

NZX/ASX release
23 October 2025

Heartland trading update

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: **HGH**) today provides a trading update for the three months to 30 September 2025 (**Q1**).

Heartland has delivered a solid performance for Q1 of the financial year ending 30 June 2026 (**FY2026**), improving profitability and return on equity (**ROE**) across the quarter. Overall net interest margin (**NIM**) continued to expand and cost growth has remained stable. Asset quality for Heartland Bank Limited's (**Heartland Bank**) Motor Finance¹ portfolio demonstrated consistent improvement as a result of enhanced collections, recoveries and write-off strategies. As New Zealand business conditions remain challenging, Heartland Bank's Business Finance² non-performing loans (**NPLs**) have increased – the portfolio remains appropriately provisioned, and Heartland Bank expects NPL improvement in the second quarter of FY2026 (1 October to 31 December 2025, **Q2**). Livestock Finance seasonal impacts have affected Heartland Bank Australia Limited (**Heartland Bank Australia**)'s NPL ratio and are also expected to improve in Q2.

Strong momentum was maintained in Reverse Mortgages within both banks, while subdued markets and usual seasonal contractions impacted growth in Heartland's other core lending portfolios. Lending performance is expected to improve as FY2026 progresses. Notably, strong progress has been made in the realisation of Heartland's non-strategic assets (**NSAs**), surpassing quarterly estimates.

	Heartland			NZ Banking			AU Banking		
	Reported	Underlying ³		Reported	Underlying ³		Reported	Underlying ³	
	Q1	Q1	FY2026 guidance	Q1	Q1	FY2026 guidance	Q1	Q1	FY2026 guidance
NOI	\$89.6m	\$86.5m	No guidance provided	\$60.7m	\$57.6m	No guidance provided	AU\$26.8m	AU\$26.8m	No guidance provided
OPEX	\$46.3m	\$46.3m		\$31.1m	\$31.1m	<\$129.1m	AU\$13.8m	AU\$13.8m	<AU\$54.6m
Impairment expense	\$7.0m	\$7.0m		\$7.1m	\$7.1m	No guidance provided	(AU\$0.1m)	(AU\$0.1m)	No guidance provided
NPAT	\$26.7m	\$23.6m	≥\$85m	\$17.1m	\$14.0m	>\$45m	AU\$9.1m	AU\$9.1m	>AU\$37m (NZ\$40m)
Average NIM	3.89%	3.89%	>3.90%	4.06%	4.06%	>4.20%	3.62%	3.62%	>3.40%
Exit NIM	3.85%	3.85%	>3.95%	4.08%	4.08%	>4.25%	3.50%	3.50%	>3.65%
CTI ratio	51.6%	53.5%	<53.5%	49.7% ⁴	52.4% ⁴	<53.5% ⁴	48.1% ⁴	48.1% ⁴	<45.5% ⁴
Impairment expense ratio⁵	0.39%	0.39%	<0.55%	0.61%	0.61%	<0.85%	(0.01%)	(0.01%)	<0.10%
ROE	8.6%	7.6%	≥7%						

Non-Strategic Assets (NSAs)

NSA realisation accelerated in Q1 and is exceeding Heartland's estimates, with momentum continuing early into Q2. Highlights include:

- good progress in achieving accelerated exits from Rural and Business Relationship borrowers primarily through sale of security and refinance:

Note: All figures in NZD unless otherwise stated.

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- the largest Relationship exposure partially settled in Q1 with the residual refinance now unconditional and scheduled to settle in October 2025
- the third largest Relationship exposure went unconditional in September 2025 and was repaid in early October 2025
- Home Loans⁶ continues to wind down ahead of expectations through early repayments
- the unconditional sale of one of the two dairy farms which make up the Properties NSA – settlement is expected in October 2025
- the full exit of Heartland's Harmony Corp Limited shareholding, significantly above carrying value as at 30 June 2025 – this generated a fair value gain of \$3.1 million which is the key difference between underlying and reported results in Q1
- the sale of Heartland Bank Australia's shareholding in Alex Bank settled in October 2025.

By the end of the 2025 calendar year (**CY2025**), Heartland estimates the total value of NSAs to be \$179.5 million, a \$358.1 million (-66.6%) reduction since 30 June 2024.

NZ banking

Heartland Bank's Q1 NIM of 4.06% and exit NIM⁷ of 4.08% were down 12 bps and 5 bps respectively on the previous quarter (1 April to 30 June 2025, **Q4**). Q4 NIM benefitted from a year-to-date correction between other operating income and net interest income generated by derivatives. Excluding that benefit, Q4 NIM was 4.06%. Therefore, on a like-for-like basis, Q1 NIM was flat on Q4. This was primarily due to a substantial rate reduction for Reverse Mortgages, partially offset by improvements in cost of funds.

With stable NOI, underlying OPEX reduced by \$2.4 million in Q1 to \$31.1 million, driving a reduction in the Q1 underlying CTI ratio to 52.4%⁴, down from 56.9% in Q4.

Heartland Bank's impairment expense ratio improved, down 9 bps from Q4 to 0.61% in Q1. Heartland Bank's total non-performing loan (**NPL**) ratio of 3.22% was flat on Q4, however the value of NPLs reduced by \$3.5 million from 30 June 2025 to \$148.2 million as at 30 September 2025 as overall asset quality continued to improve. Excluding NSAs and Unsecured Lending⁸, Heartland Bank's NPL ratio improved, reducing by 4 bps to 2.36% as at 30 September 2025.

As at 31 August 2025, Heartland Bank's Consumer Motor Finance⁹ arrears of 4.6% (as per Centrix's measure of arrears greater than or equal to 14 days past due (**DPD**)) continues to outperform the industry average of 5.1%.¹⁰ Late-stage arrears for the Motor Finance portfolio have seen further improvement in Q1, and recoveries continue to perform as expected. Heartland Bank maintains its expectation that it will have no arrears greater than 180 DPD by 30 June 2026.

Trading conditions remained challenging for the business sector, resulting in subdued demand and elevated arrears for Heartland Bank's Business Finance portfolio. Arrears were up \$2.9 million from 30 June 2025 and are being carefully managed. Heartland Bank is working closely with customers in arrears and expects to see a reduction in NPLs in Q2. The Business Finance portfolio remains appropriately provisioned recognising the secured nature of this lending.

Reverse Mortgage growth continued, with Receivables up \$43.6 million (14.0%)¹¹ in Q1 to \$1,276.9 million as at 30 September 2025. Excluding Livestock Finance which experienced the usual seasonal contraction, the Rural¹² portfolio grew by \$5.8 million (6.1%)¹⁰ in Q1 to \$380.3 million as at 30 September 2025. Motor Finance Receivables were down \$10.8 million (-2.5%)¹⁰ in Q1 to \$1,683.6 million as at 30 September 2025, as economic conditions remain subdued, and reflecting Heartland Bank's shift to higher quality distribution channels.

AU banking

While Heartland Bank Australia's NIM expanded 15 bps in Q1 to 3.62%, the exit NIM of 3.50%, reflects a full pass through of the official cash rate reduction to Reverse Mortgages.

Underlying OPEX in Q1 was AU\$13.8 million, an increase of AU\$1.7 million on Q4, while the underlying CTI ratio increased to 48.1%⁴ in Q1, from 47.7% in Q4. This was driven by:

- a AU\$0.4 million increase in professional services, marketing and broker costs linked to Reverse Mortgage growth
- AU\$0.3 million related to the exploration phase of the implementation of a new unified origination and servicing platform – costs related to this technology initiative are expected to be elevated in Q2 as vendor negotiations and programme planning continues
- the AU\$0.6 million impact of additional roles filled in the previous financial year to strengthen capability and capacity for growth, and to fill compliance and marketing vacancies in Q1.

The NPL ratio increased to 3.09% in Q1 from 2.40% in Q4 largely due to seasonal impacts related to the Livestock Finance portfolio which are expected to normalise in Q2.

Reverse Mortgage Receivables were up AU\$85.9 million (17.2%)¹⁰ in Q1 to AU\$2,066.3 million as at 30 September 2025. Livestock Finance Receivables were down AU\$22.2 million (-34.7%)¹⁰ in Q1 to AU\$231.7 million as at 30 September 2025 due to the usual seasonality of the portfolio.

In October 2025, Heartland Bank Australia repaid its final outstanding AU\$100 million medium-term note prior to its contractual maturity in October 2027, replaced by cheaper deposit funding. The early repayment attracted a break fee which will impact NPAT and NIM in Q2. However, this impact will be recovered across the remainder of FY2026 given the margin benefits of deposit funding and will provide significant benefit into the financial years ending 30 June 2027 and 30 June 2028.

2025 Investor Day

Heartland intends to present to investors its updated long-term ambitions at an upcoming investor day. While the investor day will no longer take place ahead of Heartland's Annual Meeting on 13 November 2025, significant progress has been made in negotiations with preferred vendors for Heartland's technology initiatives. Following which, Heartland will be able to confirm a date for its investor day, which is still intended to take place in CY2025.

– ENDS –

The person who authorised this announcement:

Andrew Dixon, Chief Executive Officer

For further information and media enquiries, please contact:

Nicola Foley, Head of Corporate Communications & Investor Relations

+64 27 345 6809, nicola.foley@heartland.co.nz

Level 3, Heartland House, 35 Teed Street, Newmarket, Auckland, New Zealand

About Heartland

Heartland is an Australasian financial services group providing specialist banking products to New Zealanders and Australians. Heartland is listed on the New Zealand and Australian stock exchanges under the HGH ticker (NZX/ASX: HGH). Through its various predecessors, Heartland has a long history with roots stretching back to Ashburton, New Zealand in 1875.

Heartland is the listed holding company for two banks – [Heartland Bank](#) in New Zealand and [Heartland Bank Australia](#) in Australia. Each bank is focused on providing specialist banking products to enable better lives for New Zealanders and Australians. In both countries, these products include Reverse Mortgages, Livestock Finance and Savings and Deposits. In New Zealand, Heartland Bank also offers Motor Finance and Asset Finance.

As the listed parent company, Heartland’s role is to ensure capital is allocated to the parts of its business which generate strong returns, and to set the strategy and risk appetite within which the group operates. This enables Heartland to maximise shareholder returns and each bank to enhance the value it offers customers by helping more New Zealanders and Australians with their specialist banking needs.

More: heartlandgroup.info

Endnotes

¹ Motor Finance includes Wholesale Lending.

² Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.

³ Certain financial measures are presented on a reported and underlying basis. Reported financial measures 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 financial measures (which are non-GAAP financial information) exclude the impact of fair value changes on equity investments held. The use of underlying results is intended to allow for easier comparability between periods and is used internally by management for this purpose. The Investor Presentation for Heartland’s FY2025 financial results released on 21 August 2025 includes at page 7 details of the FY2025 one-offs and at page 48 general information about Heartland’s use of non-GAAP financial measures.

⁴ Excluding intercompany group charges.

⁵ Impairment expense as a percentage of average gross finance receivables (**Receivables**).

⁶ Includes Online Home Loans and old residential mortgages.

⁷ The Q1 exit NIM is the NIM achieved on 30 September 2025 (rather than the average NIM for Q1).

⁸ Unsecured Lending includes Open for Business and Personal Lending portfolios which are winding down.

⁹ Consumer Motor Finance are Motor Finance loans to individuals rather than businesses.

¹⁰ Industry average arrears are based on auto arrears as at August 2025, reported by Centrix in its Credit Insights Report, September 2025.

¹¹ Annualised growth.

¹² Rural includes Rural Relationship, Rural Direct and Livestock Finance. Excludes NSAs