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Dear subordinated noteholder

Enclosed with this letter are:

- a Notice of Meeting and proxy form;
- a Simplified Disclosure Prospectus;
- a report from Northington Partners Limited; and
- a letter from Covenant Trustee Company Limited.

These documents describe a proposal for subordinated noteholders to exchange their subordinated notes for shares in Geneva Finance. The proposal will be put as an extraordinary resolution at a meeting of subordinated noteholders to be held on **31 March 2011.**

If the extraordinary resolution is passed, all subordinated notes will be exchanged for shares in Geneva Finance at the rate of 20,000 shares for each $1,000 of outstanding principal amount of subordinated notes. This conversion rate is based on an issue price of the shares of 5 cents per share.

(1) Background to the proposal:

(a) November 2007 – April 2008

As you are no doubt aware Geneva entered a six month moratorium in November 2007 (to 30 April 2008), when the overwhelming majority of subordinated noteholders voted in favour of the moratorium as opposed to winding the Company down and/or the appointment of a receiver. In the period to 30 April 2008, subordinated noteholders received all their interest, monthly at an average rate of 13.25%.

(b) April 2008 – March 2010

On 1 May 2008 a proposal was put to subordinated noteholders to convert 55% of their subordinated notes to equity at a price of 36.492 cents per share. At that time, the Company commissioned Northington Partners to prepare an independent report on the prospects for subordinated noteholders in the event subordinated noteholders voted against the proposal and the business was wound up. In their report Northington Partners concluded that in the event Geneva was wound up subordinated noteholders would be unlikely to receive any further payments. In the subsequent two years subordinated noteholders received all their interest (on the 45% of their subordinated notes that did not convert to equity), each month at an average rate of 13.25%.

(c) April 2010 – March 2011

During the latter part of 2009, it became apparent that the finance markets were not normalising as quickly as might have been expected post the world wide recession and there was a real risk that Geneva would be unable to refinance (or extend) the Company's $35.0m banking facility maturing on 30 April 2011. This situation was compounded further when the owners of the Company's bankers (BOSIAL) indicated that they would exit the non bank finance sector. The Board dealt with this situation proactively and negotiated an arrangement with its bankers whereby this facility was to be paid down progressively in half yearly instalments with the final instalment being paid on 31 March 2015. One of the consequences of this arrangement was that subordinated noteholders were asked to extend the term of their investment beyond the then current maturity date to 30 April 2015.

As above, the Trustee commissioned Northington Partners to prepare an independent report on the prospects for subordinated noteholders in the event subordinated noteholders voted against the proposal and the business was wound up. In their report Northington Partners concluded:

- In the event Geneva was wound up subordinated noteholders would be unlikely to receive any further payments.
- Two key assumptions in the proposal put to investors were (in Northington's opinion) high risk. That is, they expressed the view that it would be difficult to attract new equity and/or new debt.
- The report then went on to suggest that should subordinated noteholders vote in favour of the proposal and the Company was unable to attract new equity and/or debt, it was probable that subordinated noteholders would preserve the possibility of realising some value from both the subordinated notes (interest in the interim and principal on maturity) and the shares issued as part of the Capital Reconstruction Proposal.

In the period from 1 April 2010 through to the date of this report subordinated noteholders have received all their interest (on the 45% of their subordinated notes that did not convert to equity) monthly at an average rate of 13.25%. Under this proposal subordinated noteholders will receive their interest payments up to and including 31 March 2011.

(d) Total payments to subordinated noteholders to 31 March 2011:

Per	**$ 1,000.00**	**Invested at 31 Oct 2007**						
Ave Int Rate	13.25%		Interest	Shares Issued	4 mth Aver Price cps	Value of Shares		Total Payments
31-Oct-07	30-Apr-08		66.07	1,489				66.07
1-May-08	31-Mar-10		114.19					114.19
1-Apr-10	31-Mar-11		59.46					59.46
Market Value of shares as at		28-Feb-11			5.81	86.50	*	86.50
			239.72			86.50		326.22

* Value of Shares is 1,489 shares issued in Apr 08 valued at Feb 2011, 4 mth average market price.

As this table shows, the total payments to subordinated noteholders per $1,000 of subordinated notes held at 31 October 2007 comprises $239.72 of interest plus ordinary shares in Geneva Finance Limited with a current market value of $86.50 (based on 5.81cents per share), totalling $326.22 (ie an amount equal to 32.6% of principal has been paid) as compared to the expected outcome of nil had they voted against the 31 October 2007 moratorium proposal.

(2) Trading performance to 30 September 2010:

The audited after tax financial result for the six months to 30 September 2010, was a loss of $0.9m vs a loss of $2.6m in 2009. The March 2010 Interest Bearing Repayment Plan forecast a loss of $0.6m for the period to 30 September 2010. Against this forecast we have delivered a loss of $0.9m. As explained below, this shortfall relates to costs associated with exiting the "old business model assets".

(a) Segment 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". The Company intends to formally implement this restructure, which will assist in improving the transparency of reporting operating performance in future reporting periods.

(b) Ongoing improvement in operations:

A number of significant operational milestones have also been achieved, most notably, improvements in the "new business model" including the repositioning the target customer base to a higher affordability, lower risk profile, 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. 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.

(c) The "new business model"

The new business model is well established. This business segment 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. We have also implemented further improvements with the consolidation of sustainable distribution channels for our products, and the upgrading of our computer systems including the rollout of the internet based, on line credit application and credit scoring products to introducers.

(d) Debt Repayment:
On 4 February 2011 Geneva brought forward and paid out the 31 March 2011 repayment to debenture holders. Inclusive of that payment, Geneva Finance had repaid $111.3m of debenture holders' principal and interest payments since the Company entered moratorium in November 2007, owing a net $132.4m to debenture holders. These repayments are inclusive of interest payments to debenture holders (including the Company's bankers) of $33.0m at an average interest rate of 10.75% and principal repayments to public debenture holders totaling $59.4m.

(e) Summary
Despite the difficult economic environment, Geneva has continued to make repayments to investors and at the date of this report has repaid over $111.3m of principal and interest. While doing this the Company has rebuilt its business processes and developed a profitable "new business model", in a lower risk, stable market segment. The losses to 30 September 2010 are attributable to the costs of exiting the old business model exceeding the profit generated by the new business model. The strategy going forward is based on expanding the new business model, to reverse this situation. Key to achieving this, is attracting new equity and new debt funding.

(3) The current position:

With the introduction of the Reserve Bank capital adequacy ratios, effective 1 December 2010 and now incorporated into the Trust Deed for the subordinated notes, Geneva Finance's capital adequacy ratio, while greater than the Reserve Bank 8.00% minimum requirement, is less than the 10.00% guideline set out under clause 8.1A of that Deed. To a large extent this situation has been brought about as a result of Geneva's ownership of its head office site in Mt. Wellington and another, smaller property investment, being an 11% stake in Angelsea Medical Properties Limited, a Hamilton medical centre. These assets carry a higher equity requirement under the Reserve Bank's capital adequacy ratio calculations than the Company's finance receivables assets. Selling these property assets at book value would move the Company outside the 8.00% - 10.00% equity range. Management has explored the possibility of doing this, but the perception of Geneva in the current market climate is such that it is unlikely that fair value would be achieved and the result would be a significant write off and a risk of there being a breach of the minimum 8.00% capital adequacy ratio. In addition, as explained above, the Company is still incurring losses as a result of the costs of exiting the old business model exceeding the profits from the new business model. Should the Company fall below the 8% equity level the directors believe that it is highly likely that a receiver would be appointed.

The directors have also explored a number of other options including new equity investments, merger with other financial institutions and continuing to market the above property assets for sale. To date we have not been able to achieve new equity investment and while some discussions have been had regarding possible mergers, these are insufficiently advanced to resolve the issue set out above. The directors'

assessment of the situation is that while these options may eventually come to pass, they are unlikely to do so unless Geneva is able to move out of the 8.00% - 10.00% Reserve Bank capital adequacy range.

(4) Impact of this proposal on subordinated noteholders:

The impact of this proposal is:

- Interest will be paid up to and including 31 March 2011 at the contractual rate.
- On 31 March 2011 the subordinated notes will convert to shares at the rate specified above.
- These shares are traded on the NZAX. The 4 month weighted average selling price (November 2010 to 28 February 2011) was 5.81 cents per share (798,350 shares traded). This offers the opportunity for investors to sell down their shares and realise their investment more quickly than the current maturity profile of their subordinated note investment.
- At the date of this report the issue price represents a 14% discount on the 4 month weighted average selling price.
- In the event investors choose to hold onto their shares and Geneva is successful, there is the opportunity for investors to realise their investment at a price greater than 5 cents per share. (They might also realise less than 5 cents per share.)

(5) Impact on Geneva Shareholders:

As set out above the issue price of 5.00 cents per share represents a 14% discount on the 4 month weighted average selling price (at the date of this report). The issue price also represents a 70.8% discount on the Net Asset Backing of 17.1 cents per share as per the 30 September 2010 audited accounts. To protect the interest of other stakeholders in the Company and prevent them being unfairly diluted by this offer it is proposed to offer debenture holders (the large majority of whom are also shareholders) the opportunity to also acquire shares at 5.00 cents per share. The terms of this offer is set out in a separate document, enclosed with this letter, entitled "Geneva Finance Limited: Simplified Disclosure Prospectus for the issue of shares in Geneva Finance Limited".

(6) Options for subordinated noteholders

Subordinated noteholders have a straightforward choice in front of them. Either:

(a) Vote "Yes" for the proposal to convert their subordinated note investment to equity at a rate of 5 cents per share; or

(b) Vote against this proposal.

<u>(a) IF a "YES" Vote</u>

If the proposal is approved at the meeting of subordinated noteholders, they will surrender their subordinated note investment and receive a further 20,000 new ordinary shares in Geneva Finance Limited for each $1,000 of outstanding principal amount of subordinated notes held.

When assessing this option it is important to consider the following:
As explained in the March 2010 Interest Bearing Repayment Plan forecasts, the expansion of the new business model is dependant upon Geneva attracting new equity and debt.

Conversion of the subordinated notes to equity will improve the Reserve Bank capital adequacy ratio and will largely address the equity component of this issue.

The Company is currently exploring the possibility of implementing a securitisation program in relation to the finance receivables generated under the new business model. If this program can be put in place it will provide some of the debt funding which the Company needs. However at the date of this letter no commitments have been entered into and while discussions will continue, no commitments will be entered into until the subordinated noteholders have voted on their extraordinary resolution.

The effect of conversion on the Company's position as at the end of January 2011 would be to lift the Reserve Bank capital adequacy ratio from 8.99% to 12.98%.

(b) If a "NO" Vote:
If subordinated noteholders vote "no", this by itself does not constitute a breach of the Reserve Bank capital adequacy ratio. However it will be necessary for the directors to meet and consider the options open to them. These options include:

1 Continue to trade and operate the business within the 8.00% to 10:00% Reserve Bank capital adequacy ratio and at the same time maintain the focus on minimising trading losses by expanding the new business model and minimising the costs of exiting the old business model and continue to pursue new equity and/or merger opportunities.

   When assessing this option it is important to consider the following:

   It is the directors' view that raising new equity or completing a merger will be more difficult than it has been to date because it is likely that potential partners and investors will take a wait and see approach, particularly given the nature of this proposal, the vote to be taken by investors and the contents of the Northington report.

   While a sale of the Company's property related assets at book value would markedly improve the Company's capital adequacy ratio, it is the directors opinion that the Company is unlikely to be able to sell its property related assets in the current market at fair value in the near future.

   The Group's trading loss disclosed in the 30 September 2010 audited accounts is greater than the loss forecast in the March 2010 Interest Bearing Repayment Plan.

While trading losses continue, equity is being eroded which the directors believe will ultimately result in a breach of the Reserve Bank capital adequacy ratio. If the Group was to suffer trading losses at the same rate as for the six months ended 30 September 2010 ($0.9m), then the directors believe that the Group would be likely to breach the Reserve Bank capital adequacy ratio sometime in the period leading in to December 2011.

2 Consult with the Trustee to establish whether an orderly wind down of the Company under management control is possible or whether it will be necessary to appoint a receiver.

When assessing this option it is important to consider the following:

Our legal advice is, that should the Company breach the 8.00% minimum capital adequacy ratio, then it is almost certain that a receiver will be appointed.

In summary, for the reasons set out above, without additional equity, and the cost savings from converting the subordinated notes to equity, the directors believe that it is likely that a breach of the 8.00% minimum capital adequacy ratio will occur due to the ongoing losses incurred in exiting the old business model unless these losses can be reduced and/or the profits from the new business model are increased to offset the old business model losses. As at 31 January 2011, the Company's capital adequacy ratio was 8.9%. If there is a breach of the 8.00% minimum capital adequacy ratio, in the opinion of the directors it is highly probable that a receiver will be appointed. The directors believe that in a receivership, subordinated noteholders will not receive any further payment of principal or interest on their subordinated notes.

(7) Brief summary of the conclusions of the Northington Partners report

Northington Partners Limited have been requested by the Trustee to provide an expert opinion as to what further payments of interest and principal (if any) subordinated noteholders would be likely to receive in the event that Geneva Finance is either placed into receivership or wound down by current management (**Wind-down Scenario**) commencing on 1 April 2011.

A copy of Northington Partners' report is enclosed with this letter.

Based on their assessment of Geneva's business in its present form, Northington Partners believe that in the Wind-down Scenario it is very unlikely that subordinated noteholders will receive any repayment of the outstanding principal or accrued interest due to them.

They have reviewed the cash flows which the Company believe would be generated from the business as current loans and other assets are collected and liquidated over a four year wind-down period. They concur with the Company's projections which demonstrate that there would be a significant shortfall in residual cash levels

required to make any repayments to either unsecured creditors or subordinated noteholders (who rank behind unsecured creditors).

Northington Partners note that the Company's projection of the level of cash flows that would be generated in the Wind-down Scenario is subject to a number of assumptions, and actual cash flows might be higher than those current projections.

However, on balance they believe that even with a significant improvement in the performance of the loan assets and with good recovery levels for the other business assets, there would remain a shortfall in cash available to make any repayments to subordinated noteholders.

In their report Northington Partners note that the scope of their report is very limited and does not address several factors that subordinated noteholders may wish to consider when determining whether or not to approve the extraordinary resolution. Northington Partners have detailed the following five factors on pages 5 and 6 of their report (summarised in italics below), on which the directors comment as follows:

1. *The consequences for Geneva and the subordinated noteholders in the event that the subordinated note exchange for shares is not approved (including the likelihood that the Company would be placed into receivership or a managed wind-down).*

   As explained on page 7, the directors believe that if subordinated noteholders vote "no", it is likely that a breach of the 8.00% minimum capital adequacy ratio will occur and that the Company would be placed in receivership.

2. *The options available to the Company as an alternative to the subordinated note exchange for shares and the likelihood that any of these options could be successfully implemented.*

   As explained on page 6, the Company could continue to trade and operate the business within the 8.00% to 10:00% Reserve Bank capital adequacy ratio and at the same time maintain the focus on minimising trading losses by expanding the new business model and minimising the costs of exiting the old business model and continue to pursue new equity and/or merger opportunities. However for the reasons set out on pages 6 and 7, the directors believe that continuing to trade and operate the business is not a viable medium term option.

3. *The share value used to determine the number of shares that subordinated noteholders will receive in exchange for their subordinated notes if the subordinated note exchange for shares is approved.*

   As explained on page 5 and in the Simplified Disclosure Prospectus, the issue price of the shares has been fixed after considering the weighted average selling price of the shares on the NZAX over the preceding 4 months.

4. *The short-term prospects for the market price and liquidity of Geneva's shares, and the potential for subordinated noteholders who exchange their subordinated notes for shares to sell the shares issued to them.*

   The directors have commented in the Simplified Disclosure Prospectus that the price at which the shares can be sold will depend on the number of purchasers and the number of sellers and the prices which they are willing to purchase or sell. If there are more sellers than purchasers, it is likely that the market price of the shares will decline.

5. *The likelihood that Geneva's medium – long term plans will be achieved if the subordinated note exchange for shares is approved, and the potential future value of the shares issued to subordinated noteholders.*

   The directors believe that if the subordinated notes are converted to equity, the prospect of breaching the Reserve Bank capital adequacy ratio will materially diminish and that with the possibility of a securitisation program and other debt raising opportunities and the saving of some $587,000 p.a in the interest currently payable on the subordinated notes, the Company's plans to build on the new business model are feasible. While there can be no assurance of the future value of the shares, the directors believe that the share price will rise once the Company returns to profitability.

(8) Directors'recommendation

The directors believe that the proposal is the best option for subordinated noteholders to retain value in their investment, and will prevent the Company from being put into receivership. As stated above, the directors believe that in a receivership, subordinated noteholders will not receive any payment of principal or interest on their subordinated notes.

(9) Meeting process

There will a meeting of subordinated noteholders on 31 March 2011 at The Commerce Club of Auckland, 27/33 Ohinerau Street, Remuera, Auckland at 11 am.

You can attend **in person** or by **appointing a proxy to attend on your behalf and cast your vote.** For the meeting to commence business, it will be necessary for a quorum of subordinated noteholders holding at least 50% of the outstanding principal amount of the subordinated notes to attend the meeting in person or by proxy.

If the quorum is not established, the meeting will be adjourned for a period not less than 14 days to such place as the chairman of the meeting determines, and the persons attending the adjourned meeting shall form a quorum. Should it be necessary to adjourn the meeting, notice of that adjourned meeting will be given.

Once the quorum is established, the extraordinary resolution can be put to a vote. It will be passed if at least 75% of votes cast at the meeting are in favour of the extraordinary resolution. Each subordinated noteholder present at the meeting in person or represented by proxy will have one vote for each $1 of outstanding principal amount of their subordinated notes.

A vote approving the extraordinary resolution will bind all subordinated noteholders, whether or not they attend the meeting or vote against the resolution.

To attend the meeting by proxy you will need to complete the enclosed proxy and admission form appointing a proxy to attend on your behalf. The proxy can be any person you nominate. It need not be another subordinated noteholder, although it may be if you wish. Alternatively you can appoint the meeting's chairman to act as your proxy. You can direct the proxy how you wish to vote.

All proxy and admission forms must be completed, signed and sent to the Company to be received no later than 5 p.m. on Tuesday 29 March 2011. Address details are set out on the proxy and admission form.

If you attend the meeting in person you do not have to sign a proxy and admission form but you should bring it to the meeting as your form of identification.

I urge you to read all the enclosed documents carefully and as appropriate consult your financial advisor. If you have any questions or there are any documents missing please contact us on:

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Yours sincerely

David O'Connell
On behalf of the Board of Directors of Geneva Finance Limited.