

NZF Group Limited**22 September 2010****Chair's address to AGM 22 September 2010****Please note that this address is given on behalf of Richard Waddel**

Richard Waddel opened his address last year stating that the previous year had been extremely difficult. The year under review has continued to be extremely difficult and this has continued since balance date with the receivership of South Canterbury Finance and a very slow and difficult economy. This of course has made it difficult for many New Zealand companies to prosper, and NZF Group is no different.

The good news is that we are still here, but of course the bad news is that the housing market and financial services markets are very difficult and liquidity is tight.

However, NZF Group is different to many other financial services companies in that it has multiple income streams and funding sources. In particular, only 23% of total funding at balance date is from debenture stock and this has continued to reduce to about 15% as at today

The Crown Guarantee, which for many companies including NZF Group subsidiary NZF Money Limited expires on 12 October and this has provided a distortion in the market place.

Some of the highlights from the 2010 financial year for NZF Group Ltd

- Total Operating Profit before tax and before impairment losses was \$3.3m compared to a loss of \$373k the previous year
- Although the impairment loss resulted in a loss before tax of \$3.5m, \$6.9m of the \$6.8m impairment loss was due to the board deciding to write down the investment in Mike Pero Ltd to reflect the fragile property market. This of course has no cash flow impact and the board is highly confident that the Mike Pero business is a sound business with much potential
- Loan impairment actually decreased by a net \$158k.
- The loan portfolio continued to grow, from \$259m million to \$265 million and total Assets increased from \$291m to \$297 million
- The board continued to diversify the business to move away from the traditional finance company operations with a very pleasing increase in the Home Loan business from \$174m to \$200m at balance date.

Where to since balance date:

- Since balance date, as announced to the market in May, NZF Group launched the inaugural \$100m residential mortgage backed securities issue, which the managing director will cover in great detail in his report. *It is particularly pleasing to note that in excess of 90% of that book was rated AAA*
- When the market conditions improve, NZF Group is in a strong position to continue to grow its loan book and therefore profitability

- NZF continues to diversify its product lines to provide hopefully what the market wants and therefore grow the business. Examples being Home Loans, Kiwisaver and Insurance Products.
- *Liquidity and market conditions continue to be very tight since balance date and your board continues to undertake risk adverse strategies, which includes calling in overdue loans in NZF Money Limited.*

While it has been another extremely difficult year, we can be proud of what we have achieved.

I cannot let this moment pass without saying on behalf of the Board and I am sure on behalf of you the shareholders a tremendous thank you to the staff including the executive directors for a job very well done. They all continue working in a very stressful environment and have come through delivering a company we can continue to be proud of.

A thank you also to my fellow board members for their efforts.