

25 June 2010



Dear SCF Investor,

We'd like to take this opportunity, with our quarterly interest payment statements going out, to thank you for your ongoing loyalty to South Canterbury Finance. As you may know, the turnaround of the business is progressing well and your ongoing support remains critical to its success.

Success with our early reinvestment offer

The response to our May offer to holders of secured debenture stock to reinvest early and help refinance the debenture maturities through to October 2010 has been extremely positive. Nearly two-thirds of investors who responded to the offer agreed to extend their investment to a later date (which remains inside the period of the Crown retail deposit guarantee). We are heartened by this support and thank those of you who responded to our offer.

The overwhelming response has led us to **extend our special reinvestment offer for holders of secured debenture stock* for a further 3 weeks to Friday 23 July 2010**. As you may know, our 8.25% pa rate is available for terms of 12/15/16 months. We encourage you to take advantage of this 8.25% pa rate while the opportunity is available. As we are significantly reducing our "wall of maturities" it is likely we will revisit our interest rates on offer and adjust them downwards to meet the market as we move forward.

If you don't want to miss our reinvestment offer, you can either complete the application form we previously sent to you, or you can call our Funding Team on 0800 808 117 by 23 July 2010 for a new Application Form and a copy of our current Investment Statement. Please note there have been a number of material changes in relation to South Canterbury Finance since our special reinvestment offer was first made and our Investment Statement has been revised since then to reflect those changes. Accordingly, we recommend you review our revised Investment Statement and Prospectus which are available at on our website www.scf.co.nz. Please also note the longest term investment which remains within the period covered by the Crown guarantee is now 16 months (to December 2011).

*South Canterbury Finance Secured Debenture Stock is first ranking subject to permitted prior charges under the Trust Deed and statutorily preferred claims. Minimum investment amount \$100. Terms of 12/15/16 months are available.

Our perspective on what has happened with Allan Hubbard

We know many of you will have concerns about the action taken by the Government to appoint statutory managers in respect of Allan and Jean Hubbard personally. The extent of the action taken by the Government certainly took us by surprise and Allan Hubbard has made his position on that action very clear. We would urge everyone not to make hasty judgements, and consider the position once all of the information has been made available.

That said, South Canterbury Finance's status and position in all this is very clear to us. We are a standalone business and it is business as usual for us. The turnaround we are undertaking remains on track and our goal remains to restore South Canterbury Finance's status as one of the largest and most successful finance companies in a considerably reduced but necessary finance sector in New Zealand.

South Canterbury Finance is not in Statutory Management

We wish to reiterate the comments of Minister of Commerce Simon Power that South Canterbury Finance is specifically excluded from the statutory management order relating to Allan Hubbard.

South Canterbury Finance is still covered by the Crown retail deposit guarantee scheme

South Canterbury Finance has a guarantee under a Crown retail deposit guarantee scheme, being a guarantee that expires on 12 October 2010 and a guarantee under that scheme which commences on 12 October 2010 and expires on 31 December 2011.

Treasury has made it clear in a public announcement that the Crown retail deposit guarantee scheme remains in place for all eligible South Canterbury Finance investors.

Please also note that the Crown guarantee is not directly affected by our recent credit downgrade by Standard & Poor's. Their reaction was not unexpected given the news regarding Allan Hubbard although, ironically, certain aspects of our financial position are actually better than they were before the last credit rating downgrade in May.

Further information on the Crown retail deposit guarantee scheme is available free of charge and at all reasonable times on the Treasury website: www.treasury.govt.nz.

The Way Forward

While we are not aware, at this stage, of any direct impact on South Canterbury Finance from the statutory management action in respect of Allan and Mrs Hubbard and the relevant entities, we continue to work through any implications for the future. Several commentators have questioned our ability to attract a cornerstone investor as Allan Hubbard was heavily involved in that project.

Our expectation is that the Statutory Managers will act in a commercial and professional manner and will continue to support our restructuring and equity raising efforts. We already have interest from potential investors and we will update you when we have firm news.

Help us keep in better contact with you

To help keep you informed we can now offer you the option of receiving investor updates by e-mail. Just go to the South Canterbury website www.scf.co.nz/investor-update to update your contact information and select that you would like to receive information electronically.

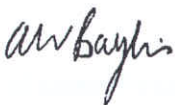
Hear our future plans and perspective on current events from Sandy Maier personally

We are aware that some of you did not have the opportunity attend our recent public meetings and hear Sandy Maier outline our current situation and our plans going forward. Our website now features a brief video of Sandy Maier covering the key facts and messages and some thoughts on the current events surrounding Allan Hubbard – see www.scf.co.nz. We are happy to take questions and will do our best to respond promptly – you can email us at invest@scf.co.nz.

Just as South Canterbury Finance has helped many of its lending clients through difficult times in the past, we thank you again for your continuing investment support of South Canterbury Finance during our challenging times.

We will be in touch again soon.

Yours sincerely



Bill Baylis
Chairman



Sandy Maier
CEO