

## Investor Newsflash

March 2010

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### Our Hot Rates

**8.25% pa\***

for 15 months

**8.75% pa\***

for 24 months

*(Interest paid quarterly or at maturity)*

On 24 February 2010, NZF Money Limited received a NZ Dollar long term issuer rating of B (Outlook Negative) from Standard & Poor's.

*For more information on about this rating, Standard & Poor's and credit ratings generally, please visit our website: [www.nzf.co.nz](http://www.nzf.co.nz).*

## NZF Money Limited receives its rating from S&P

NZF Money Limited (NZF), together with a number of other non banks, received a "B" rating for both its short and long term debt from international credit rating agency Standard and Poor's (S&P) on 24 February 2010. While the rating outlook for NZF is "negative", S&P also say in their full report (among other things), that "the negative outlook recognises S&P's current negative bias on the New Zealand finance –company sector."

### Question and Answers

To assist you in keeping informed about the rating and our intentions, we have included a cross section of questions received from our clients (and our answers) to assist you and we welcome any further questions you may have.

#### What rating do you need to qualify for the Retail Deposit Guarantee Scheme (RDGS) extension?

Applicants for the extension require a minimum of BB.

#### Does this mean that you cannot apply for the extension?

No. We have around seven months to apply for the extension to the RDGS. However, we need to improve our rating to BB to apply.

### Why did you not get a BB rating?

The “B” rating results from how S&P assessed our parent company (NZF Group Limited). John Callaghan (Managing Director) said that “S&P comments on the way NZF Group was structured has had an adverse impact on the rating of NZF Money and it was clear that NZF Money would very likely have received a higher rating, if rated on stand alone basis.”

The rating primarily results from S&P’s estimation that our Parent Company (NZF Group Limited) has a relatively weak capitalisation. We will not go into the full mechanics of this, but simplistically, NZF Group has a reasonably high level of intangible assets which include our 50% investment in Mike Pero Mortgages Ltd (MPM). However, S&P attribute no value to this asset which therefore impacts adversely on the capital value of NZF Group. We would argue that this asset has real value as MPM is one of the largest independent mortgage brokers in New Zealand which currently provides over \$1.5 Billion dollars in residential mortgage business to the major lenders in New Zealand.

### What are you doing about improving your rating?

Prior to issue of the rating, NZF Group had engaged a specialist financial services consultant, Ecko Capital. NZF Group, together with Ecko, are currently in the process of formulating a recapitalisation plan, which is proceeding well. Some of the options may include bringing in a new equity partner to enable NZF Group to take advantage of the opportunities that currently exist in the market. One of the other benefits of new equity for NZF Group would be to improve the rating of NZF Money.

### So, if this action improves your rating you will apply for the extension?

As we mentioned in our Spring 2009 newsletter, even if we did receive a BB rating, we would need to consider very carefully whether or not we would apply for the extension.

### Why would you not want to apply?

The cost of the extension on an ongoing basis is very high and while we could absorb the costs, we have to weigh up the benefits gained. While we would not rule out applying for the extension should we achieve a BB or better (re) rating, there would need to be sound and compelling reasons for doing so. Currently, it is our view that those companies that indicated that they are to seek an extension and accept the high cost of doing so, are more likely to have to extend rather than want to.

Further, the extension is only for just over 12 months and the only thing it will do is attract investors who would otherwise have invested in a bank, simply to get a higher rate that is government guaranteed. This was never the intention of the RDGS, it was simply done to calm the panic in the markets in late 2008 and allow a period for things to settle down. Things have calmed down significantly and will be even better by October 2010.

NZF Money Limited was approved under the Crown Deposit Guarantee Scheme on 7 November 2008. For more information on the Crown Deposit Guarantee Scheme, please visit our website: [www.nzf.co.nz](http://www.nzf.co.nz)

### **If you don't get a BB rating or don't apply what happens?**

Nothing. The fundamentals for the company haven't changed since we started 12 years ago:

- We have always been focused on first mortgage security
- We maintained high levels of liquidity during the bad times
- We avoided exposure to large property developments and problem areas in NZ
- Our Senior Management have over 130 years of collective trading bank and finance sector experience.
- We are part of a diversified financial services company
- We have continued with our policy of no related party lending

**Plus** your investment is still secured by first ranking debenture stock over the assets of the company, irrespective of any government guarantee.

Further, S&P commented positively on NZF in regard to:

- Our loan quality
- The fact we focus on first mortgage (*over 90% of our loans are on first mortgage*)
- The fact that we managed to keep our credit losses under control, relative to many domestic peers throughout the difficult economic environment in the past two years.

### **What about the future?**

We have planned our cash flows very conservatively and based on our past experience through the tough times, our proven ability to properly manage our business (particularly in regard to cash flow and credit management), our sound security position (over 90% of our mortgages are first ranking) and our good renewal rate (relative to the market), we are in a position of not needing to apply for an extension (but reserve the right to do so), even if we are later (re) rated BB.

### **We welcome your feedback and any further questions**

We hope the above Q&A has provided some background information on the rating, what our intentions are and what is happening in the market. To assist you further, we invite you to review some new web pages we have set up on our website to provide more information on:

- Our rating
- International rating agency Standard and Poor's
- The Crown Deposit Guarantee Scheme

We have also produced a new Prospectus and Investment Statement and these are also available on our website ([www.nzf.co.nz](http://www.nzf.co.nz)) or by calling our toll free numbers **0800 20 70 70**.

**Please feel free to contact us should you have any feedback or further questions.**

## INTEREST RATE CHART

### First Ranking<sup>(1)</sup> Secured Deposits

#### Special Offer Rate (minimum \$1,000)

Term	Rates		Interest payment frequency
	Advertised Rates	Loyalty Rates <sup>(2)</sup> (Existing Clients)	
15 months	8.00% p.a.	8.25% p.a.	Quarterly and At Maturity
24 months	8.50% p.a.	8.75% p.a.	Quarterly and At Maturity

#### Deposits \$10,000 plus

Term	Rates		Interest payment frequency
	Advertised Rates	Loyalty Rates <sup>(2)</sup> (Existing Clients)	
3 months	4.50% p.a.	4.50% p.a.	Quarterly and At Maturity
6 months	5.00% p.a.	5.00% p.a.	Quarterly and At Maturity
9 months	4.75% p.a.	4.75% p.a.	Quarterly and At Maturity
12 months	6.75% p.a.	7.00% p.a.	Monthly, Quarterly and At Maturity
18 months	7.50% p.a.	7.75% p.a.	Quarterly and At Maturity
2 years	8.50% p.a.	8.75% p.a.	Quarterly and At Maturity
3 years	8.25% p.a.	8.50% p.a.	Quarterly and At Maturity
4 years	8.00% p.a.	8.25% p.a.	Quarterly and At Maturity
5 years	8.00% p.a.	8.25% p.a.	Quarterly and At Maturity

#### Deposits less than \$10,000 (\$1,000 - \$9,999)

Term	Rate		Interest payment frequency
	Advertised Rates	Loyalty Rate <sup>(2)</sup> (Existing Clients)	
3 months	4.25% p.a.	4.25% p.a.	Quarterly and At Maturity
6 months	4.75% p.a.	4.75% p.a.	Quarterly and At Maturity
9 months	4.50% p.a.	4.50% p.a.	Quarterly and At Maturity
12 months	6.50% p.a.	6.75% p.a.	Monthly, Quarterly and At Maturity
18 months	7.25% p.a.	7.50% p.a.	Quarterly and At Maturity
2 years	8.50% p.a.	8.75% p.a.	Quarterly and At Maturity
3 years	8.00% p.a.	8.25% p.a.	Quarterly and At Maturity
4 years	7.75% p.a.	8.00% p.a.	Quarterly and At Maturity
5 years	7.75% p.a.	8.00% p.a.	Quarterly and At Maturity

- Minimum Term Investment amount \$1,000.00
- Rates are subject to change<sup>(3)</sup>
- NZF Money Limited was approved under the Crown Deposit Guarantee Scheme on 7 November 2008<sup>(4)</sup>
- On 24 February 2010, NZF Money Limited received a NZ Dollar long term issuer rating of B (Outlook Negative) from Standard & Poor's<sup>(5)</sup>
- Rates effective 12 March 2010

(1) Subject to claims given priority by legislation

(2) If applicable

(3) Rates are current at the time of this publication, however we regret that they are subject to change at anytime. Where this occurs, we will contact any investor (that has requested renewal or sent in a new deposit) where the rate requested differs to current rates. Investors can then decide whether you wish to: (a) invest at the new rates or (b) invest for a more favourable rate for a different term or (c) have your investment repaid at maturity (or your cheque returned).

(4) For more information on the Crown Deposit Guarantee Scheme go to: <http://www.treasury.govt.nz/economy/guarantee/retail/approved/nbdt> (5) For more information on about this rating, Standard & Poor's and credit ratings generally please see our website: <http://www.nzf.co.nz/Investors/disclosure.aspx>

For further information and a copy of our Prospectus and Investment Statement please call one of our Investment Team on:

**0800 20 70 70**