

2020 Annual Meeting

30 November 2020

HEARTLAND

Agenda

- Welcome and formalities
- Chair's address
- Chief Executive Officer's address
- Group Chief of Staff's address
- Rangatahi Advisory Board presentation
- Shareholder discussion
- Voting and conduct of poll
- Other business



Board of Directors

Heartland Group Board

- **Geoff Ricketts** Chair and Independent Non-Executive Director
- **Jeff Greenslade** Executive Director and Chief Executive Officer
- **Ellie Comerford** Independent Non-Executive Director
- **Sir Chris Mace** Independent Non-Executive Director
- **Greg Tomlinson** Deputy Chair and Non-Executive Director

Heartland Bank Board

- **Bruce Irvine** Chair and Independent Non-Executive Director
- **Jeff Greenslade** Non-Independent Director
- **Ellie Comerford** Independent Non-Executive Director
- **John Harvey** Independent Non-Executive Director
- **Kate Morrison** Independent Non-Executive Director
- **Geoff Ricketts** Independent Non-Executive Director
- **Shelley Ruha** Independent Non-Executive Director

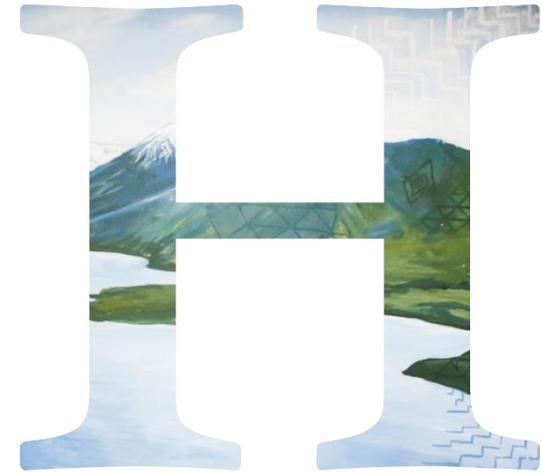
Strategic Management Group

- **Jeff Greenslade** CEO, Heartland Group Holdings
- **Chris Flood** CEO, Heartland Bank
- **Keira Billot** Chief People & Culture Officer
- **Laura Byrne** Group Chief of Staff
- **Andrew Dixon** Chief Financial Officer
- **Michael Drumm** Chief Legal & Bank Risk Officer
- **Grant Kemble** Group Chief Risk Officer
- **Sarah Smith** Chief Technology Officer
- **Lydia Zulkifli** Chief Digital Officer

Other Formalities

- Proxies and postal votes received
- Meeting procedures
- Voting procedures and declaration of poll
- Notice of meeting
- Minutes of last Annual Meeting





Chair's Address

Geoff Ricketts

The Year in Review



Grew finance receivables by 4.9% to \$4.6 billion



Launched digital platform for residential mortgages



Established long-term funding structure for Australian business



New products to support customers affected by COVID-19



Awarded Canstar's 2020 Savings Bank of the Year for third year in a row



Significant progress made on Heartland's sustainability journey

Credit Rating

Heartland Group Holdings Limited

BBB

(outlook stable)

Heartland Bank Limited

BBB

(outlook stable)

Heartland Australia Group Pty Limited

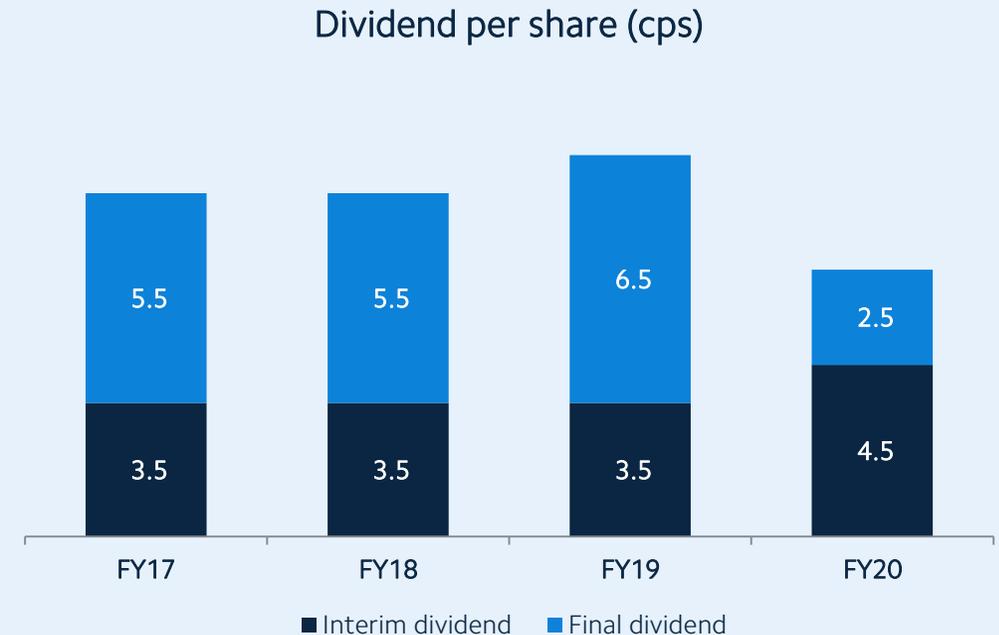
BBB-

(outlook stable)

“Heartland Bank remains one of only two Australasian banks to have no reduction or adverse change to its rating or outlook despite the economic impacts of COVID-19.”

Dividends

- **Final dividend** of 2.5 cents per share
- **Total dividend** for FY20 of 7.0 cents per share
- **RBNZ restriction on distributions** by banks will remain in place until at least 31 March 2021
- FY21 interim dividend



Conduct and Culture

- Policy, tools and training introduced to help identify and support **vulnerable customers**
- Formal **responsible lending policy** implemented
- **Code of Conduct** for employees and intermediaries refreshed
- **Complaints** policy and processes streamlined
- **Customer feedback** channels enhanced

Going the extra mile



for customers who need it most

Manawa-Taki 

Kei konei mātou ki te āwhina
We are here to help

Supporting our Communities



“During the year, the Heartland Trust made grants totalling \$452k to support our communities including in the areas of education, sport and financial literacy.”

The Heartland Trust is a registered charitable trust which is independent from, but closely supported by, Heartland.

FY2021 Outlook and Conclusion



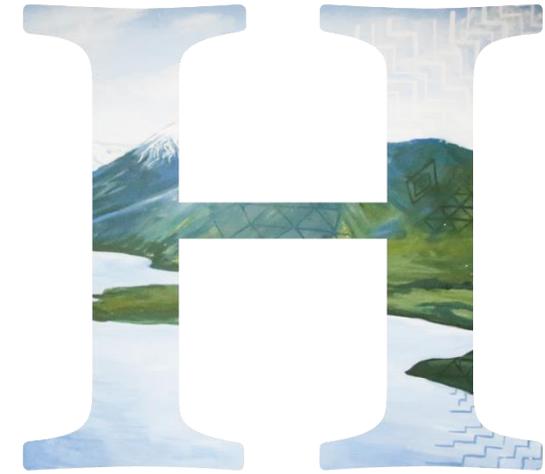
Expect strong growth to continue across the business



Supporting our customers through any future COVID-19 related uncertainties



NPAT for FY2021 in the range of \$83 million to \$85 million

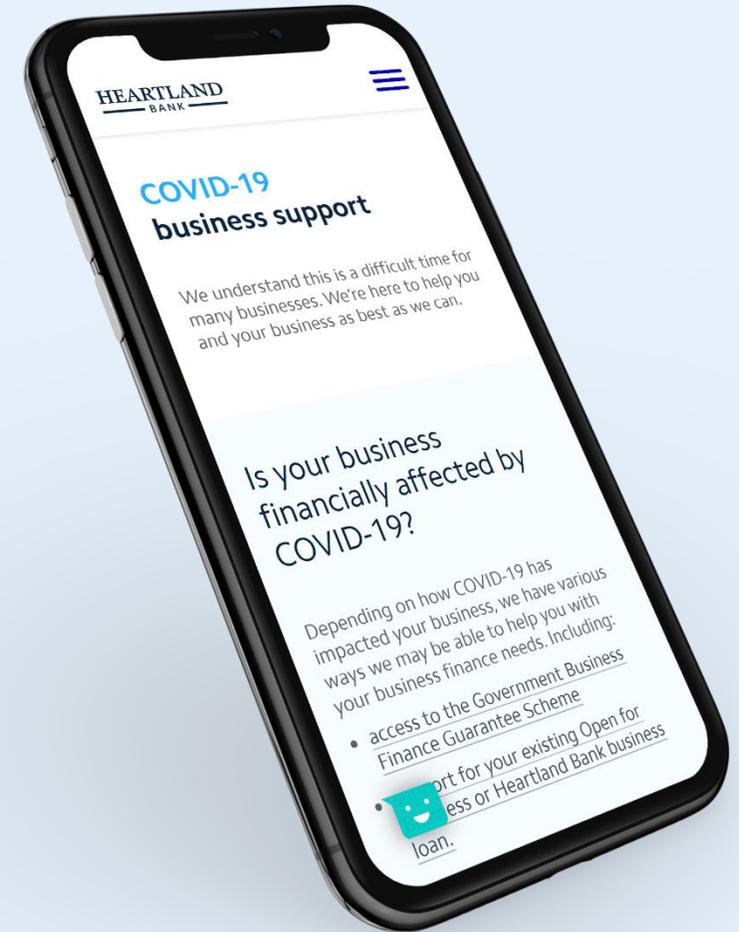


CEO's Address

Jeff Greenslade

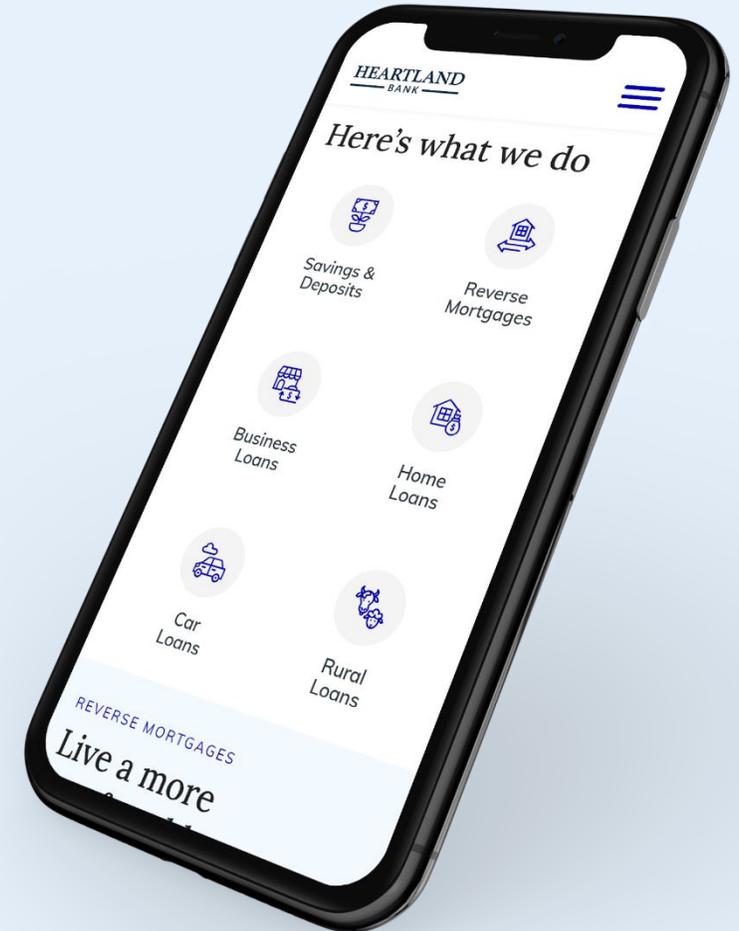
COVID-19 Response

- **Proactively contacted customers** to determine support required – particularly consumer, SME and larger business customers
- **Support options** offered to customers included payment holidays (1-3 months), reduced principal and interest only payments
- Established **Heartland Extend** to provide customers with flexibility to manage the term of loans to match cashflows
- As at 18 November 2020, **98.6% of Consumer loans and 99.6% of SME and Business loans** are on usual (or pre-COVID) repayment schedules or have taken up Heartland Extend



Digital Update

- Heartland Group is, in essence, a **Financial Technology business with a bank**
- **Digitalisation** at the core of everything we do – making our products and services accessible on a smart-phone
- **New digital platforms** for Residential Mortgages, Sheep & Beef Loans and Motor Loans
- Digital facial recognition (biometrics) and electronic document signature (DocuSign) innovations provide **end-to-end contactless onboarding and fulfilment**
- Increased investment will continue be undertaken in technology to **expand digital capability**



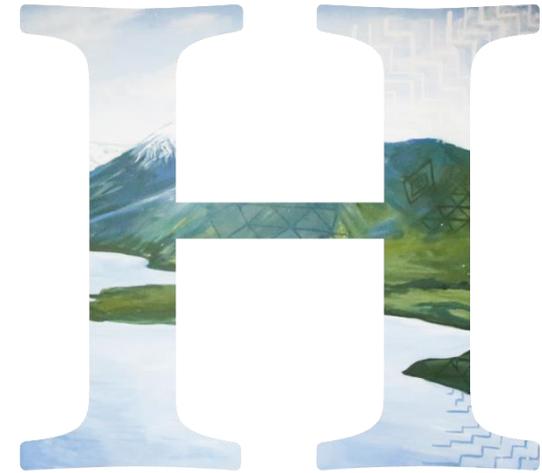
YTD Financial Performance

for the four months ended 31 October 2020

- **Net profit after tax** \$29.9 million vs. full year guidance \$83 million to \$85 million
- **Net interest margin** and **cost to income ratio** in line with expectations
- **Overall balance sheet growth flat** – repayments in non-core Relationship Lending as well as Open for Business and Harmony have offset **growth in core areas** (Business Intermediated, Motor, Reverse Mortgages NZ and Reverse Mortgages Australia)
- **Economic overlay** taken in FY20 has **not been utilised**
- **Impairments** to date much **lower than anticipated**
- **Reassessment of fair value** of equity investment in Harmony may impact FY21 NPAT guidance range

Strategic Developments

- The Board has asked management to identify means of **optimising value** within the Group
- Review is on-going but the preliminary picture emerging is that the Group can be seen as comprising **four distinct businesses**:
 - New Zealand Banking
 - Motor Finance;
 - FinTech (primarily based on the Open for Business platform)
 - Australia Reverse Mortgages
- Considering structuring Heartland Bank's **motor finance business** as a separate wholly-owned subsidiary
- No conclusions have been reached and the Board continues to consider these matters



Chief of Staff's Address

Laura Byrne

Sustainability at Heartland



Social Equity

Caring for our people,
customers and communities



Environmental Conservation

Acting as a kaitiaki of our
natural environment



Economic Prosperity

Creating sustainable
economic outcomes for
our stakeholders

Environmental Conservation

- Joined Climate Leaders Coalition in 2018
- Now measuring our greenhouse gas (**GHG**) emissions
- Formulation of GHG emissions reduction target underway
- Reduction initiatives underway include:
 - Transitioning vehicle fleet to electric or plug-in hybrid electric vehicles
 - Reducing paper based communications to customers
 - Encouraging greater adoption of video conferencing to reduce business travel
- Considering our wider environmental impact of our products and services

Social Equity – Our People



Heartland Bank became an accredited **Living Wage employer**



Recognition payments made to over 90% of employees



50 Māori and Pasifika students participated in the **Manawa Ako internship**



Partnered with Indigenous Growth to provide **leadership development** programme for cohort of Māori employees



Excellent progress made towards achieving **gender balance**



Creation of **Rangatahi Advisory Board** to diversify perspectives and provide unique insights

Rangatahi Advisory Board



Aleisha Langdale
Digital Projects Manager



Brody Sumner
Sales Support Executive



Harsha Dahya
Account Manager (Motor)



Ian Hedley-Wakefield
Operations Risk Manager



Jess Tomlinson
Communications Executive



Karem Ortiz
Creative Lead



Kate Manihera
People, Culture &
Communications Coordinator



Kevin Min
Relationship Manager



Monica Iakopo
Internal Auditor



Natasha Abeyesundara
Corporate Finance Analyst



Paul Koraua
Project Co-ordinator



Qiays Longman
Customer Compliance
Team Leader



Shreyansh Patni
Integration Developer



Te Whaiora Te Maapi Pene
Operations Analyst



Veronica Franklin
Corporate Finance Analyst



William Orr
Relationship Manager



Shareholder Discussion



Voting

Thank you

HEARTLAND