

Geneva Finance Ltd.

Counterparty Credit Rating

CCC/Negative/—

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Rationale

The rating on Geneva Finance Ltd. (Geneva) is moderated by the company's small market position; poor asset quality, particularly with the old ledger, which is still susceptible to further deterioration; and small absolute-sized capital base. The rating also incorporates Geneva's limited financial flexibility in current market conditions. Supporting the rating is the potential for Geneva's earnings to improve with the implementation of its new conservative business model. Geneva is a New Zealand-based finance company that commenced operations in late 2002.

In October 2007, Geneva defaulted on debenture redemptions, which were subsequently frozen. A moratorium proposal was accepted in November 2007, before debenture holders and subordinated noteholders accepted a recapitalization proposal in April 2008, which resulted in approximately half their investments being converted into ordinary equity. Geneva also retained banker support with the renewal of a NZ\$35 million 3-year term facility with BOSI International Australia Ltd. (BOSI; A+/Stable/A-1). While this facility has been retained until April 2011, it remains subject to the company meeting necessary covenants. However, to date BOSI has been very supportive of its relationship with Geneva, and Geneva has continued to meet its debt obligations (about NZ\$54.6 million of principal and interest repayments from May 2008 to March 2009) under the recapitalization agreement.

Outlook

The outlook is negative, reflecting uncertainty about Geneva's liquidity and asset quality positions. The rating may be lowered if there is a substantial weakening in Geneva's asset quality such that it impacts capital materially, and if the liquidity position deteriorates. Downward pressure on the rating may also intensify if Geneva's facility with BOSI is not retained.

The rating could improve if Geneva's liquidity position improves materially, and Standard & Poor's Ratings Services becomes confident of the company's ability to meet its debt

obligations for at least the next 12 months. Equally important for a higher rating is a significant improvement in Geneva's asset quality position, and continued support from bankers.

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