

3 June 2020

Shareholder update

As the business looks to settle into the new normal we would like to take the opportunity to update shareholders on how we have been navigating the COVID-19 crisis and its impact on MTF Finance to date.

The Level 4 lockdown saw our sales levels rapidly decline, with April's volume down 90% on March 2020. We've experienced a gradual recovery through Level 3 and into Level 2, with May ending at around 75% of last year's levels. While this is encouraging, uncertainty remains. We do not anticipate a return to pre COVID-19 business levels for some time and are busy reviewing our business to align with a very different future.

Over the coming weeks we will have most staff back in the Dunedin support office. We are proud of how our staff have responded during the crisis. They have shown resilience despite having to deal with significant disruption to their working and personal lives whilst remaining committed to assisting our originators and their customers.

Impact of COVID 19

We have undertaken a number of actions to help protect our staff, originators and their customers from the immediate effects of the COVID-19 outbreak.

The immediate response was focused on the safety of our people while ensuring they could continue to provide support and assistance to the customers and originators who were seeking help and guidance. This was followed closely by providing our originators the tools they would need to restart lending operations in the coming weeks, including software so we can provide digital identification and contactless disclosure.

We have been closely monitoring originator activity – particularly those who have significant exposure to industry sectors at higher risk of economic deterioration and have already provided advice and support to assist affected customers. We will continue to refine and improve these solutions to help rehabilitate our affected customers.

The work undertaken to strengthen our financial position after the Global Financial Crisis has placed the business in a good position to face the coming challenges, with the majority of the executive team that helped steer MTF Finance through that time, still on board.

MTF Finance has a well-established funding programme and enjoys the support of our banks and investors. We have been in regular communication and are confident in our liquidity levels and funding capacity. Our strong capital position, built up over the last 12 years, means we have been able to provide additional credit enhancement to give our long-term investment partners some extra comfort.

A review of our operational budgets resulted in significant savings which means the impact on returns to originators over the lockdown period and into Level 2 will be kept as low as possible. Part

of this cost reduction included our staff accepting reductions in remuneration and the incentive scheme has been cancelled for 2020. It is imperative that we protect the team we have built, to the extent that we can, so that the business is in good shape to grow and thrive when the inevitable recovery comes.

As we have done throughout our 50-year history, supporting our originators, our customers and the communities in which we operate, remains our priority. The value of our company is directly linked to the success of our originators, so it is in the best interests of the company that we support our originators through this once in a lifetime event. We will be looking at further ways in which we can do this over the coming weeks and months.

Dividends

The board will continue to approve dividends to Perpetual Preference Shareholders in the normal course of business, unless there is a material change in the company's ability to do so.

Given the uncertainty around the impact of the COVID-19 virus, dividend distributions to Ordinary Shareholders (unlisted), the majority of whom also receive commission income as originators, have been temporarily suspended. The board will review this at the end of the 2020 financial year with the intention to resume ordinary dividend distributions if the board is satisfied that the company has prudent levels of working capital to meet forecast requirements.

Financial reporting timeframes

On 19 March 2020 NZX Regulation granted a waiver in respect to the timing requirements for the release of financial results, if issuers consider that they require additional time to meet their reporting requirements. The working restrictions and management focus under Level 4 and Level 3 have caused delays to our normal reporting processes and we have determined that additional time is required. The half year report will now be released on 22 June 2020.

For further information please contact:

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