

Outlook

APRIL – JUNE 2010

THE NEWSLETTER OF MARAC | COMMERCIAL EDITION

IN THIS ISSUE

MARAC's interim result

MARAC approved under extended Crown Guarantee

Keeping the aviation sector flying

MARAC and PGC board changes

MEET THE TEAM
Introducing Don Laurie



Invest in a MARAC Business Call Account today

Get the best of both worlds – enjoy convenient access to your funds while they earn an attractive interest rate.

Contact your local Financial Services Manager for more details. For an Investment Statement and current rates visit

www.marac.co.nz
or phone **0800 26 27 22**.

All deposits are secured by first ranking secured debenture stock, subject to prior permitted charges (currently none) and claims given priority by law. MARAC has a credit rating of **BB+** (**Outlook Negative**) from Standard & Poor's (S&P), a rating agency approved by the Reserve Bank. S&P's credit ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time. Further information about MARAC's credit rating can be found in MARAC's Investment Statement or by visiting www.marac.co.nz. Minimum investment \$1,000.

The first quarter of 2010 has already passed quickly. We have witnessed an increase in confidence in most regions around the country, with many businesses focusing on growth and a return to profitability.

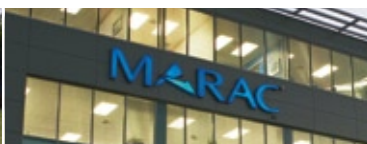
I recently attended the South Island Field Days, which had a very positive mood about them, with many farmers planning for future purchases. This bodes well for the second half of the year, as the primary sector drives provincial New Zealand.

Inside this *Outlook*, you can read about MARAC's aviation finance service, our financial performance for the six months to 31 December 2009 and we introduce you to two new board members. In our regular 'meet the team' feature we profile Don Laurie, our Financial Services Manager based in Nelson.

If you are looking at replacing any assets within your business or want to consolidate your existing borrowings, please contact one of our Financial Services Managers. They'll come and work with you to develop a tailored financial solution that will put your business on a sound financial footing – so you can take advantage of growth opportunities that lie ahead.

I hope you enjoy this edition of *Outlook* and if you have any queries, please feel free to contact me or one of our team. We're here to help.

Mike Fickling
Manager - Commercial Direct



MARAC

MARAC's interim result to 31 December 2009

I'd like to share with you MARAC's recently announced financial results for the six months ended 31 December 2009.

MARAC performed well, despite challenging market conditions, producing a net profit before tax of \$8.2m for the period.

Lending performance

Business lending to small and medium-sized businesses remained constrained due to market conditions. However, in the latter part of 2009, new lending began to increase, and as the economic situation continues to improve we'll be there to help businesses with their finance needs.

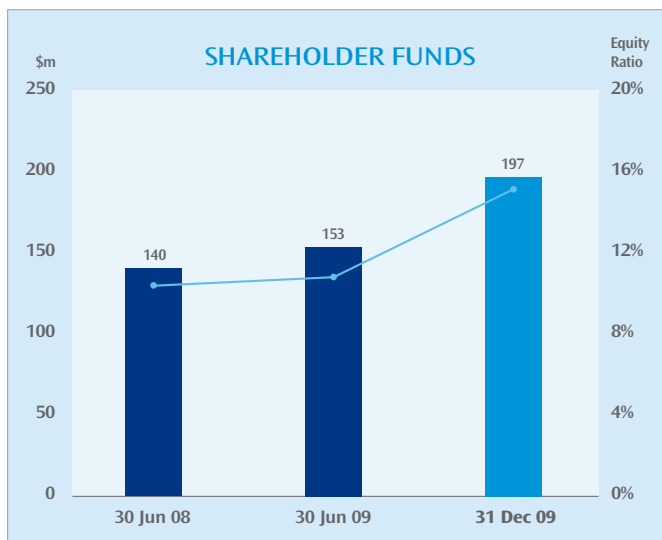
MARAC's consumer business, which lends on motor vehicles, continues to perform strongly and grow market share. Our focus remains on the middle tier section of the market – new and near-new cars.

We are still in the process of managing down our lending exposure in the property sector, and this is progressing slowly but smoothly. In the six months to 31 December 2009, MARAC's property loan book decreased, meaning risk in this area has been significantly reduced.

Looking to the future, MARAC's lending focus remains on the core areas of our business – consumer and business lending.

MARAC's balance sheet stronger than ever

A very positive aspect of the interim result is the strength of MARAC's balance sheet. During the period, MARAC's parent company Pyne Gould Corporation (PGC) invested \$35m in new capital, which was the platform for MARAC's total shareholder funds increasing from \$153m (10.8%) at 30 June 2009 to \$197m (15.2%) at 31 December 2009. Coupled with \$283m of liquidity at 31 December 2009, MARAC's balance sheet has never been stronger.



Pyne Gould Corporation's financial results

PGC also reported a solid financial result, achieving a net profit after tax of \$10.1m, 13% above budget. For the full year to June 2010, PGC expects to meet forecast net profit after tax of \$20.9m.

Looking to the future

MARAC remains focused on our ultimate goal of securing a banking licence, which will enable us to better serve New Zealanders and their businesses. To achieve our goal we will need to continue to focus on our core business and build further scale, and produce a consistent record of earnings. We also need to regain our investment grade credit rating. Our performance to 31 December 2009 indicates that we are well on track to achieve these goals.

Sean Kam

Chief Financial Officer

MARAC approved under extended Crown Guarantee

MARAC has a guarantee under the existing New Zealand Deposit Guarantee Scheme. On 11 March, MARAC obtained a guarantee under the extended New Zealand Deposit Guarantee Scheme. The extended scheme covers deposits by eligible investors from 12 October 2010 to 31 December 2011.

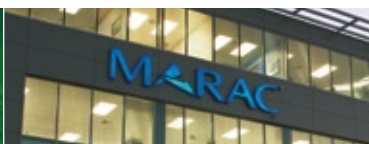
We are confident that MARAC has the strength to stand on its own. MARAC produced a solid net profit before tax of \$8.2m for the six months to 31 December 2009 and there has been a significant increase in shareholder funds to \$197m at

31 December 2009 (detailed in the article above).

Further information about the New Zealand Deposit Guarantee Scheme and the most recent audited statement of financial position of the Crown are available, free of charge, and at all reasonable times, on the internet site maintained by, or on behalf of, the Treasury at www.treasury.govt.nz.

Craig Stephen

Chief Investment Officer



Keeping the aviation sector flying



At MARAC, we're proud to offer a range of finance solutions to every business sector in New Zealand. Our Financial Services Managers have intimate knowledge of the industries within their region, so they can work in partnership with the business to tailor a loan that suits each business's needs. In this issue, we outline the aviation sector, and how we help keep them flying. The aviation sector is a sector that MARAC has been providing finance to for many years, and over that time we have developed sound experience and deep knowledge in this area.

A common misconception is that planes just take passengers from one airport to another. However, that's not the case. Fixed wing aircraft and helicopters provide many services, in some cases vital, in the agriculture, viticulture, rescue, construction, tourism, flight training, fire fighting, filming and leisure industries.

How MARAC provides specialist aviation finance

The value of an aircraft (generally represented in US dollars) fluctuates over its lifespan and is relative to the 'component time' left. More component time remaining means a higher overall value – and also allows the aircraft to fly with a 'certificate of airworthiness'. It's knowing and understanding these unique factors that allow us to assess the value of the asset when we are approving the loan.

Another aspect we pay particular attention to is making provision for maintenance of the aircraft over the course of the loan. This can involve setting up a separate maintenance account into which specified amounts are deposited, relative to usage.

Finance can be provided for aircraft purchases with terms of up to ten years. Aircraft are generally funded by specific term loans or revolving credit facilities, which enable operators to make lump sum reductions or redraws on the facility as they require. Seasonal payments are another option, depending on the cashflow of the business. MARAC can also provide working capital facilities to support general business requirements. In most cases for these options, the loan security is a business asset, namely the owned aircraft.

What our customers are saying

Dave Macmillan has dealt with MARAC for over five years and values the expertise MARAC representatives have in the aviation industry. "I've found them good to deal with," he says. "They are always ready to look at something a bit unusual and can get things sorted out for customers quite quickly."

Mark Paterson of Mainland Air Services 2010 Ltd agrees. When planning to purchase the business with its 14 aircraft last year, "the bank wouldn't help us at all, despite our long relationship with them," says Mark. "MARAC was the opposite. I found Greg Columbus to be very knowledgeable, helpful and patient. He has a good understanding of the industry and was terrific to deal with. Overall I'm very happy with MARAC and our dealings with them."

If you would like to talk to someone about aviation finance, call your local Financial Services Manager on 0800 520 009.

Mike Fickling

Manager - Commercial Direct

MARAC and PGC board changes

I am pleased to announce that the review of the boards of MARAC and PGC is now complete, and would like to introduce you to our new directors.

The composition of the MARAC board was considered carefully in this review, as we needed to set up a team of directors who would be able to lead MARAC in achieving our goal of becoming a registered bank. Our new board has the experience, skills and integrity that the Reserve Bank will be looking for when they consider our application.

Current MARAC directors Bruce Irvine (Chair), Bryan Mogridge and I are continuing on the MARAC board. Two new independent directors have also been appointed, John Harvey and Michelle Smith.

John Harvey has 35 years' financial services experience, including 23 years as a partner at PricewaterhouseCoopers. He was Managing Partner in Auckland for eight years and retired in June 2009 to concentrate on directorships.

Michelle Smith is a professional director who previously held senior positions with Goldman Sachs and Ernst & Young in London. She has extensive experience in banking, particularly risk management and transactional processing.

PGC's current directors Bruce Irvine (Chair), George Kerr, Bryan Mogridge and I (as the Managing Director of PGC) remain on the PGC board. George Gould has also recently been appointed to the PGC board as an independent director.

Jeff Greenslade
Chief Executive Officer

MEET THE TEAM

Introducing Don Laurie



Don has worked in MARAC's Nelson office since 2005 but has been in the finance industry for more than 21 years. Don's in-depth knowledge and vast experience in business finance have seen him help a wide range of local businesses over the years.

Don started his career in 1989 at UDC Finance, and in the following 15 years he held various roles, ranging from Finance Representative to Branch Manager.

Don set up as an independent broker in 2004 before joining MARAC in 2005. He is actively involved in local industry associations and sees this as an excellent way of keeping abreast of industry issues so he can provide better service to MARAC customers.

In his spare time, Don's interests revolve around his wife and two children, and he also enjoys golf, exercise and relaxing with a good book.

"I am committed to using my industry experience and local knowledge in assisting my customers. It's so important to work alongside people and businesses, to understand their different circumstances and needs. Finding the right finance solution is always rewarding – for me as well as my customers."



John Harvey



Michelle Smith

DIRECTORY

GENERAL ENQUIRIES

Freephone 0800 520 009
MARAC Direct 0800 85 30 30
Fax 09-927 9310
Email info@marac.co.nz
Website www.marac.co.nz

INVESTMENT ENQUIRIES

Freephone 0800 26 27 22
Fax 09-927 9321
Email invest@marac.co.nz

YOU'RE WELCOME TO VISIT THESE OFFICES FOR ANY ENQUIRIES

Auckland
MARAC House,
35 Teed Street,
Newmarket, Auckland 1023
PO Box 9919,
Newmarket, Auckland 1149

Christchurch
Pyne Gould Corporation Building,
233 Cambridge Terrace,
Christchurch 8013
PO Box 2693, Christchurch 8140

OTHER OFFICE LOCATIONS

Hamilton
PO Box 455, Waikato Mail Centre,
Hamilton 3240

Bay of Plenty
PO Box 11182, Palm Beach,
Tauranga 3151

Palmerston North
PO Box 613,
Palmerston North 4440

Hawke's Bay
PO Box 7088, Taradale,
Napier 4141

Wellington
PO Box 9941, Wellington 6141

Nelson
PO Box 3330, Richmond 7050

Otago/Southland
PO Box 217, Dunedin 9054

Every effort has been made to ensure the accuracy of this newsletter. It is provided on the basis that the items are necessarily generalised and are not a substitute for commercial judgement or professional advice.

Readers are urged:
1. to seek specific advice on any particular matter from a qualified professional person and
2. not to rely solely on this text.

MARAC's ultimate parent is Pyne Gould Corporation Limited. Pyne Gould Corporation Limited does not guarantee any securities offered by MARAC or the return payable thereon.