

NZF

MARKET INFORMATION

3 March 2011

NZF Money Limited Long-Term Rating Lowered To “CCC” And Placed On “Watch Negative” by Standard & Poor’s

The Directors of NZF Group Limited (NZF) today confirmed that the credit rating assigned to its wholly owned subsidiary NZF Money Limited (NZFM) had been lowered to “CCC” and placed on “Watch Negative” by International Credit Rating Agency Standard & Poor’s (S&P).

In their press release, a copy of which is attached to this Market Announcement, S&P said:

“The rating action reflects our view that NZF’s liquidity positioned has weakened, largely as a result of a material rise in past due loans, compounded by some volatility in debenture reinvestment experience.

Although we understand that the company is positioned to meet its liquidity needs over the next few months from cash flows generated from the repayment of a number of past due loans, in our view NZF’s liquidity position is delicately placed. In our view, the company could run short of cash if loan repayments are not progressed as anticipated; notwithstanding that forecast loan repayments over this period are on loans where there is an unconditional sale contract in place and NZF’s confidence around prospects that loans will be settled”.

S&P also stated that their view had been influenced by the *“company’s limited balance sheet cash position, the absence of committed external back-up lines and concerns over ongoing business viability”.*

Chief Executive Officer, Mark Thornton said that the rating from S&P had not come entirely unexpected, as the company no longer had a guarantee under the New Zealand Deposit Guarantee Scheme. In addition, there were concerns over the current economic outlook for New Zealand and negative bias towards the New Zealand finance company sector, which was still going through a period of turmoil.

Chairman of NZFM, Craig Alexander also said that the increase in past due loans was a direct result of the company's decision to purposely allow a number of loans to expire at the end of loan facility agreements, in order to keep its recovery options open, improve its ability to renegotiate revised lending terms and conditions, and to control the sale and recovery process where necessary.

The company's forecast liquidity position was based on a number of unconditional sales contracts in place that are due to settle in the next two months, which would result in the company sitting on significant cash reserves. As a result, the company anticipated returning to new lending within the next 6 months on current forecasts. The company also continued to comply with all of its Trust Deed covenants and ratios, including its Capital Adequacy Ratio, Gearing Ratio, Liquidity Requirements and Related Party Exposure Limits.

The company's reinvestment rate had also shown significant improvement following the expiry of NZFM's guarantee under the New Zealand Deposit Guarantee Scheme on 12 October 2010. The reinvestment rate for the month of February 2011 was 41.68%, which is consistent with the 12 month average of 35.34% and an average of 56.44% following the expiry of NZFM's guarantee under the New Zealand Deposit Guarantee Scheme.

The CreditWatch negative listing and further potential downgrade commented on by S&P in their press release, is related to potential delays that could occur in cash flow concentrations over the next few months relating to anticipated loan repayments. The Directors are however confident that the unconditional sales contracts that are currently in place, and on which deposits have already been paid by purchasers, will settle on time and that this position will not eventuate.

NZFM continues to manage its business on a prudent basis and has met all of its payment obligations to investors since it first offered secured deposits in late 1999. NZFM would like to thank all of its long term loyal investors for their continued support.

For more information please e-mail Mark Thornton at Mark.Thornton@nzf.co.nz.



Malcolm Lindeque

For and on behalf of the board of directors

Company Secretary

ENDS