

Heartland Annual Meeting 2025: Chief Executive Officer's Address

1. Introduction

Good morning and welcome all.

Thank you for joining us at this year's Annual General Meeting.

2. Reset, change and integration

The financial year ended 30 June 2025 (**FY2025**) presented a unique set of challenges and opportunities for Heartland Group Holdings Limited (**Heartland**) (**NZX/ASX: HGH**), marked by a period of significant reset, change and integration.

Reset

We have deliberately recalibrated our strategy, sharpened our focus on core products, and taken decisive steps to ensure capital is allocated where it delivers the strongest returns. This reset has laid the groundwork for a more resilient and agile banking group and is something we will continue to test on an ongoing basis.

Our net profit after tax (**NPAT**) for the year was \$38.8 million. On an underlying basis¹, NPAT was \$46.9 million, which while meeting underlying NPAT guidance of at least \$45 million, does not represent our desired performance for Heartland, following a challenging operating environment and the impact of necessary strategic changes.

Importantly, we restored our net interest margin (**NIM**) to near-historic levels, with each bank delivering strong exit margins. This positive trend continued in the first quarter of the financial year ending 30 June 2026 (**FY2026**) (**1Q2026**), as Heartland delivered a solid performance, improving profitability and return on equity across the quarter. Overall NIM continued to expand and cost growth remained stable.

¹ 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. The use of underlying results (which are non-GAAP financial information) 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. See page 2 of Heartland's 1Q2026 investor presentation for details of the 1Q2026 one-offs.

The strong Reverse Mortgage momentum experienced within both banks through FY2025 was maintained in 1Q2026, while subdued markets and usual seasonal contractions impacted growth in Heartland's other core lending portfolios.

Capital optimisation was a key priority in FY2025 and a critical part of our reset. This was reflected in several initiatives undertaken, including the run-off of Unsecured Lending and the accelerated realisation of non-strategic assets (**NSA**), enabling the redeployment of capital into high-return core lending portfolios. I will speak more about NSA realisation shortly.

Change

A substantial increase in impairment expense was incurred in the first half of FY2025 (**1H2025**) in response to ongoing economic deterioration in New Zealand, and to derisk and reposition some of the New Zealand bank's lending portfolios. Necessary changes made to collections and recoveries policies, processes and leadership have delivered early, tangible improvements, with recovery efforts outperforming expectations and total Motor Finance arrears now outperforming the industry average.²

Integration

As Greg discussed, we also completed the operational integration of our Australian businesses into Heartland Bank Australia Limited (**Heartland Bank Australia**), creating a new and unique bank. The Australian funding transition has continued to be successful, as deposits now form 86% of the bank's funding, providing a deep, stable and diverse platform to efficiently fund the significant lending opportunity we have ahead of us.

As a condition of the authorised deposit-taking institution (**ADI**) acquisition, Heartland required an evolution of 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.

3. Non-Strategic Assets

We made strong progress in the realisation of NSAs in FY2025, and I'm pleased to report that in the first quarter of FY2026, our NSA realisation has not only continued at pace but has exceeded our own quarterly estimates. This momentum has carried into the second quarter.

² Industry average arrears are based on auto arrears as at September 2025, reported by Centrix in its Credit Insights Report, October 2025.

Key highlights include:

- Accelerated exits from Rural and Business Relationship borrowers, primarily through the sale of security and refinancing. Notably, the largest Relationship exposure was partially settled in 1Q2026, with the remaining refinance settled in October 2025. The third largest Relationship exposure also went unconditional in September and was repaid in early October.
- Home Loans (which closed to new business in March 2025) continues to run off ahead of expectations, driven by early repayments.
- We achieved the unconditional sale of one of the two dairy farms, with settlement in October 2025.
- We completed the full exit of Heartland's shareholding in Harmoney, achieving a sale price significantly above carrying value as at 30 June 2025. This generated a fair value gain of \$3.1 million, which was the key difference between our underlying and reported results for 1Q2026, and is expected to remain the key difference between underlying and reported results for the remainder of FY2026.
- Additionally, the sale of Heartland Bank Australia's shareholding in Alex Bank was settled in October 2025.

By the end of this calendar year, we estimate the total value of NSAs will be \$179.5 million – a reduction of \$358.1 million, or 66.6%, since 30 June 2024.

4. FY2026 outlook

Looking ahead to FY2026, Heartland expects to deliver an underlying return on equity (**ROE**) of at least 7% and an improved underlying NPAT of at least \$85 million.

While Greg mentioned several areas of focus for FY2026, two critical themes are:

1. increasing process automation to improve customer experience and deliver true operating leverage
2. ensuring capital is deployed efficiently into ROE accretive activity against a backdrop of continued regulatory change.

Technology uplift

Regarding technology uplift, targeted investments in technology and automation will enable sustainable growth and operational excellence into the future.

In late 2023, Heartland Bank Limited (**Heartland Bank**) completed its upgrade to a modern core banking system. Since then, Heartland has focused on executing and integrating strategic acquisitions in Australia. With these complete, in FY2026 Heartland will invest in a targeted technology uplift to resume and reinvigorate digital transformation within each bank. Leanne and Michelle will discuss this in their addresses. This technology uplift will modernise existing infrastructure and deliver new capability within the respective banks, resulting in greater efficiency, an enhanced customer, intermediary and employee experience, and positioning both banks to be able to meet customer demand at scale.

Capital efficiency

Regarding capital efficiency, Heartland welcomes and will continue to participate in the Reserve Bank of New Zealand's (**RBNZ's**) review of key capital settings. We see 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. Heartland Bank made a submission as part of the RBNZ's consultation process, with a particular focus on capital levels, asset risk-weights and the composition of regulatory capital. We remain fully supportive of the RBNZ's objective to ensure a resilient and stable financial system that protects depositors and the broader economy.

5. Investor day and reset long-term ambitions

We will present our updated long-term ambitions at an investor day, now scheduled to take place in March 2026, following Heartland's interim financial results announcement due to take place on Thursday 26 February 2026. This timing will allow each bank to complete contract negotiations with their preferred vendors for their respective technology initiatives and considers investors' availability over the festive period. At the investor day, we will share the key metrics and growth drivers that will underpin our ambitions through to the financial year ending 30 June 2030, including our continued focus on ROE, core lending growth, and operational efficiency.

6. Conclusion

In closing, I want to acknowledge the resilience and commitment of our people, the support of our shareholders, and the trust of our customers. We have faced into a number of issues, made the necessary changes, and are beginning to see the benefits. We have made significant progress, the early signs of positive change are encouraging, and I am confident that we can deliver on our promise of sustainable, profitable growth and enhanced shareholder return.

I will now hand over to Leanne Lazarus, followed by Michelle Winzer, to provide updates on our respective New Zealand and Australian banks.