

# AGILITY.

Annual Review 2017

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# HEARTLAND

HAS ACHIEVED ANOTHER  
EXCELLENT RESULT FOR 2017.

Our focus on niche products, coupled with distribution channels that extend our customer reach and provide a streamlined customer experience, has delivered outstanding financial results and strong returns for our shareholders. But we're not stopping there. We see significant opportunities for growth and we've got a clear strategy to get there.

### Kairangatira ana anō ngā hua a Heartland mō te tau 2017.

Nā te arotahi ki ētahi hanga motuhake me te whai tahi anō i ngā ara toha e toro whāroa ake ai ā mātou kiritaki, e pai ake ai te wheako a te kiritaki, kōhure ana ngā hua taha pūtea, e kaha ana hoki ngā painga ka hoki ki te hunga whai pānga. Kāore e mutu i konei. E kite ana mātou i ētahi tino huarahi e tupu tonu ai mātou, ka mutu he rautaki mārāma tā mātou e tae pai atu ai ki reira.

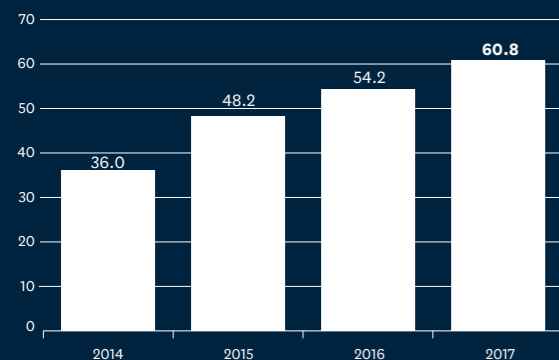
Profitability continues to increase

**\$60.8M**

We achieved a Net Profit after Tax or NPAT of \$60.8m, an increase of 12%



Net Profit After Tax (\$m)



+

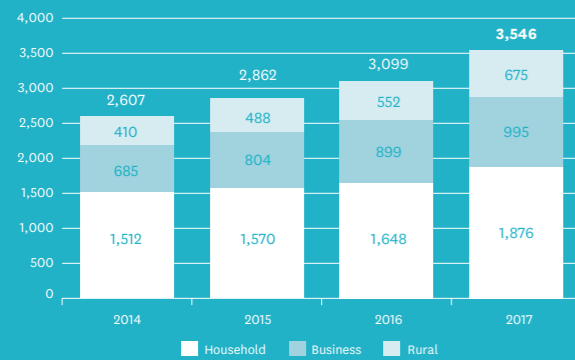
**12%**

NET PROFIT  
AFTER TAX

### Strong growth across the business



Net Finance Receivables (\$m)



**+14%**

Excellent performance across all divisions; Household, Rural and Business, with growth in Net Finance Receivables of 14%.

### A loyal, and growing, depositor base

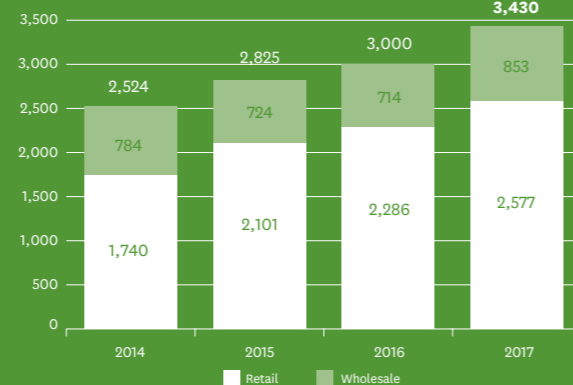


**+13%**

Our asset growth has been supported by growth in our retail deposits of 13%.



Funding growth (\$m)



### Delivering shareholder value

**60.9%**

Total shareholder return (TSR)<sup>1</sup> 60.9%. Averaged 38.3% p.a. across the last five years.

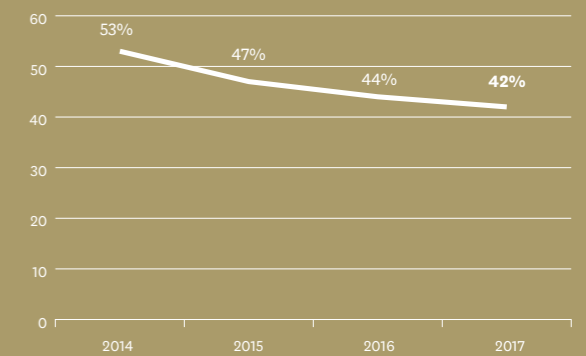


### Reducing the cost to income ratio



**42%**

Cost to income ratio (%)

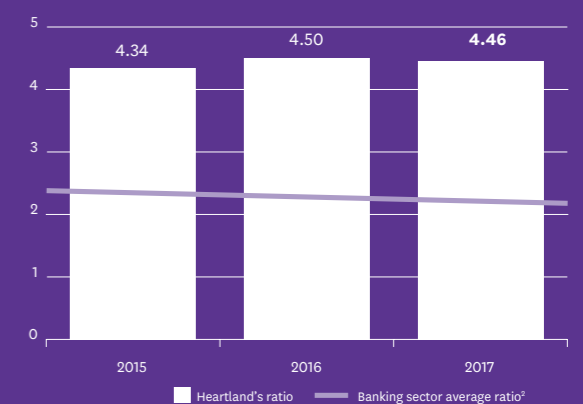


### Net Interest Margin consistently higher than bank peers<sup>2</sup>

**4.46%**

Net Interest Margin or NIM of 4.46%.

Net interest margin (%)



Note: All financials relate to the year ended 30 June 2017 and comparisons provided are to the year ended 30 June 2016.

<sup>1</sup> Total shareholder return means share price appreciation plus dividends received. TSR has been calculated including the benefit of imputation credits.  
<sup>2</sup> KPMG's Financial Institutions Performance Survey March 2017 Quarterly Results.



### Motor Vehicle Finance

Net finance receivables up 10%.

Distributed through our motor vehicle dealer network to enable customers to access finance at the point of sale.

Also online through Heartland's digital platform, *Open for You*.



### Reverse Mortgages

#### New Zealand

Net finance receivables up 12%.

Primarily distributed through our Heartland Seniors Finance sales team in New Zealand.

#### Australia

Net finance receivables up 19%.

Distributed through brokers, aggregators and through our Heartland Seniors Finance sales team based in Australia.



### Personal Loans

Net finance receivables up 73%.

Distributed online through Heartland's digital platform, *Open for You*, and through intermediary partners.

Partnership with Harmony enables Heartland to lend through Harmony's online platform.

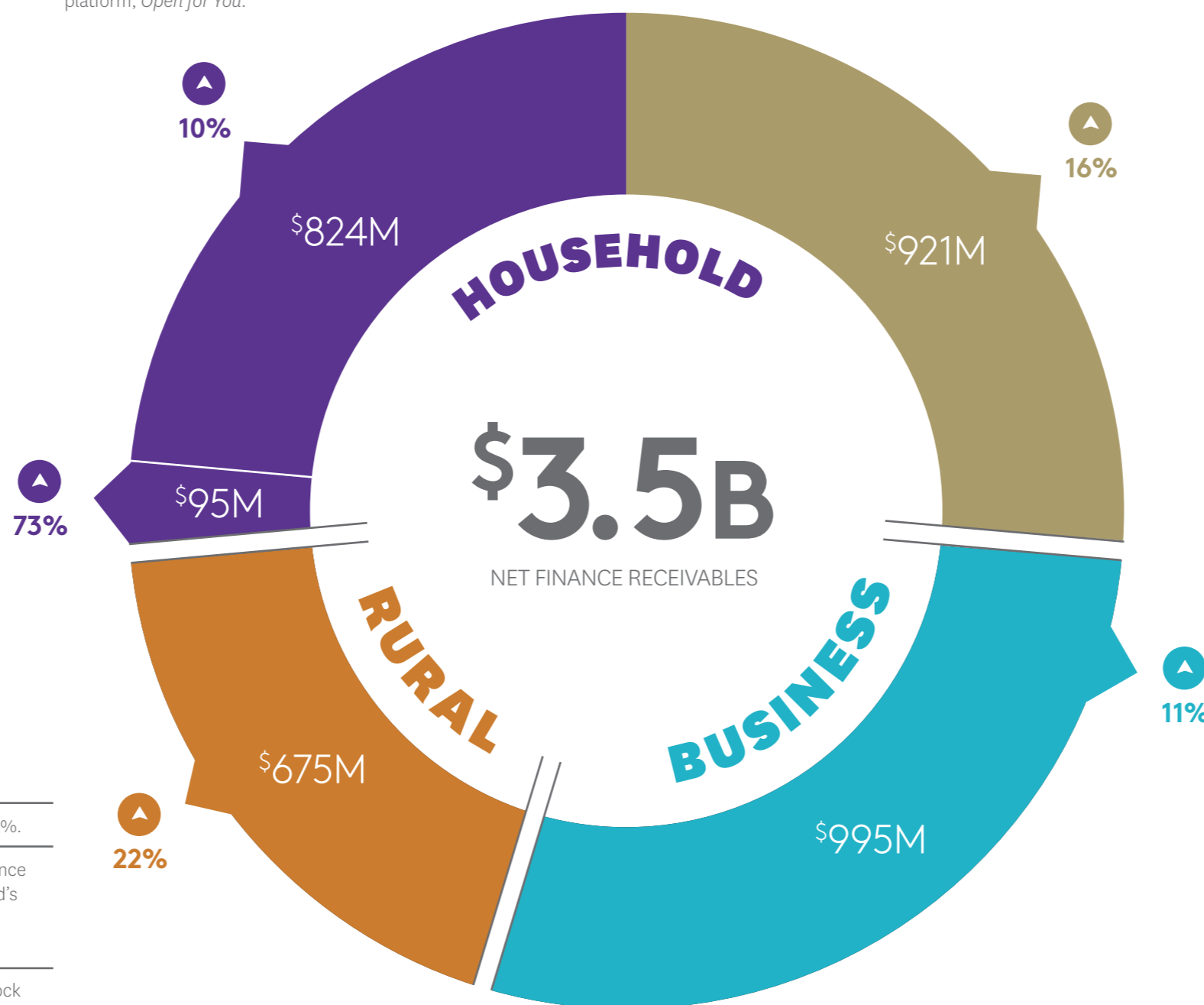


### Rural Finance

Net finance receivables up 22%.

Rural loans and livestock finance distributed through Heartland's relationship managers and alliance partners.

Online applications for livestock finance available through Heartland's digital platform, *Open for Livestock*.



### Business Finance

Net finance receivables up 11%.

Finance for small-to-medium sized businesses available online through Heartland's digital platform, *Open for Business*.

Working capital and plant and equipment finance distributed through Heartland's relationship managers, partners and intermediaries.



Note: These figures exclude \$36m of residential mortgage lending.

## From the Chair

On behalf of the Board, it is my pleasure to report that in delivering a net profit after tax of \$60.8m, Heartland has demonstrated that it continues to generate strong growth in assets and profitability, and has a clear strategy in place for future growth.



It has been an extremely productive year for Heartland, with key strategic milestones being delivered including the implementation of a new core banking system, successful capital raisings and the establishment of new fintech partnerships. I wish to thank Jeff Greenslade for his strong leadership and all of the Heartland team for their efforts; together they have enabled Heartland to successfully execute its strategy and continue to deliver value to its shareholders.

### Creating shareholder value

The Board resolved to pay a fully imputed final dividend of 5.5 cents per share on 21 September 2017 to all shareholders on Heartland's register at 5.00pm on 7 September 2017. This dividend represents a 10 percent increase on the 2016 final dividend.

Together with the interim dividend of 3.5 cents per share, the total dividend for the year was 9.0 cents per share, an increase of 6 percent on the total dividend for 2016<sup>3</sup>.

Total shareholder return (TSR) for 2017 was 60.9 percent<sup>4</sup> and across the last five years TSR has averaged 38.3 percent per annum. This is an excellent outcome for our shareholders.

### Capital management

With the strong asset growth experienced over the year, Heartland raised additional capital (including Tier 2 capital<sup>5</sup>) which received strong support from shareholders and the investment community.

### Credit rating

Heartland's credit rating of BBB (outlook stable) was affirmed by Fitch Ratings during the financial year. It was pleasing to note the positive commentary from Fitch Ratings including in relation to Heartland's focus on niche markets resulting in a strong net interest margin<sup>6</sup> relative to Heartland's bank peers.

### Two new Board appointments

During the year, we welcomed Vanessa Stoddart and Ellie Comerford to the Heartland Board. Both of these independent directors bring outstanding professional leadership and governance experience and further diversify the Board's skill set.

Vanessa has governance, legal and broad commercial experience from her roles in turning around the performance and culture of some of New Zealand's largest companies. Ellie brings to Heartland more than 30 years of experience in the financial services industry, both in executive management and in governance, as well as a strong reputation in the Australian market and with the Australian regulators.

Vanessa and Ellie are also both strong advocates for promoting diversity, in particular gender diversity. Vanessa is Chair of Global Women in New Zealand, which acts as a catalyst for transformation of the leadership landscape of women in New Zealand, and is a champion of diversity and its positive impact on business performance. Ellie is a member of Chief Executive Women, an Australian organisation focused on increasing women's representation in senior leadership.

### Supporting our communities

Heartland continues to support communities across New Zealand through a range of sponsorships together with grants from the Heartland Trust. This year, the Heartland Trust was proud to be the platinum sponsor of the Auckland Writers Festival, a long-standing event bringing together some of the best writers with people of all ages to celebrate the world of books and ideas. The Trust also continued its support of education through the InZone Education Foundation.

### Embracing diversity at Heartland

This year Heartland established a Diversity Committee comprised of staff from across the business. The purpose of the Committee is to develop and help implement initiatives to create an environment that is safe and welcoming to all people. The Committee's initial focus will be to assist the Board with setting measurable

objectives for gender and ethnic diversity at Heartland. The ultimate aim is to develop diversity of thought across the business, providing an inclusive environment for our employees and contributing to the success of our business.

### Outlook

The Board is confident in Heartland's ability to continue achieving strong growth and profitability. Heartland expects its net profit after tax for the year ending 30 June 2018 to be in the range of \$65.0m to \$68.0m.

The potential for acquisitions remains a part of Heartland's strategy, both in New Zealand and Australia. Heartland will pursue acquisitions which align with its strategy, are value accretive, and which deliver access to innovation, compelling distribution capability or involve products which are the same or similar to an existing core competency.

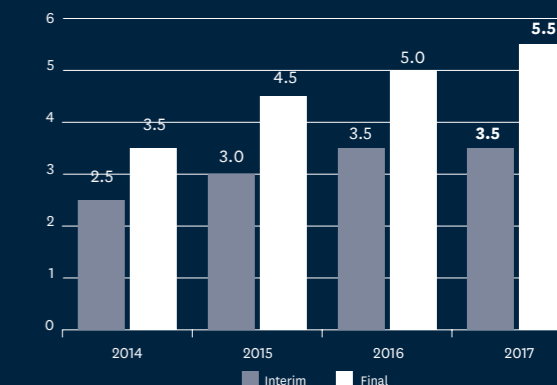
Geoffrey Ricketts  
Chair of the Board

## A growing dividend

9.0 CENTS/  
SHARE

Total dividend for 2017 of 9.0 cents per share

### Dividends (cents per share)



<sup>3</sup> The Dividend Reinvestment Plan (DRP) was available and a discount of 2.5% was applied. The last date of receipt for a participation election from a shareholder who wished to participate in the DRP was 7 September 2017. For the full information on the DRP, please see Heartland's Dividend Reinvestment Plan Offer Document dated 1 April 2017, which is available on our shareholder website shareholders.heartland.co.nz.

<sup>4</sup> Total shareholder return means share price appreciation plus dividends received. TSR has been calculated including the benefit of imputation credits.

<sup>5</sup> Tier 2 capital is debt which qualifies as regulatory capital.

<sup>6</sup> Net interest margin (or NIM) is a key performance indicator for banks, being a measure of the difference between the interest income generated and the amount of interest paid in respect of money borrowed (for example, to depositors), relative to the amount of interest-earning assets.

We take a different approach to being a bank and it's delivering results.



Heartland's strategy is different to other banks operating in New Zealand, and it's a strategy that is continuing to deliver strong results. As a relatively small organisation, with around 350 staff in New Zealand and Australia, our strategy is all about identifying the technology and partnerships that can help us to reach more customers. We focus on markets where we can provide the best product for our customers. We ensure our product is the best choice in the market through superior product features and a first class customer experience, whether it's online, over the phone or in person.

#### Our strategic priorities are:

- Being in the right place at the right time through digital, intermediated and direct channels to ensure we are in easy reach for our customers.
- Targeting markets with significant opportunity and focussing on niche products where customers are under-served by the other banks.
- Delivering specialised customer experiences for each product type.
- Using data insights to predict customer intent, and drive strong lead generation and conversion.
- Leveraging established intermediary relationships and using digital platforms to distribute selected new products and grow Heartland's business in Australia.

#### We achieved a strong financial result for the year

This strategy delivered continued growth throughout the year with Heartland achieving a net profit after tax of \$60.8m, a 12 percent increase from 2016. The increase in profitability was driven primarily by strong growth in receivables of 14 percent combined with a continued strong net interest margin. Earnings for 2017 resulted in a return on equity of 11.6 percent, up from 11.1 percent for 2016. Our cost to income ratio continued to reduce and we were also pleased to be ranked as having the strongest net interest margin amongst our banking peers<sup>7</sup>.

Net Tangible Assets (NTA) increased from \$433.5m to \$490.5m during 2017. On a per share basis, NTA was \$0.95 at 30 June 2017 compared to \$0.91 at 30 June 2016.

#### All of our business divisions grew strongly

We achieved strong growth across all business divisions during the year, driven by our focused sales teams, and being able to reach more customers through our intermediaries and partnerships.

#### Household

In the Household division, the Reverse Mortgage business in New Zealand and Australia continues to grow with product awareness increasing in New Zealand and the broker distribution network expanding significantly in Australia. Personal loans grew as a result of lending through the Harmony platform as well as our own digital platform, *Open for You*. Motor vehicle lending was strong and our focus on new technology to improve the speed of origination and auto-decisioning is expected to have a positive impact in the coming year.

#### Rural

The Rural division achieved excellent growth in receivables of 22 percent. We launched a new digital platform, *Open for Livestock*, enabling farmers to apply for livestock finance online by completing a simple application process. Our livestock lending product is unique, providing 100 percent finance secured against the livestock purchased with the loan repayable upon sale of the livestock. This means farmers can free up their regular bank overdraft for farm working expenses. We also entered into a new partnership with online livestock trading platform StockX to enable direct applications for Heartland livestock finance to be made through the StockX website.

Trading conditions for our dairy customers improved during the course of the year. Our direct exposure to dairy farmers is currently around 8 percent of the total lending book and the average loan to value ratio (LVR) for our dairy exposures is 63 percent.

#### Business

In the Business division, our focus is shifting to small business lending through our online platform, *Open for Business*. In New Zealand, there are some 500,000 SMEs (small-to-medium enterprises), 70 percent of which are sole traders such as plumbers, electricians and designers. Although they operate in different

sectors, the commonality is that accessing finance for their business is not always straight-forward. *Open for Business* makes this faster and easier for small business owners.

Through *Open for Business*, we can provide a decision online in about three minutes once a short online application has been completed by the business owner. There is no need to make an appointment and take time off the tools or away from the desk in order to go to the bank and apply for business finance.

We know that these business owners generally have modest capital needs, which makes them a relatively low priority for the big banks. However, for Heartland we see the significant opportunity that lies in the size of the SME market and the opportunity to enable this sector to increase its role in fuelling the New Zealand economy.

The traditional route for SMEs to secure working capital is to approach the bank they hold their residential mortgage with and seek to borrow against the equity in their residential property, usually the family home. Our approach is different. We provide value to our customers through speed and certainty during the loan origination process and we make our lending decisions based on a range of factors related to their business and its performance rather than the amount of equity in their home.

#### We have partnered with three fintech lenders and built eight of our own online lending platforms

In July we hosted a conference under the theme Banking and Fintechs: Friends or Foes? With a particular focus on online origination and lending, the speakers shared their thoughts on the rise of financial technology (also known as fintech), the future of consumer and SME finance, and the role of data and analytics in transforming the customer experience.

Fintech is not about a product or a process, but a way to access customers at their convenience. The objective is to maximise the low cost distribution offered by the internet and couple it with fast risk decisioning tools that allow you to reach customers quickly and cheaply, while at the same time providing a streamlined customer experience.

We believe the way forward for banking will be to either emulate the fintech sector or collaborate with them. At Heartland, we're doing a combination of both. We have partnered with three fintech lenders – Harmony, Spotcap and Fuelled – and we've positioned our business to take advantage of the move to online lending through our digital platforms.

In May this year, we successfully implemented Flexcube, our new core banking system provided by Oracle. Changing our core banking system has enabled us to rationalise our IT infrastructure in order to drive efficiencies and ultimately deliver better outcomes for our customers.

#### Looking forward, we see excellent opportunities for further growth

Underlying asset growth is expected to continue for the 2018 financial year and we are projecting increased volumes in each of our business divisions. Comparatively faster growth is expected for products which are distributed online, given their modest size currently and the size of the market opportunity available.

Jeff Greenslade  
Chief Executive Officer

Improved return on equity

# 11.6%

Return on equity was 11.6%, up from 11.1%



<sup>7</sup> KPMG's Financial Institutions Performance Survey March 2017 Quarterly Results.

# He rerekē anō te āhua o tēnei o ngā pēke, ka mutu e whai hua ana.



He rerekē anō te rautaki a Heartland i tā ētahi atu pēke e whakahaeretia ana i Aotearoa, ka mutu he rautaki e kaha tonu ana te whai hua. I te mea he whakahaere āhua iti tonu tēnei, kei tōna 350 nei āna kaimahi i Aotearoa me Ahitereiria, e whai ana tā mātou rautaki ki te tautuhi i ngā hangarau me ngā hoa rangapū ka āwhina i a mātou ki te tautoro ki ētahi atu kiritaki. E arotahi ana mātou ki ngā mākete e whakaratoa ai ngā hanga papai ki ā mātou kiritaki. Ka āta whai mātou kia noho ko ā mātou hanga ngā mea papai katoa i te mākete i ā mātou kōrero rangatira mō ā mātou mahi, kia rangatira anō hoki te manaaki i ā mātou kiritaki, ahakoa ā-tuihono, ā-waea, ā-kanohi ki te kanohi rānei.

### Koia nei ā mātou rautaki mātāmua:

- Kia noho mai ki te wāhi tika i te wā tika i ngā huarahi mamati, kia whai ara takawaenga, ara hāngai rānei e māmā ai te toro mai a ā mātou kiritaki.
- Kia whāia ko ngā mākete e maha ana ngā kōwhiringa ara me te arotahi ki ngā hanga motuhake kāore nei e eke ana i ētahi atu pēke.
- Kia whakaratoa he wheako aronga whāiti ki ngā kiritaki mō ia momo hanga.
- Kia whakamahia ngā mātauranga raraunga e waitohua ai te koromakinga a te kiritaki, ka kōkiri ai i te hanganga o te tauira kaha me te takahuri anō i ēnei.
- Kia whakamahia ngā hononga takawaenga taketake me te whakamahi i ngā pae mamati hei toha i ētahi hanga motuhake hou me te whakatupu anō i te pakihī a Heartland i Ahitereiria.

### He kaha ngā painga taha pūtea i tutuki i a mātou i tēnei tau

Nā te rautaki nei i tupu tonu ai mātou i te roanga atu o te tau, ka mutu i whai painga more a Heartland i muri o te utu tāke. I tino ākina te piki ake o ngā painga e te tupu o ngā nama kia utua mai ki te 14 ōrau, me te kaha anō o te paenga huamoni more. I hua mai i ngā whiwhinga mō te tau 2017 he hua tūtanga 11.6 ōrau te nui, he pikinga mai i te 11.1 ōrau o te tau 2016.

I heke haere tonu te ōwehenga o ngā utu ki ngā moni whiwhi, ka mutu āhuareka ana mātou kia tohua nā mātou te paenga huamoni more kaha katoa i waenga i tā mātou aropānga pēke<sup>7</sup>. I piki ake ngā Rawa Tūturu More (NTA) mai i te \$433.5m ki te \$490.5m i te tau 2017. I runga i te hea kotahi, \$0.95 te NTA i te 30 Pipiri 2017 kia whakatairitea ki te \$0.91 i te 30 o Pipiri 2016.

### I kaha te tupu o ā mātou wehenga pakihī katoa

I kaha tā mātou tupu i te whānuitanga atu o ā mātou wehenga pakihī katoa i roto i te tau, i kōkiritia an tēnei e te arotahi a ngā tīma hoko, me te āheinga ki te toro kiritaki hou i ā mātou takawaenga me ō mātou hoa rangapū.

### Whare

I te wehenga Whare, e tupu tonu ana te pakihī mōkete tauaro i Aotearoa me Ahitereiria me te piki anō o te mōhiohia o tēnei āhua i Aotearoa, me te kaha hōrapa anō o te whatunga kaihoko takawaenga i Ahitereiria. I tupu anō ngā pūtea taurewa whaiaro, he āhuatanga i hua mai i te kaupapa o Harmony me tā mātou pae mamati, *Open for You*. I kaha anō te tuku pūtea taurewa mō te waka, ka mutu e whakapono ana mātou nā tā mātou arotahi ki te hangarau hou hei whakatere ake i te whakarite pūtea taurewa hou tae tu ki te whakatau-aunoa, ka pai kē atu ngā painga ka kitea ā tērā tau.

### Taiwhenua

E 22 ōrau te kairangatira o te tupu o te wehenga Taiwhenua i āna nama kia utua mai. I whakaterea e mātou tētahi pae mamati hou, a *Open for Livestock*, i āhei ai ngā kaihuwhenua ki te tono tahua hoko kararehe ā-tuihono nei, i tā rātou whakaoti mai i tētahi tukanga tonu. He ahurei tā mātou kaupapa tuku pūtea taurewa kararehe, inā rā, e tukua ana te 100 ōrau pūtea taurewa e herea ana ki ngā kararehe ka hokona ake, ka taea hoki te pūtea taurewa te utu ina hokona atu ngā kararehe. Mā konei e noho wātea ai tā rātou tarepa pēke mō ngā whakapaunga ki te pāmu. I uru atu anō mātou ki tētahi rangapū hou whai pae tauhoko kararehe ā-tuihono, a StockX, e hāngai ai te tono tahua hoko kararehe i a Heartland mā te pae tukutuku a StockX.

I pai ake ngā āhuatanga mō ā mātou kiritaki miraka i roto i te tau. Ko tō mātou mōreareatanga hāngai ki te hunga miraka kau kei tōna 8 ōrau o te katoa o te pukapuka pūtea taurewa, ka mutu ko te ōwehenga pūtea taurewa ki te uara (LVR) mō ā mātou mōreareatanga pāmu miraka kei te 63 ōrau.

### Pakihī

I te wehenga Pakihī, e neke ana tā mātou arotahi ki te tuku pūtea taurewa ki te pakihī iti mā tā mātou pae ā-tuihono, *Open for Business*. I Aotearoa nei kei tōna 500,000 ngā SME (pakihī iti ki te pakihī wawaenga), ko tētahi 70 ōrau o ēnei he whakahaere takitahi pērā

i te kaiwhakatika kōrere, i te kaimahi hiko me te kaihoahoa. Ahakoa nō rāngai kē, nō rāngai kē ngā pakihī nei, ko te mea e ōrite ana mō rātou katoa ko te kore e māmā o te āhei atu ki te tahua mō ā rātou pakihī. Nā *Open for Business* i tere ake ai, imāmā ake ai te āhua ki ngā rangatira o te kaupakihi iti.

Mā *Open for Business* e taea ai e mātou te tuku whakatau ā-tuihono nei i roto i te toru mineti ina oti mai i te rangatira o te pakihī tētahi tonu poto. Kāore e mate ki te āta whakarite tūtakinga me te waiho i ngā taputapu, te whakarere rānei i te mahi kia haere ai ki te pēke ki te tono tahua pakihī.

E mōhio ana mātou he iti noa ngā tahua e kimi ana ngā rangatira o ngā pakihī nei, me te aha, e mātāmuri ana tā rātou noho mai ki ngā pēke nunui. Engari a Heartland, e kite ana mātou i te ara nui e takoto mai ana i te rahi o te mākete SME me te ara ki te whakamana i tēnei rāngai ki te whakapiki ake i te wāhi ki a ia hei hāpai i te ao ohanga o Aotearoa.

Ko te ara tūturu e taea ai e ngā SME he tahua mō ngā mahi o ia rā, ko te whakapā atu ki te pēke kei reira tā rātou mōkete whare, ka tonu pūtea taurewa e whakatairitea ana ki te tūtanga i te whare. I te nuinga o te wā, ko te kāinga o te whānau te whare. He rerekē anō tā mātou mahi. Ko te uara ka tukua e mātou ki ā mātou kiritaki ko te tere me te pono i te tukanga whakarite pūtea taurewa hou, ka mutu ko ā mātou whakataunga e takea mai ana i ētahi take whānui tonu e hāngai ana ki te pakihī me āna whakatutukinga, kua ki te rahi o te tūtanga kei tō rātou whare.

### Kua whakahoā atu mātou ki ētahi kaituku tahua whai hōtaka hangarau pūtea e toru, kua hāngai hoki ētahi pae pūtea taurewa ā-tuihono e waru

I te Hōngongoi i whakahaeretia e mātou he hui nui, ko tōna kaupapa ko te Banking and Fintechs: Friends or Foes? I runga i te arotahi ki te whakarite moni taurewa hou ā-tuihono me te tuku moni taurewa, i whakapuakina e ngā kaikōrero ō rātou whakaaro mō te kaha haere o ngā hōtaka hangarau aromoni, (e mōhiohia nei ko te fintech), ka pēhea te āhua o te aronga moni a ngā kiritaki me ngā SME me te wāhi ki te raraunga me te pūnaha tātari raraunga e rerekē ai te āhua o te wheako kiritaki.

Kāore te hōtaka hangarau pūtea e aro ana ki te hanganga, ki te tukanga rānei, engari he ara tēnei e taea ai te kiritaki i te wā pai ki a rātou. Ko te whāinga ia ko te kaha ake o te tohanga mō te utu iti e wātea ana i te ipurangi, ka tui ai i tēnei ki ngā taputapu tere kite i te mōreareatanga e tere ake ai te āhei atu ki te kiritaki mō te utu iti, e tere ake ai, e pai ake ai te wheako a te kiritaki.

E whakapono ana mātou ko te ara whakamua mō te pēke ko te tāwhai i te rāngai hōtaka hangarau pūtea, ko te mahi ngātahi rānei ki a rātou. I Heartland, e whai ana mātou i ngā tikanga e rua nei. Kua hono atu mātou ki ngā kaituku taurewa hōtaka hangarau pūtea e toru – ki a Harmony, ki a Spotcap me Fuelled – ka mutu kua whakanohia mai tā mātou pakihī kia whai tikanga ai te neke atu ki te tuku pūtea taurewa ā-tuihono nei i ā mātou pae mamati.

I te Haratua o tēnei tau i angitū tā mātou whakatinana i te Flexcube, te uho o tā mātou pūnaha pēke e whakaratoa mai nei e Oracle. Nā te whakarerekētanga i te uho o tā mātou pūnaha pēke e āhei ana mātou ki te whakamārama i tā mātou hanganga IT e taea ai te kōkiri ngā painga, e pai ake ai ngā putanga ki ā mātou kiritaki.

### Ka titiro whakamua, ka kite huarahi hiranga e tupu tonu ai mātou

Ka tupu huna tonu te rawa ā te tau pūtea 2018, ka mutu e whakapono ana mātou ka piki kē atu te rōrahi i tēnā, i tēnā o ā mātou wehenga pakihī. Ka āhua tere tonu te tupu o ngā hanga ka tohaina ā-tuihono nei, kāore hoki e rahi ana i tēnei wā, engari anō te rahi o te mākete e wātea ana.

Jeff Greenslade  
Pou Whakahaere

<sup>7</sup> KPMG's Financial Institutions Performance Survey March 2017 Quarterly Results.

## Our Digital Platforms

### Providing speed and certainty

Our digital platforms have been developed to maximise the low cost distribution offered by the internet, enabling us to reach more customers and provide them with a fast and seamless online experience.

Our in-house multi-functional team of web developers, designers, digital analysts and user experience experts is focused on making it easy for our customers to interact with us online.

To date we have developed a number of platforms, including small business loans, livestock loans and personal loans. Our objective is to remove the pain points for customers when applying for the finance they need.

## Our Digital Partners

### Harmony

Harmony is New Zealand's first peer-to-peer money marketplace.

Peer-to-peer lending marketplaces have been disrupting the traditional finance market around the world by using technology to minimise the cost of financial intermediation, and passing the benefits to customers. Harmony provides a fully online customer experience for both borrowers and lenders through their platform. Heartland is the largest lender through the Harmony platform which enables us to extend our customer reach in the personal lending market.

### fuelled

Fuelled is an online invoice financing lender for business customers.

It provides a real time, simple, online customer experience enabling customers to borrow money against their unpaid invoices. Fuelled is Xero's preferred financial services partner for providing working capital for small businesses. Integration with Xero enables Fuelled to easily assess a customer's eligibility and determine which invoices can be funded, making the process simple, timely and transparent. Heartland holds a 25 percent shareholding in Fuelled and provides a lending facility to support the acceleration of their Australasian growth plans.

### Spotcap

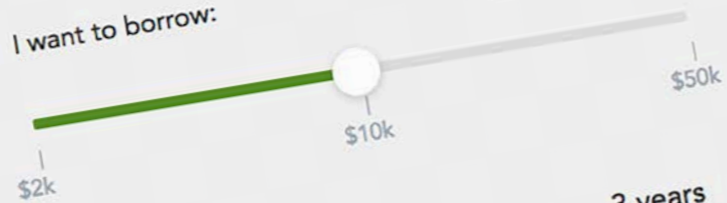
Spotcap is an innovative online lender for small and medium-sized businesses.

The company is headquartered in Berlin, operating in Spain, the Netherlands, the UK, Australia and New Zealand. Customers complete a simple online application form and can link their accounting software to streamline the process. Spotcap uses a unique proprietary algorithm, providing an alternative basis for credit decisions. Heartland provides a lending facility to Spotcap in Australia, enabling it to participate in online lending in that market.

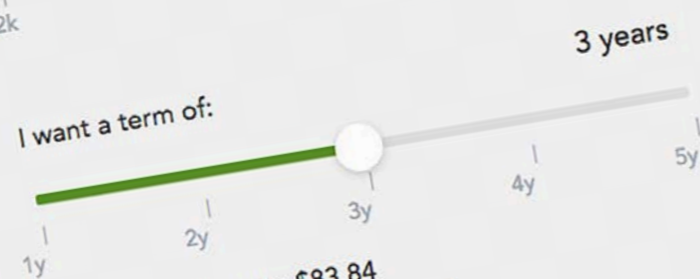
Apply in minutes.  
Get a decision in seconds.

\$ 10,000

I want to borrow:



I want a term of:



Weekly repayments: \$83.84  
Total amount payable: \$13,079.04

The above calculations have been made using an interest rate of 16.95% p.a. Our interest rates for personal loans vary between 9.95% p.a. and 29.95% p.a. and your interest rate will depend on your personal circumstances as explained on our website. An establishment fee of \$240 will apply to each loan, and the repayment amount shown above includes repayment of that fee. Please call us on 0800 88 20 20 for more information.

Recalculate Repayments

Apply Now >



## Reverse Mortgages

**HEARTLAND**  
— Seniors Finance —


Through Heartland Seniors Finance in New Zealand and Australia, we've helped thousands of people enjoy their retirement and remove the stress that comes with meeting living expenses or dealing with unexpected costs. We're ready to help even more retirees do the same.

### What is a Reverse Mortgage?


A Reverse Mortgage is a normal home loan that's been re-imagined for the needs of seniors. In a nutshell, it allows homeowners over 60 to access a portion of the equity in their home. What sets it apart from the usual home loan is that no regular repayments are required because the debt is repaid from the future

sale of the property. And importantly, the homeowner continues to own the home. The funds are able to be used for a range of purposes including home improvements, travel, medical expenses and aged care or for extra cash flow in retirement.


### How does a Reverse Mortgage work?

 Find out how much you can borrow

The amount you can borrow is determined by your age and the property value.

 Decide how you want the funds

The funds can be taken as a lump sum, cash reserve, a regular advance or a combination of all three.

 Relax and enjoy – you still own the home

Heartland takes a first mortgage meaning you remain the home owner.

 Making payments

Although the loan is designed to last for as long as you are able to remain in your home, you may repay all or part of it at any time without penalty, providing you with flexibility. The amount borrowed, plus any interest and fees, is repaid when you move permanently from your home.

Heartland Seniors Finance in New Zealand has been accredited under Consumer NZ's Consumer Trusted programme. In Australia, we've been named the 2016-2017 Canstar Reverse Mortgage Provider of the Year and the winner of the Best Reverse Mortgage product in 2017 by Money Magazine.



SPREADING THE  
**WORD**

Lexie Wheeler, Receptionist in our Newmarket office

# Skills, knowledge and experience to support diversity of thought



## Geoffrey Ricketts

CNZM, LLB (Hons), LLD (honoris causa), CFInstD  
Chair and Independent Non-Executive Director

### Term of office

Appointed 30 September 2010, last elected 31 December 2015.

### Board committees

Chair of the Corporate Governance, People, Remuneration and Nominations Committee, Chair of the Corporate Finance Committee and member of the Audit Committee.

Geoff is a company director and investor with wide experience in the New Zealand and Australian business environments. He holds a number of directorships, including Chair of Todd Corporation Limited, Chair of Suncorp Group (NZ) Limited and Vero Insurance New Zealand Limited.

Geoff chairs The University of Auckland Foundation and is a strong supporter of community and philanthropic activities, particularly in relation to the arts and education in New Zealand.



## Bruce Irvine

BCom, LLB, FCA, CFInstD, FNZIM  
Deputy Chair and Independent Non-Executive Director

### Term of office

Appointed 31 December 2015<sup>8</sup>, last elected 31 December 2015.

### Board committees

Chair of the Audit Committee, member of the Corporate Governance, People, Remuneration and Nominations Committee and member of the Corporate Finance Committee.

Bruce is a chartered accountant and was admitted into the Christchurch partnership of Deloitte in 1988. He was Managing Partner from 1995 to 2007 before his retirement from Deloitte in May 2008 to pursue his career as an independent director. Bruce is a director of several public and private companies including House of Travel Holdings Limited, Market Gardeners Limited, PGG Wrightson Limited, Rakon Limited, Scenic Circle Hotels Limited and Skope Industries Limited.

Bruce is involved in a voluntary capacity as a trustee of the Christchurch Symphony Orchestra.



## Jeff Greenslade

LLB  
Executive Director and Chief Executive Officer

### Term of office

Appointed 30 September 2010, last elected 31 December 2015.

### Board committees

Member of the Corporate Finance Committee.

Jeff joined the Heartland Group as Chief Executive Officer of MARAC Finance Limited (MARAC) in 2009 and successfully guided the merger of Southern Cross Building Society, CBS Canterbury and MARAC to become Heartland in 2011. Jeff's key achievements as Chief Executive Officer to date include the listing of Heartland's parent company on the NZX Main Board in 2011 and leading Heartland to become a registered bank in 2012.

Together with the Board, Jeff has set a clear strategy for Heartland, focusing on delivery of best or only products to markets that are under-served by the other banks using low cost, fast channels (intermediated, direct and digital). Under Jeff's leadership, Heartland has launched eight digital platforms that deliver a fast and simple customer experience. Jeff has also led Heartland's partnerships with fintech sector participants including Harmony, Spotcap and Fuelled.



## Ellie Comerford

BEC  
Independent Non-Executive Director

### Term of office

Appointed 1 January 2017

### Board committees

Member of the Risk Committee and member of the Corporate Finance Committee.

Ellie has worked for more than 30 years in financial services in Australia and overseas across a range of banking and insurance businesses in both an executive and non-executive capacity. Her most recent executive role was as CEO and Managing Director of Genworth Mortgage Insurance Australia Limited (ASX:GMA top 200) successfully leading it through an IPO in 2014. Prior roles included senior executive roles at First American Financial Corporation and Citigroup. She is a non-executive director for financial services businesses in Australia including Cash Converters International Limited and Hollard Insurance Australia.

Ellie has significant experience in strategy planning, business development, risk management, corporate finance, and operations management, and brings a track record of enhancing financial performance and leadership culture within organisations. Ellie has a strong passion for promoting diversity and is a member of Chief Executive Women in Australia.



## John Harvey

BCom, CA  
Independent Non-Executive Director

### Term of office

Appointed 31 December 2015<sup>8</sup>, last elected 22 November 2016.

### Board committees

Chair of the Risk Committee and member of the Audit Committee.

John has considerable financial services experience and 36 years in the professional services industry, including 23 years as a partner of PricewaterhouseCoopers. Since his retirement from PricewaterhouseCoopers in 2009, John has pursued a career as an independent director of a number of companies, including Port Otago Limited, Ballance Agri-Nutrients Limited, NZX-listed Stride Property Limited (Stapled Group), Investore Property Limited and NZX/ASX-listed Kathmandu Holdings Limited. He is also chairman of NZ Opera Limited.



## Graham Kennedy

MNZM, J.P., BCom, FCA, ACIS, ACIM, CFInstD  
Independent Non-Executive Director

### Term of office

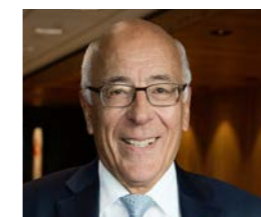
Appointed 30 September 2010, last elected 31 December 2015.

### Board committees

Member of the Audit Committee and member of the Risk Committee.

Graham has over 40 years' experience as a chartered accountant and business advisor. He is now an independent professional director and Chairman of a number of private companies, providing him with governance experience across a diverse range of business sectors including property, tourism, agribusiness, transport, construction and professional services.

Graham is also actively involved, at a governance level, in a variety of community-based charitable organisations. He was awarded a New Zealand Order of Merit for services to Business, in the 2017 Queens Birthday Honours.



## Sir Christopher Mace

KNZM, CMInstD  
Independent Non-Executive Director

### Term of office

Appointed 30 September 2010, last elected 31 December 2015.

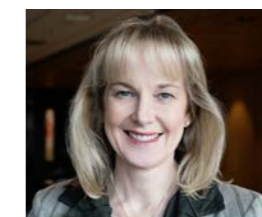
### Board committees

Member of the Risk Committee.

Sir Chris is an Auckland based company director with experience in the New Zealand and Australian business environments.

Sir Chris is Chairman of the Crown Research Institute, The National Institute of Water and Atmospheric Research (NIWA) and a Commissioner of the Tertiary Education Commission. He is also a board member of the New Zealand Initiative and continues as a director and/or investor in a number of companies.

Sir Chris is a lifetime member of the Sir Peter Blake Trust and was instrumental in establishing the Trust in 2004. He is a passionate supporter of education, science and research as well as a keen supporter of the arts. He was appointed, in June 2016, as a Knight Companion of the New Zealand Order of Merit for services to science and education and also received a CNZM for services to Antarctica and the community. Sir Chris was named Maori Business Leader of the Year in 2012.



## Vanessa Stoddart

BCom/LLB (Hons), PGDip Professional Ethics, GAICD, CMInstD  
Independent Non-Executive Director

### Term of office

Appointed 3 October 2016, last elected 22 November 2016.

### Board committees

Member of the Risk Committee and member of the Corporate Governance, People, Remuneration and Nominations Committee

Vanessa is an experienced director and serves on the boards of New Zealand Refining Company Limited, The Warehouse Group Limited, Alliance Group Limited, Tertiary Education Commission and the Financial Markets Authority. Her government appointments include MBIE's Audit and Risk Committee, DOC's Audit and Risk Committee, and Business New Zealand's representative on DESC.

Following an early legal career, Vanessa gained broad commercial and leadership transformation experience with a specific focus on people, culture and health and safety as well as best practice governance and business ethics with some of New Zealand's largest companies, including Air New Zealand and Carter Holt Harvey.

Vanessa's drive for enhanced diversity in New Zealand companies is demonstrated through her commitment to Global Women for which she is currently the Chair.



## Gregory Tomlinson

AME  
Non-Executive Director

### Term of office

Appointed 18 March 2013, last elected 31 December 2015.

### Board committees

Member of the Corporate Governance, People, Remuneration and Nominations Committee and member of the Corporate Finance Committee.

Greg is a Christchurch based businessman and investor with 40 years' experience owning, managing and building businesses. An early pioneer of the mussel industry of Marlborough, he established Impact Capital with active investments in the aged care, animal pharmaceutical, finance and wine sectors. Greg and his wife Jill support a variety of charities in New Zealand and overseas.

For a full list of each director's other directorships, please refer to Heartland's disclosure statement for the 12 months ended 30 June 2017 contained in our Financial Report 2017 document.

<sup>8</sup> Bruce Irvine and John Harvey were directors of Heartland Bank Limited prior to the amalgamation with Heartland New Zealand Limited on 31 December 2015 and became directors of Heartland New Zealand Limited on amalgamation (which was then renamed Heartland Bank Limited).

## Our Strategic Management Group



**Jeff Greenslade**  
Chief Executive Officer

“In aspiring to greatness, we are constantly learning and improving, taking an agile ‘fail fast, fix faster’ approach to innovation and process improvement. We value diversity of thought and a bias for action. We don’t believe there is a template for greatness and we’re proud to carve out our own path in striving to deliver the best or only products to our customers.”



**David Mackrell**  
Chief Financial Officer

“The Finance team is focused on turning management information into competitive intelligence to support new ideas and initiatives. We provide insightful analysis and expert advice to all parts of the business, and we pride ourselves on driving business results rather than simply reporting them.”

“I’m excited by the growth we’ve achieved and more so by the fact it’s been sustained over time; it demonstrates that our strategy is delivering. But there’s a lot more still to come. The biggest motivation for me and my teams is the fact that Heartland is pointed into very large markets across the household, business and rural sectors, where there’s an enormous opportunity to introduce more customers to our service proposition with its emphasis on speed and certainty.”



**Chris Flood**  
Deputy Chief Executive Officer

“The Business Enablement team is made up of experts committed to working collaboratively to execute solutions in line with Heartland’s strategy. If there’s an idea that needs to be executed, we are the team that delivers it. We facilitate, we solve problems, we’re quick and we’re agile. Heartland is continuing to grow and my team is ready to keep making it happen.”



**Sarah Smith**  
Head of Business Enablement



**Laura Byrne**  
Chief Operating Officer

“At Heartland we’re proud to be different. By ensuring we are in the right place at the right time for our customers, our strategy is delivering superior returns for our shareholders. My teams are centres of service excellence for our front line business divisions, enabling them to execute on our strategy.”



**Lydia Zulkifli**  
Head of Digital Strategy

“By combining the virtues of a fintech company (speed, simplicity and customer experience) with a forward-looking bank, my team of web developers, designers, digital analysts and user experience experts is focused on making it easy for our customers to interact with us online.”

“It’s been an exciting year for Heartland as we have continued to develop our digital capability and challenge the conventional banking model. The Risk team is proud to have contributed to this journey while also building the organisation’s Enterprise Risk Management capability to ensure responsible growth and quality outcomes for our customers.”



**Richard Lorroway**  
Chief Risk Officer

“Developing a high performance culture for Heartland has been a key priority during the reporting year. To meet Heartland’s growth targets, we need to develop our people and enable them to reach their highest potential. Another focus has been on diversity. During the year, we commenced a number of initiatives that reinforce Heartland’s commitment to creating an environment that is safe and welcoming to all people.”



**Sarah Selwood**  
Head of Human Resources

## Heartland in the Community

At Heartland Bank we recognise we have a responsibility to assist the communities in which we operate. We take a national and regional approach to sponsorship, and support a number of organisations, clubs and schools including through the Heartland Trust.

The Heartland Trust is a registered charitable trust which is independent from, but closely supported by, Heartland. It was established to support those organisations dedicated to helping young New Zealanders to unlock their true potential.



### Supporting First XV rugby

The Heartland Trust has been closely involved with First XV rugby in schools across the country for several years now. Support from the Trust assists with funding uniforms and training equipment. Team sports, like rugby, foster discipline, commitment and teamwork, values that are essential to success beyond school.

Schools the Trust supported during the reporting year include:

- Christ's College
- Marlborough Boys' College
- Rotorua Boys' High School
- Hastings Boys' High School
- Hamilton Boys' High School
- Nelson College
- Tauranga Boys' College
- Tangaroa College
- Kings College
- Kelston Boys' High School

Congratulations to Hastings Boys' High School for winning the 2017 final following a 25-17 win against Hamilton Boys' High School.



### Nurturing leadership

#### The InZone Education Foundation

The InZone Education Foundation is a registered charitable trust that aims to enhance the educational outcomes of Maori and Pasifika youth. It does this by establishing boarding hostels that provide an opportunity for motivated Maori and Pasifika students to access high-performing state schools within the school zones.

Now in its sixth year of operation, the boys' hostel accommodates 55 students who attend Auckland Grammar School while the girls' hostel, which opened in 2015, accommodates 16 students who attend Epsom Girls' Grammar.

InZone recognises that success at school is not just about the school you go to, but also about the environment in which you live and the values that are promoted within it, and to this end it fosters a whanau-orientated and supportive home environment.

In this reporting year, the Trust is supporting a student at the boys boarding hostel and is hoping to extend its support to more students in the coming year.



### Celebrating the written word

#### Auckland Writers Festival

The Heartland Trust was the platinum sponsor of the Auckland Writers Festival which was held in May 2017.

We were proud to support an event that catered for such a diverse range of cultures, interests and age groups.

The 2017 Festival was the biggest yet hosting 72,000 attendees and more than 200 novelists, playwrights, song writers, scientists, historians, children's writers, illustrators, journalists and poets.

Festival Director, Anne O'Brien, said the result is proof of people's hunger for more substantive conversations and a deeper engagement with the world and each other. Taking Anne's point further, we think it demonstrates that there are people who are still interested in reading more than the 140 character limit on social media posts!

We are looking forward to working with the Festival team again in 2018 and helping them to inspire more people of all ages to fall in love with books.

[www.writersfestival.co.nz](http://www.writersfestival.co.nz)

*"The Auckland Writers Festival offers something for everyone. As the platinum sponsor for the event this year, the Heartland Trust was proud to support an initiative that caters for a diverse range of cultures and age groups."*

Abby Cotter, Heartland



(L-R) Heartland Bank's Head of Rural, Ben Russell with Young Auctioneer, Madison Taylor; Warrick James, Canterbury A&P president 2016; and Mick Withers, competition convener.

### Picking up the gavel early

#### Heartland Bank Young Auctioneer of the Year

Reinforcing our rural roots, Heartland has been the major sponsor of the Young Auctioneer of the Year competition since its inception at the Canterbury A&P Show in 2012.

The national competition aims to showcase and develop young auctioneers and improve the standard of auctioneering across the board. Heartland's support enables the New Zealand winner to try their hand at selling cattle at the Sydney Royal A&P Show.

The 2016 winner was 22-year-old Madison Taylor from Kurow.

"Entering and winning the competition has been a great social and learning experience," said Mr Taylor.

"You get the chance to pit your skills against some of the best gavel bangers in the country. Along with the great feedback from judges, you pick up a lot of different sayings and styles from listening to the others and it really broadens your horizons."

Net profit after tax was \$60.8m for the 2017 financial year, an increase of 12 percent on the previous year.

The increase in profitability was driven primarily by growth in receivables across all divisions – Household, Business and Rural. Overall net finance receivables grew by 14 percent (\$447m) to \$3.5 billion during the year. The earnings improvement resulted in a return on equity (ROE) of 11.6 percent, being an increase from 11.1 percent last year and earnings per share of 12 cents.

**Net Operating Income**

Net Operating Income (NOI) was \$171.3m for the financial year ended 30 June 2017, up \$13.7m (9 percent) from \$157.6m for the 2016 financial year. The increase in NOI was primarily attributable to the increased level of receivables.

Net Interest Margin (NIM) for 2017 was 4.46 percent compared to 4.50 percent for 2016. The reduction results primarily from changes in the asset mix.

**Costs**

Operating costs were \$71.7m for 2017, an increase of \$1.8m (2.6 percent) from 2016. This increase was due to business growth driving increased staff costs, partially offset by a reduction in one off project and compliance costs. The overall cost to income ratio improved to 42 percent for 2017 compared to 44 percent in 2016 with the improvement resulting from cost efficient growth.

**Impairments**

Impaired asset expense increased by \$1.5m to \$15.0m for 2017, up from \$13.5m for 2016 with impairment expense as a percentage of net receivables 0.45 percent, the same percentage as 2016.

Impairment expense in the Household division was up \$3.2m compared to last year. The increase was largely attributable to higher write-offs in the personal loan and motor vehicle loan books than in 2016, together with higher collective provisions as a result of loan book growth of 13.8 percent.

Impairment expense in the Business division was up \$1.0m compared to 2016 primarily due to growth in the loan book of 10.7 percent.

Impairment expense in the Rural division was low at \$0.3m compared to \$3.0m in 2016. The decrease was due to collective provisions taken up in 2016 to provide against a downturn in the dairy sector. The rural loan book grew 22.3 percent in 2017.

**Business Performance**

**Household (Consumer, Reverse Mortgages and Residential Mortgages)**

Net operating income was \$92.9m, an increase of \$6.8m (8 percent) from 2016. Net receivables for the Household division increased by \$277.8m (14 percent) to \$1.9 billion during 2017.

Net operating income from the Consumer division (which includes motor vehicle loans, personal loans and lending through the Harmony platform) increased \$1.9m (3 percent) from 2016 to \$57.2m. Consumer net receivables grew \$112.0m (14 percent) to \$919.1m during 2017. The strong growth in net receivables was not reflected in growth in net operating income due to lower earning rates on motor vehicle and personal loans as well as less operating lease income on a smaller lease book.

Motor vehicle net receivables continued to grow strongly, increasing by \$72.0m (10 percent) to \$824.3m during 2017.

Strong growth in personal lending was also achieved in 2017 with net receivables for personal loans (including those originated through Harmony) increasing by \$40.0m (73 percent) to \$94.8m.

Net operating income for Reverse Mortgages increased \$5.6m from 2016 to \$29.8m. Net receivables from Reverse Mortgages in New Zealand and Australia grew strongly by \$42.5m (12 percent) and \$83.6m (19 percent) respectively during 2017 to \$405.2m and \$515.7m. Growth was particularly strong in Australia, driven by continued broadening of the broker distribution network and favourable market conditions.

Residential mortgages net receivables reduced by \$10.3m during 2017 to \$35.6m.

**Business**

Net operating income was \$47.1m, an increase of \$4.1m (10 percent) from 2016. The increase in net operating income was driven by growth in net receivables, which increased by \$96.2m (11 percent) to \$995.0m during 2017. This growth was achieved from the strategy to extend reach through intermediaries together with the growth achieved in the *Open for Business* digital origination platform for loans to small to medium enterprises, which grew by \$34.2m (303 percent) to \$44.6m.

**Rural**

Net operating income of \$29.2m, an increase of \$3.0m (11 percent) from 2016 was predominately driven by receivables growth. Rural net receivables grew strongly, increasing by \$123.0m (22 percent) to \$675.4m during the year. Growth has been generated primarily through term loans (to both existing and new customers) across all key rural sectors, including dairy, sheep and beef, horticulture and viticulture.

**Investment**

During the year Heartland acquired a 25 percent shareholding in Fuelled Limited, an online small-to-medium business (SME) lender. Alongside this equity investment, a \$2.0m committed debt facility was provided to enable Fuelled to accelerate its Australasian growth plans. Fuelled is a New Zealand-based business whose simple on-demand service enables SMEs to receive an immediate cash advance on their outstanding invoices. Fuelled's integration with Xero enables its advanced credit assessment engine to make real time credit and financing decisions online.

**New core banking system**

A new core banking system (Oracle - Flexcube) was implemented in May 2017. Flexcube is a modern, modular core banking system which is highly configurable and introduces automation and workflow capabilities. The new core banking system includes an internet portal enabling dealers and intermediaries to originate new business and create customer and account records within Flexcube. The overall cost of the project was around \$22 million which will be amortised over an estimated life of 10 years.

**Net assets**

Net Assets increased from \$498.3m to \$569.6m during 2017. Net Tangible Assets (NTA) increased from \$433.5m to \$490.5m during 2017. On a per share basis, NTA was \$0.95 at 30 June 2017 compared to \$0.91 at 30 June 2016.

**Funding and liquidity**

Funding and liquidity remain strong with retail deposits growing \$291.1m (12.7 percent) to \$2.6bn during 2017. The market continues to respond well to Heartland's direct call and business call accounts which give customers a competitive rate of interest and unlimited availability to their money.

**Capital management**

The regulatory capital ratio at the end of the year was 13.6 percent reduced slightly from 13.8 at the end of 2016. During the year the company completed a \$20m share placement in December and a \$20m share purchase plan in March to support asset growth. In addition the company issued A\$20m of subordinated debt that qualifies for Tier 2 regulatory capital recognition.

A 2017 final ordinary dividend of 5.5 cents per share was declared bringing the full year 2017 ordinary declared dividends to 9.0 cents per share, an increase of 6 percent on the prior year. The Dividend Reinvestment Plan (DRP) was in effect for both the interim and final dividend with a 2.5 percent discount.

**Change in Profitability**

<b>June 2016 net profit after tax</b>	<b>\$54.2m</b>	
Net interest income	\$16.4m	Net finance receivables increased by 14%, leading to a strong increase in net operating income.
Lease, fee and other income	(\$2.8m)	Other income decreased due to lower operating lease income and one off income in 2016.
Selling and administration expenses	(\$1.8m)	Selling and administration expenses were up 2.6% with increased staff costs driven by business growth partially offset by a reduction in one off project and compliance costs.
Impairment expense	(\$1.5m)	Receivables growth was the main driver of increased impairment expense which as a percentage of net receivables remains at 0.45%, the same as 2016.
Income tax expense	(\$3.7m)	Increase driven by improved profitability with effective tax rate unchanged from 2016.
<b>June 2017 net profit after tax</b>	<b>\$60.8m</b>	

## Summary Statement of Comprehensive Income

For the year ended 30 June 2017

\$000	June 2017	June 2016
Interest income	278,279	265,475
Interest expense	115,169	118,815
<b>Net interest income</b>	<b>163,110</b>	<b>146,660</b>
Net operating lease income	1,794	2,639
Lending and credit fee income	3,005	3,339
Other income	3,343	4,923
<b>Net operating income</b>	<b>171,252</b>	<b>157,561</b>
Selling and administration expenses	71,684	69,872
<b>Profit before impaired asset expense and income tax</b>	<b>99,568</b>	<b>87,689</b>
Impaired asset expense	15,015	13,501
<b>Profit before income tax</b>	<b>84,553</b>	<b>74,188</b>
Income tax expense	23,745	20,024
<b>Net profit attributable to shareholders of the Bank</b>	<b>60,808</b>	<b>54,164</b>
Other comprehensive income / (loss) for the year, net of income tax	1,432	(5,056)
<b>Total comprehensive income attributable to shareholders of the Bank</b>	<b>62,240</b>	<b>49,108</b>
Basic and diluted earnings per share (cents)	12	11

## Summary Statement of Cash Flows

For the year ended 30 June 2017

\$000	June 2017	June 2016
Operating inflows	274,638	269,222
Operating outflows	(214,734)	(231,336)
Changes in operating assets and liabilities	(154,407)	(65,868)
Net cash flows from operating activities	(94,503)	(27,982)
Net cash flows from investing activities	(94,298)	100,732
Net cash flows from financing activities	161,687	(28,753)
Net (decrease) / increase in cash held	(27,114)	43,997
Cash and cash equivalents at the beginning of the year	84,154	37,012
Acquisition of MARAC Insurance	-	3,145
<b>Cash and cash equivalents at the end of the year</b>	<b>57,040</b>	<b>84,154</b>

## Statement of Changes in Equity

For the year ended 30 June 2017

\$000	June 2017	June 2016
Equity at the beginning of the year	498,341	480,125
Net profit attributable to shareholders of the Bank	60,808	54,164
Other comprehensive income/(loss) for the year, net of income tax	1,432	(5,056)
Dividends paid net of reinvested dividends	(31,387)	(30,390)
Issue of share capital net of transaction costs	39,348	-
Other movements	1,053	(502)
<b>Total equity at the end of the year</b>	<b>569,595</b>	<b>498,341</b>

## Summary Statement of Financial Position

As at 30 June 2017

\$000	June 2017	June 2016
Cash and cash equivalents	57,040	84,154
Investments	318,698	236,435
Investment properties	4,909	8,384
Finance receivables	3,545,897	3,098,924
Operating lease vehicles	19,038	24,557
Other assets	10,000	15,666
Intangible assets	71,237	57,755
Deferred tax asset	7,852	7,068
<b>Total assets</b>	<b>4,034,671</b>	<b>3,532,943</b>
Borrowings	3,429,741	2,999,987
Current tax liabilities	9,856	6,754
Trade and other payables	25,479	27,861
<b>Total liabilities</b>	<b>3,465,076</b>	<b>3,034,602</b>
Share capital net of treasury shares	470,516	418,765
Retained earnings	97,642	78,811
Revaluation reserves	(543)	(1,298)
Foreign currency translation reserve	(1,055)	(1,816)
Employee benefits and defined benefits reserve	3,035	3,879
<b>Total equity</b>	<b>569,595</b>	<b>498,341</b>
<b>Total equity and liabilities</b>	<b>4,034,671</b>	<b>3,532,943</b>

The summary financial information has been extracted from the full financial statements of Heartland Bank Limited and its subsidiaries (the banking group) which were authorised by the Board of Directors on 14 August 2017. The full financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities and have been audited by KPMG.



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“Of the 500,000 small to medium enterprises (SMEs) in New Zealand, we know there’s a group who value speed and certainty when seeking funding for their business. That’s why we offer a fast and simple online business loan application process that delivers a decision in minutes.”

**Peter Griffin, Head of Business**

# SPEED

# AND CERTAINTY



 **Motor Vehicle Finance**

“We’re helping to get Kiwi families on the road. Our approach is to be where our customers need us, which is why we make it easy for them to access finance online or through the car dealer they are purchasing their car from. We have a significant nationwide distribution network of dealers and partners who help us to be in the right place at the right time to ultimately reach more Kiwis.”

**Darryl Harnett, Head of Consumer**

## Corporate Directory

### Directors

Geoffrey Ricketts	Chair and Independent Non-Executive Director
Bruce Irvine	Deputy Chair and Independent Non-Executive Director
Jeff Greenslade	Executive Director and Chief Executive Officer
Ellie Comerford	Independent Non-Executive Director
John Harvey	Independent Non-Executive Director
Graham Kennedy	Independent Non-Executive Director
Chris Mace	Independent Non-Executive Director
Vanessa Stoddart	Independent Non-Executive Director
Greg Tomlinson	Non-Executive Director

### Executive Team

Jeff Greenslade	Chief Executive Officer
Chris Flood	Deputy Chief Executive Officer
Laura Byrne	Chief Operations Officer
Mel Cadman	Head of Retail
Chris Cowell	Head of Digital Execution
Andrew Dixon	Head of Business Advisory and Funding
Michael Drumm	General Counsel
Andrew Ford	CEO Heartland Seniors Finance Australia
Kent Fraser	Treasury Manager
Peter Griffin	Head of Business
Darryl Harnett	Head of Consumer
Richard Lorraway	Chief Risk Officer
David Mackrell	Chief Financial Officer
Rochelle Moloney	Head of Corporate Communications
Ben Russell	Head of Rural
Sarah Selwood	Head of Human Resources
Sarah Smith	Head of Business Enablement
Ashley Weyers	Head of IT
Lydia Zulkifli	Head of Digital Strategy

### Registered Office

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**W** [www.heartland.co.nz](http://www.heartland.co.nz)

### Auditor

KPMG  
KPMG Centre, 18 Viaduct Harbour, Auckland 1010  
**T** 09 367 5800

### Share Registry

Link Market Services Limited  
Level 11, Deloitte House  
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**F** 09 375 5990  
**E** [enquiries@linkmarketservices.co.nz](mailto:enquiries@linkmarketservices.co.nz)  
**W** [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz)





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**HEARTLAND**  
BANK

Heartland Bank's lending criteria, fees and charges apply.