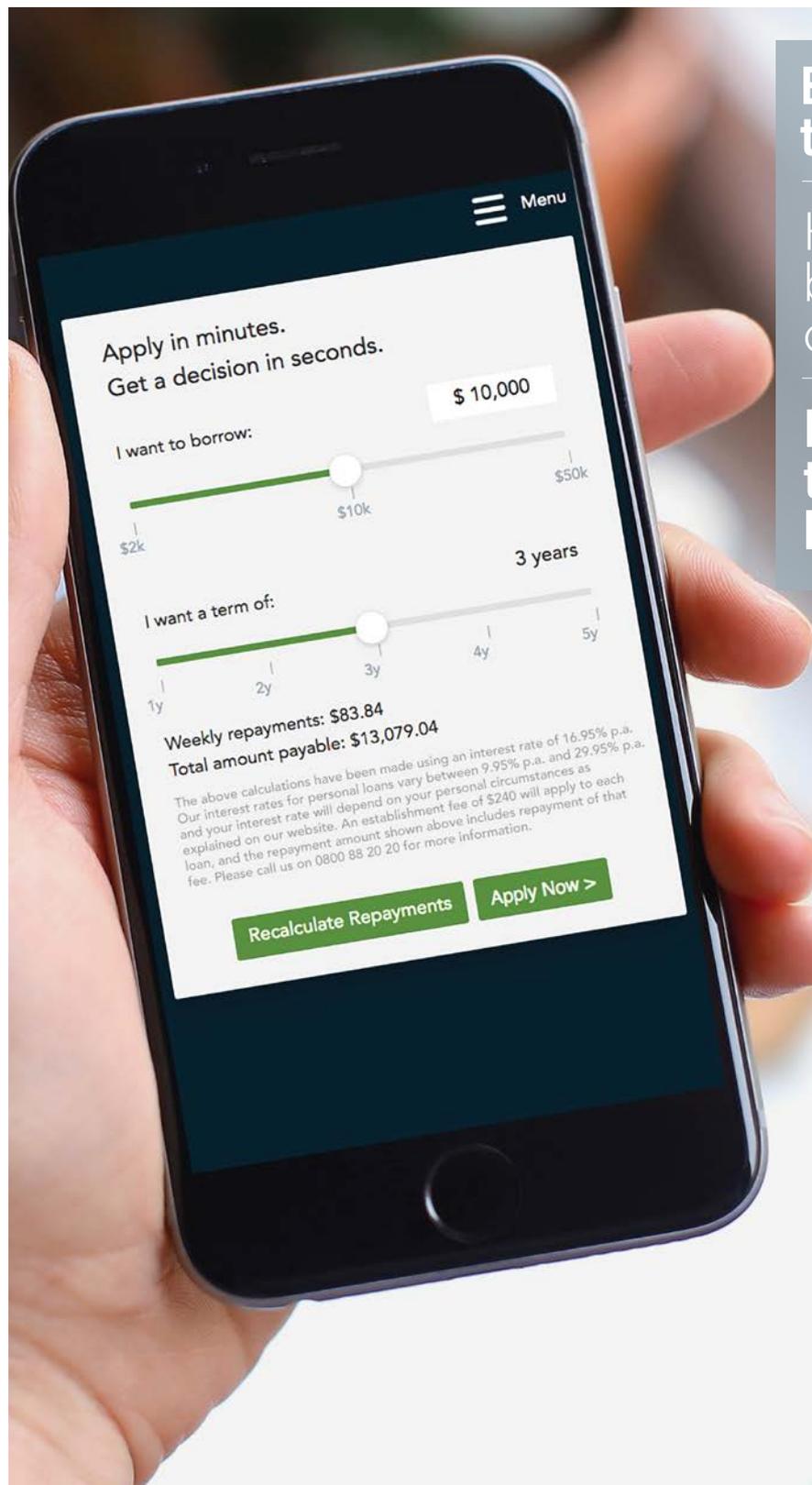


The Heartlander

NEWS FROM HEARTLAND BANK

OCTOBER 2017



Embracing digital technology

How Ashburton became the heart of Heartland

Loans that 'open' the door for budding businesses

Hello



Someone recently reminded me that if we had no winter, spring would not be so pleasant. While it's not that comforting during the cold gusty days, it does resonate when the sun finally shines again – a feeling I'm sure most can relate to in other areas of life as well.

Change is a constant and at Heartland we certainly like to move at pace. We pride ourselves on getting things done and, for our customers, getting to 'yes' faster.

Earlier this year we made a change to our core banking system, including updating our internet banking platform.

Though the upgrade went well and has improved the technology that underpins our systems, some of our customers have found the new internet banking difficult to navigate. With this in mind, we are working towards making some improvements and we hope that this next step will provide a better experience for all our customers.

Given that change has the ability to cause such disruption, one could be tempted to avoid it at all costs. However, we believe that, in the financial technology (FinTech) sector, it is key to growth.

To find out more about our involvement with FinTech, read about the conference we co-hosted on the opposite page. You can also discover how 'disruptive technology' might already be impacting your life in other areas on page three.

I hope you enjoy this edition of The Heartlander. The mix of stories aims to highlight the appreciation we have for our history, and our commitment to the future – a winning combination that reflects Heartland Bank's core values.

As always, I welcome any feedback and thank you for your support.

Darryl Harnett
Head of Consumer

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Heartland Bank embraces FinTech
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Wellington entrepreneur gets a boost from Open for Business loan
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6 Recipe: Treat yourself with Chelsea Winter's delicious peanuttty marshmallow squares

Strong financial results for Heartland

Positive outlook following a year of growth and digital evolution

Heartland recently announced its annual results for the year ended 30 June 2017. Chief Executive Officer Jeff Greenslade said the financial year had been one of "strong growth across all business divisions, driven by our focused sales teams, and being able to reach more customers through our digital lending platforms, intermediaries and partnerships".

Net finance receivables grew 14 percent across our three operating divisions – Household, Business and Rural – contributing to a net profit after tax of

\$60.8m, an increase of 12 percent from the previous financial year.

Other key achievements included the successful implementation of our new core banking system; reduction of our costs as a percentage of income; and the introduction of new digital lending platforms including Open for Livestock. Open for Livestock enables farmers to apply online for livestock finance by completing a simple application process. It can provide 100 percent finance secured against the livestock purchased, and the loan is repayable upon sale of the livestock.

Read more about one customer's Open for Livestock experience on page 2.

Heartland's key focus is to provide niche products where customers are underserved by the other banks, and to ensure we are in the right place at the right time to provide those products to our customers. Ensuring exceptional service for our customers is a key priority, whether it is online, over the phone or in person.

The Board is confident in Heartland's ability to continue achieving strong growth and profitability. ■

Banking and FinTechs – friends or foes?

Heartland Bank embraces the inevitable role FinTech will play in the banking sector going forward

FinTech is short for financial technology, which usually refers to computer programmes and other technology used to support or enable banking and financial services.

Heartland Bank is committed to identifying technology and partnerships that can be used to provide superior product features and a first-class experience for its customers – online, over the phone or in person.

This approach is backed by its recent investment in online lending platforms and partnership with three FinTech lenders – Harmony, Spotcap and Fuelled. To further explore the future of banking and its relationship with financial technology, Heartland Bank co-hosted a conference with First NZ Capital under the theme 'Banking and FinTechs: Friends or Foes?'.
kicked off with a nod to Greek mythology, recalling the story of Orpheus and the importance of not looking back.

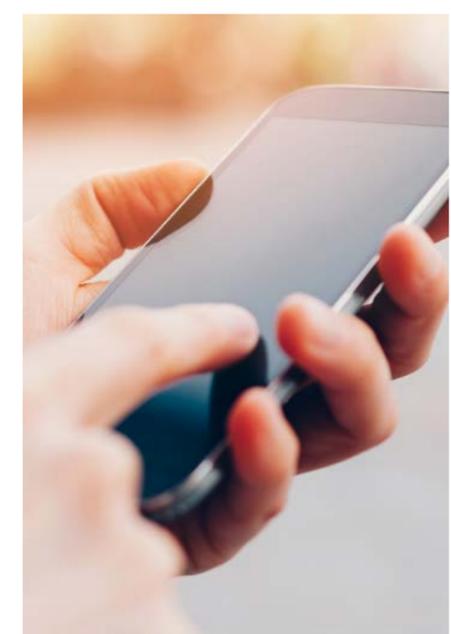
While the past might be enticing and comfortable, the future of banking is definitely about looking forward and either emulating FinTechs or collaborating with them," said Greenslade. "At Heartland, we're doing a combination of both."

He went on to remind the audience that Fintech is not about a product or a process, but a channel.

"It's about maximising the low-cost distribution offered by the internet and coupling it with fast risk-decisioning tools that allow you to get to the customer quickly and effectively, while at the same time providing a streamlined customer experience," said Greenslade.

Speed was a key theme echoed by other speakers, including Spotcap's Lachlan Heussler. "Consumers are demanding that technology meet them on their terms," said Heussler. "They want to fill in an application on their phone, while watching the latest show on Netflix."

Other speakers included Neil Roberts from peer-to-peer lender Harmony and Craig McLaughlin from San Francisco-based digital design agency Extractable. Both speakers emphasised the importance of the customer experience in the consumer FinTech lending space.



Heartland Bank plans to continue to build on its FinTech point of difference.

"We take a different approach to being a bank," said Greenslade. "Our strategy is all about identifying the technology and partnerships we can leverage to reach more customers. We only focus on markets where we can provide a winning product, and we will continue to do so." ■

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The right stock at the right time

Heartland Bank's Open for Livestock loan breathes extra life into family farming operation



A spraying contractor by trade, Leen Dekker is enjoying a prosperous sideline job finishing lambs thanks to his smart approach to trading and a loan from Heartland Bank.

"Finishing lambs isn't my main source of income, but my wife and I enjoy managing it as a side business on our small 32-hectare block," says Leen, who lives near Ashburton. "We're well set up to stock lambs as the land is well irrigated and, over the past few years, we've been increasing the number we purchase."

Selling feed for silage had been a key

source of income for Leen and his wife Robyn, before the downturn in the dairy milk payout earlier this year meant they weren't able to sell as much. This led them to investigate buying more lambs than usual and, when they saw the ad for Heartland's Open for Livestock loan, they decided to go for it.

"We kept a close eye on the market and managed to buy an extra 260 lambs for \$75 per head. We finished them up to approximately 50kg live weight and it has definitely paid off - the price of lamb has increased and we are getting \$140 to

\$150 a head!" says Leen, who has been impressed with all aspects of the Open for Livestock loan.

"We would recommend both the product and the process. It was quick and simple and, best of all, had no stock firm limitations. Some other lending bodies will only lend money for stock on the condition that you buy through their selected channels. With the Heartland Open for Livestock loan, we could buy from whoever we wanted and that's what secured us such a good deal." ■

Heartland solution 'Just the Ticket'

In a rapidly changing world, entrepreneurs need to be able to identify and seize opportunities as soon as they present themselves



years ago, a concept that came to her during her time in event management and promotion.

"We used to sell thousands of tickets a year through this international company taking a \$5 cut per ticket and offering no customer support," says 28-year-old Amber, who lives and works from her home in Wellington. "Starting a locally owned and operated company, with a customer support service, seemed like a very competitive offering, so I made it happen."

Thanks to her existing contacts and smart business model, Just the Ticket

Hearthland Bank customer Amber Fowler did just that when she started her online ticketing business, Just the Ticket, almost three

grew quickly and is currently the preferred supplier for a number of prominent Wellington venues.

Amber says her success is largely due to partnering with the right people. "Having contractors look after the customer service side of things is very appealing to event organisers, who don't want to spend their time providing lost passwords," says Amber. "And partnering with a company that's continually investing in technology ensures my business won't fall behind the times."

Not that Amber is one to rest on her laurels - in another example of recognising an opportunity and going for it, she recently applied for a Heartland Bank Open for Business loan to build a new website that better illustrates her services.

"While I don't have much competition today, that doesn't guarantee anything

about tomorrow," says Amber. "I'm a firm believer in investing in marketing when things are going well, instead of waiting for things to turn."

She was impressed by how simple and efficient the Open for Business process was, and says she would recommend it to any small business owner.

"The whole process was pleasant and convenient," says Amber.

"Another key point of difference was that it didn't need to be secured against a property, which is ideal as my husband and I have a few businesses and we try not to cross over between business and property assets.

"In my experience, versatility, simplicity and customer experience are of utmost importance - it's great to work with a bank that seems to hold those same values." ■

Embracing disruptive technology

Traditionally, the term 'disruptive' hasn't been viewed in the most positive light - it often refers to children or students and is associated with being troublesome, unruly and attention-seeking. However, in recent years, the term has evolved to take on quite a different meaning

Disruptive technology was coined by Clayton Christensen, a Harvard Business School professor and leading authority on the subject, in his best-selling book *The Innovator's Dilemma*. It can be defined as a new technology or product that displaces well-established models by meeting the future needs of customers.

True disruptors

Examples include Airbnb, Uber and New Zealand's own My Food Bag (whose founder Cecilia Robinson was recently crowned Supreme Winner of the Women of Influence Awards in Auckland). These companies are known as 'disruptors'.

Airbnb has shaken up the accommodation industry by offering people the opportunity to make money by renting out their homes and spare rooms, effectively creating an accommodation business that requires them to own zero physical assets.

Uber has been truly disruptive, as taxi drivers across the globe have taken to the streets to protest against what they see as a serious threat to their industry.

Provided they have an appropriate licence and vehicle, anyone can be an Uber driver. People looking for a ride simply enter their location into an app, receive a cost (often much cheaper than a standard taxi) and pick-up time and away they go. Payment is deducted automatically from their credit card after arriving, removing the need to carry cash. Drivers and passengers can also be rated, which adds an extra layer of transparency to the process.

Founded four years ago, My Food Bag is now New Zealand's third-largest food retailer - yet it owns no physical stores. Subscribers are able to choose from a range of meal plans to suit their budget and household size, receiving regular grocery deliveries to their front door that include recipes created by celebrity chef Nadia Lim and My Food Bag's development kitchen.

Heartland Bank - banking disruptor

Heartland Bank has recently developed a range of new digital lending platforms designed to shake up the banking sector by changing the way customers can access finance, including consumers, business owners and farmers.

"Of the 500,000 small to medium enterprises (SMEs) in New Zealand, we know there's a group who value speed and certainty when seeking funding for their business. That's why we offer a fast and simple online business loan application process that delivers a decision in minutes," said Heartland Bank Head of Business Peter Griffin in relation to Heartland's Open for Business platform. Open for Business has already proven successful, with Heartland lending \$34 million through the Open for Business platform in the year ended 30 June 2017.

What next?

Sticking in the financial sector, there is a fast-developing technology that has the potential to shake-up the financial industry in ways we don't even understand yet. Blockchain - which underpins digital currencies such as Bitcoin - is an

unbreakable digital ledger capable of recording transactions chronologically.

"Trying to guess how blockchain will affect us in 20 years is like standing in 1995 and trying to imagine mobile banking. It's really too early to tell and I'm sure that the ultimate applications will be things we can't even imagine now," says Amber Baldet, the Program Lead at investment bank J.P. Morgan's Blockchain Centre of Excellence.

Whatever does come next, are you open to having your routine 'disrupted' for the better? ■

The heart of Heartland



Heartland Bank reaffirms commitment to 'spiritual home' in Ashburton by upgrading its main street premises

When Heartland Bank's predecessor opened in Ashburton in 1875, it was one of a handful of businesses in a rural community coming into its own. The small and hard-working population was building the town it dreamed of, and it was working – the railway had just been put through, Ashburton Borough School just built, the Rakaia River bridged and £20,000 invested for road construction. All of this contributed to the rise of the close-knit rural community, and Heartland is proud to have been part of the journey.

Almost 150 years later, Heartland Bank is still very much a part of the Ashburton community, and the Ashburton branch manager Andrew Wilson and his team are delighted the bank is cementing its long history with the town by investing in its East Street premises.

"Ashburton is the 'spiritual home' of Heartland and we've grown alongside the community," says Andrew. "Being a local business means being part of the community you do business in – knowing the people, supporting their causes and caring about the town as a whole. Earthquake strengthening and refurbishing the historic building we've worked in for years, which is part of the downtown origins, reflects that connection."

Recognising its roots

Heartland's roots stretch back to 1875 with the inception of the Ashburton Permanent Building & Investment Society, which subsequently merged with SMC Building Society and Loan & Building Society to become CBS Canterbury. For over a century it provided people in the Canterbury region with home, rural and business loans, term investments, savings and day-to-day accounts.

In January 2011, CBS Canterbury merged with Southern Cross and MARAC – two businesses with similarly long histories – to create Heartland Building Society, and later Heartland Bank.

The business has evolved significantly since those days and, while Heartland Bank's head office is in Auckland, CEO Jeff Greenslade says that its heart still lies in Canterbury.

"This legacy is important to us and one of the reasons why we are keen to retain our presence on Ashburton's main street," says Jeff. "Upgrading the building is an investment in Ashburton and its customers – both of which we highly value."

Andrew says the move is welcomed by both the branch and the community.

"Being dubbed the 'spiritual home' of Heartland is something that really resonates with the team and our

customers. I think we all feel proud to be part of such a long-standing business."

While the upgrade and earthquake strengthening is being done, the team is operating out of a temporary location at 165 Tancred Street.

Customer-focused team

These days, the Ashburton team is looking to give the bank's 142-year history with the town a run for its money – the 13 staff have almost a century of banking experience between them.

"We have a very knowledgeable group of people with a wide range of expertise," says Andrew, who started at the branch 13 years ago. "However, I believe it's our customer service that truly sets us apart and helps retain our loyal customer base."

Andrew says this is particularly important because, between moving to the temporary location and an updated online banking system, it's been a year of change for several customers.

"Excellent customer service is what can make or break a relationship," says Andrew. "We routinely receive positive feedback on this front and, despite the disruption, it has actually increased over the past nine months.

"I believe a large part of that is our approach. At our branch, we believe in treating a person as a person, having a real conversation and doing our absolute best to help them – especially when they're frustrated with or confused by changes we've made."

Products to be proud of

Andrew says the team's good reputation and experience is complemented by the bank's excellent range of niche products.

"Some of our term deposit and online call account products are market-leading, our rural expertise is well-known and reverse mortgages are becoming more and more popular."

He says it has been interesting familiarising himself with Heartland Bank's increasing product offering, but more intriguing is seeing how well they resonate with customers.

"I enjoy dealing with people," says Andrew. "It's great to get to know them and find a product that helps them achieve their goals – whether it's starting a new business, buying new stock or living a more enjoyable life in retirement."

He adds that Heartland Bank's growth is also part of what he finds appealing.

"I like working for a New Zealand bank that continues to grow and develop – it's inspiring to be a part of." ■

The Heartland Bank network



The Ashburton team is looking forward to returning to its East Street premises once the historic building has been earthquake strengthened and refurbished

INGREDIENTS

Base

- 200g butter, at room temperature, cubed
- 1/2 cup caster sugar
- 1 free-range egg
- 1 1/4 cups plain flour
- 1/2 cup peanut butter

Marshmallow

- 2 cups water
- 2 tbsp powdered gelatine
- 1 cup caster sugar
- 2 tsp vanilla essence or paste
- 2 tbsp cornflour

Topping

- 150g good-quality dark eating chocolate (at least 60% cocoa solids - Whittaker's works well)
- 75ml cream
- 3/4 cup icing sugar

Peanutty marshmallow squares

The best thing about dessert is that it's not seasonal. It adds to any meal all year round - especially when it's entirely homemade, like these delicious peanutty marshmallow squares!

Making marshmallow is fun - although you do need to use an electric beater to get enough air in to make it light and fluffy. The peanut base of this slice is so tasty, it could almost be a dessert treat by itself! If you want to make it extra decadent, add a layer of caramel between the base and the marshmallow (canned or make your own). If you like, you could add a few drops of food colouring and strawberry essence to make the marshmallow strawberry flavoured. Or, try swirling a bit of jam through the marshmallow before it goes on the base.

1. Preheat the oven to 190°C. Line a slice tin with baking paper (up the sides too).

2. To make the base, cream the butter and sugar together (I use a food processor for this and scrape down the sides every now and then). Beat in the egg, then add the flour and peanut butter and mix until combined. Spread in an even layer in the tin using a spatula and clean, moistened fingers (or place a piece of cling wrap on top and press it out that way).

3. Bake in the centre of the oven for

15 minutes. Remove and cool in tin.

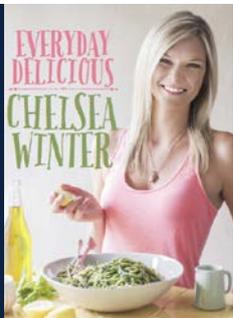
4. To make the marshmallow, bring the water to a boil in a large saucepan. Add the gelatine and whisk briskly until dissolved. Add the sugar and whisk until dissolved. Bring to a steady, gentle rolling boil (not a hard boil) over a medium heat and leave for 10 minutes without stirring.

5. Remove from the heat and cool until warm. Add vanilla essence, and beat mixture with an electric beater (or in a cake mixer with whisk attachment) until very thick and almost

doubled in volume - about 10 minutes. Beat in the cornflour. Pour mixture over the base and refrigerate until set - about 1 hour.

6. To make the topping, melt the broken-up chocolate and cream in a heatproof bowl over a pan of simmering water (make sure the bowl doesn't touch the water). Mix well, then sift in the icing sugar and mix to combine. Cool until warm, and pour over slice.

7. Refrigerate, when set (after 30 minutes), cut into pieces. It will keep in an airtight container in the fridge for a week.



Recipe from
Everyday Delicious
by Chelsea Winter,
published by
Random House,
RRP: \$50.00

Heartland 2018 diary

No matter how many new apps there are, there will always be seven days in a week and 52 weeks in the year.

So what better way to keep track than the 2018 Heartland diary? It's as popular as ever and its pocket size (smaller than your average smart phone) makes it nice and handy. To order your copy, please email invest@heartland.co.nz. Please title your email 'Diary request' and give us the name and address of the recipient. Alternatively, call Invest Direct on **0800 85 20 20**.



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