

Geneva Finance Limited - NZAX Release
10th March 2011

Proposal:

The board of Geneva Finance, have resolved to convene a meeting of subordinated note holders on the 31st March 2011, to consider a proposal to convert their subordinated notes to Equity in Geneva Finance Limited.

This meeting will involve approximately 75 subordinated noteholders who in total hold \$4.4m of subordinated notes. The company today has written to each of the subordinated noteholders providing a full explanation of the proposal.

Under the proposal, the proposed issue price is 5.00 cents per ordinary share, which represents a 14% discount on the four month average traded share price of 5.81 cents per share and a 70.8% discount on the Net Asset backing per share as per the 30th September 2010 audited accounts of 17.1 cps.

In recognition of the dilutionary effect this proposal will have on other shareholders the board have resolved to offer all debenture holders the opportunity to voluntary convert their proposed 31st March 2015 scheduled principal repayment to ordinary shares in Geneva Finance at the rate of 5.00 cents per share. The 31st March 2015 schedule debenture principal repayment totals \$ 4.9m.

Both these resolutions will be subject to approval of shareholders at a meeting to be held on 31st March 2011, directly following the conclusion of the subordinated noteholders meeting as above. In addition the shareholders will also consider a third resolution regarding the restructuring of the company aimed at improving the transparency of the performance of each of the company's operating business segments.

Reason for this Proposal:

This action has been taken by the board for two reasons; Firstly the introduction of the Reserve Bank capital adequacy ratio on 1st December 2010, which places a heavier capital adequacy requirement on property (Geneva owns the head office building) puts the Company within the 8.00% - 10.00% capital adequacy guideline. The second component is as has been advised previously in the last two AGM's and the March 2010 Interest Bearing Repayment Plan meeting, namely that the bad loans which the Company made prior to April 2008 have proved more difficult to collect than the board had envisaged. This difficulty has been compounded by the continued effect of the recession and unemployment of the people who at that time comprised the major portion of our borrowers. As a consequence, the new business model, though profitable, is not yet able to carry all the costs associated with exiting the old business model and still deliver a profit. Hence, if we are unable to get new equity, there is a risk further trading losses will result in the Company falling below the 8.00% Reserve Bank minimum capital adequacy level.

Benefits of the Proposal:

Geneva's new business finance model is well established. This business segment, together with the insurance operation, is operating in a profitable market sector. We have the key staff and processes in place and have grown the new business receivables balance to a level where the related operating costs are able to be absorbed and this operation is generating a profit.

A successful outcome from the above meetings will:

- (1) Significantly enhance the equity position of company, putting it above the 10.00% Reserve Bank Guideline, and substantially achieve one of the key assumptions / objectives as set out in the March 10 Interest Bearing Repayment Plan as approved by investors: i.e. To raise new equity of \$5.0m.
- (2) Improve trading performance by further reducing interest cost to supplement other improvements made in the business over the last 12 months: These include:
 - (a) The repositioning the target customer base to a higher affordability, lower risk profile.
 - (b) The rollout of the internet based, on line credit application and credit scoring systems to introducers and the development of improved, sustainable distribution channels for its products.
 - (c) The Company's continued focus on cost reduction has delivered operating cost savings of \$2.1m (29%) in the six months to 30 September 2010 as compared to the equivalent period last year. These savings now total \$21.0m per annum compared to operating costs as at October 2007.
- (3) Improve transparency in respect of the company's financial performance: The Company's operations have been segregated into four business segments. They are: the "New business model", "Insurance", "Property" (Geneva's Mt Wellington head office is the only property directly owned by the Group) and the "old business model assets". On a segment basis the first three segments have been profitable in the six months to 30 September 2010, the losses incurred to date being attributable to the holding costs associated with exiting the "old business model assets"
- (4) Offer liquidity to those investors who choose not to wait until March 2014 (Subordinated noteholders); March 2015 (Subordinated note holders and debenture holders); and April 2015 (Subordinated noteholders) being the respective maturity dates of their investments.
- (5) Enhance the security position of all stakeholders in the company including all shareholders, subordinated noteholders, and debenture holders.

Full documentation is available on both the NZAX and the Company's web site.