Credit Rating Report
Mutual Credit Finance Limited

NZBN: 9429031969055

Credit Rating Report

Date: 12 July 2024

Prepared for: Mutual Credit Finance Limited

Report prepared by: Equifax Australasia Credit Ratings Pty Ltd ("Equifax")

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Currency used in this report: This report is presented in New Zealand Dollars unless otherwise noted.

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1 Executive Summary

Mutual Credit Finance Limited ("MCF", "the Company")

MCF is a Non-Bank Deposit Taking (NBDT) organisation licenced and regulated by the Reserve Bank of New Zealand and primarily caters to customer segments relatively underserved by traditional banks.

Equifax Credit Ratings Australasia Pty Ltd ('Equifax') has affirmed MCF's credit rating of 'B' at Mar24, which is a sub-prime classification with a moderate level of risk. Moreover, Equifax has upgraded the outlook for the rating to 'Positive', in view of the continued increase in net operating income, sustained healthy net interest margins amidst the pressures on cost of deposits, and continued growth and diversification of the loan book albeit at a slower pace. In our view, the afore-mentioned factors place the Company in a favourable position to further reinforce its capital base thereby improving its capacity to absorb any potential adverse impact of macro-economic headwinds, and to capitalise on potential growth opportunities.

MCF's credit rating reflects its long operating history, improving scale and profitability, consistently healthy net interest margins, adequate liquidity position and potential net positive impacts of the proposed regulatory reforms. The risks to the rating arise from the current macroeconomic environment, high exposure to the property sector, a high proportion of non-amortising loans and second mortgages in the asset mix and geographical concentration risks.

Strengths

- MCF's competitive position benefits from its operating history dating back to 1956, and the profile of its management team. A majority of Directors and Executive management (CEO and Finance Manager) are chartered accountants and have extensive industry experience in leadership roles. Further, the Company's loan book has grown by ~101% since Mar20 as MCF has been able to capitalise on the market's healthy appetite for its offerings. This growth has been supported by a corresponding ~99% growth in deposits while maintaining healthy net interest margins, reflecting an efficient business and operating strategy, in our view.

- MCF's healthy earnings underpin its improving Return on Equity (FY24: 20.5%, FY23: 18.7%, FY22: 16.8%, FY21: 13.8%) and have helped the Company consistently maintain adequate capital ratios (Mar24: 12.2%, Mar23: 13.1%, Mar22: 14.5%, Mar21: 12.8%). A resumption of growth in the loan book, after a dip to $49.6m at Sep23 (Mar23: $57.6m), to $58.9m at Mar24 and $62.9m at May24, is likely reflective of the opportunities available for short-term lending particularly to residential property mortgage/developments despite the prevailing high interest rate environment. This combined with sustained healthy net interest margins of >5.0%, healthy lending activity driven non-interest income and a reduction in Cost-to-income ratio (FY24: 41.4%, FY23: 45.3%) have underpinned by above mentioned improvement in earnings.

- MCF's liquidity is considered adequate and has improved over the past year. The Company's liquid assets and headroom under finance facilities, increased to 13.0% of total liabilities at Mar24 (Mar23: 7.8%), offering a healthy buffer over the 8.75% stipulated in the Trust Deed (if the Capital Ratio is between 11.0%-13.0%). Management advised that they are currently in discussion to increase the finance facilities with ASB to $4.5m from $3.25m currently. The Company's liquidity position is also supported by its favourable asset-liability maturity profile with loans worth $50.6m due within one year compared to $33.9m for maturity of deposits for the same period.

- MCF has increased its exposure to the gaming sector to $5.1m at May24 (Sep23: $2.2m, May23: $0.8m), representing 8.1% of the loan book (Sep23: 4.5%, May23: 1.5%), helping the Company to diversify both in terms of sector and type of loans (amortising loans).

- RBNZ is in the process of aligning the regulation of all deposit takers under one framework (The Depositors Takers Act is expected to be fully in force by 2028) and introducing a depositor compensation scheme. More stringent regulatory oversight of NBDTs will promote public confidence in the sector, and in turn, enhance MCF's capacity to obtain funding from depositors in the long-term, in our view.

Constraints

- The NBDT sector players including MCF face the potential of significant macroeconomic headwinds such as a recessionary or stagflationary environment characterised by persistent inflation, high interest rates, weakening economic growth, and a slowing housing market. While MCF's asset quality has remained stable thus far, evidenced by low NPLs and credit loss ratios, it may come under pressure as persistent economic headwinds underpin concurrent risks of adverse property price movements eroding collateral coverage and a deterioration in borrowers' repayment capacity.

- The Company remains exposed to a high proportion of non-amortising loans (90.0% of the loan-book at Mar24) despite higher exposure to the gaming sector as noted above. Moreover, a high capital cost allocation requirement for exposure to property development related loans (89.5% of the loan book at Mar24) has underpinned a higher-than-loan-book-growth increase in risk weighed assets to $65.3m at Mar24 (Mar23: $52.9m) and decrease in capital ratio. Though we note MCF's capital ratio has adequate buffer over regulatory and Trust Deed requirements. Further, presence of loans secured by second mortgages (9.1% of the loan book) in the overall asset mix also weighs on risk adjusted capital requirements. Positively, majority of MCF's loans have less than one year maturity and the average Loan to Value of the loan book is 69.0% at Mar24, thereby partially mitigating some of these risks

- Deposit base growth whilst managing the cost of deposits is a key challenge in the next 12 months, for sustaining healthy net interest margins and achieving near-term growth objectives. Further, the immediate impact of the Depositors Compensation Scheme, which is scheduled to get implemented in 2H25, remains uncertain. We note an increasing trend in cost of deposits (FY24: 6.1%, FY23: 5.3%, FY22: 4.9%) potentially reflecting industry-wide competition for deposits amongst other factors. Positively, the cost of deposits appears to have peaked, as MCF has not offered any increase in rates on 12-month term deposits since May23, and widely anticipated interest rate cuts in late 2024 may lead to lower cost of deposits.

- MCF's operations have significant geographic concentration risks as most of its business is generated in the Canterbury region of New Zealand. In our view, this makes MCF's business and earnings highly susceptible to region-specific shocks. However, we acknowledge that operating in a specific region may allow the Company to better serve its customers' specific financial needs while maintaining close ties to its local community.

- MCF's limited offerings and relatively small scale also constrain its overall business and competitive profile. MCF, similar to majority of its other NDBT peers, does not provide full suite of banking services thereby limiting its ability to compete with larger peers and traditional banks to retain and grow its depositor base. Furthermore, increased competition from innovative new financial products and FinTech's may impact the Company's ability to generate healthy returns on its loan assets.

The outlook for MCF's credit rating has been upgraded to 'Positive' from 'Stable'.

A rating upgrade would require a sustainable improvement in scale and diversification of operations, while maintaining profitability and asset quality. There may be downward pressure on the rating if the Company's asset quality, capital ratio or liquidity positions materially deteriorate, on an individual or a collective basis.

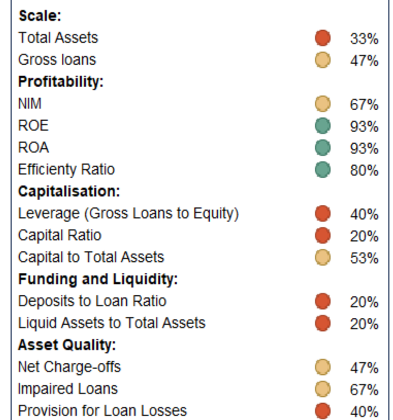
Risk Rating

B

Outlook: Positive

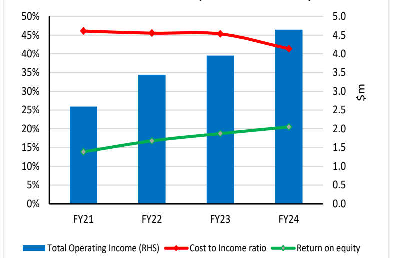
Type: Public, Monitored

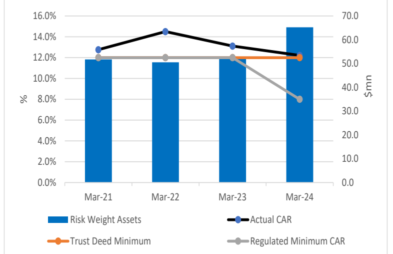
Industry Percentiles

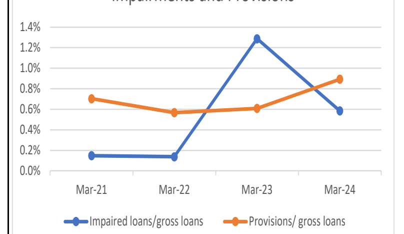


Metric	Percentile
Scale:	
Total Assets	33%
Gross loans	47%
Profitability:	
NIM	67%
ROE	93%
ROA	93%
Efficiency Ratio	80%
Capitalisation:	
Leverage (Gross Loans to Equity)	40%
Capital Ratio	20%
Capital to Total Assets	53%
Funding and Liquidity:	
Deposits to Loan Ratio	20%
Liquid Assets to Total Assets	20%
Asset Quality:	
Net Charge-offs	47%
Impaired Loans	67%
Provision for Loan Losses	40%

Key Trends







2 Scope of Report

The report provides an overview of the credit rating and associated rationale of Mutual Credit Finance Limited ("MCF", "the Company").

We have complied with our rating services guidelines in order to derive the credit rating on Mutual Credit Finance Limited. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold or sell any securities or make any other investment decisions. The details pertaining to this report are outlined below:

Report Details	
Date of Report	**12 July 2024**
Request Type	**Issuer**
Assessment Type	**Under Ongoing Monitoring**
Rating Initiation	**Issuer based (solicited)**
Rating Distribution	**Public Rating**
Report Distribution	**Unrestricted**
Purchased by	**Mutual Credit Finance Limited**
Report Fee	**Fixed Price**
Ancillary fees	**Nil**
Issuer Name	**Mutual Credit Finance Limited**
Issue Name	**Not Applicable**
Issuer First Time Rated	**No**
Issue First Time Rated	**Not Applicable**
Financial Scope	**Standalone Entity**
Structure	**Limited Company**
Industry	**Financial Services**
Sector	**Non-Bank Deposit Takers**

This report should be read within the context of Equifax's Rating Services Guide. This report should be taken as a whole and cannot be abridged or excerpted for any reason.

We have conducted this assessment on the basis of the information provided to us by Mutual Credit Finance Limited, publicly available information and from our own enquiries. We have derived a credit rating on the Company based on the understanding that Mutual Credit Finance Limited has no contingent liabilities, cross guarantees or other liabilities to any other entity other than as disclosed to us or as detailed in the financial statements. Our duty does not include auditing the financial statements.

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Information Sources	
Financial statements	**Audited Financial Statements of Mutual Credit Finance Limited for the years ended 31 March 2024, 2023, 2022 and 2021.** **Management Accounts for two months interim period to May 2024.**
Name of auditor	**PricewaterhouseCoopers**
Other Information Sources	**The Company's response to our Request for Information, the Company website, industry and regulatory websites, management interviews, media articles, adverse searches and internet searches.**
Subject participation	**Full**
Material financial adjustments	**None**
Limitations of assessment	**None**
Outsourced rating activities	**No**
Confidentiality agreement	**No**
Material client	**No**
Rating amended post issuer disclosure	**No**
Potential conflict of interest	**None**
Rating methodology	**Financial Institution Rating Criteria**

This report should be read within the context of Equifax's Ratings Services Guide.

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3 General Background of the Subject

3.1 Subject Overview

Subject Name	Mutual Credit Finance Limited
Previous Name	Mutual Credit Corporation Limited
Type of Entity	Licensed Non-Bank Deposit Taker (NBDT)
Head Office Address	Level 2, 137 Victoria Street, Christchurch Central Christchurch NZ 8013
Date of Incorporation	14 December 1956
Principal Activities	MCF is licensed by the Reserve Bank of New Zealand (RBNZ) to operate as a non-bank deposit taker and raise money from and issue securities to the public. MCF raises funds from the public by offering debt securities (fixed term deposits) and provides business loans to qualified borrowers.
History	MCF commenced business in December 1956 (as Mutual Credit Corporation Limited). MCF initially offered hire purchase discount facilities to a select group of Christchurch based motor vehicle dealers. In March 2006, MCF amalgamated with another Christchurch based finance company, Westgold Finance Ltd, and this formed the base of the current MCF business. MCF has gradually diversified its range of lending providing finance to a range of industry sectors, including business finance, plant and equipment funding, property development and investment and Corporate Society Gaming funding. MCF previously also undertook a small amount of consumer lending for motor vehicles and personal loans, however decided to cease lending in this area from 30 November 2021. MCF has no subsidiaries. The current shareholders are MCF Holdings Limited (44.80%), Peter Rae Industries Limited (38.72%) and John Anthony Wheelans (16.48%).

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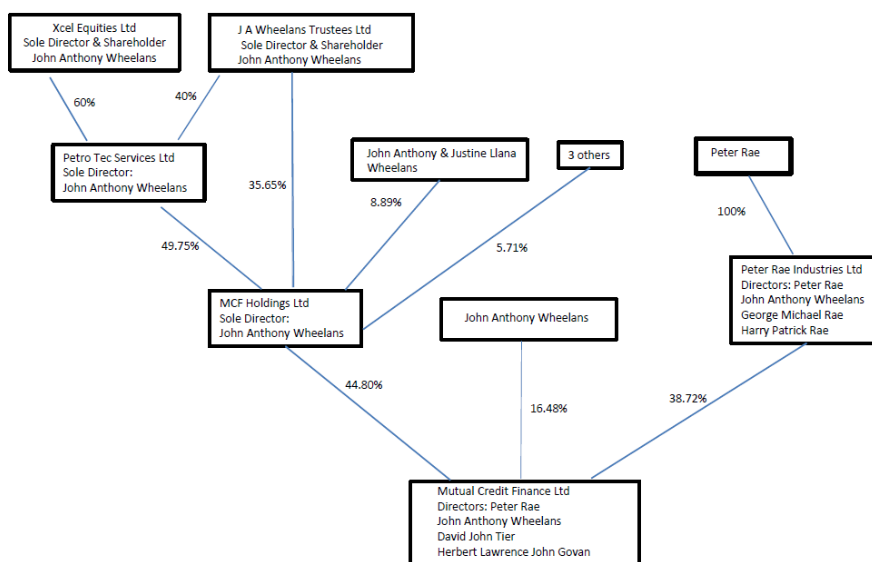
3.2 Corporate Structure

The Company operates as a standalone entity, with no underlying subsidiaries. Below is MCF's organisational Structure.



3.3 Management

Board Member	Position	Date Appointed
David John Tier	Chairman and Independent Director	1 Mar 2010
Herbert Lawrence John Govan	Independent Director	28 Mar 2014
John Anthony Wheelans	Director	28 Jun 1991
Peter Rae	Director	31 Mar 2006

Board of Directors:

David John Tier CA, MinstD (Chairman)

David is a Chartered Accountant and a chartered member of the New Zealand Institute of Directors. He has many years of senior executive and chief financial officer experience. In recent years he has provided business consultancy services and governance advice to a number of private companies in the property, construction, finance and information technology sectors. David is an independent director of MCF and is a member of MCF's Audit Committee.

Herbert (Bert) Lawrence John Govan FNZIM, MInstD

Bert is a director of and/or shareholder in a number of New Zealand and Australian companies primarily in the property, finance, automotive and timber/forestry industries. Bert is a Fellow of the New Zealand Institute of Management and an independent director of MCF.

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John Anthony Wheelans, BCom, CA (PP)

John was a partner in Ashton Wheelans, Chartered Accountants, for 33 years. He retired from Ashton Wheelans in 2020 and is now a professional director and private consultant to the property and construction industry. John is also an investor in a number of private companies associated with the construction industry. He is a Director of MCF Holdings Limited, the majority shareholder in Mutual Credit Finance Limited.

Peter Rae FCA, AFNZIM

Peter is a Fellow of the New Zealand Institute of Chartered Accountants and is Chairman and Managing Director of Peter Rae Industries Limited which holds 38.72% of the shares on issue in MCF. He has extensive experience in finance and property investment, is Chairman of the Collins Mitre 10 group and a director of several private companies. Peter is also Chairman of MCF's Audit Committee.

3.4 Governance and Controls

Risk Management Controls and Process

MCF is required to comply with requirements of the Non-Bank Deposit Takers Act 2013 which involves identification and management of credit risk, liquidity risk, market risk, operational risk, regulatory risk and money laundering and the financing of terrorism risk. MCF has adopted specific policies and procedures to manage the respective risk factor with some of the processes and documents listed below.

Credit risk

- MCF has a credit policy (the Lending Policy and Procedures Manual) detailing the steps and information required for the assessment of all credit applications.
- A delegated authorities schedule has been approved by the Board which clearly identifies the discretionary loan approval limits and the threshold for loans requiring board review and approval.
- Creditor exposure is reviewed on a monthly basis.

Liquidity risk

The Company has a target minimum liquidity level of $4.5m which can include both cash on hand and bank facilities. In addition regular reports are submitted to the board that include:

- A summary of new investments received
- Reinvestment rates on a monthly, 3, 6 and 12 monthly basis,
- Details of investments by depositor, size and maturity,
- Weekly cash flow summaries

Market risk

To effectively manage market risk, the Company has following processes in place:

- Monitoring of market interest rates and reviewing the impact of these on interest rate exposure at least monthly.
- Reviewing deposit and lending rates at least monthly.
- Reviewing lending rates at the time an advance is drawn.
- Reviewing the maturity profile of assets and liabilities on an ongoing basis to ensure a matching of the profile of maturity.

Operational Risk

The Company uses segregation of duties, delegated authorities and business continuity planning to effectively manage its operation risk.

Regulatory Risk

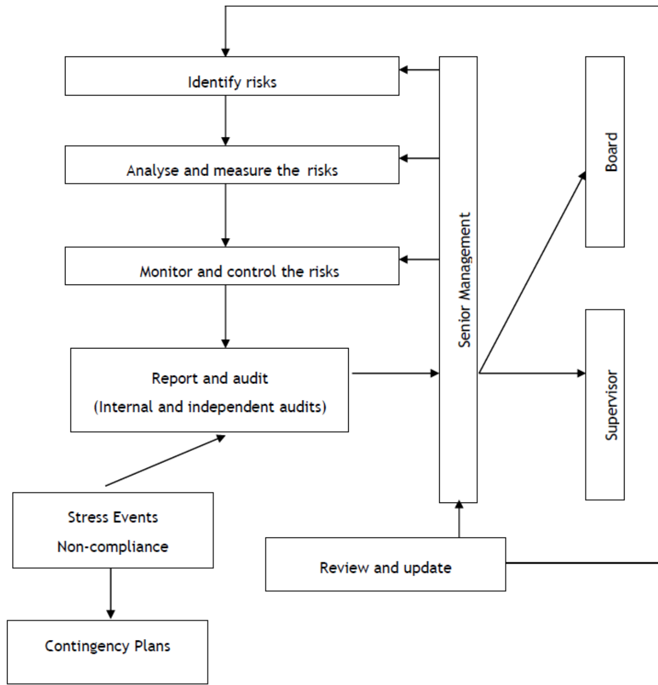
Regular monitoring of the Capital Adequacy Ratio (calculated as per NBDT Act 2013) is undertaken by the Company to ensure the ratio remains above the minimum levels required at all times by:

- Calculating this ratio at least weekly.
- Assessing the impact of any new advance >$500,000 on this ratio at time of approval and again at time of drawdown.
- Notifying the Board if the Capital adequacy ratio falls below 12.0%.

Compliance

As part of the overall process a Risk Management Checklist is completed monthly by the CEO and Finance Manager and provided to the Board. This is to confirm compliance with the various elements of the Risk Management Programme or identify any areas of non-compliance and the remedial action to achieve compliance. This is to be supported by evidence of the remedial steps taken and if required, the process changes instigated, to achieve and maintain compliance if requested. Any board comments are noted in the minutes of that meeting.

The images below show an overview of the risk management process and the reporting lines. The adjacent tables lay out the weighting giving to different risk classifications.



Risk	MCF Ranking	% Weighting
Credit Risk	2	35
Liquidity Risk	1	35
Market Risk	4	10
Operational Risk	3	10
Regulatory Risk	5	5
Money Laundering and the Financing of Terrorism Risk	6	5

In Equifax's view, based on the submissions made, the Company's risk management system prima facie appears commensurate with the nature and scale of its operations.

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4 Financial Overview

4.1 Summary Financial Data

Mutual Credit Finance Limited					
$'000s	**Trend**	**FY21**	**FY22**	**FY23**	**FY24**
Income Statement					
Net Interest Income		2,195	2,661	3,041	3,222
Non Interest Income		401	782	913	1,423
Operating Income		2,596	3,443	3,954	4,645
Operating Expense		1,197	1,568	1,793	1,921
Pre Provision Operating Profit		1,399	1,875	2,161	2,724
Credit Impairment Charge / (Reversal)		167	228	108	179
Operating Profit Before Tax		1,232	1,647	2,053	2,545
Other non Operating Income / (Expense)					
Net Profit		886	1,184	1,476	1,830
Financial Position					
Total Assets		41,343	45,117	60,192	63,433
Customer Deposits		33,499	36,343	50,042	51,673
Gross Loans		39,128	42,641	57,621	58,867
Liquid Assets		1,562	1,405	1,525	3,749
Ratios					
Profit Before Tax to Operating Income Margin (%)		47.5%	47.8%	51.9%	54.8%
Net Interest Margin (%)		6.0%	6.3%	5.9%	5.3%
Cost to Income (%)		46.1%	45.5%	45.3%	41.4%
Return on Asset (%)		2.4%	2.7%	2.8%	3.0%
Return on Equity (%)		13.8%	16.8%	18.7%	20.5%
Capital Ratio (%)		12.8%	14.5%	13.1%	12.2%
Capital to Total Asset Ratio (%)		16.2%	16.4%	13.9%	15.0%
Leverage Ratio - (Gross Loans / Equity) (x)		5.8	5.7	6.9	6.2
Charges-offs / Gross Loans (%)		0.0%	0.6%	0.0%	0.0%
Neither Impaired or Past Due to Gross Loans (%)		97.0%	99.9%	98.7%	99.4%
Non-Performing Loans to Gross Loans (%)		0.1%	0.1%	1.3%	0.6%
Loan Loss Provision / Gross Loans (%)		0.7%	0.6%	0.6%	0.9%
Gross Loans to Deposits (%)		116.8%	117.3%	115.1%	113.9%
Liquid Assets to Total Assets (%)*		4.5%	3.7%	2.9%	7.0%

* Bank facility of $2.5m which increased to $3.25m in FY24 is not included.

4.2 Revenue and Profitability

In FY24, the Company's operating income increased by 17.5% to $4.6m, primarily driven by an increase in non-interest income by 55.9% to $1.5m (FY23: $1.0m), on the back of an increase in standard establishment fees from 1.0% to 1.5% on loans, along with an increase in lending volume. Operating income was also supported by an increase in net interest income by 6.0% to $3.2m on the back of increase in effective lending rate to

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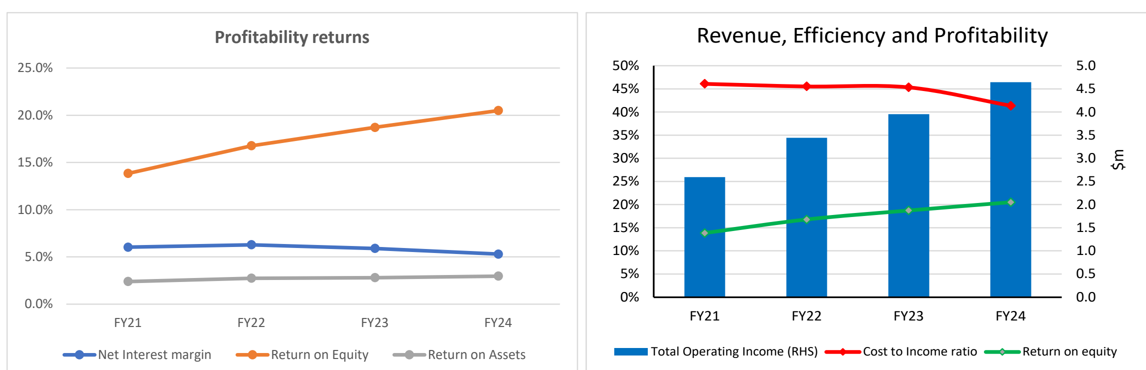
10.9% and increase in gross loans by 2.2% to $58.8m (Mar23: $57.6m). We note the loan book dipped to $49.6m at Sep23 due to repayment of few short-term loans but rebounded in 2HFY24 reflecting continued availability of opportunities in the market despite the high interest rate environment. Management advised that MCF continues to capitalise on conventional banks' reduced risk appetite to lend for property development projects (banks prefer to target owner occupied market with slow response/processing times)

Annualised net interest margin declined further to 5.3% (FY23: 5.9% FY22: 6.3%), attributable to the steady rise in cost of deposits (FY24: 6.1%, FY23: 5.3%, FY22: 4.9%), but remained at healthy levels. Rise in cost of deposits reflects the increase in cash rates and industry wide competition for deposits.

The cost-to-income ratio decreased to 41.4% in FY24 (FY23: 45.3%, FY22: 45.5%, FY21: 46.1%), benefiting from economies of scale, with management advising that overhead costs are largely fixed and that the Company has the capacity to increase its scale further with the current resource base.

Over a four-year period FY20-FY24, the Company has roughly doubled its loan book. The Company attributes this growth to its ability to successfully cater to a relatively underserved segment which was not content with the service/products offered by the banking sector especially in the property market. MCF's after-tax profit has increased by 3.3x during the same period which underpinned the increase in ROE to 20.5% in FY24 (FY23: 18.7%, FY22: 16.8%, FY21: 13.8%). An increase in profitability along with healthy retention of profits (average three-year dividend payout ratio of 37.4%) has aided in extinguishing accumulated losses, which largely related to losses on motor vehicle industry and personal loan sectors during 2007-2010 period. The Company does not provide loans to these sectors at present.



Going forward, we expect the loan book to increase at a modest pace, evidenced by increase in gross loans to $62.9m at May24 (Mar24: $58.9m) and management's gross loan forecast of $67.0m at Mar25.

In our view, net interest margins will likely remain under pressure as it will be difficult for Company to increase lending rates in view of a deteriorating economic environment. However, we note the cost of deposits may have reached their peak and may start coming down with the expected cut in interest rates in late 2024 providing some leeway to the Company to maintain net interest margins above 5.0%.

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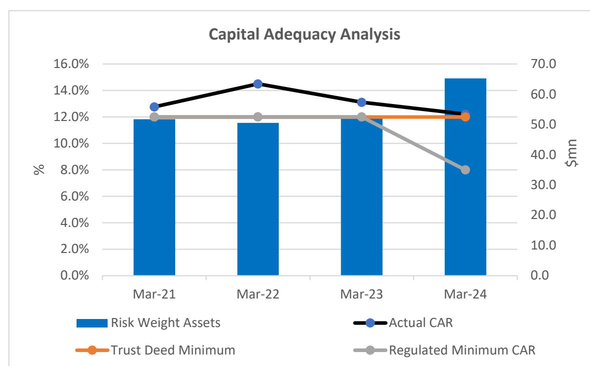
The management has reiterated the Company's plan to increase the loan book to $100.0m by 2029/2031 years preferably through organic growth.

4.3 Capital Adequacy



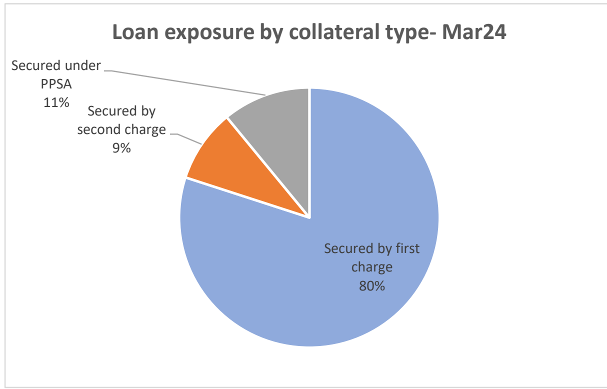
In accordance with the Non-bank Deposit Takers Act 2013 and RBNZ capital regulations, licensed NBDTs with no external credit rating from an approved rating agency and consolidated total liabilities of between $20m-$40m, are mandated to maintain a minimum capital ratio of 12.0%, while NBDT's with a credit rating have minimum capital requirement of 8.0%. We note, the Company's Trust Deed mirrors the Non-Bank Deposit Takers Act 2013 for minimum capital ratio requirements.

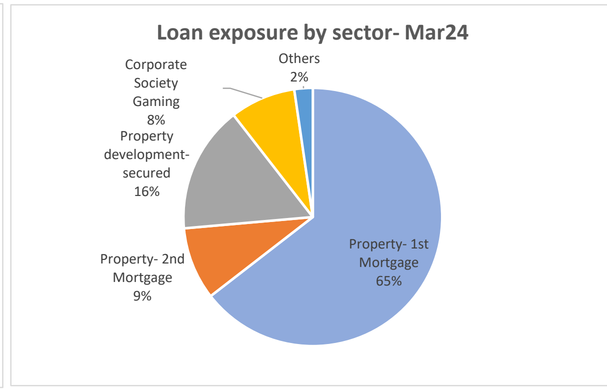
As can be observed from the above, owing to significant growth in the loan book during FY21-FY24, MCF's current capital levels, while significantly above regulatory level of 8.0%, have declined to 12.1% at Mar24 (Mar23: 13.1%).

4.4 Asset Quality

At May24, the majority portion of the loan book (80.8%) is secured by a first charge (primarily on properties) which gives a certain level of comfort on collateral levels. However, 9.1% of the loan book ($5.6m) is secured by a second charge and hence entails long tails risk particularly in a low growth environment.

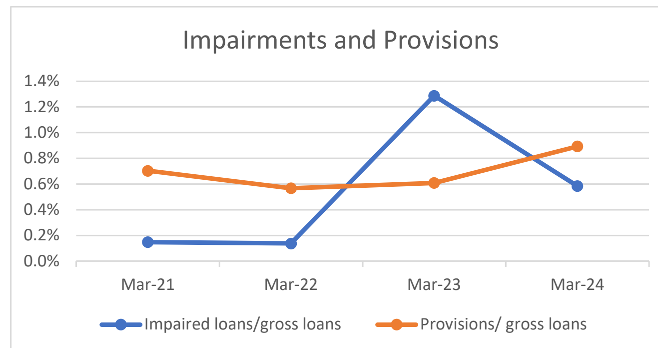
In recent years, the Company has reoriented its profile towards lending to the property sector due to high demand prevalent in the sector, particularly in the residential sector. This is reflected in high exposure to property investment and residential property development sectors at May24 which together accounted for 89.8% of the loan book. We note the exposure to the gaming sector has increased to $5.1m at May24 (Sep23: $2.2m, May23: $0.8m), representing 8.1% of the loan book (Sep23: 4.5%, May23: 1.5%), helping the Company to diversify both in terms of sector and type of loans (significant exposure to interest only loans).





After an uptick in non-performing loan ratio to 1.3% in FY23, it has declined to 0.6% in FY24 which is within acceptable limits. In our view, this is due to a well-laid out criteria for meeting loan requirements and hitherto resilience displayed by individuals and businesses to high interest rates and economic slowdown as a result of capital buffers accumulated during and post-covid as a result of government stimulus and pent-up demand.

We note that one builder, which went into liquidation, accounts for bulk of the specific impairments ($0.3m) and that there has been an agreement to settle the account if $75k is paid by the end of Aug24. We note a negligible amount of loans ($5k) were written off in FY24 (FY23: nil, FY22 $0.3m). Meanwhile provisions as a proportion of gross loans increased to 0.9% in FY24 (FY23: 0.6%) because of Company's policy to increase Expected Credit Loss (ECL) provision by $15k per month. Higher ECL provisions together with lower specifically impaired assets in FY24 of $0.3m (FY23: $0.7m) enhanced the provision coverage ratio to 153% at Mar24 (Mar23: 47.3%).



The loan book has high exposure to interest only and capitalised interest loans which together form 90.0% of the loan book which carries higher risk as principal is repaid at the tail end of the term. However, the risk is mitigated by low duration of the loan book with 86.0% of the loans due within one year. In addition, a LVR of 69.0% at Mar24 gives the Company a adequate buffer against fall in asset values. Bulk of the loans are revolving credit facility agreements with a fixed term. Management advised that undrawn facility of the revolving credit facility is generally not available to be drawn by the borrower until certain milestones are reached and are generally used for renovation/development projects. This in our view reduces the risk of substantial contingent liabilities and the associated funding requirements.

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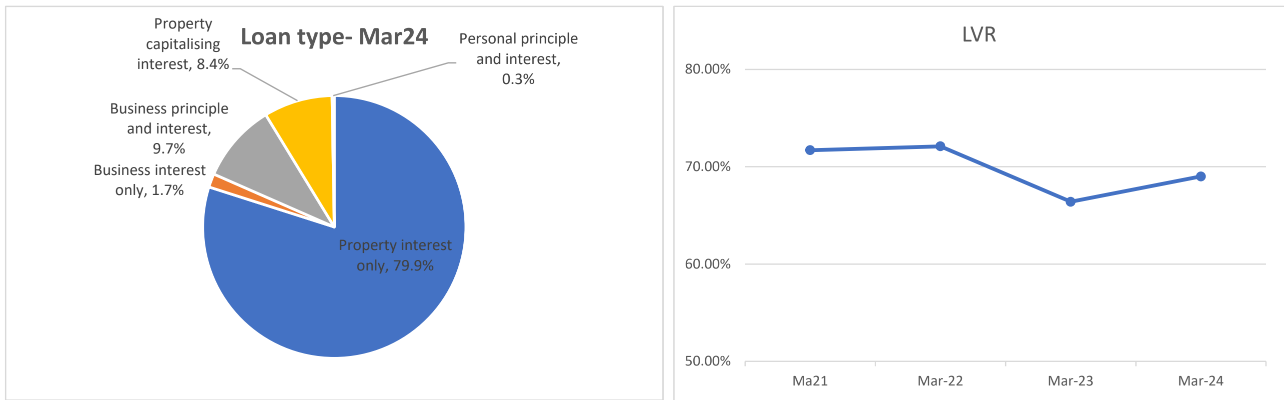

MCF's loan book is exposed to significant geographic concentration risks as most of its business is generated in the Canterbury region of New Zealand. Hence, MCF's earnings are more susceptible to region-specific idiosyncratic risks than some peers with more diversified operations.

4.5 Funding and Liquidity

MCF's liquid assets to total liabilities ratio recovered to higher levels of 13.0% at Mar24 after a dipping to 7.8% at Mar23 which was just above the levels stipulated in the Trust Deed of 7.5%. The liquidity calculation includes ASB Committed Cash Advance Facility of $3.25m at Mar24 (Mar23: $2.5m). Management advised that they are currently in discussion to increase the finance facilities with ASB to $4.5m from $3.25m currently. We note the liquid assets to total liabilities ratio declined to 9.9% at May24 but remained at adequate levels.

Based on the ALM profile, the Company has positive liquidity gaps for up to 1 year with $50.6m due within one year versus $33.9m for maturity of deposits for the same period. However, we note 90.0% of loans are interest-only and capitalised-interest, with a single balloon payment on maturity. The current environment of high inflation and interest rates may underpin uncertainty regarding planned liquidation of underlying assets for the borrowers and timely settlement of loans.

Management attributed the increase in deposit base in FY24 to their relationships with their existing network and the financial advisors. The Company also continues its advertising campaign through Google Search Terms, which was initiated in late 2022, to attract new depositors in the South Island. As per the management, the impact of the advertising has been cost-neutral till date. We note the reinvestment rates remained strong in 2MFY25 at 92.4% (FY24: 74.8%) highlighting the ability of the Company to maintain its current depositor base. In addition, we note the deposit base increased despite MCF offering no increase in interest rates on 12-month term deposits since May23, amidst growing industry wide competition for deposits.

The Trust Deed stipulates that the Company should maintain a liquidity ratio of 7.5%, if the Capital Ratio is greater than 13.0% and a liquidity ratio of 8.75% if the Capital Ratio is between 11.0%-13.0% and at least

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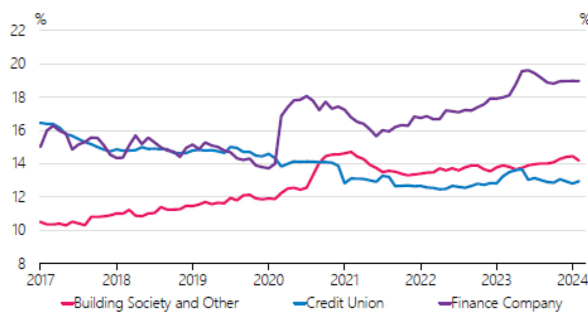
110.0% of any deficit as per the criteria given in the Trust Deed. We note that MCF has managed to maintain its liquidity level above the regulatory requirements, with the decline in capital adequacy ratio to 12.2% in FY24 (FY23: 13.1%) being counterbalanced by an increase in liquidity ratio (including financing facilities to 13.0% at Mar24 (Mar23: 7.0%). However, the narrow headroom above the Capital ratio threshold and liquidity ratio requirement makes the Company vulnerable to adverse movement in reinvestment rates and/or loan repayments delays and write-offs.

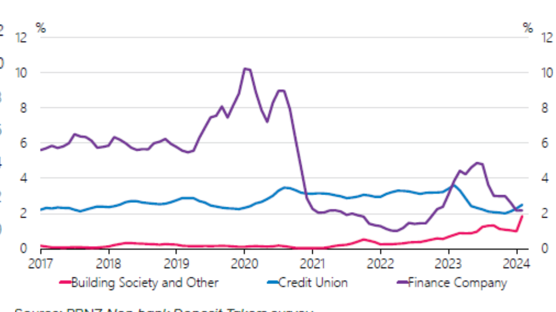
5 Market Overview

There are 14 NBDTs operating in New Zealand, which include building societies, credit unions, and deposit-taking finance companies. (In 2019 there were 20 NBDTs. The number of entities has declined in recent years due to mergers and an entity going into receivership). They have diverse business models, asset sizes, geographic concentrations and product mixes. With total lending steady, at around $2.2bn, the sector is very small relative to the banking sector in total lending but provides services to a relatively large number of customers.

There has been a broad-based slowdown in new lending by NBDTs in the last 18 months, particularly from building societies and credit unions, driven by the high interest rate environment, subdued demand for credit and an uncertain economic outlook. Moreover, Non-performing loans have increased from their low point in 2022, reflecting the slowing economy.

As a whole, the NBDT sector continues to build capital buffers and improve operational efficiency. However, some NBDTs continue to face challenges from the softening economic environment and their lack of scale.





Source: *RBNZ Financial Stability Report- May24*

5.1 Prudential Framework

The Reserve Bank regulates non-bank deposit takers (NBDTs) in New Zealand for the purposes of promoting the maintenance of a sound and efficient financial system, and avoiding significant damage to the financial system that could result from the failure of an NBDT. NBDTs are entities that make an NBDT regulated offer (as defined in section 5 of the Non-bank Deposit Takers Act 2013) and carry on the business of borrowing and lending money, or providing financial services, or both. The prudential regulation of NBDTs is provided under the Non-bank Deposit Takers Act 2013 and associated regulations. Trustee companies also have obligations under the Act. These include ensuring certain prudential content is included in licensed NBDTs' trust deeds. Trustees must report to the Bank any non-compliance with the Act and regulations by the licensed NBDT. Trustees are licensed by the Financial Markets Authority under the Financial Markets Supervisors Act 2011. The table summarises certain key prudential requirements [1]for NBDTs currently in force.

Credit Rating	Licensed NBDTs are required to have a local currency (New Zealand dollar), long-term, issuer rating given by approved rating agencies.
Governance	Licensed NBDTs that are companies or building societies must have a chairperson who is not an employee of either the licensed NBDT or a related party and must have at least two independent directors. Licensed NBDTs that are subsidiaries of another person are prohibited from including provisions in their constitutions that would allow directors to act otherwise than in the best interests of the NBDT.
Risk Management	Licensed NBDTs are required to have a risk management programme that outlines how the licensed NBDT identifies and manages its credit, liquidity, market and operational risks. This programme is to be submitted to, and approved by, the licensed NBDT's trustee.
Capital Ratio	A minimum capital ratio (the level of capital in relation to the credit exposures and other risks of the NBDT or its borrowing group) is required to be included in licensed NBDTs' trust deeds. This ratio must be at least 8% for licensed NBDTs with a credit rating from an approved credit rating agency. For licensed NBDTs without a credit rating from an approved rating agency, the minimum capital ratio specified in the trust deed must be at least 10%.
Related party exposure limits	The exposures to related party, as defined in the Act, shall not exceed a maximum limit of 15% of capital.
Liquidity	Liquidity regulations require every licensed NBDT and its trustee to ensure that the licensed NBDT's trust deed include one or more quantitative liquidity requirements that are appropriate to the characteristics of the licensed NBDT's business, and that take into account the liquidity of the licensed NBDT and the liquidity of any borrowing group.
Suitability assessment of certain directors and senior officers	Licensed NBDTs must notify the Reserve Bank when one of its directors or senior officers (or a person who is proposed to be appointed as a director or senior officer) raises a "suitability concern".
Change in ownership	An application must be made to the Reserve Bank to approve a transaction that will result in a person: 1. having the direct or indirect ability to appoint 25% or more of a licensed NBDT's governing body; or 2. having a qualifying interest in 20% or more of the voting securities issued by the licensed NBDT.

[1] RBNZ

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The Deposit Takers Bill

The Deposit Takers Bill ('DTA') will replace the existing prudential regulatory regime contained in the Banking (Prudential Supervision) Act 1989 and the Non-bank Deposit Takers Act 2013. The integration of these previously separate regimes will create a single, consistent framework for the regulation and supervision of financial institutions that essentially engage in the same activity – the business of taking 'deposits' from the public, and lending to individuals, households, and businesses.

It will take some years for the Reserve Bank to develop and consult on the secondary legislation that will implement the regulatory requirements for the new regime and complete a licensing process for deposit takers to operate under the regime. The parts of the current Reserve Bank Act relating to the regulation and supervision of registered banks and the Non-bank Deposit Takers Act 2013 will remain in force until the remaining parts of the DTA have been fully implemented.

Recent Developments

- The Depositor Compensation Scheme (DCS) will protect customers for up to $100k if their deposit taker fails. The DCS will be funded through levies (fees) on deposit takers and is expected to commence in mid-2025.
- In Mar24 Proportionality Framework for developing prudential standards was published. The framework is the first step in developing standards as it sets out how RBNZ will take a proportionate approach in developing the DTA standards. Under the framework, deposit takers will be allocated into four groups with 'Group Three' for locally incorporated deposit takers with total assets of less than $2.0bn.

Source: *RBNZ Financial Stability Report- May24*

5.2 NBDT Sector Financial Benchmarks

Description	Percentile	GFL	XF	FD	NBS	WBS	HBS	MCF
Financial Year		2024	2024	2023	2023	2023	2023	2024
Scale:								
Operating income ($ 000s)	75%	7,768	7,925	3,492	33,322	6,634	453	4,645
Total Assets ($ 000s)	38%	155,869	126,486	19,518	1,138,268	164,135	38,918	63,433
Gross loans ($ 000s)	38%	132,693	89,434	17,311	894,577	148,429	25,360	58,867
Profitability:								
Net Interest Margin (%)*	75%	3.7%	5.1%	7.9%	2.9%	3.8%	1.9%	5.3%
Non Interest Income to total operating income (%)	50%	31.7%	31.0%	64.1%	5.3%	13.2%	-52.5%	30.6%
ROE (%)*	88%	16.5%	12.3%	-0.4%	9.3%	3.1%	-4.3%	20.5%
Return on assets (%)*	88%	2.0%	1.1%	-0.1%	0.9%	0.5%	-0.7%	3.0%
Cost to Income (%)	13%	45.4%	64.2%	99.7%	50.4%	60.9%	146.2%	41.4%
Capitalisation:								
Leverage (Gross loans to Equity) (x)	50%	7.0	8.8	4.5	8.1	5.9	4.0	6.2
Capital ratio - risk adjusted (%)	13%	22.3%	14.4%	16.5%	13.2%	15.0%	20.1%	12.2%
Capital to total assets ratio (%)	50%	12.1%	8.0%	19.9%	9.7%	15.4%	16.2%	15.0%
Funding and Liquidity:								
Gross loans as a % of total assets (%)	88%	85.1%	70.7%	88.7%	78.6%	90.4%	65.2%	92.8%
Deposits to gross loans (%)	25%	101.8%	127.1%	83.8%	113.6%	91.0%	127.3%	87.8%
Liquid assets to total assets (%)	38%	14.5%	28.5%	4.8%	20.4%	5.5%	25.0%	5.9%
Asset Quality:								
Write-offs to gross loans (%)	38%	0.3%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Impaired loans to gross loans (%)	75%	0.6%	8.4%	2.0%	1.2%	1.1%	0.0%	0.6%
Impairment provision to gross loans (%)	38%	0.4%	1.5%	2.1%	0.6%	0.5%	0.0%	0.9%

5.3 Industry Risks Analysis

Systemic risks factors (GDP, unemployment, economic cycles interest rates etc), level of competition, market structure and the regulatory framework are key sources of industry risks that determine the operating environment of financial institutions (FIs). A summary[2] of the above risk factors and their outlook in the context of the New Zealand economy is included in paragraphs below.

Systemic Risk Factors

Restrictive monetary policy is contributing to an easing of capacity pressures

The Monetary Policy Committee (MPC) agreed that interest rates need to remain at a restrictive level for a sustained period to ensure annual headline CPI inflation returns to the 1.0%-3.0% percent target range.

MPC noted that that persistent inflation in some of New Zealand's key trading partners has led to fewer policy interest rate cuts being priced in by financial markets. Higher long-term wholesale interest rates globally have supported wholesale interest rates in New Zealand. Participants in global financial markets continue to exhibit confidence in the corporate earnings outlook, as reflected in equity prices and credit spreads.

In response to above and other factors, MPC, in its meeting in May24, decided to leave the Official Cash Rate unchanged at 5.5%.

Business failures are rising from low levels

The business sector is facing subdued demand compared to the past few years, owing to the impact of high interest rates on domestic spending and below-trend global growth. High operating costs are accentuating lower demand, even as capacity pressure in the economy has eased somewhat. Growth in labour costs remains high, putting pressure on margins. Insurance costs and local authority rates have also increased considerably for businesses.

Mortgage arrears continue to rise from recent lows

A small proportion of mortgage borrowers has not been able to manage higher interest costs. Difficulty in keeping up with payments has likely been made worse by cost-of-living pressures and other unforeseen events like job losses. As a result, an increasing share of mortgage lending has been categorised as non performing (defined as those 90 or more days in arrears or impaired). This share has increased from 0.2 percent in 2022, a very low level, to around 0.5 percent currently.

[2] RBNZ Financial Stability Report May 2024, RNBZ Monetary Policy Statement May 2024, RBNZ Website and various of Publications of RBNZ.

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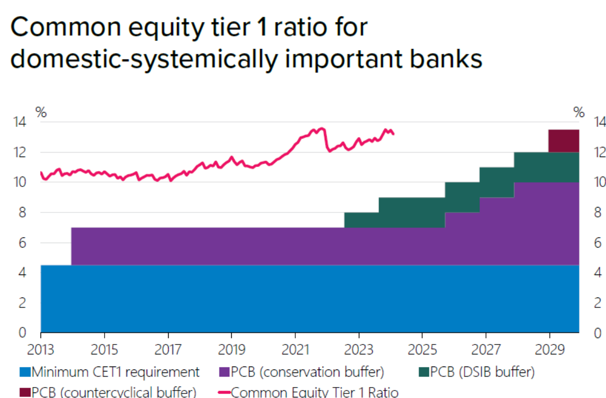
New Zealand's banking system remains well positioned to handle economic or financial shocks

The New Zealand banking system remains well placed to handle external shocks and a downturn in the economy. Bank capital ratios remain well above regulatory requirements and banks are well progressed towards meeting the new requirements being gradually phased in through to 2028. Indicators of bank profitability have eased from recent elevated levels. Net interest margins have come off recent highs as depositors continue to transition from on-call accounts to term deposits in response to high interest rates. Broader measures of bank profitability are also declining as banks have made provisions for increased loan impairments.

Figure 1: Capital ratios of banks



Source: RBNZ *Capital Adequacy survey.*
Note: PCB is the Prudential Capital Buffer.

Cyclicality

Due to strong linkage between economic activity and interest rates financial institutions remain vulnerable to vagaries of economic cycles. During recessionary times interest rates drop and business sentiment remains weak, thus undermining the ability of financial institutions to raise deposits and make loans. Similarly, during periods of inflation, interest rates usually rise and purchasing power of households dwindles thereby exposing financial institutions to asset quality risks. NBDTs' strong reliance on retail deposits for funding, limited product range, geographically concentrated operations, and smaller scale makes them more susceptible to the adverse operating and financial impacts of cyclicality compared to systemically important banks and other tier-2 banks. As a result, a study of economic cycles and its phases is vital to accurately assess the exposure to various market risks.

Growth is expected to remain slow in 2024 before picking up in 2025

Real GDP growth is expected to expand by 1.1% year-on-year in 2024, below its long-term trend, as the lagged impact of monetary policy tightening suppresses domestic demand. By contrast, improving external conditions should provide some support to near-term growth and narrow the trade deficit, especially through tourism. New IMF staff research suggests that global disinflation will help lower inflation in the tradables sector and migration will ease labor market tightness. Slowing domestic demand will likely reduce non-tradable inflation.

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As a result, headline inflation is expected to fall below 3.0% year-on-year in 3Q24. IMF staff expect a gradual easing of monetary policy starting toward the end of 2024, which should support growth to recover to over 2.0% year on year in 2025. The unemployment rate will probably continue to increase and will level around 5.0% in 2024 and 2025 as the output gap turns negative (Source: IMF, Mission Concluding Statement).

Market Risk

Market risk refers to the impact on profitability due to adverse changes in interest rates, assets prices, commodity prices and exchange rates. Interest rates remain the key and most direct source of market risk to financial institutions due to the nature of their operations and the strong interplay between interest and currency rates and interest rates and asset prices.

NBDTs primarily face interest rate risk given their limited appetite for transactions denominated in foreign currency and relatively small scale of operations. As a result, paragraphs below discuss the recent movements in the prevailing interest rates and asset prices in New Zealand.

Interest rate movements

In May24, the Monetary Policy Committee ('MPC' or 'the Committee') kept the Official Cash Rate (OCR) on hold at 5.5% in the seven-straight meeting after twelve consecutive rate hikes before that spanning a period of 20 months.

While weaker capacity pressures and an easing labour market are reducing domestic inflation, this decline is tempered by sectors of the economy that are less sensitive to interest rates. These near-term factors include, for example, higher dwelling rents, insurance costs, council rates, and other domestic services price inflation. A slow decline in domestic inflation poses a risk to inflation expectations.

Based on the above and other factors MPC agreed that monetary policy needs to remain restrictive to ensure inflation returns to target within a reasonable timeframe.

Asset Price Movements

House prices have increased from recent lows but housing activity remains weak

Housing market activity remains weak overall as high interest rates have reduced borrowing capacity and investor demand. As a result, house sales have been subdued and days to sell remain elevated. Recent house price increases have been underpinned by rental growth, driven by population growth outstripping new supply. Strong net immigration has increased the demand for rental housing, while the supply of new housing is expected to slow once developers complete existing projects. Faced with elevated uncertainty, many house buyers are preferring to purchase existing properties rather than buy new builds off the plans. As a result,

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many developers are finding it difficult to achieve the levels of pre-sales required by banks to finance new projects.

Commerical real estate under pressure

In many countries commercial real estate owners remain under pressure, owing to tight monetary policy settings and structural changes to demand that were accelerated by the COVID-19 pandemic. Demand for office space has declined as remote working has become more prevalent, and demand for retail properties has declined, with consumers switching from in-person to online shopping. Internationally, several banks have experienced large falls in equity prices and credit downgrades in recent months due to their high exposure to commercial real estate.

In New Zealand, stresses in the commercial property industry are concentrated in the lower-quality office and parts of the retail sector. Risks to New Zealand banks from commercial property exposure are much more limited, with commercial property lending representing less than 10.0% of overall lending portfolios, and a lack of concentration in individual banks.

Foreign Currency Risks

The adverse movement in exchange rate poses direct and indirect risks to financial institutions depending on its balance sheet and contribution of foreign trade to overall economy. For economies highly reliant on foreign trade adverse changes in exchange rates can affect overall GDP levels and business profitability thus heightening the financial institutions vulnerability to asset quality risks. Further financial institutions may raise capital from or lend to foreign investors / borrowers and hence adverse movement in the exchange rates may impact the financial institutions borrowing costs / lending incomes.

New Zealand Exchange Rate

The New Zealand dollar has weakened by 0.9% against the USD in the 12 months to Jun24. One potential reason is the market expectation on an interest rate cut in late 2024 in view of a decline in inflation. Other factors contributing to the weak performance include low GDP growth. Over a five-year period, New Zealand dollar has depreciated by -9.3% against the USD

Figure 2: 1 Year Performance

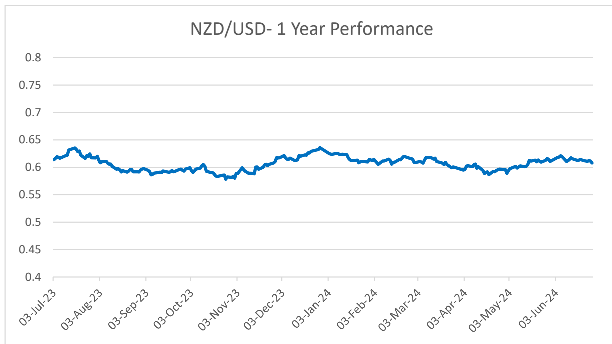
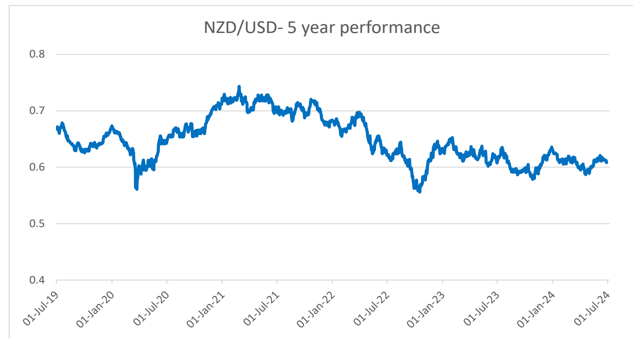


Figure 3: 5 Year Performance



Source: RBNZ

Level of Competition and Market Structure

The financial institutions face stiff competition on an ongoing basis to attract capital and funding. In addition to peers, the financial institutions must compete with other finance intermediaries like managed funds, insurance companies and other intermediaries that offer alternative avenues for households and businesses to park savings or borrow funds. Further, the advent of fintech, payment banks and rise of buy now pay later sector has heightened competition in the short-term lending segment.

A draft report on market study of personal banking services was published by Commerce Commission New Zealand in Mar24. Some references to NBDTs in the draft report include:

Competition for home lending- smaller banks, NBDTs and non-deposit-taking non-banks do not provide a meaningful competitive constraint on the major banks. Smaller banks need to maintain an 'always on' growth strategy in order to grow (or even to maintain) their positions in home lending.

Credit unions and building societies (CUBS) offer many of the same products as banks, but are relatively small competitors for deposit products, with less than 1% of total deposit-taker assets. NBDTs also compete for deposit services, though generally for niche markets rather than in direct competition with banks.

NBDTs and non-bank lenders say the granular and intrusive nature of affordability and suitability requirements prohibit them from being able to provide timely and tailored support to customers, which is an important part of their offering.

During the COVID-19 pandemic, small banks and NBDTs were unable to access the Reserve Bank's Funding for Lending Program (FLP), that was introduced with the intention of lowering the cost of funding for banks and increasing lending by giving banks access to long-term funding at the Official Cash Rate (OCR).

APPENDICES

1. Explanation of the Equifax's credit rating

1.1 What is a rating?

Credit ratings provide an Agency's opinion as to the capacity, viability and willingness of an entity, issuer, or counterparty to meet their respective financial commitments. As such, Equifax assigns ratings based on the credit worthiness of an entity, commitment, or product, and provides probabilistic assessments of default over the short, medium, and long-term.

Credit ratings are a critical measure used extensively in commercial, financial, and capital markets to support key business decisions. Equifax's credit ratings are used to support debt and bonding decisions, loan origination and recovery, insurance and warranty, funds management, portfolio management, tendering and procurement, counterparty risk assessments and other commercial contracts.

Equifax provides credit ratings on government and commercial agencies, international conglomerates, infrastructure consortia, financial institutions, publicly listed entities, private corporations, and small-to-medium sized enterprises across a range of industry sectors both domestically and internationally. As such, Equifax is also able to provide detailed industry intelligence, benchmarking reports and analysis across a wide range of sectors.

1.2 Equifax's credit rating

Equifax and other credit rating agencies all attempt to measure the probability of an entity being able to honour its financial commitments as and when they fall due. The most recognised credit rating is that based on Bond Rating Equivalents (BRE) used over the past eighty years to determine the proximity of an entity's securities to default (non-payment of interest or principal). The accuracy of this method has been extensively tested and is accepted worldwide.

The Equifax's database contains more than 100,000 financial years of information spanning more than twenty-five years. As such Equifax is in a unique position, having developed a large and empirical data source on entities across various industry sectors with long data histories covering a range of economic conditions and one or more complete business cycles. Equifax has therefore been able to use a variety of quantitative validation tools and comparisons using this information to adequately verify the stability, accuracy, and consistency of its rating models.

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Equifax's rating models have been designed to assess the proximity of an entity to defaulting on its financial commitments and obligations. Proprietary risk analytics are used to evaluate the multivariate interrelationship of key risk indicators using scientifically based and empirically derived risk metrics. These models evaluate the financial performance, position, and profile of an entity in the context of its industry, size, and structure. They have been validated on Australian and international data with the assistance of Professor Edward Altman, an internationally recognised leader in the field of credit risk analysis and bankruptcy prediction.

Equifax uses its comprehensive benchmarking database to evaluate the financial position, performance and credit quality of an agency, institution, corporation, or entity relative to an industry and its peers. This enables the identification of key sensitivities, trends, cautionary alerts, and exception reports based on identified anomalies and/or outliers across key credit indicators of a select benchmarking group.

While there is no single method to discriminate unambiguously between firms that will default and those that will not, Equifax can make probabilistic assessments of default. This requires a large database of actual defaults to enable an assessment of default probabilities and actual default rates from empirical evidence. The Australasian market has a comparatively small number of corporate bond issues and a relatively benign credit climate over recent decades, and as such empirical data on Australian default rates is limited. Therefore, Equifax considers it is more appropriate to apply default probabilities using empirical data from international markets over several economic cycles.

Equifax's default statistics have been derived from nearly twenty years' experience analysing mainly US non-financial, non-utility corporate bond issuers. The analysis covered a relatively large number of companies (approximately 1,000 rated each year) and follows the well-established static pool approach used by Credit Rating Agencies to report their default experience. Static pools were created for bond issuers each year by both notch and grade, and the history of these bond issuers was then analysed over the period. The pools were then combined so that long-term average default experience by duration could be calculated, and both annual and cumulative default experience was calculated from the pools.

Equifax's risk analytics enable analysts to evaluate the most critical and sensitive financial and risk items through the Risk Assessment Platform by analysing key indicators to derive a definitive credit risk score and Bond Rating Equivalent (BRE), providing Probabilities of Default (PoD) over the short-, medium- and long-term horizon.

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1.3 Rating Definitions

Credit ratings provide an Agency's opinion as to the capacity, viability, and willingness of an entity to meet their respective financial and contractual commitments. As such credit ratings are assigned in accordance with the entity, commitment, or product's proximity to default. Equifax adheres to internationally recognised grades and are similar to other agency classifications, providing ratings across twenty-two credit notches from 'D' (in default) to 'AAA' (extremely strong).

Moody's	Fitch	S&P	Rating	Default rates (5 years)	Classification	Risk Level
Aaa	AAA	AAA	AAA	0.17	High Grade	Negligible
Aa1	AA+	AA+	AA+	0.31		
Aa2	AA	AA	AA	0.44		
Aa3	AA-	AA-	AA-	0.55		
A1	A+	A+	A+	0.76	Investment Grade	Very Low
A2	A	A	A	0.81		
A3	A-	A-	A-	1.47		
Baa1	BBB+	BBB+	BBB+	2.08		Low
Baa2	BBB	BBB	BBB	3.19		
Baa3	BBB-	BBB-	BBB-	4.37		
Ba1	BB+	BB+	BB+	7.13	Near Prime	Low to Moderate
Ba2	BB	BB	BB	7.49		
Ba3	BB-	BB-	BB-	10.52		
B1	B+	B+	B+	16.34	Sub Prime	Moderate
B2	B	B	B	22.21		
B3	B-	B-	B-	24.16		High
Caa1	CCC	CCC+	CCC+	28.16	Credit Watch	Very High
Caa2		CCC	CCC	29.90		
Caa3		CCC-	CCC-	39.16		
Ca		CC	CC	52.87	Distressed	Extremely High
		C	C	55.00		
C	D	D	D	100.00		

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Equifax assigns ratings based on the credit worthiness of an entity or a specific financial commitment, and provides probabilistic assessments of default over the short, medium, and long-term. Every entity or commitment has some probability of default over a period of time, even those assigned with the strongest of ratings. An Investment Grade classification is attributed to credits that exhibit a lower probability of default, while a Sub-Prime classification has a greater expectancy of default.

An Equifax’s credit rating may also be assigned additional clarification markers (symbols) to qualify the credit risk assessment. These may include:

Conditional Rating (#)
A Conditional Rating is used where Equifax has rated an entity on the basis of significant risk factors and/or report qualifications, with recommendations providing one or more conditions precedent and/or mitigation action(s) to reduce identified uncertainty and risk.

Provisional Rating (*)
A Provisional Rating is used when the most recent financial figures are based on draft management accounts or are deemed out-of-date. Entities with a provisional rating should be re-evaluated as soon as finalised financial statements become available.

Indicative Rating (^)
An Indicative Rating is used where Equifax is engaged to conduct preliminary analysis only, and as such an official rating assignment would require a more detailed and comprehensive investigation and due diligence assessment prior to the provision of our professional opinion.

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1.4 Rating Outlooks

Equifax's forward estimates help ascertain the trajectory of ratings as well as the risks to ratings. Ratings with a positive trajectory are assigned 'Positive Outlooks'. Ratings with a negative trajectory are assigned 'Negative Outlooks'. Where Ratings are expected to remain unchanged, a 'Stable Outlook' assigned.

Rating trajectories are closely related to the outlook for the corporate's earnings. Earnings growth that is within sustainable growth parameters together with an attenuation of earnings volatility provide upward rating pressure and so may warrant the assignment of a Positive Outlook.

Credit Concepts measured

The main credit concepts measured against Australian and New Zealand Standard Industry Classifications (ANZSIC) and specific Peer Groups based on entity size are available in Corporate Scorecard's Rating methodology, which can be found at the below-mentioned links

http://www.corporatescorecard.co.nz/services_credit_ratings.php

https://www.corporatescorecard.co.nz/docs/RatingMethodologyFinancial.pdf

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The credit rating issued by Equifax Credit Ratings reflects our current opinion of the relative credit risk of the institution. This opinion has been formed in accordance with Equifax's published credit ratings methodology - financial institution rating criteria (Issue 8, November 2021).

https://www.corporatescorecard.co.nz/docs/RatingMethodologyFinancial.pdf

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