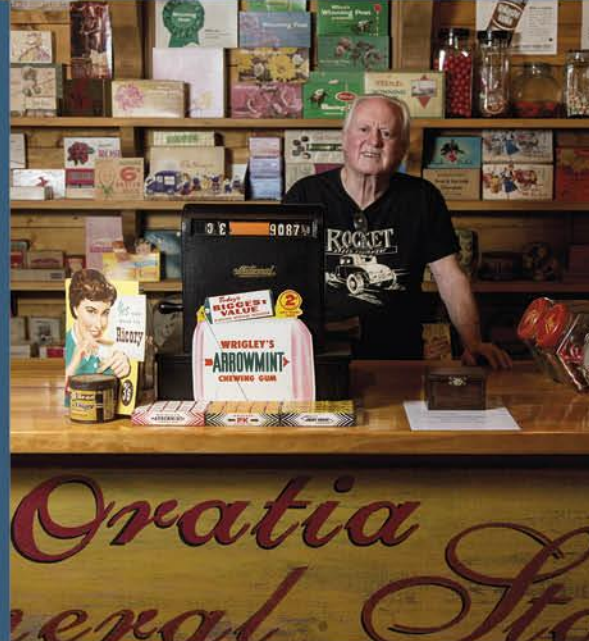
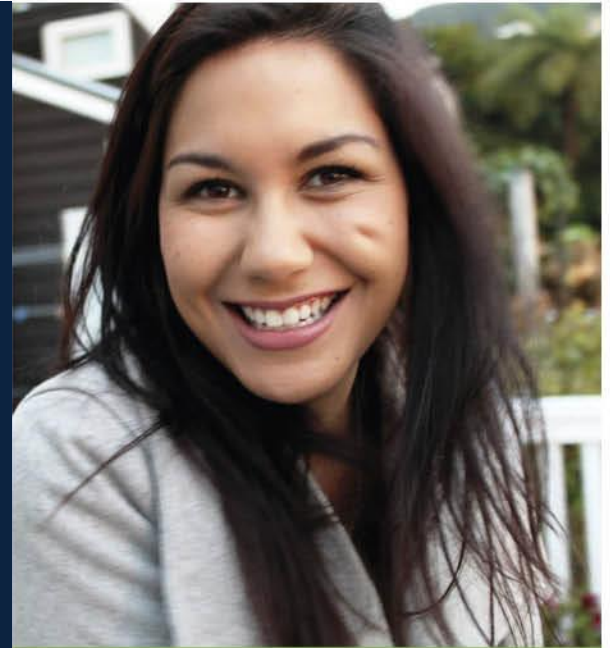


HEARTLAND BANK



2018 Annual Meeting



Agenda

- Welcome and formalities
- Chair's address
- Chief Executive Officer's report
- Shareholder discussion
- Voting and conduct of poll
- Other business

Board of Directors

Geoff 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
Sir Chris Mace	Independent Non-Executive Director
Vanessa Stoddart	Independent Non-Executive Director
Greg Tomlinson	Non-Executive Director

Strategic Management Group

Jeff Greenslade	Chief Executive Officer
Chris Flood	Deputy Chief Executive Officer
Laura Byrne	Chief People & Culture Officer
Grant Kemble	Chief Risk Officer
David Mackrell	Chief Financial Officer
Rochelle Moloney	Chief Marketing & Communications Officer
Sarah Smith	Chief Technology & Enablement 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

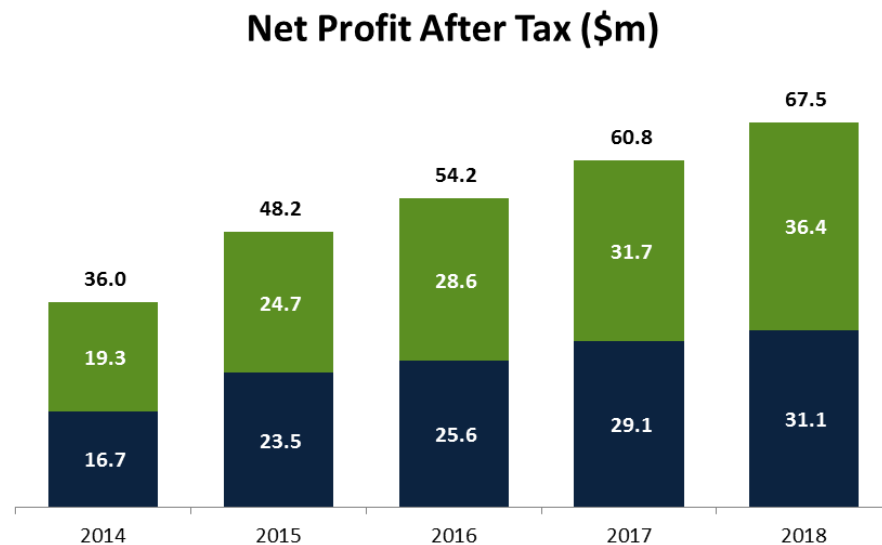
Geoff Ricketts



Financial overview

Our strategy is delivering results

- Net profit after tax of \$67.5m, up 11%.
- Growth in net finance receivable assets of 12%.



Socially responsible products and regulatory update

- Part of striving for excellence is aligning everything we do with our values of integrity, respect and professionalism
- Continued open and honest relationships with the Reserve Bank of New Zealand and Financial Markets Authority
- Conduct driven by a desire to do the right thing
- Customer Outcomes Committee at the executive level

2018 in review and dividends

- Strong growth across the business
- Focus on areas core to future growth – particularly reverse mortgages, motor, small business loans
- Stronger technological platform for growth
- Fully-imputed final dividend of 5.5 cents per share
- Paid on Friday 21 September 2018
- Total dividend for the year of 9.0 cents per share



Community sponsorship



Corporate restructure

- A more suitable platform for future growth
- More flexibility to take advantage of growth opportunities in NZ & AU
- Remove constraints on the growth and funding capabilities currently arising from Reserve Bank regulation
- For the Australian reverse mortgage business, the restructure will alleviate funding constraints and allow it to continue to grow using its preferred method of funding
- No change to the core business of the group
- Heartland Bank will remain a registered bank in the NZ regulated by Reserve Bank and will continue to operate in the same way

Corporate restructure (continued)

- Shareholders will receive the same number of shares in Heartland Group Holdings Limited as they hold in Heartland Bank Limited on the record date
- 9 current directors of Heartland Bank will sit one or more of the boards of Heartland Group Holdings, Heartland Bank and Heartland Australia
- Foreign Exempt Listing on the ASX expected to provide access to additional sources of capital
- The Board unanimously supports the restructure and recommends that shareholders vote in favour

CEO Address

Jeff Greenslade



Asset growth driving profitability

Net operating income

12 months to 30 June 2018

\$196.8m

▲ **15%** from FY2017

Net profit after tax

12 months to 30 June 2018

\$67.5m

▲ **11%** from FY2017

Net finance receivables

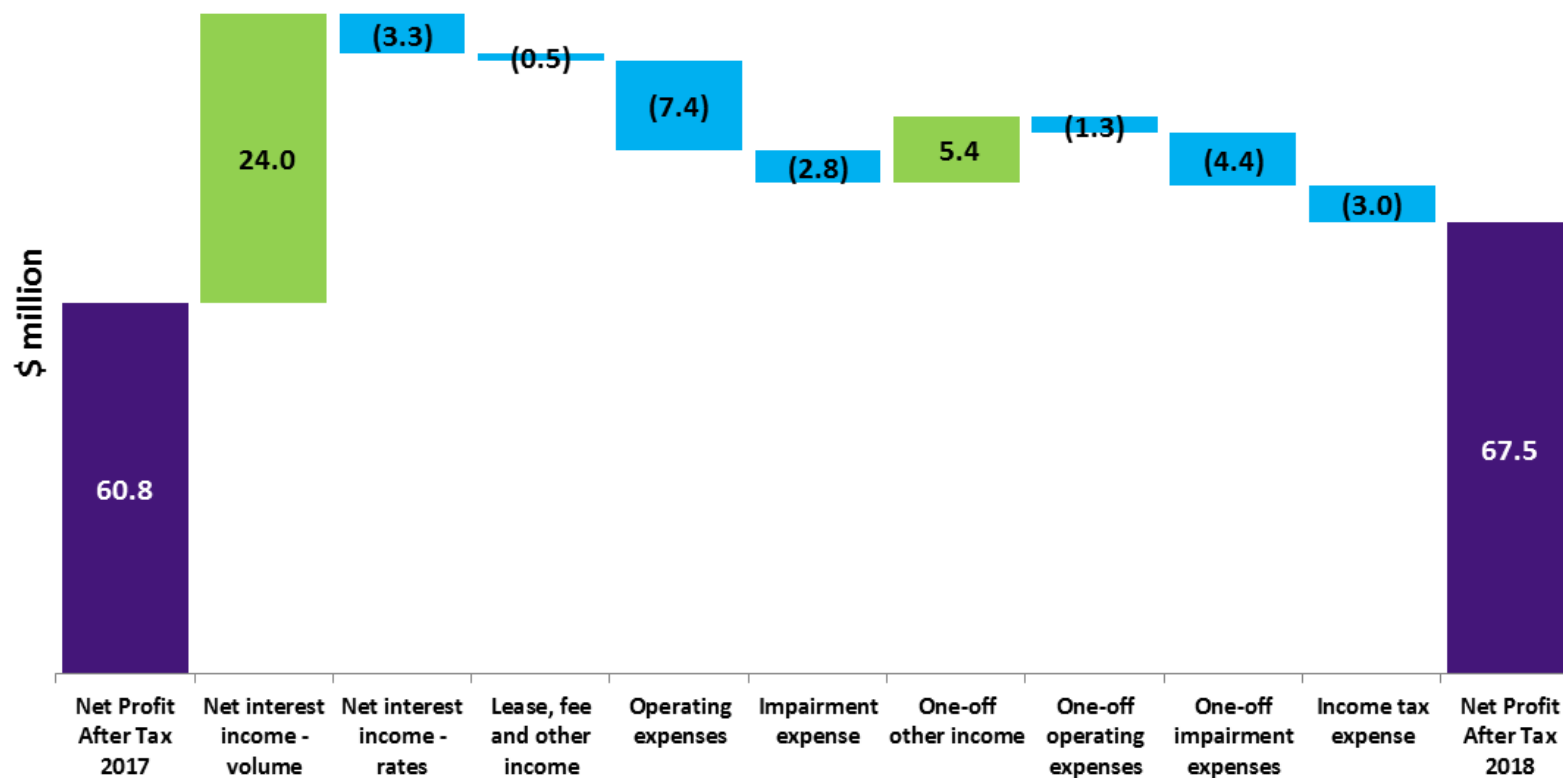
As at 30 June 2018

\$4.0bn

▲ **12%** from FY2017

- 12% growth in net finance receivables from 30 June 2017
- Return on equity of 11.1%
- NIM strong at 4.42%
- Cost to income ratio improved to 40.9%
- Impairment expense increased, but underlying expense stable
- Final dividend declared 5.5 cps, full year dividend 9.0 cps

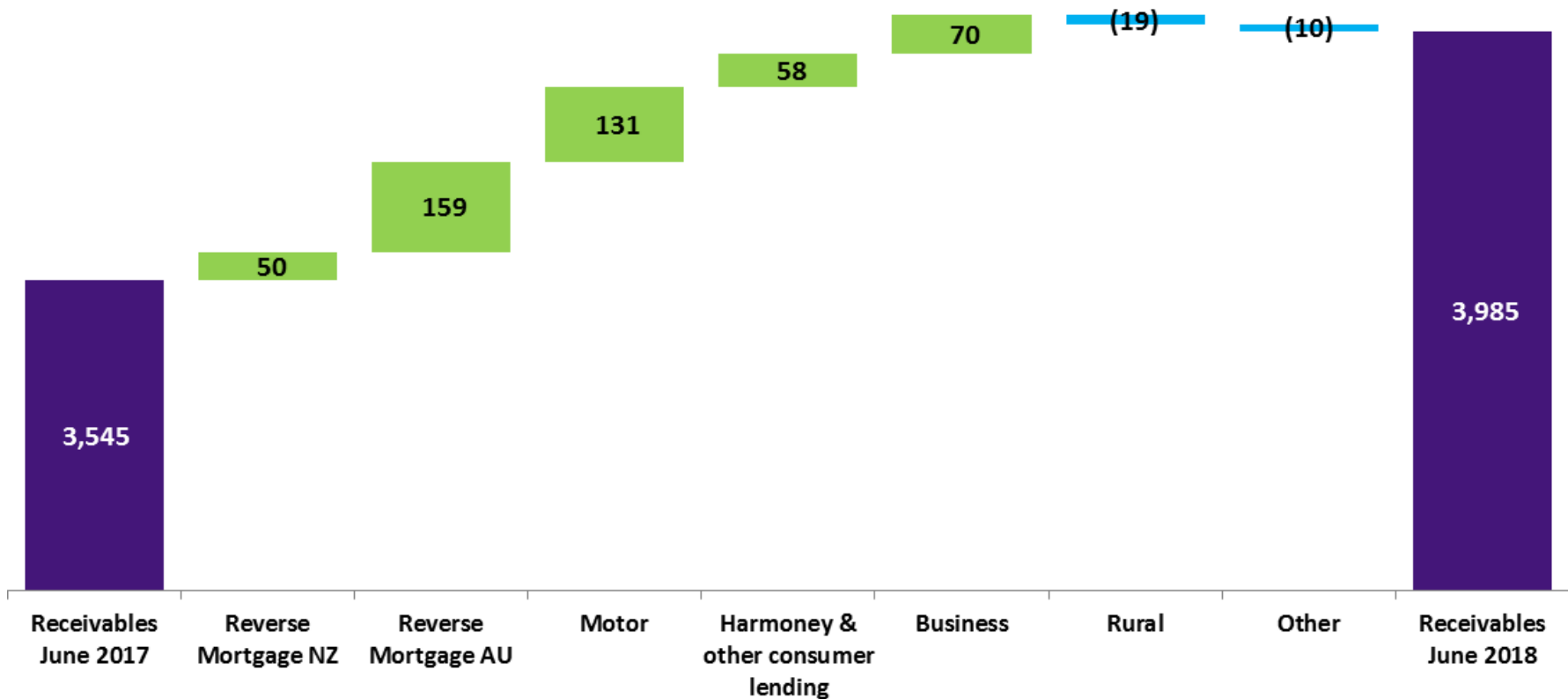
Change in profitability



- One-off other income includes gain on sale of property (\$4.8m) and gain on sale of invoice finance business (\$0.6m).
- One-off operating expenses includes new system implementation expenses (\$0.5m), legacy systems costs (\$0.3m) and expenses in relation to the proposed corporate restructure (\$0.5m).
- One off impairment expenses includes additional provisioning for large relationship loans (\$2.2m), insurance recovery write-back in prior year (\$1.2m), and reduced collections due to system implementation issues (\$1.0m).

Significant growth in reverse mortgages and motor

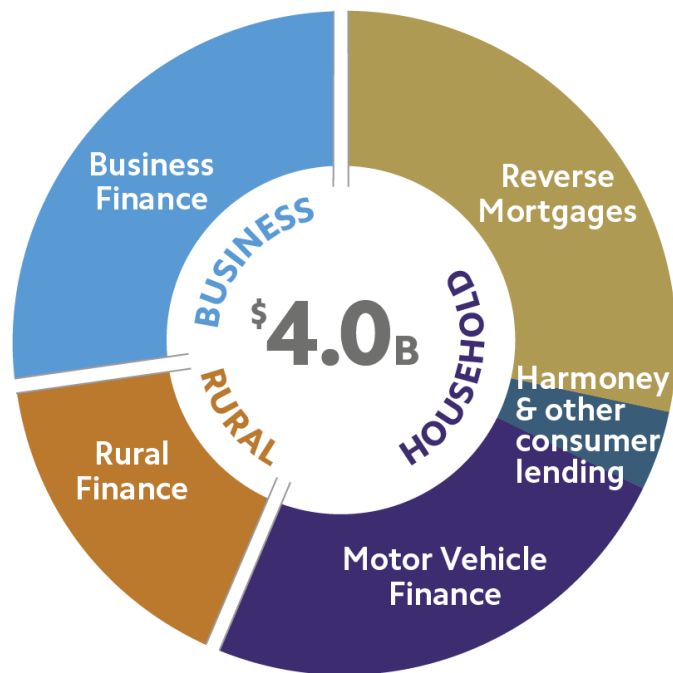
Net Finance Receivables Movement in 2018 (\$m)



Strategy is to be “best or only”

Net Finance Receivables

30 June 2018



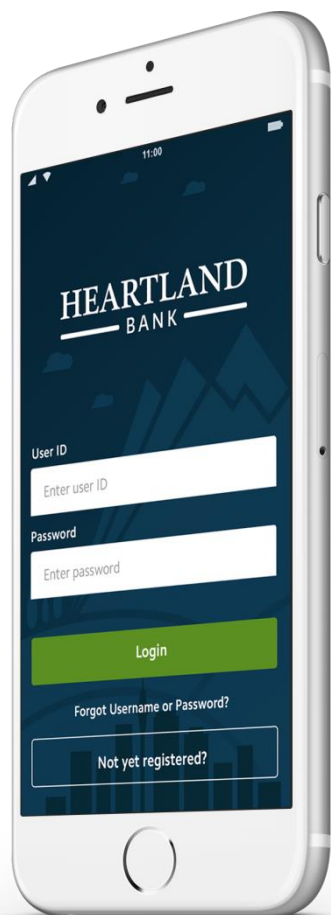
- Core focus on markets where we have the best product or the only product (eg. reverse mortgages, small business lending, motor vehicle finance)
 - Offer high value returns
 - Acceptable risk outcomes
 - More remote from big bank competition
- Expand reach through digital platforms and growing intermediary networks
- Open to acquisitions in New Zealand and Australia

NZ's largest platform for small business lending

- Asset growth of 98% in FY18 for Open for Business
- Scalability and distribution channels solved through use of digital platform
- Confident in the technology and risk experience over last two years
- New marketing campaign launched this week



Deposits & Heartland Mobile App



- \$308m of new deposit growth in FY18
- Awarded Bank of the Year – Savings from CANSTAR, providing strongest combination of savings products and services to our customers
- Heartland Mobile App launched June 2018
- App gives deposit customers better control over savings accounts and term deposits
- Important milestone in our strategy to use digital channels to cost-effectively reach more customers

Reverse Mortgages Australia

- Asset growth of 31% achieved in FY18
- Continuing to broaden intermediary network of brokers
- Awarded Best Mortgage Provider from CANSTAR and Best Reverse Mortgage from Money Magazine for last three consecutive years
- ASIC review highlighted growing need for reverse mortgages and signalled areas for improvement
 - Focus on long term needs
 - Assist with detecting elder abuse



**Research suggests
85% of older
Australians strongly
prefer to 'age in
place'.**

- ASIC REPORT 2018

Our People, Culture and Community



- Our vision is to promote diversity of thought and for Heartland to be an accepting and welcoming work environment
- Aiming to become an employer of choice for Maori
- Initiatives underway to ensure strong pipeline of future female leaders
- Recognise the need to make a positive contribution to our communities to ensure sustainability

Outlook for FY19

- Expect underlying asset growth to continue, especially reverse mortgages, motor vehicle finance and small business lending
- Shifting to a range of digital platforms
- Expanding our reach through digital and intermediary channels
- Exploring opportunities for growth in Australia

Shareholder discussion



Voting



A group of people, including men and women in business suits, are walking along a paved path in front of a large, well-maintained house with a brick chimney and a dormer window. The scene is set at dusk or dawn, with warm lighting from the house and surrounding trees. The overall atmosphere is professional and community-oriented.

HEARTLAND BANK

Business Loans

www.openforbusiness.co.nz

Lending criteria, fees and charges apply.
Unsecured business loans up to \$75,000. Partially secured business loans up to \$250,000.

HEARTLAND BANK



2018 Annual Meeting

