

The Investment Brief

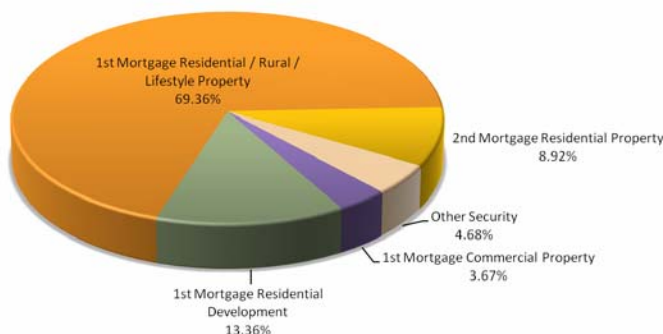
December 2007

With the current turmoil in the finance sector, the winners will be those firms which are well established and have a properly matched loan to deposit book position. They will be sitting on adequate cash reserves and have access to alternative funding lines. It is pleasing therefore that New Zealand Finance now has access to a new funding line of \$40m from Commonwealth Bank of Australia (CBA). CBA own ASB Bank Limited. We are also carrying a high level of cash reserves and have a short loan book vs longer deposit book.

The three key advantages of having this new CBA line are (1) the fact that one of the major trading banking organisations in Australasia has the confidence to support us in this tough market environment, (2) The CBA facility ranks equally with debenture holders not in priority to them and (3) as a result of the reduction in lending by the finance industry, there are a high number of quality lending opportunities that we can now take advantage of, by utilizing some of our high levels of cash we have been maintaining since July 2007.

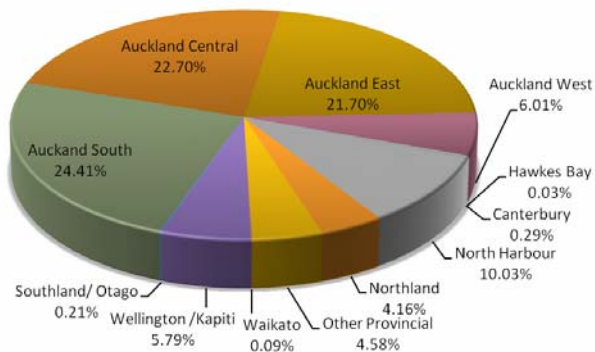
Loan Property Type (Security profile)

A breakdown of our total loan security is shown as follows:



Security Location

The geographical spread of security properties reveals a concentration in Auckland, however there is an even spread throughout greater Auckland and no exposure to the inner city apartment market.



LOAN BOOK

Summary

A summary of our position as at 31st December 2007 follows:

- Loan book \$76,394,348
- 116 individual loans
- Average loan size \$658,572
- Average loan term 5 months
- Bad debts written off this financial year – nil⁽¹⁾
- Related party lending \$253,878 (\$nil as at 31/03/07)⁽²⁾
- Loans 90 day + Installment Arrears = Nil
- 86.40% of loans were secured by first mortgages

Notes:

(1) In the last 10 years of trading NZF have only written off \$22,123

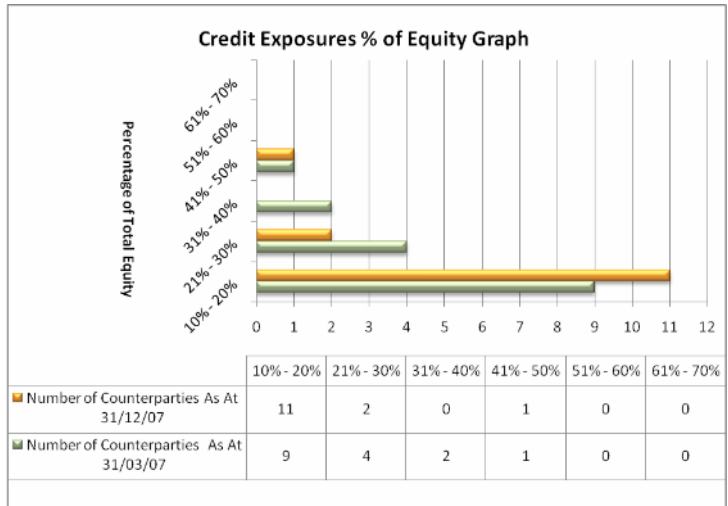
(2) This is normally nil and not related to specific lending, but to intergroup transactions

LOAN BOOK

Credit Exposures

This is a summary of the largest aggregate credit exposures which have exceeded 10% of the Company's equity as at 31st December 2007. All of these exposures are deemed current and there are no specific provisions.

We have deliberately focused on reducing larger exposures with the number of loans over 20% of equity reducing from 7 to 3 loans. Unless exceptional quality, loans will now only be considered to a maximum of \$3m.

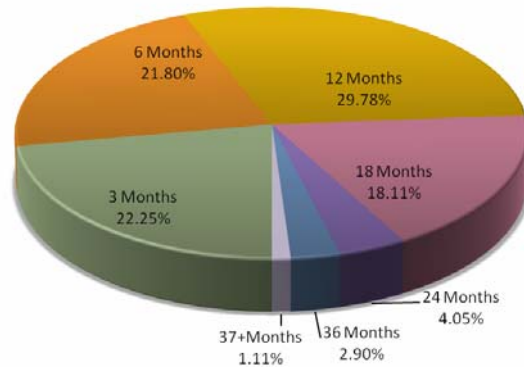


Note: Counterparties = Loan groups

SECURED DEBENTURE STOCK

A summary of our position as at 31st December 2007 follows:

- Total deposits \$71,329,130
- Number of individual deposits 3,676
- Average deposit \$19,404



General

As a result of the announcement to existing investors of our new \$40m line from Commercial Bank of Australasia, combined with no adverse news in the finance company sector, we are now seeing renewal rates rising and growth in new deposit increasing also. The credit crunch that started in the US has underpinned the high rates investors are enjoying and indications are rates will remain at current levels into at least the early part of 2008.

Should you have any question regarding your investment, this Investment Brief, our recent Investor Newsletter or any other communication, please feel free to call either myself, any of the investment team (on 0800 20 70 70) or your Financial Adviser.

John Callaghan
Managing Director

Enquiries to the investment team on **0800 20 70 70** or email us on info@nzf.co.nz. You may also wish to visit our website at www.nzf.co.nz.