

Outlook

OCTOBER – DECEMBER 2010

THE NEWSLETTER OF MARAC | COMMERCIAL EDITION

IN THIS ISSUE

Heartland merger update

GMAC and Holden

Would your business benefit from an overdraft or better cash flow?

A positive annual result for MARAC

Introducing David Fair

Get quick access to your cash with MARAC invoice finance.

MARAC invoice finance allows you to harness up to 80% of the value of your invoiced sales within 24 hours of raising the invoice. By injecting cash back into your company, invoice finance can revitalise your cash flow, letting you pay your bills, cover ad-hoc costs, or invest in new plant or machinery. In fact, anything that helps you maintain your business.

For more information, please visit www.marac.co.nz/invoicefinance or contact your local Financial Services Manager today on **0800 520 009**.



Christchurch Cathedral, South Island

The recent earthquakes in Christchurch are a stark reminder of how events outside of our control can have a dramatic effect on our lives and businesses. Seeing the community spirit as everyone works together in a time of adversity is a reminder of what a great country we live in. If the Canterbury earthquakes have had any impact on your business, please do not hesitate to contact us and we will be happy to help in any way we can – whether with a payment holiday, a loan top-up or a working capital loan.

Inside this edition of *Outlook* you will find an article on MARAC's financial performance for the year ended 30 June 2010. We were very pleased to deliver a solid result in difficult economic conditions. With MARAC having record levels of shareholder funds, exposure to property lending more than halved and strong liquidity maintained, MARAC's balance sheet has never been stronger. This was further endorsed by Standard & Poor's, who improved the outlook on MARAC's credit rating to "stable" from "negative" while affirming our BB+ rating on 11 August 2010.

One of MARAC's key strategies over the past year has been to expand our distribution networks. On page 2 you can read about MARAC's acquisition of GMAC NZ's retail motor vehicle financing book, as well as securing the rights to promote Holden Financial Services. There is also an update on our proposed merger with CBS Canterbury and Southern Cross Building Society to provide banking¹ and financial services to Heartland New Zealand.

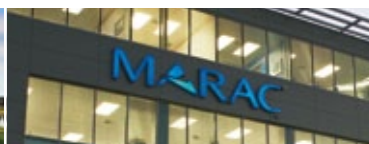
We have also outlined MARAC's working capital products; see page 3 for further details. It is critical for all small and medium enterprises to have adequate working capital to meet their business needs, so I encourage you to look at the options and make sure you have the best solution for your business.

If you have any questions about your loan, or anything in this *Outlook*, please contact me or a Financial Services Manager in your region. We're here to help.

Thank you for your continued support as a MARAC customer.

Mike Fickling
Manager – Commercial

¹ None of CBS, SCBS, PGC and MARAC are currently a registered bank, and any merged group or entity will not be a registered bank until it is registered under the Reserve Bank of New Zealand Act 1989.



MARAC

Boards committed to proceed with proposed merger

On 1 June 2010, our parent company, Pyne Gould Corporation Limited (PGC), announced plans to merge MARAC with CBS Canterbury (CBS) and Southern Cross Building Society (SCBS), with the aim of creating a New Zealand listed banking and financial services group to service Heartland New Zealand customers¹. On 16 September, the boards of all parties formally committed to proceed with the merger, and a binding Merger Implementation Agreement (MIA) was signed.

Benefits of the merger

We strongly believe that there is a niche that the merged group can fill in our target market which is currently under-served – the banking market for SMEs, rural businesses and New Zealand individuals and families. At MARAC we are delighted to be part of a project that will allow us to help even more New Zealand businesses to thrive.

The merger will increase the scale of our operations, with combined assets of approximately \$2.3b. This provides a platform for increased market presence and credibility. We strongly believe that this is the best way forward for our respective businesses.

The MIA represents the first step towards the merged group's operating business seeking a banking licence.

New merged structure

It is anticipated that the merged group will comprise a non-operating company, Building Society Holdings Limited², which it is intended will apply to NZX Limited for permission to be listed on the NZSX³. The operating businesses of CBS, SCBS, MARAC and MARAC Insurance will be held in operating subsidiaries of this company. The merger share proportions will be PGC 71%, CBS 14.5% and SCBS 14.5%.

Next steps

The implementation of the merger will involve a number of processes under the Building Societies Act and the Companies Act. An application will be made to the High Court in respect of a Scheme of Arrangement.

That will be followed by special meetings of the entities' stakeholders to enable the Scheme of Arrangement (and other implementation processes) to be put into effect.

Subject to all relevant regulatory and stakeholder approvals and satisfaction of other conditions, the target date for the merger taking effect is 1 January 2011, with quotation of the shares in the non-operating company of the merged group on the NZSX planned to follow in early February.

Business as usual

The integration of the businesses will be phased in over time so as to ensure there will be no disruption to the merging entities' front line operations. When the merger takes effect, it is intended that existing brands will continue to be used. The integration process will be overseen by the new board and a project team.

I look forward to bringing you more news on this important proposal as it progresses.

Jeff Greenslade

Chief Executive Officer

¹ None of CBS, SCBS, PGC and MARAC is currently a registered bank, and any merged group or entity will not be a registered bank until it is registered under the Reserve Bank of New Zealand Act 1989.

² Building Society Holdings Limited is a working title pending a formal branding process.

³ It is intended that application will be made to NZX Limited for permission to list the shares issued in the merged group on the NZSX, although the shares have not been approved for trading on a securities market operated by a registered exchange (and no application for such listing has been made) as at the date of this announcement. NZX Limited accepts no responsibility for any statement in this announcement. NZX Limited is a registered exchange regulated under the Securities Markets Act 1988.



GMAC and Holden

I am pleased to report two exciting new developments in MARAC's consumer finance division, which will further strengthen our distribution networks and significantly expand our market share and presence in the motor vehicle sector.

Purchase of GMAC finance book

On 30 July 2010, MARAC purchased the retail motor vehicle finance book of GMAC NZ. This acquisition is a clear fit with our core business and strategic direction, and will allow us greater access to our target market of Heartland New Zealanders.

MARAC is very pleased to welcome GMAC's customers, and the motor vehicle dealers through which their finance was arranged, into our business.

Exclusive rights to promote Holden Financial Services

With effect from 31 May 2010, MARAC also secured the exclusive

rights to offer finance under the Holden New Zealand brand. This partnership builds on our acquisition of GMAC, which was the previous provider of Holden branded financial services. Holden is New Zealand's third-largest motor vehicle distributor, with 33 dealers nationwide. The agreement will give MARAC a significant opportunity to increase our share of the vehicle finance market.

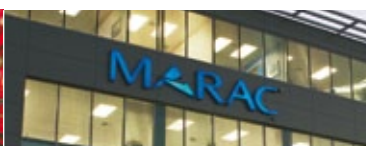
These new developments further enhance MARAC's role as the market leader in providing finance for quality new and near-new vehicles. For further information on our GMAC acquisition or the Holden announcement, please visit the "News" section on our website www.marac.co.nz.

Chris Flood

General Manager – Consumer



HOLDEN
Financial Services



Would your business benefit from an overdraft or better cash flow?

At MARAC, we know how important it is for businesses, especially SMEs, to have access to adequate working capital. This will become even more important as the economy starts to grow again, with businesses needing to leverage off cash flow to meet higher costs or take on new opportunities as they present themselves.

If your business needs better working capital access now or in the future, MARAC offers two working capital solutions.

How a MARAC overdraft could help your business

A MARAC overdraft facility can provide you with the ability to better manage your cash flow by providing easy, fast access to funds when your business requires them. It's quick and easy to set up a MARAC overdraft facility.

Here's how it works

- You discuss your business overdraft facility with your local MARAC Financial Services Manager¹.
- Once approved², the overdraft limit is established to cater for your cash flow requirements.
- MARAC's overdraft facility is an interest-only facility so there is no fixed repayment amount.
- You can access your overdraft through our convenient online system.
- Interest is paid on credit balances.
- Your overdraft facility is secured against your business assets.

How is interest calculated?

Interest is calculated on the daily outstanding balance of the facility, and is charged to the account monthly (on the last business day).

About our online system

With MARAC's online system, you can view your account balance, transactions, current interest rates, transfer funds between your MARAC accounts and nominated bank accounts, and set up automatic payments – 24 hours a day, seven days a week from anywhere in the world.

How a MARAC overdraft differs from a bank overdraft facility

- MARAC is a specialist funder of New Zealand businesses. We take the time to really get to know you, with the aim of being a long-term partner in your success and growth.
- The facility is completely internet-based so a cheque book isn't needed.
- The facility complements your existing banking arrangements – there's no need to change banks for transactional services.
- Your business assets are generally the security.

Get up to 80% of your invoiced sales MARAC with Invoice Finance

MARAC Invoice Finance allows you to harness up to 80% of the value of your invoiced sales within 24 hours of raising the invoice.

By injecting cash back into your company, invoice finance may revitalise your cash flow. Letting you pay your bills, cover ad-hoc costs, or invest in new plant or machinery. In fact, anything that helps you maintain your business.



How MARAC Invoice Finance works

1. You invoice your customers as usual.
2. You send us details of your invoices and credit notes electronically.
3. Once approved², we deposit the funds you've requested overnight into your bank account and you use the money as normal.

What security is required?

A MARAC Invoice Finance facility is usually secured against your debtors' ledger. Generally, there is no need to provide property security.

What does it cost?

There are two costs involved in Invoice Finance: an interest rate and an administration charge. The administration charge is our fee for keeping your ledger balanced with our ledger. This is either a percentage of invoicing or a flat monthly fee. Interest is calculated daily based on funds in use, the same as a bank overdraft.

How MARAC Invoice Finance differs from other products

- The limit increases in line with your sales.
- It is totally confidential – your debtors will never know that MARAC is involved.
- The seamless administration process uses our online systems.

How else could MARAC help?

MARAC also provides a full range of other lending products to support your business, such as:

- term loan funding against fixed assets
- vehicle finance and leasing.

For more information about any of the products above, please contact your local MARAC Financial Services Manager on 0800 520 009 and they'll come and meet with you to discuss your business's needs. You can also visit our website www.marac.co.nz.

Mike Fickling

Manager – Commercial

¹ Subject to lending and credit criteria.

² Terms and Conditions may apply.

A solid annual result for MARAC

MARAC produced a positive result for the year ended 30 June 2010. Our net profit after tax was \$14.3m – a solid result given the economic climate. I'd like to share with you some highlights from our recently issued annual report.

- MARAC's shareholder's funds (equity) increased 35% to \$206.5m at 30 June 2010 from \$153.0m at 30 June 2009.
- Liquidity was \$282m at 30 June 2010.
- MARAC's property book reduced by 60% during the year. This improves the quality of MARAC's earnings and considerably reduces property exposure risk in our balance sheet.

Commercial division holds steady

MARAC's commercial finance division loan book reduced to \$457m, mainly due to an overall reduction in the number of SMEs seeking finance in the tighter economic market. It has however maintained its share of the market and is well placed to grow as business confidence improves.

Consumer division performs strongly

MARAC's consumer (personal) finance division recorded net operating income of \$29m, up from \$20m in the previous financial year. While the total market has contracted, we increased our market share as a result of strong market positioning, through the acquisition of GMAC NZ's retail motor vehicle finance book (see page 2), our joint venture with The New Zealand Automobile Association (AA), and entry into a number of new distribution agreements. Our recent partnership with Holden New Zealand will also create new business opportunities.

Investor support allows us to support you

The mainstay of MARAC's funding continues to be our retail debenture programme. Strong levels of new funding and reinvestments

have enabled us to continue our focus on supporting New Zealanders and their businesses with finance. MARAC held \$829m of retail funds as at 30 June 2010.

Credit rating outlook improvement is more good news

We are delighted to report that since the end of the financial year, international credit rating agency Standard & Poor's has improved MARAC's outlook rating from "negative" to "stable" and has confirmed our credit rating as BB+. This is in recognition of the substantial progress made within MARAC's business over the last 12 months and reflects improving asset quality, strong liquidity, a robust balance sheet and capital base, and MARAC's good market position.

A further endorsement of MARAC's strategy and progress was provided by Standard & Poor's on 17 September 2010 when they placed MARAC on "CreditWatch Positive". This bodes well for our merger plans, which are detailed on page 2.

Our full 2010 annual report can be viewed online at www.marac.co.nz, or call us on 0800 520 009 and we will be happy to send you a copy.

Sean Kam
Chief Financial Officer

Note: All the figures stated above, including the statement of amount of shareholder's funds, have been taken from MARAC's most recent audited statement of financial position as at 30 June 2010. MARAC's financial statements are audited by KPMG. Pyne Gould Corporation Limited does not guarantee any securities offered by MARAC or the return.



DIRECTORY

ENQUIRIES

Freephone 0800 520 009
Fax 09 927 9312
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.

MEET THE TEAM

Introducing David Fair



David's 30 years in finance began with CBA Bank in 1978. He then moved on to Westpac in various roles, including Rural Branch Manager. 1995 saw David working at AGC Finance as an Account Manager for the dealer division – a role that gradually evolved into looking after the commercial portfolio as well. A four-year stint at Gough Finance followed, before David's move to MARAC. David's finance roles have given him a broad spread of experience in working with many industries, including agriculture, earthmoving, aviation, engineering, transport, construction and forestry. In his spare time David focuses on spending time with his three children.

Motorcycling is another passion – both on-road and trackdays on his TL1000 Suzuki – as well as classic American Musclecars. He is the proud owner of a 1971 Plymouth GTX, which he says doesn't get as much use as it should.

"Personal relationships count. Getting to know our customers and understanding their business and goals are important. We can then work with them to help achieve growth and success."

David Fair