

Annual Meeting, 31 October 2014 Novotel Hotel, Ellerslie, Auckland



HEARTLAND
New Zealand Limited

Agenda

- Welcome
- Administrative Matters
- Chairman's Overview
- CEO's Performance Overview
- Voting on Resolutions
- General Business

Introduction of Directors

As at 30 June 2014

HNZ

Geoff Ricketts (chair)

Graham Kennedy

Jeff Greenslade (Managing Director)

Gary Leech

Chris Mace

Greg Tomlinson

HBL

Bruce Irvine (chair)

Geoff Ricketts

Graham Kennedy

Jeff Greenslade (Managing Director)

Nicola Greer

John Harvey

Michael Jonas (Executive Director)

Richard Wilks

Chairman's Overview

Geoff Ricketts

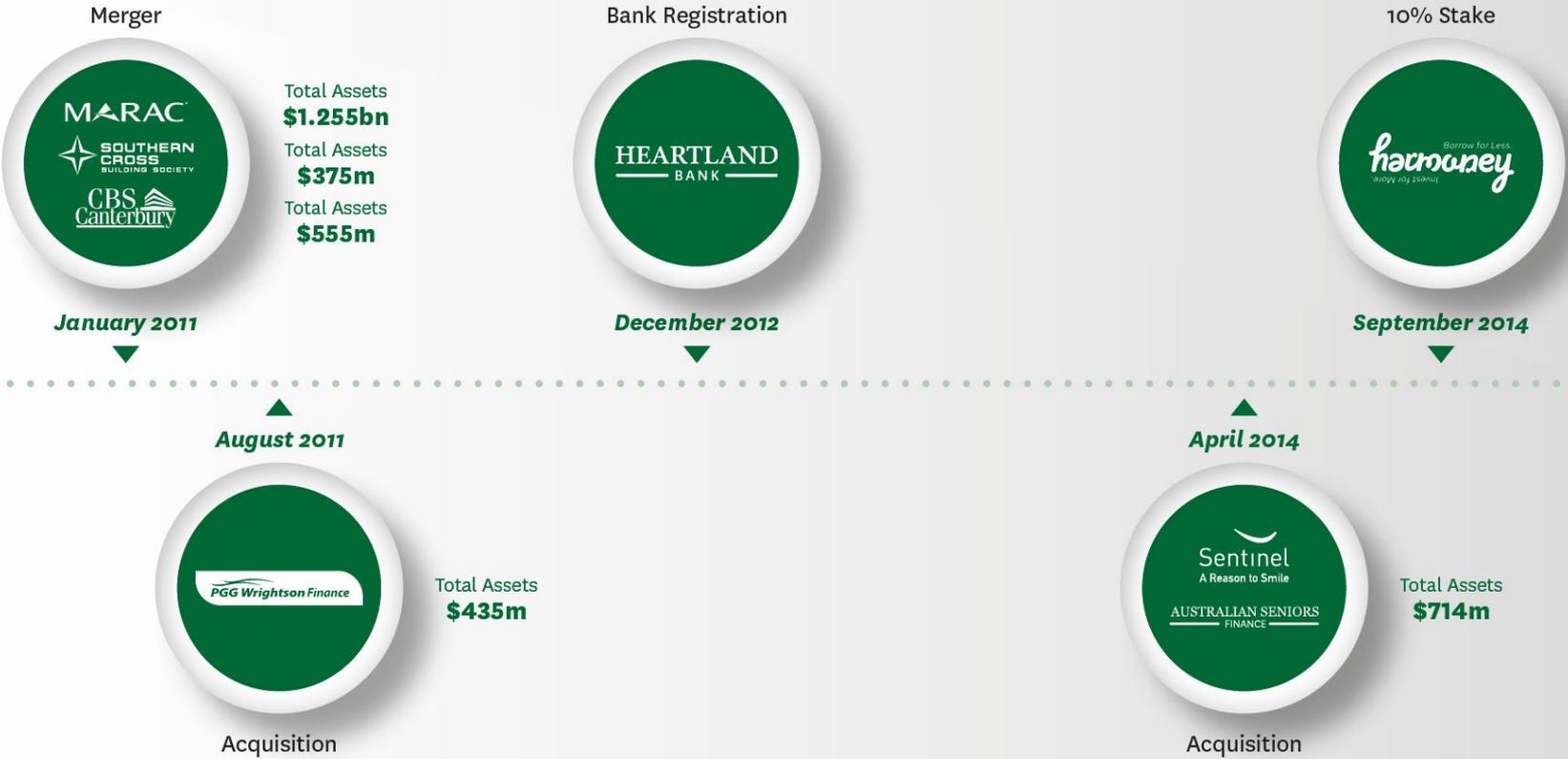


Chairman's Overview

Geoff Ricketts - Chairman

- Introducing Heartland
- Notable Highlights
- Shareholders and Dividend
- Heartland Trust
- Our People

A Journey of Transformation



Notable Highlights

- Lift in net profit after tax from \$7m to \$36m
- Acquisition of Australian and New Zealand home equity release mortgage businesses
- Consistent growth in earnings – net operating income up 14%
- Standard & Poor's and Fitch credit ratings on Heartland Bank Limited raised to BBB
- Non-core property assets reduced by \$67m (62%)
- Dividend pay-out of six cents per share
- Return on equity increased to 9%
- Strong growth in our core asset financing and rural businesses
- Acquisition of a 10% interest in Harmony, a P2P lender

CEO's Performance Overview

Jeff Greenslade



CEO's Performance Overview

Jeff Greenslade

- Heartland at a Glance
- Financial Overview 30 June 2014
- Strategic Highlights
- Outlook and Direction

Heartland at a glance

Listed	Heartland New Zealand Limited is listed on the NZX Main Board with approximately 8,000 shareholders
Market Capitalisation	~NZ\$460m - \$470m
Diversified	Diversified asset portfolio, widespread depositor base and a balanced geographic footprint
Bank registration	Granted to principal subsidiary Heartland Bank Limited on 17 December 2012
Total assets	~NZ\$3.0 billion
Principal activities	Specialist banking products for Households, SME and Rural sectors
Credit rating	BBB credit rating from Standard & Poor's BBB credit rating from Fitch



Heartland Bank Limited (HBL) is a subsidiary of Heartland New Zealand Limited (HNZ). HNZ does not guarantee the obligations of HBL in relation to deposits. HNZ shares are listed on the NZX Main Board. The NZX Main Board is a registered market operated by NZX Limited, a registered exchange, regulated under the Securities Markets Act 1988. NZX Limited accepts no responsibility for any statement in this presentation.

Financial Overview

30 June 2014



Financial Full Year Overview

Step up in profitability

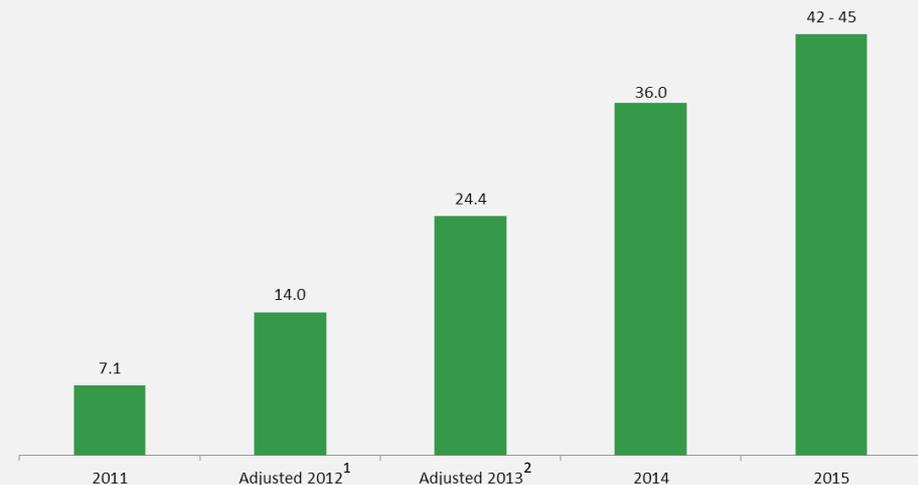
- Achieved NPAT of \$36.0m
- Increase in Adjusted NPAT of \$11.6m or 48%
- Increase in NPAT of \$29.1m or 421%
- NOI increase of \$15.3m or 14%
- Impairments are low
- Second half of 2013 Non-Core Property one-off expense of \$24.3m

	12 months to June 14 (NZ\$m)	12 months to June 13 (NZ\$m)	Change
Net interest income	109.1	95.5	14%
Net other income	13.5	11.8	14%
Net operating income*	122.6	107.3	14%
Expenses	64.7	70.3	-8%
Profit before impairments and tax	57.9	37.0	56%
Impaired asset expense	5.9	22.5	-74%
Decrease in fair value of investment properties	1.2	5.1	-76%
Net profit before tax	50.8	9.4	440%
Tax	14.8	2.5	492%
Net profit after tax (reported)	36.0	6.9	421%
*Net operating income includes share of MARAC Insurance profit			

Return On Equity & profit trending up

- Profitability increasing
- ROE for year ended 30 June 2014 9.0% compared to ROE of 1.8% and Adjusted ROE² of 6.4% for the prior year
- ROE trending up
- Specific focus on improving ROE
 - Continued focus on higher yielding products
 - Continued investigation of potential ROE accretive acquisitions

Net Profit After Tax (\$m)



1. Adjusted for \$9.6m one-off tax benefits

2. Adjusted for Change in Strategy provisions (\$18.0m), management fee (\$6.1m), management expenses (\$0.2m) added back

Cost of funds continue to track lower

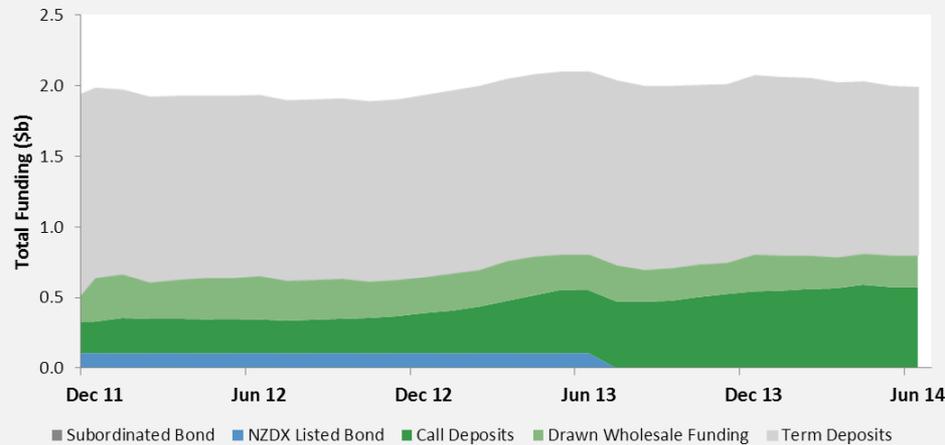
Solid retail deposit performance and lower cost of funds driven by:

- Rate alignment with bank peers
- Changing funding mix (increased retail, reduced wholesale)

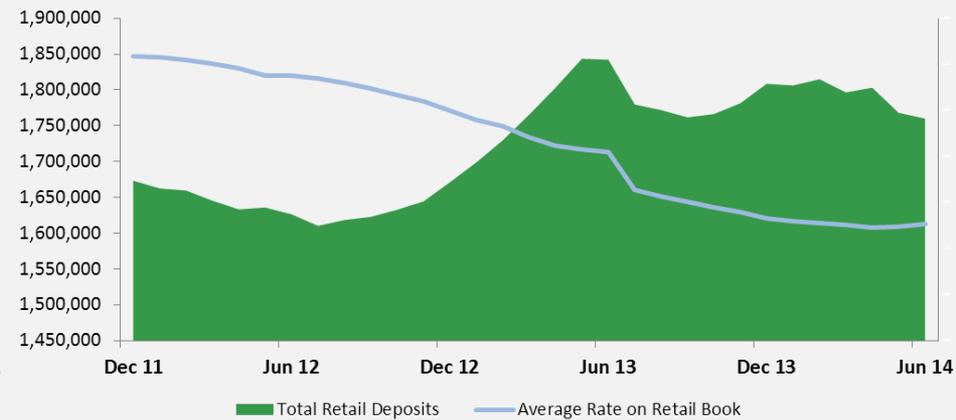
Margin between Heartland Term Deposit Rates vs Bank Peers



Heartland Total Funding



Retail Deposit Book

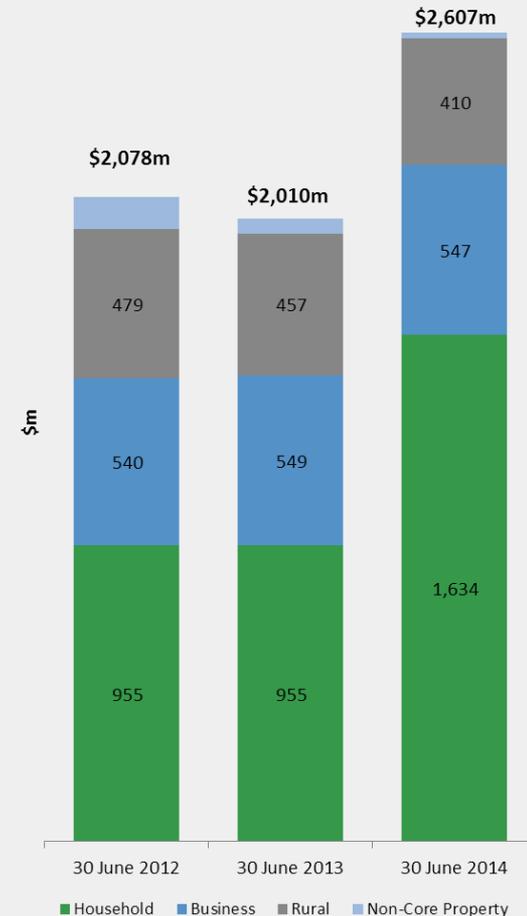


Growth in receivables

- Total assets increased by \$512m
- Net finance receivables increased by \$597m
- Households biggest segment up \$679m largely from HER acquisition
- Residential mortgages and non-core property back \$178m as we execute strategy to exit
- Equity up \$82m due to capital raised for acquisition

	12 months to June 13 (NZ\$m)	12 months to June 14 (NZ\$m)
Total assets	2,504.6	3,016.9
Total Liabilities	2,134.1	2,564.3
Total Equity	370.5	452.6
Equity ratio	14.8%	15.0%
Net tangible assets	331.2	399.9
NTA per share	\$0.85	\$0.86

Net Finance Receivables



Total Shareholder Return

Heartland has generated strong shareholder return

- Heartland New Zealand is a regular dividend payer
- Share price has appreciated 92% since 1 July 2012
- Total shareholder return (TSR) (share price appreciation and dividends received) has been 127% since 1 July 2012



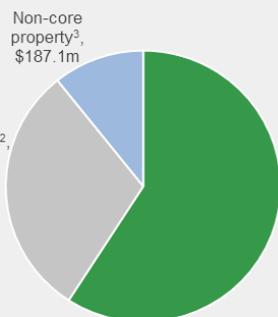
Strategic Highlights



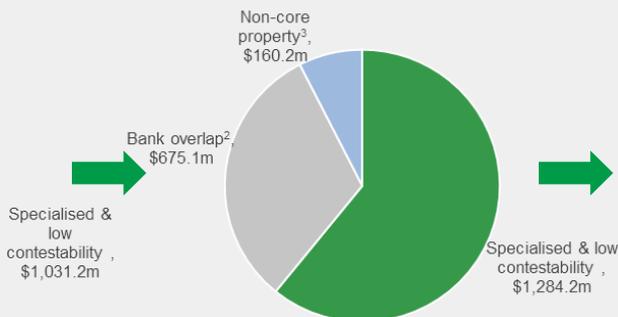
Effect of Balance Sheet Changes

Strategic changes to Heartland's balance sheet composition have resulted in increased EPS and ROE

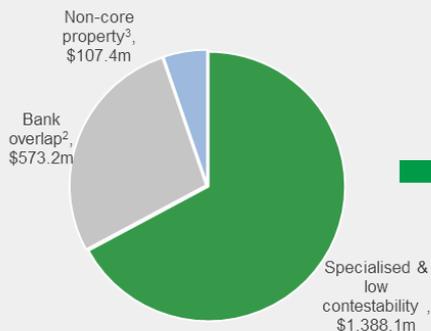
30 June 2011



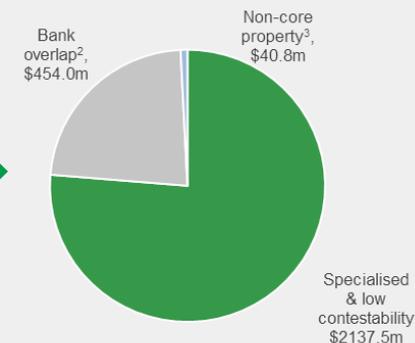
30 June 2012¹



30 June 2013



30 June 2014



Total Net Receivables⁶
\$1.7b

NPAT	\$7.1m
EPS	5c
ROE	2.8%

Total Net Receivables⁶
\$2.1b

Adjusted NPAT ⁴	\$14.0m
Adjusted EPS ⁴	4c
Adjusted ROE ⁴	4.2%

Total Net Receivables⁶
\$2.1b

Adjusted NPAT ⁵	\$24.4m
Adjusted EPS ⁵	6c
Adjusted ROE ⁵	6.5%

Total Net Receivables⁶
\$2.6b

NPAT	\$36.0m
EPS	9c
ROE	9.0%

¹Uplift in net receivables partly attributable to acquisition of PGW Finance

²Bank overlap assumed to be residential mortgages and 50% of business and rural

³Includes investment properties

⁴Adjusted for \$9.6m one-off tax benefits

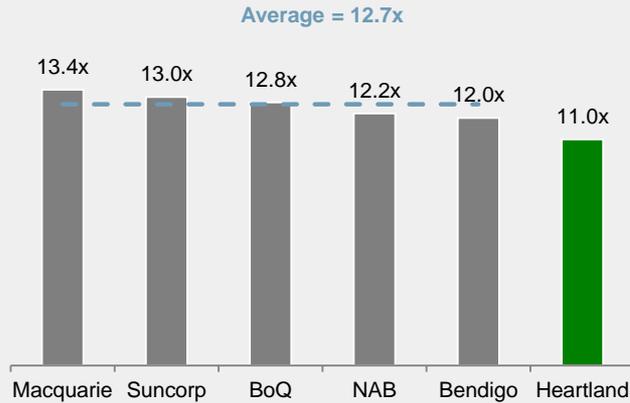
⁵Change in Strategy provisions (\$18.0m), management fee (\$6.1m), management expenses added back (\$0.2m)

⁶Total net receivables include residential mortgages, property (including investment property), plant & equipment, business, invoice finance, livestock, other rural and HER. Other asset categories (e.g. cash, investments etc.) are not included

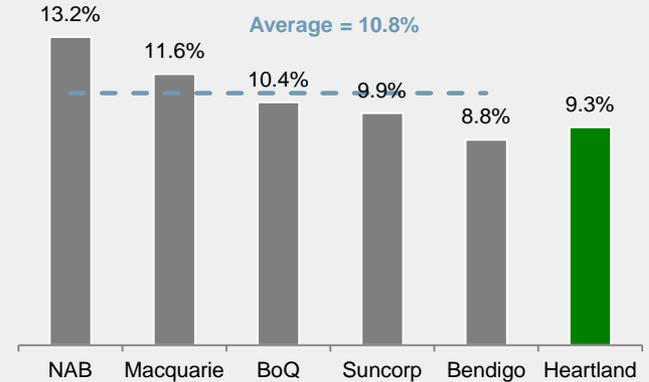
30 September 2014 Non-core Property \$37.2m

Selected Australasian peer group

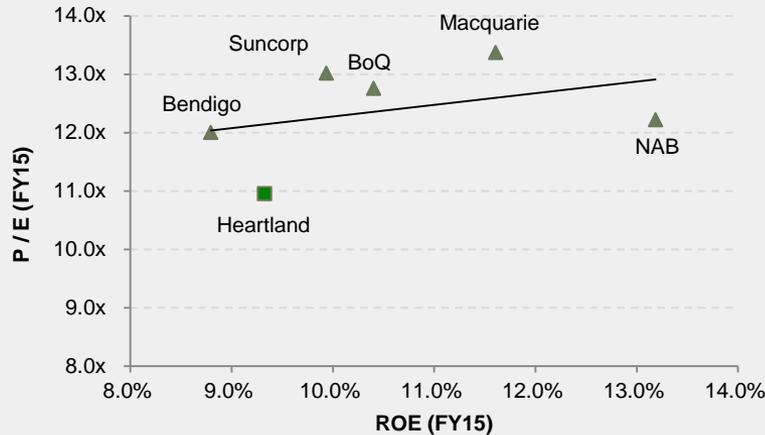
P / E (FY15)



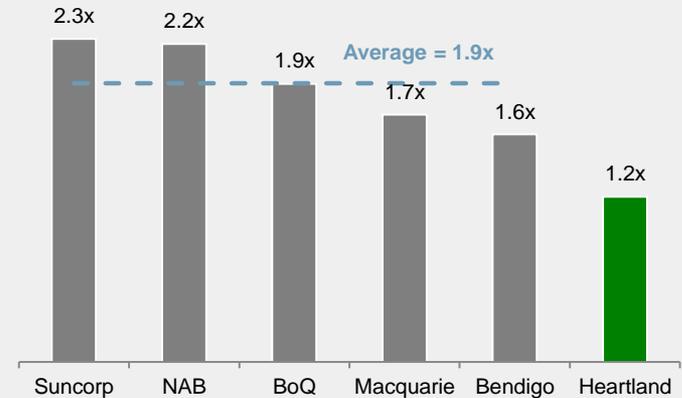
ROE (FY15)



P / E v ROE (FY15)



P / NTA^(a)



Source – First NZ Capital: Capital IQ, Company information. All metrics in NZ\$ and calendarised to June. Market data as at 17 October 2014
 (a) Most recently reported NTA

HER update

- Lead conversion steady
 - New lending of \$9m in the 1st Quarter 2015, leads building
 - In addition, undrawn facility limits of \$7.5m established
 - Repayments \$6m ahead of budget impacting net book growth
- After some years of inactivity in the sector, Heartland's focus has been to:
 - Increase customer awareness
 - Product education
- The database of customers interested in the product continues to grow with 750 added since acquisition

Outlook and Direction



Pathway to 2015 Forecast Financial Performance

- NPAT forecast of \$42m - \$45m
- Growth in Receivables in 2015
 - Consumer: 5 - 10% (1st Quarter 2015 +\$16m, 2% annualised 10%)
 - Business: some modest growth (1st Quarter 2015 +\$25m, 4% annualised 15%)
 - Rural: some modest growth (1st Quarter 2015 +\$26m, 6% annualised 26%)
 - HER: turned the corner (1st Quarter 2015 +\$16m, 2% annualised 9% or excluding fx gains -\$2m; New Zealand +\$1m, Australian -\$3m)
 - Retail: run off of residential mortgages continues in line with strategy
 - Property: realisations of \$10m - \$20m (1st Quarter 2015 -\$4m, -9% annualised -36%)
- NOI improvement through product switching and the last of lower COF filtering through

Pathway to 2015 Forecast Financial Performance

- Improving Cost to Income as NOI growth ahead of Costs
- Impairments benign
- Focus on improving ROE
 - Forecast is based on ‘Business as Usual’
 - New initiatives not included
 - Acquisitions not included
 - Possibility of capital review is not included

10% Investment in Harmoney

- 10% shareholding Harmoney Corp Limited
- New Zealand's **only** licensed peer-to-peer lending platform
- A funding line provided by Heartland Bank to give initial momentum
- Valuable channel to attract customers in the Household sector we do not currently reach
- Heartland's strategy is to occupy leading positions in niche markets through specialist offerings which are different to traditional banks – the Harmoney investment fits with this strategy

“Banking is necessary, banks are not”

Bill Gates – Founder Microsoft

Heartland is a new bank

Margins in financial services industry remain high

- Absence of alternatives to mainstream
- Absence of choice in consumer markets

Technology will overcome these – disruption and switching is inevitable

Questions



HEARTLAND
New Zealand Limited

Annual Report

Geoff Ricketts

To receive and consider the Annual Report for the year ended 30 June 2014 and, if agreed, pass the following resolution as an ordinary resolution:

- *That the Annual report for the year ended 30 June 2014 be received.*

Election of Directors

Gary Leech and Geoff Ricketts

To consider and, if agreed, pass the following resolutions as ordinary resolutions (each as a separate ordinary resolution):

- *That Geoffrey Ricketts be re-elected as a director of the Company.*
- *That Graham Kennedy be re-elected as a director of the Company.*

Directors' Remuneration

Geoff Ricketts

To consider and, if agreed, pass the following resolution as an ordinary resolution:

- *That the maximum total amount of annual directors' remuneration be increased from \$917,500 to \$1,000,000, on an increase of \$82,500, until such time as the amount may be altered by a further ordinary resolution of shareholders.*

Polling Procedures

Geoff Ricketts

**Voting papers are now being collected.
If you require assistance please raise your hand.**

General Business

Geoff Ricketts

To consider any other matters that may properly be brought before the Meeting.

Following the formal part of the Meeting, the Directors invite Shareholders to join them for light refreshments.

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