Annual Report 2026

HEARTLAND

150 years

1875-2025

HEARTLAND GROUP

The handwritten script reproduced across these covers comes from the first minute book of the Ashburton Permanent Building & Investment Society, founded in 1875.

From those early beginnings, with £233 in mortgage lending in its first year, Heartland has evolved through 150 years of change into a trans-Tasman banking group. The script is a direct connection to Heartland's origins and a tribute to the resilience, aspiration and enduring trust that has shaped Heartland's journey.

Contents

This Annual Report of Heartland Group Holdings Limited (**Heartland**) is dated 29 September 2026 and is signed on behalf of the Board of Directors by:

Greg Tomlinson
Chair and Non-Independent, Non-Executive Director

John Harvey
Independent, Non-Executive Director

01

year in review

Chair and CEO's report

Greg Tomlinson
Chair and Non-Independent, Non-Executive Director

Andrew Dixson
Chief Executive Officer (**CEO**)

The financial year ended 30 June 2026 (**FY2026**) was an important year for Heartland.

Following the reset, change and integration undertaken in the financial year ended 30 June 2025 (**FY2025**), we made clear progress in strengthening the foundations of the business. Profitability improved, margins expanded and asset quality strengthened. We also progressed important technology programmes across both banks, Heartland Bank Limited (**Heartland Bank**) successfully concluded its non-strategic asset (**NSA**) realisation programme and we announced the proposed acquisition of TSB Bank Limited (**TSB**) and subsequent merger of Heartland Bank and TSB (the **Proposed Transaction**).

Heartland is in a much stronger position than it was a year ago. The work undertaken to improve the quality of our lending, focus on efficient use of capital and simplify our operating platforms is beginning to support improved returns. Our focus for the year ending 30 June 2027 (**FY2027**) is to build on that progress and convert it into sustainable growth and further improvement in shareholder returns.

Financial performance

Heartland reported net profit after tax (**NPAT**) of $93.2 million for FY2026, compared with $38.8 million in FY2025. Underlying NPAT was $90.4 million, up from $46.9 million in FY2025.[1]

Return on equity (**ROE**) was 7.3%, while underlying ROE increased by 286 basis points (**bps**) to 7.1%. These results met all of Heartland's underlying FY2026 guidance metrics and represent a meaningful improvement from the position at the end of FY2025.

The result was driven by stronger margins and better asset quality. Average net interest margin (**NIM**) was 3.95%, while average underlying NIM increased 36 bps to 3.98%. The quality of the balance sheet also improved. The impairment expense ratio decreased 55 bps to 0.45%, supported by the material improvement in Heartland Bank's asset quality. Through FY2026, Heartland Bank cleared all Motor Finance non-performing loans (**NPLs**) more than 180 days past due, and arrears remained below the industry average.[2] Heartland Bank's overall NPL ratio improved by 129 bps to 1.92%. This progress reflects the successful realisation of NSAs and more prescriptive approach to collections, recoveries and write-offs introduced during FY2025.

More information about Heartland's financial performance is provided in the Financial commentary section and the Financial Statements in this Annual Report.

Strengthening capital efficiency

Heartland remains well placed to support organic growth, with excess capital held across Heartland and its subsidiaries (the **Group**).

As part of our strategy to allocate capital to the areas of our business which can generate attractive risk-adjusted returns, in 2024 we identified a portfolio of assets that were no longer a strategic fit for the organisation. This formed our NSA realisation programme to run down, sell or otherwise exit these assets to enable capital to be redirected to fund growth. The NSA realisation programme successfully concluded in FY2026. The value of NSAs reduced by $270.7 million during the year, releasing $31.7 million of available capital. The programme achieved a 94% recovery rate and the residual portfolio has returned to business-as-usual management.

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 prior to the end of calendar year 2026, and Heartland Bank intends to participate in this review.

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 Limited (**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. 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 held approximately $110 million of regulatory capital in excess of expected regulatory requirements. Applying Heartland Bank's expected risk-weight changes to the 30 June 2026 balance sheet, the excess was approximately $160 million.

Technology transformation programmes

Technology transformation is central to Heartland Bank and Heartland Bank Australia

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. A reconciliation of FY2026 and FY2025 reported results to underlying results, and a detailed comparison between FY2026 and FY2025 reported and underlying financial information can be found in Heartland's FY2026 investor presentation (**IP**) available at heartlandgroup.info.

2 Industry average arrears are based on auto arrears as at June 2026, reported by Centrix in its Credit Insights Report, July 2026.

achieving scalable growth. Heartland has invested in technology programmes in New Zealand and Australia to transform the technology and operating environments for this purpose. During FY2026, each bank reached important milestones, including the launch of Reverse Mortgages onto their respective new platforms.

These programmes are intended to simplify the technology environment, automate more processes, improve employee, customer and intermediary experiences, reduce legacy complexity and enable both banks to grow without a corresponding increase in operating costs. In FY2027, the focus will be on continuing this work, including further migration, automation and improvements to customer self-service.

For more information, refer to Heartland's FY2026 financial results investor presentation available at heartlandgroup.info.

Creating a larger New Zealand bank with a regional focus

In June 2026, Heartland announced a proposal to acquire all of the shares in TSB from Toi Foundation for an aggregate consideration of $620 million and subsequently merge Heartland Bank and TSB. If completed, the merged bank will be called TSB Heartland Bank.

The Proposed Transaction would combine Heartland Bank's specialist lending expertise with TSB's established transactional banking capabilities and cost-effective funding platform. It is intended to create a New Zealand challenger bank of scale, with a regional focus and greater ability to serve customers throughout their financial lifecycle and deliver improved financial returns.

For Heartland shareholders, the Proposed Transaction would build scale, improve operating leverage and create estimated ongoing cost synergies of approximately $34 million per annum before tax once fully realised. These estimates are management estimates and remain subject to execution, regulatory requirements, market conditions and final integration design.

The Proposed Transaction remains subject to the conditions set out in the merger implementation agreement dated 1 June 2026, including Heartland shareholder approval and necessary regulatory approvals. Our Special Shareholder Meeting is scheduled for 30 September 2026.

For further information about the Proposed Transaction, see the Notice of Meeting and other materials published by Heartland on 31 August 2026 and available at heartlandgroup.info/shareholder-meetings.

Board updates

Heartland Bank Australia

On 2 April 2026, Geoff Summerhayes retired from the Heartland Bank Australia Board. Geoff served as a Director of Heartland from 2021 until he was appointed Chair and Independent Non-Executive Director of Heartland Bank Australia when the bank's board was established on 30 April 2024.

On behalf of the Board, we extend our sincere thanks and appreciation to Geoff for his leadership during the acquisition and integration of what is now Heartland Bank Australia.

On 2 April 2026, Lyn McGrath, was appointed Chair of Heartland Bank Australia. Lyn has served as an Independent Non-Executive Director on the Heartland Bank Australia Board since it was established, having previously been a director of Challenger Bank Limited from February 2022. With over 30 years of experience in financial services, Lyn brings a wealth of experience and knowledge gained from managing businesses in highly regulated and complex ASX 100 organisations.

Following the successful integration of Heartland Bank Australia into the Group, on 25 March 2026, Leanne Lazarus, Heartland Bank CEO, resigned from the Heartland Bank Australia Board to focus solely on leading Heartland Bank's New Zealand banking activities. Leanne had served as a Non-Independent Non-Executive Director since the Heartland Bank Australia Board's establishment.

On 17 June 2026, Simon Beckett was appointed as an Independent Non-Executive Director of Heartland Bank Australia. Simon brings more than 30 years' financial services experience across Australia, New Zealand and international markets, with expertise in risk, strategy and commercial growth. He remains on the Heartland Board as an Independent Non-Executive Director.

Sustainability

As a trans-Tasman banking group, Heartland's sustainability framework focuses on environmental, social and financial wellbeing. In FY2026, we continued to strengthen the way sustainability is embedded across the Group.

Our environmental work focuses on integrating climate-related risk into lending decisions, supporting borrowers' transition to a net-zero economy and embedding sustainability into our operations. During the year, Heartland Bank enhanced its assessment of physical climate risks, including exposures to natural hazards, while Heartland Bank Australia introduced its Sustainability Strategy and Sustainability Position Statement, supported by a new Management Sustainability Committee.

We also continued to support financial wellbeing through our specialist products and enhanced scam and fraud protections. Our commitment to people and communities was reflected in Heartland Bank's internship programme, new graduate programme, Heartland Bank Australia's strengthened customer feedback programme, and in grants distributed by the Heartland Trust to organisations and community groups across New Zealand.

Further information about Heartland's sustainability progress, climate-related risks and opportunities, emissions and targets are provided in the Sustainability section of this Annual Report and the FY2026 Climate Report available at heartlandgroup.info/sustainability.

Shareholder return

The improvement in earnings was reflected in higher underlying earnings per share (**EPS**), which increased to 9.6 cps in FY2026 from 5.0 cps in FY2025. Underlying ROE was 7.1% for the year.

The Board resolved to pay a fully imputed final dividend of 3.5 cps on Friday 11 September 2026 to all shareholders on Heartland's share register as at 5.00pm NZST on Friday 28 August 2026. This took the total FY2026 dividend to 7.0 cps, up from 4.0 cps in FY2025. The payout ratio of 73% was in excess of Heartland's target dividend payout ratio of at least 50% of underlying NPAT, reflecting Heartland's strong capital position.

The Board continues to target a total dividend payout ratio of at least 50% of NPAT in FY2027.[3]

FY2027 outlook

Our priority for FY2027 is to continue improving shareholder returns by increasing ROE to at least 7.5% and lifting NPAT to at least $102 million.[4]

This guidance is provided on a reported basis and excludes costs related to the Proposed Transaction. We intend to take this approach to guidance and the presentation of Heartland's financial results going forward, with any exceptional items disclosed where applicable. Guidance will be updated on completion of the Proposed Transaction to reflect the impact of the merger of Heartland Bank and TSB, subject to all conditions being satisfied.

To achieve this, we must build and acquire scale. A key priority is accelerating growth in our core lending portfolios, including targeting Reverse Mortgage growth of more than 18% in both New Zealand and Australia.

Successful completion of the Proposed Transaction, and the subsequent integration of Heartland Bank and TSB, would provide immediate scale to the New Zealand bank.

3 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.

4 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. 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.

Alongside this, we will progress the next phase of technology transformation for Heartland Bank and Heartland Bank Australia to improve operating leverage and support future growth.

These priorities are supported by Heartland's strong capital position. Once the expected RBNZ risk-weighted assets changes are embedded, and if the Proposed Transaction is approved and completed, we intend to allocate excess capital to opportunities that support scale, growth and improved shareholder returns.

FY2026 was a year of meaningful progress for Heartland. Our objective for FY2027 is to build on the stronger foundation established over the past two years to increase scale, improve efficiency and deliver more sustainable returns.

We recognise that the operating environment remains competitive and that economic conditions continue to affect parts of the business, particularly Asset Finance. We will continue to manage these challenges through disciplined lending, active asset quality management and careful capital allocation.

On behalf of the Board, we thank our customers for their continued trust and our employees for the commitment and care they show in supporting customers every day. We also acknowledge the ongoing support of our shareholders.

The progress made this year reflects the contribution of many people across Heartland and provides a stronger base for the next stage of the Group's development.

Greg Tomlinson
Chair of the Board

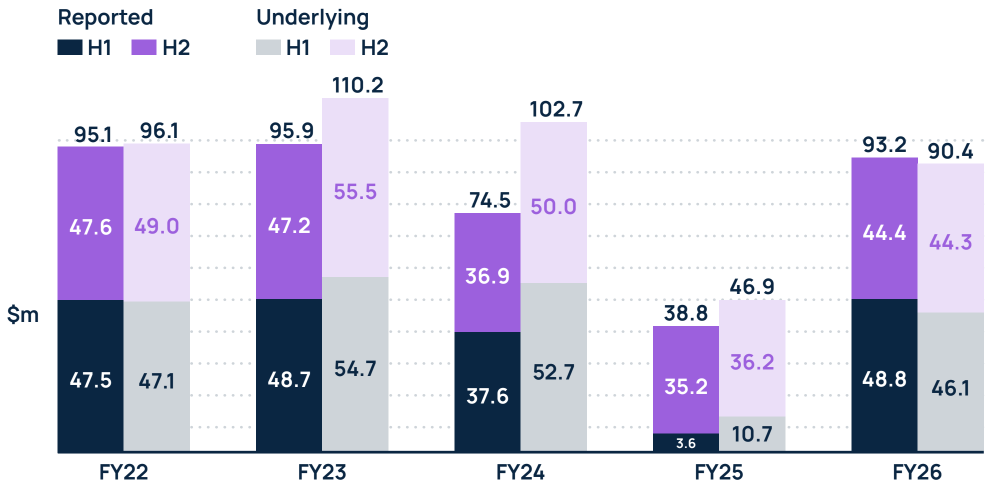
Andrew Dixson
CEO

FY2026 results at a glance

Net profit after tax

FY26 $93.2m
Underlying NPAT $90.4m

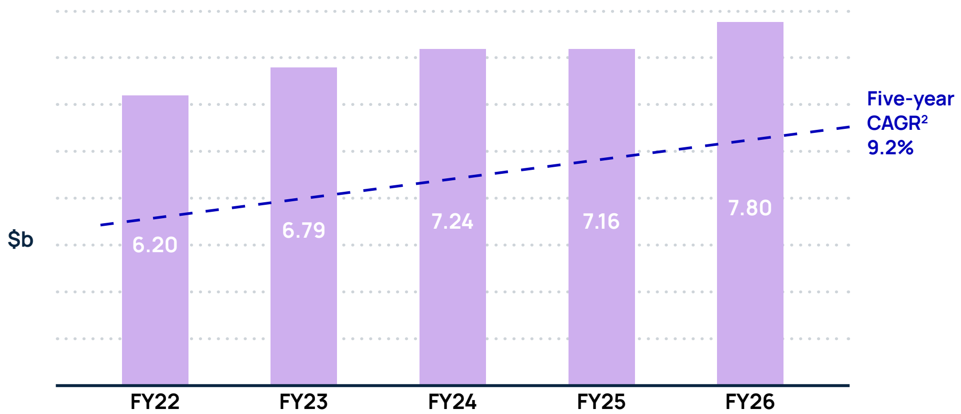
FY25 $38.8m
Underlying NPAT $46.9m



Receivables[1]

FY26 $7.80b

FY25 $7.16b



1 Includes the impact of changes in foreign currency exchange (**FX**) rates.
2 Compound annual growth rate (**CAGR**) for the five-year period from 1 July 2021 to 30 June 2026, including FX impacts.

Receivables growth[3]

FY26	9.1%	FY2026 Receivables $7.80b
FY25	-1.2%	FY2025 Receivables $7.16b

Net interest margin[4]

FY26	3.95%	Underlying NIM[2] 3.98%
FY25	3.61%	Underlying NIM 3.61%

Cost-to-income ratio

FY26	54.1%	Underlying CTI ratio 54.6%
FY25	59.6%	Underlying CTI ratio 56.2%

Return on equity

FY26	7.3%	Underlying ROE 7.1%
FY25	3.2%	Underlying ROE 4.2%

Total dividend for the year

FY26	7.0cps
FY25	4.0cps

Earnings per share

FY26	9.9cps	Underlying EPS 5.0cps
FY25	4.1cps	Underlying EPS 5.0cps

3 Includes the impact of changes in FX rates. Excluding the impact of changes in FX rates, FY2026 Receivables grew 3.9% from FY2025. Receivables also includes Reverse Mortgages.
4 NIM is calculated using monthly average interest earning assets, a change from prior periods which used a spot-to-spot June average.

150 years of helping New Zealanders unlock opportunity

Heartland Bank's specialist banking model is built around practical solutions for New Zealanders' important financial moments. Whether helping retirees remain in their home, backing farmers through seasonal change, supporting motor dealers to keep vehicles moving, or helping small business owners fund essential equipment, Heartland Bank is focused on practical solutions for the moments that matter.

That focus is grounded in a long history. In 2025, Heartland marked 150 years of providing banking and finance solutions to New Zealanders, while looking ahead to the next phase of its journey as a modern, specialist bank.

Reverse Mortgage customers Dave and Adrienne

A bank built around real needs

With deep roots in New Zealand's financial landscape, Heartland Bank's story began more than 150 years ago with the founding of the Ashburton Permanent Building & Investment Society in 1875.

Over the decades, a series of strategic mergers created what is known today as Heartland Bank. Then, in 2024, Heartland Bank became the first New Zealand registered bank to acquire an Australian bank, now known as Heartland Bank Australia - demonstrating Heartland Bank's continued strength and ambition to do things differently.

Today, Heartland Bank remains 100% New Zealand operated and managed. Its core products are deliberately focused on areas where specialist knowledge can make a difference: Reverse Mortgages, Rural and Livestock Finance, Motor Finance, Asset Finance, and Savings and Deposits. These products are delivered through a combination of experienced people and scalable digital platforms.

Leanne Lazarus, Heartland Bank New Zealand CEO, said the bank's heritage continues to shape its approach.

> "For a century and a half, we have been helping New Zealanders navigate some of their most important financial moments. Our uniquely Kiwi heritage remains the cornerstone of a specialist banking model designed to help customers unlock opportunity."

As the bank grows, its focus remains on applying specialist knowledge where it can make the greatest difference for customers – with practical products and straightforward experiences designed around real needs.

Reverse Mortgages: flexibility in retirement

Reverse Mortgages are one of Heartland Bank's largest and most established specialist products. They allow eligible homeowners to access some of the equity in their home while continuing to own and live in it, with no required repayments until the last borrower leaves the property.

In FY2026, Reverse Mortgage Receivables grew 16.8% to $1.44 billion, while new business volumes rose 35.3% compared with FY2025. More than 28,900 New Zealanders have now used a Heartland Bank Reverse Mortgage to help fund retirement.

The reasons customers use a Reverse Mortgage are as individual as their circumstances. Home maintenance and paying off existing debt remain the two most common uses. Holidays and replacing a car are now more popular than drawing extra income compared with FY2025, reflecting the range of ways customers are seeking flexibility as living costs rise.

For Dave and Adrienne, a Reverse Mortgage helped make it possible to return to New Zealand after 19 years overseas.

> "Walking into Heartland Bank's Christchurch branch that day was the best thing we ever did," Adrienne said. "The whole process was seamless."

The couple used funds to improve their home, including adding a pagoda, raised gardens and power to the garage. Just as important was the reassurance of financial freedom, with access to further funds if needed. "If you need more money, they're just a phone call away," they said. "Knowing it's there when you need it is such a good feeling."

For Anne, a Reverse Mortgage provided support after her wife's death brought both emotional loss and a significant reduction in household income. It helped her move home, manage everyday expenses and regain a sense of control.

> "I was surprised how easy it was," Anne said. "The bank made it very straightforward."

Heartland Bank takes its duty of care seriously. Its Reverse Mortgages include a lifetime occupancy promise, a no negative equity guarantee, a loan repayment promise of no repayments until the last occupant leaves the property and voluntary repayments without penalty. Independent legal advice is required and customers are encouraged to seek independent financial advice and discuss their decision with family.

Will White, General Manager Retail and Reverse Mortgages, said

"Reverse mortgages are not for everyone, but they are increasingly seen as an option for those who wish to remain in their own homes and need to fund extra expenses".

Heartland Bank's Reverse Mortgages have received Consumer Trusted accreditation from Consumer NZ for ten consecutive years, and are supported by brand ambassador Judy Bailey, who is well known across New Zealand.

Backing productive New Zealand

Heartland Bank's commitment to New Zealand is also evident in its Rural and Livestock Finance businesses. These teams work with farmers where a specialist understanding of seasonal cash flow, livestock trading, investment and succession planning is important.

In FY2026, the Rural portfolio grew 10.8% to $675 million, ahead of reported sector growth of 1.8%. Growth was supported by stronger Livestock Finance intermediary partnerships, an expanded regional presence and improved agricultural conditions. New lending manager roles in Southland and Taranaki have increased the bank's reach in two important farming regions.

Reverse Mortgage customer Anne

Geoff Hardacre, National Manager Rural, said, "We understand New Zealand farming, with a focus on personal attention and service to farming businesses with smaller, more individualised needs where Heartland Bank's specialist capability is valued".

For customers, that can mean finance for farms, working capital, trading livestock or capital, as well as technology investments that support productivity. It can also mean supporting a sustainable future for a farm as ownership passes between generations.

In Motor Finance and Asset Finance, the bank is similarly focused on quality, specialist capability and efficient processes. In FY2026, Motor Finance Receivables grew modestly to $1.72 billion as Heartland Bank deliberately shifted towards higher-quality franchise lending.

A new nationwide partnership with Kia New Zealand demonstrates the opportunity to apply that expertise at scale. Heartland Bank is providing funding for Kia vehicles held in dealer inventory, supported by an inventory management system that provides visibility of nationwide stock and sold-order status.

> **As Alistair Scott, Chief Auto & Asset Finance Officer, said, "Providing cars to New Zealanders requires a dependable, reliable support ecosystem that ensures a smooth transit of cars from dealers to customers".**

For dealers, the partnership can support working capital and vehicle availability. For customers, it helps create a more efficient path from order to delivery.

The next chapter

Since forming in 2011 and becoming a registered bank in 2012, Heartland Bank has evolved into a specialist, proud New Zealand bank, serving Kiwis through a distinctive portfolio of products. Its history is much longer, but the purpose has been consistent: to help customers unlock opportunity through financial products.

The proposed merger of Heartland Bank and TSB represents the next chapter in that progress.[1] As TSB Heartland Bank, the merged bank would have greater scale to support efficient growth, continue investing in its specialist capabilities, and serve more customers across New Zealand.

The opportunity is to build on the strong foundations that Heartland Bank has established, while carrying forward a legacy of trust, service and local commitment that began in Ashburton in 1875.

1 Subject to Heartland shareholder approval and receipt of necessary regulatory approvals.

Leadership through market insight

For Heartland Bank Australia, true leadership extends far beyond market share – it is defined by responsible lending, education and awareness raising, and genuine customer impact.

Heartland Bank Australia grounds its specialist model in targeted solutions designed specifically for retirement finance and livestock funding.

Nowhere is this focus more vital than in home equity release. A joint 2026 report by Heartland Bank Australia and Deloitte revealed that while Australians over 60 hold an estimated AU$3 trillion in residential property, less than 1% of that wealth is currently used to support retirement.

This leaves AU$600 billion in accessible home equity sitting untapped, highlighting the immense potential for reverse mortgages to ease financial pressure for older Australians.

Heartland Bank Australia continues to lead the market, holding over 40% of all Australian reverse mortgages. Sector wide momentum remains strong, with AU$750 million in new lending generated across the market in the 12 months to 30 June 2026.

Heartland Bank Australia Customer Care Associates Tasha Siaosi and David Casamayor

A chance encounter: Saving a family legacy

Sri Tummalapalli, Director of Affluence Financials, believes finance is about a human connection rather than technical jargon.

Having worked in banking for more than 15 years, Sri's perspective on reverse mortgages shifted after meeting Puneet Kumar, Head of Retail Distribution at Heartland Bank Australia. Before this conversation, Sri had little knowledge of reverse mortgages or how they can empower older Australians.

"Many retirees have worked hard their whole life but face limited cash flow," Sri said.

"They assume equity release is just another debt. When you take the time to nurture them without jargon, you help them realise they can meet unexpected medical costs or home repairs while staying independent in their own homes."

A reverse mortgage allows Australians over 55 to unlock their home's equity while retaining full ownership. The product features a voluntary repayment structure and a No Negative Equity Guarantee – to ensure the customer will never owe more than the value of their home when the loan is repaid.

The true potential of the product unfolded just 24 hours after Sri first learned about reverse mortgages, when 89-year-old farmer Pierre DeBondy walked into his office.

Pierre was facing the painful reality of an upcoming auction on his beloved Mirboo cattle property, his very first farm he had ever bought.

Managing three properties alongside his primary residence, Pierre needed a financial solution to resolve his debt without being forced to sell his cherished land to save his home.

Sri contacted Puneet to explore whether Pierre could unlock equity through a reverse mortgage on his primary residence.

Working with Pierre, Heartland Bank Australia approved and settled the loan, allowing Pierre

Sri Tummalapalli

to clear the outstanding debt and cancel the auction of his Mirboo property just days before it was set to begin.

"It was a miracle," Pierre said. "The timing was brilliant, and it wiped out those bank loans so I didn't have to sell my farm to stay in my home. Thanks to Heartland, I was able to keep all my properties."

Pierre, who is far from retired, actively works on his farms. Having spent years designing and building spec homes, he understands the true value of building a home.

Stories like Pierre's are a powerful reminder of the difference specialist lending can make.

In its June 2026 Voice of the Customer survey of over 1,000 Reverse Mortgage borrowers, Heartland Bank Australia recorded an 85% Customer Satisfaction (**CSAT**) score and a Net Promoter Score (**NPS**) of +49.

Ninety per cent of respondents confirmed their loan met expectations. Strong customer sentiment also extended into Heartland Bank Australia's deposit suite, which recorded a 77% CSAT and an NPS of +20.

Empowering intergenerational growth

This same spirit of partnership drives Heartland Bank Australia's livestock finance business, StockCo by Heartland Bank Australia. For regional producers navigating seasonal volatility and rising land values, traditional banking approved timeframes often cost valuable trading opportunities.

In Gundagai, New South Wales, fourth-generation producer David Graham first discovered StockCo by Heartland Bank Australia during a casual conversation at a South Island pub while on holiday in New Zealand.

"When I came home, I immediately made enquiries and met with a StockCo representative, who I still deal with today, and the facility was set up within seven days through a very user-friendly process," David said.

David is a retired chartered accountant who, with his family, runs a self-replacing Angus herd, a Merino operation with crossbred lambs, and trades steers when seasonal market conditions allow. Flexible livestock financing is a vital tool across his business.

"Our children live and breathe it, and they're keen to keep the intergenerational legacy going," he said.

> "Having a fully funded facility in place lets us buy and trade cattle quickly when seasonal and market opportunities appear, and it's an important part of the overall financing package of the business. Livestock markets go up and down but with StockCo we've always been able to navigate those cycles smoothly through open and transparent communication."

Emma Grigg

By backing David's trading operations and protecting cash flow, StockCo by Heartland Bank Australia's flexible funding has helped lay the groundwork for his children to step in and carry the family legacy forward.

According to Emma Grigg, Senior Agri Finance Manager at StockCo by Heartland Bank Australia, supporting producers like David is deeply personal. Having grown up on a beef cattle property she spent over 25 years in agribusiness banking, and joined Heartland Bank Australia's StockCo team to move away from traditional loan products.

"Growing up on a farm gave me a deep appreciation for the livestock industry and those who produce our food," Emma said.

"Managing David's account is incredibly rewarding. For every five dollars of margin generated from StockCo funded livestock, David retains four dollars while providing the feed, land and expertise, capturing 80% of the return."

Without careful planning, succession can create challenges for families, business operations, and local communities Emma reflected.

A well-structured succession plan supported by flexible livestock finance is critical to protecting business value and ensuring a smooth transition between generations. This outcome represents both a core value and a key strategic focus for Heartland Bank Australia.

02

who we are

Our business

Our people

Employee break down by entity[1]

Heartland Group Holdings Limited	11
Heartland Bank Limited	474
Heartland Bank Australia Limited	140

Total employee count[1]

625

Male	49.76%
Female	49.60%
Gender diverse	0.16%
Not stated	0.48%

Locations **12**

11,956 Shareholders

Customer % increase YoY **1.6%**

Our funding & capital

Heartland remains well placed to cater for organic growth with excess capital held across the Group.

Retail deposits $7.21b

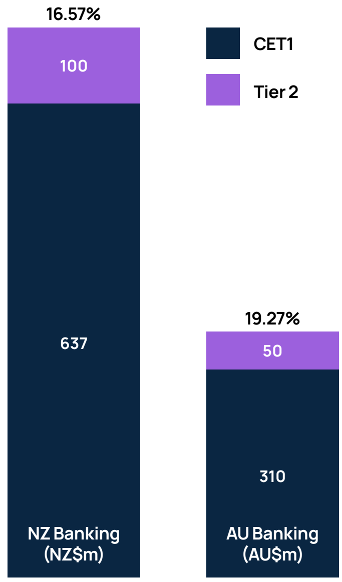
NZ Banking	AU Banking
$4.23b	A$2.45b

Wholesale facilities $0.56b

NZ Banking	AU Banking
$0.0b	A$0.42b

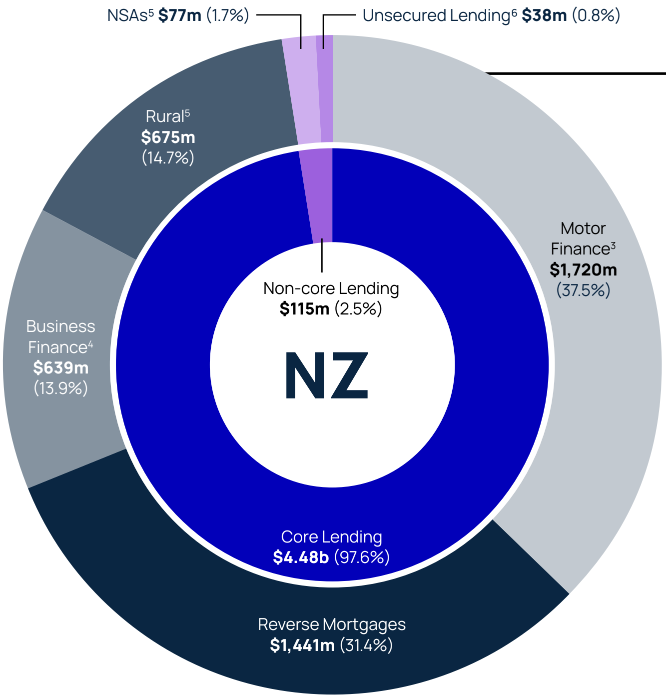
Bonds and notes $0.18b

NZ Banking	AU Banking
$0.17b	A$0.05b



1 Includes all permanent, fixed term and casual employees of the Group as at 30 June 2026.

Our lending[2]

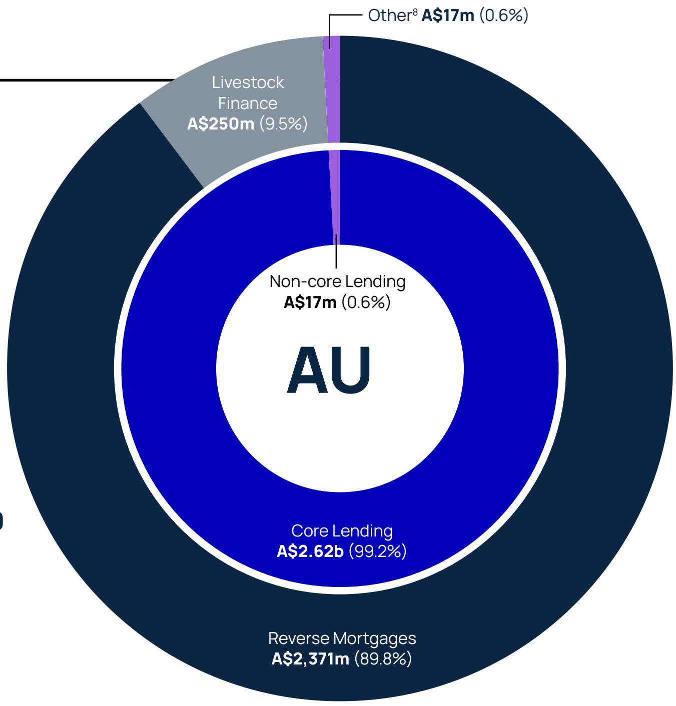


NZ Banking

Total core	**$4.48b**
Total non-core	**$115m**
TOTAL	**$4.59b**

AU Banking

Total core	**A$2.62b**
Total non-core	**A$17m**
TOTAL	**A$2.64b**



Total Receivables[9]

$7.80b

As at 30 June 2026.

2 All lending portfolio figures exclude FX impact. Core Lending includes core product sets (Reverse Mortgages, Motor Finance, Business Finance and Rural in New Zealand; Reverse Mortgages and Livestock Finance in Australia). Non-core Lending includes product sets which are in run down, including NSAs in New Zealand.
3 Motor Finance includes Wholesale Lending.
4 Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.
5 Rural includes Rural Relationship, Rural Direct and NZ Livestock Finance loans. Excludes NSAs.
6 NSAs include loans in Business, Rural and Home Loans.
7 Unsecured Lending includes Personal Lending and Open for Business which are winding down.
8 Other AU includes Home Loans and Consumer & Other loan portfolios acquired through the authorised deposit-taking institution (**ADI**) which are in run down.
9 Including the impact of changes in FX rates. Receivables also includes Reverse Mortgages.

Our directors
Heartland Group Board

Greg Tomlinson

Chair and Non-Independent Non-Executive Director

Greg was appointed on 31 October 2018. He is a member of Heartland's Audit and Risk Committee, and Corporate Governance, People, Remuneration and Nominations Committee.

Greg is a Christchurch-based businessman and investor with 40 years' experience owning, managing and building businesses. He established Tomlinson Group Holdings with active investments in the aged care, animal pharmaceutical, finance and wine sectors.

Greg is director of several public and private companies, including Oceania Healthcare, Argenta, and is Chair of Indevin Group.

Greg and his wife Jill support a variety of charities in New Zealand and abroad.

Kate Mitchell

Independent Non-Executive Director

Kate was appointed on 28 October 2021. She chairs Heartland's Sustainability Committee and is a member of the Audit and Risk Committee.

Prior to moving to New Zealand in 2014, Kate spent 20 years working in investment banking in the UK with various firms including Merrill Lynch, Goldman Sachs and Deutsche Bank, where she held a variety of senior client coverage and management roles. She has extensive experience in developing solutions for clients, particularly in the areas of financial risk management, structured financing and investments.

Kate is a director of several public and private companies, including Heartland Bank, Christchurch International Airport, the A2 Milk Company Limited, and Zentera Wool Company Limited.

As at the date of this Annual Report. Refer to page 30 for icon key.

John Harvey

Independent Non-Executive Director

John was appointed on 30 April 2024. He chairs Heartland's Audit and Risk Committee, and is a member of the Corporate Governance, People, Remuneration and Nominations Committee.

John brings extensive experience in financial services, including NZX listings, mergers and acquisitions, and financial reporting. He was a partner of PricewaterhouseCoopers (**PwC**) for 23 years, where he held a number of management and governance responsibilities, until his retirement in 2009.

Since his retirement from PwC, John has pursued a career as an independent director and has previously been a director of Stride Property, Investore Property, Napier Port Holdings, Kathmandu Holdings, APN News and Media, Ballance Agri-Nutrients, and NZ Opera. He is currently a director of Heartland Bank and Napier Port.

Rob Bell

Independent Non-Executive Director

Rob was appointed on 27 June 2024. He chairs Heartland's Corporate Governance, People, Remuneration and Nominations Committee.

Rob is an accomplished banking executive with 25 years' experience in senior leadership roles in the financial services industry, with a deep understanding of banking, digital and growth strategies.

As the founding CEO of 86 400, Australia's first digital only bank designed for mobile, Rob led the building, launch, scaling and ultimately successful sale of 86 400 to National Australia Bank. Prior to 86 400, Rob held executive and chief executive roles at payments company Cuscal, Australian Unity Bank and ANZ Bank, including CEO positions at both ANZ Japan and ANZ Fiji. Most recently, Rob held the position of Managing Director of Fliteboard, an Australian invention and start-up which was sold to the US listed marine industry leader Brunswick Corporation.

Rob is a director and Chair of leading payment services provider Monoova, and Advisory Board Chair of Australian sports technology company Liveheats.

Simon Beckett

Independent Non-Executive Director

Simon was appointed on 27 June 2024.

With over 30 years' experience in the financial services sector, Simon is an experienced Non-Executive Director and Chair, specialising in mergers and acquisitions, capital raising, local growth and international expansion. He has held executive leadership positions with multinational organisations including General Electric, Wells Fargo and Cerberus, with expertise across risk, strategy and commercial functions in the USA, UK, Europe, Asia, Australia and New Zealand.

Simon has a proven track record helping CEOs and Executive teams build and grow businesses. His most recent executive role was with Angle Auto, a Cerberus company, where he supported the acquisition of the Motor Finance business from Westpac, initially serving as the Chief Risk Officer and Responsible Manager, before becoming Chief Commercial Officer.

Simon is a director of a number of Australian public and private companies, including Chair of Karia Technology Pty and Fund2Market Holdings Pty (trading as Banjo), Director of Heartland Bank Australia, First Avenue Capital Pty, First Avenue Ventures Pty, and ORDE Financial Pty, and Advisor to Fintorq Technology Pty, Soda Capital Pty, and Plenti Pty.

Heartland Bank New Zealand Board

Bruce Irvine

Chair and Independent Non-Executive Director

Bruce was appointed on 31 December 2015. He chairs Heartland Bank's People & Culture and Remuneration Committee, and is a member of the Audit Committee.

Bruce is a chartered accountant, serving as Managing Partner of Deloitte Christchurch from 1995 to 2007 before retiring in May 2008 to pursue his career as an independent director.

Bruce is a director of several public and private companies including Chair of Market Gardeners and Skope Industries, and Director of Heartland Bank Australia, House of Travel Holdings and Scenic Hotels. He also sits on the Council of the University of Canterbury, and is involved in a voluntary capacity as a trustee of the Christchurch Symphony Orchestra Foundation.

Andrew Dixson

Non-Independent Non-Executive Director

Andrew was appointed on 1 October 2024.

Andrew is a highly experienced finance professional and chartered accountant with over 20 years' experience in the finance and banking sectors. He started his professional career at PwC before moving into investment banking with ABN AMRO and Credit Suisse, both in New Zealand and the United Kingdom.

Andrew joined Heartland in 2010, and has held a number of senior finance roles, with a focus on the execution of key strategic projects, including as Head of Business Advisory & Funding, Head of Corporate Finance, and Group Chief Financial Officer. On 1 October 2024, Andrew was appointed CEO of Heartland Group, and is a director of Heartland Bank Australia.

In his time at Heartland, Andrew has been involved in all key parts of Heartland's evolution, including the initial merger in 2011, New Zealand bank registration in 2012, and Heartland's listing on both the NZX and ASX. He has also played a critical role in the execution of several major strategic acquisitions, including the acquisition of the Reverse Mortgage businesses in 2014, StockCo Australia in 2022, and the business which is now known as Heartland Bank Australia in 2024.

As at the date of this Annual Report. Refer to page 30 for icon key.

John Harvey

Non-Independent Non-Executive Director

John was appointed on 31 December 2015, and is a member of Heartland Bank's Audit Committee, and Risk Committee.

John brings extensive experience in financial services, including NZX listings, mergers and acquisitions, and financial reporting. He was a partner of PricewaterhouseCoopers for 23 years, where he held a number of management and governance responsibilities, until his retirement in 2009.

Since his retirement from PricewaterhouseCoopers, John has pursued a career as an independent director and has previously been a director of Stride Property, Investore Property, Napier Port Holdings, Kathmandu Holdings, APN News and Media Limited, Ballance Agri-Nutrients Limited, and NZ Opera Limited. He is currently a director of Heartland Group, and Napier Port.

Kate Mitchell

Non-Independent Non-Executive Director

Kate was appointed on 29 March 2019, and is a member of Heartland Bank's Risk Committee, and People & Culture and Remuneration Committee.

Prior to moving to New Zealand in 2014, Kate spent 20 years working in investment banking in the UK with various firms including Merrill Lynch, Goldman Sachs and Deutsche Bank, where she held a variety of senior client coverage and management roles. She has extensive experience in developing solutions for clients, particularly in the areas of financial risk management, structured financing and investments.

Kate is a director of several public and private companies including Heartland Group, Christchurch International Airport, the A2 Milk Company, Zentera Wool Company, and Link Engine Management.

Shelley Ruha

Independent Non-Executive Director

Shelley was appointed on 1 January 2020. She chairs Heartland Bank's Risk Committee, and is a member of the Audit Committee.

Shelley has 30 years' experience in the banking sector. Her previous directorships include Paymark, JB Were Australia, The Icehouse, Hobson Wealth and Partners Life.

Shelley is currently Chair of Kindo, PaySauce and Allied Farmers, a Director of 9 Spokes, and an investment Committee member for Peninsula Credit.

Simon Tyler

Independent Non-Executive Director

Simon was appointed on 8 November 2022. He chairs Heartland Bank's Audit Committee, and is a member of the Risk Committee, the People & Culture and Remuneration Committee, and Heartland's Sustainability Committee.

Simon brings to the Board extensive banking experience with particular expertise in treasury. He began his career in finance more than 35 years ago at South Pacific Merchant Finance which later merged to become the National Bank of New Zealand. Through his career, Simon has held several senior treasury and financial markets roles at National Bank and the Reserve Bank of New Zealand. Simon's most recent role was Chief Executive of the Government Superannuation Fund Authority and the National Provident Fund, which he held for 10 years.

Simon is a director of a number of public and private companies, including Sunny Financial Services, NZ Bio Forestry, Palliser Estate Wines of Marlborough, Global Horticulture, Nutrition for Health, Asteron Life, and Nippon Life New Zealand NOHC. He is also an Advisor to the Fiso Investment Group, a trustee of the Fale Malae Trust and the University of Otago Foundation Trust, and chairs Booster Investment Management's private equity fund, the Tahi Fund.

Heartland Bank Australia Board

Lyn McGrath

Chair and Independent Non-Executive Director

Lyn was appointed on 14 February 2022, and was appointed Chair on 2 April 2026. She is a member of Heartland Bank Australia's Audit Committee, People, Remuneration and Nominations Committee, and Risk Committee.

Lyn brings a wealth of experience and knowledge to Heartland, gained from managing businesses in highly regulated and complex ASX 100 organisations. Her most recent executive roles included Executive General Manager, Retail and Executive General Manager, Wealth Advice at Commonwealth Bank of Australia and Group Executive, Retail Banking at Bank of Queensland.

Lyn was previously a Director of Challenger Bank, which was acquired by Heartland in April 2024 and subsequently renamed to Heartland Bank Australia. She is a director of a number of public and private companies including Chair of the Australian Digital Health Agency, and Director of Credit Corp and Malaysian listed bank CIMB Group Holdings Ltd.

Shane Buggle

Independent Non-Executive Director

Shane was appointed on 30 April 2024.He chairs Heartland Bank Australia's Audit Committee and Risk Committee, and is a member of the People, Remuneration and Nominations Committee, and Heartland's Sustainability Committee.

Shane is a chartered accountant and a Fellow of Chartered Accountants Australia and New Zealand and the Institute of Chartered Accountants in Ireland and a member of the Australian Institute of Company Directors. With over 35 years of experience in the finance sector, Shane has held senior roles at Zurich Financial Services, PricewaterhouseCoopers and the ANZ Banking Group. During his 24 year tenure at ANZ, Shane held a variety of senior positions, most notably Group Chief Financial Officer, Group General Manager – Internal Audit, Deputy Group CFO, CFO Institutional, and CFO Australia.

Shane is currently a Director of BUPA ANZ Insurance, BUPA ANZ Healthcare and BUPA Aged Care, Melbourne Symphony Orchestra, and Monash College.

As at the date of this Annual Report. Refer to page 30 for icon key.

Vivienne Yu

Independent Non-Executive Director

Vivienne was appointed on 30 April 2024. She chairs Heartland Bank Australia's People, Remuneration and Nominations Committee, and is a member of the Audit Committee, and Risk Committee.

Vivienne has more than 20 years of leadership and senior executive experience, including leading global businesses across multiple jurisdictions in Asia, North America and Australia where she most recently held the role of Executive General Manager, International Financial Services at Commonwealth Bank.

Vivienne is a Director of AA REIT, a real estate investment trust listed on the Singapore Exchange, Bridge Housing, the National Foundation for Australian Women, and Wise Australia. Her previous directorships include Vice Chair of the Australian Chamber of Commerce and Chair of CBA County Bank.

Bruce Irvine

Independent Non-Executive Director

Bruce was appointed on 30 April 2024. He is a member of Heartland Bank Australia's Audit Committee, Risk Committee, and People, Remuneration and Nominations Committee.

Bruce is a chartered accountant, serving as Managing Partner of Deloitte Christchurch from 1995 to 2007 before retiring in May 2008 to pursue his career as an independent director.

Bruce is a director of several public and private companies including Chair of Heartland Bank, Market Gardeners and Skope Industries, and Director of House of Travel Holdings and Scenic Hotels. He also sits on the Council of the University of Canterbury, and is involved in a voluntary capacity as a trustee of the Christchurch Symphony Orchestra.

Andrew Dixson

Non-Independent Non-Executive Director

Andrew was appointed on 3 February 2025. He is a member of Heartland Bank Australia's Audit Committee, Risk Committee, and People, Remuneration and Nominations Committee.

Andrew is a highly experienced finance professional and chartered accountant with over 20 years' experience in the finance and banking sectors. He started his professional career at PwC before moving into investment banking with ABN AMRO and Credit Suisse, both in New Zealand and the United Kingdom.

Andrew joined Heartland in 2010, and has held a number of senior finance roles, with a focus on the execution of key strategic projects, including as Head of Business Advisory & Funding, Head of Corporate Finance, and Group Chief Financial Officer. On 1 October 2024, Andrew was appointed CEO of Heartland Group, and is a director of Heartland Bank.

In his time at Heartland, Andrew has been involved in all key parts of Heartland's evolution, including the initial merger in 2011, New Zealand bank registration in 2012 and Heartland's listing on both the NZX and ASX. He has also played a critical role in the execution of several major strategic acquisitions, including the acquisition of the Reverse Mortgage businesses in 2014, StockCo Australia in 2022, and the business which is now known as Heartland Bank Australia in 2024.

Simon Beckett

Independent Non-Executive Director

Simon was appointed on 17 June 2026. He is a member of Heartland Bank Australia's Audit Committee, Risk Committee, and People, Remuneration and Nominations Committee.

With over 30 years' experience in the financial services sector, Simon is an experienced Non-Executive Director and Chair, specialising in mergers and acquisitions, capital raising, local growth and international expansion. He has held executive leadership positions within multinational organisations including General Electric, Wells Fargo and Cerberus, with expertise across risk, strategy and commercial functions in the USA, UK, Europe, Asia, Australia and New Zealand).

Simon has a proven track record helping CEOs and Executive teams build and grow businesses. His most recent executive role was with Angle Auto, a Cerberus company, where he supported the acquisition of the Motor Finance business from Westpac, initially serving as the Chief Risk Officer and Responsible Manager, before becoming Chief Commercial Officer.

Simon is a director of a number of Australian public and private companies, including Chair of Karia Technology Pty and Fund2Market Holdings Pty (trading as Banjo), Director of Heartland Group, First Avenue Capital Pty, First Avenue Ventures Pty and ORDE Financial Pty, and Advisor to Fintorq Technology Pty, Soda Capital Pty, and Plenti Pty.

Director skills matrix

Skills and Experience	Description
Governance, Risk and Compliance	
Governance and Compliance	Implementing organisation-wide governance and compliance systems, processes and frameworks
Health & Safety	Implementing health, safety and wellbeing strategies, proactive identification and prevention of health and safety risks
Issues/Event Management	For example, credit rating downgrades, social media events, regulatory breaches or changes, cyber security and other similar events
Regulatory Compliance	Experience in RBNZ compliance regime (and other applicable compliance regimes (e.g. NZX, APRA))
Risk Management	Risk management frameworks, setting risk appetite, building and adapting organisation risk culture
Financial Services and Commercial	
Australian Experience	Experience in banking/financial markets and regulatory bodies (APRA, ASIC, ASX, etc.)
Banking	Domestic and/or international experience in banking
Capital Markets and Structures	Experience in capital markets, corporate finance and management of capital within an organisation
Commercial Acumen	Global commercial experience, including in implementation of financial and capital management strategies
Financial Acumen	Experience in financial accounting, reporting and internal financial controls.
Liquidity and Funding	Broad experience in funding and liquidity strategies and management
People and Culture	
People & Culture	Driving engagement and enablement, evaluating employee and executive performance, strategic workforce planning, succession, leading organisation change and talent development
Corporate Emotional Intelligence (EQ)	Personal attributes relevant to the Board environment including communication skills, the ability to constructively challenge, championing an environment that effectively deals with complex issues and continually seeking to "lift the bar"
Remuneration	Understanding organisational culture, management development, succession, detailed executive remuneration matters (including scorecard target setting), incentive arrangements and staff superannuation
Data, Digital & Technology	
Artificial Intelligence	Experience relating to AI, automation, disruption and innovation including in delivering customer services.
Data	Experience in collecting, and deriving strategic insights from analysis of, data
Digital, Information Technology and Cyber	Domestic and/or international experience in IT strategies, IT networks, cloud computing, software delivery and cyber security
Strategy, Stakeholders and ESG	
Corporate Strategy	Reviewing and setting organisational strategy, execution of organic growth opportunities and M&A opportunities
Climate, Sustainability, Environment & Social	Knowledge of potential opportunities and risks from a social and environmental perspective
Customer Outcomes	Experience in developing and embedding a customer-focused culture with specific attention to enhancing customers' experience
Government Relations	Interaction with Government at all levels, influencing public policy decisions and outcomes
Shareholder and Investment Relations	Experience in and understanding of shareholder and investment community concerns, and institutional and retail investor engagement.

High competency, experience and knowledge
General experience and knowledge
Practised/direct experience and knowledge
Limited or no experience and knowledge

	No. of Directors	No. of Directors	No. of Directors
	Heartland	Heartland Bank	Heartland Bank Australia
	3 1 1	5 1	5 1
	4 1	4 2	1 5
	4 1	5 1	4 1 1
	2 2 1	6	5 1
	3 2	4 1 1	4 1 1
	1 3 1	2 2 2	4 2
	1 2 2	3 1 2	3 3
	5	3 3	4 2
	2 3	5 1	2 4
	4 1	2 4	4 2
	1 2 2	4 1 1	4 2
	3 2	4 1 1	3 1 2
	3 1 1	5 1	4 1 1
	5	4 1 1	3 1 2
	1 3 1	2 4	1 3 1 1
	1 2 2	1 2 3	2 1 3
	4 1	1 5	3 3
	2 3	5 1	3 3
	1 3 1	2 3 1	4 2
	2 3	5 1	3 3
	1 2 2	1 2 3	1 2 3
	5	4 2	2 1 3

Our management

Heartland Group

Andrew Dixson
Chief Executive Officer

Michael Jonas
Chief Strategy Officer

Heartland Bank New Zealand

Leanne Lazarus
Chief Executive Officer

Andy Wood
Chief Risk Officer

Kerry Conway
Chief Financial Officer

Lana West
Chief People & Culture Officer

Peter Griffin
Chief Commercial Officer

Phoebe Gibbons
Chief Legal Officer

Alistair Scott
Chief Auto & Asset Finance Officer

Rebecca Thomas
Chief Digital Transformation Officer

Heartland Bank Australia

Michelle Winzer
Chief Executive Officer

David Brown
Chief Risk Officer

Sarah Burgemeister[1]
Chief Legal & First Line Risk Officer

Medina Cicak
Chief Commercial Officer

Richard Collier
Chief Financial Officer

Vaughan Dixon
Chief Technology & Information Officer

Dominique Layt
Chief People & Strategy Officer

1 Sarah Burgemeister appointed as Chief Legal & First Line Risk Officer on 1 July 2026

As at the date of this Annual Report. For full profiles, visit heartlandgroup.info

03

sustainability

Sustainability for Heartland is about creating long-term value for its customers, people, communities and shareholders. Guided by its sustainability strategy, Heartland is committed to managing its climate-related risks and opportunities, supporting its people to thrive, and improving the financial wellbeing of the customers and communities it serves.

During FY2026, Heartland continued to strengthen its approach to embedding sustainability across its business and operations. A key milestone was achieved by Heartland Bank Australia in June 2026 with the introduction of its Sustainability Strategy and Sustainability Position Statement, alongside the establishment of its Management Sustainability Committee earlier in FY2026. Together, these developments further strengthened sustainability governance, oversight and accountability across Heartland.

Environment

Integrate climate-related risk into lending decisions.

Fund borrowers' transition to a net-zero economy.

Embed sustainability into the way Heartland operates.

People

Create a pathway and place for Heartland's people to grow, thrive and be empowered to achieve Heartland's goals as one team.

Care for the communities Heartland operates in.

Care for Heartland's customers.

Financial wellbeing

Support the financial wellbeing of Heartland's customers and communities.

Environment

Supporting the transition to a low-emissions and climate-resilient future

Heartland Bank's environmental work is underpinned by three key priorities: integrating climate-related risk into lending decisions, funding borrowers' transition to a net-zero economy, and embedding sustainability into the way Heartland Bank operates. Collectively, these priorities help Heartland Bank support the transition to a low-emissions and climate-resilient future.

Heartland Bank continued to identify, assess and manage its climate-related risks and opportunities in FY2026. Highlights against each commitment included:

- Integrate climate-related risk into lending decisions: used an enhanced physical risk assessment with more advanced modelling capabilities which better identified the bank's exposures to multiple natural hazards.
- Fund borrowers' transition to a net-zero economy: a significant increase in the proportion of the year's Motor Finance lending attributed to new generation vehicles.
- Embed sustainability into the way Heartland operates: the introduction of two schemes to encourage lower-cost, lower-emission employee commuting – WorkRide for cycling and scooters, and Extraordinary for public transport.

Heartland and Heartland Bank's joint FY2026 climate statement provides a comprehensive view of progress to-date, including key achievements, current challenges, and future targets. To explore the full statement, visit heartlandgroup.info/sustainability.

People

Growing our people

Heartland is committed to creating a pathway and place for its people to grow, thrive and be empowered to achieve Heartland's goals as one team. In FY2026, this commitment was reflected in improving employee engagement outcomes, investment in future talent and a continued focus on diversity and inclusion.

Heartland's annual culture survey recorded a significant, balanced uplift in employee engagement and sentiment across both New Zealand and Australia in FY2026. Participation remained exceptionally high at 90% in New Zealand and 88% in Australia, demonstrating employees' willingness to share feedback and contribute to continuous improvement. Employee engagement significantly increased in both countries, rising to 63% in New Zealand (up from 51% in FY2025) and 59% in Australia (up from 51% in FY2025).

Employees from Heartland Bank Australia's Melbourne office celebrating International Women's Day, March 2026.

Creating pathways into banking

Heartland continued to invest in future talent through the Heartland Bank internship programme - Manawa Ako, designed to provide meaningful pathways into the banking industry, with a particular focus on attracting Māori and Pasifika rangatahi (youth).

In FY2026, Heartland Bank welcomed 17 interns into the programme, with 59% identifying as Māori or Pasifika. Since its inception, 186 interns have participated in the internship, reflecting the programme's enduring impact and growing reputation. The FY2026 cohort included students from a range of educational institutions, including InZone Education Foundation, King's College, the University of Auckland, the University of Canterbury and the University of Otago.

Expanding pathways into technology

This year, Heartland Bank welcomed eight graduates into the Digital Transformation team as part of its new DigiTech Graduate Programme. Joining between May and July 2026, the graduates are part of an initiative to create technical career pathways for talented young people and provide opportunities to put their technology qualifications into practice.

The initiative has focused on graduates who, despite having relevant technology qualifications, had been unable to secure roles in the sector and had taken employment in other industries. The graduates have brought an outstanding work ethic, commitment to learning and valuable customer service experience to their roles.

The graduates are already contributing across Heartland Bank, including during the implementation of Heartland Bank's Reverse Mortgages automation project, where they worked as floorwalkers to assist the Reverse Mortgage team with the transition to the new technology platform. A programme of foundational learning beginning in September 2026 will further support their development and build their technical capability.

The early success of the graduate cohort provides a strong foundation for Heartland Bank to continue expanding pathways for emerging talent, while informing the development of a broader graduate programme.

Heartland Bank's DigiTech Graduate Programme cohort.

Diversity and inclusion

Pay equity and opportunity

Throughout FY2026, Heartland continued to focus on creating equitable opportunities for its people and paying equitably for comparable roles, while acknowledging factors such as experience and skills of individuals. In New Zealand, Heartland Bank's overall median gender pay gap across all roles is 26%[1]. However, this figure reflects the different composition and remuneration levels of roles across the entire organisation and does not provide a meaningful like-for-like comparison. A more meaningful view is provided by comparing employees in similar remuneration bands. For employees earning up to $100,000, the median gender pay gap is 0%, while for employees earning $100,000 and above, the median gender pay gap is 8.2%.

While the same basic percentage formula is used to calculate the gender pay gap in New Zealand and Australia, the remuneration data captured differs between the two countries.

Heartland Bank Australia is required to report its gender pay gap under the Workplace Gender Equality Agency (**WGEA**). Over the year, Heartland Bank Australia reduced its median gender pay gap from 20.3% to 7.5%[2], a significant improvement driven by targeted remuneration reviews, enhanced role banding and a stronger focus on succession planning and talent development.

This progress reflects Heartland's commitment to creating a fair and inclusive workplace and ensuring opportunities for career growth and advancement are accessible to all employees.

Recognition and inclusive practices

Heartland Bank is pleased to have retained its accreditation as a Living Wage Employer and Hearing Accreditation from the National Foundation for the Deaf and Hard of Hearing. Heartland Bank is currently mid-submission to retain accreditation as a Rainbow Tick employer.

Led by Heartland Bank Australia's Rainbow Committee, Heartland Bank Australia fosters a culture where gender and sexuality diversity are actively celebrated. Employees have access to practical tools and resources, including Rainbow Tick educational guides, interactive Minus18 training, and external wellbeing support networks, helping to embed everyday inclusion across the bank.

Building a culture of belonging

Driving cultural momentum for Heartland Bank Australia are the Culture Champions: a dedicated, employee-led group focused on fostering everyday inclusion and belonging. A cornerstone of their work is facilitating the bank's Buddy System, a catered onboarding experience that paired over 40 new starters with existing colleagues for coffee, lunches, office tours, and cultural orientation in one-on-one and group settings.

Throughout FY2026, the Culture Champions also delivered an engaging social and educational calendar. Highlights included 10 monthly 'Know Your Colleague' spotlight videos, Board & Governance 'Lunch and Learn' sessions, and celebrations uniting employees around shared values and community causes, including Harmony Week, Lunar New Year, National Ag Day, social bowling, and raising awareness through the White Shirt Campaign for ovarian cancer research.

1 New Zealand (Stats NZ) – Based on median hourly earnings (base salary only). Stats NZ uses hourly earnings to remove the impact of differences in hours worked, enabling comparison based on a consistent hour of labour.
2 Australia (WGEA) – Based on annualised total remuneration, including base salary, superannuation and bonuses. WGEA uses annualised earnings to reflect total remuneration over a full year.

Further information on diversity metrics, including gender diversity across governance and leadership roles, is outlined in the table below.

Gender diversity

Positions	Female	Male	Gender diverse	Not stated	Total
As at 30 June 2026					
Board - Heartland	1 (20%)	4 (80%)	0	0	**5**
Board – Heartland Bank	2 (33%)	4 (67%)	0	0	**6**
Board – Heartland Bank Australia	2 (33%)	4 (67%)	0	0	**6**
Management[3]	9 (53%)	8 (47%)	0	0	**17**
All People Leaders (excl Management)	46 (40%)	71 (60%)	0	0	**118**
All staff (excl Board)	310 (49.6%)	311 (49.8%)	1 (0.2%)	3 (0.5%)	**625**
As at 30 June 2025					
Board - Heartland	1 (20%)	4 (80%)	0	0	**5**
Board – Heartland Bank	2 (33%)	4 (67%)	0	0	**6**
Board – Heartland Bank Australia	3 (43%)	4 (57%)	0	0	**7**
Management[1]	8 (44%)	10 (56%)	0	0	**18**
All People Leaders (excl Management)	46 (41%)	66 (59%)	0	0	**112**
All staff (excl Board)	308 (50%)	302 (49%)	1 (0.2%)	1 (0.2%)	**612**

FY2027 priorities

- Heartland Bank will continue to provide career opportunities for youth by continuing the new graduate programme.
- Heartland aims to increase its employee engagement results from the FY2026 engagement scores of 63% for Heartland Bank and 59% for Heartland Bank Australia.
- Heartland will work towards the gender balance guidance for all levels of management at Heartland by having a gender split that sits within acceptable levels of 40% to 60%.
- Heartland will retain its diversity and inclusion accreditations and continue to evolve to meet future needs and ways of working.

3 Management represents the Group's Officers for the purposes of the NZX Listing Rules.

Supporting Heartland's communities

Heartland seeks to create positive outcomes in the communities in which it operates. The Heartland Trust's[4] mission is to help New Zealanders reach their potential by investing in programmes that make a meaningful difference in local communities. Throughout the year, the Heartland Trust distributed $328,000 in grants to organisations and initiatives focused on education and learning, arts and culture, mental health and wellbeing, and sport and physical wellbeing.

Mid Canterbury primary and intermediate choir students getting ready to perform at the Heartland Bank Schools Music Festival in Ashburton NZ, June 2026.

4 The Heartland Trust is a registered charitable trust that is independent from, but closely supported by, Heartland Bank.

A partnership making a difference

A significant milestone was reached during the year through Heartland Bank's ongoing support of the InZone Education Foundation (**InZone**). An FY2026 contribution from the Heartland Trust brought Heartland Bank's total support of InZone to more than $1 million since the partnership began in 2017.

InZone supports Māori and Pasifika rangatahi to pursue educational opportunities and develop as future leaders. Through its kāinga (hostel) model, students are provided accommodation and support that enable them to attend leading Auckland secondary schools, helping remove geographical and financial barriers to education. Heartland Bank's partnership with InZone reflects a shared commitment to creating pathways for success and supporting future generations to thrive.

In Australia, StockCo by Heartland Bank, Heartland Bank Australia's livestock finance offering, sponsored the RMA conference for independent agencies across every state and territory, as well as young farmer groups and regional community events across the country, supporting connection and long-term resilience in rural communities.

Employees from Heartland Bank with InZone students the annual InZone Dinner, September 2025.

Giving back

Heartland employees are encouraged to make a positive impact in their communities through one paid volunteer day each year. Whether volunteering alongside colleagues or supporting causes individually, Heartland employees continue to contribute their time and skills to organisations that matter to them.

During FY2026, Heartland employees in New Zealand volunteered with a range of community organisations, including Auckland City Mission – Te Tāpui, where they sorted donated clothing to support people experiencing hardship, and Mercy Hospice, where teams created handmade items for bereavement services and to support fundraising through Mercy Hospice shops.

Volunteer day uptake in New Zealand totalled 20 days in FY2026 (FY2025: 34). While utilisation was lower than anticipated, Heartland remains committed to encouraging its people to take advantage of this benefit in the year ahead.

Heartland Bank Credit Consultant (middle) volunteering at Auckland City Mission - Te Tāpui Atawhai.

Caring for customers

Heartland is committed to delivering products and services that provide value, simplicity and certainty for customers. In FY2026, this commitment continued to be recognised through industry-leading customer outcomes and award-winning savings products.

Heartland Bank was named Canstar New Zealand Savings Bank of the Year for the ninth consecutive year, recognising the strength and consistency of its savings offering. Four savings products also received Canstar Outstanding Value Awards and 5-Star Ratings. Heartland Bank's Direct Call Account achieved this recognition for the ninth consecutive year, the 32 Day Notice Saver for the fifth consecutive year, and the 90 Day Notice Saver for the fourth consecutive year. Digital Saver secured a 5-Star Rating for the second consecutive year.

Heartland Bank also received Consumer Trusted accreditation in FY2026 for its Reverse Mortgage product, the ninth consecutive year the product has been recognised by Consumer NZ for its commitment to customer service, transparency and consumer protections.

Heartland Bank Australia strengthened its customer-centric approach in FY2026 by introducing structured customer feedback programmes for its core products, Reverse Mortgages, Deposits, Livestock Finance and broker channels. This enhanced focus yielded strong, tangible results in the June 2026 Voice of the Customer survey, which drew feedback from over 1,000 active Reverse Mortgage borrowers to record an 85% CSAT score and a NPS of +49. A standout 90% of Reverse Mortgage customers confirmed the product met their expectations, praising process ease, fast turnaround times, and empathetic support.

Positive sentiment carried through to Heartland Bank Australia's deposit suite. Savings and term deposit customers achieved a 77% CSAT and an NPS of +20, while Heartland Bank Australia also received a Canstar Outstanding Value Award for its savings accounts.

FY2027 priorities

- Continue to give back to the communities Heartland Bank operates in through Heartland Trust donations.
- Increase the use of volunteer days which support Heartland's customers and the communities that it operates within – both in New Zealand and Australia.
- Continue to deliver exceptional value and innovative banking solutions to Heartland Bank and Heartland Bank Australia customers, with the goal of maintaining recognition by Canstar in New Zealand and Australia, and Consumer NZ.

Financial wellbeing

Supporting financial access, confidence and security

Heartland's purpose-led approach to banking is centred on helping customers achieve greater financial certainty and wellbeing. This includes providing specialist financial solutions designed around the needs and circumstances of customer groups that may not always be well served by conventional lending models.

Across New Zealand and Australia, Heartland's specialist reverse mortgage and livestock finance products support access to finance at important stages of customers' lives and businesses. During FY2026, this was complemented by initiatives focused on customer education, protection from scams and fraud, and research to build understanding of the financial needs of older Australians.

Supporting financial wellbeing in retirement

For many older Australians and New Zealanders, a significant proportion of their wealth can be held in the family home, while their income and access to funds may reduce in retirement. Heartland's reverse mortgages provide eligible older homeowners with a way to access some of this equity without having to sell their home.

Customers can access funds in different ways depending on their needs, including through a lump sum, regular advances or funds held for future use. These funds can help meet a range of needs later in life, including day-to-day living expenses, home improvements, debt consolidation, medical costs, and in-home or aged care.

Alongside providing access to retirement finance, Heartland Bank Australia continued to focus on helping older Australians make informed financial decisions. During FY2026, Heartland Bank Australia connected directly with older Australians at the Geelong Seniors Expo and Melbourne Seniors Lifestyle and Wellbeing Expo, providing clear education on responsible home equity release.

Heartland Bank Australia also invested in education across its intermediary network, delivering specialised training through major broker networks across six states. Delivered through workshops, roadshows and industry events, the training covered policies, credit criteria, customer eligibility requirements and application processes. This investment supported broker capability and confidence, better-informed customer outcomes and increased understanding of Heartland Bank Australia's retirement finance solutions.

Supporting access to finance for farmers

Heartland also provides specialist finance designed around the particular needs, cash flows and life stages of rural customers, supporting financial wellbeing through greater flexibility and access to finance.

In New Zealand, Heartland Bank's Livestock Finance provides eligible farmers with up to 100% finance for livestock purchases, with security taken over the livestock being purchased rather than the farm. This means existing security arrangements with a farmer's bank are not impacted. Repayment is not required until the livestock is sold, aligning the financing structure more closely with the underlying farming activity.

In Australia, StockCo by Heartland Bank Australia provides specialist livestock finance designed to help eligible producers fund livestock purchases and support working capital. Funding of up to 100% of the purchase price is available for eligible livestock purchases, with security primarily taken over the livestock being financed rather than broader farm assets. Finance is structured around the livestock production cycle, with repayments generally aligned to the sale of livestock.

By using the livestock being financed as security, these specialist products can provide farmers with an additional pathway to capital while preserving existing banking arrangements and working capital. This can give producers greater flexibility to respond to seasonal and market opportunities and invest in the productivity and growth of their farming businesses.

In New Zealand, Heartland Bank also supports the financial wellbeing of farmers as they prepare to transition from farming into retirement. Recognising that much of a farmer's wealth may be tied up in the farm, the Farm Transition Loan enables eligible farmers to access some of this equity before the farm is sold, while continuing to own, operate and live on the property. Funds can be used for purposes such as preparing the farm for sale and providing greater financial flexibility and certainty as farmers plan for the next stage of their lives.

Protecting customers from scams and fraud

Protecting customers from scams and fraud remains a key priority for Heartland in New Zealand and Australia.

In New Zealand, Heartland Bank adopted the New Zealand Banking Association's new anti-scam commitments in November 2025 and implemented a range of enhancements to help protect customers and strengthen fraud prevention capabilities. Heartland Bank also continues to work closely with industry participants to support collective efforts to identify, prevent and respond to scams, helping contribute to a safer and more secure banking environment for customers.

In Australia, Heartland Bank Australia continued to invest in strengthening its fraud and scam detection and prevention capabilities through its new core banking platform, including the introduction of biometric authentication. Recognising the heightened threat that fraud and scams present to customers, continued investment in prevention and detection capabilities remains a key focus.

Supporting financial wellbeing through market insights

In March 2026, Heartland Bank Australia partnered with Deloitte, Gateway Bank and Enviva to publish the 2026 Australian Reverse Mortgage Survey, providing a comprehensive analysis of Australia's home equity market. The research highlighted the significant gap between the estimated AU$3 trillion in residential property owned by Australians aged over 60 and current reverse mortgage utilisation of approximately AU$5.5 billion, demonstrating the opportunity for home equity to support older Australians later in life.

By contributing independent, data-driven insights into customer demographics, borrowing behaviours and market trends, Heartland Bank Australia is helping to build understanding of the financial needs of older Australians and supporting informed conversations about sustainable retirement funding.

FY2027 priorities

- Continue to enhance fraud prevention and scam mitigation capability in Heartland Bank and Heartland Bank Australia by delivering stronger customer protections, improved fraud detection and response, and enhanced internal controls to reduce financial crime risk.

04

disclosures

Corporate governance

This Corporate governance statement describes Heartland's corporate governance policies and practices during FY2026 and reports against the NZX Corporate Governance Code (NZX Code) dated March 2026. This statement is current as at 28 September 2026 when it was approved by the Heartland Board, unless otherwise stated.

Heartland, as the parent company of the Group, is committed to ensuring that Heartland's policies and practices reflect current best practice, in the interests of Heartland's shareholders and other stakeholders.

Governance framework

Heartland is the NZX/ASX listed parent company of Heartland Bank and Heartland Bank Australia. Each entity has its own Board and Board Committees and makes independent decisions. The Heartland Group Oversight Framework provides Group-wide oversight of material risks while preserving the subsidiary Boards' responsibility for their own businesses, risk appetites and regulatory obligations. Board and Board Committee meetings are held separately. In the case of Heartland and Heartland Bank, only the respective Chairs are standing attendees at both meetings, although other directors may observe on occasion. Heartland's key corporate governance policies and practices either apply to, or have been adopted by, Heartland Bank and Heartland Bank Australia (as applicable).

Accordingly, in addition to information about Heartland's corporate governance policies and practices, this section includes information about Heartland Bank and Heartland Bank Australia's corporate governance policies and practices, where relevant.

Other than in respect of the matters explained in response to Recommendations 2.9, 3.3 and 3.4 below, Heartland was in compliance with the corporate governance recommendations contained in the NZX Code as at 30 June 2026.

Principle 1 – Ethical Standards

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Codes of Conduct – Recommendation 1.1

Heartland, Heartland Bank and Heartland Bank Australia maintain separate Codes of Conduct and a common Directors' Code of Conduct. These Codes of Conduct set out the ethical and behavioural standards expected of Group directors and employees and are available on Heartland's website.

Various Heartland policies, frameworks and standards expand upon the topics in the Codes of Conduct, including (amongst other things) the Whistleblowing Policies (NZ and AU), Our Guide (NZ and AU), Conflicts of Interest Policy (NZ), Insider Trading Policy and Heartland Bank's Fair Conduct Programme.[1]

The Codes of Conduct cover a wide range of areas, including:

- Heartland's responsibilities towards shareholders and the financial community, its customers, clients and service providers, and its employees
- conflicts of interest, including the receipt of gifts and other corporate opportunities
- confidentiality, and
- the recommended procedure for reporting any disclosure under the relevant Heartland entity's Code of Conduct or Whistleblowing Policy, if applicable

All reported breaches of Codes of Conduct will be recorded and addressed in accordance with Heartland's written policies and procedures, for example, our disciplinary process is outlined in Our Guide. For non-employment matters, where appropriate, incidents are loaded to Heartland's Risk Management System (**RMS**) which is monitored by the Line 1 Risk and Compliance team through to a satisfactory conclusion. Heartland's Line 2 Risk team independently review all RMS incident closure requests, ensuring incidents are not closed until all required actions are completed, that closure criteria are met and to support consistent decision-making around any breaches of a Code. Incidents relating to any breaches of Codes are reported monthly to the relevant Board.

As described in more detail in the Remuneration report, employees are evaluated against two behaviour and conduct gateways during their mid-year and end-of-year performance assessments: the Risk and Compliance Gateway and the Culture, Behaviour and Values Gateway.

Suspected breaches of a Code of Conduct may be reported in accordance with the relevant Heartland entity's Whistleblowing Policy or directly to Heartland's Management. Whistleblower matters are addressed in accordance with the applicable Whistleblowing Policy. Suspected breaches reported direct to Heartland's Management are addressed in accordance with Heartland's disciplinary process as appropriate.

Every new director or employee of Heartland, Heartland Bank and Heartland Bank Australia is provided with a copy of the relevant Code of Conduct and is required to read it. Each new Heartland and Heartland Bank employee is required to attest to their understanding of the relevant Code and each new Heartland Bank Australia employee is provided with training on the relevant Code as part of their induction. Heartland and Heartland Bank employees are trained on the Code of Conduct annually and required to review and repeat their attestation of their understanding of it. Heartland Bank Australia has launched annual Code of Conduct training.

Each director and employee has an obligation, at all times, to comply with the spirit as well as the letter of the law, and to comply with the principles of the relevant Code of Conduct, including exhibiting a high standard of ethical behaviour. Each Code of Conduct is subject to annual review.

1 A summary of Heartland Bank's Fair Conduct Programme is available at: www.heartland.co.nz/fair-conduct-programme

Heartland, Heartland Bank and Heartland Bank Australia provide all employees with access to independent and external whistleblowing hotlines.

Insider Trading Policy – Recommendation 1.2

Heartland has an Insider Trading Policy which applies to all directors, employees and contractors of the Group. In addition to the prohibition on insider trading, directors, employees and contractors are prohibited from buying or selling the Group's quoted financial products during 'blackout periods' – which are periods that commence 30 days prior to the half-year and full-year balance dates and 30 days prior to the release of a product disclosure statement, prospectus and/or investment statement for a general public offer of any quoted financial products. These blackout periods generally end, respectively, once the financial results from the half-year or the full-year or disclosure document has been released to the market. Additional blackout periods may also be notified from time to time.

All of the Group's directors, senior officers and certain other designated persons are required to obtain consent before buying or selling the Group's quoted financial products outside of blackout periods, and to certify that their decision to buy or sell has not been made on the basis of inside information.

Heartland's Board continually assesses, with the assistance of the Boards of Heartland Bank and Heartland Bank Australia, whether any matters under consideration are likely to materially influence Heartland's share price and therefore whether additional trading restrictions should be imposed on directors, employees and contractors. Heartland's Insider Trading Policy is available on its website. Through its share registrar, MUFG Pension & Market Services, Heartland actively monitors trading in Heartland shares by directors, officers and certain other designated persons.

Principle 2 – Board Composition and Performance

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Role of the Board – Recommendation 2.1

The Heartland Board is responsible for setting the Group's overall strategic direction and risk appetite, and having Group-wide oversight of all material risks. The role of the Board is to provide leadership and strategic guidance for Heartland, effective oversight of Heartland's Management and effective oversight of Heartland Bank and Heartland Bank Australia.

The Board Charter regulates Board procedure and describes in detail the Board's role and responsibilities and the role of Management. The Board establishes objectives, strategies and an overall policy framework in respect of those matters applicable at a Group-wide level within which the Group's business is conducted. The Board Charter sets out when directors may seek independent advice at Heartland's expense through the use of independent legal advisers or consultants, as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgment in decision making. The Board Charter is available on Heartland's website.

The Board schedules regular meetings at which it receives briefings on key strategic and operational issues from Management, together with updates from the Chairs of the respective Board Committees, the Chair of the Heartland Bank Board and the New Zealand directors on the Heartland Bank Australia Board.

Director nomination and appointment – Recommendations 2.2 and 2.3

Heartland has a procedure for the nomination and appointment of directors to the Board, as documented in Heartland's Constitution and Board Charter. Directors may be appointed in accordance with Heartland's Constitution or pursuant to formal written letters of appointment. Appointments consider skills, experience, diversity, independence, succession and Group needs.

From 1 July 2026, the newly established Heartland Corporate Governance, People, Remuneration and Nominations Committee assumed certain responsibilities for this process in accordance with its Charter, which is available on Heartland's website. The Charter provides for the Committee to administer the procedure for director selection, including:

- proper checks (including as to the person's character, experience, education, criminal record and bankruptcy history) and consideration of material adverse information revealed by the checks performed; and
- where the director is standing for election for the first time or for re-election, the provision of key information about the director to shareholders to assist their decision as to whether or not to elect or re-elect the director (including, biographical details, relevant skills and experience, any other material directorships they hold and where the director is standing for re-election, information about the term of office served by the director).

Each new director of Heartland is required, pursuant to the Heartland Board Charter, to enter into a written agreement with Heartland in respect of his or her appointment. Heartland has a pro forma director appointment letter which is tailored for individual appointments.

Letters of appointment set out the key terms and conditions of a director's appointment to ensure that directors clearly understand the expectations of Heartland and the Board, and cover expectations, time commitment, remuneration entitlements, indemnity and insurance arrangements, conflicts, capacity, policy compliance, term, access to information and confidentiality.

Directors are entitled to appoint alternate directors with the approval of the majority of the other directors. The Board may appoint a managing director. Heartland does not have any executive directors on its Board, but the Heartland CEO sits on the Boards of Heartland Bank and Heartland Bank Australia as a non-independent, non-executive director.

During FY2026, the Heartland Board was tasked with the role of reviewing its composition, and reviewing and making recommendations in relation to nominations, for the Board's consideration (noting, no new directors were appointed to the Board during FY2026).

Heartland is committed to maintaining a diverse and comprehensive set of board skills to effectively govern each of the entities in the Group. The Group Boards maintain a skills matrix to assess current competencies, identify gaps, and guide future director appointments to align with the Group's strategic needs and evolving commercial environment. In particular:

- **Board composition**: The Boards use the skills matrix to support the review of their respective collective skills and experience and help address any gaps through appointments, development and succession planning. This ensures alignment with Heartland's business requirements and commercial trends.
- **Diverse expertise supports governance:** Directors bring a wide range of expertise including governance, executive leadership, finance, legal compliance, risk management, technology, sustainability, and sector-specific knowledge, enabling effective oversight of strategy, risk, and stakeholder relationships.
- **Continuous development focus:** The Group Boards use the skills matrix to support the identification of focus areas for director education and may engage external experts to supplement internal skills.

The skills matrix on page 30 of the Annual Report presents each Board's assessment of its skills and experience against criteria identified as necessary in the context of Heartland's business and the wider commercial environment in which the Group operates. During FY2026, the skills matrix was reviewed, with four additional categories added (as described below) against which the Group Boards have been assessed:

- *Capital Markets and Structures* - Experience in capital markets, corporate finance and management of capital within an organisation.
- *Financial Acumen* - Experience in financial accounting, reporting and internal financial controls.
- *Artificial Intelligence* - Experience relating to AI, automation, disruption and innovation including in delivering customer services.
- *Shareholder and Investment Relations* - Experience in and understanding of shareholder and investment community concerns, and institutional and retail investor engagement.

Beyond the variety of technical skills and experience listed in the skills matrix, each Board seeks to work as a team comprising directors with different personalities and viewpoints, who will respectfully challenge Management and each other to support the long-term success of both the entity they govern and the Group.

Director attendance at Board and Committee meetings and other director information – Recommendation 2.4

The Board held 14 meetings, the Heartland Bank Board held 13 meetings, and the Heartland Bank Australia Board held 12 meetings during FY2026.

The following tables show attendance by each director at the meetings of the relevant Board and Board Committees of which he or she was a member, and also where each director attended a meeting of a Board or Board Committee as an observer rather than a member.

	Heartland Board		Heartland Committees[2]	
	Attended as Director	Attended as Observer	Audit & Risk Committee	Sustainability Committee
E J Harvey	12/14	-	8/8	-
K Mitchell	14/14	-	8/8	5/5
G R Tomlinson	14/14	-	8/8	-
R A Bell	14/14	-	-	-
S Beckett	14/14	-	-	-
B R Irvine	-	12/14**	4/8**	-
S M Ruha	-	1/14*	7/8*	-
S R Tyler	-	1/14*	8/8*	5/5
G E Summerhayes[3]	-	1/14*	-	2/5
S M Buggle[4]	-	-	-	1/5

* These meetings were attended by the director as an observer rather than as a member.

** The Heartland Board Chair and Heartland Bank Board Chair attend the Board meetings of the other as an observer.

2 The Heartland Corporate Governance, People, Remuneration and Nominations Committee was established on 1 July 2026. Accordingly, no meetings were held during FY2026. Director attendance reporting for this Committee will be included for FY2027 and subsequent financial years.

3 G E Summerhayes retired from the Heartland Sustainability Committee on 2 April 2026.

4 S M Buggle was appointed to the Heartland Sustainability Committee on 28 May 2026.

	Heartland Bank Board		Heartland Bank Committees		
	Attended as Director	Attended as Observer	Audit Committee	Risk Committee	People & Culture and Remuneration Committee
B R Irvine	12/13	-	6/8	1/7*	5/6
K Mitchell	13/13	-	8/8*	7/7	6/6
E J Harvey	10/13	-	8/8	6/7	-
S M Ruha	11/13	-	8/8	6/7	6/6
S R Tyler	12/13	-	8/8	5/7	-
A P Dixson	13/13	-	-	-	-
G R Tomlinson	-	12/13**	4/8*	-	-
S Beckett	-	3/13*	-	-	-
R A Bell	-	4/13*	-	-	-
G E Summerhayes	-	1/13*	-	-	-
S M Buggle	-	-	8/8*	-	-

* These meetings were attended by the director as an observer rather than as a member.
** The Heartland Chair and Heartland Bank Chair attend the Board or Committee meetings of the other as an observer.

	Heartland Bank Australia Board		Heartland Bank Australia Committees		
	Attended as Director	Attended as Observer	Audit Committee	Risk Committee	People, Remuneration & Nomination Committee
G E Summerhayes[5]	10/12	-	6/7	4/5	3/4
L T McGrath[6]	12/12	-	7/7	5/5	4/4
B R Irvine	12/12	-	7/7	5/5	4/4
V Z Yu	12/12	-	7/7	5/5	4/4
L G Lazarus[7]	10/12	-	5/7*	3/5*	-
S M Buggle[8]	12/12	-	7/7	5/5	4/4
A P Dixson	11/12	-	1/7*	-	-
G R Tomlinson	-	4/12*	1/7*	-	1/4*
S Beckett[9]	-	2/12*	2/7**	2/5**	2/4**
R A Bell	-	2/12*	-	-	-

* These meetings were attended by the director as an observer rather than as a member.
** One of the meetings attended by the director was as an observer rather than a member.

All of the then serving members of the Heartland Board and Heartland Bank Board, and the Heartland Bank Australia Chair, attended the Annual General Meeting (**Annual Meeting**) held on 13 November 2025.

A profile of each Heartland, Heartland Bank and Heartland Bank Australia director's experience is available on pages 20 to 29 of this Annual Report and Heartland's website and includes each director's experience and length of service. Pages 67 to 70 of this Annual Report include information about each Heartland director's relevant ownership interests, share dealings,

5 G E Summerhayes retired from the Heartland Bank Australia Board on 2 April 2026.
6 L T McGrath was appointed Chair of the Heartland Bank Australia Board on 2 April 2026.
7 L G Lazarus retired from the Heartland Bank Australia Board on 25 March 2026.
8 S M Buggle was appointed Chair of the Heartland Bank Australia Board Risk Committee on 3 April 2026.
9 S Beckett was appointed to the Heartland Bank Australia Board, Audit Committee, Risk Committee and People, Remuneration & Nomination Committee on 17 June 2026.

disclosure of interests and substantial product holder status (if applicable).

Succession planning is key to Heartland's corporate governance approach. Heartland recognises the challenges of attracting and retaining talented directors in New Zealand and Australia and adopts a forward-thinking approach in this regard. This includes taking director tenure into account, in line with NZX Code recommendations. The Board, from 1 July 2026 supported by the Heartland Corporate Governance, People, Remuneration and Nominations Committee, is responsible for selecting new directors, their induction, and developing a succession plan for Board members. Annual performance assessments of the Boards, Committees, and individual directors are conducted, with the engagement of external providers if necessary. This ensures a range of complementary skills, knowledge, and experience to effectively govern the Group's business, monitor performance and support strategic priorities. As discussed in the reporting in relation to Recommendations 2.2 and 2.3 above, a skills matrix is maintained by the respective Group Boards to assess current competencies, identify gaps, and guide future director appointments to align with the Group's strategic needs and evolving commercial environment.

The Board has assessed each Heartland director's independence status, as described in the Directors' disclosure section of this Annual Report at pages 67 to 68. The Board confirms that none of the factors listed in Table 2.4 of the NZX Code apply to any of the Heartland directors who have been assessed as independent.

In assessing the independence of Heartland's directors, the Board considered, among other things, each director's broader interests and relationships and the following factors:

- employment in an executive role at Heartland or its subsidiaries within the last three years
- income derived from Heartland in the last 12 months
- holding a senior role at a major professional services provider to Heartland or its subsidiaries within the last 12 months
- employment by Heartland's external auditor in the last three years
- material business relationships with Heartland or its subsidiaries in the last three years
- being a substantial product holder or associated with one
- material contractual relationships with Heartland or its subsidiaries, excluding directorships, in the last three years
- close family ties or personal relationships (including close social or business connections) with anyone in the categories listed above
- whether the director has been a director of Heartland for a period of 12 years or more, which no Heartland director has exceeded.

Diversity and inclusion – Recommendation 2.5

Heartland's Diversity, Equity and Inclusion Policy is available on its website and articulates its focus on diversity, equity and inclusion across the organisation to, ultimately, increase Heartland's productivity and profitability by accessing the widest possible diversity of thought. This Policy sets out Heartland's expectations for fair, respectful and inclusive workplace policies across its New Zealand operations and requires the Heartland Board, with the help of the employee Diversity, Equity and Inclusion Committee, to set measurable objectives for achieving diversity and to track progress against them. Heartland Bank Australia now has an Australian focused Diversity, Equity and Inclusion Policy.

Heartland's diversity and inclusion objectives align to its social sustainability targets. Commentary on Heartland's achievements and activity in FY2026, including gender and ethnicity pay gap information, is included on pages 39 to 40 of this Annual Report.

During FY2026, Heartland has continued to focus on the following Diversity, Equity & Inclusion deliverables: Rainbow Tick, Hearing Accreditation and Living Wage Accreditation.

Board training – Recommendation 2.6

To ensure ongoing education, directors are regularly informed of developments that affect the industry and business environment, as well as company and legal updates that are relevant for the performance of their duties. Directors also have access to Management and external advisers to answer any questions they may have and receive specific training on relevant topics.

The Heartland Board adopted a Director Professional Development Framework in August 2025 to ensure that directors undertake appropriate training to remain current on how to best perform their duties. This framework outlines options and recommendations for both new directors and those with longer tenures, aimed at supporting their continued professional development. It provides a pathway for directors to continue to develop capability progressively, benchmark against national standards, and stay agile in a fast-evolving banking and financial services environment. The framework is based on the Director Competency Framework from the Institute of Directors New Zealand. It supports both new and experienced directors through structured learning, self-development, and peer engagement. Professional development opportunities are available both internally and externally. During the reporting period, training received by the Heartland directors included regulatory change, health and safety, anti-money laundering and continuing professional development.

Board, director and committee performance assessments – Recommendation 2.7

The Boards of Heartland, Heartland Bank and Heartland Bank Australia undertake formal reviews of their own, their respective Board Committees and individual directors' performance annually. Individual director performance reviews are facilitated by the Chairs of the respective Boards. The Boards are also able to engage external providers to support performance reviews, where considered appropriate.

This is to ensure the Boards each have a range of complementary skills, knowledge and experience to effectively govern the relevant entity, to monitor its performance, and to support the implementation of its strategic priorities in the interests of its shareholders and other stakeholders.

Each of the Group Boards recognise the need to have a range of complementary skills, knowledge and experience to support the Group's implementation of its strategic priorities, and for each Board to have a balance of skills and attributes in order to support diversity at a Board level. With this in mind, as discussed in relation to Recommendations 2.2 and 2.3, the composition of the Boards of Heartland, Heartland Bank and Heartland Bank Australia are reviewed and their collective skills, knowledge and experience formally assessed via the skills matrix (see pages 20 to 30 of this Annual Report) at least once a year. This exercise provides an opportunity to reflect on and discuss current Board composition, as well as succession planning.

Board independence – Recommendation 2.8

Recommendation 2.8 of the NZX Code states that a majority of the Board should be independent. The NZX Main Board Listing Rules also require that the Board must have at least three directors, with at least two directors ordinarily resident in New Zealand and at least two directors being independent. Subject to these requirements, the Board determines the size and composition of the Board from time to time.

As at 30 June 2026, the Board comprised five directors, being the non-independent, non-executive Chair, and four independent, non-executive directors. Three of Heartland's directors are ordinarily resident in New Zealand, and (as has been the case throughout the reporting period) a majority of the Heartland Board is independent. The Board encourages rigorous discussion and analysis when making decisions.

The Heartland Board, which is comprised only of non-executive directors, confer regularly without senior executives present, including via directors-only sessions which are held at the start of each Board meeting.

Please refer to pages 67 to 68 of this Annual Report for further information in relation to each Heartland director's independence status as at 30 June 2026. The matters considered as part of those determinations are described further in relation to Recommendation 2.4.

Independent Chair – Recommendation 2.9

G R Tomlinson is not considered to be an independent Chair of Heartland, as he is a substantial product holder of Heartland. Although G R Tomlinson is not independent, the Board is of the view that it is appropriate for G R Tomlinson to be Heartland's Chair, as he has been a longstanding non-executive director of Heartland since 2018,[10] held the role of Deputy Chair for a number of years, and has a deep understanding of Heartland, its business and its shareholders. In addition, he is not an executive of Heartland which ensures that there is continued, appropriate separation between the Chair and CEO of Heartland as discussed in the commentary on Recommendation 2.10 below.

As a result, Heartland was not compliant with Recommendation 2.9 of the NZX Code for the year ended 30 June 2026, which states that an issuer should have an independent chair of the board.

Separate Chair and CEO – Recommendation 2.10

To ensure that a conflict of interest does not arise, the Chair of Heartland and the CEO are separate persons, in accordance with Recommendation 2.10 of the NZX Code.

Principle 3 - Board Committees

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

The Board retains ultimate responsibility for Heartland and uses its committees to advise and provide assurance to the Board in respect of those areas delegated to them. As at 30 June 2026, Heartland's standing committees were the Audit & Risk Committee and the Sustainability Committee. Their Charters are available on the website. During FY2026, each of these committees worked with Management in its specific area of responsibility and reported its findings and recommendations to the Board. Management attended committee meetings as required at the invitation of the relevant committee.

During FY2026, the Heartland Board had responsibility for remuneration and nomination matters. Following consideration by the Board of the range of corporate governance, people, remuneration and nomination functions it is responsible for, and the increasing size and complexity of the Group and the associated workload in these areas, on 1 July 2026, the Heartland Corporate Governance, People, Remuneration and Nominations Committee was established.[11] See the commentary on Recommendations 3.3 and 3.4 below for further information.

Each of these Committees has a charter which sets out the committee's objectives, membership, procedures and responsibilities. A Committee does not take action or make decisions on behalf of the Board unless it is specifically mandated to do so.

Audit & Risk Committee – Recommendations 3.1 and 3.2

Pursuant to its Charter,[12] the Audit & Risk Committee must be comprised solely of Heartland directors, have at least three members, with membership being restricted to non-executive directors, the majority of whom must be independent. One member of the Committee must be both independent and have an adequate accounting or financial background. The Chair of the Audit & Risk

10 G R Tomlinson has been a non-executive director of Heartland since 2018. He was also a director of Heartland Bank Limited, Heartland's predecessor entity, before the corporate restructure of the Heartland group on 31 October 2018. On that date he ceased to be a director of Heartland Bank Limited and began his appointment on the Heartland Board.
11 The previous Heartland Corporate Governance, People, Remuneration and Nominations Committee was dis-established by the Board on 1 July 2024, with the Board assuming responsibility for the matters previously delegated to that committee.
12 The Audit & Risk Committee Charter has been prepared and is reviewed annually to ensure compliance with the requirements of the NZX Listing Rules and the recommendations in the NZX Code.

Committee must be an independent director who is not the Chair of the Board.

As at 30 June 2026, the members of the Audit & Risk Committee are E J Harvey (Chair), K Mitchell and G R Tomlinson. The role of the Audit & Risk Committee is to advise and provide assurance to the Board in order to enable the Board to discharge its responsibilities in relation to the oversight of:

- the integrity of financial control, financial management and external financial reporting
- the internal audit function
- the independent audit process
- the formulation of its risk appetite, and
- material, emerging and strategic risks relevant to Heartland and its subsidiaries having been appropriately identified, managed and reported.

The Audit & Risk Committee works closely with the Audit Committee and the Risk Committee of each of Heartland Bank and Heartland Bank Australia, which have similar responsibilities in relation to Heartland Bank and Heartland Bank Australia, respectively. Their meetings are held separately.

The relevant qualifications of the Committee members are included on pages 99 to 100 of this Annual Report and their profiles are available on pages 20 to 29 of this Annual Report. As at 30 June 2026, the Board determined that all committee members had a recognised form of financial expertise in accordance with the Audit & Risk Committee's charter.

The Audit & Risk Committee operates under a written charter and Management and employees only attend meetings at the invitation of the Committee. The Audit & Risk Committee's written charter is available on the website and outlines the roles and responsibilities of the Committee.

Corporate Governance, People, Remuneration and Nominations Committee – Recommendations 3.3 and 3.4

During FY2026, the Board had responsibility for the following remuneration and nomination governance functions rather than delegating these to a separate committee:

- corporate governance matters
- people strategy, including organisation structure, performance, succession planning, development, culture, diversity and remuneration strategy and policies and any other strategic people initiatives
- remuneration of the Heartland directors, CEO and senior executives
- monitoring the performance of the Heartland CEO including setting and review of annual key performance indicators (**KPI**s), and
- Heartland director and senior executive appointments, Board composition and succession planning.

Management only attended Board meetings in relation to remuneration matters at the invitation of the Board.

For the reasons described below, on 1 July 2026, the Heartland Corporate Governance, People, Remuneration and Nominations Committee was established. Pursuant to its Charter[13], the Committee must have at least three members, with membership being restricted to non-executive directors, the majority of whom must be independent.

As at 1 July 2026, the members of the Heartland Corporate Governance, People, Remuneration and Nominations Committee are R Bell (Chair), E J Harvey and G R Tomlinson, each of whom were appointed to the Committee on its establishment. The role of the Committee is to advise and provide assurance to the Board in order to enable the Board to discharge its responsibilities in relation to the oversight of:

- corporate governance matters
- people strategy, including organisation structure, development, performance management system and processes, succession planning, culture, diversity and

13 The Heartland Corporate Governance, People, Remuneration and Nominations Committee Charter has been prepared and will be reviewed annually to ensure compliance with the recommendations in the NZX Code.

inclusion and any other strategic people initiatives

- Heartland group remuneration strategy and policies
- remuneration of the Heartland group directors, the Heartland CEO and Heartland senior executives
- performance of the Heartland CEO including the setting and review of annual KPIs
- Board appointments, nominations, composition and succession planning
- Heartland senior executive appointments
- Heartland's performance rights plan issued under the Heartland Group Holdings Limited – Performance Share Rights Plan Rules, and
- corporate governance and remuneration reporting obligations in HGH's capacity as a NZX/ASX listed issuer,

in each case in compliance with all applicable legal and regulatory requirements, including the NZX Listing Rules, NZX Code and ASX Listing Rules (as applicable), and the requirements of New Zealand and Australian prudential regulation, as applicable to Heartland and its subsidiaries.

The profiles of the Committee members are available on pages 20 to 29 of this Annual Report.

The Committee operates under a written charter and Management and employees only attend meetings at the invitation of the Committee. The written charter is available on the website and outlines the roles and responsibilities of the Committee.

Other Committees – Recommendations 3.5

Sustainability Committee

In addition to the Audit & Risk Committee and the Heartland Corporate Governance, People, Remuneration and Nominations Committee, the Heartland Board has a Sustainability Committee to oversee Heartland's Sustainability strategy and implementation plans.

Pursuant to its Charter,[14] the Sustainability Committee must have at least three non-executive director members, the majority of whom must be independent, and include at least one non-executive director from each of Heartland, Heartland Bank and Heartland Bank Australia.

As at 30 June 2026, the members of the Sustainability Committee are K Mitchell (Chair), S R Tyler and S M Buggle. The role of the Committee is to advise and provide assurance to the Board in order to enable the Board to discharge its responsibilities in relation to:

- setting and reviewing progress against the Group's sustainability strategy (covering environmental, social and economic wellbeing factors) - including undertaking an initial materiality analysis process
- the Group's annual sustainability disclosures
- the oversight of the Group's implementation of the climate-related risks (and opportunities) disclosure regime, and
- advocacy for sustainability issues, including consideration of whether the appropriate skills and competencies exist across the Group.

The profiles of the Committee members are available on pages 20 to 29 of this Annual Report.

The Sustainability Committee operates under a written charter and Management and employees only attend meetings at the invitation of the Committee. The Sustainability Committee's written charter is available on the website and outlines the roles and responsibilities of the Committee.

The Board is comfortable that no other standing Committees are necessary at this stage, however other ad hoc Committees are established for specific purposes from time to time.

14 The Sustainability Committee Charter has been prepared and is reviewed annually to ensure compliance with the requirements of the NZX Listing Rules and the recommendations in the NZX Code.

Subsidiary Committees

As at 30 June 2026, Heartland Bank and Heartland Bank Australia also have separately constituted Audit Committees, Risk Committees, and a People & Culture and Remuneration Committee for Heartland Bank and a People, Remuneration and Nominations Committee for Heartland Bank Australia. The Committees each operate under written charters and are tasked with working with Management and reporting their findings and recommendations to the relevant Board.

In addition, effective 4 June 2026, an Establishment Panel comprising all of the directors of Heartland Bank and two directors of TSB was convened to, in preparation for completion of the proposed merger between Heartland Bank and TSB[15], consider in advance various matters in relation to the structure, affairs, policies and practices, and conduct, of the merged bank[16] to ensure the merged bank will operate in an effective, efficient and compliant manner from the completion of the merger. The Establishment Panel operates pursuant to a written charter. The Establishment Panel will be dis-established either on completion of the merger or in the event that the remaining conditions in the MIA are not satisfied or waived, such that the proposed merger cannot complete.

Takeovers Response Manual – Recommendation 3.6

The Board has documented and adopted a Takeover Response Manual, which is designed to give the Board and Management clear direction on the steps that need to be taken following receipt of a takeover offer.

The document, amongst other things, covers conflicts, independent advice, shareholder communications and establishing a sub-committee, where appropriate, to provide the Board and management clear direction on receipt of any takeover offer. It also includes an "independent director" protocol for directors who are involved in or associated with the bidder, talks to the scope of independent advisory reports to shareholders, and prompts the Board to consider the option of establishing an independent Takeover Committee following receipt of a takeover offer.

Principle 4 - Reporting and disclosures

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Heartland appreciates that its investors and other stakeholders value both financial and non-financial reporting, so it seeks to ensure that its investors have timely access to appropriate and accurate material information about Heartland which is factual and balanced.

Refer to 'Sustainability' on page 34 of this Annual Report for information on Heartland's environmental, social and economic impact across New Zealand and Australia.

Continuous Disclosure Policy – Recommendation 4.1

Heartland's Disclosure Policy sets out procedures that are in place to make sure all material positive and negative information is identified and disclosed in a timely manner, and to prevent the selective disclosure of material non-public information. Under the Policy, potentially 'material information' is required to be brought to the attention of the Chief Legal Officer who is responsible for making a recommendation to the 'Decision Makers' being:

- the CEO of Heartland, and/or
- the CEO of Heartland Bank and at least one independent director of Heartland and/or Heartland Bank, and/or
- the full Board of Heartland and/or Heartland Bank (as applicable).

The Decision Makers are ultimately responsible for determining whether information is material[17], and approving the form and content of material information that is disclosed. Heartland also monitors information in the market about itself and will release information to the extent necessary

15 The proposed merger remains subject to the satisfaction of the remaining conditions in the merger implementation agreement dated 1 June 2026 (**MIA**), including Heartland shareholder approval and any necessary regulatory approvals.
16 The merged bank would be known as TSB Heartland Bank Limited.
17 Other than in the case of regular financial reporting and capital markets activity (the form and content of which is approved by the full Boards of Heartland and/or Heartland Bank upon the recommendation of the Heartland Board Audit & Risk Committee, the Heartland Bank Board Audit Committee or a specially convened due diligence committee (as applicable), approving the form and content of that disclosure).

to prevent the development of a false market for the Group's quoted financial products.

Heartland's Disclosure Policy is available on its website.

Availability of key documents – Recommendation 4.2

Heartland's Codes of Conduct, Board and Committee Charters and the policies recommended in the NZX Code, including the Disclosure Policy, the Insider Trading Policy, the Diversity, Equity and Inclusion Policy and the Remuneration Policy, are available on the website, together with the Whistleblowing Policies (NZ and AU). Heartland also maintains copies of its stock exchange announcements, and half-year and full-year reports, investor presentations and details of annual and special shareholder meetings on its website.

Financial reporting disclosure – Recommendation 4.3

The Audit & Risk Committee oversees the quality and timeliness of all external financial reports, including all disclosure documents issued by Heartland.

The Audit & Risk Committee, working closely with the Heartland Bank and Heartland Bank Australia Audit Committees, oversees the preparation of Heartland's financial statements and setting policy to ensure the information presented is useful for investors and other stakeholders. Heartland makes its financial statements easy to read by using clear, plain and objective language, and structuring them so that key information is prominent. In addition to the full-year audit, Heartland's external auditor completes a review of the interim financial statements.

Heartland's CEO is also required to certify to the Audit & Risk Committee that the financial statements of the Group present a true and fair view of Heartland and comply with all relevant accounting standards.

Heartland considers the commentary to this Recommendation 4.3 in relation to the preparation of its full year and interim financial statements and prepares a comprehensive market announcement and investor presentation to communicate a balanced and understandable assessment of its performance to shareholders, including an assessment of its performance, business model, strategic objectives and progress against meeting them. Changes in financial disclosure are explained, and historical comparison is included where required. Heartland's financial reporting includes, amongst other things, forward-looking elements where this will enhance understanding.

During FY2026, in addition to the publication of its full year and interim results, Heartland provided quarterly trading updates for the Group to the market for the first and third quarters of FY2026, which it announced via the NZX and ASX on 23 October 2025 and 23 April 2026, respectively.

On 2 June 2026, Heartland also announced via the NZX and ASX the proposed merger of Heartland Bank and TSB. That announcement was accompanied by a detailed investor presentation including a summary of the proposed merger, funding and governance information, a financial overview and information in relation to process and timing, amongst other things. On 31 August 2026, an updated version of that investor presentation was published together with Heartland's notice of meeting for its special shareholder meeting to be held on 30 September 2026, at which shareholders will vote on the proposed merger.

Non-financial reporting disclosure – Recommendation 4.4

Heartland and Heartland Bank are climate reporting entities for the purposes of the Financial Markets Conduct Act 2013 and are required to prepare an annual climate statement in accordance with the Aotearoa New Zealand Climate Standards (**NZ CS**). The climate statement is prepared jointly for Heartland and Heartland Bank, collectively with its subsidiaries including Heartland Bank Australia. The Heartland and Heartland Bank Boards approve the joint climate statement upon the recommendation of the Heartland

Sustainability Committee, who provide ongoing oversight of its preparation.

In preparing the climate statement, Heartland ensures its non-financial reporting disclosures are materially accurate and provide an appropriate level of information for investors through a series of internal reviews, evaluations against the NZ CS requirements, responding to regulatory feedback and insights, and ongoing oversight from relevant governance bodies including the Heartland Sustainability Committee and Audit and Risk Committee. In addition, as is required under NZ CS, Heartland's Scope 1 and 2 greenhouse gas emissions are assured by PwC.

Assurance for Scope 3 greenhouse gas emissions and other material climate-related disclosures is currently voluntary. Heartland intends to extend assurance coverage to Scope 3 greenhouse gas emissions by the time it is mandatory in the financial year ending 30 June 2028.

Heartland also prepares an annual Sustainability Report to provide information on progress against its sustainability strategy across New Zealand and Australia.

Refer to 'Sustainability' on page 34 of this Annual Report for information on Heartland's progress against its sustainability strategy and to the Climate Statement available at heartlandgroup.info/sustainability.

Heartland's existing sustainability reporting in this report does not currently align to a global framework. Reflecting its increasing reporting maturity, Heartland may commence alignment with a global reporting framework during FY2027.

The Board continually evaluates what non-financial matters are a focus for the Group and the responsibilities of executives are refined to ensure that such matters have appropriate oversight. This process ensures that Heartland's non-financial reporting is accurate and discloses a valuable amount of information to shareholders. In recognition of the need to dedicate specific expertise to Heartland's sustainability initiatives, as described in relation to Recommendation 3.5, Heartland has a Sustainability Committee (being a Board Committee), as described above.

Principle 5 – Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

The Remuneration Policy is designed to attract and retain capability, align executive reward with strategy, performance, risk and values, and provide fair and equal pay. Director remuneration is fixed and shareholder-approved and non-executive directors do not receive performance-based remuneration or equity-based remuneration. Executive remuneration comprises fixed remuneration, performance-based short- term incentives and, in certain cases, long-term incentives, with clear financial and non-financial criteria and appropriate vesting conditions.

The Remuneration Report on pages 71 to 89 of this Annual Report discloses director fees, committee fees, executive remuneration and the CEO's base salary, short-term incentive, long-term incentive and performance criteria, including FY2026 outcomes. Any remuneration consultant used, their independence and material assumptions and methodology are disclosed where applicable.

Principle 6 - Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Risk management – Recommendation 6.1

The Board ensures that Heartland has a Risk Management Programme in place which comprises a Risk Management Framework and Risk Appetite Statements, together with supporting documentation which is maintained by Management of its subsidiaries, including an Operational Risk Management Framework for Heartland Bank.

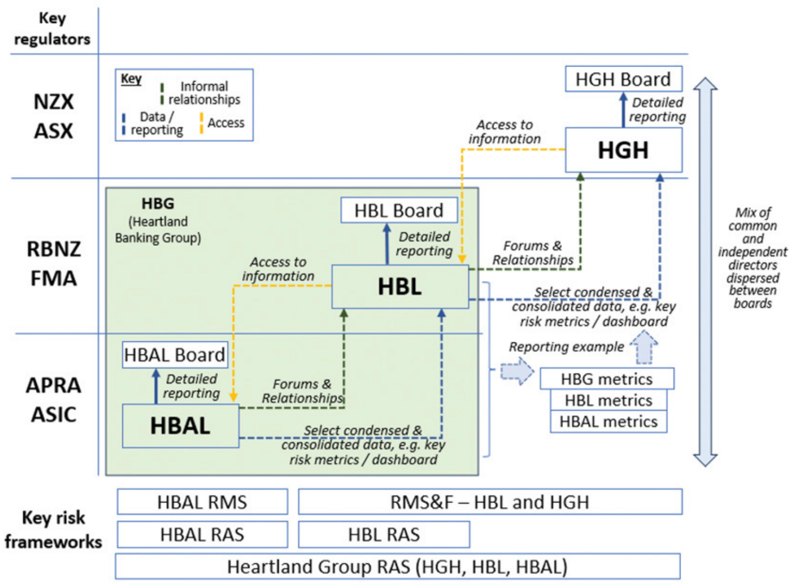
Heartland's Risk Management Programme identifies, manages and communicates the key risks that may impact Heartland's business, which include material financial and non-financial risks, including strategy, capital, credit, liquidity, funding, market, business management, resilience, systems and cyber security, conduct and people risks.

The Board is responsible for determining the nature and extent of the material risks it is willing to take to achieve its strategic objectives and how it will manage them. Specific risk management strategies have been developed for each of the key risks identified. As described in relation to Recommendations 3.1 and 3.2, one of the Audit & Risk Committee's purposes is to advise and provide assurance to the Board in respect of material, emerging and strategic risks relevant to Heartland and its subsidiaries, ensuring that they are appropriately identified, managed and reported to the Board. Heartland maintains a Group wide Risk Appetite Statement[18] which records the likelihood and impact of each risk to the Group's businesses, identifies the key risks and notes the steps taken to mitigate each risk.

The Audit & Risk Committee oversees the Risk Management Programme and Risk Management Strategy and, together with the Board, receives and reviews regular reports on risk management. Specific risks identified by the Board are set out in the notes to Heartland's financial statements for the year ended 30 June 2026 included in this Annual Report. The Board reviews its Risk Management Strategy annually.

In addition, as discussed above, the Heartland Group Oversight Framework sets out the overarching framework for, and approach to, oversight activities in the Group. This includes (amongst other things) governance expectations in respect of risk, reflecting that each Group entity has its own risk appetite, measures and regulatory responsibilities, but parent entities will set consolidated group risk appetite and measures (as applicable), which necessitates overall alignment of subsidiaries' risk appetites, measures and common risk classification where possible.

An overview of the Group's risk management and oversight arrangements is set out in the following diagram:



The Group has in place comprehensive insurance cover for insurable liability and general business risk.

18 Both Heartland Bank and Heartland Bank Australia also maintain entity specific Risk Appetite Statements.

Wellbeing, health and safety – Recommendation 6.2

Heartland is committed to fostering a working environment where all employees are actively engaged in maintaining a workplace that is mentally and physically safe and healthy. Through collaboration and open engagement, Heartland promotes a positive health and safety culture and supports the wellbeing of its people. Heartland works with its employees to identify, assess, manage and regularly review workplace risks, with a strong focus on continuous improvement in health, safety and wellbeing practices.

All Group employees are required to read and attest to the policy relevant to their jurisdiction annually. Separate policies are maintained for New Zealand (Wellbeing, Health and Safety Policy) and Australia (Workplace Health and Safety Policy), reflecting the legislative differences between the two jurisdictions, including the application of both State and Federal workplace health and safety requirements in Australia.

As part of the induction process, all new employees are provided with information and guidance on the relevant policy and associated procedures. New employees are then required to confirm that they have read, understood and will comply with the applicable policy and this confirmation is repeated annually. Further Wellbeing, Health and Safety training modules are deployed across the year including: Remote and Isolated Worker; Safety Training Office Security & Threat Response; Create a safe and respectful workplace; De-escalation training – understanding and managing customer behaviour in high risk situations; and Prevention of Bullying, harassment and discrimination.

Workplace, Health and Safety education is also deployed annually for the Board on current trends, obligations and responsibility. During the FY2026 reporting year the focus has been on mental wellbeing and psychosocial safety. This training has also been delivered for the Wellbeing, Health and Safety committee and the People and Culture team.

Reflecting the importance of health and safety considerations, the Wellbeing, Health, & Safety Committee, which operates at a management level representing all employees, convenes quarterly to discuss and review risks, reported incidents, accidents and near misses, initiatives and tabled reports. Incidents, accidents and near misses are registered in our RMS.

A monthly Wellbeing, Health & Safety Report that includes relevant statistics, trends and actions taken, the number of employees accessing counselling, and summaries of initiatives is provided to the Heartland Bank Executive Risk Committee and to all Boards. The Heartbeat engagement survey of Heartland Bank employees conducted in April 2026 returned strong results with 92% of participants (out of a 90% response rate) demonstrating awareness of the WH&S policies at Heartland.

In FY2026, there were no notifiable events to report to WorkSafe New Zealand, and there have been no claims to the Australian Workers Compensation Insurance.

Principle 7 – Auditors

The board should ensure the quality and independence of the external audit process.

External auditor relationship framework and independence – Recommendation 7.1

Heartland acknowledges that auditor independence, objectivity and the quality of the external audit process are fundamental to maintaining shareholder, investor and market confidence. Heartland's External Auditor Independence Policy is available on Heartland's website.

The Audit & Risk Committee is responsible for overseeing the external, independent audit of Heartland's financial statements. This encompasses processes for maintaining communication with Heartland's external auditors, ensuring that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired, assessing what other services may be provided by the external auditors to Heartland, and monitoring and approving such services.

The Policy provides guidelines to ensure that non-audit related services do not conflict with the independent role of the external auditor. All non-audit services provided by the external auditor are subject to pre-approval in accordance with Heartland's External Auditor Independence Policy. In assessing whether to approve such services, the Audit & Risk Committee considers the nature of the work, the related fees, and whether the services could create, or be perceived to create, a threat to auditor independence. The Policy also sets out guidelines in relation to the tenure and re-appointment of the external auditor, which the Audit & Risk Committee ensures are complied with.

The Policy provides that rotation of Heartland's key audit partners is required every five years and those partners will be subject to a suitable cooling off period following rotation.

The Policy also provides that the external auditor must rigorously comply with its own internal policies on independence and all relevant professional guidance including quality management. The external auditor monitors its independence and reports to the Audit & Risk Committee every six months to confirm that it has remained independent during the relevant period, in accordance with Heartland's External Auditor Independence Policy and the external auditor's policies and professional requirements. There have been no threats to auditor independence identified during FY2026.

During FY2026:

- PwC New Zealand continued its appointment as Heartland and Heartland Bank's external auditor. PwC and the key audit partner were appointed on 16 December 2022; and
- PwC Australia continued its appointment as Heartland Bank Australia's external auditor. PwC Australia and the key audit partners were appointed on 1 May 2025.

Given Group operations across New Zealand and Australia, the Audit & Risk Committee also considers the coordination of external audit arrangements across the Group, including the interaction between PwC New Zealand and PwC Australia, to support a consistent and effective audit approach.

Regular and full dialogue is maintained between Heartland's Audit & Risk Committee, external auditors and Management, with the external auditors and Management regularly attending Audit & Risk Committee meetings. In addition, recognising the importance of regular and full dialogue being maintained, pursuant to the Audit & Risk Committee Charter, the Board has authorised the Committee to, as it considers necessary in performing its duties:

- investigate any matter relevant to its purpose
- seek any information it requires, across the Group, from the Heartland CEO, Heartland Bank Chief Financial Officer, Banking Group Financial Controller, Heartland Bank Group Treasurer, Chief Risk Officer, Head of Internal Audit, Chief Legal Officer and, via the CEO, from any other employee, officer or external adviser
- obtain, at the expense of Heartland, external legal or other independent professional advice or for external legal advisers or other independent parties with relevant experience or expertise to attend any meetings of the Committee
- communicate directly with, and have unrestricted access to, the external auditor and the Head of Internal Audit, and
- oversee all aspects of Heartland's relationship with its external auditor.

The Heartland Audit & Risk Committee meets with the external auditor without Management present, where appropriate, to support open and independent dialogue.

Auditor AGM attendance – Recommendation 7.2

Heartland's external auditor attends its Annual Meeting to answer questions from shareholders in relation to the audit.

Shareholders are made aware of the presence of Heartland's external auditor and its representative's availability to answer such questions at the outset of Annual Meetings.

Internal Audit – Recommendation 7.3

Heartland maintains separate internal audit functions for New Zealand and Australia that are independent of both Management and the external auditors. The Heartland Bank internal audit function provides audit coverage for the New Zealand business. It also provides oversight of, and coordinates with, Heartland Bank Australia's internal audit function, which provides coverage for the Australian business.

The purpose of Internal Audit is to strengthen Heartland's ability to create, protect and sustain value by providing the Board and Management with independent, risk-based, and objective assurance, advice, insight and foresight. Internal Audit may provide advisory services and risk and control insights to Management, provided such activities do not impair or appear to impair Internal Audit's independence or objectivity.

Internal Audit assists Heartland in accomplishing its objectives through a systematic, disciplined and risk-based approach to evaluating and improving the effectiveness of governance, risk management and control processes.

Internal Audit has unrestricted access to Board and Committee Chairs, directors, Management, personnel, records, systems and physical properties necessary to fulfil its responsibilities. Internal Audit reports regularly to the relevant Board Committees on audit results, themes, emerging risks, issue remediation progress and the overall effectiveness of governance, risk management and control processes.

The Heartland Audit & Risk Committee, Heartland Bank Audit Committee and Heartland Bank Australia Audit Committee, as applicable, review and approve risk-based Internal Audit plans. These plans are developed using a structured assessment of organisational risks and priorities, with input from Management and relevant stakeholders.

Internal Audit coverage is primarily driven by risk assessment rather than fixed audit cycles. The audit plans seek to provide appropriate coverage of material risks, key business activities, significant change initiatives and regulatory obligations. Internal Audit operates in accordance with the Global Internal Audit Standards issued by The Institute of Internal Auditors and applies other recognised professional frameworks and industry practices where relevant.

The respective internal audit teams have the following reporting lines:

- Heartland Bank – the Head of Internal Audit functionally reports to the Chair of the Heartland Audit & Risk Committee and Chair of the Heartland Bank Audit Committee and administratively reports to the Heartland Bank Chief Risk Officer.
- Heartland Bank Australia – the Head of Internal Audit functionally reports to the Chair of the Heartland Bank Australia Board Audit Committee and administratively reports to the Heartland Bank Australia Chief Risk Officer.

Principle 8 - Shareholder rights and relations

The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Shareholder information and communication – Recommendations 8.1 and 8.2

The Board is committed to maintaining a full and open dialogue with all shareholders, as outlined in the Disclosure Policy which is available on the Heartland's website. Heartland keeps shareholders informed through:

- periodic and continuous disclosure to NZX and ASX
- information provided to shareholders, analysts and/or media during briefings
- Heartland's website (heartlandgroup.info) where shareholders can access financial, operational and key corporate governance information
- the Annual Meeting, at which shareholders have the opportunity to ask questions, and
- annual reports.

To ensure a high level of accountability, the Board encourages full participation of shareholders at its Annual Meeting and any Special Meetings and designs the meetings to best achieve this outcome. This includes holding hybrid meetings where shareholders can attend a physical event or join virtually online. Attendees are also able to submit questions in advance of meetings and those attending in person can raise them directly. When Heartland publishes a Notice of Annual Meeting or Special Meeting, it also publishes an Online Guide which explains how to join and navigate the virtual elements of the meeting. At the conclusion of the live event, a webcast of the meeting is published on Heartland's website. Heartland's CEO attends Annual and Special Meetings.

Heartland's website includes a 'Contact Us' page that provides contact details for Heartland's share registrar and shareholder enquiries and provides the option to receive communications from Heartland electronically. The website also includes or maintains links to those other items described in the commentary to Recommendation 8.1.

Major decisions – Recommendation 8.3

Where shareholders are required to vote on a matter concerning Heartland, the Board encourages shareholders to attend the Annual or Special Meeting or to cast a postal vote or online vote or appoint a proxy. All voting at Heartland's Annual or Special Meetings is conducted by way of poll on the basis of one share, one vote.

As disclosed through the publication on 31 August 2026 of a Notice of Meeting[19], Heartland is holding a Special Meeting on 30 September 2026 to seek the approvals required under the NZX Listing Rules in relation to the proposed merger of Heartland Bank and TSB. Shareholders will also be asked to vote on an increase to the annual director fee pool. Heartland will announce the outcome of the votes promptly and without delay following the conclusion of the Special Meeting and, in accordance with the commentary to Recommendation 8.3, will disclose whether approval was obtained, and the voting outcomes announced pursuant to the NZX Listing Rules, in its FY2027 Annual Report.

Raising additional equity – Recommendation 8.4

Heartland has not sought additional equity capital during FY2026.

Publication of notice of meeting – Recommendation 8.5

Heartland's 2025 Notice of Meeting was available at least 20 working days prior to its Annual Meeting and Heartland's Notice of Special Meeting was available at least 20 working days prior to its Special Meeting to be held on 30 September 2026, in each case on its website.

In respect of both Notices of Meeting, detailed, clear and meaningful information about the matters to be addressed at the relevant meeting was provided to shareholders. As described above, the Notice of Meeting for the Special Meeting was accompanied by extensive supporting material to assist shareholders in determining how they wish to vote on the resolutions put to them in relation to the proposed merger of Heartland Bank and TSB.

19 And accompanying documentation, including a comprehensive investor presentation, proxy form, independent expert report (both full and summary) and independent board remuneration benchmarking summary report, all of which are available on Heartland's website.

Directors' disclosures

Directors

The following persons were directors of Heartland and its subsidiaries during the financial year ended 30 June 2026.

Company	Directors	Status
Heartland Group Holdings Limited	Gregory Raymond Tomlinson Simon Beckett Robert Alan Bell Edward John Harvey Kathryn Mitchell	Non-Independent, Non-Executive Director (Chair) Independent, Non-Executive Director Independent, Non-Executive Director Independent, Non-Executive Director Independent, Non-Executive Director
Heartland Bank Limited	Bruce Robertson Irvine Andrew Peter Dixson Edward John Harvey Kathryn Mitchell Shelley Maree Ruha Simon Ross Tyler	Independent, Non-Executive Director (Chair) Non-Independent, Non-Executive Director Non-Independent, Non-Executive Director Non-Independent, Non-Executive Director Independent, Non-Executive Director Independent, Non-Executive Director
Heartland Bank Australia Limited	Geoffrey Edward Summerhayes Lyn Therese McGrath Simon Beckett Shane Michael Buggle Andrew Peter Dixson Bruce Robertson Irvine Leanne Gloria Lazarus Vivienne Zhaohui Yu	Independent, Non-Executive Director (Chair) (ceased directorship 2 April 2026) Independent, Non-Executive Director (Chair) (appointed Chair 2 April 2026) Independent, Non-Executive Director (appointed 17 June 2026) Independent, Non-Executive Director Non-Independent, Non-Executive Director Independent, Non-Executive Director Non-Independent, Non-Executive Director (ceased directorship 25 March 2026) Independent, Non-Executive Director
ASF Custodians Pty Limited	Richard Michael Collier Michelle Kay Winzer	
Australian Seniors Finance Pty Limited	Richard Michael Collier Michelle Kay Winzer	
Heartland Australia Holdings Pty Ltd	Richard Michael Collier Michelle Kay Winzer	
Heartland Australia Group Pty Ltd	Richard Michael Collier Michelle Kay Winzer	
Heartland Australia Investments Holdings Pty Limited	Richard Michael Collier Michelle Kay Winzer	
Heartland NZ Trustee Limited	Leanne Gloria Lazarus	

Heartland PIE Fund Limited	Bruce Robertson Irvine Phoebe Jane Gibbons Leanne Gloria Lazarus	Ceased directorship on 28 October 2025 Appointed 28 October 2025
MARAC Insurance Limited	Andrew James Aitken Leanne Gloria Lazarus	Ceased directorship 31 July 2025
VPS Properties Limited	Kerry Louise Conway Leanne Gloria Lazarus	
Fuelled Limited	Leanne Gloria Lazarus	
StockCo Holdings 2 Pty Limited	Richard Michael Collier Michelle Kay Winzer	
StockCo Holdings Pty Limited	Richard Michael Collier Michelle Kay Winzer	
StockCo AgriCapital Pty Ltd	Richard Michael Collier Michelle Kay Winzer	
StockCo Feedlot Holdings Pty Limited	Richard Michael Collier Michelle Kay Winzer	
StockCo Feedlot Capital Pty Limited	Richard Michael Collier Michelle Kay Winzer	
StockCo Australia Management Pty Ltd	Richard Michael Collier Michelle Kay Winzer	

Please refer to the detailed information on page 55 of the Corporate governance statement in relation to the matters considered in determining whether a director of Heartland is independent as at 30 June 2026.

Interests Register

The following are the entries in the Interests Registers of the Group made during FY2026.

Indemnification and insurance of directors

Heartland has given indemnities to, and has affected insurance for, directors of the Group to indemnify and insure them in respect of any liability for, or costs incurred in relation to, any act or omission in their capacity as directors, to the extent permitted by the Companies Act 1993. The cost of the directors and officers' liability insurance premiums to the Group for FY2026 was $706,051.92 (excluding GST and administration charges).

Share dealings by directors

Details of individual directors' share dealings as entered in the Interests Registers of Heartland and Heartland Bank under Section 148(2) of the Companies Act 1993 and the interests register of Heartland Bank Australia during FY2026 are as follows (all dealings are in ordinary shares unless otherwise specified):

S M Buggle

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
26 August 2025	Acquisition of legal and beneficial interest in shares	Acquisition	50,900	$48,111.68

S Beckett

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
8 October 2025	Acquisition of legal and beneficial interest in shares	Acquisition	52,500	$57,167.03

E J Harvey

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
12 September 2025	Allotment under DRP	Acquisition	4,179	$3,880.48

S R Tyler

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
20 March 2026	Allotment under DRP	Acquisition	1,301	$1,628.48

K Mitchell

Date of acquisition/ disposal	Nature of transaction and relevant interest	Acquisition / disposal	No. of shares	Consideration
12 September 2025	Allotment under DRP	Acquisition	2,863	$2,658.49
21 March 2026	Allotment under DRP	Acquisition	3,197	$2,599.35

General notice of disclosure of interests in the interests register

Details of any changes to:

- Heartland and Heartland Bank directors' general disclosures entered in the relevant interests register under Section 140 of the Companies Act 1993, and
- Heartland Bank Australia directors' general disclosures entered in the relevant interests register under Section 191 of the Corporations Act 2001 (Cth),

during FY2026 are as follows:

Heartland

G R Tomlinson	Ceased as Director of Terra Vitae Vineyards Ltd disclosed 17 December 2025.
K Mitchell	Ceased as Chair[1] of Zentera Wool Company Limited (previously The New Zealand Merino Company Limited) disclosed 12 November 2025.
E J Harvey	No changes during FY2026.
S Beckett	Ceased as Advisor of Stay or Go disclosed 27 January 2026; ceased as Venture Partner of Antler VC disclosed 29 January 2026; ceased as Director of GeoSnapShot Pty Ltd disclosed 18 February 2026; Advisor of Soda Capital Pty Limited disclosed 19 February 2026; Director of Fund2Market Holdings Pty Ltd (Banjo) disclosed 25 March 2026; Director of Heartland Bank Australia Limited disclosed 17 June 2026.
R A Bell	Appointed as Acting CEO of Monoova Limited disclosed 14 May 2026; ceased as Acting CEO of Monoova Limited disclosed 30 June 2026.

1 K Mitchell remains as a Director of Zentera Wool Company Limited.

Heartland Bank

B R Irvine	No changes during FY2026.
E J Harvey	No changes during FY2026.
K Mitchell	Ceased as Chair[1] of Zentera Wool Company Limited (previously The New Zealand Merino Company Limited) disclosed 12 November 2025.
S M Ruha	Ceased as Director of SmartPay Limited disclosed 4 November 2025; Director of The Growth Collective Ltd t/a Kindo disclosed 5 June 2026.
S Tyler	Director of Sunny Financial Services Limited disclosed 18 September 2025.
A P Dixson	No changes during FY2026.

Heartland Bank Australia

L T McGrath	No changes during FY2026.
S Beckett	Ceased as Advisor of Stay or Go disclosed 27 January 2026; ceased as Venture Partner of Antler VC disclosed 29 January 2026; ceased as Director of GeoSnapShot Pty Ltd disclosed 18 February 2026; Advisor of Soda Capital Pty Limited disclosed 19 February 2026; Director of Fund2Market Holdings Pty Ltd (Banjo) disclosed 25 March 2026.
S Buggle	No changes during FY2026.
A P Dixson	No changes during FY2026.
B R Irvine	No changes during FY2026.
L G Lazarus[2]	No changes during FY2026.
G E Summerhayes[3]	Chair of Mercer Investments Australia Limited disclosed 4 December 2025.
VZ Yu	No changes during FY2026.

Details of Heartland, Heartland Bank and Heartland Bank Australia directors' general disclosures entered in the relevant interest register prior to 1 July 2025 can be found in earlier Annual Reports.

Specific disclosures of interest in the interests register
There were no specific disclosures of interests in transactions entered into by the Group during FY2026.

Information used by directors
No director of the Group disclosed use of information received in his or her capacity as a director that would not otherwise be available to that director.

Heartland, Heartland Bank and Heartland Bank Australia directors' relevant interests

As at 30 June 2026.

Director	Number of ordinary shares – beneficial	Number of ordinary shares – non-beneficial[4]	Number of options
R A Bell	17,400	Nil	Nil
S Beckett	115,324	Nil	Nil
S M Buggle	50,900	Nil	Nil
A P Dixson	550,000	Nil	Nil
E J Harvey	212,686	6,504,266	Nil
B R Irvine	903,606	6,504,266	Nil
K Mitchell[5]	145,706	Nil	Nil
S M Ruha	200,000	Nil	Nil
G R Tomlinson	83,335,936	Nil	Nil
S R Tyler	51,301	Nil	Nil

2 L G Lazarus retired from the Heartland Bank Australia Board on 25 March 2026.
3 G E Summerhayes retired from the Heartland Bank Australia Board on 2 April 2026.
4 The non-beneficial interest in the 6,504,266 shares arises from those directors each being a trustee of the Heartland Trust, which held 6,504,266 shares in Heartland as at 30 June 2026.
5 K Mitchell's shares previously held directly and via Sharesies Nominee Limited were transferred on 22 May 2024 to Forsyth Barr Custodians Limited.

Remuneration report

This Remuneration Report describes Heartland's remuneration arrangements for FY2026 and includes reporting against the recommendations contained in Principle 5 of the NZX Code. This report has been prepared on the basis of the NZX Remuneration Reporting Template for Listed Issuers published July 2026. This report should be read with Heartland's Corporate governance statement and financial statements, which contain related disclosures.

Letter from the Remuneration Committee Chair

On behalf of the Board, I am pleased to introduce Heartland's Remuneration Report for FY2026.

Remuneration objectives

Heartland's remuneration strategy seeks to create a high-performance culture underpinned by our values which attracts and retains quality employees. Heartland recognises that remuneration is an important part of its governance structure and is an important driver in developing and maintaining a robust risk culture.

The Heartland Group Remuneration Policy (**Remuneration Policy**) sets out the remuneration principles and objectives applied to employees, executives and directors across the Group. The objectives of the Remuneration Policy are to ensure the appropriate oversight of remuneration arrangements and the alignment of remuneration arrangements with Heartland's business plans, strategic objectives and risk management frameworks which will support:

- effective management of both financial and non-financial risks, sustainable performance and long-term soundness
- the prevention and mitigation of conduct risk, and
- the alignment of variable remuneration outcomes with performance and risk outcomes.

A copy of the Remuneration Policy is available on Heartland's website.

Heartland's remuneration framework for employees balances fixed and, in certain cases, variable remuneration according to an individual's seniority and ability to influence performance and long-term value. Fixed remuneration reflects role responsibilities, capability and experience, while allowing for performance, internal relativities, critical skills, market conditions and pay equity considerations.

Variable remuneration, comprising short-term and, in certain cases, long-term incentives, is fully discretionary and remains at risk. It is intended to reward performance that advances the achievement of Heartland's strategic objectives in a manner that is consistent with Heartland's values, risk appetite, regulatory obligations and standards of conduct. Financial and strategic performance is assessed alongside non-financial factors. Risk, compliance and conduct expectations therefore operate as important gateways to remuneration outcomes for all staff, regardless of seniority.

The Board reviews employee and executive remuneration annually, including setting annual financial and non-financial targets for executives against which short-term incentive outcomes are assessed. In FY2026, executives were assessed against financial, strategic and capability targets.

Establishment of the Heartland Corporate Governance, People, Remuneration and Nominations Committee

On 1 July 2026, acknowledging the range of corporate governance, people, remuneration and nomination matters the Board is responsible for, the increasing size and complexity of the Group and the associated workload in these areas, the Board established a Corporate Governance, People, Remuneration and Nominations Committee.

The Committee now oversees remuneration arrangements designed to support Heartland's strategy and sustainable long-term performance, while promoting prudent risk-taking, sound risk management, strong conduct, positive customer outcomes and compliance with applicable regulatory obligations. The Committee met actively during the first quarter of FY2027, advising and providing recommendations and assurance to the Board in order to enable the Board to discharge its responsibilities in relation to the FY2026 remuneration review process.

The Committee's Charter is available on Heartland's website and includes information in relation to its purpose, authority, membership requirements, meetings and reporting and responsibilities and duties. More detailed information in relation to the Committee is included in the Corporate governance statement on pages 57 to 58 of this report.

As described in this Remuneration Report, the Heartland Bank Board has a People & Culture and Remuneration Committee and the Heartland Bank Australia Board has a People, Remuneration and Nominations Committee, with each committee supporting their relevant board to discharge its people, remuneration and nominations functions.

FY2026 remuneration outcomes

Overall, FY2026 has been a positive step forward for the Group. Heartland reported NPAT of $93.2 million for FY2026. Underlying NPAT was $90.4 million. Heartland delivered a strong performance in FY2026, meeting all FY2026 underlying guidance metrics, delivering an improved ROE and turnaround in profitability, driven by margin expansion and strengthened asset quality.

For FY2026, short-term incentive outcomes reflected organisational and individual performance, individual contribution, leadership, risk and conduct, and overall financial performance. The Board retained discretion to ensure outcomes remained appropriate and aligned with sustainable performance and shareholder interests.

More information on the FY2026 short-term incentive targets for the Heartland CEO and executives is set out on pages 77 to 78 of this report.

Establishment of new Heartland long term incentive scheme

As described in Heartland's FY2025 annual report, on 25 September 2025, Heartland introduced a new long-term incentive (**LTI**) scheme which was established pursuant to the Heartland Group Holdings Limited – Performance Share Rights Plan Rules.

Selected executives and other senior employees across the Group may by invited by the Board to participate in the LTI scheme and receive performance share rights (**PSRs**) that vest into Heartland shares when applicable performance hurdles are satisfied, which are a combination of financial and behavioural measures.

PSR entitlements generally increase with seniority and are intended to align the incentives of senior leaders with the interests of Heartland's shareholders and sustainable long-term value creation. The Board determines the performance hurdles for each LTI scheme and retains discretion over vesting outcomes.

The first issuance of PSRs under the LTI scheme was completed on 19 December 2025 and detailed information in respect of this grant is included in this Remuneration Report.

As this is the only grant on issue under the LTI scheme, no vesting took place during FY2026.[1] The Heartland Board has not yet approved the issuance of further PSRs. However, it currently expects to complete an issuance prior to the end of calendar year 2026 to certain executives and senior managers across the Group. Subject to an issuance being completed, details of this LTI grant will be disclosed in Heartland's annual report for FY2027.

1 Refer to page 68 of Heartland's FY2025 annual report for information in relation to the forfeiture of the FY2025 LTI scheme

Director remuneration

Non-executive directors across the Group:

- receive fixed fees reflecting the time commitment and responsibilities of their roles
- do not receive performance-based or equity-based remuneration, and
- are not entitled to retirement payments, other than superannuation.

In accordance with the NZX Listing Rules, all non-executive directors of Heartland, Heartland Bank and Heartland Bank Australia are remunerated from an annual fee pool approved by Heartland's shareholders. During FY2026, the Board engaged Propero as independent remuneration consultants to undertake benchmarking in respect of the annual fee pool available for directors' remuneration. Propero's Independent Board Remuneration Benchmarking Summary Report has been provided to shareholders as part of the materials for Heartland's Special Shareholder Meeting to be held on 30 September 2026. At that meeting, Heartland shareholders will be asked to vote on a proposed increase to the annual fee pool available for director remuneration. The Board unanimously supports this resolution.

Looking ahead

The Board will continue to maintain a competitive but disciplined framework that attracts and retains capability, differentiates performance, reinforces sound conduct and risk management, and aligns executive remuneration with sustainable performance and shareholder value creation.

Subject to completion of the Proposed Transaction[2], it is expected that during FY2027, Heartland's remuneration objectives and the Remuneration Policy will be substantively reviewed, having regard to the differentiated scale and complexity of the merged bank which would be part of the Group from completion.

I would like to acknowledge the many people across Heartland who during FY2026 have contributed to meaningful progress. The commitment shown has resulted in a strong FY2026 financial result and a stronger base for the next stage of the Group's development.

Rob Bell

Chair, Heartland Corporate Governance, People, Remuneration and Nominations Committee

2 The Proposed Transaction remains subject to the satisfaction of all remaining conditions, including Heartland shareholder approval and the necessary regulatory approvals.

Remuneration governance

Remuneration Governance Framework

Heartland has a Remuneration Policy which has been adopted and approved by the Boards of Heartland, Heartland Bank and Heartland Bank Australia. The Remuneration Policy explains the Group's remuneration strategy and approach to setting remuneration for directors, executives and employees of Heartland and its subsidiaries. Each year, a review of Heartland's remuneration arrangements is undertaken by the relevant Boards, including setting annual targets for executives against which short-term incentive outcomes are assessed.

In addition to the remuneration objectives described above, the key remuneration principles are to:

- comply with all applicable legal and regulatory requirements to ensure good customer outcomes
- review and carefully consider the link between Group performance and remuneration and promote conduct which is consistent with the relevant Board's risk appetite and the creation of shareholder value
- support the attraction, retention and engagement of quality, diverse employees
- not show bias on the basis of gender, ethnicity, sexuality or any other individual factor
- further the aspirations to achieve pay equity across the organisation
- be consistent and promote adherence to values, policies and procedures
- reward people for performance that exceeds expectations delivered within the guidance of Heartland's values, and
- be flexible to meet operational variances.

The Group's Boards are kept up to date with relevant market information and best practice, obtaining advice from external advisers when necessary to support remuneration decision making.

The other internal governance policies that provide context for Heartland's remuneration outcomes are described in the Corporate governance statement of this Annual Report, including the Insider Trading Policy and the respective Codes of Conduct.

In addition to the achievement of financial and strategic metrics, Heartland, Heartland Bank and Heartland Bank Australia assess all employees (regardless of seniority) against two gateways (**Gateways**) as part of the annual performance review process (amongst other things):[3]

the Risk & Compliance Gateway, which assesses whether the employee has contributed to a healthy risk culture

the Culture, Behaviour and Values Gateway, which assesses each employee's performance and behaviour with reference to Heartland's values (mātāpono).

Employees who are not ranked as "meets expectations" or higher, with reference to their performance over the preceding reporting period in respect of these Gateways are ineligible for a remuneration increase or variable remuneration.

Group Remuneration Committees

Heartland Remuneration Committee

As described on page 57 of the Corporate governance statement, during FY2026, the Board had responsibility for remuneration and nomination matters relating to Heartland. Following consideration by the Board of the range of corporate governance, people, remuneration and nomination functions it is responsible for, and the increasing size and complexity of the Group and the associated workload in these areas, on 1 July 2026, the Heartland Corporate Governance, People, Remuneration and Nominations Committee was established.[4]

Please refer to Corporate governance statement commentary on NZX Code Recommendations 2.2 and 2.3 (see pages 50 to 52) and Recommendations 3.3 and 3.4 (see pages 57 to 58) for information in relation to (amongst other things) the

3 The annual performance review process is undertaken in the period leading up to Heartland's full year results announcement in relation to performance during the prior reporting period. Half year performance reviews are also conducted in the period leading up to Heartland's half year results announcement, as part of which employees are also assessed against the Gateways described above to determine whether they are on track to achieve them, or require improvement.

4 The previous Heartland Corporate Governance, People, Remuneration and Nominations Committee was dis-established by the Board on 1 July 2024, with the Board assuming responsibility for the matters previously delegated to that committee.

membership, membership requirements and responsibilities of the Heartland Corporate Governance, People, Remuneration and Nominations Committee, and information in relation to its written charter.

Given the recency of its establishment (which occurred in FY2027), the Heartland Corporate Governance, People, Remuneration and Nominations Committee's activities will be reported on in more detail as part of Heartland's FY2027 annual report.

Bank Remuneration Committees

Heartland Bank's Board People & Culture and Remuneration Committee comprises independent directors Bruce Irvine (Chair), Kate Mitchell and Simon Tyler, all of whom have been members of the committee since its establishment.

Heartland Bank Australia Limited's Board People, Remuneration and Nominations Committee comprises independent directors Vivienne Yu (Chair), Shane Buggle, Bruce Irvine and Lyn McGrath, all of whom have been members of the committee since its establishment, Simon Beckett, who was appointed on 17 June 2026, and Andrew Dixson, who was appointed on 28 September 2026. Geoff Summerhayes resigned on 2 April 2026, and his membership of the committee ceased as at this date.

Management attends respective committee meetings only by invitation and is not present when its own performance or remuneration is considered.

Information relating to attendance at meetings of these committees during FY2026 can be found on page 53 of this Annual Report.

- Each committee operates under a written charter and assist their respective boards with a range of matters, including:
- people strategy, including organisation structure, performance, succession planning, development, culture, diversity and remuneration strategy and policies and any other strategic people initiatives
- remuneration of the relevant CEO and senior executives
- monitoring the performance of the relevant CEO, including setting and review of annual KPIs, and
- director and senior executive appointments, Board composition and succession planning.

Each Heartland Board retains ultimate accountability for its remuneration policy and strategy, CEO performance and remuneration, executive remuneration outcomes, and the application of risk and conduct adjustments.

Executive Remuneration Policy

The Remuneration Policy, as described above and available to view on Heartland's website, applies to all of the Group's CEOs and executives, and the number of executives to whom the Remuneration Policy applies is 17. In accordance with the Heartland Group Oversight Framework, parent entities convey budget expectations in accordance with which subsidiary remuneration needs to be considered.

All CEO and executive remuneration decisions are endorsed by the relevant remuneration committee and approved by the relevant Board.[5]

CEO and executive remuneration levels are reviewed annually for market competitiveness and alignment with financial, strategic and other performance priorities. The objective is to provide competitive remuneration that aligns CEO and executives' remuneration with shareholder value and rewards the achievement of the Group's financial targets, strategies and business plans.

Heartland's executive remuneration framework comprises:

- fixed remuneration
- short-term incentives
- long-term incentives.

5 As described above, the Heartland Corporate Governance, People, Remuneration and Nominations Committee was established on 1 July 2026, so during FY2026, the Heartland Board had responsibility for these matters.

Short-term and long-term incentives are discretionary and at risk. The relevant Group Board retains discretion to adjust outcomes, so they remain appropriate considering performance and aligned with shareholder interests.

The proportion of remuneration at risk generally increases with seniority and the ability to influence performance and long-term value. Both financial and non-financial performance measures play a key role in the assessment of performance.

All CEOs and executives receive a base salary and are also eligible to participate in short-term and, in some cases, long-term incentive plans under which participants are rewarded for their achievement of key performance and operating results on a qualitative and a quantitative basis with reference to financial and strategic outcomes.

The performance of CEOs and executives is also assessed against a range of risk and non-financial indicators of performance, including an assessment of performance and behaviour with reference to Heartland's values.

For Heartland Bank Australia executives, their assessment against the Gateways and conduct outcomes are also assessed by the Consequence Management Committee (**CMC**), who reports back to the Heartland Bank Australia Board People, Remuneration and Nominations Committee. The Heartland Bank Australia Board People, Remuneration and Nominations Committee considers the report from the CMC before recommending remuneration outcomes for Heartland Bank Australia executives for approval. For those Heartland Bank Australia executives who are "accountable persons" under the Financial Accountability Regime, variable remuneration may be subject to deferral requirements in accordance with applicable law.

The Remuneration Policy does not outline in detail the relative weightings of remuneration components and relevant performance criteria, but disclosure in respect of these matters is included in this Remuneration report.

The Heartland CEO's employment agreement includes a six month notice period and does not include any "golden parachute" or equivalent termination provisions.

Fixed remuneration

Fixed remuneration for CEOs and executives includes base salary and is intended to compensate each individual for the performance of the core requirements of their role. Employer contribution to KiwiSaver for New Zealand CEOs and executives (as applicable) or superannuation for the Australian CEO and executives is paid in addition to base salary.

The approach is to set CEO and executive base salaries against the relevant market benchmarks, but it is recognised that flexibility may be necessary to adjust for factors including experience, exceptional performance and a competitive market.

Fixed remuneration may also include the use of a company vehicle for certain executives.

Fixed remuneration for CEOs and executives is reviewed annually with reference to role size, scope, complexity, accountability, strategic impact, individual performance, capability, experience, critical skills, pay equity, regulatory accountability and internal relativities.

External market data is considered alongside these factors and informs (but does not determine) fixed remuneration decisions. Independent remuneration advice may also be sought where required to support objective decision-making.

During FY2026, external benchmarking survey data from AON, PwC and EY was used to support the determination of CEO and executive fixed remuneration outcomes, with this information informing role sizing, remuneration positioning and market competitiveness.

Short-term incentive

Heartland's short-term incentive is an annual incentive based on Group, individual entity and individual performance measures within the relevant financial year. It is designed to recognise eligible employees, including all permanent CEOs and executives, for annual performance that supports Heartland's strategy, business plans, risk appetite, values and long-term sustainable outcomes.

Short-term incentives are paid in cash for all participants, including CEOs and executives.[6] The overall budget for the short-term incentive scheme is determined annually by the Board and is dependent on a range of factors during the relevant financial year. These factors include the financial performance of the Group, achievement of business plans and strategic objectives (financial performance measures) and the management of risk and adherence to compliance and conduct expectations (non-financial performance measures).

Accordingly, as described above, payment of any short-term incentive is discretionary and not guaranteed, even if the relevant CEO or executive's KPIs have been exceeded.

Heartland's end of financial year performance process measures CEO and executives' performance and assesses short-term incentive outcomes against balanced scorecards.

Where short-term incentive payments are approved, they are paid following the end of the relevant financial year to recognise CEOs and executives who have exceeded performance and behavioural or leadership expectations during that financial year.

The proportion of each eligible employee's total remuneration paid as a short-term incentive increases in line with the seniority and responsibility of their role. Discretionary short-term incentive payment quantum is appropriate to the level of responsibility. Where applicable, short-term incentive payments for executives may be up to 75% of fixed remuneration, depending upon the role, with CEOs eligible for up to 100% of fixed remuneration.

An overview of the key terms of the CEO and executives' FY2026 balanced scorecards is set out in the table below. Subject to the Gateways being satisfied, each KPI category was allocated a 33% weighting. More detailed information in respect of the Heartland CEO's FY2026 short-term incentive outcome is set out in the CEO Remuneration Arrangements & Outcomes section below.

6 Employer contribution to KiwiSaver or superannuation (as applicable) is paid in addition to any short-term incentive cash payment.

Feature	Approach
Gateways	
Non-financial risk gateways	• Risk and Compliance Gateway • Culture, Behaviour and Values Gateway The relevant CEO or executive must be assessed as at least "meets expectations" against both gateways to be eligible for a fixed remuneration increase and participation in Heartland's short-term incentive scheme for the relevant financial year.
KPI categories (financial and non-financial)	
Financial performance	Assessment of the achievement of quantitative financial targets for FY2026, set with reference to the following key financial metrics: • NPAT • NIM • Operating expenses (**OPEX**) • Cost-to-income (**CTI**) ratio • ROE • Impairment expense ratio[7] • Growth Qualitative financial performance targets are also applicable to certain executive roles, including the Heartland CEO. Heartland publicly disclosed its and its subsidiaries' (Heartland Bank and Heartland Bank Australia) KPI financial performance targets to the market for FY2026. Each CEO and executive was assessed against the achievement (or otherwise) of the KPI financial performance targets of their employing entity, i.e. Heartland, Heartland Bank or Heartland Bank Australia (as applicable).[8]
Strategy	Each CEO and executive had qualitative strategic measures against which their performance was assessed for FY2026, and which differed depending on their employing entity, i.e. Heartland, Heartland Bank or Heartland Bank Australia (as applicable). In summary, these measures related to: • Heartland – Growth and scale, stakeholder management and Group oversight • Heartland Bank – Growth, Quality and Efficiency • Heartland Bank Australia – Business growth, Service excellence and Diversify distribution
Capabilities	Each CEO and executive had qualitative capability measures against which their performance was assessed for FY2026. In summary, these measures related to: • Risk, Conduct and Culture • People • Reputation • Sustainability

7 During FY26, assessment against impairment expense ratio applied only to Heartland and Heartland Bank CEOs and executives.
8 Please refer to Heartland's FY2026 financial results announced on 20 August 2026, which are available at: nzx.com/companies/HGH/announcements?year=2026

Long-term incentives

As described in detail on page 68 of Heartland's FY2025 annual report, Heartland's previous Performance Rights Plan was terminated in September 2025 following forfeiture of the FY2025 LTI scheme, which was the last remaining LTI scheme on issue under this Plan. The Heartland Group Holdings Limited Performance Share Rights Plan (**Plan**) took effect on 25 September 2025 and provides the framework for FY2026 and later LTI awards.

The Plan provides the framework through which selected executives and certain other senior employees of the Group may be invited to participate in LTI schemes and be issued PSRs. PSRs may vest into ordinary Heartland shares, subject to the achievement of the applicable performance hurdles, which are a combination of financial (total shareholder return (**TSR**) and ROE) and behavioural (Risk and Compliance and Conduct and Culture) measures, described in more detail below.

The inclusion of non-financial measures operates to ensure that any vesting outcome reflects sustainable performance delivered in a manner consistent with Heartland's risk appetite, values and regulatory obligations.

LTI schemes are intended to align invited CEOs', executives', and senior employees' with sustainable long-term shareholder value, strategic delivery and prudent risk management.

Participation is by invitation and ultimately determined by the Heartland Board, following engagement with the Heartland Bank and Heartland Bank Australia boards, with support provided by the respective Group remuneration committees.

In determining participation and PSR award size, the Heartland Board considers role seniority, scope, size and complexity; decision-making authority and accountability; ability to influence long-term enterprise outcomes; individual performance and leadership contribution; and alignment with Heartland's values, risk, compliance, conduct and culture expectations.

The combination of performance conditions, longer-term measurement and Board judgement is intended to ensure that LTI outcomes reflect sustainable value creation rather than short-term results.

Vesting is not automatic. Final vesting is determined by the Heartland Board at the relevant vesting date, having regard to achievement against the performance hurdles and any applicable Heartland Board discretion.

While achievement of the TSR and ROE performance hurdles will be objectively assessed by the Heartland Board with reference to Heartland's share price performance and financial results over the measurement period for each performance hurdle, the Risk and Compliance and Conduct and Culture performance hurdles will be assessed by the Heartland Board with reference to the performance of the Group generally and each Participant's personal performance and behaviours over the measurement period for those performance hurdles.

Where PSRs vest into shares, participants are subject to shareholding and trading restrictions. The Heartland Board expects ordinary Heartland shares received through the LTI to be held while the participant remains employed by Heartland or one of its subsidiaries (as applicable), and any request to trade those shares requires Board Chair approval, which is expected to be granted only in exceptional circumstances.

PSR issuances can be up to 100% of an eligible CEO's base salary, 75% of an eligible executive's base salary and 30% of an eligible senior manager's base salary.

FY2028 LTI scheme

The LTI scheme issued on 19 December 2025 is known as the FY2028 LTI scheme. As discussed above, this is the only LTI scheme currently on issue under the Plan.[9]

An overview of the key terms of the FY2028 LTI scheme in addition to those described above is set out in the table below. More detailed information in respect of the FY2028 LTI scheme issued to the Heartland CEO is set out in the CEO Remuneration Arrangements & Outcomes section below.

Feature	Approach
Grant Date	19 December 2025
Commencement Date	• New Zealand participants – 1 July 2025 • Australian participants – 1 July 2024
Vesting Date	• The date that is 11 trading days following the release of Heartland's financial results for the period ended 30 June 2028 to the NZX and ASX
Termination Date	30 September 2028
Financial Performance Hurdles	**TSR Performance Hurdle** TSR is used by Heartland to measure how much value has been delivered to our shareholders over the measurement period. TSR takes into account: • the increase in the price of an ordinary Heartland share; and • the gross dividends and other distributions that Heartland has paid to its shareholders, during the measurement period. By combining the increase in Heartland's share price with dividends paid during the measurement period, the TSR reflects the return that shareholders have received as a result of owning Heartland shares. TSR is an important measure for Heartland as it enables Heartland to demonstrate the overall financial benefit that it has provided to its shareholders. **ROE Performance Hurdle** ROE is used to determine how effectively Heartland is using the money invested by its shareholders to generate profits and reflects how much profit Heartland makes for every dollar of shareholders' equity. The ROE performance hurdle considers both whether Heartland's ROE has increased year on year and whether the ROE exit threshold has been achieved as at the Vesting Date.
Non-Financial Performance Hurdles	**Risk and Compliance Performance Hurdle** Contribution to a healthy risk culture and stable control environment through achievement of prescribed behaviours. **Conduct and Culture Performance Hurdle** Demonstration of certain prescribed conduct and culture behaviours.
Vesting Pools	The FY2028 LTI scheme has two vesting pools, equally weighted with one linked to TSR (market performance) and one linked to ROE (company performance). Each pool has a 50% weighting and is subject to applicable thresholds which determine vesting proportions – 100% vesting, 50% vesting and no vesting. Vesting is determined on a straight-line basis between 50% and 100%. The Non-Financial Performance Hurdles apply to both vesting pools. If either or both Non-Financial Performance Hurdles are not met, then Heartland Board discretion in respect of vesting applies.
Dividends and voting rights	PSRs do not have voting rights or entitlements to dividends.

9 As described in the Letter from the Remuneration Committee Chair, the Heartland Board currently expects to complete an LTI scheme issuance prior to the end of calendar year 2026 to certain CEOs, executives and senior managers across the Group. Subject to an issuance being completed, details of this LTI grant will be disclosed in Heartland's annual report for FY2027.

Vesting conditional on continued employment	Generally, for PSRs to vest, the participant needs to remain employed with Heartland (or a subsidiary) until the Vesting Date. However, in some circumstances where the participant ceases to be employed before the Vesting Date the Heartland Board may, at its sole discretion, determine that the participant is a "Good Leaver" in which case the Board may, at its sole discretion, determine that the participant is entitled to retain some or all of their PSRs on the same terms until the original Vesting Date or that the performance hurdles for some or all of the PSRs have been met and that some or all of your PSRs may therefore vest.

CEO Remuneration Arrangements & Outcomes

A summary of the Heartland CEO's remuneration arrangements and the outcomes for FY2026 is set out below.

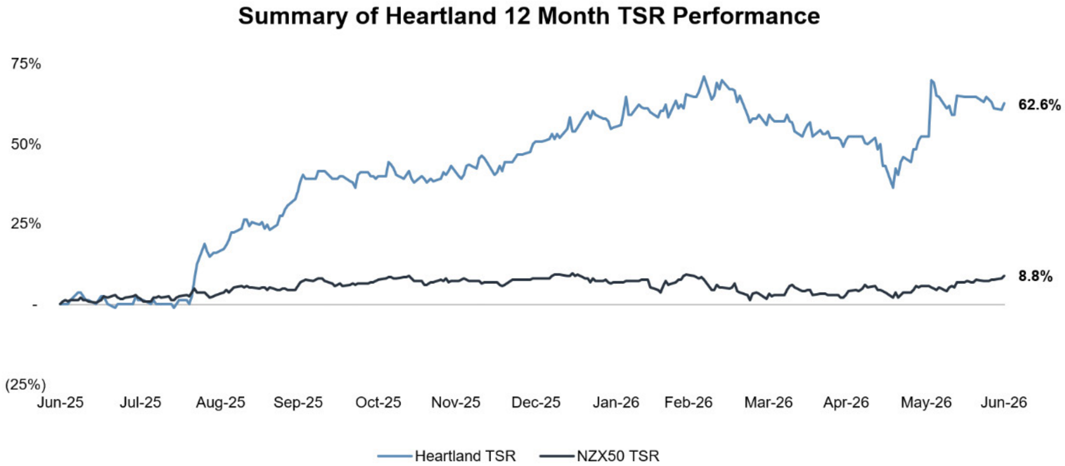
Key performance summary

Overall FY2026 was a positive step forward for the Group building on the reset, refocus of strategy and integration of Heartland Bank Australia undertaken during FY2025 - establishing a strong foundation to support its next phase of growth.

Heartland met all underlying FY2026 guidance metrics, delivering an improved ROE and turnaround in profitability, driven by margin expansion and strengthened asset quality. Heartland reported NPAT of $93.2 million for FY2026. Underlying NPAT was $90.4 million. Both Heartland Bank and Heartland Bank Australia materially met their underlying guidance for all key financial metrics and delivered on other expectations, including commencing technology programmes.

Capital has been a focus with Heartland's NSA realisation programme successfully concluded with a 94% recovery rate. Heartland remains well placed to cater for organic growth with excess capital held across the Group. The proposed merger of Heartland Bank and TSB was also progressed, which if completed, would create a New Zealand challenger bank of scale with a regional focus.

A summary of Heartland's 12-month TSR performance is included below, demonstrating the value created for Heartland shareholders during FY2026, and including a comparison to the NZX50 TSR for the comparable period.



CEO fixed remuneration

The Heartland CEO's fixed remuneration comprises base salary and standard employment-related benefits, being payment of employer KiwiSaver contributions, a company vehicle and medical and life insurance.

As described above, Heartland utilises external benchmarking in determining the Heartland CEO's remuneration.

CEO short-term incentive scheme

The Heartland CEO is eligible for a discretionary cash short-term incentive assessed after the financial year end. The maximum STI opportunity is 100% of fixed remuneration. No short-term incentive is guaranteed, and the Board retains full discretion to adjust outcomes, including to zero, based on sustainable performance and shareholder interests.

As described above, the CEO's short-term incentive is assessed against a balanced scorecard comprising three categories: financial performance, strategic initiatives, and capabilities. Satisfaction of the Gateways is required before any short-term incentive is payable.

The Heartland Board determined that a short-term incentive cash award of $525,000 (70% of maximum) in respect of FY2026 had been earned by the Heartland CEO (Andrew Dixson).

Separately, a $350,000 short-term incentive was paid as cash remuneration during August 2025 in respect of the FY2025 performance period.

CEO LTI scheme and outcomes

In FY2026, the Heartland CEO was granted performance share rights under the Plan. The award was made on 19 December 2025 and comprised 750,000 PSRs outstanding as at 30 June 2026, with a face value of $750,000. The PSRs are subject to a vesting period ending 11 trading days following the release of Heartland's FY2028 financial results and remain at risk until vesting is determined by the Heartland Board.

The FY2028 LTI scheme award is designed to align the CEO's remuneration with long-term shareholder value creation and sustainable performance. Detailed information in relation to the FY2028 LTI scheme, including its key terms which also apply to the Heartland CEO, is included on pages 80 to 81 of this Remuneration report.

No PSRs vested, lapsed, or were issued or transferred to the CEO during FY2026. Any future vesting remains subject to satisfaction of the applicable performance hurdles and final determination by the Heartland Board at the relevant vesting date. On vesting, each eligible PSR may convert into one ordinary Heartland share for nil consideration, subject to the Plan rules and applicable trading restrictions.

CEO FY2026 Remuneration Outcomes

Overall FY2026 CEO Remuneration

Year	Fixed remuneration		Short Term Incentive (STI)			Long Term incentive (LTI)			Total (Paid + Earned + Vested)
	Base salary	Other benefits	Earned Amount	Earned as a % of maximum Award**	Total cash-based remuneration earned	Number of shares vested	% of Maximum Awarded for the relevant performance period	Market Price at Vesting Date	(Fixed rem + STI Earned + LTI Vested)
FY2026	$750,000	$10,820	$525,000	70%	$1,285,820	-	-	-	$1,285,820
FY2025[10]	$450,692*	$10,800	$350,000	56%	$811,492	-	-	-	$811,492

Notes:

* Andrew Dixson was appointed as Heartland CEO on 1 October 2024. Accordingly, fixed remuneration disclosure for FY2025 is with reference to the period from 1 October 2024 to 30 June 2025.

** STI earned as a percentage of base salary, which is the maximum possible award amount. The FY2026 short-term incentive is the amount assessed as earned in FY2026 and is paid in FY2027 as the final approval of short-term incentive awards is received after the balance date (30 June). The short-term incentive amount assessed as earned in FY2025 was paid in FY2026 for the same reason but related to the performance period FY2025.

The actual remuneration costs that are borne by Heartland in relation to a reporting period will be disclosed in the statement of financial performance for the relevant reporting period.

10 Andrew Dixson received a one-off special exertion payment of $196,875 in December 2024 in recognition of his significant additional efforts over an extended period in his role as Group Chief Financial Officer in relation to the acquisition of (now) Heartland Bank Australia which completed on 30 April 2024. This one-off special exertion payment was paid during FY2025 but was earned during previous reporting periods at which time Andrew Dixson was not the Heartland CEO. Accordingly, this payment is excluded from the CEO remuneration table. This is consistent with the approach taken in Heartland's FY2025 annual report.

FY2026 Short-Term Incentive Outcomes (Earned)

Year	STI Maximum		STI Awarded		% Earned of Awarded	
	%	$	%	$		
FY2026	100	750,000	70	525,000	525,000	100
FY2025	100	630,000	56	350,000	350,000	100

Performance Measurements	Weighting	Outcome
Risk & Compliance Gateway	Gateway	Met
Culture, Behaviour and Values Gateway	Gateway	Met
Financial Performance	33%	Partially met
Strategic Initiatives	33%	Met
Capabilities	33%	Met
Overall	100%	70%

FY2026 LTI Outcomes (Awarded)

PSRs granted to the CEO as at 30 June 2026

PSR Award Date	Vesting Date	Awarded during the reporting period		PSRs lapsed during the reporting period	Shares Vested during the reporting period			Shares issued/transferred during the reporting period			Balance of PSRs @ 30 June 2026
		PSRs Awarded	Fair Value at Award		Shares Vested	Market Price at Vesting Date	Vesting Date	Shares issued/ transferred	Market Price at issue/ transfer date	Issue/ transfer date	
19/12/2025	11 trading Days following release of Heartland financial results for FY2028	750,000	461,250	268,284	N/A	N/A	N/A	N/A	N/A	N/A	750,000

ESG Disclosures

CEO/worker ratio

The pay gap represents the number of times greater the Heartland CEO's remuneration is to the remuneration of an employee paid at the median of all employees.

For the purposes of determining the median paid to all Group employees, all permanent full-time, permanent part-time and fixed-term employees are included, with part-time employee remuneration adjusted to a full-time equivalent amount.

As at 30 June 2026, the Heartland CEO's base salary of $750,000 was 5.96 times (FY25: 6.6 times) that of the median employee at $125,939 per annum. The Heartland CEO's total remuneration, including short-term incentive earned, of $1,285,820 was 9.28 times (FY25: 8.5 times) the total remuneration of the median employee at $137,418. Figures use an average of employees across Heartland, Heartland Bank and Heartland Australia.

Gender pay gap

The NZ gender pay gap measures the median pay (base pay only) between men and women regardless of the nature of work.

As at 30 June 2026, the NZ gender pay gap is 26%. That is, women earn $0.74 for every $1.00 that men earn. The median female pay is $86,350, median male pay is $120,000. Median overall salary is $100,000.

Further details of gender pay gap can be found in the Sustainability report on page 39 of this Annual Report.

Remuneration bands

The following table contains disclosure of the employees or former employees of Heartland, Heartland Bank and Heartland Bank Australia, not being directors of Heartland, who during FY2026, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum, in $10,000 bands, as required by section 211 of the Companies Act 1993.

Remuneration bands	Headcount
$100,000 - $109,999	26
$110,000 - $119,999	19
$120,000 - $129,999	31
$130,000 - $139,999	29
$140,000 - $149,999	23
$150,000 - $159,999	23
$160,000 - $169,999	18
$170,000 - $179,999	8
$180,000 - $189,999	13
$190,000 - $199,999	12
$200,000 - $209,999	11
$210,000 - $219,999	10
$220,000 - $229,999	5
$230,000 - $239,999	5
$240,000 - $249,999	5
$250,000 - $259,999	4
$260,000 - $269,999	4
$270,000 - $279,999	4
$280,000 - $289,999	8
$290,000 - $299,999	3
$300,000 - $309,999	2
$310,000 - $319,999	1
$320,000 - $329,999	3
$340,000 - $349,999	1
$360,000 - $369,999	3
$370,000 - $379,999	1
$390,000 - $399,999	1
$450,000 - $459,999	1
$460,000 - $469,999	1
$480,000 - $489,999	2
$560,000 - $569,999	2
$570,000 - $579,999	1
$580,000 - $589,999	1
$590,000 - $599,999	1
$620,000 - $629,999	1
$640,000 - $649,999	2
$660,000 - $669,999	1
$680,000 - $689,999	1
$760,000 - $769,999	2
$840,000 - $849,999	1
$860,000 - $869,999	1
$1,300,000-$1,309,999	1
$1,410,000-$1,419,999	1
Grand total	293

Director remuneration

Director Remuneration Policy

As described on page 61, the Remuneration Policy explains the Group's remuneration strategy and approach to setting remuneration for directors. A copy of the Remuneration Policy is available on Heartland's website.

Total remuneration available to the Group's non-executive directors is determined by Heartland's shareholders.

At the 2023 Annual Meeting, shareholders approved a resolution to increase the pool available to all non-executive directors to $2,400,000 or AU$2,200,000 (whichever is the greater amount from time to time). There has been no change to the approved director fee pool since this date.

At the Heartland Special Shareholder Meeting to be held on 30 September 2026, Heartland is asking its shareholders to vote on an ordinary resolution that the total annual remuneration available to all non-executive directors of Heartland and its subsidiaries be increased from NZ$2,400,000 or AU$2,200,000 (whichever is the greater amount from time to time) to NZ$2,600,000 or AU$2,350,000[11] (whichever is the greater amount from time to time), an increase of NZ$200,000 or AU$150,000 (8.33% or 6.82% respectively) effective for the financial year ending 30 June 2027 onwards, with such sum to be divided amongst the non-executive directors as the Board may determine from time to time.

In summary, the non-executive director annual fee pool increase is being sought to address the increased number of directors post-completion of the Proposed Transaction and to recognise the time and expertise for board committee roles. Detailed information in relation to the proposal is included in the Notice of Special Meeting which was published to shareholders on 31 August 2026, and a copy of which is available on Heartland's website.

Heartland's policy is to pay directors' fees in cash, rather than in shares or share options. Non-executive directors are not eligible for participation in Heartland's LTI scheme, unless they are also the CEO of Heartland, Heartland Bank or Heartland Bank Australia, in which case their participation in Heartland's LTI scheme is in their executive capacity, not in their capacity as a non-executive director. Retirement payments are not provided, other than superannuation.

There is no requirement for directors to take a portion of their remuneration in shares nor is there a requirement for directors to hold shares in Heartland. However, as at 30 June 2026, a number of the directors held shares, or a beneficial interest in shares, in Heartland (see the Directors' Disclosures section on page 70 of this Annual Report for further details).

External and Independent Advice

During FY2026, the Board engaged Propero as independent remuneration consultants to undertake benchmarking in respect of the annual fee pool available for directors' remuneration. Propero's Independent Board Remuneration Benchmarking Summary Report has been provided to shareholders as part of the materials for Heartland's Special Shareholder Meeting to be held on 30 September 2026. The report includes Propero's assumptions and methodology and an attestation of independence.

Director remuneration outcomes

The table below sets out a breakdown of the Board and Committee fees paid to the non-executive directors of Heartland, Heartland Bank and Heartland Bank Australia (as applicable) for FY2026 based on the position(s) held.[12]

11 An AUD/NZD exchange rate of 0.90 has been applied on the basis that it provides a more representative estimate of the long-term exchange rate between the two currencies compared to the spot rates in recent periods, having regard to historical AUD/NZD movements over the past decade.

12 The Heartland CEO is a non-executive director of Heartland Bank Australia, and the Heartland Bank CEO was a non-executive director of Heartland Bank Australia but retired during FY2026. Neither individual received any additional remuneration in this capacity.

Board/Committee[13]	Position	Fees (per annum)
Board of Directors – Heartland and Heartland Bank	Chair	$175,000
	Member	$120,000
Board of Directors – Heartland Bank Australia	Chair	AU$320,000
	Member	AU$155,000
Board Member of Heartland Bank Board, where also a member of Heartland Board	Member	$25,000
Heartland Bank Australia Board member, where also Heartland Bank Chair	Member	AU$35,000
Heartland Audit & Risk Committee	Chair	$20,000
	Member	Nil
Heartland Sustainability Committee	Chair	$20,000
	Member	Nil
Heartland Bank Audit Committee	Chair	$20,000
	Member	Nil
Heartland Bank Risk Committee	Chair	$20,000
	Member	Nil
Heartland Bank People & Culture and Remuneration Committee	Chair	$20,000
	Member	Nil
Heartland Bank Australia Audit Committee	Chair	AU$25,000
	Member	Nil
Heartland Bank Australia Risk Committee	Chair	AU$25,000
	Member	Nil
Heartland Bank Australia People, Remuneration and Nominations Committee	Chair	AU$25,000
	Member	Nil

The total remuneration received by each non-executive director[14] who held office in Heartland and/or any of its subsidiaries during FY2026 is set out in the table below. Directors' fees exclude GST where appropriate.

01
02
03
04
05
06
07

13 If a director sits on both the Heartland and Heartland Bank Boards, they are only entitled to receive one full fee but receive an additional part fee as set out in the table. The Heartland Corporate Governance, People, Remuneration and Nominations Committee was established on 1 July 2026, so is not included in this table. The Chair of this Committee is paid a fee of $20,000 per annum, consistent with the fees paid to other Heartland Board Committee Chairs.

14 The current Heartland CEO is a non-executive director of Heartland Bank Australia, and the Heartland Bank CEO was a non-executive director of Heartland Bank Australia but retired during FY2026. Neither individual received any additional remuneration in this capacity.

Directors' fees

	Heartland			Heartland Bank			
Director	**Board**	**Audit & Risk Committee**	**Sustainability Committee**	**Board**	**Audit Committee**	**People & Culture and Remuneration Committee**	**Risk Committee**
A J Aitken[2]	-	-	-	-	-	-	-
S Beckett[3, 4]	$120,000	-	-	-	-	-	-
R A Bell	$120,000	-	-	-	-	-	-
S M Buggle[5]	-	-	-	-	-	-	-
E J Harvey	$25,000	$20,000	-	$120,000	-	-	-
B R Irvine	-	-	-	$175,000	-	$20,000	-
L T McGrath[6]	-	-	-	-	-	-	-
K Mitchell	$25,000		$20,000	$120,000	-	-	-
S M Ruha	-	-	-	$120,000	-	-	$20,000
G R Tomlinson	$175,000	-	-	-	-	-	-
S R Tyler	-	-	-	$120,000	$20,000		
G E Summerhayes[7]	-	-	-	-	-	-	-
V Z Yu	-	-	-	-	-	-	-
Total							

1 For the purposes of the total remuneration column in this table, AU$ fees have been converted to NZ$ using an exchange rate of $1.21862 and then rounded.
2 A Aitken retired from the Marac Insurance Limited Board on 31 July 2025.
3 S Beckett was appointed to the Heartland Bank Australia Board on 17 June 2026, with that fee taking effect from 1 July 2026.
4 S Beckett was paid a consultancy fee for additional work in relation to the Proposed Transaction for period 1 September to 31 December 2025.
5 S M Buggle was appointed as Chair of Heartland Bank Australia Risk Committee on 3 April 2026.
6 L T McGrath was appointed as Chair of Heartland Bank Australia Board on 2 April 2026, and stepped down as Chair of the Heartland Bank Australia Risk Committee on 2 April 2026.
7 G E Summerhayes retired as a Director of Heartland Bank Australia on 2 April 2026.

Heartland Bank Australia				Subsidiaries		
Board	Audit Committee	People, Remuneration and Nominations Committee	Risk Committee	Marac Insurance Limited	Additional fees & benefits earned that do not relate to services as a director	Total Remuneration Received [1]
-	-	-	-	$2,696	-	$2,696
-	-	-	-	-	$22,890	$142,890
-	-	-	-	-	-	$120,000
AU$155,000	AU$25,000	-	AU$6,113	-	-	$226,801
-	-	-	-	-	-	$165,000
AU$35,000	-	-	-	-	-	$237,652
AU$195,343	-	-	AU$18,887	-	-	$261,066
-	-	-	-	-	-	$165,000
-	-	-	-	-	-	$140,000
-	-	-	-	-	-	$175,000
-	-	-	-	-	-	$140,000
AU$241,758	-	-	-	-	-	$294,611
AU$155,000	-	AU$25,000	-	-	-	$219,352
						$2,290,067

Shareholder information

Spread of shares

Set out below are details of the spread of shareholders of Heartland as at 1 August 2026 (being a date not more than two months prior to the date of this Annual Report).

Size of holding	Number of shareholders	Total shares	% of issued shares
1 - 1,000	1,398	717,282	0.08
1,001 - 5,000	2,695	7,707,893	0.82
5,001 - 10,000	1,822	13,609,919	1.44
10,001 - 50,000	4,191	99,134,582	10.48
50,001 - 100,000	964	67,776,060	7.17
Greater than 100,000	814	756,720,309	80.01
Total	**11,884**	**945,666,045**	**100**

Twenty largest shareholders

Set out below are details of the 20 largest shareholders of Heartland as at 1 August 2026 (being a date not more than two months prior to the date of this Annual Report).

Rank	Shareholder	Total units	% issued capital[1]
1	Tomlinson Group HGH Limited	83,335,936	8.81
2	HSBC Nominees (New Zealand) Limited	60,454,833	6.39
3	Custodial Services Limited	52,496,163	5.55
4	Bnp Paribas Nominees NZ Limited Bpss40	43,637,794	4.61
5	New Zealand Depository Nominee	35,407,715	3.74
6	Citibank Nominees (NZ) Ltd	34,550,161	3.65
7	Accident Compensation Corporation	29,407,357	3.11
8	FNZ Custodians Limited	29,228,814	3.09
9	JPMORGAN Chase Bank	18,336,823	1.94
10	Forsyth Barr Custodians Limited	18,306,377	1.94
11	Philip Maurice Carter	14,972,472	1.58
12	HSBC Nominees (New Zealand) Limited	13,361,202	1.41
13	Apex Custodian Nominees	13,358,563	1.41
14	Pt Booster Investments Nominees Limited	9,328,226	0.99
15	Jns Capital Limited	9,137,180	0.97
16	New Zealand Superannuation Fund Nominees Limited	8,827,627	0.93
17	Onepoto Investments Holdings Limited	8,557,044	0.90
18	Heartland Trust	6,504,266	0.69
19	Mmc Queen Street Nominees Ltd Acf Salt Long Short Fund	5,736,768	0.61
20	David Lyall Holdings Limited	5,321,559	0.56
	Total	**500,266,880**	**52.88**

1 Includes Heartland treasury stock.

Substantial product holders

As at 30 June 2026, Heartland had 945,666,045[1] ordinary shares on issue and, according to Heartland's records and disclosure notices provided to Heartland, the following entity was a substantial product holder of Heartland.

Name	Number of shares	Class of shares	% of total number of shares in class
Tomlinson Group HGH Limited	83,335,936[2]	Ordinary	8.81

Significant influence

Under the Banking (Prudential Supervision) Act 1989, a person must obtain the prior written consent of the RBNZ before acquiring an interest of 10% or more in Heartland.

Other information

Auditor's fees

PwC has continued to act as auditor of Heartland and its New Zealand subsidiaries. The amount payable by Heartland and its New Zealand subsidiaries to PwC as audit fees during FY2026 was $1,206,000. The amount of fees payable to PwC for non-audit work during FY2026 was $80,000. These non-audit fees were primarily for assurance services on greenhouse gas emissions reporting, registry assurance and trust deed reporting.

The amount payable by Heartland's Australian subsidiaries to PwC as audit fees during FY2026 was $782,000. The amount of fees payable to PwC for non-audit work during FY2026 was $242,000. These non-audit fees were primarily for regulatory assurance engagements, being the prudential reporting audit required under APRA Prudential Standard APS 310 Audit and Related Matters (including Economic and Financial Statistics reporting), the assurance over Financial Claims Scheme obligations required under APRA Prudential Standard APS 910, and the Australian Financial Services Licence audit report required under section 989B of the Corporations Act 2001.

Credit rating

As at the date of this Annual Report, Heartland has a Fitch Australia Pty Limited long-term credit rating of BBB (rating watch positive).

Donations

Heartland made no donations during FY2026. The total amount of donations made by Heartland Bank during FY2026 was $152,112[3]. Heartland Bank Australia made no donations during FY2026. No political donations were made by the Group in FY2026.

Exercise of NZX disciplinary powers

NZX Limited did not exercise any of its powers under Listing Rule 9.9.3 in relation to Heartland and its subsidiaries during FY2026.

NZX waivers

No waivers were granted to Heartland or relied on by Heartland during FY2026.

2 As disclosed by Tomlinson Group HGH Limited to Heartland and the NZX Limited on 6 March 2025. On 6 March 2025, Harrogate Trustee Limited transferred all of its shares in Heartland to Tomlinson Group HGH Limited, a wholly owned subsidiary of Harrogate Trustee Limited, with no change to the underlying beneficial ownership.

3 Heartland Bank donations comprised unclaimed and unallocated customer monies to the Heartland Trust, having been unable to locate the customers concerned, or unable to identify the owner of these monies. The Heartland Trust is a registered charitable trust that is independent from, but closely supported by, Heartland Bank. In FY2026, the Heartland Trust made grants totalling $328,000 to a number of organisations, clubs and schools in New Zealand. See page 41 for more information.

05

financial results

Financial commentary

Heartland has announced NPAT for FY2026 of $93.2 million (up from $38.8 million in 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 ROE and turnaround in profitability, driven by margin expansion and strengthened asset quality.

Overview: FY2026 performance[2]

- ROE was 7.3%. Underlying ROE increased 286 bps to 7.1%.
- Average NIM was 3.95%. Average underlying NIM expanded 36 bps to 3.98%.
- OPEX was $196.0 million, and the 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 significantly strengthened its asset quality. Heartland Bank cleared all Motor Finance NPLs 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 continued to perform well, with Receivables up 16.8% and 19.7% respectively.
- Heartland Bank's Rural[4] portfolio delivered strong Receivables growth of 10.8%.
- Heartland's 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 shares on issue and subsequently merge Heartland Bank and TSB to create a New Zealand challenger bank of scale, with a regional focus. See the Chair and CEO's report on page 3 for more information.
- Final dividend of 3.5 cps.

FY2026 financial metrics	Heartland		
	Reported	Underlying	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%

1 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 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. A reconciliation of FY2026 and FY2025 reported results to underlying results, and a detailed comparison between FY2026 and FY2025 reported and underlying financial information can be found in Heartland's FY2026 Investor Presentation (**IP**) available at heartlandgroup.info.
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 Heartland's FY2026 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.

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.

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 which has been redirected to fund growth.

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.

Capital

Heartland remains well placed to support organic growth, with excess capital held across the Group.

In addition, the RBNZ's 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 MIA conditions), Heartland intends to allocate excess capital towards opportunities that support scale, growth and improved shareholder returns.

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.

NZ banking

Heartland Bank			
FY2026 financial metrics	**Reported**	**Underlying[1]**	**Underlying guidance**
Net operating income (NOI)	$225.8m	$222.7m	No guidance provided
OPEX[11]	$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[12]	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[13]. 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[14] 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

11 Including intercompany group charges.
12 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 Heartland's FY2026 IP.
13 Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.
14 Unsecured Lending includes Personal Lending and Open for Business which are winding down.

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%.[15] Growth was supported by strengthened Livestock Finance intermediary partnerships, expanded regional presence and improved market optimism.

Heartland Bank's Business Finance[13] 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**
Net operating income (NOI)	AU$118.9m	AU$115.2m	No guidance provided
OPEX[11]	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[12]	44.7%	48.6%	<50.0%
Impairment expense ratio[6]	0.11%	0.11%	<0.10%
ROE	9.7%	8.7%	>8.0%

15 As reported by RBNZ, the annual sector growth rate for agricultural lending increased from 0.5% to 1.8% in June 2026.

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.[16]

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.

16 Refer to "Changes in accounting estimates" in Note 20 – Fair Value on page 146.

Financial statements

for the year ended 30 June 2026

GENERAL INFORMATION

These financial statements are issued by Heartland Group Holdings Limited (**HGH**) and its subsidiaries (the **Group**) for the year ended 30 June 2026.

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 of 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.

AUDITOR

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

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 HGH for the year ended 30 June 2026.

The Directors of HGH and their details at the time these financial statements were signed were:

Chair - Board of Directors

Name:	Gregory Raymond Tomlinson
Qualifications:	AME
Type of Director:	Non-Independent Non-Executive Director
Occupation:	Company Director
External Directorships:	Chippies Vineyard Limited, Indevin Group Holdings Limited, Indevin Group Investments Limited, Indevin Group Limited, Mountbatten Trustee Limited, Nearco Stud Limited, Oceania Healthcare Limited, Pelorus Finance Limited, St Leonards Limited, Tomlinson Group Argenta GP Limited, Tomlinson Group NZ Limited, Tomlinson Holdings Limited, Tomlinson Group Investments Limited, Tomlinson Ventures Limited, Brandywine Vineyards Limited, Tomlinson Group HGH Limited.

Name:	Simon Beckett
Qualifications:	BSc (Hons), GAICD
Type of Director:	Independent Non-Executive Director
Occupation:	Company Director
External Directorships:	ORDE Holdings Pty Ltd, ORDE Financial Pty Ltd, ORDE Capital Management Limited, ORDE Mortgage Custodian Pty Ltd, ORDE Securitisation Management Pty Ltd, First Avenue Ventures Pty Ltd, First Avenue Capital Pty Ltd, Karia Technology Pty Ltd, Fund2Market Holdings Pty Ltd.

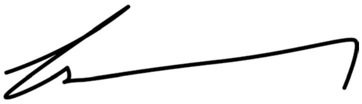
Name: Robert Bell
Qualifications: BBus
Type of Director: Independent Non-Executive Director
Occupation: Company Director
External Directorships: Liveheats Pty Ltd, 86 Elwood Pty Ltd, Moonova Payments Pty Ltd.

Name: Edward John Harvey
Qualifications: BCom, CA, CFInstD
Type of Director: Independent Non-Executive Director
Occupation: Company Director
External Directorships: (excluding HGH subsidiaries): Napier Port Holdings Limited, Pomare Investments Limited, Port of Napier Limited.

Name: Kathryn Mitchell
Qualifications: BA, CMInstD
Type of Director: Independent Non-Executive Director
Occupation: Company Director
External Directorships: (excluding HGH subsidiaries): Chambers @ 151 Limited, Christchurch International Airport Limited, Firsttrax Approvals Limited, Link Engine Management Limited, Link Engine Management International (NZ) Limited, Zentera Wool Limited, The A2 Milk Company Limited, Purepods Limited, MyRaceLab Limited, Link Engine Management (NZ) Limited, Link Engine Management USA Inc, Link Engine Management Pty Ltd, Link Engine Management EU B.V, Prorace Studio Limited, Link ECU Limited.

DIRECTORS' STATEMENTS

The financial statements are dated 19 August 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 year ended 30 June 2026

$000's	Note	June 2026	June 2025
Interest income:			
Effective interest method	3	334,717	400,416
Fair value through profit or loss	3	329,926	305,449
Total interest income		**664,643**	**705,865**
Interest expense	3	326,734	398,558
Net interest income		**337,909**	**307,307**
Operating lease income	4	4,777	6,054
Operating lease expense	4	3,398	4,299
Net operating lease income		**1,379**	**1,755**
Lending and credit fee income		12,507	13,981
Other income/(expense)	5	7,074	(1,776)
Net operating income		**358,869**	**321,267**
Operating expenses	6	195,977	192,543
Profit before net fair value gain on equity investments, investment property, losses on guaranteed future value products, impaired asset expense and income tax		**162,892**	**128,724**
Net fair value gain on equity investments and investment property		3,055	1,623
Losses on guaranteed future value products		–	1,504
Impaired asset expense	8	33,534	71,638
Profit before income tax		**132,413**	**57,205**
Income tax expense	9	39,186	18,392
Profit for the year		**93,227**	**38,813**
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	17	5,570	(13,848)
Movement in fair value of debt investments at fair value through other comprehensive income (**FVOCI**)	17	313	1,551
Movement in foreign currency translation reserve	17	64,021	(6,905)
Items that will not be reclassified to profit or loss, net of income tax:			
Movement in fair value of equity investments at FVOCI	17	(1)	(1,805)
Other comprehensive income/(loss) for the year, net of income tax		**69,903**	**(21,007)**
Total comprehensive income for the year		**163,130**	**17,806**
Earnings per share			
Basic earnings per share	10	9.89	4.14
Diluted earnings per share	10	9.89	4.14

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

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

Statement of Changes in Equity

For the year ended 30 June 2026

$000's	Note	June 2026 Share Capital	June 2026 Reserves	June 2026 Retained Earnings	June 2026 Total Equity	June 2025 Share Capital	June 2025 Reserves	June 2025 Retained Earnings	June 2025 Total Equity
Balance at beginning of year		**1,028,275**	**(28,782)**	**219,559**	**1,219,052**	**1,018,954**	**(8,496)**	**227,411**	**1,237,869**
Total Comprehensive income/(loss) for the year									
Profit for the year		–	–	93,227	93,227	–	–	38,813	38,813
Other comprehensive income/(loss), net of income tax	17	–	69,903	–	69,903	–	(21,007)	–	(21,007)
Total comprehensive income for the year		**–**	**69,903**	**93,227**	**163,130**	**–**	**(21,007)**	**38,813**	**17,806**
Transactions with owners									
Dividends paid	16	–	–	(51,789)	(51,789)	–	–	(46,665)	(46,665)
Dividend reinvestment plan	16	5,603	–	–	5,603	9,321	–	–	9,321
Share based payments	27	–	787	–	787	–	721	–	721
Total transactions with owners		**5,603**	**787**	**(51,789)**	**(45,399)**	**9,321**	**721**	**(46,665)**	**(36,623)**
Transfer on disposal of equity investments at FVOCI	17	–	6,052	(6,052)	–	–	–	–	–
Balance at end of the year		**1,033,878**	**47,960**	**254,945**	**1,336,783**	**1,028,275**	**(28,782)**	**219,559**	**1,219,052**

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

Statement of Financial Position

As at 30 June 2026

$000's	Note	June 2026	June 2025
Assets			
Cash and cash equivalents		385,268	356,229
Collateral paid		5,129	14,239
Investments	11	820,300	790,044
Derivative financial instruments	12	5,034	4,792
Finance receivables measured at amortised cost	13	3,418,184	3,711,450
Finance receivables - reverse mortgages	20	4,358,190	3,370,949
Investment properties		3,890	4,390
Operating lease vehicles	14	16,280	15,561
Right-of-use assets	18	12,070	12,223
Other assets	18	49,026	44,949
Current tax asset		8,496	35,449
Intangible assets	18	277,634	265,222
Deferred tax asset	9	15,618	21,953
Total assets		**9,375,119**	**8,647,450**
Liabilities			
Deposits	15	7,156,768	6,529,953
Other borrowings	15	790,541	825,454
Derivative financial instruments	12	10,966	20,660
Lease liabilities	18	14,253	14,390
Trade and other payables	18	65,439	36,620
Deferred tax liability	9	369	1,321
Total liabilities		**8,038,336**	**7,428,398**
Net assets		**1,336,783**	**1,219,052**
Equity			
Share capital	16	1,033,878	1,028,275
Retained earnings and other reserves	17	302,905	190,777
Total equity		**1,336,783**	**1,219,052**

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

Statement of Cash Flows

For the year ended 30 June 2026

$000's	Note	June 2026	June 2025
Cash flows from operating activities			
Interest received		359,088	449,348
Operating lease income received		4,196	5,417
Lending, credit fees and other income received		10,204	11,337
Operating inflows		**373,488**	**466,102**
Interest paid		(318,589)	(410,617)
Payment for early extinguishment of borrowings		(2,271)	–
Payments to suppliers and employees		(191,231)	(179,419)
Taxation paid		(2,428)	(31,420)
Operating outflows		**(514,519)**	**(621,456)**
Net cash flows applied to operating activities before changes in operating assets and liabilities		**(141,031)**	**(155,354)**
Collateral paid		(27,300)	(42,680)
Collateral received		36,380	26,110
Proceeds from sale of operating lease vehicles	14	5,772	2,561
Purchase of operating lease vehicles	14	(8,972)	(3,249)
Net decrease in finance receivables measured at amortised cost		265,535	464,299
Net (increase) in finance receivables - reverse mortgages		(326,305)	(220,324)
Net movement in deposits		316,715	601,836
Net cash flows from operating activities		**120,794**	**673,199**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(3,504)	(4,410)
Proceeds from investment securities		812,386	2,032,633
Purchase of investment securities		(788,205)	(1,725,205)
Proceeds from sale of rural property assets and investment property		10,099	–
Proceeds from sale of equity investments		10,189	68
Purchase of equity investment		–	(252)
Consideration adjustment related to acquisition of subsidiary		–	1,404
Net cash flows from investing activities		**40,965**	**304,238**
Cash flows from financing activities			
Proceeds from wholesale borrowings	15	258,364	424,614
Repayment of wholesale borrowings	15	(239,968)	(1,311,047)
Repayment of unsubordinated notes	15	(113,559)	(321,347)
Dividends paid	16	(44,357)	(37,344)
Payment of lease liabilities		(3,674)	(3,723)
Net cash flows applied to financing activities		**(143,194)**	**(1,248,847)**
Net increase/(decrease) in cash and cash equivalents		**18,565**	**(271,410)**
Effect of exchange rates on cash and cash equivalents		10,474	(1,980)
Opening cash and cash equivalents		356,229	629,619
Closing cash and cash equivalents[1]		**385,268**	**356,229**

[1]At 30 June 2026, the Group has $75.6 million (2025: $66.3 million) of cash held by structured asset holding entities (**Trusts**) which may only be used for the purposes defined in the underlying Trust documents. Refer to Note 26 - Structured entities for definition of trusts and further details.

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

Statement of Cash Flows (continued)

For the year ended 30 June 2026

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

$000's	Note	June 2026	June 2025
Profit for the year		**93,227**	**38,813**
Add/(less) non-cash items:			
Depreciation and amortisation expense		16,546	17,145
Depreciation on lease vehicles	14	3,106	3,923
Capitalised net interest income and fee income		(297,256)	(278,849)
Impaired asset expense excluding bad debt recoveries	8	37,604	73,393
Losses on guaranteed future value products		—	1,504
Fair value movements		(3,055)	(10,420)
Deferred tax		5,552	3,095
Other non-cash items		(7,932)	2,821
Total non-cash items		**(245,435)**	**(187,388)**
Add/(less) movements in operating assets and liabilities:			
Finance receivables measured at amortised cost		265,535	464,299
Finance receivables - reverse mortgages		(326,305)	(220,324)
Operating lease vehicles		(3,825)	(1,223)
Other assets		(10,987)	(22,605)
Current tax		34,636	(18,682)
Derivative financial instruments		(9,936)	19,167
Deposits		316,715	601,836
Other liabilities		7,169	(694)
Total movements in operating assets and liabilities		**273,002**	**821,774**
Net cash flows from operating activities		**120,794**	**673,199**

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

Notes to the Financial Statements

For the year ended 30 June 2026

1 Financial statements preparation

Reporting entity

The financial statements presented are the consolidated financial statements comprising Heartland Group Holdings Limited (**HGH**) and its controlled entities (the **Group**). Refer to Note 25 – Significant subsidiaries for further details.

HGH is a company incorporated in New Zealand under the Companies Act 1993 and a Financial Market Conduct (**FMC**) reporting entity for the purposes of the Financial Markets Conduct Act 2013 **(FMCA)**.

HGH is a designated climate reporting entity (**CRE**) and is required to produce annual mandatory group climate statements under the FMCA and Aotearoa New Zealand Climate Standards (**NZ CS**). A copy of the Climate Statement will be available on HGH's website at https://www.heartlandgroup.info/sustainability, once issued. Refer to Note 21 - Enterprise risk management program for further details.

Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**), the New Zealand Exchange (**NZX**) Main Board Listing Rules and the Australian Securities Exchange (**ASX**) Listing Rules. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards Accounting Standards (**IFRS Accounting Standards**) as issued by the International Accounting Standards Board.

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

The financial statements have been prepared on a going concern basis after considering the Group's funding and liquidity position.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

The Group has revised the presentation and disclosure of certain line items within the financial statements to ensure consistency across financial periods presented. Refer to the relevant notes for further details. These revised presentations have no impact on the overall financial performance, financial position or cash flows for the comparative year.

Basis of measurement

The 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 as identified in the accounting policies set out in the accompanying notes to the financial statements.

Principles of consolidation

The financial statements of the Group incorporate the assets, liabilities and results of all controlled entities. Controlled entities are all entities in which the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Intercompany transactions, balances and any unrealised gains or losses except for foreign currency transaction gains or losses between controlled entities are eliminated.

Assets and liabilities in a transactional currency that is not the New Zealand dollar (**NZD**) are translated at the exchange rates ruling at balance date. Revenue and expense items are translated at the average rate for the year. Exchange differences are taken to other comprehensive income within the statement of comprehensive income.

1 Financial statements preparation (continued)

Changes in accounting standards

Accounting standards issued and effective

Changes in accounting policy

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

Accounting standards issued not yet effective

The impact assessment below is yet to consider the potential implications as a result of the proposed merger with TSB Bank Limited (see Significant events below).

Except for the disclosure below, other amendments to existing NZ IFRSs and IFRS Accounting Standards are either irrelevant or not material to the financial statements of the Group.

Presentation and Disclosure in Financial Statements (NZ IFRS 18)

NZ IFRS 18 was issued in May 2024 to replace NZ IAS 1 Presentation of Financial Statements (**NZ IAS 1**) when applied.

NZ IFRS 18 will not have an impact on the recognition and measurement of items in the financial statements. However, it is expected to have a significant effect on their presentation and disclosure. These changes include categorisation and sub-totals in the statement of comprehensive income, aggregation/disaggregation and labelling of information, and disclosure of management defined performance measures.

NZ IFRS 18 also results in consequential amendments to other various NZ IFRS Accounting Standards.

NZ IFRS 18 will be effective for the Group's reporting period beginning on 1 July 2027. The Group is currently assessing the impact and will disclose more detailed assessments in the future.

The Group will also consider relevant agenda decisions issued, updated and withdrawn by the IFRS Interpretations Committee and the International Accounting Standards Board as part of the assessment.

Amendments to the Classification and Measurement of Financial Instruments (the Amendments)

The Amendments to NZ IFRS 9 : Financial Instruments (**NZ IFRS 9**) and NZ IFRS 7 Financial Instruments: Disclosures (**NZ IFRS 7**) were issued in June 2024, in response to matters identified during the post-implementation review of the classification and measurement requirements of NZ IFRS 9.

The Amendments provide additional guidance on various areas in NZ IFRS 9 and introduce additional disclosure requirements in NZ IFRS 7. The areas that are relevant to the Group are:

- NZ IFRS 9: derecognition timing of financial liabilities settling through electronic payment systems. The Group plans to apply the exception introduced by the Amendments and derecognise financial liabilities upon initiating related payment instructions instead of on the dates when the funds are withdrawn from the Group's bank accounts.
- NZ IFRS 7: certain additional disclosures on disposal of equity investments at fair value through other comprehensive income.

The Amendments will be effective for the Group's reporting period beginning on 1 July 2026. The Group plans to apply the transition provision of the Amendments and apply any change prospectively.

IFRS 20 Regulatory Assets and Regulatory Liabilities (**IFRS 20**)

The IASB issued IFRS 20 in May 2026. The standard sets out the accounting requirements for entities subject to a specific type of rate regulations. This standard will become effective, if relevant to the Group, from its reporting period beginning on 1 July 2029. Management will consider the implications of this new standard in the future.

1 Financial statements preparation (continued)

Critical accounting estimates and judgements

The Group’s financial statements requires the use of estimates and judgements, including the changes in accounting estimates during the year. This note provides an overview of the areas that involve a higher degree of judgement or complexity. Detailed information about each of these estimates and judgements is included in the relevant notes together with the basis of calculation for each affected item in the financial statements.

- Provisions for impairment on finance receivables at amortised cost - The effect of credit risk is quantified based on the Group's best estimate of future cash repayments and proceeds from any security held or by reference to risk profile groupings, historical loss data and forward-looking information. Refer to Note 13 - Finance receivables measured at amortised cost for further details.
- Recognition of Banking Licence intangible asset - The recognition of Banking Licence intangible asset required judgement in determining external and internal costs directly attributable to the Group’s joint application for an Australian Authorised Deposit-Taking Institution Licence with Heartland Bank Australia Limited (**HBA**). Judgement is also required to determine whether such costs fulfil the definition and recognition criteria of an intangible asset. Such costs include professional fees and costs of employee benefits arising directly from the licence application. Refer to Note 18 - Other balance sheet items for further details.
- Fair value of reverse mortgages - Judgement is applied in determining the appropriateness of the fair value. Refer to Note 20 - Fair value for further details, including the changes in accounting estimates during the year.
- Goodwill - The Group carries out impairment testing annually over the carrying value of goodwill of its cash generating units (**CGU**). Uncertainty is involved in estimating value in use and judgement is applied in assumptions used to determine the recoverable amount of a CGU for impairment testing. Refer to Note 18 - Other balance sheet items for further details.

Assumptions made at each reporting date (e.g., the calculation of the provision for impairment and fair value adjustments) are based on best estimates as at that date. Although the Group has internal controls in place to ensure that estimates can be reliably measured, actual amounts may differ from these estimates. The estimates and judgements used in the preparation of the Group’s financial statements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity. Revisions to accounting estimates are recognised in the reporting period in which the estimates are revised and in any future periods affected.

Significant events and transactions

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 year ended 30 June 2026, the Group made significant progress in reducing its exposure to NSAs.

Key transactions completed during the year included:

- Accelerated exits from Rural, Business Relationships and Home loan borrowers through the settlements, sale of security and refinancing, included within finance receivables at amortised cost in the statement of financial position.
- Sale of one of two dairy farms, both previously included as property, plant and equipment under other assets in the statement of financial position, with the remaining farm now classified as an asset held for sale following a conditional offer at balance date.
- Continuous divestments of the Group's equity investments.

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 profit or loss for the year.

Reduction of regulatory capital overlay

The Reserve Bank of New Zealand has issued revised Conditions of Registration (**CoR**) to Heartland Bank Limited, effective from 1 March 2026. These revisions reduced the regulatory capital overlay applicable to the Banking Group and the New Zealand Banking Group from 2.00% to 0.50%.

1 Financial statements preparation (continued)

Significant events and transactions (continued)

Reduction of regulatory capital overlay (continued)

As a result, the minimum regulatory capital ratios for the Banking Group and the New Zealand Banking Group were reduced 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%

Proposed transaction with TSB Bank Limited

On 2 June 2026, the Group announced a conditional agreement to acquire all shares of TSB Bank Limited from Toi Foundation for $620 million and subsequently merged Heartland Bank Limited with TSB Bank Limited to form TSB Heartland Bank Limited. The proposed transaction remains subject to Toi Foundation and Heartland shareholder approvals and the necessary regulatory approvals. The Group will account for this proposed transaction upon completion.

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

Financial assets and liabilities

Financial Assets

Financial assets are classified based on:

- The business model within which the assets are managed; and
- Whether the contractual cash flows of the instrument represent solely payment of principal and interest (**SPPI**).

The Group determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model, the Group considers factors including how performance and risks are managed, evaluated and reported and the frequency and volume of, and reason for sales in previous periods.

Financial assets are classified into the following measurement categories:

Financial Assets	Measurement Category	Note
Government securities, public sector securities, bank bonds, corporate bonds and floating rate notes	Fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL)	11
Equity securities	FVOCI and FVTPL	11
Finance receivables – Reverse mortgages	FVTPL	20
Finance receivables	Amortised cost	13
Derivative financial instruments	FVTPL	12

Financial assets measured at amortised cost
Financial assets are measured at amortised cost if they are held within a business model whose objective is achieved through holding the financial asset to collect contractual cash flows which represent SPPI.

Financial assets at amortised cost are initially recognised at fair value plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Financial assets measured at FVOCI
Financial assets are measured at FVOCI if they are held within a business model whose objective is achieved both through collecting contractual cash flows which represent SPPI or selling the financial asset.

Financial assets at FVOCI are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for interest income, impairment charges and foreign exchange gains and losses, which are recognised in profit or loss.

1 Financial statements preparation (continued)

Financial assets and liabilities (continued)

Financial Assets (continued)

Financial assets measured at FVTPL

Financial assets are measured at FVTPL if:

- they are held within a business model whose objective is achieved through selling or repurchasing the financial asset in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking; or
- the contractual cash flows of the financial asset do not represent SPPI on the principal balance outstanding; or
- they are designated at FVTPL upon initial recognition to eliminate or reduce an accounting mismatch.

Financial assets at FVTPL are initially measured at fair value with subsequent changes in fair value recognised in profit or loss. Related transaction costs are expensed in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents include demand deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Financial Liabilities

Financial liabilities are classified into the following measurement categories:

- those to be measured at amortised cost;
- those to be measured at FVTPL.

Financial liabilities measured at amortised cost

Financial liabilities are measured at amortised cost if they are not held for trading or designated at FVTPL. Financial liabilities measured at amortised cost are accounted for using the effective interest rate method.

Financial liabilities measured at FVTPL

Financial liabilities are measured at FVTPL if:

- they are derivatives; or
- they are held for trading where the principal objective is achieved through selling or repurchasing the financial liability in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking; or
- they are designated at FVTPL upon initial recognition to eliminate or reduce an accounting mismatch.

Financial liabilities at FVTPL are initially measured at fair value with subsequent changes in fair value recognised in profit or loss.

Further details of the accounting policy for each category of financial asset or financial liability mentioned above is set out in the note for the relevant item.

The Group's policies for determining the fair value of financial assets and financial liabilities are set out in Note 20 - Fair value.

Recognition

The Group initially recognises finance receivables and borrowings on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at FVTPL) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

1 Financial statements preparation (continued)

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with the retention of all or substantially all risks and rewards include, for example, securitised assets and repurchase transactions.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in profit or loss.

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. This information is presented in accordance with NZ IFRS and included in the measurement of segment profit or loss to enable the evaluation of the nature and financial effects of the Group's business activities and operating environment.

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.

2 Segmental analysis (continued)

$000's	Motor	Reverse Mortgages	Personal Lending	Business	Rural	Australian Banking Group	Other	Total
June 2026								
Net interest income	70,176	63,197	2,074	38,788	32,580	130,815	279	337,909
Lending and credit fee income	3,222	2,737	193	2,714	624	3,017	–	12,507
Net other income	754	–	9	896	270	4,719	1,805	8,453
Net operating income	**74,152**	**65,934**	**2,276**	**42,398**	**33,474**	**138,551**	**2,084**	**358,869**
Personnel expenses	6,260	2,218	3,128	4,343	2,419	28,027	51,421	97,816
Other expenses	1,789	5,445	1,064	785	1,161	35,511	52,406	98,161
Operating expenses	**8,049**	**7,663**	**4,192**	**5,128**	**3,580**	**63,538**	**103,827**	**195,977**
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	**66,103**	**58,271**	**(1,916)**	**37,270**	**29,894**	**75,013**	**(101,743)**	**162,892**
Net fair value gain on equity investments and investment property	–	–	–	–	–	–	3,055	3,055
Losses on guaranteed future value products	–	–	–	–	–	–	–	–
Impaired asset expense	12,066	–	202	13,745	4,412	3,109	–	33,534
Profit/(loss) before income tax	**54,037**	**58,271**	**(2,118)**	**23,525**	**25,482**	**71,904**	**(98,688)**	**132,413**
Income tax expense	–	–	–	–	–	21,607	17,579	39,186
Profit/(loss) for the year	**54,037**	**58,271**	**(2,118)**	**23,525**	**25,482**	**50,297**	**(116,267)**	**93,227**
Total assets	**1,724,400**	**1,440,707**	**43,143**	**670,182**	**680,559**	**4,161,570**	**654,558**	**9,375,119**
Total liabilities[1]								**8,038,336**

2 Segmental analysis (continued)

$000's	Motor	Reverse Mortgages	Personal Lending	Business	Rural	Australian Banking Group	Other	Total
June 2025								
Net interest income	69,467	55,861	5,187	49,144	32,686	94,749	213	307,307
Lending and credit fee income	5,298	2,472	(187)	3,595	511	2,292	–	13,981
Net other income	765	–	10	1,085	1,469	641	(3,991)	(21)
Net operating income	**75,530**	**58,333**	**5,010**	**53,824**	**34,666**	**97,682**	**(3,778)**	**321,267**
Personnel expenses	5,524	2,030	3,289	5,762	2,253	21,458	58,031	98,347
Other expenses	1,653	3,516	2,089	1,394	869	30,796	53,879	94,196
Operating expenses	**7,177**	**5,546**	**5,378**	**7,156**	**3,122**	**52,254**	**111,910**	**192,543**
Profit/(loss) before fair value loss on equity investments, losses on guaranteed future value products, impaired asset expense and income tax	**68,353**	**52,787**	**(368)**	**46,668**	**31,544**	**45,428**	**(115,688)**	**128,724**
Net fair value gain on equity investments and investment property	–	–	–	–	–	–	1,623	1,623
Losses on guaranteed future value products	1,504	–	–	–	–	–	–	1,504
Impaired asset expense	19,218	–	639	44,812	4,084	2,885	–	71,638
Profit/(loss) before income tax	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**42,543**	**(114,065)**	**57,205**
Income tax expense	–	–	–	–	–	12,756	5,636	18,392
Profit/(loss) for the year	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**29,787**	**(119,701)**	**38,813**
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 $3,593 million (2025 $2,713 million) attributable to the Australian Banking Group segment.

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3 Net interest income

Policy

Interest income and expense on financial instruments at amortised cost or FVOCI is measured using the effective interest rate method, which discounts the financial instruments' future cash flows to their present value and allocates the interest income or expense over the life of the financial instrument. The effective interest rate is established on initial recognition of the financial assets or liabilities and is not subsequently revised. For these financial instruments, the calculation of the effective interest rate includes all yield related fees and commissions paid or received that are an integral part of the underlying financial instrument. Costs of the deposit compensation levy are also included under interest expense on deposits.

Interest income is calculated based on the gross carrying amount of financial assets in stages 1 and 2 of the Group's expected credit losses (ECL) model and on the carrying amount net of the provision for ECL for financial assets in stage 3.

For non-derivative financial assets measured at FVTPL, interest is calculated based on implied effective interest rate based on the initial fair value of the assets. For derivative instruments, the interest is accrued based on the agreed rates of corresponding pay legs and receive legs.

$000's	**June 2026**	**June 2025**
Interest Income		
Calculated using the effective interest method		
Cash and cash equivalents	9,867	12,302
Investments measured at FVOCI	33,970	33,152
Finance receivables measured at amortised cost	290,880	354,962
Total interest income calculated using the effective interest method	**334,717**	**400,416**
Fair value through profit or loss		
Investments measured at FVTPL	31	7,416
Finance receivables - reverse mortgages	329,895	298,033
Total interest income on financial assets measured at FVTPL	**329,926**	**305,449**
Total interest income	**664,643**	**705,865**
Interest Expense		
Calculated using the effective interest method		
Deposits	268,746	311,922
Other borrowings	45,845	95,885
Total interest expense calculated using the effective interest method	**314,591**	**407,807**
Fair value through profit or loss		
Net interest expense/(income) on derivative financial instruments	12,143	(9,249)
Total net interest expense/(income) on derivative financial instruments measured at FVTPL	**12,143**	**(9,249)**
Total interest expense	**326,734**	**398,558**
Net interest income	**337,909**	**307,307**

4 Net operating lease income

Policy

As a lessor, the Group retains substantially all the risks and rewards incidental to ownership of the assets and therefore, classifies the leases as operating leases. Rental income and expense from operating leases are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Profits on the sale of operating lease assets are included as part of operating lease income. Current year depreciation and losses on the sale of operating lease assets are included as part of operating lease expenses. The leased assets are depreciated over their useful lives on a basis consistent with similar assets.

$000's	June 2026	June 2025
Operating lease income		
Lease income	4,152	5,455
Gain on disposal of lease assets	625	599
Total operating lease income	**4,777**	**6,054**
Operating lease expense		
Depreciation of lease assets	3,106	3,923
Direct lease costs	292	376
Total operating lease expense	**3,398**	**4,299**
Net operating lease income	**1,379**	**1,755**

5 Other income

Policy
Rental income from investment properties
Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Fair value gain or loss on derivative financial instruments
The Group does not apply hedge accounting on foreign exchange contracts. The gain or loss on foreign exchange forwards is included as part of foreign exchange gain/(loss) in other income. Hedging ineffectiveness arising from fair value hedges and cash flow hedges (see Note 12 - Derivative financial instruments) is presented in other income together with any fair value change of interest rate swaps not subject to any hedges.

Fair value gain or loss on non-derivative financial instruments
A fair value gain or loss on certain non-derivative financial instruments is recognised in profit or loss for financial instruments held at fair value through profit or loss. The cumulative gain or loss on debt instruments, recognised in other comprehensive income, is subsequently reclassified to profit or loss on disposal of the instrument. Refer to Note 11 – Investments for further details.

$000's	**June 2026**	**June 2025**
Rental income from investment properties	296	584
Fair value gain/(loss) on derivative instruments measured at fair value	8	(5,142)
Fair value gain on non-derivative financial instruments[1]	7,016	441
Other income[2]	1,847	2,006
Loss on early extinguishment of borrowings[3]	(2,271)	—
Foreign exchange gain	178	335
Total other income/(expense)	**7,074**	**(1,776)**

[1] Includes (a) realised and unrealised gains/(losses) on investments in government securities, bank bonds and floating rate notes of $0.1 million relating to HBA (2025: $0.4 million) (See Note 11 - Investments for further details) and (b) fair value adjustment of $6.9 million arising from a change in the broker commission estimate in the current year (see Note 20 - Fair value for further details).

[2]Other income for the year ended 30 June 2026 includes (a) $1.1 million income generated from rural properties under management of the Group (2025: $1.5 million), (b) a realised loss of $0.8 million from the sale of a rural property/dairy farm (Refer to Note 1 - Financial statements preparation for further details) and (c) $1.5 million use of money interest received from income tax prepayments.

[3]Refer to Unsubordinated note section of Note 15 - Borrowings for further details.

6 Operating expenses

Policy

Operating expenses are recognised as the underlying service is rendered or over the period in which an asset is consumed or a liability is incurred.

$000's	June 2026	June 2025
Personnel expenses[1]	97,816	98,347
Directors' fees	2,201	2,196
Superannuation	4,169	3,594
Depreciation - property, plant and equipment	1,597	1,933
Legal and professional fees[2]	15,098	9,477
Advertising and public relations	6,285	3,137
Depreciation - right-of-use assets	3,635	3,703
Technology services and communications	25,469	20,960
Customer administration costs	11,573	11,117
Customer onboarding costs	2,648	2,730
Occupancy costs	2,886	3,038
Amortisation of intangible assets	11,314	11,509
Other operating expenses[3]	11,286	20,802
Total operating expenses	**195,977**	**192,543**

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

[2]Legal and professional fees include compensation of auditor which is disclosed in Note 7 - Compensation of auditor and $5.5 million of acquisition-related expenses as disclosed in Note 1 - Financial statements preparation - Significant events.

[3]Other operating expenses mainly comprise the non-recoverable proportion of goods and services tax (**GST**), debt recovery fees, insurance and project expenses.

7 Compensation of auditor

The fees payable to the auditors, PricewaterhouseCoopers (**PwC**) are outlined in the below table:

$000's	June 2026	June 2025
Fees paid to auditor		
Audit and review of financial statements		
Current year[1]	1,920	1,811
Additional prior year[1]	68	56
Total audit and review of financial statements	**1,988**	**1,867**
Audit or review related services		
APRA regulatory reporting and Australian Financial Services Licence reporting assurance services - current year	242	200
Insurance solvency return assurance services - additional for prior year	–	4
Registry assurance services	12	12
Trust deed reporting services	4	3
Total audit or review related services	**258**	**219**
Other assurance services and other agreed-upon procedures		
Greenhouse gas emissions assurance services	64	61
Total other assurance services and other agreed-upon procedures	**64**	**61**
Other services		
Provision of executive reward survey report	–	4
Total compensation of auditor	**2,310**	**2,151**

[1]Fees are for both the audit of the annual financial statements and review of the interim financial statements. This includes limited assurance on disclosures of capital adequacy and regulatory liquidity requirements.

8 Impaired asset expense

$000's	June 2026	June 2025
Individually impaired asset expense	25,864	24,730
Collectively impaired asset expense	11,740	48,663
Total impaired asset expense excluding recovery of amounts previously written off to the income statement	**37,604**	**73,393**
Recovery of amounts previously written off to the income statement	(4,070)	(1,755)
Total impaired asset expense	**33,534**	**71,638**

Refer to Note 13 - Finance receivables measured at amortised cost for provision for impairment details.

9 Taxation

Policy

Income tax

Income tax expense for the year comprises current tax and movements in deferred tax balances, including any adjustment required for prior years' tax expense. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity, respectively.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable or receivable in respect of previous years. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. As required by NZ IAS 12 Income Taxes, a deferred tax asset is recognised only to the extent that it is probable that a future taxable profit will be available to realise the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST. As the Group is predominantly involved in providing financial services, only a proportion of GST paid on inputs is recoverable. The non-recoverable proportion of GST is treated as an expense or, if relevant, as part of the cost of acquisition of an asset.

9 Taxation (continued)

Income tax expense

$000's	June 2026	June 2025
Income tax recognised in profit or loss		
Current tax		
Current year	33,647	13,375
Adjustments for prior year	(13)	2,520
Deferred tax		
Current year	6,441	4,633
Adjustments for prior year	(889)	(2,136)
Total income tax expense recognised in profit or loss	**39,186**	**18,392**
Income tax recognised in other comprehensive income		
Current tax		
Investment securities at fair value and fair value hedge adjustments in fair value reserve	180	592
Fair value movements in derivatives held in cash flow hedge reserve	2,355	(3,193)
Deferred tax		
Movement in cash flow hedge reserve relating to terminated swap	(169)	–
Total income tax expense/(benefit) recognised in other comprehensive income	**2,366**	**(2,601)**
Reconciliation of tax expense and accounting profit		
Profit before income tax	**132,413**	**57,205**
Tax at local income tax rate (NZ:28%, Australia:30%)	38,514	16,868
Adjusted tax effects of items not deductible	1,574	1,140
Adjustments for prior year	(902)	384
Total income tax expense	**39,186**	**18,392**

9 Taxation (continued)

Deferred tax assets comprise the following temporary differences:

$000's	June 2026	June 2025
Employee entitlements	4,405	3,253
Share based payment	413	202
Provision for impairment	16,007	20,881
Intangibles and property, plant and equipment	(5,632)	(3,767)
Right-of-use assets	(3,452)	(3,536)
Lease liabilities	4,074	4,152
Deferred acquisition costs	–	(6)
Operating lease vehicles	(528)	(357)
Deferred income	(4,866)	(5,758)
Tax loss	4,361	5,996
Other temporary differences	467	(428)
Total deferred tax	**15,249**	**20,632**
Opening balance of deferred tax	**20,632**	**23,727**
Movement recognised in profit or loss	(5,552)	(2,497)
Movement recognised in other comprehensive income	169	–
Change in recognition of deferred tax asset	–	(598)
Closing balance of deferred tax	**15,249**	**20,632**

Imputation credit account

$000's	June 2026	June 2025
Imputation credits available for use in subsequent reporting periods	18,670	48,761

10 Earnings per share

	June 2026			June 2025		
$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	9.89	93,227	942,792	4.14	38,813	936,613
Diluted Earnings	9.89	93,227	942,792	4.14	38,813	936,613

Financial Position

11 Investments

Policy

Investments are classified into one of the following categories:

Fair value through other comprehensive income
This category includes (a) debt securities such as bank and corporate bonds, public sector bonds, and floating rate notes; and (b) equity securities. Debt securities are measured at FVOCI where such investments are held within the business model whose objective is achieved through both collecting contractual cash flows or selling the assets; and the collection of such cash flows represent solely payments of principal and interest on the principal amount outstanding. Equity securities are measured at FVOCI where the Group has irrevocably elected to account for these in such manner at initial recognition. Subsequent changes in fair value of these investments are recognised in other comprehensive income and accumulated in the fair value reserve.

The cumulative gain or loss on debt securities above is subsequently reclassified to other income/(expense) in the profit or loss upon subsequent disposal. The gain or loss on equity securities, however, is not reclassified to profit or loss upon disposal. The Group may elect to transfer such gain or loss to retained earnings when a sale occurs.

Fair value through profit or loss
Investments under this category are (a) those debt securities not measured at FVOCI described above or amortised cost (like the Group's lending to customers); and (b) equity securities where the Group does not elect to measure at FVOCI at initial recognition. These investments are measured at fair value at initial recognition. Any transaction costs are expensed as incurred in profit or loss.

Subsequent changes in fair value of these investments are recognised within profit or loss.

$000's	June 2026	June 2025
Investments measured at FVOCI		
Bank bonds and floating rate notes	269,688	274,571
Public sector securities and corporate bonds	545,420	500,658
Equity investments	5,192	5,664
Investments measured at FVTPL		
Government securities, bank bonds and floating rate notes[1]	–	2,174
Equity investments	–	6,977
Total investments	**820,300**	**790,044**
Due within one year	215,469	206,841
Due more than one year	599,639	570,562
Total investments in debt securities	**815,108**	**777,403**

[1]Includes HBA's investments acquired prior to the acquisition of HBA by HBL on 30 April 2024. Effective 1 July 2024, HBA adopted a business model whose objective is achieved through both the collection of contractual cash flows and the sale of debt securities. Accordingly, HBA's acquired debt securities since that date have been measured at FVOCI, in alignment with the Group's policies. Refer to Note 20 - Fair value for further details.

12 Derivative financial instruments

Policy

The Group uses derivatives for risk management purposes, designates certain derivatives into hedging relationships and applies hedge accounting that meets the hedge accounting criteria. The Group sometimes holds derivatives in economic hedge relationships where hedge accounting requirements are not met.

The Group uses these derivatives to manage interest rate risks and sometimes foreign exchange risk. The subjects under hedge management (hedged item) could be an asset, liability, firm commitment or highly probable forecast transaction that exposes the Group to a risk of changes in fair value or future cash flows.

Derivatives are measured at their fair value, with the derivatives being carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Where derivatives are held as economic hedges, the changes in fair value are recognised immediately in profit or loss and presented within interest expense or other income/(expense) depending on the nature of risks being managed.

For hedge relationship subject to hedge accounting, the criteria that must be met for a relationship to qualify for hedge accounting under NZ IFRS 9 includes that the:

- hedging relationship consists only of eligible hedging instruments and eligible hedged items, for which both the instruments and hedge subjects must be with parties external to the Group,
- hedging relationship must be formally designated and documented at inception of the hedge, and
- prospective effectiveness testing must be carried out at the inception of the hedging relationship, and on an ongoing basis to ensure the hedge is effective, consistent with the originally documented risk management strategy and objective.

The Group documents, at the inception of the hedges, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an assessment of the qualitative characteristics of this hedged item and the hedged risk, supported by quantitative analysis. Close alignment of the critical terms of the hedged item and hedging instrument is also considered a strong indication of the presence of an economic relationship by the Group.

The Group establishes a hedge ratio by aligning the amount of the exposure to be hedged and the notional amount of the hedging instrument based on the observed economic relationship. It measures prospective hedge effectiveness at inception and on an ongoing basis using either regression analysis or critical term comparison. Hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument do not offset those of the hedged item. This is measured through applying the cumulative dollar offset method with the use of hypothetical derivative (a derivative that would have critical terms that exactly match those of the hedged item).

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio while the risk management objective for that hedging relationship remains the same, the Group adjusts the hedge ratio so that it meets the qualifying criteria again, allowing the continuation of a hedging relationship.

Hedge ineffectiveness may arise from a timing difference in the repricing between the hedged item and the hedging instrument, or a difference in the timing of their cash flows. The counterparties' credit risk is not expected to result in material hedging ineffectiveness as all hedging instruments are collateralised and any underlying assets subject to hedges are of high credit rating.

If the hedge no longer meets the criteria for hedge accounting, it is discontinued prospectively from the date on which the qualifying criteria are no longer met. This includes instances when the hedging instrument expires or is sold, terminated or exercised.

12 Derivative financial instruments (continued)

Policy (continued)

Fair value hedge accounting

The Group applies fair value hedge accounting to hedge movements in the value of fixed interest assets and liabilities subject to interest rate risk.

Subsequent to initial designation, changes in the fair value of derivatives that are designated and qualify for fair value hedge accounting are recorded in other income/(expense) within profit or loss alongside any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (fair value hedge adjustment). Where the hedged item is carried at amortised cost, the fair value hedge adjustment is made to the carrying value of the hedged asset or liability.

The Group elects to amortise the fair value hedge adjustment when a hedge relationship is discontinued. Where a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the fair value hedge adjustment is amortised to profit or loss on an effective yield basis over the remaining period to maturity of the hedged item. Where a hedged item is derecognised from the balance sheet, the fair value hedge adjustment is immediately transferred to profit or loss.

Cash flow hedge accounting

The Group applies cash flow hedge accounting to hedge the variability in future interest cash flows attributable to interest rate risk on variable interest rate components of current and highly probable future financial liabilities.

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the cash flow hedge reserve. The ineffective portion of a fair value gain or loss is recognised immediately in other income/(expense) within the profit or loss. The fair value accumulated in the cash flow hedge reserve is subsequently reclassified to interest expense in the same periods during which the hedged expected future interest cash flows affect profit or loss.

When a hedging derivative is sold, or the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging derivative remains in the cash flow hedge reserve until the forecast transaction occurs and affects profit or loss, at which point it is reclassified to the interest expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in the cash flow hedge reserve is immediately reclassified to interest expense within the profit or loss.

The Group's approach to managing market risk, including interest rate risk, is disclosed in Note 24 – Interest rate risk. The Group actively manages residual interest rate risk from the net exposure of its underlying assets and liabilities, associated with the mismatch of the interest rate repricing profiles of its interest earning assets and interest bearing liabilities, by entering into interest rate swaps to hedge against movements in interest rates.

Interest rate swaps are bilateral derivative contracts with commitments to exchange one set of cash flows for another resulting in an economic exchange of interest rates without exchange of principal. Interest rate swap notional values indicate the volume of transactions outstanding at the end of the financial year and provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved, therefore don't indicate the Group's exposure to credit or market risks. The fair values of derivative instruments and their notional values are set out in the below table.

	June 2026			June 2025		
$000's	**Notional Principal**	**Fair Value Assets**	**Fair Value Liabilities**	**Notional Principal**	**Fair Value Assets**	**Fair Value Liabilities**
Interest rate related contracts						
Designated as cash flow hedges	699,584	1,921	4,767	854,635	175	11,456
Designated as fair value hedges	329,978	3,113	6,199	349,100	4,617	9,203
Interest rate related contracts	**1,029,562**	**5,034**	**10,966**	**1,203,735**	**4,792**	**20,659**
Foreign currency related contracts						
Held as economic hedges	–	–	–	1,044	–	1
Foreign currency related contracts	–	–	–	1,044	–	1
Total derivative financial instruments	**1,029,562**	**5,034**	**10,966**	**1,204,779**	**4,792**	**20,660**

12 Derivative financial instruments (continued)

Cash flow hedge accounting is applied to interest rate swaps designated as hedges of the Group's floating rate domestic borrowings and deposits by using 'receive floating / pay fixed' interest rate swaps to fix the cost of floating interest rate deposits and borrowings.

Fair value hedge accounting is applied to receive fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate subordinated notes and to pay fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate investment securities.

The following table shows the maturity and interest rate risk profiles of the interest rate swaps as hedging instruments in continuing fair value and cash flow hedge relationships.

$000's	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2026						
Interest rate risk						
Cash flow hedge relationships						
Pay fixed						
Nominal amounts	140,000	60,000	235,000	264,584	–	699,584
Average interest rate	4.12%	4.09%	3.36%	3.38%	–	
Fair value hedge relationships						
Pay fixed						
Nominal amounts	–	–	98,500	131,478	–	229,978
Average interest rate	–	–	4.35%	4.22%	–	
Receive fixed						
Nominal amounts	–	–	100,000	–	–	100,000
Average interest rate	–	–	4.30%	–	–	
Total interest rate risk nominal amount	**140,000**	**60,000**	**433,500**	**396,062**	**–**	**1,029,562**

$000's	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2025						
Interest rate risk						
Cash flow hedge relationships						
Pay fixed						
Nominal amounts	–	60,000	422,741	371,894	–	854,635
Average interest rate	–	4.83%	3.87%	3.71%	–	
Fair value hedge relationships						
Pay fixed						
Nominal amounts	5,000	10,000	21,500	212,600	–	249,100
Average interest rate	1.01%	1.05%	5.37%	4.32%	–	
Receive fixed						
Nominal amounts	–	–	–	100,000	–	100,000
Average interest rate	–	–	–	4.30%	–	
Total interest rate risk nominal amount	**5,000**	**70,000**	**444,241**	**684,494**	**–**	**1,203,735**

12 Derivative financial instruments (continued)

The following table sets out the accumulated fair value adjustments arising from the corresponding fair value hedge relationships and the outcome of the changes in fair value of the hedged item as well as the hedging instruments used as the basis for recognising effectiveness.

	As at 30 June 2026		For the year ended 30 June 2026
$000's	**Carrying value**	**Accumulated fair value hedge adjustment[1]**	**Hedging gain/(loss) recognised in income statement**
Interest rate risk			
Investments	235,228	5,104	(2,234)
Other borrowings	(102,813)	(2,265)	484
Total	**132,415**	**2,839**	**(1,750)**
Interest rate swaps	**(3,086)**	**(3,086)**	**1,540**
Hedge ineffectiveness of financial instruments recognised in other income			**(210)**

	As at 30 June 2025		For the year ended 30 June 2025
$000's	**Carrying value**	**Accumulated fair value hedge adjustment[1]**	**Hedging gain/(loss) recognised in income statement**
Interest rate risk			
Investments	254,710	6,976	11,834
Other borrowings	(102,876)	(2,749)	(3,470)
Total	**151,834**	**4,227**	**8,364**
Interest rate swaps	**(4,586)**	**(4,586)**	**(8,219)**
Hedge ineffectiveness of financial instruments recognised in other income			**145**

[1]The figures relating to the hedged items represent the accumulated fair value hedge adjustments included in the fair value reserve or carrying value of other borrowings as appropriate. None of these adjustments relate to hedges which have been discontinued. Figures relating to the hedging instruments represent their accumulated fair value change.

The accumulated amount of fair value hedge adjustments included in the carrying amount of hedged items that have ceased to be adjusted for hedging gains and losses is nil (2025: nil).

The balance of the cash flow hedge reserve, amounts recognised in the reserve, and amounts transferred out of the reserve are shown in the following table.

$000's	June 2026	June 2025
Cash flow hedge reserve		
Balance at beginning of year	(9,474)	4,374
Transferred to the income statement	2,861	(3,690)
Net (loss)/gain from change in fair value	4,895	(13,351)
Net movement before tax	**7,756**	**(17,041)**
Tax on net movement in cash flow hedge reserve	(2,186)	3,193
Balance at end of year	**(3,904)**	**(9,474)**

During the year ended 30 June 2026, a gain of $0.3 million (2025: $0.3 million loss) was recognised in fair value loss on derivative financial instruments in the statement of comprehensive income recorded within other income related to hedge ineffectiveness from cash flow hedge relationships.

There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur (2025: nil).

There are $3.4 million cumulative losses (2025: $3.0 million cumulative losses) recognised in the cash flow hedge reserve on interest rate swaps for which hedge accounting is no longer applied on the basis that the associated variable cash flows are still expected to occur over the lifetime of the original hedge relationships. The associated cash flow hedge reserve is being released over the period of the original hedge relationship which has since been discontinued.

13 Finance receivables measured at amortised cost

Policy
Finance receivables measured at amortised cost are initially recognised at fair value plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

Fees and direct costs relating to loan origination, financing and loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest rate method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

$000's	June 2026	June 2025
Gross finance receivables measured at amortised cost	3,473,710	3,784,733
Less provision for impairment	(54,022)	(71,779)
Less provision for losses on guaranteed future value products[1]	(1,504)	(1,504)
Net finance receivables measured at amortised cost	**3,418,184**	**3,711,450**
Due within one year	1,134,541	1,068,661
Due more than one year	2,339,169	2,716,072
Less provision for impairment	(54,022)	(71,779)
Less provision for losses on guaranteed future value products	(1,504)	(1,504)
Net finance receivables measured at amortised cost	**3,418,184**	**3,711,450**

[1] Represents provision for probable losses arising from the guaranteed future value (**GFV**) portfolio of motor vehicle loans that have a guaranteed residual value of the underlying security and optionality for customers to return the vehicle.

13 Finance receivables measured at amortised cost (continued)

Policy

Impairment of finance receivables measured at amortised cost

At each reporting date, the Group applies a three-stage approach to measuring ECL of finance receivables not carried at fair value. The ECL model assesses whether there has been a significant increase in credit risk since initial recognition.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

For the purposes of a collective evaluation of impairment, finance receivables are grouped based on shared credit risk characteristics, credit risk ratings, contractual term, date of initial recognition, remaining term to maturity, customer type and other relevant factors.

The ECL model is a forward-looking model where impairment allowances are recognised before losses are actually incurred. On initial recognition, an impairment allowance is required, based on events that are possible in the next 12 months.

Assets may migrate between the following stages based on their change in credit quality:

Stage 1 - 12 months ECL (generally past due 30 days or less)

Where there has been no evidence of increased credit risk since initial recognition, and finance receivables are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2 - Lifetime ECL not credit impaired (generally greater than 30 but less than 90 days past due)

Where there has been a significant increase in credit risk. Financial assets for which the credit grading has been downgraded to an underperforming category are also considered to have experienced a significant increase in credit risk.

Stage 3 - Lifetime ECL credit impaired (90 days past due or more)

Objective evidence of impairment, are considered to be in default or otherwise credit impaired. A default occurs where the customer is unlikely to repay their credit obligations in full without recourse by the Group to actions such as realising security. Indicators include a breach of contract with the Group such as a default on interest or principal payments, a borrower experiencing significant financial difficulties or observable economic conditions that correlate to defaults on an individual basis.

Credit quality of financial assets

The Group internally computes probability of default using historical default data, to assess the potential risk of default of the lending, or other financial services products, provided to counterparties or customers. The Group has defined counterparty probabilities of default across consumer, retail, business and rural portfolios.

The Group considers a receivable to be in default when contractual payments are 90 days or more past due, or when it is considered unlikely that the credit obligation to the Group will be paid in full without recourse to actions, such as realisation of security.

Finance receivables are written off against the related impairment allowance when there is no reasonable expectation of recovery. Any recoveries of amounts previously written off are credited to credit impairment expense in profit or loss.

In determining whether credit risk has increased all available information relevant to the assessment of economic conditions at the reporting date are taken into consideration. To do this the Group considers its historical loss experience and adjusts this for current observable data based on a loss curve distribution.

The calculation of expected credit loss is modelled for portfolios of like assets. For portfolios which are either new or too small to model, judgement is used to determine impairment provisions.

For assets that are individually assessed for ECL, the allowance for ECL is calculated directly as the difference between the defaulted assets carrying value and the recoverable amount (being the present value of expected future cash flows, including cash flows from the realisation of collateral or guarantees, where applicable).

13 Finance receivables measured at amortised cost (continued)

Policy (continued)
Modification of contractual cash flows
The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

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 includes 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 (e.g., geopolitical impacts) 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 using 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 30 June 2026
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 30 June 2026, the MES overlay for the Group is $2.3 million (2025: $2.7 million).

13 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 30 June 2026
100% upside case	(14.8)
100% central case	(3.4)
100% downside case	7.4
100% severe downside case	26.1
Total probability weighted ECL per the MES methodology	**2.3**

(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. The overlay calculation include: (i) utilising publicly available crisis scenarios together with internal analysis, (ii) calculating the associated deterioration in losses expected for each scenario using regression models which connect economic factors and losses, (iii) applying these to HBL 's portfolio, and (iv) probability weighting them.

At 30 June 2026, the geopolitical overlay is $1.6 million (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 years ended 30 June 2026 and 30 June 2025.

13 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	Collectively Assessed Stage 2	Collectively Assessed Stage 3	Individually Assessed	Total
June 2026					
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]	(1,632)	(7,163)	1,183	7,612	–
New and (decreased)/increased provision (net of provision releases)[1]	(1,469)	4,983	15,838	18,252	37,604
Credit impairment charge	**(3,101)**	**(2,180)**	**17,021**	**25,864**	**37,604**
Write-offs	–	–	(26,564)	(29,337)	(55,901)
Effect of changes in foreign exchange rate	42	36	–	462	540
Impairment allowance as at 30 June 2026	**12,970**	**5,707**	**13,561**	**21,784**	**54,022**
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 decreased provision (net of provision releases) in the higher stage from which the loan moved.

13 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
30 June 2026					
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	(104,723)	(4,771)	42,556	66,938	—
Additions	1,324,419	—	—	—	1,324,419
Deletions	(1,357,229)	(140,941)	(73,844)	(46,090)	(1,618,104)
Write-offs	—	—	(26,564)	(29,337)	(55,901)
Effect of changes in foreign exchange rate	31,174	2,887	—	4,502	38,563
Gross finance receivables measured at amortised cost as at 30 June 2026	**3,253,237**	**94,037**	**39,105**	**87,331**	**3,473,710**
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**

Impact of changes in gross exposures on loss allowances

The Group's provision for impairment has decreased by $17.8 million for the year ended 30 June 2026, driven by the following movements:

- A net reduction in collective provisions of $14.8 million reflecting:
  - An increase in provisions of $11.8 million predominantly relating to motor vehicles and business lending as a result of diminished recoverability and declining credit quality of these receivables attributed to further deterioration of economic conditions; and
  - subsequent bad debt write off of $26.6 million against the loss allowance, which include the write-offs of receivables and related increased provisions explained above.

- Individually assessed provisions decreased by $3.0 million during the year, following the transfer (net of repayments and exits) of approximately $20.8 million of receivables into this category. This resulted in additional provisions of $18.3 million on individually assessed loans, driven by borrower-specific credit deterioration and revised valuations of underlying securities. These increases were more than offset by bad debt write-offs of $29.3 million against the loss allowance.

As at 30 June 2026, there were $0.54 million undrawn lending commitments available to counterparties for whom drawn balances are classified as individually impaired (2025: $0.86 million).

As at 30 June 2026, the contractual amount outstanding on loans to customers written off during the year and are still subject to enforcement activity was $29.73 million (2025: $19.12 million).

14 Operating lease vehicles

Policy

Operating lease vehicles are stated at cost less accumulated depreciation.

Operating lease vehicles are depreciated on a straight-line basis over their expected useful life after allowing for any residual values. The estimated lives of these vehicles vary up to a maximum of five years. Vehicles held for sale are not depreciated but are tested for impairment.

$000's	June 2026	June 2025
Cost		
Opening balance	24,886	26,191
Additions	8,972	3,416
Disposals	(7,036)	(4,721)
Closing balance	**26,822**	**24,886**
Accumulated depreciation		
Opening balance	9,325	7,930
Depreciation charge for the year	3,106	3,923
Disposals	(1,889)	(2,528)
Closing balance	**10,542**	**9,325**
Opening net book value	15,561	18,261
Closing net book value	**16,280**	**15,561**

The future minimum lease payments receivable under operating leases not later than one year is $4.0 million (2025: $4.2 million), within one to five years is $4.0 million (2025: $4.8 million) and over five years is nil (2025: nil).

15 Borrowings

Policy
Borrowings and deposits are initially recognised at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The Group hedges interest rate risk on certain debt issues. When fair value hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks.

The Group also uses repurchase agreements as a source of short term wholesale funding. The cash consideration received is recognised as a liability (Repurchase agreements) within Other borrowings.

Repurchase agreements are designated at FVTPL when they are managed as part of a trading portfolio, otherwise they are measured at amortised cost. The difference between the sale price and the repurchase price is recognised within interest expense.

$000's	June 2026	June 2025
Deposits		
Short-term interest bearing deposits	1,466,114	1,417,823
Non-interest bearing deposits	34,726	38,369
Term deposits	5,655,928	5,073,761
Total deposits	**7,156,768**	**6,529,953**
Other borrowings		
Unsubordinated notes	20,300	128,747
Subordinated notes	163,771	156,854
Securitised borrowings	557,301	520,048
Certificates of deposit	49,169	19,805
Total other borrowings	**790,541**	**825,454**
Total deposits and other borrowings	**7,947,309**	**7,355,407**
Due within one year	6,829,797	6,244,476
Due more than one year	1,117,512	1,110,931
Total deposits and other borrowings	**7,947,309**	**7,355,407**

Deposits, unsubordinated notes and certificates of deposit rank equally and are unsecured. The Depositor Compensation Scheme (**DCS**), established under the Deposit Takers Act 2023 and effective from 1 July 2025, provides protection for eligible depositors of the Bank of up to $100,000 per depositor, in the unlikely event the Bank fails. The DCS applies only to eligible deposits held with the Bank in New Zealand. Deposits held with the Australian banking operations are not covered by the DCS but are separately protected under the Australian Financial Claims Scheme.

Unsubordinated notes

Unsubordinated notes include long-term retail bond and medium term notes. Medium term notes are issued in Australian dollars (**AUD)** to eligible non-retail investors in compliance with applicable laws.

The Group has the following unsubordinated notes on issue at balance sheet date:

Retail bonds and medium term notes $000's	Frequency of interest repayment	June 2026	June 2025	Maturity date
NZ $20 million	Semi-annually	20,300	20,298	27 March 2028
AU $100 million[1]	Quarterly	–	108,449	5 October 2027
Total retail bonds and medium term notes		**20,300**	**128,747**	

[1]On 7 October 2025, AU$100 million of unsubordinated notes were fully repaid prior to its maturity. Refer to Note 5 - Other income for the loss incurred on early extinguishment of the borrowing.

15 Borrowings (continued)

Subordinated notes

NZD Subordinated notes

On 28 April 2023, HBL, a subsidiary of the Group, issued $100 million of subordinated unsecured notes (**NZD Subordinated notes**) to New Zealand investors and certain overseas institutional investors pursuant to the terms of the Subordinated Unsecured Notes Deed Poll in accordance with the laws of New Zealand. NZD Subordinated notes are treated as Tier 2 capital under HBL regulatory capital requirements and will mature on 28 April 2033.

Interest payable

The interest rate is a fixed rate of 7.51% for a period of 5 years until 28 April 2028, after which it will reset to the quarterly floating rate equal to the sum of the applicable 3-month Bank Bill Rate plus 3.2% Issue Margin. The quarterly payments of interest in respect of the subordinated notes are subject to HBL being solvent at the time of, and immediately following the interest payment.

Early Redemption

HBL may choose to repay all or some of the subordinated notes for their face value together with accrued interest (**if any**) on 28 April 2028 or any interest payment date thereafter. Early redemption of all the subordinated notes for certain tax or regulatory events is permitted on an interest payment date. Early redemption is subject to certain conditions, including HBL obtaining RBNZ prior written approval and HBL being solvent at the time.

Ranking

The claims of the holders of the subordinated notes will rank:

- behind the claims of all depositors and other creditors of HBL;
- equally with the claims of other holders of any other securities and obligations that rank equally with the subordinated notes and;
- ahead of the rights of the HBL's shareholders and holders of any other securities and obligations of HBL that rank behind the subordinated notes.

AUD Subordinated notes

On 28 June 2024, HBA, a subsidiary of the Group, issued A$50 million of subordinated unsecured notes (**AUD Subordinated notes**) pursuant to the terms of the Debt Issuance Programme in accordance with the laws of Australia. AUD Subordinated notes are treated as Tier 2 capital under HBA regulatory capital requirements and will mature on 28 June 2034. AUD Subordinated notes do not qualify for treatment as Tier 2 capital under HBL regulatory capital requirements.

Interest payable

The interest rate is a floating rate equal to the sum of the applicable 3-month Bank Bill Swap Rate plus 3.7% Issue Margin. The quarterly payments of interest in respect of the subordinated notes are subject to HBA being solvent at the time of, and immediately following the interest payment.

Early Redemption

HBA may elect to repay the subordinated notes before 28 June 2034 in part or in full at their face value together with accrued interest on 28 June 2029 or any interest payment date thereafter. Early redemption of all the subordinated notes for certain tax or regulatory events is permitted on an interest payment date. Early redemption is subject to certain conditions, including HBA obtaining the Australian Prudential Regulation Authority (**APRA**) prior written approval and HBA being solvent at the time.

Ranking

The claims of the holders of the subordinated notes will rank:

- behind the claims of all depositors and other creditors of HBA;
- equally with the claims of other holders of any other securities and obligations that rank equally with the subordinated notes and;
- ahead of the rights of the HBA's shareholders and holders of any other securities and obligations of HBA that rank behind the subordinated notes.

15 Borrowings (continued)

Securitised borrowings

The Group had the following securitised borrowings outstanding as at:

Securitisation facility $000's	Currency	June 2026 Limit AUD	June 2026 Limit NZD	June 2026 Drawn	June 2025 Limit AUD	June 2025 Limit NZD	June 2025 Drawn	Maturity date
Heartland Auto Receivables Warehouse Trust 2018 -1 (**HARWT**)[1]	NZD	—	268,000	47,688	—	320,000	158,640	31 October 2027
Seniors Warehouse Trust No.2 (**SWT2**)[2]	AUD	425,000	517,914	370,594	260,000	280,687	230,133	08 May 2056
Atlas 2020-1 Trust (**Atlas**)[3]	AUD	—	—	139,019	—	—	131,275	24 September 2050
Total securitisation borrowings[4]			**785,914**	**557,301**		**600,687**	**520,048**	

[1]HARWT reduced its securitisation facility limit and partially repaid its securitised borrowings following the repurchase of its securitised assets by HBL during the year. Refer to Note 26 - Structured entities for further details.

[2]On 4 December 2025, the Availability Period (being the period during which the undrawn balance is available for use) of the SWT2 facility was extended to 15 October 2027, while the maturity date remained unchanged. On 21 April 2026, SWT2 increased its securitisation facility limit from AU$260 million to AU$425 million.

[3]Atlas is a closed securitisation trust due to its predefined asset composition and outstanding borrowings balance, fixed throughout its operational life. As such, there is no revolving or committed facility, the amount drawn represents the reported outstanding balance of the Atlas-issued notes.

[4]HARWT notes issued to investors are secured over motor vehicle loans. SWT2 and Atlas notes issued to investors are secured over reverse mortgage loans.

The Group actively engages facility providers in commercial negotiations including tenor extensions, increase in facility limits, refinancing arrangements, and other commercial terms. The Group has a track record of extending or refinancing funding arrangements as they fall due and does not anticipate any difficulty in doing so when the facilities above expire.

Net debt reconciliation

The table below sets out net cash and non-cash changes in other borrowings arising from financing activities.

$000's	June 2026	June 2025
Balance as at beginning of year	**825,454**	**2,040,763**
Proceeds from wholesale borrowings	258,364	424,614
Repayment of wholesale borrowings	(239,968)	(1,311,047)
Repayment of unsubordinated notes	(113,559)	(321,347)
Total cash movements	**(95,163)**	**(1,207,780)**
Capitalised interest and fee expense	2,039	(3,354)
Fair value movements	(484)	3,470
Foreign exchange and other movements	58,695	(7,645)
Total non-cash movements	**60,250**	**(7,529)**
Balance as at the end of year	**790,541**	**825,454**

16 Share capital and dividends

Policy
Ordinary shares are classified as equity, incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

000's	June 2026 Number of Shares	June 2025 Number of Shares
Issued shares		
Opening balance	940,100	930,561
Shares issued - dividend reinvestment plan	5,107	9,539
Closing balance	**945,207**	**940,100**

HGH issued 2,443,526 new shares at $0.93 per share ($2.3 million) on 12 September 2025 and 2,663,608 new shares at $1.25 per share ($3.3 million) on 20 March 2026 under the dividend reinvestment plan (**DRP**) for the year (2025: 6,857,950 new shares at $1.04 per share ($7.1 million) on 20 September 2024 and 2,680,562 shares at $0.81 per share ($2.2 million) on 21 March 2025 under the DRP for the year). At 30 June 2026, HGH held 459,070 of the ordinary shares of HGH (30 June 2025: 459,070 ordinary shares). These shares are classified as treasury shares and are recognised as a deduction from equity.

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

	June 2026			June 2025		
	Date Declared	Cents Per Share	$000's	Date Declared	Cents Per Share	$000's
Final dividend	20 August 2025	2.0	18,802	28 August 2024	3.0	27,918
Interim dividend	25 February 2026	3.5	32,987	26 February 2025	2.0	18,747
Total dividends paid			**51,789**			**46,665**

17 Other reserves

$000's	Employee Benefit Reserve	Foreign Currency Translation Reserve (FCTR)	Fair Value Reserve	Cash Flow Hedge Reserve	Total
June 2026					
Balance as at 30 June 2025	**721**	**(13,570)**	**(6,459)**	**(9,474)**	**(28,782)**
Movements attributable to net investments in foreign operations[1]	–	64,021	–	–	64,021
Net movements attributable to changes in fair value of debt investments at FVOCI	–	–	493	–	493
Movements attributable to cash flow hedges	–	–	–	7,756	7,756
Movements attributable to changes in fair value of equity investments at FVOCI	–	–	(1)	–	(1)
Income tax effect	–	–	(180)	(2,186)	(2,366)
Total other comprehensive income net of income tax	**–**	**64,021**	**312**	**5,570**	**69,903**
Share based payments[2]	787	–	–	–	787
Transfer on disposal of equity investments at FVOCI	–	–	6,052	–	6,052
Balance as at 30 June 2026	**1,508**	**50,451**	**(95)**	**(3,904)**	**47,960**
June 2025					
Balance as at 30 June 2024	**–**	**(6,665)**	**(6,205)**	**4,374**	**(8,496)**
Movements attributable to net investments in foreign operations	–	(6,905)	–	–	(6,905)
Movements attributable to changes in fair value of debt investments at FVOCI	–	–	2,143	–	2,143
Movements attributable to cash flow hedges	–	–	–	(17,041)	(17,041)
Movements attributable to changes in fair value of equity investments at FVOCI	–	–	(1,805)	–	(1,805)
Income tax effect	–	–	(592)	3,193	2,601
Total other comprehensive (loss) net of income tax	**–**	**(6,905)**	**(254)**	**(13,848)**	**(21,007)**
Share based payments[2]	721	–	–	–	721
Balance as at 30 June 2025	**721**	**(13,570)**	**(6,459)**	**(9,474)**	**(28,782)**

[1]The movement in FCTR is primarily driven by the depreciation of the NZD against the AUD on translation of the Group's Australian operations.

[2]Refer to Note 27 - Staff share ownership arrangements for further details.

17 Other reserves (continued)

Employee benefit reserve

Includes amounts which arise on the recognition of the Group's equity-settled share-based compensation.

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 any related fair value hedge adjustments and tax.

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

Where an equity investment is disposed of, related fair value changes are 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.

18 Other balance sheet items

Policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment (if any). Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each asset over its expected life to its estimated residual value.

$000's	June 2026	June 2025
Other assets		
Trade receivables	1,145	9
GST receivables	2,201	8,541
Prepayments[1]	21,765	9,412
Property, plant and equipment	6,503	21,713
Assets held for sale[2]	7,513	–
Other receivables	9,899	5,274
Total other assets	**49,026**	**44,949**

[1]The increase in prepayments reflects continued investment in technology uplift initiatives aimed at simplifying and automating processes, introducing new digital capabilities and supporting future growth.

[2]This balance includes a dairy farm that was subsequently sold on 14 July 2026. No impairment was recognised in respect of this sale.

Policy

Intangible assets

Intangible assets with finite useful lives

Software acquired or internally developed by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on software assets is capitalised only when it increases the future economic value of that asset. Certain internal and external costs directly incurred in acquiring and developing software are capitalised when specific criteria are met. Costs incurred on planning or evaluating software proposals during the research phase or on maintaining systems after implementation are not capitalised. Amortisation of software is on a straight-line basis, at rates which will write off the cost over the assets' estimated useful lives. The expected useful life of the software varies up to ten years.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service agreements that grant the Group the right to access the cloud provider's application software over the contract period.

The Group capitalises costs incurred in configuring or customising certain suppliers' application software within specific cloud computing arrangements as intangible assets as the Group considers that it would benefit from those costs to implement the cloud-based software over the expected terms of the cloud computing arrangements. However, such capitalisation occurs only if the activities result in creating an intangible asset that the Group has control over and meets the necessary recognition criteria. Costs that do not meet the criteria for capitalisation as intangible assets are expensed as incurred unless they are paid to the suppliers (or subcontractors of the supplier) of the cloud-based software to significantly customise the cloud-based software for the Group (i.e., such services are not distinct from the Group's right to receive access to the supplier's cloud-based software). In the latter case, the upfront costs are recorded as prepayments for services and amortised over the expected terms of the cloud computing arrangements.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable net assets acquired. Goodwill that has an indefinite useful life is not subject to amortisation and is tested for impairment annually. Goodwill is carried at cost less accumulated impairment losses.

18 Other balance sheet items (continued)

$000's	June 2026	June 2025
Computer software		
Software - cost	79,890	77,360
Software under development	606	1,823
Accumulated amortisation	(44,622)	(33,181)
Net carrying value of computer software	**35,874**	**46,002**
Goodwill	227,359	204,819
Net carrying value of goodwill	**227,359**	**204,819**
Banking licence	14,401	14,401
Total intangible assets	**277,634**	**265,222**

Banking Licence

On 30 April 2024 Heartland Group Holdings Limited acquired 100% of the shares of HBA, holder of a full Australian Authorised Deposit-Taking Institution (**ADI**) Licence. HGH and HBA jointly applied to APRA for approval to expand the range of products HBA offers and to amend HBA's APRA approved business plan to integrate with HGH's existing Australian based financial services business.

Costs directly attributable to the licence application have been recognised as a Banking Licence intangible asset as the Banking Licence will have an indefinite life with no foreseeable limit to the period over which the asset will generate benefits for the business.

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	**June 2026**	**June 2025**
Heartland Bank Limited	29,799	29,799
Heartland Bank Australia Limited	197,560	175,020
Total goodwill	**227,359**	**204,819**

Impairment testing of goodwill

Further information about goodwill impairment tests performed for CGUs or group of CGU's is provided below.

Heartland Bank Limited - $29.8 million

The recoverable amount of the CGU was determined on a value in use (**VIU**) basis using a discounted cash flow methodology. The model uses a four-year cash flow forecast based on the latest budget approved by the Board and extended out based on long term growth rates. The long-term growth rate applied to the future cash flows after year four of the forecast was 2.5%, and a post-tax discount rate of 12.5% for HBL was applied which reflects both past experience and external sources of information. An impairment would only arise where the discount rate exceeds 14.0% and the terminal growth rate falls to 1.0% or below concurrently. Alternatively, goodwill may be impaired if projected cash flows for the terminal period are reduced by at least 35%. Both scenarios are considered highly unlikely.

Heartland Bank Australia - $197.6 million

The recoverable amount of the CGU was determined on a VIU basis using a discounted cash flow methodology. The model uses a five-year cash flow forecast based on the latest three-year budget approved by the Board and extended out based on long-term growth rates. The long-term growth rate applied to the future cash flows after year five of the forecast was 3.0%, and a post-tax discount rate of 12.5% for HBA was applied which reflects both past experience and external sources of information. An impairment would only arise where the discount rate exceeds 13.0% and the terminal growth rate falls below zero concurrently. Alternatively, goodwill may be impaired if projected cash flows for the terminal period are reduced by approximately 20%. Both scenarios are considered highly unlikely.

No impairment losses have been recognised against the carrying amount of goodwill for the year ended 30 June 2026 (2025: nil).

18 Other balance sheet items (continued)

Policy

Employee benefits

Annual leave entitlements are accrued at amounts expected to be paid. Long service leave is accrued by calculating the probable future value of the entitlements and discounting back to present value. Obligations to defined contribution superannuation schemes are recognised as an expense when the contribution is paid.

Commissions

The Group pays commissions to brokers, distributors and dealers (**Intermediaries**) typically for their effort to bring in new loan business for certain loan products. Commissions are typically payable upon successful loan originations, but could be contingently payable in subsequent periods subject to certain conditions (e.g., increase in drawdown). Unless the Intermediaries render distinct services subsequent to loan origination, the Group recognises such commissions upon success of the loan applications (**Trail Commissions**). Any upfront commissions payable are measured on an undiscounted basis.

Trail commission liabilities relating to reverse mortgages are designated at fair value through profit or loss and represent the present value of expected future commission payments payable to Intermediaries in relation to successful loan applications. The liability is based on cash outflows estimated over the anticipated life of the underlying loans (affected by factors such as voluntary discharge rates, mortality rates and average interest rate) and discounted using an appropriate rate at initial recognition. Subsequent changes in inputs and assumptions will be recognised through profit or loss.

$000's	June 2026	June 2025
Trade and other payables		
Trade and other payables	21,449	16,636
Insurance liability	543	556
Employee benefits	19,371	16,949
Other tax payables	1,980	2,479
Government levies	1,867	–
Commission payable	20,229	–
Total trade and other payables	**65,439**	**36,620**

18 Other balance sheet items (continued)

Policy

Leases

The Group leases office space, car parks, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option are considered. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Lease liabilities are measured at the present value of the remaining lease payments and discounted using the Group's incremental borrowing rate **(IBR)**. Carrying amounts are remeasured only upon reassessments and lease modifications.

Right-of-use assets are depreciated at the shorter of lease term or the Group's depreciation policy for that asset class.

$000's	June 2026	June 2025
Right-of-use assets		
Balance at beginning of year	12,223	15,519
Depreciation charge for the year, included within depreciation expense in the income statement	(3,635)	(3,703)
Additions to right-of-use assets	3,482	407
Total right-of-use assets	**12,070**	**12,223**
Lease liability		
Current	3,767	3,542
Non-current	10,486	10,848
Total lease liability	**14,253**	**14,390**
Interest expense relating to lease liability	**825**	**569**

19 Related party transactions and balances

Policy

A person or entity is a related party under the following circumstances:

(a) A person or a close member of that person's family if that person:
- (i) has control or joint control over HGH;
- (ii) has significant influence over HGH; or
- (iii) is a member of the key management personnel of HGH.

(b) An entity is related to HGH if any of the following conditions applies:
- (i) the entity and HGH are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity;
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity has a post-employment benefit plan for the benefit of employees of either HGH or an entity related to HGH.
- (vi) the entity is controlled, or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of entity (or of a parent of the entity).

(a) Transactions with key management personnel

Key management personnel (**KMP**), are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Group. This includes all Executives and Directors.

KMP and their related parties receive personal banking and financial investment services from the Group in the ordinary course of business. The terms and conditions, for example interest rates and collateral, and the risks to the Group are comparable to transactions with other employees and did not involve more than the normal risk of repayment or present other unfavourable features.

All other transactions with KMPs and their related parties are conducted in the ordinary course of business on commercial terms and conditions.

$000's	June 2026	June 2025
Transactions with key management personnel[1]		
Interest income	1	–
Interest expense	(4)	(15)
Total transactions with key management personnel	**(3)**	**(15)**
Key management personnel compensation		
Short-term employee benefits	(2,730)	(3,043)
Post-employment benefits[2]	(23)	(4,106)
Other long-term benefits	–	(198)
Termination benefits[2]	–	(1,875)
Share-based plan benefit	(154)	(400)
Total key management personnel compensation	**(2,907)**	**(9,622)**
Due from/(to) key management personnel[1]		
Lending	12	–
Borrowings - deposits	(96)	(145)
Total due to key management personnel	**(84)**	**(145)**

[1]These transactions and balances include those with key management personnel, their close family members, and/or entities controlled/jointly controlled by them.
[2]Post-employment benefits and termination benefits during the year ended 30 June 2025 are retirement and disestablishment payments to certain key management personnel.

19 Related party transactions and balances (continued)

(b) Transactions with related parties

HGH is the ultimate parent company of the Group.

Entities within the Group have regular transactions with each other on agreed terms. The transactions include the provision of administrative services and customer operations. Banking facilities are provided by HBL to other Group entities on normal commercial terms as with other customers. There is no lending from subsidiaries within the Group to HGH.

Related party transactions between the Group members eliminate on consolidation. Related party transactions outside of the Group are as follows:

$000's	June 2026	June 2025
Heartland Trust (HT)		
Donations to HT from:		
HARWT	5	3
HBL	181	5
Payment to HT by HBL for providing services	10	10
Dividends paid by HGH	358	325

HT held 6,504,266 shares in HGH (2025: 6,504,266 shares).

The Trustees of HT and certain employees of the Group provide their time and skills to the oversight and operation of HT at no charge.

20 Fair value

Policy
Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair value using other valuation techniques.

The Group measures fair values using the following fair value hierarchy, which reflects the observability of the inputs used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(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). Refer to Note 11 - Investments for more details.

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 flow 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 an instrument under such election is 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 the fair value of a security to reflect the underlying characteristics. These adjustments are reflective of market participant considerations in valuing the said security.

20 Fair value (continued)

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

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.

The contractual terms of reverse mortgage loans do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (**SPPI**). In particular:

- the borrower is not required to make regular repayments, with contractual cash flows only arising upon cessation of occupancy or voluntary repayment, meaning the timing and amount of cash flows are not fixed or determinable; and
- the loans include features such as a no negative equity guarantee and equity protection options, which expose the Group to risks beyond basic lending risks and result in contractual cash flows that may not represent solely principal and interest.

As the SPPI criterion is not met, the Group classifies these loans as measured at fair value through profit or loss

There are various factors affecting the fair value of reverse mortgages in addition to the initial capital advanced amount, for example, mortality and needs of the borrowers, change in house price, etc. In prior years, the Group considered the initial cash advanced amount to represent the fair value of the loan at initial recognition. This is on the basis that the terms entered into with borrowers are at market, and there is no other relevant active market that the Group could refer to establish a more reliable initial carrying value.

When measuring the fair value subsequently, at each balance date, the Group uses an actuarial method in an attempt 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 margins, and the no negative equity guarantee. This estimated proxy is highly subjective and a wide range of plausible values are possible. In this regard, the Group compares this proxy and the carrying value and examines whether the latter value has moved outside the original range of expectations.

Generally, the 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.

On this basis, the Group subsequently measures the loans at its initial recognised amount and capitalised interest.

Changes in accounting estimates

The Group continues to reassess the existence of a relevant active market and movements in expectations on an ongoing basis. Following the recent observations of market participants' views on how to price reverse mortgages, from 1 January 2026, the Group evaluates the fair value of its reverse mortgages by further incorporating the origination premium (by reference to its upfront and trail commissions payable to brokers). On this basis, all newly originated reverse mortgages are measured at initial cash advanced and origination premium at initial recognition. The origination premium element is re-evaluated subsequently by reference to the estimated churn of the borrowers. This change in estimate is applied prospectively.

The impact of this change in estimate is set out below:

- increase in Finance receivables - reverse mortgages of $28.2 million;
- increase in Trade and other payables of $20.2 million (Note 18 - Other balance sheet items);
- increase in fair value gain in Other income of $6.9 million (Note 5 - Other income);
- decrease in Interest income of $2.4 million (Note 3 - Net interest income); and
- decrease in Operating expenses of $3.5 million (Note 6 - Operating expenses).

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).

20 Fair value (continued)

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

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
June 2026				
Assets				
Investments	765,879	49,229	5,192	820,300
Derivative financial instruments	–	5,034	–	5,034
Finance receivables - reverse mortgages	–	–	4,358,190	4,358,190
Total financial assets measured at fair value	**765,879**	**54,263**	**4,363,382**	**5,183,524**
Liabilities				
Derivative financial instruments	–	10,966	–	10,966
Commission payable - reverse mortgages	–	–	20,229	20,229
Total financial liabilities measured at fair value	**–**	**10,966**	**20,229**	**31,195**
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 year ended 30 June 2026 (2025: nil).

The movement in Level 3 assets measured at fair value are below:

$000's	Finance Receivables - Reverse Mortgages	Investments	Total
June 2026[1]			
As at 30 June 2025	3,370,949	6,772	3,377,721
New loans	921,488	–	921,488
Repayments	(598,605)	–	(598,605)
Capitalised interest and fees	339,646	–	339,646
Sale of investments	–	(2,222)	(2,222)
Fair value gain/(loss)[2]	28,234	(16)	28,218
Foreign exchange gain on translation	296,478	658	297,136
As at 30 June 2026	**4,358,190**	**5,192**	**4,363,382**
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)	–	(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**

[1]In addition to the movement in Level 3 assets described above, the Group recognised a trail commission payable as a financial liability measured at fair value within Level 3 of the fair value hierarchy. This liability originated during the period as a result of the change in accounting estimate. Refer to the change in accounting estimate section within this note for further details.

[2]The fair value gain on reverse mortgages during the year includes $8 million of upfront and $20 million of trail commissions.

20 Fair value (continued)

(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.

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.

	June 2026			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	3,565,490	3,418,184	Level 3	3,823,238	3,711,450
Total financial assets		**3,565,490**	**3,418,184**		**3,823,238**	**3,711,450**
Liabilities						
Deposits	Level 2	7,162,135	7,156,768	Level 2	6,554,765	6,529,953
Other borrowings	Level 2	796,262	790,541	Level 2	831,035	825,454
Total financial liabilities		**7,958,397**	**7,947,309**		**7,385,800**	**7,355,407**

20 Fair value (continued)

(c) Classification of financial instruments

The following tables summarise the categories of financial instruments and the carrying value of all financial instruments of the Group:

$000's	FVOCI Equity	FVOCI Debt Securities	FVTPL	Amortised Cost	Total Carrying Value
June 2026					
Assets					
Cash and cash equivalents	–	–	–	385,268	385,268
Collateral paid	–	–	–	5,129	5,129
Investments	5,192	815,108	–	–	820,300
Finance receivables measured at amortised cost	–	–	–	3,418,184	3,418,184
Finance receivables - reverse mortgages	–	–	4,358,190	–	4,358,190
Derivative financial instruments	–	–	5,034	–	5,034
Other financial assets	–	–	–	11,044	11,044
Total financial assets	**5,192**	**815,108**	**4,363,224**	**3,819,625**	**9,003,149**
Liabilities					
Deposits	–	–	–	7,156,768	7,156,768
Other borrowings	–	–	–	790,541	790,541
Derivative financial instruments	–	–	10,966	–	10,966
Other financial liabilities	–	–	20,229	21,459	41,688
Total financial liabilities	**–**	**–**	**31,195**	**7,968,768**	**7,999,963**
June 2025					
Assets					
Cash and cash equivalents	–	–	–	356,229	356,229
Collateral paid	–	–	–	14,239	14,239
Investments	5,664	775,229	9,151	–	790,044
Finance receivables measured at amortised cost	–	–	–	3,711,450	3,711,450
Finance receivables - reverse mortgages	–	–	3,370,949	–	3,370,949
Derivative financial instruments	–	–	4,792	–	4,792
Other financial assets	–	–	–	5,283	5,283
Total financial assets	**5,664**	**775,229**	**3,384,892**	**4,087,201**	**8,252,986**
Liabilities					
Deposits	–	–	–	6,529,953	6,529,953
Other borrowings	–	–	–	825,454	825,454
Derivative financial instruments	–	–	20,660	–	20,660
Other financial liabilities	–	–	–	14,983	14,983
Total financial liabilities	**–**	**–**	**20,660**	**7,370,390**	**7,391,050**

Risk Management

21 Enterprise risk management program

The board of directors (the **Board**) sets and monitors the Group's risk appetite across the material risk domains. Financial and non-financial risks parameters are determined by the Board and are then cascaded to management who are responsible for ensuring appropriate structures, policies, procedures and information systems are in place to actively manage these risk domains, as outlined within the Risk Management Strategy (**RMS**).

The RMS describes the strategy and provides guidance for implementing a consistent and efficient approach to identify, evaluate and respond to the key risks that adversely affect Heartland Bank and ensure compliance towards its regulatory bodies. Heartland Bank Australia has a separate, but aligned, Risk Management Strategy that is adapted for the business context of Australia and prudential requirements of APRA.

Role of the Board and the Board Audit and Risk Committee

The role of the Board is to provide leadership and strategic guidance for the Group and its subsidiaries, effective oversight of the Group's management, and effective oversight of HBL and HBA. The Board may delegate some governance responsibility to the Board Audit Risk Committee.

Board Audit and Risk Committee (BARC)

The BARC is appointed by the Board made up of non-executive directors, the majority of whom are independent, and at least one such independent director must be a member of the Chartered Accountants of Australia and New Zealand or who has another recognised form of accounting or financial expertise set out in NZX's Governance Guidance Note. The BARC may have in attendance the HGH CEO, HBL Chief Financial Officer (**HBL CFO**), HBL Financial Controller, the HBL Chief Risk Officer (**CRO**), the Head of Internal Audit, and the external auditor, as it considers necessary. The Boards of HBL and HBA (and/or any Board Risk Committee established by them) are responsible for oversight of the risks associated with those entities, with the BARC monitoring material, emerging and strategic risks for HGH and its subsidiaries.

The role of the BARC is to monitor and provide assurance to the Board on the formulation and implementation of the risk appetite along with any other material, emerging, or strategic risks that are relevant to the Group and its subsidiaries. BARC is also responsible for the integrity of financial reporting and application of accounting policies and providing oversight of the internal audit function and external audit process. The Board and BARC are responsible for:

- Reviewing financial reporting and application of accounting policies as part of the internal control and risk assessment framework.
- Monitoring the identification, evaluation and management of all significant risks through the Group. This work is supported by an internal audit programme, which provides an independent assessment of the design, adequacy and effectiveness of internal controls. The BARC receives regular reports from internal audit;
- Advising the Board on the formulation of the Board's Risk Appetite Statement;
- Reviewing any reports, policies, standards, other risk documents or matters, or minutes which have been prepared by or in respect of HGH or the BARC; and
- Monitoring material, emerging and strategic risks for the Group and its subsidiaries.

Internal Audit

The Internal Audit function for New Zealand is maintained within HBL and made available to HGH, while HBA has its own Internal Audit function. Internal Audit is allowed full, free, and unfettered access to any and all of the organisation's records, personnel, and physical properties deemed necessary to accomplish its activities. The Internal Audit functions and other assurance roles have unfettered access to the Group's Boards as required.

The objective of the Group's Internal Audit functions is to provide independent, objective assurance over the internal risk control framework and compliance with policies. In certain circumstances, Internal Audit will provide risk and control advice to Management provided the work does not impede the independence of the Internal Audit functions.

The functions assist the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The HGH BARC and the HBA BAC each reviews the respective annual internal audit plan, which is developed in consultation with Management. A regular cycle of review is implemented to cover all areas of the business, focused on assessment, management, and control of risks identified. The audit plan considers a cyclical review of various business units and operational areas, as well as identified areas of higher identified risk. The audit methodology is designed to meet the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

21 Enterprise risk management program (continued)

Group Asset and Liability Committee (GALCO)

The GALCO is a management committee consisting of members from HBL and HBA which informs and supports the HGH BARC by providing consolidated oversight of risks of the Banking Group's assets and liabilities across both HBL and HBA in relation to market risk, liquidity risk, balance sheet structure and capital management through:

- Ensuring compliance of the Banking Group's risk limits and governance requirements;
- Ensuring robust governance over HBA's and the New Zealand Banking Group's 12-month funding plans and alignment with the Banking Group's strategic funding plan;
- Recommending financial risk management policies for approval and changes to financial risk tolerances to BARC and the Board;
- Developing the Banking Group's Contingency Funding Plan (**CFP**) and review of HBA's CFP;
- Setting the strategic direction for asset and liability management, to be reflected in the asset and liability management policy;
- Monitoring, assessing and proactively reacting to trends in the economy, interest rates, and foreign exchange rates to limit any potential adverse impact on earnings; and
- Developing and recommending the Banking Group hedging strategy.

Executive Risk Committee (ERC)

The ERC is responsible for the management of the risk profiles and risk appetites for HBL and its subsidiaries, including regulatory oversight and conduct risk within the Banking Group. A key responsibility of the ERC is to monitor the effective implementation of the HGH and HBL RMS. ERC assists the BARC in its duties through providing information, reporting or other forms of assistance. The ERC has responsibility for overseeing the internal control environment to ensure that residual risk is consistent with the Banking Group's risk appetite.

The ERC approved the establishment of the Product Governance Committee (**PGC**) who is responsible for overseeing and guiding the development, management and optimisation of HBL's product offerings and pricing strategies. This includes overseeing the development and launch of new product offerings and the positioning of existing products in the market.

Members of the PGC include a minimum of two direct reports to the HBL CEO and meetings are held not less than four times per calendar year. The ERC monitors and ensures that the PGC's purpose, responsibilities, and performance remain appropriate.

Three lines of defence model

To ensure appropriate responsibility is allocated for the management, reporting and escalation of operational and compliance risk, the Group operates a "three lines of defence" model which outlines principles for the roles, responsibilities and accountabilities for operational and compliance risk management:

- The first line of defence are staff in all business units and support functions, including distribution, first line credit, operations, finance, treasury and technology, who own the risks and controls relevant to their area. These staff are responsible for the self-assessment of the risks and controls that exist within their business unit. The executive and senior business management must ensure that risk ownership is clearly defined and that the RMS is effectively implemented.
- The second line of defence is the risk management and compliance functions which have responsibility for managing enterprise risk overall. The second line provides governance oversight, support, risk and control self-assessments (**RCSA**). targeted independent assurance and challenge to Line 1 on risk and compliance subject matter. The Line 2 risk and compliance teams are resourced with adequately skilled staff with the technical knowledge and experience to implement or review the RMS and to report independently to the Board Committees. Line 2 do not own the underlying risks, nor do they make business decisions about risk management.
- The third line of defence provides independent assurance on the design and effectiveness of the risk frameworks, the effectiveness of the first and second lines of defence, and the effectiveness of the Group's policies, procedures, and systems. Line 3 Assurance incorporates the internal audit function and extends to any other independent review activities.

Material risks

The Group categorises its material risks as financial and non-financial, reflecting its overarching approach to risk management. Financial risks comprise strategy risk, capital risk, credit risk, liquidity risk, funding risk, and market risks. Non-financial risks are operational in nature and include business management risk, resilience risk, systems & cyber security risk, compliance risk, conduct risk and people risk.

21 Enterprise risk management program (continued)

Financial risks

Strategy risk

The risk of failure to meet financial performance levels, targets, and market expectations with the potential for reputational damage, financial loss, increased cost of capital and possibly reduced ability to raise capital.

Capital risk

The risk of failing to meet or maintain regulatory capital limits, quality of capital requirements or a satisfactory external credit rating, which impacts the ability to absorb business shocks and raise capital.

Credit risk

The risk that a borrower fails to fulfil their obligations when they fall due. The risk includes lost principal and interest, disruption to cash flows, and increased collection costs with flow on impacts to profitability. Credit risk also encompasses the risk of credit migration, i.e. credit ratings downgrades and the decline in value of collateral charged as security against lending. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers, and concentrations of exposures to geographical regions, customer groups, industry sectors, significant exposures to individual borrowers and product/portfolio types. Refer to Note 22 - Credit risk exposure for further details.

Liquidity risk

The risk that Heartland is unable to meet its payment obligations as they fall due (including financing, operational and depositor/creditor obligations). It includes the timing mismatch of cash flows from the maturity of financial assets and liabilities and the related liquidity risk this creates.

Funding risk

The risk that Heartland is unable to source sufficient funding with adequate diversity and with appropriate tenor and pricing.

Market risk (including interest rate risk and foreign exchange risk)

Market risk is the possibility of experiencing losses or gains due to factors affecting the overall performance of financial markets in which the Group is exposed. The primary market risk exposures for the Group are interest rate risk and foreign exchange risk.

Interest rate risk refers to exposure of an entity's earnings and / or capital because of a mismatch between the interest rate exposures of its assets and liabilities. Interest rate risk for the Group arises from the provision of non-traded retail banking products and services and from traded wholesale transactions entered into to reduce aggregate interest rate risk (known as hedges). This risk arises from the following key sources:

- Mismatches between the repricing dates of interest-bearing assets and liabilities (yield curve and repricing risk);
- Banking products repricing differently to changes in wholesale market rates (basis risk);
- Loan prepayment or deposit early withdrawal behaviour from customers that deviate from the expected or contractually agreed behaviour (optionality risk);
- The effect of internal or market forces on a bank's net interest margin where, for example, in a low-rate environment any fall in rates will further decrease interest income earned on the assets whereas funding costs cannot be reduced as it is already at the minimum level (margin compression risk); and
- The risk that the fair value of financial instruments will change when interest rates change (price risk). This is particularly relevant for the Group's fair-valued assets, such as its liquid asset portfolio, which the fair value of is relied upon to support the Group's funding requirements.

Foreign exchange (**FX**) risk arises from a change in FX rates for assets, liabilities, profit, or income denominated in an entity's non-functional currency. Functional currency is the currency in which an entity primarily operates.

FX risk has the below components:

- Structural FX risk refers to the risk that an entity is exposed to when its assets, liabilities, or capital resources are denominated in a currency that is different to its reporting currency. This risk does not impact earnings unless and until the investment is sold. However, it does impact shareholder equity through revaluations of the net asset value through the foreign currency translation reserve;

21 Enterprise risk management program (continued)

Financial risks (continued)

Market risk (including interest rate risk and foreign exchange risk) (continued)

- Profit translation risk is the risk that deviations in exchange rates significantly impact the translated value of a foreign currency-based operation's profit, creating volatility in the entity's reported profit; and
- Balance sheet translation risk - arises from monetary assets and liabilities denominated in foreign currencies. Movements in FX rates change the equivalent value of foreign currency-denominated assets and liabilities through the entity's reported profit.

The Group's investment of capital in foreign currency operations generates an exposure to changes in foreign exchange rates. The Group has exposure to foreign currency translation risks through its Australian subsidiaries which have functional currency of Australian dollars (**AUD**). Variations in the value of these foreign currency operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity. The Group incurs some non-traded foreign currency risk related to the potential repatriation of profits from its Australian subsidiaries.

The Group does not currently hedge its net investments in foreign operations except in circumstances where there is a material exposure arising from a currency that is anticipated to be volatile, and the hedging is cost effective. This risk is routinely monitored, and hedging is conducted where it is likely to add shareholder value.

The Group's FX sensitivity analysis is based on the Australian subsidiaries' annual profit representing an annual exposure to profit translation risk.

The following sensitivity analysis measures the impact on the Group's net profit before tax and equity from a reasonably possible movement in AUD/NZD exchange rates, given the historical exchange rate volatility, with all other variables remaining constant.

$000's	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	As at 30 June 2026		As at 30 June 2025	
AUD/NZD exchange rate - increase 1%	(498)	(358)	(295)	(212)
AUD/NZD exchange rate - decrease 1%	508	366	301	217

Non-financial risks

Non-financial risk is a broad risk category as it encapsulates all of Heartland's pervasive day to day operational risks including conduct, regulatory, third party, cyber and other business interruption risks which may affect Heartland's ability to maintain continuity of service. The term "operational risk" can also be used to describe the broad spectrum of all non-financial risks. Operational risk losses can occur because of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The losses range from direct financial losses to reputational damage, unfavourable media attention, injury to or loss of staff or clients or as a breach of laws or banking regulations. Where appropriate, risks are mitigated by insurance.

The Group's exposure to operational risk is governed by a RAS approved by the Board and is used to guide management activities. This statement sets out the nature of risk which may be taken and aggregate risk limits, which are monitored by the ERC and BRC.

Systems and Cyber security risk

The risk that Heartland will fail to properly protect its systems and data from unauthorised access, use, disclosure, disruption, modification, or destruction.

Compliance risk

The risk that Heartland will fail to comply with applicable laws and regulations, including regulatory expectations, or that it will fail to meet internal policies and standards. This includes listing requirements for HGH, RBNZ prudential requirements for HBL, and other regulatory requirements.

21 Enterprise risk management program (continued)

Non-financial risks (continued)

Conduct risk

The risk of any action or omission by Heartland, or its subsidiaries, intermediaries or other agents, that does not meet the expectations of customers or other stakeholders and may also cause detriment to these parties. It can arise because employees or agents engage in unethical or improper behaviour. Consequences include negative impacts on Heartland's reputation, financial performance, and legal or regulatory standing.

People risk

The risk of a negative impact on Heartland as a result of issues related to its employees, including its reputation, financial performance, and legal or regulatory standing. This includes employee turnover, key person risk, prolonged unfilled vacancies, specific skill shortages, discrimination, harassment, or other forms of poor employee relations. It can also result from a failure to properly manage or control people risks, such as a lack of clear policies or adequate training.

Climate-related risks

The Group is increasingly considering and integrating climate-related risk into its overall risk management processes.

Risk Management

HGH has a defined risk tolerance for climate-related risk, which is monitored as part of HGH's RAS, reviewed, and updated at least annually to incorporate necessary changes and consider any new material emerging risks.

The Group's operational risk exposure to physical climate impacts is limited due to its small physical infrastructure footprint, predominantly digital operating model, and the predominantly low physical risk sites where the Group does have offices. The Group will begin to integrate climate-related credit risk into the ICAAP in FY2027.

All Group business units are required to review their RCSA at least annually. The RCSA primarily focuses on key operational risks and considers climate-related risks where relevant. The Group formalised its policies and controls for scope 1 and 2 GHG emissions measurement, monitoring and disclosure for FY2026. In future years, the Group will seek to expand its controls to scope 3 GHG emissions and enhance existing controls for other climate-related operational risks and credit risks.

Governance

The Board is responsible for setting the overarching strategic direction and risk appetite for the Group. The HGH Board has permanently constituted a Sustainability Committee, which has responsibility for advising and providing assurance to the HGH Board regarding the Group's progress against its sustainability strategy and meeting sustainability-related obligations, including climate-related risks and opportunities.

The management teams of HBL and HBA operationalise the assessment, management and reporting of the climate-related risks and opportunities for the Group and their respective banks. Both HBL and HBA utilise executive committees to support management in their climate-related activities (HBL's ERC and HBA's Management Sustainability Committee).

Strategy

The Group's transition plan is built upon three pillars:

- Integrate climate-related risk into lending decisions. The Group is building its capability to understand, monitor and manage climate-related risks in its lending decisions,
- Fund the Group's borrowers' transition to a net-zero economy: The Group seeks to provide customers with the finance and assets they require to transition to a low-emissions and climate-resilient future; and
- Embed sustainability into what the Group does; The Group is committed to operating its business in a more sustainable manner. This includes reducing its operational emissions to net-zero by FY2050 in line with the Paris Agreement.

The Group assesses the impact of climate-related risks on its financial position and performance. Although the Group faces both physical and transition risks, it has determined that those climate-related risks do not have a material impact on the judgements, assumptions, and estimates for the year ended 30 June 2026. HGH and HBL will release their Climate Statement for the year ended 30 June 2026 by 30 September 2026, providing further details on the Group's approach to identifying, assessing and managing climate-related risks.

22 Credit risk exposure

Credit risk is the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to make. The risk is primarily that of the lender and includes loss of principal and interest, disruption to cash flows and increased collection costs.

Credit risk is managed to achieve sustainable risk-reward performance whilst maintaining exposures within acceptable risk "appetite" parameters. This is achieved through the combination of governance, policies, systems and controls, underpinned by commercial judgement as described below.

To manage this risk the ERC oversees the formal credit risk management strategy. The ERC reviews the Group's credit risk exposures typically monthly. The credit risk management strategies aim to ensure that:

- Credit origination meets agreed levels of credit quality at point of approval;
- Sector concentrations are monitored;
- Maximum total exposure to any one debtor is actively managed; and
- Changes to credit risk are actively monitored with regular credit reviews.

The BARC (with the assistance of the HBL Board Risk Committee for New Zealand and the Heartland Australia Group Board for Australia) also oversees the Group's credit risk exposures to monitor overall risk metrics having regard to risk appetite set by the Board.

HBL's Board Risk Committee (**BRC**) has authority for approval of all credit exposures for New Zealand. Lending authority has been provided by the HBL BRC to the Banking Group's Credit Committee, and to the business units under a detailed Delegated Lending Authority framework. Application of credit discretions in the business operation are monitored through a defined review and hindsight structure as outlined in the Credit Risk Oversight Policy. Delegated Lending Authorities are provided to individual officers with due cognisance of their experience and ability. Larger and higher risk exposures require approval of senior management, the Credit Committee and ultimately through to HBL's BRC.

The Group employs a credit risk oversight process of hindsighting loans to ensure that credit policies and the quality of credit processes are maintained.

HBA Board has authority for approval for all credit exposures for HBA and its subsidiaries.

Counterparty credit risk

Counterparty credit risk is the risk that the Group's earnings and/or capital are adversely impacted by the default of a counterparty.

The Group has ongoing credit exposure associated with:

- Cash and cash equivalents;
- Finance receivables;
- Holding of investment securities; and
- Payments owed to the Group from risk management instruments.

Counterparty credit risk is managed against limits set in the Market Risk Policy including credit exposure on derivative contracts, bilateral set-off arrangements, cash and cash equivalents and investment securities.

Reverse mortgage loans and negative equity risk

Reverse mortgage loans are a form of mortgage lending designed to meet the needs of eligible borrowers based on age criteria. These loans differ from conventional mortgages in that they typically are not repaid until the borrower ceases to reside in the property. Further, interest is not required to be paid, it is capitalised into the loan balance and is repayable on termination of the loan. As a result, there are no contractual incoming cash flows during the life of the loan and default risk is therefore not managed through ongoing payment performance, as is the case for conventional mortgages. Negative equity risk arises from the promise by the Group that the maximum repayment amount is limited to the net sale proceeds of the borrowers' property.

The Group's exposure to negative equity risk is managed via lending standards specific for this product. In addition to usual criteria regarding the type, and location, of security property that the Group will accept for reverse mortgage lending, a key aspect of the Group's policy is that a borrower's age on origination of the reverse mortgage loan will dictate the loan-to-value ratio of the reverse mortgage on origination. New Zealand and Australia reverse mortgage lending standards and operations are well aligned.

22 Credit risk exposure (continued)

Business Finance Guarantee Scheme

HBL, along with other registered banks in New Zealand, entered into a Deed of Indemnity with the New Zealand Government to implement the New Zealand Government's Business Finance Guarantee Scheme (**the BFGS Scheme**). The purpose of the BFGS Scheme was to provide short term credit to eligible small and medium-sized businesses, who had been impacted by the economic effects of COVID-19. The BFGS Scheme allowed banks to lend to a maximum of $5 million for a maximum of five years. The New Zealand Government guarantees 80% of any loss incurred (credit risk) with HBL holding the remaining 20%. The BFGS Scheme concluded on 30 June 2021. As at 30 June 2026 HBL had a total approved exposure of $15.6 million (2025: $32.1 million) to supported loans subject to ongoing asset management and enforcement activities under the BFGS Scheme.

North Island Weather Events (NIWE) Loan Guarantee Scheme

On 31 July 2023, HBL entered into a Deed of Indemnity with the New Zealand Government to implement the North Island Weather Events Loan Guarantee Scheme. The supported loans are intended to assist New Zealand businesses to manage the impacts of the North Island Weather Events (during Auckland Anniversary weekend 2023). The facility limit for each supported loan must not exceed $10 million for a maximum of 5 years. The New Zealand Government guarantees 80% of any loss incurred (credit risk) with HBL holding the remaining 20%. The Scheme concluded on 30 June 2025. As at 30 June 2026 HBL had supported loans under this scheme of $27.0 million (2025: $31.7 million).

Maximum exposure to credit risk at the relevant reporting dates

The following table represents the maximum credit risk exposure, without taking into account any collateral held. The exposures set out below are based on net carrying amounts as reported in the statement of financial position, where investments exclude total equity investments and finance receivables measured at amortised cost are presented gross of provision for losses on guaranteed future value products as they do not give rise to credit risk exposure.

$000's	June 2026	June 2025
On balance sheet:		
Cash and cash equivalents	385,268	356,229
Collateral paid	5,129	14,239
Investments	815,108	777,403
Finance receivables measured at amortised cost	3,419,688	3,712,954
Finance receivables - reverse mortgages	4,358,190	3,370,949
Derivative financial assets	5,034	4,792
Other financial assets	11,044	5,283
Total on balance sheet credit exposures	**8,999,461**	**8,241,849**
Off balance sheet:		
Letters of credit, guarantee commitments and performance bonds	6,953	5,507
Undrawn facilities available to customers	779,458	565,735
Conditional commitments to fund at future dates	17,258	11,095
Total off balance sheet credit exposures	**803,669**	**582,337**
Total credit exposures	**9,803,130**	**8,824,186**

Concentration of credit risk by geographic region

$000's	June 2026	June 2025
New Zealand	5,312,094	5,407,089
Australia	4,406,516	3,313,862
Rest of the world[1]	138,542	175,014
	9,857,152	**8,895,965**
Provision for impairment	(54,022)	(71,779)
Total credit exposures	**9,803,130**	**8,824,186**

[1]These overseas assets are primarily NZD-denominated investments in AA+ (Standard & Poor's) and higher rated securities issued by offshore supranational agencies ("Kauri Bonds").

22 Credit risk exposure (continued)

Concentration of credit risk by industry sector

The Australian and New Zealand Standard Industrial Classification (**ANZSIC**) codes have been used as the basis for categorising customers and investees across industry sectors.

$000's	June 2026	June 2025
Agriculture	1,102,377	1,076,425
Forestry and fishing	65,362	81,038
Mining	4,723	9,397
Manufacturing	43,543	58,203
Finance and insurance	716,297	701,850
Wholesale trade	28,266	35,177
Retail trade and accommodation	453,974	362,335
Households	5,926,048	4,960,991
Other business services	155,531	159,012
Construction	242,381	274,653
Rental, hiring and real estate services	178,513	182,361
Transport and storage	319,740	377,937
Public administration and safety[1]	529,590	514,611
Other	90,807	101,975
	9,857,152	**8,895,965**
Provision for impairment	(54,022)	(71,779)
Total credit exposures	**9,803,130**	**8,824,186**

[1]Comparatives have been reclassified to align with current year classifications. Public administration and safety is now shown as a separate line item, previously included within Finance and Insurance and Other business services.

Credit risk grading

The Group's finance receivables are monitored either by account behaviour (**Behavioural portfolio**) or a regular assessment of their credit risk grade based on an objective review of defined risk characteristics (**Judgemental portfolio**).

The Judgemental portfolio consists mainly of business and rural lending where an ongoing and detailed working relationship with the customer has been developed while the Behavioural portfolio consists of consumer, retail and smaller business receivables.

Judgemental loans are individually risk graded based on loan status, financial information, security and debt servicing ability. Exposures in the Judgemental portfolio are credit risk graded by an internal risk grading mechanism. Grade 1 loans represent the strongest credit quality and the lowest credit risk. Grades 8 and 9 represent the weakest credit quality and the highest credit risk. Behavioural loans are managed based on their arrears status.

All loans past due but not impaired have been categorised into three impairment stages (see Note 13 –Finance receivables measured at amortised cost) which are in most cases based on arrears status. If a Judgemental loan is risk graded 6 or above it will be classified as stage 2 as a minimum and carry a provision based on lifetime ECL.

22 Credit risk exposure (continued)

Credit risk grading (continued)

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
June 2026					
Judgemental portfolio					
Grade 1 - Very Strong	71,657	–	–	–	71,657
Grade 2 - Strong	1,925	–	–	–	1,925
Grade 3 - Sound	50,263	–	–	–	50,263
Grade 4 - Adequate	553,637	2,803	6,753	–	563,193
Grade 5 - Acceptable	986,760	3,364	1,944	–	992,068
Grade 6 - Monitor	–	38,925	885	–	39,810
Grade 7 - Substandard	–	35,767	9,916	–	45,683
Grade 8 - Doubtful	–	–	126	65,610	65,736
Grade 9 - At risk of loss	–	–	33	17,899	17,932
Total Judgemental portfolio	1,664,242	80,859	19,657	83,509	1,848,267
Total Behavioural portfolio	1,588,995	13,178	19,448	3,822	1,625,443
Gross finance receivables measured at amortised cost	**3,253,237**	**94,037**	**39,105**	**87,331**	**3,473,710**
Provision for impairment	(12,970)	(5,707)	(13,561)	(21,784)	(54,022)
Total finance receivables measured at amortised cost	**3,240,267**	**88,330**	**25,544**	**65,547**	**3,419,688**
Undrawn facilities available to customers	265,281	3,694	1,107	–	270,082
June 2025[1]					
Judgemental portfolio					
Grade 1 - Very Strong	70,434	–	–	–	70,434
Grade 2 - Strong	4,511	–	–	–	4,511
Grade 3 - Sound	61,216	73	–	–	61,289
Grade 4 - Adequate	526,815	5,502	5,737	–	538,054
Grade 5 - Acceptable	941,521	5,303	2,561	–	949,385
Grade 6 - Monitor	–	150,838	3,628	–	154,466
Grade 7 - Substandard	–	46,529	28,951	–	75,480
Grade 8 - Doubtful	–	–	40	66,674	66,714
Grade 9 - At risk of loss	–	–	52	21,876	21,928
Total Judgemental portfolio	1,604,497	208,245	40,969	88,550	1,942,261
Total Behavioural portfolio	1,755,099	28,617	55,988	2,768	1,842,472
Gross finance receivables measured at amortised cost	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**
Provision for impairment	(16,029)	(7,851)	(23,104)	(24,795)	(71,779)
Total finance receivables measured at amortised cost	**3,343,567**	**229,011**	**73,853**	**66,523**	**3,712,954**
Undrawn facilities available to customers	260,302	4,806	1,090	–	266,198

[1]Comparative risk grading information related to Australian livestock portfolio has been reclassified to align with the current year presentation.

22 Credit risk exposure (continued)

Collateral held

The Group employs a range of policies and practices to mitigate credit risk and has internal policies on the acceptability of specific classes of collateral. Collateral is held as security to support credit risk on finance receivables and enforced in satisfying the debt in the event contractual repayment obligations are not met. The collateral held for mitigating credit risk for the Group's lending portfolios is outlined below.

Reverse mortgage and Residential mortgage loans

Reverse mortgage loans are secured by a first mortgage over a residential property which is typically a customer's primary residential dwelling, residential investment property or holiday home. Residential mortgage loans are secured by a residential mortgage over an owner-occupied property located in an approved urban area.

Corporate lending

Business lending including rural lending is typically secured by way of a charge over property and/or specific security agreement over relevant business assets, and, where considered appropriate, a general security agreement to provide the ability to control cash flows.

Other lending

Other lending comprises personal loans, primarily motor loans, which are secured by a motor vehicle or a boat; and other shorter term smaller personal loans which are predominantly unsecured.

The Group analyses the coverage of the loan portfolio which is secured by the collateral it holds.

Coverage is measured by the value of security as a proportion of loan balance outstanding and classified as follows:

Fully secured	Greater or equal to 100%
Partially secured	1% - 99.9%
Unsecured	No security held

The Group's loan portfolio have the following coverage from collateral held on credit impaired loans:

	Corporate	Residential	All other
June 2026			
Fully secured	17%	100%	36%
Partially secured	63%	—%	1%
Unsecured	20%	—%	63%
Total	**100%**	**100%**	**100%**
June 2025			
Fully secured	15%	100%	45%
Partially secured	82%	—%	36%
Unsecured	3%	—%	19%
Total	**100%**	**100%**	**100%**

23 Liquidity and funding risk

Liquidity risk is the risk that the Group will be unable to obtain the necessary funds to meet its financial obligations as they fall due, leading to an inability to support its regular business activities and comply with regulatory liquidity requirements. The timing mismatch of cash flows and the related liquidity risk in all banking operations are closely monitored by the Group.

Measurement of liquidity risk is designed to ensure that the Group has the ability to generate or obtain sufficient cash in a timely manner and at a reasonable price to meet its financial commitments on a daily basis without compromising its operations or financial health.

Funding risk is the risk of excessive reliance on a particular funding source, which may lead to increased overall funding costs or challenges in raising funds. Effective management of funding risk requires maintaining a diverse and stable funding base to ensure the Group can meet its financial obligations under varying conditions.

The Group's exposure to liquidity risk is governed by a policy approved by the Board and managed by GALCO. This policy sets out the nature of the risk which may be taken and aggregate risk limits, that the GALCO must observe. Within this, the objective of the GALCO is to derive the most appropriate strategy for the Group in terms of a mix of assets and liabilities given its expectations of future cash flows, liquidity constraints and capital adequacy. The GALCO employs asset and liability cash flow modelling to determine appropriate liquidity and funding strategies.

The Group has developed a CFP to enable prompt and decisive action during liquidity and funding crises, ensuring the effective implementation of contingency measures. The CFP outlines defined roles and responsibilities, as well as procedures and plans to address disruptions to the Group's ability to meet its liquidity and funding requirements.

HBA manages its own domestic liquidity and funding requirements in accordance with its own liquidity policy and the policies of the Group. HBA's liquidity policy is also overseen by APRA.

In March 2020, the Bank was onboarded by the RBNZ as an approved counterparty and executed a 2011 Global Master Repo Agreement providing an additional source for intra-day liquidity for the Group if required.

The Group holds the following liquid assets and committed funding sources for the purpose of managing liquidity risk:

$000's	June 2026	June 2025
Cash and cash equivalents	385,268	356,229
Investments in debt securities	815,108	777,403
Total liquid assets	**1,200,376**	**1,133,632**
Undrawn committed bank facilities	372,292	211,914
Total liquid assets and committed undrawn funding	**1,572,668**	**1,345,546**

23 Liquidity and funding risk (continued)

Contractual liquidity profile of financial liabilities

The following tables present the Group's financial liabilities by relevant maturity groupings based upon contractual maturity date. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows. As a result, the amounts in the tables below may differ to the amounts reported on the statement of financial position.

The contractual cash flows presented below may differ significantly from actual cash flows. This occurs as a result of future actions by the Group and its counterparties, such as early repayments or refinancing of term loans and borrowings. Deposits and other public borrowings include customer savings deposits and transactional accounts, which are at call. These accounts provide a stable source of long term funding for the Group.

$000's	On Demand	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2026							
Non-derivative financial liabilities							
Deposits	1,011,235	4,049,333	1,787,257	294,017	159,782	—	7,301,624
Other borrowings	—	76,994	25,579	566,550	56,106	250,607	975,836
Lease liabilities	—	2,280	2,312	4,432	5,682	1,975	16,681
Other financial liabilities	—	22,640	1,181	2,362	6,983	31,627	64,793
Total non-derivative financial liabilities	**1,011,235**	**4,151,247**	**1,816,329**	**867,361**	**228,553**	**284,209**	**8,358,934**
Derivative financial liabilities							
Inflows from derivatives	—	8,505	7,672	12,763	7,535	—	36,475
Outflows from derivatives	—	13,121	10,145	16,047	8,452	—	47,765
Total derivative financial liabilities	**—**	**4,616**	**2,473**	**3,284**	**917**	**—**	**11,290**
Undrawn facilities available to customers	779,458	—	—	—	—	—	779,458
June 2025							
Non-derivative financial liabilities							
Deposits	1,024,455	3,834,210	1,460,828	188,042	153,551	—	6,661,086
Other borrowings	—	27,760	251,581	193,519	202,745	363,390	1,038,995
Lease liabilities	—	2,152	1,998	3,985	7,471	114	15,720
Other financial liabilities	—	14,983	—	—	—	—	14,983
Total non-derivative financial liabilities	**1,024,455**	**3,879,105**	**1,714,407**	**385,546**	**363,767**	**363,504**	**7,730,784**
Derivative financial liabilities							
Inflows from derivatives	—	16,604	14,385	22,991	17,795	—	71,775
Outflows from derivatives	—	20,283	19,922	30,997	22,100	—	93,302
Total derivative financial liabilities	**—**	**3,679**	**5,537**	**8,006**	**4,305**	**—**	**21,527**
Undrawn facilities available to customers	565,735	—	—	—	—	—	565,735

24 Interest rate risk

The Group's market risk is derived primarily of exposure to interest rate risk, predominantly from raising funds through the retail and wholesale deposit market, the debt capital markets and committed and uncommitted bank funding, securitisation of receivables, and offering loan finance products to the commercial and consumer market in New Zealand and Australia.

The Group's exposure to market risk is governed by a policy approved by the Board and managed by the GALCO. This policy sets out the nature of risk which may be taken and aggregate risk limits, and the GALCO must conform to this. The objective of the GALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints and capital adequacy.

The objective of the Group's interest rate risk policies is to limit underlying net profit after tax (**NPAT**) volatility. The measurement comprises net interest income the Group generates from its interest earning assets and interest bearing liabilities.

The exposure to net interest income comes from a reduction in margins on interest earning assets or interest bearing liabilities and is managed when setting rates by taking into consideration wholesale rates, liquidity premiums, as well as appropriate lending credit margins.

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of interest bearing assets and the corresponding liability funding. One of the main causes of these mismatches is timing differences in the repricing of assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process in accordance with the Group's policy.

An analysis of the Group's sensitivity is based on the values of the interest bearing assets and liabilities as at the reporting date, and measures the prospective impact on the net profit after tax and equity from movements in market interest rates by 100 basis points, presented in the below table:

$000's	Impact on NPAT	Impact on equity	Impact on NPAT	Impact on equity
	As at 30 June 2026		As at 30 June 2025	
Market interest rates - 100 basis points increase	9,602	9,602	9,424	9,424
Market interest rates - 100 basis points decrease	(9,602)	(9,602)	(9,424)	(9,424)

The Group also manages interest rate risk by:

- Monitoring trends in interest rates to limit any potential adverse impact on earnings;
- Monitoring maturity profiles and seeking to match the re-pricing of assets and liabilities;
- Monitoring interest rates daily and regularly (at least monthly) reviewing interest rate exposures; and
- Entering into derivatives to hedge against movements in interest rates.

24 Interest rate risk (continued)

Contractual repricing analysis

The interest rate risk profile of financial assets and liabilities that follows has been prepared on the basis of maturity or next repricing date, whichever is earlier.

$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non-Interest Bearing	Total
June 2026							
Financial assets							
Cash and cash equivalents	385,268	—	—	—	—	—	385,268
Collateral paid	5,129	—	—	—	—	—	5,129
Investments	514,200	7,234	8,993	116,994	167,687	5,192	820,300
Derivative financial assets	—	—	—	—	—	5,034	5,034
Finance receivables measured at amortised cost	1,416,785	260,349	451,952	531,336	757,762	—	3,418,184
Finance receivables - reverse mortgages	4,358,190	—	—	—	—	—	4,358,190
Other financial assets	3,625	—	—	—	—	7,419	11,044
Total financial assets	**6,683,197**	**267,583**	**460,945**	**648,330**	**925,449**	**17,645**	**9,003,149**
Financial liabilities							
Deposits	3,290,428	1,678,241	1,727,490	277,998	147,885	34,726	7,156,768
Other borrowings	606,230	23,218	—	123,113	37,980	—	790,541
Derivative financial liabilities	—	—	—	—	—	10,966	10,966
Lease liabilities	—	—	—	—	—	14,253	14,253
Other financial liabilities	—	—	—	—	—	41,688	41,688
Total financial liabilities	**3,896,658**	**1,701,459**	**1,727,490**	**401,111**	**185,865**	**101,633**	**8,014,216**
Effect of derivatives held for risk management	577,394	98,116	(72,447)	(252,815)	(350,248)	—	—
Net financial assets/(liabilities)	**3,363,933**	**(1,335,760)**	**(1,338,992)**	**(5,596)**	**389,336**	**(83,988)**	**988,933**

24 Interest rate risk (continued)

Contractual repricing analysis (continued)

$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non-Interest Bearing	Total
June 2025							
Financial assets							
Cash and cash equivalents	356,229	–	–	–	–	–	356,229
Collateral paid	14,239	–	–	–	–	–	14,239
Investments	440,688	–	14,761	56,220	265,734	12,641	790,044
Derivative financial assets	–	–	–	–	–	4,792	4,792
Finance receivables measured at amortised cost	1,512,404	328,880	445,418	604,968	819,780	–	3,711,450
Finance receivables - reverse mortgages	3,370,949	–	–	–	–	–	3,370,949
Other financial assets	1,716	–	–	–	–	3,567	5,283
Total financial assets	**5,696,225**	**328,880**	**460,179**	**661,188**	**1,085,514**	**21,000**	**8,252,986**
Financial liabilities							
Deposits	3,107,945	1,670,886	1,409,173	174,359	129,221	38,369	6,529,953
Other borrowings	666,594	–	–	–	158,860	–	825,454
Derivative financial liabilities	–	–	–	–	–	20,660	20,660
Lease liabilities	–	–	–	–	–	14,390	14,390
Other financial liabilities	–	–	–	–	–	14,983	14,983
Total financial liabilities	3,774,539	1,670,886	1,409,173	174,359	288,081	88,402	7,405,440
Effect of derivatives held for risk management	860,941	93,460	(108,267)	(444,536)	(401,598)	–	–
Net financial assets/(liabilities)	**2,782,627**	**(1,248,546)**	**(1,057,261)**	**42,293**	**395,835**	**(67,402)**	**847,546**

The tables above illustrate the periods in which the cash flows from interest rate swaps are expected to occur and affect profit or loss.

Other Disclosures

25 Significant subsidiaries

Significant subsidiaries	Country of incorporation and place of business	Nature of business	Proportion of ownership and voting power held June 2026	June 2025
Heartland Bank Limited	New Zealand	Bank	100%	100%
VPS Properties Limited	New Zealand	Investment property holding company	100%	100%
Heartland Bank Australia Limited	Australia	Bank	100%	100%
Heartland Australia Holdings Pty Limited	Australia	Financial services	100%	100%
Heartland Australia Group Pty Limited	Australia	Financial services	100%	100%
StockCo Holdings 2 Pty Limited	Australia	Financial services	100%	100%
StockCo Australia Management Pty Limited	Australia	Management services	100%	100%

26 Structured entities

A structured entity is one which has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are created to accomplish a narrow and well-defined objective such as the securitisation or holding of particular assets, or the execution of a specific borrowing or lending transaction. Structured entities are consolidated where the substance of the relationship is that the Group controls the structured entity.

(a) Heartland Cash and Term PIE Fund (Heartland PIE Fund)

The Group controls the operations of the Heartland PIE Fund which is a portfolio investment entity that invests in the Group's deposits. Investments of Heartland PIE Fund are represented as follows:

$000's	June 2026	June 2025
Deposits	659,944	476,489

(b) Heartland Auto Receivables Warehouse Trust 2018-1 (HARWT)

HARWT securitises motor vehicle loan receivables as a source of funding.

The Group continues to recognise the securitised assets and associated borrowings in the statement of financial position as the Group remains exposed to and has the ability to affect variable returns from those assets and liabilities. Although the Group recognises those interests in HARWT, the loans sold to HARWT are set aside for the benefit of investors in HARWT. Other depositors and lenders to the Group have no recourse to those assets. The balances of HARWT are represented as follows:

$000's	June 2026[1]	June 2025
Cash and cash equivalents	13,302	14,450
Finance receivables measured at amortised cost	156,569	171,336
Other borrowings[1]	(165,380)	(183,062)

[1]Include subordinated loan balance with HBL in accordance with the terms of the Trust Deed.

26 Structured entities (continued)

(c) Seniors Warehouse Trust No.2 (SWT2)

SWT2 was set up on 2 July 2019 as part of the Australian reverse mortgage business. It was originally established by Australian Seniors Finance Pty Limited **(ASF)** and was subsequently transferred to HBA on 30 May 2025. The trustee of the trust is AMAL Trustees Pty Ltd. and the trust manager is AMAL Management Services Pty Ltd. The balances of SWT2 are summarised as follows:

$000's	June 2026[1]	June 2025
Cash and cash equivalents	36,264	32,210
Finance receivables - reverse mortgages[1]	573,563	407,275
Other borrowings[2]	(571,753)	(417,809)

[1]The increase in the SWT2 securitised assets balance is mainly related to the sale of $166.3 million of reverse mortgage receivables by HBA and a further drawdown on securitisation borrowings. The SWT2 securitisation facility limit increased from $281 million (A$260 million) to $518 million (A$425 million) as part of execution of its date-based calls (a repurchase of the remaining securitised assets on a predetermined date before their full repayment or maturity) during the year. Refer to Note 15 – Borrowings for further details.

[2]Include subordinated loan balance with HBA in accordance with the terms of the Trust Deed.

(d) Atlas 2020-1 Trust (Atlas Trust)

Atlas Trust was set up on 11 September 2020 as part of ASF's reverse mortgage business similar to the existing SWT2 Trust and ASF Trust. It was subsequently transferred to HBA on 1 July 2025. The Trustee for the Trust is BNY Trust Company of Australia Limited and the Trust Manager is ASF. The balances of Atlas Trust are represented as follows:

$000's	June 2026	June 2025
Cash and cash equivalents	25,985	19,681
Finance receivables - reverse mortgages	162,200	148,993
Other borrowings[1]	(153,903)	(144,949)

[1]Include subordinated loan balances in accordance with the terms of the Trust Deed.

27 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.

27 Staff share ownership arrangements (continued)

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

FY2028 Tranche (continued)

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 include, but are not limited to, grant date share price, price volatility, probability of achieving future share price (applicable to TSR hurdle only), expected future dividend payments 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.

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

	June 2026 PR Plan Number of Rights	June 2025 PR Plan Number of Rights
Opening balance	1,149,148	6,417,476
Vested	—	—
Issued	4,875,000	—
Forfeited / unvested[1]	(1,149,148)	(5,268,328)
Closing balance	**4,875,000**	**1,149,148**

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

(b) Effect of share-based payment transactions

$000's	June 2026	June 2025
Award of Shares		
Plan - FY2028 tranche[1]	787	721
Total expense recognised	**787**	**721**

[1]The Group started recognising share-based payment expense of the FY2028 tranche during the year ended 30 June 2025 when the qualifying employees expected to obtain proposed Performance Rights in exchange for their services. The amount recorded in FY2025 was based on the estimated fair value of such rights as at 30 June 2025. The current year expense included a true-up adjustment based on the fair value of the Performance Rights measured on grant date following the finalisation and communication of the Plan.

The weighted average fair values of the FY2028 Tranche were $0.46 and $0.78 for each Performance Right linked to TSR measures and ROE measures, respectively.

(c) Number of rights outstanding

	June 2026		June 2025	
000's	Rights Outstanding	Remaining Years	Rights Outstanding	Remaining Years
PR Plan - 2025	—	—	1,149	—
Plan - FY2028	4,875	2.3	—	—
Total	**4,875**		**1,149**	

28 Concentrations of funding

(a) Concentration of funding by industry

ANZSIC codes have been used as the basis for categorising customer and investee industry sectors.

$000's	June 2026	June 2025
Agriculture	116,415	114,988
Forestry and fishing	25,880	14,038
Mining	125	46
Manufacturing	17,001	17,809
Finance and insurance	1,915,021	1,864,157
Wholesale trade	15,232	6,618
Retail trade and accommodation	48,323	32,053
Households	4,715,385	4,669,968
Rental, hiring and real estate services	66,791	62,663
Construction	22,503	25,517
Other business services	578,396	460,812
Transport and storage	7,183	6,509
Public administration and safety[1]	368,151	36,445
Other	50,903	43,784
Total borrowings	**7,947,309**	**7,355,407**

[1]Comparatives have been reclassified to align with current year classifications. Public administration and safety is now shown as a separate line item, previously included within Other. The increase during the period primarily relates to deposits from Australian Government and government-related entities.

(b) Concentration of funding by geographical area

$000's	June 2026	June 2025
New Zealand	4,281,904	4,545,940
Australia	3,593,872	2,731,585
Rest of the world	71,533	77,882
Total borrowings	**7,947,309**	**7,355,407**

29 Offsetting financial instruments

The Group offsets financial assets and financial liabilities and reports the net balance in the balance sheet where there is currently a legally enforceable right to set off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group enters into contractual arrangements with counterparties to manage the credit risks associated primarily with over-the-counter derivatives. The Group has entered into credit support annexes (**CSAs**) which form a part of International Swaps and Derivatives Association (**ISDA**) Master Agreement, in respect of certain exposures relating to derivative transactions. As per these CSAs, the Group or the counterparty needs to collateralise the market value of outstanding derivative transactions. As at 30 June 2026, the Group has paid $5.13 million of cash collateral (2025: paid $14.24 million) against derivative liabilities. Cash collateral includes amounts of cash obtained to cover the net exposure between the counterparty in the event of default or insolvency. The cash collateral paid is not netted off against the balance of derivative liabilities disclosed in the statement of financial position.

The following table sets out financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. Financial instruments refer to amounts that are subject to relevant close out netting arrangements under a relevant ISDA agreement. ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position because under such agreements the counterparties typically have the right to offset only following an event of default, insolvency or bankruptcy or following other pre-determined events.

	Effects of offsetting on the balance sheet			Related amounts not offset		
$000's	**Gross amount**	**Gross amounts set off in the balance sheet**	**Net amounts reported in the balance sheet**	**Financial Instruments**	**Cash collateral**	**Net amount**
June 2026						
Derivative financial assets	5,034	–	5,034	(5,034)	–	–
Total financial assets	**5,034**	**–**	**5,034**	**(5,034)**	**–**	**–**
Derivative financial liabilities	10,966	–	10,966	(5,034)	(5,129)	803
Total financial liabilities	**10,966**	**–**	**10,966**	**(5,034)**	**(5,129)**	**803**
June 2025						
Derivative financial assets	4,792	–	4,792	(4,792)	–	–
Total financial assets	**4,792**	**–**	**4,792**	**(4,792)**	**–**	**–**
Derivative financial liabilities	20,660	–	20,660	(4,792)	(14,239)	1,629
Total financial liabilities	**20,660**	**–**	**20,660**	**(4,792)**	**(14,239)**	**1,629**

30 Contingent liabilities and commitments

In the ordinary course of its business, the Group is subject to contingent risks and potential liabilities. The Group periodically undertakes reviews of historic products, services, processes and operational practices and addresses any customer complaints as part of its ongoing operational, risk management, governance, and assurance activities.

A provision will be recognised where the Group determines there is a probable likelihood of losses arising and where its potential loss can be reliably estimated.

Credit related commitments arising in respect of the Group's operations were:

$000's	June 2026	June 2025
Letters of credit, guarantee commitments and performance bonds	6,953	5,507
Total	**6,953**	**5,507**
Undrawn facilities available to customers	779,458	565,735
Conditional commitments to fund at future dates	17,258	11,095
Total commitments	**796,716**	**576,830**

31 Events after reporting date

The Group approved a fully imputed final dividend of 3.5 cents per share on 19 August 2026.

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

To the shareholders of Heartland Group Holdings Limited

Our opinion

In our opinion, the accompanying consolidated financial statements (the financial statements) of Heartland Group Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2026, its financial performance, and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 30 June 2026;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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) and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with PES 1 and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Provision for impairment of finance receivables The Group's provision for impairment of finance receivables totalled $54.0 million at 30 June 2026 as disclosed in note 13 of the financial statements. For the determination of the collectively assessed impairment allowance, this requires the use of credit risk methodologies that are applied in models using the Group's historical experience of the correlations between defaults and losses, borrower creditworthiness, segmentation of customers or portfolios and the application of forward looking multiple economic scenarios. For finance receivables that meet specific risk based criteria, the impairment allowance is individually assessed by the Group. These impairment allowances are measured using probability weighted scenarios which are intended to reflect a range of reasonably possible outcomes, and incorporate assumptions such as estimated future cash proceeds expected to be recovered from the realisation of security held as collateral by the Group. We considered this a key audit matter due to the significant inherent estimation uncertainty present in the determination of the impairment allowance.	We obtained an understanding of control activities over the Group's impairment allowance, and for certain control activities assessed whether they were appropriately designed. For controls relevant to our planned audit approach we tested, on a sample basis, whether they operated effectively, throughout the financial year. In addition, we, along with our credit risk modelling expert, performed the following procedures, amongst others, on a targeted or sample basis, on the Group's collectively assessed impairment allowance: • Evaluated the methodology used in the models by comparing the model design and key requirements with the applicable requirements of NZ IFRS 9 *Financial Instruments*; • Evaluated the reasonableness of significant assumptions used in determining the collectively assessed impairment allowance inclusive of the impacts of any post model adjustments; • Tested the accuracy of the collectively assessed impairment allowance calculation; and • For selected critical data elements used in the calculations, agreed the inputs on a sample basis to the underlying supporting records. With respect to individually assessed impairment allowances we: • For a sample of business and rural loans not identified as impaired, considered the borrowers latest information available to the Group to assess the credit risk grade rating allocated to the borrower as to whether the borrower could be identified as impaired, a critical data element which involves significant management judgement; and • For loans where an impairment allowance was individually assessed, we considered the borrower's latest financial information, value of security held as collateral and probability weighted scenario outcomes (where applicable) to test the basis of measuring the impairment allowance. We considered the impacts of events occurring subsequent to balance date on the impairment allowances. We also assessed the reasonableness of the disclosures against the requirements of the accounting standards.

Fair value of finance receivables - reverse mortgages The Group's fair value of finance receivables – reverse mortgages ("Reverse mortgages") totalled $4.4 billion at 30 June 2026 as disclosed in note 20 of the financial statements. Reverse mortgages are held at fair value through profit or loss. Previously, the Group recorded the estimated fair value of Reverse mortgages at transaction price (cash advanced plus accrued capitalised interest), on the basis that no reliable fair value could be estimated as there was no relevant active market and the fair value could not be reliably estimated using other valuation techniques, as permitted under accounting standards. From 1 January 2026, the Group changed its estimated fair value by further incorporating an origination premium (by reference to upfront and trail commissions payable to brokers), following recent observations of market participants views on how to price reverse mortgages. To assess whether the transaction price and origination premium remain an appropriate proxy for fair value, the Group considers the impact on discounted future cash flows of changes in the risk profile and expectations of performance since origination, including possible outflows under the no negative equity guarantee provided by the Group to the borrower. High interest rates and volatility in house prices, combined with the economic outlook, increases the possibility of outflows under the no negative equity guarantee. Accordingly, we consider this to be a key audit matter.	Our audit procedures included assessing the design and implementation of controls relating to the Group's assessment of the fair value of Reverse mortgages. In addition, our audit procedures included: • Assessing the reasonableness of the Group's approach to estimating the fair value based on the transaction price and origination premium against the requirements of the accounting standards; • Assessing whether there was evidence of a relevant active market or observable inputs in which to establish fair value using a market approach; • Evaluated the appropriateness of the change to estimating the fair value of Reverse mortgages from 1 January 2026 by incorporating an origination premium and assessed the accounting treatment of this as a change in accounting estimate; • Our internal actuarial expert assisted us in assessing the Group's estimate of discounted future cash flows from the Reverse mortgages, including any expected outflows under the no negative equity guarantee and comparing this to the transaction price and origination premium of Reverse mortgages (carrying value) to assess any potential shortfall (a shortfall would indicate the transaction price and origination premium was overstated); • For a sample of critical data elements used in the discounted future cash flow estimate, agreed the inputs to the underlying supporting records; • Assessing the reasonableness of key assumptions used in the value of discounted future cash flows and origination premium (such as future house price changes, voluntary exits, mortality and potential move into care rates, interest rate margins and discount rate); and • Considering the appropriateness of the disclosures against the requirements of the accounting standards.
Heartland Bank Australia Limited goodwill impairment assessment The carrying amount of the Heartland Bank Australia Limited goodwill amounted to $197.6 million as at 30 June 2026, as disclosed in note 18 of the financial statements. The carrying value of goodwill is a key audit matter as it is a significant intangible asset in the Group's statement of financial position. At balance date an impairment assessment is required which uses an estimate of the recoverable amount that is dependent on forecasting future earnings and determining valuation assumptions. The Group has allocated the goodwill to the Heartland Bank Australia Limited cash generating unit (CGU), at which level impairment is assessed. The Group used the Value in Use (VIU) approach to determine the recoverable amount of the CGU. The VIU uses a five-year forecast based on the latest three year budget approved by the Board of Directors and extended out based on long-term growth rates. The recoverable amount was compared to the carrying amount of the net assets of the Heartland Bank Australia Limited CGU.	Our audit procedures included the following: • Assessing judgements made in respect of the determination of the CGU; • Obtaining an understanding of the business processes and controls applied by management in performing the impairment assessment; • Assessing the appropriateness of using a VIU approach against the requirements of the accounting standards; • Assessed management's methodology and key assumptions, including forecasts of future performance, discount rate and terminal growth rate; • Obtaining and evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions on the recoverable amount; and • Considering the appropriateness of disclosures against the requirements of the accounting standards.

Operation of financial reporting information technology (IT) systems and controls The risk that the Group will fail to properly protect its systems and data from unauthorised access, use, disclosure, disruption, modification, or destruction is a key non-financial risk as disclosed in note 21 of the financial statements. The Group's financial reporting is highly dependent on IT systems that process significant volumes of transactions and support key financial reporting controls. Accordingly, the operation of IT systems and controls relevant to financial reporting require significant auditor attention.	For material financial statement transactions and balances, our procedures included obtaining an understanding of the business processes, IT systems used to generate and support those transactions and balances, associated IT application controls, and manual controls. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit: • Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems; • Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts, or ensure that data is only changed through authorised means; and • IT operations: the controls over certain IT batch processes used to ensure that any issues that arise are managed appropriately. Where we identified design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures.

Our audit approach

Overview

Overall group materiality: $6.1 million, determined with reference to approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

Following our assessment of the risk of material misstatement, full scope audits were performed for two (NZ Banking Group and Australia Banking Group) of the three identified components based on their financial significance. Specified audit procedures and analytical review procedures were performed on the remaining component (the Company).

As reported above, we have four key audit matters, being:

- Provision for impairment of finance receivables
- Fair value of finance receivables – reverse mortgages
- Heartland Bank Australia Limited goodwill impairment assessment
- Operation of financial reporting information technology (IT) systems and controls

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed a full scope audit of the Group’s two financially significant components. The full scope audit of the Australia Banking Group component was performed by a PwC network firm operating under our instructions.

Our involvement with the PwC network firm auditing the Australia Banking Group component included the following:

- issuing Group audit instructions;
- meeting with the component audit team and reviewing their audit findings;
- inspecting audit working papers;
- attending key management and audit committee meetings; and
- maintaining regular communication throughout the audit and appropriately directing their audit.

Specified audit procedures and analytical review procedures were performed on the remaining component.

By performing these procedures, together with the procedures performed on the consolidation and intercompany eliminations, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis for our opinion on the Group’s financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon, and the Climate Statement. The Annual Report and the Climate Statement are expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon. We will issue a separate limited assurance report on the Scope 1 and Scope 2 greenhouse gas disclosures included in the Climate Statement.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

PricewaterhouseCoopers Auckland
19 August 2026

06

directory

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E enquiries.nz@cm.mpms.mufg.com
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07

glossary

ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
Banking Group	The Banking Group includes Heartland Bank and all of its subsidiaries, including Heartland Bank Australia and Marac Insurance
bps	Basis points
CET1	Common Equity Tier 1
CEO	Chief Executive Officer
CMC	Consequence Management Committee
cps	Cents per share
CSAT	Customer satisfaction score
CTI ratio	Cost-to-income ratio
DPD	Days past due
DRP	Dividend Reinvestment Plan
EPS	Earnings per share
ESG	Environmental, Social and Governance
Exit NIM	NIM for the last month of the reporting period.
FX	Foreign currency exchange
The Group	Heartland and its subsidiaries
Heartland, Heartland Group, HGH	Heartland Group Holdings Limited or the Company
Heartland Bank, HBL, NZ Banking	Heartland Bank Limited
Heartland Bank Australia, HBAL, AU banking	Heartland Bank Australia Limited
Heartland Trust	Heartland's registered charitable trust which is independent from, but closely supported by Heartland.
InZone	InZone Education Foundation
IP	Investor Presentation
KPI	Key performance indicator
LTI	Long-term incentive
NIM	Net interest margin
NPAT	Net profit after tax
NPL	Non-performing loan
NPS	Net promoter score
NSA	Non-strategic assets
NZ Banking Group, NZBG	The New Zealand Banking Group consists of Heartland Bank and its New Zealand subsidiaries, excluding Marac Insurance
NZ CS	Aotearoa New Zealand Climate Standards
NZX Code	NZX Corporate Governance Code dated 31 March 2026

OPEX	Operating expenses
Proposed Transaction	Heartland's proposal to acquire from Toi Foundation all of the TSB shares on issue, and subsequently merge Heartland Bank and TSB to create TSB Heartland Bank.
PSRs	Performance share rights
PwC	PricewaterhouseCoopers
RBNZ	Reserve Bank of New Zealand
Receivables	Gross finance receivables (includes Reverse Mortgages)
RMS	Risk Management System
ROE	Return on equity
STI	Short-term incentive
Tier 2	Tier 2 capital (a form of subordinated debt)
TSB	TSB Bank Limited
TSB Heartland Bank	TSB Heartland Bank Limited, the name of the merged bank subject to completion of the Proposed Transaction
TSR	Total shareholder return
WGEA	Workplace Gender Equality Agency
YoY	Year on year
H1	First half of the financial year (1 July to 31 December)
H2	Second half of the financial year (1 January to 30 June)
FY2027	Financial year ending 30 June 2027 (1 July 2026 to 30 June 2027)
FY2026, FY26	Financial year ended 30 June 2026 (1 July 2025 to 30 June 2026)
1H2026	First half of FY2026 (1 July to 31 December 2025)
2H2026	Second half of FY2026 (1 January to 30 June 2026)
FY2025, FY25	Financial year ended 30 June 2025 (1 July 2024 to 30 June 2025)
FY24	Financial year ended 30 June 2024 (1 July 2023 to 30 June 2024)
FY23	Financial year ended 30 June 2023 (1 July 2022 to 30 June 2023)
FY22	Financial year ended 30 June 2022 (1 July 2021 to 30 June 2022)

Meeting of Ashburton Perm
Society held at the Sco
7th 1875.
Mess^rs Coleman (Chairman
Trevor, Doherty, Cambr

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Dr Trevor
Cambridge } & carried
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GROUP

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