

PGG Wrightson Finance gains solid rating from Standard & Poors

PGG Wrightson Finance has secured a BB (stable) rating from international credit rating agency Standard & Poors, confirming its place amongst the top tier of finance companies in New Zealand.

In its report on PGG Wrightson Finance, released today, Standard & Poors says:

"In our view, PWF is well positioned as a specialist finance company in New Zealand. The company's competitive advantage is underpinned by its ability to leverage PGG Wrightson's broad distribution platform and large rural client base, and its access to on-farm expertise."

"PWF's asset quality, in our opinion, is sound, reflecting the company's good level of security over loans, good loan-to-value ratios, satisfactory credit policy, adequate provisioning, and geographically diverse loan book."

"Underpinning PWF's credit quality is the company's reasonably diversified funding sources and good financial flexibility, which we consider are better than most of its peers in the non-bank financial institution sector."

"Despite the challenging economic environment in New Zealand, PWF has achieved good profitability in the past three years, reflecting strength of the PGG Wrightson's brand, expertise in the rural lending segment, and the company's asset quality."

All finance companies are required to have a credit rating by 1st March 2010 under new Reserve Bank (Non Bank Deposit Taking) regulations.

Mark Darrow, head of PGG Wrightson Finance, commented: "This is our first time through a credit rating process and BB was our initial target. The fact that we have met the target is very good news – it validates the business model, provides additional assurance to our depositors and lending clients, and highlights the value of steps taken over recent years to enhance the company's capital base and performance. We will use this as a starting point from which to take our rating to a higher level over time.

"From a technical and regulatory perspective, this solid rating means that we can now apply for the Crown's Extended Guarantee Scheme, which is an important requirement for some investors. If our application is approved, this would extend our ability to offer guaranteed securities through to the scheme's conclusion in December 2011."

PGG Wrightson Finance chose Standard & Poors to conduct the rating process because of the high profile and recognition it commands, both internationally and in the New Zealand market.

"The credit rating process has been a two-year exercise. It has been a great way to review every aspect of our business, with the results then going through external and independent review," Darrow said.

He added that investor confidence in PGG Wrightson Finance was at an all time high. "Deposits have shown good growth since November despite the very competitive deposit market. The reinvestment rate has improved on what was already a strong position, hitting an all time record of just under 90 percent for January 2010. The long run average is around 78 percent, which would be the envy of nearly all finance companies in the market."

PGG Wrightson Finance is covered under the current Retail Deposit Guarantee scheme, but also recently became the first finance company to offer excluded securities in New Zealand (on 4th January 2010). Put simply, excluded securities relate to deposits not covered by the Crown Guarantee, but with a slightly higher interest rate.



“Most of our investors invest on the basis of comfort with our business, not just because we temporarily offer a government guarantee,” Darrow said. “It is important that we offer our clients the choice while we can, and the offer of excluded securities has accomplished that. We are already receiving more than \$1m per week on an excluded basis.

“It will also be important for the market to transition away from the guarantee scheme well ahead of the December 2011 deadline. The provision of investment options not tied to the scheme is an essential element in the transition.”

PGG Wrightson Finance is New Zealand’s leading specialist rural finance company. It has a full set of financial products and services tailored to the individual needs of farmers, including transactional services with chequebooks, EFTPOS cards, electronic payments and internet services, term loans, seasonal finance, livestock finance, farm input finance and equipment finance. Its market presence extends throughout New Zealand, through 19 offices as part of the PGG Wrightson network.

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