

# HEARTLAND GROUP

*NZX/ASX Release*

## **COVID-19 Borrower Support Response Package (updated Conditions of Registration)**

2 April 2020

In response to the COVID-19 outbreak, the Government and the Reserve Bank have announced a range of important measures to support borrowers and the business community, including the Wage Subsidy Scheme, Large Scale Asset Purchase programme, the Business Finance Guarantee Scheme (which is addressed further below), and other tools including a new longer-term funding scheme in support of the Business Finance Guarantee Scheme (the details of which are in development).

These measures are strongly supported by Heartland.

### **Business Finance Guarantee Scheme**

Heartland Group Holdings Limited (**Heartland Group**) (**NZX/ASX: HGH**) and its subsidiary Heartland Bank Limited (**Heartland Bank**) (**NZX: HBL**) (together, **Heartland**) operate in the banking and financial services sectors and remain open to customers during the current period of lockdown in New Zealand. Customers can continue to access banking services through Heartland's digital app, and can also contact Heartland via normal phone or email channels.

Heartland Bank has been contacting its business lending customers that are most likely to be financially affected by COVID-19, to discuss their support options. To that end, Heartland Bank is pleased to support the New Zealand Government's Business Finance Guarantee Scheme, the details of which were announced yesterday. The Scheme enables Heartland Bank, alongside other participating banks, to provide new and existing qualifying business customers with annual turnover of between \$250k and \$80m with business loans to meet their urgent liquidity and bridging finance requirements while they deal with the disruption to their businesses caused by COVID-19. Heartland Bank looks forward to being able to offer customers that support option and is accepting registrations of interest on its website at [www.heartland.co.nz/covid-19-update](http://www.heartland.co.nz/covid-19-update) now.

Importantly, a range of other support options may be available to all Heartland Bank customers who have been financially affected by COVID-19. All affected customers are encouraged to contact Heartland to discuss support available to meet their loan repayments. Heartland Bank has a dedicated team available to assist customers through this time. For more information, please visit [www.heartland.co.nz/covid-19-update](http://www.heartland.co.nz/covid-19-update).

### **Conditions of Registration**

In connection with these measures, the Reserve Bank has considered whether banks' core funding ratios should be relaxed to help ensure that banks are not otherwise incentivised to reduce lending to the economy, and the extent to which all banks should retain earnings to support their business through this period.

Heartland advises that all registered banks in New Zealand including Heartland's subsidiary, Heartland Bank, received notification from the Reserve Bank that their Conditions of Registration have changed with effect from 2 April 2020. The revised conditions relax banks' (including Heartland Bank's) core funding ratio to 50% (from 75%). The revised conditions also require banks (including Heartland Bank) to retain earnings within the business, and not pay dividends. The restriction will remain in place until further notice, but the Reserve Bank indicated that it aims to relax it when the economic outlook has sufficiently recovered.

Importantly, the distribution restriction applies to Heartland Bank, and not to Heartland. Heartland's Board will consider the impact (if any) of the restriction on its own, separate, dividend policy, and when considering the dividends that it may wish to declare (if any) to its shareholders in due course.

- Ends -

**For further information, please contact the person who authorised this announcement:**

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