

Research Update:

Rating On NZF Money Ltd. Lowered To 'CCC-' Reflecting Liquidity Concerns; On CreditWatch Negative

Primary Credit Analyst:

Nico De Lange, Sydney (61) 2-9255-9887;nico_delange@standardandpoors.com

Secondary Contact:

Peter Sikora, Melbourne (61) 3-9631-2094;peter_sikora@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

CreditWatch

Related Criteria And Research

Ratings List

Research Update:

Rating On NZF Money Ltd. Lowered To 'CCC-' Reflecting Liquidity Concerns; On CreditWatch Negative

Overview

- NZF Money Ltd. is a New Zealand finance company specializing in residential and commercial property development-based loans.
- NZF's liquidity position remains delicately placed in our view, with the company's cash levels expected to be volatile and drop to very low levels through calendar 2011, absent a further cash injection into the business.
- We are concerned about the viability of NZF's business position over the medium- to long-term in its current form.
- We have lowered the ratings on NZF to 'CCC-' from 'CCC'. We maintain our CreditWatch with negative implications, which implies a one-in-two likelihood that the ratings may be lowered within the next three months.

Rating Action

On May 9, 2011, Standard & Poor's Ratings Services lowered its long-term issuer credit rating on New Zealand finance company, NZF Money Ltd. (NZF) to 'CCC-' from 'CCC'. At the same time, we have affirmed our short-term rating at 'C'. The ratings remain on CreditWatch negative, where they were placed on March 3, 2011.

Rationale

The rating action reflects our view that NZF's liquidity position remains weak, largely as a result of headwinds in exiting past-due loans. Although NZF's on-balance sheet cash position has improved recently, as a result of some successful loan repayments (net of a secured loan repaid to one of its directors) and a cash injection from NZF Group Ltd. (not rated), we note that anticipated loan repayments continue to be delayed and scheduled debenture maturities through calendar 2011 remain material when assessed against projected cash levels. Although we understand that NZF is in a position to meet its liquidity needs over the next few months from cash flows generated from the repayment of a number of past-due loans, NZF's liquidity position remains delicately placed, in our view. Of greatest concern is that failure to progress the repayment of past-due loans could result in NZF running short of cash in calendar 2011, particularly if debenture-reinvestment experience is weak. Furthermore, we expect cash levels to drop to very low levels through calendar 2011 under a base case scenario, absent any new cash injection into the business.

Our view of NZF's liquidity position is also influenced by the company's

limited balance-sheet cash position and the absence of committed external back-up lines of liquidity. Furthermore, we believe that liquidity pressure could potentially remain high through 2011 as material levels of debenture stock progressively mature. In our view, NZF's ability to contend with weak debenture-reinvestment experience will be heavily reliant on its ongoing success in resolving its large portfolio of past-due loans in a property market that is under pressure.

Our rating action and assessment of NZF's credit profile also reflects uncertainty around its ongoing business viability in its current form, noting that the company has essentially stopped new lending and needs to secure additional funding to re-establish its business activities. In our view, these pressures could lead to the shareholders considering potential alternative strategic solutions.

CreditWatch

We expect to resolve our CreditWatch in the next few months after we further assess NZF's liquidity, funding, and business profiles, particularly its progress in exiting past-due loans and its debenture reinvestment experience. Rating stability will also factor in an assessment of NZF's efforts to re-establish its business viability. A CreditWatch negative listing by Standard & Poor's implies a one-in-two likelihood that the rating may be lowered within the next three months.

Related Criteria And Research

- "How Standard & Poor's Uses Its 'CCC' Rating", published Dec. 12, 2008
- "Bank Rating Analysis Methodology Profile", published March 18, 2004
- "Rating Finance Companies", published March 18, 2004

Ratings List

Downgraded; Ratings Affirmed

	To	From
NZF Money Ltd. Counterparty Credit Rating	CCC-/Watch Neg/C	CCC/Watch Neg/C

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Standard & Poor's (Australia) Pty. Ltd. holds Australian financial services licence number 337565 under the Corporations Act 2001. Standard & Poor's credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.