

HEARTLAND

BANK

Note Offer

August 2017



Important Notice

- This presentation has been prepared by Heartland Bank Limited (NZX : HBL) (the **Company** or **Heartland**) for the purpose of briefings in relation to its financial statements, and in relation to an offer of medium term fixed rate notes by Heartland (**Notes**).
- The presentation and the briefing (together the **Presentation**) contain summary information only, and you should not rely on the information in the Presentation in isolation from the full detail in the financial statements.
- The information in the Presentation has been prepared with due care and attention. However, no person (including the Company and its directors, shareholders and employees) will be liable to any other person for any loss arising in connection with the Presentation.
- The Presentation outlines a number of the Company's forward-looking plans and projections. Those plans and projections reflect current expectations, but are inherently subject to risk and uncertainty, and may change at any time. There is no assurance that those plans will be implemented or that projections will be realised.
- No person is under any obligation to update this presentation at any time after its release to you or to provide you with further information about the Company.
- The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.
- Unless otherwise indicated in this presentation, all financial results are those for the financial year ending 30 June 2017 and all comparisons are to the previous corresponding financial period of the financial year ending 30 June 2016.
- This presentation is for preliminary purposes only and is not an offer to sell or the solicitation of any offer to purchase or subscribe for any financial products and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The Notes are offered under a limited disclosure document (**LDD**). The LDD is available at www.companiesoffice.govt.nz/disclose. Investors should not purchase the Notes until they have read the LDD.

Agenda

- About Heartland
- 2017 Financial Year Review
- Note Issue
 - Summary Terms
 - Offer Process
 - Key Dates

About Heartland



Summary

Listed Bank

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

Strategy

Early strategic focus was product-centric; delivering innovative products to market segments underserved by the main banks. Now focused on the channels to deliver these products with an emphasis on digital distribution.

\$4.0bn Assets

as at 30 June 2017

Diversified portfolio of assets by business sector and geography, including \$0.5bn of Australian assets

\$3.5bn Liabilities

as at 30 June 2017

A diversified and stable funding base of 37,000 individual depositors

Credit rating

Fitch Ratings

BBB (outlook stable)

Market capitalisation

as at 15 August 2017

\$961m

Strongest NIM amongst NZ banks



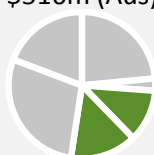


KPMG FIPS Quarterly: March 2017

4.46% as at 30 June 2017

Board of Directors

Name	Position	Date of Appointment
Geoffrey T Ricketts CNZM, LLB (Hons), LLD (honoris causa), CFInstD	Chairman and Independent Non-Executive Director	30 September 2010
Bruce Irvine BCom, LLB, FCA, CFInstD, FNZIM	Deputy Chair and Independent Non-Executive Director	30 September 2010
Gregory Tomlinson AME	Non-Executive Director	18 March 2013
Jeff Greenslade LLB	Executive Director and Chief Executive Officer	30 September 2010
Ellie Comerford BEc	Independent Non-Executive Director	1 January 2017
John Harvey BCom, CA	Independent Non-Executive Director	31 January 2013
Graham Kennedy MNZM, J.P., BCom, FCA, ACIS, ACIM, CFInstD	Independent Non-Executive Director	30 September 2010
Sir Christopher Mace KNZM, CMInstD	Independent Non-Executive Director	30 September 2010
Vanessa Stoddart BCom/LLB (Hons), PGDip Professional Ethics, GAICD, CMInstD	Independent Non-Executive Director	3 October 2016

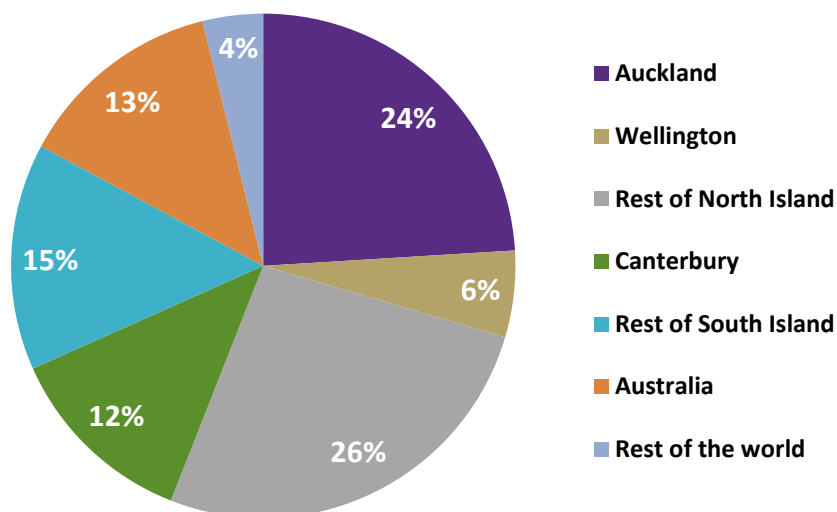
Key markets

	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 Harmoney.	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.
Gross 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

Geographic Split of Lending and Funding

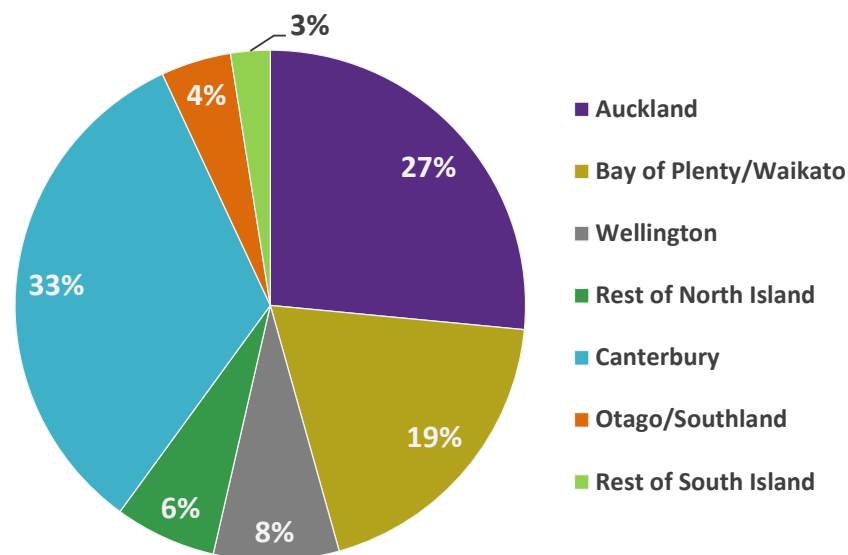
Lending

as at 30 June 2017



Retail Deposits by Region

as at 30 June 2017

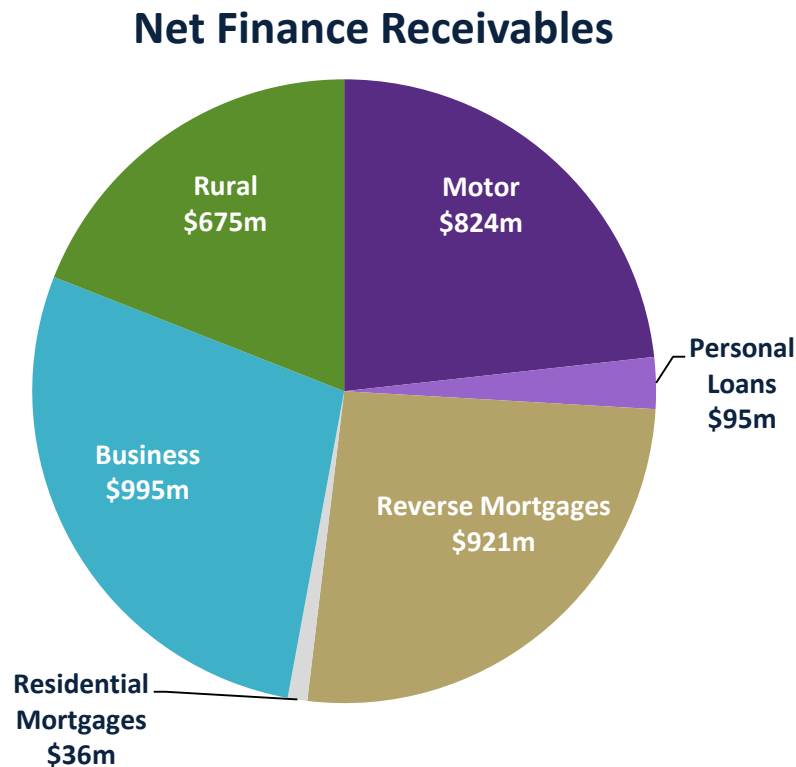


2017 Financial Year Review



A year of continued growth for Heartland

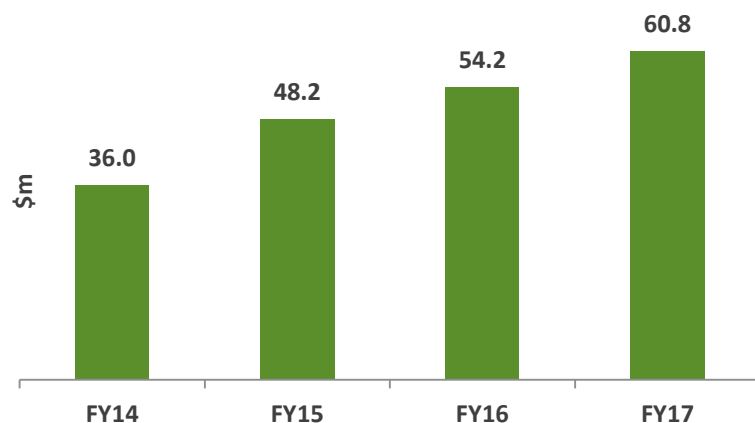
- Net profit after tax of \$61m, up 12%
- 14% growth in net finance receivables
- Return on equity of 11.6%
- Launched multiple digital origination platforms
- Implemented new core banking system



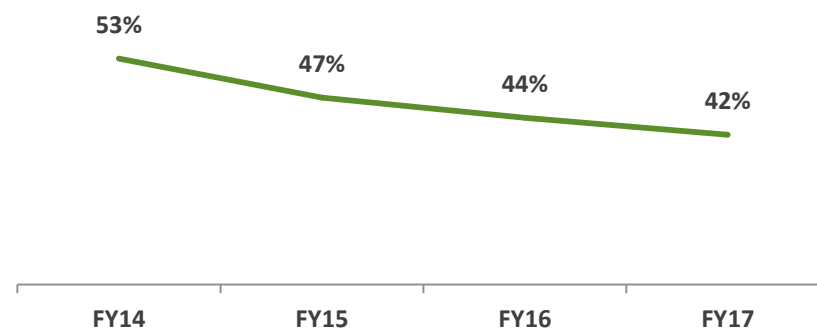
Increased profitability

- 12% growth in profitability driven by asset growth
- Strong net interest margin
- Continued reduction in cost to income ratio to 42%

Net Profit After Tax

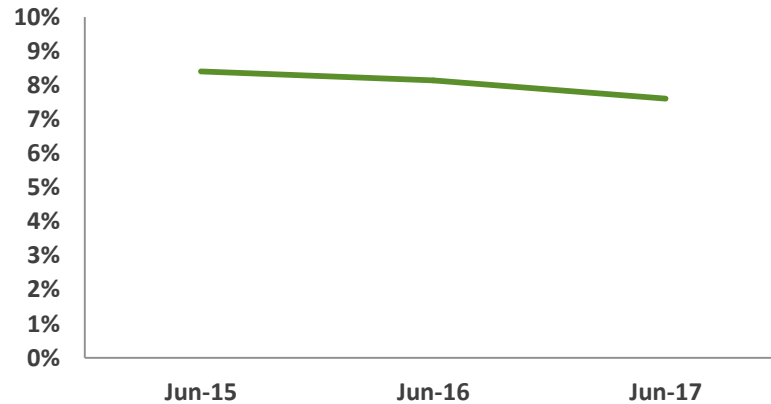


Cost to Income Ratio

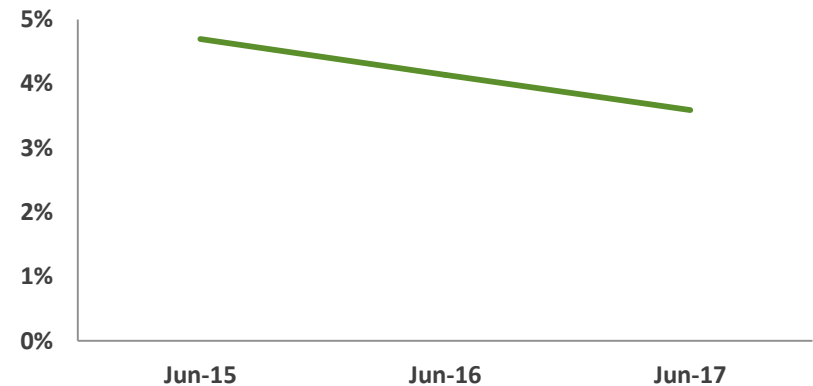


Strong net interest margin maintained

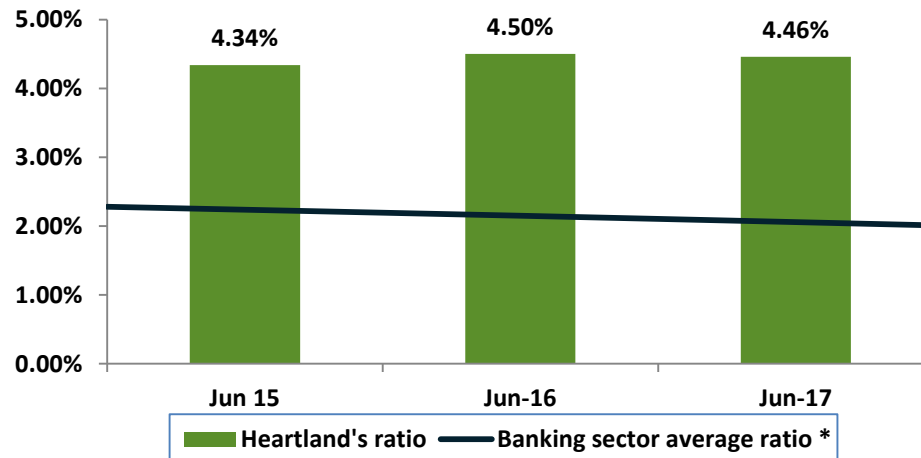
Gross interest yield



Cost of funds



Net interest margin

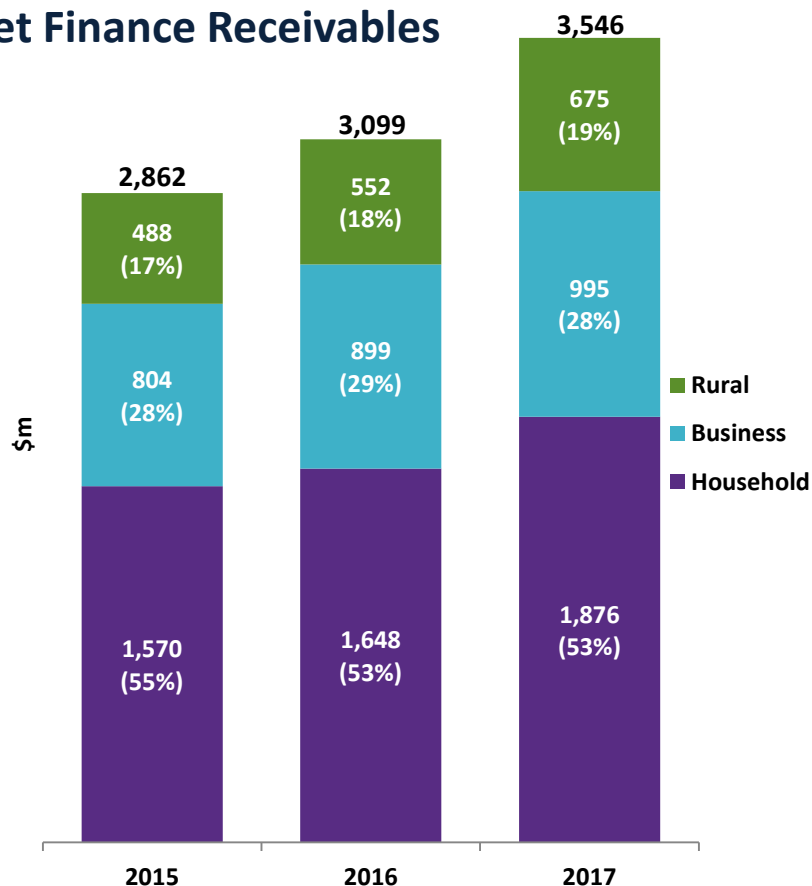


*Source: KPMG
Financial Institutions
Performance Summary

Asset growth

14% growth in net finance receivables

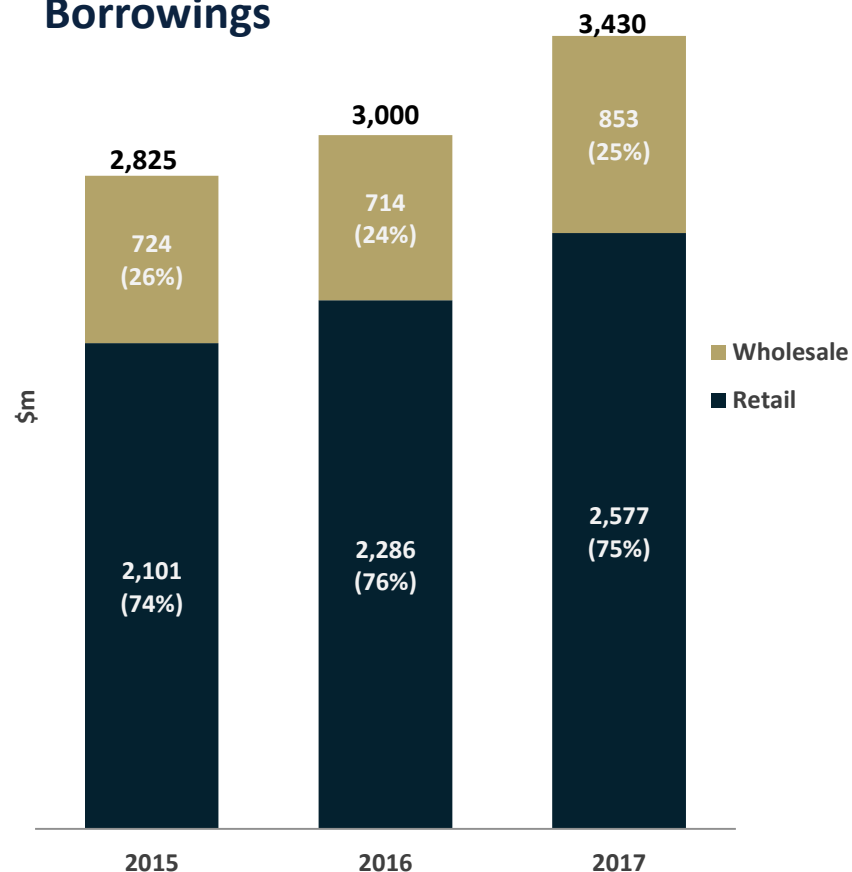
Net Finance Receivables



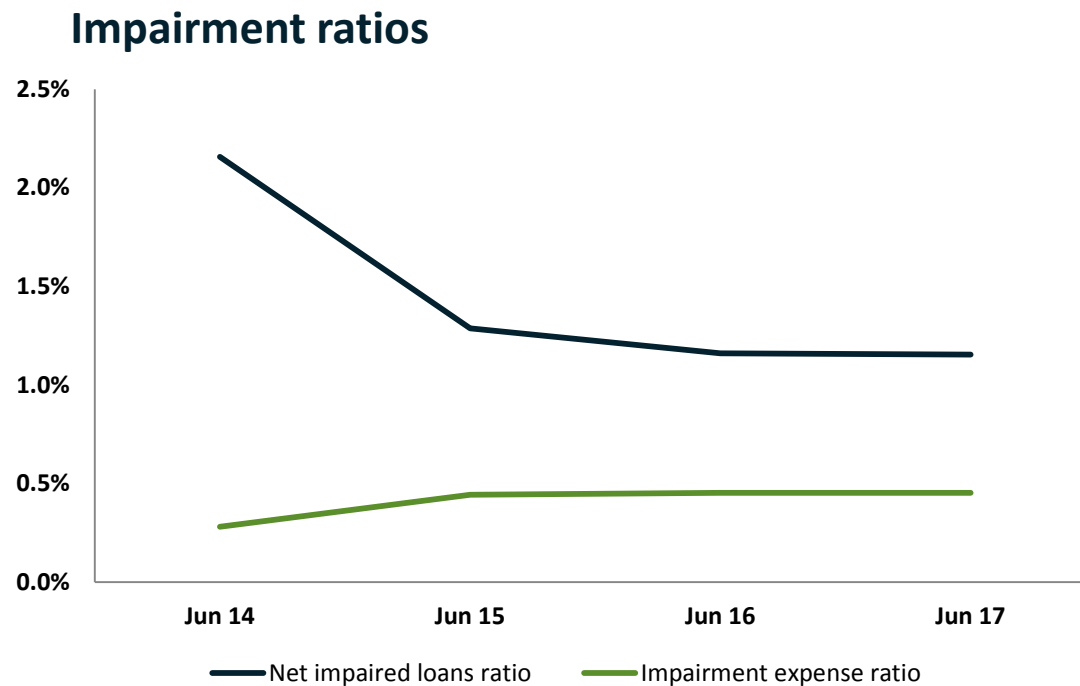
Funding growth

13% growth in retail deposits

Borrowings

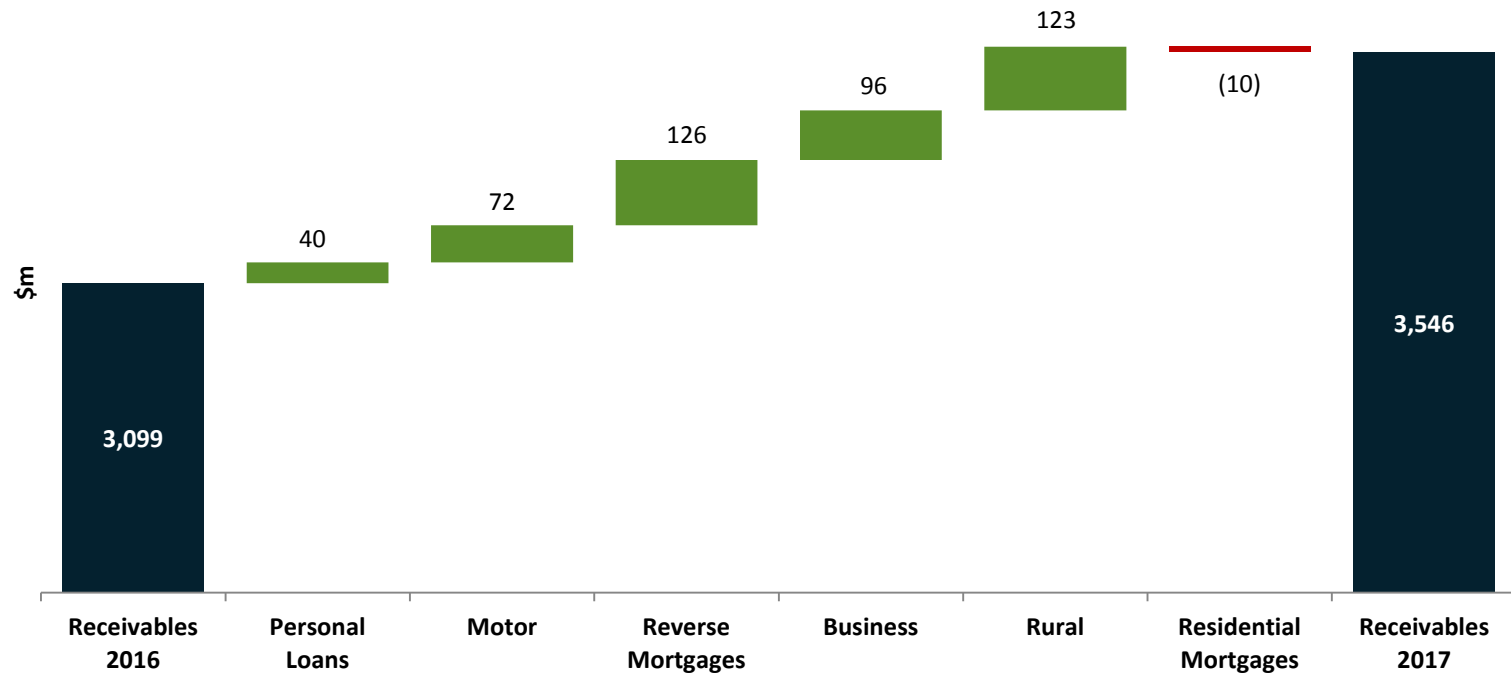


Impairments Stable



Asset growth across all key divisions

Receivables Movement



Clear strategic direction

Right place, right time

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

Targeting markets with significant opportunity

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

Grow Heartland's 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 (eg. small business loans = quick and simple online application, reverse mortgages = personalised sales process).

Consider acquisitions that align with strategy

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

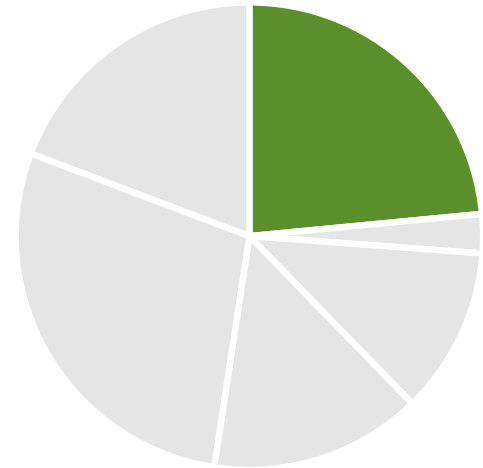
Motor Vehicle Loans

Product and distribution:

- Product distribution through intermediated channels (motor vehicle dealers), branded partnerships (eg. Holden Financial Services) and through digital platform, *Open for You*
- Development of bespoke digital origination platforms (eg. *Open for Isuzu*) strengthening intermediated (point of sale) model

Looking forward:

- Develop new branded relationships
- Focus on increasing auto-decisioning and new technology to improve speed of origination



Net receivables

\$824m

↑10%

Reverse Mortgages (New Zealand)

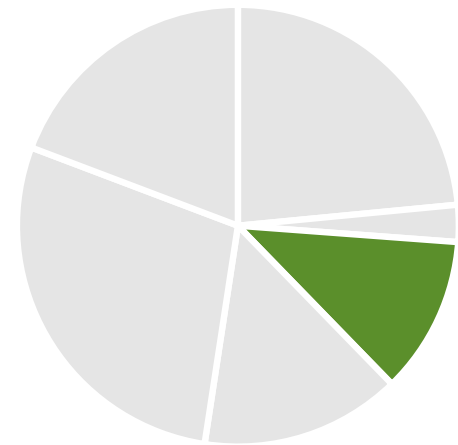


Product and distribution:

- Market leading product
- Product distribution primarily through high-touch telephony service
- Product and brand awareness increased through TV advertising

Looking forward:

- Digital distribution capability to enable full online application, developed specifically for the seniors market
- Increase lead generation through targeted digital marketing
- Seek to establish partnerships at point of sale eg. travel, health care providers
- Continue to create awareness through education



Net receivables

\$405m

↑12%

Reverse Mortgages (Australia)

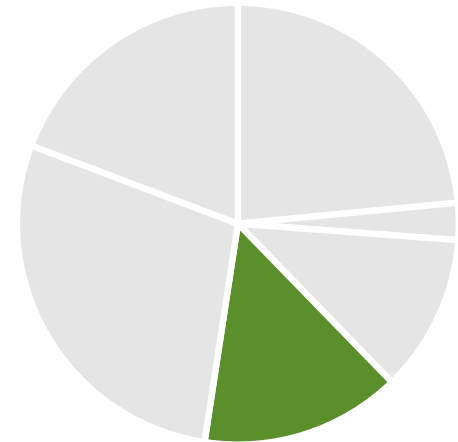


Product and distribution:

- Market leading product
- Growth of intermediary channel (112% increase in the number of active brokers) and direct sales through online lead generation
- Digital marketing used to educate partners and prospective customers, raising brand and product awareness

Looking forward:

- Grow and broaden distribution through acquisition of new brokers, aggregators and partners
- Increase digital lead generation and improve conversion
- Enhance product and fulfilment process, including full online application, developed specifically for the seniors market
- Anticipate growth opportunities as a result of reduced competitor activity



Net receivables

\$516m

↑19%

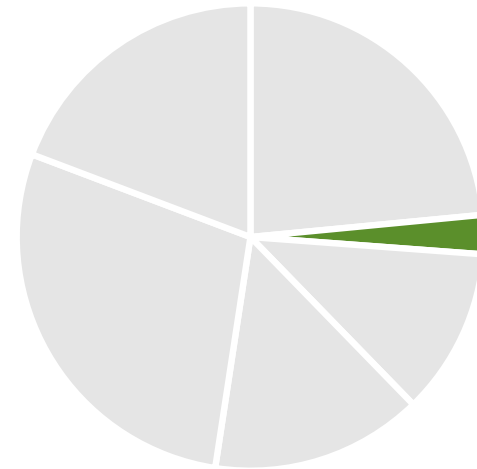
Personal Loans

Product and distribution:

- Heartland-branded personal loan product distributed through digital platform providing a fast and simple customer experience
- Lending through the Harmoney platform increased by \$40m or 108% to \$78m

Looking forward:

- Increase brand awareness and platform traffic through targeted digital and mass media marketing
- Focus on increasing auto-decisioning and improving speed of origination and fulfilment to drive scalable growth
- Broaden intermediary partners (eg. brokers)



Net receivables

\$95m

↑73%

Business

Product and distribution:

Focus on lending to small businesses through:

- Development of digital platform, *Open for Business*, providing a fast and simple customer experience for time-poor small business owners; and
- Extended reach through intermediary network enabling point of sale transactions

Looking forward:

- Continue to enhance *Open for Business* platform to improve customer experience and increase digital lead generation
- Work closely with intermediaries to promote expansion of customer base and increase market awareness of Heartland



Net receivables

\$995m

↑11%

Rural

Product and distribution:

- Launch of digital platform for livestock loans, *Open for Livestock*, providing 100% finance to farmers purchasing livestock, with security over the livestock
- Launched online finisher tool in partnership with NZX Agri subsidiary, AgriHQ
- Formed strategic partnership with online livestock trading platform StockX to enable direct applications for Heartland livestock finance to be made through the StockX website
- Direct exposure to dairy farmers 8% of total lending book and average loan to value ratio (LVR) for dairy exposures 63%

Looking forward:

- Develop new strategic partnerships
- Continued development of *Open for Livestock* to drive lead generation and improve customer experience



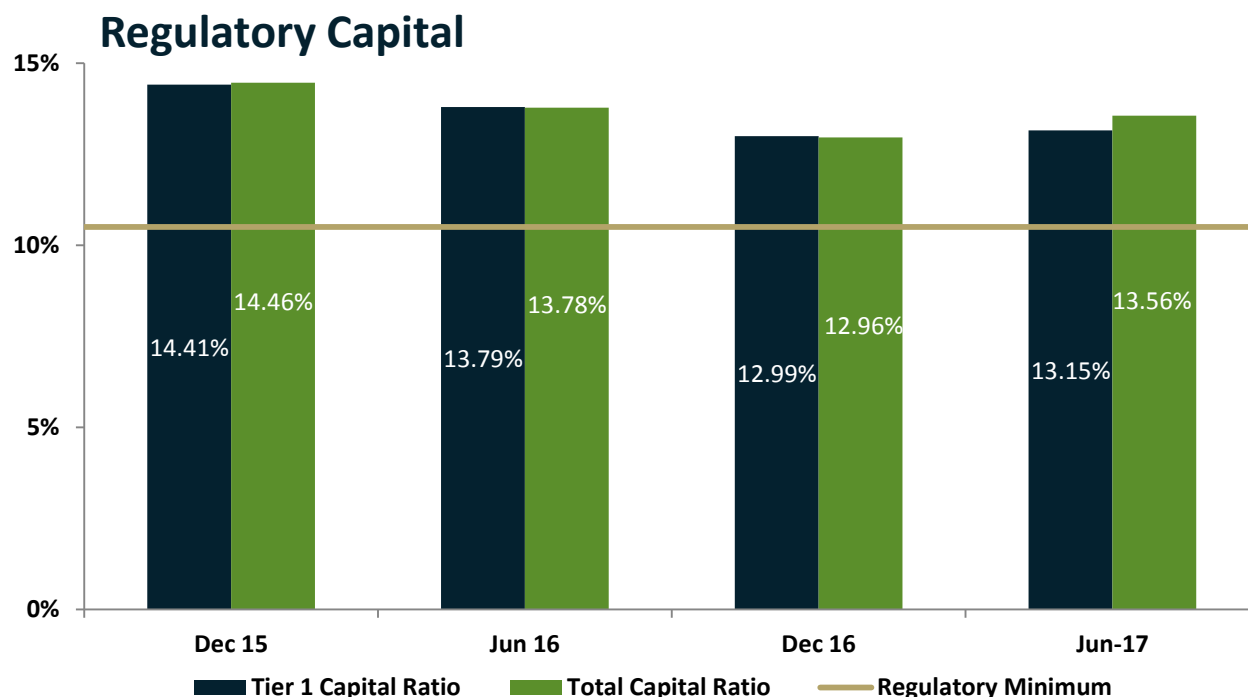
Net receivables

\$675m

↑22%

Capital and funding for growth

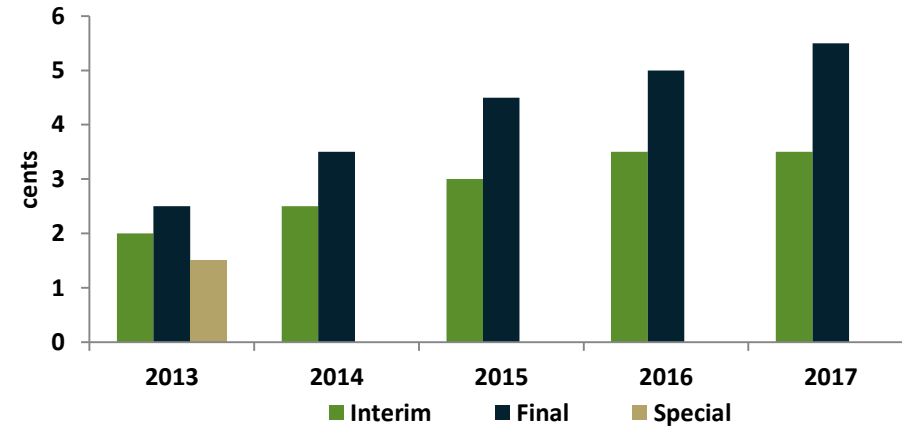
- Regulatory capital ratio of 13.56%
- \$40m via placement (December) and share purchase plan (March) to support asset growth
- A\$20m of Tier 2 regulatory capital (April) from wholesale investors to further support asset growth



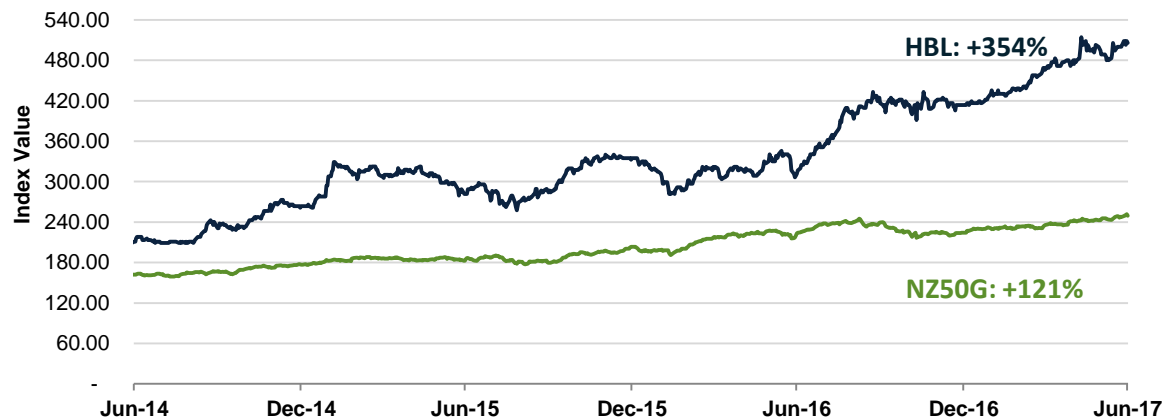
Returns to shareholders

- Final dividend of 5.5 cents per share (fully imputed)
- Total dividend for FY17 of 9.0 cents per share

Dividends



TSR - Heartland vs NZ50G



Note the NZ50G calculates TSR on the basis that dividends are reinvested

Outlook: Continued growth in FY2018

- Asset growth across all divisions through continued execution of strategy with digital distribution and intermediated channels providing low cost growth opportunities
- Heartland expects its net profit after tax for the year ending 30 June 2018 to be in the range of \$65.0m to \$68.0m

Note Issue



Summary of Terms

Issuer	Heartland Bank Limited (Heartland Bank)
Description	Unsecured, unsubordinated, medium term, fixed rate notes (Notes)
Offer Amount	Up to NZ\$100 million, with the ability to accept up to a further NZ\$50 million in oversubscriptions
Tenor	5 years, maturing 21 September 2022
Expected Issue Credit Rating	BBB (Fitch Ratings Ltd)
Interest Rate	The greater of: <ul style="list-style-type: none"> • 4.50% per annum; and • the aggregate of the Base Rate (5 year NZD swap rate) and the Margin set on the Rate Set Date following a book build process.
Indicative Margin	1.75% - 1.95% per annum. The actual Margin may be above or below this range.
Interest Frequency	Interest will be payable semi-annually in arrear in equal amounts on each Interest Payment Date (being each 21 March and 21 September during the term of the Notes, commencing on 21 March 2018)
Brokerage	Brokerage fee of 0.5%
Arranger & Organising Participant	Bank of New Zealand
Joint Lead Managers	Bank of New Zealand, Commonwealth Bank of Australia (acting through its New Zealand Branch), Deutsche Craigs Limited, Westpac Banking Corporation (ABN 33 007 457 14) (acting through its New Zealand Branch)
Listing and Quotation	The issuer has made application for the Notes to be quoted and listed on the NZX Debt Market. The NZX ticker code HBL010 has been reserved for the Notes

Offer Process

How to apply

- Retail investors should contact any Joint Lead Manager, any Primary Market Participant or their financial adviser for details on how they may acquire the Notes. A Primary Market Participant can be found by visiting:
<https://m.nzx.com/services/market-participants/all-market-participants>.
- There will be no public pool for the Notes.

Application Information

- Applications to subscribe for the Notes must be made on the Application Form attached to the LDD (available at www.companiesoffice.govt.nz/disclose).
- Applicants applying for an allocation from a NZX participant or approved financial intermediary must return a completed Application Form to the office of that NZX participant or approved financial intermediary in time to enable it to be forwarded to the Registrar before 3:00pm on the Closing Date.

Key Dates

Launch Date	21 August 2017
Roadshow	21 August, 22 August, 23 August
Bookbuild	21 August 2017 to midday 29 August 2017
Rate Set Date	29 August 2017
Offer Opening Date	30 August 2017
Offer Closing Date	3:00pm, 18 September 2017
Issue Date / Allotment Date	21 September 2017
Expected Date of Quotation	22 September 2017
First Interest Payment Date	21 March 2018
Maturity Date	21 September 2022

Questions



Key Contacts

Heartland Bank Limited

Jeff Greenslade

Chief Executive Officer

jeff.greenslade@heartland.co.nz

021 563 593

David Mackrell

Chief Financial Officer

david.mackrell@heartland.co.nz

021 311 911

BNZ

0800 284 017

Commonwealth Bank of Australia (acting through its New Zealand branch)

0800 272 633

Deutsche Craigs Limited

0800 226 263

Westpac Banking Corporation (acting through its New Zealand branch)

0800 942 822