

30 September 2026

Heartland Special Shareholder 2026: CEO's Address

Thank you, Greg.

Good afternoon and thank you all for joining us today.

Greg has outlined the strategic context for the proposed transaction. I will focus on what the proposed bank and wider Heartland Group Holdings Limited (**Heartland**) (**NZX/ASX: HGH**), would look like, the financial benefits and transaction structure, and how we would bring the two banks together.

The proposed bank

On completion, Heartland would acquire all of the shares in TSB Bank Limited (**TSB**). Heartland Bank Limited (**Heartland Bank**) and TSB would then merge and be renamed TSB Heartland Bank Limited (**TSB Heartland Bank**). Heartland would remain the NZX and ASX listed parent, and the New Zealand bank, TSB Heartland Bank would continue to own Heartland Bank Australia Limited (**Heartland Bank Australia**). There would be no impact to Heartland Bank Australia or its current strategy as a consequence of Heartland's proposal to acquire all of the shares in TSB from Toi Foundation and subsequently merge Heartland Bank and TSB (the **Proposed Transaction**).

On a pro forma basis, TSB Heartland Bank would have approximately \$15.1 billion of New Zealand assets, increasing the New Zealand asset base by approximately 171%.

This increased scale creates a larger base to spread the cost of technology, risk management, and regulatory compliance which disproportionately affects smaller subscale banks. It also gives the bank more capacity to invest, respond to customers and compete in the New Zealand market.

The merged bank would have a broader and more balanced loan book. Residential lending through Home Loans and Reverse Mortgages would be the largest component, constituting approximately 65% of gross finance receivables. This would be complemented by Motor Finance, Commercial Property Lending, Rural Lending and Business Finance.

The funding base would also be more diverse with a greater proportion of cost-effective interest and non-interest bearing call deposits.

The result would be a New Zealand bank able to offer a broader range of banking services, while retaining a specialist product focus and a lower risk-weighted product mix.

In practical terms, TSB Heartland Bank would operate as a national bank with a clear regional commitment. Taranaki would remain a key operational hub for customer banking services, including its local branch network and customer-facing roles.

Synergies and financial benefits

Cost synergies are expected to provide an annual benefit of approximately \$34 million to profit before tax once fully realised. These estimated efficiencies are associated with bringing the two banks together, reducing duplication in activities, processes and shared business overheads. These savings are expected to build progressively over three years after completion.

There is potential for further benefits from funding and liquidity, including access to TSB's deposit base, the opportunity to optimise the combined liquid asset base, and the ability to leverage Heartland's existing and future technology investment across a larger bank.

The estimated one-off cost of achieving these benefits is also approximately \$34 million, spread over the same three-year period.

The transaction is expected to create material value for Heartland shareholders. Normalised earnings per share is expected to increase by more than 20% in the first year after completion, based on the full run-rate cost benefits. The transaction is also expected to support a stronger dividend per share profile and improve return on equity.

The combined bank would remain well capitalised. We do not expect to need to issue ordinary equity to meet future capital requirements. TSB Heartland Bank is also expected to benefit from recent changes to Reserve Bank capital settings, including lower and more granular risk weights.

The transaction structure

The aggregate consideration to Toi Foundation is \$620 million. This comprises:

- a \$50 million pre-completion cash dividend from TSB
- \$250 million of ordinary shares in Heartland
- \$56 million of subordinated debt issued by Heartland Bank as eligible Tier 2 capital, and
- a \$264 million vendor loan provided by Toi Foundation to Heartland.

The issue of shares to Toi Foundation means existing shareholders' proportional ownership of Heartland would reduce by approximately 17.5%. However, the transaction is not expected to be value dilutive, given the expected earnings, dividend and return benefits.

The vendor loan has a two-year term and can be repaid at any time during that period without a break fee. Given Heartland's strong excess capital position, experience in and access to New Zealand and Australian debt capital markets, Heartland has sufficient options available for repaying this loan.

For Toi Foundation, the structure provides a diversified portfolio of investments which supports Toi Foundation's ability to increase its investment in the Taranaki community.

For Heartland, the structure preserves flexibility to use excess capital for future growth and investment, while maintaining strong capital and liquidity settings.

Independent expert findings

Heartland commissioned Calibre Partners to provide an independent expert report on the merits of the proposed transaction.

Calibre Partners concluded that the proposed consideration for TSB is reasonable and that, on balance, the positives of the proposed transaction outweigh the negatives for Heartland shareholders.

The \$620 million consideration represents approximately 0.76 times TSB's book value. Calibre Partners considered this to be within the reasonable range of approximately 0.70 to 0.80 times book value.

The report also recognises the expected cost benefits, the more diversified loan book, the improved funding mix, and the potential for the transaction to be earnings and dividend accretive.

Integration and next steps

Several conditions have now been satisfied, including confirmatory due diligence, the entry by Heartland and Toi Foundation into warranty and indemnity insurance arrangements, and Toi Foundation trustee approval of the Proposed Transaction. Applications to the Reserve Bank of New Zealand (**RBNZ**) have been submitted by both Heartland and Toi Foundation, and both parties are continuing to actively engage with the RBNZ in respect of the Proposed Transaction. Shareholder approval, the TSB Material Adverse Change condition, and the remaining regulatory approvals still need to be satisfied for completion to occur.

Following completion, the two banks would be integrated progressively over a period of up to three years. Detailed integration work would be coordinated through an Integration Management Office and overseen by the TSB Heartland Bank Board.

While the proposed transaction provides an opportunity to further leverage Heartland's investment in current and future technology programmes, work remains ongoing in relation to technology integration costs and potential technology synergies. These are not expected to materially impact the transaction economics.

Our first priority will be to maintain reliable banking services and good outcomes for customers. Initially, customers are expected to continue using the brands, products, channels and locations they know. Any changes will be communicated clearly and with appropriate notice.

We will also support our people through the process. Where changes are needed, they will be managed fairly, openly and in line with our employment obligations.

Conclusion

The proposed transaction materially increases Heartland's scale in New Zealand. Greater scale and diversification across products and locations will provide improved financial efficiency and resilience.

TSB Heartland Bank would have a diversified and differentiated product set. This creates a full-service capable bank differentiated by its specialist product offerings with a lower risk-weighted product portfolio – and an enhanced ability to serve customers throughout their financial lifecycle.

Material synergies are available with the potential for further upside.

We believe this transaction would also create a stronger platform for the wider Heartland Group, with the potential to improve earnings, dividends and returns for our shareholders over time.

Thank you for your time today, and for your continued support in Heartland.