

HEARTLAND

BANK

Rights Offer
9 November 2017



Important notice

The information in this document and any information provided during any presentation of this document (collectively, **Information**) has been compiled solely to provide interested parties with further information about a pro rata renounceable rights issue of New Shares in Heartland under clause 19 of Schedule 1 of the FMCA, followed by a Shortfall Bookbuild.

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The Rights will not be quoted on the NZX Main Board. The New Shares have been accepted for quotation by NZX and will be quoted upon completion of allotment procedures. NZX Main Board is a licensed market operated by NZX, a licensed market operator, regulated under the FMCA.

All of the data provided in this document is derived from publicly available information in relation to Heartland (including Heartland's annual report for its financial year ended 30 June 2017 and Heartland's disclosure statement for the three months ended 30 September 2017), unless otherwise indicated.

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Capitalised terms used in the Information have the specific meaning given to them in the Glossary at the back of the Offer Document.

About Heartland

Listed Bank

Listed on the NZX Main Board in February 2011 and registered as a bank in New Zealand in December 2012

Strategy

Heartland's focus is on banking products to under-served markets, coupled with distribution channels that extend its customer reach and provide a frictionless customer experience

\$4.2bn total assets

as at 30 September 2017

Diversified portfolio of assets by business sector and geography, including \$0.6bn of Australian assets

\$3.7bn total liabilities

as at 30 September 2017

Diversified funding portfolio supported by a loyal and growing depositor base

Credit rating (Fitch)

as at 4 October 2017

BBB

(outlook stable)

Market capitalisation

as at 8 November 2017



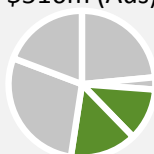


\$988m

Net interest margin

Quarter ended 30 September 2017
annualised

4.49%

Key markets

	HOUSEHOLD			BUSINESS	RURAL
	MOTOR VEHICLE LOANS	PERSONAL LOANS	REVERSE MORTGAGES		
Key products and distribution channels	Motor vehicle finance through intermediated channels (motor vehicle dealers, partners) and direct channels.	Personal loans available through digital platform <i>Open for You</i> . Personal loans available through peer to peer lender Harmony.	Reverse mortgages available through direct channels in New Zealand and intermediated channels (brokers) and direct channels in Australia.	Business loans for small businesses available through digital platform <i>Open for Business</i> . Plant/equipment and working capital finance available through relationship managers and intermediated channels.	Livestock finance available through digital platform <i>Open for Livestock</i> and alliance partners. Targeted rural finance available through relationship managers and alliance partners.
Finance receivables as at 30 June 2017	\$824m 	\$95m 	\$405m (NZ) \$516m (Aus) 	\$995m 	\$675m 
Average loan size as at 30 June 2017	\$15k	\$9k	\$97k (NZ) \$112k (Aus)	\$96k	\$222k

Continued strong growth in Q1 FY2018

Strong profitability achieved

Net profit after tax of \$16.0m, up 12% on previous corresponding period

Growth in finance receivables

16% annualised growth (4% for the 3 month period) in finance receivables

Net interest margin maintained

Net interest margin of 4.49%

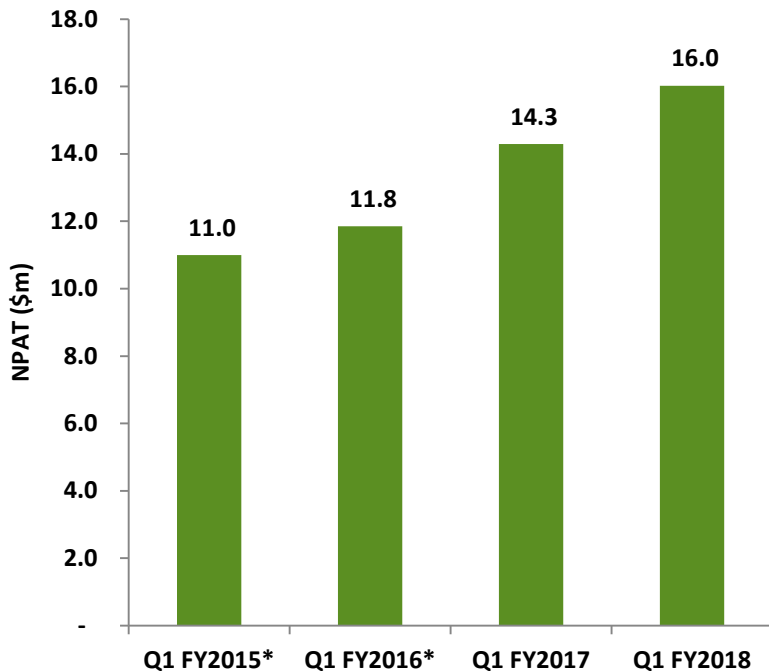
Profit guidance reaffirmed

Heartland is pleased to reaffirm expected net profit after tax for FY2018 to be in the range of \$65.0m to \$68.0m

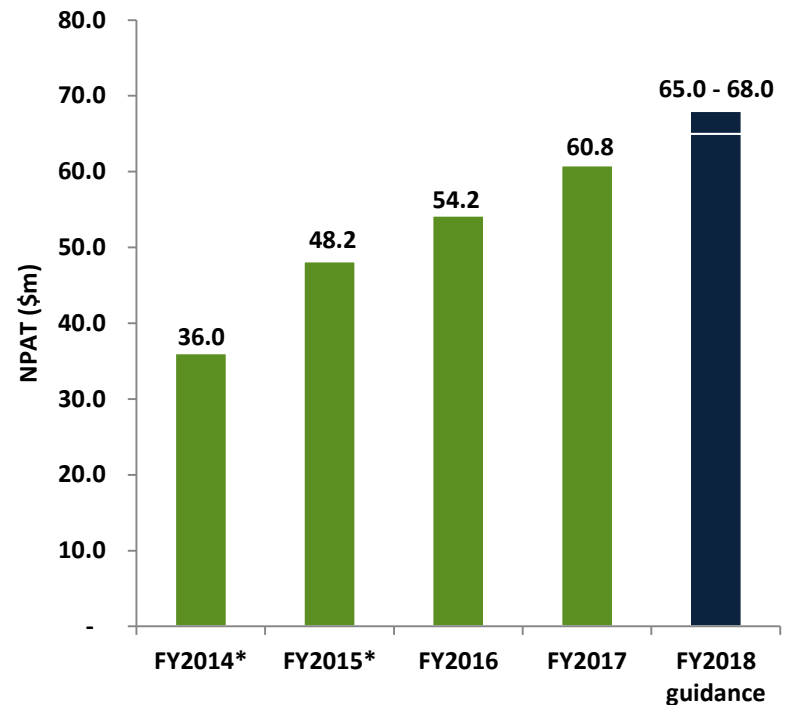
Q1 FY2018 means the 3 month period ending 30 September 2017

Profitability

Net profit after tax of \$16.0m for Q1 FY2018, up 12% on the previous corresponding period



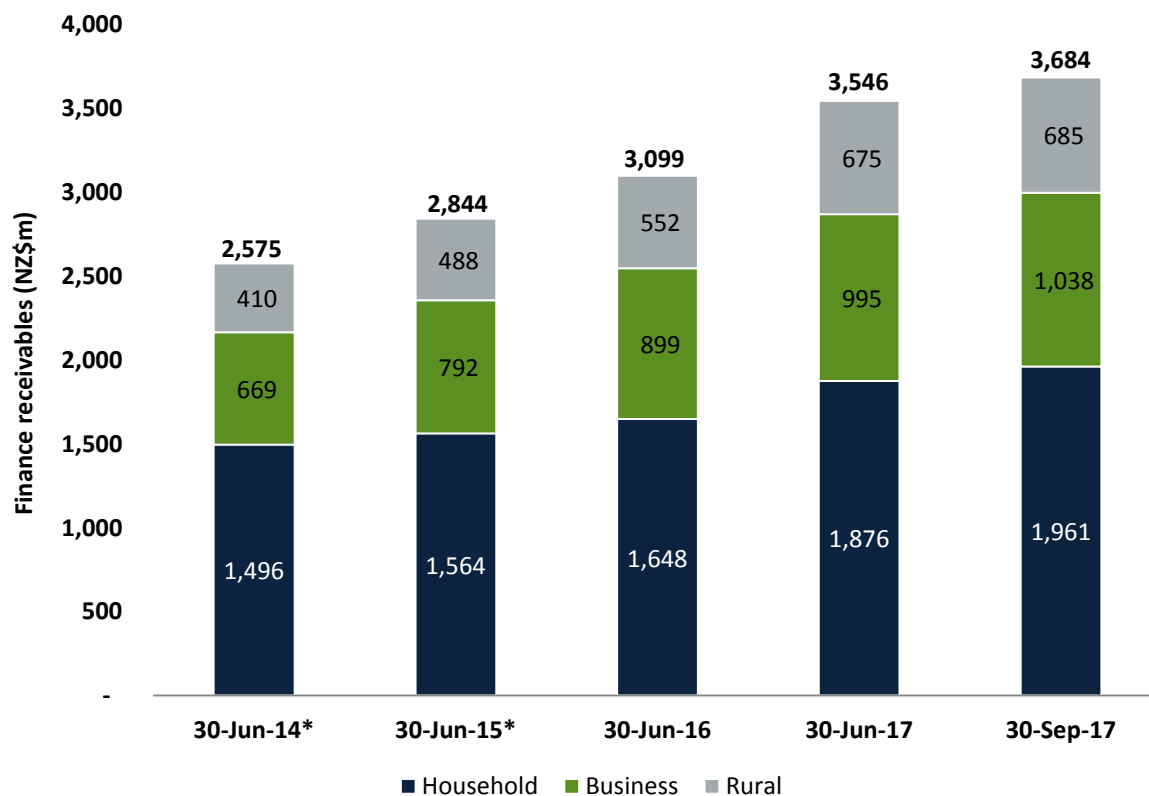
Heartland has maintained strong growth in net profit after tax for FY2014 – FY2017



* Net profit after tax relates to Heartland New Zealand Limited

Finance receivables

16% annualised growth in finance receivables in Q1 FY2018

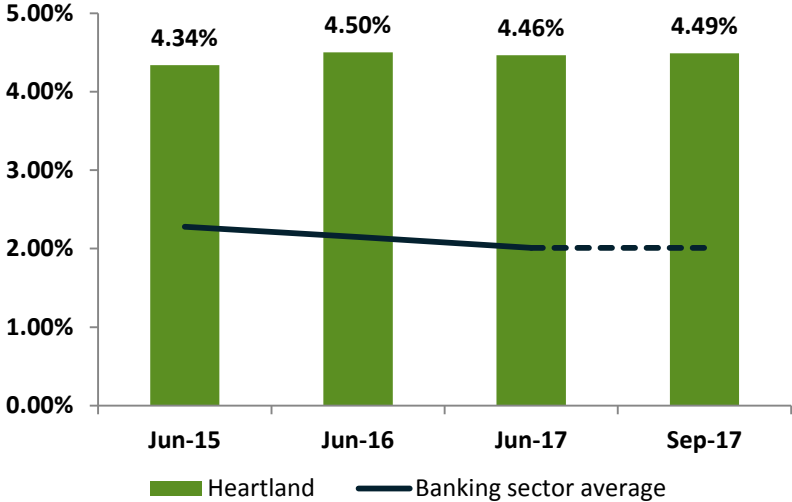


Annual growth in finance receivables	
30-Sep-2017 (annualised)	16%
30-Jun-2017	14%
30-Jun-2016	9%
30-Jun-2015	10%

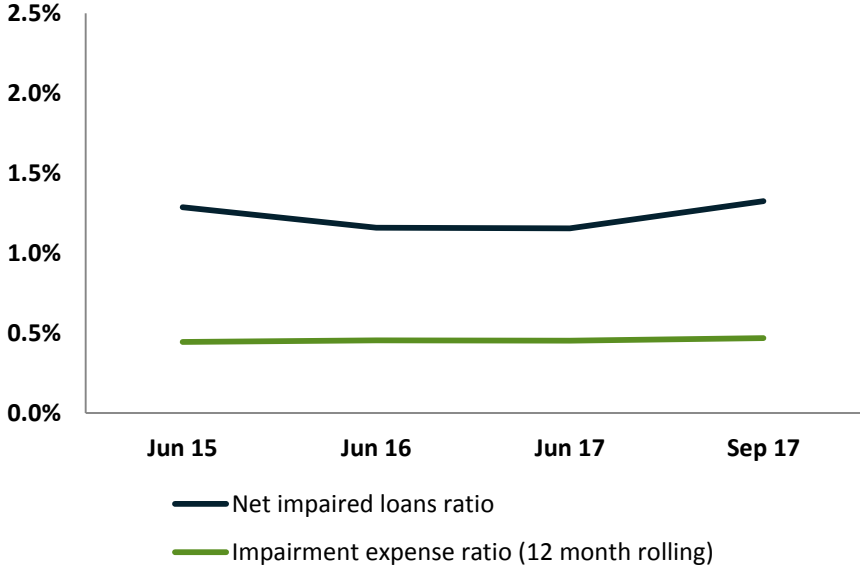
* Finance receivables for Heartland New Zealand Limited. Excludes non-core property.

Net interest margin and impairments

Strong net interest margin maintained



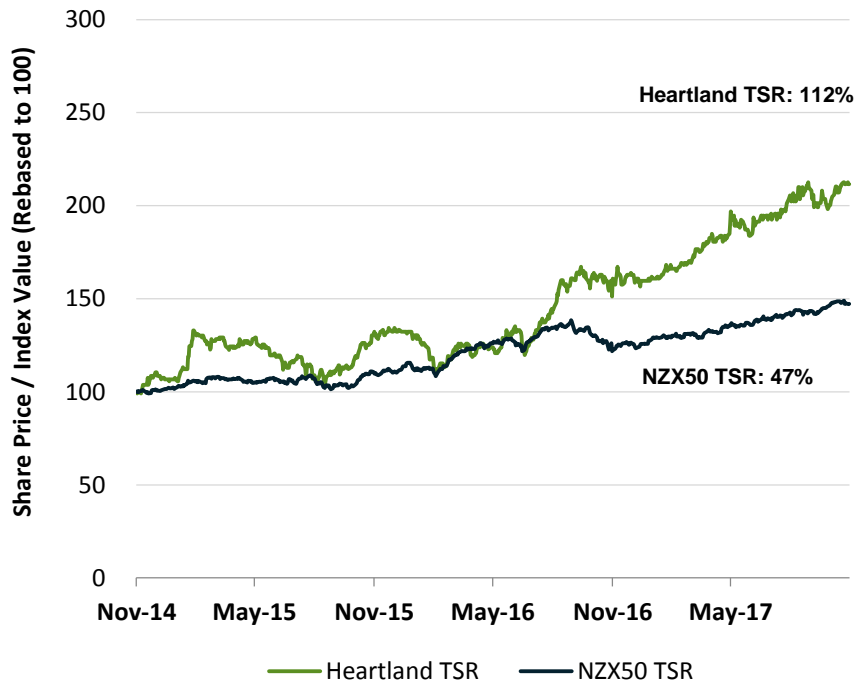
Impairment ratios



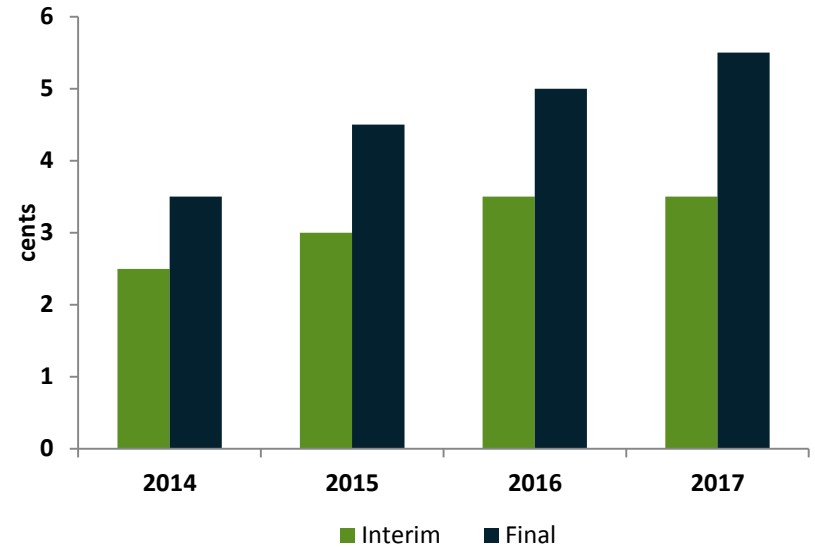
Banking sector average sourced from KPMG Financial Institution Performance Summary except September 2017 which is a continuation of the June 2017 position

Shareholder returns

3 year total shareholder return



Total dividend for 2017 of 9.0 cents per share



Source: IRESS as at 8 November 2017. NZX50 is based on S&P/NZX 50 Gross Index. Total shareholder return (TSR) assumes dividends are reinvested for comparison to Index Value. TSR excludes the benefit of imputation credits.

Strategic focus

Heartland continues to execute its strategy in New Zealand and Australia

Right place, right time

Digital, intermediated and direct channels utilised to ensure we are in easy reach for our customers

Targeting markets with opportunity

Focus on niche products where customers are under-served by the other banks (e.g. small business loans, motor vehicle loans, reverse mortgages)

Grow business in Australia

Expand certain products in Australia, leveraging established intermediary relationships and digital platforms

Identifying customer intent

Utilisation of data insights to accurately identify customer intent, driving strong lead generation and conversion

Superior customer experience

Specialised customer experience for each product type (e.g. small business loans = quick and simple online application, reverse mortgages = personalised sales process)

Acquisitions that align with strategy

Must deliver compelling distribution capacity and/or innovation and be value generating

Rights Offer



The Offer

1 for 15 rights offer to raise up to ~\$59m

Heartland will use the proceeds to support continued growth in its loan portfolio and maintain a strong balance sheet

Offer price of \$1.70 per share

Represents a 10.1% discount to the closing price on 8 November 2017 of \$1.89 and a 9.5% discount to the theoretical ex-rights price

Pro rata and renounceable

Offer opens on 23 November 2017 and closes on 8 December 2017

Shortfall Bookbuild

Shareholders who take up their rights in full, as well as institutional investors, will have the opportunity to apply for any Rights not taken up under a bookbuild process

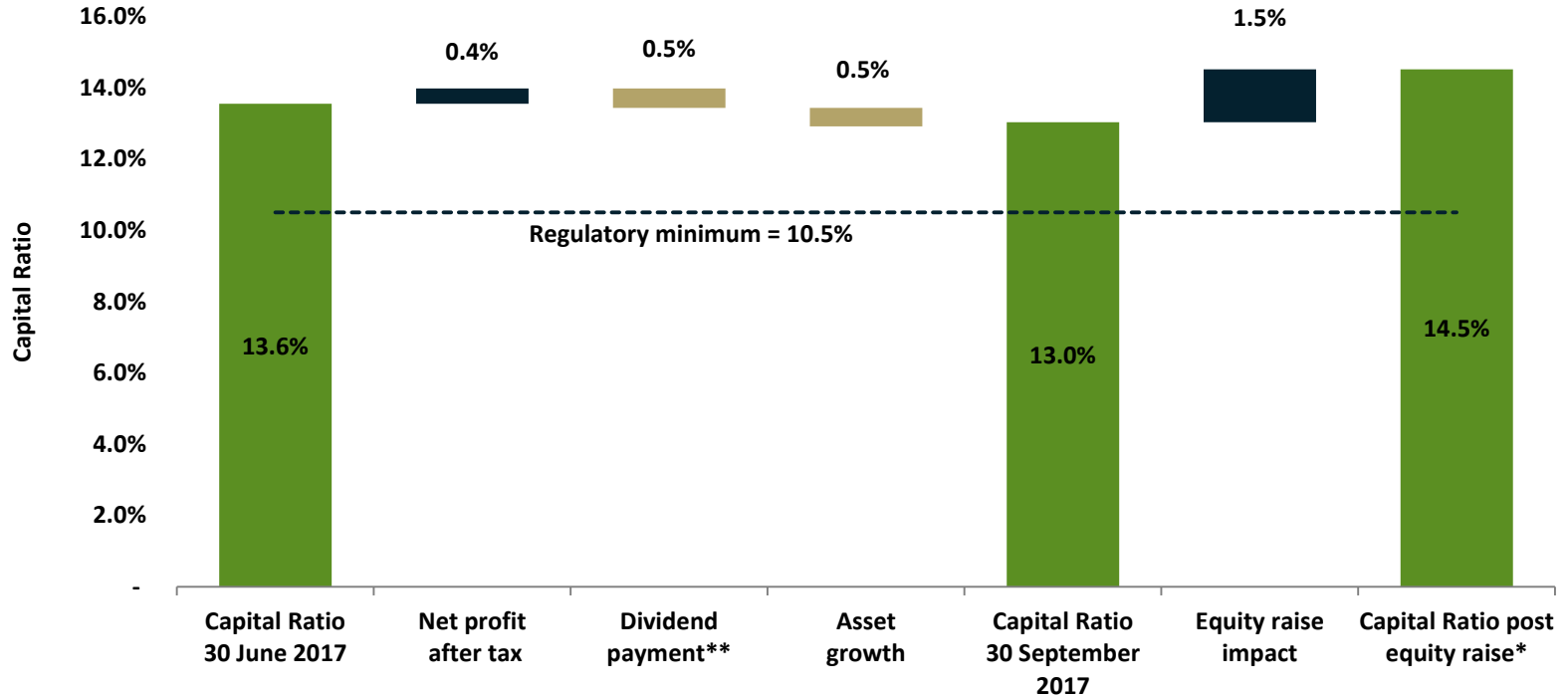
Not underwritten

Given its size and use of the proceeds, Heartland didn't consider underwriting provided value for shareholders. All directors and their related parties who hold shares, totalling 15% of Heartland shares, intend to take up their rights in full

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Capital ratio

Immediate impact of the equity raise is an increase in Heartland's total capital ratio to ~14.5%* (pro forma based on 30 September 2017) against the regulatory minimum of 10.5%



* Assumes the full proceeds are raised under the offer
 ** Net of shares issued under dividend reinvestment plan

Key dates

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- 9 November 2017, Offer announcement**
 - 17 November 2017, Record date for determining entitlement to Rights**
 - 22 November 2017, Offer document and Entitlement and Acceptance Forms sent to shareholders**
 - 8 December 2017, Closing date**
 - 12 December 2017, Shortfall Bookbuild**
 - 14 December 2017, Allotment of new shares**
 - 21 December 2017, Payment of any premium in Shortfall Bookbuild to holders of unexercised Rights**

Key contacts

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