

Pyne Gould Corporation Annual Results to 30 June 2010

Bruce Irvine

Jeff Greenslade

Sean Kam

Agenda

- **Introduction** **Bruce Irvine**
- **Highlights and Strategy** **Jeff Greenslade**
- **Financial Overview** **Sean Kam**
- **Outlook** **Jeff Greenslade**
- **Questions**

Introduction

Bruce Irvine



Highlights and Strategy Jeff Greenslade



Highlights and Strategy

2010 Objectives

Recapitalise, Recruit and Re-Position on core strengths

Financial Services based around:

MARAC	Offering plant and equipment, and motor vehicle finance
Perpetual	Retirement, wealth and trustee services
Torchlight	Private equity
PGW	Cornerstone shareholder



Highlights and Strategy

Strategic direction

- Transform MARAC and Perpetual into a “banking”* group to meet the needs of New Zealand Families, Small to Medium-Sized Businesses, and the Rural Sector
- Generate a valuable fee income base in Torchlight Group
- Hold PGW shares and maximise value
- Manage down non-core activities



*Neither PGC, MARAC nor Perpetual is a registered bank. No merged entity will be a registered bank until it has been registered as such under the Reserve Bank of New Zealand Act 1989.

Highlights and Strategy

What has been delivered since the recapitalisation

PGC

- NPAT \$22.0m vs. PFI of \$20.9m

MARAC

- Refocused on quality earnings
- Growth in market share in Motor Vehicles
- GMAC acquisition and AA joint venture in insurance
- Standard & Poor's revised MARAC's outlook to BB+ 'Stable' (from 'Negative')
- Heartland strategy underway

Perpetual

- Focus on wealth management
- Torchlight fund closed at \$150m

PGW

- In line with PFI



MARAC[®]

Financial Year Overview

- **Quality of earnings**
- **Expansion of reach through alliances**
- **Development of valuable customer base to leverage under Heartland**

	Actual 2010 (NZ\$m)	PFI 2010 (NZ\$m)	Actual 2009 (NZ\$m)
Net interest income	59.1	53.6	59.6
Net operating income	69.1	61.0	65.6
Profit before impairments and tax	44.1	34.0	40.6
Impaired asset expense	23.8	14.4	13.3
Net profit after tax	14.3	13.7	19.1
Total Assets	1,294.6	1,250.6	1,412.8
Equity	206.5	201.6	153.0

* MARAC Finance Limited only (excludes MARAC Investments Limited, MARAC Insurance Limited, MARAC Securities Limited and MARAC Financial Services Limited.)

Consumer

Distribution relationships established to broaden reach to “Middle NZ”

- **Suzuki Finance and Insurance rolled out**
- **GMAC**
- **New Zealand Automobile Association (AA) relationship: motor vehicle loans and business loans**
- **Cross selling success with insurance joint venture with AA**



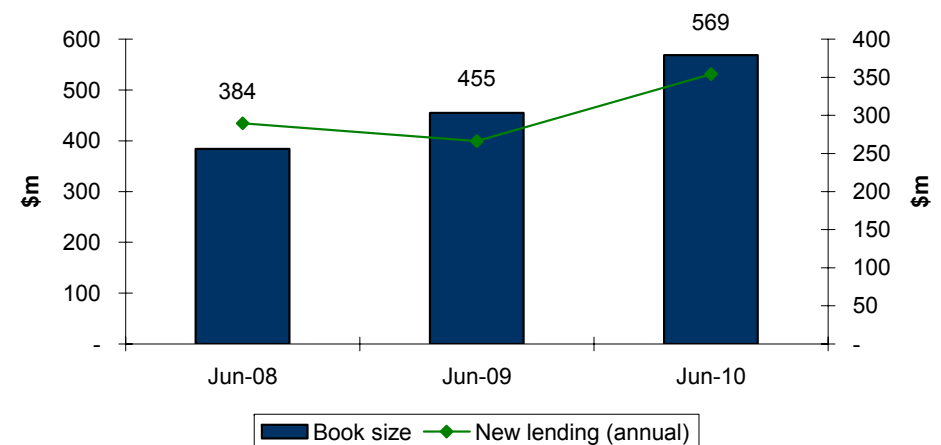
Consumer

Market share gains at the quality end of the motor market

- New loans up 33%
- Balance sheet growth up 25%
- Motor vehicle sales flat (changes of ownership up 1.2%)

Consumer NOI up 16% compared to PFI

- Balance sheet growth with resilient margins
- Profits on sale of lease vehicles



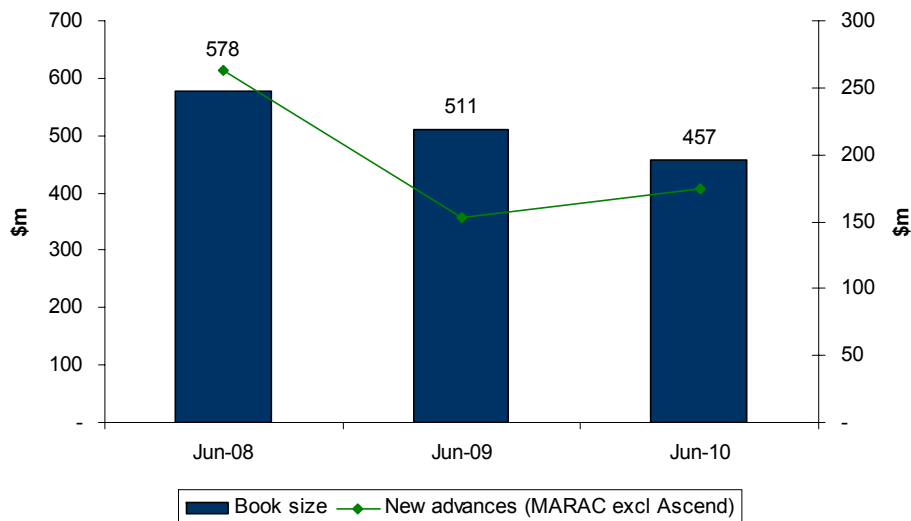
The book size above includes operating lease vehicles.

Commercial

New loans up 14% in a market that has shrunk by an estimated 20%

Receivables down 11%

- **SME's repaying and not replacing equipment**
- **Exited loans for risk and concentrations reasons**
- **Reduced margins available for larger lending**



Commercial

Solid underlying earnings

- NOI in line with PFI despite lower than budgeted receivables

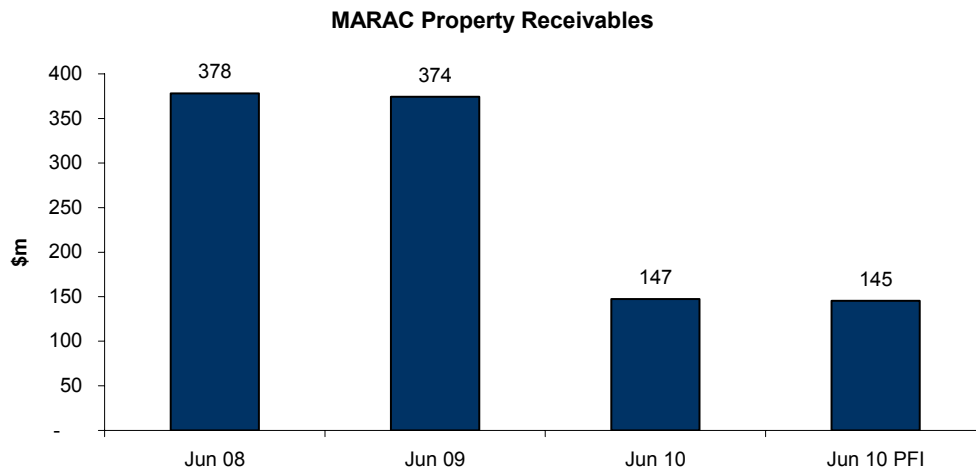
Future growth dependent upon

- Economic conditions
- Developing scalability in less than \$250k market
- Introduction of working capital products
- Leveraging AA relationship



Property

- Portfolio opening balance \$374m
- Transferred to RECL \$175m
- MARAC receivables as at 30 June 2010 \$147m
- Impairments higher than expected and pockets of risk remain



Funding

- **Strong liquidity levels**
 - As at balance date MARAC held \$282m of liquidity; approximately 34% of total retail deposits
- **Diversified book**
- **Market has demonstrated confidence in MARAC**
 - S & P's revised MARAC's outlook to BB+ 'Stable' (from 'Negative')
 - Strong governance
 - Profitable
 - Shareholder funds of \$206.5m
- **Extended Crown Guarantee will impact Cost of Funds but not liquidity**
- **Heartland strategy is compelling and aims to deliver enlarged funding and lower Cost of Funds**

Heartland

- **Merger evaluation process is well advanced**
- **Good progress has been made on legal structure**
- **Next stage is sign off by respective boards and stakeholder approvals later this year**



Business Plan

- **Consistent with MARAC's strategy to "shift from Product to Customer"**
- **Increased focus on Seasonal and Working Capital alongside traditional product offerings**



Financial Overview

- Re-positioning of Perpetual as a Retirement Planning and Wealth Management business
- Life cycle wealth management to Group (and ultimately Heartland) customers - expansion of advisory network (PPM) and professional trustee services
- Torchlight Investment Group – “Private Equity”; Research and Management in Alternative Assets; and Management of Special Investments
- Manages Real Estate Credit Limited (ex MARAC property book)

	Actual 2010 (NZ\$m)	PFI 2010 (NZ\$m)	Actual 2009 (NZ\$m)
Net operating income	32.6	25.3	16.2
Impaired asset expense	7.9	-	-
Other costs and expenses	18.7	17.8	11.4
Profit before tax	6.0	7.5	4.8
Total assets	142.1	126.4	4.0
Equity	14.5	7.2	1.6
Funds Under Management			
- Perpetual Porfolio Management and Perpetual Trust	279		256
- Torchlight Investment Group	315		-
Total Funds Under Management	594		256

Actual 2009 consists solely of Perpetual Trust Limited.



PGG Wrightson

- PGC owns 18.3% of farming services company PGG Wrightson
- Equity accounted earnings \$3.9m (including impact of Agria dilution loss \$0.4m)
- PGC participated fully in PGG Wrightson's capital raising last year – investing \$33m to help it strengthen its balance sheet
- EBITDA was \$70.5m and NPAT was \$23.3m
- This performance in line with PFI projections
- PGC is a committed cornerstone shareholder with the objective to maximise value



Financial Overview Sean Kam



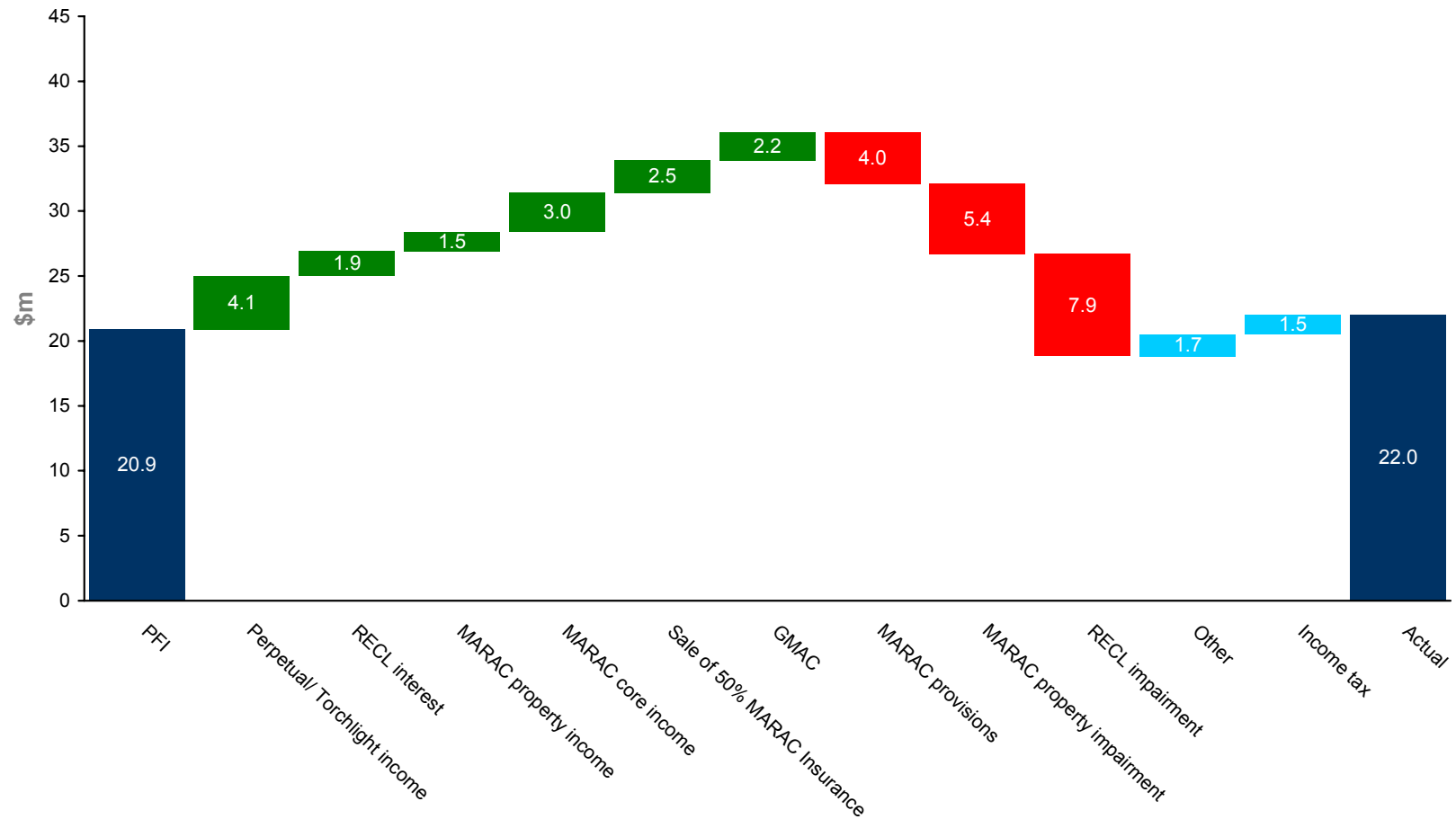
PGC Group June 2010 Overview

Consolidated results	Jun-10 Actual (NZ\$m)	Jun-10 PFI (1) (NZ\$m)	Jun-10 Variance (NZ\$m)	Jun-09 Actual (NZ\$m)
Net interest income	62.4	55.6	6.8	59.4
Net other operating income	42.9	32.8	10.1	24.3
Net operating income	105.3	88.4	16.9	83.7
Other expenses	50.2	49.9	0.3	43.2
Impaired asset expense	31.8	14.4	17.4	98.6
Operating profit / (loss)	23.3	24.1	(0.8)	(58.1)
Share of equity accounted investees' profit ⁽²⁾	4.4	4.0	0.4	(13.8)
Profit / (loss) before income tax	27.7	28.1	(0.4)	(71.9)
Income tax expense / (benefit)	5.7	7.2	(1.5)	(17.6)
Net profit for the year	22.0	20.9	1.1	(54.3)

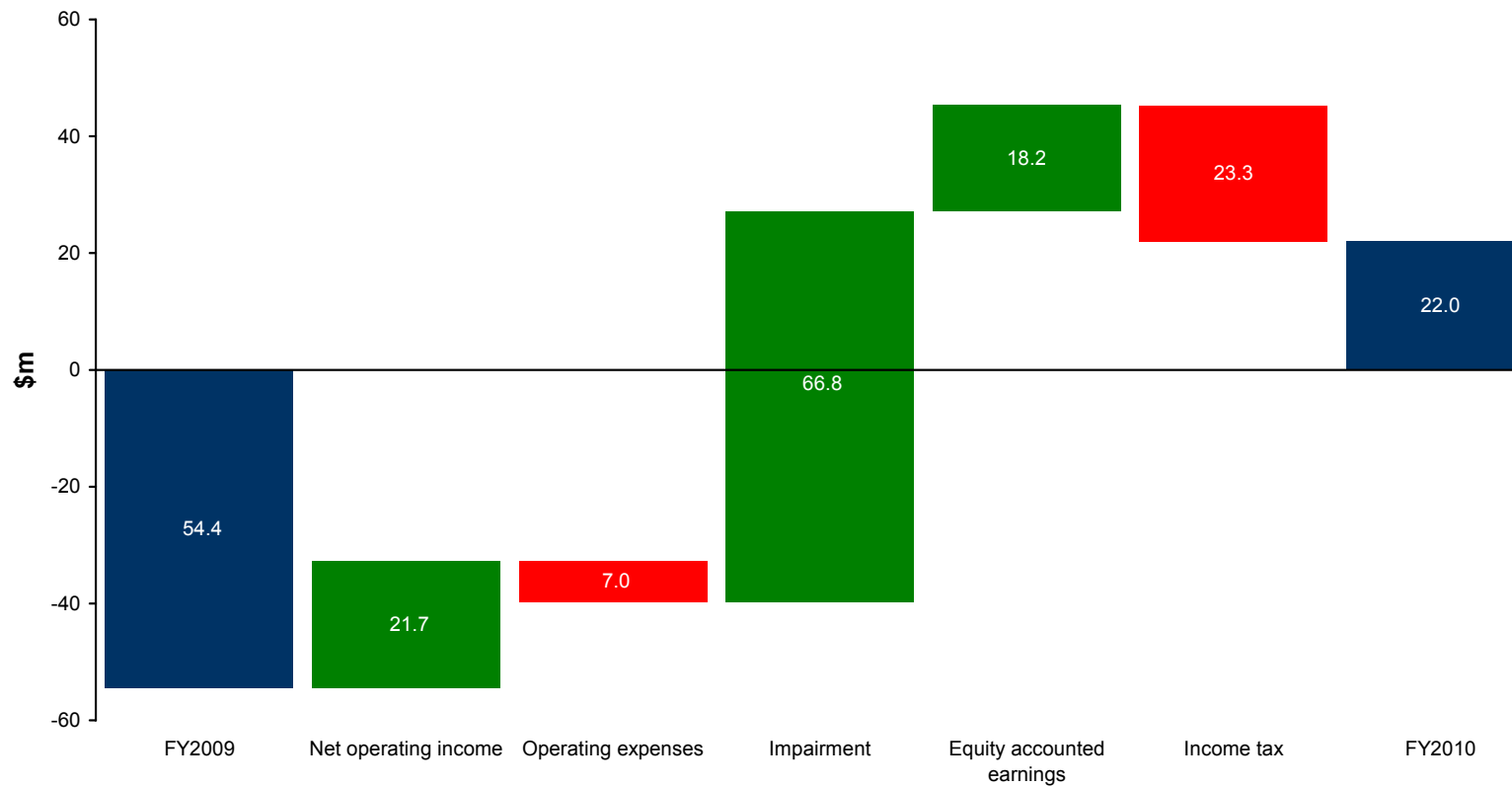
(1) Forecasts are subject to detailed assumptions, qualifications and risk factors set out in the Rights Issue Offer Document. Total forecast as per Offer Document adjusted for Agria dilution and PGW PFI announcement. The PFI has been restated as detailed in the Group Financial Statements in order to align it with the Statutory Financial Statement classifications, this has no impact on the prospective profit for the year.

(2) Actual excludes impact of Agria dilution of \$0.4m as the cost of dilution is included in other expenses. Includes the equity accounted earnings of the jointly controlled entity, MARAC JV Holdings Limited, and its subsidiary MARAC Insurance Limited.

2010 PFI to Actual 2010



PGC Group 2010 Actual to 2009 Actual



Divisional Earnings Breakdown

	Jun-10 Actual (NZ\$m)	Jun-10 PFI ⁽⁶⁾ (NZ\$m)	Jun-10 Variance (NZ\$m)	Jun-09 Actual (NZ\$m)
MARAC ⁽¹⁾	20.2	19.6	0.6	27.3
Perpetual Group ⁽²⁾	6.0	7.5	(1.5)	4.7
PGG Wrightson ⁽³⁾	3.9	4.0	(0.1)	(13.8)
Corporate & minor entities ⁽⁴⁾	(2.4)	(3.0)	0.1	(90.2)
Profit before tax ⁽⁵⁾	27.7	28.1	(0.8)	(72.0)
Income tax expense	5.7	7.2	(1.5)	(17.6)
Net profit after tax ⁽⁵⁾	22.0	20.9	1.1	(54.4)

(1) MARAC Finance Limited

(2) Perpetual Group includes Perpetual Trust, Perpetual Group Limited, Torchlight Investment Group Limited and all subsidiaries of these companies.

(3) Includes Agria dilution \$0.4m

(4) Corporate and minor entities includes Pyne Gould Corporation, MARAC Financial Services, MARAC Insurance, MARAC Investments and MARAC Securities. Includes the gain on sale of 50% of MARAC Insurance, the gain on sale of the building and the elimination of the loan note interest.

(5) Any difference between the value of the profit lines and the sum of the individual values is due to rounding.

(6) Forecasts are subject to detailed assumptions, qualifications and risk factors set out in the Rights Issue Offer Document. Forecast as per Offer Document adjusted for Agria dilution and the PGGW PFI announcement.

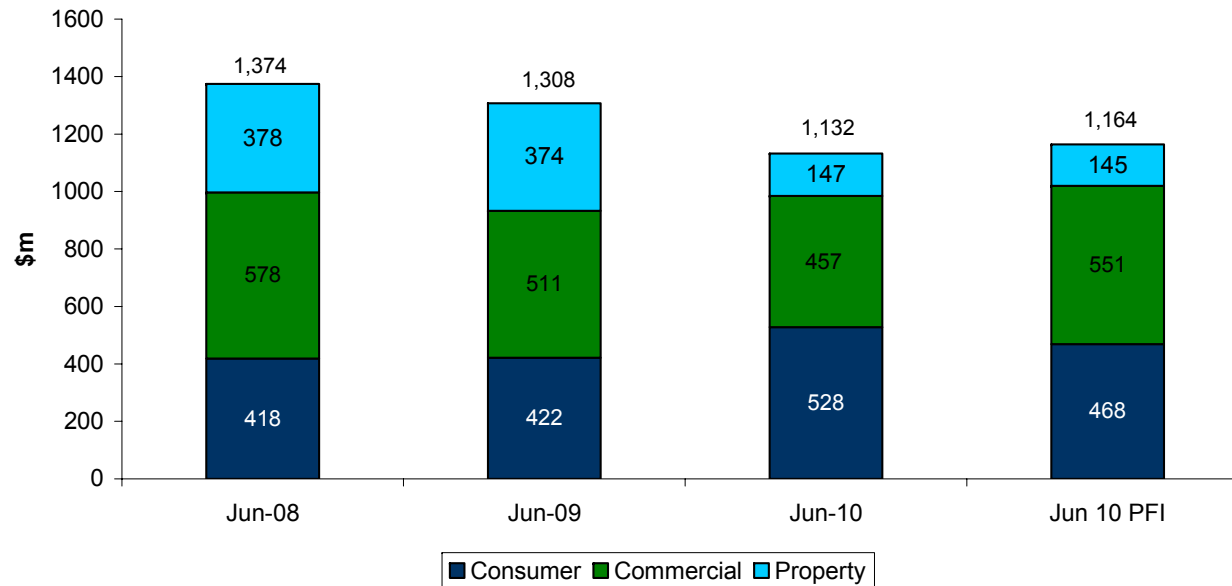
Consolidated Impairment Charge

	Jun 2010 Actual (NZ\$m)	Jun 2010 PFI (NZ\$m)	Jun 2010 Variance (NZ\$m)	Jun 2009 Actual (NZ\$m)
Consumer	2.3	5.2	(2.9)	5.2
Commercial	7.5	3.9	3.6	5.0
Property	10.7	5.3	5.4	3.1
Other	3.3	-	3.3	-
Total MARAC	23.8	14.4	9.4	13.3
Provision for interest ⁽²⁾	7.0	-	7.0	-
Provision for principal	0.9	-	0.9	-
Total RECL	7.9	-	7.9	-
Nissan Finance Limited	-	-	-	0.3
PGC Underwrite	0.1	-	0.1	85.0
Total Group	31.8	14.4	17.4	98.6

(1) Analysis is by operating division not industry segment.

(2) Provision relates to release of IFRS discount interest, not principal.

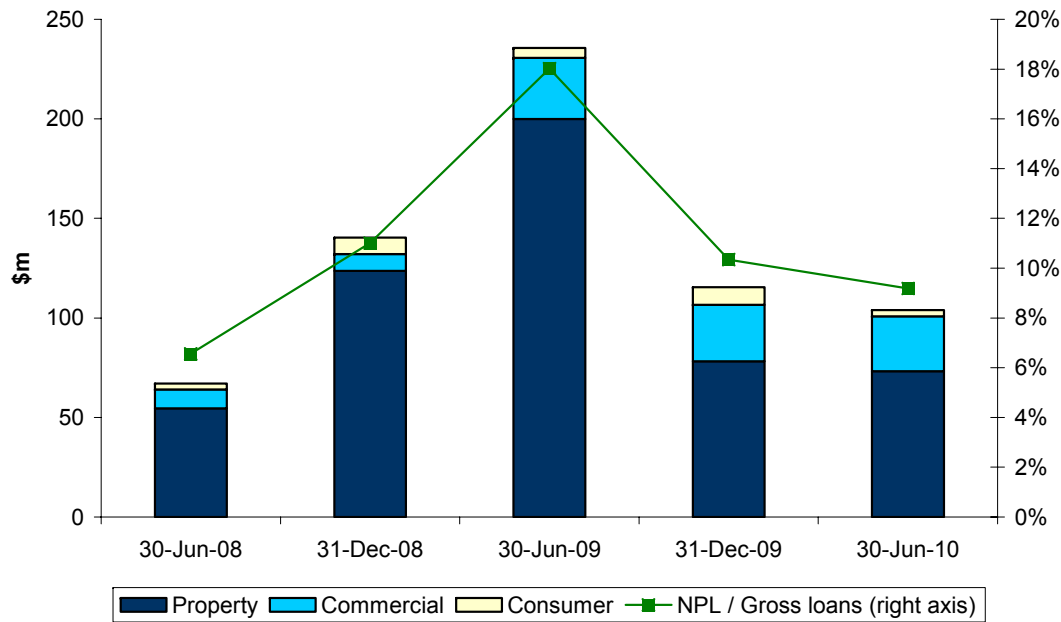
MARAC Gross Finance Receivables



* MARAC Finance Limited only (excludes MARAC Investments Limited, MARAC Insurance Limited, MARAC Securities Limited and MARAC Financial Services Limited). June 2008 includes Nissan Finance Limited. Finance receivables only, excludes operating lease vehicles.

MARAC Asset Quality

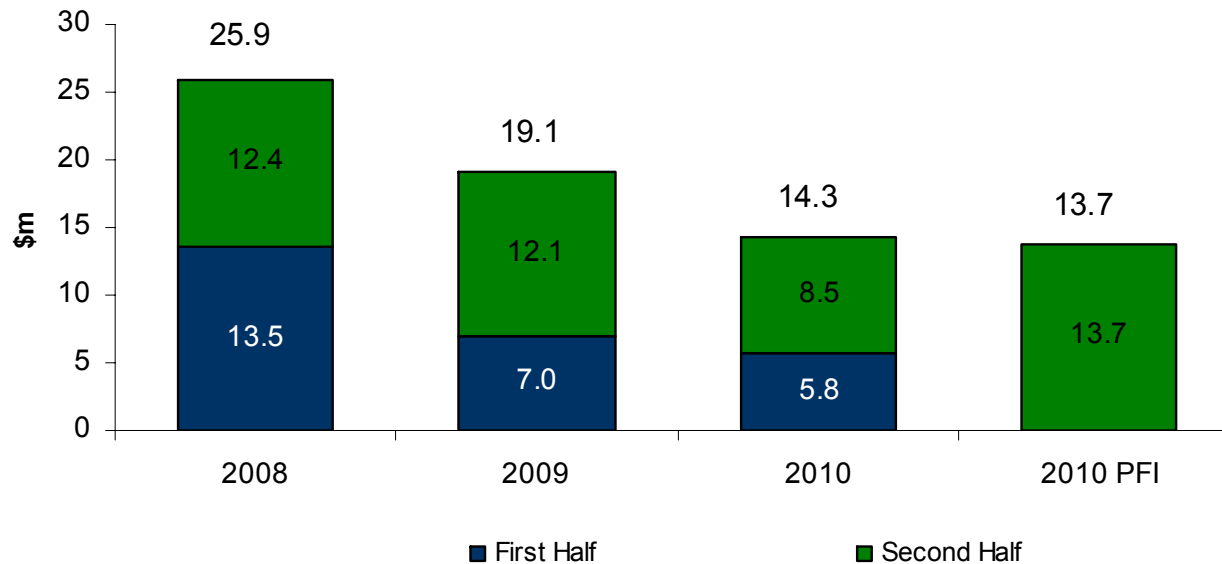
- Banks/Credit Agency measure asset quality by total specifically provisioned + arrears > 90 days



* MARAC Finance Limited only (excludes MARAC Investments Limited, MARAC Insurance Limited, MARAC Securities Limited and MARAC Financial Services Limited).

MARAC Net Profit After Tax

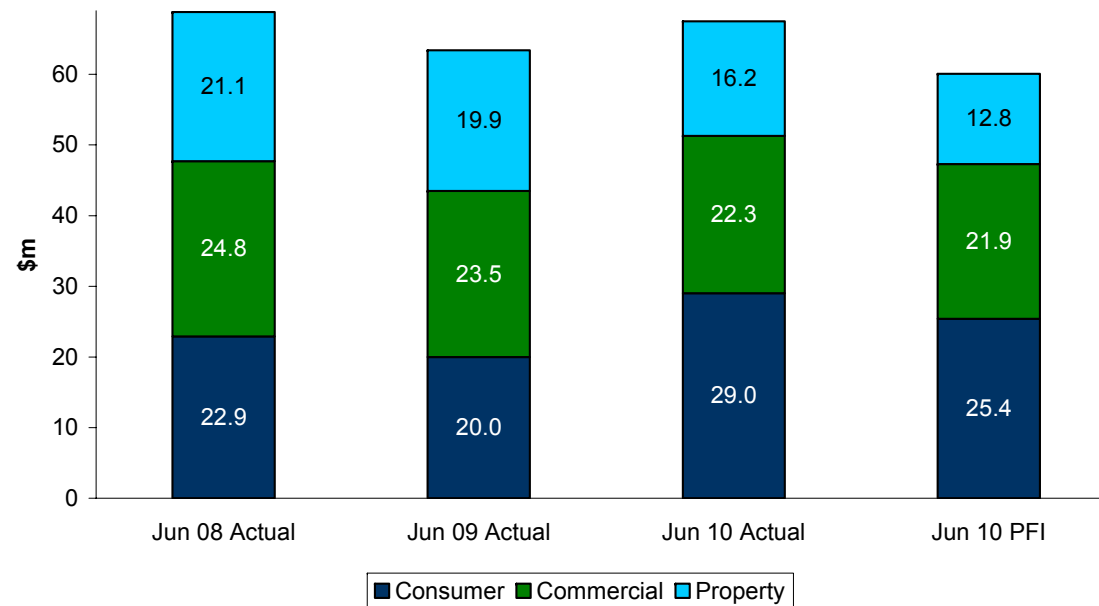
- Down on 2009 as expected
- Similar outcome to PFI



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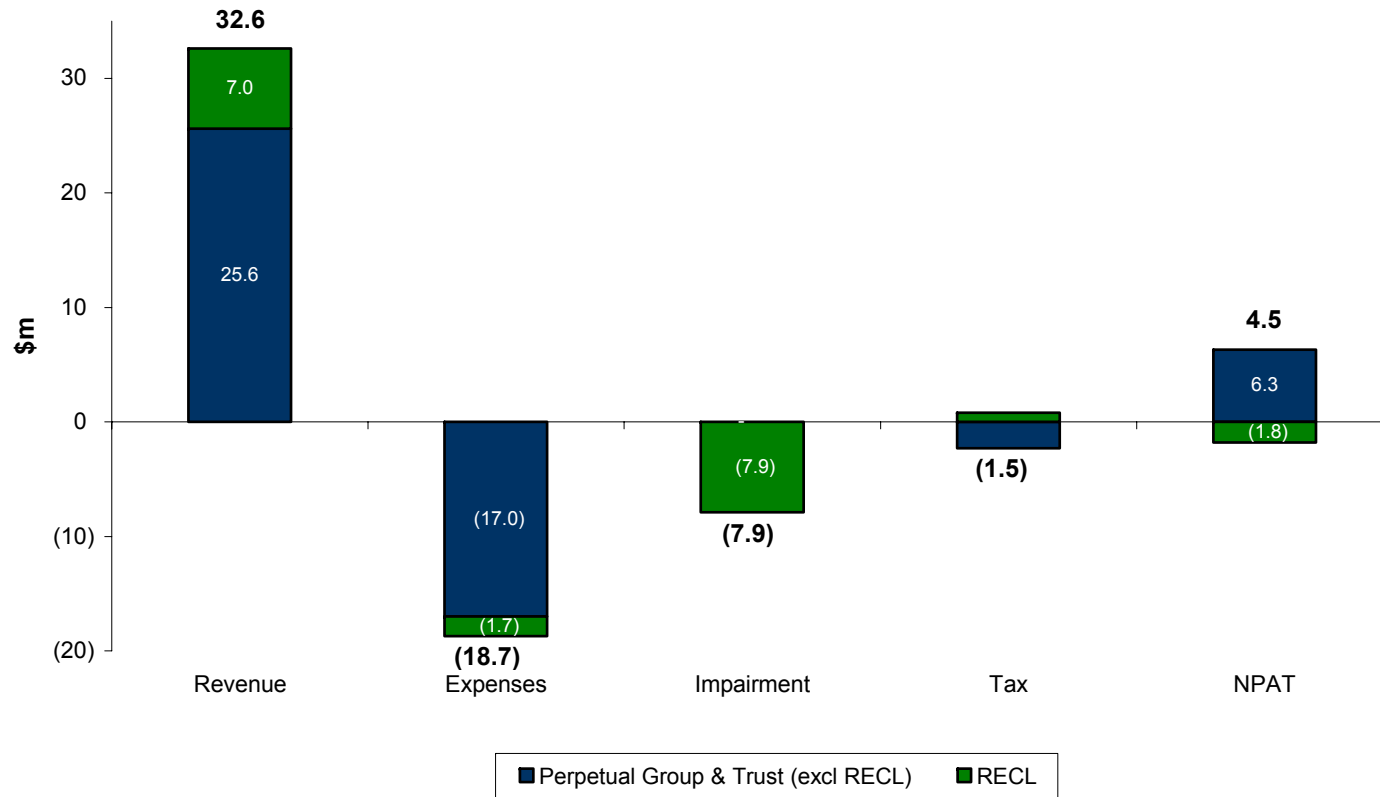
MARAC Net Operating Income

- NOI mix moving towards Vehicle and SME lending



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Perpetual Group



Real Estate Credit Limited

In the period from October 2009 to 30 June 2010 RECL:

- Enforced security and took direct ownership of 14 underlying property assets with a value of \$42m
- Restructured the operations of several trading assets
- Cash realised from asset disposal totalling \$10.9m from a variety of sales and recovery from guarantors
- Made significant progress on large construction projects
- Property on revenue account – no impact from new IFRS rules on depreciation

	2010 (NZ\$m)
Assets acquired from MARAC	175.0
Write down	85.0
Total acquired	90.0
Cash received	(10.9)
Interest income	7.0
Provision for interest	(7.0)
Provision for principal	(0.9)
Other	0.1
Total RECL assets	78.3
Consisting of	
Investment property	41.8
Finance receivables	36.5
Total RECL assets	78.3
RECL results summary	
Interest income	7.0
Provision for interest	(7.0)
Provision for principal	(0.9)
Other operating expenses	(1.7)
Profit before income tax	(2.6)
Income tax benefit	0.8
Net profit after tax	(1.8)

Balance Sheet

	PGC			MARAC		
	2010 (NZ\$m)	2009 (NZ\$m)	Mvmt (NZ\$m)	2010 (NZ\$m)	2009 (NZ\$m)	Mvmt (NZ\$m)
Total assets	1,561.3	1,468.0	93.3	1,294.6	1,412.8	(118.2)
Total liabilities	1,094.7	1,283.7	(189.0)	1,088.1	1,259.8	(171.7)
Total equity	466.6	184.3	282.3	206.5	153.0	53.5
Equity ratio	30%	13%		16%	11%	
Regulatory capital - NBDT	-	-		9.57%	-	
Net tangible assets	405.5	129.2		198.0	147.3	
NTA per share	\$ 0.52	\$ 1.32		-	-	

Outlook

MARAC

- **Committed to Heartland Strategy as pathway to Bank***
 - **Reduced COF and earnings growth**
- **Earnings benefit from transition of “Product to Customer”**
- **Costs increased by Extended Crown Guarantee and costs of merger but offset by Heartland benefits**
- **Finance industry pressure brings consolidation opportunities**
- **Reduced supply of credit to SME’s and Rural sector offers growth potential within prudential risk parameters**

*Neither PGC, MARAC, CBS, nor SCBS is a registered bank. No merged entity will be a registered bank until it has been registered as such under the Reserve Bank of New Zealand Act 1989.

Outlook

Perpetual

- Expansion of network, FUM and FUA
- Additional capability and integration with Bank strategy

Torchlight

- Positive acquisition
- Review whether “private equity” fits with strategic direction

2007
2008
2009
2010
2011
2012

Questions