STANDARD
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Press Release

New Zealand Finance Companies Shore Up Liquidity As Credit Crunch Bites

Melbourne, March 31, 2008—Global market uncertainty and softening local-market conditions pose greater downward than upward ratings pressure for the New Zealand (N.Z.) finance company industry, according to a Standard & Poor's Ratings Services report, released today. Nevertheless, most rated N.Z. finance companies are on stable rating outlooks, as these companies have taken demonstrable steps to counterbalance industry stress--in particular, by improving funding and liquidity.

Following Standard & Poor's recent review of the N.Z. non-bank finance industry (NBFI), the ratings and outlooks on seven N.Z. finance entities were affirmed (see list). The ratings on Geneva Finance Ltd. (CC/Watch Dev) remain on CreditWatch with developing implications as the company has yet to finalize funding and recapitalization discussions.

"In the short-to-medium term, whether these ratings and outlooks will remain stable depends primarily upon the adequacy of liquidity should market conditions become worse. Companies will also need to manage local industry sensitivities, including a softening of the residential property market and property development segments," Standard & Poor's credit analyst Shaun Evans said.

The N.Z. finance company sector has experienced a number of failures, which were initially associated with credit quality in the consumer lending segment, especially used motor-vehicle finance. More recently, and as a result of waning retail investor confidence, additional non-bank failures have resulted from lack of liquidity within the sector.

The dual domestic and global credit issues have meant that most finance companies are now struggling to grow, or have decided tactically to curtail new lending to preserve liquidity. Liquidity is expected to remain as the key industry risk and is a critical credit-rating factor in our analysis of the sector for the short-to-medium term. These tactical decisions and proactive liquidity management have helped the companies to deal with the global and domestic issues.

The industry credit outlook for building societies, credit unions, and savings institutions is brighter than for finance companies. "While not immune from the effects of the global credit crunch, these entities in general are less exposed, being mainly supported by retail deposit bases. However, some liability profiles are tilted toward shorter funding maturity compared to their lending books," added Mr. Evans. "In contrast with the debenture investing community, confidence among retail depositors in these companies has been retained to-date. Furthermore, asset quality is supported by generally lower-risk, albeit lower-return, asset classes.

The report, "Industry Credit Outlook: Liquidity Is Paramount For N.Z. Finance Companies With Industry Failures And Global Credit Concerns", can be found on RatingsDirect and www.standardandpoors.co.nz. The report can also be found on Standard & Poor's retail investor website, www.yourinvestments.standardandpoors.co.nz.along with educational material on the N.Z. non-bank deposit-taking sector. Members of the media may contact Sharon Beach at (61) 3 9631 2152 or sharon_beach@standardandpoors.com for a copy.

RATINGS AFFIRMED

Financial Institutions	Ratings
Equitable Mortgages Ltd.	BB+/Stable/B
Equitable Life Insurance Co Ltd.	BB+/Stable/B
MARAC Finance Ltd.	BBB-/Stable/A-3
Medical Securities Ltd.	A-/Stable
PSIS Ltd.	BB+/Stable/B
South Canterbury Finance Ltd.	BBB-/Stable/A-3
UDC Finance Ltd.	AA/Stable/A-1+

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