

Heartland Annual Meeting 2024: Chair's Address

Good afternoon, ladies and gentlemen. Thank you for joining us today.

1. The year in review

There is no doubt that the financial year ended 30 June 2024 (**FY2024**) was challenging and Heartland Group Holdings Limited's (**Heartland's**) (**NZX/ASX: HGH**) financial results were not as strong as we would have liked. However, in the context of a weak economy, Heartland's net profit after tax (**NPAT**) of \$74.5 million, or \$102.7 million on an underlying basis¹, was solid. The same can be said for gross finance receivables (**Receivables**)² which were up 6.4%³. This is testament to Heartland's best or only product strategy.

In FY2024, Heartland also met some key strategic milestones which have helped to pave the way for the next phase of our evolution as a banking group.

Notably, the acquisition of Challenger Bank Limited (**Challenger Bank**) on 30 April 2024 saw Heartland Bank Limited (**Heartland Bank**) become the first New Zealand bank to buy an Australian bank.

Importantly though, we acknowledge that key metrics essential to shareholder return need improvement. Our share price has not performed well in more recent times, and return on equity (**ROE**) has decreased to 6.6%, or 9.8% on an underlying basis. We are focused on fixing this.

2. Shareholder return

While the recent capital raise to fund the Challenger Bank acquisition had an impact on earnings per share, it was a necessary part of our expansion into Australia and critical to enhancing Heartland's longer-term value proposition.

We greatly appreciate and acknowledge the significant level of support and investment from shareholders during that capital raise. We were pleased to raise \$210 million to successfully purchase Challenger Bank and support further growth and capital requirements across the group.

¹ Financial results are presented on a reported and underlying basis. Reported results are prepared in accordance with NZ GAAP and include the impacts of positive and negative one-offs, which can make it difficult to compare performance between periods. Underlying results (which are non-GAAP financial information) exclude the impact of the de-designation of derivatives, the fair value changes on equity investments held, the Australian Bank Programme costs, an increase in provisions for a subset of legacy lending, the Challenger Bank NPAT, and any other impacts of one-offs. Adjusted NPAT before excluding the increase in provisions for a subset of legacy lending and the Challenger Bank NPAT was \$87.9 million (**Adjusted NPAT**). The use of underlying results is intended to allow for easier comparability between periods and is used internally by management for this purpose. Refer to page 7 of Heartland's FY2024 investor presentation (**IP**) for a summary of reported and underlying results, page 8 for details about FY2024 one-offs, and pages 35 and 36 for general information about the use of non-GAAP financial measures, available at heartlandgroup.info.

² Receivables includes Reverse Mortgages.

³ Excludes the impact of changes in foreign currency exchange (**FX**) rates.

We are taking a prudent approach to capital and expect to continue to fund our business through organic capital generation. At this stage, we do not currently expect to seek additional capital from the market unless we identify a growth opportunity that is sensible and beneficial for shareholders. In this respect, the resolution seeking shareholder approval to ratify placement capacity is to preserve optionality.

Regarding dividends, in September we paid a final dividend of 3 cents per share, bringing the total dividend for FY2024 to 7 cents per share. The total dividend payout ratio for FY2024 was 55% of underlying NPAT and takes into consideration the recent capital raise, the acquisition of Challenger Bank and associated growth opportunities.

We expect to target a similar dividend payout ratio in the financial year ending 30 June 2025 (**FY2025**). The Board will continue to actively manage dividend settings and carefully consider the declaration of any dividends subject to maintaining a prudent level of capital needs, while having regard to ROE accretive growth opportunities and financial performance.

3. Outlook

The year ahead will see a transformation of the business. As we set ourselves up for long-term success, in FY2025 we are focused on ensuring the right foundations are in place to deliver growth and enhanced shareholder return.

Since becoming the ultimate parent company of two banks in two jurisdictions, Heartland's role has evolved. Its operations are now focused on group strategy, investor relations, corporate finance, capital allocation and strategic and risk management oversight of each bank. Ultimately, Heartland will be focused on improving shareholder return. Andrew will discuss this in more detail.

New Zealand's focus is on simplification and efficiency. Keeping our business simple and focusing on the markets and asset classes which allow us to be the best or only at what we do. Leanne will expand on this shortly.

In Australia, we now have a secure position and a greater opportunity to meet the growth potential in this market – growth which we can now fund ourselves through retail deposits. As Heartland Bank Australia Limited (**Heartland Bank Australia**) continues to establish itself and bed in new ways of working, structural and process efficiencies will increase the bank's capacity to do more. Michelle will share more on this in her address.

All of this is expected to contribute towards our ambitions as a Group for the financial year ending 30 June 2028 (**FY2028**).

Looking towards the end of FY2025, as the New Zealand and Australian economies improve, we expect this to have a positive effect on lending performance.

However, the volatility we experienced in FY2024 has continued in the markets we operate in and continues to create too much uncertainty to provide an accurate underlying NPAT guidance range for FY2025. We will revisit our ability to provide guidance as the financial year progresses.

With that said, under Andrew, Leanne and Michelle's leadership, the Board is confident in Heartland's ability to execute against its best or only strategy and deliver enhanced value to customers and shareholders.

4. Board and Management updates

Moving to Board and Management updates, this year saw several changes, largely as a result of the Australian bank acquisition.

Board

On 30 April 2024, we were pleased to appoint a highly skilled Board to lead Heartland Bank Australia. The Board is chaired by Geoff Summerhayes and has a strong level of independence and regulatory knowledge to drive our strategy for expansion in Australia.

Following Ellie Comerford's resignation from the Heartland Group Board on 26 June 2024, we were pleased to strengthen the Board's Australian capability with the appointments of Rob Bell and Simon Beckett on 27 June 2024. In addition to their Australian banking expertise, Rob and Simon bring skillsets which complement the Group's best or only strategy. This includes Rob's expertise in digital banking, technology and growth strategies, and Simon's motor finance experience.

On 30 April 2024, John Harvey was also appointed to the Heartland Group Board. He remains on the Heartland Bank Board.

Management

On 22 July, we welcomed Michelle Winzer to the role of Chief Executive Officer (**CEO**) of Heartland Bank Australia. Michelle has made great progress in bringing the three Australian businesses together in very quick time, in a highly regulated market. Michelle will speak to this in more detail soon.

After 15 years with Heartland and its predecessors, on 30 September 2024, Jeff Greenslade retired from his role as CEO of Heartland, and from all of his Heartland directorships. As one of Heartland's founders, Jeff's contribution to the business and our shareholders has been outstanding, as I am sure you will agree.

On 1 October 2024, the Board was pleased to appoint Andrew Dixson as CEO of Heartland. The Board is confident in Andrew's ability to lead Heartland in the next stage of its journey, focused on capital allocation and an improved return on equity.

As announced in September, Andrew's previous role of Group Chief Financial Officer will not be replaced, and the Deputy Group CEO role has been disestablished. This means Chris Flood will finish with Heartland on 31 October 2024.

As many of our shareholders will be familiar, Chris first joined Heartland through a predecessor entity in 1997 and has held a number of senior management positions at Heartland. This included as CEO of Heartland Bank before he was appointed Deputy Group CEO in August 2022.

On behalf of the Board, I would like to express our sincere thanks to Chris for his significant contribution to Heartland and acknowledge the value he has created for our shareholders. We wish him all the best in his next endeavours.

5. Conclusion

I wish to conclude my address this afternoon by expressing my sincere thanks and gratitude to our shareholders. We appreciate the confidence you have placed in us and are committed to delivering enhanced shareholder return. This is something which we take very seriously.

Thank you also to my fellow directors for their wise counsel, and the Management team who continue to provide strong leadership for Heartland.

On behalf of the Board and Management, I wish to thank Heartland's employees for their hard work and dedication to our customers.

Thank you once again. I will now ask Andrew Dixson to address you.