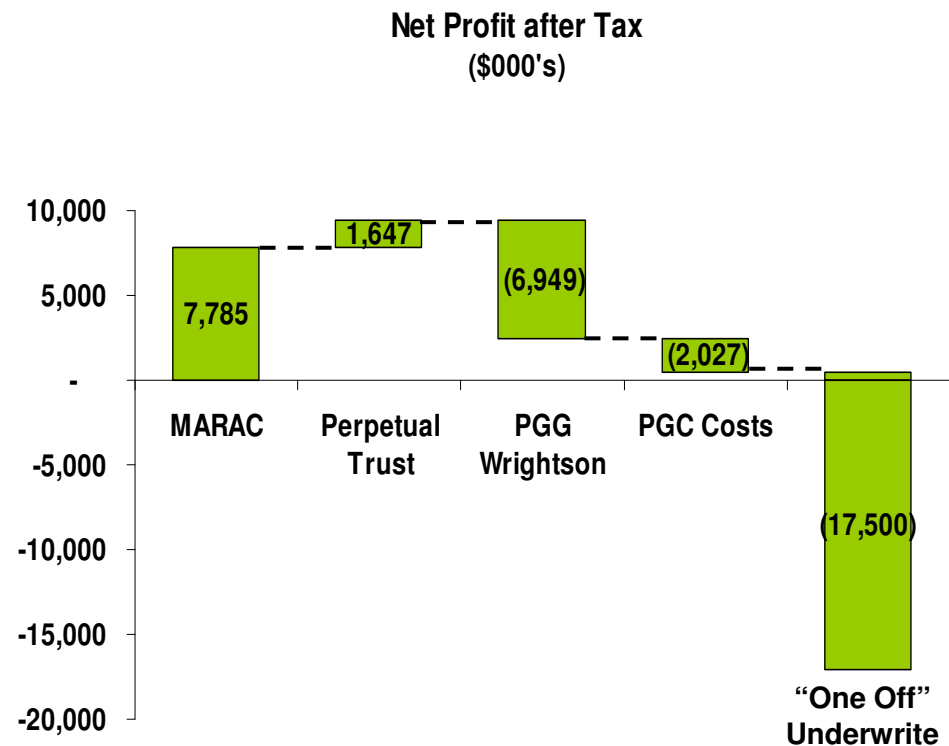
# PGC FINANCIALS

- Financial Performance Summary
- Balance sheet remains strong
- IFRS impact
- Underwrite for MARAC

# FINANCIAL PERFORMANCE SUMMARY

(including abnormals and one offs)

- Net after tax loss of \$17.0m, last year NPAT of \$22.1m
- Larger abnormals in PGG Wrightson than anticipated
- PGC underwrite provided to MARAC



# BALANCE SHEET

- Balance sheet marginally smaller but structure is unchanged from previous periods
- Receivables and investments fully provisioned and tested for impairment
- Increase in derivative and deferred tax assets
- Strong cash holdings and liquidity sound

<b>PGC Balance Sheet</b>			
	<b>Dec-08</b>	<b>Jun-08</b>	<b>Dec-07</b>
Cash	29	8	14
Finance receivables	1,330	1,419	1,473
Investment in PGG Wrightson	86	101	96
Other Assets	69	44	40
<b>Total Assets</b>	<b>1,514</b>	<b>1,572</b>	<b>1,623</b>
Borrowings	1,249	1,276	1,340
Other Liabilities	40	34	32
<b>Total Liabilities</b>	<b>1,289</b>	<b>1,310</b>	<b>1,372</b>
<b>Total Equity</b>	<b>225</b>	<b>262</b>	<b>251</b>

# IFRS IMPACT

- Impairment testing of all investments completed by PGC
- Methodology for impairment provisioning
  - Dynamic
  - NPV of expected future cashflows
- Valuation of derivatives
- PGW non cash items
  - Write-down of NZ Farming Systems Uruguay
  - Mark to market of contracts and defined benefit super scheme
  - Provision for SFF

# UNDERWRITE

- PGC has provided an underwrite of \$25m for potentially impaired loans at MARAC
  - Shows support from the parent during market uncertainty
  - Only \$13m has been specifically allocated
  - \$12m is held as an “unallocated collective provision” by PGC
  - Uncertainty created by lack of true market in the property segment

# SUMMARY AND OUTLOOK

## Sam Maling



Pyne Gould Corporation



# SUMMARY AND OUTLOOK

## MARAC

- Consumer securing greater market share from a smaller market
- Business outlook is mixed with reduced demand in some segments and continuing property uncertainty

## Perpetual

- Growth in personal client numbers and corporate opportunities offset by reduced asset values

## PGG Wrightson

- Excellent trading result delivered
- Market guidance separately issued in respect to outlook

*OVERALL OUTLOOK – Trading result in second half from MARAC and Perpetual expected to be in line with first half*

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