

Heartland trading update

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: **HGH**) today provides a trading update for the three-month period ended 31 March 2026 (**3Q2026**). Heartland remains on track to deliver an underlying return on equity (**ROE**) of at least 7% and underlying net profit after tax (**NPAT**) of at least \$85 million for the financial year ending 30 June 2026 (**FY2026**).

- Average net interest margin (**NIM**) expanded further, with some compression expected in the fourth quarter of FY2026 (**4Q2026**).
- Heartland’s cost-to-income (**CTI**) ratio saw an overall reduction, driven by improvement in Heartland Bank Australia Limited’s (**Heartland Bank Australia**) CTI ratio.
- Heartland Bank Limited’s (**Heartland Bank**) asset quality continued to improve, with higher impairment expense from non-strategic asset (**NSA**) provisioning and write-offs in Motor Finance as Heartland Bank continues to clear Motor Finance non-performing loans (**NPLs**) between 180 and 364 days past due (on track to clear by 30 June 2026¹).
- Strong performance continued in Reverse Mortgages for both Heartland Bank and Heartland Bank Australia, and in Heartland Bank’s Rural portfolio².
- Heartland Bank saw a return to growth in Motor Finance and Asset Finance in 3Q2026.

Notwithstanding this positive 3Q2026 result, given the ongoing uncertainty in the Gulf region, Heartland remains cautious and is closely monitoring potential impacts on customer demand and credit quality in New Zealand and Australia.

	Heartland				
	Reported		Underlying ³		Underlying guidance
	3Q2026	YTD	3Q2026	YTD	FY2026
Net operating income (NOI)	\$90.1m	\$265.4m	\$90.1m	\$262.4m	No guidance provided
Operating expenses (OPEX)	\$49.1m	\$143.6m	\$49.1m	\$143.1m	<\$195m
Impairment expense	\$10.8m	\$23.5m	\$10.8m	\$23.5m	No guidance provided
NPAT	\$21.4m	\$70.2m	\$21.4m	\$67.5m	≥\$85m
Average NIM	4.06%	3.97%	4.06%	3.97%	>3.90%
Exit NIM ⁴	4.01%	4.01%	4.01%	4.01%	>3.95%
CTI ratio	54.6%	54.1%	54.6%	54.6%	<56%
Impairment expense ratio ⁵	0.59%	0.43%	0.59%	0.43%	<0.45%
ROE	6.7%	7.4%	6.7%	7.1%	≥7%

See the accompanying investor presentation for more detail.

NSA realisation

NSA realisation continues to be successfully executed and is on track to largely conclude by 30 June 2026. In 3Q2026 the total value of NSAs reduced by \$35.6 million, creating \$5.3 million of available capital. As at 31 March 2026, the total outstanding value of NSAs was \$139.3 million.

NZ banking

	Heartland Bank				
	Reported		Underlying ³		Underlying guidance
	3Q2026	YTD	3Q2026	YTD	FY2026
NOI	\$54.6m	\$171.6m	\$54.6m	\$168.5m	No guidance provided
OPEX ⁶	\$32.4m	\$95.4m	\$32.4m	\$95.0m	<\$127m
Impairment expense	\$10.8m	\$22.3m	\$10.8m	\$22.3m	No guidance provided
NPAT	\$8.2m	\$39.2m	\$8.2m	\$36.5m	>\$45m

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

Average NIM	4.09%	4.08%	4.09%	4.08%	>4.10%
Exit NIM ⁴	4.02%	4.02%	4.02%	4.02%	>4.20%
CTI ratio ⁷	57.7%	54.3%	57.7%	55.1%	<56%
Impairment expense ratio ⁵	0.98%	0.65%	0.98%	0.65%	<0.70%
ROE	4.5%	7.1%	4.5%	6.7%	>6%

Heartland Bank's 3Q2026 Average NIM was down 3 basis points (**bps**) to 4.09%, with the exit NIM down 9 bps to 4.02%, driven by portfolio mix. Both are currently expected to increase in 4Q2026 due to ongoing benefits from reduced cost of funds. However, geopolitical risks may create headwinds for NIM.

Costs remained stable with underlying OPEX in 3Q2026 of \$32.4 million, up \$0.9 million from the second quarter of FY2026 (**2Q2026**).⁶ While Heartland Bank experienced a return to growth in Motor Finance and Asset Finance in 3Q2026, overall growth in these portfolios remains subdued. This, alongside ongoing NSA realisation, continued to impact the underlying CTI ratio which increased from 55.3% in 2Q2026 to 57.7% in 3Q2026.⁷

Asset quality strengthened in 3Q2026, with Heartland Bank's overall NPL ratio reducing by 23 bps since 30 December 2025 to 2.81%. Excluding NSAs and Unsecured Lending⁸, Heartland Bank's NPL ratio stabilised at 2.06%. Motor Finance arrears continued to improve, with NPLs between 180 and 364 days past due on track to clear by 30 June 2026.¹ Lending to the Asset Finance sector remains on watch as the recent spike in fuel costs has put additional pressure on these borrowers. Heartland Bank has not yet seen any material impact of the Gulf Crisis on credit quality. However, due to ongoing uncertainty, Heartland Bank will continue to assess its geopolitical provisioning overlay.

Leveraging the strong pipeline developed in the six months to 31 December 2025 (**1H2026**), and supported by ongoing investment in market awareness, growth continued in Reverse Mortgages with gross finance receivables (**Receivables**) up \$49.4 million (15.1%)⁹ in 3Q2026 to \$1,377.3 million as at 31 March 2026.

Rural Receivables were up \$39.8 million (27.9%)⁹ in 3Q2026 to \$618.2 million as at 31 March 2026, driven by new intermediary partnerships, regional expansion, and as a result of the Livestock Finance portfolio entering its key growth period.

Motor Finance Receivables returned to growth, up \$40.6 million (9.9%)⁹ in 3Q2026 to \$1,693.9 million as at 31 March 2026. This was driven by Heartland Bank's strategic shift to higher quality franchise business, and a return to growth in March as electric vehicle (**EV**) lending surged. In March 2026, Heartland Bank's EV lending volume was three times higher than the monthly average year-to-date (**YTD**).

Business Finance¹⁰ returned flat growth (0.0%)⁹ for the quarter, driven by a return to growth in Asset Finance (Asset Finance Receivables were up \$7.0 million (5.1%)⁹ in 3Q2026 to \$558.4 million as at 31 March 2026). Overall Business Finance Receivables were \$690.0 million as at 31 March 2026.

AU banking

	Heartland Bank Australia				
	Reported		Underlying ³		Underlying guidance
	3Q2026	YTD	3Q2026	YTD	FY2026
NOI	AU\$30.6m	AU\$83.6m	AU\$30.6m	AU\$83.6m	No guidance provided
OPEX ⁶	AU\$14.2m	AU\$42.2m	AU\$14.2m	AU\$42.2m	<AU\$58m
Impairment expense	(AU\$0.1m)	AU\$1.1m	(AU\$0.1m)	AU\$1.1m	No guidance provided
NPAT	AU\$11.5m	AU\$28.2m	AU\$11.5m	AU\$28.2m	>AU\$37m
Average NIM	3.99%	3.79%	3.99%	3.79%	>3.70%
Exit NIM ⁴	3.95%	3.95%	3.95%	3.95%	>3.75%
CTI ratio ⁷	44.8%	49.0%	44.8%	49.0%	<50%
Impairment expense ratio ⁵	(0.01%)	0.06%	(0.01%)	0.06%	<0.10%
ROE	10.5%	8.6%	10.5%	8.6%	>8%

Heartland Bank Australia's average NIM expanded, up 15 bps to 3.99% in 3Q2026, due to the impact of the early repayment of its final medium-term note (**MTN**) in October 2025. The exit NIM was steady at 3.95% in 3Q2026.

Underlying OPEX in 3Q2026 was AU\$14.2 million, up AU\$0.1 million from 2Q2026⁶ and favourable to expectations due to effective cost management. This contributed to an improvement in the underlying CTI ratio which was down from 53.5% in 2Q2026 to 44.8% in 3Q2026⁷, benefitting also from an increase in NOI (up AU\$4.4 million to AU\$30.6 million in 3Q2026) and Heartland Bank Australia's deposit funding strategy after its early MTN repayment in 2Q2026. OPEX and CTI ratio are expected to increase in 4Q2026 due to Australian Reverse Mortgage volume related expenses and investment in the bank's technology programme.

Asset quality remains stable, with a 3Q2026 impairment expense ratio of -0.01%, consistent with expectations. Geopolitical developments impacting Australian Livestock Finance customers continue to be actively monitored.

Strong growth continued in Australian Reverse Mortgages, with Receivables up AU\$95.9 million (17.9%)⁹ in 3Q2026 to AU\$2,264.4 million as at 31 March 2026. Australian Livestock retracted through 3Q2026, with Receivables down AU\$26.2 million (-38.9%)⁹ in 3Q2026 to AU\$246.7 million as at 31 March 2026, due to the impacts of extreme weather events and a single large customer adjusting its funding strategy. Heartland Bank Australia now expects FY2026 Australia Livestock Finance Receivables to be flat on the financial year ended 30 June 2025 (previously targeting growth of more than 20%).

– 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 Heartland Bank's expectation to clear all Motor Finance NPLs between 180 and 364 days past due applies in cases where the vehicle is not being held by Heartland Bank while it awaits customer redemption or disposal.

² Rural includes Rural Relationship, Rural Direct and Livestock Finance. Excludes NSAs.

³ Certain financial measures are presented on a reported and underlying basis. Reported financial measures are prepared in accordance with NZ GAAP and include the impacts of positive and negative one-offs, which can make it difficult to compare performance between periods. Underlying financial measures (which are non-GAAP financial information) exclude 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. The Investor Presentation (**IP**) for Heartland's 1H2026 financial results released on 26 February 2026 includes at page 7 a reconciliation of 1H2026 and 1H2025 reported results to underlying results, and on page 6 a detailed comparison between 1H2026 and 1H2025 reported and underlying financial information.

⁴ Exit NIM is the NIM on the last day of the reporting period.

⁵ Impairment expense as a percentage of average Receivables.

⁶ Including intercompany group charges.

⁷ Underlying CTI ratio refers to the CTI ratio calculated using underlying results. The underlying CTI ratios for Heartland Bank and Heartland Bank Australia exclude intercompany group charges. When calculated using reported results, Heartland Bank's CTI ratio was 57.7%, up from 56.1% in 2Q2026, and Heartland Bank Australia's CTI ratio was 44.8%, down from 53.5% in 2Q2026. For more information, see page 2 of the IP.

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

⁹ Annualised growth.

¹⁰ Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.