

NZX/ASX release
26 February 2026

Heartland announces 1H2026 result

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: **HGH**) has announced a strong turnaround in net profit after tax (**NPAT**) for the six-month period ended 31 December 2025 (**1H2026**) of \$48.8 million. On an underlying basis¹, 1H2026 NPAT was \$46.1 million.

Heartland delivered steady progress towards its guidance for the financial year ending 30 June 2026 (**FY2026**), supported by net interest margin (**NIM**) expansion, improved asset quality metrics, strong Reverse Mortgage growth in New Zealand and Australia, cost control and accelerated non-strategic asset (**NSA**) realisation. Heartland continues to expect to deliver an underlying return on equity (**ROE**) of at least 7% and underlying NPAT of at least \$85 million for FY2026.

Overview: 1H2026 performance²

- Underlying ROE, Heartland's key performance metric, was up 540 basis points (**bps**) to 7.3% (up 142 bps from the six-month period ended 30 June 2025).³
- Average NIM expanded, up 51 bps to 3.92%.
- Underlying operating expenses (**OPEX**) remained steady, up \$3.6 million (4.0%) primarily due to investment in Australia to support growth and technology programme costs.
- Underlying cost-to-income (**CTI**) ratio was down 304 bps to 54.6%.⁴
- Consistent Reverse Mortgage growth by Heartland Bank Limited (**Heartland Bank**) and Heartland Bank Australia Limited (**Heartland Bank Australia**), with gross finance receivables (**Receivables**) up 15.2% and 18.9% respectively.⁵
- Further momentum in Heartland Bank's Rural⁶ portfolio through direct channels and intermediary partnerships, while Heartland Bank Australia saw solid growth in Australian Livestock Finance.
- Heartland Bank's strategic shift to higher quality used and franchise Motor Finance lending saw a 4.8%⁵ reduction in Receivables, accompanied by significantly improved asset quality metrics.
- Heartland Bank's Business Finance⁷ Receivables retracted as business conditions remained challenged – however Heartland Bank entered the second half of FY2026 (**2H2026**) with a compelling growth pipeline.
- Significant asset quality improvements reflect the benefits of Heartland Bank's more prescriptive collections and recoveries policies, and its refined strategic focus on core product sets.
- NSA realisation continues to progress ahead of expectations, with a recovery rate in excess of 90%, and is tracking to be largely complete by 30 June 2026.
- Through NSA realisation and recent Reserve Bank of New Zealand (**RBNZ**) capital decisions, Heartland is well positioned for growth, holding excess capital across the group.
- Interim dividend of 3.5 cents per share (**cps**).

See the accompanying 1H2026 investor presentation for more detail.

Technology update

Heartland is investing in technology programmes to support scalable growth for its core product sets in New Zealand and Australia. These investments will modernise and simplify technology for both banks by implementing AI-enabled, cloud-based platforms. Heartland Bank's technology programme will leverage and fully integrate with its upgraded core banking system to unify its origination and servicing activities, enabling greater automation. Heartland Bank Australia's technology programme will consolidate its three origination and servicing platforms into a single banking solution. Implementation has commenced with Reverse Mortgages for each bank, and will progress through other product sets. The anticipated implementation costs for these technology programmes are estimated to be no more than \$17 million over a three-year period.

These platforms will deliver new capabilities within each bank, resulting in greater operational efficiency, an enhanced customer, intermediary and employee experience, and positioning both banks to meet customer demand at scale.

Note: All figures in NZD unless otherwise stated. Endnotes are located at the end of this announcement.

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Capital

Heartland remains well placed to cater for organic growth with excess capital held across the group. This position has been enhanced through NSA realisation and recent RBNZ decisions on capital settings.

On 17 December 2025, the RBNZ announced final decisions on key capital settings for deposit takers, with the following key features set to benefit Heartland Bank:

- a reduction in both Tier 1 (to 11% from 14%) and total capital (to 14% from 16%) ratio requirements relative to the 2028 settings previously determined in 2019
- removal of Additional Tier 1 capital instruments, while allowing a higher mix of Tier 2 capital (to 3% from 2%)
- more granular and reduced risk weights, particularly in the productive sectors of the economy Heartland Bank focuses on, being small business and rural lending.

The current target date for implementation of risk weight reductions and the first annual step changes in capital ratios is 1 October 2026. The RBNZ is expected to provide further information about the process for transitioning to the new capital settings on 27 February 2026.

In addition:

- effective 1 March 2026, the RBNZ has reduced Heartland Bank's transitional capital overlay (imposed after the acquisition of (now) Heartland Bank Australia) by 1.5%, from 2.0% to 0.5% – the remaining capital overlay is expected to remain in place until the RBNZ implements a formal Group Supervision Policy for deposit takers under the Deposit Takers Act 2023 (which is expected to come into force on 1 December 2028)
- the RBNZ has indicated it will review reverse mortgage risk weights in 2026 (following their adjustment after a review conducted in 2023).

As at 31 December 2025, Heartland Bank holds approximately \$125 million of regulatory capital in excess of expected regulatory requirements. Applying Heartland Bank's expected risk weight changes to the 31 December 2025 balance sheet, the excess is approximately \$190 million.⁸

NSA realisation

NSA realisation continues to progress ahead of expectations and is tracking to be largely concluded by 30 June 2026. In 1H2026, the total value of NSAs reduced by \$189.8 million, creating \$21.2 million of available capital. Since the establishment of the NSA portfolio, Heartland has achieved a recovery rate in excess of 90%.

In 1H2026, Heartland:

- accelerated exits from Rural borrowers, realising \$45.6 million, \$24.4 million ahead of target
- completed the sale of one of the two dairy farms from the Properties NSA
- sold one of the apartments which make up the Investment Properties NSA
- exited Heartland Bank's Harmony Corp Limited shareholding and Heartland Bank Australia's Alex Bank shareholding in full.

Interim dividend

Heartland has declared a 1H2026 interim dividend of 3.5 cps, up 1.5 cps on 1H2025. Heartland's interim dividend yield of 6.1%⁹ compares with 7.9%¹⁰ in 1H2025. The interim dividend will be paid on Friday 20 March 2026 (**Payment Date**) to shareholders on the company's share register as at 5.00pm NZDT on Friday 6 March 2026 (**Record Date**) and will be fully imputed.

The dividend payout ratio of 72% for 1H2026 exceeds Heartland's target of at least 50% of underlying NPAT, reflecting Heartland's strong turnaround performance and excess capital position.¹¹

Heartland has a Dividend Reinvestment Plan (**DRP**), giving eligible shareholders the opportunity to reinvest some or all of their dividend payments into new ordinary shares. The DRP will apply to the final dividend with no discount.¹² The DRP offer document and participation form are available on Heartland's website at heartlandgroup.info/investor-information/dividends.

Looking forward

Heartland affirms its FY2026 guidance to deliver an underlying ROE of at least 7% and underlying NPAT of at least \$85 million.

NIM remains on track to meet Heartland's FY2026 underlying average and exit NIM guidance, while further asset quality improvements in 1H2026 have resulted in a positive adjustment to the FY2026 underlying impairment expense ratio guidance. Heartland has also revised its underlying CTI ratio guidance due to the 1H2026 retraction in certain Heartland Bank portfolios, and the impact of the investment in the bank technology programmes. In addition, underlying OPEX guidance has now been provided by Heartland (previously provided only at a respective bank level).

Updated guidance for each bank is detailed within this announcement.

FY2026 underlying guidance

	Heartland	NZ Banking	AU Banking
NPAT	≥\$85m	>\$45m	>AU\$37m (NZ\$40m)
ROE	≥7%	>6%	>8%
Average NIM	>3.90% (n.c.)	>4.10% (-10 bps)	>3.70% (+30 bps)
Exit NIM	>3.95% (n.c.)	>4.20 (-5 bps)	>3.75% (+10 bps)
OPEX	<\$195m	<\$127m (-\$2.1m)	<A\$58m (+A\$3.4m)
CTI ratio	<56% (+250 bps)	<56% (+250 bps)	<50% (+450 bps)
Impairment expense ratio	<0.45% (-10 bps)	<0.70% (-15 bps)	<0.10% (n.c.)

Investor day

Heartland is pleased to confirm it will hold an investor day on Friday 5 June 2026 where it will present its longer-term strategy, financial ambitions, and provide detail on the technology and product strategies within each bank. Further details, including a link for shareholders to join online, will be published in due course.

NZ banking

NIM

NZ banking	1H2025	FY2025	1H2026	FY2026 Outlook
Average NIM	3.78%	3.87%	4.05%	> 4.10%
Exit NIM	3.89%	4.13%	4.11%	> 4.20%

NIM remains strong, with steady expansion (up 28 bps from 1H2025). This was supported by a low cost of funds, despite lower gross yields from competitive pricing in core product sets and portfolio mix changes driven by continued NSA realisation. Heartland Bank's FY2026 average NIM is now expected to be greater than 4.10%, a reduction of 10 bps from the prior outlook due to Reverse Mortgage repricing and the impact of NSA realisation.

Costs

NZ banking	1H2025	FY2025	1H2026	FY2026 Outlook
Reported OPEX	\$63.1m	\$131.8m	\$63.0m	No outlook provided
Underlying OPEX	\$62.1m	\$128.1m	\$62.6m	<\$127m
Underlying CTI ratio ⁴	53.2%	54.8%	53.8% ¹³	<56%

Underlying OPEX remains stable and is expected to be lower than Heartland Bank's previous FY2026 outlook, at less than \$127 million, despite operational costs increasing in 2H2026 from investment in technology and

marketing. The underlying CTI ratio increased by 57 bps from 1H2025 to 53.8%¹³ due to Receivables retraction and a consequential reduction in net operating income, offsetting the benefit from operational cost savings. Despite cost control, the shortfall in revenue from subdued growth and the successful execution of NSA realisation has resulted in an increased underlying CTI ratio outlook, now expected to be less than 56%, up 250 bps from the previous guidance.

Asset quality

NZ banking	1H2025	FY2025	1H2026	FY2026 Outlook
Impairment expense ratio	1.99%	1.40%	0.50%	< 0.70%

Heartland Bank's overall asset quality continued to improve in 1H2026, reflecting the benefits of maintaining a refined strategic focus on core product sets, early intervention and disciplined portfolio management. The 1H2026 impairment expense ratio of 0.50% benefitted from the release of collective provisions in Motor Finance and NSAs. Heartland Bank now expects the FY2026 impairment expense ratio outlook to be less than 0.70% (15 bps lower than the previous guidance). This reflects an expected stabilisation in impairment expense in 2H2026.

The non-performing loan (NPL) ratio improved by 17 bps from 30 June 2025 to 3.04% as at 31 December 2025, while the core portfolio NPL ratio (excluding NSAs and Unsecured Lending) improved by 33 bps from 30 June 2025 to 2.07% as at 31 December 2025.

Motor Finance asset quality metrics improved over 1H2026 as a result of Heartland Bank's enhanced collections, recoveries and write off strategies which are now well established within business-as-usual practices. Total Motor Finance arrears of 4.5% (as per Centrix's measure of arrears greater than or equal to 14 days past due (DPD)) continue to outperform the industry average of 5.8%.¹⁴ Motor Finance NPLs between 180 and 364 DPD reduced from \$13.2 million as at 30 June 2025 to \$8.9 million as at 31 December 2025 and are expected to clear by 30 June 2026. Excluding this subset of NPLs, Heartland Bank considers its arrears levels to be at suitable levels for its business.

Economic conditions for the New Zealand business sector remained challenging, with elevated levels of company liquidations across several sectors Heartland Bank operates within. Despite this, and due to the bank's continued focus on executing a timely recovery and collections strategy, the Business Finance portfolio recorded a reduction in NPLs from \$58.3 million as at 30 June 2025 to \$52.2 million as at 31 December 2025. Heartland Bank is continuing to work closely with customers in arrears to reduce NPLs further.

Other core product sets remain stable. The Reverse Mortgage portfolio continues to perform well, with an NPL ratio of 0.15%, average current loan size of \$159,168 and a weighted average current loan-to-value ratio (LVR) of 27.1%.¹⁵ The Rural portfolio's asset quality also remained stable, with a NPL ratio of 0.89%.

Core lending performance

Reverse Mortgage Receivables were up by \$94.6 million (15.2%)⁵ from 30 June 2025 to \$1.33 billion as at 31 December 2025. Strong pipeline development in 1H2026 and a new marketing campaign, now live, are expected to generate further growth in 2H2026 and boost momentum into the financial year ending 30 June 2027 (FY2027). New business volumes increased by more than 23% compared with 1H2025, with an increasing proportion of customers drawing additional funds through cash reserve facilities. Village Access Loans continues to gain traction.

Rural Receivables were down by \$30.4 million (-9.9%)⁵ from 30 June 2025 to \$578.4 million as at 31 December 2025. This is comprised of Livestock Finance, down due to seasonal contraction by \$45.5 million (-38.5%)⁵ from 30 June 2025 to \$188.8 million as at 31 December 2025, and Rural Lending, up by \$15.0 million (8.0%)⁵ from 30 June 2025 to \$389.6 million as at 31 December 2025. With good momentum early into the third quarter, the portfolio is on track to deliver more than 9% growth in FY2026 (previously targeting more than 6%). New partnerships and intermediary channels continue to create growth opportunities, while market conditions remain favourable, underpinned by pasture growth and global protein demand.

Motor Finance Receivables were down by \$41.1 million (-4.8%)⁵ from 30 June 2025 to \$1.65 billion as at 31 December 2025 as a result of Heartland Bank’s strategic shift towards higher quality intermediary partners, with a focus on quality used and franchise vehicles. Direct-to-consumer lending increased by 27.8%⁵ in 1H2026, while dealer volumes decreased by 7.3%⁵. As at 31 December 2025, new business through franchise dealerships accounted for approximately 50% of dealer origination, up from 40% as at 31 December 2024. Due to Receivables contraction in 1H2026, Heartland Bank now expects FY2026 Motor Finance Receivables to be flat on the financial year ended 30 June 2025 (**FY2025**) (previously targeting growth of more than 3%).

Business Finance Receivables were down by \$89.7 million (-22.8%)⁵ from 30 June 2025 to \$690.0 million as at 31 December 2025. This is comprised of Asset Finance, down by \$56.4 million (-18.4%)⁵ from 30 June 2025 to \$551.4 million as at 31 December 2025, and Business Relationship, down by \$33.3 million (-38.5%)⁵ from 30 June 2025 to \$138.6 million as at 31 December 2025. This Business Finance contraction reflects Heartland Bank’s disciplined approach to pricing and risk in response to subdued demand and ongoing economic challenges across several industry sectors (specifically transport and construction). While the Asset Finance pipeline strengthened in 1H2026 (applications were up 11% compared with 1H2025), with improvement anticipated in 2H2026, Heartland Bank now expects FY2026 Business Finance Receivables retraction of up to 19% (previously expecting up to 9% retraction).

Technology programme

Heartland Bank has partnered with Pega to deliver a technology platform which will leverage and fully integrate with its modern core banking system, Oracle. Pega is a leading global enterprise software provider with a proven track record in delivering intelligent, AI-enabled platforms for financial services organisations in the Asia Pacific region and globally. Heartland Bank’s new platform will replace existing legacy systems and manual processes with a single, integrated solution, modernising the bank’s technology foundations to strengthen control, resilience and competitiveness. It will enable increased automation and AI-driven capabilities to improve operational efficiency and enhance customer experience. The cost to implement the platform is estimated to be no more than \$11 million over a three-year period.

The programme will deliver the following benefits:

- fully digital, end-to-end customer journeys with seamless and improved experience for customers, intermediaries and employees
- increased agility, enabling faster approvals, product changes, and easier customer servicing
- simplified technology and platform landscape, reducing complexity and operational risk
- reduced long-term cost through a flexible, cloud-based platform.

Delivery will be phased. Reverse Mortgages completion is targeting August 2026, with subsequent phases for all other products delivered progressively over a three-year timeframe.

AU banking

NIM

AU banking	1H2025	FY2025	1H2026	FY2026 Outlook
Average NIM	2.75%	3.01%	3.68%	>3.70%
Exit NIM	3.13%	3.59%	3.96%	>3.75%

NIM expansion was primarily driven by a lower proportion of average wholesale funding in 1H2026, reducing from 52% in 1H2025 to 15% in 1H2026. This enabled a normalisation of liquid asset holdings by removing the need to pre-fund large securitisation date-based calls or medium-term note (**MTN**) maturities.

The exit NIM of 3.96% was aided by favourable deposit spreads and growth in Livestock Finance. Margins are expected to stabilise in 2H2026 as the interest rate outlook in Australia shifts towards higher deposit costs.

Costs

AU banking (\$AUD)	1H2025	FY2025	1H2026	FY2026 Outlook
Reported OPEX	\$24.2m	\$47.7m	\$28.0m	No outlook provided
Underlying OPEX	\$23.2m	\$46.4m	\$28.0m	<\$58m
Underlying CTI ratio ⁴	56.4%	52.0%	51.5% ¹³	<50%

Costs increased in 1H2026 due to volume related expenses and the commencement of the technology programme, as indicated in recent announcements. These costs will continue in 2H2026. As a result, Heartland Bank Australia now expects the FY2026 underlying OPEX to be less than A\$58 million.

While the underlying CTI ratio of 51.5%¹³ was down from 56.4% in 1H2025, on a quarterly basis the underlying CTI ratio was up from 49.5% in the first quarter (1 July to 30 September 2025) to 53.5% in the second quarter (1 October to 31 December 2025). This was due to technology related costs and the early repayment of Heartland Bank Australia's final MTN which was replaced by cheaper deposit funding. The impact of the early MTN repayment will be offset by lower deposit costs across the remainder of FY2026 and provide significant benefit into FY2027 and the financial year ending 30 June 2028 (**FY2028**). Excluding this non-recurring expense, the 1H2026 underlying CTI ratio was 47.8%.

Asset quality

Heartland Bank Australia's impairment expense ratio remained steady and low at 0.10% in 1H2026.

Australian Livestock Finance NPLs remained stable (A\$37.9 million as at 31 December 2025 compared with A\$36.4 million as at 30 June 2025). The Livestock Finance portfolio is appropriately provisioned in line with expected credit losses and prevailing economic conditions. Australian Reverse Mortgage asset quality remains strong with an NPL ratio of 0.70%, average current loan size of A\$214,710 and weighted average current LVR of 25.0%.¹⁵

Lending performance

Australian Reverse Mortgage Receivables were up by A\$188.2 million (18.9%)⁵ from 30 June 2025 to A\$2.17 billion as at 31 December 2025. To further market reach and broaden its broker network, Heartland Bank Australia has established new intermediary partnerships with two leading aggregators.

Australian Livestock Finance Receivables were up by A\$19.1 million (14.9%)⁵ from 30 June 2025 to A\$272.9 million as at 31 December 2025.

In 1H2026, Heartland Bank Australia commenced net promoter score (**NPS**) and customer satisfaction score (**CSAT**) reporting across all products. Results show the bank is outperforming financial services industry benchmarks for Australian Reverse Mortgages and is above industry norms for Australian Livestock Finance.¹⁶

Recent extreme weather events across Australia have impacted growth volumes for Livestock Finance early into 2H2026. In line with standard practice, Heartland Bank Australia is working closely with impacted customers and agents to ensure they are fully supported through this difficult time.

Technology programme

Heartland Bank Australia has partnered with Constantinople to consolidate three separate product origination and servicing platforms into a single, cohesive solution. The programme will introduce a new modern core banking platform to support all products, simplifying the bank's technology infrastructure and enabling increased automation and AI capability. Constantinople's cloud-based, AI-powered banking platform is used by banks and finance companies to bring technology and operations services into a single platform. The subscription model is cost efficient and activity based. The cost to implement the platform is estimated to be no more than A\$5 million over a three-year period, with ongoing subscription costs expected to align to current technology and operational spend, and scale with lending volume growth.

Benefits are expected to include:

- improved customer and employee experience, including faster decisioning, streamlined processes and greater automation
- reduced operational risk through the retirement of manual processes, stronger embedded controls, and improved compliance capability
- efficiency benefits over time, driven by a simplified technology stack, reduced vendor complexity, and lower cost to serve.

Migration to the new banking platform will occur progressively by product, starting with Reverse Mortgages. All products are expected to be migrated by the end of FY2028. The programme is progressing to plan, providing a solid foundation for future growth.

– ENDS –

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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 in financial services, stretching back to Ashburton, New Zealand in 1875.

Today, Heartland is the listed holding company for two banks – [Heartland Bank](#) in New Zealand and [Heartland Bank 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.

Heartland's role as the listed parent company 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 for 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 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 1H2026 (which are non-GAAP financial information) exclude the impact of fair value changes on equity investments held, and other non-recurring costs. The use of underlying results is intended to allow for easier comparability between periods and is used internally by management for this purpose. In the accompanying 1H2026 investor presentation (IP), refer to page 2 for information on the presentation of results and general information about the use of non-GAAP financial measures, page 6 for a summary of reported and underlying results, and page 7 for details about 1H2026 and 1H2025 one-offs. The 1H2026 financial statements are unaudited, but have been reviewed by Heartland's auditor, PricewaterhouseCoopers.

² All comparative figures and percentage increases or decreases are against the six-month period ended 31 December 2024 (**1H2025**), unless explicitly stated otherwise.

³ Underlying ROE refers to ROE calculated using underlying results. When calculated using reported results, Heartland's ROE was 7.7%, up 714 bps compared with 1H2025. For more information, see page 2 of the IP.

⁴ Underlying CTI ratio refers to the CTI ratio calculated using underlying results. When calculated using reported results, Heartland Bank's CTI ratio was 53.3%, up 1.6% compared with 1H2025, and Heartland Bank Australia's CTI ratio was 51.5%, up 7.4% compared with 1H2025. For more information, see page 2 of the IP.

⁵ Annualised growth.

⁶ Rural includes Rural Relationship, Rural Direct and Livestock Finance. Excludes NSAs.

⁷ Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.

⁸ Including ordinary internal buffers.

⁹ Total fully imputed dividends divided by the closing share price as at 24 February 2026 of \$1.25.

¹⁰ Total fully imputed dividends divided by the closing share price as at 25 February 2025 of \$0.88.

¹¹ Heartland's Dividend Policy is available on Heartland's website at heartlandgroup.info/investor-information/dividends.

¹² That is, the strike price under the DRP will be 100% of the volume weighted average sale price of Heartland shares over the five trading days following the Record Date. For the full details of the DRP and the Strike Price calculation, refer to the Heartland DRP offer document dated 20 August 2025 available at heartlandgroup.info/investor-information/dividends.

¹³ Excluding intercompany group charges.

¹⁴ Industry average arrears are based on auto arrears as at December 2025, reported by Centrix in its Credit Insights Report, January 2025.

¹⁵ 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 31 December 2025, Heartland Bank Reverse Mortgage NPLs included 10 loans with a total value of \$2.0 million and a weighted average LVR of 32.2%. Heartland Bank Australia Reverse Mortgage NPLs included 54 loans with a total NPL value of A\$17.2 million and a weighted average LVR of 29.5%.

¹⁶ Based on NPS and CSAT benchmarking data provided by Fullview.