HEARTLAND GROUP

Investor Presentation

# FY2025 Full Year Results

For the 12 months ended 30 June 2025

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# Executive summary

**Andrew Dixson** Chief Executive Officer, Heartland Group

# Presentation of results

## Financial results in this investor presentation are presented on a reported and underlying basis.

- Reported results are prepared in accordance with NZ GAAP and include the impacts of one-offs, both positive and negative, which can make it difficult to compare performance between periods.
- FY2025 underlying results (which are non-GAAP financial information) exclude the impact of one-off regulatory assurance costs arising in relation to the acquisition of (now) Heartland Bank Australia, one-off staff exit costs, the de-designation of derivatives, fair value changes on equity investments held, other non-recurring costs and other impacts of non-recurring income. This is intended to allow for easier comparability between periods and is used internally by management for this purpose.
- Heartland has presented its FY2026 guidance on an underlying basis. The FY2026 underlying financial metrics are non-GAAP financial information that are intended to be determined in a manner consistent with Heartland's FY2025 underlying results, noting that adjustments from statutory financial information are expected to be limited to any fair value changes on equity investments held and other one-off non-recurring expenses.

Adjustments for underlying results impact NOI, OPEX, NPAT, NIM and EPS. Underlying ROE, underlying CTI ratio and underlying impairment expense ratio measures are supplementary, non-GAAP measures that may be used by investors, industry analysts and others in assessing and benchmarking profitability and performance against the industry and/or other companies. A GAAP and non-GAAP comparative is provided for each of these measures.

Refer to page 6 for a detailed comparison between reported and underlying financial information, page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs.

General information about the use of non-GAAP financial measures is set out on page 48 of this investor presentation.

# FY2025 summary

## A year of significant reset, change and integration.

Heartland prioritised capital efficiency during FY2025, restoring a superior margin and actively derisking its lending portfolios to strengthen its foundations for the future.

## Overview

- NPAT of $38.8m. **Underlying NPAT of $46.9m**, meeting underlying NPAT guidance of at least $45m.
- After a reset of some of its NZ lending portfolios in 1H2025, Heartland **substantially met its 2H2025 Outlook metrics**.
- **Superior margin restored**, with NIM up 17 bps to 3.56%, and each bank ending FY2025 with a strong exit margin (4.13% in NZ and 3.59% in AU).[1]
- OPEX up $53.2m (38.1%) primarily due to non-repeating benefits in FY2024, the cost base of the ADI and subsequent costs related to regulatory requirements following the ADI acquisition, hiring for growth, and software related costs. **Cost growth is stabilising.**
- Impairment expense up $25.2m (54.3%) due to an increase for the NZ bank in 1H2025 in response to the impact of the ongoing deterioration in economic conditions on some lending portfolios and to **derisk and reposition some of the NZ bank's lending portfolios**.[2]
- The introduction of more prescriptive collections and recoveries policies in 2H2025 has had a positive effect on asset quality and recovery outcomes, exceeding Heartland's initial expectations. **Overall asset quality is improving**, and Motor Finance arrears are now performing better than the industry average.[3]
- An **increased focus on capital optimisation** through several key initiatives and accelerated NSA realisation is enabling capital to be redeployed to high-return core lending portfolios.
- Heartland's existing AU businesses have now been integrated into the acquired ADI **to form a new and unique Australian bank**.
- **The AU funding transition has been successful**, with deposits forming 81% of the AU bank's funding. The AU bank now has a deep, stable and diverse platform to efficiently fund future lending growth.
- **Strong growth continued in Reverse Mortgages** in both countries (up 15.5% in NZ and 18.5% in AU), demonstrating growing market demand for this product.
- **Good momentum achieved in Livestock Finance** in NZ (up 18.4%) and a return to growth in AU (up 1.5%, arresting the FY2024 decline of 27.5%).
- **Growth has remained challenged in Motor Finance and Asset Finance** due to subdued economic conditions and a focus on higher quality lending.
- **Final dividend of 2 cps**, bringing the total FY2025 dividend to 4 cps.



**Note:** See page 4 for a definition of underlying financial metrics. Refer to page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs. All comparative figures and percentage increases or decreases are against FY2024, unless explicitly stated otherwise.

[1] Exit margin is the NIM on the last day in the reporting period.

[2] See Heartland's market update announcement published on 18 February 2025 for more detail.

[3] Industry average arrears are based on auto arrears as at June 2025, reported by Centrix in its Credit Insights Report, July 2025. See page 43.

# Group financial results

| | | Reported | | | | | Underlying | | | | | Reported v Underlying | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY25 | FY24 | Movement | | | FY25 | FY24 | Movement | | | FY25 | FY24 |
| Financial performance | NII | $307.3m | $277.6m | ↑ | $29.7m | 10.7% | $307.3m | $277.8m | ↑ | $29.6m | 10.6% | - | ($0.2m) |
| | OOI[1] | $15.6m | $12.7m | ↑ | $2.9m | 22.6% | $15.5m | $20.2m | ↓ | ($4.7m) | (23.2%) | $0.1m | ($7.5m) |
| | **NOI** | **$322.9m** | **$290.4m** | ↑ | **$32.5m** | **11.2%** | **$322.8m** | **$298.0m** | ↑ | **$24.8m** | **8.3%** | **$0.1m** | **($7.7m)** |
| | OPEX | $192.5m | $139.4m | ↑ | $53.2m | 38.1% | $181.3m | $124.9m | ↑ | $56.4m | 45.2% | $11.2m | $14.5m |
| | Impairment expense | $71.6m | $46.4m | ↑ | $25.2m | 54.3% | $71.6m | $30.4m | ↑ | $41.2m | 135.5% | - | $16.0m |
| | GFV provision | $1.5m | - | ↑ | $1.5m | n/a | $1.5m | - | ↑ | $1.5m | n/a | - | - |
| | Tax expense | $18.4m | $30.0m | ↓ | ($11.6m) | (38.7%) | $21.5m | $39.9m | ↓ | ($18.5m) | (46.2%) | ($3.1m) | ($10.0m) |
| | **NPAT[2]** | **$38.8m** | **$74.5m** | ↓ | **($35.7m)** | **(47.9%)** | **$46.9m** | **$102.7m** | ↓ | **($55.8m)** | **(54.4%)** | **($8.1m)** | **($28.2m)** |
| | NIM | 3.56% | 3.39% | ↑ | 17 bps | | 3.56% | 3.64% | ↓ | (8 bps) | | (0bps) | (25 bps) |
| | CTI ratio | 59.6% | 48.0% | ↑ | 1162 bps | | 56.2% | 41.9% | ↑ | 1425 bps | | 346 bps | 609 bps |
| | Impairment expense ratio[3] | 1.00% | 0.66% | ↑ | 33 bps | | 1.00% | 0.44% | ↑ | 56 bps | | 0 bps | 23 bps |
| | ROE | 3.2% | 6.6% | ↓ | (341 bps) | | 4.2% | 9.8% | ↓ | (578 bps) | | (99 bps) | (336 bps) |
| | EPS | 4.1 cps | 9.8 cps | ↓ | (5.7 cps) | | 5.0 cps | 13.5 cps | ↓ | (8.5 cps) | | (0.9 cps) | (3.7 cps) |

| | | Jun 25 | Jun 24 | Movement | | |
|---|---|---|---|---|---|---|
| Financial position | Liquid assets | $1,135m | $1,708m | ↓ | ($573m) | (33.5%) |
| | Receivables[4] | $7,156m | $7,241m | ↓ | ($85m)[5] | (1.2%)[5] |
| | Borrowings | $7,355m | $7,994m | ↓ | ($638m) | (8.0%) |
| | Equity | $1,219m | $1,238m | ↓ | ($19m) | (1.5%) |
| | Equity/total assets | 14.1% | 13.3% | ↑ | 76 bps | |



**Note:** See page 4 for a definition of underlying financial metrics. Refer to page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs.

[1] Reported OOI includes fair value gains/losses on investments.

[2] Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation.

[3] Impairment expense as a percentage of average Receivables.

[4] Receivables also includes Reverse Mortgages.

[5] Including the impact of changes in FX rates.

# FY2025 reported vs. underlying

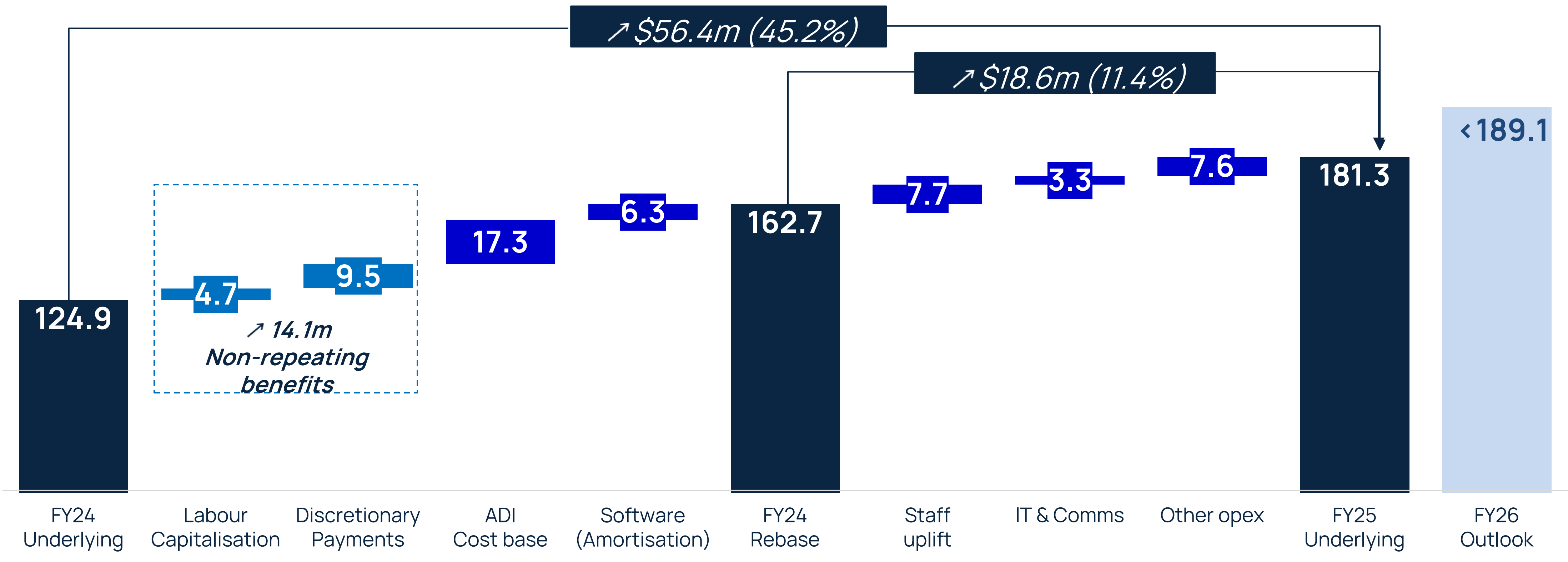
| | FY2025 | Entity | | |
|---|---|---|---|---|
| | | HBL | HBAL | HGH[2] |
| **Reported NPAT** | **$38.8m** | **$21.9m** | **$29.8m** | **($12.8m)** |
| – De-designation of derivatives | $1.1m | $1.1m | - | - |
| – Fair value changes on equity investments held | ($1.6m) | ($1.6m) | - | - |
| – Other non-recurring income | $0.5m | $0.5m | - | - |
| **Other operating income (OOI)** | **($0.1m)** | **($0.1m)** | **-** | **-** |
| – One-off regulatory assurance costs arising in relation to the acquisition of (now) Heartland Bank Australia | $1.5m | $1.1m | $0.4m | $0.1m |
| – One-off staff exit costs | $7.3m | $0.8m | $1.0m | $5.5m |
| – Other non-recurring cost | $2.3m | $1.9m | - | $0.4m |
| **Operating expenses (OPEX)** | **$11.2m** | **$3.7m** | **$1.4m** | **$6.1m** |
| **Tax impact** | **($3.1m)** | **($1.0m)** | **($0.4m)** | **($1.7m)** |
| **Underlying NPAT[1]** | **$46.9m** | **$24.6m** | **$30.8m** | **($8.5m)** |

- The impact from the de-designation of derivatives completed in 1H2025.
- 2H2025 one-offs were limited to any fair value changes on equity investments held and other one-off non-recurring expenses.
- Heartland expects the difference between reported and underlying NPAT in FY2026 to be limited only to any fair value changes on equity investments held and other one-off non-recurring expenses.

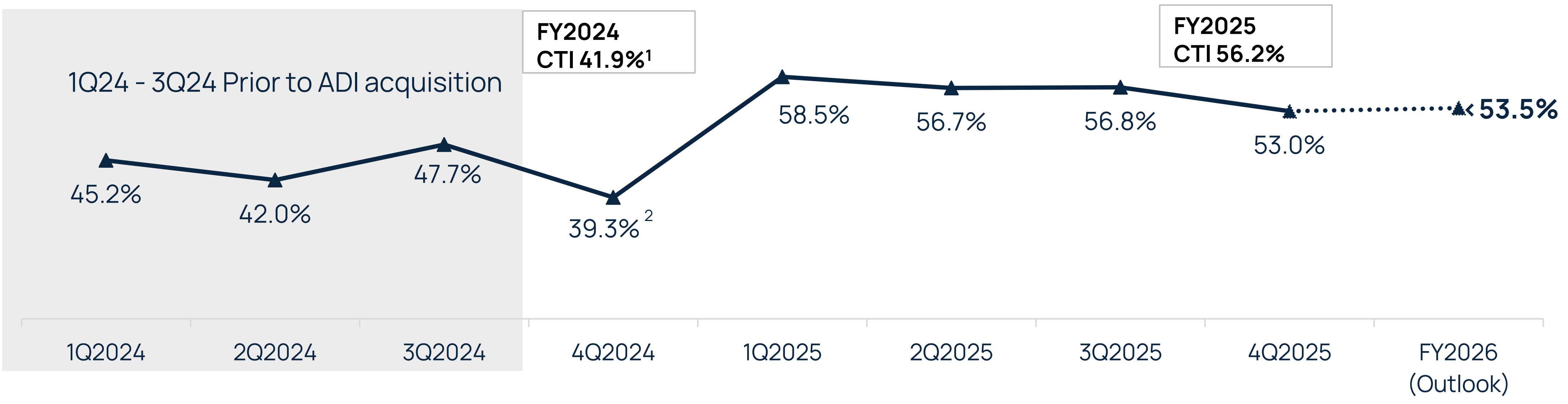


**Note:** Refer to page 49 for details about FY2024 one-offs.
[1] See page 4 for definition of underlying financial metrics. Refer to page 6 for a detailed comparison between reported and underlying financial information.
[2] Includes consolidation and eliminations.

# Underlying OPEX




| CTI% | 41.9% | | 50.4% | | 56.2% |
|---|---|---|---|---|---|




## FY2025 v FY2024

- **OPEX was up primarily as a result of the ownership, governance and integration of the AU bank:**
  - the AU bank was required to maintain its own core functions
  - the NZ bank required increased investment in core functions to address additional regulatory oversight responsibilities.
- **Additional cost drivers included:**
  - non-repeating benefits from costs capitalised to projects in FY2024 not occurring in FY2025, and non-payment of short-term incentives and reversal of long-term incentive accruals in FY2024
  - hiring to enable quality growth
  - software amortisation from the NZ bank's core banking system upgrade completed in late 2023
  - implementing a modern, organisation-wide finance and HR platform, and investing in IT security
  - the long-term renewal of the AU bank's core banking system and to accommodate increased volume from deposits.
- **Other operating expenses** includes costs aligned with AU Reverse Mortgage growth, elevated professional fees which are expected to decline, and additional audit and board costs related to the ADI.

## FY2026 outlook

- **Heartland is committed to disciplined cost control and improving the underlying CTI ratio.**
  - NZ bank underlying OPEX is expected to remain largely flat on FY2025.
  - AU bank underlying OPEX is expected to increase mainly due to variable costs tied to growth. The underlying CTI ratio is expected to reduce due to an uplift in NOI.



**Note:** CTI ratio is calculated as OPEX/NOI. Underlying CTI ratio excludes one-off impacts . See page 4 for definition of underlying financial metrics. Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation.

[1] FY2024 CTI ratio is adjusted for the impacts of the ADI acquisition.

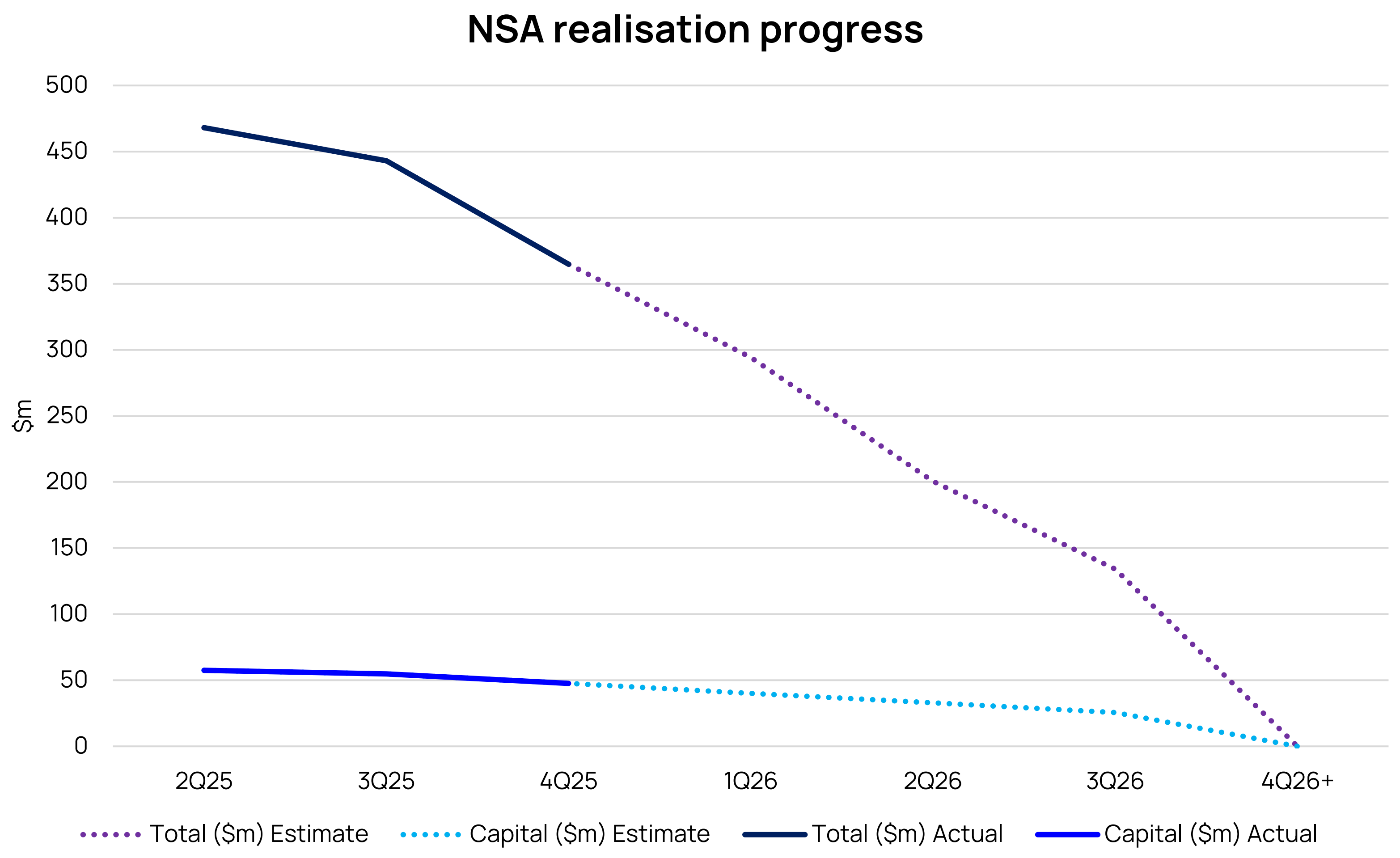
[2] The decrease in CTI ratio is largely driven by the release of discretionary bonus accrual in June 2024 . Adjusting for this release and other one offs, the 4Q2024 CTI ratio would be 44.3%.

# Non-strategic asset (NSA) realisation progress

## Accelerated NSA realisation is enabling capital to be redeployed to high-return core lending portfolios.

- Online Home Loans is in run down after Heartland Bank closed applications to new customers on 18 March 2025.
- 4Q2025 saw the largest reduction in Receivables NSA balances since NSA portfolio reporting commenced.
- Work to achieve accelerated exits from the Rural and Business Relationship borrowers is progressing as planned, however the complexity of some cases has impacted timing. Exit strategies are well developed for all borrowers and progress is under tight monitoring.
- Individual exit strategies include working towards faster short-term exits while also pursuing medium-term options to better position the assets concerned to achieve greater value.
- Simultaneously, effort also continues to achieve a full or partial sale, or refinance of the Rural and Business Relationship NSAs as a portfolio.
- Reflecting the progress made to 30 June 2025, the quarterly NSA realisation targets for FY2026 have been reviewed and revised with no material changes.

| | | Outstanding balance | | 2H2025 realisation | |
|---|---|---|---|---|---|
| **Asset** | **NZ ($m)** | 31 Dec 2024 | 30 Jun 2025 | Actual | Target |
| **Rural Relationship** | Total ($m) | 122.6 | 112.0 | 10.6 | 7.4 |
| | Capital ($m) | 18.9 | 17.1 | 1.8 | 1.3 |
| **Business Relationship** | Total ($m) | 59.6 | 47.8 | 11.8 | 27.9 |
| | Capital ($m) | 9.2 | 6.9 | 2.4 | 3.5 |
| **Home Loans[1]** | Total ($m) | 252.4 | 171.7 | 80.7 | 92.1 |
| | Capital ($m) | 13.8 | 10.2 | 3.5 | 4.6 |
| **Properties** | Total ($m) | 16.2 | 16.2 | - | - |
| | Capital ($m) | 2.6 | 2.6 | - | - |
| **Investment Properties** | Total ($m) | 4.4 | 4.4 | - | 1.0 |
| | Capital ($m) | 0.6 | 0.6 | - | 0.1 |
| **Equity Investments (NZ)** | Total ($m) | 5.3 | 7.0 | - | - |
| | Capital ($m) | 5.3 | 4.5 | - | - |
| **Equity Investments (AU)** | Total ($m) | 7.6 | 5.7 | - | - |
| | Capital ($m) | 7.6 | 5.7 | - | - |
| | | | | | |
| **Total NSAs** | Total ($m) | 468.1 | 364.8 | 103.0 | 128.4 |
| | Capital ($m) | 57.5 | 47.6 | 7.7 | 9.5 |





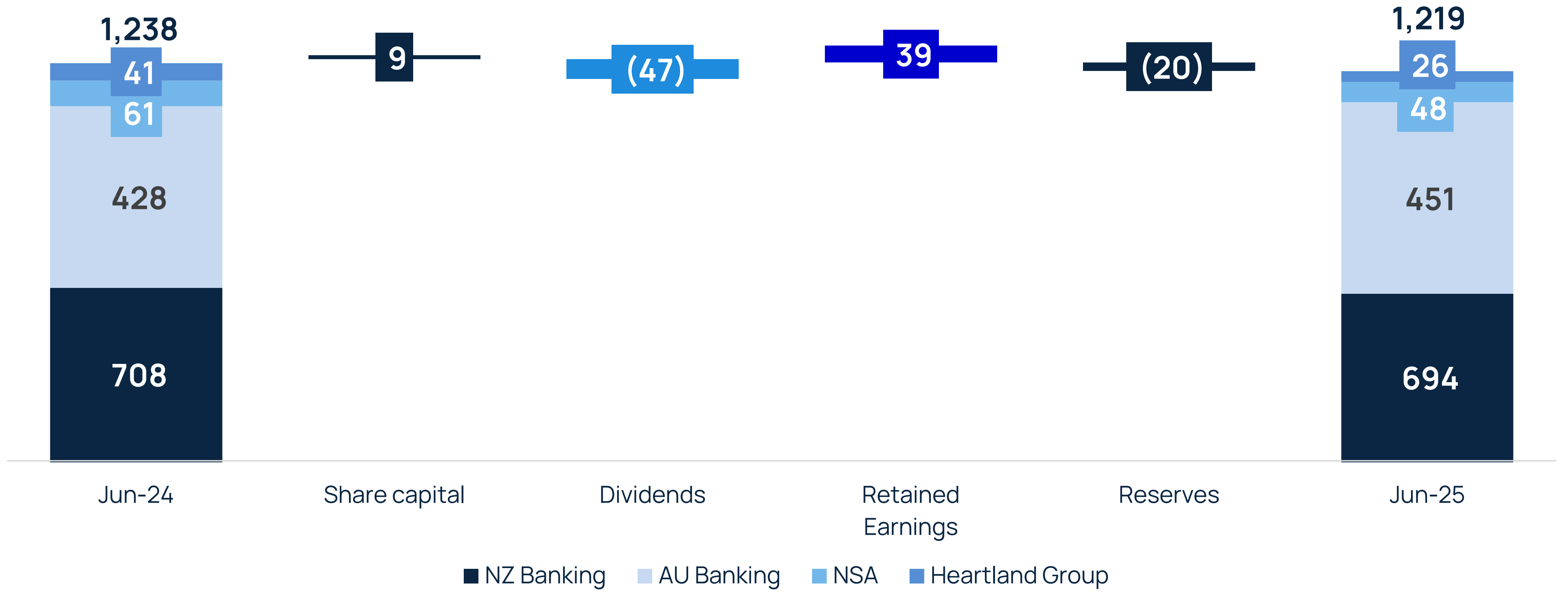

**Note:** NSAs are primarily NZ assets that are outside of Heartland's core lending strategy, or do not deliver threshold ROE. For more information, see page 42.
Capital for December 2024 has been restated following a shift to a loan-level calculation from the previous portfolio-level approach.
[1] Includes Online Home Loans and old residential mortgages.

# Capital

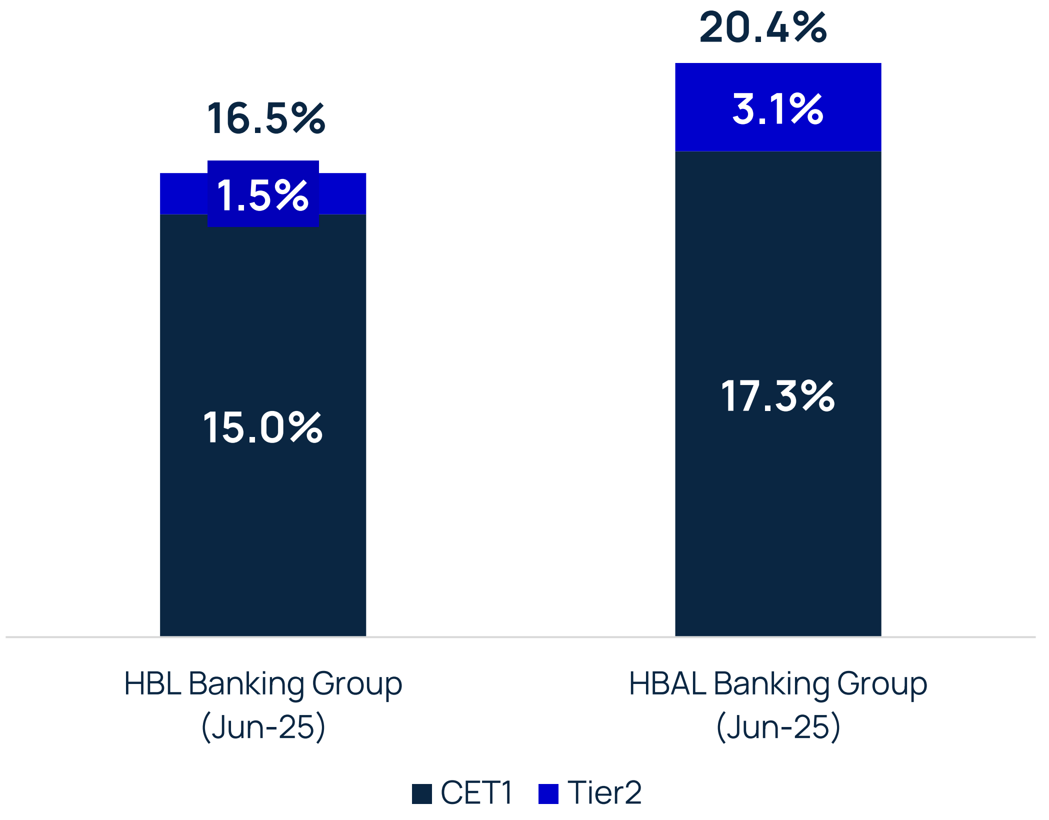
## Heartland remains well capitalised, and both banks maintain strong regulatory capital positions.

- There are currently no ordinary share capital issuances planned to meet future requirements.
- The increase in share capital is due to the reinvested dividend per Heartland's DRP.
- Capital optimisation activity within the NZ bank, together with accelerated NSA realisation, has strengthened Heartland's capacity for organic growth and future capital investment.

**Heartland capital movement $m**




**Capital ratio**






**Note:**
- Retained earnings include current reported NPAT.
- AU Banking includes the ADI and its subsidiaries (Heartland Australia Group & StockCo Australia).

# Shareholder return

**4.2%**

**Underlying ROE**
2H2025 6.0% vs 1H2025 1.9%

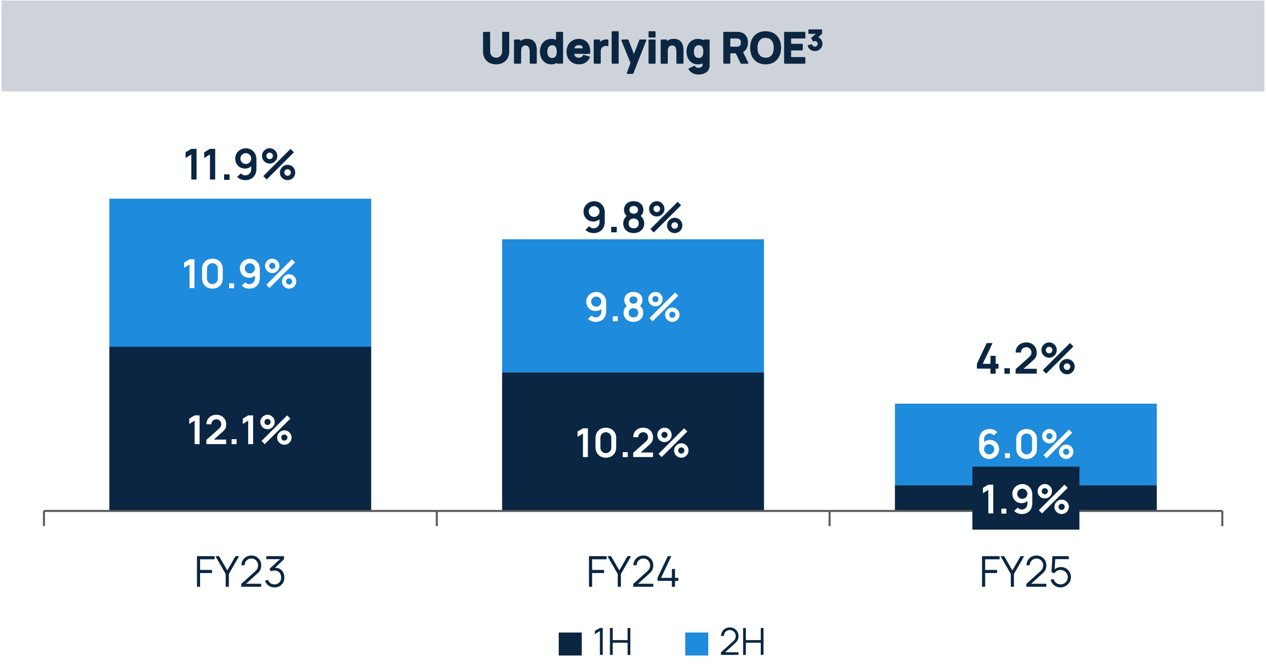
**2.0 cps**

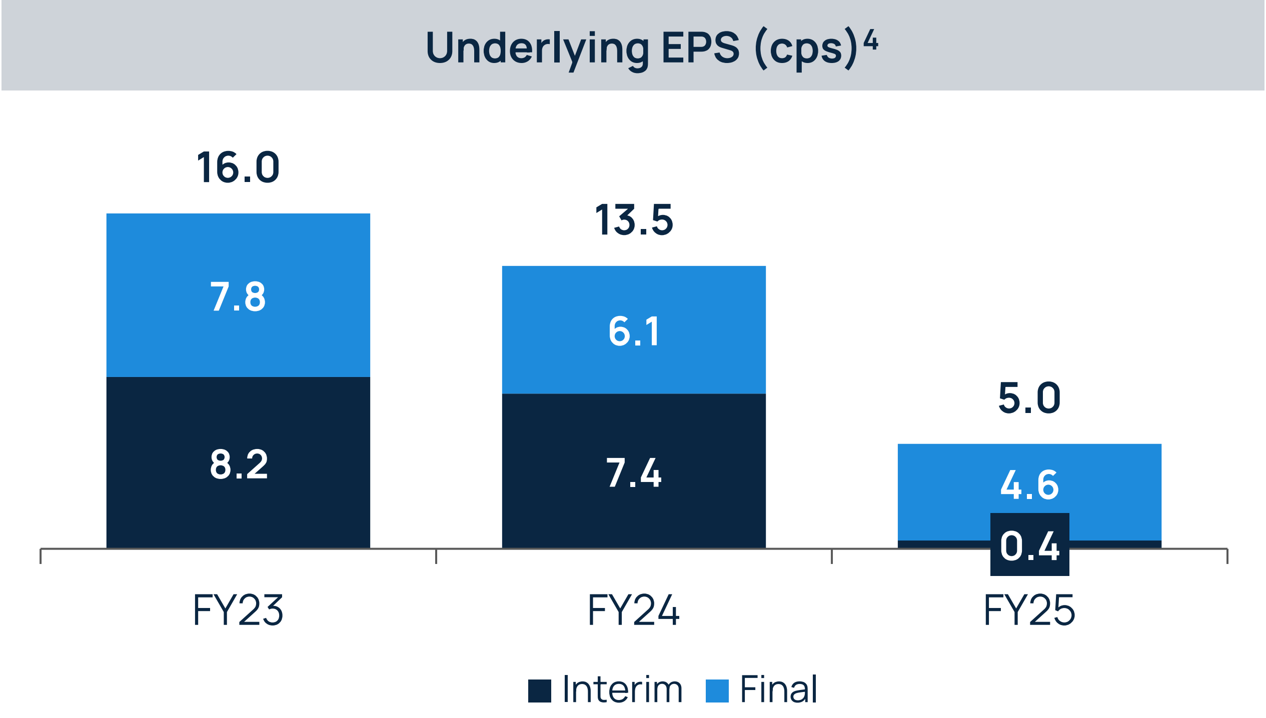
**Final dividend**
down 1.0 cps vs FY2024

**6.9%[1]**

**Dividend yield**

- Heartland has declared a FY2025 final dividend of 2.0 cps, taking the total FY2025 dividend to 4.0 cps with a payout ratio of 80%.
- The 2H2025 payout ratio of 52% is in line with Heartland's target dividend payout ratio of at least 50% of underlying NPAT.
- Heartland's DRP will apply to the final dividend with no discount.[2]






[1] Total fully imputed dividends divided by the closing share price as at 19 August 2025 of $0.80.
[2] That is, the strike price under the DRP will be 100% 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 20 August 2025.
[3] Underlying ROE refers to ROE calculated using underlying results.
[4] Underlying EPS refers to EPS calculated using underlying results.

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# 02
# New Zealand banking

**Leanne Lazarus** Chief Executive Officer, Heartland Bank
**Kerry Conway** Chief Financial Officer, Heartland Bank

# NZ banking: FY2025 summary

## Heartland Bank's vision is to be New Zealand's leading specialist bank, with a superior customer and originator experience, low CTI ratio and a strong ROE.

### Efficiency

**Disciplined cost management and efficient use of capital. Automation to increase speed and ease for customers and employees.**

- Heartland Bank has actively managed its cost of funds to end FY2025 with a strong margin. NIM was 3.87%, up 8 bps from FY2024. Exit NIM was 4.13%.
- A Reverse Mortgage cash reserve online request form released in July 2024 resulted in 2,200 approved requests for a total $38.1m drawn. By the end of FY2025, half of all cash reserve drawdowns were processed online, supporting strong year-on-year cash reserve growth of 18%.
- Capital optimisation is being achieved through NSA realisation and key capital optimisation initiatives.

### Quality

**Actively manage lending for margin and risk, prioritising direct distribution and high-quality intermediaries.**

- The introduction of more prescriptive collections, recoveries and write-off strategies has had a positive effect on asset quality.
- Introduced new credit decisioning scorecards for Motor Finance.
- Shifted Motor Finance focus from lending originated through brokers to lending through higher quality direct-to-consumer channels (Motor Direct), franchise dealers and branded distribution partners.
- Unsecured Lending (which includes Open for Business and Personal Lending) is winding down, with Receivables down 43% to $63m.
- NSA realisation is progressing well.

### Growth

**Expansion within existing specialist lending portfolios where Heartland Bank's customer value proposition is strongest.**

- Heartland Bank is now prioritising growth in high-return core product sets which are accretive to ROE, including Reverse Mortgages, Livestock Finance and Motor Finance.
- Continued strong growth in Reverse Mortgages, with Receivables up 15.5%.
- Livestock Finance exceeded expectations, with Receivables up 18.4%.
- Leveraged Heartland Bank's position as the reverse mortgage market leader to launch Village Access Loans.
- Launched Marac Marketplace, a new online marketplace for vehicle purchasing and financing.

# Financial results

| | | Reported | | | | | Underlying | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY25 | FY24 | Movement | | | FY25 | FY24 | Movement | | |
| Financial performance | NII | $212.4m | $210.6m | ↑ | $1.8m | 0.9% | $212.4m | $210.6m | ↑ | $1.8m | 0.9% |
| | OOI[1] | $21.3m | $19.0m | ↑ | $2.4m | 12.5% | $21.3m | $27.2m | ↓ | ($5.9m) | (21.6%) |
| | **NOI** | **$233.7m** | **$229.6m** | ↑ | **$4.2m** | **1.8%** | **$233.7m** | **$237.7m** | ↓ | **($4.1m)** | **(1.7%)** |
| | OPEX | $131.8m | $104.5m | ↑ | $27.3m | 26.1% | $128.1m | $102.8m | ↑ | $25.3m | 24.7% |
| | Impairment expense | $68.8m | $45.8m | ↑ | $23.0m | 50.2% | $68.8m | $29.8m | ↑ | $39.0m | 131.0% |
| | GFV provision | $1.5m | n/a | ↑ | $1.5m | n/a | $1.5m | n/a | ↑ | $1.5m | n/a |
| | Tax expense | $9.7m | $23.5m | ↓ | ($13.8m) | (58.5%) | $10.7m | $30.3m | ↓ | ($19.6m) | (64.7%) |
| | **NPAT[2]** | **$21.9m** | **$55.8m** | ↓ | **($33.9m)** | **(60.7%)** | **$24.6m** | **$74.9m** | ↓ | **($50.3m)** | **(67.2%)** |
| | NIM | 3.87% | 3.79% | ↑ | 8 bps | | 3.87% | 3.79% | ↑ | 8 bps | |
| | CTI ratio | 56.4% | 45.5% | ↑ | 1087 bps | | 54.8% | 43.2% | ↑ | 1160 bps | |
| | Impairment expense ratio[3] | 1.40% | 0.92% | ↑ | 49 bps | | 1.40% | 0.60% | ↑ | 81 bps | |
| | ROE | 3.0% | 7.6% | ↓ | (459 bps) | | 3.4% | 10.2% | ↓ | (683 bps) | |

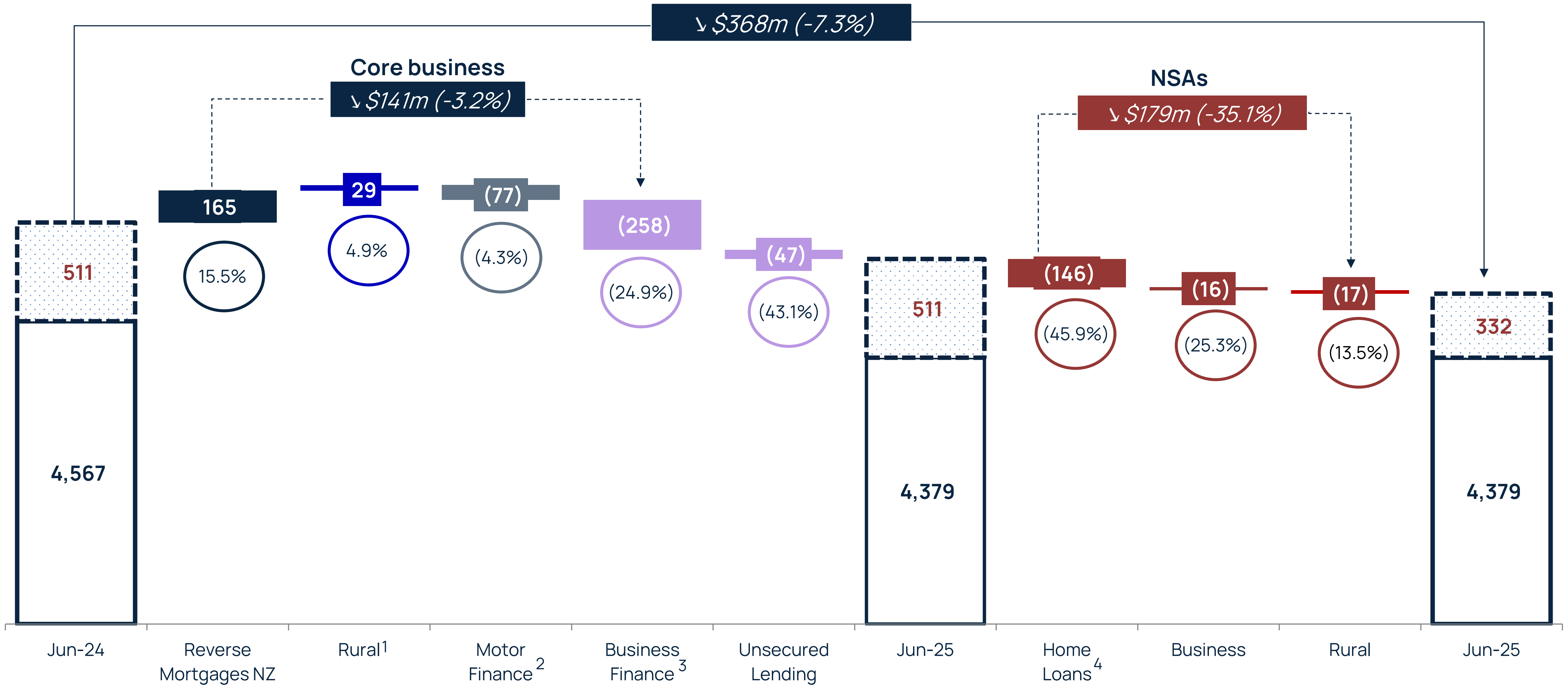
| | | Jun 25 | Jun 24 | Movement | | |
|---|---|---|---|---|---|---|
| Financial position | Liquid assets | $570m | $620m | ↓ | ($49m) | (7.9%) |
| | Receivables[4] | $4,710m | $5,078m | ↓ | ($368m) | (7.3%) |
| | Borrowings | $4,660m | $5,039m | ↓ | ($379m) | (7.5%) |
| | Equity[5] | $737m | $761m | ↓ | ($24m) | (3.2%) |
| | Equity/total assets | 20.0% | 19.1% | ↑ | 82 bps | |



**Note:** See page 4 for definition of underlying financial metrics. Refer to page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs.
[1] Reported OOI includes fair value gains/losses on investments.
[2] Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation..
[3] Impairment expense as a percentage of average Receivables.
[4] Receivables also includes Reverse Mortgages.
[5] Equity excluding investment in subsidiaries. ROE is calculated as NPAT/average equity (excl. investment in subsidiaries).

# Receivables

**Momentum continued in Reverse Mortgages, with Rural growth driven by Livestock Finance. Subdued economic conditions continued to impact Motor Finance and Asset Finance, with an increased focus on quality lending.**




| Receivables $m | 5,078 | 1,233 | 609 | 1,694 | 779 | 63 | 4,890 | 172 | 48 | 112 | 4,710 |
|---|---|---|---|---|---|---|---|---|---|---|---|



**Note:** FY2025 growth in Receivables by portfolio excludes the impact of changes in FX rates and intercompany balances. All figures in NZ$m. NSAs include loans in Business, Rural and Home Loans.

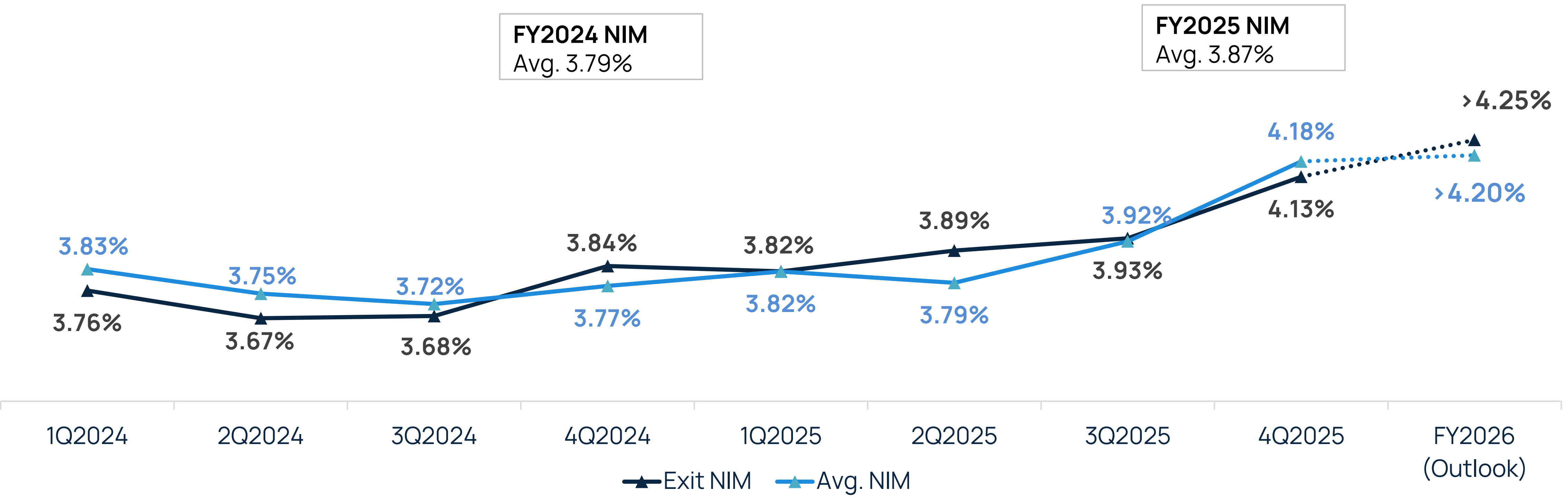
[1] Rural includes Rural Relationship, Rural Direct and NZ Livestock Finance loans.

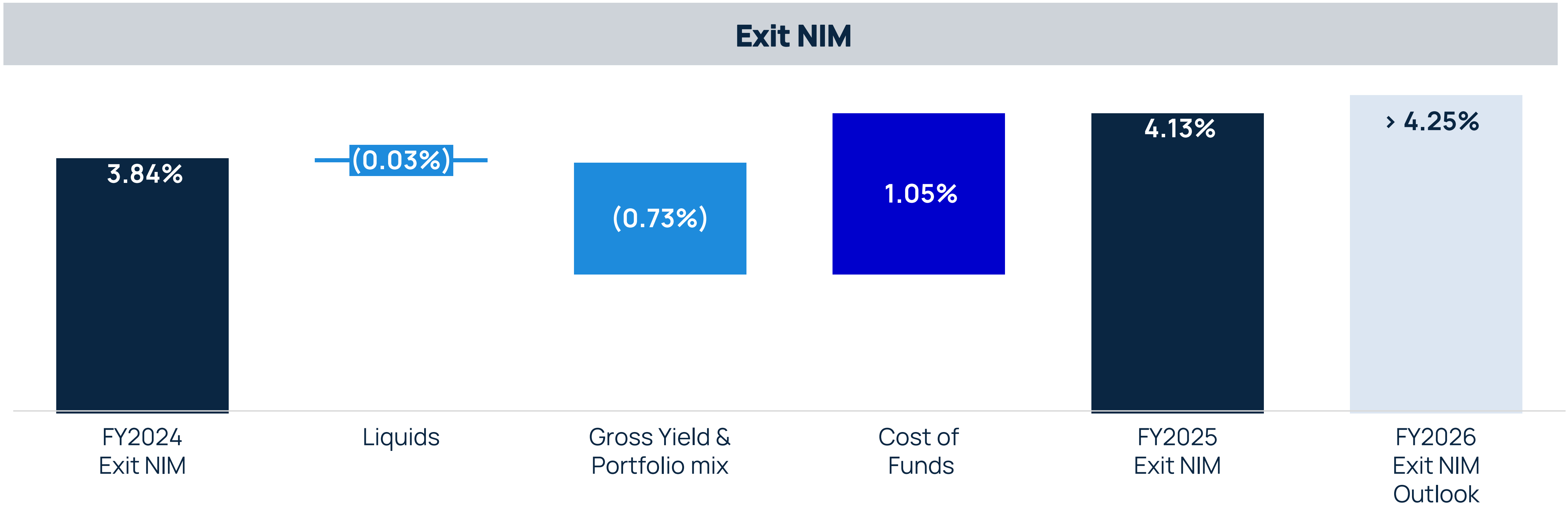
[2] Motor Finance includes Wholesale Lending.

[3] Business Finance includes Asset Finance and Business Relationship.

[4] Home Loans are part of NSAs (Jun-24 has been rebased to reflect this change) and includes Online Home Loans and Heartland Bank's old residential mortgages portfolio that is in run down.

# Underlying NIM




## Exit NIM up 29bps YoY despite headwinds

Despite pricing competition from declining interest rates and subdued credit demand, FY2025 exit NIM expanded to 4.13%, exceeding the 4.00% 2H2025 Outlook.

- **Cost of funds:** Lower base interest rates, contracting margin above base rates in 2H2025, and a strategic shift from wholesale funding to deposits saw cost of funds materially fall (from peak cost of funds to exit).
- **Improved fixed rate portfolio returns:** Repayment of lower yielding loans replaced with higher margin loans, combined with cost of funds benefit above drove fixed NIM improvements.
- **Sustainable lending:** A focused lending approach, prioritising high-quality core lending and actively managing NSAs, contributed to margin expansion.

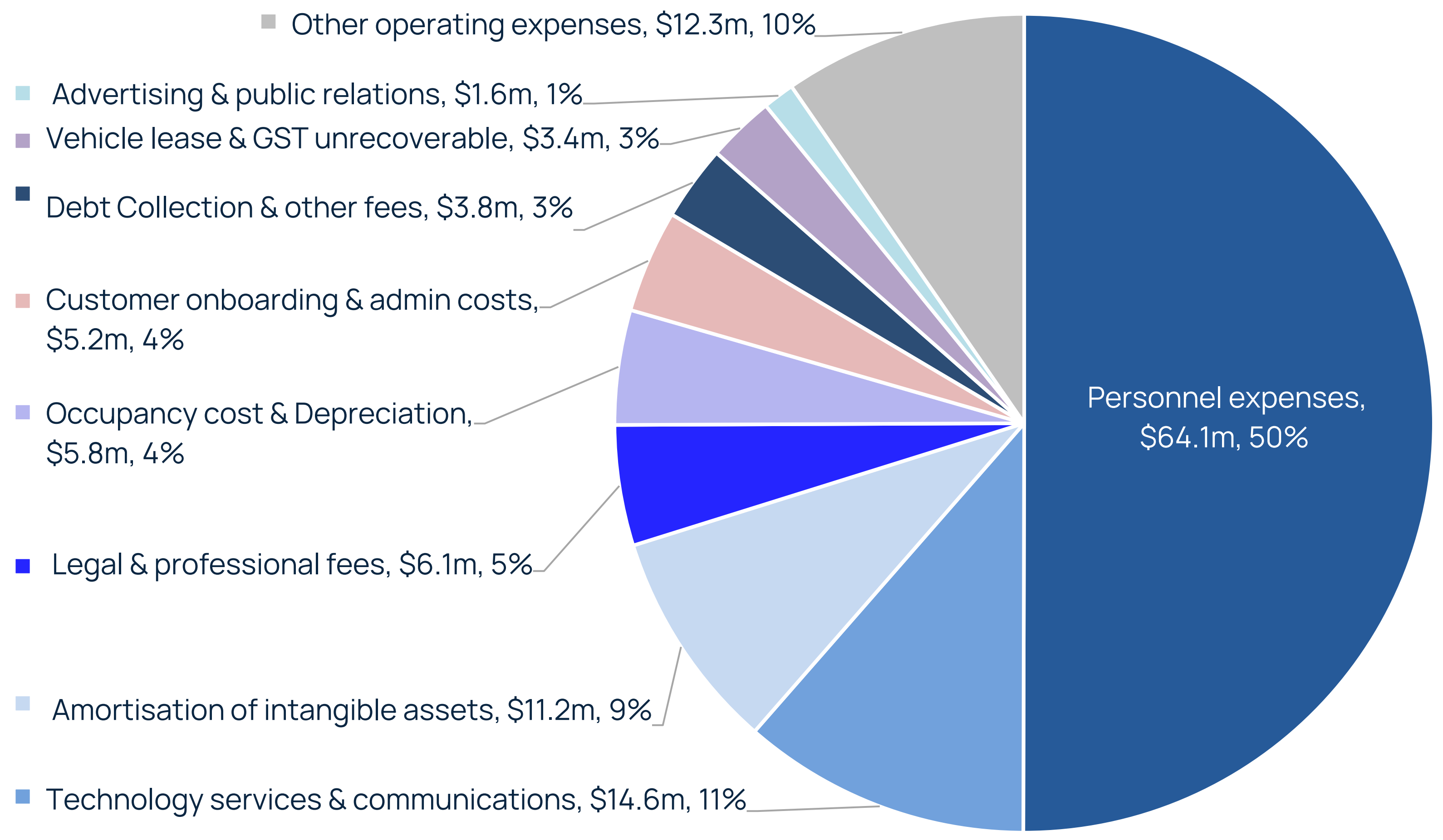
## FY2026 outlook

- Further flow on impacts to cost of funds and competitive lending as the OCR eases.
- Focus on maintaining margins across the business and realising improvement opportunities.
- FY2026 avg. NIM outlook of ›**4.20%**.

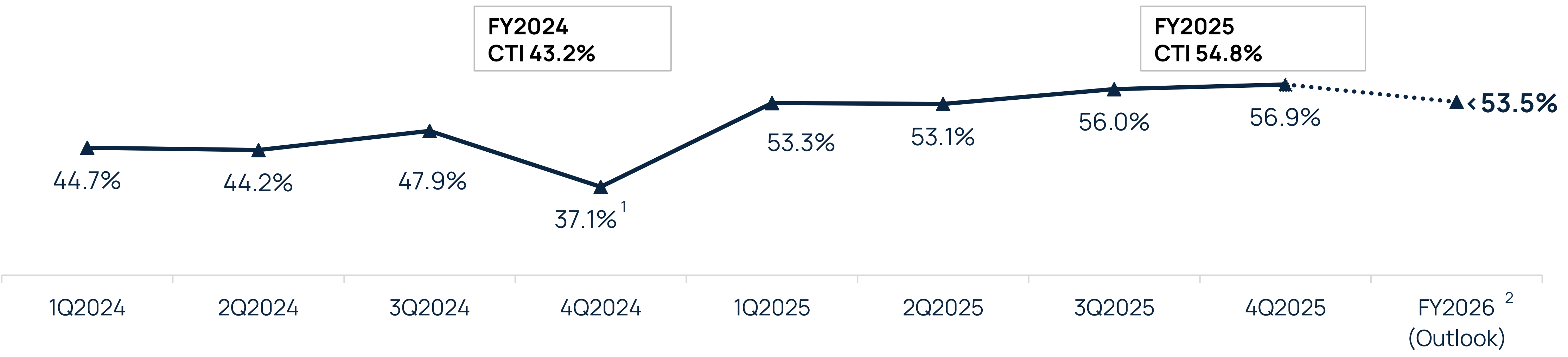


**Note:** NIM is calculated as NII/average gross interest earning assets.
See page 4 for a definition of underlying financial metrics.

# Underlying OPEX




Underlying CTI ratio




## FY2025

**Total FY2025 underlying OPEX of $128.1m,** largely made up of:

- $64.1m personnel expenses, based on 482 FTEs (avg FTEs of 464), primarily comprising remuneration ($55.5m)
- $14.6m IT costs comprising software licence fees (including core banking system), software & IT support costs, IT security, maintenance and communication
- $11.2m amortisation of intangible assets including $6.3m related to the core banking system upgrade completed in late 2023
- $12.3m other operating expenses
- $6.1m of legal and professional fees including compensation of auditor – these costs have been elevated but are expected to decline.

## FY2026 outlook

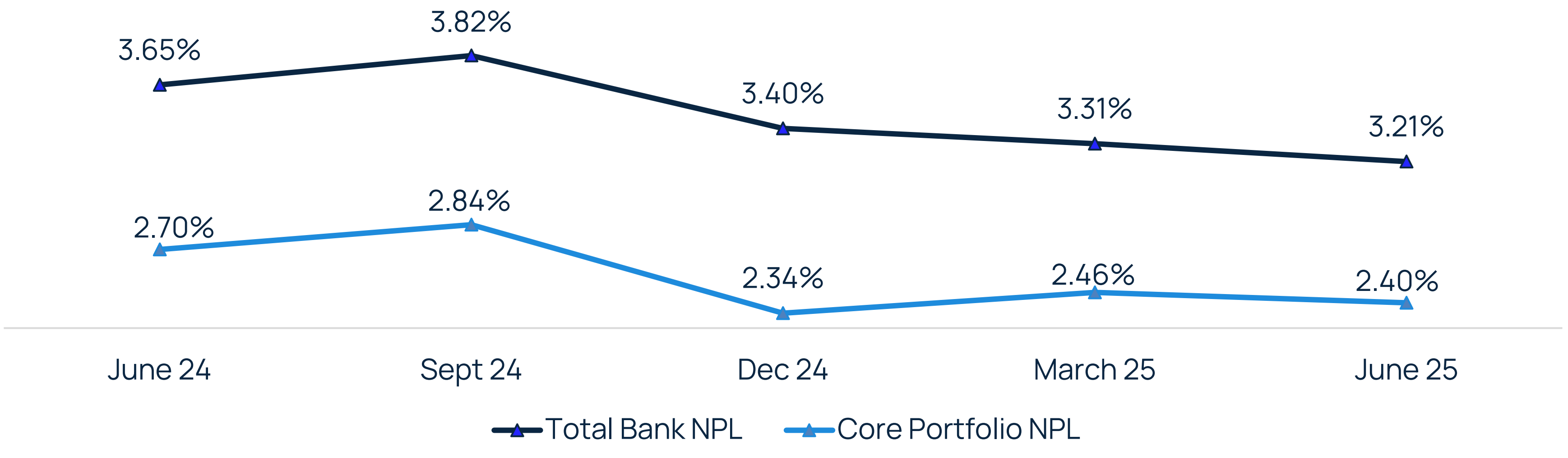
- The underlying OPEX outlook for FY2026 is expected to be largely flat on FY2025, at **‹$129.1m**.
- Increased investment in marketing and IT security will be offset by the elimination of non-recurring expenses, lower operational costs and reduced amortisation of completed projects.



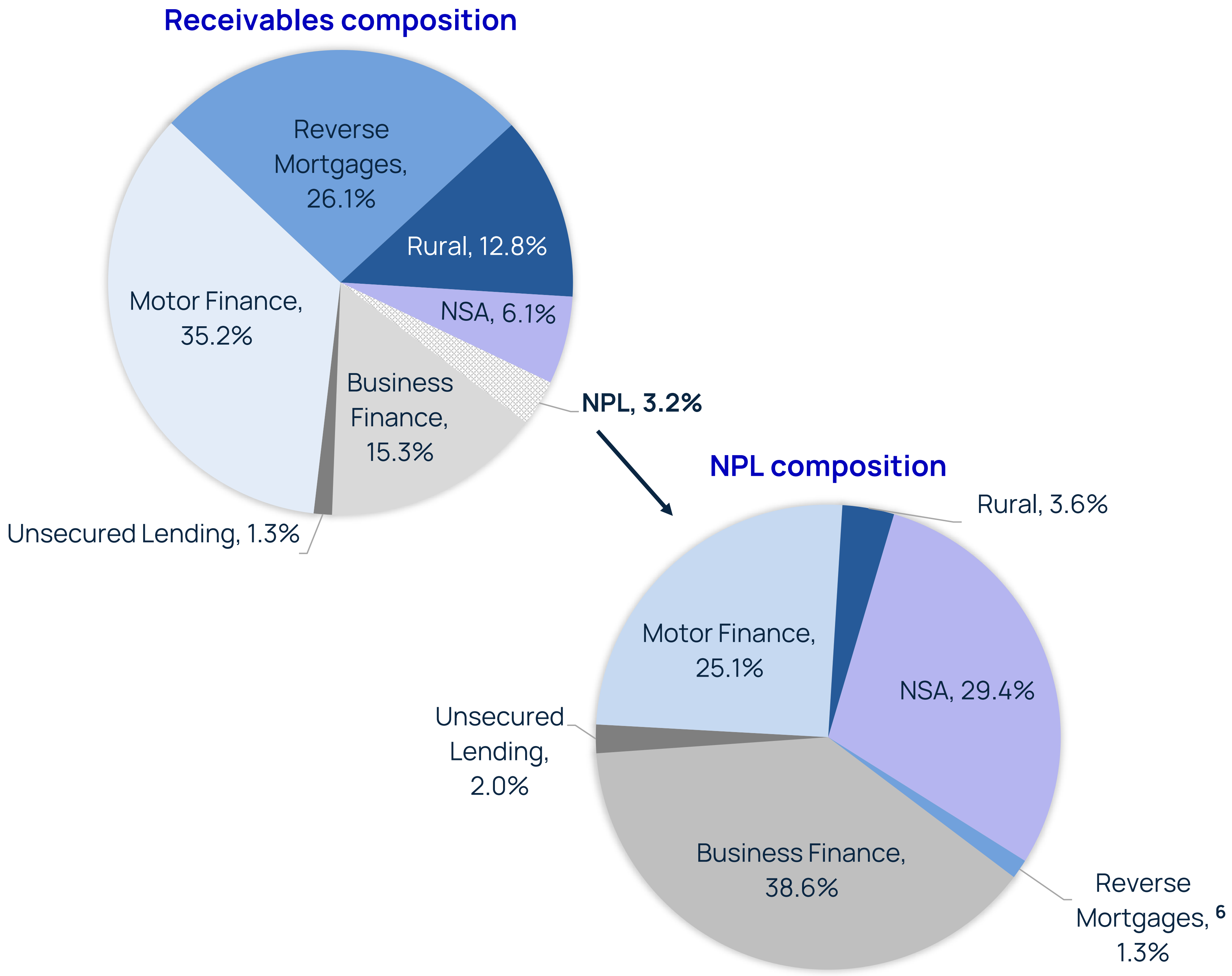
**Note:** CTI ratio is calculated as OPEX/NOI. Underlying CTI ratio excludes one-off impacts . See page 4 for definition of underlying financial metrics. Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation.
[1] The decrease in CTI ratio is largely driven by the release of discretionary bonus accrual in June 2024 . Adjusting for this release and other one offs, the 4Q2024 CTI ratio would be 45.3%.
[2] Excluding intercompany group charges .

# Asset quality

## NPL ratios




## Portfolio composition




**Heartland Bank's overall asset quality improved over FY2025 and the impairment expense ratio met the 2H2025 Outlook.**

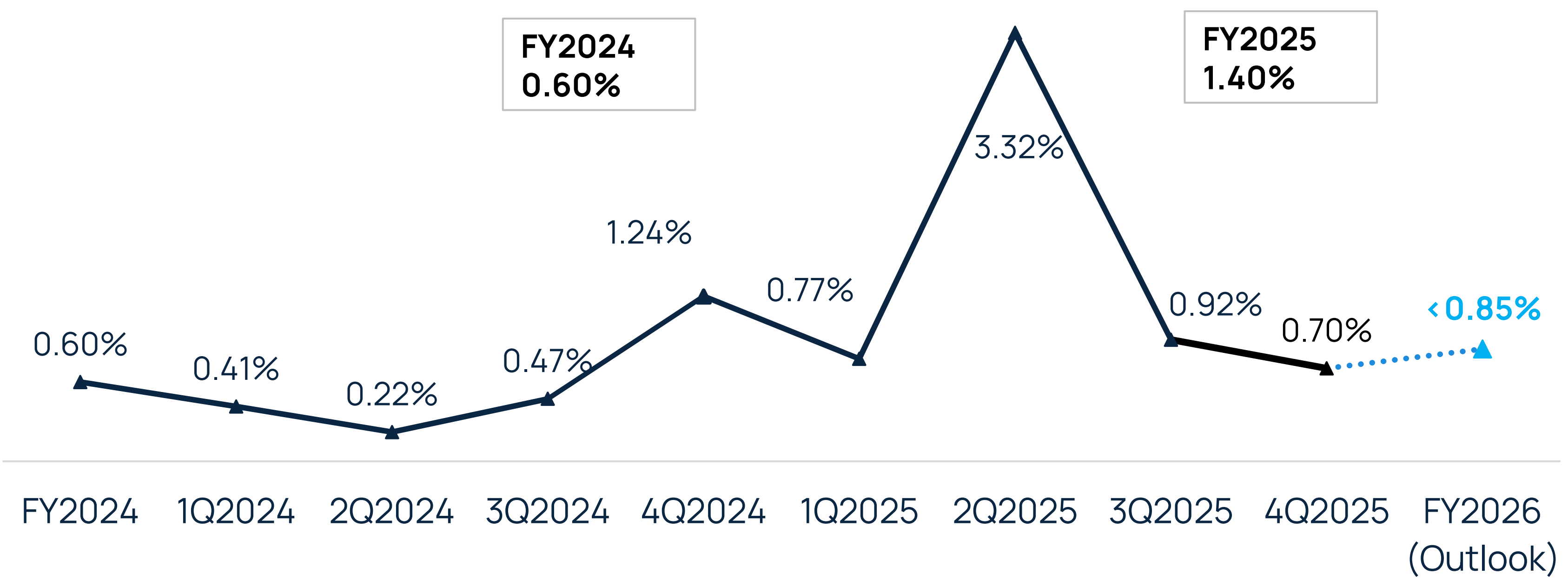
- Excluding NSAs and Unsecured Lending[1], Heartland Bank's NPL ratio strengthened by 30 bps from 2.70% as at 30 June 2024 to 2.40%.
- Changes made to collections, recoveries and write-off strategies have had a positive effect on Motor Finance. As at 30 June 2025, Heartland Bank's total Motor Finance arrears (as per Centrix's measure of arrears ≥14 DPD) are now performing better than the industry average.[2]
- Reverse Mortgage asset quality remains strong.
- Rural[3] asset quality also improved as trading conditions strengthened.
- Trading conditions remain challenging[4] in the main industries Heartland Bank lends to for Business Finance[5]. This has affected asset quality. However, early-stage arrears are improving due to changes made to the strategy and timing of intervention measures.



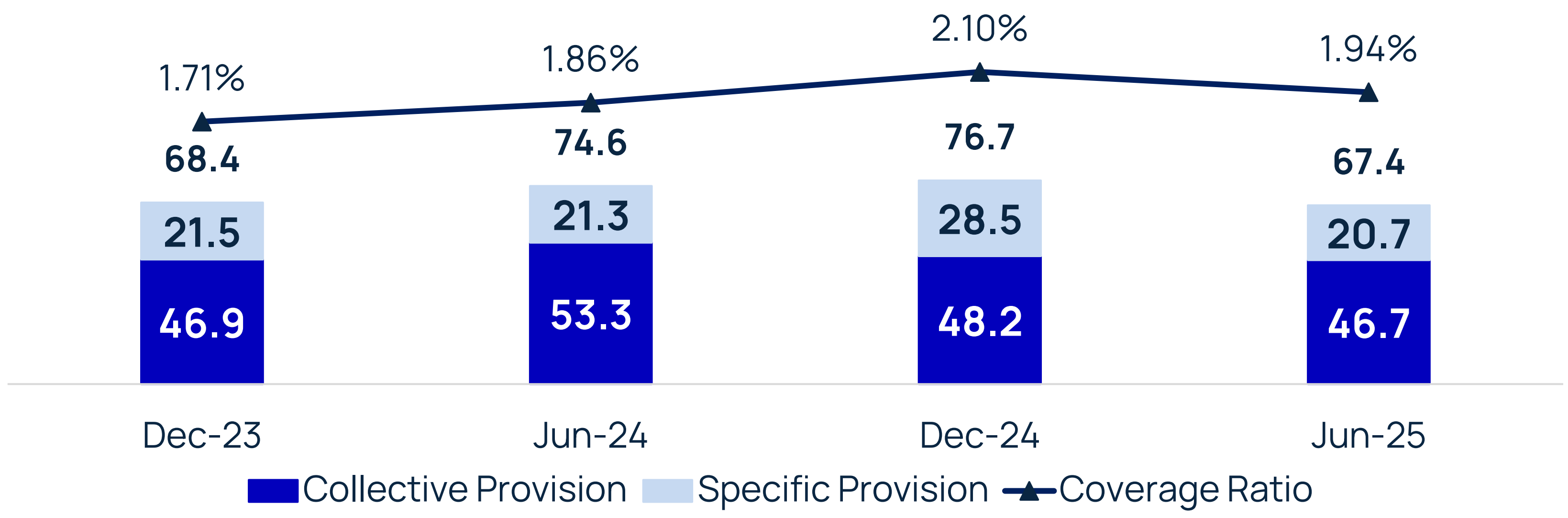
1 Unsecured Lending includes Open for Business and Personal Lending portfolios which are winding down.
2 Using the calculation used by Centrix, and compared with the auto industry average as at 30 June 2025, reported by Centrix in its Credit Insights Report, July 2025.
3 Rural includes Heartland Bank's Livestock Finance, Rural Direct and Rural Relationship portfolios.
4 As reported by Centrix in its Credit Insights Report, July 2025, the main industries that continue to be affected by company liquidations and business defaults are construction, property, hospitality and transport.
5 Business Finance includes Asset Finance and Business Relationship lending.
6 Reverse Mortgage NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2025, this included 11 loans with a total NPL value of $2.0m and a weighted average LVR of 29.4%.

# Impairment expense

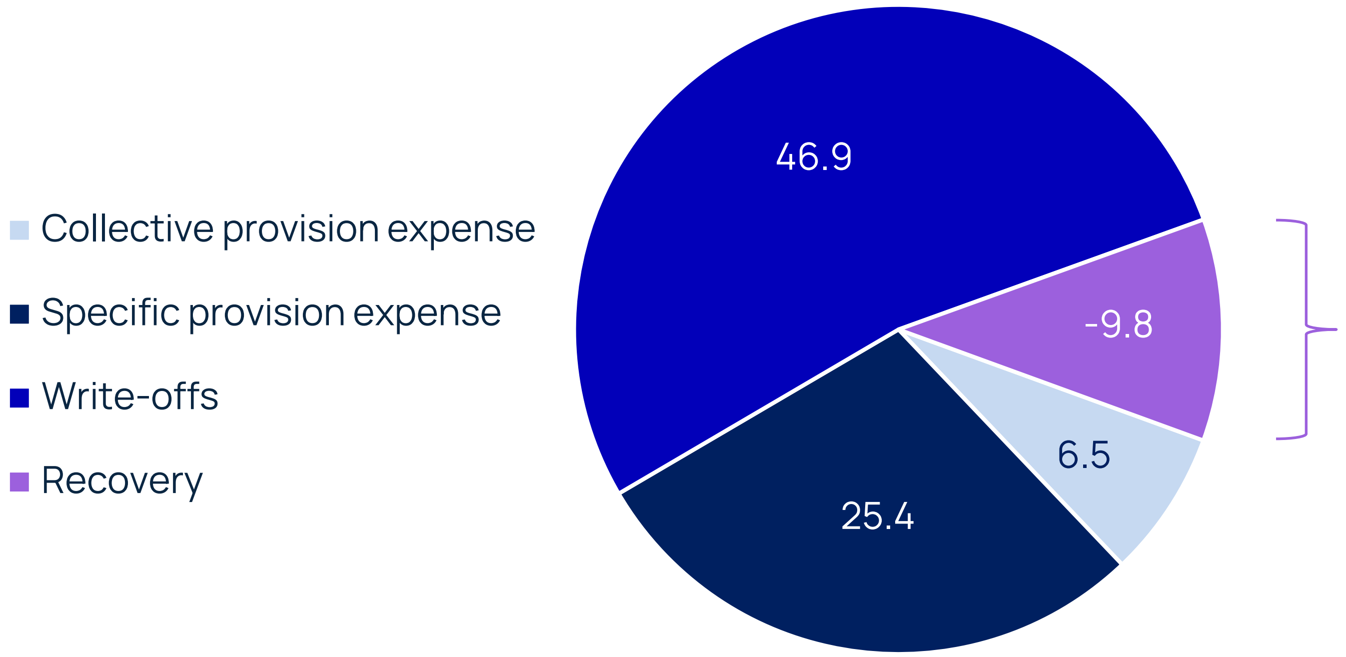
## Underlying Impairment expense ratio




## Total provisions and coverage




## FY2025 impairment expense ($m)




**The recovery rate on loans written off in FY2025 exceeded Heartland's initial expectations.**

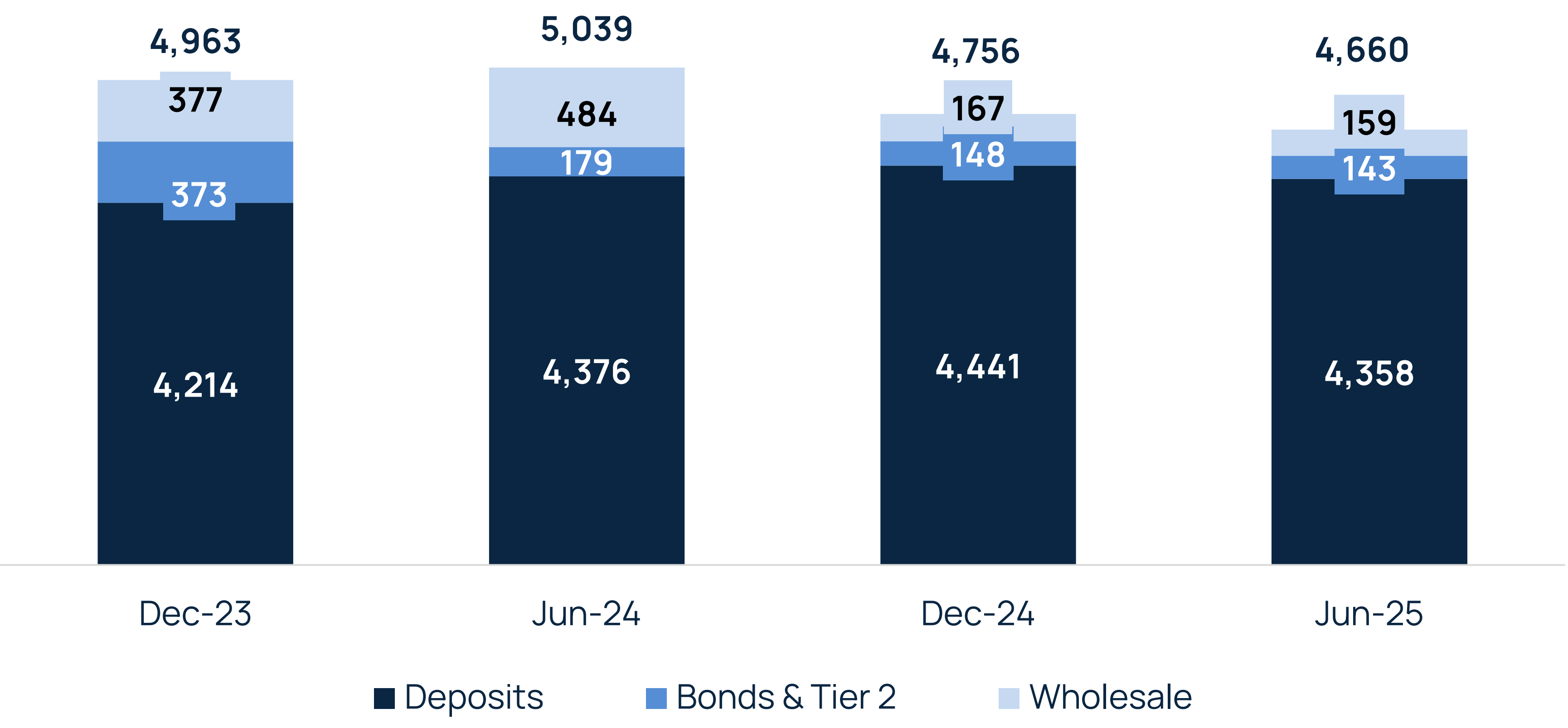
- As at 30 June 2025, $4.2m had been recovered.
- Heartland Bank anticipates $2.7m of additional recoveries from loans written off in FY2025.
- Due to Heartland Bank's enhanced recovery management strategy, a further $2.9m is estimated to be recovered from accounts transferred to debt collection agencies in 2H2025.

# Funding & liquidity

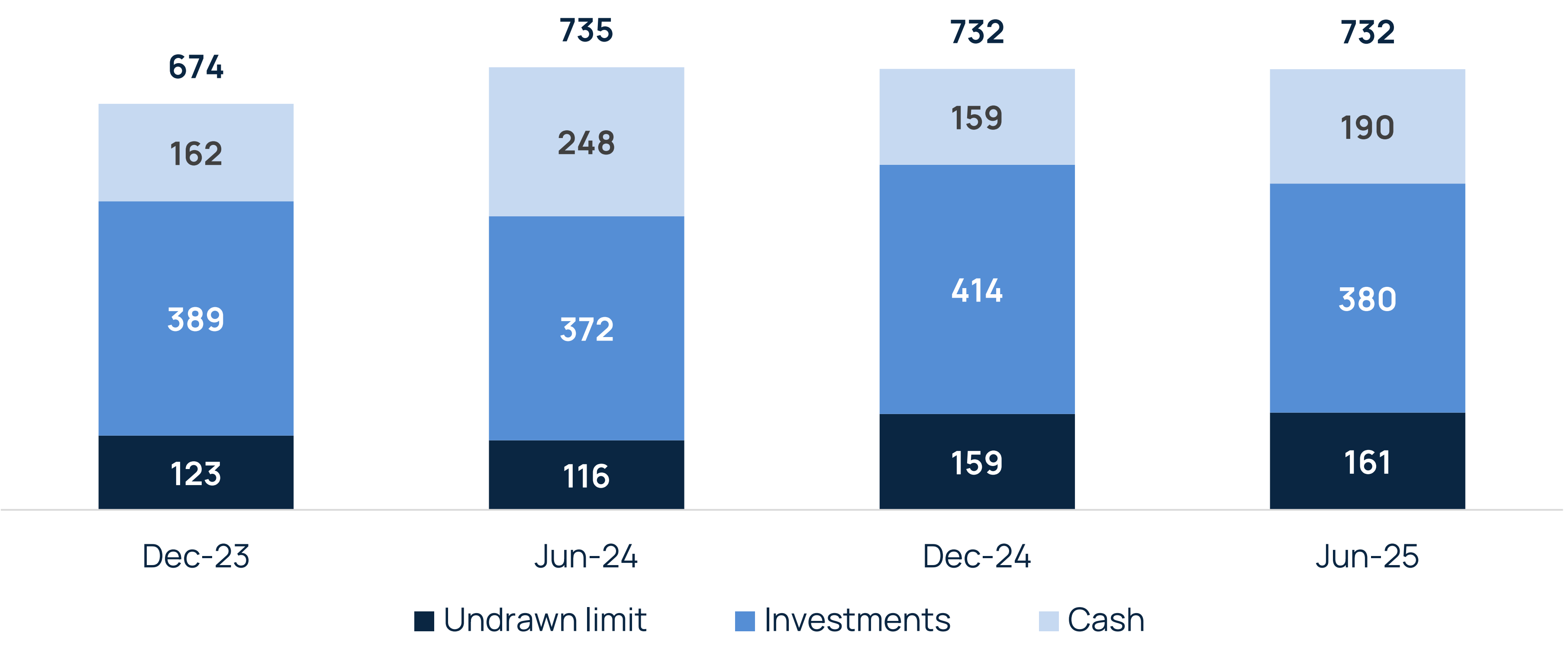
- Deposit retention remained high, positioning the bank well for the commencement of the Depositor Compensation Scheme on 1 July 2025. Introduction of the scheme is not expected to have a financial impact on Heartland Bank.
- Excess funds as a result of Receivables contraction have been used to repay wholesale funding, and the securitisation facility limit has been reduced.

| | 30-Jun-25 | | |
|---|---|---|---|
| | 1-Week MMR[1] | 1-Month MMR[1] | Core funding |
| New Zealand Banking Group | 10.1% | 10.1% | 92.2% |
| RBNZ minimum | 0.0% | 0.0% | 75.0% |

**Funding composition $m**




**Liquidity composition $m**



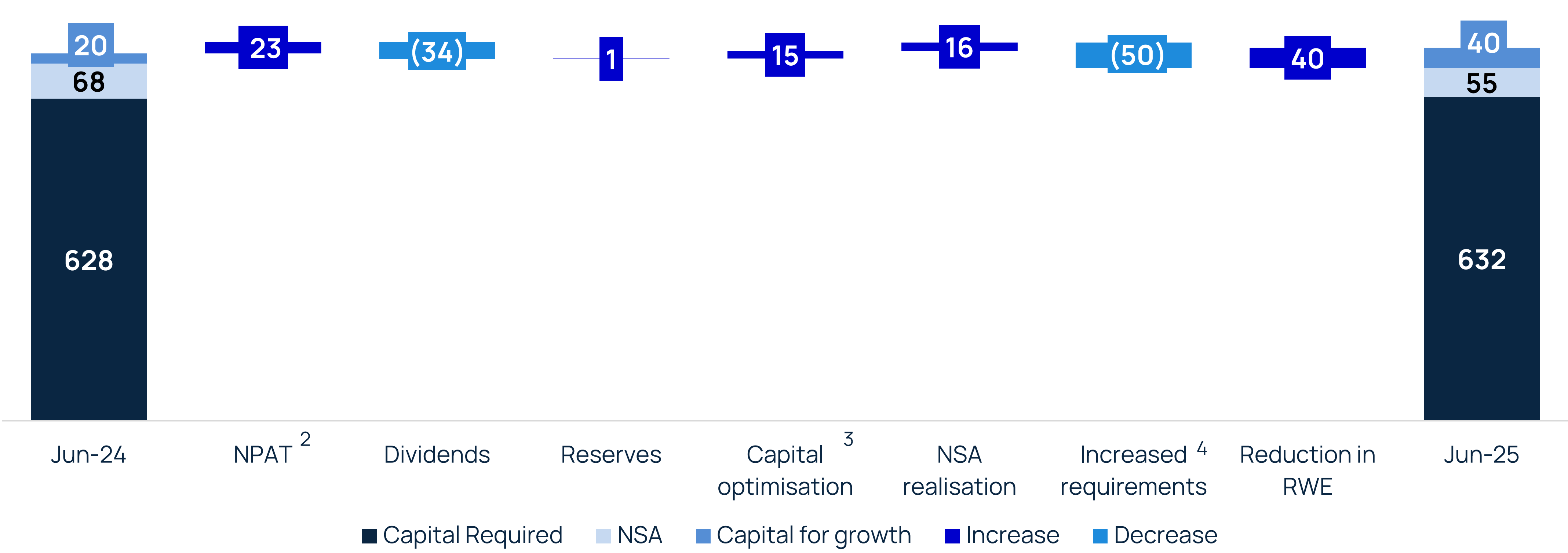



**Note:**
- Regulatory ratios are calculated on the last working day of the reported period and according to the RBNZ's liquidity policy, BS13.
- The NZBG consists of the NZ bank and its NZ subsidiaries, excluding Marac Insurance. The Banking Group includes all of the NZ bank's subsidiaries, including the AU bank and Marac Insurance.
- The NZ bank had transitional arrangements from the acquisition of (now) Heartland Bank Australia until 31 October 2024, which restricted the bank's liquidity requirements to the NZ Banking Group until that date.

[1] MMR = mismatch ratio, which is a short-term liquidity metric, as per the RBNZ's liquidity policy in BS13.

# Capital

## New Zealand Banking Group[1] – Total Capital movement $m




## New Zealand Banking Group - Capital ratio and RBNZ requirements


## Heartland Bank's capital remains well above regulatory minimums and is well positioned for future growth.

- Throughout FY2025, a focus on capital optimisation led to the release of $9.8m in capital through several key initiatives, including:
  - $5.5m in capital released through completion of the run-off of Marac Insurance and the cancellation of its license
  - $2m was released by reducing Heartland Bank's stake in Harmoney Corp Limited to below 10%.
- A further $4m is expected to be released in 1H2026.
- NSA realisation has released $16m of total regulatory capital.
- Increased RBNZ Tier 1 capital requirements consumed $50m of Tier 1 capital.



**Note:**
- RBNZ imposed a transitional capital overlay on Heartland Bank after the acquisition of (now) Heartland Bank Australia.
- Heartland Bank's regulatory capital ratio increased to 16.46% as of 30 June 2025 (30 June 2024: 15.39%), due to capital released from NSAs alongside a single wholesale lending customer during 1H2025. The total capital ratio for the NZBG increased to 15.88% from 14.40% during the same period.

[1] The New Zealand Banking Group (NZBG) consists of the NZ bank and its NZ subsidiaries, excluding Marac Insurance. The Banking Group includes all of the NZ bank's subsidiaries, including the AU bank and Marac Insurance.

[2] Current reported NPAT for the NZBG.

[3] During the financial year Marac Insurance completed its run off and cancelled its licence, releasing capital to the NZBG. Additionally, amortisation of intangible assets reduced the capital deduction.

[4] On 1 July 2025, the Tier 1 capital requirements increased from 11.5% to 12.5% due to the RBNZ's 2019 Capital Review for non D-SIB banks.

# NZ lending performance: Reverse Mortgages

**$1,233m**

**Receivables** as at 30 Jun 2025
**+$165m, 15.5%** since Jun 2024

**$58.3m**

**NOI** as at 30 Jun 2025
**+18.5%** vs FY2024

- In FY2025, Heartland Bank introduced electronic property valuations for the majority of applicants, resulting in a reduction in average settlement times by approximately five days.
- By the end of FY2025, 50% of cash reserve drawdown requests were processed online, marking a significant shift from prior reliance on phone and email communications.
- Leveraging its market leadership in NZ, Heartland Bank launched the pilot of a new product, Village Access Loans, in March 2025 to help older New Zealanders overcome financial barriers to moving into retirement villages. The product received strong early interest and is now a permanent offering.

## Outlook

- **FY2026 growth**: >18%

## Asset quality[1]

- **NPL[2] ratio:** 0.17% ($2.0m)
- **Average current loan size:** $154k
- **Weighted average current LVR:** 25.3%[3]



[1] Reverse Mortgages are measured at fair value.
[2] Reverse Mortgage NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2025, this included 11 loans with a total value of $2.0m and a weighted average LVR of 29.4%.
[3] Using indexed valuation.

# NZ lending performance: Rural[1]

**$609m**

**Receivables** as at 30 Jun 2025
**+$29m, +4.9%** since Jun 2024

Includes **$374m Rural Lending**[2] and **$235m Livestock Finance**

**$34.7m**

**NOI** as at 30 Jun 2025
**+2.6%** vs FY2024

Includes **$25.8m Rural Lending**[2] and **$8.9m Livestock Finance**

- Growth in FY2025 was driven by improved conditions in the Livestock Finance portfolio and expanded intermediary partnerships.
- Rural asset quality improved as rural trading conditions strengthened, largely off the back of stronger international commodity prices.

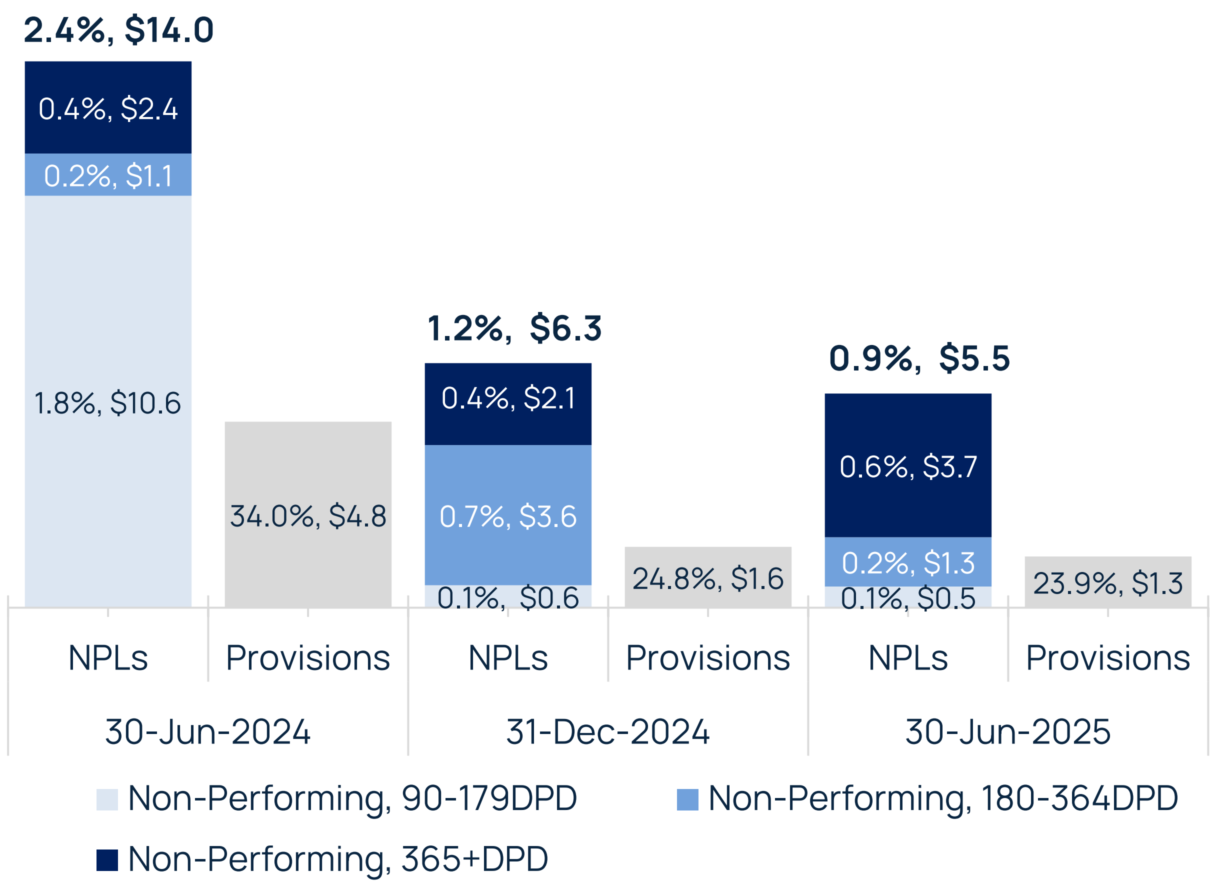
## Outlook

- **FY2026 growth**: >6%

## Asset quality

- **Early-day arrears (5 – 89DPD)**: Reduced from $10m (1.7%) to $5m (0.8%)

Rural NPLs and provisions for NPLs ($m)






[1] Rural includes Rural Relationship, Rural Direct and Livestock Finance. Excludes NSAs.
[2] Rural Lending includes Rural Relationship and Rural Direct.

# NZ lending performance: Motor Finance[1]

**$1,694m**

**Receivables** as at 30 Jun 2025
**-$77m, -4.3%** since Jun 2024

Includes **$1,565m Motor Lending**[2] and **$130m Wholesale Lending**

**$75.2m**

**NOI** as at 30 Jun 2025
**+8.6%** vs FY2024

Includes **$71.9m Motor Lending**[2] and **$3.3m Wholesale Lending**

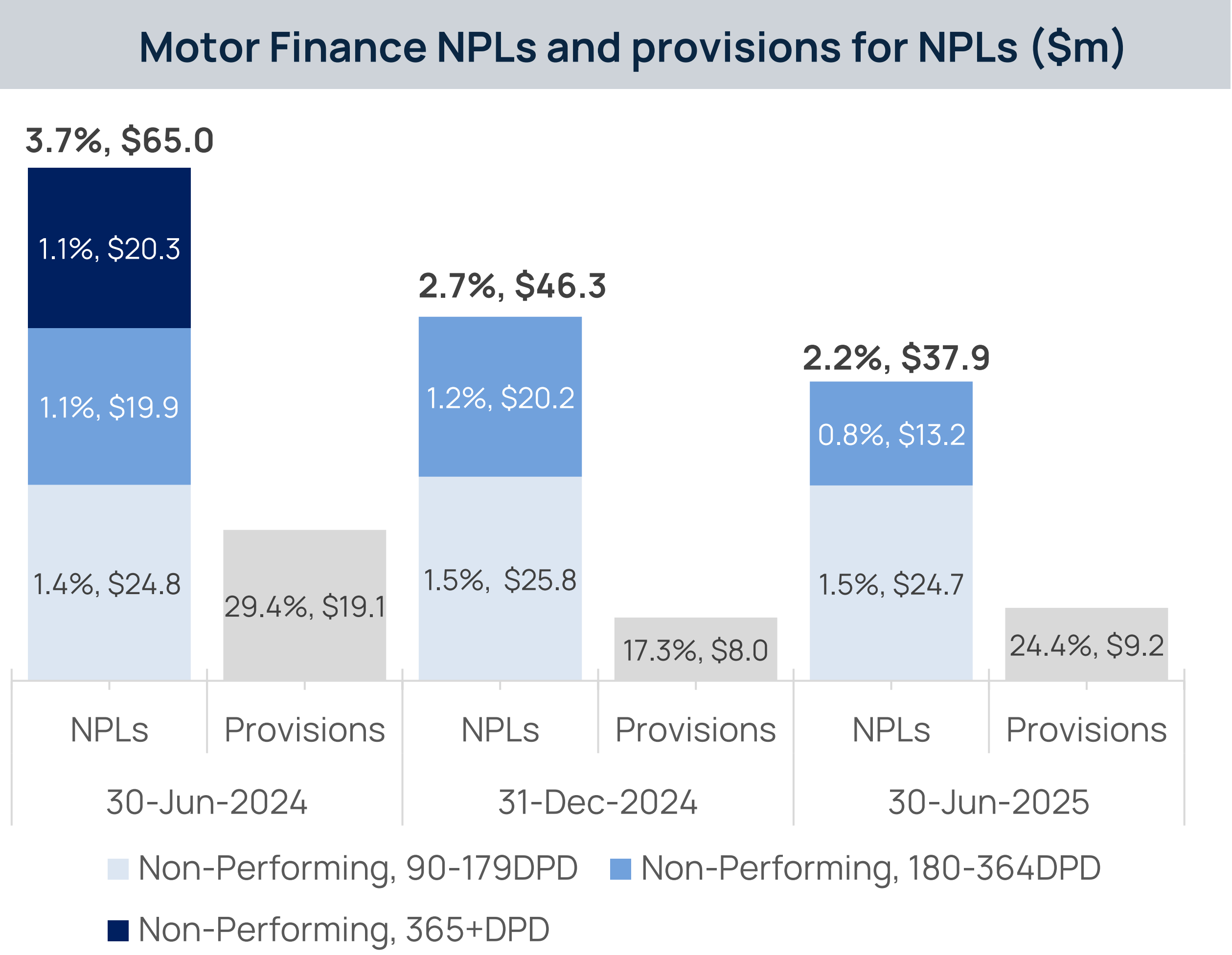
- The Motor Finance focus has shifted from lending originated through brokers to lending through higher quality direct-to-consumer channels, franchise dealers and branded distribution partners.
- New credit decisioning scorecards with enhanced criteria launched in 2H2025 to improve lending quality.
- Motor Finance arrears are now performing better than the industry average – see page 43.[3]
- The introduction of a new dealer platform is expected to make applications easier to complete and to increase conversion rates.
- Marac Marketplace launched, providing an end-to-end digital platform to meet evolving consumer vehicle purchasing preferences.

## Outlook

- **FY2026 growth**: >3.0%

## Asset quality

- **Early-day arrears (5 – 89DPD)**: Reduced from $85m (4.8%) to $76m (4.5%)






[1] Motor Finance includes Motor Wholesale lending.
[2] Motor Lending includes Intermediary and Direct distribution channels.
[3] Using the calculation used by Centrix, and compared with the auto industry average as at 30 June 2025, reported by Centrix in its Credit Insights Report, July 2025.

# NZ lending performance: Business Finance[1]

**$779m**

**Receivables** as at 30 Jun 2025
**-$258m**[2], **-24.9%**[2] since Jun 2024

Includes **$166m Business Lending** and **$613m Asset Finance**

**$46.3m**

**NOI** as at 30 Jun 2025
**-11.5%** vs FY2024

Includes **$15.2m Business Lending** and **$31.1m Asset Finance**

- Heightened competition together with subdued demand in particular industry sectors saw Heartland Bank prioritise support for existing customers while retaining pricing discipline and a tight risk appetite.
- Ongoing trading condition challenges for the construction, property, hospitality and transport industries have contributed to impairment and provision increases.[3] However, early-stage arrears have improved due to changes made to the strategy and timing of intervention measures.
- The portfolio remains appropriately provisioned recognising the secured nature of this lending.
- As conditions improve and Government support for NZ's productive economy increases, Heartland Bank expects this to bolster both volume and viability of investments within the sectors Asset Finance targets, and is building a sustainable lending pipeline for FY2026.

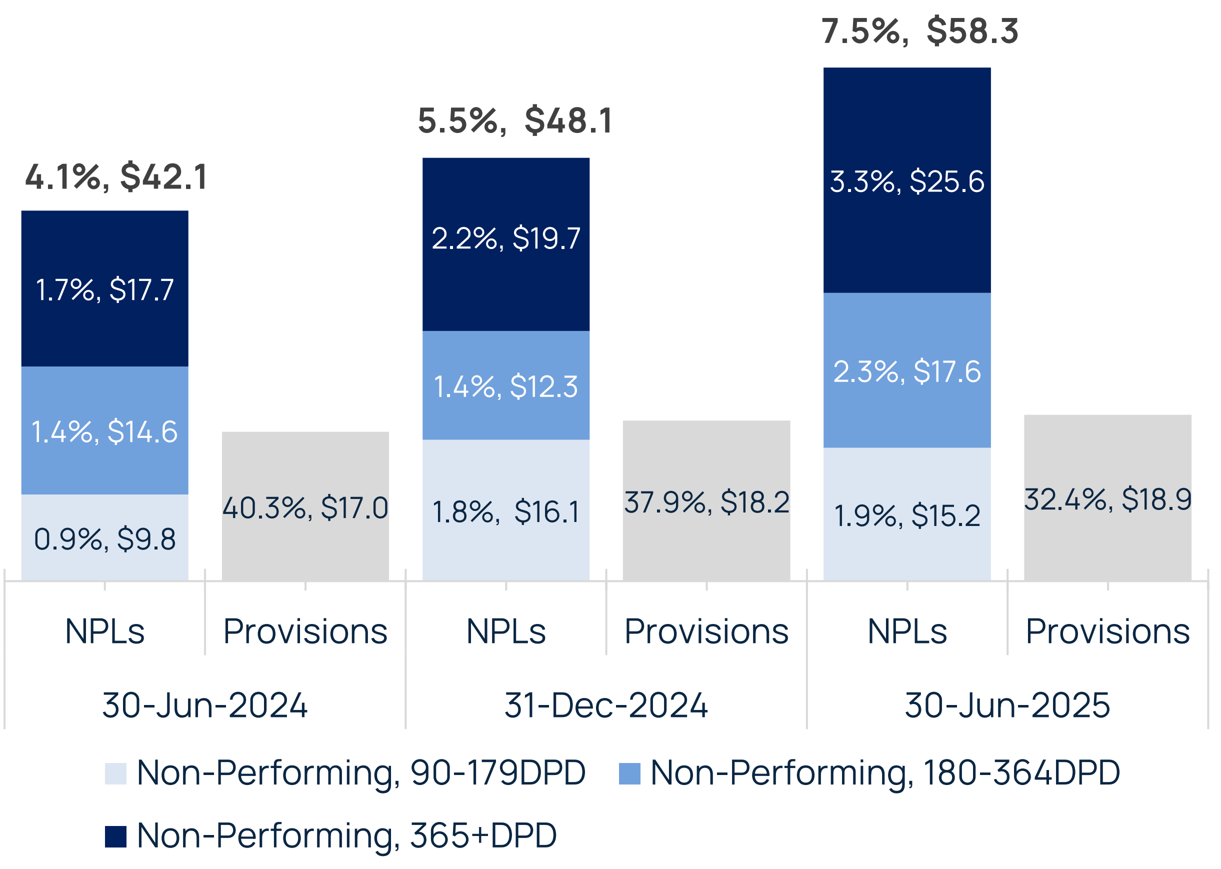
## Outlook

- **FY2026 growth**: <-9%

## Asset quality

- **Early-day arrears (5 - 89DPD)**: Reduced from $50m (4.8%) to $43m (5.5%)

Business Finance NPLs and provisions for NPLs ($m)






[1] Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.
[2] Includes early repayment of an $80m wholesale funding facility by a client who exited the NZ market.
[3] As reported by Centrix in its Credit Insights Report, July 2025, the main industries that continue to be affected by company liquidations and business defaults are construction, property, hospitality and transport, which constitute a significant portion of Heartland Bank's Business Finance portfolio.

HEARTLAND
GROUP

# 03
# Australian banking

**Michelle Winzer** Chief Executive Officer, Heartland Bank Australia
**Kerry Conway** Chief Financial Officer, Heartland Bank

# AU banking: FY2025 summary

## Heartland Bank Australia's vision is to be Australia's leading specialist bank, enriching customers' lives through financial freedom.

### Business growth

**Continue to focus on expansion within existing segments: Reverse Mortgages, Livestock Finance and Deposit offerings.**

- Heartland Bank Australia's transition to a predominantly deposit funded model has been successful, with deposits now making up 81% of the bank's funding. The funding transition has positively affected the bank's cost of funds and NIM.
- On a reported basis, NIM was 3.01%, up 42 bps from FY2024.
- Launched new MySavings on-call savings account in February 2025.
- Strong growth continued in Reverse Mortgages, with momentum continuing in FY2026 as Receivables met the A$2b milestone.
- Livestock Finance saw a return to growth.

### Service excellence

**Through a commitment to strategy execution and disciplined cost management, deliver service excellence for customers.**

- Improvements in Reverse Mortgage broker origination and training contributed to a 74% reduction in application turnaround times.
- Process improvements and removal of duplication for customers has reduced the Reverse Mortgage application time to service from >60 days to <20 days.
- Reorganisation of teams and workflow has delivered significant benefit to customers and partners.
- Bringing together the Reverse Mortgage and Deposit contact centre teams has ensured more fulsome coverage to support customers at the times they need to contact the bank.

### Diversify distribution

**Expand distribution networks and strengthen partnerships to increase product reach.**

- Diversification and strengthening of intermediary distribution partnerships across all core product areas (Reverse Mortgages, Livestock Finance and Deposits) to reduce single channel reliance.
- 300 new accredited Reverse Mortgage brokers and a new aggregator joined Heartland Bank Australia's already large broker network.

# Financial results

| | | Reported | | | | | Underlying | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY25 | FY24 | Movement | | | FY25 | FY24 | Movement | | |
| Financial performance | NII | $86.5m | $61.8m | ↑ | $24.7m | 40.0% | $86.5m | $61.9m | ↑ | $24.6m | 39.7% |
| | OOI[1] | $2.7m | $2.1m | ↑ | $0.5m | 24.3% | $2.7m | $2.7m | ↓ | ($0.0m) | (1.7%) |
| | **NOI** | **$89.1m** | **$63.9m** | ↑ | **$25.2m** | **39.5%** | **$89.1m** | **$64.6m** | ↑ | **$24.5m** | **38.0%** |
| | OPEX | $47.7m | $38.2m | ↑ | $9.4m | 24.6% | $46.4m | $31.1m | ↑ | $15.3m | 49.0% |
| | Impairment expense | $2.7m | $0.6m | ↑ | $2.0m | 332.5% | $2.7m | $0.6m | ↑ | $2.0m | 332.5% |
| | Tax expense | $11.6m | $7.3m | ↑ | $4.3m | 59.1% | $12.0m | $9.5m | ↑ | $2.5m | 25.9% |
| | **NPAT[2]** | **$27.2m** | **$17.7m** | ↑ | **$9.4m** | **53.2%** | **$28.1m** | **$23.3m*** | ↑ | **$4.8m** | **20.4%** |
| | NIM | 3.01% | 2.58% | ↑ | 42 bps | | 3.01% | 3.17% | ↓ | (16 bps) | |
| | CTI ratio | 53.5% | 59.8% | ↓ | (636 bps) | | 52.0% | 48.2% | ↑ | 385 bps | |
| | Impairment expense ratio[3] | 0.13% | 0.03% | ↑ | 9 bps | | 0.13% | 0.03% | ↑ | 9 bps | |
| | ROE | 6.6% | 6.9% | ↓ | (31 bps) | | 6.8% | 12.5%[5] | ↓ | (565 bps) | |

| | | Jun 25 | Jun 24 | Movement | | |
|---|---|---|---|---|---|---|
| Financial position | Liquid assets | $517m | $993m | ↓ | ($476m) | (47.9%) |
| | Receivables[4] | $2,265m | $1,975m | ↑ | $290m | 14.7% |
| | Borrowings | $2,499m | $2,715m | ↓ | ($216m) | (7.9%) |
| | Equity | $424m | $398m | ↑ | $26m | 6.5% |
| | Equity/total assets | 14.4% | 12.7% | ↑ | 169 bps | |

Heartland Bank Australia is a substantially different business following ADI acquisition completion on 30 April 2024. As such, comparing FY2025 with FY2024 is not a like-for-like comparison.

*To provide a clearer view of historical performance, impacts from the ADI acquisition on performance in May 2024 and June 2024 have been excluded to form the underlying result for FY2024.



**Note:** All figures are in AUD$m. See page 4 for definition of underlying financial metrics. Refer to page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs.

1 Reported OOI includes fair value gains/losses on investments.

2 Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation..

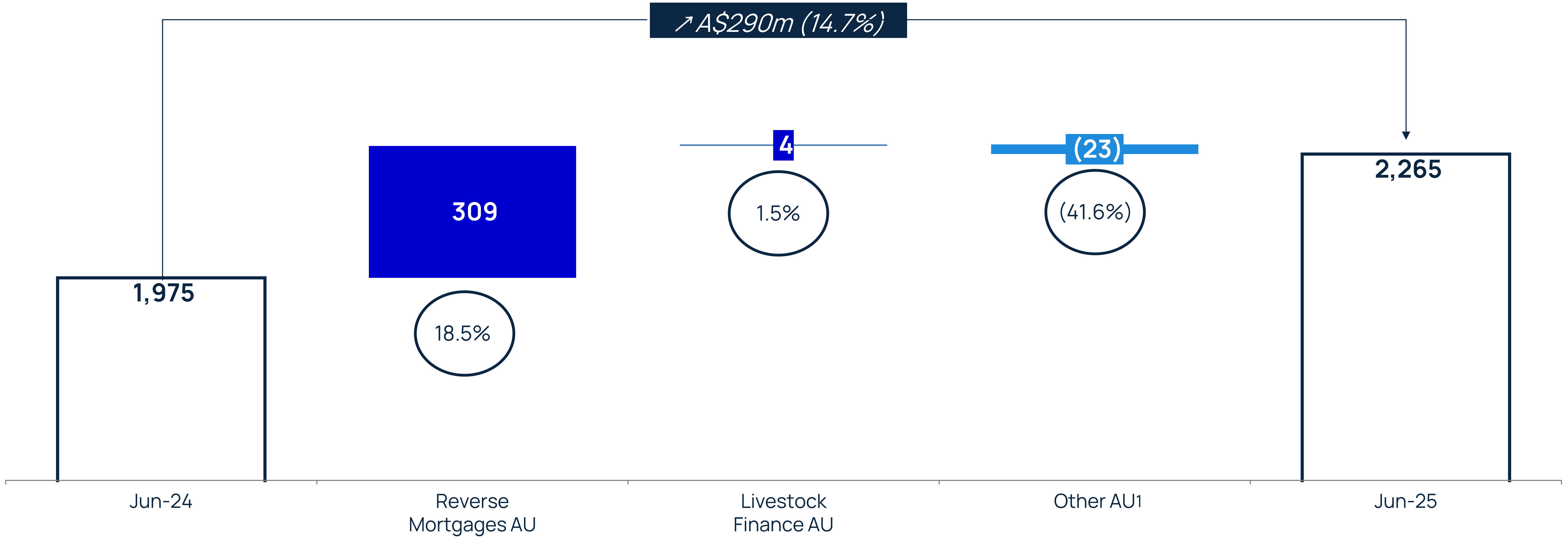
3 Impairment expense as a percentage of average Receivables.

4 Receivables also includes Reverse Mortgages.

5 Underlying ROE for FY2024 excludes the impact of the ADI acquisition.

# Receivables

**Strong growth continued in Reverse Mortgages as Heartland Bank Australia maintained its market leading position. Livestock Finance saw a return to growth as confidence returns to the market, despite some impacts from drought in Victoria and South Australia.**

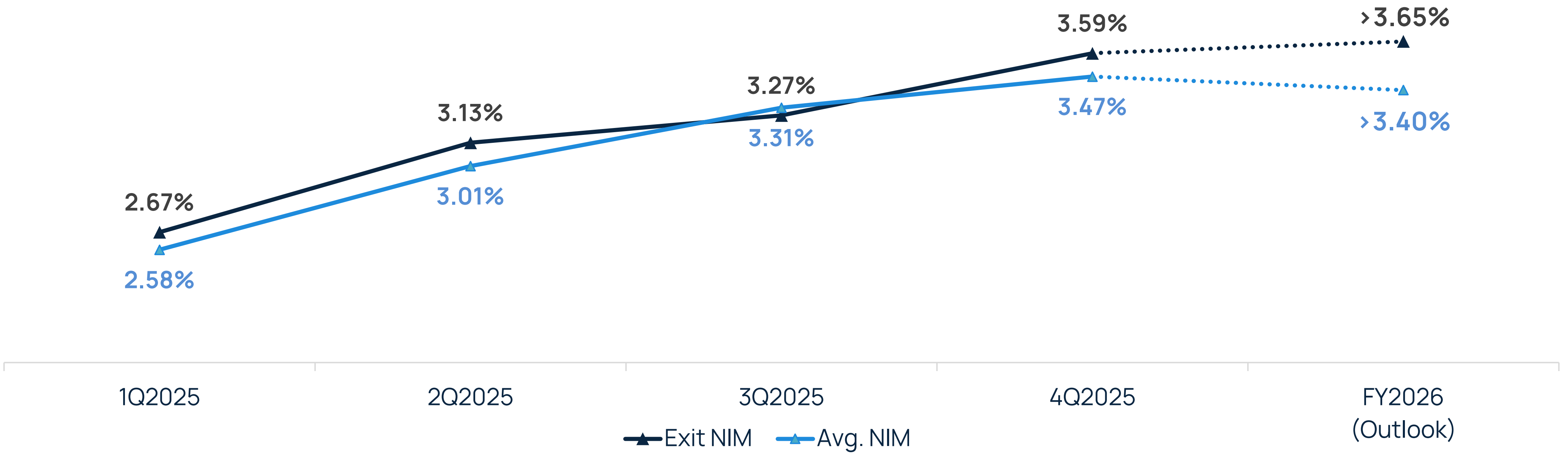


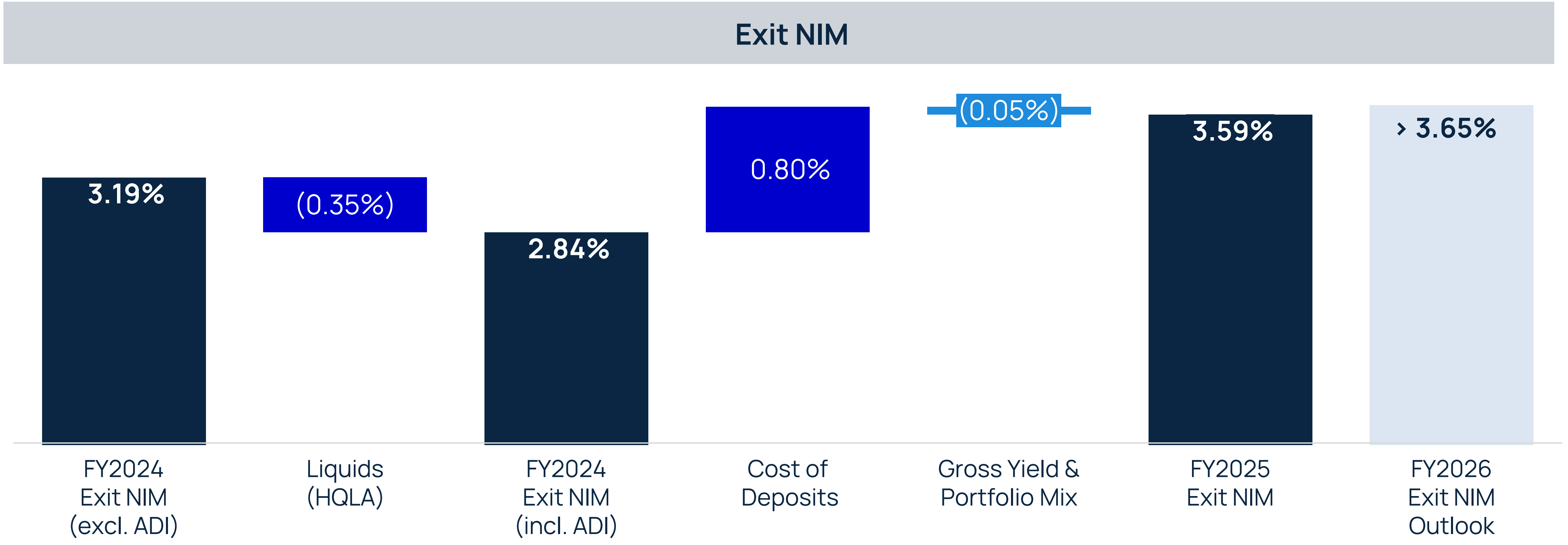

| | | | | | |
|---|---|---|---|---|---|
| **Receivables (AUD $m)** | **1,975** | 1,980 | 254 | 31 | **2,265** |



**Note:** All figures in AUD$m.
[1] Other AU includes Home Loans and Consumer & Other loan portfolios acquired through the ADI which are in run down.

# Underlying NIM




## Exit NIM up 75bps YoY

- **Cost of deposits**: lower cost of funds through funding mix transition which completed successfully, moving from 100% reliance on wholesale funding to deposits making up 81% of funding as at 30 June 2025.

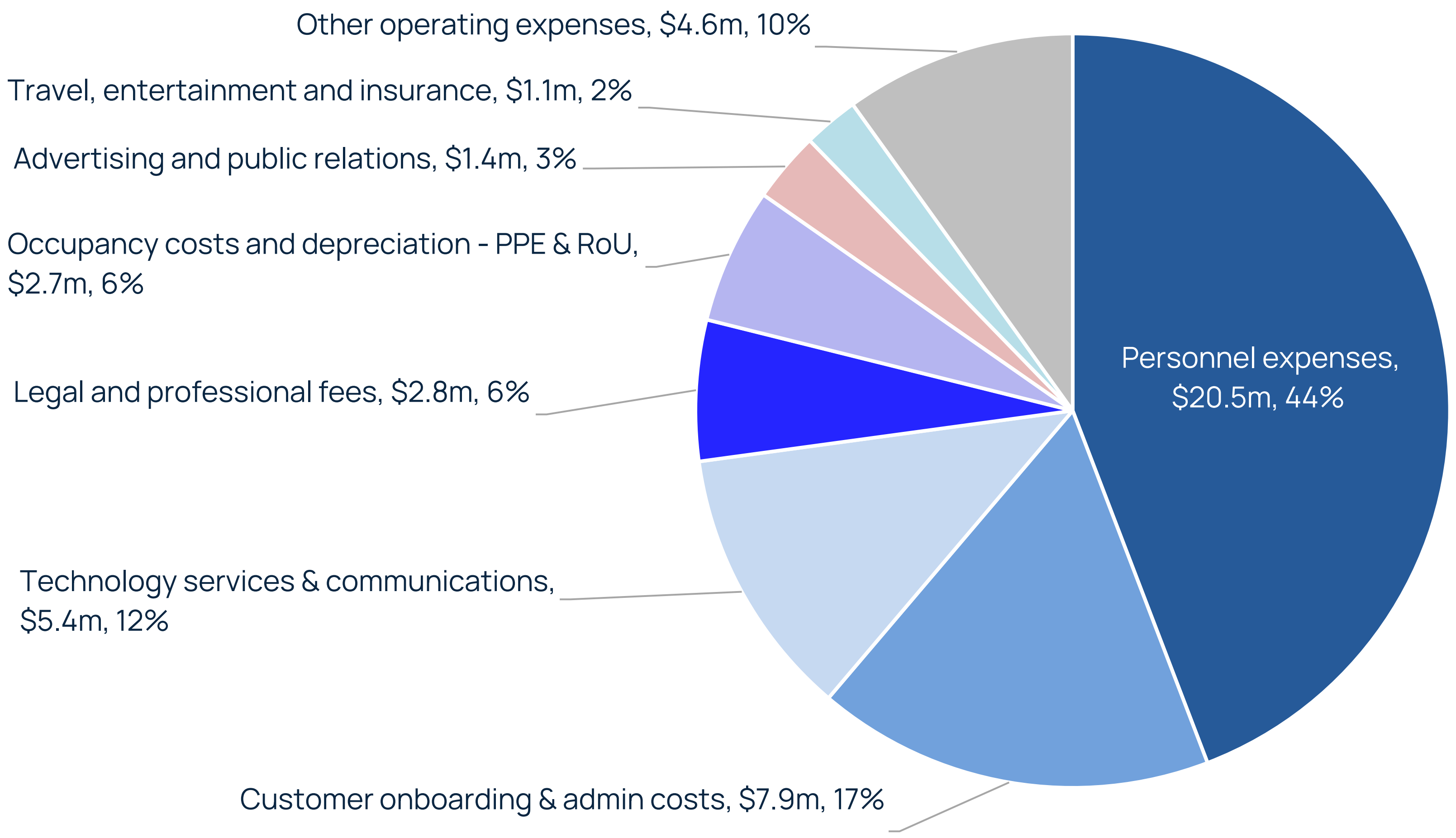
## FY2026 outlook

- RBA cash rate easing with flow on impacts to competitive lending.
- Further cost of deposits opportunity with wholesale to deposit funding to lift deposit funded ratio › 85%.
- Identifying higher yielding investment securities.
- FY2026 avg. NIM outlook of ›**3.40%**.

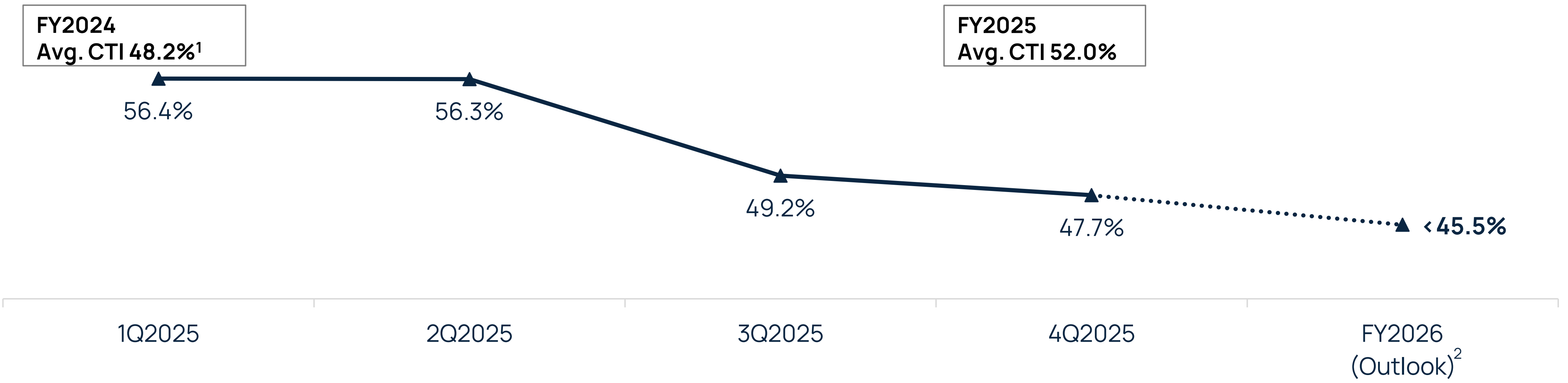


**Note:** NIM is calculated as NII/average gross interest earning assets in $AUD. See page 4 for a definition of underlying financial metrics.

# Underlying OPEX




## Underlying CTI ratio




## FY2025

**Total FY2025 underlying OPEX of A$46.4m,** largely made up of:

- A$20.5m personnel expenses, based on 117 FTEs (avg FTEs of 95) including the acquired ADI cost base, and primarily comprising remuneration (A$19.0m)
- A$7.9m of customer onboarding and admin costs including lending origination costs in line with AU Reverse Mortgage volume growth
- A$5.4m IT costs including the acquired cost base, the long-term renewal of the current version of the core banking system and to accommodate increased volume from deposits
- A$2.8m of legal and professional fees including compensation of auditor
- A$4.6m other operating expenses.

## FY2026 outlook

- Underlying OPEX expected to be **<A$54.6m**.
- Increases will be mainly variable and tied to growth – primarily higher broker commissions and onboarding expenses related to the expansion of Reverse Mortgages, as well as the full-year impact of additional roles filled in FY2025.
- Despite OPEX increases, the underlying CTI ratio is expected to be **<45.5%** due to an uplift in NOI.



**Note:** All figures in AUD. CTI ratio is calculated as OPEX/NOI. Underlying CTI ratio excludes one-off impacts. See page 4 for definition of underlying financial metrics. Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation.

[1] FY2024 CTI ratio is adjusted for the impacts of the ADI acquisition.

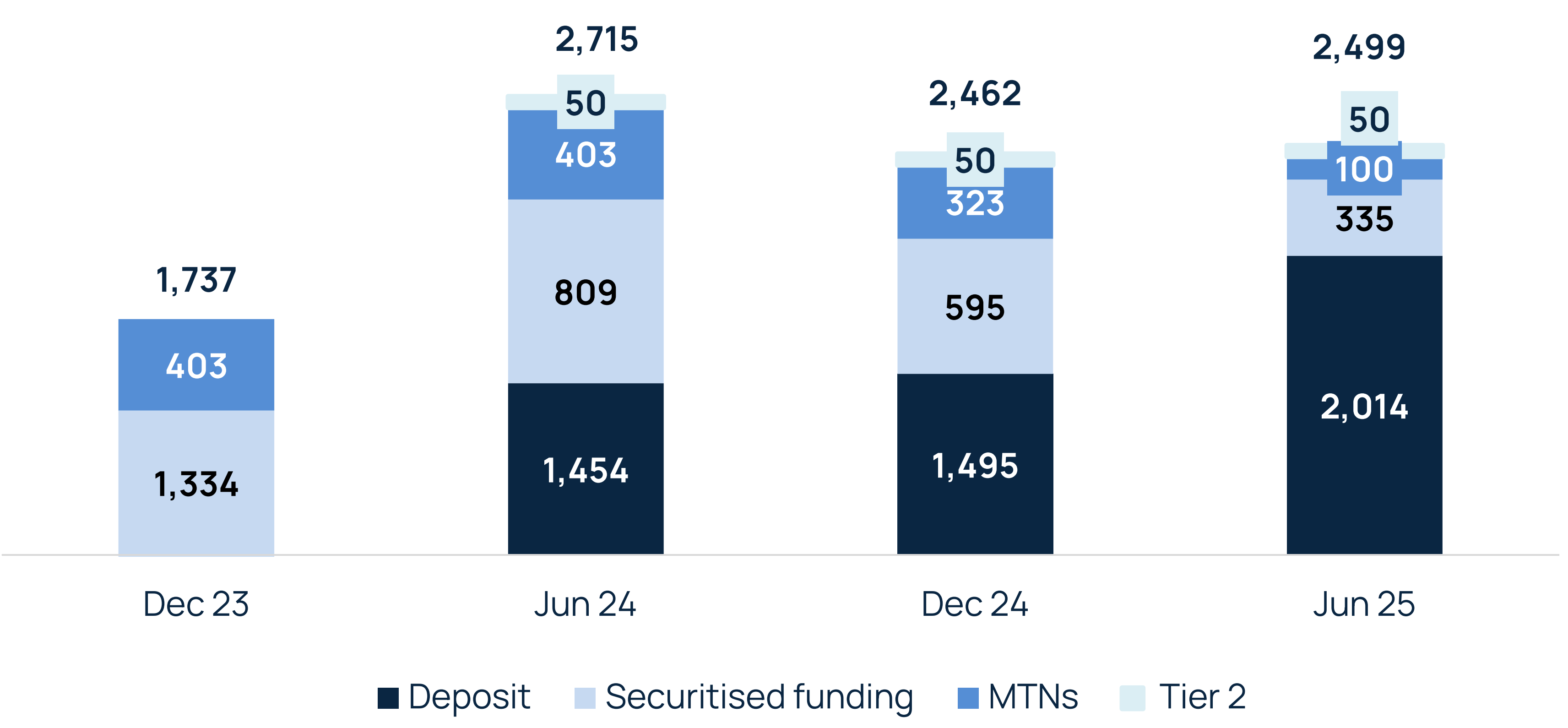
[2] Excluding intercompany group charges .

# Funding & liquidity

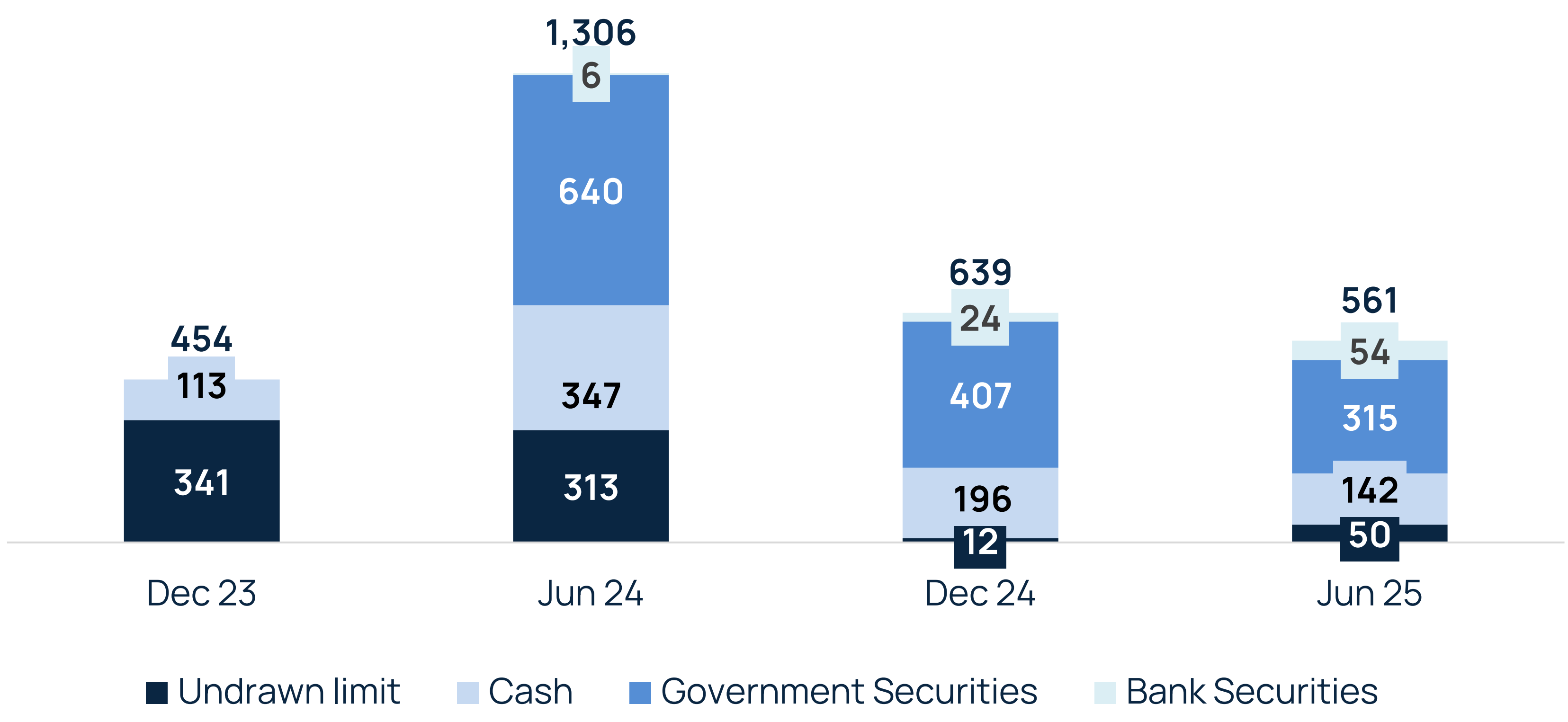
- In FY2025, Heartland Bank Australia used deposit funding to complete the repayment of a A$800m wholesale debt funding facility.
- The transition to a predominantly deposits funding mix, from a reliance on wholesale funding, has been successful. Deposits made up 81% of the bank's funding as at 30 June 2025 (up from 54% as at 30 June 2024). This is expected to increase to 85% by the end of FY2026.

| | 31-Dec-24 MLH | 30-Jun-25 MLH |
|---|---|---|
| Heartland Bank Australia | 20.6% | 19.4% |

**Funding composition A$m**




**Liquidity composition A$m**



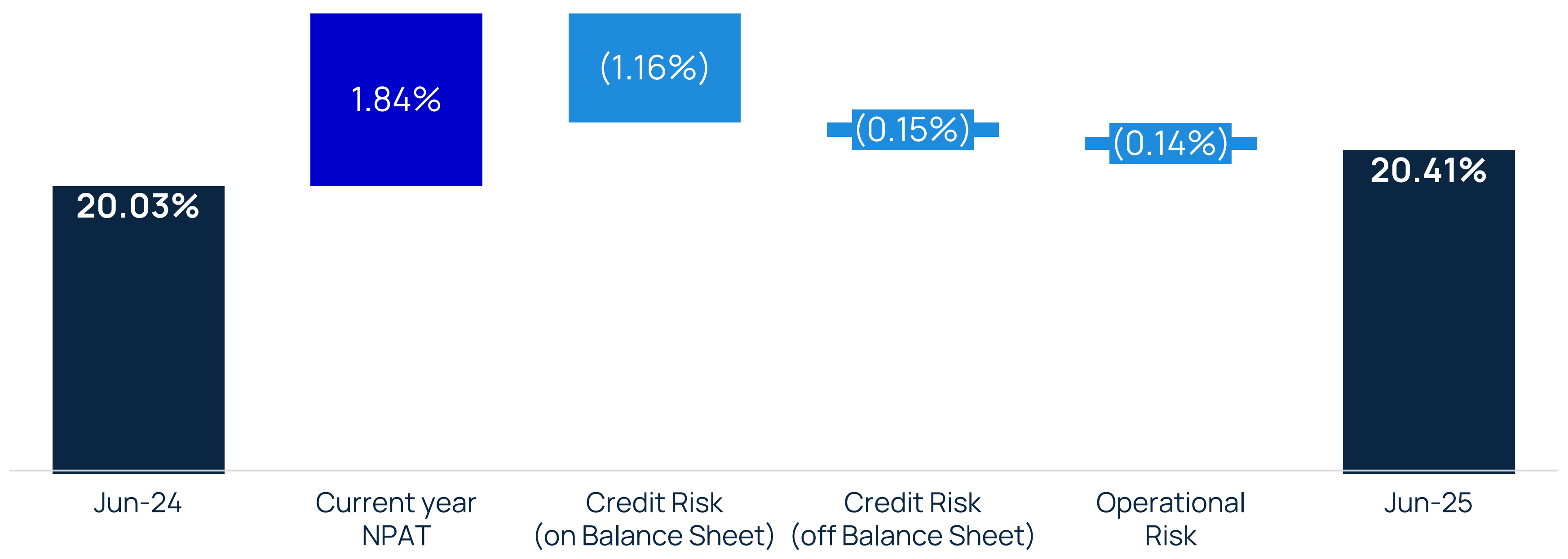



**Note:** Heartland Bank acquired (now) Heartland Bank Australia on 30 April 2024. Prior to that, Heartland's Australian businesses operated as Heartland Australia Group, which did not have an ADI licence or access to deposit funding in Australia.
Liquid assets (securities) are HQLA APRA eligible securities.

# Capital

Heartland Bank Australia - Capital movement A$m


Heartland Bank Australia – Total capital ratio




## Heartland Bank Australia continues to operate above regulatory capital minimums and is well positioned for future sustainable growth.

- Heartland Bank Australia maintained a strong regulatory capital position, ensuring compliance with prudential requirements and supporting sustainable growth.
- Total capital ratio remained robust at 20.41%, reflecting disciplined capital management, earnings and prudent risk-weighted asset growth, coupled with non-performing loan management. This positioned the bank well to support customers and drive long-term financial stability.
- Profits generated by the AU bank are largely, if not wholly, expected to be retained within the AU bank to provide the capital to fund projected growth.

# AU lending performance: Reverse Mortgages

**A$1,980m** **Receivables** as at 30 Jun 2025
**+A$309m, 18.5%** since Jun 2024

**A$63.8m** **NOI** as at 30 Jun 2025

- Achieved the highest quarterly new Reverse Mortgage origination on record in 4Q2025, positioning Heartland Bank Australia well for continued momentum into FY2026.
- Heartland Bank Australia's market share increased to 40%[1] despite heightened competition in the reverse mortgage market. It remains the leading provider of reverse mortgages in Australia, with more than half the flow of lending by active providers.
- Significant expansion of the broker and partner network, with enhanced broker onboarding and training, contributed to a 74% reduction in application turnaround times.
- Receivables eclipsed the A$2b milestone in July 2025.

## Outlook

- **FY2026 growth**: >19.0%

## Asset quality[2]

- **NPL[3] ratio:** 0.88% (A$17.4m)
- **Average current loan size :** A$208k
- **Weighted average current LVR :** 24.6%[4]



[1] AU Reverse Mortgage market share estimate based on APRA ADI data and public statements and internal estimates for non-bank reverse mortgage lending.
[2] Reverse Mortgages are measured at fair value.
[3] Reverse Mortgage NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2025, this included 64 loans with a total NPL value of A$17.4m and a weighted average LVR of 29.3%.
[4] Using indexed valuation.

# AU lending performance: Livestock Finance

**A$254m**

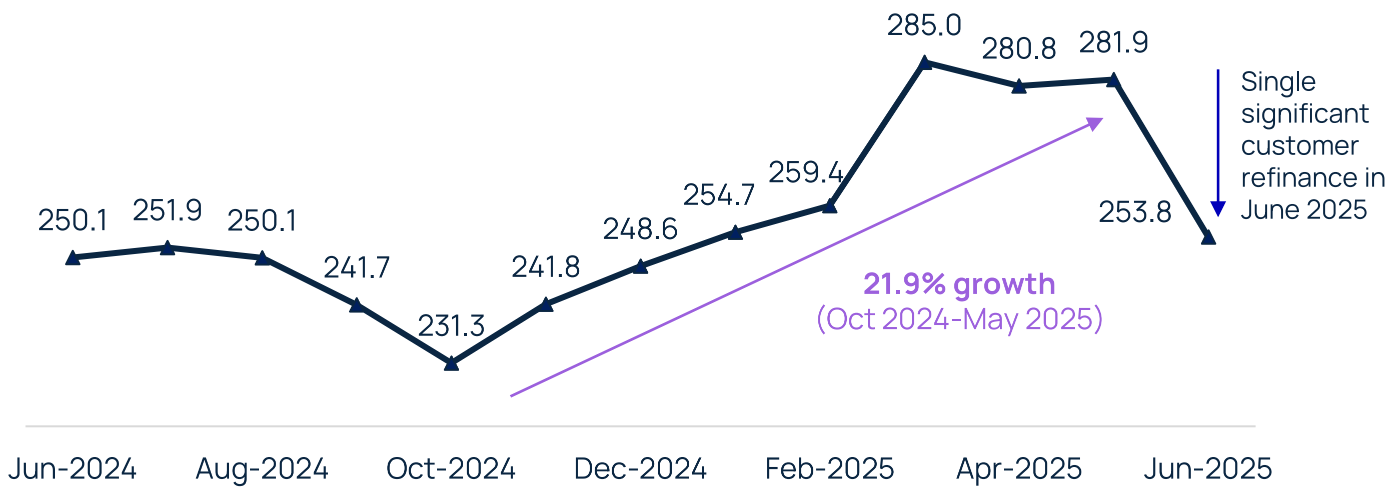
**Receivables** as at 30 Jun 2025
**+A$3.7m, 1.5%** since Jun 2024

**A$12.6m**

**NOI** as at 30 Jun 2025

- Increased confidence has returned to the Australian livestock market, resulting in the highest volume of new business written since FY2022, with over one million livestock funded in FY2025 (up 36% on FY2024).
- FY2025 Receivables growth of 1.5% arrested the FY2024 Receivables decline of 27.5%.
- Droughts in Victoria and South Australia reduced livestock feed levels and resulted in a sell down of livestock by customers in those states, impacting growth.
- Growth has been supported by diversification of the Livestock Finance distribution channels as Heartland Bank Australia continues to strengthen its partnerships.

## FY2025 Receivables (A$m)




## Outlook

- **FY2026 growth**: >20.0%

## Asset quality

- Through prudent management, Livestock Finance NPLs reduced in 2H2025 to A$36.4m (1.62%) as at 30 June 2025, down from A$64.4m (3.26%) as at 30 June 2024.
- While impairments remain low, they were higher than expected with a FY2025 impairment expense ratio of 0.13% (up 9 bps from FY2024) due to specific provisions being required for three Livestock Finance customers.
- The Livestock Finance portfolio is appropriately provisioned in line with expected credit losses and prevailing economic conditions.

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# 04 Outlook

**Andrew Dixson** Chief Executive Officer, Heartland Group

# FY2026 outlook

**Capitalising on the reset, change and integration that occurred in FY2025, Heartland expects to deliver improved ROE and profitability in FY2026. Its focus will be on:**

| | |
|---|---|
| 1 | **Maintaining a refined strategic focus on its core product sets.**<br>- NZ bank: Reverse Mortgages, Rural Lending, Motor Finance, Asset Finance, Deposits<br>- AU bank: Reverse Mortgages, Livestock Finance, Deposits |
| 2 | **Investment in technology uplift** to simplify and automate manual processes, introduce new digital capability and provide better customer, intermediary and employee experience – unlocking future growth. |
| 3 | **Operational cost control**. |
| 4 | **Continuing to prioritise efficient use of capital.** |

# FY2026 outlook: Reverse Mortgage opportunity

## Each bank will prioritise growth and innovation in Reverse Mortgages to retain its leading position and increase competitive advantage in markets with significantly untapped potential.

| Reverse Mortgages | Australia | New Zealand | Commentary |
|---|---|---|---|
| **Market sizing**[1] | A$ | NZ$ | |
| Property owned without mortgage[2]<br>(value of security property at 20% LVR) | $320 billion | $110 billion | • Australia's 65+ population is projected to grow from 4.75m currently to 7.0m by 2040 (47% increase).<br>• New Zealand's 65+ population is projected to grow from 0.9m currently to 1.3m by 2040 (44% increase).<br>• Increasing build up in home equity through sustained house price inflation in key urban centres. |
| Property owned with mortgage[3]<br>(outstanding mortgage balance) | $300 billion | $50 billion | • Significant mortgage debt held by those aged 60+, creating financial stress given low fixed incomes and rising cost of living. The number and value of this debt continues to increase.<br>• Opportunity to transition to reverse mortgage and remove burden of servicing. |
| Retirement village - independent and assisted living[4]<br>(value of ORA at 50% LVR) | $40 billion | $10 billion | • Affordability and access to quality independent and assisted living is increasingly difficult.<br>• Existing and proposed new supply of senior living stock is lagging population growth. |
| **Total market opportunity** | **$660 billion** | **$170 billion** | |



[1] Best estimate only and based on a combination of publicly available information and internal sources.
[2] Market sizing for reverse mortgages is calculated by determining the total value of residential property owned by seniors (aged 60+), multiplied by an LVR of 20%. This is then apportioned to property owned without a mortgage and property owned with a mortgage (outstanding mortgage balance).
[3] Assumes average LVR on residential mortgages held by seniors to be ~20%.
[4] The value of retirement village dwellings (valued at 50% of occupational right agreement).

# FY2026 guidance

## Heartland expects FY2026 underlying NPAT to be at least $85 million.

The FY2026 guidance detailed below is subject to change once the impact of the technology investment required to deliver against Heartland's technology strategy is known.

Heartland expects the difference between reported and underlying NPAT in FY2026 to be limited only to any fair value changes on equity investments held and other one-off non-recurring expenses.

| | FY2026 guidance | | |
|---|---|---|---|
| **Underlying financial metrics** | **Heartland** | **NZ Banking** | **AU Banking** |
| **NPAT** | ≥$85m | >$45m | >AU$37m (NZ$40m) |
| **ROE** | ≥7% | >6% | >8% |
| **Average NIM** | >3.90% | >4.20% | >3.40% |
| **Exit NIM** | >3.95% | >4.25% | >3.65% |
| **CTI ratio** | <53.5% | <53.5% | <45.5% |
| **Impairment expense ratio** | <0.55% | <0.85% | <0.10% |

The Board continues to target a total dividend payout ratio of at least 50% of underlying NPAT in FY2026.[1]



[1] Subject to the Board considering Heartland's capital needs, ROE accretive growth opportunities, balance sheet flexibility and financial performance.

# Long-term ambitions

**Heartland intends to present updated long-term ambitions, resetting to a full five-year time horizon to demonstrate its operating metrics at scale.**

Intentional and necessary resets in Heartland's businesses throughout FY2025 have rebased the starting position assumed when Heartland announced its FY2028 ambitions.

**Heartland currently expects that during the period to FY2030, investors will see a significant increase in underlying ROE and underlying NPAT from:**

- a continued focus on capital efficiency, both in the composition of the regulatory capital stack and the allocation of that capital to core product sets
- profits generated in AU largely, if not wholly, retained within the AU bank to provide the capital to fund projected growth
- continued growth in quality core product portfolios, with a bias to growth in Reverse Mortgages
- superior NIM being maintained
- enhanced asset quality
- an underlying CTI ratio reduction.

**Heartland will host an investor day ahead of its FY2025 annual general meeting**, to provide detailed information on the underlying approach, growth drivers and timeframes that support the delivery of its reset long-term ambitions.

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# 05 Additional information

# Non-strategic assets (NSA) overview

## NSAs are primarily NZ assets that are outside of Heartland's core lending strategy, or do not deliver threshold ROE.

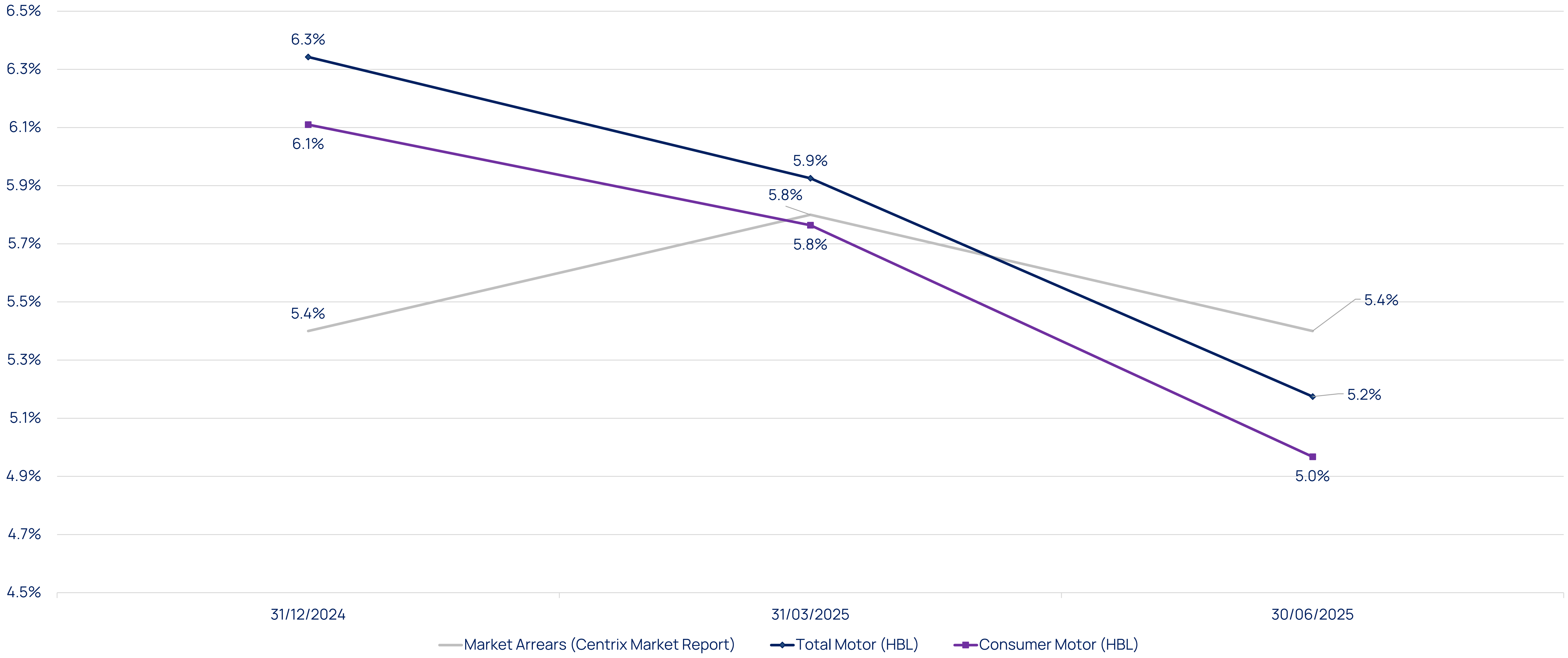
| Asset type | Description | Exit strategies | Balance Dec-24 ($m) | Movement ($m) | Balance Jun-25 ($m) |
|---|---|---|---|---|---|
| **Rural Receivables** | • Diversified portfolio of agricultural lending primarily to NZ based dairy farms and sheep and beef farms.<br>• Exposures are ~30% North Island and ~70% South Island (Otago ~60%).[1] | • Primary exit strategy assessed on a file-by-file basis. This is expected to be achieved through a combination of refinancing and sale of underlying security.<br>• Portfolio level solutions continue to be explored as a means of expediting realisation timeframes. | **122.6** | (10.6) | **112.0** |
| **Business Receivables** | • Portfolio of diversified NZ SME lending.<br>• Primary sectors include: transport, forestry, mining, vineyards and construction. | | **59.6** | (11.8) | **47.8** |
| **Home Loan[2] Receivables** | • Portfolio of prime home loans. | • The portfolio is being wound down through organic repayment. Heartland expects over 80% of the total balance will be repaid by the end of 1H2026. | **252.4** | (80.7) | **171.7** |
| **Properties** | • Two dairy farms located in Canterbury and Otago. | • Both farms are currently being prepared for sale at the next available market window. | **16.2** | - | **16.2** |
| **Investment properties** | • Block of 16 apartments located in Northland. | • Marketing of the apartments for sale on the open market will continue in September 2025. | **4.4** | - | **4.4** |
| **Equity investments** | • Minority equity stake in Alex Corporation Limited (Alex Bank), Avenue Hold Limited (Avenue Bank) and Harmoney Corp Limited. | • No near term exits likely on commercially acceptable terms. Primary exit strategy is via existing shareholder base.<br>• Actively selling Harmoney Corp Limited shareholder on-market where the appropriate opportunity presents. | **12.9** | (0.2) | **12.6** |
| **Total** | | | **468.1** | (103.3) | **364.8** |



[1] Sized by $ exposure.

[2] Includes Online Home Loans and old residential mortgages.

# Motor Finance arrears vs. auto industry average






**Note:**
- For the purpose of this comparison, Heartland Bank's total Motor Finance arrears are calculated using the calculation method used by Centrix (arrears greater than or equal to 14 DPD) as at 30 June 2025.
- Auto industry arrears are sourced from the Centrix Credit Indicator Report, where 31/12/2024, 31/03/2025, and 30/06/2025 uses the January, April, and July 2025 Insights Report, respectively.
- Consumer Motor are Motor Finance loans to individuals rather than businesses.

# NZ Reverse Mortgage portfolio analytics

| | | | | |
|---|---|---|---|---|
| **$1.23b**<br>NZ Reverse Mortgages<br>+$165m (15.5%) vs June 2024 | **$211m**<br>(+$13.6m vs FY2024)<br>FY2025 origination[2] | **73**<br>Average age of youngest borrower (new customers)[3] | **17.1%**<br>Compound annual growth rate[4] | |
| **$153,518**<br>Average current loan size[2] | **$77,583**<br>Average initial loan amount | **8.1%**<br>Weighted average initial LVR[3] | **25.3%**<br>Weighted average current LVR (indexed valuation)[1,5] | |
| **$158m**<br>(+$44.4m vs FY2024)<br>Total repayments in FY2025[2] | **14.8%**<br>(vs 12.7% in FY2024)<br>FY2025 repayment rate[2] | **6.00 years**<br>Average term at repayment | **81%**<br>Voluntary repayment | **19%**<br>Involuntary repayment |



**Note:** All figures are in $NZD unless otherwise stated.
[1] Across all time on whole book.
[2] As at 30 June 2025.
[3] Rolling 12 months as at 30 June 2025.
[4] Compound annual growth rate for the period 1 July 2020 – 30 June 2025.
[5] Indexed valuation.

# AU Reverse Mortgage portfolio analytics

| | | | | |
|---|---|---|---|---|
| **A$1.98b**<br>AU Reverse Mortgages<br>+A$309m (+18.5%) vs June 2024 | **A$404m**<br>(+A$73m vs FY2024)<br>FY2025 origination[2] | **73**<br>Average age of youngest borrower (new customers)[3] | **17.9%**<br>Compound annual growth rate[4] | |
| **A$208,221**<br>Average current loan size[2] | **A$161,907**<br>Average initial loan amount | **14.3%**<br>Weighted average initial LVR[3] | **24.6%**<br>Weighted average current LVR (indexed valuation)[1,5] | |
| **A$261m**<br>(+A$61 vs FY2024)<br>Total repayments in FY2025[2] | **15.6%**<br>(vs 14.3% in FY2024)<br>FY2025 repayment rate[2] | **5.92 years**<br>Average term at repayment | **77%**<br>Voluntary repayment | **23%**<br>Involuntary repayment |



**Note:** All figures are in $AUD unless otherwise stated.
1 Across all time on whole book.
2 As at 30 June 2025.
3 Rolling 12 months as at 30 June 2025.
4 Compound annual growth rate for the period 1 July 2020 – 30 June 2025.
5 Indexed valuation.

# Sustainability

## Heartland's sustainability strategy is built on three pillars:

1 **Environment**
Support the just transition to a net-zero economy

2 **People**
Caring for Heartland's people, customers and communities

3 **Financial wellbeing**
Support the financial wellbeing of Heartland's customers and communities

## FY2025 achievements

- Heartland hit its target to increase the percentage of new generation vehicles funded by the NZ Motor Finance portfolio year on year. 16.3% of vehicles funded in FY2025 were new-generation vehicles, up from 15.1% in FY2024.
- Developed an initial detailed transition plan to position Heartland's operational emissions pathway to net zero by FY2050.
- Identified as a 'fast follower' and one of the top three improvers in Forsyth Barr's 2024 Carbon & ESG ratings of NZX listed companies.
- The number of volunteer days used by Heartland's employees to give back to the community was up 76% on the past three years combined.
- The NZ bank held its annual Manawa Ako internship for Māori and Pasifika rangatahi (youth), welcoming 29 interns. More than 165 rangatahi have participated in the programme since inception in 2017.

**More information will be available in Heartland's Climate Report and Annual Report which will be published on 30 September 2025.**

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# 06
# Disclosures appendices & glossary

# Disclaimer

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**Non-GAAP measures**

This presentation contains references to non-GAAP measures including underlying profit or loss, underlying ROE, underlying CTI ratios, underlying impairment expense ratios and underlying EPS. A reconciliation between the reported and non-GAAP measure of underlying financial information is included on page 6.

Because Heartland complies with accounting standards, investors know that comparisons can be made with confidence between reported profits and those of other companies, and there is integrity in Heartland's reporting approach. These non-GAAP figures are provided as a supplementary measure for readers to assess Heartland's performance alongside NZ GAAP reported measures, where one-offs, both positive and negative, can make it difficult to compare profits between years. However, these non-GAAP measures do not have standardised meanings prescribed by GAAP and should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ GAAP.

Non-GAAP financial information has not been subject to review by PricewaterhouseCoopers, Heartland's external auditor.

All amounts are in New Zealand dollars unless otherwise indicated. Financial data in this presentation is as at 30 June 2025 unless otherwise indicated. Any other financial information provided as at a date after 30 June 2025 has not been audited or reviewed by any independent registered public accounting firm.

# FY2024 reported vs. underlying

| | FY2024 | Entity | | |
|---|---|---|---|---|
| | | HGH | HBL | HBAL |
| **Reported NPAT** | **$74.5m** | **$0.3m** | **$55.8m** | **$18.5m** |
| – De-designation of derivatives | $6.6m | | $6.6m | |
| – Fair value changes on equity investments held | $0.3m | ($1.3m) | $1.6m | |
| **Other operating income (OOI)** | **$6.9m** | **($1.3m)** | **$8.2m** | |
| – Australian Bank Programme transaction costs | $9.8m | $4.8m | $1.1m | $3.8m |
| – Other non-recurring expense | $0.8m | $0.2m | $0.6m | |
| **Operating expenses (OPEX)** | **$10.6m** | **$5.0m** | **$1.7m** | **$3.8m** |
| – Provision for a subset of legacy lending | $16.0m | | $16.0m | |
| **Impairment Expense** | **$16.0m** | | **$16.0m** | |
| **Tax impact** | **($8.6m)** | **($0.7m)** | **($6.8m)** | **($1.1m)** |
| – Challenger Bank Net Loss | $3.3m | | | $3.3m |
| **Underlying NPAT[1]** | **$102.7m** | **$3.3m** | **$74.9m** | **$24.5m** |



[1] See page 4 for definition of underlying financial metrics. Refer to page 6 for a detailed reconciliation between reported and underlying financial information.

# Glossary

| | | | |
|---|---|---|---|
| ADI | Authorised deposit-taking institution | NSA | Non-strategic assets |
| APRA | Australian Prudential Regulation Authority | NZ Banking Group, NZBG | The New Zealand Banking Group consists of the NZ Bank and its NZ subsidiaries, excluding Marac Insurance. |
| Banking Group | The Banking Group includes all of the NZ bank's subsidiaries, including the AU bank and Marac Insurance. | OOI | Other Operating Income |
| bps | Basis points | OPEX | Operating expenses |
| CET1 | Common Equity Tier 1 | RBNZ | Reserve Bank of New Zealand |
| cps | Cents per share | Receivables | Gross Finance Receivables (includes Reverse Mortgages) |
| CTI ratio | Cost-to-income ratio | ROE | Return on Equity |
| DPD | Days past due | FY2030 | Financial year ending 30 June 2030 (1 July 2029 to 30 June 2030) |
| DRP | Dividend Reinvestment Plan | FY2028 | Financial year ending 30 June 2028 (1 July 2027 to 30 June 2028) |
| EPS | Earnings per share | 4Q26+ | Fourth quarter of FY2026 (1 April to 30 June 2026) and onwards |
| Exit NIM | NIM on the last day of the reporting period. | 3Q26 | Third quarter of FY2026 (1 January to 31 March 2026) |
| FX | Foreign currency exchange | 2Q26 | Second quarter of FY2026 (1 October to 31 December 2025) |
| GFV | Guaranteed Future Value | 1Q26 | First quarter of FY2026 (1 July to 30 September 2025) |
| Heartland, Heartland Group, HGH | Heartland Group Holdings Limited or the **Company** | FY2026 | Financial year ending 30 June 2026 (1 July 2025 to 30 June 2026) |
| Heartland Australia Group | Heartland Australia Holdings Pty Ltd and its direct and indirect wholly-owned subsidiaries | 4Q2025, 4Q25 | Fourth quarter of FY2025 (1 April to 30 June 2025) |
| Heartland Bank, HBL, NZ Bank, NZ Banking | Heartland Bank Limited | 3Q25 | Third quarter of FY2025 (1 January to 31 March 2025) |
| Heartland Bank Australia, HBAL, AU Bank, AU banking | Heartland Bank Australia Limited | 2H2025 | Second half of FY2025 (1 January to 30 June 2025) |
| LVR | Loan-to-value ratio | 2H2025 Outlook | Financial metric expectations for 2H2025 set by Heartland in its 1H2025 financial results announcement published on 27 February 2025 |
| MLH | Minimum Liquidity Holdings | 2Q25 | Second quarter of FY2025 (1 October to 31 December 2024) |
| NII | Net interest income | 1H2025 | First half of FY2025 (1 July to 31 December 2024) |
| NIM | Net interest margin | FY2025 | Financial year ended 30 June 2025 (1 July 2024 to 30 June 2025) |
| NOI | Net operating income | FY2024 | Financial year ended 30 June 2024 (1 July 2023 to 30 June 2024) |
| NPAT | Net profit after tax | 1H2024 | First half of FY2024 (1 July to 31 December 2023) |
| NPL | Non-performing loan | FY2022 | Financial year ended 30 June 2022 (1 July 2021 to 30 June 2022) |

# Thank you

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