Heartland Investor Day
19 November 2018

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Agenda

9:00am	Welcome Business and strategic update	Jeff Greenslade – CEO
9:15am	2019 Q1 Results	David Mackrell – CFO
9:30am	Reverse Mortgages	Andrew Ford – CEO, Heartland Seniors Finance
10:30am	**Morning tea break**	
10:45am	Financial & Regulatory update	David Mackrell – CFO
11:15am	Motor, Business, Rural	Chris Flood – Deputy CEO
12:00pm	Digital initiatives	Jeff Greenslade – CEO
12:30pm	Closing remarks & final Q&A	Jeff Greenslade – CEO Geoff Ricketts – Chair
1:00pm	**Lunch**	

Welcome
Business and strategic update
Jeff Greenslade, CEO

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Strategic Management Group

Jeff Greenslade
CEO

Chris Flood
Deputy CEO

Laura Byrne
Chief People & Culture Officer

Grant Kemble
Chief Risk Officer

David Mackrell
CFO

Rochelle Moloney
Chief Marketing &
Communications Officer

Sarah Smith
Chief Technology &
Enablement Officer

Lydia Zulkifli
Chief Digital Officer

Heartland Group – threefold strategic focus

Australia

- Opportunity to be the leading reverse mortgage provider
- Able to fund Australia reverse mortgage growth directly
- Local and offshore capital markets under development
- Increase use of marketing campaigns

New Zealand Banking

- Deposit raising
- Five core lending activities : Reverse Mortgages, Motor, SME, Livestock, Harmoney
- Manage down large relationship legacy Rural and Business loans
- Increase efficiency through Automation

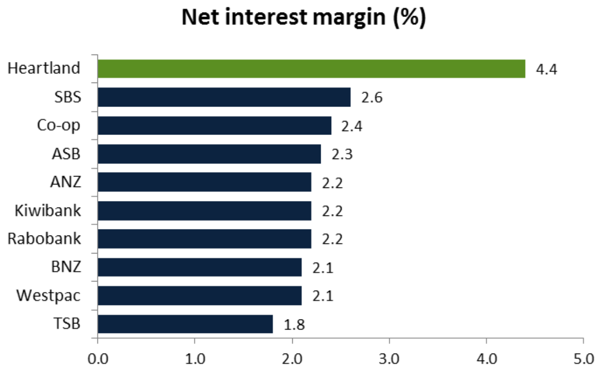
Digital Platform Services

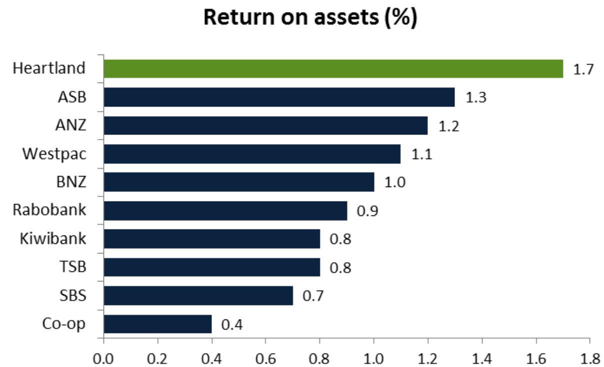
- Open for Business
- Mobile App
- Automated deposit platform
- New Markets

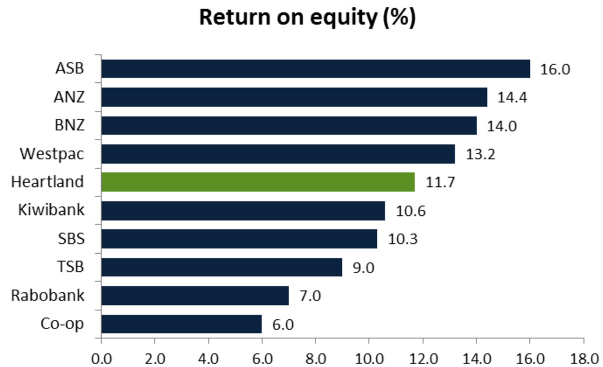
Technology in Banking

Heartland's point of difference

- Highest Net Interest Margin among our bank peers
- Resulting in highest Return on Assets
- Competitive Return on Equity
- Highest growth rate in Gross Loans and Advances (Net Finance Receivables) – 2.7% in the June quarter and 12.3% year on year







Source: Reserve Bank of New Zealand Financial Strength Dashboard, quarter ending 30 June 2018

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FMA & RBNZ report on bank conduct and culture in New Zealand

- Report focusses on the industry as a whole, rather than specific banks.
- Makes a number of findings which have been divided into four key themes.
- The report concluded that there does not appear to be widespread conduct and culture issues in NZ Banks.
- We are reviewing the findings in order to determine its specific application to Heartland.
- We support the work that the regulators are doing in this area, and believe that a focus on good customer outcomes, conduct and culture are key components of sustainable successful businesses.

2019 Q1 Results

David Mackrell, CFO

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2019 Q1 Results – September 2018

Net operating income
3 months to 30 Sept 2018
$51.4m
▲ **9.9%** from Q1 Sept 2017
▼ **(4.4)%** from Q4 June 2018

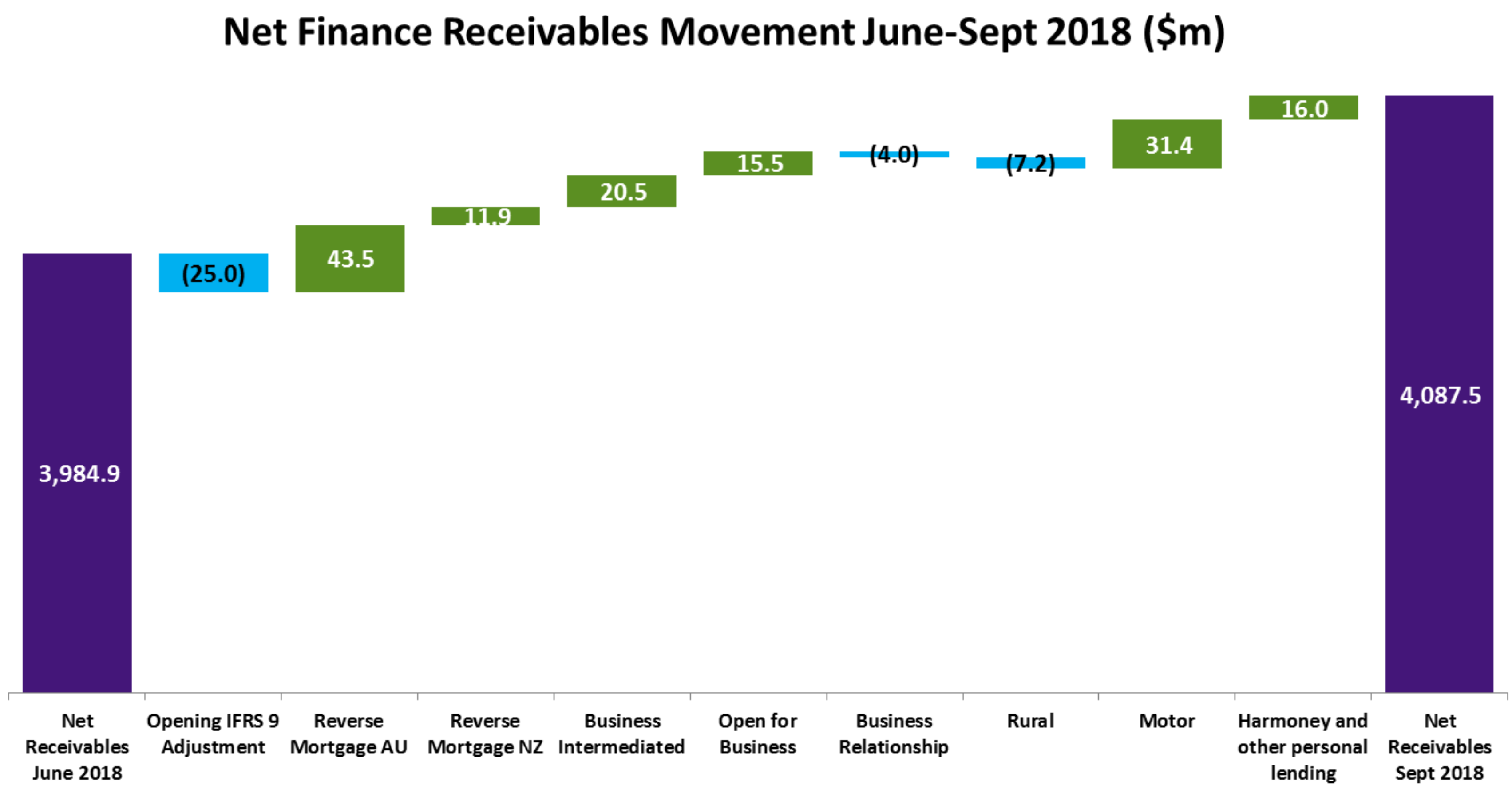
Net profit after tax
3 months to 30 Sept 2018
$17.4m
▲ **8.7%** from Q1 Sept 2017
▼ **(7.9)%** from Q4 June 2018

Net finance receivables
As at 30 Sept 2018
$4.1bn
▲ **11.0%** from 30 Sept 2017
▲ **10.2%** annualised growth from 30 June 2018

Other Highlights

- Net finance receivables increased to **$4.1bn** – 10.2% annualised growth from 30 June 2018
- NIM **4.44%** – up from 4.42% as at 30 June 2018
- Cost to income ratio decreased to **40.48%** – down from 40.87% for the year to 30 June 2018
- Impairment expense ratio increased to **0.61%** – up from 0.59% for the year to 30 June 2018 due to change in product mix and change of provisioning methodology under IFRS9
- Q4 June 2108 benefited from a gain due to one-off property sales
- Return on equity **10.9%** – down from 11.1% as at 30 June 2018

Net Receivables movement



Impairments

- Impairment expense $6.2 million ($5.1 million for 3 months ended 30 Sept 2017 and $5.9 million for 3 months ended 30 June 2018).
- Impairment expense ratio 0.61% (0.56% for 3 months ended 30 Sept 2017, 0.59% for the year ended 30 June 2018).
- Impairments increased due to growth in net finance receivables (10.2% annualised growth in the quarter), combined with additional provisioning under IFRS 9 as a result of providing for impairments earlier than previously required.

Non performing Loans (NPL)	30 Sept 2018 ($m)	30 June 2018 ($m)	YTD Change ($m)
Total past due >90 days	29.2	28.7	0.5
Total impaired	44.2	45.2	(1.0)
Non performing loans	73.4	73.9	(0.5)
Gross finance receivables	4,147.5	4,017.4	130.1
Gross NPL ratio	**1.77%**	**1.84%**	**(0.07%)**
Impairment expense ratio	**0.61%**	**0.59%**	**0.02%**

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Impacts of IFRS9 on provisions and impairment expense

- Adjustment to provisions of $20-25 million with resulting impact on Equity of $14-18 million.
- Provisioning commences automatically from loan origination
  - Expected losses expensed from day 1.
  - Results in increased impairment expense due to growth in receivables.
- Asset quality changes impact on impairment expense immediately
  - Provisioning models automatically increase provisions for asset quality deterioration. i.e.; if there is a growth in the amount of loans in 90 days and overdue, then the provision in increased and impairment expense recorded.

Growing balance sheet

Summary Balance Sheet	30 Sept 2018 ($m)	30 June 2018 ($m)	Movement ($m)
Net finance receivables	4,087.5	3,984.9	102.6
Other assets	508.8	511.0	(2.2)
TOTAL ASSETS	**4,596.3**	**4,495.9**	**100.4**
Retail deposits	2,977.1	2,881.8	95.3
Other borrowings	943.9	914.2	29.7
Other liabilities	35.1	35.7	(0.6)
Equity	640.2	664.2	(24.0)
TOTAL EQUITY & LIABILITIES	**4,596.3**	**4,495.9**	**100.4**

- 10.2% annualised growth in net finance receivables
- 13.1% annualised growth in retail deposits

Movements in Equity

Heartland Bank Limited	$m
Balance as at 30 June 2018	**664.2**
Profit for the period ended 30 Sept 2018	17.4
IFRS 9 Adjustment	(17.9)
Dividends paid	(30.8)
Dividend reinvestment plan	8.6
Movement in reserves	(1.3)
Balance as at 30 June 2018	**640.2**

Reverse Mortgages

Andrew Ford, CEO Heartland Seniors Finance

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Agenda

- Overview
- Strong Growth and Momentum
- Market Insights
- Heartland Reverse Mortgage Product
- Portfolio Analysis
- ASIC Review
- Typical Customer
- Summary

Growing need…

Over 20,000 Australians turn 65 every month and the number of New Zealanders aged 65+ is expected to increase by 80% between 2016 - 2036.

Australian Bureau of Statistics and 2015 Australian Government Intergenerational report and Stats NZ National population projections

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Overview

- Australasia's leading reverse mortgage provider
- Purchased by Heartland on 1 April 2014
- NZ$1,130m in net finance receivables
- Assisted over 30,000 seniors across New Zealand and Australia live a more comfortable retirement
- Market leading product
- A heavily regulated consumer finance product in Australia
- Robust process and considerable customer protection
- Distributed direct and via brokers

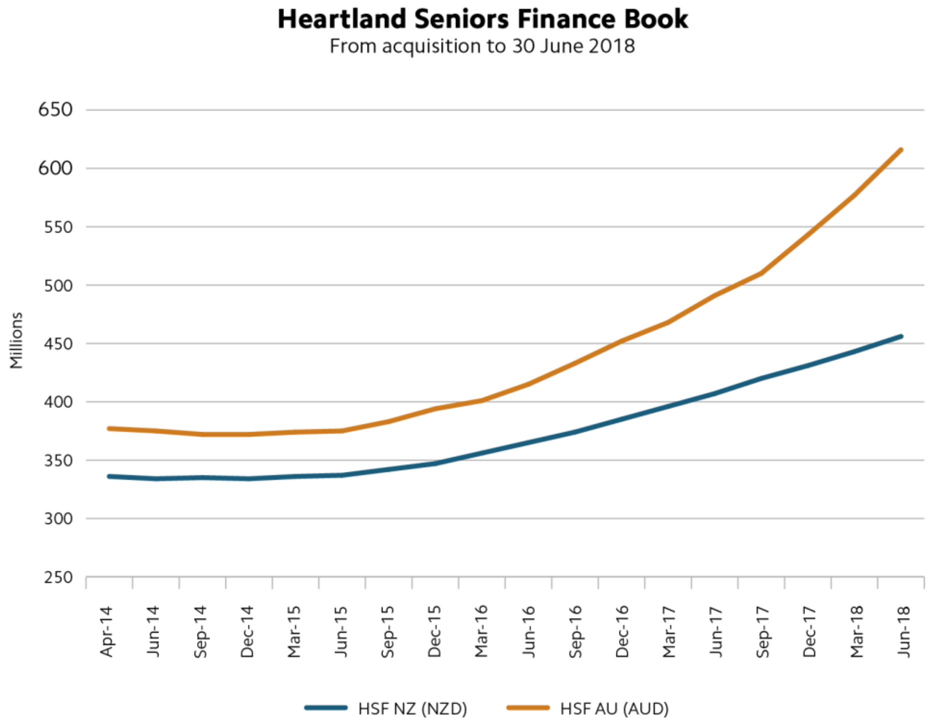
consumer TRUSTED
HEARTLAND SENIORS FINANCE

100% COMMITTED
BFO BANKING + FINANCE OATH

Reverse mortgages are a core product for Heartland, making up 28% of finance receivables and growing strongly.

Strong Growth and Momentum

- Compound annual growth rate of 18% in Australia and 11% in NZ over the last three years
- Net operating income was $38.1m for FY18, up 28%
- Receivables grew 12% in NZ and 25% in Australia
- Expect growth to continue at similar rates in FY19
- Scalable product



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Market Insights

- Only material provider in NZ
- More mature and competitive market in Australia
- Competitors exiting – Westpac, Macquarie (both mid 2017), and CBA have announced exit effective 1 January 2019. A few non-major bank competitors remain
- Australia Government Pension Loans Scheme assists to create awareness and provides validity
- Creates opportunity for specialist provider
- There is over A$3bn of reverse mortgage loans in Australia[1]
- Heartland has a 19.8% market share[1] in Australia, up from 14.9% at 30 June 2017 and 13.1% at 30 June 2016
- Biggest challenge is to increase awareness and understanding of the product

10.8% of Australian consumers aged 65+ have problematic credit card debt.

ASIC Credit card lending in Australia - Report 580 July 2018

1. Based on APRA ADI Property Exposure statistics, plus Heartland Seniors Finance, as at 30 June 2018

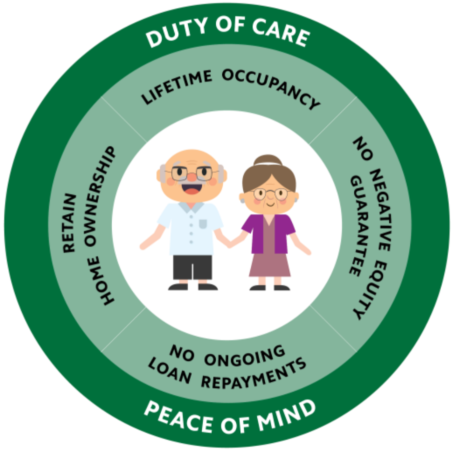
Heartland Reverse Mortgage Product

- Market leading, award winning, product
- Researched internationally for best product and processes
- Flexible product for customers' circumstances
- Considerable consumer protection
- Socially responsible with a thorough fulfilment process
- Controls throughout process
- Heavily regulated under National Consumer Credit Protection Act (NCCP) in Australia:
    - Independent legal advice is mandatory
    - Enquiry around future needs including aged care
    - Projection provided to customers to assist understanding
    - Alternative options outlined, such as downsizing
- Heartland voluntarily adheres to these requirements in New Zealand

Money Magazine Winner 2016, 2017, 2018 – Best Reverse Mortgage – Best of the Best

Canstar 2016 Outstanding Value – Reverse Mortgage; Canstar 2017 Provider of the Year – Reverse Mortgage; Canstar 2018 Provider of the Year – Reverse Mortgage

PROTECTION
provides peace of mind



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Portfolio Analysis

HSF Australia Book as at 30/6/18 (AUD)	
Loan Book Size	$619m
FY18 Growth	$125.7m (25%) (FY17 18%)
Avg Loan Size	$120k
Weighted Avg LVR (indexed adjusted valuation)	25%
Weighted Avg Age of Youngest Borrower	77 (74 for new business in FY18)
Initial LVR	12% (11% in FY18)
Avg Original Property Value	$557k ($842k in FY18)
% of book over 75% LVR (indexed adjusted valuation)	0.3% (5 loans for $1.75m)
Weighted Age of Book	6.1 years
Repayments received in FY18	$66m
Avg Outstanding at Discharge (FY18)	$113k
Avg LVR at Repayment (based on original valuation)	27%
Avg Term at Repayment	6.6 years

HSF NZ Book as at 30/6/18 (NZD)	
Loan Book Size	$453m
FY18 Growth	$49.8m (12%) (FY17 11%)
Avg Loan Size	$100k
Weighted Avg LVR (indexed adjusted valuation)	25%
Weighted Avg Age of Youngest Borrower	78 (73 for new business in FY18)
Initial LVR	11% (11% in FY18)
Avg Original Property Value	$438k ($570k in FY18)
% of book over 75% LVR (indexed adjusted valuation)	0.0% (1 loans for $80k)
Weighted Age of Book	7.1 years
Repayments received in FY18	$62m
Avg Outstanding at Discharge (FY18)	$113k
Avg LVR at Repayment (based on original valuation)	33%
Avg Term at Repayment	7.5 years

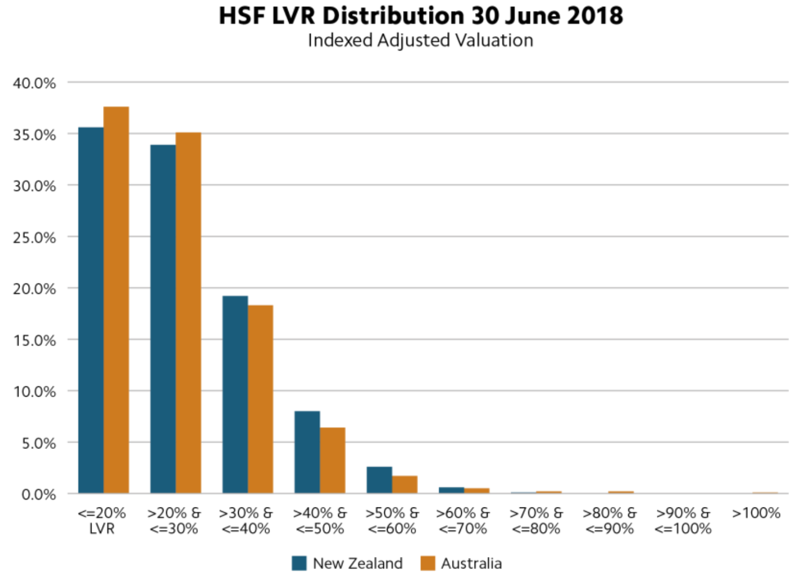
Portfolio Analysis – by LVR

Portfolio

- Average weighted LVR 25%
- 90% of loans have an LVR under 40%

Outliers

- Only 36 loans with LVR over 60% (0.8% of book)
- Average age of these loans is 11.8 years
- Average youngest borrower age for these loans is 88
- Security gets revalued when the loan reaches LVR ratio of 70%, which has generally resulted in a reduction in LVR



Outliers

LVR	Current Loan Balance $M	Current Loan Balance %	No. of Loans
>60% and <= 65%	3.4	0.3%	14
>65% and <= 70%	2.5	0.2%	12
>70% and <= 75%	1.5	0.1%	4
>75% and <= 80%	0.1	0.0%	1
>80% and <= 85%	1.1	0.1%	3
>85% and <= 90%	0.2	0.0%	1
>90% and <= 95%	-	0.0%	-
>95% and <= 100%	-	0.0%	-
>100%	0.6	0.1%	1
Total > 60%	**9.4**	**0.8%**	**36**

Based off indexed adjusted valuation

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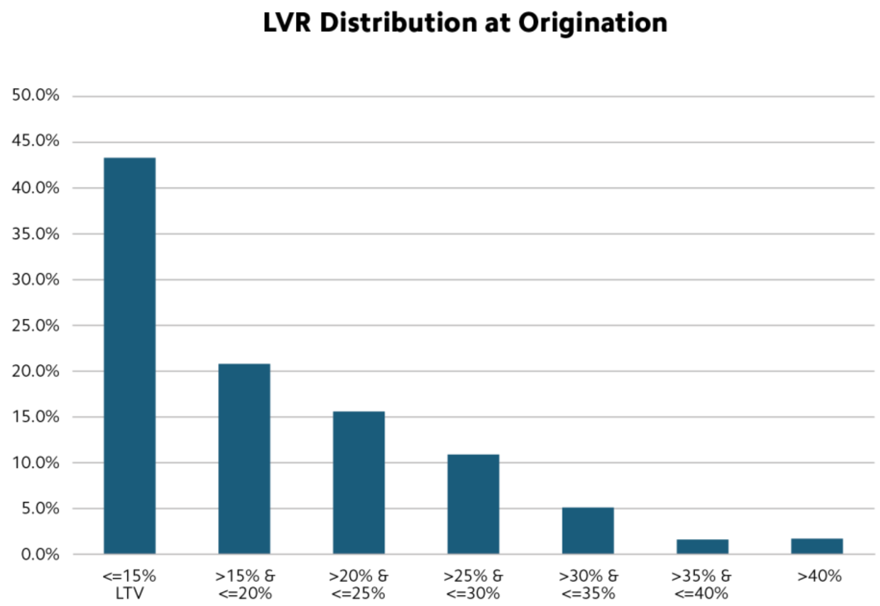
Portfolio Analysis – by LVR (cont.)

Low initial LVR

- Average initial LVR of 12% (FY18 11%)
- Draw a lump sum and have funds set aside for future needs via a ‘line of credit’ or receive a Regular Advance
- ~10% borrow upfront maximum available
- LVR based off age at approval. Any increase requires new application and valuation



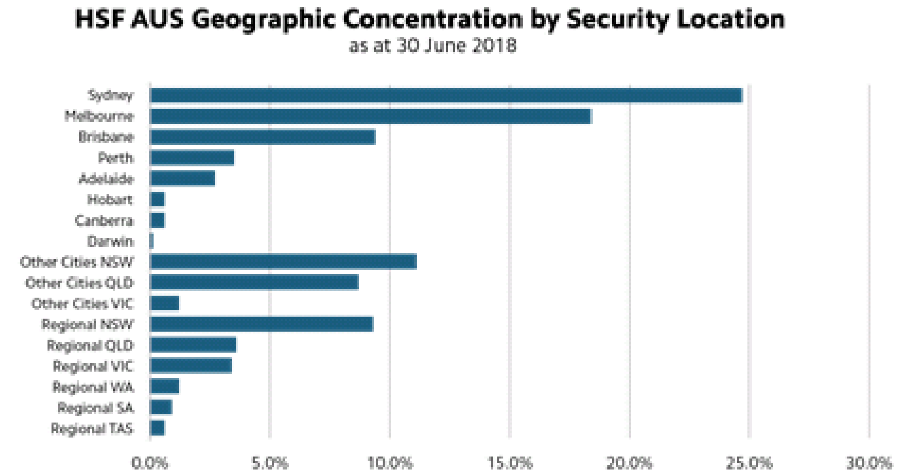
Negative Equity Risk Assessed Quarterly

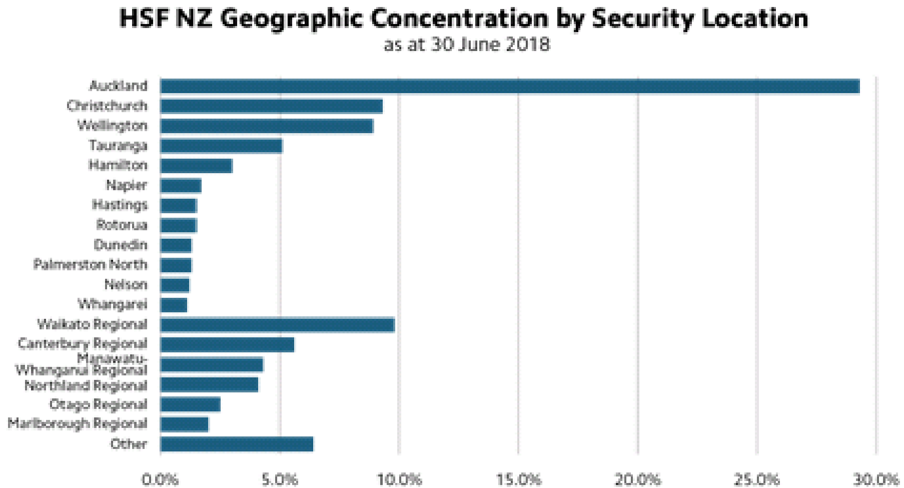
- An independent monitoring and valuation report is completed quarterly
- Analysis includes various stress test scenarios including property price fall and interest rate increase

Portfolio Analysis – by Location

Deep Property Markets

- Lending standards focus on areas with deep property markets
- 60% of Aus portfolio in capital cities
- 43% of Aus portfolio in Sydney and Melbourne
- 59% of new business since acquisition has been in Sydney & Melbourne
- 56% of NZ portfolio in top 5 cities
- Limited exposure to smaller markets





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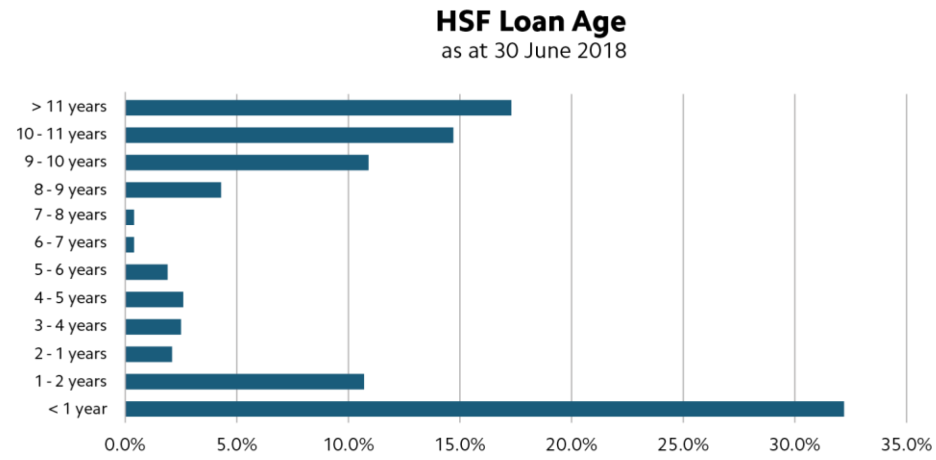
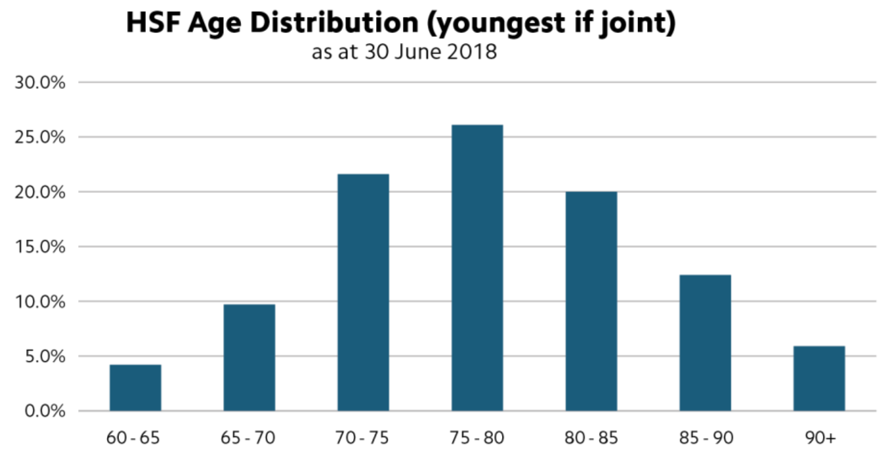
Portfolio Analysis – by Age

Seasoned Portfolio

- Weighted average loan age is 6.5 years
- Average term at repayment (FY18) 6.6 years in Aus and 7.5 in NZ
- Weighted average age of youngest borrower is 77.5 years old
- 51% of loans are to joint borrowers, 34% sole female and 15% sole male





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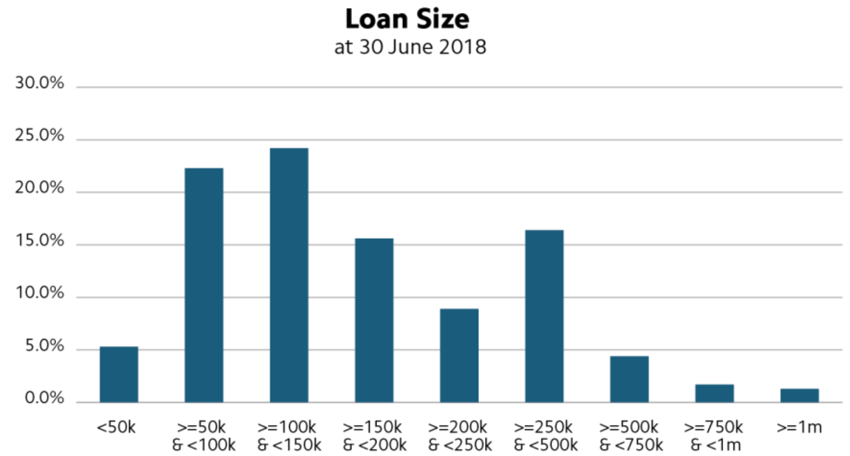
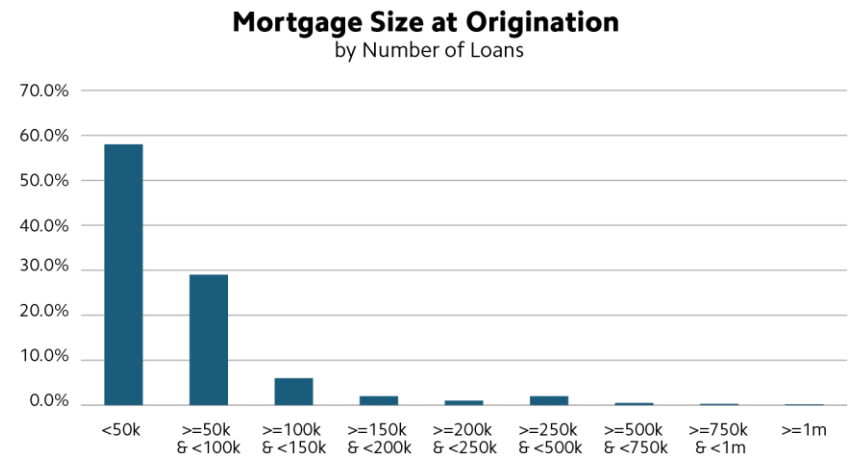
Portfolio Analysis – by Size

Concentration Risk

- Average loan size $117k
- Average original loan $62k
- Only 7 loans over $1m (in local currency)
- Average LVR on these loans is 31% with highest 46%





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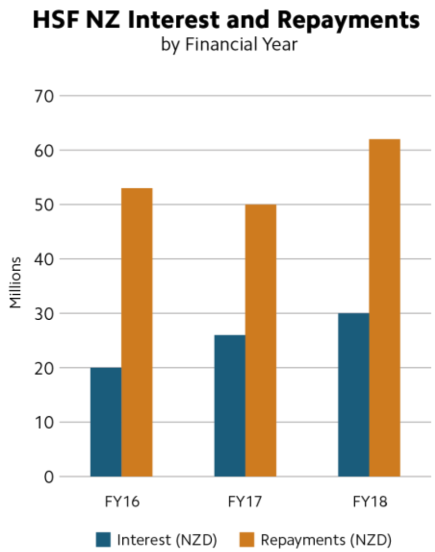
Portfolio Analysis – Repayments

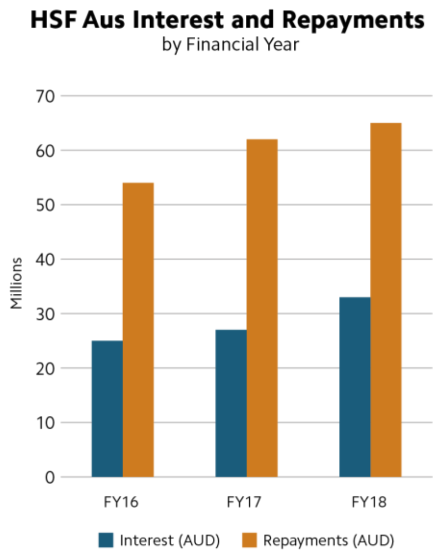
Steady Repayments – Cash flow Positive (excl. new business)

- Weighted median term is 7.4 years (where more than 50% of loans have been repaid)

FY18 Experience -

- Australia - $66m of repayments ($33m interest charged)
- NZ - $62m of repayments ($30m interest charged)
- In Australia 77% of FY18 full repayments were voluntary (e.g. downsizing)
- Average LVR on repayment, was 27% (Aus) and 33% (NZ) based on original valuation





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ASIC Review of Reverse Mortgage Lending

- Report released 28 August 2018 after ~18 month review
- Thorough and balanced, highlighting growing need for equity release product
- Report finds that reverse mortgages help older Australian achieve their immediate financial objectives and that customers are satisfied
- ASIC wants to see improved lending practices, specifically related to:
  - Potentially unfair contract terms
  - Improve long term consumer outcomes by assisting borrowers make informed decisions about future needs
  - Takes steps to detect and prevent elder abuse
- Heartland has made a number of changes since the review commenced
- Heartland has accepted an invitation to participate in a working group to improve lending practices
- No material impact on business

"Reverse mortgage products can help many Australians achieve a better quality of life in retirement"
ASIC Deputy Chair Peter Kell 28/8/18

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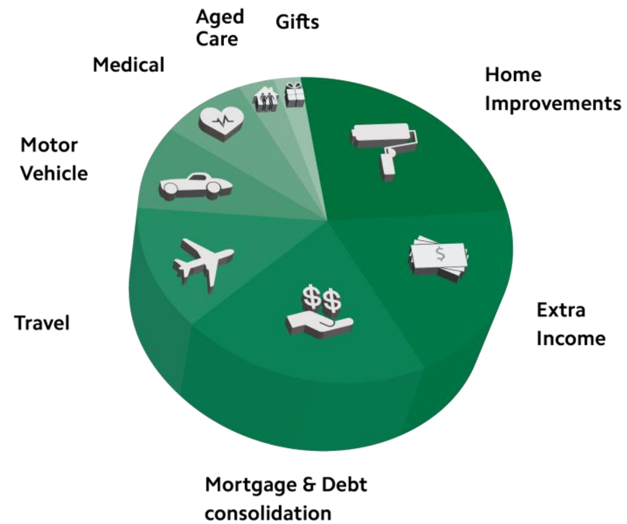
Typical Customer

- Joint borrowers (51%) / sole female (34%) / sole male (15%)
- 75 years old
- Have depleted super and other assets
- Receive pension
- Reside in Auckland, Sydney, Melbourne, Brisbane, Coastal NSW / QLD
- Property worth $775k
- LVR at origination of 11%, with further funds set aside in a 'line of credit' and/or drawn via a Regular Advance
- Uses include for renovations, travel, medical expenses, car, aged care, debt consolidation, mortgage refinance, support next generation, everyday bills, etc.



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Case Study

- Jack 74 and Bev 70
- Home value: $800,000
- Max loan amount: $200,000 (based on Bev's age - 25%)
- Initial Borrowing: $100,000 (including fees)
  - Payoff a current mortgage
  - Some home improvements
- Remaining available facility: $100,000
  - Drawdown additional $15k, two years after taking loan for a holiday with grandkids
  - Drawdown additional $15k, four years after taking loan for medical expenses
  - Still have $70k available for future expenditure or unforeseen expenses

Projection	Loan (7% int. rate)	Property Value (3% growth rate)	Equity Remaining
5 Years	$176,000	$927,000	$751,000
10 Years	$250,000	$1,075,000	$825,000
15 Years	$354,000	$1,246,000	$892,000

Customer Stories

Our most recent Australia customer survey showed:

- 96% of customers would recommend Heartland to friends and family; and
- 94% said they would recommend taking out a reverse mortgage.

“Peace of mind”

“Given us the freedom to do so many things”

“Financial pressures eased”

“You are a lifesaver”

“Maintain my independence”

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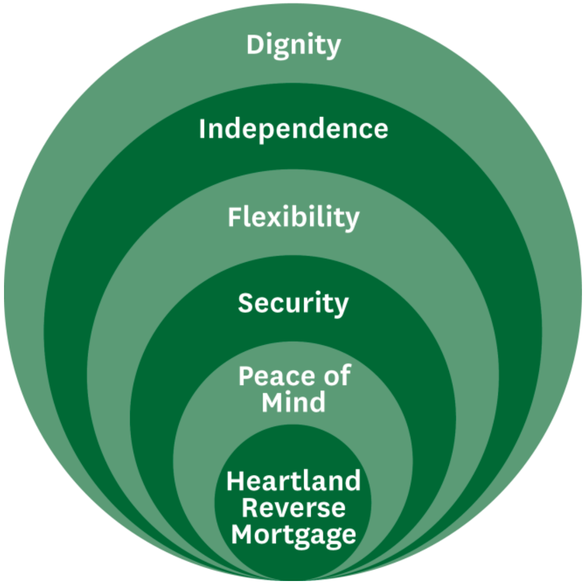
Summary

- Australasia's leading provider
- Award winning and socially responsible product
- Heavily regulated with robust and thorough fulfilment process
- Considerable customer protection and controls
- High quality portfolio
- Strong growth achieved and momentum
- Growing market and increasing demand
- Scalable



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Questions

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Reverse Mortgages – Stress Testing

David Mackrell, CFO

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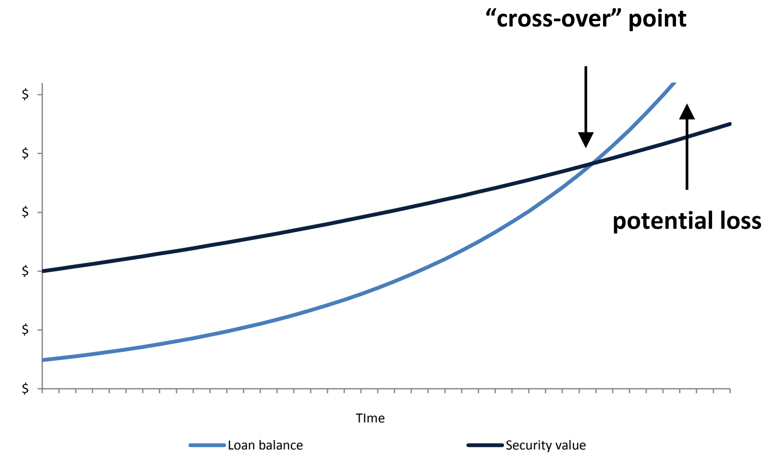
Product and Key Risks

- Potential loss arises from the interplay between interest capitalising to the loan balance, the value of the security property through time, and loan exit (repayment date).
- The borrower can never owe more than the net sale proceeds of the security property.
- Heartland fair values its reverse mortgage portfolios using actuarial analysis which takes into account these risk factors under stressed conditions.



Key Risk	Risk Details	Mitigating factors
LVR at Origination	Sets the base upon which interest capitalises over the life of the loan.	• Conservative origination criteria , max LVR = borrower age less 45. The average origination LVR of NZ and AU combined is 12%. • Conservative borrowers who draw on average 50% of this maximum. • Prudent underwriting criteria in relation to property condition, location, character.
Interest Rate	No repayments are required during the loan period with interest capitalising to the loan over time. This exposes the size of the loan to potential interest rate movements.	• Variable interest rates provide pricing discretion. • Lending rate is matched with funding rate
House Price Inflation	Impacts the value of the security property and therefore the net sale proceeds on loan exit.	• Long run HPI in Australia and New Zealand has been 7.0% and 6.3% respectively (from 1987 to 2017)[1]. • The largest single annual decrease in a major Australian or New Zealand city has been below 10%, with short recovery periods.
Repayment Date	The loan is only repayable when the borrower ceases to reside in the security property, this may be due to mortality, move to aged care, or voluntary.	Since the business' inception: • The majority of repayments are voluntary (AU 80%, NZ 72%). • The mean term of all fully repaid loans is 4.8 years in Australia, and 5.3 years in New Zealand. • The weighted median term for years where more than 50% of loans have repaid is 7.4 years in both Australia and New Zealand. A regular stream of partial repayments is also experienced.

[1] PWC

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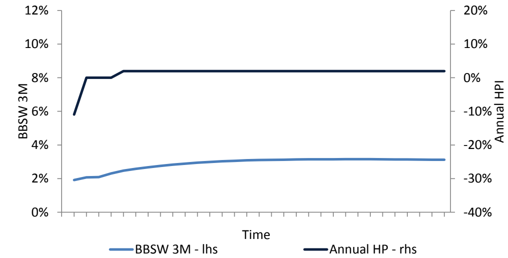
Reverse Mortgage Stress

- We examine three interest rate and house price inflation (**HPI**) scenarios to determine the impact on loan balance and security value for an individual loan, and the resulting potential losses.
- Each scenario assumes the borrower age is 69, with a security value of $1m. Outcomes are presented assuming the borrower is advanced either 50%, or 100% of the eligible amount (based on the age - 45 LVR criteria on origination).

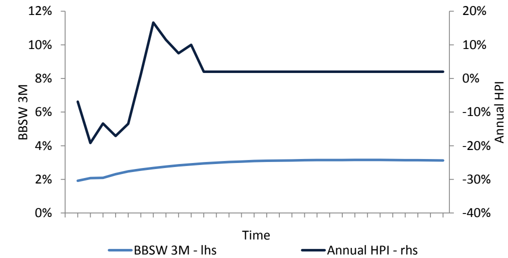
1. Base Stress – historic Australian housing and interest rate markets

- *Security value* - A 10% initial decline in security value[1] followed by 2% p.a. HPI thereafter[2]
- *Loan balance* - Interest capitalises to loan based on current margin over BBSW, applying a forward interest rate curve for BBSW over time.



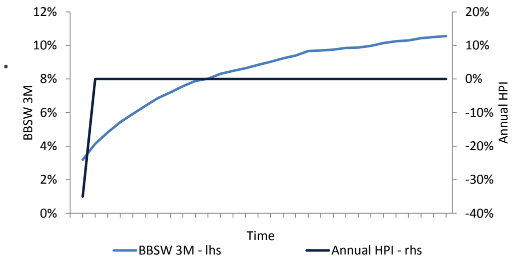
2. Irish Stress – Irish housing crisis between 2008 and 2017

- *Security value* - A 70% decline in security value during the first 5 years, followed by a 45% recovery over the following 5 years (net 10 year decline of 25%). 2% p.a. HPI thereafter.
- *Loan balance* - Interest capitalises to loan based on current margin over BBSW, applying a forward interest rate curve for BBSW over time.



2. AAA Stress - S&P criteria to achieve a AAA rating

- *Security value* - A 35% initial decline in security value with 0% HPI thereafter (i.e. no recovery).
- *Loan balance* - Interest capitalises to loan based on current margin over BBSW, applying the current S&P "Up" interest rate curve for BBSW.



[1] Consistent with the single largest annual property price decline for a major Australian city index in Australian recorded history.
[2] Less than half the long run average in Australian recorded history

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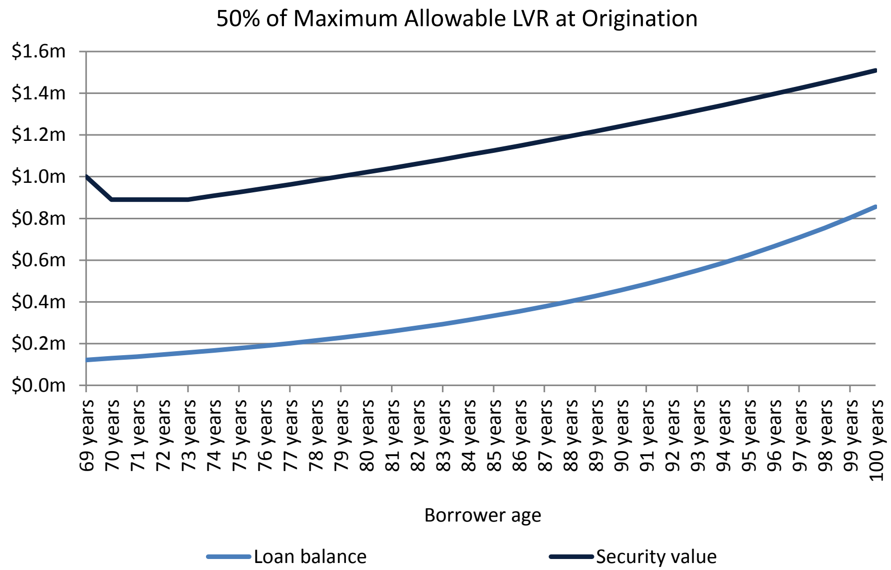
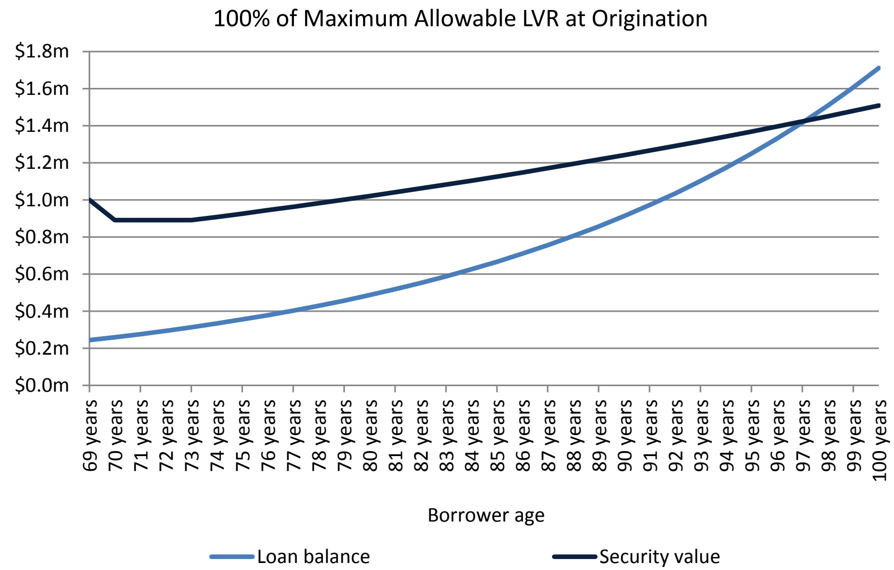
Base Stress Outcomes

- **50% of Maximum Eligible LVR (12%)** = No loss experienced:
  - Conservative LVR on origination
  - Moderate Year 1 HPI stress
  - Long run HPI while modest, compensates for initial HPI decline over Year 1

- **100 % of Maximum Eligible LVR (24%)** = Loss experienced from 98 years of age, 29 years following loan origination:
  - Considered a very unlikely scenario
  - 80% of repayments are voluntary and average loan term is 4.8[1] years
  - Survival probability for a 69 year old male to reach 98 is 4.3%
  - At 100 years of age the loss/loan balance[2] is -12% (2% survival probability)



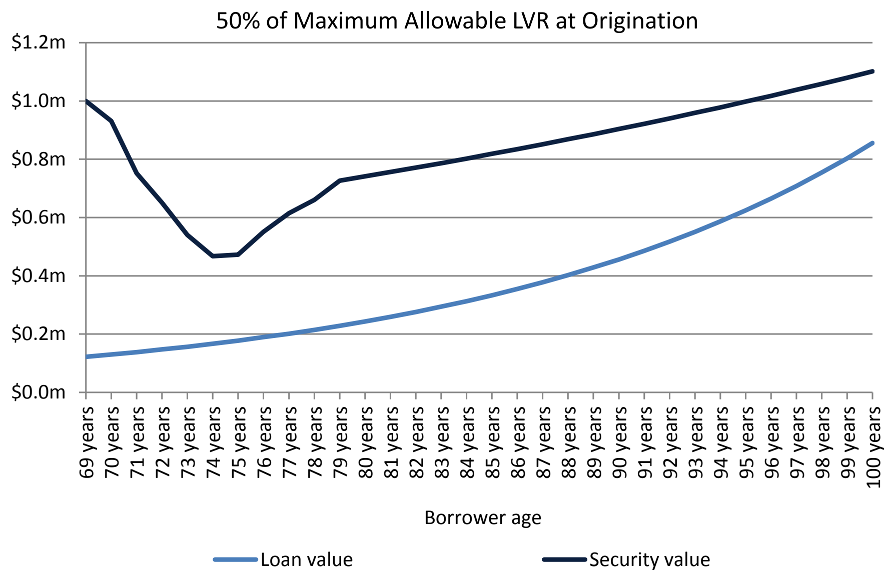


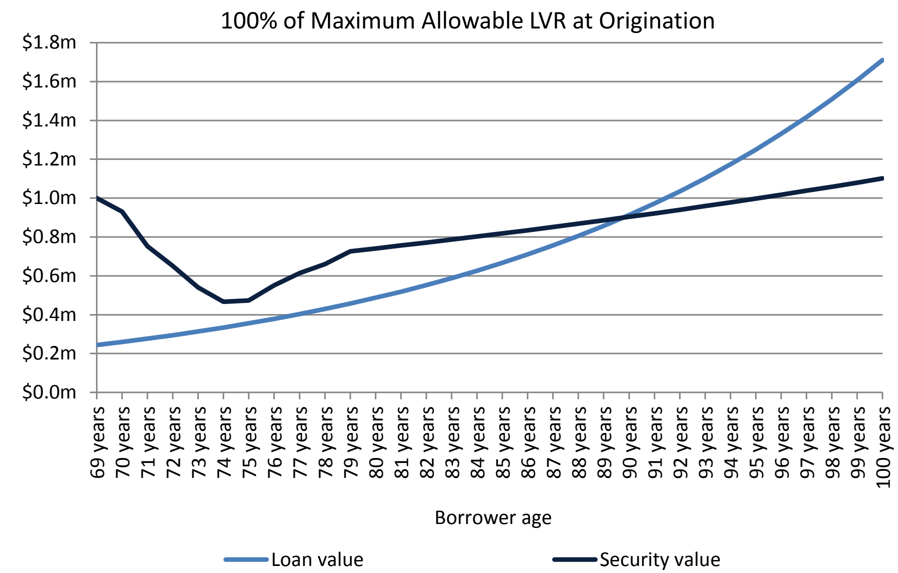
[1] Mean term of all fully repaid loans [2] Principal at origination + capitalised interest

Irish Stress Outcomes

- **50% of Maximum Eligible LVR (12%)** = No loss experienced:
  - Conservative LVR on origination
  - Severe decline in security value over 5 year period partially compensated for during following 5 years
  - Long run HPI while modest partially offsets capitalising interest in a rising rate environment

- **100 % of Maximum Eligible LVR (24%)** = Loss experienced at 90 years of age, 21 years following loan origination
  - Considered of low likelihood
  - 80% of repayments are voluntary and average loan term is 4.8[1] years
  - Survival probability for a 69 year old to reach 90 is 29.8%
  - At 100 years of age the loss/loan balance[2] is -36% (2% survival probability)





[1] Mean term of all fully repaid loans [2] Principal at origination + capitalised interest

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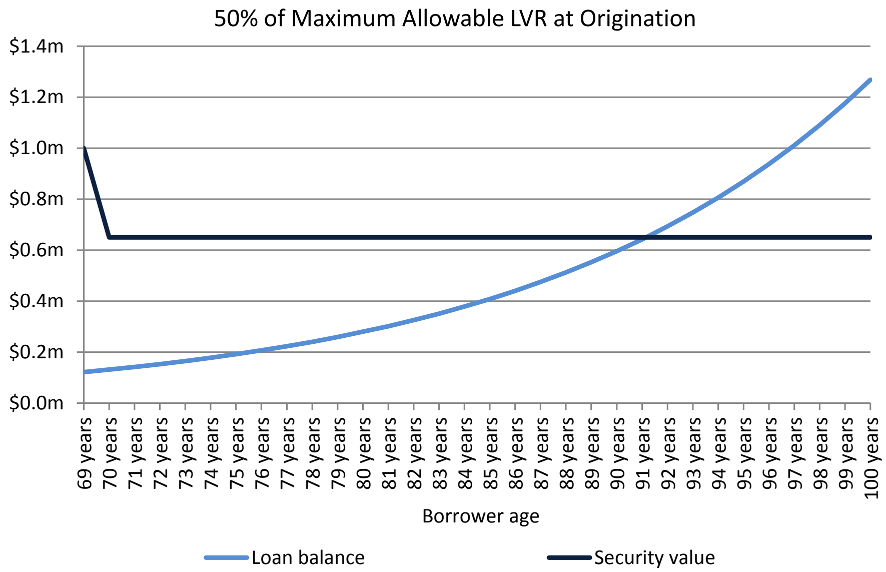
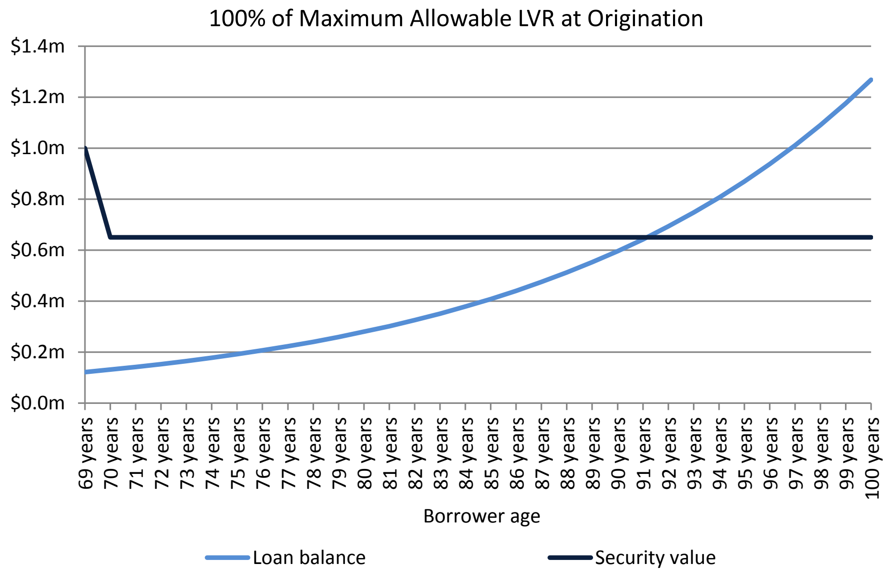
AAA Stress Outcomes

- The AAA Stress is the most severe as it compounds all risk factors:
  - A 35% fall in security value is 2.1x more severe than anything experienced in the USA during the GFC
  - The scenario assumes no HPI recovery, which is not supported by historical analysis
  - Interest rates increases are steep, divergent to historical correlation in a housing downturn

- **50% of Maximum Eligible LVR (12%)** = Loss experienced at 92 year of age, 23 years following loan origination

- **100 % of Maximum Eligible LVR (24%)** = Loss experienced at 82 years of age, 13 years following loan origination





Financial & Regulatory update

David Mackrell, CFO

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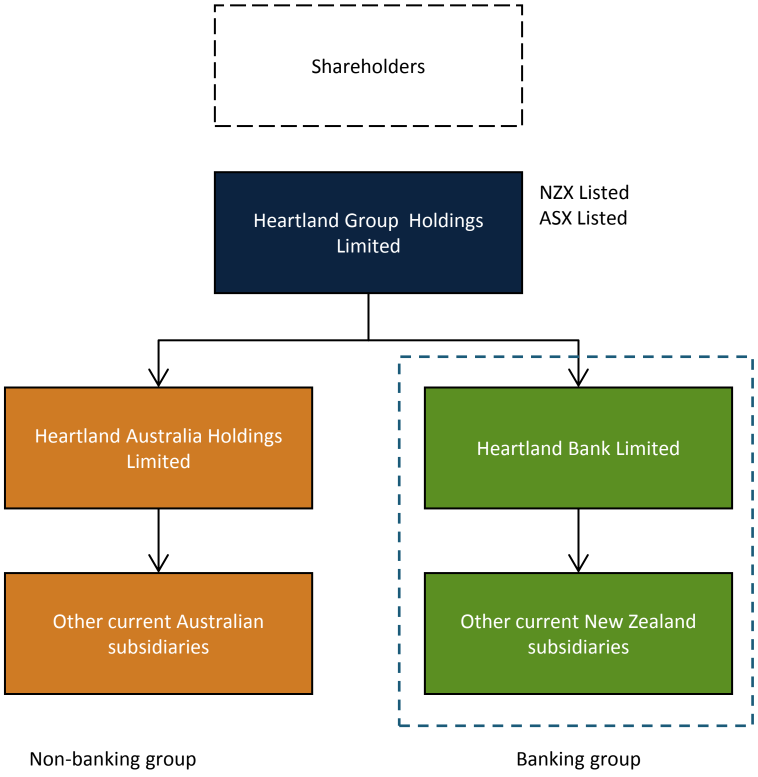
Corporate restructure and ASX listing complete

- Heartland Group Holdings Limited listed on the NZX Main Board and the ASX under a foreign exempt listing under the ticker code HGH.
- Provide the group with a more suitable platform for future growth.
- Removes constraints on growth previously arising from RBNZ regulations
- Provide greater flexibility to explore and take advantage of future growth opportunities in New Zealand and Australia outside the banking group.



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Funding

Present Funding

HEARTLAND Seniors Finance ← CommonwealthBank of Australia

- CBA has been the primary funder of the business since its inception in 2004
- Committed warehouse facility to 30 September 2022

Current initiatives

HEARTLAND Seniors Finance ←

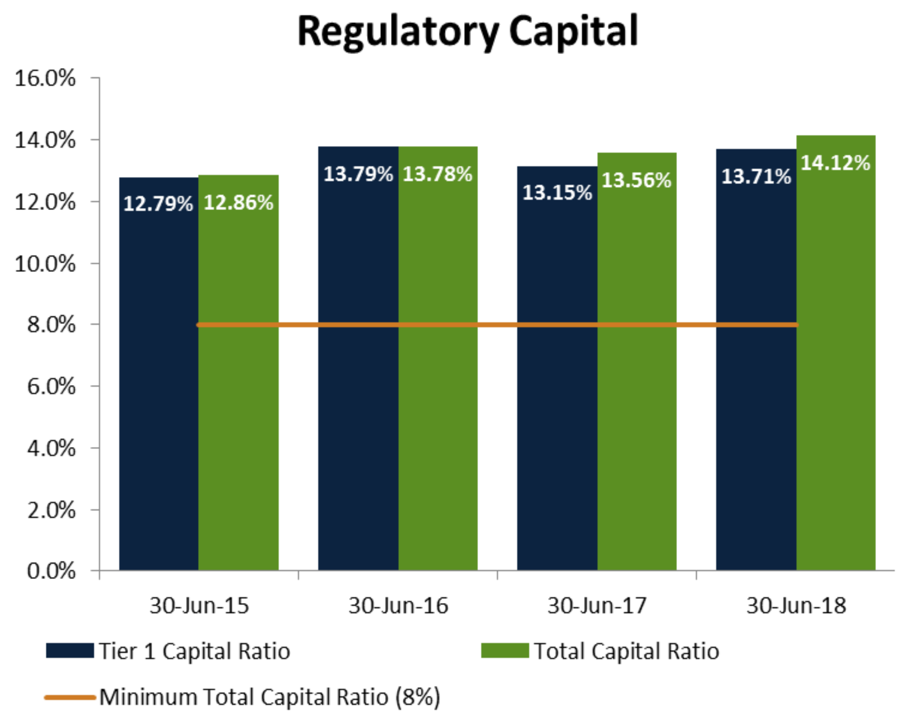
- Continue to develop multiple warehouse facilities, broadening providers of senior funding and introducing mezzanine investors
- Potential rated Reverse Mortgage Backed Note programme

Heartland Australia Group *(BBB- stable, Fitch)* ←

- Potential A$ Medium Term Note programme (senior unsecured) utilising Heartland Australia Group's BBB- rating (Fitch)

Capital

- Tier 2 Notes (A$20 million) were repaid as part of the corporate restructure in October 2018 with existing funds.
- Total Capital Ratio forecast to remain above 12.5% based on forecast asset growth and earnings while maintaining the proposed level of dividend pay-outs.
- RBNZ due to conclude their capital review in Second Quarter 2019.



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Motor, Business, Rural

Chris Flood, Deputy CEO

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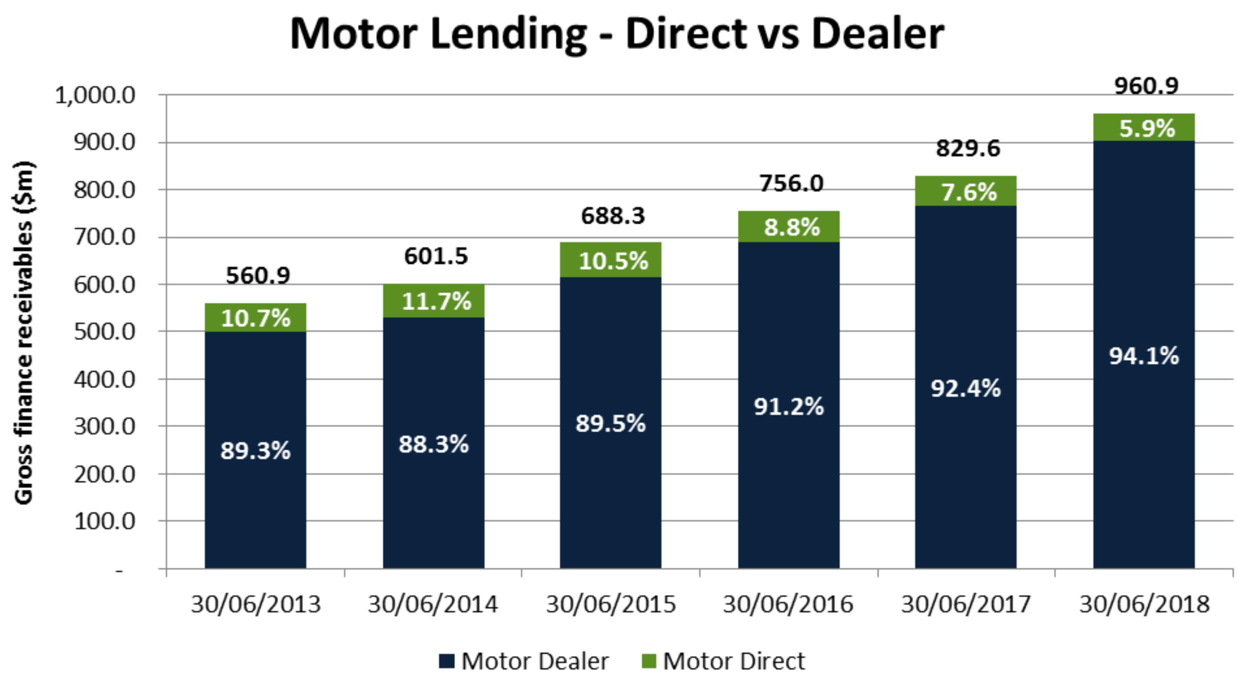
Motor

- 16% growth in net finance receivables in 2018 financial year
- 13% annualised growth in the quarter ending 30 September
- 11.4% CAGR between 2013 and 2018
- **Scalable model due to distribution and origination/scorecard technology**



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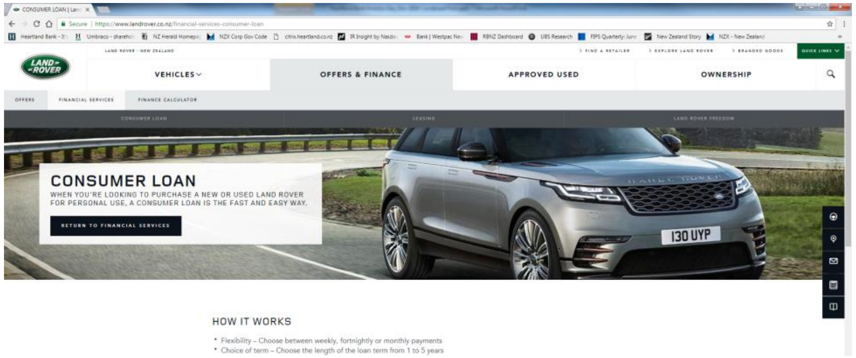
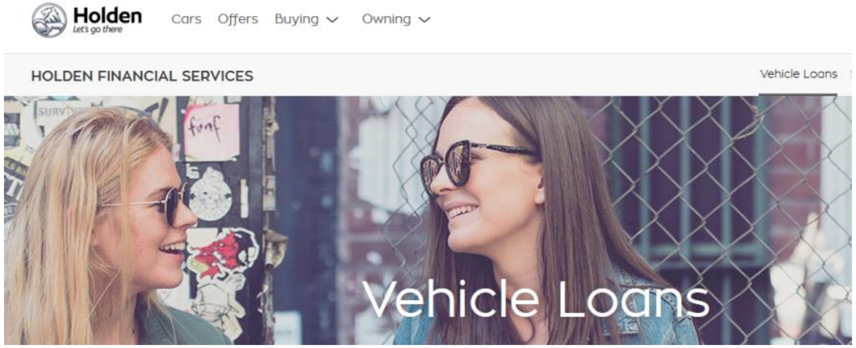
Motor – growing dealership lending

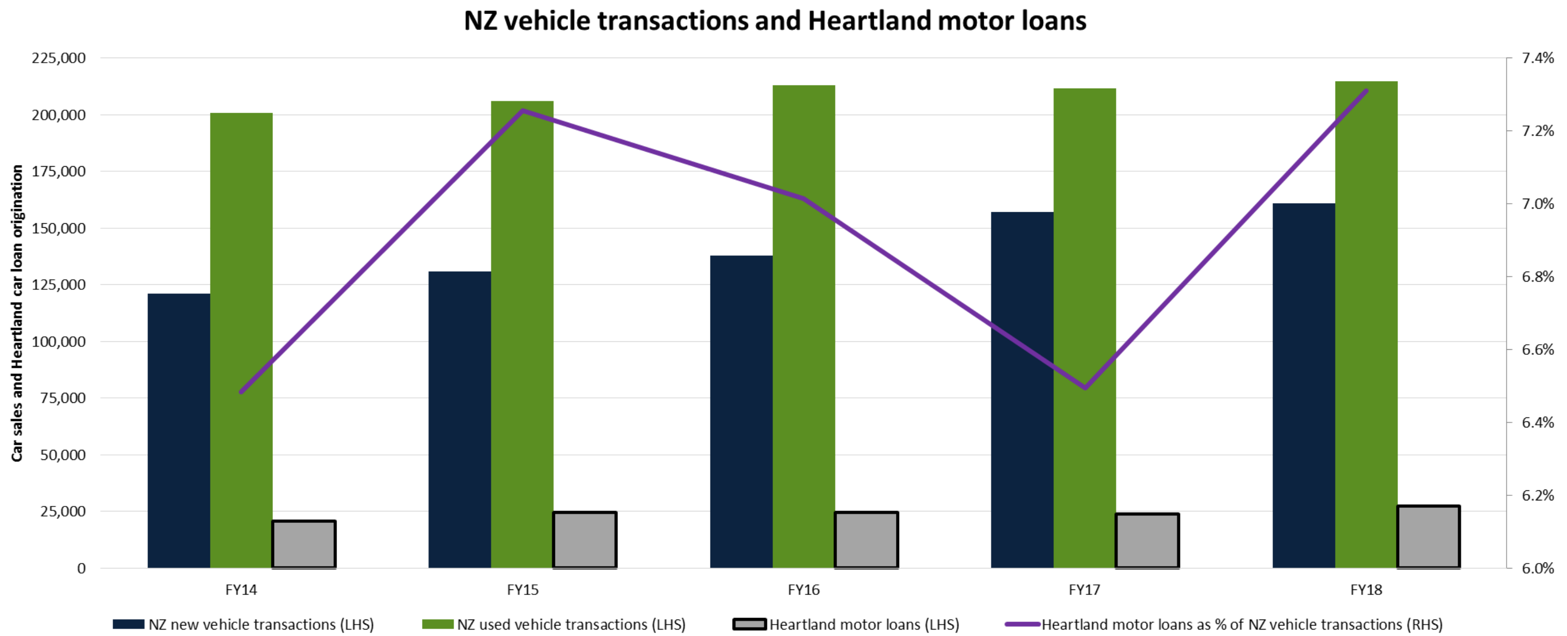
- Dealership lending accounts for 94.1% of book as at 30 June 2018
  - Average loan size of $24,000 compared to Direct average loan size of $19,000
- Broad distribution network of 400+ dealers and brokers.
  - As at August 2018 there were 3,481 registered car dealers
- 57% of new business volumes for FY2018 were originated from franchise dealers
  - Higher quality borrowers, leading to lower impairments
- Key partnerships with Holden, Jaguar Land Rover and AA
  - Introduce innovative products – GFV (Guaranteed Future Value)
- Keys to success:
  - On-line origination at dealership – allows customer to secure funding at the point of sale
  - Distribution network replaces the need for branches and therefore access to a wider pool of customers





Motor – NZ market dynamics

- Heartland’s share of the market is small compared to vehicles sold. Therefore this presents further growth opportunities
- There are over 1 million vehicles sold per year (dealer to public and private)
- Dealer to public sales accounted for 375,670 sales in FY18, up 1.9% on FY17
- Heartland originated 27,461 vehicle loans in FY18, up 14.7% on FY17, accounting for 7.3% of total dealer to public sales



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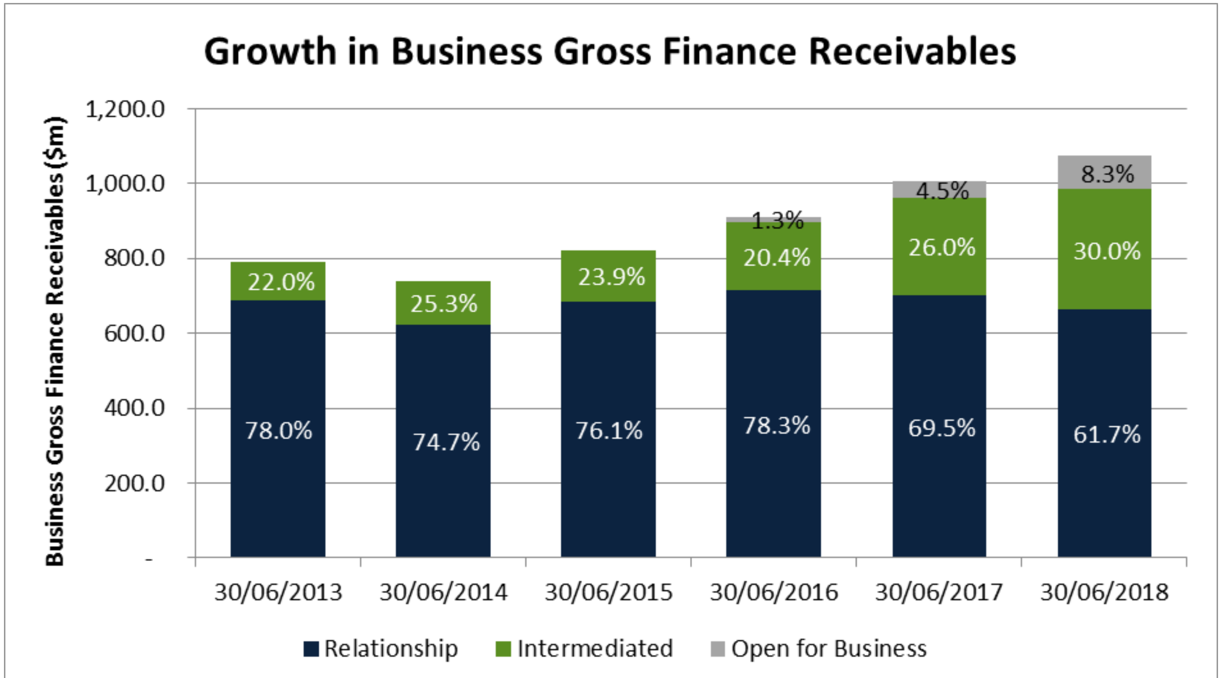
Business

- Intermediary lending increasing
- Relationship lending decreasing
- Digital platform lending increasing



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Business intermediary partnerships

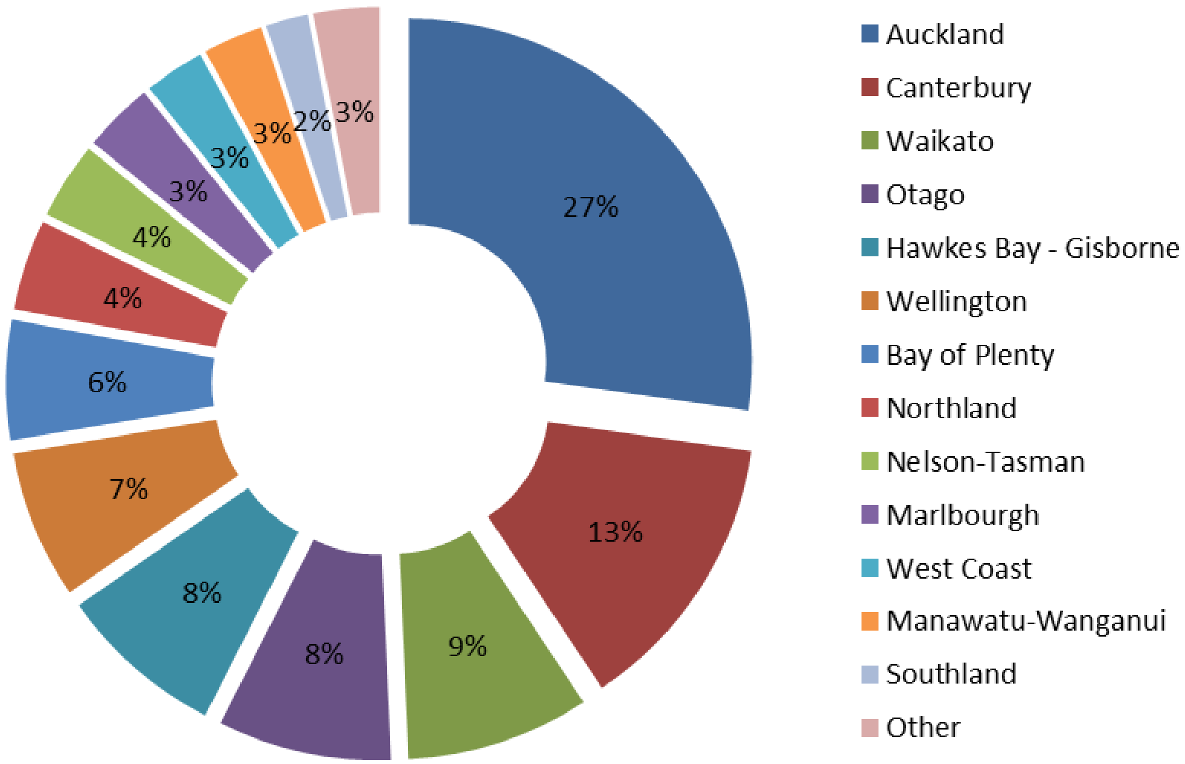
- Growing business with intermediary partners – financing trucks, vehicles, plant & machinery
- Heartland partners with distributors that account for 33% of all new truck sales in New Zealand
- Growth supported by digital financing platforms for our key intermediary partnerships
- Other key partnerships – Mainfreight, Case IH, Krone and Origin Agroup
- 5,900 loans across 3,300 business intermediated customers

Business

Average Loan Size ($'000)	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018
Relationship	192.3	172.9	198.8	191.3	164.5	139.2
Intermediated	22.3	26.6	34.7	45.2	53.4	56.4
Open for Business	-	-	-	29.3	36.8	38.8
Total average loan size	**96.7**	**93.2**	**110.6**	**111.1**	**97.2**	**84.1**

Average Contractual Term (months)	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018
Relationship	79	90	84	74	78	73
Intermediated	44	45	47	49	51	51
Open for Business	-	-	-	59	57	52
Total average contractual term	**74**	**83**	**78**	**69**	**70**	**65**

Business – geographical diverse



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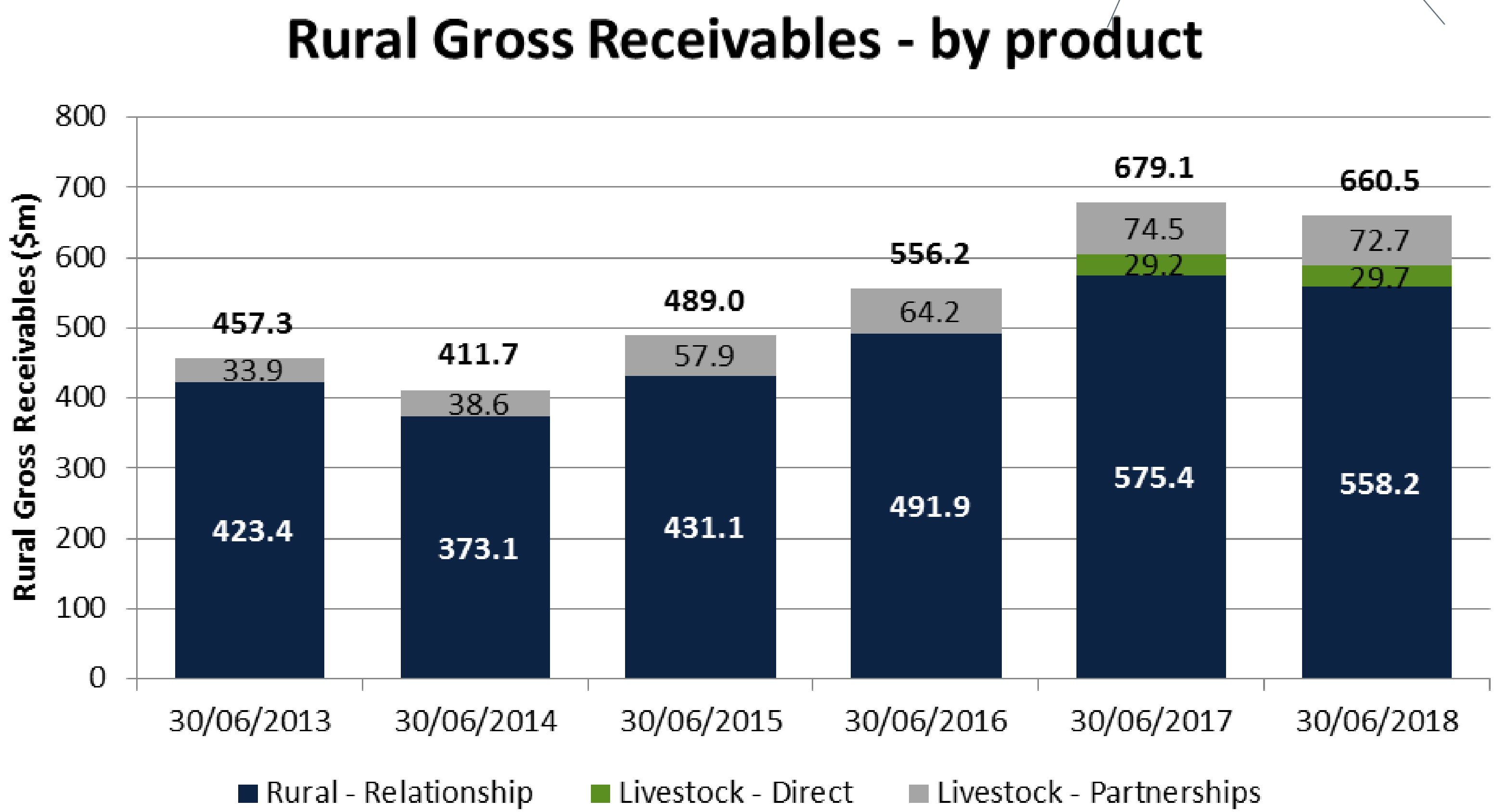
Rural



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Rural

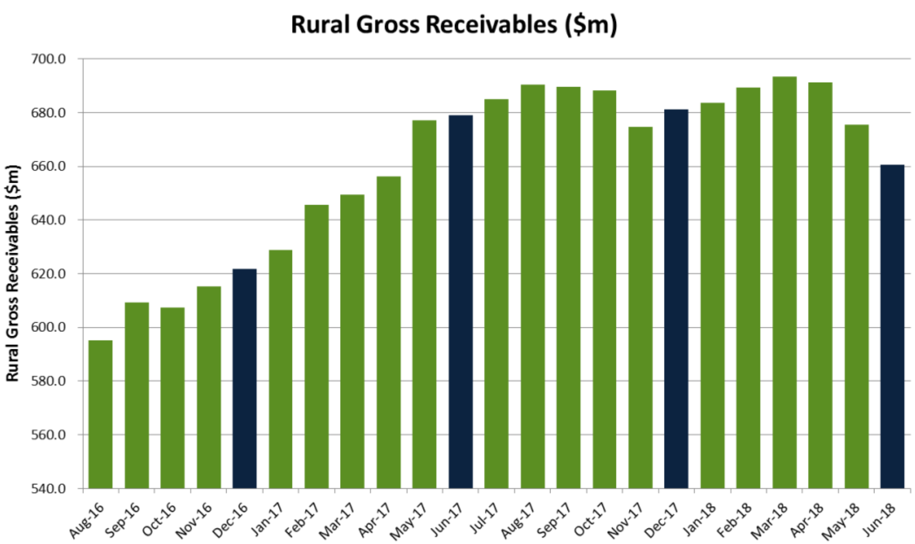
OPEN FOR LIVESTOCK

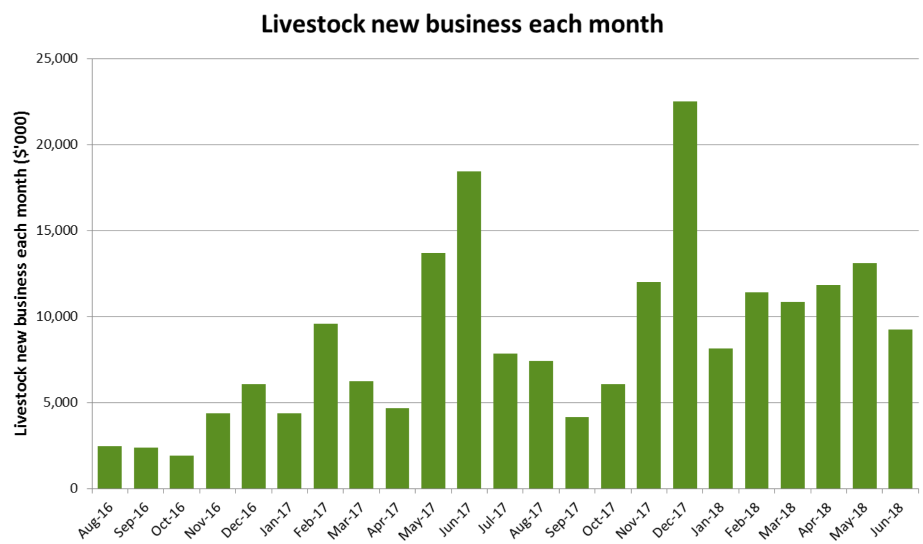
Average Loan Size ($'000)	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018
Rural – Relationship	308.0	311.3	370.8	393.3	422.5	427.3
Livestock - Direct	79.8	50.3	78.0	75.3	61.0	25.6
Livestock - Partnerships	225.9	167.1	77.8	66.4	64.6	55.3
Total average loan size	252.7	220.4	234.9	231.9	226.4	174.4

Average Contractual Term (months)	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018
Rural – Relationship	57	70	53	51	51	47
Livestock - Direct	21	53	72	1	16	10
Livestock - Partnerships	34	40	32	24	28	23
Total average contractual term	53	66	51	47	47	43

Rural

- Seasonal nature of rural and livestock mean we see higher gross receivables balances in between reporting dates.
- Therefore rural income can increase even though reported receivables fluctuate up and down.





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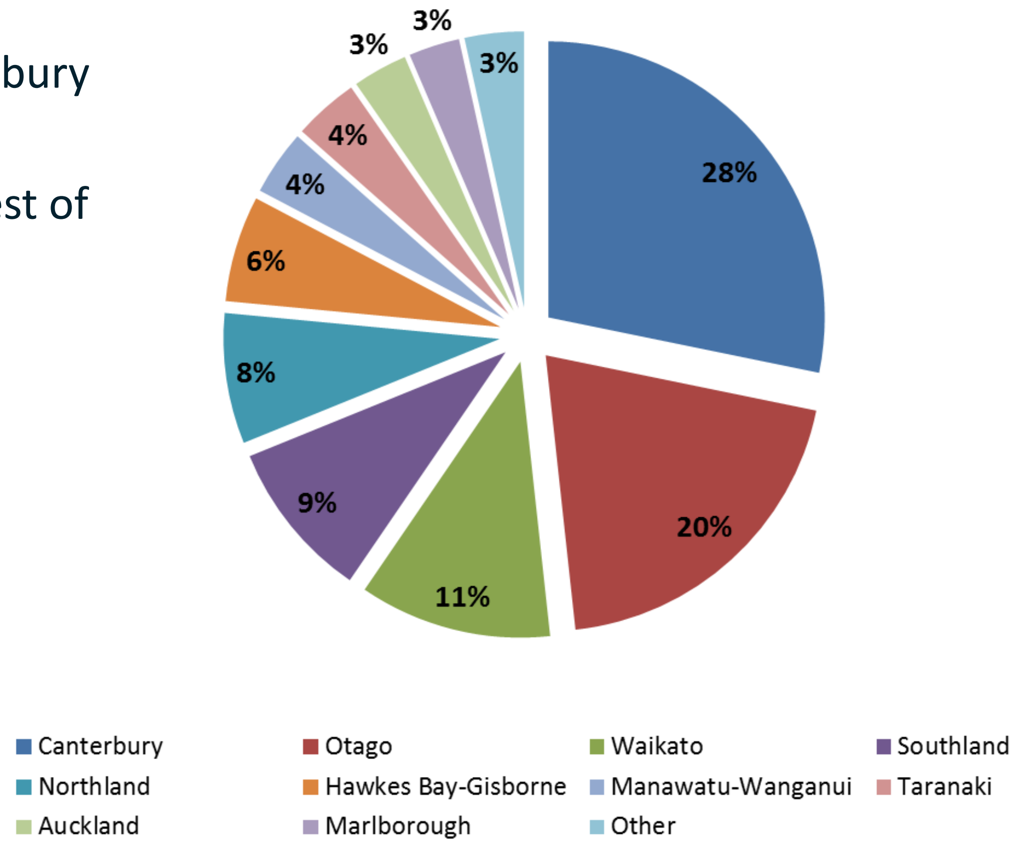
Rural

Geographical exposure:

- 48% rural exposure in Canterbury and Otago
- Diverse spread around the rest of New Zealand



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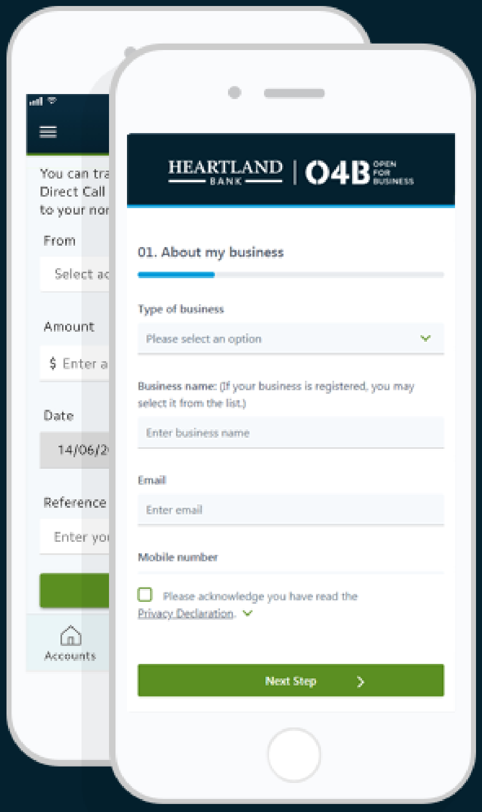
Heartland Group Digital Initiatives

2018



Our Approach to Digital

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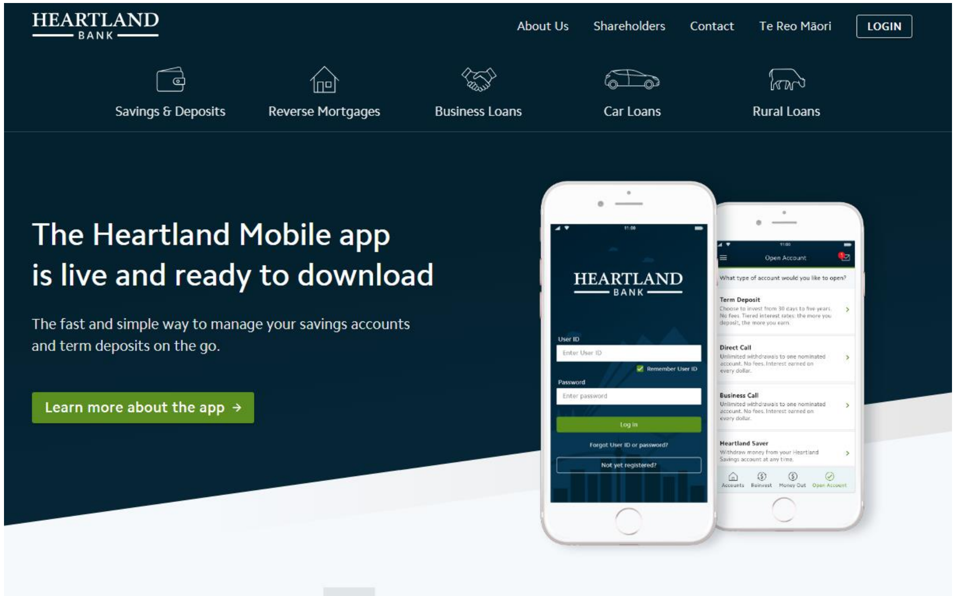
Digital Overview

- Innovate, create and optimise digital platforms
- Leverage customer feedback, data and insights
- In-house capability enabling an agile, responsive approach
- Diverse team skill-set and thinking



Average Monthly Website Visits

As at 14 November 2018

60,000+

Open for Business (O4B)

Key Information:

- Loans for small and medium sized business in New Zealand – up to $75k unsecured and up to $250k partially secured
- Fully online, three minute decisioning
- Platform launched in 2016 – continual optimisation of the customer experience
- Two key channels used to reach customers:
    1. directly through our website; and
    2. through our referrer networks – 1300+ referrers and growing

Credit Intelligence:

- Algorithms provide indicators as to an applicant's risk profile based on: statistical analysis; market analysis; credit bureau data; and industry-specific business rules
- Get to a decision faster
- Reporting and credit modelling drives adjustments: 'Learn and fix fast'

Open for Business is New Zealand's largest dedicated online small business loan platform

Platform	Booksize growth over last 18 months	CAGR over last 18 months	Compound Monthly Growth over last 18 months
Open for Business	$69.5m	92.97%	5.63%

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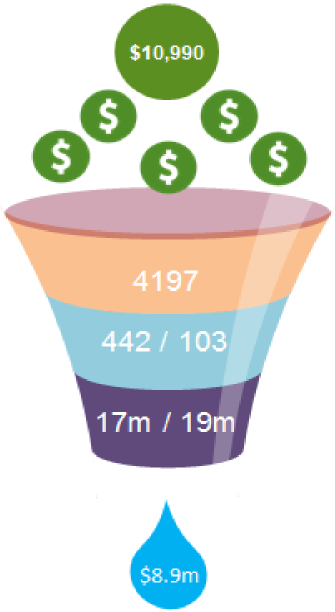
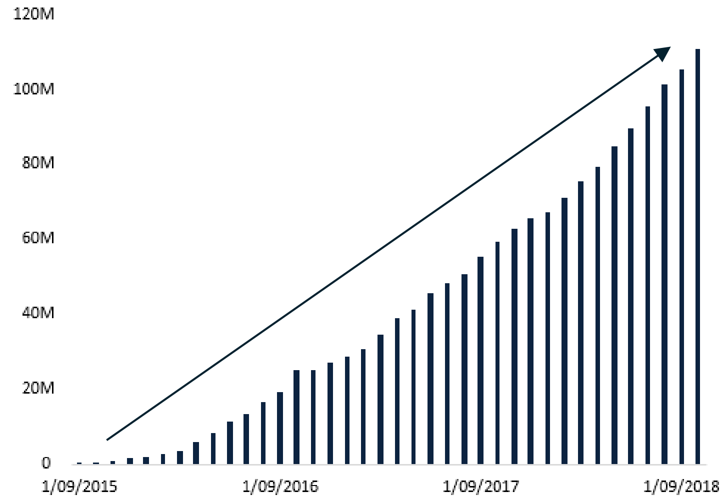
Key Statistics on O4B

Recent typical month



1. Search Engine Marketing Spend
2. Website sessions
3. Applications (≤75k / >75k)
4. Amount applied for (≤75k / >75k)
5. New business

Book Growth Since Origination



$111m
Loan book[(a)]

12.1%
Yield on new origination[(b)]

~$50K
Average loan size

$62
Average SEM cost per new customer

(a) For September 2018. Yield includes interest and fee income
(b) As at 31 October
SEM – Search Engine Marketing

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What we have achieved

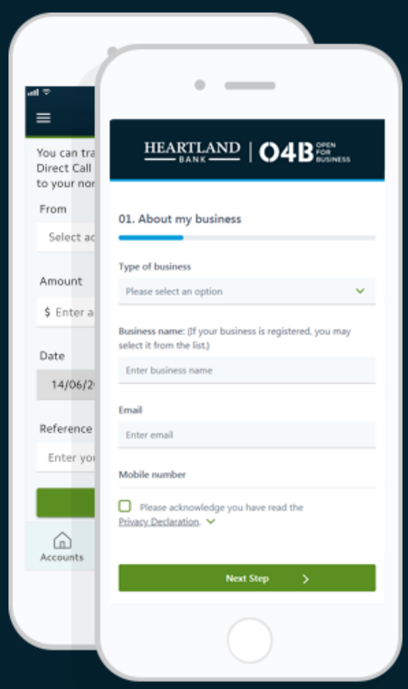
Search Engine Optimisation – Organic position on Google

	Sep-17		Sep-18		
Search Terms + Rankings	AVG MONTHLY SEARCHES	POSITION	AVG MONTHLY SEARCHES	POSITION	POSITION CHANGE
Business loans	720	14	880	4	**10**
Business loans NZ	590	12	720	5	**7**
Small business loans	260	7	260	3	**4**
Business lending	30	12	40	4	**8**
Asset finance	590	>100	590	7	**100**
Unsecured business loans	40	4	260	2	**2**

O4B OPEN FOR BUSINESS

Term loan product

- Fixed term, amortising P&I product
- Used for plant and equipment, business and franchise purchases, vehicle purchases, or funding for longer term growth



Revolving credit facility

- Meets seasonal cash flow requirements of better customers
- Available through Open For Business and Mobile App

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O4B – Marketing Campaign

- New TV commercial and supporting digital activity launched mid-September 2018
- Key campaign objectives:
  - Drive awareness of Heartland and the Open for Business platform as an option for small business finance
  - Drive lead generation for Open for Business
- Campaign results to date:
  - 181% uplift in website traffic
  - 74% uplift in online applications received
- Continuing to optimise digital activity and increase social media activity to targeted audiences

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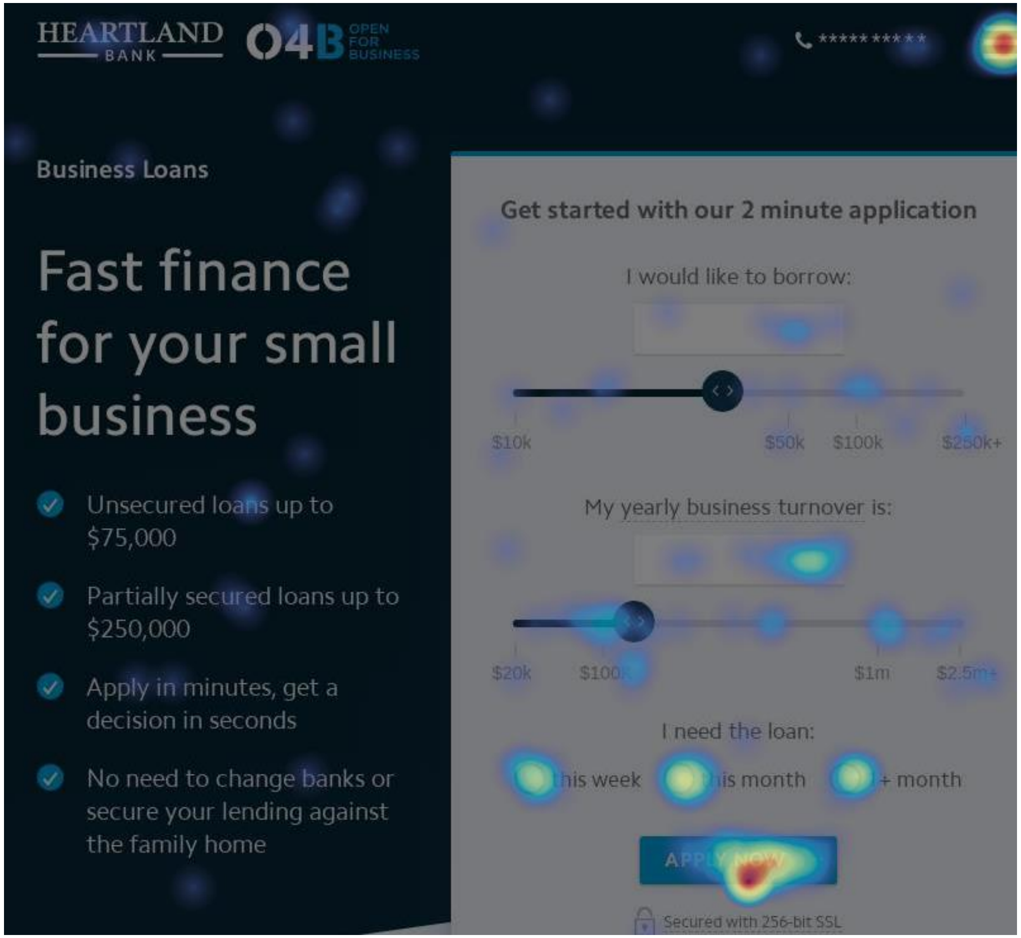
HEARTLAND
BANK
Business Loans
www.openforbusiness.co.nz
Lending criteria, fees and charges apply.
Unsecured business loans up to $75,000. Partially secured business loans up to $250,000.

Customer Interaction Analysis

- Heat maps show us how visitors are interacting with our website

- Website development improvements based on customer interaction analysis are constant



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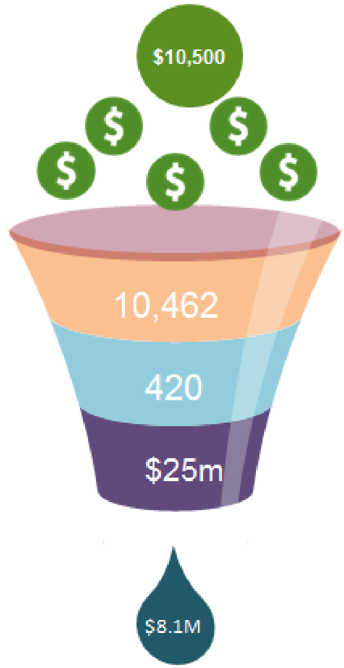
Deposits Platform - What we have achieved

Recent typical month



1. Search engine marketing spend
2. Website sessions
3. Applications
4. Intended deposit amount
5. New funds introduced

Platform	Booksize growth over last 18 months	CAGR over last 18 months	Compound Monthly Growth over last 18 months
Deposits	$104.6mill	139.78%	7.56%

$25
Average SEM cost per online application

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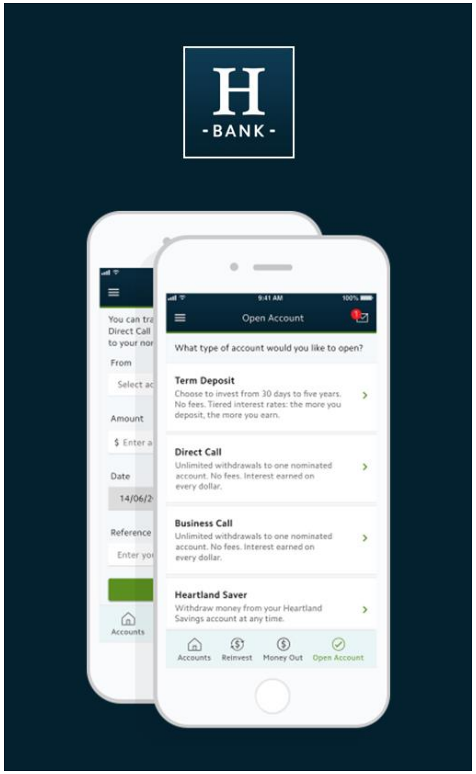
Heartland Mobile App – Key Features

- View your term deposits, Call, PIE, and savings account balances and transaction history
- Open new term deposit, Call and savings accounts
- Transfer money from your Call account to your nominated account
- Decide what happens with your term deposits when they mature
- Send us a secure message



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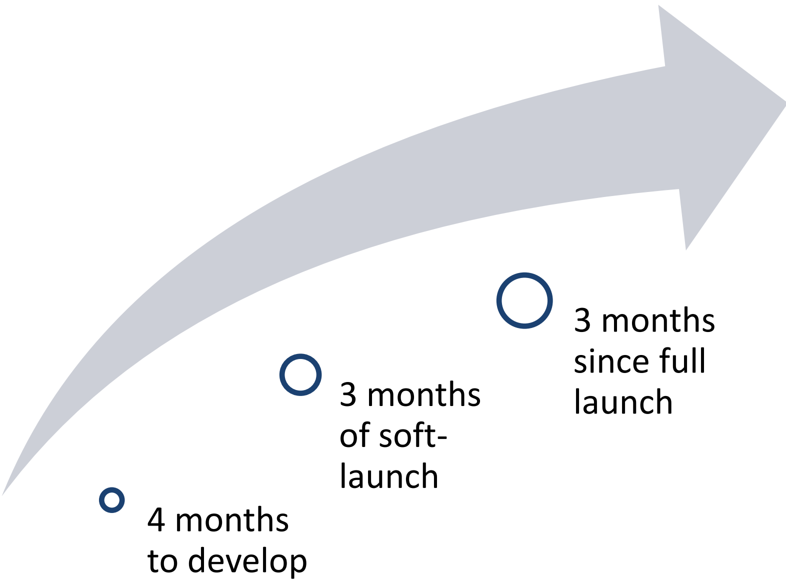
Heartland Mobile App



- 2,800+ registered users across Apple and Android
- 8% uptake from deposit customers and growing daily
- Extensive user testing drove over 100+ enhancements to the app prior to launch
- Overcomes customer issues previously experienced with internet banking
- Internal app developers mean continuous improvements in response to customer needs
- Increased engagement with Millennials and Generations Z

Installs for Android

As at 11 November 2018

1,320

Installs for Apple

As at 11 November 2018

1,488

"Great work with launching the app – makes me more likely to save more with HBL as it is much easier to use!"

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What we're working on next

Mobile Payments

Solutions for Millennials and Gen Z

Card Payments

End-to-end depositors platform

Customer touch points

Lending and deposit roadmaps show key touch points in the customer journey where automation initiatives are being implemented.

Lending process automation initiatives

Pre-market
- Search engine marketing
- Automated email marketing
- Website
- CRM tool management

Decision making tools
- O4B application is only 3 minutes

Validation
- Biometrics
- Robotic data entry
- Robotic Artificial Intelligence (Proof of Concept)

Documentation
- Online documentation
- Digi-signature

Loan Drawdown
- Automated payments

Deposits process automation initiatives

Pre-market
- Search engine marketing
- Automated email marketing
- Website
- CRM tool management

Validation
- Biometrics
- Robotic data entry
- Robotic Artificial Intelligence (Proof of Concept)

Customer Deposit
- Automated payments

RPA at Heartland

Non-attended automation

Tasks that are automated end-to-end and can be scheduled to run at regular intervals. E.g.:

- Retrieve information and serve up daily reports
- Complete regular reconciliation tasks

Attended automation

Tasks to assist a user carry out a process. E.g.:

- Complete a settlement quote while an agent is on the phone with the client
- Finds errors for a user to update

Customer Service automation

Tasks that are simple but customers cannot self serve. E.g.

- Carry out an address change request received via secure message

Implement in a process within the business that:

- is rule based and standardised
- has high repetition
- is transactional with high transaction levels
- has high compliance requirements
- has fluctuating demand
- is system based
- has highly structured digital data
- follows a logical path with low exception rate

RPA at Heartland – next steps

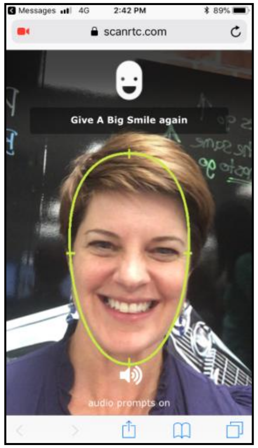
- Proven technology shows benefits of adopting more than a single software solution
- Blue Prism robotics software was first developed by the UK banking industry and is well suited to Heartland.
- Other recently developed offerings could provide different benefits.
- We are engaging with our current partner to deploy a single licence in our production environment to start delivering benefits immediately.
- In parallel we will commence an RFI process to seek a partner, or partners, to deliver to an overall strategy that would be rolled out over 2 years.

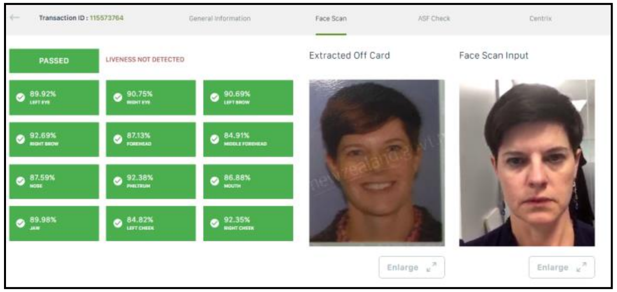
The opportunity is not how we take the human out of the workforce, but how we take the robot out of the human

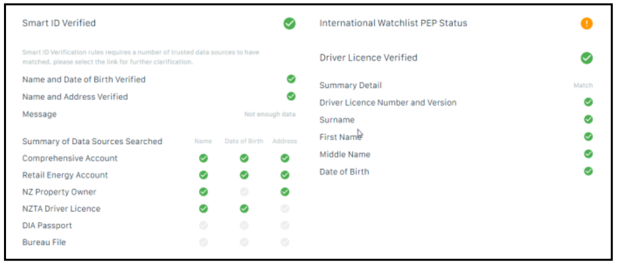
Online Biometrics solution

Tailored workflows depending on customer needs

- A guided workflow (talking the customer through the process)
- An unguided workflow (customer can complete in their own time)
- Biometric Critical Success Factors:
  - Collect an image of the identification electronically with controls to detect any tampering
  - Take a video of the customer, confirming that they are a live person
  - Match the ID to the video via facial recognition
  - Confirm ID via Address and Date of Birth matching
  - Available on any device (including mobile phone, tablet and computer)
  - Store and review the results







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Heartland Investor Day
Closing remarks and Q&A