13 November 2026

Heartland Group Annual Meeting 2026: CEO's Address

Andrew Dixson, Chief Executive Officer, Heartland Group Holdings Limited (**Heartland Group**)

Good morning, everyone and thank you for joining us. I'll provide an overview of our FY2026 performance, our outlook and priorities for FY2027, and the proposed TSB Bank Limited (**TSB**) transaction.

FY2026 performance

FY2026 was a year of focused delivery following our strategic reset in FY2025. We met all underlying guidance metrics, with an improved return on equity and turnaround in profitability. Net profit after tax increased to $93.2 million, and net interest margin expanded to 3.95%. The impairment expense ratio fell to 0.45%, and we concluded the non-strategic asset programme with a 94% recovery rate, releasing $32 million of capital to redeploy into growth.

While we were pleased with this result, return on equity is the primary measure we hold ourselves to account for. It is the measure of the return that we provide on the funds that you, our shareholders, have placed in us. Achieving an appropriate level of return is both paramount to us and drives fundamental value. In FY2026, our return on equity rose to 7.3%, from 3.2% in the previous financial year. This was a step forward, but still short of our long-term ambition of at least 12%.

Some of this gap is because we currently hold more capital than we need. Contributors to this excess capital position include a period of lower core growth in receivables, coupled with capital successfully being released through our non-strategic asset realisation programme, and by recent New Zealand regulatory changes to asset risk weights. We will continue to focus on optimising our use of capital as our core receivables portfolios grow, and completing the proposed TSB transaction, while remaining open to further inorganic opportunities.

For now, our strategy to deliver specialist products to the New Zealand and Australian markets remains sound. Completion of the proposed TSB transaction in New Zealand enhances rather than changes this strategy, creating a New Zealand challenger bank of scale with a regional focus which is full-service capable and differentiated by its specialist product sets.

FY2027 outlook

For FY2027, we are guiding to net profit after tax of at least $102 million and return on equity of at least 7.5%. We will update this guidance on completion of the proposed TSB transaction, subject to all remaining conditions being satisfied.

We have started the year well. In the September quarter, return on equity was 7.6%, net interest margin was 3.92% and the cost-to-income ratio was 54.7%. Asset quality continued to improve in New Zealand and remained stable in Australia.

Our focus for FY2027 is on building and acquiring scale, through two priorities.

First, accelerating growth in our core portfolios, including targeting Reverse Mortgage growth of more than 18% in both New Zealand and Australia.

Second, successfully completing the proposed TSB transaction, subject to the remaining conditions being satisfied.

These outcomes will be supported by the next phase of our technology transformation programmes in both the New Zealand and Australian banks, which we expect will enhance operating leverage and unlock future growth. And, following completion of the proposed TSB transaction, by commencing merger integration.

These activities will provide the opportunity to optimise capital held within the business.

Proposed TSB transaction

We're making good progress on the proposed TSB transaction. Following Heartland shareholder approval, we are working through the remaining conditions and are now targeting completion by 1 March 2027.

The likely board of the proposed merged bank is comprised of all existing Heartland Bank directors and two existing TSB directors. They currently operate as the Establishment Panel. In October, we announced the Establishment Panel's endorsement of the merged bank's future leadership team, including Leanne Lazarus as CEO designate. All appointments are of course subject to completion and Reserve Bank non-objection.

I want to emphasise one aspect of why we believe this is the right step for Heartland: scale. TSB Heartland Bank would have around $15 billion of New Zealand assets. That's a 171% increase in our existing New Zealand asset base.

Scale matters because it gives us operating leverage. Banking is changing quickly, and keeping up with technology, compliance and customer expectations takes significant ongoing investment. The ability to spread that investment across a bigger business is one way we expect to improve our cost-to-income ratio over time.

We expect the merged bank to achieve approximately $34 million a year in pre-tax cost synergies once fully realised, which this run-rate building progressively over three years. Combined with the transaction structure, that is expected to deliver normalised earnings per share accretion of more than 20% in the first year after completion, alongside an enhanced dividend per share profile and an improvement in return on equity.

Conclusion

Through FY2026, we reset Heartland's core strategic foundation, and have carried that momentum into FY2027. Our priorities now are to grow our core lending portfolios, improve efficiency, complete the proposed TSB transaction and begin integrating the two banks. Together, these priorities will enable us to deploy capital where it can improve returns.

Thank you to our customers, our people and our shareholders for your continued confidence in Heartland.

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