



## **Market Announcement**

2 September 2009

### **Another Stellar Year for PGG Wrightson Finance**

PGG Wrightson Finance, New Zealand's largest non-bank rural financier reported yet another year-on-year improvement with the release of its annual result, despite New Zealand's broader banking and finance sector reporting a tough year.

The Company is a specialist rural lender and, despite a number of headwinds throughout the year both in financial markets and the agricultural sector, achieved a 20% increase in profit before tax, up from \$8.4m to \$10.1m for the year ended 30 June 2009.

"The core profit improvement this year has been significant, and after the costs associated with the Deposit Guarantee Scheme (\$1.4m) and increased provisions taken (\$2.9m) we still achieved a record result, achieving over \$10m net profit before tax for the first time." Mark Darrow, head of PGG Wrightson Finance said today.

#### **A busy year**

It has been a very busy year for the Company. As well as coming to grips with the introduction of significant new Non-Bank Deposit taker legislation and regulations, assets under management grew by \$88m, or 16.3% to \$631m, while debenture funding increased \$48m to \$221m. The Company also delivered a very successful fully subscribed \$100m NZDX-listed bond. PGG Wrightson Finance was one of the first companies to be accepted into the Government's Retail Deposit Guarantee scheme late last year. The Company also developed a new IT platform with implementation completed in April 2009.

"The focus for this past year though has been on business improvement." said Mr Darrow. "The levels of Governance have improved to what we believe is industry benchmark, and we are confident of meeting new regulations well ahead of time. PGW Finance's Risk Management Programme (due by 30 September 2009) has already been completed and signed off by our Trustee, and we are equally advanced with the credit rating process which is required by March 2010. It has been a very rewarding year, and a credit to the team to have delivered such a great result."

#### **Improved net interest margin**

The result was underpinned by a 23% increase in NIM (net interest margin) for the year while operating expenses were kept at the same level as the prior year. Fee revenue was also significantly enhanced on the prior year.

Going forward, the business mode will continue to be one of prudence and conservatism.

"Our first focus is to continue to support our existing clients, and we are not looking for growth in the immediate future as we carefully navigate through the myriad of regulatory changes scheduled over the next 18 or so months. Our focus remains on business quality, internal improvements and maintaining higher levels of liquidity to match the times," concluded Darrow.

#### **Extended Guarantee Scheme**

PGG Wrightson Finance will be ready to opt-in to the Government's extended Deposit Guarantee Scheme next year, but a final decision will be made in 2010 when the Company reviews confidence in the market prior to the Scheme commencing on 13 October 2010.

"We will certainly plan accordingly to keep this option open. We would also like to think that banks and the stronger finance companies will be able to provide sufficient investor confidence so that the Deposit



Guarantee Scheme is no longer required which in any event will likely be the case from 2012. We believe that the new environment with Finance companies coming under the regulatory framework of the New Zealand Reserve Bank is robust enough in its own right to give investors confidence in the broader financial sector by the time the extended scheme comes into play," said Mr Darrow.

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