

An aerial photograph of a river valley. The river is braided, with multiple channels and sandbars. The surrounding hills are covered in dense forest, with some trees showing autumn colors. The text is overlaid on the center of the image.

Heartland New Zealand Limited
Annual Meeting

30 November 2012

HEARTLAND

New Zealand Limited

Agenda

- **Welcome**
- **Administrative matters**
- **Chairman's Overview**
- **Performance and Overview**
- **Annual Report**
- **Election of Directors**
- **Auditor**
- **Guidance**
- **General Business**

Chairman's Overview

Bruce Irvine – Chairman

- Financial Performance
- Notable Milestones
- Dividend
- Board Review

Notable Milestones

Achievements

- PGG Wrightson Finance Limited (PWF) acquisition, supported by successful capital raising
- “Investment grade” credit rating affirmed and outlook improved to “stable”
- Core earnings and profitability improving
- Balance sheet strengthened
- Transition off Crown Guarantee
- Improved liquidity position and cost of funds

To do

- Bank registration
- Sustainable and acceptable return to shareholders

Performance and Overview

Jeff Greenslade – Managing Director

Financial Year Overview

FY12 profit in line with guidance

- Achieved NPAT of \$23.6m
- Includes one-off tax credits of \$9.6m
- Normalised NPAT \$14.0m vs \$7.1m

	30 June 2012 (NZ\$m)	30 June 2011 (NZ\$m)
Net interest income	83.6	61.6
Net other income	11.3	8.9
Net operating income	94.9	70.5
Expenses	65.6	45.7
Profit before impairments and tax	29.3	24.8
Impaired asset expense	5.6	13.3
Decrease in fair value of investment properties	3.9	-
Operating profit	19.8	11.5
Share of equity accounted investee's profit	0.5	0.1
Profit before income tax	20.3	11.6
Tax	(3.3)	4.5
Net profit after tax (reported)	23.6	7.1

Balance Sheet Summary

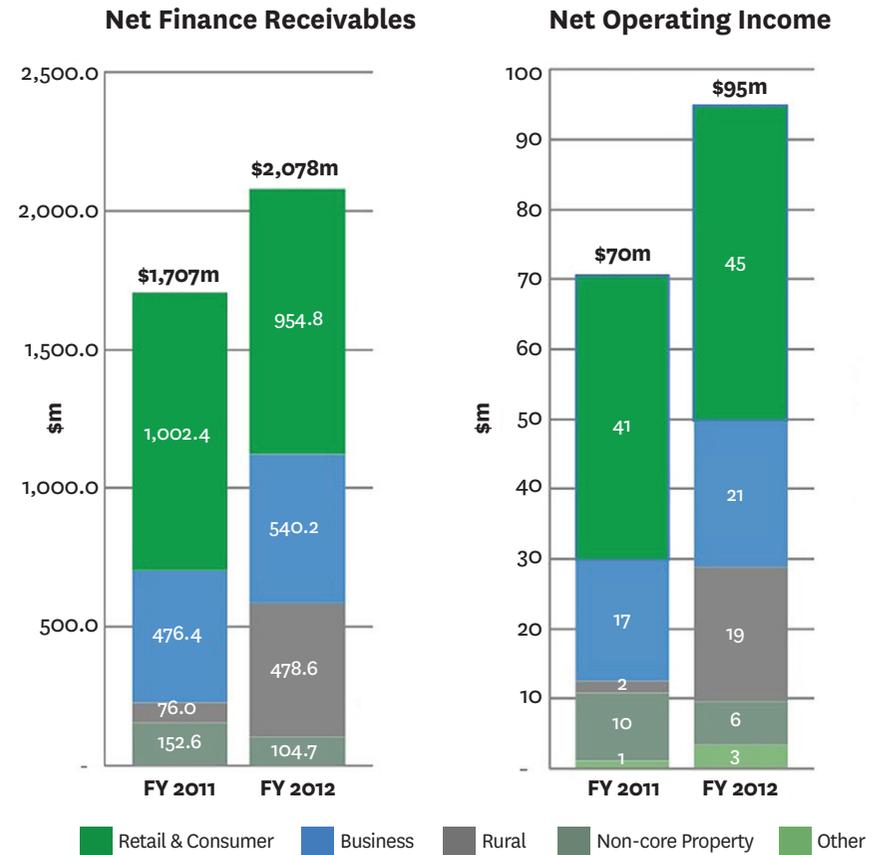
- Total assets increased by \$230m
- Net finance receivables rose by \$371m offset by reduction in liquidity
- Carrying cash of \$90m, with total liquidity of \$449m (being 23% of total liabilities)

	30 June 2012 (NZ\$m)	30 June 2011 (NZ\$m)
Total assets	2,348.1	2,117.9
Total liabilities	1,973.3	1,821.5
Total equity	374.8	296.4
Equity ratio	16.0%	14.0%
HBS Regulatory Capital - NBDT	10.44%	9.82%
Net tangible assets	343.7	270.1
NTA per share	\$0.88	\$0.90

Net Finance Receivables & Operating Income

Greater balance in portfolio mix & diversity of income

- PWF adds scale and diversifies earnings
- Non-Core Property portfolio continues to run-off
- Aim to grow Rural and Business divisions
- Retail & Consumer remains the most significant contributor

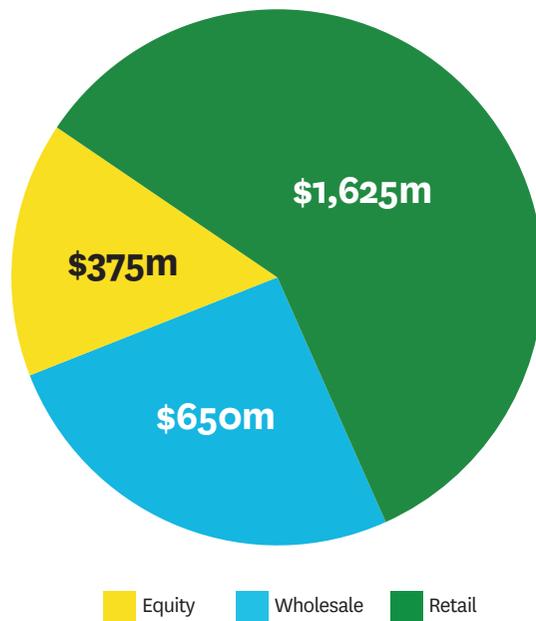


Funding and Liquidity Overview

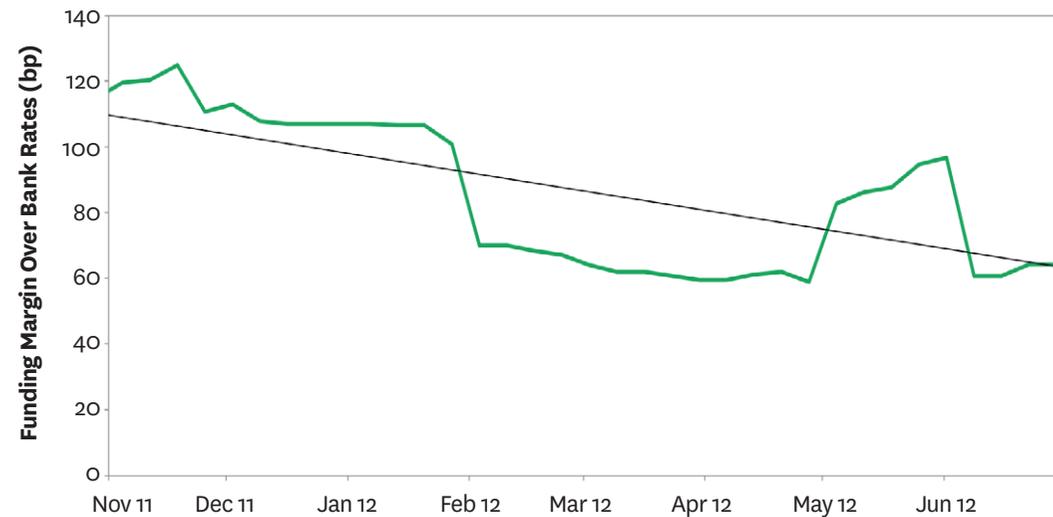
Solid Funding Base

Stable and diverse funding base, with funding margin halved

Total Funding Sources
as at 30 June 2012



Trend of Heartland Term Deposit
Margins over Bank Rates

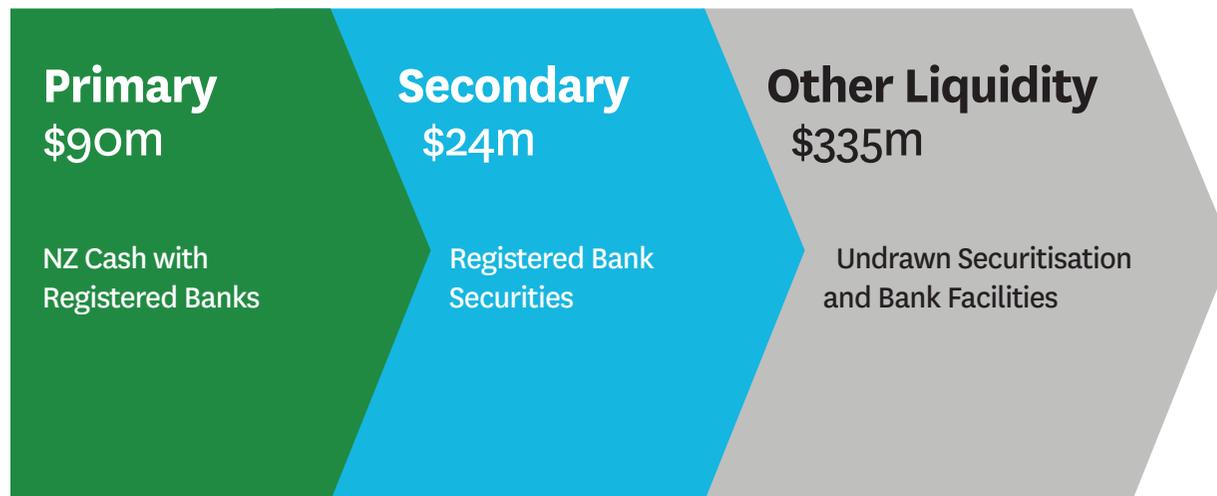


Liquidity

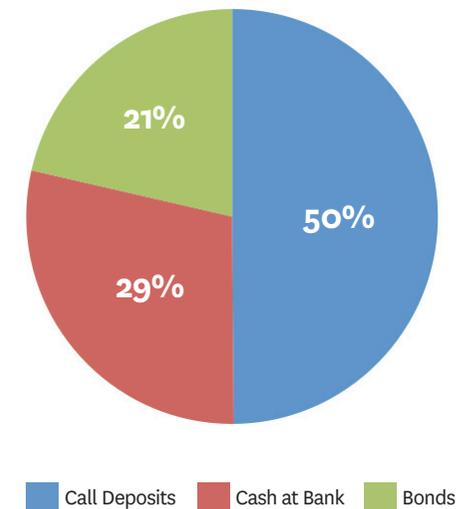
Liquidity position

- Improved liquidity mix
- Positive cash flows from asset base
- Surplus cash held during expiry of Crown Guarantee now "put to work"
- Switch to Securitisation as a low cost source of liquidity

Composition of Liquidity
at 30 June 2012 (\$449m)



Cash and Liquid Assets
as at 30 June 2012



Divisional Overview

Business Division

Volume growth with margins preserved

- Relationship-based model financing the working capital requirements of SME's
- Overall a strong result with Net Receivables growth of \$64m, +13.4%

Growth momentum continues

- Pipeline levels remain strong and consistent
- Increased focus on higher-yielding working capital products - e.g. Invoice Financing
- All our lending is, and will continue to be 100% NZ dedicated

Business at a glance

Number of accounts:

3,039

Total loans:

\$540m

Average size of loan:

\$178k



Rural Division

Positioned for future growth

- PGG Wrightson Finance Limited now successfully integrated
- Net Receivables grew \$403m to \$479m at June 2012 due to acquisition
- Receivables flat ex-acquisition due to debt reduction in the sector
- Livestock financing grew by \$35m to \$60m

Livestock finance strategy rewarding

- Livestock lending momentum continuing with steady increase in applications and limits
- Strategic partnerships within the livestock industry strengthening

Rural at a glance

Number of accounts:
1,784

Total loans:
\$479m

Average size of loan:
\$268k



Retail & Consumer Division

Meeting the needs of middle NZ

Retail

- Strong and loyal retail depositor base maintained
- Heartland rebranding of the branch network completed
- Mortgages continued to decline (\$47.5m) in competitive market

Consumer

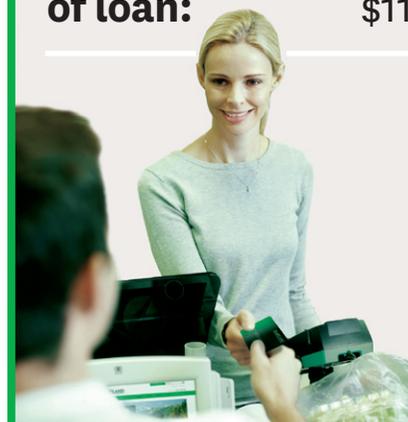
- Growth of \$21m in soft markets, mitigating mortgage decline
- Impairments remain low and interest margins sound

Growth driven by extended reach

- Consumer growth continues in soft market
- Retail depositor base supported by product rationalisation and new products

Retail & Consumer at a glance

	Retail	Consumer
Number of accounts:	2,709	42,972
Total loans:	\$322m	\$633m
Average size of loan:	\$119k	\$15k



Non-Core: Property

Progress being made

- Portfolio segregated and running off
- Portfolio reduced by \$48m at June 2012 compared to June 2011
- Real Estate Credit Limited* (RECL) manages this under a management agreement, now regarded as fully utilised as at 30 June 2012 - the future value of expected claims has reached the \$30m limit
- Investment properties were acquired as a result of enforcement to improve security position
- Market remains difficult, assets to be realised over time

Non-core: Property at a glance

	30 June 2012	30 June 2011
Net Receivables:	\$105m	\$153m
Investment Property:	\$56m	\$34m
Total Property:	\$161m	\$187m

*Real Estate Credit Limited (RECL) is a subsidiary of Pyne Gould Corporation Limited and manages the MARAC Non-Core Property loan assets which have the benefit of the RECL management contract, now regarded as fully utilised.

Bank Registration Update

Strategy Update

How is Heartland Positioned?

Balance

We will engage across the three key sectors that drive prosperity in New Zealand communities: **Households, Business** and **Rural** – NOT a single focus on Households

Focus on Productivity

Our emphasis is on cashflow and the drivers of productivity; the generation of real wealth – NOT asset appreciation

Needs

We will be true to the needs of New Zealanders and New Zealand – NOT fuelling wasteful investment

Small is good

We will retain the advantages of being small: local intimacy and accessibility, and will seek always to be agile and innovative

Above all we will be different

Strategic Advantage

- Securing Valuable Niches

Business



Rural



Households



- We will operate across a balance of core segments
- Within these we will occupy niches where we have a relative advantage
- We do this by having the best products, and where we do not, we will source the best

Supporting New Zealand Families & the Productive Sector

Heartland's focus is meeting the **NEEDS** of everyday New Zealanders throughout their financial life cycle

Starting out



MOBILITY

- Car Loans
- Day to day banking (Outsource)
- Insurance

A home



SHELTER

- Home Loans (Outsource)
- Insurance (Outsource)

Building a livelihood



EARNINGS

Business

- Working Capital
- Invoice Finance
- Capital Equipment
- Business Loans

Rural

- Seasonal Capital
- Livestock Finance
- Farm Loans

Planning for the future



SAVINGS

- Call Deposits
- Term Deposits

The next generation



EDUCATION

- Education Funding
(New Product)

Wellbeing



HEALTH

- Health Funding
(New Product)

Enjoying your retirement



SECURITY & INCOME

- Term Deposits
- Retirement Annuities
(New Product)

Guidance

- Net Profit After Tax forecast of \$21-\$24m for 2013
- Represents an improvement in Net Profit before tax of between 45%-66%
- Forecast profitability dependent on:
 1. Asset growth
 2. Lower Cost of Funds from bank registration
 3. Focus on costs
 4. Impairments continuing at current levels

Resolutions & General Business

Bruce Irvine – Chairman

Election of Directors

RESOLUTIONS

That Graham Kennedy be re-elected as a director of the Company

That Geoffrey Ricketts be re-elected as a director of the Company

Auditor

RESOLUTION

That the Directors are authorised to fix the auditor's remuneration

General Business



***Thank you
for attending***

HEARTLAND

New Zealand Limited