



## 2017 ANNUAL MEETING

### CHAIR'S ADDRESS

#### 1. **FY17 OVERVIEW**

On behalf of the Board, I am pleased to report to you our shareholders that in delivering a net profit after tax of \$60.8m for the 2017 financial year, Heartland has demonstrated that it continues to generate growth in assets and profitability, and has a clear strategy in place for future growth.

Our CEO Jeff Greenslade will provide more detail on this shortly, but it is satisfying to see this growth has been achieved while improving Heartland's return on equity (or ROE) up to 11.6%.

It has been a very productive year for Heartland, with key strategic milestones being delivered including the implementation of a new core banking system, successful capital raisings, affirmation of our 'BBB' (Stable) credit rating and the upgrade of a number of our digital platforms. Indeed, in this dynamic digital world, we are embracing change and, as a smaller bank now unencumbered by legacy systems, we are taking energetic steps to ensure we are taking advantage of the advances in technology which is changing the way people live, work and bank. I would like to recognise Jeff Greenslade and all of the Heartland team for their efforts; together they have enabled Heartland to successfully execute its strategy and continue to deliver value to you our shareholders.

Heartland's solid financial performance allowed the Board to declare a total dividend for the 2017 financial year of 9.0 cents per share, an increase of 6% on the total dividend for 2016.

Total shareholder return for 2017 was 60.9% and across the last five years TSR has averaged 38.3% per annum. We believe this is an excellent outcome for our shareholders.

## 2. **FY18 PERFORMANCE TO DATE AND FORECAST**

Turning now to the current financial year, we achieved a net profit after tax of \$16 million for the three months to 30 September 2017, a 12% increase on the same period last year. We also achieved 16% annualised growth in net finance receivables (4% growth for the three month period).

Absent any unforeseen or significant disruption, your Board is confident in Heartland's ability to continue achieving strong growth and profitability and affirms its previous earnings guidance of \$65.0m to \$68.0m net profit after tax for the 2018 financial year.

## 3. **CAPITAL RAISING**

We recently advised our shareholders that Heartland is seeking to raise approximately \$59 million of additional capital to support continued asset growth and maintain a strong balance sheet.

This capital raising is being undertaken by way of a pro rata rights offer which provides the opportunity for our eligible shareholders to increase the number of shares they hold in Heartland at a discounted price.

Under the offer, eligible shareholders are entitled to purchase 1 new share for every 15 existing shares held. The issue price for the new shares has been set at \$1.70 per share. Applications under the rights offer open on Thursday 23<sup>rd</sup> November and must be received by 5pm Friday 8<sup>th</sup> December.

The rights offer will be followed by a shortfall bookbuild. What this means is that any rights not taken up will be sold under a process conducted by the Lead Manager, First NZ Capital. In addition to institutional investors, we are pleased to give eligible shareholders the opportunity to participate in the bookbuild. Provided they take up their rights in full, eligible shareholders can apply for a dollar amount of additional shares which are attributable to any rights not taken up. The price for those shares will be determined by Heartland and the Lead Manager, but will be no less than the issue price of \$1.70 per share and no greater than the closing price on the NZX Main Board on the day prior to the bookbuild. Any premium above the issue price that is achieved in the bookbuild will be shared between those shareholders who did not, or were unable to, take up their rights, in proportion to the number of rights not taken up.

We will provide an opportunity later in the meeting to answer any questions you may have regarding the rights issue.

#### 4. **HEARTLAND TRUST**

I turn now to the activities of the Heartland Trust during the financial year. The Heartland Trust is a charitable trust that was established to support organisations, clubs and schools across the country that are dedicated to helping young New Zealanders unlock their true potential.

For example, the Heartland Trust is closely involved with First XV rugby in schools around the country. Support from the Trust assists with funding uniforms and training equipment. Team sports, like rugby, foster discipline, commitment and teamwork, values that are essential to success beyond school.

We were very excited this year to be the platinum sponsor of the Auckland Writers Festival held in May 2017. The 2017 Festival was the biggest yet, hosting 72,000 attendees from all over the country, and more than 200 novelists, playwrights, song writers, scientists, historians, children's writers, illustrators, journalists and poets. We are proud to support an event that caters for such a diverse range of cultures, interests and age groups. We are excited to be continuing this sponsorship next year with the Festival set to take place in May 2018.

Another organisation we are proud to support is The InZone Education Foundation through the provision of student scholarships. InZone is a registered charitable trust that aims to enhance the educational outcomes of Maori and Pasifika youth. It does this by establishing boarding hostels that provide an opportunity for motivated Maori and Pasifika students to access high-performing state schools within the school zones. The boarding hostels foster a whanau-orientated and supportive home environment for the students. We are looking forward to welcoming a number of InZone students next month on a summer internship programme to enable them to gain valuable experience in a corporate environment.

Overall, the Heartland Trust made approximately \$280,000 of charitable grants and donations during the financial year, supporting close to 20 organisations across the country.

## 5. **CONCLUSION**

I wish to conclude my address this afternoon by expressing my thanks and gratitude to my fellow directors for their wise counsel and support.

I welcome Ellie Comerford to the board and note the significant contribution she has made since joining us at the beginning of this year.

Thank you to Jeff, Chris Flood and the Executive team who continue to lead Heartland with their diligence and strong and diverse skill set. I also wish to acknowledge all of our Heartland staff who go above and beyond to make Heartland a successful organisation. We are grateful to you.

Last but not least importantly, I would like to thank you, our shareholders and customers, for supporting Heartland. We appreciate the confidence you place in us and we look forward to continuing the delivery of strong shareholder returns through the execution of our strategy.

Thank you.