

# Heartland Group Holdings Limited

(NZX: HGH)

ASX Small and Mid-Cap Conference

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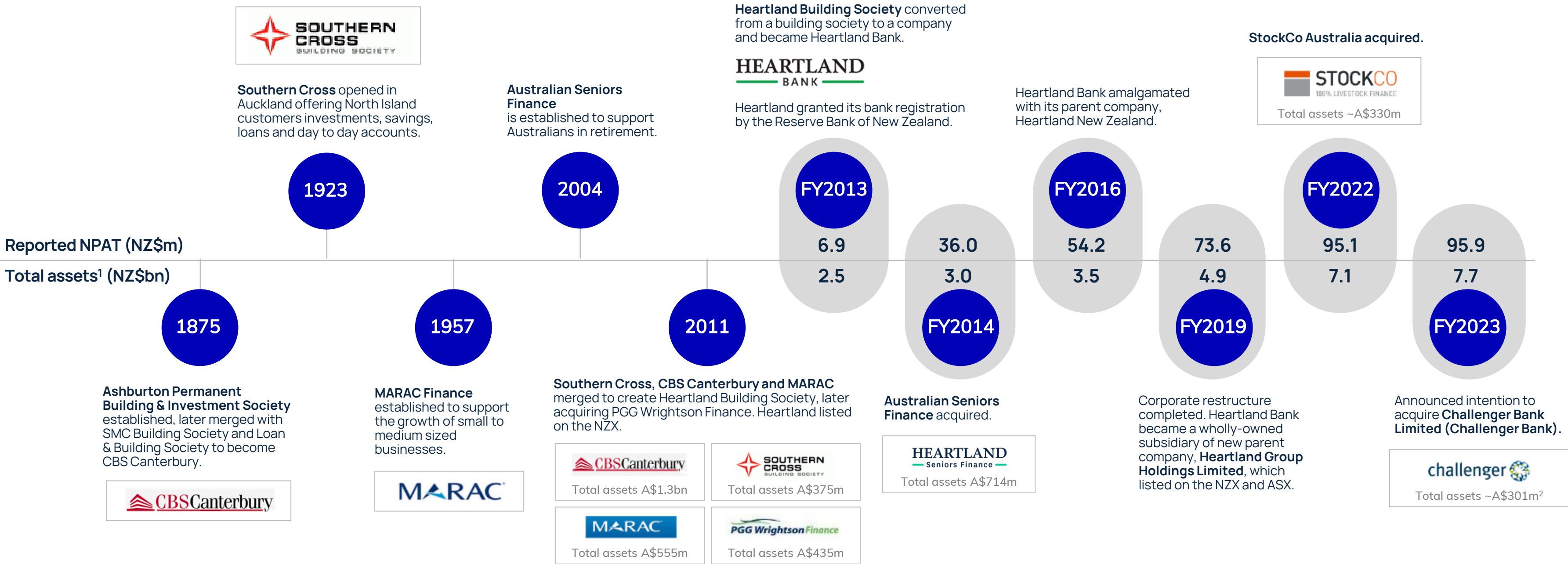
# About Heartland

# A specialist financial services group with “best or only” products.

- Heartland is an Australasian financial services group, listed on the NZX Main Board and the ASX under a Foreign Exempt Listing (NZX/ASX: HGH).
- Market cap in excess of NZ\$1bn.
- “Best or only” product strategy with a commitment to digitalisation and a reduction in cost to income (CTI) ratio.
- Significant opportunity for growth in New Zealand and Australia.

# More than 145 years of doing things differently

Heartland’s origins date back to 1875 where it started as a small building society in New Zealand. In 2011, following the wake of the Global Financial Crisis, that building society merged with several other Kiwi financial institutions to become Heartland. Growth through acquisition has remained a core part of Heartland’s strategy.



**Note:** Years prior to 2013 represent calendar years and years from 2013 onwards represent financial years.  
<sup>1</sup> As at the end of the reporting period. <sup>2</sup> Estimated total asset position upon completion.

# Best or only finance

Rather than do what's been done, Heartland focuses on **providing products that are the best or only of their kind, through scalable digital platforms**. This is underpinned by the following three strategic pillars.



### Business as Usual Growth

Continuing to maximise current positioning while expanding product variations.



### Frictionless Service at the Lowest Cost

Investing in technology and improving customer experience while lowering costs through removing 'friction' (processes and tasks that can be automated or accessed through self-service platforms).



### Expansion in Australia

Growing Reverse Mortgages while broadening our offering both to the senior demographic and in areas where we have expertise, and where it meets our “best or only” model, e.g. livestock and, following completion of the Challenger Bank acquisition (subject to APRA and RBNZ approval), small business and consumer lending.

## Recognised and market leading products<sup>1</sup>

| New Zealand |                                                                                                                                                    |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
|             | <ul style="list-style-type: none"><li>New Zealand's leading provider of reverse mortgages.</li></ul>                                               |
| Australia   |                                                                                                                                                    |
|             | <ul style="list-style-type: none"><li>Leading active provider of reverse mortgages, holding ~38% market share in March 2023.<sup>2</sup></li></ul> |
|             | <ul style="list-style-type: none"><li>Leading provider of specialist livestock finance for Australian food producers.</li></ul>                    |

<sup>1</sup> Select awards presented only. <sup>2</sup>Based on APRA authorised deposit-taking institution (ADI) Property Exposure and Heartland Finance data. Market size based on Australian reverse mortgages issued by ADIs only.

# Group financial highlights

|                         | NPAT                                 | NIM                  |                        | CTI ratio              | Impairment expense ratio | ROE                    | EPS                    |
|-------------------------|--------------------------------------|----------------------|------------------------|------------------------|--------------------------|------------------------|------------------------|
| Reported                | \$95.9m                              | 3.97%                |                        | 44.9%                  | 0.36%                    | 10.4%                  | 14.0 cps               |
|                         | ↑<br>0.8% vs FY2022                  | ↓<br>8 bps vs FY2022 |                        | ↑<br>126 bps vs FY2022 | ↑<br>11 bps vs FY2022    | ↓<br>169 bps vs FY2022 | ↓<br>2.1 cps vs FY2022 |
| Underlying <sup>1</sup> | \$110.2m                             | 4.00%                |                        | 42.0%                  | 0.36%                    | 11.9%                  | 16.0 cps               |
|                         | ↑<br>14.6% vs FY2022                 | ↓<br>2 bps vs 1H2023 | ↓<br>16 bps vs FY2022  | ↓<br>53 bps vs FY2022  | ↑<br>7 bps vs FY2022     | ↓<br>68 bps vs FY2022  | ↓<br>0.3 cps vs FY2022 |
|                         |                                      |                      |                        |                        |                          |                        |                        |
|                         | Receivables <sup>2</sup>             |                      | Borrowings             |                        | Equity                   |                        | Final dividend         |
|                         | \$6,791m                             |                      | \$6,627m               |                        | \$1,031m                 |                        | 6.0 cps                |
|                         | ↑<br>10.1% <sup>3</sup> vs June 2022 |                      | ↑<br>7.4% vs June 2022 |                        | ↑<br>27.5% vs June 2022  |                        | ↑<br>0.5 cps vs FY2022 |

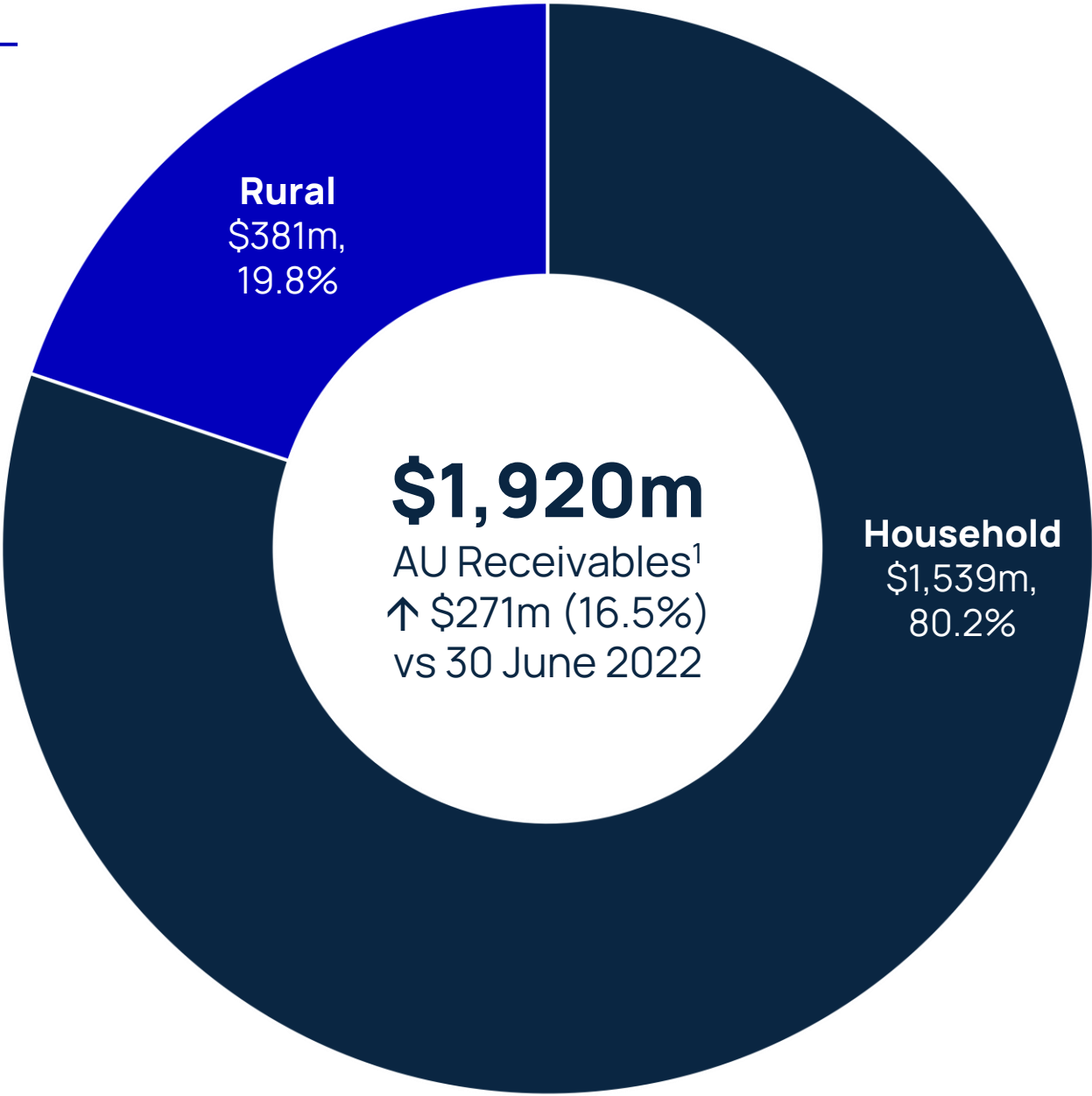
<sup>1</sup> Financial results are presented on a reported and underlying basis. Reported results are prepared in accordance with NZ GAAP and include the impacts of positive and negative one-offs, which can make it difficult to compare performance. Underlying results (which are non-GAAP financial information) exclude any impacts of one-offs. This is intended to allow for easier comparability between periods, and is used internally by management for this purpose. A detailed reconciliation between reported and underlying financial information, including details about FY2023 and FY2022 one-offs, is set out in Heartland’s FY2023 full year results investor presentation available at heartlandgroup.info. General information about the use of non-GAAP financial measures is also available in that presentation. <sup>2</sup>Receivables also includes Reverse Mortgages. <sup>3</sup>Excluding the impact of changes in FX rates.

# AU divisional summary



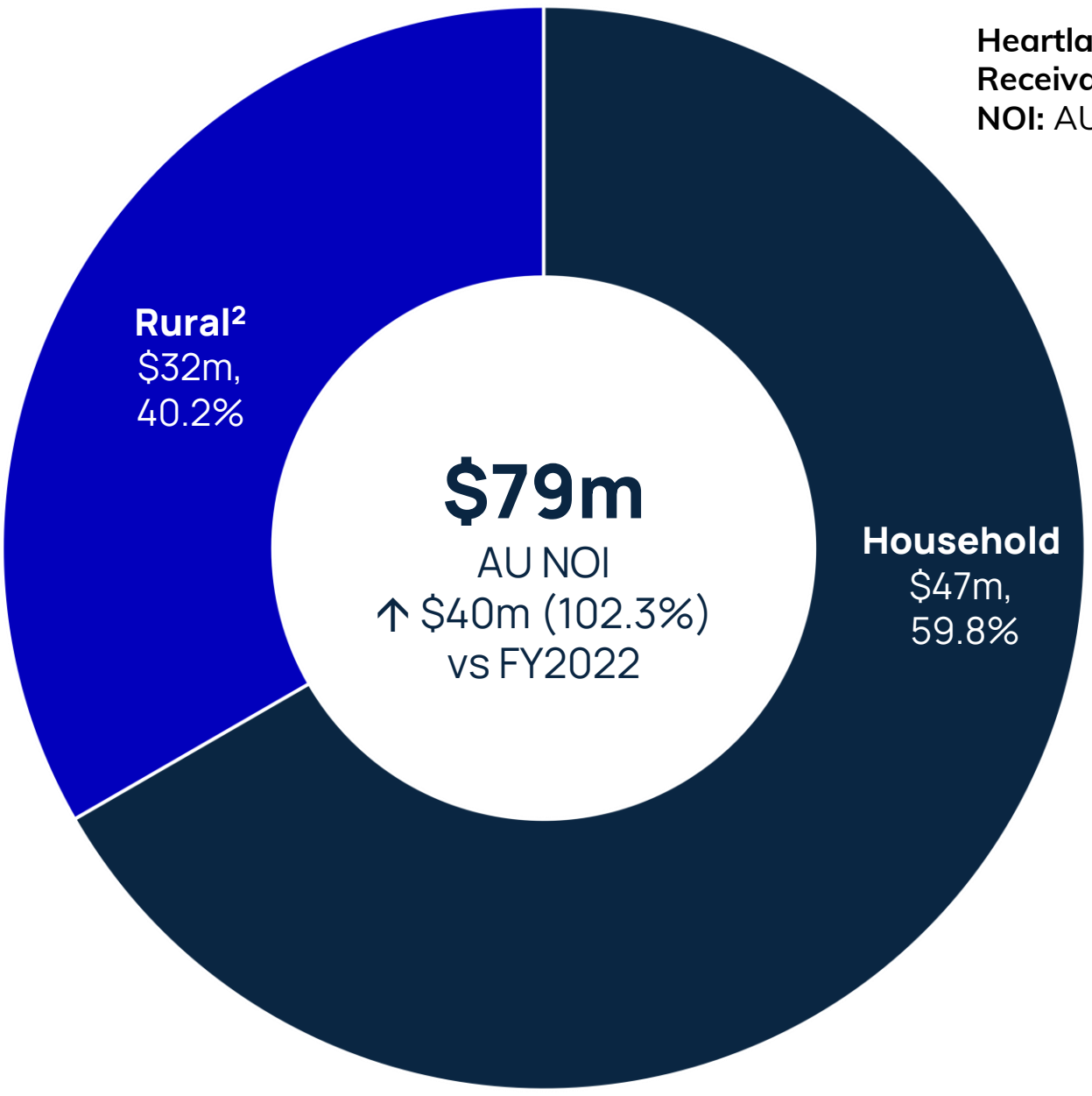
## Rural

StockCo Australia, Livestock Finance  
Receivables: AU\$381m  
NOI: AU\$32m



## Household

Heartland Finance, Reverse Mortgages  
Receivables: AU\$1.54bn  
NOI: AU\$47m



<sup>1</sup>Excluding the impact of changes in FX rates  
<sup>2</sup>Includes full year contribution of StockCo Australia since the completion of acquisition on 31 May 2022.

# NZ divisional summary

## Rural

**Livestock**  
**Receivables:** NZ\$191m  
**NOI:** NZ\$7.4m

**Rural Direct**  
**Receivables:** NZ\$85m  
**NOI:** NZ\$2.6m

**Rural Relationship**  
**Receivables:** NZ\$424m  
**NOI:** NZ\$24.2m

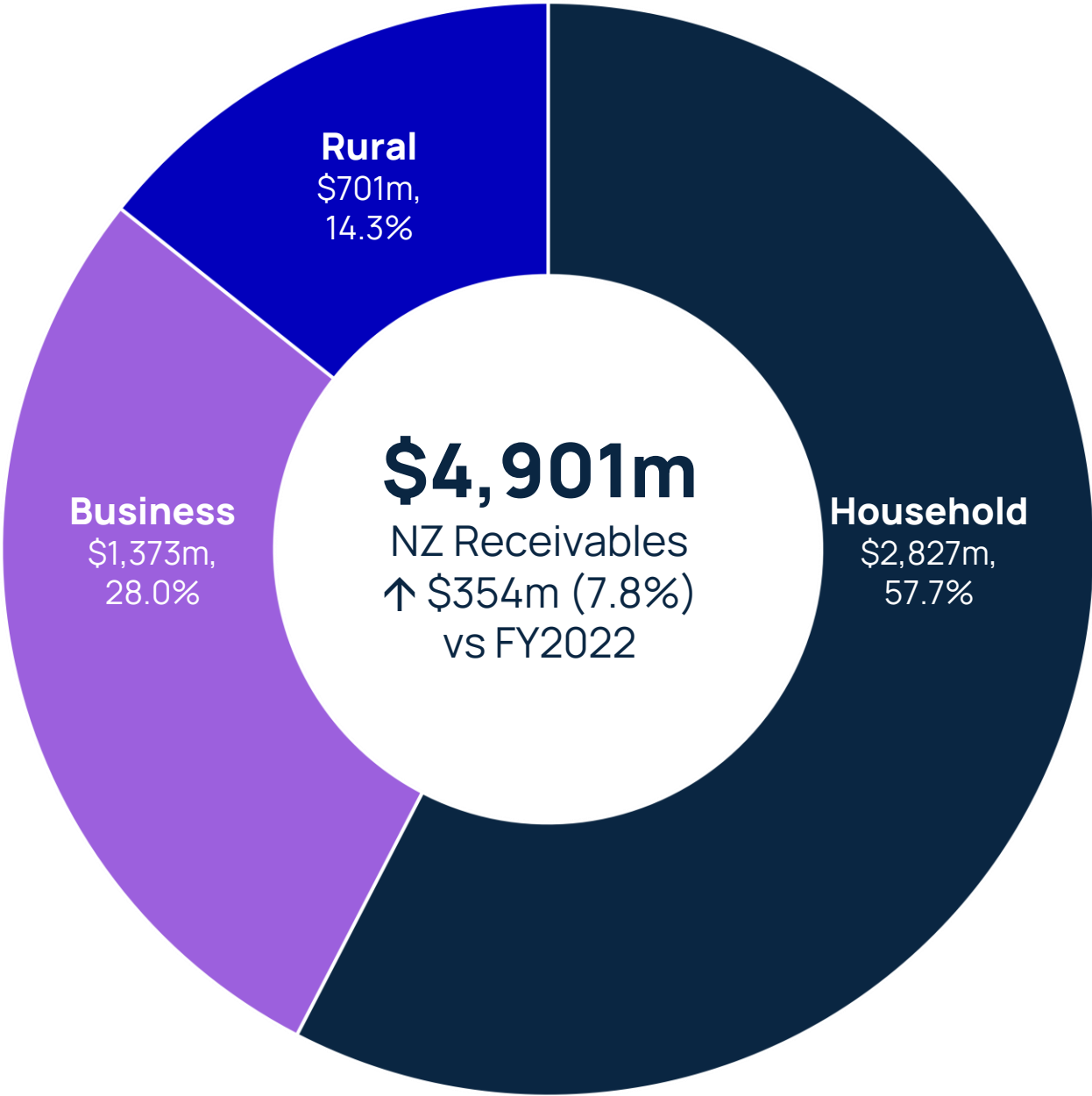
## Business

**Asset Finance**  
**Receivables:** NZ\$683m  
**NOI:** NZ\$30.3m

**Relationship**  
**Receivables:** NZ\$329m  
**NOI:** NZ\$18.3m

**Wholesale Lending**  
**Receivables:** NZ\$245m  
**NOI:** NZ\$13.5m

**Open for Business**  
**Receivables:** NZ\$117m<sup>2</sup>  
**NOI:** NZ\$12.9m



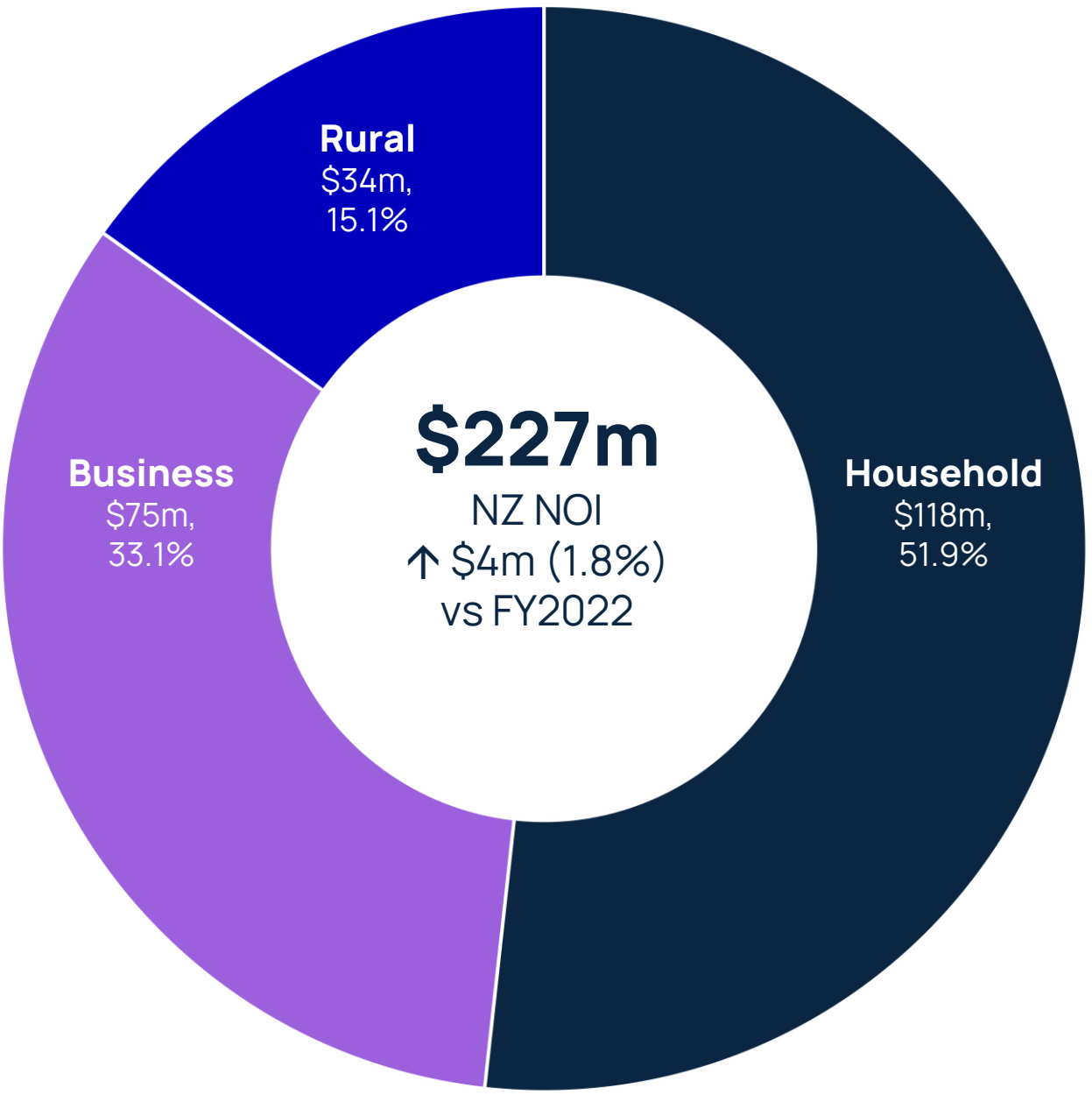
## Household

**Motor Finance**  
**Receivables:** NZ\$1.57bn  
**NOI:** NZ\$64.2m

**Reverse Mortgages**  
**Receivables:** NZ\$889m  
**NOI:** NZ\$42.4m

**Home Loans<sup>1</sup>**  
**Receivables:** NZ\$320m  
**NOI:** NZ\$4.4m

**Personal Loans**  
**Receivables:** NZ\$47m<sup>2</sup>  
**NOI:** NZ\$6.6m



<sup>1</sup>Includes Online Home Loans and legacy Retail Mortgages.  
<sup>2</sup>Excluding the impact of changes in FX rates

# Investment proposition

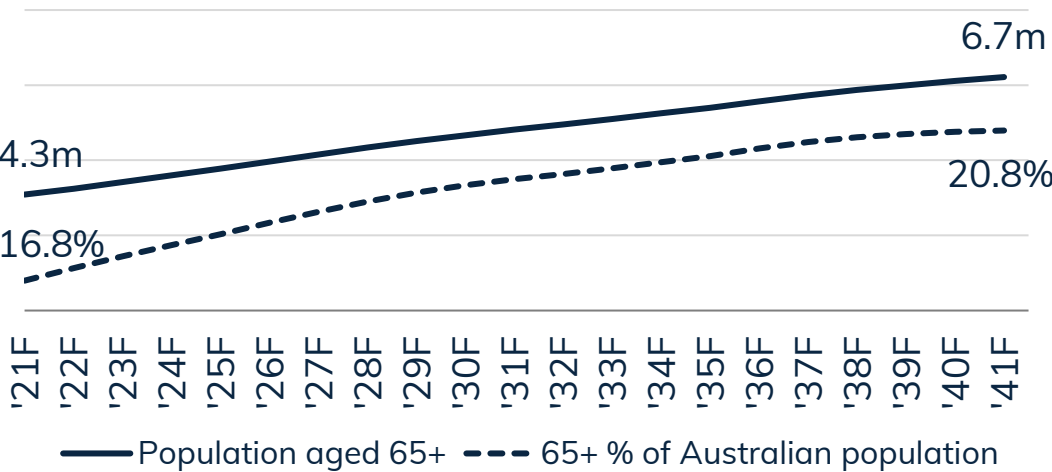
# Positioned to benefit from structural tailwinds

Strong structural tailwinds are supporting Heartland’s target growth sectors in Australia.<sup>1</sup>

## Reverse Mortgages

Addressable market estimated to be AU\$10-15bn.<sup>2</sup>

Australia’s projected population aged 65+<sup>3</sup>



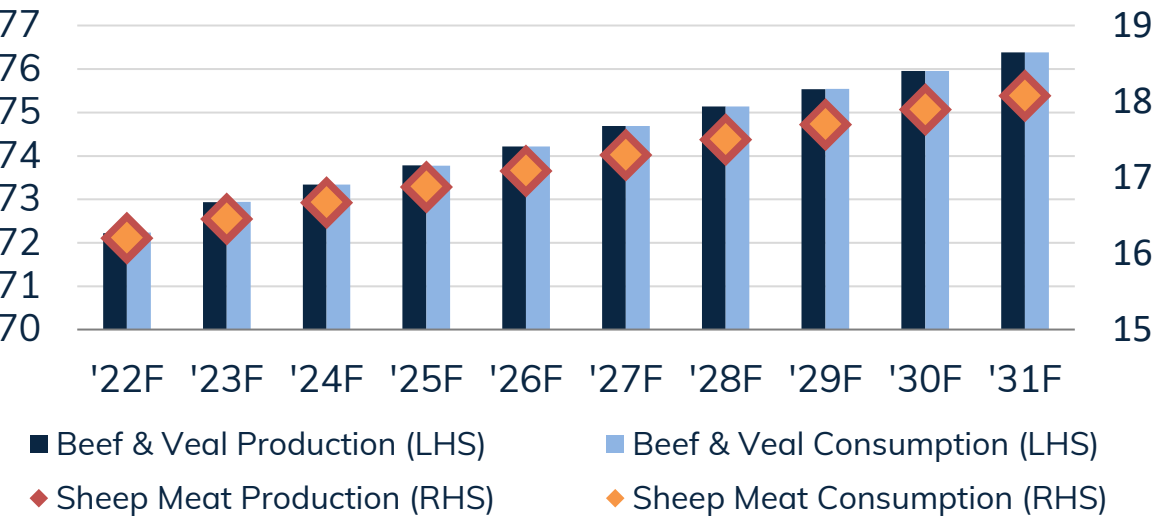
### Market dynamics

- Proportion of Australian population aged 65+ is expected to reach 21% by 2041 (up from ~17% in 2021).<sup>3</sup>
- Limited competition due to exit of many industry players, including major banks.
- Increased awareness due to introduction of Government backed Home Equity Access Scheme (**HEAS**) in 2019.

## Livestock Finance

Addressable market estimated to be AU\$7bn.<sup>4</sup>

Global projected beef, veal & sheep meat production & consumptions (MT CWE)<sup>5</sup>



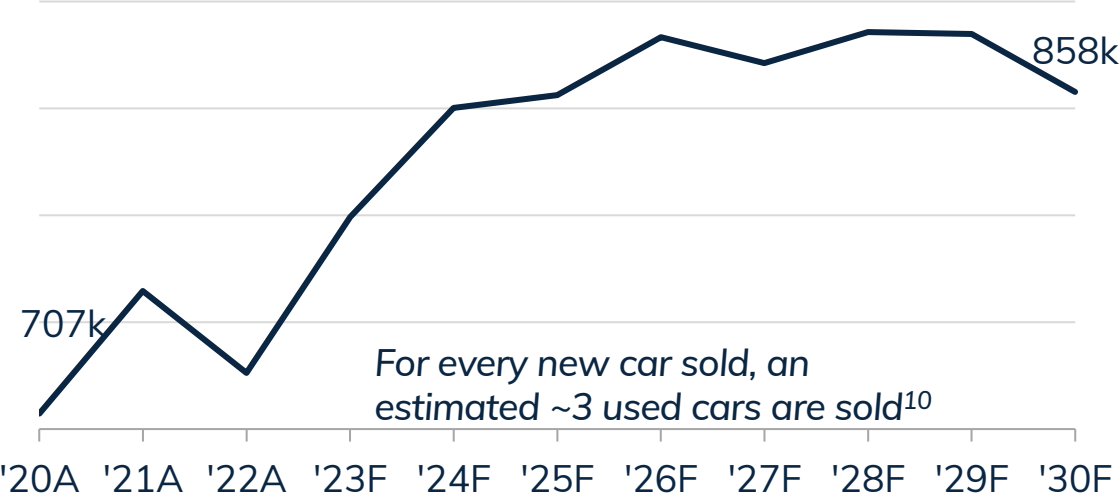
### Market dynamics

- Global consumption and production of beef and veal, and sheep meat projected to increase 0.62% and 1.22% annually between 2022-2031 respectively due to a combination of income and population growth.<sup>5</sup>
- Rising disposable income in Asia is expected to bolster demand for Australia's high-quality beef.<sup>6</sup>
- Value of sheep meat exports expected to remain high in 2023-2024 due to record production volumes and strong demand.<sup>7</sup>

## Motor Finance

Addressable market estimated to be \$35bn.<sup>8</sup>

New Australian passenger motor vehicle sales<sup>9</sup>



### Market dynamics

- Australian logistics and freight market projected to grow by 5.85% from 2021-2027 (US\$81bn to US\$114bn).<sup>11</sup>
- If Heartland were to provide auto lending with bank/deposit funding, there is an opportunity to win market share against non-banks that lack capital to grow in the current environment.<sup>1</sup>

<sup>1</sup> Heartland does not currently have a motor finance business in Australia. Heartland intends to consider offering motor finance in the Australian market following completion of the Challenger Bank acquisition, which is subject to APRA and RBNZ approval. <sup>2</sup> Heartland internal analysis based on information from the ABS, Census and Deloitte. Market size based on reverse mortgage lending from banks and non-banks. <sup>3</sup> Sourced from ARC Centre of Excellence in Population Ageing Research as at August 2022. <sup>4</sup> Based on ABS total rural debt and StockCo Australia data. <sup>5</sup> Sourced from OECD-FAO Agricultural Outlook 2022-2031 as at 2022. MT CWE denotes megaton carcass weight equivalent. <sup>6</sup> Sourced from IBISWorld Beef Cattle Farming in Australia report dated August 2022. <sup>7</sup> Sourced from OECD-FAO Agricultural Outlook 2021-2030. <sup>8</sup> Annual lending includes consumer and commercial lending segments (see ABS 5601.0 Table 7 LTM to June 2020, and ABS 5671.0 Table 9 LTM to November 2018 (ABS discontinued ABS 5671.0 in November 2018)). <sup>9</sup> Based on IBISWorld New Passenger Motor Vehicle Sales report dated April 2023. Forecasted data from 2023 onwards New passenger motor vehicles are constructed primarily for the carriage of persons and containing up to nine seats (including the driver's seat). Included are cars, station wagons, four-wheel drive passenger vehicles, campervans and passenger vans or mini buses with fewer than 10 seats. <sup>10</sup> Sourced from Carsales "Acquisition of further 40% of webmotors and Equity Raising" presentation dated 8 March 2023. <sup>11</sup> Australia Freight and Logistics Market to 2027.

# Outsized organic growth opportunity once banking licence acquired<sup>1</sup>

Key to Heartland’s expansion in Australia is obtaining an authorised deposit-taking institution (**ADI**) licence. Heartland intends to do this through the acquisition of Challenger Bank, which remains subject to regulatory approvals.

Subject to regulatory approval and completion, the intention is to integrate and leverage Heartland’s common distribution channels in New Zealand to expand into Australia.

### Acquisition benefits

- Access to a deep and efficient pool of funding to support ongoing growth across Heartland’s Australian businesses.
- Potential uplift in margin, to the extent that retail funding rates are less than wholesale rates.
- A platform to extend Heartland’s “best or only” product strategy in Australia.

| Growth segment    | Existing expertise                                                                                                                                                                                                                                                                                                                                   |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reverse Mortgages | <ul style="list-style-type: none"><li>✓ Leading active provider of reverse mortgages, helping 22k customers in New Zealand and 26k customers in Australia.</li><li>✓ Australian Reverse Mortgages book has more than quadrupled since acquisition in 2014, growing market share from ~26% in March 2020 to ~38% in March 2023.<sup>2</sup></li></ul> |
| Livestock Finance | <ul style="list-style-type: none"><li>✓ Strong expertise from the New Zealand rural portfolio, with specialist teams in both countries.</li><li>✓ StockCo Australia has been operating in Australia since 2014 and is a leading specialist livestock financier.</li><li>✓ Established direct and distributor networks.</li></ul>                     |
| Motor Finance     | <ul style="list-style-type: none"><li>✓ Leading provider of vehicle finance in New Zealand, with 65+ years’ experience.</li><li>✓ Heartland’s motor book grew 13.5% over FY2023.</li><li>✓ Branded white label strategy for large dealer groups assisted growing market share at the quality end of the market.</li></ul>                            |
| Asset Finance     | <ul style="list-style-type: none"><li>✓ Heartland Bank Asset Finance has grown 21% CAGR between FY19-FY23.</li><li>✓ Broker and intermediary distribution strategy enables sustainable growth.</li><li>✓ Targeting customers operating in productive segments of the market where sustained growth is demonstrated.</li></ul>                        |

<sup>1</sup> Completion of the Challenger Bank acquisition is subject to APRA and RBNZ approval. <sup>2</sup> Based on APRA ADI Property Exposure and Heartland Finance data as at 31 March 2023. Market size based on Australian reverse mortgages issued by ADIs only.

# Large inorganic growth opportunity in Australia

Heartland’s strong track record of successful M&A will be leveraged to actively pursue further inorganic growth opportunities.

## Strong track record of M&A

| Acquisition       | Overview                                                                                                                                                                                                                                                                                                                                          |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Challenger Bank   | <ul style="list-style-type: none"><li>Announced entry into a conditional agreement for the acquisition of Challenger Bank, an established ADI in Australia, in October 2022.</li><li>Completion is subject to regulatory approval.</li><li>Several benefits, including the opportunity to add scale to Heartland’s Australian business.</li></ul> |
| StockCo Australia | <ul style="list-style-type: none"><li>Completed the acquisition of StockCo Australia, a specialist livestock finance company for cattle and sheep producers in Australia, in May 2022.</li><li>Broadened Heartland’s Australian offering in an area where it already has expertise in New Zealand.</li></ul>                                      |
| Heartland Finance | <ul style="list-style-type: none"><li>Acquired reverse mortgage provider Australian Seniors Finance in April 2014 – the largest non-bank reverse mortgage lender in Australia at the time.</li><li>Benefits included expanding into Australia, leveraging Heartland’s existing expertise and scale in New Zealand.</li></ul>                      |

## Significant inorganic growth opportunities

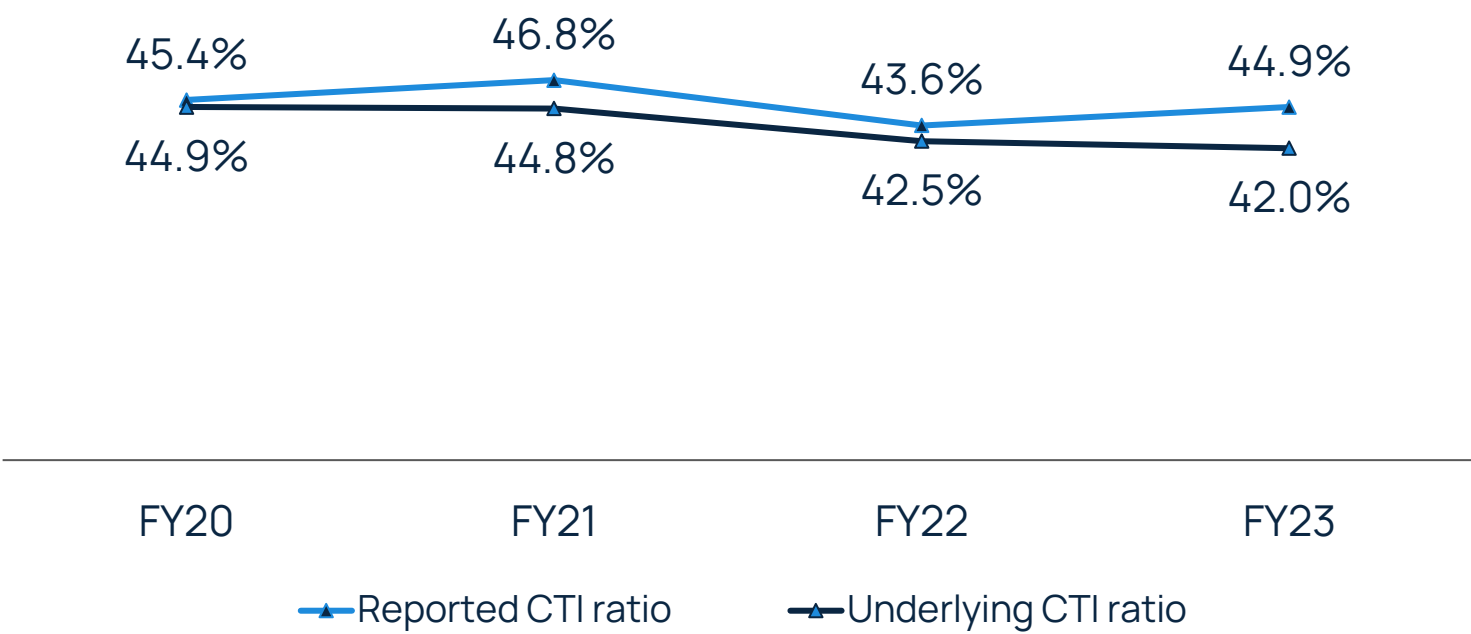
Acquisitions will be explored where there is a fit with Heartland’s “best or only” product strategy and an opportunity to add value as a means of adding scale or technology.

| Opportunity                                | Commentary                                                                                                                                                                                                                          |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reverse mortgages                          | <ul style="list-style-type: none"><li>Acquire reverse mortgage books in Australia from major banks who have exited the market.</li></ul>                                                                                            |
| Agricultural                               | <ul style="list-style-type: none"><li>Consolidate agricultural finance companies in Australia to achieve additional scale.</li><li>Potentially acquire select portfolios from major banks who may look to manage capital.</li></ul> |
| Non-bank lenders – motor and asset finance | <ul style="list-style-type: none"><li>Potential to acquire motor finance portfolios from non-bank lenders where assets are under pressure given rising funding costs, rising inflation and capital constraints.</li></ul>           |
| Partnerships/white label opportunities     | <ul style="list-style-type: none"><li>Opportunity to white label reverse mortgages with strategic partners.</li></ul>                                                                                                               |

# CTI ratio reduction initiatives

A number of initiatives are being delivered through a systemised programme of work to enhance digital, self-service and automation capabilities across Heartland Bank in New Zealand.

CTI ratio



## Four key automation and digitalisation initiatives:

### Zero inbound calls

Digitise basic banking requests to enable customers to self-serve via the Heartland Mobile App, create a seamless user experience, and reduce inbound customer call volumes. In doing so, employees will be able to focus on more complex customer requests.

- Heartland Bank’s ambition is to reduce inbound customer call volumes by approx. 73% by 30 June 2025 by developing Mobile App self-service features to address the top reasons for inbound customer calls.

### One-Click Deferral

Offer flexibility for customers to self-manage their Motor Finance loan repayments digitally via the Mobile App, including customers in arrears.

- Develop seven new functions and features to enable customers to self-manage repayments, reducing the need for customers to contact Heartland Bank.

### Process automation

Upgrade and introduce scalable digital technologies to optimise back-end processes and improve efficiency.  
Increase automation to improve workflows and reduce manual effort, reducing friction for customers and employees.

- Heartland Bank’s ambition is to automate approx. 65% of operations and collections manual processes by 30 June 2025.

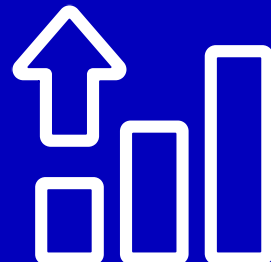
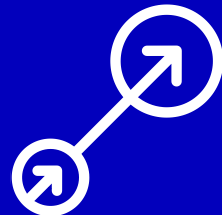
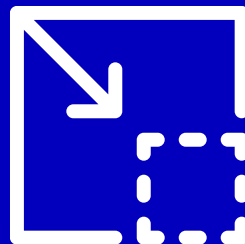
### Motor digitalisation

- Continued enhancement of Motor Finance digital capabilities to enable faster and easier access to vehicle finance through online application platforms.
- Intention to rollout seven branded online origination platforms to Motor Finance dealer partners in FY2024.

Note:  
• CTI ratio is calculated as OPEX/NOI.  
• Underlying CTI ratio excludes one-off impacts. For a reconciliation between reported and underlying results, refer to Appendix 3 in Heartland’s FY2023 full year results investor presentation available at heartlandgroup.info.

# Outlook

# Outlook

|                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Business as usual growth</b> <ul style="list-style-type: none"><li>Heartland's strength is its track record of strong growth in core lending portfolios.</li><li>Growth focus will be on Reverse Mortgages, Motor Finance, Asset Finance and Livestock Finance.</li><li>Supported by ongoing digitalisation and automation of lending platforms.</li><li>Leverage demographic-driven demand in Reverse Mortgages.</li></ul> |   | <b>NIM stabilisation</b> <ul style="list-style-type: none"><li>NIM outlook is stable with repayment and replacement of legacy lower margin Motor Finance and Asset Finance loans.</li><li>Growth mix will continue to influence margin, causing acceptable contraction offset by corresponding growth.</li></ul>                                                                                                                                                                                                                          |    |
| <b>Obtain an ADI licence</b> <ul style="list-style-type: none"><li>Complete Challenger Bank acquisition, which remains subject to RBNZ and APRA approval. Post-completion, Heartland's focus will be on integration and leveraging its common distribution channels in NZ to expand into AU.</li></ul>                                                                                                                         |  | <b>Ambition to double underlying NPAT within 5 years</b> <ul style="list-style-type: none"><li>Since 2012, Heartland's NPAT has more than tripled.</li><li>Ambition to continue track record of income growth by doubling underlying NPAT within 5 years.</li></ul>                                                                                                                                                                                                                                                                       |    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                      | <b>Ambition to reduce underlying CTI ratio to &lt; 35% by FY2028</b> <ul style="list-style-type: none"><li>Digitalisation initiatives underway to improve operational efficiency and increase customer self-service functionality, including One-Click Deferral, reducing telephony, and further automation.</li><li>Revenue growth and careful management of costs critical pathways to a reduced CTI ratio.</li><li>Stable CTI ratio expected while investment and delivery of initiatives continues.</li></ul>                         |  |
| <b>FY2024 NPAT</b>                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                      | <ul style="list-style-type: none"><li>Heartland expects NPAT for FY2024 to be within the guidance range of \$116 million to \$122 million, excluding any impacts of fair value changes on equity investments held and the impact of the de-designation of derivatives, and any costs related to the acquisition of Challenger Bank, which remains subject to RBNZ and APRA approval.</li><li>As the acquisition nears completion, guidance will be updated to reflect the impact of Challenger Bank becoming part of Heartland.</li></ul> |                                                                                       |

# Thank you

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# Appendix 1: Sustainability

Heartland’s sustainability framework is built on three key pillars: environment, people and financial wellbeing.

## Environment

- Support the just transition to a net-zero economy.



**Unaudited operational GHG emissions for FY2023 saw a 17% reduction** on the FY2019 base year.



Introduced an **environment risk screening tool** in the credit decisioning process to understand the sustainability of larger business and rural borrowers.



Undertook **ANZSIC code analysis to understand Heartland’s exposure to customers in high emitting industries**, or industries subject to a heightened degree of transitional risk as a result of climate factors.



**Lending to new generation vehicles** more than doubled from 5% of all lending in FY2022 to 11% in FY2023.

## People

- Create a pathway and place for Heartland’s people to grow, thrive and be empowered to achieve Heartland’s goals as one team.
- Care for the communities Heartland operates in.
- Care for Heartland’s customers.



The Manawa Ako internship welcomed 25 Māori and Pasifika interns in its sixth intake. **More than 110 interns welcomed since 2017.**



Heartland Bank maintained accreditation for the **Rainbow Tick, as a Hearing Accredited Workplace, and Living Wage Employer.**



**More than \$710,000 granted** through the Heartland Trust in the areas of education, arts and culture, and wellbeing.<sup>1</sup>



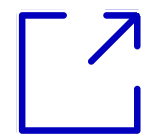
Heartland Bank’s products recognised as providing exceptional value for customers through Canstar NZ awards for **Savings Bank of the Year** and **Outstanding Value Home Lender.**

## Financial wellbeing

- Support the financial wellbeing of Heartland’s customers and communities.



**Supported more than 48,000 people in NZ and AU to live a more comfortable retirement** by releasing equity from their homes with a reverse mortgage.



**Continued to offer Heartland Extend** to consumer customers, supporting customers to make existing loan repayments more manageable.

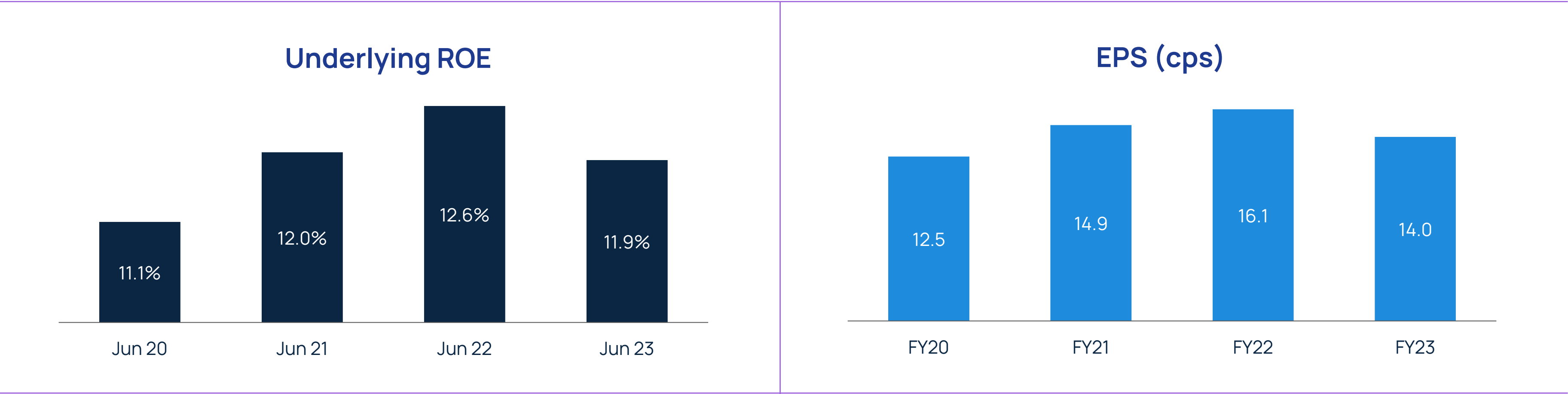


Development of new features and automation to Heartland Bank’s mobile app and some online application forms to **enable customers to control their own finances in their own time.**

<sup>1</sup> The Heartland Trust is Heartland’s registered charitable trust which is independent from, but closely supported by Heartland.

# Appendix 2: Shareholder return

- Underlying ROE of 11.9% (down 68 bps vs FY2022).<sup>1</sup>
- EPS of 14.0 cps, down 2.1 cps compared with FY2022.
- Underlying EPS of 16.0 cps (down 0.3 cps vs FY2022).
- Final dividend of 6.0 cps, taking FY2023 total dividend to 11.5 cps, up 0.5 cps on FY2022.
- Dividend yield of 9.3%<sup>2</sup> (FY2022: 7.1%<sup>3</sup>).
- Heartland’s DRP will apply to the final dividend with a 2.0% discount.<sup>4</sup>



<sup>1</sup>Underlying ROE refers to ROE calculated using underlying results. When calculated using reported results, ROE was 10.4%, down 169 bps. See page 4 of Heartland’s FY2023 Investor Presentation available at <http://www.heartlandgroup.info/> for more information about the use of ROE, a supplementary, non-GAAP measure.

<sup>2</sup>Total fully imputed dividends divided by the closing share price as at 25 August 2023 of \$1.72.

<sup>3</sup>Total fully imputed dividends divided by the closing share price as at 19 August 2022 of \$2.16.

<sup>4</sup>That is, the strike price under the DRP will be 98.0% of the volume weighted average sale price of Heartland shares over the five trading days following the Record Date. For the full details of the DRP and the Strike Price calculation, refer to the Heartland DRP offer document dated 10 December 2018.

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# Appendix 3: Reconciliation of reported with underlying results

## FY2023 one-offs included in the reported result:

- *Hedging*: a \$9.1 million loss was recognised in relation to derivatives that were de-designated from prior hedge accounting relationships in FY2022.
- *Valuation of equity investments*: a \$4.5 million fair value loss was recognised on investment in Harmony shares.
- *Bridging loan*: a \$1.9 million interest expense was recognised for a \$174 million (A\$158 million) bridging loan taken by Heartland to acquire StockCo Australia, which was fully repaid in September 2022.
- *Other provisions*: \$0.7 million of unwarranted legacy provisions were released.
- *ABP costs*: \$2.2 million of transaction and other costs in relation to becoming an ADI in Australia. In addition, \$6.4 million of costs directly attributable to applying to become an ADI have been capitalised as an intangible asset.
- *Other non-recurring expenses*: \$0.3 million.

## FY2022 one-offs included in the reported result:

- *Hedging*: A \$16.7 million gain was recognised in relation to derivatives that were de-designated from hedge accounting relationships.
- *Valuation of equity investments*: a \$12.7 million fair value loss was recognised on investment in Harmony shares, and a further \$0.3 million fair value loss was recognised on Heartland Bank's rights over a profit-sharing arrangement with a customer.
- *Impairment provisions*: \$9.6 million COVID-19 Overlay, originally raised in FY2020, remained entirely unutilised and was released in full. A new \$8.0 million Economic Overlay was created.
- *Voluntary amortisation of intangibles*: \$2.9 million expense was recognised for intangibles that are no longer expected to derive future economic benefits.
- *Other non-recurring expenses*: \$1.0 million.
- *Aged items provisions and legacy accruals*: a combined \$0.5 million of unwarranted accruals and provisions for aged legacy suspense account transactions were released.
- *Tax adjustments*: a \$1.2 million release of tax provisions relating to prior periods and \$0.2 million of other non-recurring tax benefits were recognised during the year.

| \$m                                       | FY2023       | FY2022       | Movement (\$)   | Movement (%) |
|-------------------------------------------|--------------|--------------|-----------------|--------------|
| <b>Reported NOI</b>                       | <b>285.3</b> | <b>267.6</b> | <b>17.7</b>     | <b>6.6%</b>  |
| <i>Less:</i>                              |              |              |                 |              |
| StockCo Australia impacts                 | (1.9)        | 1.9          | (3.8)           |              |
| Hedge accounting impacts                  | (9.1)        | 16.7         | (25.8)          |              |
| Net fair value gain/loss on investments   | (4.5)        | (13.0)       | 8.5             |              |
| <b>Underlying NOI</b>                     | <b>300.7</b> | <b>262.0</b> | <b>38.7</b>     | <b>14.8%</b> |
| <b>Reported OPEX</b>                      | <b>128.1</b> | <b>116.8</b> | <b>11.3</b>     | <b>9.7%</b>  |
| <i>Less:</i>                              |              |              |                 |              |
| StockCo Australia impacts                 | -            | 1.9          | (1.9)           |              |
| Voluntarily accelerated amortisation      | -            | 2.9          | (2.9)           |              |
| Legacy provisions and accruals            | (0.7)        | (0.5)        | (0.2)           |              |
| ABP costs                                 | 2.2          | -            | 2.2             |              |
| Other non-recurring items                 | 0.3          | 1.0          | (0.7)           |              |
| <b>Underlying OPEX</b>                    | <b>126.2</b> | <b>111.4</b> | <b>14.9</b>     | <b>13.4%</b> |
| <b>Reported impairment expense</b>        | <b>23.2</b>  | <b>13.8</b>  | <b>9.4</b>      | <b>68.1%</b> |
| <i>Less:</i>                              |              |              |                 |              |
| StockCo Australia impacts                 | -            | (0.3)        | 0.3             |              |
| COVID-19 overlay release                  | -            | (9.6)        | 9.6             |              |
| Economic Overlay created                  | -            | 8.0          | (8.0)           |              |
| <b>Underlying impairment expense</b>      | <b>23.2</b>  | <b>15.7</b>  | <b>7.5</b>      | <b>47.9%</b> |
| <b>Reported NPAT</b>                      | <b>95.9</b>  | <b>95.1</b>  | <b>0.7</b>      | <b>0.8%</b>  |
| <i>Less:</i>                              |              |              |                 |              |
| Post-tax impact of one-offs               | (14.3)       | (2.3)        | (12.0)          |              |
| Tax adjustments relating to prior periods | -            | 1.4          | (1.4)           |              |
| <b>Underlying NPAT</b>                    | <b>110.2</b> | <b>96.1</b>  | <b>14.1</b>     | <b>14.6%</b> |
| Reported NIM                              | 3.97%        | 4.05%        | (8 bps)         |              |
| <b>Underlying NIM</b>                     | <b>4.00%</b> | <b>4.16%</b> | <b>(16 bps)</b> |              |
| Reported CTI                              | 44.9%        | 43.6%        | 126 bps         |              |
| <b>Underlying CTI</b>                     | <b>42.0%</b> | <b>42.5%</b> | <b>(53 bps)</b> |              |
| Reported ROE                              | 10.4%        | 12.1%        | (169 bps)       |              |
| <b>Underlying ROE</b>                     | <b>11.9%</b> | <b>12.6%</b> | <b>(68 bps)</b> |              |