

# NZX Announcement

28 August 2009

## Allied Nationwide Finance - Full Year Result Announcement

Allied Nationwide Finance Limited, part of the NZX listed Allied Farmers group, today announced an unaudited net group loss of \$5.6 million for the year ended 30 June 2009.

John Loughlin, Chairman of Allied Nationwide Finance, said, "It has been an extremely difficult market environment for Allied Nationwide and its customers over the year. The full year result reflects this and the need for the Company to position itself for the future."

The result was impacted by the one-off costs associated with the integration of Speirs Finance (amalgamated into Allied Nationwide in late September 2008), additional provisioning recognised over the period of \$9.7 million, and the cost of holding surplus cash reserves during the period.

Total group assets were \$360 million at 30 June 2009, including \$121 million of assets held in Allied Nationwide's asset securitisation programme. Total assets increased from \$191 million as at 30 June 2008, largely due to the addition of the Speirs Finance business.

John Mallon, Chief Executive of Allied Nationwide, said, "The year was always going to be challenging given the recession and its impact on the finance sector. We have experienced some decline in the performance of our property book which has resulted in increased provisioning as at 30 June. Our desire to retain surplus cash has also come at some cost given the interest rate environment.

"The decision to retain surplus cash was deemed appropriate despite its impact on this year's profitability, as it has enabled Allied Nationwide to continue to support its business and rural customers through difficult times while at the same time meeting all its funding obligations."

Allied Nationwide has a diversified loan book with around 65% of the book comprising asset finance to SMEs in New Zealand and only 15% exposure to the property sector. The additional provisioning recognised over the year primarily related to a small number of property loans, which have been adversely impacted by the depressed property market and became impaired.

Allied Nationwide is to be further supported by its parent company, Allied Farmers, through a \$5 million credit support facility. The terms of this arrangement are being finalised and are expected to be concluded shortly. The facility is to cover existing and any future impaired loans over the next two years.

The focus for the next 12 months will be on positioning the Company for the future through strengthening the Company's capital base, meeting the RBNZ non-bank deposit taker regulations and obtaining a credit rating from Standard & Poors, scheduled to commence in November 2009. The Company is also targeting to continue to grow its lending activities to quality clientele in the rural and business sectors.

Allied Nationwide's \$250 million asset securitisation programme has also recently been extended for a further term and provides access to the wholesale markets for funding the Company's asset finance business. The programme has an A-1+ rating from Standard & Poors, the highest credit rating available for this type of wholesale funding.

The Board considers that Allied Nationwide is well positioned for the future and, provided there is no further deterioration in the operating environment, expects a return to profitability in the 2009/10 financial year.

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