

Investor Newsletter

Summer 2008/9 Volume 1 Issue 3

Welcome to the summer 2008/9 edition of our Investor Newsletter.

In this edition we will cover:

- The Government Deposit Guarantee Scheme
- The new NZF Investment Statement
- Our new computer system update
- Susan's Christmas treat
- NZ Investor Magazine Competition results
- How to contact us



Our current "Hot Rate"

8.25% pa*
for 28 months

(Interest paid quarterly or at maturity)

Seasons Greetings to all our customers

After such a turbulent year in the finance industry, there is some good news on the weather front - so say the experts. The National Climate Centre says that much of this coming summer is likely to be relatively warm and settled. So, on behalf of the NZF team, we wish you and your family a safe, happy (and warm) Christmas and New Year.

Kind regards
John Callaghan
Managing Director

Review of the December 2008 Quarter

It has been a challenging 18 months, with finance industry turmoil, compounded by the global credit crunch. As a result, we expect to see an increase in arrears and potentially increased levels of bad debt. However, we continue to take a conservative approach to lending and closely monitor the performance of all borrowers, which to-date has resulted in minimal levels of bad debts.

NZF approved under Deposit Guarantee Scheme

We are pleased to advise that NZF was one of the first "non banks" to be approved under the Government's Deposit Guarantee Scheme (DGS). For more information on the Scheme, please visit our website: www.nzf.co.nz. This webpage links through to the 'The Treasury' (Government department managing the scheme) website.

While being approved for the Government's DGS is helpful, it is useful to revisit the reasons we are still here:

- We continue to have a conservative lending strategy - We lend prudently and avoid large long term property development projects

NZF approved under Deposit Guarantee Scheme (continued)

**NZF was one of the first
"non – banks" to be
approved**

- We focus on what we know – We know and understand property finance (in good times and bad) from years of experience in the banking and finance sector
- We have no related party lending – We are limited to 2% of total tangible assets, however as at 31 March 2008 it was Nil
- We have no offshore lending – We do not lend on property outside New Zealand
- We have diversified funding – We fund through retail debentures and bank lines
- We have a sensible 'spread' – We are well diversified within the property sector with our focus mainly on residential first mortgage security
- We react quickly - After the collapse of Bridgecorp in July 2007, we quickly built up our cash levels and negotiated additional funding lines
- We focus on quality – We continue to maintain an emphasis on first mortgage security.

We focus on quality

You may have observed that we reduced rates before we were approved under the DGS. Historically (and as is normal business practice), we match deposit flow with lending. As predicted, the DGS did result in a large increase in deposit inflows. The commercial reality is that we need to match the supply of deposit funds with the demand for high quality lending opportunities (that we are prepared to look at). It is the classic supply and demand principle at work. We are comfortable with deposit flow at the moment and we continue to monitor our loan and investment flows in the usual manner.

The new NZF Investment Statement now available

If you would like a copy of the new Investment Statement and application form, please go to our website: <http://www.nzf.co.nz/Investors/InvestorInformation.aspx> or call us toll free on 0800 20 70 70 and we'll send you a copy.



Our new computer system update

In our last newsletter, we revealed that NZF is introducing a new computer system. The system is being provided by a well established computer software company called Ultradata. They also provide systems and support to a number of other companies in New Zealand. This key project is progressing very well and the project team is near the end of the data migration (ie transfer of computer data/information records from our current system to the new computer system). Over the next few months the project team will start to build new lending, deposit and transactional products that will enable us to offer our customers additional financial services in the future.

*Our new computer system...will enable us to offer our customers **additional financial products** and services in the future*

Susan's Chocolate & Cranberry Oaties – a great Christmas Treat!

Many of you have spoken to or met our Investment Administration Manager Susan Gin. Susan is a brilliant cook, so we would like to share one of the regular bakes that she brings into the office as a treat. We thought that you would enjoy it as well!

Recipe

Ready In: 1 Hour

Makes: 35 – 40

200 g butter, softened
 1 packed cup brown sugar
 ½ cup highlander sweetened condensed milk
 1 egg
 1 tsp vanilla essence
 1 ½ cups flour
 ½ tsp baking soda
 2 cups Uncle Toby's rolled oats
 1 ¼ cups dried cranberries or raisins
 1 cup nestle white choc bits

Preheat oven to 180C. Cream the butter in a medium bowl, then beat in the brown sugar and condensed milk. Add the egg and vanilla essence and beat until the mixture is light and fluffy.

Sift the flour and baking soda together and stir into the creamed mixture. Stir in the rolled oats, cranberries or raisins and the choc bits.

Place heaped tablespoons of the mixture onto greased oven trays, and then press down with the back of a fork.

Bake for 15 – 17 minutes or until the biscuits are golden brown. Cool on a rack.



Susan Gin
 NZF Investment Admin Manager





New Zealand Investor Magazine competition results

New Zealand Investor magazine have advised that they have drawn five winners for the 'free 12 month New Zealand Investor magazine subscription' as follows:

A Kirkwood	F Millward
G Bealing	L Kilgour
M & M Goulden	

The above lucky winners have all been notified. New Zealand Investor magazine has also advised that the Gold Coin competition (for anyone that subscribed for a magazine subscription over the last three months) has been extended. This competition will now be drawn on 1 January 2009 and we will notify you of the result in our next Investor Newsletter in April 2009.



How to contact us

If you have any questions about anything in this newsletter, your secured term investment or if you would like to request a copy of the NZF SuperKiwi (KiwiSaver) Investment Statement & Application or NZF Investment Statement, we would be delighted to hear from you. Our contact details are as follows:

Telephone: 09 379 9090
 (If calling us from overseas: +64 9 379 9090)
 Toll free: 0800 20 70 70
 Fax: 09 379 9080
 Email: info@nzf.co.nz
 Website: www.nzf.co.nz
 Postal address: P O Box 1195, Shortland Street, Auckland, 1140
 Physical address: Level 6, 52 Swanson Street, Auckland, 1010

*Note:

(1) 8.25%pa is our "Loyalty rate" for existing customers that hold a current deposit with us. The standard/advertised/non customer rate is 8.00% pa.

(2) Rates quoted above are subject to change without notice. Please ring us on **0800 20 70 70** or go to our website **www.nzf.co.nz** to check our latest rates.