Interim Financial Statements

For the six months ended 31 December 2025

HEARTLAND GROUP

Contents

General Information

These interim financial statements are issued by Heartland Group Holdings Limited (**HGH**) and its subsidiaries (the **Group**) for the six months ended 31 December 2025.

Name and address for service

HGH's address for service is Level 3, 35 Teed Street, Newmarket, Auckland 1023.

Details of incorporation

HGH is a company incorporated in New Zealand under the Companies Act 1993 on 19 July 2018. The shares in HGH are listed on the New Zealand Exchange **(NZX)** main board and the Australian Securities Exchange **(ASX)** under a foreign exempt listing.

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.

There have been no changes to the composition of the Board of Directors of the Group since 30 June 2025 to the six months ended 31 December 2025.

Auditor

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

Directors' Statements

The interim financial statements for the six months ended 31 December 2025 for HGH and its subsidiaries (together the **Group**) are dated 25 February 2026 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 six months ended 31 December 2025

$000's	Note	Unaudited 6 Months to December 2025	Unaudited 6 Months to December 2024
Interest income:			
Effective interest method	3	173,032	213,661
Fair value through profit or loss	3	158,059	149,072
Total interest income		**331,091**	**362,733**
Interest expense	3	165,170	213,599
Net interest income		**165,921**	**149,134**
Operating lease income		2,410	3,131
Operating lease expense		1,660	2,239
Net operating lease income		**750**	**892**
Lending and credit fee income		6,620	6,746
Other (expense)	4	(1,016)	(1,473)
Net operating income		**172,275**	**155,299**
Operating expenses	5	94,425	98,081
Profit before net fair value gain/(loss) on equity investments, investment property, losses on guaranteed future value products, impaired asset expense and income tax		**77,850**	**57,218**
Net fair value gain/(loss) on equity investments and investment property		3,055	(172)
Losses on guaranteed future value products		–	1,174
Impaired asset expense	6	12,785	50,530
Profit before income tax		**68,120**	**5,342**
Income tax expense		19,276	1,730
Profit for the period		**48,844**	**3,612**
Other comprehensive income/(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	11	1,027	(13,160)
Movement in fair value of debt investments at fair value through other comprehensive income (**FVOCI**)	11	(613)	246
Movement in foreign currency translation reserve	11	36,245	4,824
Items that will not be reclassified to profit or loss, net of income tax:			
Movement in fair value of equity investments at FVOCI	11	(1)	–
Other comprehensive income/(loss) for the period, net of income tax		**36,658**	**(8,090)**
Total comprehensive income/(loss) for the period		**85,502**	**(4,478)**
Earnings per share			
Basic earnings per share	7	5.20	0.40
Diluted earnings per share	7	5.20	0.40

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

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

STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2025

		Unaudited - December 2025				Unaudited - December 2024			
$000's	Note	Share Capital	Reserves	Retained Earnings	Total Equity	Share Capital	Reserves	Retained Earnings	Total Equity
Balance at beginning of period		**1,028,275**	**(28,782)**	**219,559**	**1,219,052**	**1,018,954**	**(8,496)**	**227,411**	**1,237,869**
Comprehensive income/ (loss) for the period									
Profit for the period		–	–	48,844	48,844	–	–	3,612	3,612
Other comprehensive income/(loss), net of income tax	11	–	36,658	–	36,658	–	(8,090)	–	(8,090)
Total comprehensive income/(loss) for the period		**–**	**36,658**	**48,844**	**85,502**	**–**	**(8,090)**	**3,612**	**(4,478)**
Transactions with owners									
Dividends paid	10	–	–	(18,802)	(18,802)	–	–	(27,918)	(27,918)
Dividends reinvestment plan	10	2,269	–	–	2,269	–	–	–	–
Share based payments	11	–	539	–	539	–	–	–	–
Share issuance	10	–	–	–	–	7,142	–	–	7,142
Total transactions with owners		**2,269**	**539**	**(18,802)**	**(15,994)**	**7,142**	**–**	**(27,918)**	**(20,776)**
Transfer on disposal of equity investments at FVOCI	11	–	6,051	(6,051)	–	–	–	–	–
Balance at end of the period		**1,030,544**	**14,466**	**243,550**	**1,288,560**	**1,026,096**	**(16,586)**	**203,105**	**1,212,615**

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

$000's	Note	Unaudited December 2025	Audited June 2025
Assets			
Cash and cash equivalents		395,372	356,229
Collateral paid		12,867	14,239
Investments	14	778,187	790,044
Derivative financial instruments		5,532	4,792
Finance receivables measured at amortised cost	8	3,398,527	3,711,450
Finance receivables - reverse mortgages	14	3,841,667	3,370,949
Investment properties		3,890	4,390
Operating lease vehicles		16,014	15,561
Right of use assets		13,583	12,223
Other assets		36,476	44,949
Current tax asset		13,510	35,449
Intangible assets	12	273,087	265,222
Deferred tax asset		19,923	21,953
Total assets		**8,808,635**	**8,647,450**
Liabilities			
Deposits	9	6,895,161	6,529,953
Other borrowings	9	554,649	825,454
Derivative financial instruments		19,870	20,660
Lease liabilities		15,655	14,390
Trade and other payables		33,244	36,620
Deferred tax liability		1,496	1,321
Total liabilities		**7,520,075**	**7,428,398**
Net assets		**1,288,560**	**1,219,052**
Equity			
Share capital	10	1,030,544	1,028,275
Retained earnings and other reserves	11	258,016	190,777
Total equity		**1,288,560**	**1,219,052**

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

STATEMENT OF CASH FLOWS

For the six months ended 31 December 2025

$000's	Note	Unaudited 6 Months to December 2025	Unaudited 6 Months to December 2024
Cash flows from operating activities			
Interest received		182,441	210,403
Operating lease income received		2,108	2,828
Lending, credit fees and other income received		3,578	5,021
Operating inflows		**188,127**	**218,252**
Interest paid		(160,251)	(206,007)
Loss on early extinguishment of borrowings		(2,271)	–
Payments to suppliers and employees		(89,485)	(99,415)
Taxation received/(paid)		6,283	(19,386)
Operating outflows		**(245,724)**	**(324,808)**
Net cash flows applied to operating activities before changes in operating assets and liabilities		**(57,597)**	**(106,556)**
Collateral paid		(13,558)	(27,610)
Collateral received		14,930	11,820
Proceeds from sale of operating lease vehicles		2,922	1,265
Purchase of operating lease vehicles		(4,575)	(1,604)
Net decrease in finance receivables measured at amortised cost		313,162	318,899
Net (increase) in finance receivables - reverse mortgages		(143,978)	(69,731)
Net movement in deposits		188,155	110,096
Net cash flows from operating activities		**299,461**	**236,579**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(2,230)	(1,818)
Proceeds from investment securities		460,770	698,815
Purchase of investment securities		(424,026)	(493,077)
Proceeds from sale of rural property assets		9,598	–
Proceeds from sale of investment property		475	–
Proceeds from sale of equity investments		10,189	–
Purchase of equity investment		–	(246)
Consideration adjustment related to acquisition of subsidiary		–	1,404
Net cash flows from investing activities		**54,776**	**205,078**
Cash flows from financing activities			
Proceeds from wholesale borrowings		–	146,960
Repayment of wholesale borrowings		(192,719)	(738,919)
Repayment of unsubordinated notes		(113,558)	(82,813)
Dividends paid	10	(15,842)	(20,776)
Payment of lease liabilities		(1,944)	(1,759)
Net cash flows applied to financing activities		**(324,063)**	**(697,307)**
Net increase/(decrease) in cash and cash equivalents		**30,174**	**(255,650)**
Effect of exchange rates on cash and cash equivalents		8,969	3,101
Opening cash and cash equivalents		356,229	629,619
Closing cash and cash equivalents[1]		**395,372**	**377,070**

[1]At 31 December 2025, the Group has $70.9 million (December 2024: $95.4 million) of cash held by structured asset holding entities (**Trusts**) which may only be used for the purposes defined in the underlying Trust documents.

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

Statement of Cash Flows (continued)

For the six months ended 31 December 2025

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

$000's	Note	Unaudited 6 Months to December 2025	Unaudited 6 Months to December 2024
Profit for the period		**48,844**	**3,612**
Add/(less) non-cash items:			
Depreciation and amortisation expense	5	8,226	8,457
Depreciation on lease vehicles		1,531	2,014
Capitalised net interest income and fee income		(148,493)	(150,371)
Impaired asset expense	6	14,482	51,038
Losses on guaranteed future value products		—	1,174
Fair value movements		(3,055)	(9,257)
Deferred tax		2,205	3,316
Other non-cash items		469	195
Total non-cash items		**(124,635)**	**(93,434)**
Add/(less) movements in operating assets and liabilities:			
Finance receivables measured at amortised cost		313,162	318,899
Finance receivables - reverse mortgages		(143,978)	(69,731)
Operating lease vehicles		(1,984)	(667)
Other assets		3,555	(20,721)
Current tax		21,939	(24,904)
Derivative financial instruments		(1,530)	19,857
Deposits		188,155	110,096
Other liabilities		(4,067)	(6,428)
Total movements in operating assets and liabilities		**375,252**	**326,401**
Net cash flows from operating activities		**299,461**	**236,579**

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

Notes to the Interim Financial Statements

For the six months ended 31 December 2025

1 Interim financial statements preparation

Basis of preparation

The interim financial statements presented are the interim financial statements comprising Heartland Group Holdings Limited (**HGH**) and its controlled entities (the **Group**). They have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**) as defined in the Financial Reporting Act 2013. These interim financial statements comply with NZ IAS 34 Interim Financial Reporting as appropriate for publicly accountable for-profit entities and IAS 34 Interim Financial Reporting.

These interim financial statements do not include all notes of the type normally included in the annual financial report. Accordingly these interim financial statements should be read in conjunction with the financial statements for the year ended 30 June 2025.

The interim financial statements presented here are for the six month period ended 31 December 2025.

The interim 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.

The interim financial statements have been prepared on a going concern basis.

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

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

The Group revised the presentation of individual line items when preparing the financial statements for the year ended 30 June 2025 and applied this revised presentation to these interim financial statements.

- Total interest income of $362.7 million is disaggregated into two categories as interest calculated using the effective interest method of $213.6 million and interest derived from financial assets measured at fair value through profit or loss of $149.1 million in the statement of comprehensive income and Note 3 - Net interest income; and
- Net increase in finance receivables - reverse mortgages of $69.7 million is presented separately from Net decrease in finance receivables measured at amortised cost of $318.9 million in the statement of cash flows.
- Certain line items within the notes to the interim financial statements have been revised to ensure consistency with the current period presentation. Refer to the relevant notes for further details.

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

Changes in accounting policy

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

Critical accounting estimates and judgements

There have been no material changes to the use of estimates and judgements for the preparation of the interim financial statements since the reporting date of the previous financial statements. The Group's Financial Statements for the year ended 30 June 2025 contains detail on other estimates and judgements used.

1 Interim financial statements preparation (continued)

Significant events and transactions

Establishment of Depositor Compensation Scheme (DCS)

The DCS, established under the Deposit Takers Act 2023, came into effect on 1 July 2025. The DCS provides protection for eligible New Zealand depositors in the event that a licensed deposit taker (including Heartland Bank Limited (**HBL** or the **Bank**) fails. Under the scheme, eligible New Zealand deposits held in DCS-protected accounts are covered up to $100,000 per depositor, per licensed deposit taker.

Realisation of Non-Strategic Assets (NSAs)

NSAs represent assets accumulated over time that are no longer aligned with the Group's current strategic focus or threshold return on equity objectives and do not contribute positively to performance. These assets are subject to active realisation strategies, with proceeds intended to be redeployed into higher-return core lending portfolios to optimise capital efficiency.

During the six months ended 31 December 2025, the Group made significant progress in reducing its exposure to NSAs. Key transactions completed in the period include:

- Accelerated exits from Rural and Business Relationship borrowers through sale of security and refinancing classified within finance receivables at amortised cost in the statement of financial position;
- Sale of one of two dairy farms classified as Properties NSAs classified within other assets in the statement of financial position;
- Full divestment of the Group's shareholding in Harmoney Corp Limited; and Alex Corporation Limited classified within investments in the statement of financial position.

These realisations align with the Group's strategy to simplify its portfolio and focus on core operations. The financial impacts of these transactions, including any gains or losses on disposal, are reflected in the consolidated statement of comprehensive income for the period.

All other significant events and transactions are disclosed in the notes to the interim financial statements.

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.

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. Income tax for New Zealand is also 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.

When preparing the financial statements for the year ended 30 June 2025, 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. This revised presentation has been applied to these interim financial statements. Comparative information within this note has been adjusted to align to the current period's basis for segmental analysis disclosure.

2 Segmental analysis (continued)

$000's	Motor	Reverse Mortgages	Personal lending	Business	Rural	Australian Banking Group	Other	Total
Unaudited December 2025								
Net interest income	35,692	30,668	1,505	20,775	16,747	60,421	113	165,921
Lending and credit fee income	1,690	1,369	176	1,612	417	1,356	—	6,620
Net other income/(expense)	473	—	4	390	(161)	(2,242)	1,270	(266)
Net operating income	**37,855**	**32,037**	**1,685**	**22,777**	**17,003**	**59,535**	**1,383**	**172,275**
Personnel expenses	3,468	1,011	1,620	2,322	1,157	13,124	26,133	48,835
Other expenses	929	2,182	545	202	595	18,320	22,817	45,590
Operating expenses	**4,397**	**3,193**	**2,165**	**2,524**	**1,752**	**31,444**	**48,950**	**94,425**
Profit/(loss) before net fair value gain on equity investments and investment property, losses on guaranteed future value products, impaired asset expense and income tax	**33,458**	**28,844**	**(480)**	**20,253**	**15,251**	**28,091**	**(47,567)**	**77,850**
Net fair value gain on equity investments and investment property	—	—	—	—	—	—	3,055	3,055
Losses on guaranteed future value products	—	—	—	—	—	—	—	—
Impaired asset expense	3,121	—	(122)	4,387	4,093	1,306	—	12,785
Profit/(loss) before income tax	**30,337**	**28,844**	**(358)**	**15,866**	**11,158**	**26,785**	**(44,512)**	**68,120**
Income tax expense	—	—	—	—	—	8,045	11,231	19,276
Profit/(loss) for the period	**30,337**	**28,844**	**(358)**	**15,866**	**11,158**	**18,740**	**(55,743)**	**48,844**

2 Segmental analysis (continued)

$000's	Motor	Reverse Mortgages	Personal lending	Business	Rural	Australian Banking Group	Other	Total
Unaudited December 2024								
Net interest income	31,837	27,863	2,429	27,207	15,967	43,356	475	149,134
Lending and credit fee income	2,673	1,298	(336)	1,803	246	1,062	—	6,746
Net other income/(expense)	618	—	42	496	(81)	730	(2,386)	(581)
Net operating income	**35,128**	**29,161**	**2,135**	**29,506**	**16,132**	**45,148**	**(1,911)**	**155,299**
Personnel expenses	1,558	1,035	3,400	3,680	1,179	12,361	29,454	52,667
Other expenses	625	1,968	1,230	729	396	14,189	26,277	45,414
Operating expenses	**2,183**	**3,003**	**4,630**	**4,409**	**1,575**	**26,550**	**55,731**	**98,081**
Profit/(loss) before fair value loss on equity investments, losses on guaranteed future value products, impaired asset expense and income tax	**32,945**	**26,158**	**(2,495)**	**25,097**	**14,557**	**18,598**	**(57,642)**	**57,218**
Fair value loss on equity investments	—	—	—	—	—	—	172	172
Losses on guaranteed future value products	1,174	—	—	—	—	—	—	1,174
Impaired asset expense	17,285	—	492	29,319	2,496	938	—	50,530
Profit/(loss) before income tax	**14,486**	**26,158**	**(2,987)**	**(4,222)**	**12,061**	**17,660**	**(57,814)**	**5,342**
Income tax expense	—	—	—	—	—	5,276	(3,546)	1,730
Profit/(loss) for the period	**14,486**	**26,158**	**(2,987)**	**(4,222)**	**12,061**	**12,384**	**(54,268)**	**3,612**
Unaudited December 2025								
Total assets	**1,646,988**	**1,327,928**	**78,269**	**728,608**	**642,940**	**3,635,378**	**748,524**	**8,808,635**
Total liabilities[1]								**7,520,075**
Audited June 2025								
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**

[1]Total liabilities include $3.126 million (June 2025: $2.713 million) attributable to the Australian Banking Group segment.

3 Net interest income

$000's	Unaudited 6 Months to December 2025	Unaudited 6 Months to December 2024
Interest Income		
Calculated using the effective interest method		
Cash and cash equivalents	4,754	8,325
Investments measured at FVOCI	16,937	19,346
Finance receivables measured at amortised cost	151,341	185,990
Total interest income calculated using the effective interest method	**173,032**	**213,661**
Fair value through profit or loss		
Investments measured at FVTPL	31	1,138
Finance receivables - reverse mortgages	158,028	147,934
Total interest income on financial assets measured at FVTPL	**158,059**	**149,072**
Total interest income	**331,091**	**362,733**
Interest Expense		
Calculated using the effective interest method		
Deposits[1]	135,552	163,973
Other borrowings	23,979	57,574
Total interest expense calculated using the effective interest method	**159,531**	**221,547**
Fair value through profit or loss		
Net interest expense/(income) on derivative financial instruments	5,639	(7,948)
Total net interest expense/(income) on derivative financial instruments measured at FVTPL	**5,639**	**(7,948)**
Total interest expense	**165,170**	**213,599**
Net interest income	**165,921**	**149,134**

[1] Includes $0.9 million DCS Levy applicable from 1 July 2025.

4 Other income

$000's	Unaudited 6 Months to December 2025	Unaudited 6 Months to December 2024
Rental income from investment properties	120	229
Insurance income	—	68
Fair value gain/(loss) on derivative instruments measured at fair value[1]	253	(2,555)
Fair value loss on non-derivative financial instruments[2]	—	(104)
Other income[3]	669	890
Loss on early extinguishment of borrowings	(2,271)	—
Foreign exchange gain/(loss)	213	(1)
Total other expense	**(1,016)**	**(1,473)**

[1]Includes hedge ineffectiveness from the hedging relationships and fair value gains/(losses) on derivative financial instruments which are in economic hedge relationships.

[2]Includes realised and unrealised losses on Heartland Bank Australia Limited (**HBA**)'s Investment in government securities, bank bonds and floating rate notes.

[3]Other Income in the six month period ended 31 December 2025 includes $0.6 million income generated from rural properties under management of the Group and a realised loss of $0.8 million from the sale of a group of rural property/dairy farm.

5 Operating expenses

$000's	Unaudited 6 Months to December 2025	Unaudited 6 Months to December 2024
Personnel expenses[1]	48,835	52,667
Directors' fees	1,100	1,096
Superannuation	2,056	1,874
Depreciation - property, plant and equipment	845	889
Legal and professional fees	4,740	4,812
Advertising and public relations	2,675	1,799
Depreciation - right of use asset	1,818	1,863
Technology services and communications	11,772	9,824
Customer administration costs	7,087	5,129
Customer onboarding costs	1,175	1,313
Occupancy costs	1,438	1,475
Amortisation of intangible assets	5,563	5,705
Other operating expenses[2]	5,321	9,635
Total operating expenses	**94,425**	**98,081**

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

[2]Other operating expenses mainly comprise non-recoverable proportion of goods and services tax (**GST**), travel and insurance expenses.

[3]Certain comparative balances have been reclassified to align with the presentation used in the current period. Telecommunications, stationery, and postage costs, previously reported within a single line item, have been reallocated across Customer administration, Technology services and communications, and Other operating expenses. Management fees – related party are now disclosed separately, having previously been reported within personnel expenses.

6 Impaired asset expense

$000's	Unaudited 6 Months to December 2025	Unaudited 6 Months to December 2024
Individually impaired asset expense	12,864	20,011
Collectively impaired asset expense	1,618	31,027
Total impaired asset expense excluding recovery of amounts previously written off to the income statement	**14,482**	**51,038**
Recovery of amounts previously written off to the income statement	(1,697)	(508)
Total impaired asset expense	**12,785**	**50,530**

Refer to Note – 8 Finance receivables measured at amortised cost for provision for impairment details.

7 Earnings per share

	Unaudited 6 Months to December 2025			Unaudited 6 Months to December 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	5.20	48,844	941,561	0.40	3,612	934,349
Diluted Earnings	5.20	48,844	941,561	0.40	3,612	934,349

FINANCIAL POSITION

8 Finance receivables measured at amortised cost

$000's	Unaudited December 2025	Audited June 2025
Gross finance receivables measured at amortised cost	3,470,715	3,784,733
Less provision for impairment	(70,684)	(71,779)
Less provision for losses on guaranteed future value products[1]	(1,504)	(1,504)
Net finance receivables measured at amortised cost	**3,398,527**	**3,711,450**

[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.

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

The Group estimated ECL for its lending portfolio measured at amortised cost using models based on historical credit performance and observed portfolio behaviour. The models are recalibrated across each period, which included aligning model input of probabilities of default and loss given defaults with more recent observations and data. These models assume that economic conditions remain constant over time with the provision being calculated as a point-in-time estimate.

Accordingly, management applies model overlays or adjustments in circumstances where the existing inputs, assumptions, and model techniques do not capture all risk factors relevant to the Group's lending portfolios.

Model overlays have been applied in the following instances:

a) Multiple macroeconomic scenarios (MES) and sensitivity analysis:

To incorporate a range of potential future economic outcomes, HBL applies a MES overlay. This approach estimates a distribution of possible credit loss outcomes by reference to historical loss curves for each portfolio, from which probability weighted loss rates are derived.

The MES framework considers four forward looking scenarios — upside, central, downside and severe downside — each reflecting differing degrees of economic improvement or deterioration relative to the modelled provision (point-in-time ECL). The difference between the MES probability weighted and point-in-time ECL represents the MES overlay required to the modelled provision.

MES	Description	Weighting applied as at 31 December 2025
Upside case	Reflect inputs and assumptions improving comparative to the current provisioning model.	7%
Central case	Reflect inputs and assumptions similar to the current provisioning model.	50%
Downside case	Reflect inputs and assumptions deteriorating comparative to the current provisioning model.	33%
Severe downside case	Reflect inputs and assumptions deteriorating severely comparative to the current provisioning model.	10%

Based on this, a loss rate for each scenario was calculated, weighted by the probability of that scenario, and applied to the receivables position.

At 31 December 2025, the MES overlay for the Group is $2.7 million (June 2025: $2.7 million).

8 Finance receivables measured at amortised cost (continued)

The following sensitivity table shows the difference between the reported provision based on the point-in-time estimate, and the ECL calculated for each scenario, assuming a 100% weightage for that case:

$m	Increase/(decrease) in ECL as at 31 December 2025
100% upside case	(14.0)
100% central case	(4.8)
100% downside case	10.5
100% severe downside case	25.6
Total probability weighted ECL per the MES methodology	**2.7**

(b) Geopolitical overlay:

In addition to the MES overlay, HBL applies a further overlay to reflect heightened geopolitical risks. Geopolitical risk refers to the potential for adverse credit outcomes arising from global political and economic tensions that may not be captured within historical loss experience or baseline forward looking scenarios. This overlay applies an assumed deterioration in loss rates to reflect the possibility of broader macro level disruption.

At 31 December 2025, the geopolitical overlay is $0.5 million (June 2025: $0.5 million).

Individually assessed ECL (stage 3) - New Zealand

Individually assessed provisions are recognised for exposures where there is objective evidence of impairment and where HBL determines that the impact on expected future cash flows can be reliably estimated on a case-by-case basis.

These are predominantly within the Asset Finance and older Business Relationship lending portfolios within the transport, construction, forestry and agriculture sectors.

ECL (stage 1,2 and 3) - Australia

There have been no material changes to the critical estimates and judgements for ECL in HBA during the period ended 31 December 2025.

8 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.

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
Unaudited - December 2025					
Impairment allowance as at 30 June 2025	**16,029**	**7,851**	**23,104**	**24,795**	**71,779**
Changes in loss allowance					
Transfer between stages[1]	(226)	(4,937)	944	4,219	–
New and increased provision (net of provision releases)[1]	(1,003)	3,432	3,408	8,645	14,482
Credit impairment charge	**(1,229)**	**(1,505)**	**4,352**	**12,864**	**14,482**
Write-offs	–	–	(8,435)	(7,473)	(15,908)
Effect of changes in foreign exchange rate	61	29	–	241	331
Impairment allowance as at 31 December 2025	**14,861**	**6,375**	**19,021**	**30,427**	**70,684**
Audited - 30 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**

[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.

8 Finance receivables measured at amortised cost (continued)

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

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
Unaudited - December 2025					
Gross finance receivables measured at amortised cost as at 30 June 2025	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**
Transfer between stages	(67,530)	(18,141)	29,561	56,110	—
Additions	591,239	—	—	—	591,239
Deletions	(762,726)	(71,528)	(46,912)	(31,270)	(912,436)
Write-offs	—	—	(8,435)	(7,473)	(15,908)
Effect of changes in foreign exchange rate	18,413	1,705	—	2,969	23,087
Gross finance receivables measured at amortised cost as at 31 December 2025	**3,138,992**	**148,898**	**71,171**	**111,654**	**3,470,715**
Audited - 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**

The Group's provision for impairment has decreased by $1.1 million for the period ended 31 December 2025, driven by the following movements:

- A net reduction in collective provisions of $6.7 million, reflecting improvements in staging mix and specifically reductions in Stage 3 gross exposures due to recovery actions undertaken by the Group and subsequent bad-debt write-offs of $8.4 million.

- A net increase in individually assessed provisions of $5.6 million, following the transfer (net of repayments) of $25.2 million of receivables into this category. This resulted in additional provisions of $12.9 million on loans within the secured business lending portfolio, driven by deteriorating economic conditions and lower valuations of underlying securities, partially offset by bad-debt write-offs of $7.5 million.

9 Borrowings

$000's	Unaudited December 2025	Audited June 2025
Deposits		
Short-term interest bearing deposits	1,437,893	1,417,823
Non-interest bearing deposits	35,921	38,369
Term deposits	5,421,347	5,073,761
Total deposits	**6,895,161**	**6,529,953**
Other borrowings		
Unsubordinated notes	20,303	128,747
Subordinated notes	161,789	156,854
Securitised borrowings	372,557	520,048
Certificates of deposit	—	19,805
Total other borrowings	**554,649**	**825,454**
Total deposits and other borrowings	**7,449,810**	**7,355,407**

Deposits, unsubordinated notes and certificates of deposit rank equally and are unsecured.

Movement in other borrowings

$000's	Unaudited December 2025	Audited June 2025
Balance as at beginning of period	**825,454**	**2,040,763**
Issue of debt	—	424,614
Repayment of debt	(306,277)	(1,632,394)
Total cash movements	**(306,277)**	**(1,207,780)**
Capitalised interest and fee expense	(724)	(3,354)
Fair value hedge adjustment	732	3,470
Foreign exchange and other movements	35,464	(7,645)
Total non-cash movements	**35,472**	**(7,529)**
Balances as at end of period	**554,649**	**825,454**

Unsubordinated notes

On 7 October 2025, AU$100 million unsubordinated medium term note (**MTN**) was fully repaid prior to its maturity on 7 October 2027. Refer to Note 4 - Other income for the loss incurred on early extinguishment of the borrowing.

Securitised borrowings

On 15 September 2025, the Class A and Class B notes of the Heartland Auto Receivables Warehouse Trust 2018-1 (**HARWT**) facility were repaid in full, with the facility remaining open for future drawdowns. Additionally, on 31 October 2025, the HARWT facility was extended to 31 October 2027, with its facility limit reduced from $320 million to $268 million.

On 4 December 2025, the Availability Period (being the period during which the undrawn balance is available for use) of the Seniors Warehouse Trust No. 2 (**SWT2**) facility was extended to 15 October 2027, while the maturity date remained unchanged.

10 Share capital and dividends

000's	Unaudited December 2025 Number of Shares	Audited June 2025 Number of Shares
Issued shares		
Opening balance	940,100	930,561
Shares issued - dividend reinvestment plan	2,443	9,539
Closing balance	**942,543**	**940,100**

The Group issued 2,443,526 new shares at $0.93 per share ($2.3 million) on 12 September 2025 under the dividend reinvestment plan (**DRP**) for the period.

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

	Unaudited 6 Months December 2025			Audited 12 Months to June 2025		
	Date Declared	Cents Per Share	$000's	Date Declared	Cents Per Share	$000's
Final dividend	28 August 2025	2.0	18,802	28 August 2024	3.0	27,918
Interim dividend	—	—	—	26 February 2025	2.0	18,747
Total dividends paid			**18,802**			**46,665**

11 Other reserves

$000's	Employee Benefit Reserve	Foreign Currency Translation Reserve (FCTR)	Fair Value Reserve	Cash Flow Hedge Reserve	Total
Unaudited - December 2025					
Balance as at 1 July 2025	**721**	**(13,570)**	**(6,459)**	**(9,474)**	**(28,782)**
Movements attributable to net investments in foreign operations	—	36,245	—	—	36,245
Net movements attributable to changes in fair value of debt investments at FVOCI	—	—	(730)	—	(730)
Movements attributable to cash flow hedges	—	—	—	1,716	1,716
Movements attributable to changes in fair value of equity investments at FVOCI	—	—	(1)	—	(1)
Income tax effect	—	—	117	(689)	(572)
Total other comprehensive income/(loss) net of income tax	**—**	**36,245**	**(614)**	**1,027**	**36,658**
Share based payments[1]	539	—	—	—	539
Transfer on disposal of equity investments at FVOCI	—	—	6,051	—	6,051
Balance as at 31 December 2025	**1,260**	**22,675**	**(1,022)**	**(8,447)**	**14,466**
Unaudited - December 2024					
Balance as at 1 July 2024	—	(6,665)	(6,205)	4,374	(8,496)
Movements attributable to net investments in foreign operations	—	4,824	—	—	4,824
Net movements attributable to changes in fair value of debt investments at FVOCI	—	—	201	—	201
Movements attributable to fair value hedges	—	—	—	—	—
Movements attributable to cash flow hedges	—	—	—	(16,682)	(16,682)
Income tax effect	—	—	45	3,522	3,567
Total other comprehensive income/(loss) net of income tax	**—**	**4,824**	**246**	**(13,160)**	**(8,090)**
Balance as at 31 December 2024	**—**	**(1,841)**	**(5,959)**	**(8,786)**	**(16,586)**

[1]Refer to Note 16 - Staff share ownership arrangements for further details.

11 Other reserves (continued)

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

This includes unrealised fair value gain/(loss) on debt and equity investments measured at FVOCI and fair value hedge adjustments on certain such debt investments, net of tax.

Where a debt investment is disposed of, related fair value changes and any unamortised fair value hedge adjustments previously recorded in equity are reclassified to profit or loss.

Where an equity investment is disposed of, related fair value changes is transferred directly to retained earnings.

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.

Where a swap that was previously subject to hedge designation is terminated early and the Group continues to hold the hedge items, any unamortised effective portion of the hedge adjustment is reclassified to profit or loss over the remaining term of the related hedged item.

12 Intangible assets

$000's	Unaudited December 2025	Audited June 2025
Computer software		
Software - cost	78,947	77,360
Software under development	806	1,823
Accumulated amortisation	(38,810)	(33,181)
Net carrying value of computer software	**40,943**	**46,002**
Goodwill	217,743	204,819
Net carrying value of goodwill	**217,743**	**204,819**
Banking licence	14,401	14,401
Total intangible assets	**273,087**	**265,222**

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 as follows:

CGU	**Goodwill**	
$000's	Unaudited December 2025	Audited June 2025
Heartland Bank Limited	29,799	29,799
Heartland Bank Australia Limited	187,944	175,020
Total goodwill	**217,743**	**204,819**

There was no indication of impairment and no impairment losses have been recognised against the carrying amount of goodwill for the six months ended 31 December 2025 (June 2025: nil).

13 Related party transactions and balances

(a) Transactions with Heartland Trust

The Trustees of Heartland Trust (**HT**) and certain employees of the Group provided their time and skills to the oversight and operation of HT at no charge.

$000's	Unaudited December 2025	Unaudited December 2024
Heartland Trust (HT)		
Unclaimed monies paid to HT	104	–
Dividends paid	130	195

14 Fair value

(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).

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 where the Group does not have control, joint control or significant influence are classified at FVTPL. However, where such securities are not held for trading, the Group could make an irrevocable election to measure them at FVOCI. Any unrealised gain or loss on instrument under such election are recorded in other comprehensive income.

Investments 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. Investments in unlisted 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 a security to reflect the underlying characteristics. These adjustments are reflective of market participant considerations in valuing the said security.

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.

14 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

Finance receivables - reverse mortgages (continued)

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 (December 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).

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
Unaudited - December 2025				
Assets				
Investments	773,237	–	4,950	778,187
Derivative financial instruments	–	5,532	–	5,532
Finance receivables - reverse mortgages	–	–	3,841,667	3,841,667
Total financial assets measured at fair value	**773,237**	**5,532**	**3,846,617**	**4,625,386**
Liabilities				
Derivative financial instruments	–	19,870	–	19,870
Total financial liabilities measured at fair value	**–**	**19,870**	**–**	**19,870**
Audited - June 2025				
Assets				
Investments	783,272	–	6,772	790,044
Derivative financial instruments	–	4,792	–	4,792
Finance receivables - reverse mortgages	–	–	3,370,949	3,370,949
Total financial assets measured at fair value	**783,272**	**4,792**	**3,377,721**	**4,165,785**
Liabilities				
Derivative financial instruments	–	20,660	–	20,660
Total financial liabilities measured at fair value	**–**	**20,660**	**–**	**20,660**

There were no transfers between levels in the fair value hierarchy in the six months ended 31 December 2025 (December 2024: nil).

14 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
Unaudited - December 2025			
As at 30 June 2025	3,370,949	6,772	3,377,721
New loans	424,053	–	424,053
Repayments	(278,405)	–	(278,405)
Capitalised Interest and fees	162,196	–	162,196
Sale of investments	–	(2,222)	(2,222)
Fair value loss on investment	–	(16)	(16)
Foreign exchange gain on translation	162,874	416	163,290
As at 31 December 2025	**3,841,667**	**4,950**	**3,846,617**
Audited - 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)
Foreign exchange (loss) on translation	(29,578)	(106)	(29,684)
As at 30 June 2025	**3,370,949**	**6,772**	**3,377,721**

(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.

14 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.

	Unaudited - December 2025			Audited - June 2025		
$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	3,531,525	3,398,527	Level 3	3,823,238	3,711,450
Total financial assets		**3,531,525**	**3,398,527**		**3,823,238**	**3,711,450**
Liabilities						
Deposits	Level 2	6,913,739	6,895,161	Level 2	6,554,765	6,529,953
Other borrowings	Level 2	561,935	554,649	Level 2	831,035	825,454
Total financial liabilities		**7,475,674**	**7,449,810**		**7,385,800**	**7,355,407**

Risk Management

15 Enterprise risk management program

There have been no material changes in the Group's policies for managing risk, or material exposures to any new types of risk since the reporting date of the annual financial statements for the year ended 30 June 2025.

Other Disclosures

16 Staff share ownership arrangements

From time to time HGH operates various share-based compensation plans that issue tranches of performance rights (**Performance Rights**) which are equity-settled. Following the finalisation of the formal plan documents, HGH issued a new share-based compensation plan in December 2025 which qualifying senior management and employees were invited to participate in. The HGH Performance Share Rights Plan (**Plan**) was established to enhance the alignment of participants' interests with those of the Group's shareholders. The new plan replaces the HGH Performance Rights Plan (2016) which is now terminated. Subject to satisfaction of the performance hurdles and continued employment, at vesting each Performance Right converts to a HGH share at zero exercise price. If the base target is not met or the participant ceases to be an employee of the Group, the Performance Rights will lapse.

The fair value of each tranche is measured at grant date, which is the date where shared understanding is achieved between HGH and the participants.

(a) Share-based compensation plan details

Since the establishment of the new plan, HGH has issued one tranche.

FY2028 Tranche

The Performance Rights were issued subject to the participants' continued employment with the Group until the 11th trading day following the release of HGH's FY2028 financial results to NZX and ASX and the Group achieving its Financial Measures, and non-Financial Measures (Risk and Compliance Measures, and Conduct and Culture Measures), over the vesting period.

The tranche is divided into two equal pools that are linked to different Financial Measures. The first pool is linked to a total shareholder return (**TSR**) measure and the second is linked to a Return on Equity (**ROE**) measure. The quantum of vesting for both pools are variable and are dependent on achievements of the respective ranges of targets set for both TSR and ROE measures.

The fair value of the Performance Rights is determined by an independent third-party expert on grant date using valuation methods, such as Monte Carlo option pricing model. The valuation incorporates various assumptions, this includes but is not limited to grant date share price, price volatility, probability of achieving future share price (applicable to TSR hurdle only) and trading restriction. At the end of each reporting period, the Group revises its estimate of the number of equity instruments to be duly vested based on its current expectation of achievement of employment condition, ROE hurdle, and non-Financial Measures. The impact of this revision from the prior 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.

16 Staff share ownership arrangements (continued)

(a) Share-based compensation plan details (continued)

The movement of outstanding Performance Rights during the period is as follows:

	Unaudited December 2025 PR Plan Number of Rights
Opening balance	1,149,148
Vested	—
Issued	4,875,000
Forfeited / unvested[1]	(1,149,148)
Closing balance	**4,875,000**

[1]The 2025 (non-CEOs) tranche did not vest.

(b) Effect of share-based payment transactions

$000's	Unaudited December 2025
Award of Shares	
PR Plan -2025	—
Plan - FY2028 tranche[2]	539
Total expense recognised	**539**

[2]The expense recognised in FY2026 included a true-up adjustment to the prior year compensation expense based on the estimate of grant date fair value in December 2025.

17 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	**Unaudited December 2025**	**Audited June 2025**
Letters of credit, guarantee commitments and performance bonds	2,235	5,507
Total	**2,235**	**5,507**
Undrawn facilities available to customers	666,824	565,735
Conditional commitments to fund at future dates	6,951	11,095
Total commitments	**673,775**	**576,830**

18 Events after reporting date

The Group approved a fully imputed final dividend of 3.5 cents per share on 25 February 2026.

Subsequent to 31 December 2025, the Reserve Bank of New Zealand have issued Heartland Bank Limited revised Conditions of Registration that, effective 1 March 2026, reducing the Banking Group and New Zealand Banking Group's regulatory capital overlay from 2.00% to 0.50%. The effect of this is reducing the Banking Group and New Zealand Banking Group's minimum capital ratios as follows:

- Total capital ratio from 11.0% to 9.5%
- Tier 1 capital ratio from 9.0% to 7.5%
- Common Equity Tier 1 capital ratio from 6.5% to 5.0%.

There were no other events subsequent to the reporting period, not already disclosed within these interim 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 review report

To the shareholders of Heartland Group Holdings Limited

Report on the interim financial statements

Our conclusion

We have reviewed the interim financial statements of Heartland Group Holdings Limited (the Company) and its controlled entities (the Group), which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six month period ended on that date, and selected explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2025, and its financial performance and cash flows for the six month period then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial statements* section of our report.

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)* issued by the New Zealand Auditing and Assurance Standards Board (PES 1), as applicable to audits and reviews of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with PES 1.

In our capacity as auditor and assurance practitioner, our firm provides audit, review and other assurance services. 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.

Responsibilities of Directors for the interim financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review 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's shareholders, as a body, for our review procedures, for this report or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Karen Shires.

For and on behalf of:

PricewaterhouseCoopers Auckland
25 February 2026