HEARTLAND GROUP

Annual Report 2025

Contents

This Annual Report of Heartland Group Holdings Limited (**Heartland**) is dated 30 September 2025 and is signed on behalf of the Board of Directors by:

Greg Tomlinson
Chair and Non-Independent, Non-Executive Director

John Harvey
Independent, Non-Executive Director

01
Year in review

Chair and CEO's report

Greg Tomlinson
Chair and Non-Independent, Non-Executive Director

Andrew Dixson
Chief Executive Officer (**CEO**)

The financial year to 30 June 2025 (FY2025) presented a unique set of challenges and opportunities, marked by a period of significant reset, change and integration. During this time, we prioritised capital efficiency, restoring a superior margin, and actively derisking some of our lending portfolios. While this had an impact on underlying financial performance, particularly in the first half of the financial year (1H2025), we have strengthened Heartland's foundation for future growth and value creation.

Good momentum was achieved in the second half of the financial year (2H2025) as Heartland substantially met the 2H2025 financial performance expectations set out in its 1H2025 financial results announcement. Heartland's FY2025 net profit after tax (NPAT) was \$38.8 million. On an underlying basis[1], FY2025 NPAT was \$46.9 million, meeting underlying NPAT guidance of at least \$45 million. Read more about Heartland's FY2025 financial performance on page 79.

Reset

In FY2025, we refined our strategic focus to concentrate on core products capable of delivering threshold return on equity (**ROE**). As a result, Heartland restored its net interest margin (**NIM**) to near-historic levels, with Heartland Bank Limited (**Heartland Bank**) and Heartland Bank Australia Limited (**Heartland Bank Australia**) each delivering strong exit margins (4.13% and 3.59%, respectively) driven by lower costs of funds.

Compelling growth continued in Reverse Mortgages in both New Zealand and Australia, with gross finance receivables (**Receivables**) up 15.5% and 18.5% respectively, demonstrating the growing market demand for this product. Livestock Finance also demonstrated strong performance, achieving an 18.4% increase in Receivables in New Zealand and a return to growth in Australia, with Receivables up 1.5%, arresting the 27.5% decline experienced in the financial year ended 30 June 2024 (**FY2024**). Conversely, growth in Heartland Bank's Motor Finance and Asset Finance portfolios remained challenged due to subdued economic conditions and a focus on higher quality lending.

Capital optimisation was a key priority in FY2025. This was reflected in several initiatives undertaken by Heartland Bank, including the run off of Unsecured Lending[2] and the accelerated realisation of non-strategic assets (**NSAs**), such as Online Home Loans, enabling the redeployment of capital into high-return core lending portfolios. Good momentum has been maintained through the first quarter of the financial year ending 30 June 2026 (**FY2026**), as Heartland continues the active realisation of NSAs.

Change

A notable impact to Heartland's FY2025 financial performance was the increase in impairment expense, up $25.2 million (54.3%). This was due to a significant increase for Heartland Bank in 1H2025 in response to the impact of the ongoing deterioration in economic conditions in New Zealand and to derisk and reposition some of its lending portfolios (as previously announced on 18 February 2025).

Heartland Bank subsequently embedded more prescriptive collections and recoveries policies in 2H2025. These changes have had a positive effect on asset quality and delivered early, tangible improvements, with Heartland Bank's total Motor Finance arrears now outperforming the industry average[3] and recovery outcomes exceeding initial expectations.

Integration

FY2025 marked a pivotal year in Heartland's evolution, defined by the successful integration of the Australian authorised deposit-taking institution (**ADI**) into Heartland. As a condition of the acquisition, Heartland required a change in its role as the listed parent company of two banks. A number of responsibilities shifted from Heartland to the respective banks, with Heartland's operations now focused on group strategy, investor relations, corporate finance, capital allocation, and strategic and risk management oversight of each bank.

Our existing Australian businesses have now been integrated into the acquired ADI to create a new, unique bank – Heartland Bank Australia. The Australian funding transition has been successful, as deposits now form 81% of the bank's funding, providing a deep, stable and diverse platform to efficiently fund lending growth.

Integration efforts extended to strengthening Heartland Bank Australia's leadership team, who are supported by an experienced Board of Directors with substantial expertise in

1 Financial results for Heartland and its subsidiaries (the **Group**) are presented on a reported and underlying basis. Reported results are prepared in accordance with NZ GAAP and include the impacts of positive and negative one-offs, which can make it difficult to compare performance between periods. Underlying results for FY2025 (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. The use of underlying results is intended to allow for easier comparability between periods and is used internally by management for this purpose. For a summary of reported and underlying results, details about FY2025 one-offs and general information about the use of non-GAAP financial measures, refer to Heartland's FY2025 investor presentation available at heartlandgroup.info.

2 Unsecured Lending includes Open for Business and Personal Lending portfolios which are winding down.

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

banking, prudential regulation and local markets. Board and Management updates which took place in FY2025 are detailed below.

Board and management updates

Heartland

On 5 March 2025, Michael Jonas became Chief Strategy Officer for Heartland, a new position focused on guiding Heartland's strategic direction. With over 35 years' experience in banking and finance law, Michael previously helped shape Heartland's growth, NZX-listing, New Zealand bank registration, and expansion into the reverse mortgage market in New Zealand and Australia. He returned to Heartland in 2022 as a consultant and was key in the ADI acquisition.

Heartland Bank

As part of Heartland Bank's more proactive and prescriptive approach to supporting customers in arrears, on 18 February 2025, Peter Griffin was appointed to the new role of Chief Asset Management Officer, leading Heartland Bank's arrears management and loan recovery activities. Peter joined Heartland Bank in 2011 and has over 35 years' experience in the business banking sector, including at BNZ and ASB. During his time at Heartland Bank, Peter has held senior leadership positions for various lending portfolios across the distribution spectrum.

Reflecting Heartland Bank's refined focus on its core lending portfolios, on 8 September 2025, Alistair Scott was appointed to the role of Chief Asset & Auto Finance Officer. Alistair brings over 30 years' experience in the automotive industry, including most recently with Jaguar Land Rover. His wealth of expertise spanning senior positions in sales, franchise management and business development in Asia, Latin America, Australia, and the UK is expected to significantly strengthen Heartland Bank's Motor Finance and Asset Finance portfolios.

On 15 September 2025, Rebecca Thomas joined Heartland Bank as Chief Digital Transformation Officer, marking the reinvigoration of Heartland Bank's digital transformation. With more than 25 years' experience in technology, data, and enterprise transformation, Rebecca's background covers multiple industries, including insurance, engineering, government, and professional services. Rebecca's expertise in technology operations and focus on AI and data-driven initiatives

Change to Heartland CEO

On 30 September 2024, Jeff Greenslade retired as Heartland's founding CEO, and from all Heartland directorships, after his 15-year tenure and substantial contribution to the growth and development of Heartland.

Jeff was succeeded by Andrew Dixson who assumed the role of Heartland CEO as well as Non-Independent Non-Executive Director of Heartland Bank effective 1 October 2024. Andrew was subsequently appointed a Non-Independent Non-Executive Director of Heartland Bank Australia on 3 February 2025.

Since joining Heartland in 2010, Andrew has held several key roles, including Head of Corporate Finance and Group Chief Financial Officer. His tenure has encompassed significant milestones in the organisation's development, such as the 2011 merger, New Zealand bank registration in 2012, NZX/ASX dual listing, and the strategic acquisitions of the Reverse Mortgage businesses (2014), StockCo Australia (2022) and the Australian ADI (2024).

Andrew's experience in overseeing strategic initiatives and corporate finance, combined with his focus on group strategy and capital allocation, provides a strong foundation for the next chapter in Heartland's journey. The Board is confident in Andrew's leadership and his ability to guide Heartland towards continued growth and value creation for our shareholders.

Greg Tomlinson
Chair, on behalf of the Board

will support Heartland Bank's digital transformation and operational efficiency.

Heartland Bank Australia

On 22 July 2024, Michelle Winzer commenced her role as CEO of Heartland Bank Australia. Michelle has over 30 years' experience in banking and financial services, including previously serving as Chief Executive Banking at RACQ Bank. Michelle's considerable experience in banking and ability to drive results and cultural transformation has supported the successful integration of the Australian businesses and will be instrumental in advancing the strategic goals of Heartland Bank Australia.

On 1 July 2024, Vaughan Dixon was appointed Chief Technology & Operations Officer, bringing over 25 years' expertise in technology, credit risk and analytics. Vaughan's extensive experience and leadership across technology and operations will contribute to advancing Heartland Bank Australia's technology and operational growth ambitions.

On 8 August 2024, Medina Cicak joined as Chief Commercial Officer, overseeing Deposits, Reverse Mortgages and Livestock Finance. With over eight years' experience in banking and financial services, including senior roles at Suncorp Bank and RACQ Bank, Medina's appointment created greater synergy across Heartland Bank Australia's distribution teams and is expected to continue to contribute to the bank's ability to support more Australians with their specialist banking needs.

Sustainability

As a trans-Tasman banking group, Heartland has a significant opportunity to have a greater impact in the communities within which we operate. This is reflected in Heartland's sustainability framework which centres on environmental, social and financial wellbeing. In FY2025, Heartland made good progress in its sustainability efforts. It strengthened its capability to assess and manage climate-related risks, reduced Heartland's absolute gross operational emissions by 42% from the base year ended 30 June 2019 (**FY2019**) (outperforming the original 35% target), and set new science-aligned emissions targets to reduce its operational footprint further by the financial year ending 30 June 2030 (**FY2030**). Heartland continued to support its communities through initiatives like the Manawa Ako internship programme, which welcomed 29 interns in FY2025, and the funding it provides to community groups and organisations through the Heartland Trust[4]. Heartland Bank also introduced a new product, the Village Access Loan, to provide a financial solution to some of the barriers associated with moving into retirement living.

For more information, refer to the Sustainability section on page 30 and Heartland's Climate Report.

Shareholder return

While Heartland's ROE and earnings per share (**EPS**) are below historic levels, we saw a strong rebound in 2H2025, with ROE at 6% and EPS at 4.6 cents per share (**cps**).

The Board resolved to pay a fully imputed final dividend of 2.0 cps on Friday 12 September 2025 to all shareholders on Heartland's share register as at 5.00pm NZST on Friday 29 August 2025. Together with the interim dividend, the total FY2025 dividend was 4.0 cps. The payout ratio for 2H2025 of 52% was in line with Heartland's target dividend payout ratio of at least 50% of underlying NPAT.

The Board continues to target a total dividend payout ratio of at least 50% of underlying NPAT in FY2026.[5]

FY2026 outlook

As Heartland capitalises on the positive reset, change and integration that has taken place in FY2025, Heartland is confident in its ability to deliver in FY2026 an underlying ROE of at least 7% and an improved underlying NPAT of at least $85 million.

To enable this, our focus for FY2026 is on maintaining a refined strategic focus, core lending growth, expanding further into the reverse mortgage market, operational cost control, leveraging technology to unlock efficiency, scalability and future growth and continuing to prioritise efficient use of capital.

4 The Heartland Trust is Heartland's registered charitable trust which is independent from but closely supported by Heartland.
5 Subject to the Board considering Heartland's capital needs, ROE accretive growth opportunities, balance sheet flexibility and financial performance.

In New Zealand, the Depositor Compensation Scheme (**DCS**), which came into effect on 1 July 2025, presents an opportunity for Heartland Bank to increase its share of domestic deposits. As a small domestic bank and Canstar New Zealand's Savings Bank of the Year for eight consecutive years, the protection provided to eligible depositors under the DCS gives Heartland Bank an opportunity for increased competitive differentiation as depositor confidence increases and deposit diversification is encouraged.

Reverse Mortgages remain a central growth engine for Heartland. In both New Zealand and Australia, demand for retirement-focused financial solutions is accelerating, supported by demographic trends. We estimate the total addressable market is worth $170 billion in New Zealand and AU$660 billion in Australia.[6] With specialist offerings and market leadership, Heartland Bank and Heartland Bank Australia are uniquely positioned to support the financial needs of older New Zealanders and Australians. Read more about Heartland's Reverse Mortgage product and opportunity on page 12.

Heartland is embarking on a new phase of digital transformation. In FY2026, Heartland Bank will commence implementation of a single modern platform to unify origination and servicing activity, fully integrating with its upgraded core banking system. Heartland Bank Australia will also implement a new unified origination and servicing platform. These investments are expected to drive operational efficiency, improve customer and intermediary experience, and position both banks to meet customer demand at scale.

With ROE as Heartland's key performance metric, efficient use of capital is critical. Heartland welcomes and will continue to participate in the Reserve Bank of New Zealand's (**RBNZ's**) review of key capital settings, with a particular focus on capital levels, asset risk-weights and the composition of regulatory capital. Heartland sees this as a critical pathway to support Heartland Bank's ability to remain competitive, reduce the cost to the end customer, and deliver a significantly improved ROE.

Long-term ambitions

The intentional and necessary resets in Heartland's business during FY2025 have rebased the starting position assumed when Heartland announced its ambitions for the financial year ending 30 June 2028. These resets have included a focus on ROE as Heartland's key performance metric, refining the product strategy to prioritise high-return core product sets which are accretive to ROE, an increase in the cost base primarily as a result of the ADI acquisition, and enhancements in collections, recoveries and write-off strategies to deliver sustainable asset quality over the longer-term. We also recognise the need for greater investment in process simplification and automation to maintain a competitive advantage and achieve our growth ambitions in our core product sets.

Heartland will present to investors its updated long-term ambitions, reset to a five-year horizon through to FY2030, at an upcoming investor day. At that time, Heartland will share detailed information on the underlying approach, growth drivers and timeframes to illustrate how we intend to deliver to these reset long-term ambitions.

We currently expect that during the period to FY2030, investors will see a significant increase in underlying ROE and underlying NPAT, driven by a continued focus on capital efficiency, the retention of Australian profits by Heartland Bank Australia to fund growth, continued growth in core products with a bias to growth in Reverse Mortgages, superior NIM being maintained, enhanced asset quality, and a reduced underlying cost-to-income (**CTI**) ratio.

Thank you

Heartland's history began 150 years ago with the establishment of the Ashburton Permanent Building & Investment Society. The Heartland you see today is the culmination of several mergers and acquisitions of building societies, finance companies and other businesses over many years.

We wouldn't be where we are today without

6 The total addressable market opportunity for reverse mortgages is a best estimate only and based on a combination of publicly available information and internal sources.

the shareholders who put their trust in those companies, or the employees whose dedication supported the many customers who have relied on Heartland through each chapter of its evolution.

On behalf of the Board, we would like to take a moment to acknowledge the ongoing support from our shareholders. Our thanks also go to Heartland's management teams and employees for their commitment and hard work, supporting our customers and our vision for the future.

We look forward to entering the next chapter of Heartland's history with you.

Greg Tomlinson
Chair of the Board

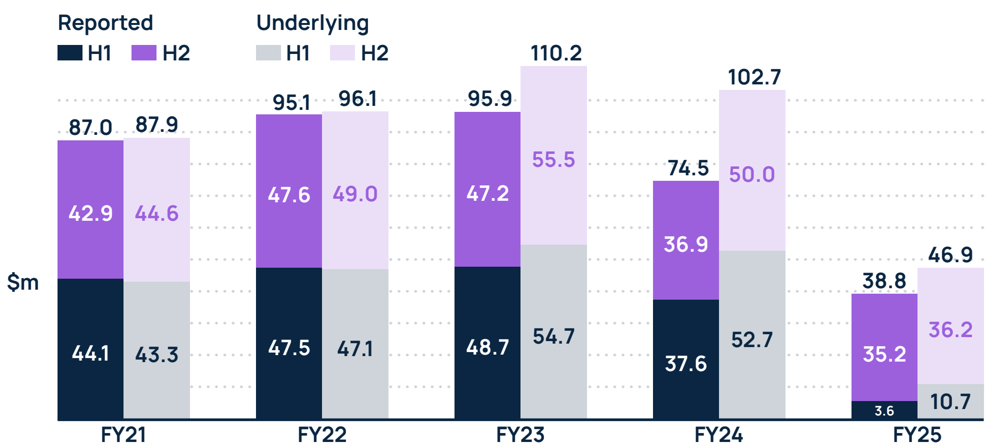
Andrew Dixson
CEO

FY2025 results at a glance

Net profit after tax

FY25 $38.8m
Underlying NPAT $46.9m

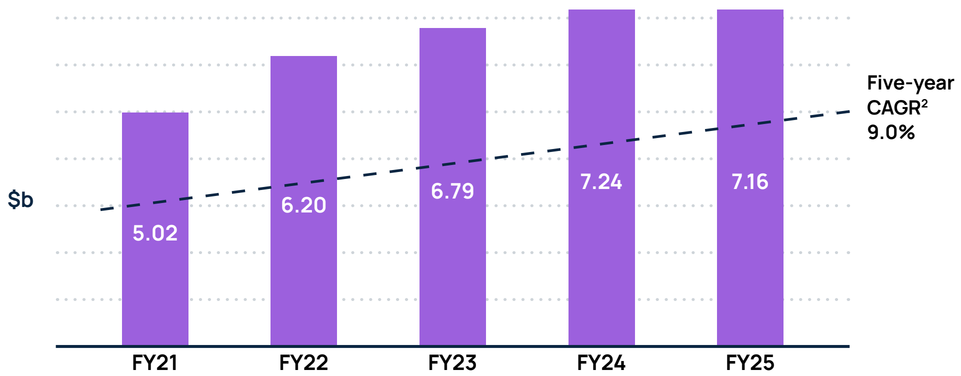
FY24 $74.5m
FY24 underlying NPAT $102.7m



Receivables[1]

FY25 $7.16b

FY24 $7.24b



1 Includes the impact of changes in foreign currency exchange (**FX**) rates.
2 Compound annual growth rate (**CAGR**) for the five-year period from 1 July 2020 to 30 June 2025, including FX.

Receivables growth[1]

FY25	-1.2%
FY24	6.4%

Net interest margin

FY25	3.56% Underlying NIM 3.56%
FY24	3.39% Underlying NIM 3.64%

Cost-to-income ratio

FY25	59.6% Underlying CTI ratio 56.2%
FY24	48.0% Underlying CTI ratio 41.9%

Return on equity

FY25	3.2% Underlying ROE 4.2%
FY24	6.6% Underlying ROE 9.8%

Total dividend for the year

FY25	4.0cps
FY24	7.0cps

Earnings per share

FY25	4.1cps Underlying EPS 5.0cps
FY24	9.8cps Underlying EPS 13.5cps

Finding the financial freedom to age in place

The aging populations of New Zealand and Australia present a clear and compelling market need. For many retirees, a lifetime of wealth is locked up in their homes, leaving them without the means to live a comfortable retirement.

Pictured: Heartland Bank Reverse Mortgage customers Dave and Delwyn enjoying their "perfect home".

In Australia, it is projected that the number of people over 65 years of age will make up around 20% of the population by 2066, up from 16% at 30 June 2020.[1]

This is reflected in New Zealand, where it is forecast that the proportion of New Zealanders over 65 years of age will increase from 17% in 2024 to between 21-24% in 2051, and between 25-33% in 2078.[2]

Reverse mortgages allow people over 60 years of age to access some of the equity in their homes as a loan, with no regular repayments required.

For Heartland Bank Australia customer Errol, who is 76 years of age, the unexpected breakdown of his car left him searching for a way to access funds. Living with prostate cancer and Parkinson's disease, the Victorian grandfather uses his car to visit his family and volunteer in his community.

Desperately seeking a car loan, he was surprised to find that he and his wife, who are both on a pension, were ineligible.

"There was no other way for me. I tried multiple brokers and they kept on telling me that my pension was not enough to cover a car loan, or extend my mortgage," he said.

An analysis by the Association of Superannuation Funds Australia revealed a retired couple living a comfortable lifestyle needs to have saved a combined AU$690,000, and AU$595,000 for a single person. In Australia, a single person on an aged pension receives AU$1,149 per fortnight, and couples receive a combined payment of AU$1,732 per fortnight.[3]

The ongoing demand for financial solutions in retirement is reflected in Heartland's FY2025 financial results, with a 15.5% increase in New Zealand Reverse Mortgage Receivables (up $165 million from 30 June 2024 to $1.23 billion as at 30 June 2025) and a 18.5% increase in Australian Reverse Mortgage Receivables (up AU$309 million from 30 June 2024 to AU$1.98 billion as at 30 June 2025).

Errol met Palka Kumar, a reverse mortgage consultant at Seniors First, who spoke to him

Palka Kumar, a reverse mortgage consultant at Seniors First - an accredited Heartland Bank Australia broker.

about the benefits of reverse mortgages. She is one of more than 2,700 accredited brokers who work with Heartland Bank Australia, leveraging the bank's intermediary distribution partnerships for optimal reach.

Palka has worked with Heartland Bank Australia for three years, helping to identify customers looking to access the equity in their homes through a reverse mortgage. Receiving up to seven new appointments every week, Palka said there are still many myths around reverse mortgages.

"Reverse mortgages are a practical and sensible option for older people who are struggling with the rising cost of living. Many retirees have a significant portion of their wealth tied up in their homes, but limited cash flow to cover day-to-day expenses, health care or unexpected costs," she said.

"The biggest challenge for older Australians is that most traditional lenders do not cater to their needs. Once income is reduced to the pension or casual work, it becomes very difficult to qualify for standard loans."

Meeting the unique financial needs of those aged over 60 years who are in or entering retirement is a priority for Heartland, with growth and innovation at the forefront of this focus. As the leading reverse mortgage provider in both countries, with an estimated 92% market share in New Zealand, and 40% market share in Australia,[4] Heartland estimates the total addressable market to be $170 billion in New Zealand and $600 billion in Australia[5], highlighting a significant untapped potential.

"My pension is not enough. With all the bills I need to pay, and the rise of cost of living, I needed this loan," Errol said. "I have lots of health bills to pay, despite being covered by private health insurance, I've also had stents in my heart for the past 10 years."

1 Australian Institute of Health and Welfare 2024 Web Report: Older Australians Demographic profile, July 2024.
2 Stats New Zealand Tatauranga Aotearoa, 'New Zealand's population likely to reach 6 million before 2040', June 2025.
3 Association of Superannuation Funds Australia, 'Superannuation peak body: Retirement costs finally fall, just in time for Christmas', December 2024.
4 New Zealand Reverse Mortgage market share estimate based on Heartland Bank's Reverse Mortgage lending and a combination of publicly available information and internal sources. Australian Reverse Mortgage market share estimate based on APRA ADI data and public statements and internal estimates for non-bank reverse mortgage lending.
5 The total addressable market opportunity for reverse mortgages is a best estimate only and based on a combination of publicly available information and internal sources.

With a Reverse Mortgage from Heartland Bank Australia, Errol has found the financial freedom to age in place. Now, Errol plans to buy a new car and renovate his house with the necessary attachments to support his wife, who has had both of her knees reconstructed.

“We don’t want to go into a nursing home. Now, because of this reverse mortgage, we can stay at home. It means the world to us,” he said.

An Australian Housing and Urban Research Institute study revealed 78-81% of Australians over 55 want to live in their own home as they age due to familiarity and connection to their local communities.[6]

This sentiment is echoed across the Tasman in New Zealand, where retired teachers Delwyn (75 years of age) and Dave (76 years of age) also faced the classic dilemma of aging in place versus financial flexibility.

Living in what they describe as their “perfect home”, the couple purchased their 11-acre property in 2006 which includes eight acres of native bush.

Like many retirees, they had significant equity tied up in their home but needed a financial solution that would provide peace of mind. The pair, who considered downsizing or subdividing their land due to a lack of savings, consulted with a friend who encouraged them to explore all options.

Delwyn decided to call Heartland Bank and from the beginning felt confident.

Never once feeling any pressure to proceed, she commended the clear communication and knowledge shared with her about reverse mortgages. As part of the application process, Delwyn had to seek independent legal advice and was encouraged to speak with family. She then discussed the option with her husband and family, who were all supportive.

According to a study by Massey University’s Financial Education and Research Centre in New Zealand, the cost of living is a significant concern for retirees. For a two person ‘no frills’ household in a metropolitan area the total weekly expenditure is $909.90.

A household which prioritises a more comfortable lifestyle, in a metropolitan area, can spend up to $1,739.85 per week – significantly exceeding the New Zealand Superannuation payment of $799.18 after tax every fortnight.[7]

"We have known for some time that we would need to make a decision about where we would live for the next few years,” Delwyn said.

“Our life here is perfect for us and we dreaded moving away. Since arranging our Reverse Mortgage with Heartland Bank, we are relieved and at peace knowing that we can stay.”

For Delwyn and Dave, a reverse mortgage was about more than just a transaction; it was about protecting their vision for retirement.

It gave them the ability to stay in their cherished home while still affording the freedom to pursue their passions: from a road trip through New Zealand’s South Island, to a trip across the Tasman to see their favourite rugby league team play. This was all made possible while ensuring their long-term savings were kept safe.

"This decision to take out a reverse mortgage has taken the pressure right off us and it is a great feeling to know we can now do the things we really want to do," she said.

To date, Heartland has enabled more than 52,500 Australians and New Zealanders to live with greater financial freedom, turning home equity into a valuable tool for a more comfortable retirement.

With an aging population seeking solutions to remain in their home and maintain their independence as they age, there is a clear opportunity for Heartland to support more people through products like its Reverse Mortgage.

6 Australian Housing and Urban Research Institute, ‘Older Australians and the housing aspirations gap’ final report, August 2019.
7 Te Kunenga ki Pūrehuroa Massey University of New Zealand Financial Education and Research (Fin-Ed) Centre. News release, January 2025.

"This decision to take out a reverse mortgage has taken the pressure right off us and it is a great feeling to know we can now do the things we really want to do."

Enabling growth for farmers

The backbone of the New Zealand and Australian economies lies in its thriving agricultural sectors. Yet, for many hardworking farmers, traditional finance models don't keep pace with the unique demands of a business built on livestock and land. Heartland's specialist livestock finance solutions help farmers unlock their potential and meet the rising global demand for their product.

Pictured: StockCo by Heartland Bank Australia customer Justin Costello at a sale he regularly attends with his team.

In 2016, Mark Ferguson and his wife purchased their 440-hectare farm which carries ewes, traditional angus cattle and a timber mill.

Located in Havelock North in the Hawke's Bay region of New Zealand's North Island, it is characterised by mild climates and healthy trade.

Dairy, meat and wool exports are the largest contributors to New Zealand's agricultural exports – the value of New Zealand's total food and fibre exports in the year to June 2025 is expected to have reached $59.9 billion, a 12% increase on the previous year. Meat and wool export revenue is expected to increase by 8% to $12.3 billion in the year to 30 June 2025. With global beef and lamb supplies tightening, forecasts indicate that New Zealand's meat and wool export earnings will continue to grow by 3% to $12.7 billion in 2025–26.[1]

This increasing demand in New Zealand has been reflected in Heartland Bank's Rural lending performance. Rural Receivables were up $29 million (4.9%) from 30 June 2024 to $609 million as at 30 June 2025, driven by the Livestock Finance portfolio where Receivables were up $36.4 million (18.4%) from 30 June 2024 to $235 million as at 30 June 2025.

Mark, who shears his own sheep, was taught to shear by his father and took up competitive shearing – a passion he still holds onto today.

"When we started long-term financial planning, other banks just weren't interested in lending for trading stock," Mark said.

"While we had a couple of options, I heard of the great reputation of Heartland Bank's Livestock Finance, so we called up.

"The interest rates are competitive, and it was easy to apply for a livestock facility. The simplicity of Heartland Bank is brilliant; this is the primary reason we've stuck around for so long."

Heartland Bank's Livestock Finance product offers farmers a solution to accessing funds to purchase livestock, without having to secure the loan against the farm. The ease and speed of the application process (which can be completed online at any time), provides busy, time-poor farmers a modern solution.

Describing himself as a considerate and hardworking farmer, Mark thrives on being solutions-oriented and hands on.

He and his team are busy every week at sales, defining his relationship with Heartland Bank Rural Manager John Pearce as complimentary.

"It's the love of the land, that's why I do what I do, and you might as well be good at what you do," he said.

"I have a trusted team around me because no one can do anything on their own. John is part of that team - he actually understands the numbers and is a person I can relate to."

John, who has worked in the rural finance sector for over 40 years is celebrated for his open communication and farm visits.

"When I ring him, I trust the depth of his experience. He is a successful banker who has a comprehensive knowledge of livestock. I believe him, I trust his background and this is why I am good at what I do," Mark said.

"Communication is huge and he's only a phone call away. This is a real point of difference."

Across the Tasman, Australian farmer Justin Costello believes the essence of rural business lies in real people.

Heading Costello Rural for the past 22 years, his family business sits on the foothills of New South Wales' idyllic Snowy Mountains. Located in Tintaldra, his farm stretches across 1,250 acres of land along a river, and carries up to 150 heifers a year.

According to the Department of Agriculture, Fisheries and Forestry, by June 2022, there were 87,800 agricultural businesses in Australia with an Estimated Value of Agricultural Operations of AU$40,000 or greater.[2]

Fifty-five per cent of Australian land (426 million hectares) is used for agricultural production. Across 2023-2024, 10.8% of agricultural goods and services were exported, which amounted to AU$71.5 billion. Beef, veal, mutton and lamb make up a significant proportion of these exports.[2]

1 Ministry for Primary Industries Manatū Ahu Matua, Situation and outlook for primary industries report, June 2025.
2 Department of Agriculture, Fisheries and Forestry Snapshot of Australian Agriculture 2025.

Havelock North farmer Mark Ferguson was drawn to Heartland Bank due to the reputation of its Livestock Finance product.

Costello Rural is an independent, locally owned livestock agency, real estate and agricultural merchandising business in the Upper Murray. This includes regular livestock sales and events to educate and bring together local farmers.

"Farmers are very proud people who are always looking at how to add value to their business. To firm up their long-term positioning and to see growth in the rural industry," he said.

Having a strong passion for conception to consumption, Justin's values have always been his north star. From choosing bloodlines, to pasture production or understanding market potential, he is not afraid to speak up and be a part of positive impact around him.

"To me, I see farming viability within the context of a family business. To be viable and valued. To achieve equity and identify the special qualities the farmers we work with have," he said.

Justin's first interaction with Heartland Bank Australia's livestock finance team, StockCo, was sitting next to National Livestock Manager Andrew Kearns at a conference.

"I didn't know who he was," he laughed. "But six months later I gave him a call and said we needed to talk."

"The team at StockCo by Heartland Bank Australia is all about real solutions that are ready for farmers. It's consumable to a farmer, the farmer can understand the forms, we can actually assist the farmer in getting the stock ready so that they can be financed."

"There are so many challenges with the rise in costs, inflation and property prices. StockCo by Heartland Bank Australia has been able to slide in to fund our cattle, our solution, our trading to actually make it work."

Justin speaks regularly with his livestock and finance managers, who take the time to visit him on the farm, and knows the team is always "a phone call away".

"I see the future of Australia's agricultural sector getting stronger and stronger, and the need for strategic finance is a major part of that," he said.

In 2025, Heartland's Bank Australia's Livestock Finance celebrated the highest volume of new business written since the financial year ended 30 June 2022, with one million livestock funded.

The gross value of Australian agricultural production has increased by 34% in the past 20 years, from AU$61.5 billion in 2004–05 to AU$82.4 billion in 2023–24, with livestock emerging as the main growth driver amid increasing international demand for protein.[2]

Looking to 2025-2026, the gross value of agricultural production is expected to rise by 1% to AU$94.7 billion with average farm business profit to rise to AU$163,000, driven by higher livestock prices and improved seasonal conditions.[2]

"We are proud to enable our community of farmers and give so many people in the community a step up. I'm looking forward to working with StockCo by Heartland Bank Australia in the future to see this evolution continue," Justin said.

As international demand for meat, wool, and dairy from New Zealand and Australia continues to rise, Heartland is uniquely positioned to support farmers with their specialist livestock finance needs.

Through Heartland Bank and StockCo by Heartland Bank Australia's Livestock Finance products, farmers can focus on optimising their operations and maximising the potential of their livestock, focusing on sustainable long-term success.

2 Department of Agriculture, Fisheries and Forestry Snapshot of Australian Agriculture 2025.

02
Who we are

Our business

Our people

Employee break down by entity[1]

Heartland Group Holdings Limited	20
Heartland Bank Limited	478
Heartland Bank Australia Limited	114

Total employee count[1]

612

Male	49.4%
Female	50.3%
Gender diverse	0.2%
Not stated	0.2%

Locations **12**

13,126 Shareholders

Customer % increase YoY **2.6%**

Our funding & capital

The Banking Group[2] is well capitalised and has strong access to retail deposits to fund future growth expectations.

Retail deposits $6.53b

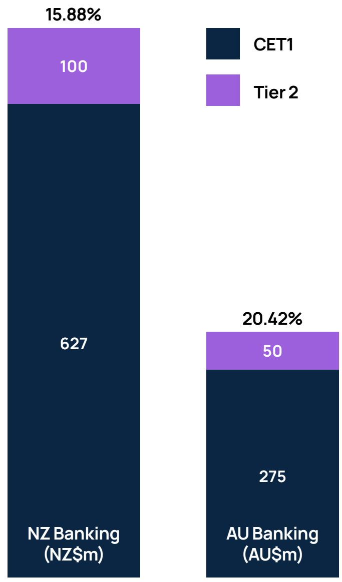
NZ Banking $4.36b	AU Banking $2.17b

Wholesale facilities $0.52b

NZ Banking $0.16b	AU Banking $0.36b

Bonds and notes $0.31b

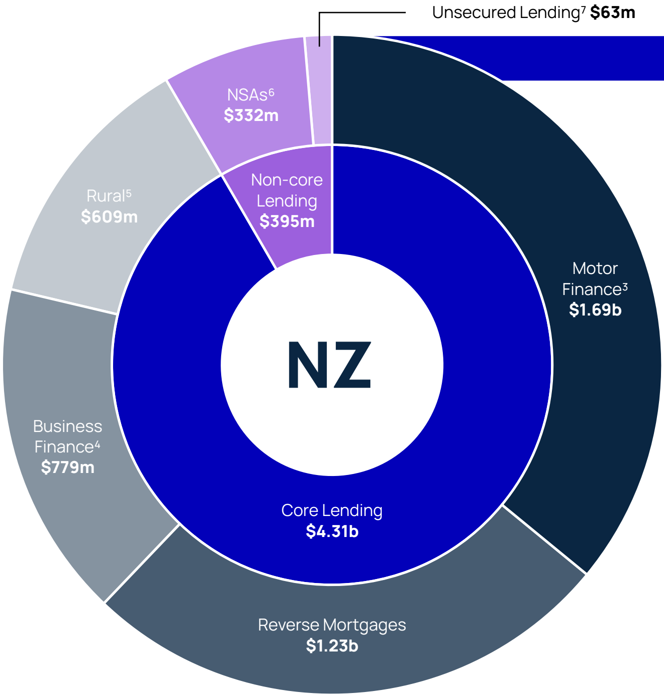
NZ Banking $0.14b	AU Banking $0.17b



As at 30 June 2025.

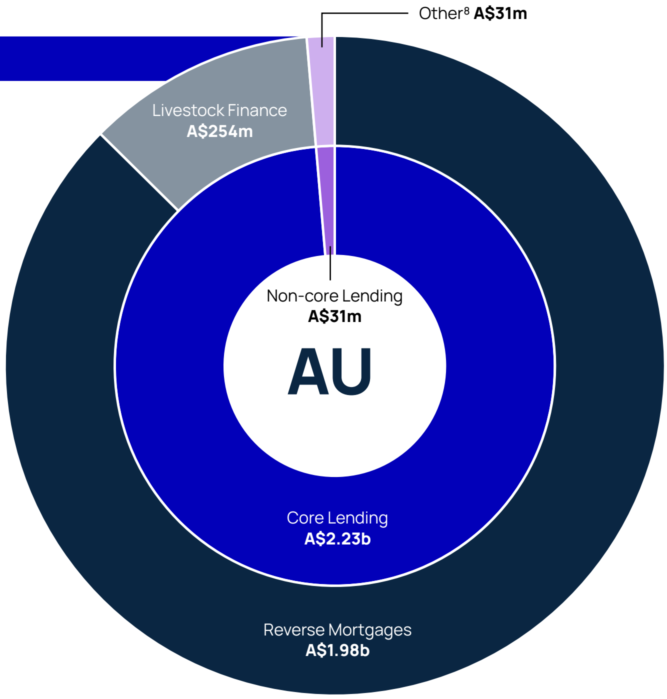
1 Includes all permanent, fixed term and casual employees of the Group as at 30 June 2025.
2 The Banking Group includes Heartland Bank and all of its subsidiaries, including Heartland Bank Australia and Marac Insurance.

Our lending[2]



NZ Banking	
Total core	$4.31b
Total non-core	$395m
TOTAL	$4.71b

AU Banking	
Total core	A$2.23b
Total non-core	A$31m
TOTAL	A$2.27b



Total Receivables
$7.16b

2 All lending portfolio figures exclude FX impact.
3 Motor Finance includes Wholesale Lending.
4 Business Finance includes Asset Finance and Business Relationship.
5 Rural includes Rural Relationship, Rural Direct and Livestock Finance.
6 NSAs include Home Loans (including Online Home Loans and Heartland Bank's old residential mortgages portfolio), and some Business and Rural Receivables.
7 Unsecured Lending includes Open for Business and Personal Lending portfolios which are winding down.
8 Other AU includes Home Loans and Consumer & Other loan portfolios acquired through the ADI which are in run down.

Heartland Group Board

Greg Tomlinson
Chair and Non-Independent
Non-Executive Director
Appointed 31 October 2018

Committee memberships:
- Heartland Audit and Risk Committee

John Harvey
Independent Non-Executive Director
Appointed 30 April 2024

Committee memberships:
- Heartland Audit and Risk Committee (Chair)

Kate Mitchell
Independent Non-Executive Director
Appointed 28 October 2021

Committee memberships:
- Heartland Sustainability Committee (Chair)
- Heartland Audit and Risk Committee

Rob Bell
Independent Non-Executive Director
Appointed 27 June 2024

As at the date of this Annual Report. For full profiles, visit heartlandgroup.info

Simon Beckett
Independent Non-Executive Director
Appointed 27 June 2024

Heartland Bank New Zealand Board

Bruce Irvine
Chair and Independent Non-Executive Director
Appointed 31 December 2015

Committee memberships:
- Heartland Bank People & Culture and Remuneration Committee (Chair)
- Heartland Bank Audit Committee

Andrew Dixson
Non-Independent Non-Executive Director
Appointed 1 October 2024

John Harvey
Non-Independent Non-Executive Director
Appointed 31 December 2015

Committee memberships:
- Heartland Bank Audit Committee
- Heartland Bank Risk Committee

Kate Mitchell
Non-Independent Non-Executive Director
Appointed 29 March 2019

Committee memberships:
- Heartland Bank People & Culture and Remuneration Committee
- Heartland Bank Risk Committee

As at the date of this Annual Report. For full profiles, visit heartlandgroup.info

Shelley Ruha
Independent Non-Executive Director
Appointed 1 January 2020

Committee memberships:
- Heartland Bank Risk Committee (Chair)
- Heartland Bank Audit Committee

Simon Tyler
Independent Non-Executive Director
Appointed 8 November 2022

Committee memberships:
- Heartland Bank Audit Committee (Chair)
- Heartland Bank People & Culture and Remuneration Committee
- Heartland Bank Risk Committee
- Heartland Sustainability Committee

Heartland Bank Australia Board

Geoff Summerhayes
Chair and Independent Non-Executive Director
Appointed 30 April 2024

Committee memberships:
- Heartland Bank Australia Audit Committee
- Heartland Bank Australia People, Remuneration and Nominations Committee
- Heartland Bank Australia Risk Committee
- Heartland Sustainability Committee

Lyn McGrath
Independent Non-Executive Director
Appointed 14 February 2022[1]

Committee memberships:
- Heartland Bank Australia Risk Committee (Chair)
- Heartland Bank Australia Audit Committee
- Heartland Bank Australia People, Remuneration and Nominations Committee

Shane Buggle
Independent Non-Executive Director
Appointed 30 April 2024

Committee memberships:
- Heartland Bank Australia Audit Committee (Chair)
- Heartland Bank Australia People, Remuneration and Nominations Committee
- Heartland Bank Australia Risk Committee

Vivienne Yu
Independent Non-Executive Director
Appointed 30 April 2024

Committee memberships:
- Heartland Bank Australia People, Remuneration and Nominations Committee (Chair)
- Heartland Bank Australia Audit Committee
- Heartland Bank Australia Risk Committee

As at the date of this Annual Report. For full profiles, visit heartlandgroup.info

1 Lyn McGrath was an Independent Non-Executive Director on the Challenger Bank Limited Board prior to the completion of its acquisition by Heartland Bank on 30 April 2024.

Andrew Dixson
Non-Independent Non-Executive Director
Appointed 3 February 2025

Bruce Irvine
Independent Non-Executive Director
Appointed 30 April 2024

Committee memberships:

- Heartland Bank Australia Audit Committee
- Heartland Bank Australia People, Remuneration and Nominations Committee
- Heartland Bank Australia Risk Committee

Leanne Lazarus
Non-Independent Non-Executive Director
Appointed 30 April 2024

Management

Heartland Group

Andrew Dixson
Chief Executive Officer

Michael Jonas
Chief Strategy Officer

Heartland Bank New Zealand

Leanne Lazarus
Chief Executive Officer

Andy Wood
Chief Risk Officer

Kerry Conway
Chief Financial Officer

Michael Drumm
Chief Operating Officer

Lana West
Chief People & Culture Officer

Phoebe Gibbons
Chief Legal Officer

Rebecca Thomas[1]
Chief Digital Transformation Officer

Peter Griffin
Chief Asset Management Officer

Alistair Scott[2]
Chief Auto & Asset Finance Officer

Will White
General Manager - Retail & Reverse Mortgages

1 Rebecca Thomas joined Heartland Bank as Chief Digital Transformation Officer on 15 September 2025.
2 Alistair Scott joined Heartland Bank as Chief Auto & Asset Finance Officer on 8 September 2025.

Heartland Bank Australia

Michelle Winzer
Chief Executive Officer

David Brown
Chief Risk Officer

Sarah Burgemeister
General Counsel

Medina Cicak
Chief Commercial Officer

Richard Collier
Chief Financial Officer

Vaughan Dixon
Chief Technology & Information Officer

As at the date of this Annual Report. For full profiles, visit heartlandgroup.info

03 Sustainability

Through its **sustainability strategy**, Heartland is committed to **sustainable practices** that not only minimise its environmental footprint, but also make **positive contributions** to its communities and **enrich the lives** of its people and customers.

Environment

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

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.

Financial wellbeing

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

Environment

Heartland's environmental sustainability strategy is underpinned by three key pillars. Together, these help Heartland fulfil its commitment to supporting the just transition to a net-zero economy.

1. Integrate climate risk into lending decisions.
2. Fund Heartland's borrowers' transition to a net-zero economy.
3. Embed sustainability into what Heartland does.

In FY2025, Heartland continued to strengthen its capability to assess and manage climate-related risks by incorporating climate considerations into credit risk and lending practices for its larger customers. It also continued to support its customers by funding low-emission vehicles through Heartland Bank's Motor Finance portfolio. Heartland remains focused on reducing its own emissions, having set new science-aligned targets to further lower its operational footprint by FY2030.

Heartland's FY2025 Climate Report provides a comprehensive view of Heartland's environmental progress to date, including key achievements, current challenges, and future targets. It also features scenario analysis that explores the potential impacts of climate-related risks and opportunities facing Heartland under different climate futures, as well as its transition plan which details how its business model might adapt to a changing climate. This analysis supports Heartland's long-term planning and resilience in an evolving regulatory and environmental landscape.

To explore the full report, visit heartlandgroup.info/sustainability

People

Heartland's commitment:

Create a pathway and place for Heartland's people to grow, thrive and be empowered to achieve Heartland's goals as one team.

HOW: To be a workplace where Māori can succeed as Māori and create a pathway to being an employer that is welcoming to all cultures and ethnicities.

FY2025 TARGET	FY2025 PROGRESS
Extend community engagement for Heartland's Manawa Ako internship programme.	Heartland Bank held its annual Manawa Ako internship programme, receiving 155 applications in FY2025. Heartland Bank welcomed 29 interns in FY2025, with 169 rangatahi (youth) participating in the programme since 2017. These talented students came from universities and schools across New Zealand – from InZone Education Foundation (**InZone**), Manurewa High School, Otago University, King's College and Ngā Puna o Waiōrea.
Support Māori and Pasifika representation in the banking industry.	Heartland Bank maintained active membership in the New Zealand Banking Association (**NZBA**) Tawhia (Māori Bankers Association) committee and a strong partnership with InZone, which remains closely involved in Heartland's Manawa Ako internship programme. Through this collaboration, 11 InZone students joined the FY2025 Manawa Ako cohort. At Manawa Ako's conclusion in January 2025, four interns continued at Heartland Bank in short term, part-time roles. One intern transitioned into a permanent full-time position.

FY2026 target

- Heartland Bank will continue to provide career opportunities for youth, with a focus on attracting Māori and Pasifika into the banking industry.

HOW: Establish Heartland as a recognisable and desirable employer of choice to attract, develop and enable exceptional talent.	
FY2025 TARGET	**FY2025 PROGRESS**
Launch an **annual employee culture and engagement survey** across all of Heartland.	An all-Heartland culture survey was conducted in April 2025, covering all full-time employees across Heartland's operations in Australia and New Zealand, reinforcing Heartland's commitment to ongoing employee engagement, and creating a baseline from which to measure improvements. This survey will continue annually.

Other achievements in FY2025

Multiethnic Young Leaders – 3 Kapu Kawhe

In 2024, Heartland Bank became a Corporate Impact Investor for Multiethnic Young Leaders NZ (**MYLN**), a network empowering Māori, Asian, Pacific and ethnic minority youth leaders. 3 Kapu Kawhe connected 16 CEOs and independent directors with young leaders from high schools and early careers across New Zealand. In turn, these mentees took on the role of mentor themselves, as they paid it forward to another student or rangatahi.

Three Heartland Bank employees took part in the programme and were matched with experienced New Zealand executives for a series of transformative mentoring conversations. Heartland Bank's mentees described the experience as invaluable, gaining insights on leadership, communication and strategic thinking.

Heartland Bank Strategy Analyst, Tahirih Latu had the privilege of being mentored by Jo Avenell, CEO of Russell McVeagh. Tahirih described her conversations with mentor Jo as inspiring.

"Her insights on embracing failure, authentic communication, and building self-confidence resonated deeply with me. I'm excited to apply these lessons and continue building our connection. Meeting with my student mentee has been equally rewarding. Initially eager to offer guidance, I quickly realised that the learning goes both ways. Through our discussions, I've come to value active listening, understanding different perspectives, and offering support. My mentee's resilience has reinforced the value of mentorship, showing me that both mentor and mentee grow together."

FY2026 target

- Heartland aims to increase its employee engagement results from the FY2025 engagement scores of 51% for both Heartland Bank and Heartland Bank Australia.

HOW: Create an inclusive, engaging environment for employees where gender balance and diverse ethnic representation is achieved at all levels for the organisation, leading to exceptional experiences for Heartland's people and customers.	
FY2025 TARGET	**FY2025 PROGRESS**
Reduce pay gaps Heartland is dedicated to advancing its efforts in reducing gender and ethnicity pay gaps.	Heartland is a member of Mind the Gap, a national registry for New Zealand companies to publicly report their pay gaps between different genders and ethnicities. The measurement used identifies the median for each group to compare and identify the pay gap. This is part of Heartland's commitment to reducing gender and ethnicity pay gaps. While Heartland's New Zealand pay gaps have increased at the overall level, all remuneration across like roles is reviewed to ensure equity and is also based on performance. • Gap between median pay of men and women across all NZ roles: 27% (increased by 5.1% since 30 June 2024). • Gap between median pay of non-Māori and Māori across all NZ roles: 28% (increased by 4.4% since 30 June 2024). • Gap between median pay of non-Pasifika and Pasifika across all NZ roles: 18% (increased by 0.9% since 30 June 2024).
Achieve gender balance at all levels at Heartland.	Heartland remains committed to achieving gender balance at all levels of the organisation. The journey toward lasting change takes time, and Heartland is focused on continuous improvement. In FY2025, the Heartland Bank Board maintained 33% female representation, unchanged from FY2024. While the Heartland Group Board includes one female member (20%), the Heartland Bank Australia Board has 43% female representation. *Refer to the **table on page 36** for the gender diversity of directors and employees of Heartland in New Zealand and Australia.*
Retain **Diversity & Inclusion accreditations** in New Zealand.	Heartland Bank is proud to have retained its accreditations for another year in the diversity and inclusion space in New Zealand – including as a Living Wage Employer, receiving the Rainbow Tick, and achieving Hearing Accreditation from the National Foundation for the Deaf and Hard of Hearing.
Achieve **Bronze Status in the Australian Workplace Equality Index.**	In June 2025, Heartland Bank Australia achieved Bronze Status in the Australian Workplace Equality Index at the Australian LGBTQIA+ Inclusion Awards. This was awarded to Heartland Bank Australia for meeting national standards for LGBTQIA+ inclusion and creating a diverse, equitable, and respectful workplace for all.

Other achievements in FY2025

- Heartland Bank Australia completed its first Workplace Gender Equality Agency (**WGEA**) submission, in the WGEA 2024-2025 reporting period, reaffirming its commitment to gender equality through transparent reporting and targeted initiatives.

Gender diversity

Positions	Female	Male	Gender diverse	Not stated	Total
As at 30 June 2025					
Board - Heartland	1 (20%)	4 (80%)	0	0	**5**
Board – Heartland Bank	2 (33%)	4 (67%)	0	0	**6**
Board – Heartland Bank Australia	3 (43%)	4 (57%)	0	0	**6**
Management[1]	8 (44%)	10 (56%)	0	0	**18**
All People Leaders (excl Management)	46 (41%)	66 (59%)	0	0	**112**
All staff (excl Board)	308 (50%)	302 (49%)	1 (0.2%)	1 (0.2%)	**612**
As at 30 June 2024					
Board - Heartland	1 (17%)	5 (83%)	0	0	**6**
Board - Heartland Bank	2 (33%)	4 (67%)	0	0	**6**
Board - Heartland Bank Australia	3 (43%)	4 (57%)	0	0	**7**
Management[1]	7 (37%)	12 (63%)	0	0	**19**
All People Leaders (excl Management)	45 (46%)	52 (54%)	0	0	**97**
All staff (excl Board)	311 (51%)	302 (49%)	0	0	**613**

FY2026 targets

- Heartland will work towards the gender balance guidance for all levels of management at Heartland by having a gender split that sits within acceptable levels of 40% to 60%.
- Heartland will retain its diversity and inclusion accreditations and continue to evolve to meet future needs and ways of working.

1 Management represents the Group's Officers for the purposes of the NZX Listing Rules.

Heartland's commitment:
Heartland cares for its communities.

HOW: Heartland gives back to the community through grants, sponsorships and active volunteering.

FY2025 TARGET	FY2025 PROGRESS
Give back to the community through the Heartland Trust, a registered charitable trust that is independent from but closely supported by Heartland.	Heartland is proud to have continued its support in the community with Heartland Trust grants totalling $466,000 in FY2025. This investment was spread across a range of high-impact initiatives in the areas of education, sport and physical wellbeing, arts and culture, and mental health and wellbeing. While total grants donated were lower than previous years, the quality of the initiatives supported has ensured a meaningful and lasting impact in the community. Central to Heartland's philanthropic efforts are the individuals and communities benefiting from this support. Read more below and on the following pages about some of the projects and scholarships Heartland is delighted to be involved with. **King's College Scholar – Manaariki Kea-Cameron** Year 10 student Manaariki Kea-Cameron from Whangārei, Northland New Zealand, is the recipient of a five-year Heartland Bank scholarship, granted by the Heartland Trust. The scholarship supports one student enrolling in year 9 to attend King's College in Auckland for the duration of their high school years. Reflecting on his time at King's College so far, Manaariki shares his learnings and goals for the future.

Student spotlight: A scholarship opening doors

When asked what inspired him to apply to King's College, Manaariki shared, "King's College is held in high regard across the country, both academically and in sport. From a young age, I've had clear goals and aspirations – not to become a statistic, but to thrive and excel in both sport and education." He explained how important it was to find a school that supported both passions. "My mum has always told me that while I could be great at sport, achieving a quality education was just as important."

The scholarship has been life-changing for him and his whānau. "It means everything. There aren't enough words to describe how much this opportunity means to me and my whānau," Manaariki said. He acknowledges how rare this chance is for kids from Northland and how it motivates him to make his family proud.

Manaariki's experience at King's College has exceeded expectations. "I've learned how connected all the subjects are and how much they relate to real life," he said, highlighting the supportive environment, especially from teachers who have helped him transition smoothly into high school.

Through rugby and house sports, Manaariki has developed leadership and problem-solving skills, learning to lead with resilience. Looking ahead, he aspires to "become a professional athlete" or start a business related to sport, aiming to make his whānau proud and give back to his community.

Honouring a legacy and empowering futures: The Geoff Ricketts Heartland Bank Scholarship

In memory of the late Geoff Ricketts, a founding director of Heartland and a long-serving Chair of the University of Auckland Foundation, Heartland is proud to support the Geoff Ricketts Heartland Bank Scholarship, a lasting tribute to his vision and commitment to education, equity and community.

Launched in partnership with Waipapa Taumata Rau, University of Auckland, the scholarship aims to remove financial barriers for students who might not otherwise be able to pursue higher education. Awarded every three years to up to four New Zealand Citizens or Permanent Residents experiencing financial hardship, the scholarship supports students entering their first year of an undergraduate degree in Business and Economics, Law, or Medical and Health Sciences. Each recipient receives up to $10,000 per year, for up to three years, to assist with tuition or living costs.

Applications for the scholarship opened in August 2024, with the University Foundation recording an unprecedented number of applications for a first-year scholarship. The successful applicants were selected in December 2024. Congratulations to the inaugural scholars:

- Emi O'Connor, Bachelor of Commerce
- Sophia Skinner, Bachelor of Commerce
- Ray Wang, Bachelor of Biomedical Science
- Isla Mujeeb, Bachelor of Biomedical Science.

The launch of the scholarship was celebrated with a small function hosted by the University of Auckland, bringing together Heartland representatives, university employees, and the scholarship recipients to honour Geoff's legacy and the bright futures now within reach because of this initiative.

	Tātai Whetū Waitaha Heartland Bank is proud to give back to the Mid Canterbury (Waitaha) community by supporting the development of emerging leaders through sport and physical wellbeing. For the past three years, Heartland Bank has sponsored Tātai Whetū Waitaha through a grant provided by the Heartland Trust. This programme uses sport as a foundation to foster personal growth and wellbeing, connecting athletes with world-class experts in health and holistic support across Waitaha. Reo, a proud karate-ka, is a driven young athlete who has spent the past year growing through the Tātai Whetū Waitaha programme. Read more on page 40.
Increase volunteer day participation.	Recognising the positive impact that volunteering has on building employee wellbeing and a sense of connection, Heartland offers one paid volunteer day per year to each employee. Pleasingly, the use of volunteer days has seen a 76% increase over the last three years. Heartland employees have been out and about in the community, giving back to initiatives they are passionate about and making a positive contribution to the world around them. **From desks to dirt: Volunteering at Matuku Link Reserve** In April 2025, members of Heartland's Green Team and other Auckland-based employees headed to the Waitakere River Valley for a day of volunteering at the Matuku Link Reserve. A conservation project named after the endangered Matuku-hūrepo (Australasian bittern) which needs wetland to survive, Matuku Link aims to restore and protect wetland habitat in West Auckland. Heartland volunteers spent the day with conservationists from the reserve, weeding large vines from the ground, bushes and trees that strangle native plants and stop them from growing. It was a fulfilling day spent in nature, where Heartland volunteers from across the business came together to connect, collaborate and contribute to the local environment - leaving with a strong sense of pride and accomplishment in giving back to the community. 

FY2026 targets

- Continue to give back to the communities Heartland Bank operates in through Heartland Trust donations.
- Increase the use of volunteer days which support Heartland's customers and the communities that it operates within – both in New Zealand and Australia.

Building strength on and off the mat

Reo is a dedicated karate-ka from Christchurch and has experienced significant growth over the past year through the Tātai Whetū Waitaha programme.

When Reo first joined Tātai Whetū Waitaha, he was under immense pressure. Balancing intense training loads with difficult weight cuts and struggling to gain momentum in senior competitions, he was close to burnout. "That first session with Programme Lead, Ged, was a turning point," Reo reflects. "It helped me understand my values, what I need to perform well, and what I'd been missing."

Since then, Reo has tapped into the programme's full support network, including mental skills coaching, nutrition advice, strength training and personal development. Working with a mental wellbeing coach has been particularly transformative. "He's helped me reset how I prepare mentally before competitions. Now I can recognise when I'm in the zone, stay focused, and read what's happening around me during a match. That awareness has changed the way I compete."

Nutrition guidance has also been vital for Reo, who competes in a weight-class sport. The programme's nutritionist helped him develop a balanced and strategic approach to weight management, keeping him healthy and energised without sacrificing performance.

When asked what stands out most about being part of Tātai Whetū Waitaha, he said, "the South Island can feel isolating when you're trying to make it in sport. Tātai Whetū Waitaha made me realise that I'm not alone, and that with the right support, anything is possible".

Heartland's commitment:
Heartland cares for its customers.

HOW: Heartland provides competitive and flexible products that aim to improve the lives of its customers.	
FY2025 TARGET	**FY2025 PROGRESS**
Continue to be recognised for exceptional value and innovation through maintaining its streak of **Canstar NZ recognition**	**Savings Bank of the Year** Heartland Bank has been awarded Canstar New Zealand's Savings Bank of the Year for eight consecutive years.[2] The Canstar Bank of the Year – Savings Award is awarded to the institution that provides the strongest combination of products, accounting for the price positioning, features, savings tools and flexibility of the products assessed within Canstar's rating profiles, as well as supporting savers through a competitive Term Deposit offering. Four of Heartland's savings accounts were also awarded Canstar Outstanding Value awards, each with a 5-Star Rating: • **Direct Call Account:** Outstanding Value Savings Account, 2018 – 2025 • **90 Day Notice Saver:** Outstanding Value Savings Account, 2023 – 2025 • **32 Day Notice Saver:** Outstanding Value Savings Account, 2022 – 2025 • **Digital Saver:** Outstanding Value Savings Account, 2025.
Recognition in the Australian market for its Reverse Mortgage product.	Heartland Bank Australia has demonstrated its commitment to gaining industry recognition and contributing meaningfully to sector-wide progress through its active membership in the Seniors Equity Release Industry Forum (**SERIF**), led by the Finance Brokers Association of Australia. SERIF is a collaborative initiative aimed at enhancing awareness and understanding of reverse mortgage products across the broader financial services ecosystem, including brokers, government bodies, and policy makers. In November 2024, Heartland Bank Australia proudly hosted the annual in-person SERIF event in Melbourne, bringing together key stakeholders to share insights and drive thought leadership. Heartland Bank Australia's involvement in SERIF demonstrates its commitment to shaping the future of equity release products and advocating for responsible lending practices for older Australians.

FY2025 other achievements

- Launched Village Access Loans, a new product designed to offer older New Zealanders a solution to some of the barriers associated with moving into retirement living.

FY2026 target

- Heartland Bank aims to provide exceptional value and innovative banking solutions to its customers, and will aim to maintain its consistent recognition by Canstar NZ.

2 Announced July 2025.

Financial wellbeing

Heartland's commitment:
Support the financial wellbeing of Heartland's customers and communities.

HOW: Ensure customers can benefit from Heartland's digitalisation journey through enhanced economic outcomes.	
FY2025 TARGET	FY2025 PROGRESS
Support Motor Finance borrowers to **self-manage their loan repayments and avoid arrears through** in-app functionality**.**	Heartland Bank successfully implemented new 'manage loan' app functionality in October 2024. This feature provides overdue Motor Finance customers the flexibility to self-manage their loan repayments digitally via the Heartland Mobile App. Since implementation, over 5,300 customers have self-managed their way out of arrears amounting to almost $2.4 million repaid via the Heartland Mobile App.
Release further features to the Heartland Mobile App.	**Update loan repayment date and frequency** Heartland Bank released a feature within the Heartland Mobile App enabling Motor Finance customers to update their direct debit or direct credit date and frequency. **Successfully implemented Confirmation of Payee (CoP)** The Confirmation of Payee initiative led by the NZBA went live in November 2024. CoP aims to enhance the security of online banking transactions by verifying the payee's account details before completing a payment. **Other updates** Other updates to the Heartland Mobile App included allowing users to select their preferred method of contact with Heartland Bank. Almost half (46%) of accounts have been set to receive communications via online channels, reducing Heartland Bank's requirement to print and post letters.
Introduce a solution to provide **fraud detection for customers** interacting with Heartland Bank in New Zealand.	Heartland Bank has implemented a fraud detection and mitigation system, with coverage being progressively extended. A progressive approach is being taken to manage appropriate customer experience and support integration with Heartland Bank's broader fraud and scam mitigation programme of work, ensuring alignment with industry standards and commitments.

FY2026 targets

- Continue the roll out of fraud prevention improvements at Heartland Bank, including fraud detection, monitoring and management capabilities to protect Heartland Bank's customers against unauthorised dealings when interacting with the bank's ecosystem.
- Ensure older New Zealanders have financial certainty for retirement village entry, while supporting their ability to remain in their own homes until they choose to transition - promoting financial wellbeing, autonomy and housing flexibility.

HOW: Ensure Heartland's values and commitments are shared by its suppliers.

FY2025 TARGET	FY2025 PROGRESS
Heartland will analyse survey data from key New Zealand landlords and major suppliers to gain insights into their emissions and reduction targets, aiming to align sustainability practices across the Group.	Heartland Bank made progress in assessing the sustainability commitments of its key suppliers. Of the 25 suppliers assessed in 2025, 60% are measuring their emissions and have emission reduction targets, and 32% have transition plans, or have taken initial steps toward developing a transition plan to support a low-emissions economy. Of those who were not measuring their emissions, 70% had sustainability policies or initiatives in place to reduce their impact on the environment. This analysis and engagement will continue as part of Heartland's supplier engagement to better align Heartland's key sustainability practices with its suppliers.

04
Disclosures

Corporate governance

This corporate governance statement describes Heartland's corporate governance policies and practices as at 30 June 2025 and has been approved by the Board.

Heartland has reported against the NZX Corporate Governance Code (**NZX Code**) dated January 2025.

Heartland, as the parent company of the Group, is committed to ensuring that Heartland's policies and practices reflect current best practice, in the interests of Heartland's shareholders and other stakeholders.

In addition to information about Heartland's corporate governance policies and practices, this section includes information about Heartland Bank and Heartland Bank Australia's corporate governance policies and practices, where relevant.

Heartland Bank and Heartland Bank Australia each have their own Board and Board Committees and make independent decisions (including on corporate governance matters). The Heartland Entities Oversight Governance Framework (**Oversight Framework**), which has been adopted by the Heartland and Heartland Bank Boards, balances the importance of strong governance by the respective boards of directors of Heartland Bank and Heartland Bank Australia to ensure the prudent management of their own business and risks, alongside the need for Group-wide oversight of all material risks.

Heartland, Heartland Bank and Heartland Bank Australia Board and Committee meetings are held separately. In the case of Heartland and Heartland Bank, only the respective Chairs are attendees at both meetings, although other directors may observe on occasion. The Chair of Heartland Bank and the respective CEOs of Heartland and Heartland Bank are also directors of Heartland Bank Australia.

Heartland's key corporate governance policies and practices either apply to, or have been adopted by, Heartland Bank and Heartland Bank Australia (as applicable).

Other than in respect of the matter explained in response to Recommendations 2.9, 3.3 and 3.4 below, Heartland was in compliance with the corporate governance recommendations contained in the NZX Code as at 30 June 2025.

Principle 1 – Ethical Standards

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Codes of Conduct – Recommendation 1.1

Heartland, Heartland Bank and Heartland Bank Australia each have separate Codes of Conduct and the same Directors' Code of Conduct. These Codes of Conduct set out the ethical and behavioural standards expected of Group directors, employees and intermediaries and are available on Heartland's website, heartlandgroup.info.

The Codes of Conduct cover a wide range of areas, including:

- Heartland's responsibilities towards shareholders and the financial community, its customers, clients and service providers, and its employees
- conflicts of interest, including the receipt of gifts and other corporate opportunities
- confidentiality
- the recommended procedure for advising the relevant Heartland entity of a suspected breach in accordance with that entity's Whistleblowing Policy.

Suspected breaches of a Code of Conduct may be reported in accordance with the relevant Heartland entity's Whistleblowing Policy or directly to Heartland's management. Whistleblower cases are addressed in accordance with the applicable Whistleblowing Policy. Suspected breaches reported directly to Heartland's management are addressed in accordance with Heartland's disciplinary process as appropriate.

Every new director or employee is provided with a copy of the relevant Code of Conduct and is required to read it. Each new Heartland and Heartland Bank employee is required to attest to their understanding of the relevant Code and each new Heartland Bank Australia employee is provided with training on the relevant Code as part of their induction. Heartland and Heartland Bank employees are trained on the Code of Conduct annually and required to review and repeat their attestation to their understanding of it. Heartland Bank Australia is developing annual Code training for deployment by the end of the calendar year.

Each director and employee has an obligation, at all times, to comply with the spirit as well as the letter of the law, and to comply with the principles of the relevant Code of Conduct, including exhibiting a high standard of ethical behaviour. Each Code of Conduct is subject to annual review. Various Heartland policies, frameworks and standards expand upon the topics in the Codes of Conduct, for example, Whistleblowing Policies, Gift and Hospitality Policy and Heartland Bank's Fair Conduct Programme.

Heartland, Heartland Bank and Heartland Bank Australia provide all employees with access to independent and external whistleblowing hotlines.

Insider Trading Policy – Recommendation 1.2

Heartland has an Insider Trading Policy which applies to all directors, employees and contractors of the Group. In addition to the prohibition on insider trading, directors, employees and contractors are prohibited from buying or selling the Group's quoted financial products during 'blackout periods' – which are periods that commence 30 days prior to the half-year and full-year balance dates and 30 days prior to the release of a product disclosure statement, prospectus and/or investment statement for a general public offer of any quoted financial products. These blackout periods generally end, respectively, once the financial results from the half-year or the full-year or disclosure document has been released to the market. Additional blackout periods may also be notified from time to time.

All of the Group's directors, senior officers and certain other designated persons are required to obtain consent before buying or selling the Group's quoted financial products outside of blackout periods, and to certify that their decision to buy or sell has not been made on the basis of inside information.

The Board continually assesses, with the assistance of the Boards of Heartland Bank and Heartland Bank Australia, whether any matters under consideration are likely to materially influence Heartland's share price and therefore whether additional trading restrictions should be imposed on directors, employees and contractors.

The Insider Trading Policy is available on Heartland's website, heartlandgroup.info. Through its share registrar, MUFG Pension & Market Services, Heartland actively monitors trading in Heartland shares by directors, officers and certain other designated persons.

Principle 2 – Board Composition and Performance

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Role of the Board – Recommendation 2.1

The Board is responsible for setting the Group's overall strategic direction and risk appetite, having Group-wide oversight of all material risks. The role of the Board is to provide leadership and strategic guidance for Heartland, effective oversight of Heartland's management and effective oversight of Heartland Bank and Heartland Bank Australia.

The Board Charter regulates Board procedure and describes in detail the Board's role and responsibilities and the role of management. The Board Charter is available on Heartland's website, heartlandgroup.info. The Board establishes objectives, strategies and an overall policy framework in respect of those matters applicable at a Group-wide level within which the Group's business is conducted.

The Board schedules regular meetings at which it receives briefings on key strategic and operational issues from management, together with updates from the Chairs of the respective Board Committees, the Chair of the Heartland Bank Board and the New Zealand directors on the Heartland Bank Australia Board.

Director appointment – Recommendations 2.2 and 2.3

Heartland has a procedure for the nomination and appointment of directors to the Board, as documented in Heartland's Constitution and Board Charter. Directors may be appointed in accordance with Heartland's Constitution or pursuant to formal written letters of appointment. Letters of appointment set out the key terms and conditions of a director's appointment to ensure that directors clearly understand the expectations of Heartland and the Board. Directors are entitled to appoint and remove alternate directors with the approval of the majority of the other directors. The Board may appoint a managing director.

Each new director of Heartland is required, pursuant to the Heartland Board Charter, to enter into a written agreement with Heartland in respect of his or her appointment. Heartland has a pro forma director appointment letter which is tailored for individual appointments.

During FY2025, the Heartland Board[1] was tasked with the role of reviewing Heartland's Board composition, and reviewing and making recommendations in relation to nominations, for the Board's consideration (noting, no new directors were appointed to the Board during FY2025).

Heartland is committed to maintaining a diverse and comprehensive set of skills to effectively govern each of the entities in the Group. The Group Boards have developed a skills matrix to assess current director competencies, identify gaps, and guide future director appointments to align with the Group's strategic needs and evolving commercial environment.

- **Board composition:** The Boards intend to use the skills matrix to support the regular review of their respective collective skills and experience and help address any gaps through appointments and development and succession planning. This ensures alignment with Heartland's business requirements and commercial trends.
- **Diverse expertise supports governance:** Directors bring a wide range of expertise including governance, executive leadership, finance, legal compliance, risk management, technology, sustainability, and sector-specific knowledge, enabling effective oversight of strategy, risk, and stakeholder relationships.
- **Continuous development focus:** The Group Boards intend to use the skills matrix to support the identification of focus areas for director education and may engage external experts to supplement internal skills.

The skills matrix on the following page presents each respective Boards' assessment of their skills and experience against criteria identified as necessary in the context of Heartland's business and the wider commercial environment in which it operates. Beyond the variety of technical skills and experience listed below, each Board seeks to work as a team comprising directors with different personalities and viewpoints, who will respectfully challenge Management and each other to support the long-term success of both the entity they govern and the Group.

1 With effect from 1 July 2024, the Heartland Corporate Governance, People, Remuneration and Nominations Committee was disestablished. See Recommendations 3.3 and 3.4 for more information.

Director skills matrix

Skills and Experience	Description
Risk Management	Risk management frameworks, setting risk appetite, building and adapting organisation risk culture
Governance and Compliance	Implementing organisation-wide governance and compliance systems, processes and frameworks
Commercial Acumen	Global commercial experience, including in implementation of financial and capital management strategies
Corporate Strategy	Reviewing and setting organisational strategy, execution of organic growth opportunities and M&A opportunities
People & Culture	Driving engagement and enablement, evaluating employee and executive performance, strategic workforce planning, succession, leading organisation change and talent development
Remuneration	Understanding organisational culture, management development, succession, detailed executive remuneration matters (including scorecard target setting), incentive arrangements and staff superannuation
Health & Safety	Implementing health, safety and wellbeing strategies, proactive identification and prevention of health and safety risks
Government Relations	Interaction with Government at all levels, influencing public policy decisions and outcomes
Banking	Domestic and/or international experience in banking
Liquidity and Funding	Broad experience in funding and liquidity strategies and management
Issues/Event Management	For example, credit rating downgrades, social media events, regulatory breaches or changes, cyber security and other similar events
Data	Experience in collecting, and deriving strategic insights from analysis of, data
Digital, Information Technology and Cyber	Domestic and/or international experience in IT strategies, IT networks, cloud computing, software delivery and cyber security
Regulatory Compliance	Experience in RBNZ compliance regime (and other applicable compliance regimes (e.g. NZX, APRA))
Australian Experience	Experience in banking/financial markets and regulatory bodies (APRA, ASIC, ASX, etc)
Corporate Emotional Intelligence (EQ)	Personal attributes relevant to the Board environment including communication skills, the ability to constructively challenge, championing an environment that effectively deals with complex issues and continually seeking to "lift the bar"
Customer Outcomes	Experience in developing and embedding a customer-focused culture with specific attention to enhancing customers' experience
Climate, Sustainability, Environment & Social	Knowledge of potential opportunities and risks from a social and environmental perspective

- High competency, experience and knowledge
- Practised/direct experience and knowledge
- General experience and knowledge
- Limited or no experience and knowledge

No. of Directors				No. of Directors				No. of Directors			
Heartland				Heartland Bank				Heartland Bank Australia			
High competency, experience and knowledge	Practised/direct experience and knowledge	General experience and knowledge	Limited or no experience and knowledge	High competency, experience and knowledge	Practised/direct experience and knowledge	General experience and knowledge	Limited or no experience and knowledge	High competency, experience and knowledge	Practised/direct experience and knowledge	General experience and knowledge	Limited or no experience and knowledge
2	3			1	4	1		1	5	1	
1	2	2			5	1		2	4	1	
3	2			1	5			3	4		
3	2			1	5			3	4		
2	3			1	4	1		3	3	1	
	5			1	4	1		2	4	1	
	4	1			4	2			3	4	
	2	2	1	2	3	1			3	4	
2	1		2	2	3	1		3	4		
	3	2		1	4	1		2	3	2	
1	4				5	1		2	4	1	
2	1	2			2	3	1	2	2	3	
1			4			5	1	2	1	4	
1	2	2			6			2	4	1	
1	1	3			2	2	2	3	4		
1	3	1		1	5			1	6		
3	2			1	5			3	4		
1	1	3		1	2	3		1	2	4	

Director attendance at Board and Committee meetings and other director information – Recommendation 2.4

The Board held 11 meetings, the Heartland Bank Board held 12 meetings, and the Heartland Bank Australia Board held 10 meetings during FY2025. The following table shows attendance by each director at the meetings of the relevant Board and Board Committees of which he or she was a member.

	Heartland Board		Heartland Committees	
	Attended as Director	Attended as Observer	Audit & Risk Committee	Sustainability Committee
J K Greenslade[2]	3	-	-	-
E J Harvey	11	-	7	-
K Mitchell	11	-	8	4
G R Tomlinson	11	-	6	-
R A Bell	11	-	-	-
S Beckett	11	-	-	-
B R Irvine	-	11**	1*	-
S M Ruha	-	2*	3*	-
S R Tyler	-	2*	8*	4
L G Lazarus	-	-	-	-
G E Summerhayes	-	1*	-	4
S M Buggle	-	-	1*	-

* These meetings were attended by the director as an observer rather than as a member.
** The Heartland Board Chair and Heartland Bank Board Chair attend the Board meetings of the other as an observer.

	Heartland Bank Board		Heartland Bank Committees		
	Attended as Director	Attended as Observer	Audit Committee	Risk Committee	People & Culture and Remuneration Committee
J K Greenslade[3]	4	-	-	-	-
B R Irvine	12	-	7	1*	4
K Mitchell	11	-	7*	6	5
E J Harvey	12	-	7	7	-
S M Ruha	12	-	8	8	-
S R Tyler	12	-	8	6	5
A P Dixson[4]	8	-	-	-	-
G R Tomlinson	-	10**	-	-	-
S Beckett	-	4*	-	-	-
R A Bell	-	4*	-	-	-
G E Summerhayes	-	1*	-	-	-
V Z Yu	-	1*	-	-	-
S M Buggle	-	-	3*	-	-

* These meetings were attended by the director as an observer rather than as a member.
** The Heartland Board Chair and Heartland Bank Board Chair attend the Board meetings of the other as an observer.

2 J K Greenslade retired from the Heartland Board on 30 September 2024.
3 J K Greenslade retired from the Heartland Bank Board on 30 September 2024.
4 A P Dixson was appointed to the Heartland Bank Board on 1 October 2024.

	Heartland Bank Australia Board		Heartland Bank Australia Committees		
	Attended as Director	Attended as Observer	Audit Committee	Risk Committee	People, Remuneration & Nomination Committee
J K Greenslade[5]	3	-	-	-	-
B R Irvine	9	-	6	5	3
G E Summerhayes	10	-	8	7	4
V Z Yu	10	-	9	8	4
L G Lazarus	9	-	1*	-	-
S M Buggle	10	-	9	8	4
L T McGrath	9	-	8	8	3
A P Dixson[6]	3	3*	-	-	-
G R Tomlinson	-	3*	-	-	1*
S Beckett	-	2*	-	-	-
R A Bell	-	2*	-	-	-

* These meetings were attended by the director as an observer rather than as a member.

All of the then serving members of the Board and Heartland Bank Board, and the Heartland Bank Australia Chair, attended the Annual General Meeting (**Annual Meeting**) held on 30 October 2024.

A profile of each director's experience is available on Heartland's website, heartlandgroup.info.

Succession planning is key to Heartland's corporate governance approach. Heartland recognises the challenges of attracting and retaining talented directors in New Zealand and Australia and adopts a forward-thinking approach in this regard. This includes taking director tenure into account, in line with NZX Code recommendations. The Board is responsible for selecting new directors, their induction, and developing a succession plan for Board members. Annual performance assessments of the Boards, committees, and individual directors are conducted, with the engagement of external providers if necessary. This ensures a range of complementary skills, knowledge, and experience to effectively govern the Group's business, monitor performance and support strategic priorities. As discussed in the reporting in relation to Recommendations 2.2 and 2.3 above, a skills matrix has also been developed by the respective Group Boards to assess current director competencies, identify gaps, and guide future director appointments to align with the Group's strategic needs and evolving commercial environment.

The Board has assessed each Heartland director's independence status, as described in the Directors' disclosure section of this report. The Board confirms that none of the factors listed in Table 2.4 of the NZX Code apply to any of the Heartland directors who have been assessed as independent.

In assessing the independence of Heartland's directors, the Board considered, among other things, each director's broader interests and relationships and the following factors:

- employment in an executive role at Heartland or its subsidiaries within the last three years
- income derived from Heartland in the last 12 months
- holding a senior role at a major professional services provider to Heartland or its subsidiaries within the last 12 months
- employment by Heartland's external auditor in the last three years
- material business relationships with Heartland or its subsidiaries in the last three years
- being a substantial product holder or associated with one

5 J K Greenslade retired from the Heartland Bank Australia Board on 30 September 2024.
6 A P Dixson was appointed to the Heartland Bank Australia Board on 3 February 2025.

- material contractual relationships with Heartland or its subsidiaries, excluding directorship, in the last three years
- close family ties or personal relationships (including close social or business connections) with anyone in the categories listed above
- whether the director has been a director of Heartland for a period of 12 years or more.

The Directors' disclosures section of this report also includes information on each director's Heartland share dealings and relevant interests and disclosure of interests. A description of each director's length of service is included on pages 22 to 27 of this Annual Report.

Diversity and inclusion – Recommendation 2.5

In order to articulate its commitment to diversity, Heartland has a Diversity & Inclusion Policy which requires the Heartland Board, with the help of the employee Diversity & Inclusion Committee, to set measurable objectives for achieving diversity and to track progress against them.

Heartland's Diversity & Inclusion Policy is available on Heartland's website, heartlandgroup.info. Heartland's diversity and inclusion objectives align to its social sustainability targets. Commentary on Heartland's achievements and activity in FY2025, including gender and ethnicity pay gap information, is included on pages 33 to 36 of this Annual Report.

Board training – Recommendation 2.6

To ensure ongoing education, directors are regularly informed of developments that affect the industry and business environment, as well as company and legal updates that are relevant for the performance of their duties. Directors also have access to management and external advisers to answer any questions they may have and receive specific training on relevant topics.

The Heartland Board adopted the Director Professional Development Framework in August 2025. This framework outlines options and recommendations for both new directors and those with longer tenures, aimed at supporting their continued professional development. It provides a pathway for directors to continue to develop capability progressively, benchmark against national standards, and stay agile in a fast-evolving banking and financial services environment. The framework is based on the Director Competency Framework from the Institute of Directors New Zealand. It supports both new and experienced directors through structured learning, self-development, and peer engagement. Professional development opportunities are available both internally and externally.

Board, director and committee performance assessments – Recommendation 2.7

The Boards of Heartland, Heartland Bank and Heartland Bank Australia undertake a formal review of their own, their committees' and individual directors' performance at least annually. Individual director performance reviews are facilitated by the Chairs of the respective Boards. The Boards are also able to engage external providers to support performance reviews, where considered appropriate.

This is to ensure that the Boards each have a range of complementary skills, knowledge and experience in order to effectively govern the relevant Group entity, to monitor its performance, and to support the implementation of its strategic priorities in the interests of its shareholders and other stakeholders.

Each of the Group Boards recognise the need to have a range of complementary skills, knowledge and experience to support the Group's implementation of its strategic priorities, and for each Board to have a balance of skills and attributes in order to support diversity at a Board level. With this in mind, the composition of the Boards of Heartland, Heartland Bank and Heartland Bank Australia are regularly reviewed and their collective skills, knowledge and experience formally assessed. This exercise provides an opportunity to reflect on and discuss current Board composition, as well as succession planning.

The current Boards comprise directors with a mix of qualifications, skills and attributes who hold diverse business, governance and industry experience. A director skills matrix is also included above.

Board independence – Recommendation 2.8

Recommendation 2.8 of the NZX Code states that a majority of the Board should be independent. The NZX Main Board Listing Rules also require that the Board must have at least three directors, with at least two directors ordinarily resident in New Zealand and at least two directors being independent. Subject to these requirements, the Board determines the size and composition of the Board from time to time.

During the reporting period, J K Greenslade resigned from the Heartland Board with effect from 30 September 2024.

As at 30 June 2025, the Board comprised five directors, being the non-independent, non-executive Chair, and four independent, non-executive directors. Three of Heartland's directors are ordinarily resident in New Zealand, and (as has been the case throughout the reporting period) a majority of the Heartland Board is independent. The Board encourages rigorous discussion and analysis when making decisions.

Please refer to Recommendation 2.4 above for further information in relation to each Heartland director's independence status as at 30 June 2025 and the matters considered as part of those determinations.

Independent Chair – Recommendation 2.9

G R Tomlinson is not considered to be an independent Chair of Heartland, as he is a substantial product holder of the issuer. Although G R Tomlinson is not independent, the Board is of the view that it is appropriate for G R Tomlinson to be Heartland's Chair, as he has been a longstanding non-executive director of Heartland since 2018,[7] held the role of Deputy Chair for a number of years, and has a deep understanding of Heartland, its business and its shareholders. In addition, he is not an executive of Heartland which ensures that there is continued, appropriate separation between the Chair and CEO of Heartland as discussed in the commentary on Recommendation 2.10 below.

As a result, Heartland was not compliant with Recommendation 2.9 of the NZX Code for the year ended 30 June 2025, which states that an issuer should have an independent chair of the board.

Separate Chair and CEO – Recommendation 2.10

To ensure that a conflict of interest does not arise, the Chair of Heartland and the CEO are separate persons, in accordance with Recommendation 2.10 of the NZX Code.

Principle 3 – Board Committees

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

As at 30 June 2025, Heartland had two permanently constituted Board Committees: the Audit & Risk Committee and the Sustainability Committee. During FY2025, each of these committees worked with management in its specific area of responsibility and reported its findings and recommendations to the Board. Management attended committee meetings as required at the invitation of the relevant committee.

Each of these Committees has a charter which sets out the committee's objectives, membership, procedures and responsibilities. A Committee does not take action or make decisions on behalf of the Board unless it is specifically mandated to do so. The charter of each of the Audit & Risk Committee and the Sustainability Committee is available on Heartland's website, heartlandgroup.info.

On 1 July 2024, the Heartland Corporate Governance, People, Remuneration and Nominations Committee was disestablished, with the Heartland Board assuming responsibility for remuneration and nomination matters. See the commentary on Recommendations 3.3 and 3.4 on the next page for further information, together with the disclosures included the Heartland's 2024 Annual Report.

7 G R Tomlinson has been a non-executive director of Heartland since 2018. He was also a director of Heartland Bank Limited, Heartland's predecessor entity, before the corporate restructure of the Heartland group on 31 October 2018. On that date he ceased to be a director of Heartland Bank Limited and began his appointment on the Heartland Board.

Audit & Risk Committee – Recommendations 3.1 and 3.2

The Audit & Risk Committee must have at least three members, with membership being restricted to non-executive directors, the majority of whom must be independent. One member of the Committee must be both independent and have an adequate accounting or financial background. The Chair of the Audit & Risk Committee must be an independent director who is not the Chair of the Board. The Audit & Risk Committee operates under a written charter and management and employees only attend meetings at the invitation of the Committee. The Audit & Risk Committee's written charter is available at heartlandgroup.info.

As at 30 June 2025, the members of the Audit & Risk Committee were E J Harvey (Chair), K Mitchell and G R Tomlinson. The role of the Audit & Risk Committee is to advise and provide assurance to the Board in order to enable the Board to discharge its responsibilities in relation to the oversight of:

- the integrity of financial control, financial management and external financial reporting
- the internal audit function
- the independent audit process
- the formulation of its risk appetite.

The Audit & Risk Committee also provides the Board with assurance that all risks within the key risk categories which are relevant to the Group have been appropriately identified, managed and reported to the Board.

The Audit & Risk Committee works closely with the Audit Committee and the Risk Committee of each of Heartland Bank and Heartland Bank Australia, which have similar responsibilities in relation to Heartland Bank and Heartland Bank Australia, respectively. Their meetings are held separately with only the respective Chairs attending the other meetings, although other directors may observe on occasion.

The relevant qualifications of the Committee members are included on page 86 of this Annual Report and their biographies are available on Heartland's website, heartlandgroup.info. As at 30 June 2025, the Board determined that all committee members had a recognised form of financial expertise in accordance with the Audit & Risk Committee's charter.

Remuneration and Nomination Matters - Recommendations 3.3 and 3.4

On 1 July 2024, the Heartland Corporate Governance, People, Remuneration and Nominations Committee was disestablished, and the full Heartland Board assumed certain corporate governance, people, remuneration and nomination functions which had previously been carried out by the Committee (and are not now being carried out by the Heartland Bank People & Culture and Remuneration Committee (**Heartland Bank RemCo**)) or the Heartland Bank Australia People, Remuneration and Nominations Committee (**Heartland Bank Australia PRNCo**)). Please refer to the disclosures included the Heartland's 2024 Annual Report for further information.

Accordingly, during FY2025, the Board had responsibility for those matters set out on page 66 of the Remuneration report.

Management only attends Board meetings in relation to remuneration matters at the invitation of the Board.

Other Committees – Recommendations 3.5

In addition to the Audit & Risk Committee, the Heartland Board has a Sustainability Committee to oversee Heartland's Sustainability strategy and implementation plans.

The Sustainability Committee operates under a written charter which is available on Heartland's website, heartlandgroup.info. The purpose of the Committee is to advise and provide assurance to the Board in order to enable the Board to discharge its responsibilities in relation to:

- recommending and reviewing progress against the Group's sustainability strategy – including undertaking an initial materiality analysis
- Heartland's annual sustainability disclosures

- the oversight of Heartland's implementation of the climate-related risks (and opportunities) disclosure regime
- advocacy for sustainability issues, including consideration of whether the appropriate skills and competencies exist across Heartland.

Under the charter, the Committee must be made up of at least one non-executive director of Heartland. The majority of the Committee must be independent directors, and the Committee may include non-executive directors of Heartland's subsidiaries. As at 30 June 2025, the members of the Committee are K Mitchell (Chair), S Tyler and G E Summerhayes. The proceedings of the Committee are regularly reported back to the Board.

As at 30 June 2025, Heartland Bank and Heartland Bank Australia also have separately constituted Audit Committees, Risk Committees, and a Heartland Bank RemCo and a Heartland Bank Australia PRNCo. The Committees each operate under written charters and are tasked with working with management and reporting their findings and recommendations to the relevant Board.

The Board is comfortable that no other standing Committees are necessary at this stage, however other ad hoc Committees are established for specific purposes from time to time.

Takeovers Response Manual – Recommendation 3.6

The Board has documented and adopted a Takeover Response Manual document, which is designed to give the Board and management clear direction on the steps that need to be taken following receipt of a takeover offer.

The document, amongst other things, includes an "independent director" protocol for directors who are involved in or associated with the bidder, talks to the scope of independent advisory reports to shareholders, and prompts the Board to consider the option of establishing an independent Takeover Committee following receipt of a takeover offer.

Principle 4 – Reporting and disclosures

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Heartland appreciates that its investors and other stakeholders value both financial and non-financial reporting, and Heartland seeks to ensure that its investors have timely access to full and accurate material information about Heartland which is factual and balanced.

Continuous Disclosure Policy – Recommendation 4.1

Heartland's Disclosure Policy sets out procedures that are in place to make sure all material information is identified and disclosed in a timely manner, and to prevent the selective disclosure of material non-public information. Under the Policy, potentially 'material information' is required to be brought to the attention of the Chief Legal Officer who is responsible for making a recommendation to the 'Decision Makers' being:

- the CEO of Heartland, and/or
- the CEO of Heartland Bank and at least one independent director of Heartland and/or Heartland Bank, and/or
- the full Board of Heartland and/or Heartland Bank (as applicable).

The Decision Makers are ultimately responsible for determining whether information is material[8], and approving the form and content of material information that is disclosed. Heartland also monitors information in the market about itself and will release information to the extent necessary to prevent the development of a false market for the Group's quoted financial products.

Availability of key documents – Recommendation 4.2

Heartland's Codes of Conduct, Board and Committee Charters and the policies recommended in the NZX Code, including the Disclosure Policy, the Insider Trading Policy, the Diversity and Inclusion Policy and

8 Other than in the case of regular financial reporting and capital markets activity (the form and content of which is approved by the full Boards of Heartland, Heartland Bank and/or Heartland Bank Australia upon the recommendation of the Heartland Board Audit & Risk Committee, the Heartland Bank Board Audit Committee, the Heartland Bank Australia Board Audit Committee or a specially convened due diligence committee (as applicable), approving the form and content of that disclosure).

the Remuneration Policy, are available on Heartland's website, heartlandgroup.info. Heartland also maintains copies of its stock exchange announcements, and half-year and full-year reports, investor presentations and details of annual shareholder meetings, on its website.

Financial reporting disclosure – Recommendation 4.3

The Audit & Risk Committee oversees the quality and timeliness of all external financial reports, including all disclosure documents issued by Heartland.

The Audit & Risk Committee, working closely with the Heartland Bank and Heartland Bank Australia Audit Committees, oversees the preparation of Heartland's financial statements and setting policy to ensure the information presented is useful for investors and other stakeholders. Heartland makes its financial statements easy to read by using clear, plain and objective language, and structuring them so that key information is prominent. In addition to the full-year audit, Heartland's external auditor completes a review of the interim financial statements.

Heartland's CEO is also required to certify to the Audit & Risk Committee that the financial statements of the Group present a true and fair view of Heartland and comply with all relevant accounting standards.

Non-financial reporting disclosure – Recommendation 4.4

This is the seventh year that Heartland has reported against a Sustainability Framework in order to provide more detailed information on the value created for Heartland's stakeholders. Refer to '*Sustainability*' on page 30 of this Annual Report for information on Heartland's environmental, social and economic impact across New Zealand and Australia.

Heartland is a climate reporting entity for the purposes of the Financial Markets Conduct Act 2013. This is the second year that Heartland has published its climate-related disclosures (refer to Heartland's Climate Report available at heartlandgroup.info/sustainability), in accordance with the requirements of the Aotearoa New Zealand Climate Standards.

The Board continually evaluates what non-financial matters are a focus of the Group and the roles of executives are refined to ensure that such matters have appropriate oversight. This process ensures that Heartland's non-financial reporting is accurate and discloses a valuable amount of information to shareholders. In recognition of the need to dedicate specific expertise to Heartland's sustainability initiatives, Heartland has a Sustainability Committee (being a Board Committee).

Principle 5 – Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

Heartland's remuneration report can be found on page 65 of this Annual Report.

Principle 6 – Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Risk management – Recommendation 6.1

The Board ensures that Heartland has a Risk Management Programme in place which identifies, manages and communicates the key risks that may impact Heartland's business. Specific risk management strategies have been developed for each of the key risks identified. The Audit & Risk Committee of the Board oversees the risk management programme and strategy. The Board and Audit & Risk Committee receive and review regular reports on risk management. Specific risks identified by the Board are set out in the notes to Heartland's financial statements for the year ended 30 June 2025 included in this Annual Report.

In addition, as discussed above, Heartland and Heartland Bank have implemented an Oversight Framework, which sets out the overarching framework for, and approach to, oversight activities in the Group. This includes (amongst other things) governance expectations in respect of risk, reflecting that each Group entity has its own risk appetite and measures, but parent entities will set consolidated group risk appetite and measures (as applicable), which necessitates overall alignment of subsidiaries' risk appetites, measures and common risk classification where possible.

Heartland also has in place insurance cover for insurable liability and general business risk.

Health and safety – Recommendation 6.2

Heartland promotes a working environment where it engages with all its people, so that together they can maintain a workplace that is mentally and physically safe and healthy, and to promote a positive health and safety culture. Heartland engages with its people to identify, assess, control and review risk, with a focus on continuous improvement of health and safety.

All Group employees are required to read and attest to the relevant policy, noting separate policies are maintained for New Zealand (Wellbeing, Health and Safety Policy) and Australia (Workplace Health and Safety Policy). Maintaining separate policies allows for the legislative variances between jurisdictions and Australia having both State and Federal workplace health and safety requirements. Induction includes instruction on the relevant policy and procedures, and employees are required to attest to their reading and understanding of the relevant policy. The Wellbeing, Health, & Safety Committee, representing all employees, convenes quarterly to discuss and review reported incidents, accidents and near misses, initiatives and tabled reports. Incidents, accidents and near misses are registered in our Risk Management System (**RMS**). A Health & Safety Report that includes RMS data, number of employee insurance claims, number of employees accessing counselling, and summaries of initiatives is provided to the Executive Risk Committee and to all Boards.

In FY2025, there were no notifiable events to report to WorkSafe New Zealand, and there have been no claims to the Australian Workers Compensation Insurance.

Principle 7 – Auditors

External auditor relationship framework and independence – Recommendation 7.1

The board should ensure the quality and independence of the external audit process.

The Audit & Risk Committee is responsible for overseeing the external, independent audit of Heartland's financial statements. This encompasses processes for sustaining communication with Heartland's external auditors, ensuring that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired, to address what other services may be provided by the external auditors to Heartland, and to provide for the monitoring and approval of any such services.

Heartland's External Auditor Independence Policy was updated in December 2024 to ensure it remains current. The Policy provides guidelines to ensure that non-audit related services do not conflict with the independent role of the external auditor, and the Audit & Risk Committee ensures that non-audit work undertaken by the auditors is in accordance with that Policy. The Policy also sets out guidelines in relation to the tenure and re-appointment of the external auditor, which the Audit & Risk Committee ensures are complied with. Refer to Heartland's website, heartlandgroup.info, for a copy of the External Auditor Independence Policy.

The external auditor monitors its independence and reports to the Audit & Risk Committee bi-annually to confirm that it has remained independent in the previous six months, in accordance with Heartland's External Auditor Independence Policy and the external auditor's policies and professional requirements. There have been no threats to auditor independence identified during FY2025.

During FY2025, PricewaterhouseCoopers (**PwC**) continued to act as auditor of Heartland and its New Zealand subsidiaries. PwC were appointed as auditor of Heartland's Australian subsidiaries commencing 1 May 2025.

Auditor AGM attendance – Recommendation 7.2

Heartland's external auditor attends its Annual Meeting to answer questions from shareholders in relation to the audit.

Internal Audit – Recommendation 7.3

Heartland also has internal audit functions which are independent of the external auditors. The internal audit function for New Zealand is maintained within Heartland Bank and made available to Heartland while Heartland Bank Australia has its own internal audit function. Internal audit is allowed full, free and unfettered access to any and all of the relevant entity's records, personnel and physical properties deemed necessary to accomplish its activities. The internal audit functions and other assurance roles have unfettered access to the Group's Boards as required.

The objective of the internal audit functions is to provide independent, objective assurance over the internal control risk framework and compliance with policies. In certain circumstances, internal audit will provide risk and control advice to Management provided the work does not impede the independence of the internal audit functions. The functions assist Heartland in accomplishing its objectives by bringing a systemic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Heartland Board Audit & Risk Committee, Heartland Bank Board Audit Committee and Heartland Bank Australia Board Audit Committee each approve respective annual internal audit programmes (as applicable), which are developed in consultation with Management. A regular cycle of review is implemented to cover all areas of the business, focused on assessment, management and control risks identified. The audit plans take into account cyclical review of various business units and operational areas, as well as identified areas of higher identified risk. The audit methodology is designed to meet the International Standards for the Professional Practice for Internal Auditing of The Institute of Internal Auditors.

Principle 8 – Shareholder rights and relations

The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Shareholder information and communication – Recommendations 8.1 and 8.2

The Board is committed to maintaining a full and open dialogue with all shareholders, as outlined in the Disclosure Policy which is available on Heartland's website, heartlandgroup.info. Heartland keeps shareholders informed through:

- periodic and continuous disclosure to NZX and ASX
- information provided to analysts and media during briefings
- Heartland's website (heartlandgroup.info) where shareholders can access financial, operational and key corporate governance information
- the Annual Meeting, at which shareholders' have the opportunity to ask questions
- annual reports.

To ensure a high level of accountability, the Board encourages full participation of shareholders at the Annual Meeting and designs the meeting to best achieve this outcome. This includes holding a hybrid meeting where shareholders can attend a physical event or join virtually online. Attendees are also able to submit questions in advance of the Annual Meeting and those attending in person can raise them directly. When Heartland publishes its Notice of Annual Meeting, it also publishes an Online Guide which explains how to join and navigate the virtual elements of the meeting. At the conclusion of the live event, a webcast of the Annual Meeting is published on Heartland's website.

Heartland's website includes a 'Contact Us' page that provides contact details for Heartland's share registrar and shareholder enquiries and provides the option to receive communications from Heartland electronically.

Major decisions – Recommendation 8.3

Where shareholders are required to vote on a matter concerning Heartland, the Board encourages shareholders to attend the Annual Meeting or to cast a postal vote or appoint a proxy. All voting at the Heartland's Annual Meeting is conducted by way of poll on the basis of one share, one vote.

Raising additional equity – Recommendation 8.4

Heartland has not sought additional equity capital during FY2025.

Publication of notice of meeting – Recommendation 8.5

Both Heartland's 2024 notice of meeting and 2025 notice of meeting were available at least 20 working days prior to its Annual Meeting at heartlandgroup.info.

Directors’ disclosures

Directors

The following persons were directors of Heartland and its subsidiaries during the year ended 30 June 2025.

Company	Directors	Status
Heartland Group Holdings Limited	Gregory Raymond Tomlinson	Non-Independent, Non-Executive Director (Chair)
	Simon Beckett	Independent, Non-Executive Director
	Robert Alan Bell	Independent, Non-Executive Director
	Jeffrey Kenneth Greenslade	Non-independent, Executive Director (ceased directorship 30 September 2024)
	Edward John Harvey	Independent, Non-Executive Director
	Kathryn Mitchell	Independent, Non-Executive Director
Heartland Bank Limited	Bruce Robertson Irvine	Independent, Non-Executive Director (Chair)
	Andrew Peter Dixson	Non-Independent, Non-Executive Director (appointed 1 October 2024)
	Jeffrey Kenneth Greenslade	Non-Independent, Non-Executive Director (ceased directorship 30 September 2024)
	Edward John Harvey	Non-Independent, Non-Executive Director
	Kathryn Mitchell	Non-Independent, Non-Executive Director
	Shelley Maree Ruha	Independent, Non-Executive Director
	Simon Ross Tyler	Independent, Non-Executive Director
Heartland Bank Australia Limited	Geoffrey Edward Summerhayes	Independent, Non-Executive Director (Chair)
	Shane Michael Buggle	Independent, Non-Executive Director
	Andrew Peter Dixson	Non-Independent, Non-Executive Director (appointed 3 February 2025)
	Jeffrey Kenneth Greenslade	Non-Independent, Non-Executive Director (ceased directorship 30 September 2024)
	Bruce Robertson Irvine	Independent, Non-Executive Director
	Leanne Gloria Lazarus	Non-Independent, Non-Executive Director
	Lyn Therese McGrath	Independent, Non-Executive Director
	Vivienne Zhaohui Yu	Independent, Non-Executive Director
ASF Custodians Pty Limited	Richard Michael Collier	Appointed 24 January 2025
	Jeffrey Kenneth Greenslade	Ceased directorship 30 September 2024
	Michelle Kay Winzer	Appointed 24 January 2025
	Richard Glenn Udovenya	Ceased directorship 31 January 2025
Australian Seniors Finance Pty Limited	Richard Michael Collier	Appointed 29 July 2024
	Christopher Patrick Francis Flood	Ceased directorship 29 July 2024
	Jeffrey Kenneth Greenslade	Ceased directorship 30 September 2024
	Geoffrey Edward Summerhayes	Ceased directorship 29 July 2024
	Michelle Kay Winzer	Appointed 29 July 2024

Heartland Australia Holdings Pty Ltd	Richard Michael Collier Christopher Patrick Francis Flood Jeffrey Kenneth Greenslade Geoffrey Edward Summerhayes Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 29 July 2024 Ceased directorship 30 September 2024 Ceased directorship 29 July 2024 Appointed 29 July 2024
Heartland Australia Group Pty Ltd	Richard Michael Collier Christopher Patrick Francis Flood Jeffrey Kenneth Greenslade Geoffrey Edward Summerhayes Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 29 July 2024 Ceased directorship 30 September 2024 Ceased directorship 29 July 2024 Appointed 29 July 2024
Heartland Australia Investments Holdings Pty Limited	Richard Michael Collier Christopher Patrick Francis Flood Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 29 July 2024 Appointed 29 July 2024
Heartland NZ Trustee Limited	Christopher Patrick Francis Flood Leanne Gloria Lazarus	Ceased directorship 1 October 2024 Appointed 1 October 2024
Heartland PIE Fund Limited	Bruce Robertson Irvine Leanne Gloria Lazarus	
MARAC Insurance Limited	Andrew James Aitken[1] Christopher Patrick Francis Flood Leanne Gloria Lazarus Christopher Robert Mace	 Ceased directorship 1 October 2024 Appointed 1 October 2024 Ceased directorship 14 April 2025
VPS Properties Limited	Kerry Louise Conway Christopher Patrick Francis Flood Leanne Gloria Lazarus	Appointed 1 August 2024 Ceased directorship 1 August 2024 Appointed 1 August 2024
Fuelled Limited	Christopher Patrick Francis Flood Leanne Gloria Lazarus	Ceased directorship 1 October 2024 Appointed 1 October 2024
StockCo Holdings 2 Pty Limited	Richard Michael Collier Andrew Peter Dixson Christopher Patrick Francis Flood Jeffrey Kenneth Greenslade Geoffrey Edward Summerhayes Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 22 July 2024 Ceased directorship 29 July 2024 Ceased directorship 30 September 2024 Ceased directorship 29 July 2024 Appointed 29 July 2024
StockCo Holdings Pty Limited	Richard Michael Collier Andrew Peter Dixson Christopher Patrick Francis Flood Jeffrey Kenneth Greenslade Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 22 July 2024 Ceased directorship 29 July 2024 Ceased directorship 30 September 2024 Appointed 29 July 2024
StockCo AgriCapital Pty Ltd	Richard Michael Collier Andrew Peter Dixson Christopher Patrick Francis Flood Jeffrey Kenneth Greenslade Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 22 July 2024 Ceased directorship 29 July 2024 Ceased directorship 30 September 2024 Appointed 29 July 2024
StockCo Feedlot Holdings Pty Limited	Richard Michael Collier Christopher Patrick Francis Flood Jeffrey Kenneth Greenslade Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 29 July 2024 Ceased directorship 30 September 2024 Appointed 29 July 2024

1 A Aitken ceased his directorship on 31 July 2025.

StockCo Feedlot Capital Pty Limited	Richard Michael Collier Christopher Patrick Francis Flood Jeffrey Kenneth Greenslade Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 29 July 2024 Ceased directorship 30 September 2024 Appointed 29 July 2024
StockCo Australia Management Pty Ltd	Richard Michael Collier Andrew Peter Dixson Christopher Patrick Francis Flood Jeffrey Kenneth Greenslade Michelle Kay Winzer	Appointed 29 July 2024 Ceased directorship 22 July 2024 Ceased directorship 29 July 2024 Ceased directorship 30 September 2024 Appointed 29 July 2024

Please refer to the detailed information on page 53 of the Corporate Governance section in relation to the matters considered in determining whether a director of Heartland is independent as at 30 June 2025.

Interests register

The following are the entries in the Interests Registers of the Group made during FY2025.

Indemnification and insurance of directors

Heartland has given indemnities to, and has affected insurance for, directors of the Group to indemnify and insure them in respect of any liability for, or costs incurred in relation to, any act or omission in their capacity as directors, to the extent permitted by the Companies Act 1993. The cost of the directors and officers' liability insurance premiums to the Group for FY2025 was $650,620.99 (excluding GST and administration charges).

Share dealings by directors

Details of individual directors' share dealings as entered in the Interests Registers of Heartland and Heartland Bank under Section 148(2) of the Companies Act 1993 during FY2025 are as follows (all dealings are in ordinary shares unless otherwise specified). No Heartland Bank Australia directors had share dealings during FY2025.

R A Bell

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
30 August 2024	Acquisition of legal and beneficial interest in shares	Acquisition	5,400	$5,869.09
3 March 2025	Acquisition of legal and beneficial interest in shares	Acquisition	11,892	$10,670.00
4 March 2025	Acquisition of legal and beneficial interest in shares	Acquisition	108	$96.90

S Beckett

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
4 March 2025	Acquisition of legal and beneficial interest in shares	Acquisition	62,824	$55,386.34

E J Harvey

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
20 September 2024	Allotment under DRP	Acquisition	5,322	$5,955.57
21 March 2025	Allotment under DRP	Acquisition	4,666	$3,793.74

S R Tyler

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
6 March 2025	Acquisition of legal and beneficial interest in shares	Acquisition	50,000	$43,000.00

G R Tomlinson

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
6 March 2025	Change in nature of relevant interest. A transfer of shares from Harrogate Trustee Limited and Gregory Raymond Tomlinson to Tomlinson Group HGH Limited resulted in the Tomlinson Group HGH Limited obtaining a substantial shareholding in Heartland	Off-market trade	83,335,936	Not applicable

General notice of disclosure of interests in the interests register

Details of any changes to the following during FY2025 are below:

- Heartland and Heartland Bank directors' general disclosures entered in the relevant interests register under Section 140 of the Companies Act 1993; and
- Heartland Bank Australia directors' general disclosures entered in the relevant interests register under Section 191 of the Corporations Act 2001 (Cth):

Heartland

G R Tomlinson	Director of Brandywine Vineyards Limited, Tomlinson Group HGH Limited disclosed 6 May 2025; Advisor to the Minister of Racing to assist the NZ TAB, Entain and the NZ Racing bodies disclosed 23 June 2025.
J K Greenslade	No changes during FY2025.
K Mitchell	No changes during FY2025.
E J Harvey	No changes during FY2025.
S Beckett	Director of Karia Technology Pty Limited disclosed 21 February 2025; Director of First Avenue Capital Pty Ltd, Venture Partner of Antler VC and Advisor to Stay or Go disclosed 26 June 2025.
R A Bell	Trustee of RLLZ, Director of Monoova Limited disclosed 23 October 2024.

Heartland Bank

B R Irvine	No changes during FY2025.
J K Greenslade	No changes during FY2025.
E J Harvey	No changes during FY2025.
K Mitchell	No changes during FY2025.
S M Ruha	No changes during FY2025.
S Tyler	Director of Asteron Life Limited disclosed on 9 August 2024.
A P Dixson	Director of Village Fields Titirangi Limited disclosed on 1 October 2024.

Heartland Bank Australia

G E Summerhayes	Move to NPP Steering Committee established by Australian Payments Plus disclosed on 21 February 2025.
S M Buggle	Director of Bupa ANZ Insurance Pty, Bupa ANZ Healthcare Holdings Pty Ltd, Bupa HI Pty Ltd , Bupa HI Holdings Pty Ltd, Bupa Foundation (Australia) Limited, and Bupa Aged Care Australia Pty Ltd disclosed on 25 July 2024.
L T McGrath	Director of CIMB Group disclosed on 1 October 2024; Ceased directorship of Auswide disclosed on 28 February 2025.

Details of Heartland and Heartland Bank directors' general disclosures entered in the relevant interest register under Section 140 of the Companies Act 1993 prior to 1 July 2024 can be found in earlier Annual Reports.

Specific disclosures of interest in the interests register

There were no specific disclosures of interests in transactions entered into by the Group during FY2025.

Information used by directors

No director of the Group disclosed use of information received in his or her capacity as a director that would not otherwise be available to that director.

Heartland, Heartland Bank and Heartland Bank Australia directors' relevant interests

As at 30 June 2025.

Director	Number of ordinary shares – beneficial	Number of ordinary shares – non-beneficial[1]	Number of options
R A Bell	17,400	Nil	Nil
S Beckett	62,824	Nil	Nil
A P Dixson	550,000	Nil	Nil
E J Harvey	208,507	6,504,266	Nil
B R Irvine	903,606	6,504,266	Nil
K Mitchell	139,646	Nil	Nil
S M Ruha	200,000	Nil	Nil
G E Summerhayes	55,838	Nil	Nil
G R Tomlinson	83,335,936	Nil	Nil
S R Tyler	50,000	Nil	Nil

1 The non-beneficial interest in the 6,504,266 shares arises from those directors being a trustee of the Heartland Trust, which held 6,504,266 shares in Heartland as at 30 June 2025.

Remuneration report

This remuneration report describes Heartland's remuneration arrangements for FY2025 and includes reporting against the recommendations contained in Principle 5 of the NZX Code. This report has been prepared on the basis of the NZX Remuneration Reporting Template for Listed Issuers published December 2023.

Remuneration Governance

Remuneration Governance Framework

Heartland's remuneration strategy is designed to create a high-performance culture underpinned by Heartland's values which attracts and retains quality employees.

Heartland has a Remuneration Policy which has been adopted and approved by the Boards of Heartland, Heartland Bank and Heartland Bank Australia. This policy explains the Group's remuneration strategy and approach to setting remuneration for directors, executives and employees of Heartland and its subsidiaries.

The key principles are to:

- comply with all applicable legal and regulatory requirements to ensure good customer outcomes
- review and carefully consider the link between Group performance and remuneration and promote conduct which is consistent with the relevant Board's risk appetite and the creation of shareholder value
- support the attraction, retention and engagement of quality, diverse candidates
- not show bias on the basis of gender, ethnicity, sexuality or any other individual factor
- further the aspirations to achieve pay equity across the organisation
- be consistent and promote adherence to values, policies and procedures
- reward people for performance that exceeds expectations delivered within the guidance of Heartland's values
- be flexible to meet operational variances.

The objectives of the Remuneration Policy are to ensure the appropriate oversight of remuneration arrangements and the alignment of remuneration arrangements with the business plans, strategic objectives and risk management frameworks of the Group (as applicable) which will support:

- effective management of both financial and non-financial risks, sustainable performance and long-term soundness
- the prevention and mitigation of conduct risk
- alignment of variable remuneration outcomes with performance and risk outcomes.

The Remuneration Policy is available on Heartland's website at heartlandgroup.info.

The Group's Boards are kept up to date with relevant market information and best practice, obtaining advice from external advisers when necessary to support remuneration decision making.

The other internal governance policies that provide context for Heartland's remuneration outcomes are described in the Corporate Governance section of this Annual Report, including the Insider Trading Policy and the respective Codes of Conduct.

Heartland, Heartland Bank and Heartland Bank Australia assess all employees (regardless of seniority) against two gateways (**Gateways**) as part of the annual performance review process (amongst other things):[1]

- the Risk & Compliance Gateway, which assesses whether the employee has contributed to a healthy risk culture
- the Culture, Behaviour and Values Gateway, which assesses each employee's performance and behaviour with reference to Heartland's values (mātāpono).

1 The annual performance review process is undertaken in the period leading up to Heartland's full year results announcement in relation to performance during the prior reporting period. Half year performance reviews are also conducted in the period leading up to Heartland's half year results announcement, as part of which employees are also assessed against the Gateways described above to determine whether they are on track to achieve them, or require improvement.

Employees who are not ranked as "meets expectations" or higher, with reference to their performance over the preceding reporting period in respect of these Gateways are ineligible for a remuneration increase or variable remuneration.

Heartland's Remuneration Committees

As discussed on page 54 of the Annual Report, on 1 July 2025, the Heartland Corporate Governance, People, Remuneration and Nominations Committee was disestablished. From that date, the full Heartland Board assumed responsibility for certain corporate governance, people, remuneration and nomination functions which had previously been carried out by this Committee, and are not now being carried out by the Heartland Bank RemCo (established on 30 April 2024) or the Heartland Bank Australia PRNCo (established on 1 July 2024).

Accordingly, during FY2025, the Heartland Board had responsibility for the following corporate governance, people, remuneration and nomination functions:

- corporate governance matters
- people strategy, including organisation structure, performance, succession planning, development, culture, diversity and remuneration strategy (including in relation to variable remuneration) and policies and any other strategic people initiatives
- remuneration of the Heartland directors, CEO and senior executives
- monitoring the performance of the Heartland CEO, including setting and review of annual key performance indicators (**KPIs**)
- Heartland director and senior executive appointments, Board composition and succession planning
- development of a new Heartland long-term incentive (**LTI**) scheme as part of its retention and incentive arrangements for executive employees and to align the interests of all participants (**Participants**), which may include other senior employees, with the interests of Heartland's shareholders and to encourage longer term decision making by Participants. More information in relation to this new LTI scheme is available below.

Management only attended those parts of Heartland Board meetings relating to remuneration matters at the invitation of the Heartland Board.

The Heartland Bank RemCo and the Heartland Bank Australia PRNCo are comprised of the members set out in the table below, each of whom have been members of the relevant Committee since its establishment. The majority of members on the Heartland Bank RemCo are independent directors and all members on the Heartland Bank Australia PRNCo are independent directors. There have been no membership changes to these Committees during FY2025.

Heartland Bank RemCo
Bruce Irvine (Chair)
Kate Mitchell
Simon Tyler

Heartland Bank Australia PRNCo
Vivienne Yu (Chair)
Shane Buggle
Bruce Irvine
Lyn McGrath
Geoff Summerhayes

Management only attends the respective Committee meetings by invitation.

These Committees each operate under a written charter and assist their respective boards with a range of matters, including:

- people strategy, including organisation structure, performance, succession planning, development, culture, diversity and remuneration strategy and policies and any other strategic people initiatives
- remuneration of the relevant CEO and senior executives
- monitoring the performance of the relevant CEO, including setting and review of annual KPIs
- director and senior executive appointments, Board composition and succession planning.

Information in relation to each member's attendance at Committee meetings can be found on pages 50 to 51 of this Annual Report.

Executive Remuneration Policy

Heartland's Remuneration Policy, as described above, applies to all of the Group's executives.

Executive remuneration levels are reviewed annually for market competitiveness and alignment with strategic and performance priorities. The objective is to provide competitive remuneration that aligns executives' remuneration with shareholder value and rewards the executives' achievement of the Group's strategies and business plans.

All executives receive a base salary and are also eligible to participate in short-term and, in some cases, long-term incentive plans under which participants are rewarded for their achievement of key performance and operating results on a qualitative and a quantitative basis. The performance of executives is also assessed against a range of risk and non-financial indicators of performance, including an assessment of performance and behaviour with reference to Heartland's values. Non-financial performance measures play a key role in the assessment of performance.

For Heartland Bank Australia executives, their assessment against the Gateways and conduct outcomes are also assessed by the Consequence Management Committee (**CMC**), who reports back to the Heartland Bank Australia PRNCo. The Heartland Bank Australia PRNCo considers the report from the CMC before recommending remuneration outcomes for Heartland Bank Australia executives for approval. For those Heartland Bank Australia executives who are "accountable persons" under the Financial Accountability Regime, variable remuneration may be subject to deferral requirements in accordance with applicable law.

Fixed remuneration

Fixed remuneration includes base salary and is intended to compensate each executive for the performance of the core requirements of their role. Employer contribution to KiwiSaver for New Zealand executives (as applicable) or superannuation for Australian executives is paid in addition to base salary.

The approach is to set executive base salaries against the relevant market benchmarks, but it is recognised that flexibility may be necessary to adjust for factors including experience, exceptional performance and a competitive market.

Fixed remuneration may also include the use of a company vehicle for certain executives.

Short-term incentives (STIs)

All permanent Executives of the Group who meet the requirements and eligibility criteria for Heartland's STI plan are able, at the discretion of the Heartland Board, to receive STIs which are cash payments.[2] The STI plan is designed to reward eligible executives (and other employees) for performance that is aligned to Heartland's strategy and is conducted in accordance with its values.

STI payments are entirely discretionary and are not guaranteed, even if the relevant executive's KPIs have been exceeded. This is because the STI pool and whether STIs are paid at all is determined with reference to a range of factors during the relevant financial year. These factors include the financial performance of the Group, achievement of business plans and strategic objectives (financial and non-financial performance measures), the management of risk and adherence to compliance and conduct expectations.

Where STI payments are approved, they are paid following the end of a financial year to recognise executives who have exceeded performance and behavioural or leadership expectations during that financial year.

The proportion of each eligible employee's total remuneration paid as a STI increases in line with the seniority and responsibility of their role. Discretionary STI payment quantum is appropriate to the level of responsibility. Where applicable, STI payments for executives may be up to 75% of fixed remuneration, depending upon the role.

2 Employer contribution to KiwiSaver or superannuation (as applicable) is paid in addition to any STI cash payment.

Heartland LTI scheme

Original Plan and forfeiture of FY2025 scheme

Certain executives (and other senior employees) across the Group may be eligible for participation in Heartland's LTI scheme to (amongst other things) align their interests with shareholders' interests and encourage longer term decision making.

Heartland historically operated a LTI plan known as the Heartland Group Holdings Limited Performance Rights Plan (**Original Plan**), which was established pursuant to the Rules of the Original Plan dated 2018, as amended on 30 April 2024.

Under the Original Plan, selected executives and certain other senior employees of the Group were issued performance share rights (**PSRs**). The PSRs converted to ordinary shares in Heartland for nil consideration, subject to certain vesting conditions being met in relation to financial performance, strategic initiatives and adherence to compliance and conduct expectations. A Total Shareholder Return (**TSR**) hurdle was also applicable and acted as a gateway in respect of the determination of vesting outcomes.

The last LTI scheme issued under the Original Plan saw PSRs granted to Participants in the second half of calendar year 2022. No new LTI schemes were issued under the Original Plan during FY2024 and FY2025.

The LTI plan entitlements issued under the Original Plan and eligible for vesting in FY2025 (**FY2025 Scheme**) have not vested due to the TSR hurdle not being met. All PSRs have therefore been forfeited, and no Heartland shares will be issued to Participants.

The FY2025 Scheme was the last remaining scheme on issuance under the Original Plan. Following the forfeiture of the FY2025 Scheme, the Heartland Board resolved to terminate the Original Plan on 25 September 2025.

New Plan

As was indicated in Heartland's FY2024 Annual Report, Heartland has developed a new LTI scheme (**New Plan**), which was established pursuant to the Heartland Group Holdings Limited – Performance Share Rights Plan Rules (**New Plan Rules**) with effect on and from 25 September 2025.

Selected executives and certain other senior employees of the Group may be invited by the Heartland Board to participate in the New Plan and be issued PSRs. The PSRs will convert into ordinary shares in Heartland for nil consideration, subject to the achievement of the following performance hurdles, which are a combination of financial and behavioural measures (together, the **Performance Hurdles**).

- TSR – Heartland's TSR for the measurement period being equal to or greater than a percentage per annum determined by the Heartland Board, compounded annually. TSR is used by Heartland to measure how much value has been delivered to its shareholders over the measurement period, and takes into account the following during the measurement period:
  - the increase in the price of a Heartland ordinary share; and
  - the gross dividends and other distributions that Heartland has paid to its shareholders.
- ROE – Heartland's underlying ROE:
  - increasing year on year for each of the financial years during the measurement period; and
  - being equal to or greater than an exit underlying ROE percentage determined by the Heartland Board at the end of the measurement period.
- Risk and Compliance – contribution to a healthy risk culture and stable control environment throughout the measurement period.
- Conduct and Culture – demonstration of certain conduct and culture behaviours.

In terms of the operation of the New Plan generally, as at the relevant measurement date, if the:

- Performance Hurdles are all met in relation to a particular scheme, then 100% of the PSRs on issue will vest
- TSR Performance Hurdle is not met, then 0% of the PSRs will vest

- TSR Performance Hurdle is met, but the ROE Performance Hurdle, Risk and Compliance Performance Hurdle or Conduct and Culture Performance Hurdle are not met, then such percentage of the PSRs as is considered appropriate by the Heartland Board, in its sole discretion, will vest.

While achievement of the TSR and ROE Performance Hurdles will be objectively assessed by the Heartland Board with reference to Heartland's share price performance and financial results over the measurement period for each Performance Hurdle, the Risk and Compliance and Conduct and Culture Performance Hurdles will be assessed by the Heartland Board with reference to the performance of the Group generally and each Participant's personal performance and behaviours over the measurement period for those Performance Hurdles.

PSR issuances can be up to 75% of an eligible executive's base salary and 30% of an eligible senior manager's base salary.

The Heartland Board has not yet approved the issuance of any PSRs under the New Plan Rules. However, it currently expects to complete an issuance prior to the end of calendar year 2025 to certain executives and senior managers across the Group.

Subject to an issuance being completed, details of the Performance Hurdles and other key terms and conditions attached to any PSRs and applicable to executive Participants generally will be disclosed in Heartland's Annual Report for FY2026.

External and Independent Advice

During FY2025, Heartland Bank Australia sought external and independent advice from Aon to support decision making in relation to executive remuneration structure and levels, with reference to market benchmarking.

CEO remuneration arrangements and outcomes

During FY2025, two individuals held the office of Heartland CEO:

- the current Heartland CEO - Andrew Dixson, who was appointed as Heartland CEO with effect from 1 October 2024 and continues to hold this office
- the former Heartland CEO - Jeff Greenslade, who during FY2025 held the office of Heartland CEO from 1 July 2024 until his retirement on 30 September 2024.

Accordingly, this Annual Report includes information in respect of the remuneration of each of these individuals in their capacity as Heartland CEO during FY2025.

The remuneration for Heartland's CEO includes a fixed remuneration component and a variable remuneration component, ordinarily comprising STIs and LTIs.

CEO remuneration arrangements

Heartland's Remuneration Policy, STI plan and LTI scheme, each of which is described above, also apply to the Heartland CEO. A copy of the Remuneration Policy is available on Heartland's website at heartlandgroup.info.

Fixed remuneration

Fixed remuneration consists of a package of base salary and standard employment-associated benefits, being payment of employer contribution to KiwiSaver and a company vehicle. Heartland utilises external benchmarking in determining the Heartland CEO's remuneration.

Variable remuneration

STI scheme

The CEO is eligible to receive STIs which are cash payments[3] at the discretion of the Heartland Board.

STI payments are entirely discretionary and are not guaranteed, even if the CEO's KPIs have been met or exceeded. This is because the STI pool and whether STIs are paid at all is determined with reference to a range of factors during the relevant financial year, including the financial performance of the Group, achievement of business plan and strategic objectives (financial and non-financial performance measures), the management of risk and adherence to compliance and conduct expectations. Where a CEO STI payment is approved, it is paid following the end of a financial year.

3 Employer contribution to KiwiSaver is paid in addition to any STI cash payment.

Discretionary STI payment quantum is appropriate to the level of responsibility. The Heartland CEO has the greatest bearing on creating shareholder value over time, and a significant part of the Heartland CEO's remuneration should depend upon the creation of that value. Where applicable, STI payments to the Heartland CEO may be up to 100% of fixed remuneration.

LTI scheme

Original Plan and forfeiture of FY2025 Scheme

As advised:

- in Heartland's FY2024 Annual Report, the FY2025 Scheme entitlements eligible for vesting to the former Heartland CEO (Jeff Greenslade) were forfeited and he did not receive a grant of PSRs in FY2025 (see page 69 of the FY2024 Annual Report for further information)
- on page 68, the FY2025 Scheme has not vested due to the TSR hurdle not being met. All remaining PSRs under the FY2025 Scheme have therefore been forfeited, including those held by the current Heartland CEO (Andrew Dixson), and no Heartland shares will be issued to him.

Following the forfeiture of the FY2025 Scheme, the Heartland Board resolved to terminate the Original Plan on 25 September 2025.

New Plan

Detailed information in relation to Heartland's New Plan is available on pages 68 to 69.

The Heartland CEO is eligible to participate in the New Plan and may be issued PSRs under the New Plan on the terms and conditions described above, at the discretion of the Heartland Board. PSR issuances can be up to 100% of the Heartland CEO's remuneration.

As discussed above, the Heartland Board has not yet approved the issuance of any PSRs under the New Plan Rules. However, it currently expects to complete an issuance prior to the end of calendar year 2025. The issuance is expected to include the current Heartland CEO.

Subject to an issuance being completed, details of the Performance Hurdles and other key terms and conditions attached to any PSRs issued to the current Heartland CEO will be disclosed in Heartland's Annual Report for FY2026.

CEO remuneration outcomes

Fixed remuneration

The fixed remuneration paid to each individual who served as Heartland CEO (including any employment-associated benefits) during FY2025 is set out in the tables below. The amounts included are the actual amounts received for the period during which the individual held the office of Heartland CEO during FY2025.

Variable remuneration[4]

STI

The Board determined that an STI award in respect of FY2025 had been earned by the current Heartland CEO (Andrew Dixson), and an STI of $350,000 was paid to him as cash remuneration in September 2025 in relation to FY2025.

No STI award was paid to the former Heartland CEO (Jeff Greenslade) in respect of FY2025.

LTI

As discussed above, the PSRs issued under the FY2025 Scheme to both the current Heartland CEO (Andrew Dixson) and the former Heartland CEO (Jeff Greenslade) and eligible for vesting in FY2025 have been forfeited.

Neither the current Heartland CEO (Andrew Dixson) nor the former Heartland CEO (Jeff Greenslade) hold any PSRs, and neither of them has any remaining entitlement under the Original Plan which has been terminated.

As discussed above, subject to an issuance being completed under the New Plan, details of the Performance Hurdles and other key terms and conditions attaching to any PSRs issued to the current Heartland CEO (Andrew Dixson) will be disclosed in Heartland's Annual Report for FY2026.

4 Andrew Dixson received a one-off special exertion payment of $196,875 in December 2024 in recognition of his significant additional efforts over an extended period in his role as Group Chief Financial Officer in relation to the acquisition of (now) Heartland Bank Australia which completed on 30 April 2024. This one-off special exertion payment was paid during FY2025 but was earned during previous reporting periods at which time Andrew Dixson was not the Heartland CEO. Accordingly, this payment is excluded from the Current CEO remuneration table on page 71.

Retirement payment, including non-cash benefits – former Heartland CEO

During the fourth quarter of the 2024 calendar year, the former Heartland CEO (Jeff Greenslade) received a retirement payment, including non-cash benefits as follows:

- a cash payment of $3,983,647, which included $807,326 in lieu of notice;[5] and
- non-cash benefits of $144,750.

Current CEO remuneration (part FY2025) – Andrew Dixson[6]

Year	Fixed remuneration		Short Term Incentive (STI)[7]		Total cash-based remuneration earned	Long Term incentive (LTI)		Total
	Base salary[8]	Other benefits	Earned	Amount earned as a % of maximum award		Number of shares vested	% of maximum awarded for the relevant performance period	(Fixed rem + STI earned + LTI vested)
FY2025	$450,692[9]	$10,800	$350,000	56%	$811,492	-	N/A	$811,492

Former CEO remuneration (part FY2025 and FY2024) – Jeff Greenslade[10]

Year	Fixed remuneration		Short Term Incentive (STI)		Retirement payment, including non-cash benefits	Total cash-based remuneration earned[11]	Long Term incentive (LTI)		Total
	Base salary[12]	Other benefits	Earned	Amount earned as a % of maximum award			Number of shares vested	% of maximum awarded for the relevant performance period	(Fixed rem + STI earned + Retirement Payment, including non-cash benefits + LTI vested)
FY2025	$571,891[13]	$10,800	-	0%	$4,128,397 (Comprised of a cash payment of $3,983,647, which included $807,326 in lieu of notice[14] and non-cash benefits of $144,750)	$4,711,088	-	N/A	$4,711,088
FY2024	$1,089,200	$10,800	-	0%	-	$1,100,000	-	N/A	$1,100,000

5 Inclusive of 3% employer contribution to KiwiSaver.
6 Andrew Dixson was appointed as Heartland CEO on 1 October 2024. Accordingly, fixed remuneration, STI and LTI disclosure is with reference to the period from 1 October 2024 to 30 June 2025, and no comparative information is included.
7 Exclusive of 3% employer contribution to KiwiSaver.
8 Exclusive of 3% employer contribution to KiwiSaver.
9 Actual salary paid for the period from 1 October 2024 to 30 June 2025, based on an annual salary of $630,000.
10 Jeff Greenslade retired as Heartland CEO on 30 September 2024. Accordingly, fixed remuneration, STI and LTI disclosure is with reference to the period from 1 July 2024 to 30 September 2024, and comparative information is included for FY2024.
11 Includes non-cash benefits of $144,750.
12 Exclusive of 3% employer contribution to KiwiSaver.
13 Actual salary paid for the period from 1 July 2024 to 30 September 2024, based on an annual salary of $1,100,000. This amount also includes payment of all accrued but unused annual leave and long service leave as at his retirement.
14 Inclusive of 3% employer contribution to KiwiSaver.

ESG disclosures

CEO/worker ratio

The pay gap represents the number of times greater the Heartland CEO's remuneration is to the remuneration of an employee paid at the median of all Group employees.

For the purposes of determining the median pay of all Group employees, all permanent full time, permanent part time and fixed term employees are included, with part time employee remuneration adjusted to a full-time equivalent amount.

As at 30 June 2025, the current Heartland CEO's salary of $630,000 was 6.6 times (FY2024: 9.5 times) that of the median employee at $95,000 per annum. The current Heartland CEO's total remuneration of $811,492 was 8.5 times (FY2024: 9.5 times) the total remuneration of the median employee at $95,000.[15]

Pay gap reporting

Please refer to page 35 of this Report for Heartland's pay gap reporting.

Remuneration bands

The following table notes the number of employees or former employees of Heartland, Heartland Bank and Heartland Bank Australia, not being directors of Heartland, who during FY2025, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum, in brackets of $10,000.

Remuneration bands	Headcount
$100,000 - $109,999	30
$110,000 - $119,999	24
$120,000 - $129,999	23
$130,000 - $139,999	34
$140,000 - $149,999	24
$150,000 - $159,999	25
$160,000 - $169,999	15
$170,000 - $179,999	13
$180,000 - $189,999	9
$190,000 - $199,999	11
$200,000 - $209,999	13
$210,000 - $219,999	10
$220,000 - $229,999	4
$230,000 - $239,999	6
$240,000 - $249,999	2
$250,000 - $259,999	5
$260,000 - $269,999	4
$270,000 - $279,999	3
$290,000 - $299,999	1
$300,000 - $309,999	1
$310,000 - $319,999	1
$320,000 - $329,999	1
$330,000 - $339,999	2
$360,000 - $369,999	2
$390,000 - $399,999	2
$400,000 - $409,999	2
$410,000 - $419,999	2
$470,000 - $479,999	1
$480,000 - $489,999	2
$490,000 - $499,999	2
$520,000 - $529,999	1
$540,000 - $549,999	1
$550,000 - $559,999	1
$610,000 - $619,999	1
$660,000 - $669,999	1
$670,000 - $679,999	1
$680,000 - $689,999	1
$710,000 - $719,999	2
$820,000 - $829,999	1
$1,180,000-$1,189,999	2
$1,270,000-$1,279,999	1
$1,940,000-$1,949,999	1
Total employees	**288**

15 The FY2025 data is with reference to the current Heartland CEO (Andrew Dixson) who was appointed CEO on 1 October 2024. Accordingly, the FY2025 total CEO remuneration is with reference to the period from 1 October 2024 to 30 June 2025. The FY2024 data is with reference to the former Heartland CEO (Jeff Greenslade).

Director remuneration

Director Remuneration Policy

As discussed on page 65, the Remuneration Policy explains the Group's remuneration strategy and approach to setting remuneration for directors. A copy of the Remuneration Policy is available on Heartland's website at heartlandgroup.info.

Total remuneration available to the Group's non-executive directors is determined by Heartland's shareholders.

At the 2023 Annual Meeting, shareholders approved a resolution to increase the pool available to all non-executive directors to $2,400,000 or AU$2,200,000 (whichever is the greater amount from time to time). There has been no change to the approved director fee pool since this date, and no director remuneration increases are being sought at the 2025 Annual Meeting.

Heartland's policy is to pay directors' fees in cash, rather than in shares or share options. Non-executive directors are not eligible for participation in Heartland's LTI scheme, unless they are also the CEO of Heartland, Heartland Bank or Heartland Bank Australia, in which case their participation in Heartland's LTI scheme is in their executive capacity, not in their capacity as a non-executive director.

There is no requirement for directors to take a portion of their remuneration in shares nor is there a requirement for directors to hold shares in Heartland. However, as at 30 June 2025, a number of the directors held shares, or a beneficial interest in shares, in Heartland (see the Directors' Disclosures section on page 60 of this Annual Report for further details).

Director remuneration outcomes

The table below sets out a breakdown of the Board and Committee fees paid to the non-executive directors of Heartland, Heartland Bank and Heartland Bank Australia (as applicable) for FY2025 based on the position(s) held.[16]

Board/ Committee[17]	Position	Fees (per annum)
Board of Directors – Heartland and Heartland Bank	Chair	$175,000
	Member	$120,000
Board of Directors – Heartland Bank Australia	Chair	AU$320,000
	Member	AU$155,000
Board Member of Heartland Bank Board, where also a member of Heartland Board	Member	$25,000
Heartland Bank Australia Board member, where also Heartland Bank Chair	Member	AU$35,000
Heartland Audit & Risk Committee	Chair	$20,000
	Member	Nil
Heartland Sustainability Committee	Chair	$20,000
	Member	Nil
Heartland Bank Audit Committee	Chair	$20,000
	Member	Nil
Heartland Bank Risk Committee	Chair	$20,000
	Member	Nil
Heartland Bank People & Culture and Remuneration Committee	Chair	$20,000
	Member	Nil
Heartland Bank Australia Audit Committee	Chair	AU$25,000
	Member	Nil
Heartland Bank Australia Risk Committee	Chair	AU$25,000
	Member	Nil
Heartland Bank Australia People, Remuneration and Nominations Committee	Chair	AU$25,000
	Member	Nil

The total remuneration received by each non-executive director[18] who held office in Heartland and/or any of its subsidiaries during FY2025 is set out in the table below. Directors' fees exclude GST where appropriate.

16 The current Heartland CEO and Heartland Bank CEO are each non-executive directors of Heartland Bank Australia, but do not receive any additional remuneration in this capacity.
17 If a director sits on both the Heartland and Heartland Bank Boards, they are only entitled to receive one full fee but receive an additional part fee as set out in the table.
18 The current Heartland CEO and Heartland Bank CEO are each non-executive directors of Heartland Bank Australia, but do not receive any additional remuneration in this capacity.

Directors' fees

Director	Board fees	Heartland Audit & Risk Committee	Heartland Sustainability Committee	Heartland Bank Audit Committee	Heartland Bank Risk Committee
Heartland, Heartland Bank and Heartland Bank Australia directorships					
S Beckett	$120,000	-	-	-	-
R A Bell	$120,000	-	-	-	-
S M Buggle	AU$155,000	-	-	-	-
E J Harvey	$120,000	$20,000	-	-	-
B R Irvine	$175,000	-	-	-	-
L McGrath	AU$155,000	-	-	-	-
K Mitchell	$120,000	-	$20,000	-	-
S M Ruha	$120,000	-	-	-	$20,000
G R Tomlinson	$175,000	-	-	-	-
S R Tyler	$120,000	-	-	$20,000	-
G E Summerhayes	AU$320,000	-	-	-	-
V Z Yu	AU$155,000	-	-	-	-
Other subsidiary directorships					
A J Aitken[20]	$32,000	-	-	-	-
C R Mace[21]	$11,786	-	-	-	-
R G Udovenya[22]	AU$17,637	-	-	-	-
Total					

19 For the purposes of the total remuneration column in this table, AU$ fees have been converted to NZ$ using an exchange rate of $1.07819 and then rounded.
20 Fees paid to A J Aitken as a director of MARAC Insurance Limited (**MIL**). A J Aitken retired from the MIL Board on 31 July 2025.
21 Fees paid to C R Mace as a director of MIL. C Mace retired from the MIL Board on 14 April 2025.
22 Fees paid to R G Udovenya as a director of ASF Custodians Pty Limited. R G Udovenya retired as a director of ASF Custodians Pty Limited on 31 January 2025.

Heartland Bank People & Culture and Remuneration Committee	Heartland Bank Australia Audit Committee	Heartland Bank Australia Risk Committee	Heartland Bank Australia People, Remuneration and Nominations Committee	Additional Board fee	Total remuneration[19]
-	-	-	-	-	$120,000
-	-	-	-	-	$120,000
-	$25,000	-	-	-	$194,074
-	-	-	-	$25,000	$165,000
$20,000	-	-	-	AU$35,000	$232,737
-	-	$25,000	-	-	$194,074
-	-	-	-	$25,000	$165,000
-	-	-	-	-	$140,000
-	-	-	-	-	$175,000
-	-	-	-	-	$140,000
-	-	-	-	-	$345,021
-	-	-	$25,000	-	$194,074
-	-	-	-	-	$32,000
-	-	-	-	-	$11,786
-	-	-	-	-	$19,016
					$2,247,782

Shareholder information

Spread of shares

Set out below are details of the spread of shareholders of Heartland as at 1 August 2025 (being a date not more than two months prior to the date of this Annual Report).

Size of holding	Number of shareholders	Total shares	% of issued shares
1 - 1,000	1,411	731,872	0.08
1,001 - 5,000	2,931	8,404,371	0.89
5,001 - 10,000	2,043	15,217,452	1.62
10,001 - 50,000	4,730	111,257,150	11.83
50,001 - 100,000	1,114	78,499,416	8.35
Greater than 100,000	866	726,448,650	77.23
Total	**13,095**	**940,558,911**	**100.00**

Twenty largest shareholders

Set out below are details of the 20 largest shareholders of Heartland as at 1 August 2025 (being a date not more than two months prior to the date of this Annual Report).

Rank	Shareholder	Total shares	% of issued capital
1	Tomlinson Group HGH Limited	83,335,936	8.86
2	Accident Compensation Corporation	54,029,610	5.74
3	HSBC Nominees (New Zealand) Limited	52,716,781	5.6
4	FNZ Custodians Limited	48,473,790	5.15
5	New Zealand Depository Nominee	38,117,192	4.05
6	Citibank Nominees (NZ) Ltd	34,070,901	3.62
7	Bnp Paribas Nominees NZ Limited Bpss40	31,111,698	3.31
8	Custodial Services Limited	24,735,761	2.63
9	Forsyth Barr Custodians Limited	20,994,066	2.23
10	Tea Custodians Limited	15,507,951	1.65
11	Philip Maurice Carter	14,972,472	1.59
12	Jns Capital Limited	9,137,180	0.97
13	Onepoto Investments Holdings Limited	8,557,044	0.91
14	Pt Booster Investments Nominees Limited	8,141,226	0.87
15	Maxima Investments Limited	8,000,000	0.85
16	Heartland Trust	6,504,266	0.69
17	FNZ Custodians Limited	5,405,653	0.57
18	David Lyall Holdings Limited	5,200,000	0.55
19	Nzx Wt Nominees Limited	4,507,655	0.48
20	Premier Nominees Limited	4,025,002	0.43
	Total	**477,544,184**	**50.75**

Substantial product holders

As at 30 June 2025, Heartland had 940,558,911 ordinary shares on issue and, according to Heartland's records and disclosure notices provided to Heartland, the following entities were substantial product holders of Heartland.

Name	Number of shares	Class of shares	% of total number of shares in class
Tomlinson Group HGH Limited	83,335,936[1]	Ordinary	8.86
Accident Compensation Corporation	47,119,131[2]	Ordinary	5.01

Significant influence

Under the Banking (Prudential Supervision) Act 1989, a person must obtain the prior written consent of the RBNZ before acquiring an interest of 10% or more in Heartland.

Other information

Auditor's fees

PwC has continued to act as auditor of Heartland and its New Zealand subsidiaries. The amount payable by Heartland and its New Zealand subsidiaries to PwC as audit fees during FY2025 was $1,285,000. The amount of fees payable to PwC for non-audit work during FY2025 was $84,000. These non-audit fees were primarily for assurance services on greenhouse gas emissions reporting, registry assurance, trust deed reporting, and the provision of an executive reward survey report.

PwC were appointed as auditor of Heartland's Australian subsidiaries commencing 1 May 2025. The amount payable by Heartland's Australian subsidiaries to PwC as audit fees during FY2025 was $582,000. The amount of fees payable to PwC for non-audit work during FY2025 was $200,000. These non-audit fees were primarily for regulatory assurance services (including Economic and Financial Statistics regulatory reporting), Australian Financial Services Licence reporting and other agreed upon procedures.

Credit rating

As at the date of this Annual Report, Heartland has a Fitch Australia Pty Limited long-term credit rating of BBB (outlook stable).

Donations

Heartland made no donations during FY2025. The total amount of donations made by Heartland Bank during FY2025 was $7,350. The total amount of donations made by Heartland Bank Australia during FY2025 was $1,000. No political donations were made by the Group in FY2025.

Exercise of NZX disciplinary powers

NZX Limited did not exercise any of its powers under Listing Rule 9.9.3 in relation to Heartland and its subsidiaries during FY2025.

NZX waivers

No waivers were granted to Heartland or relied on by Heartland during FY2025.

1 As disclosed by Tomlinson Group HGH Limited to Heartland and the NZX Limited on 6 March 2025. On 6 March 2025, Harrogate Trustee Limited transferred all of its shares in Heartland to Tomlinson Group HGH Limited, a wholly owned subsidiary of Harrogate Trustee Limited, with no change to the underlying beneficial ownership.
2 As disclosed by Accident Compensation Corporation to Heartland and the NZX Limited on 13 February 2025.

05 Financial results

For the year ended 30 June 2025

Financial commentary

Following a year of significant reset, change and integration, Heartland's (**NZX/ASX: HGH**) NPAT for FY2025 was $38.8 million. On an underlying basis[1], FY2025 NPAT was $46.9 million, meeting underlying NPAT guidance of at least $45 million. Heartland prioritised capital efficiency during FY2025, restoring a superior margin and actively derisking its lending portfolios to strengthen its foundations for the future.

Overview: FY2025 performance[2]

- After a reset of some of its New Zealand lending portfolios in 1H2025, Heartland substantially met its financial performance outlooks for 2H2025 (**2H2025 Outlooks**).
- Superior margin restored, with NIM up 17 basis points (**bps**) to 3.56% and each bank ending FY2025 with a strong exit margin[3] (4.13% in New Zealand and 3.59% in Australia).
- Operating expenses (**OPEX**) were up $53.2 million (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 was up $25.2 million (54.3%) due to a significant increase for Heartland 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 its lending portfolios (as previously announced on 18 February 2025).
- 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.[4]
- An increased focus on capital optimisation through several key initiatives by Heartland Bank and accelerated NSA realisation is enabling capital to be redeployed to high-return core lending portfolios.
- Heartland's existing Australian businesses have now been integrated into the acquired ADI to form a new and unique Australian bank.
- The Australian funding transition has been successful, with deposits forming 81% of the bank's funding. Heartland Bank Australia now has a deep, stable and diverse platform to efficiently fund future lending growth.
- Strong growth continued in Reverse Mortgages in both countries (Receivables up 15.5% in New Zealand and 18.5% in Australia), demonstrating growing market demand for this product.
- Good momentum achieved in Livestock Finance in New Zealand (Receivables up 18.4%) and a return to growth in Australia (Receivables up 1.5%, arresting the FY2024 decline of 27.5%).
- Growth has remained challenged in Heartland Bank's other core lending portfolios of 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.

Heartland Bank has refined its lending strategy to create a foundation for quality sustainable growth. As part of its product simplification, Unsecured Lending[5] is winding down, and NSA realisation has accelerated – the total NSA balance reduced by $103.0 million (22.0%) during 2H2025, releasing $7.7 million of capital. Through several key capital optimisation initiatives, including completion of the run-off of Marac Insurance and

1 Financial results are presented on a reported and underlying basis. Reported results are prepared in accordance with NZ GAAP and include the impacts of positive and negative one-offs, which can make it difficult to compare performance between periods. Underlying results for FY2025 (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. The use of underlying results is intended to allow for easier comparability between periods and is used internally by management for this purpose. Information on the presentation of results, a summary of reported and underlying results, details about FY2025 one-offs, details about FY2024 one-offs and general information about the use of non-GAAP financial measures is available in Heartland's FY2025 investor presentation (**IP**) available at heartlandgroup.info.

2 All comparative figures and percentage increases or decreases are against FY2024, unless explicitly stated otherwise.

3 Exit margin is the NIM on the last day in the reporting period.

4 Industry average arrears are based on auto arrears as at June 2025, reported by Centrix in its Credit Insights Report, July 2025.

5 Unsecured Lending includes Open for Business and Personal Lending portfolios which are winding down.

cancellation of its licence, and reducing its stake in Harmoney Corp Limited (**Harmoney**) to below 10%, Heartland Bank released $9.8 million of capital in FY2025 with a further $4 million expected in the first half of FY2026.

In the first quarter of FY2026, Heartland completed the full sale of its Harmoney shareholding. This activity, together with NSA realisation, has strengthened Heartland's capacity for organic growth and future capital investment.

NZ Banking

NIM	FY2024	1Q2025	2Q2025	3Q2025	4Q2025	2H2025 Outlook	2H2025	FY2025
Average NIM	3.79%	3.82%	3.79%	3.92%	4.18%	> 3.90%	4.05%	**3.87%**
Exit NIM	3.84%	3.82%	3.89%	3.93%	4.13%	> 4.00%	4.13%	**4.13%**

NIM continued to expand and met the 2H2025 Outlook, driven by an improved cost of funds, growth in higher margin lending portfolios and accelerated realisation of NSAs.

Costs	FY2024	1H2025	2H2025 Outlook	2H2025	FY2025
Reported OPEX	$104.5m	$63.1m	No outlook provided	$68.7m	$131.8m
Underlying OPEX	$102.8m	$62.1m	$66.1m	$66.0m	$128.1m
Underlying CTI ratio[6]	43.2%	53.2%	57.5%	56.4%	54.8%

Cost growth stabilised in 2H2025 as underlying OPEX and the underlying CTI ratio met the 2H2025 Outlooks. OPEX increased $27.3 million (26.1%) to $131.8 million in FY2025. On an underlying basis, OPEX increased by $25.3 million (24.7%) to $128.1 million. The increase was driven by:

- $7.2 million due to the reallocation of teams providing support functions from Heartland Group to Heartland Bank as a condition of the ADI acquisition – this is cost neutral to the Group
- $6.3 million amortisation of Heartland Bank's core banking system upgrade completed in late 2023
- $4.7 million of non-repeating FY2024 benefits – this relates to costs capitalised to projects in FY2024 that did not occur in FY2025, the non-payment of short-term incentives and reversal of LTI accruals in FY2024
- $4.1 million investment in core functions to enable higher quality growth and address additional regulatory oversight responsibilities arising from owning an ADI.

Asset quality	FY2024	1Q2025	2Q2025	3Q2025	4Q2025	2H2025 Outlook	2H2025	FY2025
Reported impairment expense ratio	0.92%	1.02%	2.97%	0.92%	0.70%	No outlook provided	0.81%	**1.40%**
Underlying impairment expense ratio	0.60%	0.77%	3.32%	0.92%	0.70%	> 0.85%	0.81%	**1.40%**

Heartland Bank's overall asset quality improved over FY2025 and the underlying impairment expense ratio met the 2H2025 Outlook. The non-performing loan (**NPL**) ratio improved by 44 bps from 3.65% as at 30 June 2024 to 3.21% as at 30 June 2025. Excluding

6 Underlying CTI ratio refers to the CTI ratio calculated using underlying results. When calculated using reported results, Heartland Bank's CTI ratio was 56.4%, up 10.9% compared with FY2024, and Heartland Bank Australia's CTI ratio was 52.0%, up 3.85% compared with FY2024. For more information, see page 4 of Heartland's FY2025 IP.

NSAs and Unsecured Lending, Heartland Bank's NPL ratio strengthened by 30 bps from 2.70% as at 30 June 2024 to 2.40% as at 30 June 2025.

Changes made to Heartland Bank's collections, recoveries and write-off strategies have had a positive effect on the Motor Finance[7] portfolio. As at 30 June 2025, the portfolio had no loans greater than 365 days past due (**DPD**). Motor Finance NPLs between 180 and 364 DPD have reduced from $20 million as at 30 June 2024 to $13 million as at 30 June 2025. Heartland Bank is on track to have no Motor Finance arrears greater than 180 DPD by 30 June 2026. The flow through of arrears has also reduced, with loans between 5 and 89 DPD down from $85 million (4.81%) to $76 million (4.51%) over the same period. The Motor Finance NPL ratio was 2.24%, down from 3.67% in FY2024. As at 30 June 2025, Heartland Bank's total Motor Finance arrears of 5.2% (as per Centrix's measure of arrears greater than or equal to 14 DPD) is now performing better than the industry average of 5.4%.[4]

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

The Reverse Mortgage NPL ratio remains very low at 0.17%[8] and the weighted average current loan-to-value ratio (**LVR**) for this portfolio remains strong at 25.3%.[9]

Rural[10] asset quality also improved as rural trading conditions strengthened, largely off the back of stronger international commodity prices. The Rural NPL ratio[11] was 0.90%, down from 2.42% in FY2024.

Notwithstanding improved overall asset quality, largely driven by Heartland Bank's consumer and rural sectors, economic conditions for the business sector remain challenging. This is particularly relevant for businesses in the construction, property, hospitality and transportation industries which constitute a significant portion of Heartland Bank's Business Finance[12] portfolio. Centrix reported that New Zealand business operating conditions in June 2025 saw a 26% increase year-on-year in company liquidations and a 14% increase year-on-year in business defaults.[13] These conditions contributed to the increase in impairments and provisions seen across the Business Finance portfolio in 1H2025 which continued into 2H2025.

The Business Finance portfolio remains appropriately provisioned recognising the secured nature of this lending. While NPLs increased from $42 million as at 30 June 2024 to $58 million as at 30 June 2025, early-stage arrears (less than 90 DPD) decreased from $50 million as at 30 June 2024 to $43 million[11] due to changes made to the strategy and timing of intervention measures.

Core lending performance

Reverse Mortgage Receivables were up $165 million (15.5%) from 30 June 2024 to $1.23 billion as at 30 June 2025, reflecting the ongoing demand for this product.

Rural Receivables were up $29 million (4.9%) from 30 June 2024 to $609 million as at 30 June 2025. Rural growth was driven by Livestock Finance Receivables growth of $36.4 million (18.4%) from 30 June 2024 to $235 million as at 30 June 2025.

Motor Finance Receivables were down $77 million (4.3%) from 30 June 2024 to $1.69 billion as at 30 June 2025. This is in part due to ongoing subdued economic conditions, and as lending origination shifted to higher quality channels.

Asset Finance Receivables were down $123.9 million (16.8%) from 30 June 2024 to $613 million as at 30 June 2025. 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.

7 Motor Finance includes intermediary and direct distribution channels and Wholesale Lending.
8 Reverse Mortgages are measured at fair value. 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, the Heartland Bank Reverse Mortgage NPL ratio included 11 loans with a total NPL value of $2.0 million and a weighted average LVR of 29.4%. The Heartland Bank Australia Reverse Mortgage NPL ratio included 64 loans with a total NPL value of AU$17.4 million and a weighted average LVR of 29.3%.
9 Measured using indexed valuation.
10 Rural includes Rural Relationship, Rural Direct and Livestock Finance.
11 Excluding NSAs.
12 Business Finance includes Asset Finance and Business Relationship lending.
13 Centrix Credit Insights Report, July 2025.

AU Banking

NIM	FY2024	1Q2025	2Q2025	3Q2025	4Q2025	2H2025 Outlook	2H2025	FY2025
Average NIM	Reported: 2.58% Underlying: 3.17%[14]	2.58%	3.01%	3.31%	3.47%	>3.30%	3.37%	**3.01%**
Exit NIM	2.84%	2.67%	3.13%	3.27%	3.59%	>3.60%	3.59%	**3.59%**

Heartland Bank Australia's successful funding transition, with deposits now making up 81% of the bank's funding, has provided a material NIM uplift. In 4Q2025, NIM expanded 89 bps when compared with 1Q2025. Exit NIM of 3.59% was in line with the 2H2025 Outlook.

Costs	FY2024	1H2025	2H2025 Outlook	2H2025	FY2025
Reported OPEX	AU$38.2m	AU$24.2m	No outlook provided	AU$23.5m	AU$47.7m
Underlying OPEX	AU$31.1m	AU$23.2m	AU$23.4m	AU$23.2m	AU$46.4m
Underlying CTI ratio[6]	48.2%	56.4%	47.8%	48.4%	52.0%

Costs have been tightly managed in 2H2025, with underlying OPEX meeting 2H2025 Outlook. Combined with growth and margin uplift, this has delivered consistent improvement in the CTI ratio across FY2025. The underlying CTI ratio was slightly above the 2H2025 Outlook due to lower Livestock Finance revenue from higher repayments late in FY2025.

OPEX increased by AU$9.4 million (24.6%) to AU$47.7 million in FY2025. On an underlying basis, OPEX increased by AU$15.3 million (49.0%) to AU$46.4 million. The increase reflects:

- the AU$15.2 million cost base of the ADI on acquisition
- AU$3.1 million of investment in people to enable growth and meet the regulatory requirement for the bank to maintain its own core functions such as finance and risk
- AU$3.9 million of other costs including lending origination costs in line with Australian Reverse Mortgage volume growth
- AU$1.3 million for the long-term renewal of the current version of the core banking system and to accommodate increased volume from deposits.

Asset quality

Heartland Bank Australia's lending portfolios continue to show resilience and exhibit high asset quality metrics. The Australian Reverse Mortgage NPL ratio continues to be very low at 0.88%[8] and the weighted average current LVR remains strong at 24.6%.[9] Through prudent management, Livestock Finance NPLs reduced in 2H2025 to AU$36.4 million (or 1.62%) as at 30 June 2025, down from AU$64.4 million (3.26%) as at 30 June 2024. While impairments remain low, they were higher than expected with an 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.

Lending performance

Heartland Bank Australia's Reverse Mortgage portfolio exceeded the 2H2025 Outlook, with Receivables up AU$309 million (18.5%) from 30 June 2024 to AU$1.98 billion as at 30 June 2025. Despite heightened competition, Heartland Bank Australia's market share increased from 36% as at 31 March 2024 to 40% as at 31 March 2025[15]. It continues to be the leading provider

14 Heartland Bank Australia's FY2024 underlying average NIM is adjusted for the impacts of the ADI acquisition. This adjustment refers primarily to the inclusion of liquid assets from the ADI which earn a lower yield than receivables.
15 Australian Reverse Mortgage market share estimate based on APRA ADI data and public statements and internal estimates for non-bank reverse mortgage lending.

of reverse mortgages in Australia.

Heartland Bank Australia's Livestock Finance saw a return to growth with Receivables up AU$3.7 million (1.5%) from 30 June 2024 to AU$254 million as at 30 June 2025, and the highest volume of new business written since the financial year ending 30 June 2022, with over one million livestock funded in FY2025 (up 36% on FY2024).

Financial statements

for the year ended 30 June 2025

GENERAL INFORMATION

These financial statements are issued by Heartland Group Holdings Limited (**HGH**) and its subsidiaries (the **Group**) for the year ended 30 June 2025.

Name and address for service
The Group's address for service is:
Level 3, 35 Teed Street, Newmarket, Auckland 1023.

Details of incorporation
HGH was incorporated under the Companies Act 1993 on 19 July 2018.

AUDITOR

PricewaterhouseCoopers
PwC Tower, Level 27
15 Customs Street West
Auckland 1010

OTHER MATERIAL MATTERS

On 1 July 2025, the Depositor Compensation Scheme (**DCS**) came into effect under the Deposit Takers Act 2023. The DCS is a government-backed scheme, funded by deposit takers and administered by the Reserve Bank of New Zealand (**RBNZ**). In the event of a deposit taker's failure, the scheme covers each eligible depositor with deposits held in DCS-protected accounts up to $100,000 per deposit taker.

There are no other material matters relating to the business or affairs of the Group that are not disclosed in these consolidated financial statements which, if disclosed, would materially affect the decision of a person to subscribe for debt or equity instruments of which the Group is the issuer.

DIRECTORS

All Directors of HGH reside in New Zealand with the exception of Robert Bell and Simon Beckett who reside in Australia. Communications to the Directors can be sent to Heartland Group Holdings Limited, Level 3, 35 Teed Street, Newmarket, Auckland 1023.

Jeffrey Kenneth Greenslade retired as a Non-Independent Executive Director of HGH, effective 30 September 2024.

There have been no other changes to the composition of the Board of Directors of the Group for the year ended 30 June 2025.

DIRECTORS (CONTINUED)

The Directors of HGH and their details at the time these financial statements were signed were:

Chair - Board of Directors

Name: Gregory Raymond Tomlinson
Qualifications: AME
Type of Director: Non-Independent Non-Executive Director
Occupation: Company Director
External Directorships: Alta Cable Holdings Limited, Chippies Vineyard Limited, Indevin Group Holdings Limited, Indevin Group Investments Limited, Indevin Group Limited, Mountbatten Trustee Limited, Nearco Stud Limited, Oceania Healthcare Limited, Pelorus Finance Limited, St Leonards Limited, Tomlinson Group Argenta GP Limited, Tomlinson Group NZ Limited, Tomlinson Holdings Limited, Tomlinson Group Investments Limited, Tomlinson Ventures Limited, Terra Vitae Vineyards Limited, Brandywine Vineyards Limited, Tomlinson Group HGH Limited.

Name: Simon Beckett
Qualifications: BSc (Hons), GAICD
Type of Director: Independent Non-Executive Director
Occupation: Company Director
External Directorships: ORDE Holdings Pty Ltd, ORDE Financial Pty Ltd, ORDE Capital Management Limited, ORDE Mortgage Custodian Pty Ltd, GeoSnapShot Pty Ltd, First Avenue Ventures Pty Ltd, First Avenue Capital Pty Ltd, Karia Technology Pty Ltd.

Name: Robert Bell
Qualifications: BBus
Type of Director: Independent Non-Executive Director
Occupation: Company Director
External Directorships: Liveheats Pty Ltd, 86 Elwood Pty Ltd, Home Finance Company PTE Limited, Moonova Payments Pty Ltd.

Name: Edward John Harvey
Qualifications: BCom, CA, CFInstD
Type of Director: Independent Non-Executive Director
Occupation: Company Director
External Directorships: (excluding HGH subsidiaries) Napier Port Holdings Limited, Pomare Investments Limited, Port of Napier Limited.

Name: Kathryn Mitchell
Qualifications: BA, CMInstD
Type of Director: Independent Non-Executive Director
Occupation: Company Director
External Directorships: (excluding HGH subsidiaries) Chambers@151 Limited, Christchurch International Airport Limited, Firsttrax Approvals Limited, Link Engine Management Limited, Link Engine Management International (NZ) Limited, Morrison Horgan Limited, The New Zealand Merino Company Limited, The A2 Milk Company Limited, Purepods Limited, MyRaceLab Limited, Link Engine Management (NZ) Limited, Link Engine Management USA Inc, Link Engine Management Pty Ltd, Link Engine Management EU B.V, Prorace Studio Limited, Link ECU Limited.

DIRECTORS' STATEMENTS

The financial statements are dated 20 August 2025 and have been signed by all Directors.

G R Tomlinson (Chair)

E J Harvey

K Mitchell

S Beckett

R Bell

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2025

$000's	Note	June 2025	June 2024
Interest income:			
Effective interest method	3	400,416	405,089
Fair value through profit or loss	3	305,449	255,943
Total interest income		**705,865**	**661,032**
Interest expense	3	398,558	383,387
Net interest income		**307,307**	**277,645**
Operating lease income	4	6,054	6,058
Operating lease expense	4	4,299	4,373
Net operating lease income		**1,755**	**1,685**
Lending and credit fee income		13,981	14,284
Other (expense)	5	(1,776)	(2,946)
Net operating income		**321,267**	**290,668**
Operating expenses	6	192,543	139,386
Profit before net fair value gain/(loss) on equity investments and investment property, losses on guaranteed future value products, impaired asset expense and income tax		**128,724**	**151,282**
Net fair value gain/(loss) on equity investments and investment property		1,623	(314)
Losses on guaranteed future value products		1,504	–
Impaired asset expense	8	71,638	46,423
Profit before income tax		**57,205**	**104,545**
Income tax expense	9	18,392	29,996
Profit for the year		**38,813**	**74,549**
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss, net of income tax:			
Effective portion of change in fair value of derivative financial instruments in a cash flow hedge relationship		(13,848)	(10,701)
Movement in fair value reserve		1,551	925
Movement in foreign currency translation reserve		(6,905)	1,773
Items that will not be reclassified to profit or loss, net of income tax:			
Movement in fair value of equity investments at fair value through other comprehensive income		(1,805)	(3,152)
Other comprehensive loss the year, net of income tax		**(21,007)**	**(11,155)**
Total comprehensive income for the year		**17,806**	**63,394**
Earnings per share			
Basic earnings per share	10	4.14	9.85
Diluted earnings per share	10	4.14	9.85

Total comprehensive income for the year is attributable to the owners of the Group.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2025

$000's	Note	June 2025 Share Capital	June 2025 Reserves	June 2025 Retained Earnings	June 2025 Total Equity	June 2024 Share Capital	June 2024 Reserves	June 2024 Retained Earnings	June 2024 Total Equity
Balance at beginning of year		**1,018,954**	**(8,496)**	**227,411**	**1,237,869**	**800,712**	**6,240**	**224,052**	**1,031,004**
Total comprehensive income for the year									
Profit for the year		–	–	38,813	38,813	–	–	74,549	74,549
Other comprehensive loss, net of income tax	17	–	(21,007)	–	(21,007)	–	(11,155)	–	(11,155)
Total comprehensive income for the year		**–**	**(21,007)**	**38,813**	**17,806**	**–**	**(11,155)**	**74,549**	**63,394**
Transactions with owners									
Dividends paid	16	–	–	(46,665)	(46,665)	–	–	(71,190)	(71,190)
Dividends reinvestment plan	16	9,321	–	–	9,321	13,476	–	–	13,476
Transaction costs associated with capital raising	16	–	–	–	–	(6,254)	–	–	(6,254)
Share based payments	28	–	721	–	721	–	(2,816)	–	(2,816)
Share issuance	16	–	–	–	–	210,255	–	–	210,255
Vesting of share based payments	28	–	–	–	–	765	(765)	–	–
Total transactions with owners		**9,321**	**721**	**(46,665)**	**(36,623)**	**218,242**	**(3,581)**	**(71,190)**	**143,471**
Balance at end of the year		**1,028,275**	**(28,782)**	**219,559**	**1,219,052**	**1,018,954**	**(8,496)**	**227,411**	**1,237,869**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

$000's	Note	June 2025	June 2024
Assets			
Cash and cash equivalents		356,229	629,619
Collateral paid		14,239	—
Investments	11	791,760	1,092,131
Derivative financial instruments	12	4,792	12,316
Finance receivables measured at amortised cost	13	3,711,450	4,266,946
Finance receivables - reverse mortgages	21	3,370,949	2,897,818
Investment properties		4,390	3,660
Operating lease vehicles	14	15,561	18,261
Right of use assets	18	12,223	15,519
Other assets	18	43,233	35,185
Current tax asset		35,449	16,767
Intangible assets	18	265,222	279,906
Deferred tax asset	9	21,953	23,727
Total assets		**8,647,450**	**9,291,855**
Liabilities			
Collateral received		—	2,384
Deposits	15	6,529,953	5,949,116
Other borrowings	15	825,454	2,040,763
Derivative financial instruments	12	20,660	9,017
Lease liabilities	18	14,390	17,776
Trade and other payables	18	36,620	34,930
Deferred tax liability	9	1,321	—
Total liabilities		**7,428,398**	**8,053,986**
Net assets		**1,219,052**	**1,237,869**
Equity			
Share capital	16	1,028,275	1,018,954
Retained earnings and other reserves	17	190,777	218,915
Total equity		**1,219,052**	**1,237,869**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2025

$000's	Note	June 2025	June 2024
Cash flows from operating activities			
Interest received		449,348	434,466
Operating lease income received		5,417	5,288
Lending, credit fees and other income received		11,337	9,345
Operating inflows		**466,102**	**449,099**
Interest paid		(410,617)	(327,643)
Payments to suppliers and employees		(179,419)	(130,662)
Taxation paid		(31,420)	(46,842)
Operating outflows		**(621,456)**	**(505,147)**
Net cash flows applied to operating activities before changes in operating assets and liabilities		**(155,354)**	**(56,048)**
Collateral paid		(42,680)	(67,120)
Collateral received		26,110	42,000
Proceeds from sale of operating lease vehicles		2,561	2,219
Purchase of operating lease vehicles		(3,249)	(6,732)
Net decrease in finance receivables measured at amortised cost[1]		464,299	65,750
Net (increase)/decrease in finance receivables - reverse mortgages		(220,324)	406,743
Net movement in deposits		601,836	541,541
Net cash flows from operating activities		**673,199**	**928,353**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(4,410)	(28,091)
Proceeds from investment securities		2,032,633	246,490
Purchase of investment securities		(1,725,205)	(637,399)
Cash acquired on acquisition of subsidiary		–	165,620
Consideration adjustment related to acquisition of subsidiary		1,404	–
Sale of equity investment		68	–
Purchase of equity investment		(252)	–
Net cash flows from/(applied to) investing activities		**304,238**	**(253,380)**
Cash flows from financing activities			
Proceeds from wholesale borrowings		424,614	1,743,510
Repayment of wholesale borrowings		(1,311,047)	(2,362,786)
Proceeds from issue of unsubordinated notes		–	189,588
Repayment of unsubordinated notes		(321,347)	(123,764)
Proceeds from issue of subordinated debt		–	51,572
Dividends paid	16	(37,344)	(57,714)
Payment of lease liabilities		(3,723)	(3,044)
Net issue of share capital	16	–	204,001
Net cash flows applied to financing activities		**(1,248,847)**	**(358,637)**
Net (decrease)/increase in cash held		**(271,410)**	**316,336**
Effect of exchange rates on cash and cash equivalents		(1,980)	1,780
Opening cash and cash equivalents		629,619	311,503
Closing cash and cash equivalents[2]		**356,229**	**629,619**

[1]Cash flows during the year ended 30 June 2024 include proceeds from sale of reverse mortgage portfolio from the Group to Heartland Bank Australia Limited (**HBA**) prior to HBA's acquisition. Refer to Note 21 - Fair value for further details.

[2]At 30 June 2025, the Group has $66.3 million (2024: $176.0 million) of cash held by Trusts which may only be used for the purposes defined in the underlying Trust documents. Refer to Note 27 - Structured entities for definition of Trusts and further details.

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows (continued)

For the year ended 30 June 2025

Reconciliation of profit after tax to net cash flows from operating activities

$000's	Note	June 2025	June 2024
Profit for the year		**38,813**	**74,549**
Add/(less) non-cash items:			
Depreciation and amortisation expense		17,145	12,129
Depreciation on lease vehicles	14	3,923	3,902
Capitalised net interest income and fee income		(278,849)	(186,389)
Impaired asset expense	8	73,393	47,842
Losses on guaranteed future value products		1,504	—
Fair value movements		(10,420)	(11,537)
Deferred tax		3,095	(2,622)
Other non-cash items		2,821	(3,110)
Total non-cash items		**(187,388)**	**(139,785)**
Add/(less) movements in operating assets and liabilities:			
Finance receivables measured at amortised cost		464,299	65,750
Finance receivables - reverse mortgages		(220,324)	406,743
Operating lease vehicles		(1,223)	(5,197)
Other assets		(22,605)	595
Current tax		(18,682)	(20,919)
Derivative financial instruments		19,167	26,060
Deposits		601,836	541,541
Other liabilities		(694)	(20,984)
Total movements in operating assets and liabilities		**821,774**	**993,589**
Net cash flows from operating activities		**673,199**	**928,353**

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2025

1 Financial statements preparation

Reporting entity

The financial statements presented are the consolidated financial statements comprising Heartland Group Holdings Limited (**HGH**) and its controlled entities (the **Group**). Refer to Note 26 – Significant subsidiaries for further details.

HGH is a company incorporated in New Zealand under the Companies Act 1993 and a Financial Market Conduct (**FMC**) reporting entity for the purposes of the Financial Markets Conduct Act 2013 **(FMCA)**.

The Group is a designated climate reporting entity (**CRE**) and is required to produce annual mandatory group climate statements under the FMCA and Aotearoa New Zealand Climate Standards (**NZ CS**). A copy of the Climate Report will be available on HGH's website at **https:www.heartlandgroup.info/sustainability**, once issued. Refer to Note 22 - Enterprise risk management program for further details.

Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**), the New Zealand Exchange (**NZX**) Main Board Listing Rules and the Australian Securities Exchange (**ASX**) Listing Rules. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards Accounting Standards (**IFRS Accounting Standards**) as issued by the International Accounting Standards Board.

The financial statements are presented in New Zealand dollars which is the Group's functional and presentation currency. Unless otherwise indicated, amounts are rounded to the nearest thousand dollars.

The financial statements have been prepared on a going concern basis after considering the Group's funding and liquidity position.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

Certain comparative balances have been reclassified to align with the presentation used in the current financial year.

The Group has revised the presentation of individual line items and made the following changes in these financial statements including the comparative information for consistency with the current financial year presentation:

- Total Interest income of $661 million is disaggregated into two categories as interest calculated using the effective interest method of $405.1 million and interest derived from financial assets measured at fair value through profit or loss of $255.9 million in the statement of comprehensive income and Note 3 - Net interest income; and
- Collateral received of $2.4 million is presented separately from Trade and other payables in the statement of financial position. Collateral paid of $67.1 million and collateral received of $42.0 million are also presented separately from Payments to suppliers and employees within operating activities in the statement of cash flows.

These reclassifications have no impact on the overall financial performance, financial position or cash flows for the comparative year.

Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments and investment properties, which are measured at their fair values as identified in the accounting policies set out in the accompanying notes to the financial statements.

1 Financial statements preparation (continued)

Principles of consolidation

The financial statements of the Group incorporate the assets, liabilities and results of all controlled entities. Controlled entities are all entities in which the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Intercompany transactions, balances and any unrealised income and expense (except for foreign currency transaction gains or losses) between controlled entities are eliminated.

Assets and liabilities in a transactional currency that is not the New Zealand dollar, are translated at the exchange rates ruling at balance date. Revenue and expense items are translated at the average rate at the balance date. Exchange differences are taken to the statement of comprehensive income.

Changes in accounting standards

Accounting standards issued and effective

Changes in accounting policy

The Group elected to adopt NZ IFRS 9 Financial Instruments **(NZ IFRS 9)** to account for designated hedge relationships, transitioning from the previous accounting standard NZ IAS 39 Financial Instruments: Recognition and Measurement **(NZ IAS 39)** prospectively from 1 July 2024. There was no retrospective adjustment to the Group's results.

NZ IFRS 9 contains hedge accounting requirements that adopt a more principles-based approach, which more closely aligns accounting with risk management activities and increases the eligibility of both hedge instruments and hedged items for hedge accounting.

NZ IFRS 9 requires a forward-looking assessment of hedge effectiveness at the inception of the hedge relationship and on an ongoing basis and removes the NZ IAS 39 requirement of a highly effective hedge relationship being within the 80% to 125% range. To comply with hedge effectiveness requirements, NZ IAS 39 requires the de-designation of existing hedge relationship and re-designation of a new hedge relationship. NZ IFRS 9 requires the rebalancing of the existing hedge by adjusting a hedge ratio through altering the quantities of the hedge instrument or hedged item. Rebalancing is accounted for as a continuation of an existing hedge relationship.

While the Group's risk management strategies remain largely unchanged, management has updated the hedge documentation to be in compliance with NZ IFRS 9. As the purpose and types of hedge relationships remain the same as those before the adoption of NZ IFRS 9 hedge accounting requirements, in the absence of any need to rebalance on transition date, there is no significant impact on the Group's results upon this adoption.

Refer to Note 12 - Derivative financial instruments for further details.

There have been no other changes to accounting policies or new or amended standards that are issued and effective that are expected to have a material impact on the Group.

Accounting standards issued not yet effective

Presentation and Disclosure in Financial Statements (NZ IFRS 18)

NZ IFRS 18 Presentation and Disclosure in Financial Statements (**NZ IFRS 18**) was issued in May 2024 to replace NZ IAS 1 Presentation of Financial Statements (**NZ IAS 1**) when applied.

NZ IFRS 18 will not have an impact on the recognition and measurement of items in the financial statements. However, it is expected to have a significant effect on their presentation and disclosure. These changes include categorisation and sub-totals in the statement of comprehensive income, aggregation/disaggregation and labelling of information, and disclosure of management defined performance measures.

NZ IFRS 18 will also result in consequential amendments to certain presentation and disclosure requirements in the financial statements and various IFRS Accounting Standards.

NZ IFRS 18 will be effective for the Group's reporting period beginning on 1 July 2027. The Group is currently assessing the impact and will disclose more detailed assessments in the future.

1 Financial statements preparation (continued)

Changes in accounting standards (continued)

Accounting standards issued not yet effective (continued)

Amendments to the Classification and Measurement of Financial Instruments (the Amendments)

The Amendments to NZ IFRS 9 and NZ IFRS 7 Financial Instruments: Disclosures (**NZ IFRS 7**) were issued in June 2024, in response to matters identified during the post-implementation review of the classification and measurement requirements of NZ IFRS 9.

The Amendments include guidance on classifying financial assets with non-recourse and social and corporate governance related features, clarification of recognition and derecognition timing for electronically settled financial instruments and disclosure requirements for investments designated as at fair value through other comprehensive income.

The Amendments will be effective for the Group's reporting period beginning on 1 July 2026. The Group is currently assessing the impact and will disclose more detailed assessment in the future.

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 30 June 2025 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the current or future reporting periods.

Critical accounting estimates and judgements

The preparation of the Group's financial statements requires the use of estimates and judgements. This note provides an overview of the areas that involve a higher degree of judgement or complexity. Detailed information about each of these estimates and judgements is included in the relevant notes together with the basis of calculation for each affected item in the financial statements.

- Provisions for impairment - The effect of credit risk is quantified based on the Group's best estimate of future cash repayments and proceeds from any security held or by reference to risk profile groupings, historical loss data and forward-looking information. Refer to Note 13 - Finance receivables measured at amortised cost for further details.
- Recognition of Banking Licence intangible asset - The recognition of Banking Licence intangible asset required judgement in determining external and internal costs directly attributable to the Group's joint application for an Australian Authorised Deposit-Taking Institution Licence with Heartland Bank Australia Limited. Judgement is also required to determine whether such costs fulfil the definition and recognition criteria of an intangible asset. Such costs include professional fees and costs of employee benefits arising directly from the licence application. Refer to Note 18 - Other balance sheet items for further details.
- Fair value of reverse mortgages - Fair value is quantified by the transaction price (cash advanced plus accrued capitalised interest). Judgement is applied in determining the appropriateness of the transaction price as fair value. Refer to Note 21 - Fair value for further details.
- Goodwill - The Group carries out impairment testing annually over the carrying value of goodwill of its cash generating units (CGU). Uncertainty is involved in estimating fair value less costs of disposal and judgement is applied in assumptions used to determine the recoverable amount of a CGU for impairment testing. Refer to Note 18 - Other balance sheet items for further details.
- Prior year acquisition of Heartland Bank Australia Limited (previously Challenger Bank Limited) – Fair value of the revised consideration transferred and fair values of the identifiable assets acquired and liabilities assumed. Judgement is applied in determining consideration and in the valuation of the acquiree's identifiable assets and liabilities assumed at the acquisition date. Refer to Note 19 – Acquisition for further details.

Assumptions made at each reporting date (e.g., the calculation of the provision for impairment and fair value adjustments) are based on best estimates as at that date. Although the Group has internal controls in place to ensure that estimates can be reliably measured, actual amounts may differ from these estimates. The estimates and judgements used in the preparation of the Group's financial statements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity. Revisions to accounting estimates are recognised in the reporting period in which the estimates are revised and in any future periods affected.

1 Financial statements preparation (continued)

Significant events

On 27 June 2025, the Reserve Bank of New Zealand (**RBNZ**) approved Marac Insurance Limited (**MIL**) application to cancel its insurer licence and terminate MIL's statutory fund under the Insurance (Prudential Supervision) Act 2010 (**IPSA**).

Effective 27 June 2025, MIL is no longer licensed to carry out insurance business in New Zealand and is therefore no longer subject to the requirements of IPSA (which only apply to licensed insurers). In January 2020 MIL stopped underwriting insurance policies. Existing periodic policies written by MIL expired in January 2025.

Financial assets and liabilities

Financial Assets

Financial assets are classified based on:

- The business model within which the assets are managed; and
- Whether the contractual cash flows of the instrument represent solely payment of principal and interest (**SPPI**).

The Group determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model, the Group considers factors including how performance and risks are managed, evaluated and reported and the frequency and volume of, and reason for sales in previous periods.

Financial assets are classified into the following measurement categories:

Financial Assets	Measurement Category	Note
Government securities, bank bonds and floating rate notes	Fair value through other comprehensive income (**FVOCI**) and fair value through profit or loss (**FVTPL**)	11
Public sector securities and corporate bonds	FVOCI	11
Equity securities	FVOCI and FVTPL	11
Finance receivables – Reverse mortgages	FVTPL	21
Finance receivables	Amortised cost	13
Derivative financial instruments	FVTPL	12

Financial assets measured at amortised cost
Financial assets are measured at amortised cost if they are held within a business model whose objective is achieved through holding the financial asset to collect contractual cash flows which represent SPPI.

Financial assets at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial assets measured at FVOCI
Financial assets are measured at FVOCI if they are held within a business model whose objective is achieved both through collecting contractual cash flows which represent SPPI or selling the financial asset.

Financial assets at FVOCI are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for interest income, impairment charges and foreign exchange gains and losses, which are recognised in profit or loss.

Financial assets measured at FVTPL
Financial assets are measured at FVTPL if:

- they are held within a business model whose objective is achieved through selling or repurchasing the financial asset in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking; or
- the contractual cash flows of the financial asset do not represent SPPI on the principal balance outstanding; or
- they are designated at FVTPL upon initial recognition to eliminate or reduce an accounting mismatch.

Financial assets at FVTPL are measured at fair value with subsequent changes in fair value recognised in profit or loss.

1 Financial statements preparation (continued)

Financial assets and liabilities (continued)

Financial Liabilities

Financial liabilities are classified into the following measurement categories:

- those to be measured at amortised cost;
- those to be measured at FVTPL.

Financial liabilities measured at amortised cost
Financial liabilities are measured at amortised cost if they are not held for trading or designated at FVTPL.

Financial liabilities measured at amortised cost are accounted for using the effective interest rate method.

Financial liabilities measured at FVTPL
Financial liabilities are measured at FVTPL if:

- they are held for trading where the principal objective is achieved through selling or repurchasing the financial liability in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking; or
- they are designated at FVTPL upon initial recognition to eliminate or reduce an accounting mismatch.

Financial liabilities at FVTPL are measured at fair value with subsequent changes in fair value recognised in profit or loss.

Further details of the accounting policy for each category of financial asset or financial liability mentioned above is set out in the note for the relevant item.

The Group's policies for determining the fair value of financial assets and financial liabilities are set out in Note 21 -Fair value.

Recognition

The Group initially recognises finance receivables and borrowings on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at FVTPL) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with the retention of all or substantially all risks and rewards include, for example, securitised assets and repurchase transactions.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in profit or loss.

PERFORMANCE

2 Segmental analysis

Segment information is presented in respect of the Group's operating segments, consistent with those used for the Group's management and internal reporting. This information is presented in accordance with NZ IFRS and included in the measurement of segment profit or loss to enable the evaluation of the nature and financial effects of the Group's business activities and operating environment.

An operating segment is a component of an entity engaging in business activities whose results are regularly reviewed by the Group's chief operating decision maker (**CODM**). The CODM, who is responsible for allocating resources and assessing business performance of the Group, has been identified as the Group's Chief Executive Officer (**CEO**).

Operating segments

The Group operates within New Zealand and Australia and comprises the following main operating segments:

Operating segments – New Zealand

Motor	Motor vehicle finance.
Reverse mortgages	Reverse mortgage lending.
Personal lending	Transactional, home loans and personal loans to individuals.
Business	Term debt, plant and equipment finance, commercial mortgage lending and working capital solutions for small-to-medium sized businesses.
Rural	Specialist financial services to the farming sector primarily offering livestock finance, rural mortgage lending, seasonal and working capital financing, as well as leasing solutions to farmers.

Operating segment – Australia

Australian Banking Group	Australian Banking Group provides banking and financial services in Australia which consist of reverse mortgage lending, livestock finance and other financial services.

All other segments

Other	Operating expenses, such as premises, IT and support centre costs in New Zealand are not allocated to the New Zealand operating segments and are included in Other.

Finance receivables are allocated across the operating segments as assets. Liabilities are managed centrally and therefore are not allocated across the operating segments, except for the geographical allocation between Australia and New Zealand. The Group does not rely on any single major customer for its revenue base.

During the year, the Group revised the disclosure of specific income and expenses included in the operating segment profit and concluded that personnel expenses are material for the CODM's assessment of operating segment performance and therefore, appropriate for disclosure as a separate line item. Comparative information within this note has been adjusted to align to the current year's basis for segmental analysis disclosure.

2 Segmental analysis (continued)

$000's	Motor	Reverse Mortgages	Personal lending	Business	Rural	Australian Banking Group	Other	Total
June 2025								
Net interest income	69,467	55,861	5,187	49,144	32,686	94,749	213	307,307
Lending and credit fee income	5,298	2,472	(187)	3,595	511	2,292	–	13,981
Net other income/(expense)	765	–	10	1,085	1,469	641	(3,991)	(21)
Net operating income	**75,530**	**58,333**	**5,010**	**53,824**	**34,666**	**97,682**	**(3,778)**	**321,267**
Personnel expenses	5,524	2,030	3,289	5,762	2,253	21,458	58,031	98,347
Other expenses	1,653	3,516	2,089	1,394	869	30,796	53,879	94,196
Operating expenses	**7,177**	**5,546**	**5,378**	**7,156**	**3,122**	**52,254**	**111,910**	**192,543**
Profit/(loss) before fair value (loss)/gain on equity investments, impaired asset expense and income tax	**68,353**	**52,787**	**(368)**	**46,668**	**31,544**	**45,428**	**(115,688)**	**128,724**
Net fair value (loss) on equity investments and investment property	–	–	–	–	–	–	1,623	1,623
Losses on guaranteed future value products	1,504	–	–	–	–	–	–	1,504
Impaired asset expense	19,218	–	639	44,812	4,084	2,885	–	71,638
Profit/(loss) before income tax	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**42,543**	**(114,065)**	**57,205**
Income tax expense	–	–	–	–	–	12,756	5,636	18,392
Profit/(loss) for the year	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**29,787**	**(119,701)**	**38,813**
Total assets	**1,687,763**	**1,233,272**	**178,625**	**853,011**	**731,819**	**3,169,630**	**793,330**	**8,647,450**
Total liabilities[1]								**7,428,398**
June 2024								
Net interest income	58,909	46,586	5,156	62,090	34,652	68,617	1,635	277,645
Lending and credit fee income	3,908	2,651	198	3,935	374	3,218	–	14,284
Net other income/(expense)	1,194	–	543	1,145	(443)	(839)	(2,861)	(1,261)
Net operating income	**64,011**	**49,237**	**5,897**	**67,170**	**34,583**	**70,996**	**(1,226)**	**290,668**
Personnel expenses	3,475	1,800	4,099	7,436	2,510	21,215	26,594	67,129
Other expenses	1,153	3,566	2,726	1,677	671	20,563	41,901	72,257
Operating expenses	**4,628**	**5,366**	**6,825**	**9,113**	**3,181**	**41,778**	**68,495**	**139,386**
Profit/(loss) before fair value (loss)/gain on equity investments, impaired asset expense and income tax	**59,383**	**43,871**	**(928)**	**58,057**	**31,402**	**29,218**	**(69,721)**	**151,282**
Fair value (loss) on equity investments	–	–	–	–	–	–	(314)	(314)
Losses on guaranteed future value products	–	–	–	–	–	–	–	–
Impaired asset expense	24,329	–	1,476	17,527	2,428	663	–	46,423
Profit/(loss) before income tax	**35,054**	**43,871**	**(2,404)**	**40,530**	**28,974**	**28,555**	**(70,035)**	**104,545**
Income tax expense	–	–	–	–	–	7,644	22,352	29,996
Profit/(loss) for the year	**35,054**	**43,871**	**(2,404)**	**40,530**	**28,974**	**20,911**	**(92,387)**	**74,549**
Total assets	**1,608,282**	**1,068,154**	**339,110**	**1,306,689**	**720,339**	**3,415,495**	**833,786**	**9,291,855**
Total liabilities[1]								**8,053,986**

[1]Total liabilities include $2,713 million (2024: $2,987 million) attributable to the Australian Banking Group segment.

3 Net interest income

Policy

Interest income and expense on financial instruments is measured using the effective interest rate method that discounts the financial instruments' future cash flows to their present value and allocates the interest income or expense over the life of the financial instrument. The effective interest rate is established on initial recognition of the financial assets or liabilities and is not subsequently revised. For financial instruments at amortised cost, the calculation of the effective interest rate includes all yield related fees and commissions paid or received that are an integral part of the underlying financial instrument.

Interest income is calculated based on the gross carrying amount of financial assets in stages 1 and 2 of the Group's expected credit losses (**ECL**) model and on the carrying amount net of the provision for ECL for financial assets in stage 3.

For financial instruments measured at FVTPL, interest is calculated based on the contractual rate. Fees and commissions related to the origination of these instruments are recognised within Lending and credit fee income and Operating expenses, respectively, at the time of the instruments initial recognition.

$000's	June 2025	June 2024
Interest Income		
Calculated using the effective interest method		
Cash and cash equivalents	12,302	12,952
Investments measured at FVOCI	33,152	12,082
Finance receivables measured at amortised cost	354,962	380,055
Total interest income calculated using the effective interest method	**400,416**	**405,089**
Fair value through profit or loss		
Investments measured at FVTPL	7,416	4,186
Finance receivables - reverse mortgages	298,033	251,757
Total interest income on financial assets measured at FVTPL	**305,449**	**255,943**
Total interest income	**705,865**	**661,032**
Interest Expense		
Calculated using the effective interest method		
Deposits	311,922	240,758
Other borrowings	95,885	167,796
Total interest expense calculated using the effective interest method	**407,807**	**408,554**
Fair value through profit or loss		
Net interest (income) on derivative financial instruments	(9,249)	(25,167)
Total net interest (income) on derivative financial instruments measured at FVTPL	**(9,249)**	**(25,167)**
Total interest expense	**398,558**	**383,387**
Net interest income	**307,307**	**277,645**

4 Net operating lease income

Policy

As a lessor, the Group retains substantially all the risks and rewards incidental to ownership of the assets and therefore, classifies the leases as operating leases. Rental income and expense from operating leases are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Profits on the sale of operating lease assets are included as part of operating lease income. Current year depreciation and losses on the sale of operating lease assets are included as part of operating lease expenses. The leased assets are depreciated over their useful lives on a basis consistent with similar assets.

$000's	June 2025	June 2024
Operating lease income		
Lease income	5,455	5,374
Gain on disposal of lease assets	599	684
Total operating lease income	**6,054**	**6,058**
Operating lease expense		
Depreciation of lease assets	3,923	3,902
Direct lease costs	376	471
Total operating lease expense	**4,299**	**4,373**
Net operating lease income	**1,755**	**1,685**

5 Other income

Policy

Rental income from investment properties

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Insurance income

Insurance premium income and commission expense are recognised in profit or loss from the date of attachment of the risk over the period of the insurance contract. Claim expense is recognised in the profit or loss on an accrual basis once our liability to the policyholder has been confirmed under the terms of the contract.

Fair value gain or loss on derivative financial instruments

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the hedging reserve. The ineffective portion of a fair value gain or loss and changes in the fair value of any derivatives not designated in a hedge relationship are recognised immediately in the statement of comprehensive income and disclosed within Other income. Refer to Note 12 - Derivative financial instruments for further details.

Fair value gain or loss on non-derivative financial instruments

A fair value gain or loss on certain non-derivative financial instruments are recognised in the statement of comprehensive income for financial instruments held at fair value through profit or loss. The cumulative gain or loss on debt instruments, recognised in other comprehensive income, is subsequently reclassified to profit or loss on disposal of the instrument. Refer to Note 11 – Investments for further details.

$000's	June 2025	June 2024
Rental income from investment properties	584	995
Insurance income[1]	63	209
Fair value loss on derivative instruments measured at fair value[2]	(5,142)	(5,074)
Fair value gain/(loss) on non-derivative financial instruments[3]	441	(727)
Other income[4]	1,943	4
Foreign exchange gain	335	1,647
Total other expense	**(1,776)**	**(2,946)**

[1]Insurance income includes net income from MIL. MIL ceased writing insurance policies in 2020, and coverage under all existing policies ended in January 2025. Refer to Significant events section within Note 1 - Financial statements preparation for further details.

[2]Includes a loss of $0.3 million (2024: $0.9 million gain) related to hedge ineffectiveness from cash flow hedge relationships. Refer to Note 12 - Derivative financial instruments for further details.

[3]Includes realised and unrealised losses on HBA's government securities, bank bonds and floating rate notes. Refer to Note 11 - Investments for further details.

[4]The increase in Other income for the year ended 30 June 2025 is primarily attributed to income generated from rural properties under the management of the Group.

6 Operating expenses

Policy

Operating expenses are recognised as the underlying service is rendered or over a period in which an asset is consumed or a liability is incurred.

$000's	**June 2025**	**June 2024**
Personnel expenses[1]	98,347	67,129
Directors' fees	2,196	1,507
Superannuation	3,594	2,088
Depreciation - property, plant and equipment	1,933	1,809
Legal and professional fees[2]	9,477	6,240
Advertising and public relations	3,137	3,017
Depreciation - right of use asset	3,703	3,252
Technology services and communications	20,960	14,386
Customer administration costs	11,117	11,876
Customer onboarding costs	2,730	2,717
Occupancy costs	3,038	2,588
Amortisation of intangible assets	11,509	5,516
Other operating expenses[3]	20,802	17,261
Total operating expenses	**192,543**	**139,386**

[1]Excludes certain personnel expenses directly incurred in acquiring and developing software and capitalised as part of specific application software.

[2]Legal and professional fees include compensation of auditor which is disclosed in Note 7 - Compensation of auditor.

[3]Other operating expenses mainly comprise non-recoverable proportion of goods and services tax (**GST**)**,** debt collection fees, insurance and project expenses.

7 Compensation of auditor

In accordance with the Amendments to FRS-44, the Group is required to disclose the fees incurred for services received from its audit or review firm, with a description of each service, including audit or review of the financial statements. Other services performed during the reporting period are required to be disclosed using the following categories:

- audit or review related services;
- other assurance services and other agreed-upon procedures engagements;
- taxation services and;
- other services.

In accordance with the Group's external auditor independence policy, it is prohibited for the external auditor's firm to perform tax compliance work. It is the Group's policy to engage the external auditor's firm on assignments additional to its statutory audit duties only if they are not perceived to be in conflict with the role of external auditor. All services are pre-approved by the Board Audit and Risk Committee.

7 Compensation of auditor (continued)

The fees payable to the auditors, PricewaterhouseCoopers (**PwC**) and to the predecessor auditor of HBA and its controlled entities, Ernst & Young (**EY**), are outlined in the below table:

$000's	**June 2025**	**June 2024**
Fees paid to auditor - PwC		
Audit and review of financial statements		
Current year[1]	1,811	1,330
Additional prior year[1]	56	58
Total audit and review of financial statements	**1,867**	**1,388**
Audit or review related services		
APRA regulatory reporting and Australian Financial Services Licence reporting assurance services - current year	200	—
APRA regulatory reporting and Australian Financial Services Licence reporting assurance services - additional for prior year	—	22
Insurance solvency return assurance services - current year	—	4
Insurance solvency return assurance services - additional for prior year	4	—
Registry assurance services	12	11
Trust deed reporting services	3	3
Total audit or review related services	**219**	**40**
Other assurance services and other agreed-upon procedures		
Greenhouse gas emissions assurance readiness assessment	—	35
Greenhouse gas emissions assurance services	61	38
Total other assurance services and other agreed-upon procedures	**61**	**73**
Other services		
Provision of executive reward survey report	4	—
Total compensation paid to PwC	**2,151**	**1,501**
Fees paid to auditor - EY		
Audit and review of financial statements[1]	**—**	692
Audit or review related services		
APRA regulatory reporting and Australian Financial Services Licence reporting (assurance engagement)	—	119
Other services[2]	—	332
Total compensation paid to EY	**—**	**1,143**
Total compensation of auditor	**2,151**	**2,644**

[1]Fees are for both the audit of the annual financial statements and review of the interim financial statements. This includes limited assurance on disclosures of capital adequacy and regulatory liquidity requirements.

[2]Other services paid to EY in 2024 comprised actuarial services for reverse mortgages, actuarial services for stress testing, directors remuneration review, executive reward survey report, executive remuneration review, CPS 234 information security plan review, hedge accounting and other accounting advisory services, review of Australian banking policies and periodic assessment of StockCo funding facilities and facilitation of strategy review workshop. Except for the actuarial services for reverse mortgages stress testing, all other services were carried out prior to their appointment as external auditor.

8 Impaired asset expense

$000's	June 2025	June 2024
Individually impaired asset expense	24,730	13,705
Collectively impaired asset expense	48,663	34,137
Total impaired asset expense excluding recovery of amounts previously written off to the income statement	**73,393**	**47,842**
Recovery of amounts previously written off to the income statement	(1,755)	(1,419)
Total impaired asset expense	**71,638**	**46,423**

Refer to Note –13 Finance receivables measured at amortised cost for provision for impairment details.

9 Taxation

Policy

Income tax

Income tax expense for the year comprises current tax and movements in deferred tax balances, including any adjustment required for prior years' tax expense. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable or receivable in respect of previous years. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. As required by NZ IAS 12 Income Taxes, a deferred tax asset is recognised only to the extent that it is probable that a future taxable profit will be available to realise the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST. As the Group is predominantly involved in providing financial services, only a proportion of GST paid on inputs is recoverable. The non-recoverable proportion of GST is treated as an expense or, if relevant, as part of the cost of acquisition of an asset.

Income tax expense

$000's	June 2025	June 2024
Income tax recognised in profit or loss		
Current tax		
Current year	16,722	35,997
Adjustments for prior year	2,520	(879)
Tax at other rates	973	590
Deferred tax		
Current year	434	(5,446)
Adjustments for prior year	(2,136)	(581)
Change in recognition of deferred tax	–	372
Tax at other rates	(121)	(57)
Total income tax expense recognised in profit or loss	**18,392**	**29,996**
Income tax recognised in other comprehensive income		
Current tax		
Investment securities at fair value in fair value reserve	592	357
Fair value movements in derivatives held in cash flow hedge reserve	(3,193)	(4,276)
Total income tax benefit recognised in other comprehensive income	**(2,601)**	**(3,919)**

Reconciliation of effective tax rate

	June 2025	June 2024
Profit before income tax	**57,205**	**104,545**
Tax at local income tax rate (NZ:28%, Australia:30%)	16,868	29,797
Adjusted tax effects of items not deductible	1,140	1,287
Adjustments for prior year	384	(1,460)
Change in recognition of deferred tax asset	–	372
Total income tax expense	**18,392**	**29,996**

9 Taxation (continued)

Deferred tax comprise the following temporary differences:

$000's	June 2025	June 2024
Employee entitlements	3,253	2,636
Share based payment	202	–
Provision for impairment	20,881	21,528
Intangibles and property, plant and equipment	(3,767)	(1,465)
Right of use assets	(3,536)	(4,180)
Lease liabilities	4,152	4,834
Deferred acquisition costs	(6)	(6)
Operating lease vehicles	(357)	(594)
Deferred income	(5,758)	(6,522)
Tax loss	5,996	4,911
Deductible prior year expense	–	421
Other temporary differences	(428)	2,164
Total deferred tax	**20,632**	**23,727**
Opening balance of deferred tax	**23,727**	**21,105**
Movement recognised in profit or loss	1,823	6,084
Transfer on acquisition of business	–	820
Utilisation of tax loss	(4,320)	(3,910)
Change in recognition of deferred tax asset	(598)	(372)
Closing balance of deferred tax	**20,632**	**23,727**

Imputation credit account

$000's	June 2025	June 2024
Imputation credits available for use in subsequent reporting periods	48,761	46,427

10 Earnings per share

	June 2025			June 2024		
$000's	Earnings Per Share Cents	Net Profit After Tax $000's	Weighted Average No. of Shares 000's	Earnings Per Share Cents	Net Profit After Tax $000's	Weighted Average No. of Shares 000's
Basic Earnings	4.14	38,813	936,613	9.85	74,549	757,046
Diluted Earnings	4.14	38,813	936,613	9.85	74,549	757,046

FINANCIAL POSITION

11 Investments

Policy

Investments are classified into one of the following categories:

Fair value through other comprehensive income

Investments under this category are held within a business model whose objective is achieved both through collecting contractual cash flows or selling the financial asset. These investments include debt securities such as bank bonds, floating rate notes, public sector securities and corporate bonds, and equity securities where the Group has irrevocably elected at initial recognition to measure at FVOCI. These are initially measured at fair value, including transaction costs, and subsequently carried at fair value. Changes in fair value of these investments are recognised in other comprehensive income and presented within the fair value reserve.

The cumulative gain or loss on debt securities, recognised in other comprehensive income, is subsequently reclassified to the statement of comprehensive income on disposal and disclosed within Other income.

Fair value through profit or loss

Investments under this category are held within a business model whose objective is achieved through selling the financial asset. These investments include government securities, bank bonds, floating rate notes and equity securities and are measured at fair value plus transaction costs. Changes in fair value of these investments are recognised in profit or loss in the period in which they occur.

$000's	June 2025	June 2024
Investments measured at FVOCI		
Bank bonds	276,287	270,581
Public sector securities and corporate bonds	500,658	101,235
Equity investments	5,664	7,575
Investments measured at FVTPL		
Government securities, bank bonds and floating rate notes[1]	2,174	706,840
Equity investments	6,977	5,900
Total investments	**791,760**	**1,092,131**

[1]Includes HBA's investments acquired prior to the acquisition of HBA by HBL on 30 April 2024. Effective 1 July 2024, HBA has adopted a business model whose objective is achieved through both the collection of contractual cash flows and the sale of debt securities. Accordingly, HBA's newly acquired debt securities have been measured at FVOCI, in alignment with the Group's policies. Refer to Note 21 - Fair value for further details.

12 Derivative financial instruments

Policy

The Group uses derivatives for risk management purposes. Derivatives held for risk management purposes are placed into hedges that either meet hedge accounting requirements, or economic hedges not placed into an accounting hedge relationship.

Derivatives are recognised at their fair value, with the derivatives being carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative instruments that do not qualify for hedge accounting are held as economic hedges. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income and disclosed within Other income.

A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that exposes the Group to risk of changes in fair value or cash flows, and that is designated as being hedged.

The criteria that must be met for a relationship to qualify for hedge accounting under NZ IFRS 9 include:

- the hedging relationship must be formally designated and documented at inception of the hedge,
- prospective effectiveness testing must be carried out at the inception of the hedging relationship, and on an on-going basis to ensure the hedge is effective, consistent with the originally documented risk management strategy, and
- the instruments or counterparty must be a third party external to the Group.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an assessment of the qualitative characteristics of this hedged item and the hedged risk, supported by quantitative analysis. Close alignment of the critical terms of the hedged item and hedging instrument is also considered a strong indication of the presence of an economic relationship by the Group.

The Group establishes a hedge ratio by aligning the par amount of the exposure to be hedged and the notional amount of the interest rate swap designated as a hedging instrument and measures prospective hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is the extent to which the changes in the fair value of the derivative hedging instrument do not offset those of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio while the risk management objective for that hedging relationship remains the same, the Group adjusts the hedge ratio so that it meets the qualifying criteria again, allowing the continuation of a hedging relationship.

Hedge ineffectiveness may arise from timing difference on repricing between the hedged item and the hedging instrument, difference in timing of their cash flows, or due to changes in the counterparties' credit risk affecting the fair value of hedging instruments.

If the hedge no longer meets the criteria for hedge accounting, it is discontinued prospectively from the date on which the qualifying criteria are no longer met. This includes instances when the hedging instrument expires or is sold, terminated or exercised.

12 Derivative financial instruments (continued)

Policy (continued)

Fair value hedge accounting

The Group applies fair value hedge accounting to hedge movements in the value of fixed interest assets and liabilities subject to interest rate risk.

Subsequent to initial designation, changes in the fair value of derivatives that are designated and qualify for fair value hedge accounting are recorded through profit or loss alongside any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Where the hedged item is carried at amortised cost, the movement in fair value of the hedged item attributable to the hedged risk is made as an adjustment to the carrying value of the hedged asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the adjustment to carrying amount of a hedged item carried at amortised cost is amortised to the statement of comprehensive income on an effective yield basis over the remaining period to maturity of the hedged item. Where a hedged item carried at amortised cost is derecognised from the balance sheet, the adjustment to the carrying amount of the asset or liability is immediately transferred to the statement of comprehensive income.

Cash flow hedge accounting

The Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to interest rate risk on variable interest rate components of financial liabilities.

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the hedging reserve. The ineffective portion of a fair value gain or loss is recognised immediately in the statement of comprehensive income.

When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging derivative remains in the cash flow hedging reserve until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in the cash flow hedging reserve is immediately transferred to the statement of comprehensive income.

The Group elected to apply NZ IFRS 9 to account for designated hedge relationships, transitioning from the previous accounting standard NZ IAS 39 prospectively from 1 July 2024. Refer to Changes in accounting policy section in the Note 1 – Financial statements preparation for further details.

The Group's approach to managing market risk, including interest rate risk, is disclosed in Note 25 – Interest rate risk. The Group actively manages residual interest rate risk from the net exposure of its underlying assets and liabilities, associated with the mismatch of the interest rate repricing profiles of its interest earning assets and interest bearing liabilities, by entering into interest rate swaps to hedge against movements in interest rates.

12 Derivative financial instruments (continued)

Interest rate swaps are bilateral derivative contracts with commitments to exchange one set of cash flows for another resulting in an economic exchange of interest rates without exchange of principal. Interest rate swap notional values indicate the volume of transactions outstanding at the end of the financial year and provide basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved, therefore don't indicate the Group's exposure to credit or market risks. The fair values of derivative instruments and their notional values are set out in the below table.

	June 2025			June 2024		
$000's	**Notional Principal**	**Fair Value Assets**	**Fair Value Liabilities**	**Notional Principal**	**Fair Value Assets**	**Fair Value Liabilities**
Interest rate related contracts						
Held as economic hedges	–	–	–	344,598	293	782
Designated as cash flow hedges	854,635	175	11,456	885,903	4,658	4,609
Designated as fair value hedges	349,100	4,617	9,203	424,502	7,365	3,626
Interest rate related contracts	**1,203,735**	**4,792**	**20,659**	**1,655,003**	**12,316**	**9,017**
Foreign currency related contracts						
Held as economic hedges	1,044	–	1	–	–	–
Foreign currency related contracts	**1,044**	**–**	**1**	**–**	**–**	**–**
Total derivative financial instruments	**1,204,779**	**4,792**	**20,660**	**1,655,003**	**12,316**	**9,017**

Cash flow hedge accounting is applied to interest rate swaps designated as hedges of the Group's floating rate domestic borrowings and deposits by using 'receive floating / pay fixed' interest rate swaps to fix the cost of floating interest rate deposits and borrowings.

Fair value hedge accounting is applied to receive fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate subordinated notes and retail bond, and to pay fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate investment securities.

The following table shows the maturity and interest rate risk profiles of the interest rate swaps as hedging instruments in continuing fair value and cash flow hedge relationships.

$000's	**0-6 Months**	**6-12 Months**	**1-2 Years**	**2-5 Years**	**5+ Years**	**Total**
June 2025						
Interest rate risk						
Cash flow hedge relationships						
Pay fixed						
Nominal amounts	–	60,000	422,741	371,894	–	854,635
Average interest rate	–	4.83%	3.87%	3.71%	–	
Fair value hedge relationships						
Pay fixed						
Nominal amounts	5,000	10,000	21,500	212,600	–	249,100
Average interest rate	1.01%	1.05%	5.37%	4.32%	–	
Receive fixed						
Nominal amounts	–	–	–	100,000	–	100,000
Average interest rate	–	–	–	4.30%	–	
Total interest rate risk nominal amount	**5,000**	**70,000**	**444,241**	**684,494**	**–**	**1,203,735**

12 Derivative financial instruments (continued)

$000's	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2024						
Interest rate risk						
Cash flow hedge relationships						
Pay fixed						
Nominal amounts	45,000	40,000	232,851	568,052	–	885,903
Average interest rate	5.20%	5.15%	4.71%	4.59%	–	
Fair value hedge relationships						
Pay fixed						
Nominal amounts	10,002	50,000	55,400	209,100	–	324,502
Average interest rate	1.63%	0.73%	0.47%	4.59%	–	
Receive fixed						
Nominal amounts	–	–	–	100,000	–	100,000
Average interest rate	–	–	–	4.30%	–	
Total interest rate risk nominal amount	**55,002**	**90,000**	**288,251**	**877,152**	**–**	**1,310,405**

The following table sets out the accumulated fair value adjustments arising from the corresponding fair value hedge relationships and the outcome of the changes in fair value of the hedged item as well as the hedging instruments used as the basis for recognising effectiveness.

	As at 30 June 2025		For the year ended 30 June 2025
$000's	Carrying value	Accumulated amount of fair value hedge adjustment	Gain/(loss) recognised in income statement
Interest rate risk			
Investments	254,710	6,976	11,834
Other borrowings	(102,876)	(2,749)	(3,470)
Total	**151,834**	**4,227**	**8,364**
Interest rate swaps	**(4,586)**	**(4,586)**	**(8,219)**
Hedge ineffectiveness of financial instruments recognised in other income			**145**

	As at 30 June 2024		For the year ended 30 June 2024
$000's	Carrying value	Accumulated amount of fair value hedge adjustment	Gain/(loss) recognised in income statement
Interest rate risk			
Investments	361,808	(4,390)	10,036
Other borrowings	(99,706)	721	(4,610)
Total	**262,102**	**(3,669)**	**5,426**
Interest rate swaps	**3,739**	**3,739**	**(5,303)**
Hedge ineffectiveness of financial instruments recognised in other income			**123**

12 Derivative financial instruments (continued)

The accumulated amount of fair value hedge adjustments included in the carrying amount of hedged items that have ceased to be adjusted for hedging gains and losses is nil (2024: nil).

The balance of the cash flow hedge reserve, amounts recognised in the reserve, and amounts transferred out of the reserve are shown in the following table.

$000's	June 2025	June 2024
Cash flow hedge reserve		
Balance at beginning of year	4,374	15,075
Transferred to the income statement	(3,690)	(744)
Net (loss)/gain from change in fair value	(13,351)	(14,233)
Net movement before tax	**(17,041)**	**(14,977)**
Tax on net movement in cash flow hedge reserve	3,193	4,276
Balance at end of year	**(9,474)**	**4,374**

During the year ended 30 June 2025, a loss of $0.3 million (2024: $0.9 million gain) was recognised in fair value loss on derivative financial instruments in the statement of comprehensive income recorded within other income related to hedge ineffectiveness from cash flow hedge relationships.

There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur (2024: nil).

There are $3.0 million of cumulative losses (2024: $2.5 million of cumulative gains) recognised in the cash flow hedge reserve on interest rate swaps for which hedge accounting is no longer applied on the basis that the associated variable cash flows are still expected to occur over the lifetime of the original hedge relationships. The associated cash flow hedge reserve is being released over the period of the original hedge relationship which has since been discontinued.

13 Finance receivables measured at amortised cost

Policy

Finance receivables measured at amortised cost are initially recognised at fair value plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

Fees and direct costs relating to loan origination, financing and loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest rate method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

$000's	June 2025	June 2024
Gross finance receivables measured at amortised cost	3,784,733	4,343,267
Less provision for impairment	(71,779)	(76,321)
Less provision for losses on guaranteed future value products[1]	(1,504)	–
Net finance receivables measured at amortised cost	**3,711,450**	**4,266,946**
Due within one year	1,068,661	1,050,448
Due more than one year	2,716,072	3,292,819
Less provision for impairment	(71,779)	(76,321)
Less provision for losses on guaranteed future value products	(1,504)	–
Net finance receivables measured at amortised cost	**3,711,450**	**4,266,946**

[1]Represents provision for probable losses arising from guaranteed future value (**GFV**) portfolio of motor vehicle loans that have guaranteed residual value of the underlying security and optionality for customers to return the vehicle.

13 Finance receivables measured at amortised cost (continued)

Policy

Impairment of finance receivables measured at amortised cost

At each reporting date, the Group applies a three-stage approach to measuring ECL of finance receivables not carried at fair value. The ECL model assesses whether there has been a significant increase in credit risk since initial recognition.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

For the purposes of a collective evaluation of impairment, finance receivables are grouped based on shared credit risk characteristics, credit risk ratings, contractual term, date of initial recognition, remaining term to maturity, customer type and other relevant factors.

The ECL model is a forward-looking model where impairment allowances are recognised before losses are actually incurred. On initial recognition, an impairment allowance is required, based on events that are possible in the next 12 months.

Assets may migrate between the following stages based on their change in credit quality:

Stage 1 - 12 months ECL (past due 30 days or less)

Where there has been no evidence of increased credit risk since initial recognition, and finance receivables are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2 - Lifetime ECL not credit impaired (greater than 30 but less than 90 days past due)

Where there has been a significant increase in credit risk.

Stage 3 - Lifetime ECL credit impaired (90 days past due or more)

Objective evidence of impairment, are considered to be in default or otherwise credit impaired.

Credit quality of financial assets

The Group internally computes probability of default using historical default data, to assess the potential risk of default of the lending, or other financial services products, provided to counterparties or customers. The Group has defined counterparty probabilities of default across consumer, retail, business and rural portfolios.

The Group considers a receivable to be in default when contractual payments are 90 days or more past due, or when it is considered unlikely that the credit obligation to the Group will be paid in full without recourse to actions, such as realisation of security.

Finance receivables are written off against the related impairment allowance when there is no reasonable expectation of recovery. Any recoveries of amounts previously written off are credited to credit impairment expense in profit or loss.

In determining whether credit risk has increased all available information relevant to the assessment of economic conditions at the reporting date are taken into consideration. To do this the Group considers its historical loss experience and adjusts this for current observable data based on a loss curve distribution.

The calculation of expected credit loss is modelled for portfolios of like assets. For portfolios which are either new or too small to model, judgement is used to determine impairment provisions.

For assets that are individually assessed for ECL, the allowance for ECL is calculated directly as the difference between the defaulted assets carrying value and the recoverable amount (being the present value of expected future cash flows, including cash flows from the realisation of collateral or guarantees, where applicable).

13 Finance receivables measured at amortised cost (continued)

Policy (continued)

Modification of contractual cash flows

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

Collectively assessed ECL (stage 1, 2 and 3)- New Zealand

The Group's models for estimating ECL for each of its portfolios are based on the historical credit experience of those portfolios.The models assume that economic conditions remain static over time, and the provision is calculated as a point in time estimate. During the year, HBL has recalibrated the probabilities of default and loss given default to align modelled inputs with more recent observations and data. HBL had also determined that the likelihood of recovery for unsecured loans within Open for Business and Motor Finance portfolios with no established payment arrangements has significantly diminished, resulting in a full provision net of anticipated recoveries against those cohorts of loans. In addition, secured motor loans that are more than 365 days past due have been fully provisioned, net of expected recoveries from the sale of collateral.

Model overlays are required in circumstances where the existing inputs, assumptions and model techniques do not capture all risk factors relevant to the Group's lending portfolios. An overlay has been applied to allow for the ECL impacts of considering all possible outcomes (multiple economic scenarios or MES) on forward-looking loss rates. The overlay is determined by building distribution curves for each portfolio based on previous loss rates, which involves finding the probability for each loss rate based on historical loss experience. The MES-weighted loss rates for each portfolio are estimated by weighting all possible losses by their associated probabilities across the distribution curves. The MES-weighted loss rates are then compared against the base ECL rates for each portfolio, with the rate differential determined as the required adjustment for the portfolios.

The rate differential is then applied on each of the portfolios to derive the overlay. The total quantum of the overlay at 30 June 2025 is $3.16 million (2024: $1.78 million). This includes an overlay for geopolitical risk of $0.5 million (2024: nil), which represents the expected incremental losses arising from current global geopolitical uncertainty.

Judgement is applied in determining if the forward-looking loss rates represent the expected loss rates of the portfolios, noting that the actual performance of the portfolios may vary significantly from expectations. The below represents different components of the collective ECL, including the impact of incorporating forward-looking loss rates for MES and geopolitical overlay.

Upside collective ECL (-10% shift)	$43.15m
Base collective ECL	$43.53m
MES-weighted collective ECL without geopolitical overlay	$46.19m
MES-weighted collective ECL with geopolitical overlay	$46.69m

Individually assessed ECL (stage 3)- New Zealand

For loans which are assessed individually for credit impairment, these are predominantly within the Asset Finance and older Business Relationship lending portfolios within the transport, construction, forestry and agriculture sectors. The loss given default since 30 June 2024 for this subset of loans has increased significantly as a direct consequence of poor trading conditions and weaker security valuations since 30 June 2024, resulting in limited prospects of recovery. Accordingly, the provision has increased since 30 June 2024, with subsequent write-off of some of the HBL's loans and associated ECL.

ECL (stage 1,2 and 3) - Australia

There have been no material changes to the ECL in HBA during the year ended 30 June 2025.

13 Finance receivables measured at amortised cost (continued)

The following table details the movement from the opening balance to the closing balance of the provision for impairment losses by class.

	Collectively Assessed				
$000's	**Stage 1**	**Stage 2**	**Stage 3**	**Individually Assessed**	**Total**
June 2025					
Impairment allowance as at 30 June 2024	**14,361**	**5,197**	**34,281**	**22,482**	**76,321**
Changes in loss allowance					
Transfer between stages[1]	(140)	(9,070)	7,582	1,628	–
New and increased provision (net of provision releases)[1]	1,832	11,724	36,735	23,102	73,393
Credit impairment charge	**1,692**	**2,654**	**44,317**	**24,730**	**73,393**
Write-offs	–	–	(55,494)	(22,417)	(77,911)
Effect of changes in foreign exchange rate	(24)	–	–	–	(24)
Impairment allowance as at 30 June 2025	**16,029**	**7,851**	**23,104**	**24,795**	**71,779**
June 2024					
Impairment allowance as at 30 June 2023	**13,009**	**2,463**	**21,499**	**16,295**	**53,266**
Changes in loss allowance					
Transfer between stages[1]	(769)	(5,687)	4,478	1,978	–
New and increased provision (net of provision releases)[1]	1,954	8,422	25,739	11,727	47,842
Credit impairment charge	**1,185**	**2,735**	**30,217**	**13,705**	**47,842**
Write-offs	–	–	(17,451)	(7,518)	(24,969)
Effect of changes in foreign exchange rate	–	(1)	16	–	15
Acquisition of subsidiary	167	–	–	–	167
Impairment allowance as at 30 June 2024	**14,361**	**5,197**	**34,281**	**22,482**	**76,321**

[1] The increase in provision when a loan moves to a higher stage is included in New and increased provision (net of provision releases) in the higher stage to which the loan moved. The decrease in provision when a loan moves to a lower stage is included in New and increased provision (net of provision releases) in the higher stage from which the loan moved.

13 Finance receivables measured at amortised cost (continued)

Impact of changes in gross finance receivables measured at amortised cost on allowance for ECL

	Collectively Assessed				
$000's	Stage 1	Stage 2	Stage 3	Individually Assessed	Total
30 June 2025					
Gross finance receivables measured at amortised cost as at 30 June 2024	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**
Transfer between stages	(216,671)	79,265	103,381	34,025	—
Additions	1,255,780	—	—	—	1,255,780
Deletions	(1,564,666)	(83,543)	(67,653)	(16,182)	(1,732,044)
Write-offs	—	—	(55,494)	(22,417)	(77,911)
Effect of changes in foreign exchange rate	(3,290)	(493)	—	(576)	(4,359)
Gross finance receivables measured at amortised cost as at 30 June 2025	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**
30 June 2024					
Gross finance receivables measured at amortised cost as at 30 June 2023	**4,070,598**	**182,470**	**81,294**	**53,118**	**4,387,480**
Acquisition of subsidiary	61,179	—	—	—	61,179
Transfer between stages	(261,729)	95,866	112,111	53,752	—
Additions	1,284,203	—	—	—	1,284,203
Deletions	(1,269,748)	(36,077)	(60,382)	(2,592)	(1,368,799)
Write-offs	(226)	(628)	(16,305)	(7,810)	(24,969)
Effect of changes in foreign exchange rate	4,166	2	5	—	4,173
Gross finance receivables measured at amortised cost as at 30 June 2024	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**

Impact of changes in gross exposures on loss allowances

The Group's provision for impairment had a net reduction by $4.5 million during the year ended 30 June 2025 due to:

- A net reduction in collective provisions of $6.8 million reflecting:
  - An increase in provisions of $48.7 million predominantly relating to motor vehicles and business lending as a result of diminished recoverability and declining credit quality of these receivables attributed to further deterioration of economic conditions; and
  - subsequent bad debt write offs of $55.5 million which include the write -off of receivables and related increased provisions explained above.
- A net increase in individually assessed provisions of $2.3 million due to the transfer of $34.0 million total receivables within the business portfolio into this category which resulted in additional provisions of $24.7 million made against these loans due to the worsening economic conditions and declining security valuations caused by reduced demand. This is partially offset by subsequent bad debt write-offs of $22.4 million.

As at 30 June 2025, there were $0.86 million undrawn lending commitments available to counterparties for whom drawn balances are classified as individually impaired (2024: $0.03 million).

As at 30 June 2025, the contractual amount outstanding on loans to customers written off during the year and are still subject to enforcement activity was $19.12 million (2024: nil).

14 Operating lease vehicles

Policy

Operating lease vehicles are stated at cost less accumulated depreciation.

Operating lease vehicles are depreciated on a straight-line basis over their expected useful life after allowing for any residual values. The estimated lives of these vehicles vary up to five years. Vehicles held for sale are not depreciated but are tested for impairment.

$000's	June 2025	June 2024
Cost		
Opening balance	26,191	22,913
Additions	3,416	6,732
Disposals	(4,721)	(3,454)
Closing balance	**24,886**	**26,191**
Accumulated depreciation		
Opening balance	7,930	5,947
Depreciation charge for the year	3,923	3,902
Disposals	(2,528)	(1,919)
Closing balance	**9,325**	**7,930**
Opening net book value	18,261	16,966
Closing net book value	**15,561**	**18,261**

The future minimum lease payments receivable under operating leases not later than one year is $4.240 million (2024: $5.037 million), within one to five years is $4.758 million (2024: $7.192 million) and over five years is nil (2024: $0.002 million).

15 Borrowings

Policy

Borrowings and deposits are initially recognised at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The Group hedges interest rate risk on certain debt issues. When fair value hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks.

The Group also uses repurchase agreements as a source of short term wholesale funding. The cash consideration received is recognised as a liability (Repurchase agreements) within Other borrowings.

Repurchase agreements are designated at FVTPL when they are managed as part of a trading portfolio, otherwise they are measured at amortised cost. The difference between the sale price and the repurchase price is recognised within interest expense.

$000's	June 2025	June 2024
Deposits		
Short-term interest bearing deposits	1,417,823	1,399,189
Non-interest bearing deposits	38,369	38,193
Term deposits	5,073,761	4,511,734
Total deposits	**6,529,953**	**5,949,116**
Other borrowings		
Unsubordinated notes	128,747	458,019
Subordinated notes	156,854	153,732
Securitised borrowings	520,048	1,369,394
Certificates of deposit	19,805	59,618
Total other borrowings	**825,454**	**2,040,763**
Total deposits and other borrowings	**7,355,407**	**7,989,879**
Due within one year	6,244,476	6,150,044
Due more than one year	1,110,931	1,839,835
Total deposits and other borrowings	**7,355,407**	**7,989,879**

Deposits and unsubordinated notes rank equally and are unsecured.

Unsubordinated notes

Unsubordinated notes include long-term retail bond and medium term notes. Medium term notes are issued in Australian dollars to eligible non-retail investors in compliance with applicable laws.

The Group has the following unsubordinated notes on issue at balance sheet date:

Retail bond and medium term notes $000's	Frequency of interest repayment	June 2025	June 2024	Maturity date
NZ $20 million	Semi-annually	20,298	20,302	27 March 2028
AU $45 million[1]	Quarterly	–	49,974	9 July 2024
AU $30 million[1]	Quarterly	–	33,285	9 July 2024
AU $220million[1]	Quarterly	–	242,543	13 May 2025
AU $100 million	Quarterly	108,449	111,915	5 October 2027
Total retail bond and medium term notes		**128,747**	**458,019**	

[1]The repayment of the medium term notes was predominantly funded through retail deposits raised by HBA.

The Group actively engages facility providers in commercial negotiations including tenor extensions, increase in facility limits, refinancing arrangements, and other commercial terms. The Group has a track record of extending or refinancing funding arrangements as they fall due and does not anticipate any difficultly in doing so when the facilities above expire.

15 Borrowings (continued)

Subordinated notes

NZD Subordinated notes

On 28 April 2023, HBL, a subsidiary of the Group, issued $100 million of subordinated unsecured notes (**NZD Subordinated notes**) to New Zealand investors and certain overseas institutional investors pursuant to the terms of the Subordinated Unsecured Notes Deed Poll in accordance with the laws of New Zealand. NZD Subordinated notes are treated as Tier 2 capital under HBL regulatory capital requirements and will mature on 28 April 2033.

Interest payable

The interest rate is a fixed rate of 7.51% for a period of 5 years until 28 April 2028, after which it will reset to quarterly floating rate equal to the sum of the applicable 3-month Bank Bill Rate plus 3.2% Issue Margin. The quarterly payment of interest in respect of the subordinated notes are subject to HBL being solvent at the time of, and immediately following the interest payment.

Early Redemption

HBL may choose to repay all or some of the subordinated notes for their face value together with accrued interest (**if any**) on 28 April 2028 or any interest payment date thereafter. Early redemption of all the subordinated notes for certain tax or regulatory events is permitted on an interest payment date. Early redemption is subject to certain conditions, including HBL obtaining the RBNZ prior written approval and HBL being solvent at the time.

Ranking

The claims of the holders of the subordinated notes will rank:

- Behind the claims of all depositors and other creditors of HBL;
- equally with the claims of other holders of any other securities and obligations that rank equally with the subordinated notes and;
- ahead of the rights of the HBL's shareholders and holders of any other securities and obligations of HBL that rank behind the subordinated notes.

AUD Subordinated notes

On 28 June 2024, HBA, a subsidiary of the Group, issued A$50 million of subordinated unsecured notes (**AUD Subordinated notes**) pursuant to the terms of the Debt Issuance Programme in accordance with the laws of Australia. AUD Subordinated notes are treated as Tier 2 capital under HBA regulatory capital requirements and will mature on 28 June 2034. AUD Subordinated notes do not qualify for treatment as Tier 2 capital under HBL regulatory capital requirements.

Interest payable

The interest rate is a floating rate equal to the sum of the applicable 3-month Bank Bill Swap Rate plus 3.7% Issue Margin. The quarterly payment of interest in respect of the subordinated notes are subject to HBA being solvent at the time of, and immediately following the interest payment.

Early Redemption

HBA may elect to repay the subordinated notes before 28 June 2034 in part or in full at their face value together with accrued interest on 28 June 2029 or any interest payment date thereafter. Early redemption of all the subordinated notes for certain tax or regulatory events is permitted on an interest payment date. Early redemption is subject to certain conditions, including HBA obtaining the Australian Prudential Regulatory Authority (**APRA**) prior written approval and HBA being solvent at the time.

Ranking

The claims of the holders of the subordinated notes will rank:

- Behind the claims of all depositors and other creditors of HBA;
- equally with the claims of other holders of any other securities and obligations that rank equally with the subordinated notes and;
- ahead of the rights of the HBA's shareholders and holders of any other securities and obligations of HBA that rank behind the subordinated notes.

15 Borrowings (continued)

Securitised borrowings

The Group had the following securitised borrowings outstanding as at 30 June 2025:

Securitisation facility $000's	Currency	June 2025 Limit AUD	June 2025 Limit NZD	June 2025 Drawn	June 2024 Limit AUD	June 2024 Limit NZD	June 2024 Drawn	Maturity date
Heartland Auto Receivable Warehouse Trust (**HARWT**)[1]	NZD	—	320,000	158,640	—	600,000	484,422	26 August 2026
Seniors Warehouse Trust No.2 (**SWT2**)[2]	AUD	260,000	280,687	230,133	750,000	821,198	596,669	8 May 2056
StockCo Securitisation Trust 2021-1 (**StockCo**)[3]	AUD	—	—	—	250,000	273,733	155,581	Not applicable
Atlas 2020-1 Trust (**Atlas**)[4]	AUD	—	—	131,275	—	—	132,722	24 September 2050
Total securitisation borrowings			**600,687**	**520,048**		**1,694,931**	**1,369,394**	

[1]HARWT reduced its securitisation facility limit and partially repaid its securitised borrowings following the repurchase of its securitised assets by HBL during the year. Refer to Note 27 - Structured entities for further details.

[2]SWT2 reduced its securitisation facility limit as part of execution of its date-based calls and scheduled repayments of its securitised borrowings, in compliance with Australian Prudential Standard APS 120 Securitisation.

[3]StockCo facility undrawn limit was cancelled and drawn balance was fully repaid on 30 April 2025. Refer to Note 27 - Structured entities for further details.

[4]Atlas is a closed securitisation trust due to its predefined asset composition and outstanding borrowings balance, fixed throughout its operational life. As such, there is no facility limit applicable to Atlas issued notes.

- HARWT notes issued to investors are secured over motor vehicle loans.
- StockCo notes issued to investors were secured over livestock loans.
- SWT2 and Atlas notes issued to investors are secured over reverse mortgage loans.

Net debt reconciliation

The below table sets out net cash and non-cash changes in liabilities arising from financing activities.

$000's	June 2025	June 2024
Balance as at beginning of year	**2,040,763**	**2,496,375**
Proceeds from wholesale borrowings	424,614	1,743,510
Repayment of wholesale borrowings	(1,311,047)	(2,362,786)
Proceeds from issue of unsubordinated notes	—	189,588
Repayment of unsubordinated notes	(321,347)	(123,764)
Proceeds from issue of subordinated debt	—	51,572
Total cash movements	**(1,207,780)**	**(501,880)**
Acquisition of debt from purchase of subsidiary	—	2,574
Capitalised interest and fee expense	(3,354)	30,791
Fair value movements	3,470	805
Foreign exchange and other movements	(7,645)	12,098
Total non-cash movements	**(7,529)**	**46,268**
Balance as at the end of year	**825,454**	**2,040,763**

16 Share capital and dividends

Policy

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

000's	June 2025 Number of Shares	June 2024 Number of Shares
Issued shares		
Opening balance	930,561	709,658
Shares issued during the year	—	211,868
Shares issued - dividend reinvestment plan	9,539	9,035
Closing balance	**940,100**	**930,561**

The Group issued 6,857,950 new shares at $1.04 per share ($7.1 million) on 20 September 2024 and 2,680,562 shares at $0.81 per share ($2.2 million) on 21 March 2025 under the dividend reinvestment plan (**DRP**) for the year (2024: 4,790,946 new shares at $1.69 per share ($8.1 million) on 22 September 2023 and 4,243,768 new shares at $1.27 per share ($5.4 million) on 20 March 2024 under the DRP for the year).

During the year ended 30 June 2024 HGH completed a capital raise which comprised an institutional share placement (**Placement**) and a 1 for 6.85 accelerated non-renounceable entitlement offer (**Entitlement Offer**), offered to eligible institutional shareholders (**Institutional Entitlement Offer**) and eligible retail shareholders (**Retail Entitlement Offer**). HGH issued 131,949,647 shares for total proceeds of $131.9 million on 15 April 2024 under the Institutional Entitlement Offer and 79,102,644 shares at $1.00 per share ($79.1 million) on 26 April 2024 under the Retail Entitlement Offer. The total value of shares issued was $210.0 million with $6.3 million of transaction costs recognised in relation to this share issuance.

On 19 September 2023, HGH issued a further 1,275,194 shares at $0.60 per share ($0.8 million) under the Long Term Incentive Scheme of HGH (**LTI Scheme**), of which 459,070 shares at $1.74 per share ($0.8 million) were acquired by HGH pursuant to the buyback offer to the participants to fund the tax liability arising for those participants upon receipt of shares under the LTI Scheme.

The ordinary shares have no par value. Each ordinary share of HGH carries the right to vote on a poll at meetings of shareholders, the right to an equal share in dividends and the right to an equal share in the distribution of the surplus assets of HGH in the event of liquidation.

Dividends paid

	June 2025			June 2024		
	Date Declared	Cents Per Share	$000's	Date Declared	Cents Per Share	$000's
Final dividend	28 August 2024	3.0	27,918	28 August 2023	6.0	42,579
Interim dividend	26 February 2025	2.0	18,747	26 February 2024	4.0	28,611
Total dividends paid			**46,665**			**71,190**

17 Other reserves

$000's	Employee Benefit Reserve	Foreign Currency Translation Reserve (FCTR)	Fair Value Reserve	Cash Flow Hedge Reserve	Total
June 2025					
Balance as at 30 June 2024	–	(6,665)	(6,205)	4,374	(8,496)
Movements attributable to net investments in foreign operations	–	(6,905)	–	–	(6,905)
Movements attributable to changes in fair value of debt investments at FVOCI	–	–	2,143	–	2,143
Movements attributable to cash flow hedges	–	–	–	(17,041)	(17,041)
Movements attributable to changes in fair value of equity investments at FVOCI	–	–	(1,805)	–	(1,805)
Income tax effect	–	–	(592)	3,193	2,601
Total other comprehensive income/(loss) net of income tax	**–**	**(6,905)**	**(254)**	**(13,848)**	**(21,007)**
Share based payments[1]	721	–	–	–	721
Balance as at 30 June 2025	**721**	**(13,570)**	**(6,459)**	**(9,474)**	**(28,782)**
June 2024					
Balance as at 30 June 2023	3,581	(8,438)	(3,978)	15,075	6,240
Movements attributable to net investments in foreign operations	–	1,773	–	–	1,773
Movements attributable to changes in fair value of debt investments at FVOCI	–	–	1,282	–	1,282
Movements attributable to cash flow hedges	–	–	–	(14,977)	(14,977)
Movements attributable to changes in fair value of equity investments at FVOCI	–	–	(3,152)	–	(3,152)
Income tax effect	–	–	(357)	4,276	3,919
Total other comprehensive income/(loss) net of income tax	**–**	**1,773**	**(2,227)**	**(10,701)**	**(11,155)**
Share based payments	(2,816)	–	–	–	(2,816)
Vesting of share based payments	(765)	–	–	–	(765)
Balance as at 30 June 2024	**–**	**(6,665)**	**(6,205)**	**4,374**	**(8,496)**

[1] Includes fair value of equity instruments in respect of a proposed issuance of performance rights. Refer to Note 28 - Staff share ownership arrangements for further details.

Employee benefit reserve
Includes amounts which arise on the recognition of the Group's fair value estimate of equity instruments expected to vest under share-based compensation plan.

FCTR
Exchange differences arising on translation of the Group's foreign operations are accumulated in the Foreign currency translation reserve and recognised in other comprehensive income. The cumulative amount is reclassified to profit or loss when a foreign operation is disposed of.

Fair value reserve
Includes changes in the fair value of investment securities measured at fair value through other comprehensive income, net of tax. For debt securities, these changes are reclassified to the profit or loss when the asset is disposed. For equity securities, these changes are not reclassified to the profit or loss when the asset is disposed.

Cash flow hedge reserve
This includes fair value gains and losses associated with the effective portion of the designated cash flow hedging instruments, net of tax.

18 Other balance sheet items

Policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment (if any). Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each asset over its expected life to its estimated residual value.

$000's	June 2025	June 2024
Other assets		
Trade receivables	9	194
GST receivables	8,541	4,402
Prepayments	9,412	6,218
Property, plant and equipment	21,713	22,031
Other receivables	3,558	2,340
Total other assets	**43,233**	**35,185**

Policy

Intangible assets

Intangible assets with finite useful lives

Software acquired or internally developed by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on software assets is capitalised only when it increases the future economic value of that asset. Certain internal and external costs directly incurred in acquiring and developing software are capitalised when specific criteria are met. Costs incurred on planning or evaluating software proposals during the research phase or on maintaining systems after implementation are not capitalised. Amortisation of software is on a straight-line basis, at rates which will write off the cost over the assets' estimated useful lives. The expected useful life of the software varies up to ten years.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service agreements that grant the Group the right to access the cloud provider's application software over the contract period. Costs associated with configuring or customising the software, along with ongoing fees for accessing the cloud provider's application, are recognised as operating expenses when the services are received.

Some of these costs pertain to developing software code that enhances or modifies, or creates additional capability to, existing on-premise systems and qualifies as an intangible asset based on its definition and recognition criteria.

The Group capitalises costs incurred in configuring or customising certain suppliers' application software within specific cloud computing arrangements as intangible assets as the Group considers that it would benefit from those costs to implement the cloud-based software over the expected terms of the cloud computing arrangements. However, such capitalisation occurs only if the activities result in creating an intangible asset that the Group has control over and meets the necessary recognition criteria. Costs that do not meet the criteria for capitalisation as intangible assets are expensed as incurred unless they are paid to the suppliers (or subcontractors of the supplier) of the cloud-based software to significantly customise the cloud-based software for the Group (i.e., such services are not distinct from the Group's right to receive access to the supplier's cloud-based software). In the latter case, the upfront costs are recorded as prepayments for services and amortised over the expected terms of the cloud computing arrangements.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable net assets acquired. Goodwill that has an indefinite useful life is not subject to amortisation and is tested for impairment annually. Goodwill is carried at cost less accumulated impairment losses.

18 Other balance sheet items (continued)

$000's	June 2025	June 2024
Computer software		
Software - cost	77,360	88,533
Software under development	1,823	5,692
Accumulated amortisation	(33,181)	(37,443)
Net carrying value of computer software	**46,002**	**56,782**
Goodwill	204,819	208,723
Net carrying value of goodwill	**204,819**	**208,723**
Banking licence	14,401	14,401
Total intangible assets	**265,222**	**279,906**

Banking Licence

On 30 April 2024 Heartland Group Holdings Limited acquired 100% of the shares of HBA, holder of a full Australian Authorised Deposit-Taking Institution (**ADI**) Licence. HGH and HBA jointly applied to APRA for approval to expand the range of products HBA offers and to amend HBA's APRA approved business plan to integrate with HGH's existing Australian based financial services business.

Costs directly attributable to the licence application have been recognised as Banking Licence intangible asset as the Banking Licence will have an indefinite life with no foreseeable limit to the period over which the asset will generate benefits for the business.

Goodwill

For the purposes of impairment testing, goodwill is allocated to cash generating units. A Cash Generating Unit (**CGU**) is the smallest identifiable group of assets that generate independent cash inflows. The Group has assessed that goodwill should be allocated to the smallest identifiable CGU or group of CGUs.

During the year, the Group finalised goodwill recognised from the acquisition of HBA (refer to Note 19 – Acquisition for further details).

Pursuant to the acquisition of HBA, HBA and the Australian reverse mortgage lending and livestock financing businesses were transferred into HBA (collectively the **Australian businesses**). During the year ended 30 June 2025, HBA underwent a corporate simplification and the operational integration of the Australian reverse mortgage and livestock finance receivable portfolios with HBA. The performance of the Australian businesses is no longer managed and monitored as separate business units but rather aggregated and monitored as a collective business. This has resulted in the allocation of goodwill to one single HBA CGU (2024: the group of CGUs represented by the Australian businesses).

CGU	Goodwill	
$000's	June 2025	June 2024
Heartland Bank Limited	29,799	29,799
Heartland Bank Australia Limited (previously, group of CGUs)	175,020	178,924
Total goodwill	**204,819**	**208,723**

18 Other balance sheet items (continued)

Goodwill (continued)

Impairment testing of goodwill

Further information about goodwill impairment tests performed for CGUs or group of CGUs is provided below.

Heartland Bank Limited (**HBL**) - $29.8 million

The recoverable amount of the CGU was determined on a value in use (**VIU**) basis using a discounted cash flow methodology. The model uses a five-year cash flow forecast based on the latest budget approved by the Board and extended out based on long term growth rates. The long-term growth rate applied to the future cash flows after year five of the forecast was 2.0%, and a discount rate of 12.5% for HBL was applied which reflect both past experience and external sources of information. An impairment would only arise where the discount rate exceeds 14.0% and the terminal growth rate falls to 1.0% or below concurrently. Alternatively, goodwill may be impaired if projected cash flows for the terminal period are reduced by at least 25%. Both scenarios are considered highly unlikely.

Heartland Bank Australia (**HBA**) CGU (2024: the group of CGUs comprising the CGUs of Heartland Bank Australia Limited, Heartland Australia Holdings Pty Limited and StockCo Australia Group) - $175.0 million

Management have adopted fair value less costs of disposal (FVLCD) as the primary approach to assessing the recoverable amount of the CGU. The key assumptions used in the FVLCD determination were price-earnings (P/E) multiple and normalised current year earnings.

The P/E multiples used were sourced from publicly available data associated with comparable Australian Financial Services companies to HBA, as well as comparable transactions within the Australian banking industry within the past 12 months. The P/E multiples observed for these businesses and transactions were in a range of 13.7x to 19.8x with an average multiple of 16.4x. Management have used a multiple of 14x, with a 2.5% cost of disposal used for the business. Had management used a multiple of 12x, or reduced the normalised current year earning by 15%, the recoverable amount would still exceed the carrying amount of goodwill recorded at the 30 June 2025.

No impairment losses have been recognised against the carrying amount of goodwill for the year ended 30 June 2025 (2024: nil).

Policy

Employee benefits

Annual leave entitlements are accrued at amounts expected to be paid. Long service leave is accrued by calculating the probable future value of the entitlements and discounting back to present value. Obligations to defined contribution superannuation schemes are recognised as an expense when the contribution is paid.

$000's	June 2025	June 2024
Trade and other payables		
Trade and other payables	16,636	17,158
Insurance liability	556	645
Employee benefits	16,949	12,951
Other tax payables	2,479	4,176
Total trade and other payables	**36,620**	**34,930**

18 Other balance sheet items (continued)

Policy

Leases

The Group leases office space, car parks, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option are considered. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Lease liabilities are measured at the present value of the remaining lease payments and discounted using the Group's incremental borrowing rate (**IBR**). Carrying amounts are remeasured only upon reassessments and lease modifications.

Right of use assets are depreciated at the shorter of lease term or the Group's depreciation policy for that asset class.

$000's	June 2025	June 2024
Right of use assets		
Balance at beginning of year	15,519	12,318
Depreciation charge for the year, included within depreciation expense in the income statement	(3,703)	(3,252)
Additions to right of use assets	407	6,453
Total right of use assets	**12,223**	**15,519**
Lease liability		
Current	3,542	3,689
Non-current	10,848	14,087
Total lease liability	**14,390**	**17,776**
Interest expense relating to lease liability	**569**	**693**

19 Acquisition

Policy

Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.

The consideration transferred in the acquisition and any contingent consideration to be transferred are generally measured at fair value, as are the identifiable net assets acquired. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the fair value of the net assets acquired) and is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and does not exceed twelve months. Transaction cost related to the acquisition is recognised as an expense in profit or loss when incurred with the exception of costs to issue debt or equity securities.

On 30 April 2024 the Group completed the acquisition of 100% shareholding in HBA from Challenger Limited.

The consideration paid was subject to a completion adjustment based on the net asset movements and finalisation of other commercials since the determination date. The revised purchase consideration with respect to this acquisition was A$113.95 million (NZ$125.20 million) at the exchange rate of the dates of the acquisition and the completion adjustment.

During the year ended 30 June 2025, the purchase price was finalised and a reduction of A$1.29 million (NZ$1.40 million) was made to the initial purchase consideration. The fair value of consideration reduced from A$115.24 million (NZ$126.60 million) to A$113.95 million (NZ$125.20 million) resulting in goodwill reduction from A$21.19 million (NZ$23.20 million) to A$19.90 million (NZ$21.80 million).

The final goodwill as at the reporting date has been allocated to the Heartland Australia Bank Limited CGU (refer to Note 18 - Other balance sheet items for further details).

19 Acquisition (continued)

Details of the fair values of the assets and liabilities acquired and the final goodwill arising from the acquisition of HBA are set out as follows:

$000's	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	292,211
Investments	367,739
Finance receivables measured at amortised cost	61,179
Finance receivables - reverse mortgages	635,609
Provision for impairment	(167)
Deferred tax asset	820
Other assets	860
Total assets	**1,358,251**
Liabilities	
Deposits	1,249,375
Other borrowings	2,574
Trade and other payables	2,916
Total liabilities	**1,254,865**
Net assets acquired	**103,386**
Final goodwill arising on acquisition	21,801
Fair value of consideration	**126,591**
Purchase price adjustment	(1,404)
Total cash consideration transferred	**125,187**

20 Related party transactions and balances

Policy

A person or entity is a related party under the following circumstances:

(a) A person or a close member of that person's family if that person:
- i) has control or joint control over HGH;
- ii) has significant influence over HGH; or
- iii) is a member of the key management personnel of HGH.

(b) An entity is related to HGH if any of the following conditions applies:
- i) the entity and HGH are members of the same group;
- ii) one entity is an associate or joint venture of the other entity;
- iii) both entities are joint ventures of the same third party;
- iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- v) the entity has a post-employment benefit plan for the benefit of employees of either HGH or an entity related to HGH.
- vi) the entity is controlled, or jointly controlled by a person identified in (a); and
- vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of entity (or of a parent of the entity).

(a) Transactions with key management personnel

Key management personnel (**KMP**), are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Group. This includes all executive staff and Directors.

KMP and their related parties receive personal banking and financial investment services from the Group in the ordinary course of business. The terms and conditions, for example interest rates and collateral, and the risks to the Group are comparable to transactions with other employees and did not involve more than the normal risk of repayment or present other unfavourable features.

All other transactions with KMP's and their related parties are conducted in the ordinary course of business on commercial terms and conditions.

$000's	June 2025	June 2024
Transactions with key management personnel[1]		
Interest expense	(15)	(69)
Total transactions with key management personnel	**(15)**	**(69)**
Key management personnel compensation		
Short-term employee benefits	(3,043)	(3,317)
Post-employment benefits[2]	(4,106)	(106)
Other long-term benefits	(198)	–
Termination benefits[2]	(1,875)	–
Share-based plan benefit	(400)	–
Total key management personnel compensation	**(9,622)**	**(3,423)**
Due from/(to) key management personnel[1]		
Borrowings - deposits	(145)	(1,231)
Total due to key management personnel	**(145)**	**(1,231)**

[1]These transactions and balances include those with key management personnel, their close family members, and/or entities controlled/jointly controlled by them.

[2]Post-employment benefits and termination benefits during the year ended 30 June 2025 are retirement and disestablishment payments to certain key management personnel.

20 Related party transactions and balances (continued)

(b) Transactions with related parties

HGH is the ultimate parent company of the Group.

Entities within the Group have regular transactions with each other on agreed terms. The transactions include the provision of administrative services and customer operations. Banking facilities are provided by HBL to other Group entities on normal commercial terms as with other customers. There is no lending from subsidiaries within the Group to HGH.

Related party transactions between the Group members eliminate on consolidation. Related party transactions outside of the Group are as follows:

$000's	June 2025	June 2024
Heartland Trust (HT)		
Payment to HT for providing goods and services	10	–
Dividends paid	325	650

HT held 6,504,266 shares in HGH (2024: 6,504,266 shares).

The Trustees of HT and certain employees of the Group provided their time and skills to the oversight and operation of HT at no charge.

21 Fair value

Policy

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair value using other valuation techniques.

The Group measures fair values using the following fair value hierarchy, which reflects the observability of the inputs used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(a) Financial instruments measured at fair value

The following methods and assumptions were used to estimate the fair value of each class of financial asset and liability measured at fair value on a recurring basis in the statement of financial position.

The Group has an established framework in performing valuations required for financial reporting purposes including Level 3 fair values. The Group regularly reviews and calibrates significant unobservable inputs and valuation adjustments in accordance with market participants' views. If external valuation specialists are engaged to measure fair values, the Group assesses the evidence obtained from these specialists to support the conclusion of these valuations. All significant valuations are reported to the Group's Board Audit and Risk Committee for approval prior to its adoption in the financial statements.

Investments in debt securities

Investments in public sector securities and corporate bonds are stated at FVOCI or FVTPL, with the fair value being based on quoted market prices (Level 1 under the fair value hierarchy) or modelled using observable market inputs (Level 2 under the fair value hierarchy). Refer to Note - 11 Investments for more details.

Investments valued under Level 2 of the fair value hierarchy are valued either based on quoted market prices or dealer quotes for similar instruments, or discounted cash flows analysis.

Investments in equity securities

Investments in equity securities are classified at FVTPL unless an irrevocable election is made by the Group to measure at FVOCI. Investment in listed securities traded in liquid, active markets where prices are readily observable are measured under Level 1 of the fair value hierarchy with no modelling or assumptions used in the valuation. Equity securities are measured at FVOCI where they are not held for trading, the Group doesn't have control or significant influence over the investee and where an irrevocable election is made to measure them at FVOCI. These securities are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for dividend income which is recognised in profit or loss. Investments in unlisted equity securities are measured under Level 3 of the fair value hierarchy with the fair value being based on unobservable inputs using market accepted valuation techniques. Where appropriate, the Group may apply adjustments to the above-mentioned techniques to determine fair value of an equity security to reflect the underlying characteristics. These adjustments are reflective of market participant considerations in valuing the said security.

21 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

Finance receivables - reverse mortgages

The Group classifies and measures the reverse mortgage portfolio at FVTPL under NZ IFRS 9 as the review of the reverse mortgage portfolio valuation determined that the terms and conditions of these loan contracts do not contain a component of significant insurance risk.

On initial recognition the Group considers the transaction price to represent the fair value of the loan, on the basis that no reliable fair value can be estimated as there is no relevant active market and fair value cannot be reliably measured using other valuation techniques under NZ IFRS 13 Fair value measurement.

For subsequent measurement, and at balance date, the Group considered whether the fair value can be determined by reference to a relevant active market or using a valuation technique that incorporates observable inputs but has concluded relevant support is not currently available. In the absence of such market evidence the Group has used the transaction value (cash advanced plus accrued capitalised interest) for subsequent measurement. The Group has used an actuarial method to determine a proxy for the fair value that incorporates changes in the portfolio risk and expectations of the portfolio performance. This includes inputs such as mortality and potential move into care, voluntary exits, house price changes, interest rate margin and the no equity guarantee. This estimate is highly subjective and a wide range of plausible values are possible. The estimate provides an indication of whether the transaction value is overstated.

The Group does not consider that the actuarial estimate has moved outside of the original expectation range on initial recognition. There has been no fair value movement recognised in profit or loss during the period (2024: nil). Fair value is not sensitive to the above assumptions due to the nature of reverse mortgage loans. In particular, given conservative origination loan-to-value ratio and security criteria, a material deterioration in house prices combined with a material increase in interest rates over a sustained period of time would likely need to occur before any potential impact to fair value.

The Group will continue to reassess the existence of a relevant active market and movements in expectations on an on-going basis.

Derivative financial instruments

Derivative financial instruments are recognised in the financial statements at fair value. Fair values are determined from observable market prices as at the reporting date, discounted cash flow models or option pricing models as appropriate (Level 2 under the fair value hierarchy).

21 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which each fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

$000's	Level 1	Level 2	Level 3	Total
June 2025				
Assets				
Investments	784,988	—	6,772	791,760
Derivative financial instruments	—	4,792	—	4,792
Finance receivables - reverse mortgages	—	—	3,370,949	3,370,949
Total financial assets measured at fair value	**784,988**	**4,792**	**3,377,721**	**4,167,501**
Liabilities				
Derivative financial instruments	—	20,660	—	20,660
Total financial liabilities measured at fair value	**—**	**20,660**	**—**	**20,660**
June 2024				
Assets				
Investments	1,082,699	—	9,432	1,092,131
Derivative financial instruments	—	12,316	—	12,316
Finance receivables - reverse mortgages	—	—	2,897,818	2,897,818
Total financial assets measured at fair value	**1,082,699**	**12,316**	**2,907,250**	**4,002,265**
Liabilities				
Derivative financial instruments	—	9,017	—	9,017
Total financial liabilities measured at fair value	**—**	**9,017**	**—**	**9,017**

There were no transfers between levels in the fair value hierarchy in the year ended 30 June 2025(2024: nil).

21 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

The movement in Level 3 assets measured at fair value are below:

$000's	Finance Receivables - Reverse Mortgages	Investments	Total
June 2025			
As at 30 June 2024	2,897,818	9,432	2,907,250
New loans	643,735	—	643,735
Repayments	(424,626)	—	(424,626)
Capitalised Interest and fees	283,600	—	283,600
Purchase of investments	—	251	251
Fair value loss on investment	—	(2,805)	(2,805)
Other[3]	(29,578)	(106)	(29,684)
As at 30 June 2025	**3,370,949**	**6,772**	**3,377,721**
June 2024			
As at 30 June 2023	2,403,810	11,484	2,415,294
Sale of SWT portfolio to HBA[1]	(631,345)	—	(631,345)
Additions - acquisition of HBA[2]	635,609	—	635,609
New loans	552,073	—	552,073
Repayments	(335,429)	—	(335,429)
Capitalised Interest and fees	261,318	—	261,318
Purchase of investments	—	1,059	1,059
Fair value (loss) on investment	—	(3,152)	(3,152)
Other[3]	11,782	41	11,823
As at 30 June 2024	**2,897,818**	**9,432**	**2,907,250**

[1]Represents reverse mortgage portfolio sold to HBA on 24 April 2024, prior to its acquisition. Refer to Note 27 - Structured entities.
[2]Refer to Note 19 - Acquisition.
[3]Represents foreign currency translation differences for the assets.

(b) Financial instruments not measured at fair value

The following assets and liabilities of the Group are not measured at fair value in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and their carrying value is considered equivalent to their fair value due to their short term nature.

Finance receivables measured at amortised cost

The fair value of the Group's finance receivables is calculated using a valuation technique which assumes the Group's current weighted average lending rates for loans of a similar nature and term.

Finance receivables with a floating interest rate are deemed to be at current market rates. The current amount of credit provisioning has been deducted from the fair value calculation of finance receivables as a proxy for future losses.

21 Fair value (continued)

(b) Financial instruments not measured at fair value (continued)

Borrowings

The fair value of deposits, bank borrowings and other borrowings is the present value of future cash flows and is based on the current market interest rates payable by the Group for debt of similar maturities.

Other financial assets and financial liabilities

The fair value of all other financial instruments is considered equivalent to their carrying value due to their short-term nature.

The following table sets out financial instruments not measured at fair value where the carrying value does not approximate fair value, compares their carrying value against their fair value and analyses them by level in the fair value hierarchy.

	June 2025			June 2024		
$000's	**Fair Value Hierarchy**	**Total Fair Value**	**Total Carrying Value**	**Fair Value Hierarchy**	**Total Fair Value**	**Total Carrying Value**
Assets						
Finance receivables measured at amortised cost	Level 3	3,823,238	3,711,450	Level 3	4,146,692	4,266,946
Total financial assets		**3,823,238**	**3,711,450**		**4,146,692**	**4,266,946**
Liabilities						
Deposits	Level 2	6,554,765	6,529,953	Level 2	5,955,369	5,949,116
Other borrowings	Level 2	831,035	825,454	Level 2	2,042,396	2,040,763
Total financial liabilities		**7,385,800**	**7,355,407**		**7,997,765**	**7,989,879**

21 Fair value (continued)

(c) Classification of financial instruments

The following tables summarise the categories of financial instruments and the carrying value of all financial instruments of the Group:

$000's	FVOCI Equity	FVOCI Debt Securities	FVTPL	Amortised Cost	Total Carrying Value
June 2025					
Assets					
Cash and cash equivalents	–	–	–	356,229	356,229
Collateral paid	–	–	–	14,239	14,239
Investments	5,664	776,945	9,151	–	791,760
Finance receivables measured at amortised cost	–	–	–	3,711,450	3,711,450
Finance receivables - reverse mortgages	–	–	3,370,949	–	3,370,949
Derivative financial instruments	–	–	4,792	–	4,792
Other financial assets	–	–	–	3,567	3,567
Total financial assets	**5,664**	**776,945**	**3,384,892**	**4,085,485**	**8,252,986**
Liabilities					
Deposits	–	–	–	6,529,953	6,529,953
Other borrowings	–	–	–	825,454	825,454
Derivative financial instruments	–	–	20,660	–	20,660
Other financial liabilities	–	–	–	17,192	17,192
Total financial liabilities	**–**	**–**	**20,660**	**7,372,599**	**7,393,259**
June 2024					
Assets					
Cash and cash equivalents	–	–	–	629,619	629,619
Investments	7,575	371,816	712,740	–	1,092,131
Finance receivables measured at amortised cost	–	–	–	4,266,946	4,266,946
Finance receivables - reverse mortgages	–	–	2,897,818	–	2,897,818
Derivative financial instruments	–	–	12,316	–	12,316
Other financial assets	–	–	–	2,534	2,534
Total financial assets	**7,575**	**371,816**	**3,622,874**	**4,899,099**	**8,901,364**
Liabilities					
Collateral received	–	–	–	2,384	2,384
Deposits	–	–	–	5,949,116	5,949,116
Other borrowings	–	–	–	2,040,763	2,040,763
Derivative financial instruments	–	–	9,017	–	9,017
Other financial liabilities	–	–	–	17,803	17,803
Total financial liabilities	**–**	**–**	**9,017**	**8,010,066**	**8,019,083**

Risk Management

22 Enterprise risk management program

The board of directors (the **Board**) sets and monitors the Group's risk appetite across the primary risk domains of credit, capital, liquidity, market (including interest rate, foreign exchange and equity valuations), continuity, conduct and compliance, and people risk. Management is, in turn, responsible for ensuring appropriate structures, policies, procedures and information systems are in place to actively manage these risk domains, as outlined within the Risk Management Strategy and Framework document (**RMS&F**). Collectively, these processes are known as the Group's Enterprise Risk Management Program (**RMP**).

The Group's RMS&F addresses RBNZ prudential risk management requirements and aligns with HBA's own Risk Management Strategy document that addresses APRA regulatory requirements.

Role of the Board and the Board Audit and Risk Committee

The Board, through its Board Audit and Risk Committee (**BARC**) is responsible for oversight and governance of the development of the RMP. The role of the BARC includes assisting the Board to formulate its risk appetite and monitoring the effectiveness of the RMP. BARC's responsibilities also include:

- Reviewing financial reporting and application of accounting policies as part of the internal control and risk assessment framework.
- Monitoring the identification, evaluation and management of all significant risks through the Group. This work is supported by an internal audit programme, which provides an independent assessment of the design, adequacy and effectiveness of internal controls. The BARC receives regular reports from internal audit.
- Advising the Board on the formulation of the Board's Risk Appetite Statement.
- Reviewing any reports, policies, standards, other risk documents or matters, or minutes which have been prepared by or in respect of the HGH's Board.
- Monitor material, emerging and strategic risks for the Group and its subsidiaries.

The BARC consists of three non-executive directors, two of whom are independent. The Chair of the HBL Audit Committee and the Chair of the HBL Risk Committee, as well as the HGH CEO, the HBL CEO, the Head of Internal Audit, the HBL Chief Financial Officer (**CFO**) and the HBL Chief Risk Officer (**CRO**), each attend BARC meetings. The BARC undertakes its responsibilities with the assistance of subsidiary Boards and subsidiary Board Committees.

Internal Audit

The Internal Audit function for New Zealand is maintained within HBL and made available to HGH while HBA has its own Internal Audit function. Internal Audit is allowed full, free and unfettered access to any and all of the organisation's records, personnel and physical properties deemed necessary to accomplish its activities. The Internal Audit functions and other assurance roles have unfettered access to the Group's Boards as required.

The objective of the Group's Internal Audit functions is to provide independent, objective assurance over the internal risk control framework and compliance with policies. In certain circumstances, Internal Audit will provide risk and control advice to Management provided the work does not impede the independence of the Internal Audit functions. The functions assist the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The HGH BARC and the HBA BAC each approve the respective annual internal audit programmes (as applicable), which are developed in consultation with Management. A regular cycle of review is implemented to cover all areas of the business, focused on assessment, management and control of risks identified. The audit plan takes into account cyclical review of various business units and operational areas, as well as identified areas of higher identified risk. The audit methodology is designed to meet the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

22 Enterprise risk management program (continued)

Group Asset and Liability Committee (GALCO)

The GALCO is a management committee consisting of members from HBL and HBA which informs and supports the HGH BARC by providing consolidated oversight of risks of the Group's assets and liabilities across both HBL and HBA in relation to market risk, liquidity risk, balance sheet structure and capital management through:

- Ensuring compliance of the Group's risk limits and governance requirements.
- Ensuring robust governance over HBA's and the New Zealand Banking Group's 12-month funding plans and alignment with the Group's strategic funding plan.
- Recommending financial risk management policies for approval and changes to financial risk tolerances to BARC and the Board.
- Development of the Group's Contingency Funding Plan (**CFP**) and review of HBA's CFP.
- Setting the strategic direction for asset and liability management, to be reflected in the asset and liability management policy.
- Monitoring, assessing and proactively reacting to trends in the economy, interest rates, and foreign exchange rates to limit any potential adverse impact on earnings.
- Developing and recommending the Group's hedging strategy.

HBL Executive Risk Committee (ERC)

The ERC comprises a minimum of three members of the executive leadership team who are direct reports to the HBL CEO. The ERC has responsibility for overseeing the internal control environment to ensure that residual risk is consistent with the Group's risk appetite. The ERC generally meets 6 times a year, and minutes are made available to the BARC. ERC's specific responsibilities include the ongoing monitoring of risks which individually or collectively comprise the Board's risk appetite, and oversight over the management of operational, compliance and credit risks, including regulatory oversight and conduct risk within the Group.

During the year ended 30 June 2025 the ERC approved the establishment of the Product Governance Committee (**PGC**) responsible for overseeing and guiding the development, management and optimisation of HBL's product offerings and pricing strategies. This includes overseeing the development and launch of new product offerings and the positioning of existing products in the market.

Members of the PGC include a minimum of two direct reports to the HBL CEO and meetings are held not less than four times per calendar year. The ERC monitors and ensures that the PGC's purpose, responsibilities, and performance remain appropriate.

Three lines of defence model

To ensure appropriate responsibility is allocated for the management, reporting and escalation of operational and compliance risk, the Group operates a "three lines of defence" model which outlines principles for the roles, responsibilities and accountabilities for operational and compliance risk management:

- The first line of defence is the business line management of the identification, management and mitigation of the risks associated with the products and processes of the business. This accountability includes regular testing and attestation of the adequacy and effectiveness of controls and compliance with the Group's policies.
- The second line of defence is the Enterprise Risk function, responsible for the overall management of enterprise risk. It incorporates key processes including governance oversight, risk and control self-assessment (**RCSA**), incident management, targeted independent evaluation of the adequacy and effectiveness of the internal control framework and the attestation process.
- The third line of defence provides independent assurance on the design and effectiveness of the risk frameworks, the effectiveness of the first and second lines of defence, and the effectiveness of the Group's policies, procedures, and systems. The third line assurance incorporates the internal audit function and extends to any other independent review activities.

The Group categorises its key risks as financial and non-financial, reflecting its overarching approach to risk management. Financial risks comprise profit risk, balance sheet risk, funding, liquidity and market risks. Non-financial risks are operational in nature and include continuity risk, conduct and compliance risk, and people risk.

22 Enterprise risk management program (continued)

Financial risks

Profit risk

Profit risk is the risk of failing to achieve financial performance levels, targets and market expectations which may result in reputational damage, financial loss, higher cost of capital, and a diminished capacity to raise capital.

Balance sheet risk

Balance sheet risk encompasses capital risk and credit risk. Capital risk refers to the risk of failing to meet or maintain regulatory capital requirements, capital quality standards, or a satisfactory external credit rating, which could impair the Group's ability to absorb business shocks and raise capital. Credit risk is the risk that a borrower fails to meet their obligations when due, resulting in loss of principal and interest, disruption to cash flows, increased collection costs, and consequent impacts on profitability. Refer to Note 23 - Credit risk exposure for further details.

Liquidity and funding risk

Liquidity and funding risks refer to the risk of being unable to secure sufficient, appropriately diversified funding with suitable tenor and pricing, or to meet payment obligations as they fall due. Refer to Note 24 - Liquidity and funding risk for further details.

Market risk

Market risk is the possibility of experiencing losses or gains due to factors affecting the overall performance of financial markets in which the Group is exposed. The primary market risk exposures for the Group are interest rate risk and foreign exchange risk. The risk arises from potential changes in market interest rates or foreign exchange rates that could adversely affect the Group's earnings. This may result from unfavourable movements in exchange rates or, in the case of interest rate risk, from mismatches between the repricing dates of interest-bearing assets and liabilities and/or differences between customer pricing and wholesale funding rates.

Interest rate risk

Interest rate risk refers to exposure of an entity's earnings and / or capital because of a mismatch between the interest rate exposures of its assets and liabilities. Interest rate risk for the Group arises from the provision of non-traded retail banking products and services and from traded wholesale transactions entered into to reduce aggregate interest rate risk (known as hedges). This risk arises from the following key sources:

- Mismatches between the repricing dates of interest-bearing assets and liabilities (yield curve and repricing risk);
- Banking products repricing differently to changes in wholesale market rates (basis risk);
- Loan prepayment or deposit early withdrawal behaviour from customers that deviates from the expected or contractually agreed behaviour (optionality risk);
- The effect of internal or market forces on a bank's net interest margin where, for example, in a low rate environment any fall in rates will further decrease interest income earned on the assets whereas funding cost cannot be reduced as it is already at the minimum level (margin compression risk); and
- The risk that the fair value of financial instruments will change when interest rates change (price risk). This is particularly relevant for the Group's fair-valued assets, such as its liquid asset portfolio, which the fair value of is relied upon to support the Group's funding requirements.

Refer to Note 25 - Interest rate risk for further details regarding interest rate risk.

Foreign exchange risk

Foreign exchange (**FX**) risk arises from a change in FX rates for assets, liabilities, profit, or income denominated in an entity's non-functional currency. Functional currency is the currency in which an entity primarily operates.

FX risk has the below components:

- Structural FX risk refers to the risk that an entity is exposed to when its assets, liabilities, or capital resources are denominated in a currency that is different to its reporting currency. This risk does not impact earnings unless and until the investment is sold. However, it does impact shareholder equity through revaluations of the net asset value through the foreign currency translation reserve.
- Profit translation risk is the risk that deviations in exchange rates significantly impact the translated value of a foreign currency-based operation's profit, creating volatility in the entity's reported profit.

22 Enterprise risk management program (continued)

Financial risks (continued)

Foreign exchange risk (continued)

- Balance sheet translation risk - arises from monetary assets and liabilities denominated in foreign currencies. Movements in FX rates change the equivalent value of foreign currency-denominated assets and liabilities through the entity's reported profit.

The Group's investment of capital in foreign currency operations generates an exposure to changes in foreign exchange rates. The Group has exposure to foreign currency translation risks through its Australian subsidiaries which have functional currency of Australian dollars (**AUD**). Variations in the value of these foreign currency operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity. The Group incurs some non-traded foreign currency risk related to the potential repatriation of profits from its Australian subsidiaries.

The Group does not currently hedge its net investments in foreign operations except in circumstances where there is a material exposure arising from a currency that is anticipated to be volatile, and the hedging is cost effective. This risk is routinely monitored, and hedging is conducted where it is likely to add shareholder value.

The Group's sensitivity to movements in the FX rates arises mainly from the translation of the profit generated by its Australian subsidiaries and the AUD-denominated monetary assets and liabilities. The Group's FX sensitivity analysis is based on the Australian subsidiaries' annual profit representing an annual exposure to profit translation risk. Additionally, it incorporates the exposure related to the Group's AUD-denominated cash balance as at 30 June 2024, which is excluded from the total exposure as at 30 June 2025, as it was fully hedged through an FX forward contract as at the reporting date.

The following sensitivity analysis measures the impact on the Group's net profit after tax and equity from a reasonably possible movements in AUD/NZD exchange rates, given the historical exchange rate volatility, with all other variables remaining constant.

$000's	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	As at 30 June 2025		As at 30 June 2024	
AUD/NZD exchange rate - increase 1%	(295)	(212)	(173)	(124)
AUD/NZD exchange rate - decrease 1%	301	217	176	127

Counterparty credit risk

Counterparty credit risk is the risk that the Group's earnings and/or capital are adversely impacted by the default of a counterparty.

The Group has on-going credit exposure associated with:

- Cash and cash equivalents;
- Finance receivables;
- Holding of investment securities; and
- Payments owed to the Group from risk management instruments.

Counterparty credit risk is managed against limits set in the Market Risk Policy including credit exposure on derivative contracts, bilateral set-off arrangements, cash and cash equivalents and investment securities.

Non-financial risks

Non-financial risks encompass operational and compliance risks including conduct, regulatory, third party, cyber and other business interruption risks arising from day-to-day operational activities in the execution of the Group's strategy which may result in direct or indirect loss. Operational and compliance risk losses can occur as a result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The losses range from direct financial losses to reputational damage, unfavourable media attention, injury to or loss of staff or clients or as a breach of laws or banking regulations. Where appropriate, risks are mitigated by insurance.

22 Enterprise risk management program (continued)

Non-financial risks (continued)

The Group's exposure to operational and compliance risk is governed by a RAS approved by the Board and is used to guide management activities. This statement sets out the nature of risk which may be taken and aggregate risk limits, which are monitored by the ERC.

Climate-related risks

Climate-related risks are integrated into the Group's overall risk management strategy and processes.

Risk Management

HGH has a defined risk tolerance for climate-related risk, which is monitored as part of HGH's RAS, reviewed, and updated at least annually to incorporate necessary changes and consider any new material emerging risks.

HGH's Enterprise Operational Risk Assessment identifies and assists proactive management of the Group's most critical operational risks, including climate-related risks, by establishing an inherent risk rating and residual risk rating to assist with monitoring of the risk exposure.

All Group business units are required to review their RCSA at least annually. The RCSA primarily focuses on key operational risks and considers climate-related risks where relevant.

Governance

The Board is responsible for the Group's strategy and risk appetite ensuring climate-related risks and opportunities are considered. Oversight, assessment and management of climate-related risks and opportunities occur within HBL and HBA given their direct involvement in business operations and decision-making.

The HGH Sustainability Committee meets at least quarterly to consider climate-related risks and opportunities and provide updates, guidance, and leadership regarding climate initiatives to the Board.

The ERC receives quarterly updates on risk appetite and status, including the status of climate-related risks, as well as quarterly Climate Change Composite Assessment capturing HBL and HBA climate-related risks.

HBL and HBA management are responsible for executing the initiatives, metrics and targets allocated based on accountability.

Strategy

The Group's sustainability strategy continues to evolve with the ongoing commitment to reducing its direct environmental impact, creating business practices that support positive environmental outcomes and fostering an internal culture of environmental awareness. The Group's strategy is built upon three pillars:

- building the capability to appropriately take climate change risks into consideration when making lending decisions,
- funding borrowers' transition to a net-zero economy; and
- embedding sustainability into every aspect of the Group's operations.

The Group integrates climate-related risks and opportunities into its wider business strategy, supported by ongoing monitoring of these risks through specific metrics and set targets focused on sustainable finance and its own operational emissions.

The Group assesses the impact of climate-related risks on its financial position and performance. Although climate change introduces an element of uncertainty, the Group has determined that climate-related risks do not have a material impact on the judgements, assumptions, and estimates for the year ended 30 June 2025 (2024: same). HGH will release its Climate Report for the year ended 30 June 2025 by 30 September 2025, providing further details on the Group's approach to climate-related risks.

23 Credit risk exposure

Credit risk is the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to make. The risk is primarily that of the lender and includes loss of principal and interest, disruption to cash flows and increased collection costs.

Credit risk is managed to achieve sustainable risk-reward performance whilst maintaining exposures within acceptable risk "appetite" parameters. This is achieved through the combination of governance, policies, systems and controls, underpinned by commercial judgement as described below.

To manage this risk the ERC oversees the formal credit risk management strategy. The ERC reviews the Group's credit risk exposures typically on a monthly basis. The credit risk management strategies aim to ensure that:

- Credit origination meets agreed levels of credit quality at point of approval;
- Sector concentrations are monitored;
- Maximum total exposure to any one debtor is actively managed;
- Changes to credit risk are actively monitored with regular credit reviews.

The BARC (with the assistance of the HBL Board Risk Committee for New Zealand and the Heartland Australia Group Board for Australia) also oversees the Group's credit risk exposures to monitor overall risk metrics having regard to risk appetite set by the Board.

HBL's Board Risk Committee (**BRC**) has authority for approval of all credit exposures for New Zealand. Lending authority has been provided by the BRC to HBL's Credit Committee, and to the business units under a detailed Delegated Lending Authority framework. Application of credit discretions in the business operation are monitored through a defined review and hindsight structure as outlined in the Credit Risk Oversight Policy. Delegated Lending Authorities are provided to individual officers with due cognisance of their experience and ability. Larger and higher risk exposures require approval of senior management, the Credit Committee and ultimately through to HBL's BRC.

HBA Board has authority for approval for all credit exposures for HBA and its subsidiaries.

Reverse mortgage loans and negative equity risk

Reverse mortgage loans are a form of mortgage lending designed for the needs of people over 60 years of age. These loans differ to conventional mortgages in that they typically are not repaid until the borrower ceases to reside in the property. Further, interest is not required to be paid, it is capitalised into the loan balance and is repayable on termination of the loan. As such, there are no incoming cash flows and therefore no default risk to manage during the term of the loan. Negative equity risk arises from the promise by the Group that the maximum repayment amount is limited to the net sale proceeds of the borrowers' property.

The Group's exposure to negative equity risk is managed via lending standards specific for this product. In addition to usual criteria regarding the type, and location, of security property that the Group will accept for reverse mortgage lending, a key aspect of the Group's policy is that a borrower's age on origination of the reverse mortgage loan will dictate the loan-to-value ratio of the reverse mortgage on origination. New Zealand and Australia reverse mortgage lending standards and operations are well aligned.

Business Finance Guarantee Scheme

HBL, along with other registered banks in New Zealand, has entered into a Deed of Indemnity with the New Zealand Government to implement the New Zealand Government's Business Finance Guarantee Scheme (the Scheme). The purpose of the Scheme is to provide short term credit to eligible small and medium size businesses, who have been impacted by the economic effects of COVID-19. The scheme allowed banks to lend to a maximum of $5 million for a maximum of five years. The New Zealand Government will guarantee 80% of any loss incurred (credit risk) with HBL holding the remaining 20%. The Scheme concluded on 30 June 2021. As at 30 June 2025 HBL had a total exposure of $32.1 million (2024: $42.2 million) to its customers under this Scheme.

North Island Weather Events (NIWE) Loan Guarantee Scheme

On 31 July 2023, HBL entered into a Deed of Indemnity with the New Zealand Government to implement the North Island Weather Events Loan Guarantee Scheme. The supported loans are intended to assist New Zealand businesses to manage the impacts of the North Island Weather Events (during Auckland Anniversary weekend 2023). The facility limit for each supported loan must not exceed $10 million for a maximum of 5 years. The New Zealand Government will guarantee 80% of any loss incurred (credit risk) with HBL holding the remaining 20%. The Scheme concluded on 30 June 2025. As at 30 June 2025 HBL had supported loans under this scheme of $31.7 million (2024: $33.2 million).

23 Credit risk exposure (continued)

Maximum exposure to credit risk at the relevant reporting dates

The following table represents the maximum credit risk exposure, without taking into account any collateral held. The exposures set out below are based on net carrying amounts as reported in the statement of financial position, where investments exclude total equity investments and finance receivables measured at amortised cost are presented gross of provision for losses on guaranteed future value products as they do not give rise to credit risk exposure.

$000's	June 2025	June 2024
On balance sheet:		
Cash and cash equivalents	356,229	629,619
Collateral paid	14,239	–
Investments	779,119	1,078,656
Finance receivables measured at amortised cost	3,712,954	4,266,946
Finance receivables - reverse mortgages	3,370,949	2,897,818
Derivative financial assets	4,792	12,316
Other financial assets	3,567	2,534
Total on balance sheet credit exposures	**8,241,849**	**8,887,889**
Off balance sheet:		
Letters of credit, guarantee commitments and performance bonds	5,507	3,130
Undrawn facilities available to customers	565,735	554,307
Conditional commitments to fund at future dates	11,095	9,947
Total off balance sheet credit exposures	**582,337**	**567,384**
Total credit exposures	**8,824,186**	**9,455,273**

Concentration of credit risk by geographic region

$000's	June 2025	June 2024
New Zealand	5,407,089	5,800,275
Australia	3,313,862	3,514,691
Rest of the world	175,014	216,628
	8,895,965	**9,531,594**
Provision for impairment	(71,779)	(76,321)
Total credit exposures	**8,824,186**	**9,455,273**

[1]These overseas assets are primarily NZD-denominated investments in AA+ (Standard & Poor's) and higher rated securities issued by offshore supranational agencies ("Kauri Bonds").

23 Credit risk exposure (continued)

Concentration of credit risk by industry sector

The Australian and New Zealand Standard Industrial Classification (**ANZSIC**) codes have been used as the basis for categorising customer and investees across industry sectors.

$000's	June 2025	June 2024
Agriculture	1,076,425	1,084,047
Forestry and fishing	81,038	113,264
Mining	9,397	10,276
Manufacturing	58,203	69,799
Finance and insurance	1,044,209	1,754,662
Wholesale trade	35,177	40,561
Retail trade and accommodation	362,335	376,927
Households	4,960,991	4,715,535
Other business services	331,264	294,445
Construction	274,653	338,998
Rental, hiring and real estate services	182,361	196,329
Transport and storage	377,937	431,665
Other	101,975	105,086
	8,895,965	**9,531,594**
Provision for impairment	(71,779)	(76,321)
Total credit exposures	**8,824,186**	**9,455,273**

Credit risk grading

The Group's finance receivables are monitored either by account behaviour (**Behavioural portfolio)** or a regular assessment of their credit risk grade based on an objective review of defined risk characteristics (**Judgemental portfolio**).

The Judgemental portfolio consists mainly of business and rural lending where an on-going and detailed working relationship with the customer has been developed while the Behavioural portfolio consists of consumer, retail and smaller business receivables.

Judgemental loans are individually risk graded based on loan status, financial information, security and debt servicing ability. Exposures in the Judgemental portfolio are credit risk graded by an internal risk grading mechanism where grade 1 is the strongest risk. Grade 8 and grade 9 are the weakest risk grades where a loss is probable. Behavioural loans are managed based on their arrears status.

All loans past due but not impaired have been categorised into three impairment stages (see Note 13 – Finance receivables measured at amortised cost) which are in most cases based on arrears status. If a Judgemental loan is risk graded 6 or above it will be classified as stage 2 as a minimum and carry a provision based on lifetime ECL.

23 Credit risk exposure (continued)

Credit risk grading (continued)

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
June 2025					
Judgemental portfolio					
Grade 1 - Very Strong	256,835	–	–	–	256,835
Grade 2 - Strong	10,593	18,369	–	–	28,962
Grade 3 - Sound	32,226	73	–	–	32,299
Grade 4 - Adequate	431,796	8,614	5,737	–	446,147
Grade 5 - Acceptable	873,047	15,664	2,561	–	891,272
Grade 6 - Monitor	–	118,996	3,628	–	122,624
Grade 7 - Substandard	–	46,529	28,951	–	75,480
Grade 8 - Doubtful	–	–	40	62,786	62,826
Grade 9 - At risk of loss	–	–	52	25,764	25,816
Total Judgemental portfolio	1,604,497	208,245	40,969	88,550	1,942,261
Total Behavioural portfolio	1,755,099	28,617	55,988	2,768	1,842,472
Gross finance receivables measured at amortised cost	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**
Provision for impairment	(16,029)	(7,851)	(23,104)	(24,795)	(71,779)
Total finance receivables measured at amortised cost	**3,343,567**	**229,011**	**73,853**	**66,523**	**3,712,954**
Undrawn facilities available to customers	260,302	4,806	1,090	–	266,198
June 2024					
Judgemental portfolio					
Grade 1 - Very Strong	183,354	–	–	–	183,354
Grade 2 - Strong	40,557	–	–	–	40,557
Grade 3 - Sound	167,230	5,556	536	–	173,322
Grade 4 - Adequate	505,177	14,142	6,940	–	526,259
Grade 5 - Acceptable	977,495	41,505	36,206	–	1,055,206
Grade 6 - Monitor	–	120,611	12,028	–	132,639
Grade 7 - Substandard	–	47,328	17,225	–	64,553
Grade 8 - Doubtful	–	–	141	88,549	88,690
Grade 9 - At risk of loss	–	–	166	6,633	6,799
Total Judgemental portfolio	1,873,813	229,142	73,242	95,182	2,271,379
Total Behavioural portfolio	2,014,630	12,491	43,481	1,286	2,071,888
Gross finance receivables measured at amortised cost	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**
Provision for impairment	(14,361)	(5,197)	(34,281)	(22,482)	(76,321)
Total finance receivables measured at amortised cost	**3,874,082**	**236,436**	**82,442**	**73,986**	**4,266,946**
Undrawn facilities available to customers	272,829	1,805	904	–	275,538

23 Credit risk exposure (continued)

Collateral held

The Group employs a range of policies and practices to mitigate credit risk and has internal policies on the acceptability of specific classes of collateral. Collateral is held as security to support credit risk on finance receivables and enforced in satisfying the debt in the event contractual repayment obligations are not met. The collateral held for mitigating credit risk for the Group's lending portfolios is outlined below.

Reverse mortgage and Residential mortgage loans

Reverse mortgage loans are secured by a first mortgage over a residential property which is typically a customer's primary residential dwelling, residential investment property or holiday home. Residential mortgage loans are secured by a residential mortgage over an owner-occupied property located in an approved urban area.

Corporate lending

Business lending including rural lending is typically secured by way of a charge over property and/or specific security agreement over relevant business assets, and, where considered appropriate, a general security agreement to provide the ability to control cash flows.

Other lending

Other lending comprises personal loans, primarily motor loans, which are secured by a motor vehicle or a boat; and other shorter term smaller personal loans which are predominantly unsecured.

The Group analyses the coverage of the loan portfolio which is secured by the collateral it holds.

Coverage is measured by the value of security as a proportion of loan balance outstanding and classified as follows:

Fully secured	Greater or equal to 100%
Partially secured	1% - 99.9%
Unsecured	No security held

The Group's loan portfolio have the following coverage from collateral held on credit impaired loans:

	Corporate	Residential	All other
June 2025			
Fully secured	15 %	100 %	45 %
Partially secured	82 %	— %	36 %
Unsecured	3 %	— %	19 %
Total	**100 %**	**100 %**	**100 %**
June 2024			
Fully secured	47 %	100 %	69 %
Partially secured	37 %	— %	10 %
Unsecured	16 %	— %	21 %
Total	**100 %**	**100 %**	**100 %**

24 Liquidity and funding risk

Liquidity risk is the risk that the Group will be unable to obtain the necessary funds to meet its financial obligations as they fall due, leading to an inability to support its regular business activities and comply with regulatory liquidity requirements. The timing mismatch of cash flows and the related liquidity risk in all banking operations are closely monitored by the Group.

Measurement of liquidity risk is designed to ensure that the Group has the ability to generate or obtain sufficient cash in a timely manner and at a reasonable price to meet its financial commitments on a daily basis without compromising its operations or financial health.

Funding risk is the risk of excessive reliance on a particular funding source, which may lead to increased overall funding costs or challenges in raising funds. Effective management of funding risk requires maintaining a diverse and stable funding base to ensure the Group can meet its financial obligations under varying conditions.

The Group's exposure to liquidity risk is governed by a policy approved by the Board and managed by GALCO. This policy sets out the nature of the risk which may be taken and aggregate risk limits, that the GALCO must observe. Within this, the objective of the GALCO is to derive the most appropriate strategy for the Group in terms of a mix of assets and liabilities given its expectations of future cash flows, liquidity constraints and capital adequacy. The GALCO employs asset and liability cash flow modelling to determine appropriate liquidity and funding strategies.

The Group has developed a CFP to enable prompt and decisive action during liquidity and funding crises, ensuring the effective implementation of contingency measures. The CFP outlines defined roles and responsibilities, as well as procedures and plans to address disruptions to the Group's ability to meet its liquidity and funding requirements.

HBA manages its own domestic liquidity and funding requirements in accordance with its own liquidity policy and the policies of the Group. HBA's liquidity policy is also overseen by APRA.

In March 2020, the Bank was onboarded by the RBNZ as an approved counterparty and executed a 2011 Global Master Repo Agreement providing an additional source for intra-day liquidity for the Group if required.

The Group holds the following liquid assets and committed funding sources for the purpose of managing liquidity risk:

$000's	June 2025	June 2024
Cash and cash equivalents	356,229	629,619
Investments	779,119	1,078,656
Total liquid assets	**1,135,348**	**1,708,275**
Undrawn committed bank facilities	211,914	465,600
Total liquid assets and committed undrawn funding	**1,347,262**	**2,173,875**

24 Liquidity and funding risk (continued)

Contractual liquidity profile of financial liabilities

The following tables present the Group's financial liabilities by relevant maturity groupings based upon contractual maturity date. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows. As a result, the amounts in the tables below may differ to the amounts reported on the statement of financial position.

The contractual cash flows presented below may differ significantly from actual cash flows. This occurs as a result of future actions by the Group and its counterparties, such as early repayments or refinancing of term loans and borrowings. Deposits and other public borrowings include customer savings deposits and transactional accounts, which are at call. These accounts provide a stable source of long term funding for the Group.

$000's	On Demand	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2025							
Non-derivative financial liabilities							
Deposits	1,024,455	3,834,210	1,460,828	188,042	153,551	—	6,661,086
Other borrowings	—	27,760	251,581	193,519	202,745	363,390	1,038,995
Lease liabilities	—	2,152	1,998	3,985	7,471	114	15,720
Other financial liabilities	—	17,192	—	—	—	—	17,192
Total non-derivative financial liabilities	**1,024,455**	**3,881,314**	**1,714,407**	**385,546**	**363,767**	**363,504**	**7,732,993**
Derivative financial liabilities							
Inflows from derivatives	—	16,604	14,385	22,991	17,795	—	71,775
Outflows from derivatives	—	20,283	19,922	30,997	22,100	—	93,302
Total derivative financial liabilities	**—**	**3,679**	**5,537**	**8,006**	**4,305**	**—**	**21,527**
Undrawn facilities available to customers	565,735	—	—	—	—	—	565,735
June 2024							
Non-derivative financial liabilities							
Collateral received	—	2,384	—	—	—	—	2,384
Deposits	893,531	3,256,750	1,740,935	115,870	95,356	—	6,102,442
Other borrowings	—	205,029	305,010	1,304,185	217,942	443,513	2,475,679
Lease liabilities	—	2,158	2,212	4,043	10,610	640	19,663
Other financial liabilities	—	17,803	—	—	—	—	17,803
Total non-derivative financial liabilities	**893,531**	**3,484,124**	**2,048,157**	**1,424,098**	**323,908**	**444,153**	**8,617,971**
Derivative financial liabilities							
Inflows from derivatives	—	20,407	7,570	14,491	30,423	—	72,891
Outflows from derivatives	—	22,877	8,750	15,832	31,551	—	79,010
Total derivative financial liabilities	**—**	**2,470**	**1,180**	**1,341**	**1,128**	**—**	**6,119**
Undrawn facilities available to customers	554,307	—	—	—	—	—	554,307

25 Interest rate risk

The Group's market risk is derived primarily of exposure to interest rate risk, predominantly from raising funds through the retail and wholesale deposit market, the debt capital markets and committed and uncommitted bank funding, securitisation of receivables, and offering loan finance products to the commercial and consumer market in New Zealand and Australia.

The Group's exposure to market risk is governed by a policy approved by the Board and managed by the GALCO. This policy sets out the nature of risk which may be taken and aggregate risk limits, and the GALCO must conform to this. The objective of the GALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints and capital adequacy.

The objective of the Group's interest rate risk policies is to limit underlying net profit after tax (**NPAT**) volatility. The measurement comprises net interest income the Group generates from its interest earning assets and interest bearing liabilities.

The exposure to net interest income comes from a reduction in margins on interest earning assets or interest bearing liabilities and is managed when setting rates by taking into consideration wholesale rates, liquidity premiums, as well as appropriate lending credit margins.

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of interest bearing assets and the corresponding liability funding. One of the main causes of these mismatches is timing differences in the repricing of assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process in accordance with the Group's policy.

An analysis of the Group's sensitivity is based on the values of the interest bearing assets and liabilities as at the reporting date, and measures the prospective impact on the net profit after tax and equity from movements in market interest rates by 100 basis points (**BP**), presented in the below table:

$000's	Impact on NPAT	Impact on equity	Impact on NPAT	Impact on equity
	As at 30 June 2025[1]		As at 30 June 2024	
Market interest rates - 100 basis points increase	9,424	9,424	255	255
Market interest rates - 100 basis points decrease	(9,424)	(9,424)	(255)	(255)

[1]Increase in interest rate sensitivity is driven by changes in the Group's funding composition - specifically longer repricing periods - resulting from its transition from floating wholesale to retail funding sources with unhedged interest rate risk exposure.

The Group also manages interest rate risk by:

- Monitoring trends in interest rates to limit any potential adverse impact on earnings;
- Monitoring maturity profiles and seeking to match the re-pricing of assets and liabilities;
- Monitoring interest rates daily and regularly (at least monthly) reviewing interest rate exposures; and
- Entering into derivatives to hedge against movements in interest rates.

25 Interest rate risk (continued)

Contractual repricing analysis

The interest rate risk profile of financial assets and liabilities that follows has been prepared on the basis of maturity or next repricing date, whichever is earlier.

$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non-Interest Bearing	Total
June 2025							
Financial assets							
Cash and cash equivalents	356,229	—	—	—	—	—	356,229
Collateral paid	14,239	—	—	—	—	—	14,239
Investments	442,404	—	14,761	56,220	265,734	12,641	791,760
Derivative financial assets	—	—	—	—	—	4,792	4,792
Finance receivables measured at amortised cost	1,512,404	328,880	445,418	604,968	819,780	—	3,711,450
Finance receivables - reverse mortgages	3,370,949	—	—	—	—	—	3,370,949
Other financial assets	—	—	—	—	—	3,567	3,567
Total financial assets	**5,696,225**	**328,880**	**460,179**	**661,188**	**1,085,514**	**21,000**	**8,252,986**
Financial liabilities							
Deposits	3,107,945	1,670,886	1,409,173	174,359	129,221	38,369	6,529,953
Other borrowings	666,594	—	—	—	158,860	—	825,454
Derivative financial liabilities	—	—	—	—	—	20,660	20,660
Lease liabilities	—	—	—	—	—	14,390	14,390
Other financial liabilities	—	—	—	—	—	17,192	17,192
Total financial liabilities	**3,774,539**	**1,670,886**	**1,409,173**	**174,359**	**288,081**	**90,611**	**7,407,649**
Effect of derivatives held for risk management	860,941	93,460	(108,267)	(444,536)	(401,598)	—	—
Net financial assets/(liabilities)	**2,782,627**	**(1,248,546)**	**(1,057,261)**	**42,293**	**395,835**	**(69,611)**	**845,337**

25 Interest rate risk (continued)

Contractual repricing analysis (continued)

$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non-Interest Bearing	Total
June 2024							
Financial assets							
Cash and cash equivalents	629,619	—	—	—	—	—	629,619
Investments	4,461	605,518	154,873	57,641	256,163	13,475	1,092,131
Derivative financial assets	—	—	—	—	—	12,316	12,316
Finance receivables measured at amortised cost	1,869,269	393,187	589,162	797,035	618,293	—	4,266,946
Finance receivables - reverse mortgages	2,897,818	—	—	—	—	—	2,897,818
Other financial assets	—	—	—	—	—	2,534	2,534
Total financial assets	**5,401,167**	**998,705**	**744,035**	**854,676**	**874,456**	**28,325**	**8,901,364**
Financial liabilities							
Collateral received	2,384	—	—	—	—	—	2,384
Deposits	2,733,266	1,334,469	1,659,617	109,708	73,864	38,192	5,949,116
Other borrowings	1,883,541	—	—	—	157,222	—	2,040,763
Derivative financial liabilities	—	—	—	—	—	9,017	9,017
Lease liabilities	—	—	—	—	—	17,776	17,776
Other financial liabilities	—	—	—	—	—	17,803	17,803
Total financial liabilities	**4,619,191**	**1,334,469**	**1,659,617**	**109,708**	**231,086**	**82,788**	**8,036,859**
Effect of derivatives held for risk management	1,219,913	(145,235)	(277,771)	(405,932)	(390,975)	—	—
Net financial assets/(liabilities)	**2,001,889**	**(480,999)**	**(1,193,353)**	**339,036**	**252,395**	**(54,463)**	**864,505**

The tables above illustrate the periods in which the cash flows from interest rate swaps are expected to occur and affect profit or loss.

Other Disclosures

26 Significant subsidiaries

Significant subsidiaries	Country of incorporation and place of business	Nature of business	Proportion of ownership and voting power held June 2025	June 2024
Heartland Bank Limited	New Zealand	Bank	100%	100%
VPS Properties Limited	New Zealand	Investment property holding company	100%	100%
Marac Insurance Limited[1]	New Zealand	Insurance services	100%	100%
Heartland Bank Australia Limited	Australia	Bank	100%	100%
Heartland Australia Holdings Pty Limited	Australia	Financial services	100%	100%
Heartland Australia Group Pty Limited	Australia	Financial services	100%	100%
Australian Seniors Finance Pty Limited	Australia	Management services	100%	100%
StockCo Holdings 2 Pty Limited	Australia	Financial services	100%	100%
StockCo Australia Management Pty Limited	Australia	Management services	100%	100%

[1]Effective 27 June 2025, MIL is no longer licensed to carry out insurance business in New Zealand. Refer to Significant events section within Note 1 - Financial statements preparation for further details.

27 Structured entities

A structured entity is one which has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are created to accomplish a narrow and well-defined objective such as the securitisation or holding of particular assets, or the execution of a specific borrowing or lending transaction. Structured entities are consolidated where the substance of the relationship is that the Group controls the structured entity.

(a) Heartland Cash and Term PIE Fund (Heartland PIE Fund)

The Group controls the operations of the Heartland PIE Fund which is a portfolio investment entity that invests in the Group's deposits. Investments of Heartland PIE Fund are represented as follows:

$000's	June 2025	June 2024
Deposits	476,489	389,388

(b) Heartland Auto Receivable Warehouse Trust 2018-1 (HARWT)

HARWT securitises motor vehicle loan receivables as a source of funding.

The Group continues to recognise the securitised assets and associated borrowings in the statement of financial position as the Group remains exposed to and has the ability to affect variable returns from those assets and liabilities. Although the Group recognises those interests in HARWT, the loans sold to HARWT are set aside for the benefit of investors in HARWT. Other depositors and lenders to the Group have no recourse to those assets.

$000's	June 2025[1]	June 2024
Cash and cash equivalents	14,450	43,646
Finance receivables measured at amortised cost	171,336	540,075
Other borrowings	(183,062)	(550,144)

[1]The reduction in HARWT securitised assets balance is mainly related to the repurchase of $368.7 million of motor vehicle loan receivables from HARWT by HBL and a reduction in its securitisation facility limit from $600 million to $320 million during the year. Refer to Note 15 – Borrowings for further details.

27 Structured entities (continued)

(c) Seniors Warehouse Trust No.2 (SWT Trust) and Australian Seniors Finance Settlement Trust (ASF Trust)

SWT Trust and ASF Trust (collectively **the Trusts**) form part of Australian Seniors Finance Pty Limited (**ASF**) reverse mortgage business and were set up by ASF as asset holding entities. The Trustee for the Trusts is ASF Custodians Pty Limited, and the Trust Manager is ASF. The reverse mortgage loans held by the Trusts are set aside for the benefit of the investors in the Trusts. The balances of SWT Trust and ASF Trust are represented as follows:

$000's	June 2025[1]	June 2024
Cash and cash equivalents	32,210	68,316
Finance receivables - reverse mortgages	407,275	852,119
Other borrowings	(417,809)	(787,373)

[1]The reduction in the SWT Trust securitised assets balance is mainly related to the repurchase of $444.8 million of reverse mortgage receivables by HBA and a reduction in SWT2 securitisation facility limit from $821 million (A$750 million) to $281 million (A$260 million) as part of execution of its date-based calls (a repurchase of the remaining securitised assets on a predetermined date before their full repayment or maturity) during the year. Refer to Note 15 – Borrowings for further details.

(d) Atlas 2020-1 Trust (Atlas Trust)

Atlas Trust was set up on 11 September 2020 as part of ASF's reverse mortgage business similar to the existing SWT2 Trust and ASF Trust. The Trustee for the Trust is BNY Trust Company of Australia Limited and the Trust Manager is ASF. The balances of Atlas Trust are represented as follows:

$000's	June 2025	June 2024
Cash and cash equivalents	19,681	16,322
Finance receivables - reverse mortgages	148,993	152,156
Other borrowings	(144,949)	(144,635)

(e) StockCo Securitisation Trust 2022-1 (StockCo Trust)

StockCo Securitisation Trust 2022-1 was set up on 31 May 2022 as part of StockCo Australia's livestock business. The Trustee for the Trust is AMAL Trustees Pty Limited and the Trust Manager is AMAL Management Services Pty Limited. The balances of StockCo Securitisation Trust 2022-1 are represented as follows:

$000's	June 2025[1]	June 2024
Cash and cash equivalents	–	47,704
Finance receivables measured at amortised cost	–	171,960
Other borrowings	–	(211,046)

[1]StockCo Trust securitisation facility limit was cancelled on 18 November 2024, with subsequent full repayment of its securitised borrowings and repurchase of livestock finance receivables by HBA during the year.

28 Staff share ownership arrangements

The Group operates a share-based compensation plan that issues tranches of performance rights from time to time that are equity settled. The plan contains clauses which provide the Board with absolute discretion to moderate the awards to ensure an equitable outcome for both the recipients and Heartland shareholders. This discretion means there can be no shared understanding of the terms and conditions of the arrangement between participants and the company until finalisation of an award. The fair value of each tranche shall be measured at grant date, which in the absence of shared understanding is deemed to be each reporting date for the respective tranches until such time as the grant date has been established.

The fair value is determined using a Monte Carlo option pricing model developed by an independent third party expert at each reporting date.

Each tranche contains a total shareholder return (**TSR**) measure which is a gate opener to consideration of achievement of other performance measures. At the end of each reporting period the Group revises its estimate of the value of performance rights based on its probability of attaining an equitable TSR and the number of equity instruments expected to vest.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee benefits reserve.

As at the date of these financial statements, the Group has designed a new share-based compensation plan which certain senior employees will be invited to participate in going forward.

(a) Share-based compensation plan details

Heartland performance rights plan (PR plan)

The PR plan was established to enhance the alignment of participants' interests with those of the Group's shareholders. Under the PR plan participants are issued performance rights which will entitle them to receive shares in the Group. As at June 2025, there was one active tranche being 2025 (non-CEOs) subject to the existing rules of the PR plan.

2025 (non-CEOs) tranche

The performance rights were issued subject to the participants' continued employment with the Group until the measurement date and the Group achieving its financial measures, strategic objectives and culture and conduct objectives, over the period commencing 1 July 2022 and ending on 30 June 2025. The targets are dynamic and may be adjusted by the Board from time to time in order to account for unanticipated capital changes during the performance period. The measurement date is the business day following the date on which the Group announces its full year results for the financial year ended 30 June 2025.

	June 2025 PR Plan Number of Rights	June 2024 PR Plan Number of Rights
Opening balance	6,417,476	7,853,640
Vested	—	(1,275,194)
Issued	—	—
Forfeited / unvested[1]	(5,268,328)	(160,970)
Closing balance	**1,149,148**	**6,417,476**

[1]The 2024 (CEOs) and 2024 (non-CEOs) tranches did not vest. The 2025 (CEOs) tranche was forfeited pursuant to the departure of the participants.

(b) Effect of share-based payment transactions

$000's	**June 2025**	**June 2024**
Award of Shares		
PR Plan[1]	721	(2,816)
Total expense / (income) recognised	**721**	**(2,816)**

[1]Includes share-based payment expense for the year ended 30 June 2025 in relation to a proposed issuance of a new tranche of performance rights in exchange for services received during the period under a new share-based compensation plan. The fair value of the performance rights is estimated at 30 June 2025 and will be revalued upon establishment of grant date.

28 Staff share ownership arrangements (continued)

(b) Effect of share-based payment transactions (continued)

The fair value of each tranche of performance rights issued under the PR Plan were measured at nil as at 30 June 2025 based on the TSR performance of each respective tranche from its commencement date (2024: nil).

As at 30 June 2025 nil share scheme awards remain unvested and not expensed.

(c) Number of rights outstanding

	June 2025		June 2024	
	Rights Outstanding	Remaining Years	Rights Outstanding	Remaining Years
PR Plan - 2024	—	—	3,548	—
PR Plan - 2025	1,149	—	2,869	1
Total	**1,149**		**6,417**	

29 Securitisation, funds management and other fiduciary activities

Funds management and other fiduciary activities

The Group, through Heartland PIE Fund Limited, controls, manages and administers the Heartland PIE Fund and its products (Heartland Call PIE and Heartland Term Deposit PIE). Refer to Note 27 - Structured entities for further details. The Heartland PIE Fund deals with HBL in the normal course of business, in the HBL's capacity as Registrar of the Fund and also invests in HBL's deposits. The Group is considered to control the Heartland PIE Fund, and as such the Heartland PIE Fund is consolidated within the financial statements of the Group.

30 Concentrations of funding

(a) Concentration of funding by industry

ANZSIC codes have been used as the basis for categorising customer and investee industry sectors.

$000's	June 2025	June 2024
Agriculture	114,988	104,818
Forestry and fishing	14,038	18,745
Manufacturing	46	178
Mining	17,809	17,698
Finance and insurance	1,864,156	3,008,066
Wholesale trade	6,618	10,207
Retail trade and accommodation	32,053	30,410
Households	4,669,968	4,287,925
Rental, hiring and real estate services	62,663	101,495
Construction	25,517	28,914
Other business services	461,519	337,560
Transport and storage	6,509	6,512
Other	79,523	37,351
Total borrowings	**7,355,407**	**7,989,879**

(b) Concentration of funding by geographical area

$000's	June 2025	June 2024
New Zealand	4,545,940	4,921,410
Australia	2,731,585	3,005,336
Rest of the world	77,882	63,133
Total borrowings	**7,355,407**	**7,989,879**

31 Offsetting financial instruments

The Group offsets financial assets and financial liabilities and reports the net balance in the balance sheet where there is currently a legally enforceable right to set off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group enters into contractual arrangements with counterparties to manage the credit risks associated primarily with over-the-counter derivatives. The Group has entered into credit support annexes (**CSAs**) which form a part of International Swaps and Derivatives Association (**ISDA**) Master Agreement, in respect of certain exposures relating to derivative transactions. As per these CSAs, the Group or the counterparty needs to collateralise the market value of outstanding derivative transactions. As at 30 June 2025, the Group has paid $14.24 million of cash collateral (2024: received $2.38 million) against derivative assets. Cash collateral includes amounts of cash obtained to cover the net exposure between the counterparty in the event of default or insolvency. The cash collateral received is not netted off against the balance of derivative assets disclosed in the statement of financial position.

The following table sets out financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. Financial instruments refer to amounts that are subject to relevant close out netting arrangements under a relevant ISDA agreement. ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position because under such agreements the counterparties typically have the right to offset only following an event of default, insolvency or bankruptcy or following other pre-determined events.

	Effects of offsetting on the balance sheet			Related amounts not offset		
$000's	**Gross amount**	**Gross amounts set off in the balance sheet**	**Net amounts reported in the balance sheet**	**Financial Instruments**	**Cash collateral**	**Net amount**
June 2025						
Derivative financial assets	4,792	–	4,792	(4,792)	–	–
Total financial assets	**4,792**	**–**	**4,792**	**(4,792)**	**–**	**–**
Derivative financial liabilities	20,660	–	20,660	(4,792)	(14,239)	1,629
Total financial liabilities	**20,660**	**–**	**20,660**	**(4,792)**	**(14,239)**	**1,629**
June 2024						
Derivative financial assets	12,316	–	12,316	(9,017)	(2,384)	915
Total financial assets	**12,316**	**–**	**12,316**	**(9,017)**	**(2,384)**	**915**
Derivative financial liabilities	9,017	–	9,017	(9,017)	–	–
Total financial liabilities	**9,017**	**–**	**9,017**	**(9,017)**	**–**	**–**

32 Contingent liabilities and commitments

The Group in the ordinary course of business will be subject to claims and proceedings against it whereby the validity of the claim will only be confirmed by uncertain future events. In such circumstances the contingent liabilities are possible obligations, or present obligations if known, where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised, but are disclosed, unless they are remote. Where some loss is probable, provisions have been made on a case by case basis.

Credit related commitments arising in respect of the Group's operations were:

$000's	June 2025	June 2024
Letters of credit, guarantee commitments and performance bonds	5,507	3,130
Total	**5,507**	**3,130**
Undrawn facilities available to customers	565,735	554,307
Conditional commitments to fund at future dates	11,095	9,947
Total commitments	**576,830**	**564,254**

33 Events after reporting date

The Group approved a fully imputed final dividend of 2 cents per share on 20 August 2025.

Effective 1 July 2025, the New Zealand Depositor Compensation Scheme (**DCS**) came into effect and will be funded by deposit takers. The Group will be subject to a regulatory levy, which the Crown may impose at its discretion if there is a shortfall in the DCS scheme funds in the event of a deposit taker failure.

There were no other events subsequent to the reporting period, not already disclosed within these financial statements, that would materially affect the Group's financial position, results of its operations or its state of affairs in subsequent periods.

Independent auditor's report

To the shareholders of Heartland Group Holdings Limited

Our opinion

In our opinion, the accompanying consolidated financial statements (the financial statements) of Heartland Group Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2025, its financial performance, and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 30 June 2025;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our capacity as auditor and assurance practitioner, our firm provides review and other assurance services. Our firm also provided an executive reward survey report to the Group. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business. The firm has no other relationship with, or interests in, the Group.

PwC New Zealand, PwC Tower, 15 Customs Street West,
Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Provision for impairment of finance receivables As disclosed in note 13 of the financial statements, the impairment allowance totalled $71.8 million at 30 June 2025. For the determination of the collectively assessed impairment allowance, this requires the use of credit risk methodologies that are applied in models using the Group's historical experience of the correlations between defaults and losses, borrower creditworthiness, segmentation of customers or portfolios and the application of forward looking multiple economic scenarios. The assumptions we focused our audit on included those with greater levels of management judgement and for which variations have the most significant impact on the impairment allowance. For finance receivables that meet specific risk based criteria, the impairment allowance is individually assessed by the Group. These impairment allowances are measured using probability weighted scenarios which are intended to reflect a range of reasonably possible outcomes, and incorporate assumptions such as estimated future cash proceeds expected to be recovered from the realisation of security held as collateral by the Group. We considered this a key audit matter due to the significant inherent estimation uncertainty present in the determination of the impairment allowance.	We obtained an understanding of control activities over the Group's impairment allowance, and for certain control activities assessed whether they are appropriately designed. For controls relevant to our planned audit approach we tested, on a sample basis, whether they operated effectively, throughout the financial year. In addition, we, along with our credit risk modelling expert, performed the following procedures, amongst others, on a targeted or sample basis, on the Group's collectively assessed impairment allowance: • Assessed the appropriateness of the methodology inherent in the models used against the requirements of NZ IFRS 9 *Financial Instruments*; • Challenged and assessed the appropriateness of the collectively assessed impairment allowance inclusive of the impacts of any post model adjustments; • Tested the accuracy of the collectively assessed impairment allowance calculation; and • Tested the completeness and accuracy of critical data elements used in the calculations. With respect to individually assessed impairment allowances we: • For a sample of business and rural loans not identified as impaired, considered the borrowers latest information available to the Group to assess the credit risk grade rating allocated to the borrower as to whether the borrower could be identified as impaired, a critical data element which involves significant management judgement; and • For loans where an impairment allowance was individually assessed, we considered the borrower's latest financial information, value of security held as collateral and probability weighted scenario outcomes (where applicable) to test the basis of measuring the impairment allowance. We considered the impacts of events occurring subsequent to balance date on the impairment allowances. We also assessed the reasonableness of the disclosures against the requirements of the accounting standards.
Fair value of finance receivables - reverse mortgages The Group's fair value of finance receivables – reverse mortgages ("Reverse mortgages") totalled $3.4 billion at 30 June 2025 as disclosed in note 21 of the financial statements. Reverse mortgages are held at fair value through profit or loss. The Group records the estimated fair value of the Reverse mortgages at transaction price (cash advanced plus accrued capitalised interest), on the basis that no reliable fair value can be estimated as there is no relevant	Our audit procedures included assessing the design and implementation of controls relating to the Group's assessment of the fair value of Reverse mortgages. In addition, our audit procedures included: • Assessing the reasonableness of the Group's approach to estimating the fair value based on the transaction price against the requirements of the accounting standards; • Assessing whether there was evidence of a relevant active market or observable inputs in which to establish fair value using a market approach;

Description of the key audit matter	How our audit addressed the key audit matter
active market and the fair value cannot be reliably estimated using other valuation techniques, as permitted under the accounting standards. To assess whether the transaction price remains an appropriate proxy for fair value, the Group considers the impact on discounted future cash flows of changes in the risk profile and expectations of performance since origination, including possible outflows under the no negative equity guarantee provided by the Group to the borrower. High interest rates and volatility in house prices, combined with the economic outlook, increases the possibility of outflows under the no negative equity guarantee. Accordingly, we consider this to be a key audit matter.	• Engaging our internal actuarial expert to assess the Group's estimate of the value of discounted future cash flows from the Reverse mortgages, including any expected outflows under the no negative equity guarantee and comparing this to the transaction price of Reverse mortgages (carrying value) to assess any potential shortfall (a shortfall would indicate the transaction price was overstated); • Testing the completeness and accuracy of a sample of critical data elements used as inputs to the value of discounted future cash flows; • Assessing the reasonableness of key assumptions (such as future house prices, voluntary exits, interest rate margins, future interest rates) used in the value of discounted future cash flows; and • Considering the appropriateness of the disclosures against the requirements of the accounting standards.
Heartland Bank Australia Limited goodwill impairment assessment The carrying amount of the Heartland Bank Australia Limited goodwill as at 30 June 2025, as disclosed in note 18 of the financial statements, amounted to $175.0 million. The carrying value of goodwill is a key audit matter as it is a significant intangible asset in the Group's statement of financial position. At balance date an impairment assessment is required which uses an estimate of the recoverable amount that is dependent on future earnings. Previously, the goodwill was allocated to a group of cash generating units (CGUs) representing the Australian reverse mortgage lending and the Australian livestock financing businesses. In the current year, the Group has determined the goodwill for this group of CGUs should be allocated to a single Heartland Bank Australia Limited CGU at which impairment is assessed due to the corporate simplification and operational integration of the Australian business, and the way goodwill is monitored internally. The Group used the Fair Value Less Costs of Disposal (FVLCD) approach to determine the recoverable amount of the Heartland Bank Australia Limited CGU. FVLCD is based on a price-earnings multiples approach using normalised current year earnings. The key assumptions used in the FVLCD are: • Price-earnings multiple; and • Normalised current year earnings.	We held discussions with management to understand the assumptions used in the determination of the single CGU and the goodwill impairment assessment. Our audit procedures also included the following: • Assessing judgements made in respect of the determination of the CGU, taking into account the corporate simplification and operational integration of the Group's Australian business; • Obtaining an understanding of the business processes and controls applied by management in performing the impairment assessment; • Assessing the appropriateness of using a FVLCD approach against the requirements of the accounting standards; • Engaging our internal valuation expert to assess management's valuation methodology and key assumptions, including comparable price-earnings multiples; • Assessing the appropriateness of the normalised current year earnings, as well as comparing these to the FY26 forecast earnings approved by the Board for reasonableness; • Obtaining and evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions on the recoverable amount; and • Considering the appropriateness of disclosures against the requirements of the accounting standards.

Description of the key audit matter	How our audit addressed the key audit matter
Operation of financial reporting information technology (IT) systems and controls The Group's operations and financial reporting processes are dependent on IT systems for the capture, processing, storage and extraction of significant volumes of transactions which is critical to the recording of financial information and the preparation of the Group's financial statements. In addition, the Group changed to a new general ledger system in the current year. Accordingly, we consider this to be a key audit matter. In common with other groups with banking subsidiaries, access management controls are important to ensure both access and changes made to applications and data are appropriate. Ensuring that only appropriate staff have access to IT systems, that the level of access itself is appropriate, and that access is periodically monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data. The Group's controls over IT systems are intended to ensure that: • New systems or changes to existing systems operate as intended and are authorised; • Access to process transactions or change data is appropriate and maintains an intended segregation of duties; • The use of privileged access to systems and data is restricted and monitored; and • IT processing is approved and where issues arise they are resolved.	For material financial statement transactions and balances, our procedures included obtaining an understanding of the business processes, IT systems used to generate and support those transactions and balances, associated IT application controls, and IT dependencies in manual controls. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit: • Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems; • System development: the project disciplines which ensure that significant developments or implementations are appropriately tested before implementation and that data is converted and transferred completely and accurately; • Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts, or ensure that data is only changed through authorised means; and • IT operations: the controls over certain IT batch processes used to ensure that any issues that arise are managed appropriately. Where we identified design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures.

Our audit approach

Overview

The overall group materiality is $5.2 million, which represents approximately 0.75% of interest income.

We chose interest income as the benchmark because, in our view, it best reflects the activity and performance of the Group which now includes an enlarged banking operation in Australia. Interest income is a proxy for revenue which is a generally accepted benchmark

Following our assessment of the risk of material misstatement, full scope audits were performed for two (NZ Banking Group and Australia Banking Group) of the three identified components based on their financial significance. Specified audit procedures and analytical review procedures were performed on the remaining component (the Company).

As reported above, we have four key audit matters, being:

- Provision for impairment of finance receivables
- Fair value of finance receivables – reverse mortgages
- Heartland Bank Australia Limited goodwill impairment assessment
- Operation of financial reporting information technology (IT) systems and controls

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed a full scope audit of the Group's two financially significant components. The full scope audit of the Australia Banking Group component was performed by a PwC network firm operating under our instructions.

Our involvement with the PwC network firm auditing the Australia Banking Group component included the following:

- issuing Group audit instructions;
- meeting with the component audit team and reviewing their audit findings;
- inspecting audit working papers;
- attending key management and audit committee meetings; and
- maintaining regular communication throughout the audit and appropriately directing their audit.

Specified audit procedures and analytical review procedures were performed on the remaining component.

By performing these procedures, together with the procedures performed on the consolidation and intercompany eliminations, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis for our opinion on the Group's financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon, and the Heartland Climate Report 2025. The Annual Report and Heartland Climate Report 2025 is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Karen Shires.

For and on behalf of

PricewaterhouseCoopers

PricewaterhouseCoopers — Auckland

20 August 2025

Directory

Registered office

Heartland
35 Teed Street
Newmarket, Auckland 1023
PO Box 9919
Newmarket, Auckland 1149
T 0508 432 785
E shareholders@heartland.co.nz
W heartlandgroup.info

Auditor

PricewaterhouseCoopers
Level 27, PwC Tower
15 Customs Street West
Auckland 1010
T 09 355 8000

Share registry

MUFG Pension & Market Services
Level 30, PwC Tower
15 Customs Street West
Auckland 1010
T 09 375 5998
E enquiries.nz@cm.mpms.mufg.com
W mpms.mufg.com

Glossary

ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
Banking Group	The Banking Group includes Heartland Bank and all of its subsidiaries, including Heartland Bank Australia and Marac Insurance
bps	Basis points
CAGR	Compound annual growth rate
CET1	Common Equity Tier 1
CEO	Chief Executive Officer
cps	Cents per share
CTI ratio	Cost-to-income ratio
DCS	Depositor Compensation Scheme
DPD	Days past due
DRP	Dividend Reinvestment Plan
EPS	Earnings per share
Exit NIM	NIM on the last day of the reporting period.
FX	Foreign currency exchange
GHG emissions	Greenhouse gas emissions
The Group	Heartland and its subsidiaries
Harmoney	Harmoney Corp Limited
Heartland, Heartland Group, HGH	Heartland Group Holdings Limited or the Company
Heartland Australia Group	Heartland Bank Australia and its direct and indirect wholly-owned subsidiaries
Heartland Bank, HBL, NZ Banking	Heartland Bank Limited
Heartland Bank RemCo	Heartland Bank People & Culture and Remuneration Committee
Heartland Bank Australia, HBAL, AU banking	Heartland Bank Australia Limited
Heartland Bank Australia PRNCo	Heartland Bank Australia People, Remuneration and Nominations Committee
Heartland Mobile App	Heartland Bank's mobile app for customers in New Zealand
Heartland Trust	Heartland's registered charitable trust which is independent from by closely supported by Heartland.
KPI	Key performance indicator
LTI	Long-term incentive

LVR	Loan-to-value ratio
NIM	Net interest margin
NPAT	Net profit after tax
NPL	Non-performing loan
NSA	Non-strategic assets
NZ Banking Group, NZBG	The New Zealand Banking Group consists of Heartland Bank and its New Zealand subsidiaries, excluding Marac Insurance
NZBA	New Zealand Banking Association
NZX Code	NZX Corporate Governance Code dated January 2025
OPEX	Operating expenses
PSRs	Performance share rights
PwC	PricewaterhouseCoopers
RBNZ	Reserve Bank of New Zealand
Receivables	Gross finance receivables (includes Reverse Mortgages)
ROE	Return on Equity
STI	Short-term incentive
Tier 2	Tier 2 capital (a form of subordinated debt)
TSR	Total shareholder return
YoY	Year on year
FY2030	Financial year ending 30 June 2030 (1 July 2029 to 30 June 2030)
FY2026	Financial year ending 30 June 2026 (1 July 2025 to 30 June 2026)
2H2025 Outlook	Financial metric expectations for 2H2025 set by Heartland in its 1H2025 financial results announcement published on 27 February 2025
2H2025	Second half of FY2025 (1 January to 30 June 2025)
4Q2025	Fourth quarter of FY2025 (1 April to 30 June 2025)
3Q2025	Third quarter of FY2025 (1 January to 31 March 2025)
1H2025	First half of FY2025 (1 July to 31 December 2024)
2Q2025	Second quarter of FY2025 (1 October to 31 December 2024)
1Q2025	First quarter of FY2025 (1 July to 30 September 2024)
FY2025, FY25	Financial year ended 30 June 2025 (1 July 2024 to 30 June 2025)
FY2024, FY24	Financial year ended 30 June 2024 (1 July 2023 to 30 June 2024)
FY2023, FY23	Financial year ended 30 June 2023 (1 July 2022 to 30 June 2023)
FY2022, FY22	Financial year ended 30 June 2022 (1 July 2021 to 30 June 2022)
FY2021, FY21	Financial year ended 30 June 2021 (1 July 2020 to 30 June 2021)
FY2019	Financial year ended 30 June 2019 (1 July 2018 to 30 June 2019)

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