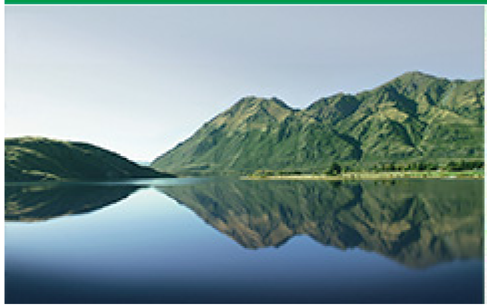
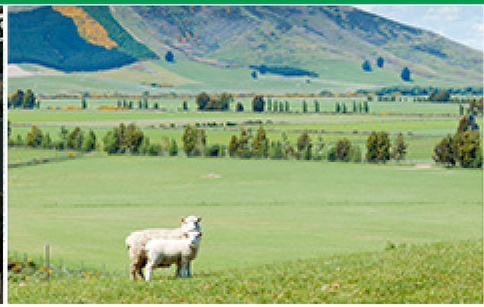
HEARTLAND

New Zealand Limited

Heartland New Zealand Limited

Half Year Results to 31 December 2011






Sean Kam, Chief Financial Officer

Craig Stephen, Group Treasurer

Important Notice

This presentation has been prepared by Heartland New Zealand Limited (NZX : HNZ) for the purpose of briefings provided by HNZ in relation to its financial statements.

The presentation and the briefings constitute summary information only, and you should not rely on them in isolation from the full detail set out in the financial statements.

Heartland Building Society (Heartland) is the principal operating subsidiary of HNZ.

Agenda

- Financial Overview — **Sean Kam**
- Treasury and Strategic Update — **Craig Stephen**
- Questions

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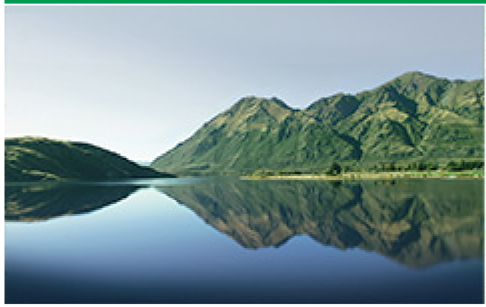
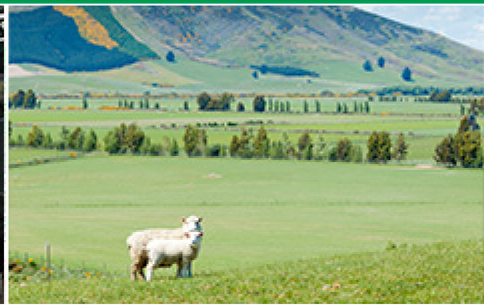
Financial Overview

Sean Kam






Explanatory Foreword – IFRS

- Heartland was formed through a series of transactions from 5 to 7 January 2011 in relation to the merger of MARAC, CBS Canterbury and Southern Cross Building Society. PGG Wrightson Finance (PWF) was subsequently acquired on 31 August 2011.
- IFRS requires the merger to be treated as an acquisition by MARAC, despite the fact MARAC is a subsidiary of Heartland Building Society.
- Therefore comparison of the 31 December 2011 Financial Results and Financial Position of Heartland compared to those at 31 December 2010 would be to the MARAC Group only and would not be meaningful. To better assist understanding of the 31 December 2011 Financial Result and Financial Position, comparisons to the previous six months' Financial Results and Financial Position (at 30 June 2011) post the merger have been made.
- The published Financial Statements show:
  - The results of the merged Heartland Group for the six months to 31 December 2011 (including PWF since its acquisition on 31 August 2011).
  - The results for the merged Heartland Group for the 12 months to 30 June 2011 (being six months of MARAC plus six months of the new Group prior to the PWF acquisition).
  - The results for the MARAC Group only for the six months to 31 December 2010.
  - The financial position of the Heartland Group at 31 December 2011 (post the PWF acquisition on 31 August 2011).
  - The financial position of the Heartland Group at 30 June 2011 (prior to the PWF acquisition).
  - The financial position of the MARAC Group only at 31 December 2010 (NOT the opening balance sheet of Heartland at 7 January 2011).

Financial Half Year Overview

- Achieved NPAT of $9.8m, compared to forecast NPAT of $9m to $10m
- Includes four months' income and expenses of PWF following acquisition, and fully loaded corporate overheads following separation from PGC
- Improved impaired asset expense
- $6.2m one-off deferred tax benefit
- Key value drivers remain:
  - Net interest margin
  - Operating expenses
  - Asset growth / mix
  - Asset quality

	6 months to Dec 2011 (NZ$m)	A minus B 6 months to Jun 2011 (NZ$m)	A 12 months to Jun 2011 (NZ$m)	B 6 months to Dec 2010 (NZ$m)
Net interest income	39.1	34.3	61.6	27.3
Net other income	6.0	4.9	9.0	4.1
Net operating income *	**45.1**	**39.2**	**70.6**	**31.4**
Expenses	35.7	28.3	45.7	17.4
Profit before impairments and tax	**9.4**	**10.9**	**24.9**	**14.0**
Impaired asset expense	3.8	7.2	13.3	6.1
Net profit before tax	**5.6**	**3.7**	**11.6**	**7.9**
Tax	(4.2)	1.7	4.5	2.8
Net profit after tax (reported)	**9.8**	**2.0**	**7.1**	**5.1**

* Net operating income includes share of MARAC Insurance profit

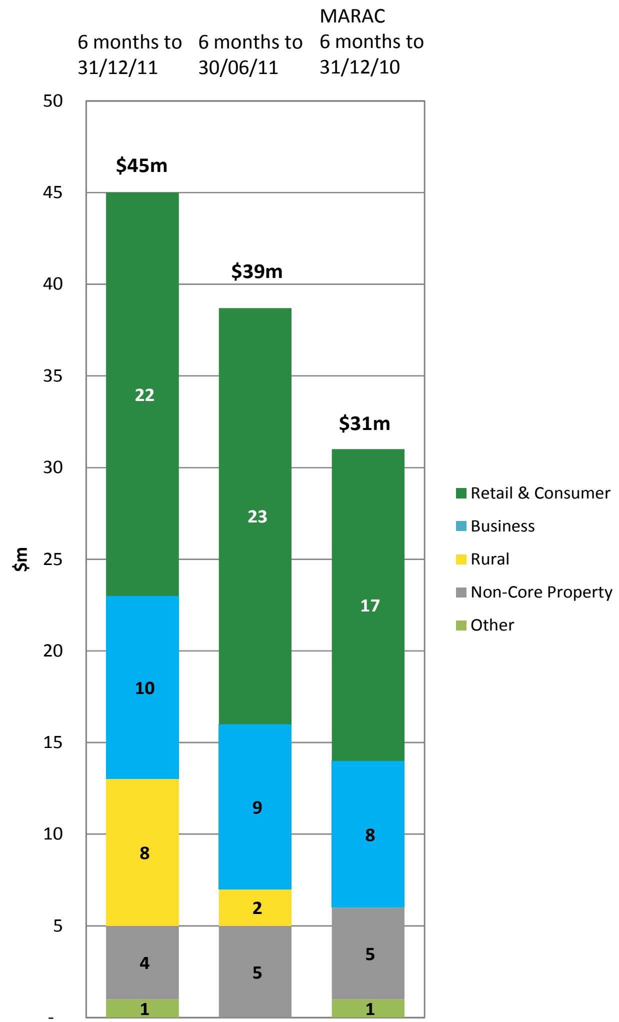
Balance Sheet Summary

- Total assets increased by $262m
- Cash holdings reduced as planned
- Net finance receivables increased $368m (mostly due to PWF acquisition)
- Share capital up by net $55m
- Strong equity ratio and Heartland Building Society NBDT regulatory capital
- NTA per share $0.85 following PWF acquisition and capital raising

	31 Dec 2011 (NZ$m)	30 Jun 2011 (NZ$m)	7 Jan 2011 (NZ$m)
Total assets	2,380.5	2,118.0	2,185.3
Total liabilities	2,020.3	1,821.5	1,891.2
Total equity	**360.2**	**296.4**	**294.1**
Equity ratio	15.1%	14.0%	13.5%
HBS regulatory capital - NBDT	9.92%	9.82%	9.58%
Net tangible assets (NTA)	**330.6**	**270.1**	**265.2**
NTA per share	$0.85	$0.90	$0.88

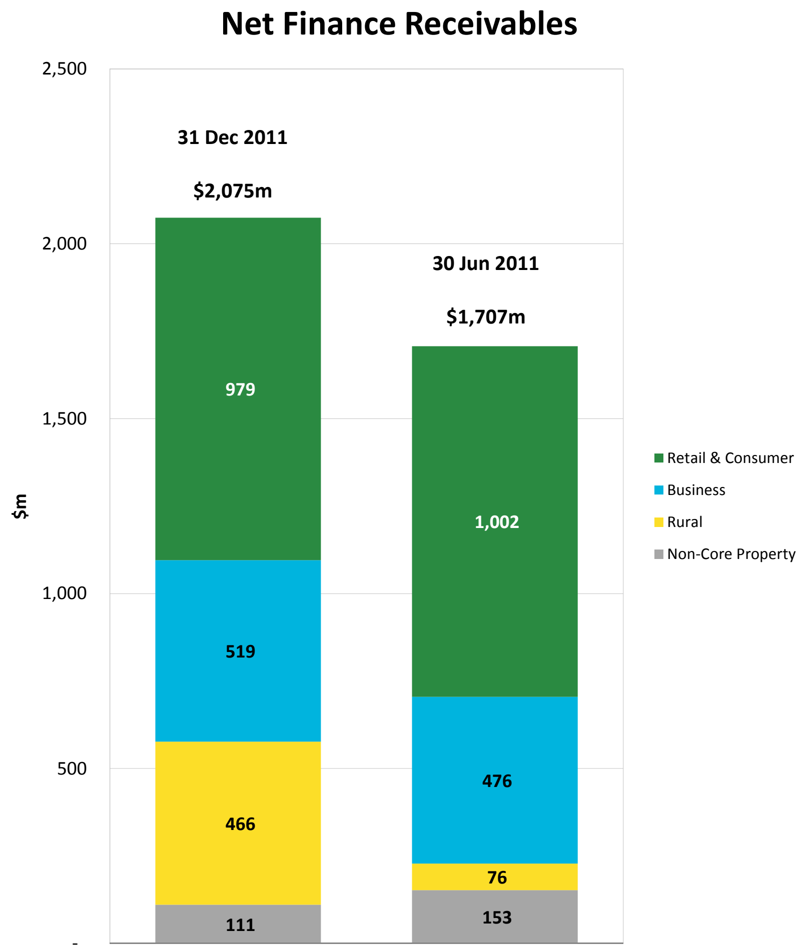
Net Operating Income – Relative Contribution

- Retail and Consumer
  - Retail is low margin business, but provides strategic benefits to the Group through depositor base and branch network
  - Consumer motor vehicle book continues to provide a strong contribution through distribution relationships
- Business
  - Positive net growth since June 2011 led to an increase in NOI, despite modest lending demand during Rugby World Cup and the election
  - Further growth expected in second half through conversion of solid pipeline
- Rural
  - Key focus area
  - Impact of PWF acquisition positive, further benefits to follow
  - Conversion of strong pipeline for second half
- Non-Core Property
  - Winding down



Net Finance Receivables

- Growth in Business and Rural divisions (PWF acquisition $401m)
- Growth in Consumer offset by contraction and transfers out of Retail
- Transfers between business units took place under new reporting lines following integration e.g. mortgages for business purposes
- Non-core property book reduced by $42m ($18m through disposals and $24m acquired through enforcement and transferred to investment properties)



Business Division

- Net receivables were $519m at December 2011, up from $476m at June 2011
- Of the $43m increase, over half was net new business growth
- Credit growth in the market modest
  - Rugby World Cup and the election appeared to slow the level of opportunity and enquiry in the market
  - However December saw these levels return to pre-Rugby World Cup levels
- Solid pipeline and new business opportunity
- NOI contribution was $10m, up from $9m for the previous 6 months

Business at a glance	
Number of accounts	2,920
Total loans	$519m
Average size of loan	$178k

Rural Division

- PGG Wrightson Finance acquired and successfully integrated
  - Relationship with PGG Wrightson further enhanced

- Slow start, asset growth impacted by seasonal influences, in particular livestock. Anticipate some run-off of the $30m PWF guaranteed loans over the short term. However, there is a strong pipeline of business which should convert in the second half.

- New product development will further consolidate our position

- Net receivables were $466m at December 2011, up from $76m at June 2011, mostly due to PWF acquisition

- NOI contribution was $8m, up from $2m for the previous six months

Rural at a glance	
Number of accounts	1,720
Total loans	$466m
Average size of loan	$271k

Families – Retail and Consumer Division

Retail and Consumer books managed as one division – customers similar (working middle income)

Retail

- Strong retail depositor base and branch network are strategic to the Group
- Mortgage book continues to be impacted by EQC repayments following the Canterbury earthquake and competitor activity
- Broader product suite now available in-branch

Consumer

- Growth in Consumer receivables and market share in a sector that remains soft
- Key driver of growth is distribution relationships
- Modest growth expected to continue but ahead of market

Retail & Consumer at a glance	
Number of accounts	45,000
Total loans	$979m
Average size of loan	$22k

Non-Core – Property

Property

- Non-core property development lending of MARAC, CBS Canterbury and Southern Cross
- Portfolio reduced by $18m at December 2011 compared to June 2011
- Real Estate Credit Limited* (RECL) manages ex-MARAC portion
- Investment properties were acquired as a result of enforcement to improve security position
- Market remains difficult, assets to be realised over time

Property	31 Dec 2011	30 June 2011
Net receivables	$111m	$153m
Investment Property	$58m	$34m
Total Property	**$169m**	**$187m**

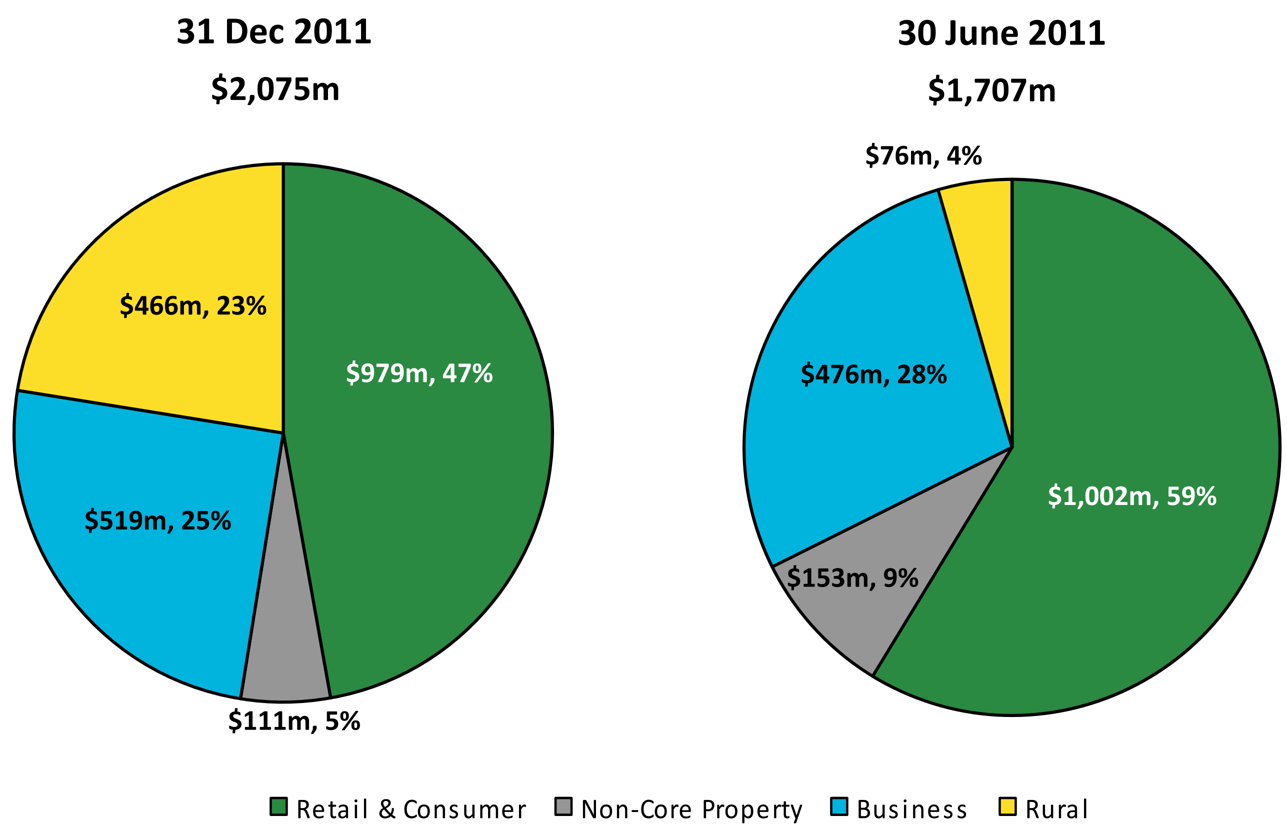
* Real Estate Credit Limited (RECL) is a subsidiary of Pyne Gould Corporation Limited and manages the MARAC non-core property loan assets which have the benefit of the RECL management contract.

Operating Expenses

- Operating expenses increased in the half year compared to the previous six month period as expected
  - Fully loaded Building Society and listed company costs
  - PWF cost base taken on following acquisition (four months)
  - Gradual investment in Rural and Business account managers in preceding half to 30 June 2011 now fully loaded
- Future improvement expected in operating expense/income ratio
  - NOI expansion from asset growth off a largely fixed cost base
  - Expect efficiency gains from a number of strategic initiatives to decrease operating expenses

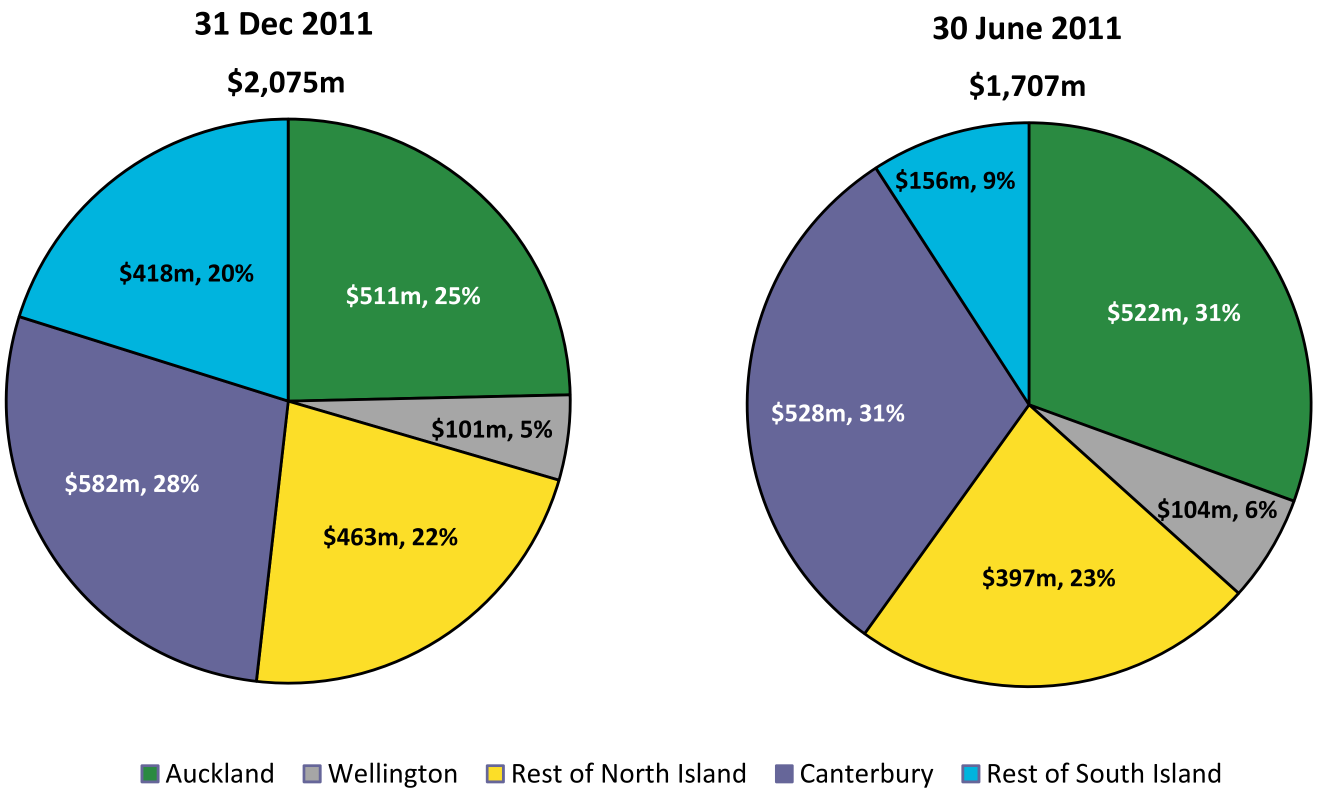
	6 months to 31 Dec 2011	6 months to 30 June 2011
Operating Expenses	$35.7m	$28.3m

Net Finance Receivables by Division



Excludes operating lease vehicles and investment properties

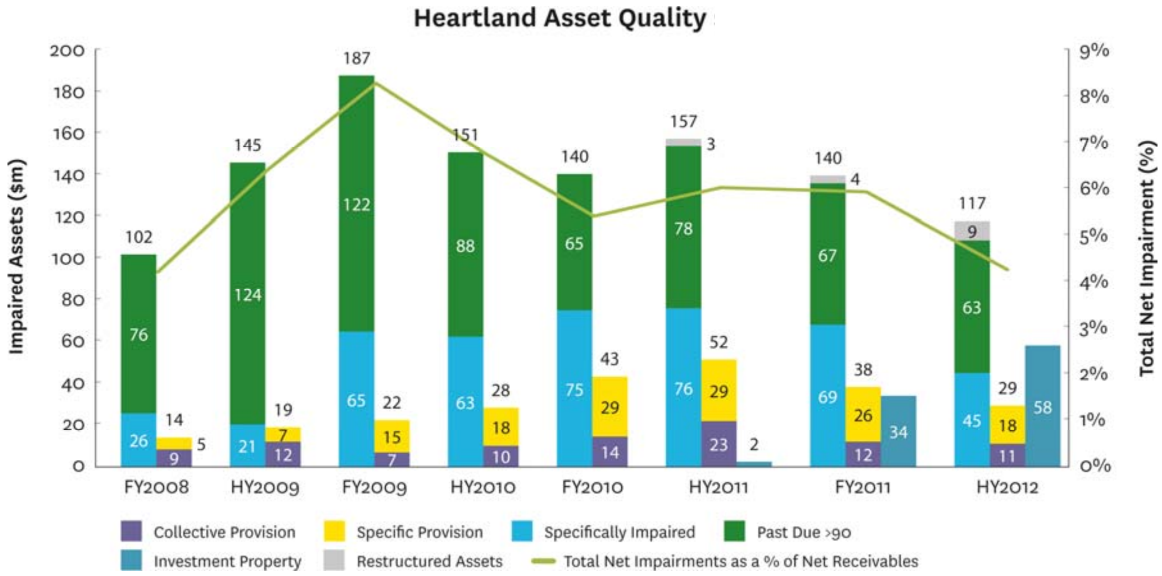
Net Finance Receivables by Geography



Excludes operating lease vehicles and investment properties

Asset Quality Trends

- Arrears and impaired assets remain at elevated levels due to non-core legacy property development assets
- Will reduce as a percentage as core lending grows
- Investment property acquired as security position improved through enforcement
- Ex-MARAC book managed under RECL contract
- $30m of PWF receivables subject to PGW guarantee
- Net core ratio 1.1% (1.2% June 2011)



Periods prior to HY 2011 are a notional amalgamation (MARAC & Southern Cross at 30 June and 31 December, CBS Canterbury – 31 March and 30 September).

Impairment Charge

- Half year to 31 December 2011 was $3.8m compared to $7.2m for the six month period ended 30 June 2011
- Benefit of RECL contract continues
- Improvement in core Retail and Consumer books

	6 months to Dec 2011 (NZ$m)	A minus B 6 months to Jun 2011 (NZ$m)	A 12 months to Jun 2011 (NZ$m)	B 6 months to Dec 2010 (NZ$m)
Retail & Consumer	0.4	2.8	2.8	-
Business	1.7	2.5	7.2	4.7
Rural	0.1	0.5	0.5	-
Property	1.6	1.4	2.8	1.4
Total Group	**3.8**	**7.2**	**13.3**	**6.1**
% of average net finance receivables (annualised)	**0.40%**	**0.41%**	**0.77%**	**0.85%**

Forecast Update

- Heartland previously advised it expected its net profit after tax for the full year to be in the range of $20m to $22m
- Economic conditions remain challenging and lending volumes to date are lower than expected
- Therefore, this forecast is dependent on the Rural division (which will have a full six months' contribution from PWF) and the Business division building on their first half performances
- It also assumes that costs will be controlled as planned and that impairments continue to remain stable

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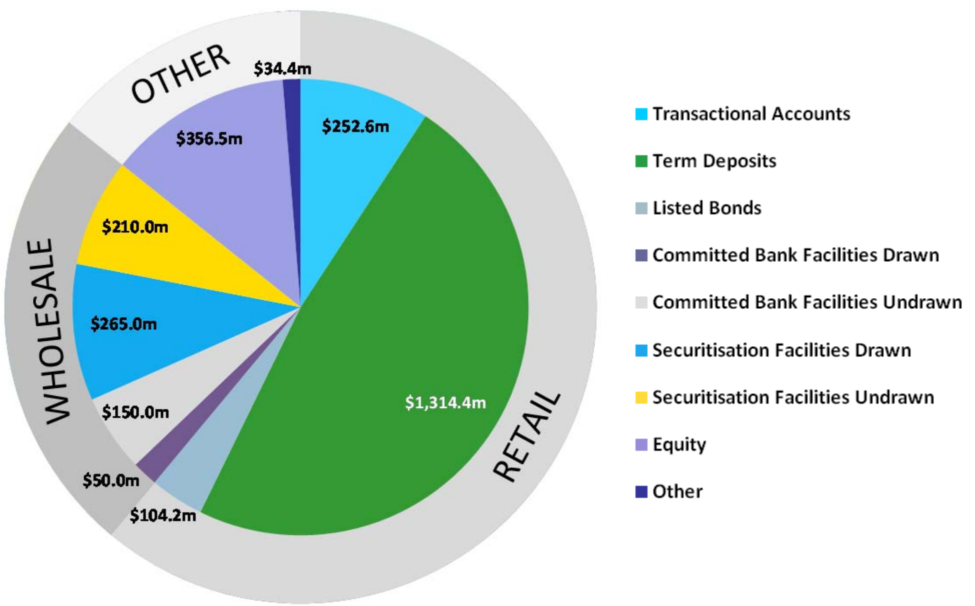
Treasury and Strategic Update

Craig Stephen

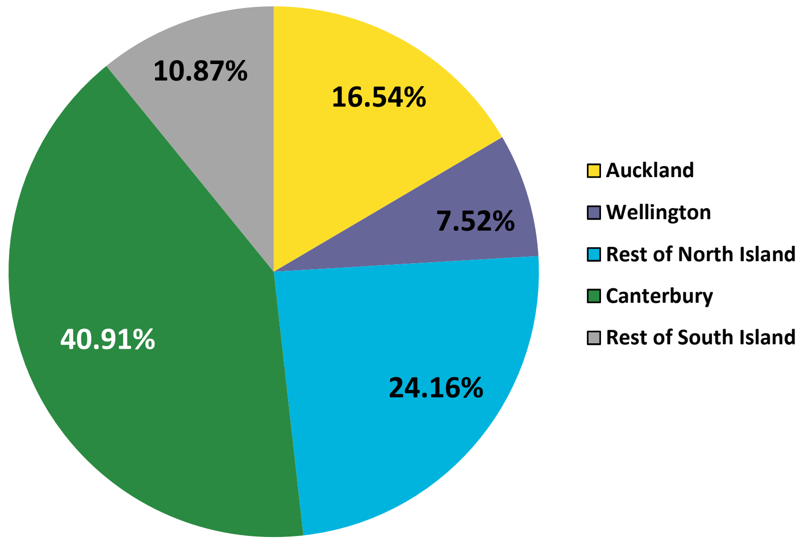
Diversified Funding

Retail funding is the core of Heartland Building Society's funding base

Funding Diversity by Source



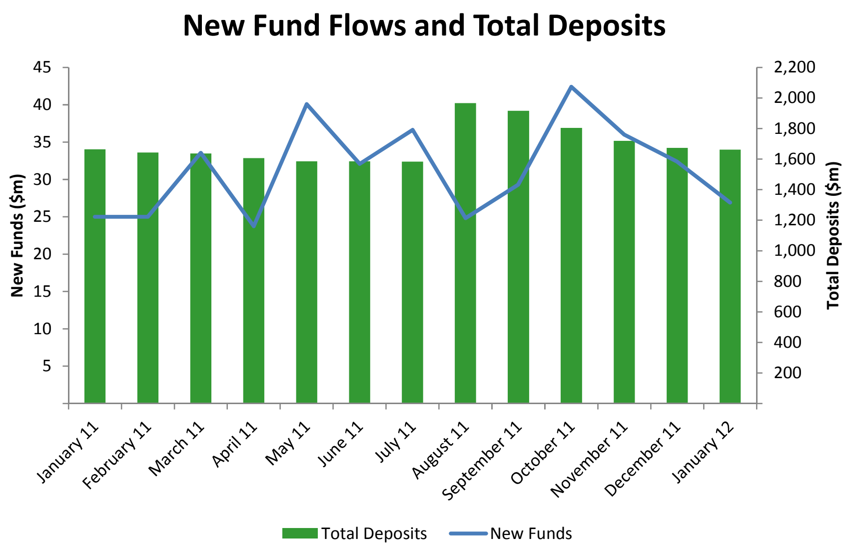
Funding Diversity by Geography

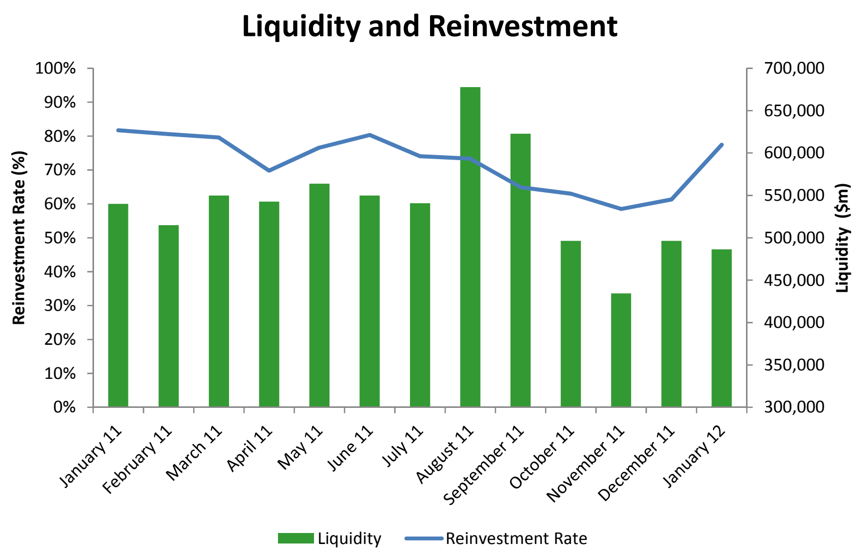


Loyal, Stable Deposit Base

Strong reinvestment rate and depositor loyalty

- Deposit book is stable at $1.67bn as at 31 December 2011
- Strong new fund flows and new customer growth
- Reflects underlying support for the Heartland vision

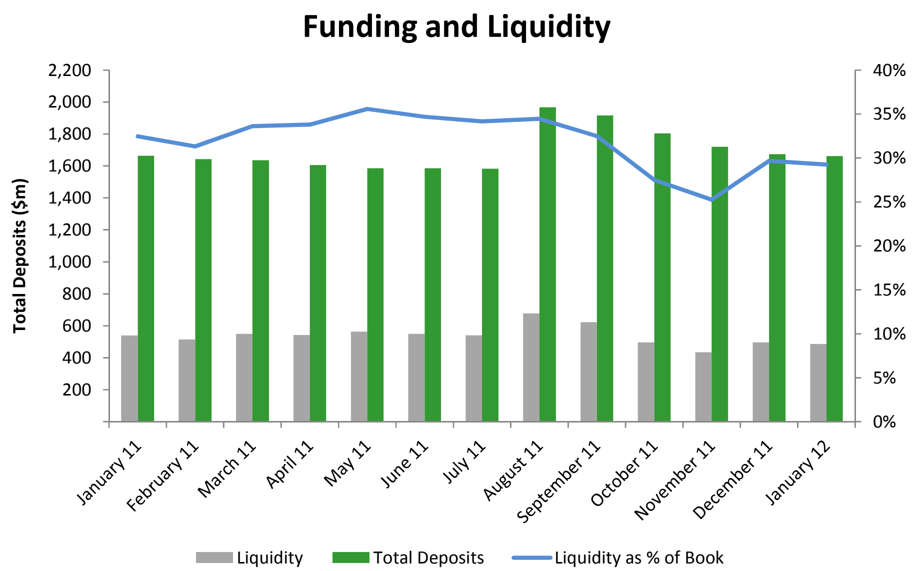




Liquidity Position

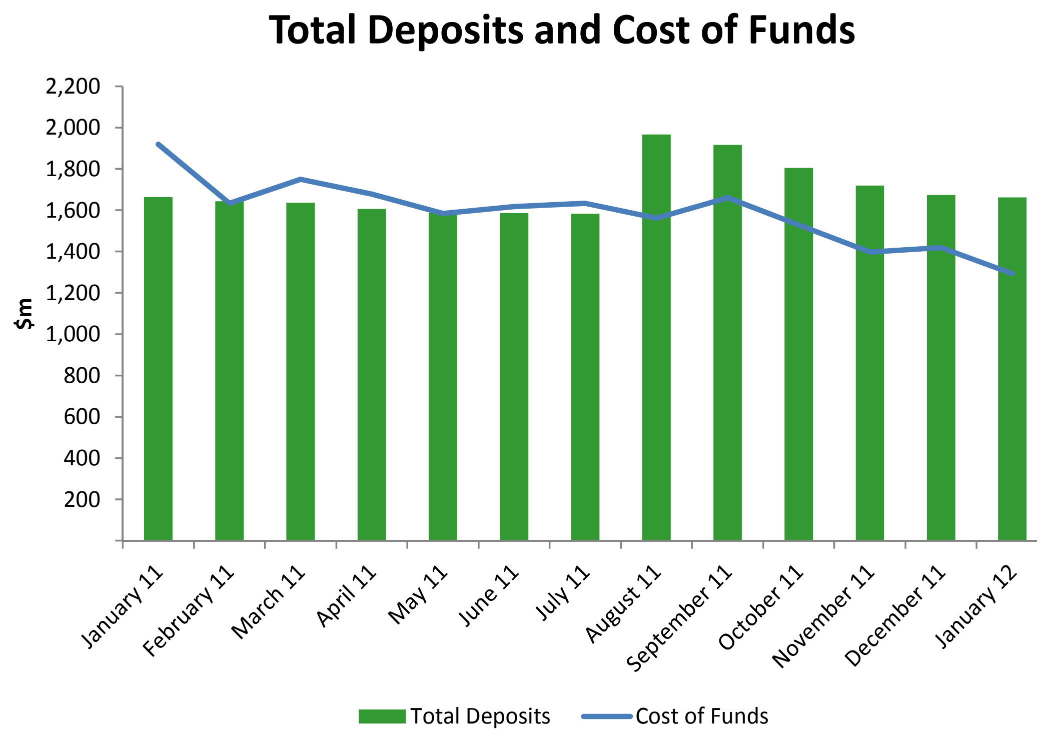
- Liquidity of $480m at 31 December 2011
  - Made up of $120m cash, $150m committed undrawn bank facilities, $210m unutilised securitisation facilities
  - Represents 29% of total retail deposits

- Short-dated nature of the loan book and strong principal and interest instalments provide solid cash flow and assist liquidity management



Cost of Funds

- Cost of Funds continues to track lower
- Focus on liquidity



Investment Grade Credit Rating

- Investment grade rating affirmed by S&P on 6 December 2011
- Outlook revised from 'Negative' to 'Stable' on 6 December 2011
- Improved transparency in the key rating drivers

Category	Heartland	TSB	Kiwibank	Co-op Bank
SACP	BBB- (stable)	BBB+ (stable)	AA- (stable)	BBB- (positive)
Anchor	BBB+	BBB+	BBB+	BBB+
Business position	Weak (-2)	Moderate (-1)	Moderate (-1)	Weak (-2)
Capital & earnings	Strong (2)	Very strong (2)	Strong (1)	Very strong (2)
Risk position	Moderate (-1)	Moderate (-1)	Moderate (-1)	Moderate (-1)
Funding and liquidity	Below average & adequate (-1)	Average & strong (0)	Average & adequate (0)	Below average & adequate (-1)
Support	0	0	+5	0

Milestones

			Timing
1.	Investment grade credit rating	✓	5 January 2011
2.	Merger	✓	7 January 2011
3.	Parent company NZSX listing	✓	1 February 2011
4.	In specie distribution of HNZ	✓	30 May 2011
5.	Rebrand (Parent, Business and Rural)	✓	1 June 2011
6.	HNZ NZX50 inclusion	✓	20 June 2011
7.	Inaugural profit in line with forecast	✓	19 August 2011
8.	PWF acquisition	✓	31 August 2011
9.	Investment grade affirmed	✓	6 December 2011
10.	Expiry of Crown guarantee	✓	31 December 2011
11.	Bank registration		?
12.	Sustainable and acceptable ROE		2012/13

Strategic and Operational Initiatives

- Drivers of Financial Performance

1.	**Asset Growth & Mix**	Economic conditions, credit demand and switching into relatively higher margin products
2.	**Improving Margin**	Lending rates (lift ROA)
		Lower Cost of Funds – average versus marginal
3.	**Costs**	Leveraging fixed costs and managing variable costs in line with performance
4.	**Liquidity & Funding**	Primarily the cost of exiting the guarantee
5.	**Asset Quality**	Positive improvement in core assets

- Objective is to consolidate and improve our industry position whilst delivering a sustainable and acceptable return on equity

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Questions