NZX/ASX release
20 August 2026

Heartland announces FY2026 result and outlook for FY2027

Heartland Group Holdings Limited (**Heartland**) (**NZX/ASX: HGH**) has announced a net profit after tax (**NPAT**) for the financial year ended 30 June 2026 (**FY2026**) of $93.2 million (up from $38.8 million in the financial year ended 30 June 2025 (**FY2025**)). On an underlying basis[1], FY2026 NPAT was $90.4 million (up from $46.9 million in FY2025).

Through FY2026, Heartland has established a strong foundation to support its next phase of growth. Heartland met all FY2026 underlying guidance metrics, delivering an improved return on equity (**ROE**) and turnaround in profitability, driven by margin expansion and strengthened asset quality.

Overview of FY2026 performance[2]

- ROE was 7.3%. Underlying ROE increased 286 basis points (**bps**) to 7.1%.
- Average net interest margin (**NIM**) was 3.95%. Average underlying NIM expanded 36 bps to 3.98%.
- Operating expenses (**OPEX**) were $196.0 million, and the cost-to-income (**CTI**) ratio was 54.1%. Despite underlying OPEX increasing $12.2 million (6.7%) to $193.5 million, the underlying CTI ratio improved 155 bps to 54.6%.
- The impairment expense ratio decreased 55 bps to 0.45% as Heartland Bank Limited (**Heartland Bank**) significantly strengthened its asset quality. Heartland Bank cleared all Motor Finance non-performing loans (**NPL**s) greater than 180 days past due (**DPD**) and the portfolio's arrears continue to outperform the industry average.[3]
- Reverse Mortgages for both Heartland Bank and Heartland Bank Australia Limited (**Heartland Bank Australia**) continued to perform well, with gross finance receivables (**Receivables**) up 16.8% and 19.7% respectively.
- Heartland Bank's Rural[4] portfolio delivered strong Receivables growth of 10.8%.
- The non-strategic asset (**NSA**) realisation programme has successfully concluded, with a 94% recovery rate.
- Heartland Bank and Heartland Bank Australia reached key technology transformation programme milestones with the launch of Reverse Mortgages onto the new platforms.
- In June 2026, Heartland announced a proposal to acquire from Toi Foundation all TSB Bank Limited (**TSB**) shares on issue and subsequently merge Heartland Bank and TSB to create a New Zealand challenger bank of scale, with a regional focus. See page 3 for more information.
- Final dividend of 3.5 cents per share (**cps**).

	Heartland		
FY2026 financial metrics	Reported	Underlying[1]	Underlying guidance
Net operating income (**NOI**)	$361.9m	$354.3m	No guidance provided
OPEX	$196.0m	$193.5m	<$195.0m
Impairment expense	$33.5m	$33.5m	No guidance provided
NPAT	**$93.2m**	**$90.4m**	**≥$85.0m**
Average NIM	3.95%	3.98%	>3.90%
Exit NIM[5]	4.02%	4.08%	>3.95%
CTI ratio	54.1%	54.6%	<56.0%
Impairment expense ratio[6]	0.45%	0.45%	<0.45%
ROE	7.3%	7.1%	≥7.0%

See the accompanying investor presentation (**IP**) for more detail.

NSA realisation

Heartland's NSA realisation programme has successfully concluded, with the $94.0 million residual portfolio no longer considered material as at 30 June 2026 and returning to business-as-usual management. Heartland therefore no longer intends to report on the NSA realisation programme.

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

As at 30 June 2026, the residual NSA portfolio included:
- $38.1 million of Home Loans scheduled to run down
- $39.2 million of Rural and Business Receivables, all on exit plans and well provided for
- $16.7 million in property and equity investments, with realisation efforts continuing.

Since 30 June 2026, the Properties NSA has been successfully realised.

The total value of NSAs reduced by $270.7 million during FY2026, creating $31.7 million of available capital.

From 31 December 2024, when Heartland began reporting against its NSA realisation programme, to 30 June 2026, the total value of NSAs reduced by $374.2 million (with a 94% recovery rate), creating $41.6 million of available capital.

Technology transformation programmes

Heartland has invested in technology programmes in New Zealand and Australia to transform the technology and operating environments of Heartland Bank and Heartland Bank Australia by improving efficiency and simplifying the technology used by each bank to enable scalable growth.

Both programmes progressed to plan in FY2026, with initial production deployments and the launch of Reverse Mortgages to their respective platforms. Both remain on track, with no change to delivery timetables or implementation costs.

Over time, the programmes are expected to deliver greater automation and operational efficiency, improved customer, intermediary and employee experiences, reduced technology complexity and risk, and increased capacity for both banks to grow without a corresponding increase in operating costs.

Refer to pages 27-28 of the IP for more information about Heartland Bank's technology programme, and pages 40-41 of the IP for more information about Heartland Bank Australia's transformation programme.

Capital

Heartland remains well placed to support organic growth, with excess capital held across the group. The NSA realisation programme released $31.7 million of capital in FY2026, which has been redirected to fund growth.

In addition, the Reserve Bank of New Zealand's (**RBNZ**) final capital settings for deposit takers announced in December 2025 are expected to benefit Heartland Bank through lower Tier 1 and total capital ratio requirements, the removal of Additional Tier 1 capital instruments, and more granular and reduced risk weights. The RBNZ is also expected to review reverse mortgage risk weights in the second half of calendar year 2026, and Heartland Bank intends to participate in this review.[7]

Separately, effective 1 March 2026, the RBNZ reduced Heartland Bank's transitional capital overlay (imposed after the acquisition of what is now Heartland Bank Australia) from 2.0% to 0.5%. The reduction reflected the completion of integration activities in relation to Heartland Bank Australia, stronger trans-Tasman oversight arrangements and an improvement in the overall risk profile of the Banking Group.[8] 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).

As at 30 June 2026, the Banking Group holds approximately $110 million of regulatory capital in excess of expected regulatory requirements. Applying Heartland Bank's expected risk weight changes[9] to the 30 June 2026 balance sheet, the excess is approximately $160 million.[10] Once the expected risk weight changes are embedded and the proposed merger of Heartland Bank and TSB is completed (subject to satisfaction of all merger implementation agreement (**MIA**) conditions), Heartland intends to allocate excess capital towards opportunities that support scale, growth and improved shareholder returns.

Update on proposed merger of Heartland Bank and TSB

On 2 June 2026, Heartland announced it had entered into a conditional MIA with Toi Foundation and Toi Foundation Holdings Limited to acquire from Toi Foundation all TSB shares on issue and subsequently merge Heartland Bank and TSB.

Under the MIA, Heartland will acquire from Toi Foundation all TSB shares on issue for an aggregate consideration of $620 million. Immediately following the acquisition, Heartland Bank and TSB will merge to create TSB Heartland Bank Limited (**TSB Heartland Bank**),[11] a New Zealand challenger bank of scale, with a regional focus (together, the **Proposed Transaction**).

The merged bank would combine Heartland Bank's specialist product expertise with TSB's cost-effective funding platform and established transactional banking capabilities. If completed, TSB Heartland Bank would have approximately $15 billion in total New Zealand assets[12], a more diversified and lower risk-weighted product portfolio, and enhanced ability to support customers through their financial lifecycle. For Heartland shareholders, the transaction is expected to create long-term value through increased scale, improved operating leverage and estimated ongoing cost synergies of approximately $34 million per annum before tax once fully realised[13], while retaining Heartland's specialist product focus and both Heartland Bank and TSB's regional New Zealand connection.

The Proposed Transaction remains subject to the satisfaction of the remaining conditions in the MIA, including Toi Foundation trustee approval, Heartland shareholder approval and any necessary New Zealand and Australian regulatory approvals. Heartland satisfied the initial conditions in June 2026, being completion of confirmatory due diligence, execution of a warranty and indemnity deed, and obtaining warranty and indemnity insurance.

Subject to satisfaction of the Toi Foundation trustee approval condition, Heartland now expects to submit its application to the RBNZ and to dispatch its notice of special meeting to shareholders at the end of August 2026. Heartland intends to hold a Special Shareholder Meeting on Wednesday 30 September 2026, where Heartland shareholders will be asked to vote on the Proposed Transaction.

See Heartland's announcement dated 2 June 2026 for more information about the Proposed Transaction.

Final dividend

Heartland has declared a FY2026 final dividend of 3.5 cps, taking the total FY2026 dividend to 7.0 cps. Due to Heartland's strong capital position, the payout ratio of 73% is in excess of Heartland's target dividend payout ratio of at least 50% of underlying NPAT. Heartland's final dividend yield is 8.0%[14]. The final dividend will be paid on Friday 11 September 2026 (**Payment Date**) to shareholders on the company's share register as at 5.00pm NZST on Friday 28 August 2026 (**Record Date**) and will be fully imputed.

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 when the board determines the DRP will apply to a dividend. As a result of Heartland's excess capital position, the DRP will not apply to the FY2026 final dividend which will be paid in cash only.[15] Shareholders who have previously elected to participate in the DRP will receive their FY2026 final dividend payment in cash.

Outlook

Heartland's priority for the financial year ending 30 June 2027 (**FY2027**) is on continuing to improve shareholder return by growing ROE to at least 7.5% and lifting profitability to at least $102 million.

Through FY2026, Heartland reset its core strategic foundation. This included restoring margin and asset quality to target levels as Heartland Bank's enhanced collections, recoveries and write-off strategies were embedded as business-as-usual, and the NSA realisation programme successfully concluded.

Heartland will use this foundation in FY2027 to focus on building and acquiring scale through:

- accelerating growth in core portfolios, with Reverse Mortgage growth targets greater than 18% in both countries, and
- successfully completing the Proposed Transaction (subject to satisfaction of all MIA conditions).

This will be supported by:

- executing the next phase of Heartland Bank and Heartland Bank Australia's technology transformation programmes to enhance operating leverage and unlock future growth
- commencing merger integration (subject to completion of the Proposed Transaction).

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

FY2027 guidance

Heartland expects NPAT for FY2027 to be at least $102 million[16], excluding any costs related to the Proposed Transaction. It is expected that transaction costs relating to the Proposed Transaction of approximately $9.5 million will be expensed and reflected in Heartland's NPAT for FY2027 (subject to the Proposed Transaction completing in FY2027). Subject to satisfaction of all MIA conditions, as the Proposed Transaction nears completion, guidance will be updated to reflect the impact of Heartland Bank merging with TSB.

FY2027 guidance is provided by Heartland on a reported basis, not an underlying basis. Heartland intends to take this approach to guidance and the presentation of its financial results going forward, with any exceptional items disclosed where applicable.

Financial metrics	**FY2027 guidance[17]**		
	Heartland	**NZ Banking**	**AU Banking**
NPAT	**≥$102m**	**>$48m**	**>AU$46m**
ROE	**≥7.5%**	**>6.3%**	**>9.3%**
Average NIM	>3.88%	>4.05%	>3.68%
OPEX	<$212m	<$135m	<AU$65m
CTI ratio	<55.7%	<58.4%	<47.2%
Impairment expense ratio[6]	<0.32%	<0.48%	<0.10%

The Board continues to target a total dividend payout ratio of at least 50% of NPAT in FY2027.[18]

NZ banking

	Heartland Bank		
FY2026 financial metrics	**Reported**	**Underlying[1]**	**Underlying guidance**
NOI	$225.8m	$222.7m	No guidance provided
OPEX[19]	$127.4m	$126.9m	<$127.0m
Impairment expense	$30.4m	$30.4m	No guidance provided
NPAT	**$49.8m**	**$47.0m**	**>$45.0m**
Average NIM	4.08%	4.08%	>4.10%
Exit NIM[5]	4.15%	4.15%	>4.20%
CTI ratio[20]	55.1%	55.6%	<56.0%
Impairment expense ratio[6]	0.67%	0.67%	<0.70%
ROE	6.8%	6.4%	>6.0%

Heartland Bank materially met its underlying guidance for all key financial metrics in FY2026. NIM expanded on FY2025, asset quality materially improved and Heartland Bank saw strong Reverse Mortgage and Rural lending performance.

Heartland Bank's NIM benefitted from a low cost of funds throughout FY2026 due to lower funding requirements, with average NIM increasing 17 bps to 4.08% despite challenging competitive conditions in Motor Finance and Business Finance[21]. The FY2026 exit NIM increased 2 bps to 4.15%.

Underlying OPEX was $126.9 million, down $1.2 million (0.9%) on FY2025. Increased staff costs were primarily due to restructuring costs and the re-introduction of a long-term incentive scheme. Increased investment in technology and Reverse Mortgage marketing was offset by a reduction in legal fees and debt collection costs. Despite cost reduction, Heartland Bank's underlying CTI ratio increased from 54.8% in FY2025 to 55.6% in FY2026 due to the income impact of NSA realisation, amplified by lower growth in Motor Finance and Business Finance.

Heartland Bank's asset quality materially improved in FY2026, supported by the reduction of Motor Finance arrears and the realisation of NSAs. Heartland Bank's overall NPL ratio improved 129 bps from 30 June 2025 to 1.92% as at 30 June 2026. Excluding NSAs and Unsecured Lending[22] which are non-core lending portfolios, Heartland Bank's NPL ratio was 1.38%. Business lending (including Asset Finance) remains on watch due to ongoing economic challenges.

Motor Finance arrears improved across all NPL cohorts, with all NPLs greater than 180 DPD now cleared. The portfolio's arrears continue to outperform the industry average of 5.2%[3] and are at historical lows for Heartland Bank. This reflects earlier intervention, stronger operational discipline and improved customer engagement, ending FY2026 with the portfolio aligned with the bank's risk appetite and better positioned heading into FY2027.

Heartland Bank has not yet seen any material impact of current global instability on credit quality. However, in response to economic uncertainty, it has increased its geopolitical overlay by $1.1 million to $1.6 million.

Motor Finance Receivables were up $25.2 million (1.5%) in FY2026 to $1,719.5 million as at 30 June 2026. Dealer lending retracted 5.1%, reflecting Heartland Bank's deliberate shift from lower quality broker and non-franchise lending towards higher quality franchise lending after the introduction of new credit decisioning scorecards in FY2025 which impacted growth in the first half of FY2026 (**1H2026**). Jaguar Land Rover production disruption from late 1H2026 into early the second half of FY2026 (**2H2026**) also elevated demand volatility. New business volumes improved in 2H2026 as vehicle supply levels returned (Heartland Bank's Motor Finance new business growth was up 3.6% from 1H2026 to $399.4 million in 2H2026), supported by record EV lending volumes in March 2026 and an expanded wholesale funding partnership with key branded partner Kia. Direct-to-consumer lending increased 25.7% in FY2026.

Reverse Mortgages delivered strong growth in FY2026, with Receivables up $207.4 million (16.8%) to $1,440.7 million as at 30 June 2026. Increased investment in market awareness, regional presence and product process improvements drove momentum as annualised growth increased from 14.0% in the first quarter to 18.5% in the fourth quarter.

Rural[4] Receivables were up $66.0 million (10.8%) in FY2026 to $674.8 million as at 30 June 2026, ahead of sector growth of 1.8%.[23] Growth was supported by strengthened Livestock Finance intermediary partnerships, expanded regional presence and improved market optimism.

Heartland Bank's Business Finance[23] portfolio includes Asset Finance which helps small-to-medium businesses purchase assets such as trucks, trailers, machinery and other equipment used in day-to-day operations, rather than refinance existing assets. Business Finance Receivables were down $140.9 million (-18.1%) in FY2026 to $638.8 million as at 30 June 2026. This result was within guidance and reflects Heartland Bank's continued focus on asset quality and pricing for risk amid subdued demand and ongoing economic challenges, particularly in construction and transport which are key lending industries for Heartland Bank.

AU banking

	Heartland Bank Australia		
FY2026 financial metrics	**Reported**	**Underlying[1]**	**Underlying guidance**
NOI	AU$118.9m	AU$115.2m	No guidance provided
OPEX[19]	AU$54.8m	AU$57.6m	<AU$58.0m
Impairment expense	AU$2.6m	AU$2.6m	No guidance provided
NPAT	**AU$43.0m**	**AU$38.4m**	**>AU$37.0m**

Average NIM	3.74%	3.81%	>3.70%
Exit NIM[5]	3.81%	3.95%	>3.75%
CTI ratio[20]	44.7%	48.6%	<50.0%
Impairment expense ratio[6]	0.11%	0.11%	<0.10%
ROE	9.7%	8.7%	>8.0%

Heartland Bank Australia materially met its underlying guidance for all key financial metrics in FY2026. Continued strong Reverse Mortgage growth lifted profitability and contributed to NIM expansion and CTI ratio improvement.

Heartland Bank Australia's average underlying NIM expanded 73 bps to 3.81% in FY2026, reflecting the full year benefit of its deposit funding strategy, with legacy wholesale funding arrangements replaced by lower-cost deposits. The FY2026 exit NIM increased 36 bps to 3.95%.

Heartland Bank Australia has refined the accounting methodology used to recognise Reverse Mortgage intermediary commission costs. The updated methodology better aligns the recognition of customer acquisition costs with the expected loan life and portfolio behaviour. The change resulted in a one-off AU$3.7 million uplift in NOI. The impact of this change has been removed from Heartland Bank Australia's underlying performance for FY2026. See page 33 of the IP for more information about this change and the one-off impacts.[24]

Underlying OPEX was AU$57.6 million, up AU$11.2 million on FY2025 primarily due to a AU$5.0 million increase in staff costs. This increase was driven by the full-year impact of full-time employees (**FTE**) hired in FY2025, and additional FTE in FY2026 to support Reverse Mortgage volume growth, the transformation programme, and to ensure customer experience was not impacted while implementing the new core banking system. Despite increased costs, Reverse Mortgage earnings momentum contributed to an improvement in the underlying CTI ratio which was down from 52.0% in FY2025 to 48.6%.

Heartland Bank Australia's impairment expense ratio of 0.11% reflects a prudent increase in the weighting applied to the downside economic scenario amid heightened geopolitical uncertainty. Overall portfolio credit quality remained resilient, with the result driven mainly by modelled economic assumptions rather than any material deterioration in credit performance.

Reverse Mortgages continued to deliver strong growth, with Receivables up AU$390.7 million (19.7%) in FY2026 to AU$2,371.1 million as at 30 June 2026. Growth was supported by ongoing customer demand and continued momentum across both direct and intermediary channels.

Livestock Finance saw good customer trading activity through FY2026, funding a high volume of livestock purchases and sales across the portfolio. Receivables were down AU$4.3 million (-1.7%) in FY2026 to AU$249.6 million as at 30 June 2026, with livestock sales exceeding purchases over the year despite generally supportive industry conditions, particularly across cattle markets. Livestock Finance NOI increased 20% to AU$15.1 million (from AU$12.6 million in FY2025), reflecting improved funding costs and portfolio quality, with average Receivables remaining stable.

– 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

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[1] Certain financial measures are presented on a reported and underlying basis. Reported financial measures are prepared in accordance with NZ generally accepted accounting practice (**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 Proposed Transaction costs, the impact of the Heartland Bank Australia Reverse Mortgage commissions accounting methodology update, fair value changes on equity investments held and other one-off 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 accompanying IP includes at page 7 a reconciliation of FY2026 and FY2025 reported results to underlying results, and on page 6 a detailed comparison between FY2026 and FY2025 reported and underlying financial information.
[2] All comparative figures and percentage increases or decreases are against FY2025, unless explicitly stated otherwise.
[3] Industry average arrears are based on auto arrears as at June 2026, reported by Centrix in its Credit Insights Report, July 2026. See page 46 of the accompanying IP.
[4] Rural includes Rural Relationship, Rural Direct and Livestock Finance. Excludes NSAs.
[5] Exit NIM is the NIM for the last month of the reporting period.
[6] Impairment expense as a percentage of average Receivables.
[7] The exact timing of the RBNZ's review of reverse mortgage risk weights has not yet been confirmed.
[8] The Banking Group includes all of Heartland Bank's subsidiaries, including Heartland Bank Australia and Marac Insurance.
[9] The RBNZ has confirmed that banks may apply any of the new standardised credit risk weights from 1 October 2026. The first annual step change in capital ratios is also taking place on 1 October 2026.
[10] Including ordinary internal buffers.
[11] Heartland Bank will be the surviving entity following completion of the Proposed Transaction.
[12] As at 31 December 2025 for Heartland Bank and TSB per the RBNZ Banking Dashboard. Heartland Bank's Receivables include NSAs.
[13] Estimated synergies are management estimates prepared for transaction evaluation purposes and are forward-looking. Cost synergies (approximately $34 million p.a.) represent expected annual pre-tax run-rate benefits anticipated to be progressively realised within three years post-completion, subject to execution risk, regulatory requirements, market conditions and final integration design. Synergy estimates have not been audited and may differ materially from actual outcomes.
[14] FY2026 total fully imputed dividends divided by the closing share price as at 19 August 2026 of $1.22.
[15] Information about the DRP is available on Heartland's website at heartlandgroup.info/investor-information/dividends.

[16] Financial measures presented on a reported basis are prepared and presented in accordance with NZ GAAP and include the impacts of positive and negative one-offs.
[17] Heartland's FY2027 guidance has been set using a foreign currency exchange rate of 1.2055, which is based on a published forecast from a New Zealand economist.
[18] The dividend payout ratio will be determined based on reported NPAT excluding any exceptional items disclosed where applicable, and is subject to the Board considering Heartland's capital needs, ROE accretive growth opportunities, balance sheet flexibility and financial performance.
[19] Including intercompany group charges.
[20] 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 55.1%, down from 56.4% in FY2025, and Heartland Bank Australia's CTI ratio was 44.7%, down from 53.5% in FY2025. For more information, see pages 19 and 35 of the IP.
[21] Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.
[22] Unsecured Lending includes Personal Lending and Open for Business which are winding down.
[23] As reported by RBNZ, the annual sector growth rate for agricultural lending increased from 0.5% to 1.8% in June 2026.
[24] Refer to "Changes in accounting estimates" in Note 20 – Fair Value of Heartland's Financial Statements for the year ended 30 June 2026.