

NZX/ASX release
27 October 2026

Heartland trading update

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: **HGH**) today provides a trading update for the three-month period ended 30 September 2026 (**1Q2027**).

Heartland is on track to deliver return on equity (**ROE**) of at least 7.5% and net profit after tax (**NPAT**) of at least \$102 million in the financial year ending 30 June 2027 (**FY2027**). Quarterly improvement in ROE and NPAT¹ continued, driven by strong Reverse Mortgage growth, stable operating expenses and improved asset quality. All key profitability metrics are aligned to Heartland's guidance for FY2027.

Heartland's FY2027 guidance is provided by Heartland on a reported basis, not an underlying basis, and excludes costs related to Heartland's proposal to purchase all of the shares in TSB Bank Limited (**TSB**) and subsequently merge Heartland Bank Limited (**Heartland Bank**) and TSB (the **Proposed Transaction**), where applicable. Heartland's FY2027 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 remaining conditions being satisfied.

Overview of 1Q2027 performance

- Average net interest margin (**NIM**) was 3.92%, above FY2027 guidance of greater than 3.88%.
- Heartland's cost-to-income (**CTI**) ratio was 54.7%, below FY2027 guidance of less than 55.7%.²
- Asset quality continued to improve, with Heartland Bank's total non-performing loan (**NPL**) ratio at 1.87% and Heartland Bank Australia Limited's (**Heartland Bank Australia**) NPL ratio at 1.78%.
- Strong Reverse Mortgage growth continued in both New Zealand and Australia.
- Heartland Bank's Rural³, Motor Finance⁴ and Business Finance⁵ portfolios contracted due to a large Rural borrower changing its funding strategy, competitive and timing impacts in Motor Finance primarily in the Wholesale Lending portfolio, and subdued Business Finance credit demand amid challenging conditions.
- Heartland Bank Australia's Livestock Finance portfolio contracted in line with usual seasonality.

Following Heartland shareholders' approval of the Proposed Transaction at its Special Shareholder Meeting on 30 September 2026, Heartland continues to target completion no earlier than December 2026, subject to satisfaction of all remaining conditions. The Proposed Transaction is expected to create a stronger New Zealand bank with greater scale, a broader customer offering and enhanced capacity to deliver long-term value for customers and shareholders. In 1Q2027, Heartland expensed \$0.9 million of costs associated with the Proposed Transaction, in line with expected FY2027 transaction costs of \$9.5 million.⁶

	Heartland	
	1Q2027	FY2027 guidance ⁷
Net operating income (NOI)	\$93.4m	No guidance provided
Operating expenses (OPEX)	\$51.1m	<\$212m
Impairment expense	\$6.7m	No guidance provided
NPAT excluding Proposed Transaction costs	\$25.5m	≥\$102m
Proposed Transaction costs	\$0.9m	\$9.5m
Reported NPAT	\$24.5m	No guidance provided
Average NIM	3.92%	>3.88%
CTI ratio ²	54.7%	<55.7%
Impairment expense ratio ⁸	0.34%	<0.32%
ROE ⁹	7.6%	≥7.5%

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

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

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NZ Banking

Heartland Bank¹⁰

	1Q2027	FY2027 guidance
Net operating income (NOI)	\$55.6m	No guidance provided
Operating expenses (OPEX) ¹¹	\$32.7m	<\$135m
Impairment expense	\$6.3m	No guidance provided
NPAT	\$12.2m	>\$48m
Average NIM	4.09%	>4.05%
CTI ratio ¹²	56.9%	<58.4%
Impairment expense ratio ⁸	0.55%	<0.48%
ROE	6.7%	>6.3%

Heartland Bank's 1Q2027 Average NIM remained consistent with previous quarters at 4.09%.

Costs remained stable and in line with expectations. OPEX in 1Q2027 was \$32.7 million¹¹, up \$0.7 million from the previous quarter (4Q2026). The CTI ratio was 56.9%¹², down from 57.4% in 4Q2026.

Asset quality continued to improve. Heartland Bank's total NPL ratio was 1.87% as at 30 September 2026, an improvement from 1.92% as at 30 June 2026. Heartland Bank's NPL ratio for its core lending portfolios (Reverse Mortgages, Motor Finance, Rural, and Business Finance) was stable, at 1.37% as at 30 September 2026, compared with 1.38% as at 30 June 2026. Economic conditions remain challenging for businesses in sectors served by Heartland Bank's Business Finance portfolio. Business Finance NPLs continue to be managed prudently, with the total value down \$0.8 million from 4Q2026.

Reverse Mortgage gross finance receivables (Receivables) increased \$46.9 million (12.9%)¹³ in 1Q2027 to \$1,487.6 million as at 30 September 2026. Growth was impacted during 1Q2027 by lower productivity as a result of the implementation of Heartland Bank's technology transformation programme. However, the Reverse Mortgage pipeline has rebounded, and early evidence of an improving application-to-settlement conversion timeline is emerging.

Rural Receivables were down \$50.6 million (-29.7%)¹³ in 1Q2027 to \$624.3 million as at 30 September 2026, reflecting a change in funding strategy for a single large borrower.

Motor Finance Receivables were down \$36.0 million (-8.3%)¹³ in 1Q2027 to \$1,683.5 million as at 30 September 2026. Wholesale Lending retracted \$28.4 million (-54.0%)¹³ due to the exit of a Wholesale Lending borrower combined with delayed shipping arrivals. Growth is expected further into FY2027, supported by strengthening existing and new franchise and strategic partnerships.

Business Finance Receivables decreased \$23.5 million (-14.6%)¹³ in 1Q2027 to \$615.3 million as at 30 September 2026. Heartland Bank maintained its focus on supporting small businesses to purchase new assets rather than refinancing existing assets, while continuing to apply a risk-based pricing model.

Heartland Bank's technology transformation programme is now live for all new Reverse Mortgage loans, bringing settlement and ongoing servicing in-house and introducing mobile app access. Early results indicate a meaningful reduction in the time from application to settlement, alongside positive customer feedback.

AU Banking

Heartland Bank Australia¹⁰

	1Q2027	FY2027 guidance ⁷
NOI	AU\$31.9m	No guidance provided
OPEX ¹¹	AU\$15.3m	<AU\$65m
Impairment expense	AU\$0.3m	No guidance provided
NPAT	AU\$11.3m	>AU\$46m
Average NIM	3.72%	>3.68%
CTI ratio ¹²	46.4%	<47.2%
Impairment expense ratio ⁸	0.05%	<0.10%
ROE	9.5%	>9.3%

In the financial year ended 30 June 2026 (**FY2026**), Heartland Bank Australia 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 and a one-off AU\$2.9 million improvement in OPEX in 4Q2026. See page 33 of Heartland's FY2026 financial results IP for more information.¹⁴

Heartland Bank Australia's average NIM in 1Q2027 was 3.72%, compared with 3.63% in 4Q2026, or 3.81% on a like-for-like basis adjusting for the accounting change.

OPEX in 1Q2027 was AU\$15.3 million¹¹, compared with AU\$12.6 million in 4Q2026, or favourable AU\$0.2 million on a like-for-like basis adjusting for the accounting change. The CTI ratio in 1Q2027 was 46.4%¹², compared with 34.5% in 4Q2026, or 47.6% on a like-for-like basis adjusting for the accounting change.

Asset quality remained stable, with a 1Q2027 impairment expense ratio of 0.05% and an NPL ratio of 1.78%.

Significant growth continued in Australian Reverse Mortgages, with Receivables up AU\$117.0 million (19.6%)¹³ in 1Q2027 to AU\$2,488.1 million as at 30 September 2026. Australian Livestock Finance Receivables were down AU\$21.3 million (-33.8%)¹³ in 1Q2027 to AU\$228.3 million as at 30 September 2026, reflecting the portfolio's usual seasonal contraction.

Heartland Bank Australia's technology transformation programme continues with the transition to the Constantinople platform. New Reverse Mortgage loans from the direct channel and selected brokers are now being processed successfully on the platform, improving digital banking for customers, and workflows and credit decisioning for employees.

– ENDS –

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About Heartland

Heartland is an Australasian financial services group providing specialist banking products to New Zealanders and Australians. Heartland is listed on the New Zealand and Australian stock exchanges under the HGH ticker (NZX/ASX: HGH). Through its various predecessors, Heartland has a long history in financial services, stretching back to Ashburton, New Zealand in 1875.

Today, Heartland is the listed holding company for two banks – [Heartland Bank](#) in New Zealand and [Heartland Bank Australia](#). Each bank is focused on providing specialist banking products to enable better lives for New Zealanders and Australians. In both countries, these products include Reverse Mortgages, Livestock Finance, and Savings and Deposits. In New Zealand, Heartland Bank also offers Motor Finance and Asset Finance.

Heartland's role as the listed parent company is to ensure capital is allocated to the parts of its business which generate strong returns, and to set the strategy and risk appetite within which the group operates. This enables Heartland to maximise shareholder returns and for each bank to enhance the value it offers customers by helping more New Zealanders and Australians with their specialist banking needs.

More: heartlandgroup.info

Endnotes

¹ Taking into account a \$4.5 million positive impact to NOI, \$3.5 million positive impact to OPEX, and \$5.6 million positive impact to NPAT from Heartland Bank Australia's Reverse Mortgage accounting change made in FY2026. For more information, see page 33 of Heartland's FY2026 financial results IP, and Endnote 14 below.

² 1Q2027 and FY2027 guidance CTI ratio excludes Proposed Transaction costs. Reported CTI ratio for 1Q2027 was 55.7%.

³ Rural includes Rural Relationship, Rural Direct and Livestock Finance. Excludes residual non-strategic assets of \$23.8 million.

⁴ Motor Finance includes Motor Lending through Intermediary and Direct distribution channels, and Wholesale Lending.

⁵ Business Finance includes Asset Finance and Business Relationship. Excludes residual non-strategic assets of \$12.2 million.

⁶ The majority of the Proposed Transaction costs are expected on successful completion.

⁷ Heartland's FY2027 guidance has been set using a foreign currency exchange (**FX**) rate of 1.2055, which is based on a published forecast from a New Zealand economist. Movements in FX rates contributed \$0.1 million to 1Q2027 NPAT.

⁸ Impairment expense as a percentage of average Receivables.

⁹ 1Q2027 and FY2027 guidance ROE excludes Proposed Transaction costs. Reported ROE for 1Q2027 was 7.3%.

¹⁰ 1Q2027 results and FY2027 guidance are provided on a reported basis.

¹¹ OPEX for Heartland Bank and Heartland Bank Australia includes intercompany group charges.

¹² CTI ratio for Heartland Bank and Heartland Bank Australia excludes intercompany group charges.

¹³ Annualised growth.

¹⁴ Refer to "Changes in accounting estimates" in Note 20 – Fair Value of Heartland's FY2026 Financial Statements.