



Heartland Group Holdings Limited

(ASX: HGH)

CEO Connect

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

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This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. Forward-looking statements in this presentation include statements regarding Heartland's strategies and future plans and Heartland's future financial performance. Any indications of future earnings or financial position or performance and future distributions are also forward-looking statements.

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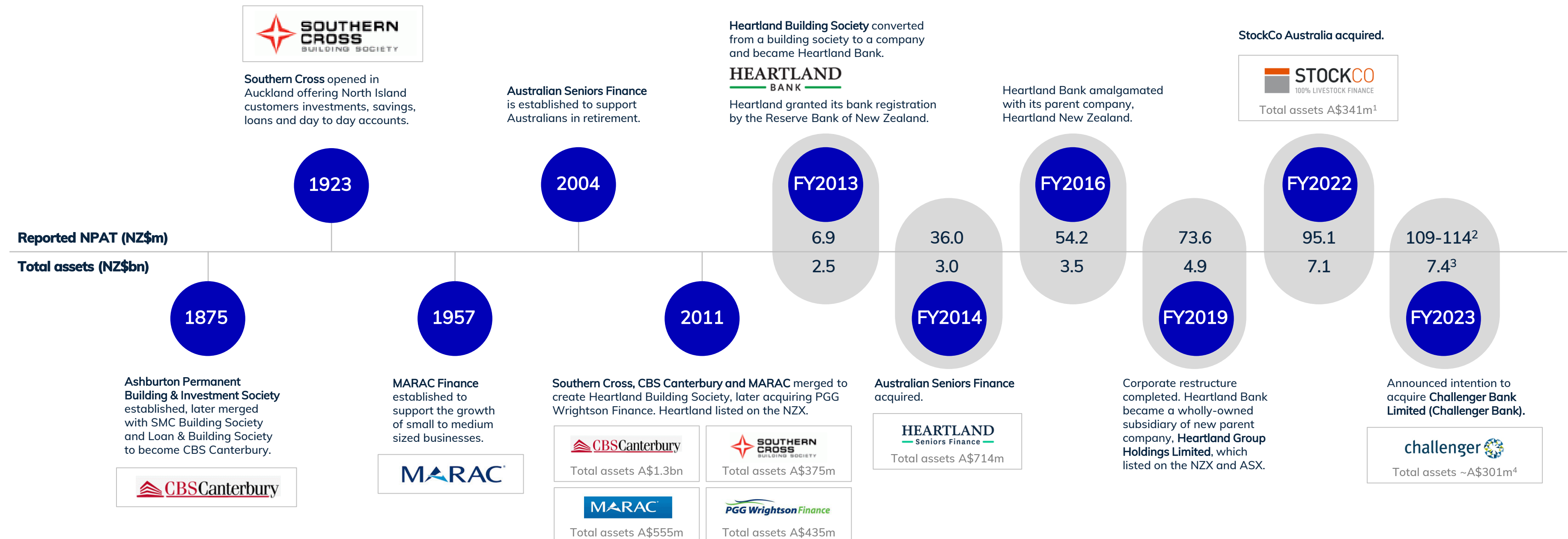
About Heartland

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

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

More than 145 years of doing things differently

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



Note: Years prior to 2013 represent calendar years and years from 2013 onwards represent financial years.

¹ As at 28 February 2022. ² Underlying NPAT guidance range for FY2023. ³ As at 31 December 2022. ⁴ Estimated total asset position upon completion.

Best or only finance

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



BUSINESS AS USUAL GROWTH

Continuing to maximise current positioning while expanding product variations.



FRICTIONLESS SERVICE AT THE LOWEST COST

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



EXPANSION IN AUSTRALIA

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



ACQUISITIONS

Exploring the addition of businesses or products which fit strategically, add value or technology. Taking advantage of ongoing dislocation in the non-bank lending space.

RECOGNISED AND MARKET LEADING PRODUCTS¹

NEW ZEALAND

HEARTLAND
BANK

- New Zealand's leading provider of reverse mortgages.



AUSTRALIA

HEARTLAND
FINANCE

- Leading active provider of reverse mortgages, holding to ~37% market share in December 2022.²



STOCKCO
100% LIVESTOCK FINANCE

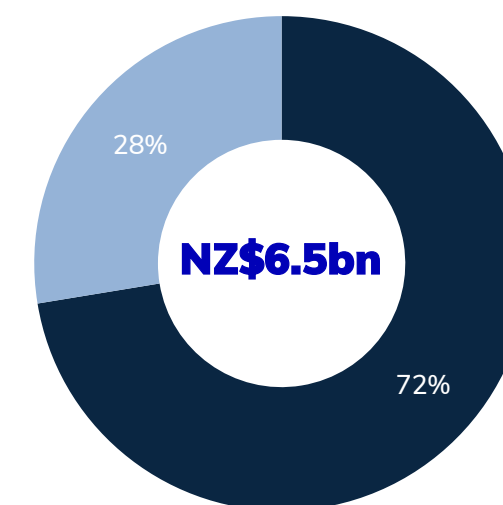
- Leading provider of specialist livestock finance for Australian food producers.

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

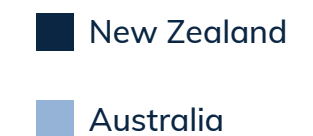
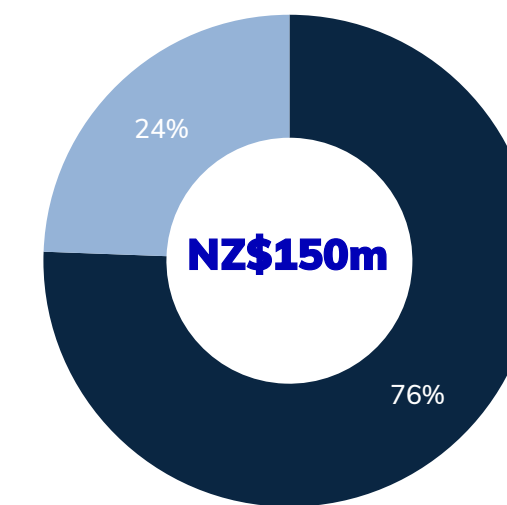
Heartland's current businesses

NEW ZEALAND ¹	CORE	Motor Finance	Loans to assist customers to purchase a motor vehicle or boat, secured over the relevant asset.
		Reverse Mortgages (New Zealand)	Enable older home-owners to release some of the equity in their home to help them live a more comfortable retirement.
		Asset Finance	Business loans to small-to-medium businesses for a variety of purposes, including plant/equipment and working capital.
		Rural (New Zealand)	Rural loans including financing for 100% of stock purchases, refinancing/purchasing of a sheep or beef farm or dairy farm.
	DEVELOPING/LEGACY	Online Home Loans ²	Residential mortgages for purchasing residential property or refinancing an existing residential mortgage, available through an online platform.
		Business	Includes floorplan lending to vehicle retailers and wholesale facilities to other lenders.
		Open for Business (O4B) ³	Term loans to small-to-medium businesses for multiple purposes, available through an online platform.
		Personal Loans ⁴	Unsecured loans to individuals.
	AUSTRALIA	Heartland Finance, Reverse Mortgages (Australia)	Enable older home-owners to release some of the equity in their home to help them live a more comfortable retirement.
		StockCo Australia, Livestock Finance	Finance to cover up to 100% of the livestock purchase. StockCo Australia pays the purchase invoice directly with no repayments required from the customer until the livestock are sold.

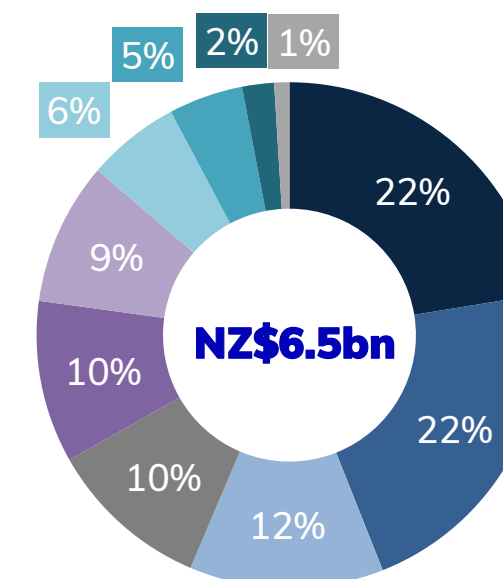
Loan book by geography (Dec-22)



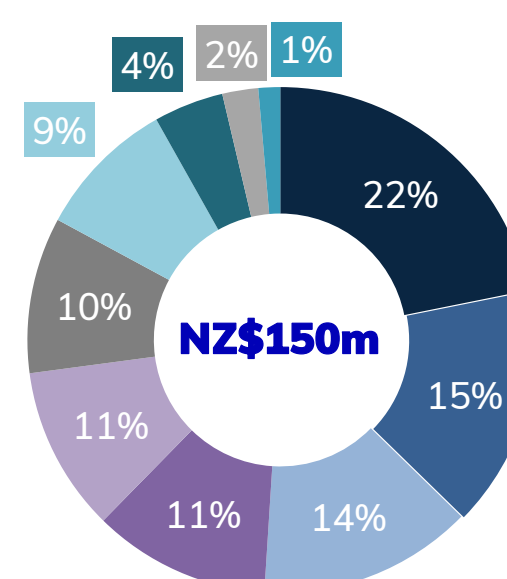
NOI by geography (1H23)⁵



Loan book by segment (Dec-22)



NOI by segment (1H23)⁵



¹ Refers to Heartland Bank. ² Online Home Loans includes a small portfolio of residential mortgages. ³ O4B includes a small portfolio in Australia. ⁴ Personal lending includes a small Australian personal lending portfolio which is currently in run-off and Well-Life Loans AU. ⁵ Net operating income (NOI) calculated as sum of net interest income and other operating income.

1H2023 financial highlights

		REPORTED			UNDERLYING		
Financial performance	Net interest income	\$138.9m	↑	12.1% vs 1H2022	\$140.8m	↑	13.6% vs 1H2022
	Operating expenses	\$63.4m	↑	10.8% vs 1H2022	\$63.9m	↑	13.3% vs 1H2022
	NPAT ¹	\$48.7m	↑	2.4% vs 1H2022	\$54.7m	↑	16.2% vs 1H2022
	Net interest margin	3.97%	↓	34 bps vs 1H2022	4.02%	↓ ↓	29 bps vs 1H2022 8 bps vs 2H2022
	CTI ratio	44.8%	↑	94 bps vs 1H2022	42.7%	↓	40 bps vs 1H2022
	Impairment expense ratio ²	0.29%	↓	4 bps vs 1H2022			
Financial return	Return on equity	10.6%	↓	166 bps vs 1H2022	12.1%	↓	7 bps vs 1H2022
	Earnings per share	7.3 cps	↓	0.8 cps vs 1H2022	8.2 cps	↑	0.2 cps vs 1H2022
Financial position	Receivables ³	\$6,460m	↑	10.1% ⁴ vs June 2022			
	Equity	\$1,016m	↑	25.6% vs June 2022			
	Equity/total assets	13.7%	↑	2.3 pps vs June 2022			
Guidance	FY2023 NPAT guidance				\$109m-\$114m ⁵		

Note: All figures in NZD. ¹ Refer to Heartland's 1H2023 results announcement at www.heartlandgroup.info for a reconciliation between reported and underlying net profit after tax (NPAT) result.

² Impairment expense as a percentage of average Receivables. ³ Gross Finance Receivables (**Receivables**) also includes Reverse Mortgages and StockCo Australia. ⁴ Annualised 1H2023 growth excluding the impact of changes in foreign currency exchange (FX) rates. ⁵ Excluding any impacts of fair value changes on equity investments held and the impact of the de-designation of derivatives.

Investment proposition

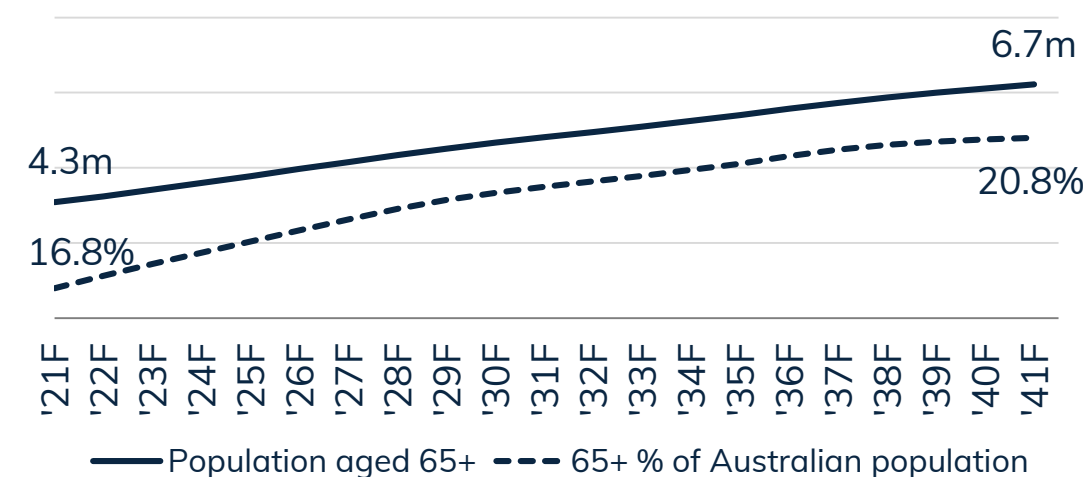
Positioned to benefit from structural tailwinds

Strong structural tailwinds are supporting Heartland's target growth sectors in Australia.¹

REVERSE MORTGAGES

Addressable market estimated to be AU\$10-15bn.²

Australia's projected population aged 65+³



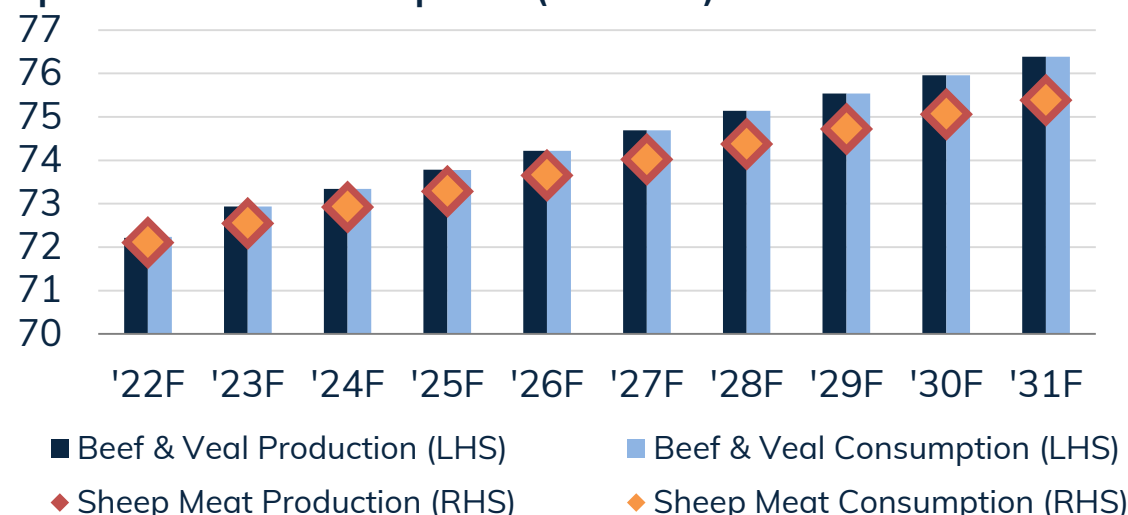
MARKET DYNAMICS

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

LIVESTOCK FINANCE

Addressable market estimated to be AU\$7bn.⁴

Global projected beef, veal & sheep meat production & consumptions (MT CWE)⁵



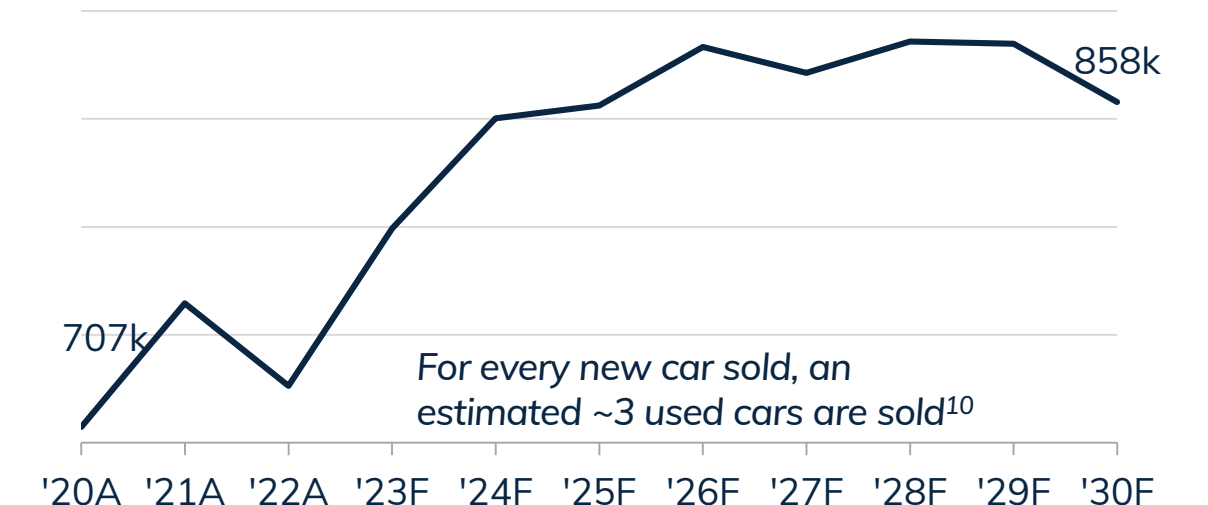
MARKET DYNAMICS

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

MOTOR FINANCE

Addressable market estimated to be \$35bn.⁸

New Australian passenger motor vehicle sales⁹



MARKET DYNAMICS

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

¹ Heartland does not currently have a motor finance business in Australia. Heartland intends to consider offering motor finance in the Australian market following completion of the Challenger Bank acquisition, which is subject to APRA and RBNZ approval.

² Heartland internal analysis based on information from the ABS, Census and Deloitte. Market size based on reverse mortgage lending from banks and non-banks. ³ Sourced from ARC Centre of Excellence in Population Ageing Research as at August 2022.

⁴ Based on ABS total rural debt and StockCo Australia data. ⁵ Sourced from OECD-FAO Agricultural Outlook 2022-2031 as at 2022. MT CWE denotes megaton carcass weight equivalent. ⁶ Sourced from IBISWorld Beef Cattle Farming in Australia report dated August 2022. ⁷ Sourced from OECD-FAO Agricultural Outlook 2021-2030. ⁸ Annual lending includes consumer and commercial lending segments (see ABS 5601.0 Table 7 LTM to June 2020, and ABS 5671.0 Table 9 LTM to November 2018 (ABS discontinued ABS 5671.0 in November 2018)). ⁹ Based on IBISWorld New Passenger Motor Vehicle Sales report dated April 2023. Forecasted data from 2023 onwards New passenger motor vehicles are constructed primarily for the carriage of persons and containing up to nine seats (including the driver's seat). Included are cars, station wagons, four-wheel drive passenger vehicles, campervans and passenger vans or mini buses with fewer than 10 seats. ¹⁰ Sourced from Carsales "Acquisition of further 40% of webmotors and Equity Raising" presentation dated 8 March 2023. ¹¹ Australia Freight and Logistics Market to 2027.

Outsized organic growth opportunity once banking licence acquired¹

The acquisition of Challenger Bank will provide Heartland a significant opportunity to leverage extensive operational experience in New Zealand to drive expansion and sustainable growth in Australia.

Subject to regulatory approval and completion, the intention is to transfer Heartland’s existing Reverse Mortgage and Livestock businesses in Australia to sit in or under Challenger Bank.

ACQUISITION BENEFITS

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

GROWTH SEGMENT	EXISTING EXPERTISE
Reverse Mortgages	✓ Leading active provider of reverse mortgages, helping 22k customers in New Zealand and 26k customers in Australia. ✓ Australian Reverse Mortgages book has more than quadrupled since acquisition in 2014, growing market share from ~26% in March 2020 to ~37% in December 2022.²
Livestock Finance	✓ Strong expertise from the New Zealand rural portfolio, with specialist teams in both countries. ✓ StockCo Australia has been operating in Australia since 2014 and is a leading specialist livestock financier. ✓ Established direct and distributor networks.
Motor Finance	✓ Leading provider of vehicle finance in New Zealand, with 65+ years’ experience. ✓ Annualised 12% motor book growth sustained over last 6 months. ✓ Branded white label strategy for large dealer groups assisted growing market share at the quality end of the market.
Asset Finance	✓ Heartland Bank Asset Finance has grown 20% CAGR between CY18-CY22. ✓ Broker and intermediary distribution strategy enables sustainable growth. ✓ Targeting customers operating in productive segments of the market where sustained growth is demonstrated.

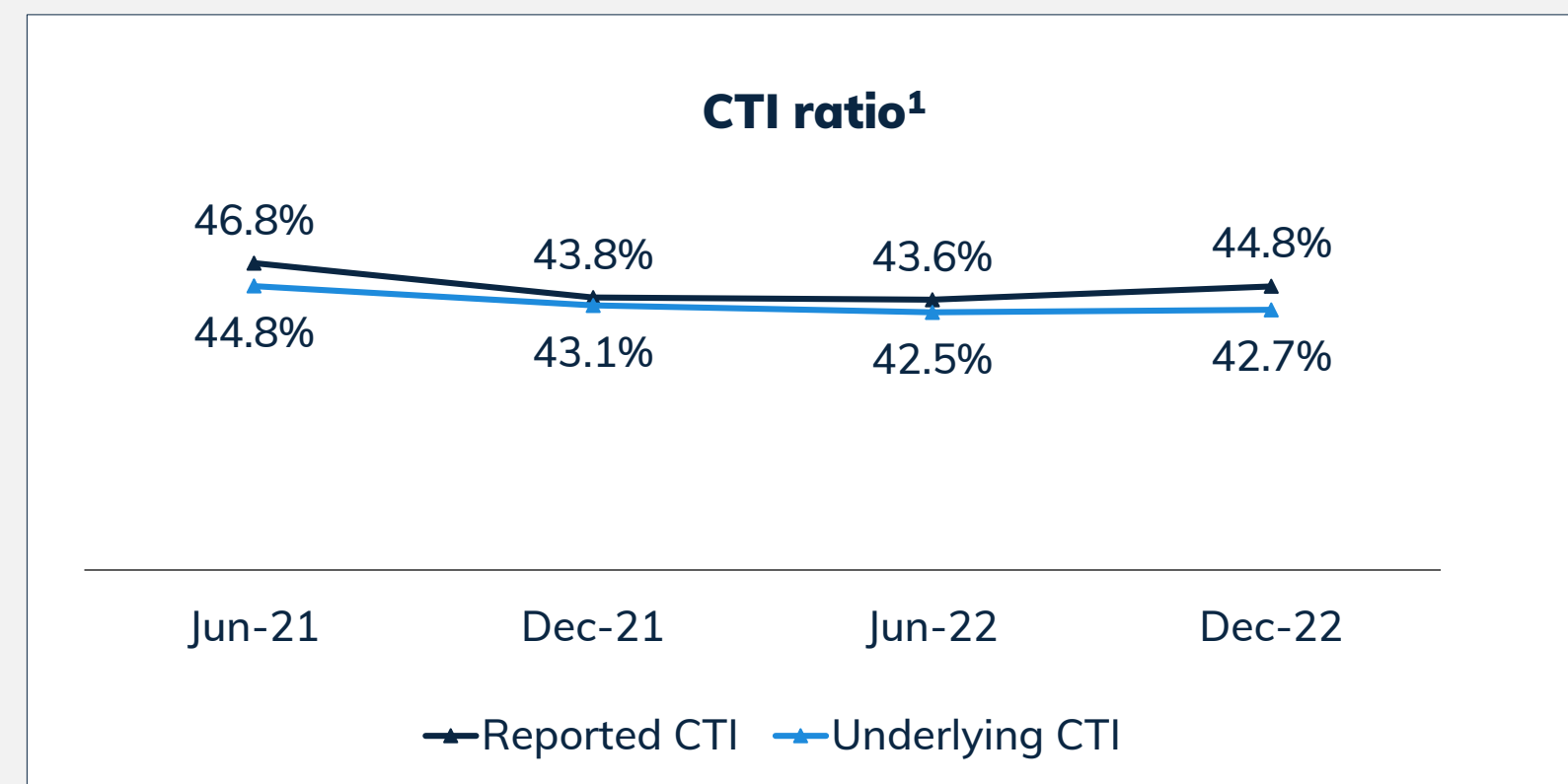
¹ Completion of the Challenger Bank acquisition is subject to APRA and RBNZ approval. ² Based on APRA ADI Property Exposure and Heartland Finance data. Market size based on Australian reverse mortgages issued by ADIs only.

Efficiency through automation

Through technology, Heartland has replicated the scale of big banks, as evidenced by the CTI ratio – with a determination to reducing CTI ratio further through ongoing automation and digitalisation.

AUTOMATION AND DIGITALISATION INITIATIVES

- Shift customer behaviour away from traditional channels that are labour intensive to more digital/self service solutions to improve customer experience and efficiency of customer facing business units.
- Offer flexibility for customers to self manage payments, reducing costs from both customer facing and operations business units.
- Reduce human intervention in loan servicing and administration through automation.
- Increase uptake of non-registered mobile app/digital customers and callers using self-service channels.



¹ Underlying CTI ratio refers to the CTI ratio calculated using underlying results. A reconciliation between reported and underlying CTI ratio is included in Heartland's 1H2023 results announcement at www.heartlandgroup.info.

Large inorganic growth opportunity

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

STRONG TRACK RECORD OF M&A

ACQUISITION	OVERVIEW
Challenger Bank	- Announced entry into a conditional agreement for the acquisition of Challenger Bank, an established ADI in Australia, in October 2022. - Completion is subject to regulatory approval. - Several benefits, including the opportunity to add scale to Heartland's Australian business.
StockCo Australia	- Completed the acquisition of StockCo Australia, a specialist livestock finance company for cattle and sheep producers in Australia, in May 2022. - Broadened Heartland's Australian offering in an area where it already has expertise in New Zealand.
Heartland Finance	- Acquired reverse mortgage provider Australian Seniors Finance in April 2014 – the largest non-bank reverse mortgage lender in Australia at the time. - Benefits included expanding into Australia, leveraging Heartland's existing expertise and scale in New Zealand.

SIGNIFICANT INORGANIC GROWTH OPPORTUNITIES

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

OPPORTUNITY	COMMENTARY
Reverse mortgages	Acquire reverse mortgage books in Australia from major banks who have exited the market.
Agricultural	- Consolidate agricultural finance companies in Australia to achieve additional scale. - Potentially acquire select portfolios from major banks who may look to manage capital.
Non-bank lenders – motor and asset finance	Potential to acquire motor finance portfolios from non-bank lenders where assets are under pressure given rising funding costs, rising inflation and capital constraints.
Partnerships/white label opportunities	Opportunity to white label reverse mortgages with strategic partners.

Outlook

Outlook

Heartland has growth ambitions in New Zealand and Australia with a view to facilitating cost efficiency and ROE expansion.

BUSINESS AS USUAL GROWTH

- Heartland Bank is focused on growing higher quality portfolio, in particular, Online Home Loans, Reverse Mortgages and Livestock.
- Increased demand expected for Reverse Mortgages in both countries where the product has proven to offer a good solution for many seniors wanting to live a more comfortable retirement, especially as the cost of living rises.

AUTOMATION & DIGITISATION

- Ongoing commitment to reducing customer friction and increasing efficiency through digitalisation and automation, including the upgrade of Heartland Bank's core banking system.
- Continue to grow Heartland's revenue line, contributing favourably to the CTI ratio.

ACQUISITION AND EXPANSION IN AUSTRALIA

- Completion of the acquisition of Challenger Bank (subject to APRA and RBNZ approval) to enable growth of existing products, and expansion into new markets.
- Leverage existing expertise to achieve market share growth in Reverse Mortgages and Livestock Finance in Australia.

FY2023 GUIDANCE

Heartland expects NPAT for FY2023 to be in the range of \$109 million to \$114 million, excluding any impacts of fair value changes on equity investments held and the impact of the de-designation of derivatives.

Thank you

Investor enquiries:

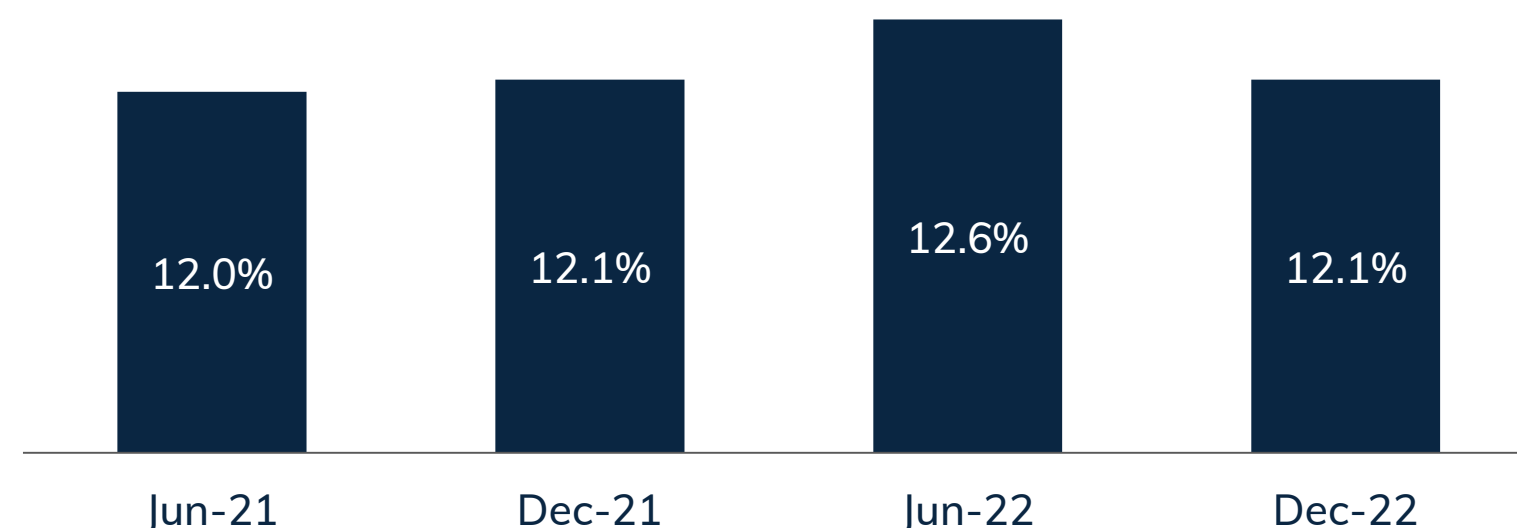
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Appendix: Shareholder return

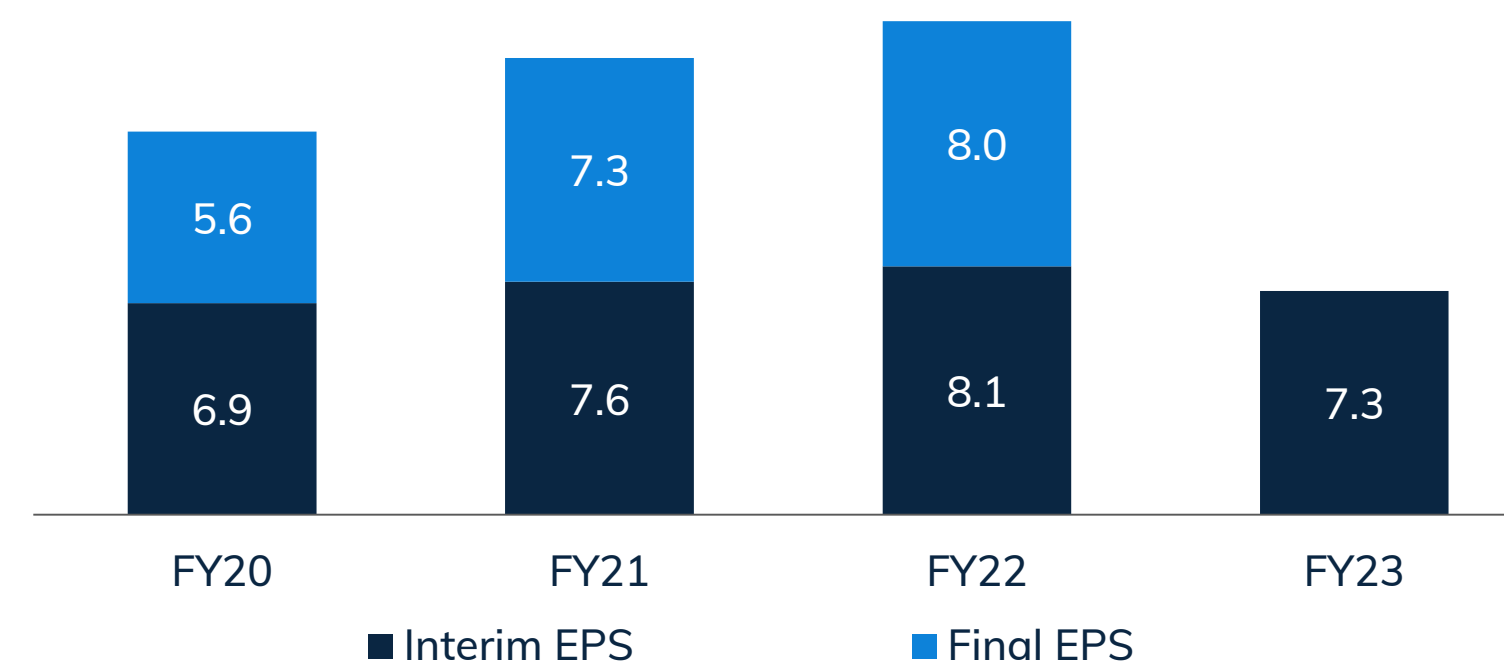
- Underlying return on equity (ROE) 12.1% (down 7 bps vs 1H2022).¹
- Earnings per share (EPS) of 7.3 cps, down 0.8 cps compared with 1H2022.
- Underlying EPS of 8.2 cps (up 0.2 cps vs 1H2022).
- Interim dividend of 5.5 cps, flat on 1H2022.

- Dividend yield of 8.7%² (1H2022: 7.4%³).
- Heartland's Dividend Reinvestment Plan (DRP) applied to the interim dividend with a 2.0% discount.⁴

Underlying ROE



EPS (cps)



¹ Underlying ROE refers to ROE calculated using underlying results. When calculated using reported results, ROE was 10.6%, down 166 bps. A reconciliation between reported and underlying ROE is included in Heartland's 1H2023 results announcement at www.heartlandgroup.info. ² Total fully imputed dividends for 1H2023 (interim) and 2H2022 (final) divided by the closing share price as at 24 February 2023 of NZ\$1.75. ³ Total fully imputed dividends for 1H2022 (interim) and 2H2021 (final) divided by the closing share price as at 14 February 2022 of NZ\$2.35. ⁴ That is, the strike price under the DRP was 98.0% of the volume weighted average sale price of Heartland shares over the five trading days following the Record Date. For the full details of the DRP and the Strike Price calculation, refer to the Heartland DRP offer document dated 10 December 2018, available at www.heartlandgroup.info.