NZX/ASX release
20 August 2026

Heartland announces FY2026 result and outlook for FY2027

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

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

Overview of FY2026 performance[2]

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

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

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

NSA realisation

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

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

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

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

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

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

Technology transformation programmes

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

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

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

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

Capital

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

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

Separately, effective 1 March 2026, the RBNZ reduced Heartland Bank's transitional capital overlay (imposed after the acquisition of what is now Heartland Bank Australia) from 2.0% to 0.5%. The reduction reflected the completion of integration activities in relation to Heartland Bank Australia, stronger trans-Tasman oversight arrangements and an improvement in the overall risk profile of the Banking Group.[8] The remaining capital overlay is expected to remain in place until the RBNZ implements a formal Group Supervision Policy for deposit takers under the Deposit Takers Act 2023 (which is expected to come into force on 1 December 2028).

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

Update on proposed merger of Heartland Bank and TSB

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

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

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

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

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

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

Final dividend

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

Heartland has a Dividend Reinvestment Plan (**DRP**), giving eligible shareholders the opportunity to reinvest some or all of their dividend payments into new ordinary shares when the board determines the DRP will apply to a dividend. As a result of Heartland's excess capital position, the DRP will not apply to the FY2026 final dividend which will be paid in cash only.[15] Shareholders who have previously elected to participate in the DRP will receive their FY2026 final dividend payment in cash.

Outlook

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

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

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

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

This will be supported by:

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

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

FY2027 guidance

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

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

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

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

NZ banking

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

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

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

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

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

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

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

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

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

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

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

AU banking

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

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

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

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

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

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

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

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

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

– ENDS –

The person who authorised this announcement:
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About Heartland

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

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

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

More: heartlandgroup.info

Endnotes

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

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

HEARTLAND GROUP

Investor Presentation

FY2026 Full Year Results

For the 12 months ended 30 June 2026

Disclaimer and non-GAAP measures

This presentation has been prepared by Heartland Group Holdings Limited (**NZX/ASX: HGH**) (the **Company** or **Heartland**) for the purpose of briefings in relation to its Financial Statements.

Important notice

The presentation and the briefing (together the **Presentation**) contain summary information only, which should not be relied on in isolation from the full detail in the Financial Statements.

The information in this presentation has been prepared with due care and attention, but its accuracy, correctness and completeness cannot be guaranteed. No person (including the Company and its directors, shareholders and employees) will be liable to any other person for any loss arising in connection with this presentation. No person is under any obligation to update this presentation at any time after its release or to provide further information about Heartland.

This Presentation contains forward-looking statements and projections. Such statements involve known and unknown risks and uncertainties that may cause Heartland's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on numerous assumptions regarding Heartland's present and future business strategies and the environment in which Heartland will operate in the future that may not prove to be accurate.

The information in this presentation is general in nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.

Non-GAAP measures

This presentation includes certain non-GAAP financial measures, including underlying profit/loss, underlying ROE, underlying CTI ratios, underlying impairment expense ratios, and underlying EPS.

FY2026 underlying results exclude 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, allowing for easier comparison of financial performance across reported periods. Non-GAAP financial measures do not have standardised meanings prescribed under NZ GAAP and therefore may not be comparable to similar measures presented by other entities. They should not be viewed in isolation or as a substitute for measures reported in accordance with NZ GAAP.

Reported results are prepared in accordance with NZ GAAP. Underlying results are non-GAAP measures that adjust reported results to exclude one-offs. These adjustments affect measures including NOI, OPEX, NPAT, NIM, EPS, ROE, CTI ratio, and impairment expense ratio.

A reconciliation of FY2026 and FY2025 reported results to underlying results is set out on page 7 of this presentation. Refer to page 6 for a detailed comparison between FY2026 and FY2025 reported and underlying financial information.

Non-GAAP financial information presented in this document has not been reviewed by PricewaterhouseCoopers, Heartland's external auditor.

Review status

All amounts are in New Zealand dollars unless otherwise indicated. Unless otherwise stated, financial data is as at 30 June 2026. Any other financial information provided as at a date after 30 June 2026 has not been audited or reviewed by any independent registered public accounting firm.

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HEARTLAND GROUP

01 Executive summary

Andrew Dixson Chief Executive Officer, Heartland Group

FY2026 summary

Heartland met all underlying FY2026 guidance metrics, delivering an improved ROE and turnaround in profitability, driven by margin expansion and strengthened asset quality – establishing a strong foundation to support its next phase of growth.

Overview

- NPAT of $93.2m. **Underlying NPAT of $90.4m**, up from $46.9m.
- ROE of 7.3%. **Underlying ROE up** 286 bps to 7.1%.
- Average NIM of 3.95%. **Average underlying NIM expanded** 36 bps to 3.98%.
- OPEX of $196.0m, and CTI ratio of 54.1%. Despite underlying OPEX increasing $12.2m (6.7%) to $193.5m, the **underlying CTI ratio improved** 155 bps to 54.6%.
- **Impairment expense ratio decreased** 55 bps to 0.45% as Heartland Bank significantly strengthened its asset quality, including clearing all Motor Finance arrears >180 DPD.
- **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 portfolio** delivered strong Receivables growth of 10.8% .
- **NSA realisation programme has successfully concluded**.
- **Technology transformation programmes reached key milestones** with the launch of Reverse Mortgages onto the new platforms.
- In June 2026, Heartland announced the **proposed merger of Heartland Bank and TSB** to create a New Zealander challenger bank of scale, with a regional focus.
- **Final dividend** of 3.5 cps.

FY2026 underlying financial metrics	Heartland	
	Guidance	Result
NPAT	**≥$85.0m**	**$90.4m**
ROE	**≥7.0%**	**7.1%**
Average NIM	>3.90%	3.98%
Exit NIM	>3.95%	4.08%
OPEX	<$195.0m	$193.5m
CTI ratio	<56.0%	54.6%
Impairment expense ratio	<0.45%	0.45%

Note: See page 2 for a definition of underlying financial metrics. Refer to page 7 for details about FY2026 and FY2025 one-offs. All comparative figures and percentage increases or decreases are against FY2025, unless explicitly stated otherwise.

Group financial results

		Reported					Underlying					Reported v Underlying	
		FY26	FY25	Movement			FY26	FY25	Movement			FY26	FY25
Financial performance	NII	$337.9m	$307.3m	↑	$30.6m	10.0%	$340.3m	$307.3m	↑	$33.0m	10.7%	($2.4m)	-
	OOI[1]	$24.0m	$15.6m	↑	$8.4m	54.1%	$14.0m	$15.5m	↓	($1.5m)	(9.8%)	$10.0m	$0.1m
	NOI	**$361.9m**	**$322.9m**	↑	**$39.0m**	**12.1%**	**$354.3m**	**$322.8m**	↑	**$31.5m**	**9.8%**	**$7.6m**	**$0.1m**
	OPEX	$196.0m	$192.5m	↑	$3.4m	1.8%	$193.5m	$181.3m	↑	$12.2m	6.7%	($2.4m)	$11.2m
	Impairment expense	$33.5m	$71.6m	↓	($38.1m)	(53.2%)	$33.5m	$71.6m	↓	($38.1m)	(53.2%)	-	-
	GFV provision	-	$1.5m	↓	($1.5m)	(100.0%)	-	$1.5m	↓	($1.5m)	(100.0%)	-	-
	Tax expense	$39.2m	$18.4m	↑	$20.8m	113.0%	$36.9m	$21.5m	↑	$15.4m	71.9%	($2.3m)	($3.1m)
	NPAT[2]	**$93.2m**	**$38.8m**	↑	**$54.4m**	**140.3%**	**$90.4m**	**$46.9m**	↑	**$43.5m**	**92.7%**	**$2.8m**	**($8.1m)**
	NIM[3]	3.95%	3.61%	↑	34 bps		3.98%	3.61%	↑	36 bps		(3 bps)	(0 bps)
	CTI ratio	54.1%	59.6%	↓	(548 bps)		54.6%	56.2%	↓	(155 bps)		45 bps	340 bps
	Impairment expense ratio[4]	0.45%	1.00%	↓	(55 bps)		0.45%	1.00%	↓	(55 bps)		0 bps	0 bps
	ROE	7.3%	3.2%	↑	411 bps		7.1%	4.2%	↑	286 bps		19 bps	(100 bps)
	EPS	9.9 cps	4.1 cps	↑	5.8 cps		9.6 cps	5.0 cps	↑	4.6 cps		(0.3 cps)	(0.9 cps)

		Jun 26	Jun 25	Movement		
Financial position	Liquid assets	$1,200m	$1,135m	↑	$65m	5.7%
	Receivables[5]	$7,804m	$7,156m	↑	$648m[6]	9.1%
	Borrowings	$7,947m	$7,355m	↑	$592m	8.0%
	Equity	$1,337m	$1,219m	↑	$118m	9.7%
	Equity/total assets	14.3%	14.1%	↑	17 bps	

- Movements in FX rates contributed $2.6m to NPAT relative to FY2025.
- Excluding the impact of changes in FX, Receivables grew 3.9% from FY2025.

Note: See page 2 for a definition of underlying financial metrics. Refer to page 7 for details about FY2026 and FY2025 one-offs.

1. Reported OOI includes fair value gains/losses on investments and the change in accounting methodology for Heartland Bank Australia Reverse Mortgage commissions.
2. Refer to page 7 for details about one-offs in the periods covered in this investor presentation.
3. NIM is calculated using monthly average interest earning assets, a change from prior periods which used a spot-to-spot June average.
4. Impairment expense as a percentage of average Receivables.
5. Receivables also includes Reverse Mortgages.
6. Including the impact of changes in FX rates.

Reported vs. underlying results

The difference between reported and underlying results in FY2026 was $2.8m.

	FY2026	FY2025	Comments
Reported NPAT	**$93.2m**	**$38.8m**	
– De-designation of derivatives	-	$1.1m	
– Fair value changes on equity investments held	($3.1m)	($1.6m)	Benefit from Harmoney (equity investment sold in Sep 2025)
– Reverse Mortgage commission accounting methodology update (HBAL only)	($4.5m)	-	Refer to page 33
– Other non-recurring income	-	$0.5m	
Net operating income (NOI)	**($7.6m)**	**$0.1m**	
– Transaction costs related to the proposed merger of Heartland Bank and TSB	$5.5m	-	Refer to page 10
– Reverse Mortgage commission accounting methodology update (HBAL only)	($3.5m)	-	Refer to page 33
– One-off regulatory assurance costs arising in relation to the acquisition of (now) Heartland Bank Australia	-	$1.5m	
– One-off staff exit costs	-	$7.3m	
– Other non-recurring costs	$0.4m	$2.3m	
Operating expenses (OPEX)	**$2.4m**	**$11.2m**	
Tax impact	**$2.3m**	**($3.1m)**	
Underlying NPAT[1]	**$90.4m**	**$46.9m**	

- Going forward, Heartland intends to present its financial results on a reported basis only. Any exceptional items will be disclosed where applicable.

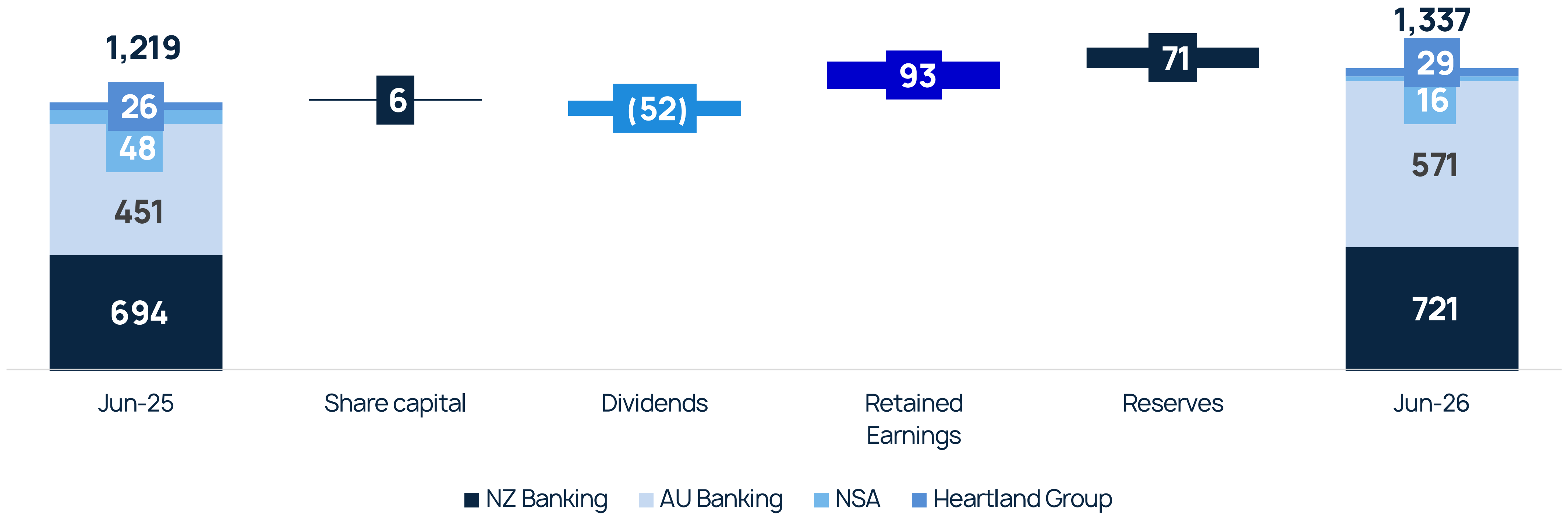
1. See page 2 for a definition of underlying financial measures. Refer to page 6 for a detailed comparison between reported and underlying financial information.

Capital

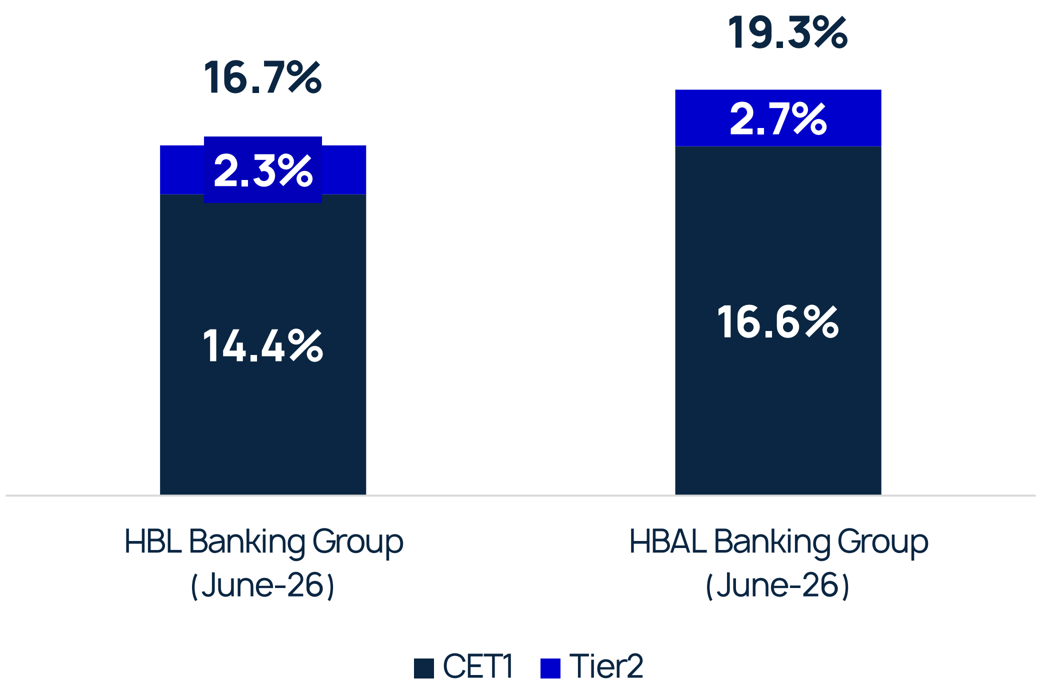
Heartland remains well placed to cater for organic growth with excess capital held across the group.

- The RBNZ's final capital settings announced in December 2025 are expected to have several benefits to Heartland Bank. Separately, effective 1 March 2026, the RBNZ reduced Heartland Bank's transitional capital overlay from 2.0% to 0.5%. See page 22 for more detail.
- In FY2026, the NSA realisation programme released $31.7m of capital, which has been reallocated to fund growth.
- As at 30 June 2026, the Banking Group[1] holds approximately $110m of regulatory capital in excess of expected regulatory requirements. Applying Heartland Bank's expected risk weight changes[2] to the 30 June 2026 balance sheet, the excess is approximately $160m.[3]
- 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.

Heartland capital movement $m



Capital ratio



Note: Retained earnings include current reported NPAT.

1. The Banking Group includes all of Heartland Bank's subsidiaries, including Heartland Bank Australia and Marac Insurance.
2. 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.
3. Including ordinary internal buffers.

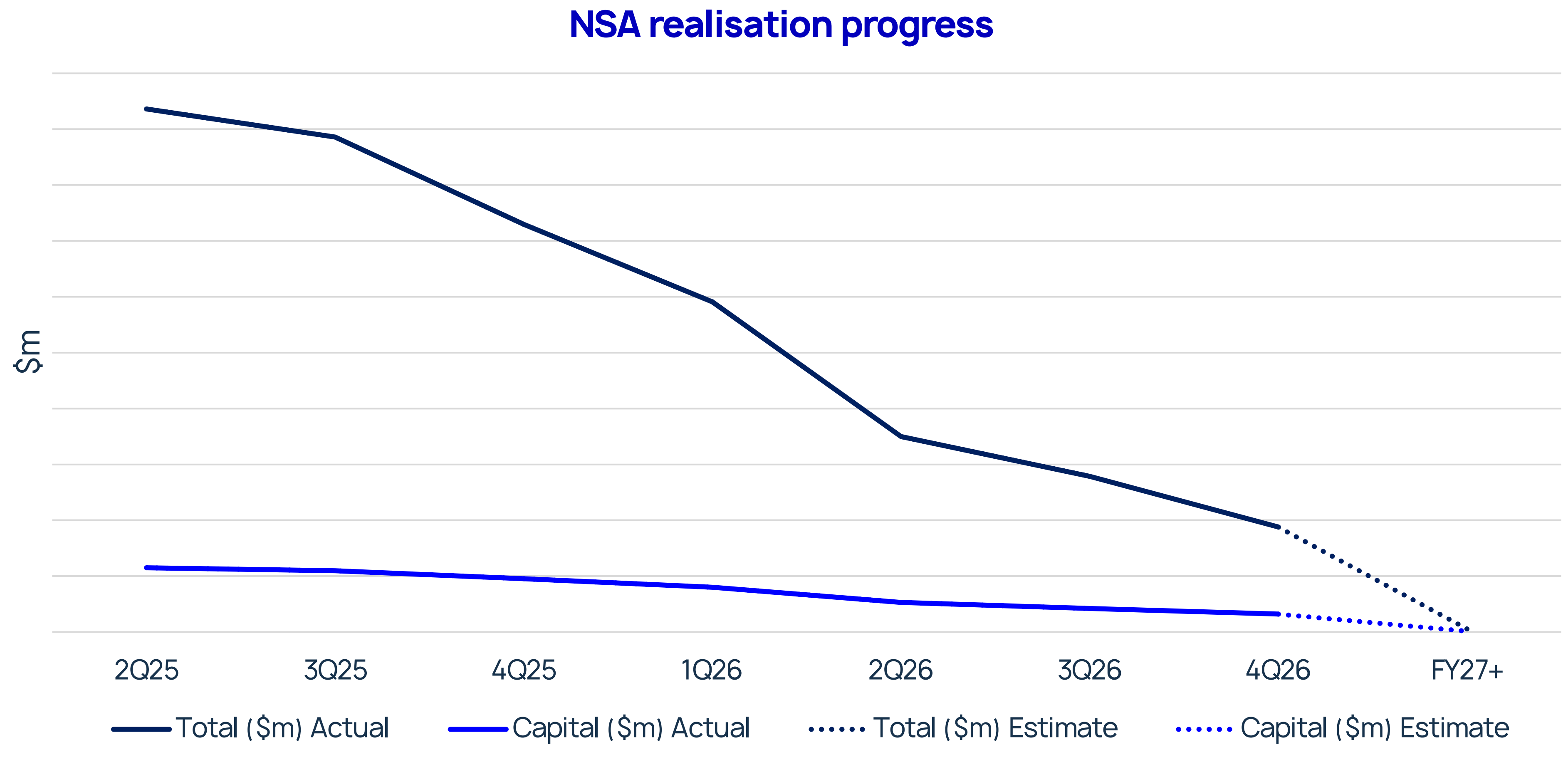
NSA realisation progress

Heartland's NSA realisation programme has successfully concluded, with a 94% recovery rate.

- As at 30 June 2026, the residual $94.0m NSA portfolio included:
  - $38.1m of Home Loans scheduled to run down
  - $39.2m of Rural and Business Receivables, all on exit plans and well provided for
  - $16.7m in property and equity investments, with realisation efforts continuing.

Asset	NZ ($m)	Outstanding balance 30 June 2025	Outstanding balance 30 June 2026
Rural Relationship	Total ($m)	112.0	25.2
	Capital ($m)	17.1	4.2
Business Relationship	Total ($m)	47.8	14.0
	Capital ($m)	6.9	1.9
Home Loans[1]	Total ($m)	171.7	38.1
	Capital ($m)	10.2	2.9
Properties	Total ($m)	16.2	7.5
	Capital ($m)	2.6	1.2
Investment Properties	Total ($m)	4.4	3.9
	Capital ($m)	0.6	0.5
Equity Investments (NZ)	Total ($m)	7.0	0.1
	Capital ($m)	4.5	0.1
Equity Investments (AU)	Total ($m)	5.7	5.1
	Capital ($m)	5.7	5.1
Total NSAs	**Total ($m)**	**364.8**	**94.0**
	Capital ($m)	**47.6**	**15.9**

- Since 30 June 2026, the Properties NSA has been successfully realised.
- From 31 December 2024, when Heartland began NSA reporting, to 30 June 2026, the total value of NSAs reduced by $374.2m, creating $41.6m of available capital.
- Heartland no longer intends to report on the NSA realisation programme as the residual portfolio is no longer considered material and has returned to business-as-usual management.



Note: NSAs are primarily NZ assets that are outside of Heartland's core lending strategy, or do not deliver threshold ROE.
1. Includes Online Home Loans and old residential mortgages.

Proposed merger of Heartland Bank and TSB

The proposed merger will create a New Zealand challenger bank of scale with a regional focus.

- On 2 June 2026, Heartland announced it had entered into a conditional merger implementation agreement with Toi Foundation Holdings Limited and Toi Foundation to acquire from Toi Foundation all TSB shares on issue for an aggregate consideration of $620m.
- Immediately following the acquisition, Heartland Bank and TSB will merge.[1]
- Recognising each bank's long history and deep connection to regional New Zealand, the merged bank will be called TSB Heartland Bank.
- The expanded Heartland Group will retain its existing specialist product focus across New Zealand and Australia, enhanced by full-service banking capabilities in New Zealand.

Diversified and differentiated product set
Creation of a full-service capable bank with a cost-effective funding base and lower risk-weighted product portfolio, differentiated by its specialist product offerings.

Scale drives efficiency opportunities
Greater scale and product diversification are expected to improve financial efficiency and resilience by providing the ability to leverage a higher fixed cost base across a larger portfolio, particularly in relation to the cost of technology and compliance.

Significant shareholder value creation
Expected through increased scale, improved operating leverage and estimated ongoing cost synergies of approximately $34m per annum before tax once fully realised.[2]

Continued regional focus and nationwide presence
It is intended that Taranaki will remain a key operational hub for customer-based banking services, including maintaining a local branch network and customer-facing roles. TSB Heartland Bank also intends to retain Heartland Bank's existing nationwide presence.

1 Heartland Bank will be the surviving entity following completion of the Proposed Transaction.
2 Estimated synergies are management estimates prepared for transaction evaluation purposes and are forward-looking. Cost synergies (~$34m p.a.) represent expected annual pre-tax run-rate benefits anticipated to be progressively realised within three years post-completion, subject to execution risk, regulatory requirements, market conditions and final integration design. Synergy estimates have not been audited and may differ materially from actual outcomes.

Proposed merger of Heartland Bank and TSB

With a materially increased scale and diversified product set, TSB Heartland Bank will have an enhanced ability to serve customers throughout their financial lifecycle.

Core lending products[1]	New Zealand[5] HEARTLAND BANK	New Zealand[5] TSB	Australia HEARTLAND BANK	Heartland Group[5] HEARTLAND GROUP	Receivables %
Home Loans		✓		✓	*44%*
Reverse Mortgages	✓		✓	✓	*25%*
Motor Finance	✓			✓	*11%*
Commercial Property		✓		✓	*7%*
Rural	✓		✓	✓	*7%*
Business Finance[2]	✓			✓	*5%*
Personal[3]		✓		✓	*1%[6]*
Receivables[4]	NZ$12.3b		A$2.5b	NZ$15.1b	
Total assets[4]	NZ$15.1b		A$3.1b	NZ$18.3b	
Funding[4]	NZ$13.0b		A$2.7b	NZ$16.1b	
Regulatory capital[4]	NZ$1.5b		A$0.3b	n.a.	

The acquisition of TSB provides requisite scale in New Zealand home loans which Heartland has been unable to achieve organically

- The table above uses financial reporting for both Heartland Bank and TSB as at 31 December 2025, being the most recent date to which publicly available financial information is available for both banks on a comparable basis.

1 Heartland Bank's lending portfolio also includes Home Loans and Unsecured Lending portfolios in addition to core product portfolios. Home Loans and Unsecured Lending are winding down.
2 Business Finance includes Asset Finance and Business Relationship.
3 Includes credit card balances and other retail lending (including personal lending which is no longer accepting new applications).
4 As at 31 December 2025 for Heartland and TSB per the RBNZ Banking Dashboard. Heartland Bank's Receivables include NSAs.
5 Pro forma combination.
6 Including Heartland Bank's Unsecured Lending portfolio which is winding down.

Proposed merger of Heartland Bank and TSB timetable

The Proposed Transaction remains subject to various approvals. Subject to satisfaction of the Toi Foundation trustee approval condition, Heartland's shareholder meeting to vote on the Proposed Transaction will be held on 30 September 2026.

Key event	Indicative timing
Confirmatory due diligence completed and conditions satisfied	Completed
Warranties and indemnities insurance obtained	Completed
TSB FY2026 financial results	Completed
Toi Foundation community consultation period with Taranaki residents[1]	Completed
Heartland FY2026 financial results	Completed
Outcome of Toi Foundation trustee decision due	August 2026
RBNZ application submitted[2]	August 2026
Notice of Meeting dispatched to Heartland shareholders[2]	August 2026
Heartland shareholder meeting to vote on proposed transaction[2]	30 September 2026
Targeted merger implementation date[2, 3]	December 2026

1 Residents are defined as any people residing in the Taranaki region.
2 Subject to Toi Foundation trustee approval.
3 Prior to 1 December 2026, TSB is permitted to pay to Toi Foundation dividends of an equivalent amount to those declared or paid by Heartland in the same period, based on the relative values of TSB and Heartland and, if the merger implementation date is delayed beyond the 1 December 2026 target, TSB is permitted to pay to Toi Foundation a dividend of up to $2.4m per full calendar month (pro-rated for any partial month) from 1 December 2026 to completion, in each case funded solely from TSB's NPAT generated during the relevant period.

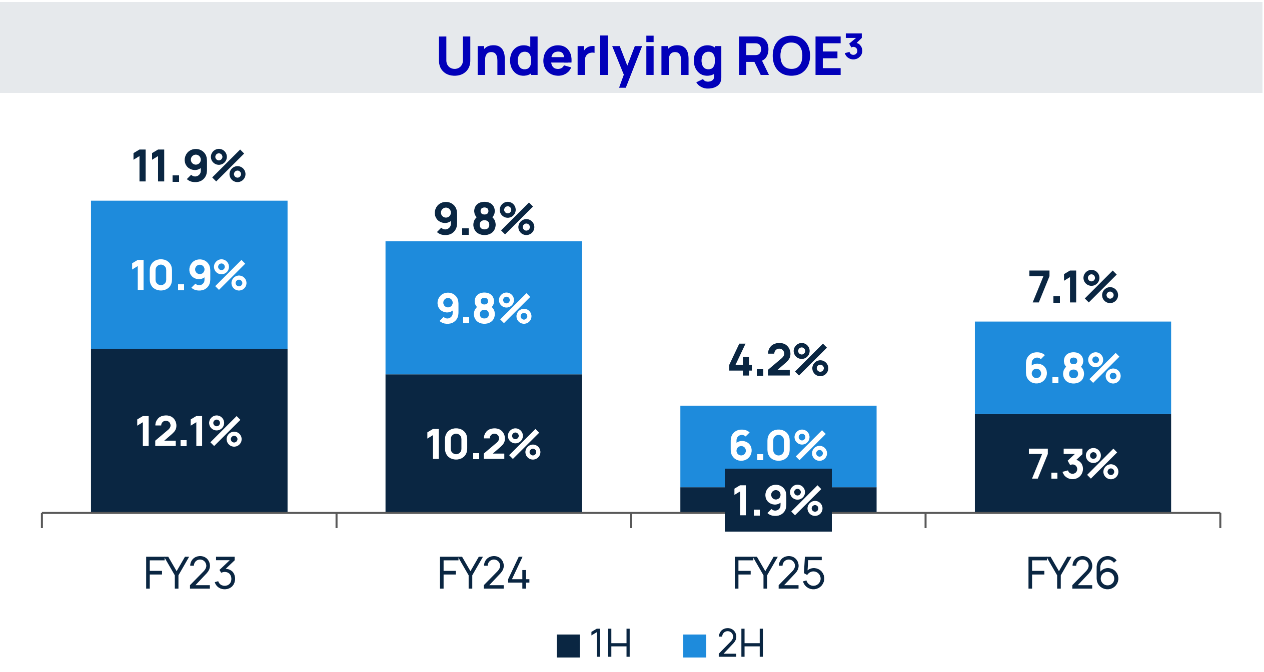
Shareholder return

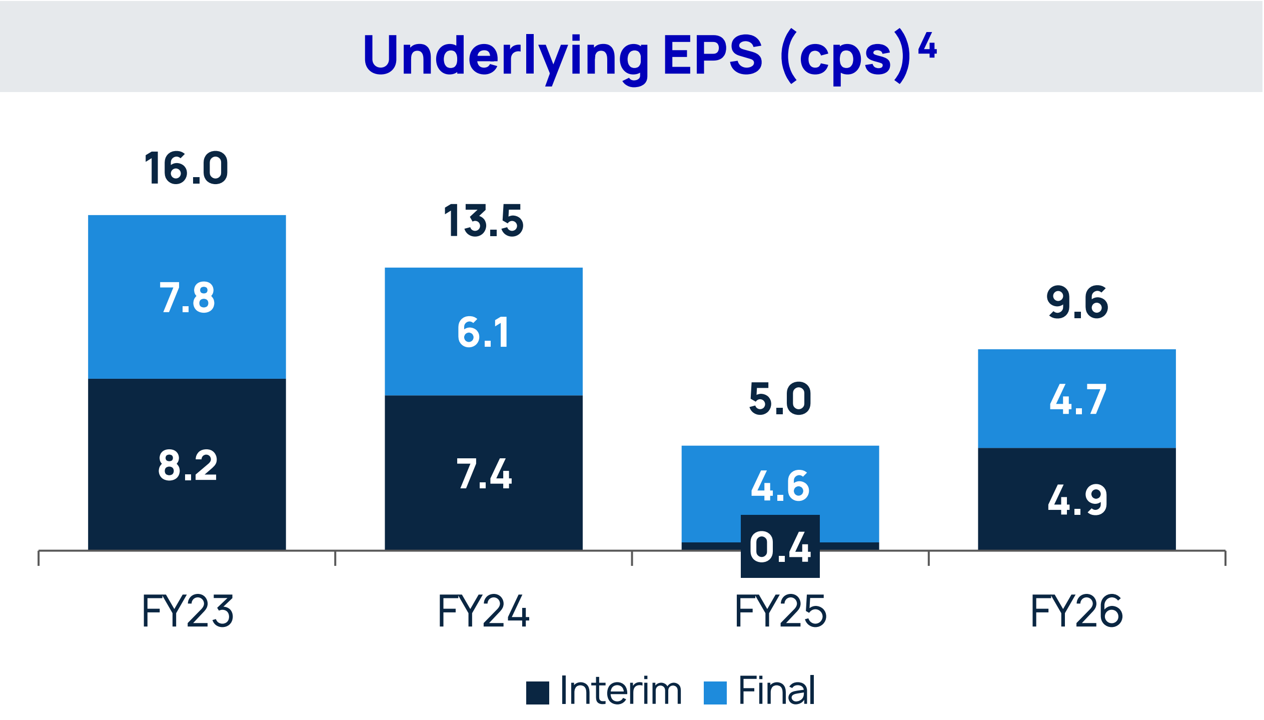
7.1% — **Underlying ROE**
2H2026 6.8% vs 1H2026 7.3%

3.5 cps — **Final dividend**
up 1.5 cps vs FY2025

8.0%[1] — **Dividend yield**

- Heartland has declared a FY2026 final dividend of 3.5 cps, taking the total FY2026 dividend to 7.0 cps.
- Due to Heartland's strong capital position:
  - the payout ratio for FY2026 of 73% is in excess of Heartland's target dividend payout ratio of at least 50% of underlying NPAT
  - the DRP will not apply to the final dividend. Shareholders who have previously elected to participate in the DRP will receive their FY2026 final dividend payment in cash.[2]





1. Total fully imputed dividends divided by the closing share price as at 19 August 2026 of $1.22.
2. Information about the DRP is available on Heartland's website at heartlandgroup.info/investor-information/dividends.
3. Underlying ROE refers to ROE calculated using underlying results.
4. Underlying EPS refers to EPS calculated using underlying results.

HEARTLAND GROUP

02 New Zealand banking

Leanne Lazarus Chief Executive Officer, Heartland Bank
Kerry Conway Chief Financial Officer, Heartland Bank

NZ banking: FY2026 summary

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

FY2026 summary

Growth

- Momentum in Reverse Mortgages saw growth of 16.8%, supported by the launch of a new marketing campaign, regional presence and product process improvements.
- Strong Rural growth of 10.8% was supported by Livestock Finance partnerships and an expanded regional footprint.

Quality

- NPL ratio improved 129 bps to 1.92% through targeted Motor Finance activity and NSA realisation.
- Motor Finance arrears are at historical lows for Heartland Bank as it met its commitment to clear all NPLs >180 DPD.
- The NSA portfolio reduced by \$270.7m in FY2026, releasing \$31.7m of capital and contributing to overall asset quality improvement.

Efficiency

- Commenced the technology programme to improve operational efficiency and enhance customer experiences. Launched the first phase of Reverse Mortgages on the platform in June 2026.
- The 1.5% transitional capital overlay 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. See page 22.

FY2026 underlying financial metrics	NZ Banking	
	Guidance	Result
NPAT	**>\$45.0m**	**\$47.0m**
ROE	**>6.0%**	**6.4%**
Average NIM	>4.10%	4.08%
Exit NIM	>4.20%	4.15%
OPEX	<\$127.0m	\$126.9m
CTI ratio	<56.0%	55.6%
Impairment expense ratio	<0.70%	0.67%

Financial results

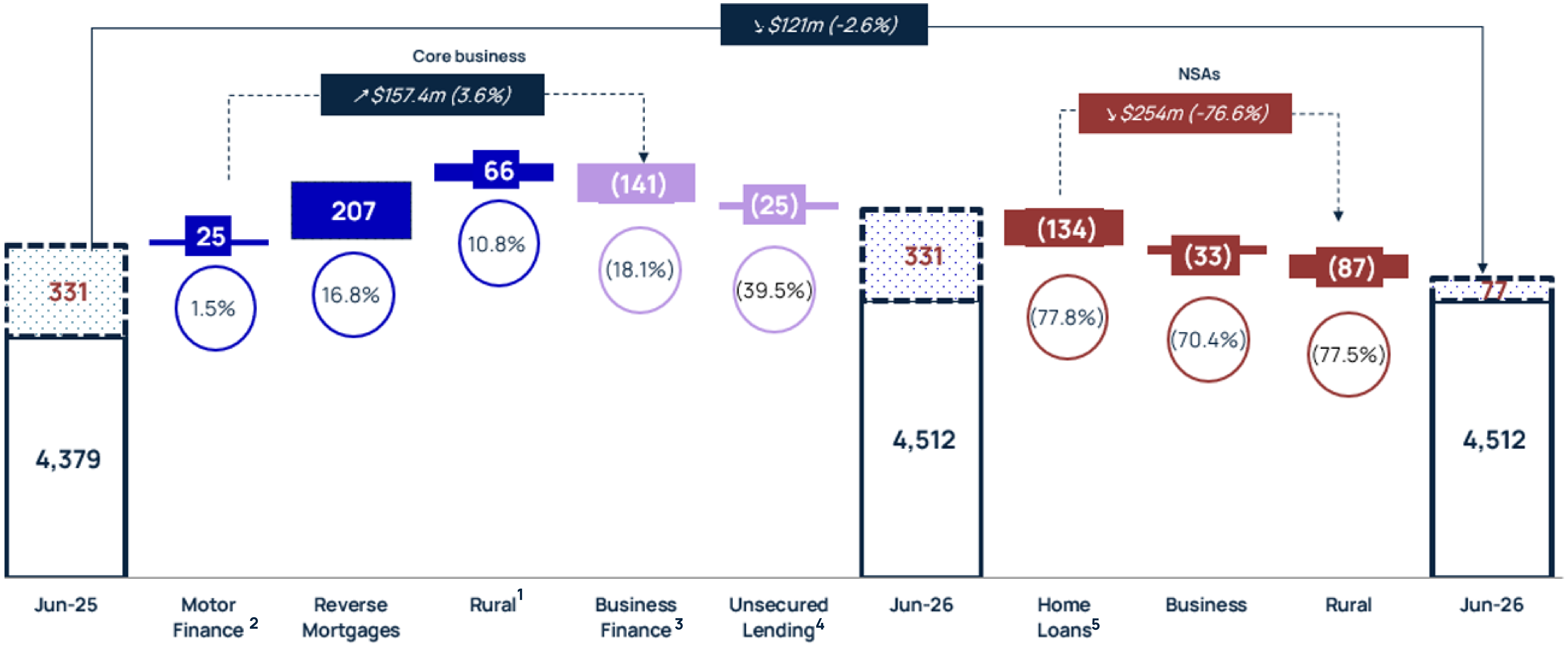
		Reported					Underlying				
		FY26	FY25	Movement			FY26	FY25	Movement		
Financial performance	NII	$206.8m	$212.4m	↓	($5.6m)	(2.6%)	$206.8m	$212.4m	↓	($5.6m)	(2.6%)
	OOI[1]	$19.0m	$21.3m	↓	($2.4m)	(11.1%)	$15.8m	$21.3m	↓	($5.4m)	(25.2%)
	NOI	**$225.8m**	**$233.7m**	↓	**($7.9m)**	**(3.4%)**	**$222.7m**	**$233.7m**	↓	**($10.9m)**	**(4.7%)**
	OPEX	$127.4m	$131.8m	↓	($4.5m)	(3.4%)	$126.9m	$128.1m	↓	($1.2m)	(0.9%)
	Impairment expense	$30.4m	$68.8m	↓	($38.3m)	(55.7%)	$30.4m	$68.8m	↓	(38.3m)	(55.7%)
	GFV provision	-	$1.5m	↓	($1.5m)	(100.0%)	-	$1.5m	↓	($1.5m)	(100.0%)
	Tax expense	$18.2m	$9.7m	↑	$8.5m	87.1%	$18.3m	$10.7m	↑	$7.6m	71.4%
	NPAT[2]	**$49.8m**	**$21.9m**	↑	**$27.9m**	**127.4%**	**$47.0m**	**$24.6m**	↑	**$22.4m**	**91.3%**
	NIM[3]	4.08%	3.91%	↑	17 bps		4.08%	3.91%	↑	17 bps	
	CTI ratio	55.1%	56.4%	↓	(134 bps)		55.6%	54.8%	↑	79 bps	
	Impairment expense ratio[4]	0.67%	1.40%	↓	(73 bps)		0.67%	1.40%	↓	(73 bps)	
	ROE	6.8%	3.0%	↑	379 bps		6.4%	3.4%	↑	302 bps	

		Jun 26	Jun 25	Movement		
Financial position	Liquid assets	$472m	$570m	↓	($98m)	(17.2%)
	Receivables[5]	$4,589m	$4,710m	↓	($121m)	(2.6%)
	Borrowings	$4,402m	$4,660m	↓	($258m)	(5.5%)
	Equity[6]	$735m	$737m	↓	($2m)	(0.3%)
	Equity/total assets[7]	14.2%	13.6%	↑	61 bps	

Note: See page 2 for a definition of underlying financial metrics. Refer to page 7 for details about FY2026 and FY2025 one-offs.
1. Reported OOI includes fair value gains/losses on investments.
2. Refer to page 7 for details about one-offs in the periods covered in this investor presentation.
3. NIM is calculated using monthly average interest earning assets, a change from prior periods which used a spot-to-spot June average.
4. Impairment expense as a percentage of average Receivables.
5. Receivables also includes Reverse Mortgages.
6. Equity excluding investment in subsidiaries. ROE is calculated as NPAT/average equity (excl. investment in subsidiaries).
7. Total Assets excluding investment in subsidiaries.

Receivables

Reverse Mortgages and Rural[1] delivered strong Receivables growth, while Motor Finance[2] and Business Finance[3] focused on asset quality and pricing for risk.



Receivables $m	Jun-25	Motor Finance[2]	Reverse Mortgages	Rural[1]	Business Finance[3]	Unsecured Lending[4]	Jun-26	Home Loans[5]	Business	Rural	Jun-26
	4,710	1,720	1,441	675	639	38	4,512	38	14	25	4,589

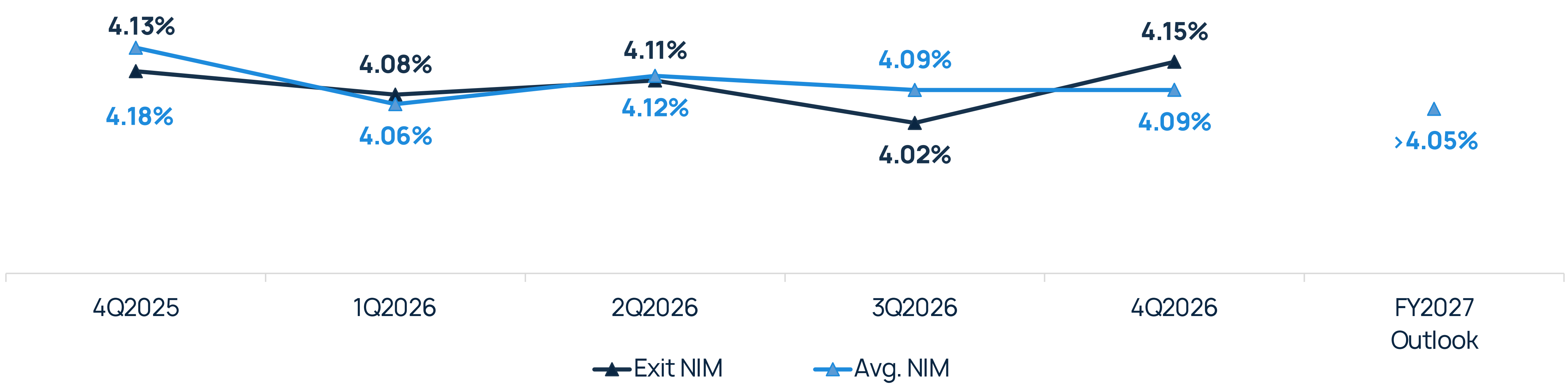
Note: FY2026 growth in Receivables by portfolio excludes the impact of changes in FX rates and intercompany balances.
All figures in NZ$m. NSAs include loans in Business, Rural and Home Loans.

1. Rural includes Rural Relationship, Rural Direct and Livestock Finance loans. Excludes NSAs.
2. Motor Finance includes Wholesale Lending.
3. Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.
4. Unsecured Lending includes Personal Lending and Open for Business which are winding down.
5. Home Loans includes Online Home Loans and Heartland Bank's old residential mortgages portfolio that is in run down.

Underlying NIM[1]

FY2025 NIM
Avg. 3.91%

FY2026 NIM
Avg. 4.08%



Average NIM

FY2026 summary

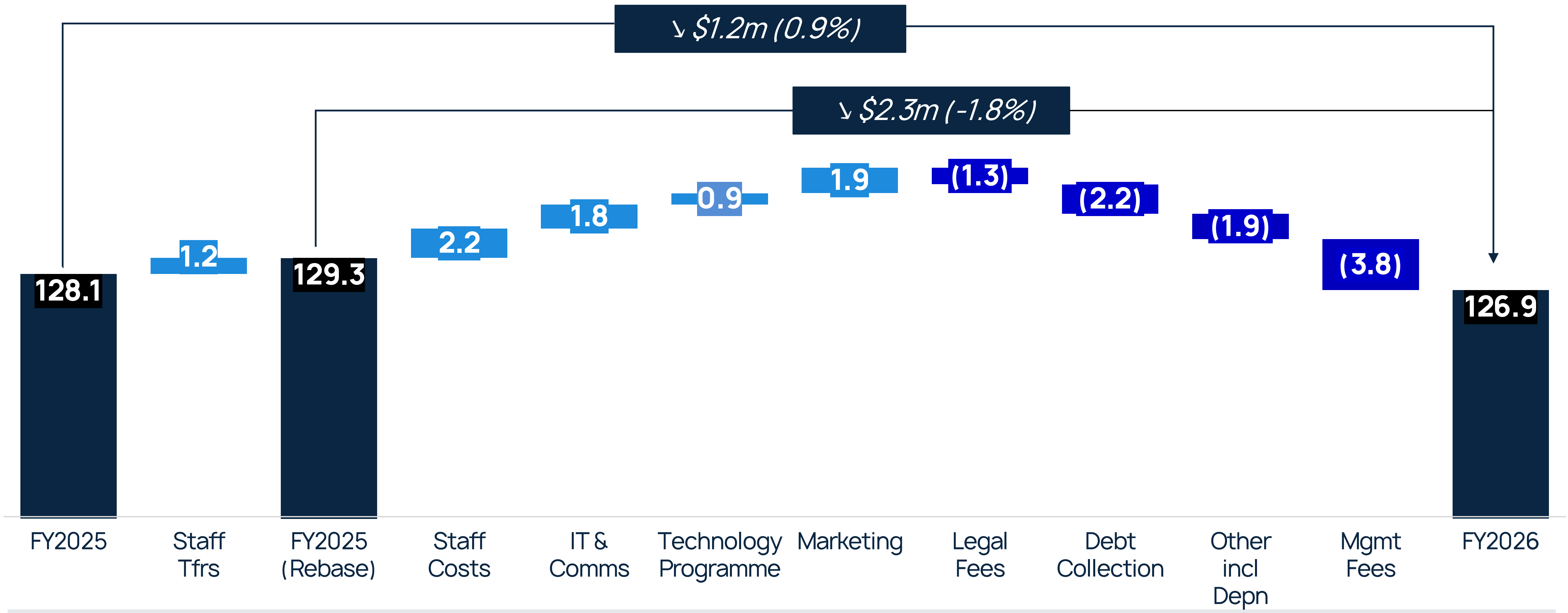
- NIM benefitted from a low cost of funds throughout FY2026 due to lower funding requirements.
- Average NIM increased 17 bps to 4.08% despite challenging competitive conditions in Motor Finance and Business Finance.
- The FY2026 exit NIM increased 2 bps to 4.15%.

FY2027 outlook

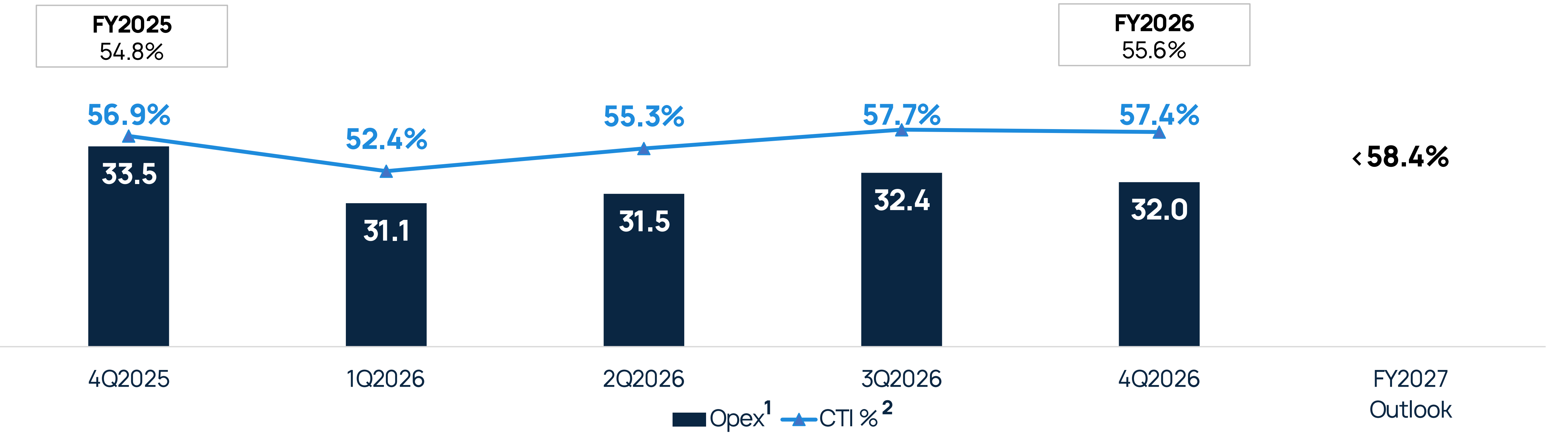
- NIM is expected to remain stable through FY2027. The average NIM outlook for Heartland Bank is >4.05%.

Note: NIM is calculated as NII/average gross interest earning assets.
1. NIM is calculated using monthly average interest earning assets, a change from prior periods which used a spot-to-spot June average.

Underlying OPEX



Underlying OPEX & CTI ratio ($m)



FY2026 summary

- Total underlying OPEX of $126.9m, down $1.2m (0.9%).
- Increased staff costs were primarily due to restructuring costs and the re-introduction of a LTI Scheme ($0.6m).
- 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.

FY2027 outlook

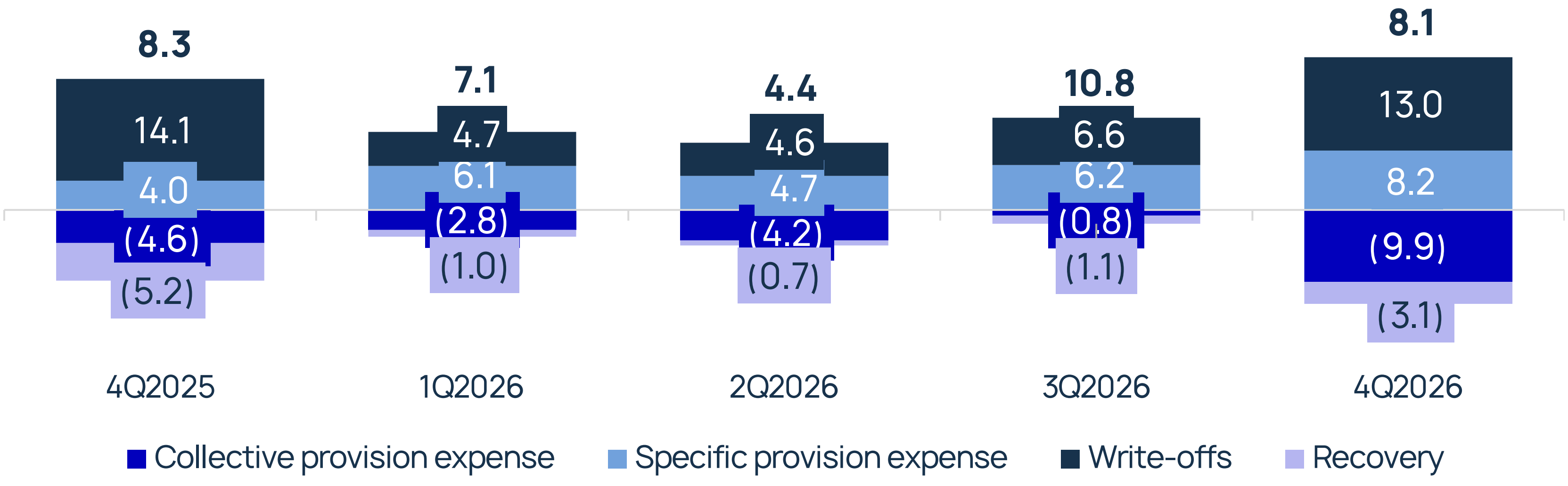
- OPEX is expected to be < $135m, with a CTI ratio of < 58.4%.
- OPEX is expected to increase in FY2027 due to investment in committed technology and compliance projects.

Note: CTI ratio is calculated as OPEX/NOI. Underlying CTI ratio excludes one-off impacts . See page 2 for definition of underlying financial measures. Refer to page 7 for details about one-offs in the periods covered in this investor presentation.

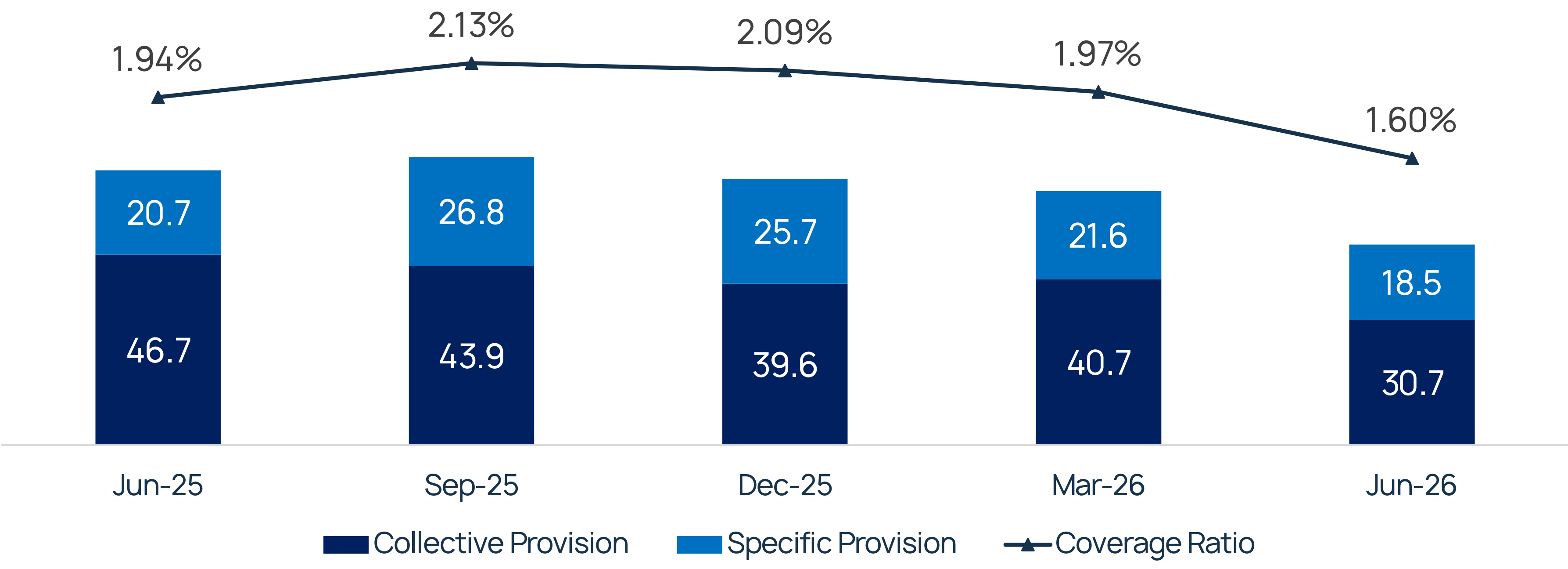
1. Including intercompany group charges.
2. Excluding intercompany group charges.

Impairment and provisioning

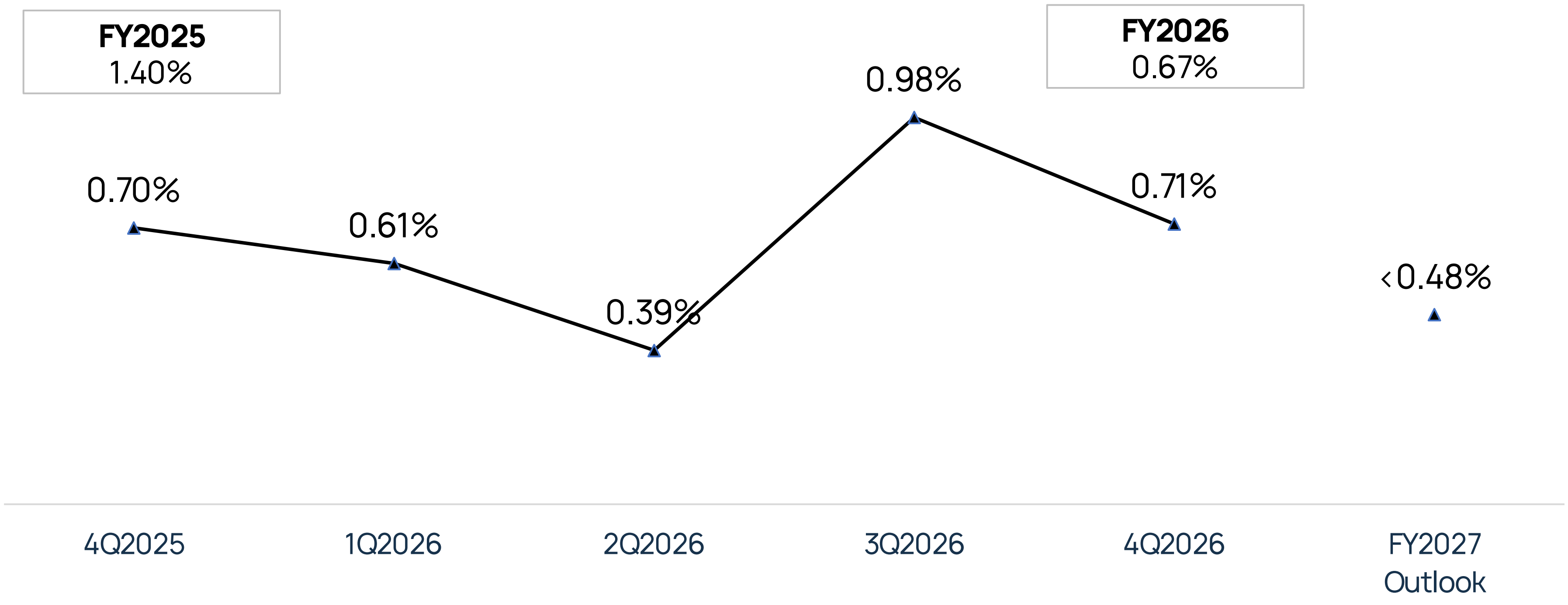
Impairment expense ($m)



Total provisions and coverage ($m)



Impairment expense ratio

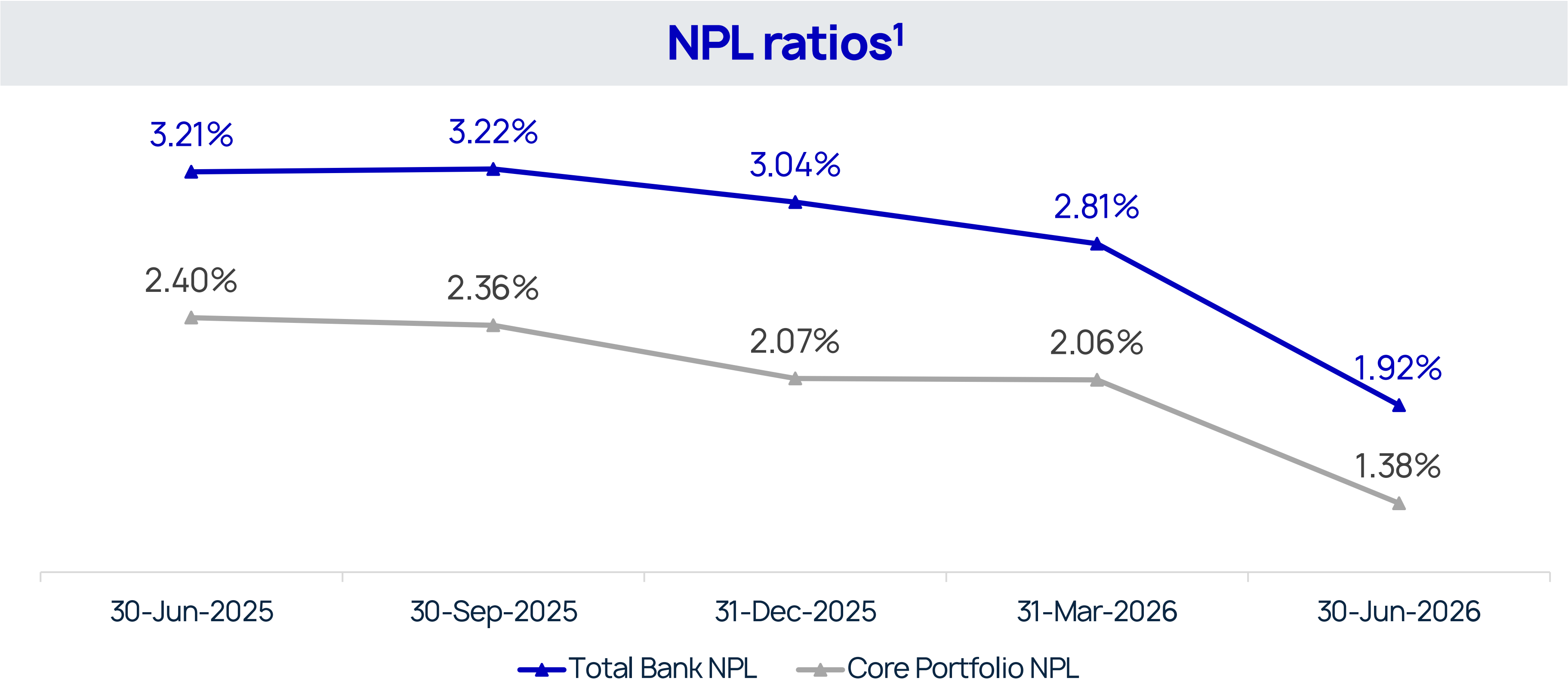


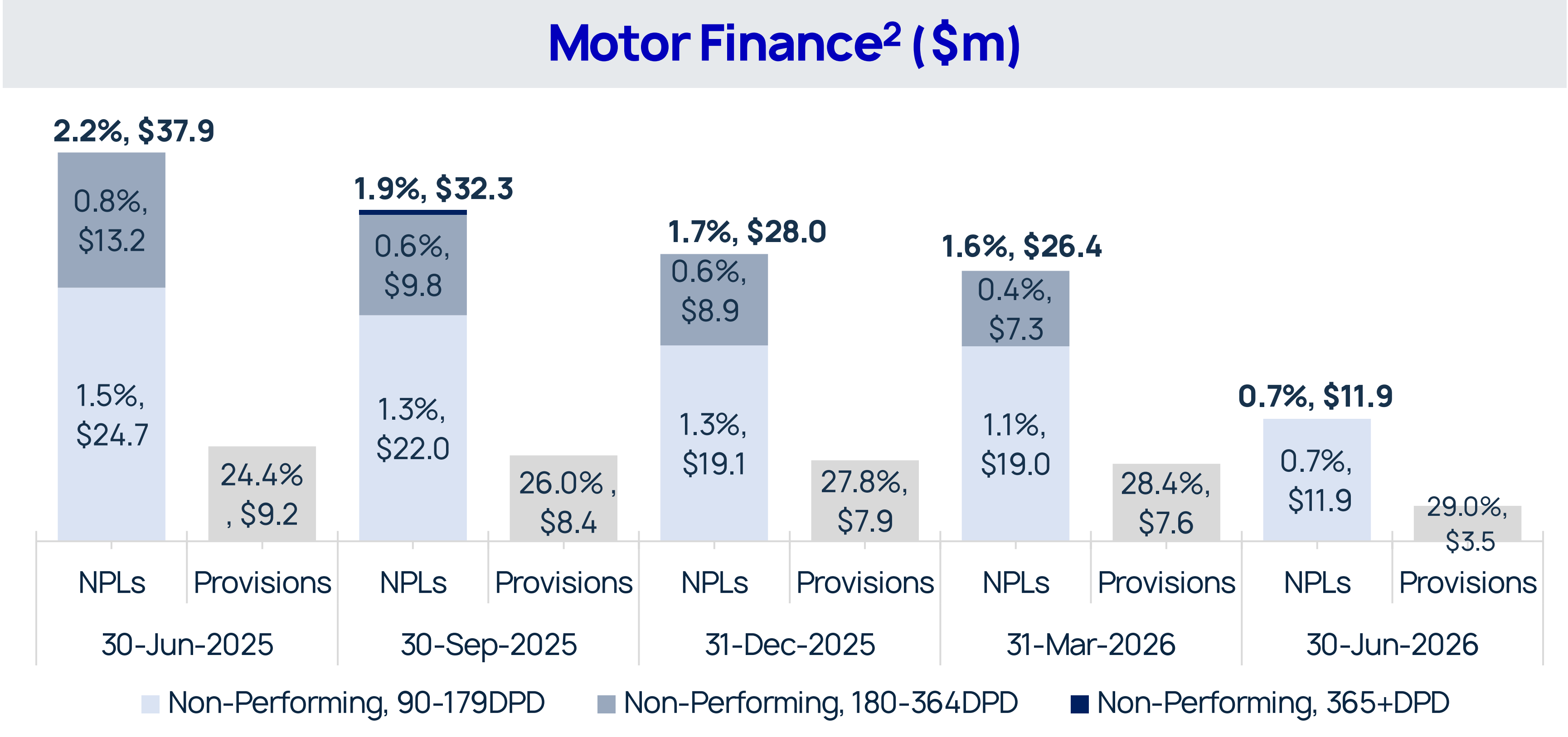
Overall asset quality materially improved in FY2026, supported by the reduction of Motor Finance arrears and the realisation of NSAs.

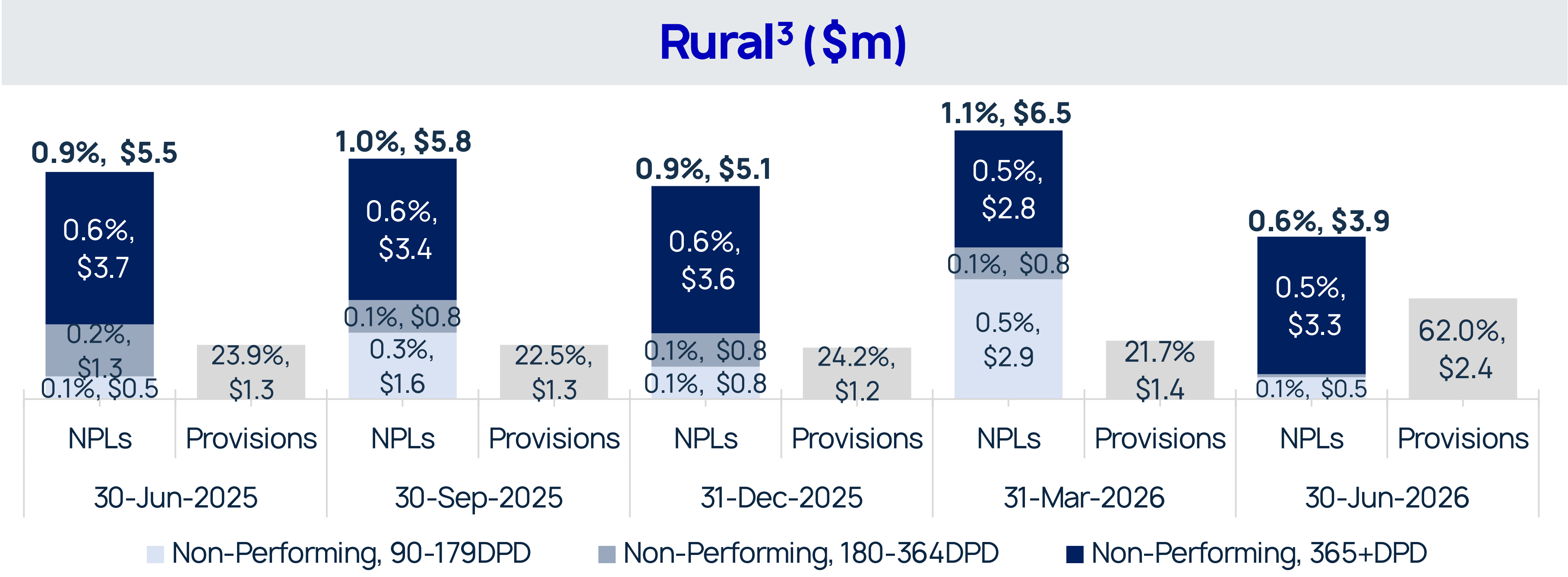
- Motor Finance arrears improved across all NPL cohorts, with all NPLs >180 DPD now cleared. The portfolio's arrears continue to outperform the industry average of 5.2%[1] and are at historical lows for Heartland Bank.
- The FY2027 impairment expense ratio outlook is expected to be <0.48%. This reflects continued stabilisation in impairment expenses through FY2027 and the conclusion of the NSA realisation programme.

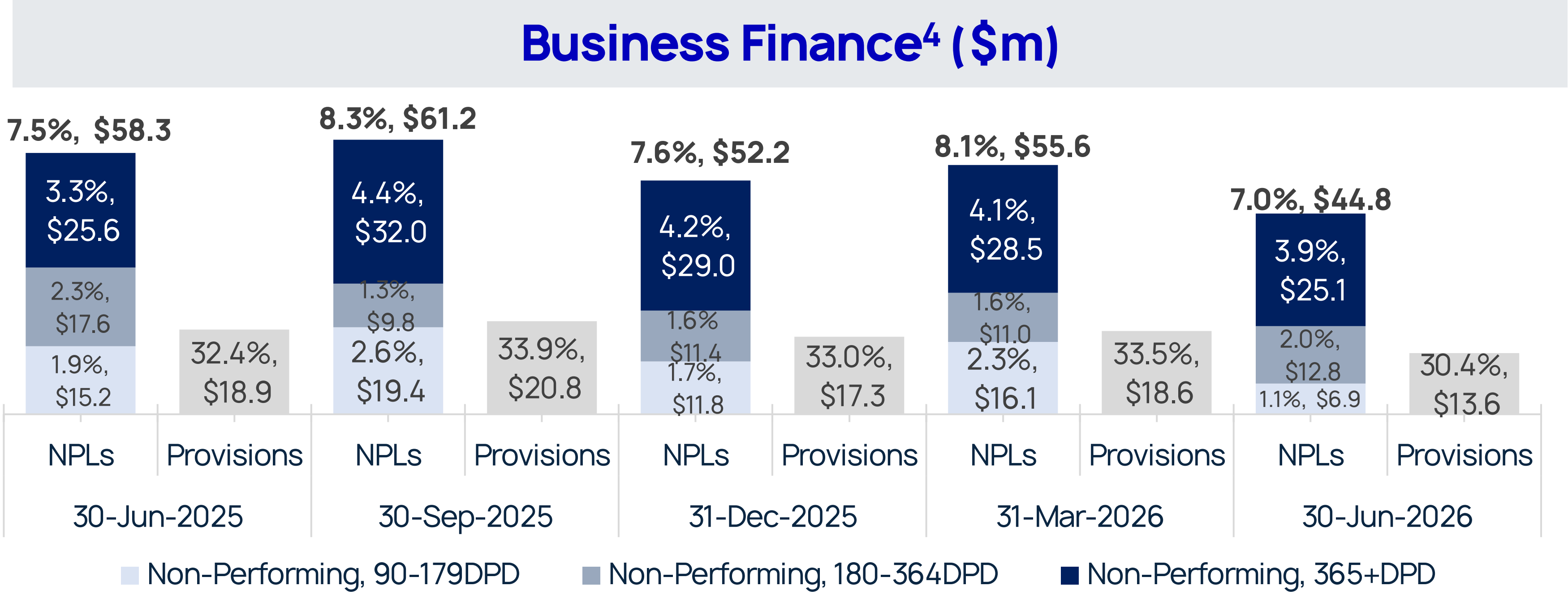
1. Industry average arrears are based on auto arrears as at June 2026, reported by Centrix in its Credit Insights Report, July 2026. See page 46.

Asset quality





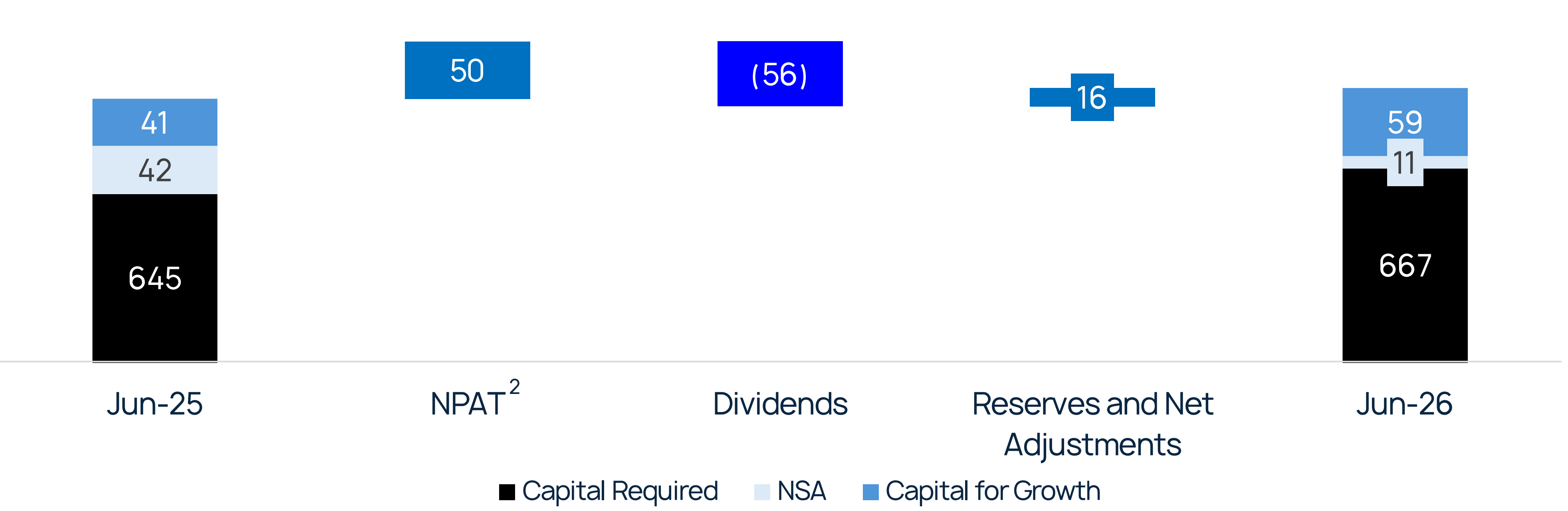




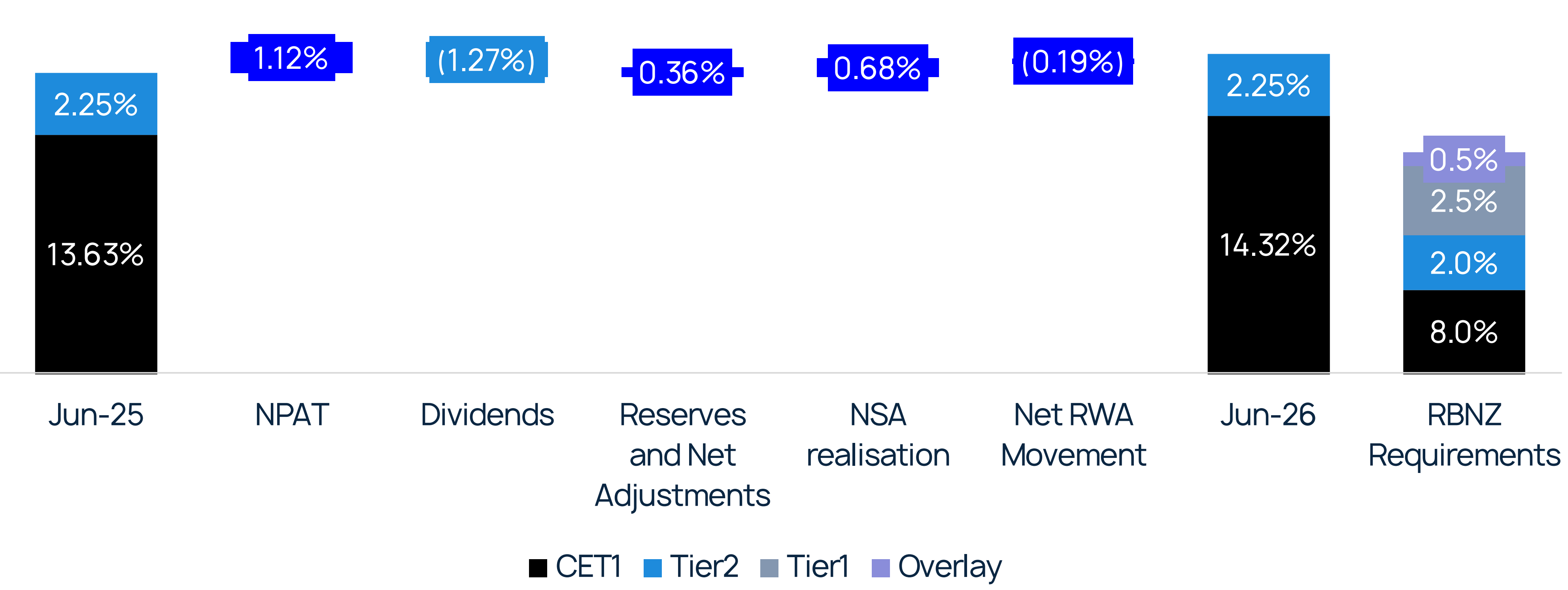
1. Total Bank NPL includes NSAs and Unsecured Lending (which includes Personal Lending and Open for Business which are winding down). Core Portfolio NPL includes Reverse Mortgages, Motor Finance, Rural, and Business Finance.
2. Motor Finance includes Wholesale Lending.
3. Rural includes Rural Relationship, Rural Direct, and Livestock Finance. Excludes NSAs.
4. Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.

Regulatory capital

New Zealand Banking Group[1] – Total Capital movement $m



New Zealand Banking Group - Capital ratio and RBNZ requirements



Heartland Bank is well positioned for future growth, with capital well above regulatory minimums.

- During FY2026, the NSA realisation programme released $31.7m of capital, which has been redirected to fund growth.

RBNZ capital review

- On 17 December 2025, the RBNZ announced final decisions on key capital settings for deposit takers. Benefits to Heartland Bank include the reduction of 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 expected to review reverse mortgage risk weights in the second half of calendar year 2026, and Heartland Bank intends to participate in this review.[3]
- Effective 1 March 2026, the RBNZ reduced Heartland Bank's transitional capital overlay by 1.5%, from 2.0% to 0.5%. 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 $110m of regulatory capital in excess of expected regulatory requirements. Applying Heartland Bank's expected risk weight changes[4] to the 30 June 2026 balance sheet, the excess is approximately $160m.[5]

Note:
- RBNZ imposed a transitional capital overlay on Heartland Bank after the acquisition of what is now Heartland Bank Australia.
- Heartland Bank's regulatory capital ratio increased to 16.68% as of 30 June 2026 (30 June 2025: 16.46%), due to capital released from NSAs. The total capital ratio for the NZBG increased to 16.57% from 15.88% during the same period.

1. The New Zealand Banking Group consists of the NZ bank and its NZ subsidiaries, excluding Marac Insurance Limited.
2. Current reported NPAT for the NZ Banking Group.
3. The exact timing of the RBNZ's review of reverse mortgage risk weights has not yet been confirmed.
4. 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.
5. Including ordinary internal buffers.

NZ lending performance: Motor Finance[1]

$1,720m

Receivables as at 30 Jun 2026
+$25m, 1.5%[2] since 30 Jun 2025

Includes **$1,511m Motor Lending**[2] and **$209m Wholesale Lending**

$73.7m

NOI as at 30 Jun 2026
-2.0% vs FY2025

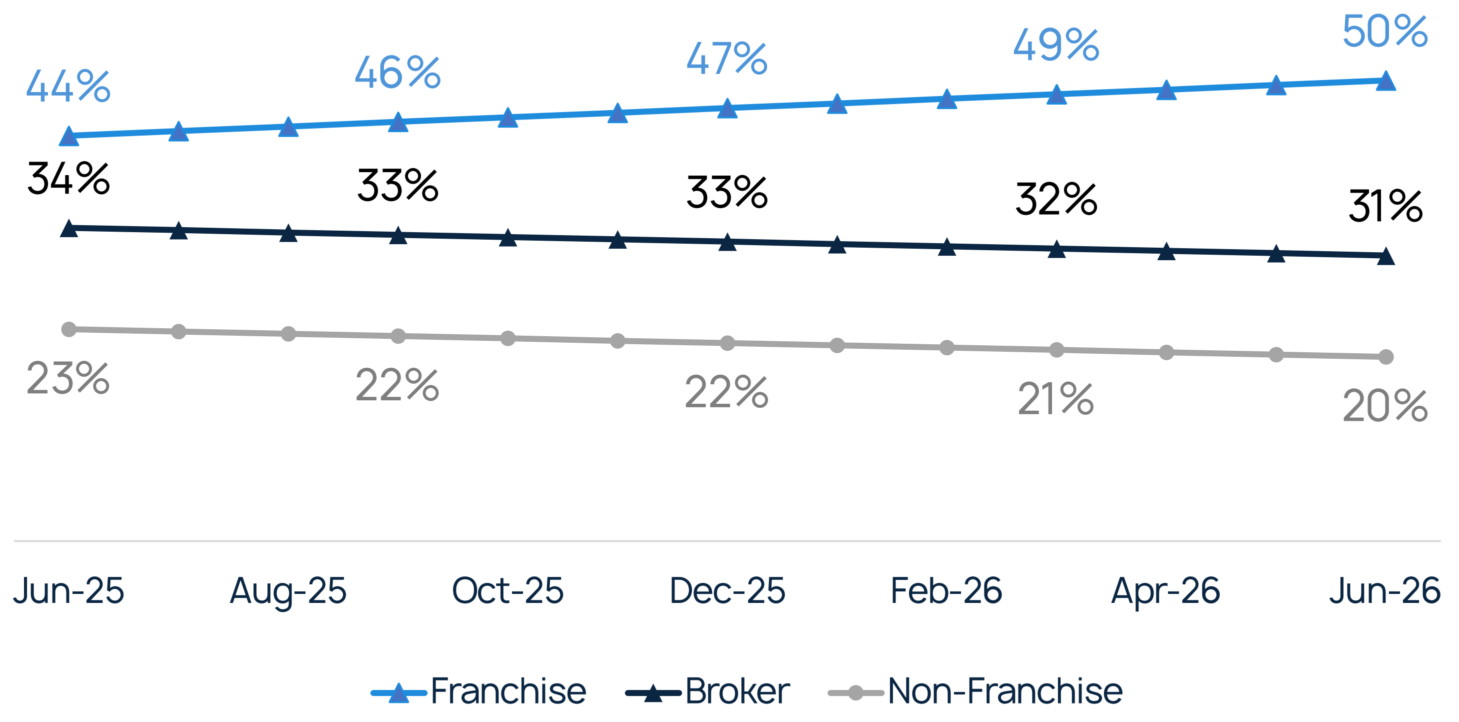
Includes **$70.1m Motor Lending**[2] and **$3.6m Wholesale Lending**

- Dealer retracted 5.1%, reflecting Heartland Bank's deliberate shift from lower quality broker and non-franchise lending towards higher quality franchise lending.
- Jaguar Land Rover global production disruption from late 1H2026 into early 2H2026 also elevated demand volatility.
- New business volumes improved in 2H2026 as vehicle supply levels returned (up 3.6% from 1H2026 to $399.4m 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 by 25.7% in FY2026.

Outlook

- **FY2027 growth**: >3.5%

Dealer Receivables mix



1. Motor Finance includes Motor Wholesale lending.
2. Motor Lending includes Intermediary and Direct distribution channels.

NZ lending performance: Reverse Mortgages

$1,441m

Receivables as at 30 Jun 2026
+$207m, 16.8% since 30 Jun 2025

$65.9m

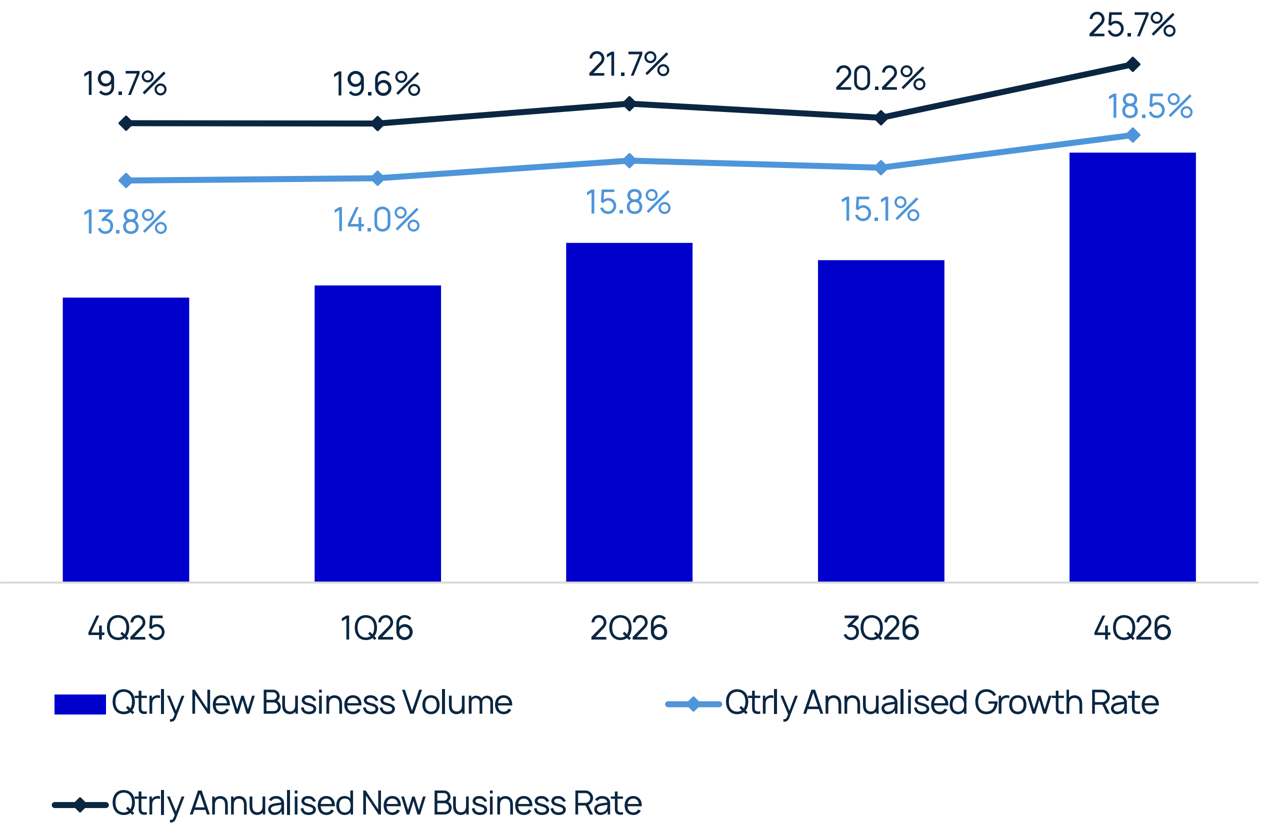
NOI as at 30 Jun 2026
+13.0% vs FY2025

- Reverse Mortgage Receivables growth was supported by increased investment in market awareness, regional presence and product process improvements.
- Annualised growth increased from 14.0% in the first quarter to 18.5% in the fourth quarter.
- Asset quality within Reverse Mortgages remains strong with an NPL ratio of 0.06%[1], average current loan size of $163k and weighted average current LVR of 27.5%.

Outlook

- **FY2027 growth**: > 18.0%

Receivables growth



1. Reverse Mortgages are measured at fair value. NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2026, this included 5 loans with a total value of $0.9m and a weighted average LVR (using indexed valuation) of 40.3%.

NZ lending performance: Rural[1]

$675m

Receivables as at 30 Jun 2026
+$66m, 10.8%[2] since 30 Jun 2025

Includes **$390m Rural Lending**[2] and **$285m Livestock Finance**

$29.7m

NOI as at 30 Jun 2026
-3.3% vs FY2025

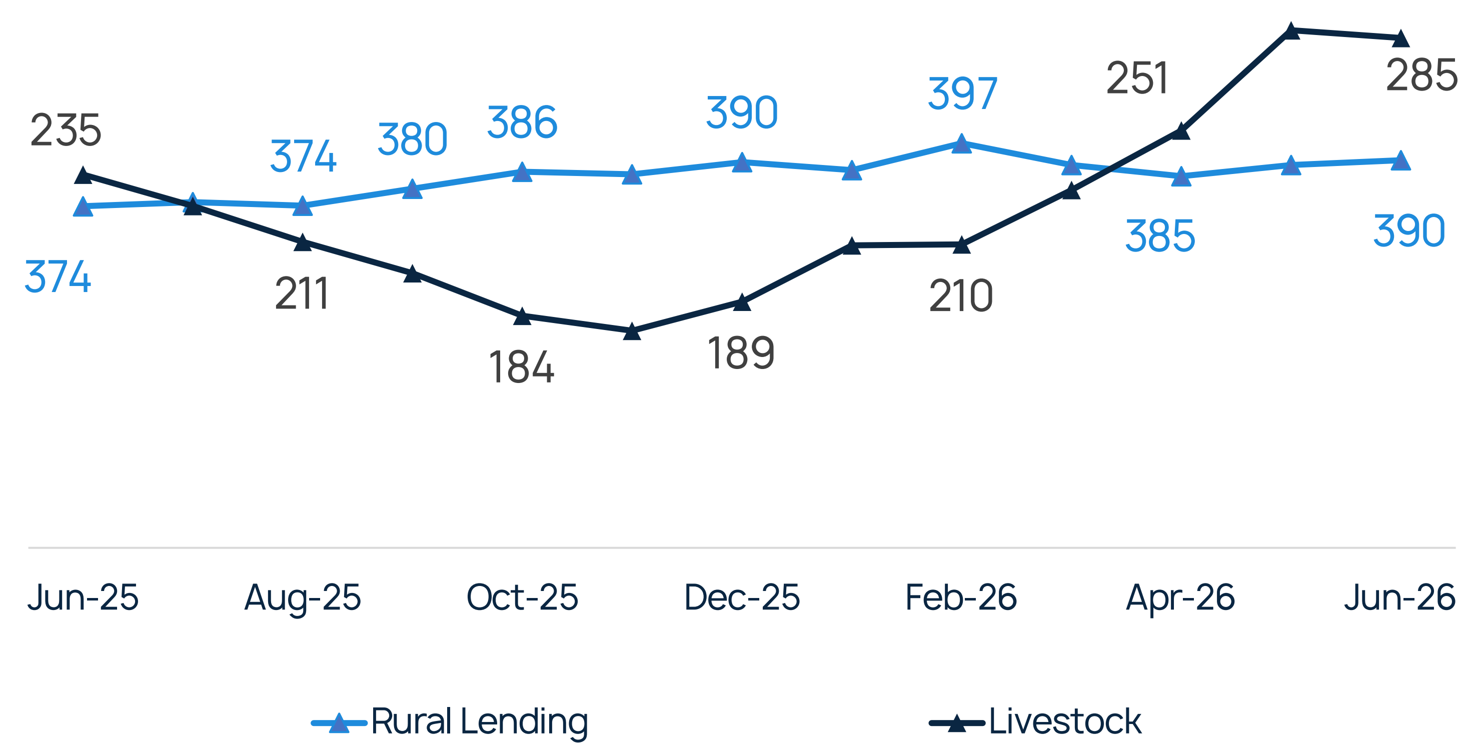
Includes **$19.3m Rural Lending**[2] and **$10.5m Livestock Finance**

- Rural growth exceeded Heartland Bank's guidance and was ahead of sector growth of 1.8%.[3]
- Growth was supported by strengthened Livestock Finance intermediary partnerships and improved market optimism.
- Through FY2026, to address demand and strengthen its commitment to specialist rural lending, Heartland Bank expanded its regional presence.

Outlook

- **FY2027 growth**: › 5.0%

Rural[1] Receivables ($m)



1. Rural includes Rural Relationship, Rural Direct and Livestock Finance. Excludes NSAs.
2. Rural Lending includes Rural Relationship and Rural Direct excluding NSAs.
3. As reported by RBNZ, the annual sector growth rate for agricultural lending increased from 0.5% to 1.8% in June 2026.

NZ lending performance: Business Finance[1]

$639m **Receivables** as at 30 Jun 2026
-$141m, -18.1% since 30 Jun 2025

Includes **$519m Asset Finance** and **$120m Business Relationship**

$36.2m **NOI** as at 30 Jun 2026
-18.4% vs FY2025

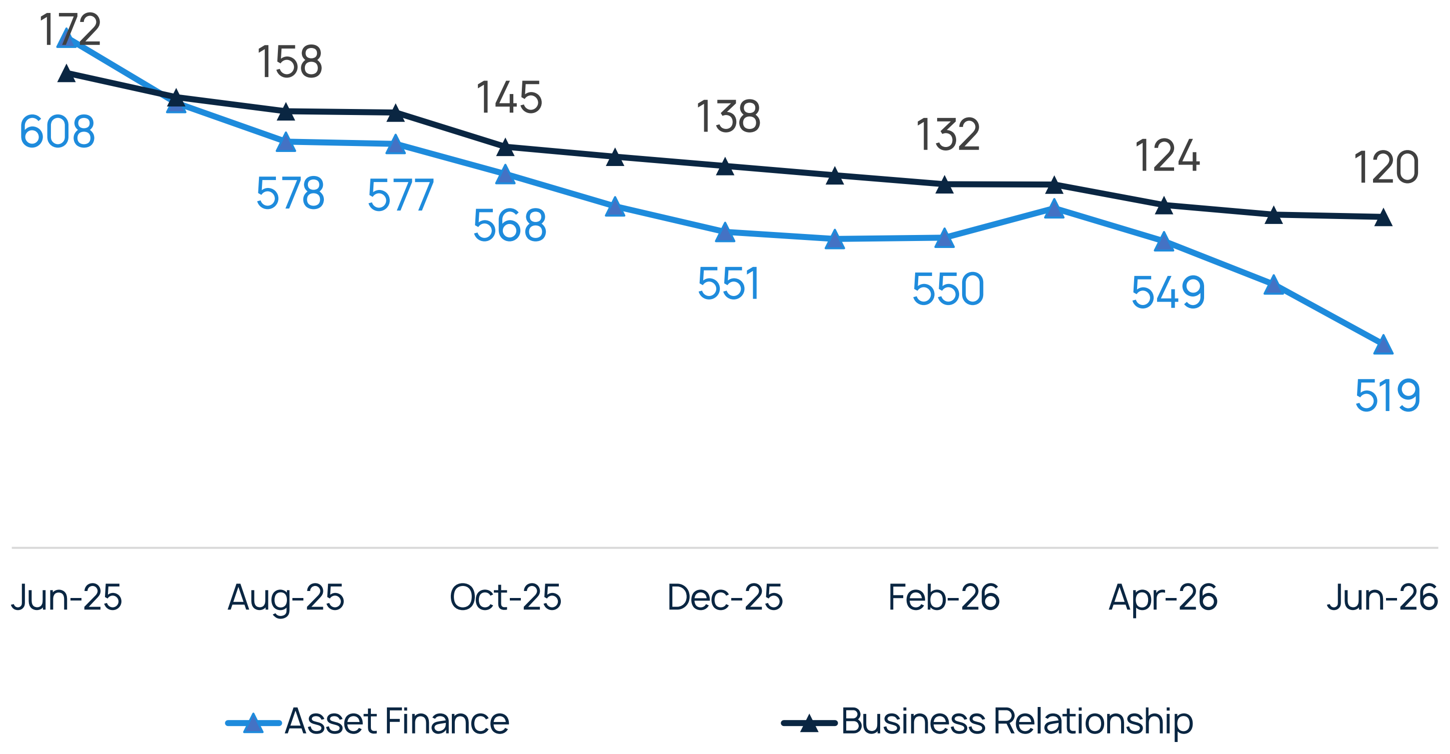
Includes **$27.0m Asset Finance** and **$9.2m Business Relationship**

- Business Finance 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.
- The Business Finance retraction is 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.

Outlook

- **FY2027 growth**: < -7.5%

Business Finance[1] Receivables ($m)



1. Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.

NZ technology programme

Building on prior investment in its modern technology foundations, Heartland Bank is adding an AI-enabled automation and integration layer with Pega – creating simpler, faster, fully digital journeys.

FY23 – FY25

Modern foundations

Resilient, secure, scalable platforms

Core banking
Modern, scalable, Oracle core banking platform
ORACLE

Customer channels
Voice and secure messaging
GENESYS

Common Group platforms

Data & Analytics
Trusted data, insights and AI
snowflake

Finance
Modern financial management
workday

People
Empowered people and culture
workday

FY26 – FY28

AI-enabled automation and integration platform

Automate, orchestrate and make smarter decisions

AI & Decisioning | Workflow Automation | Straight-Through Processing | Insights & Analytics | PEGA

Simple, digital and seamless experiences across every channel

Programme benefits over time

- **Better experiences:** Fully digital, end-to-end journeys with simpler, faster outcomes for customers, intermediaries and employees.
- **Increased agility and speed:** Faster approvals, product changes and easier customer servicing.
- **Greater operational efficiency:** Automated workflows and streamlined work for employees.
- **Simplified technology landscape:** Reduce complexity, cost and risk with a modern, integrated platform.
- **Lower long-term cost:** Retire legacy systems and reduce software licensing.
- **Drive sustainable growth:** Improved conversion and capacity to serve more customers.

NZ technology programme: Progress report

FY2026 progress

Programme delivery

Overall status	• On track. • No change to delivery timetable. • Commenced Motor Finance discovery phase.
Milestones achieved	• Completed initial production deployment of the Pega platform. • Launched the first phase of Reverse Mortgages on the platform in June 2026.
Outcomes	✓ Partial retirement of legacy Reverse Mortgage origination systems. ✓ Automated Reverse Mortgage loan approvals, reducing turnaround from 10 days to 48 hours for straight-through processing. ✓ 100% of new Reverse Mortgage applications are being initiated on the platform.
Implementation investment	• $3.3m invested in external implementation costs in FY2026. • Within implementation budget expectations (estimated to be ≤ $11m over a three-year period).

Indicative implementation timeline

FY2026	FY2027	FY2028

Planning — Reverse Mortgages — Motor Finance — Savings & Deposits — Rural, Asset Finance, Collections

FY2027 focus

Deliverables and objectives

- Complete Reverse Mortgage back-book migration and bring loan settlement and servicing inhouse.
- Improved Reverse Mortgage customer self-service experience, including mobile app access.
- Deploy Motor Finance on the platform, with benefits expected to include:
  - loan conversion improvement
  - handling efficiencies
  - savings through decommissioning legacy systems
  - automation of loan approvals.
- Reverse Mortgage benefits begin to realise, including:
  - faster application times
  - higher conversion leading to growth.

Note: The timeline and sequencing of implementation is indicative only and subject to change.

HEARTLAND GROUP

03 Australian banking

Michelle Winzer Chief Executive Officer, Heartland Bank Australia
Kerry Conway Chief Financial Officer, Heartland Bank

AU banking: FY2026 summary

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

FY2026 summary

Business growth

- Delivered 19.7% Reverse Mortgage growth while simultaneously executing the transformation programme.
- Retained >40% total reverse mortgage market share and approximately 55% new business market share, reinforcing market leadership despite increased competitor activity.

Service excellence

- Achieved an 85% Customer Satisfaction Score and a Net Promoter Score of +49 in Reverse Mortgages.
- Commenced a strategic transformation programme to simplify the bank's technology infrastructure and strengthen operational scalability. Reverse Mortgage origination launched on the platform in July 2026.
- Maintained high customer service standards despite a 46% increase in annual call volume, increasing answered calls by an average of 11.9% month-on-month.

Diversify distribution

- Accelerated distribution by strengthening strategic partner networks and broker engagement across the reverse mortgage market. Broker relationships expanded more than 20%, contributing to increased Reverse Mortgage origination volumes and improving visibility with key aggregator and referral partners.
- Signed 13 new livestock service providers, deepening key industry partnerships across regional markets.

FY2026 underlying financial metrics	AU Banking	
	Guidance	Result
NPAT	**>A$37.0m**	**A$38.4m**
ROE	**>8.0%**	**8.7%**
Average NIM	>3.70%	3.81%
Exit NIM	>3.75%	3.95%
OPEX	<A$58.0m	A$57.6m
CTI ratio	<50.0%	48.6%
Impairment expense ratio	<0.10%	0.11%

Financial results

		Reported					Underlying				
		FY26	FY25	Movement			FY26	FY25	Movement		
Financial performance	NII	$112.5m	$86.5m	↑	$26.1m	30.1%	$114.5m	$86.5m	↑	$28.1m	32.4%
	OOI[1]	$6.3m	$2.7m	↑	$3.7m	137.5%	$0.6m	$2.7m	↓	($2.0m)	(76.5%)
	NOI	**$118.9m**	**$89.1m**	↑	**$29.7m**	**33.3%**	**$115.2m**	**$89.1m**	↑	**$26.0m**	**29.2%**
	OPEX	$54.8m	$47.7m	↑	$7.1m	14.9%	$57.6m	$46.4m	↑	$11.2m	24.2%
	Impairment expense	$2.6m	$2.7m	↓	($0.1m)	(0.7%)	$2.6m	$2.7m	↓	($0.1m)	(0.7%)
	Tax expense	$18.5m	$11.6m	↑	$6.8m	58.6%	$16.5m	$12.0m	↑	$4.5m	37.3%
	NPAT[2]	**$43.0m**	**$27.2m**	↑	**$15.8m**	**58.2%**	**$38.4m**	**$28.1m**	↑	**$10.3m**	**36.7%**
	NIM[3]	3.74%	3.08%	↑	66 bps		3.81%	3.08%	↑	73 bps	
	CTI ratio	44.7%	53.5%	↓	(877 bps)		48.6%	52.0%	↓	(342 bps)	
	Impairment expense ratio[4]	0.11%	0.13%	↓	(2 bps)		0.11%	0.13%	↓	(2 bps)	
	ROE	9.7%	6.6%	↑	311 bps		8.7%	6.8%	↑	185 bps	

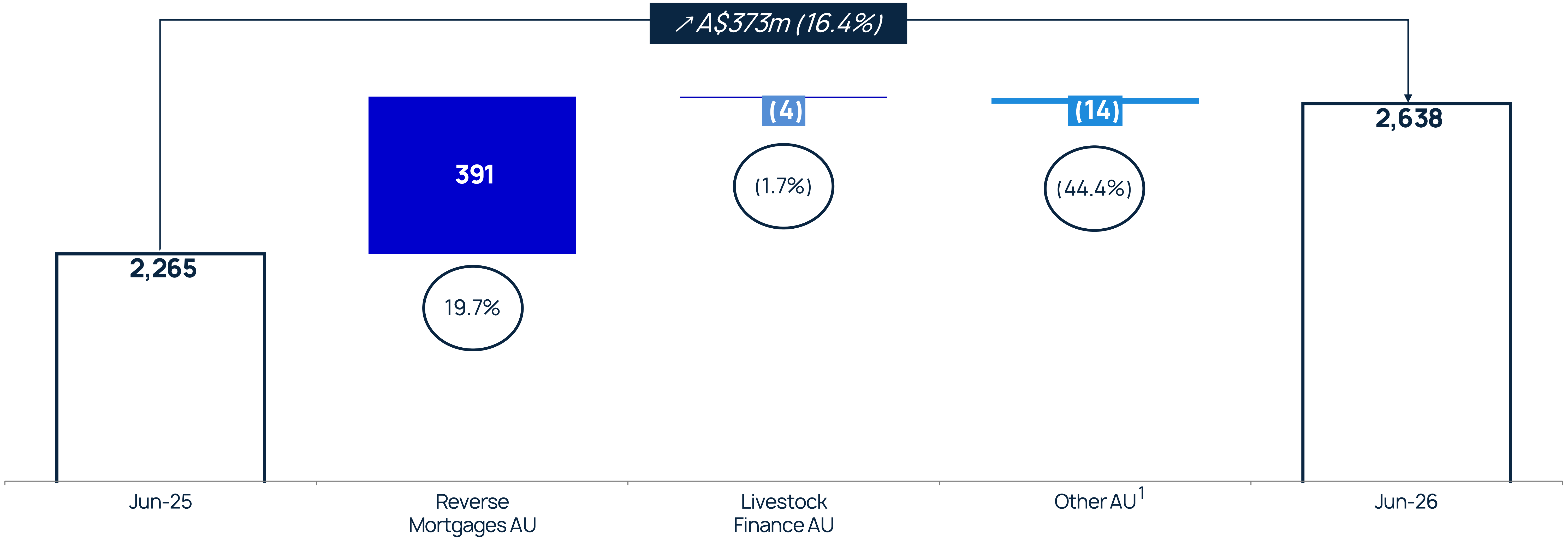
		Jun 26	Jun 25	Movement		
Financial position	Liquid assets	$596m	$517m	↑	$79m	15.3%
	Receivables[5]	$2,638m	$2,265m	↑	$373m	16.4%
	Borrowings	$2,919m	$2,499m	↑	$420m	16.8%
	Equity	$462m	$424m	↑	$39m	9.1%
	Equity/total assets	13.5%	14.4%	↓	(86 bps)	

Note: All figures are in AUD$m. See page 2 for a definition of underlying financial metrics. Refer to page 7 for details about FY2026 and FY2025 one-offs.

1. Reported OOI includes the impact of the change in accounting methodology for Heartland Bank Australia Reverse Mortgage commissions. See page 33 for more information.
2. Refer to page 7 for details about one-offs in the periods covered in this investor presentation.
3. NIM is calculated using monthly average interest earning assets, a change from prior periods which used a spot-to-spot June average.
4. Impairment expense as a percentage of average Receivables.
5. Receivables also includes Reverse Mortgages.

Receivables

Continued strength in Reverse Mortgage growth underpinned Heartland Bank Australia's 16.4% lift in Receivables.



	Jun-25	Reverse Mortgages AU	Livestock Finance AU	Other AU[1]	Jun-26
Receivables (AUD $m)	**2,265**	2,371	250	17	**2,638**

Note: All figures in AUD$m.
1. Other AU includes Home Loans and Consumer & Other loan portfolios acquired through the ADI which are in run down.

Reverse Mortgage commission accounting methodology update

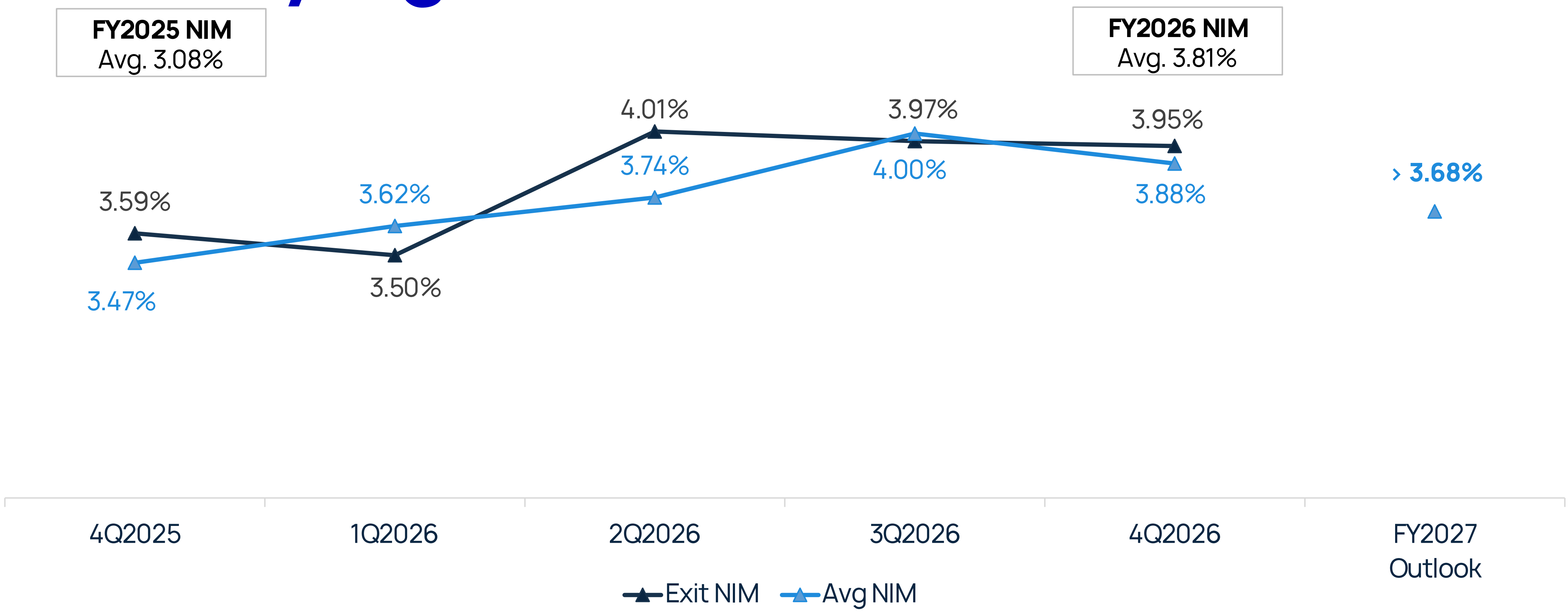
Heartland Bank Australia has refined the accounting methodology used for Reverse Mortgage commissions.[1]

- Heartland Bank Australia's accredited Reverse Mortgage brokers and intermediaries are remunerated through upfront and ongoing trail commissions for the duration of a Reverse Mortgage loan.
- Commission costs previously recognised upfront are now recognised progressively over the expected life of the loan, better aligning cost recognition with expected loan cash flows and customer behaviour.
- The FY2026 reported result includes both the ongoing impact of the revised methodology and a life-to-date revaluation of the existing portfolio of A$5.7m.
- The impact of this change has been removed from Heartland Bank Australia's underlying performance for FY2026.
- The change affects the timing of earnings recognition only and has no impact on Heartland Bank Australia's cash flows, regulatory capital position or portfolio economics.

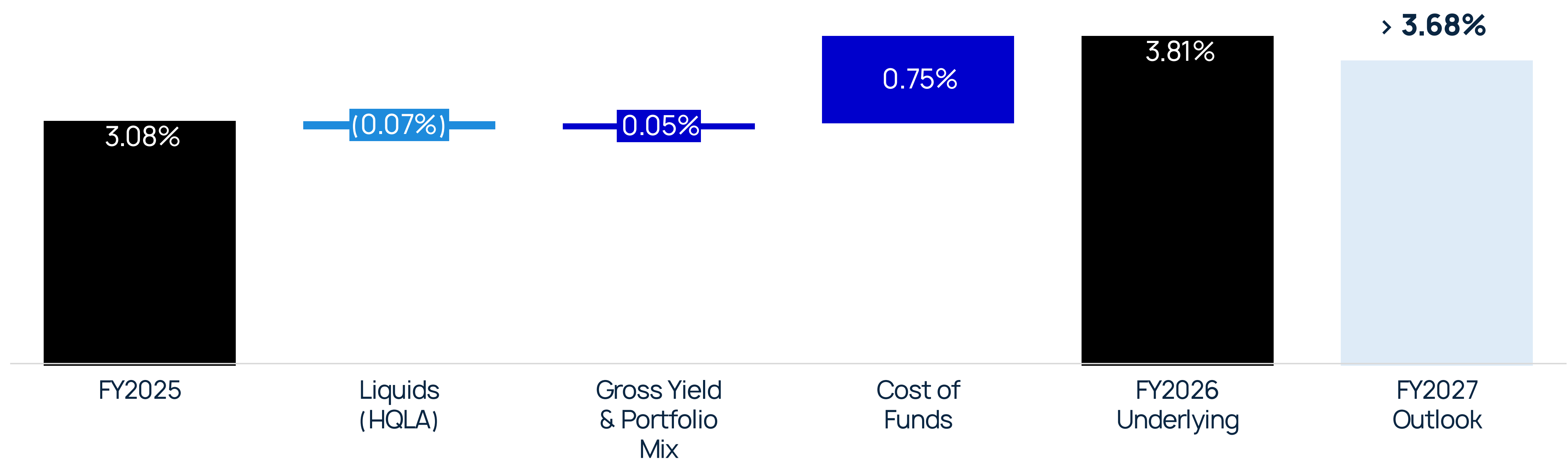
	Underlying	Accounting change	Reported	Comments
NII	A$114.5m	(A$2.0m)	A$112.5m	Commission expense unwind through the duration of the loan.
OOI	A$0.6m	A$5.7m	A$6.3m	Fair value benefit from applying the revised commission methodology to existing loans.
NOI	**A$115.2m**	**A$3.7m**	**A$118.9m**	
OPEX	A$57.6m	(A$2.9m)	A$54.8m	Commission expense no longer accounted for within operating expenses.
Impairment expense	A$2.6m	-	A$2.6m	
Tax expense	A$16.5m	A$2.0m	A$18.5m	
NPAT	**A$38.4m**	**A$4.6m**	**A$43.0m**	
NIM	3.81%	(7 bps)	3.74%	
CTI ratio	48.6%	(392 bps)	44.7%	Improved due to lower reported operating expenses under revised methodology.

1. Refer to "Changes in accounting estimates" in Note 20 – Fair Value of Heartland's Financial Statements for the year ended 30 June 2026.

Underlying NIM[1]



Average NIM



FY2026 summary

- NIM reflected the full year benefit of the deposit funding strategy, with legacy wholesale funding arrangements replaced by lower-cost deposits.
- The one-off Reverse Mortgage accounting methodology change resulted in an adjustment in fair value and recognition of commissions through NII (previously OPEX) – see page 33.

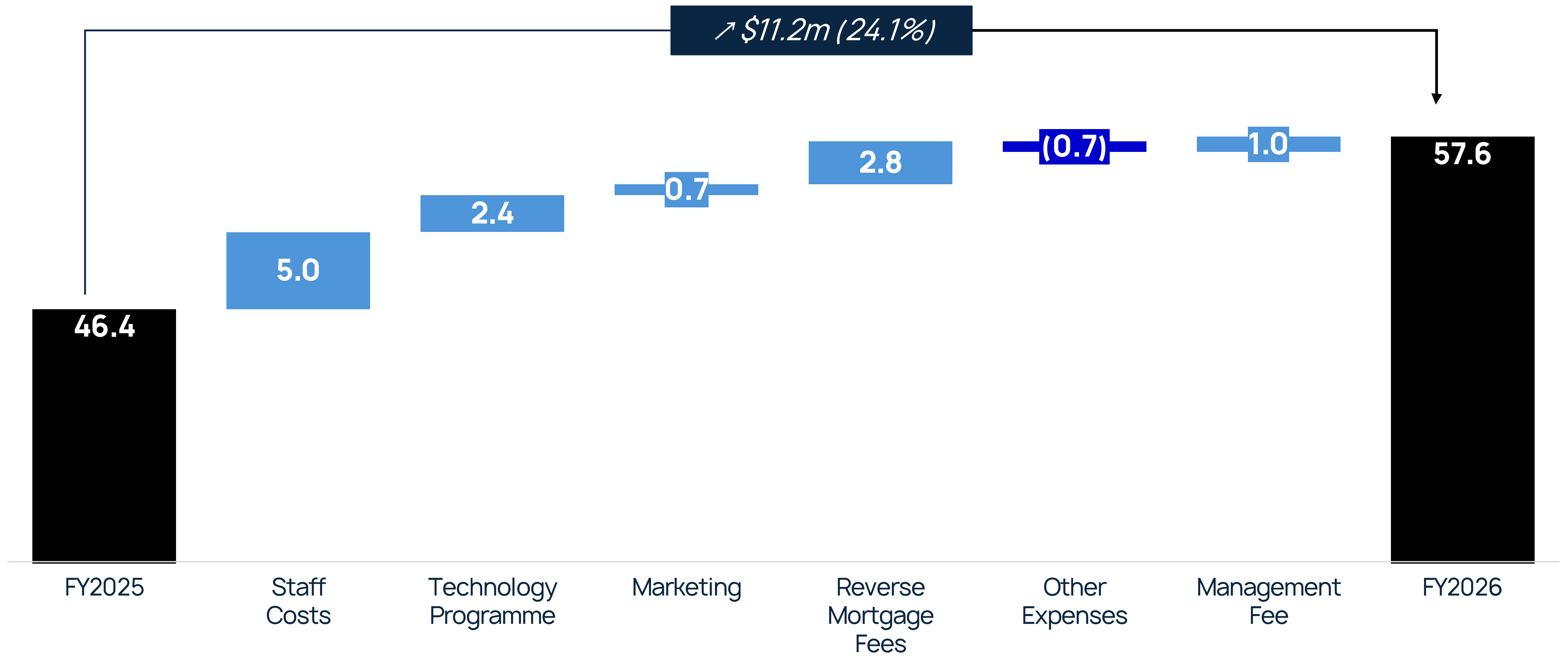
FY2027 outlook

- Some NIM compression is expected from competitive lending pressures within Reverse Mortgages, offset marginally by diversification of funding mix with NCDs, deposit channel diversification and improved liquids management.
- The FY2027 average NIM is expected to be ›3.68% compared to 3.74% in FY2026 on a like-for-like basis.

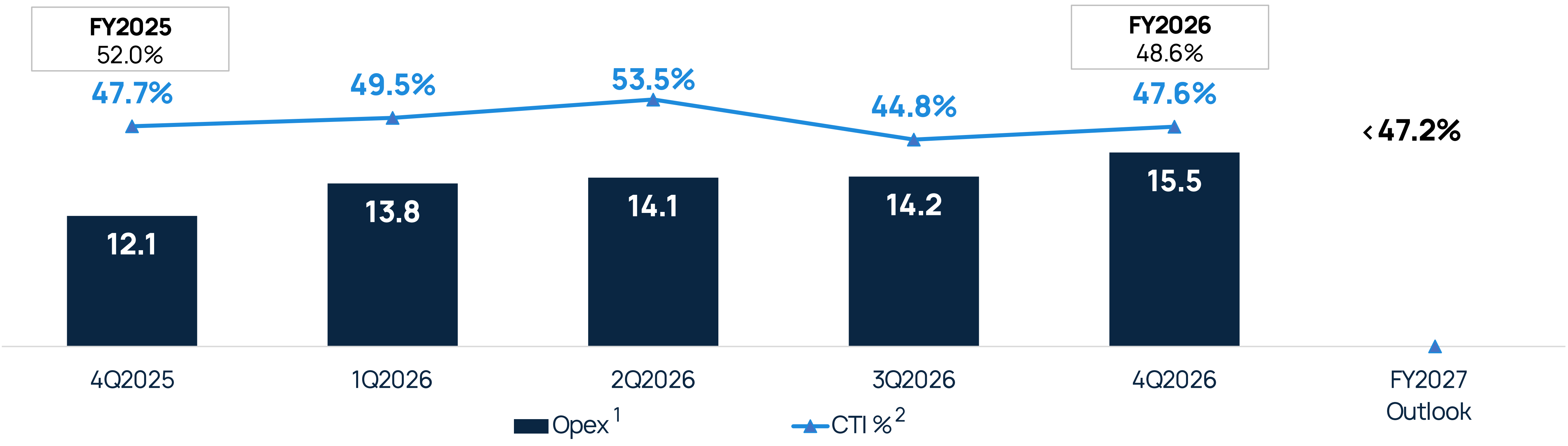
Note: NIM is calculated as NII/average gross interest earning assets in $AUD.

1. NIM is calculated using monthly average interest earning assets, a change from prior periods which used a spot-to-spot June average.

Underlying OPEX



Underlying OPEX & CTI ratio (A$m)



FY2026 summary

- Underlying OPEX was up A$11.2m on FY2025 primarily due to increased staff costs driven by the full-year impact of 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 platform.
- Reverse Mortgage earnings momentum contributed to an improvement in the underlying CTI ratio.

FY2027 outlook

- OPEX is expected to be ‹ A$65m, with a CTI ratio of ‹ 47.2%.
- OPEX is expected to increase in FY2027, reflecting duplicate platform and operating costs as the bank implements its transformation programme (see page 40).

Note: All figures in AUD$m. CTI ratio is calculated as OPEX/NOI. Underlying CTI ratio excludes one-off impacts . See page 2 for definition of underlying financial measures. Refer to page 7 for details about one-offs in the periods covered in this investor presentation.

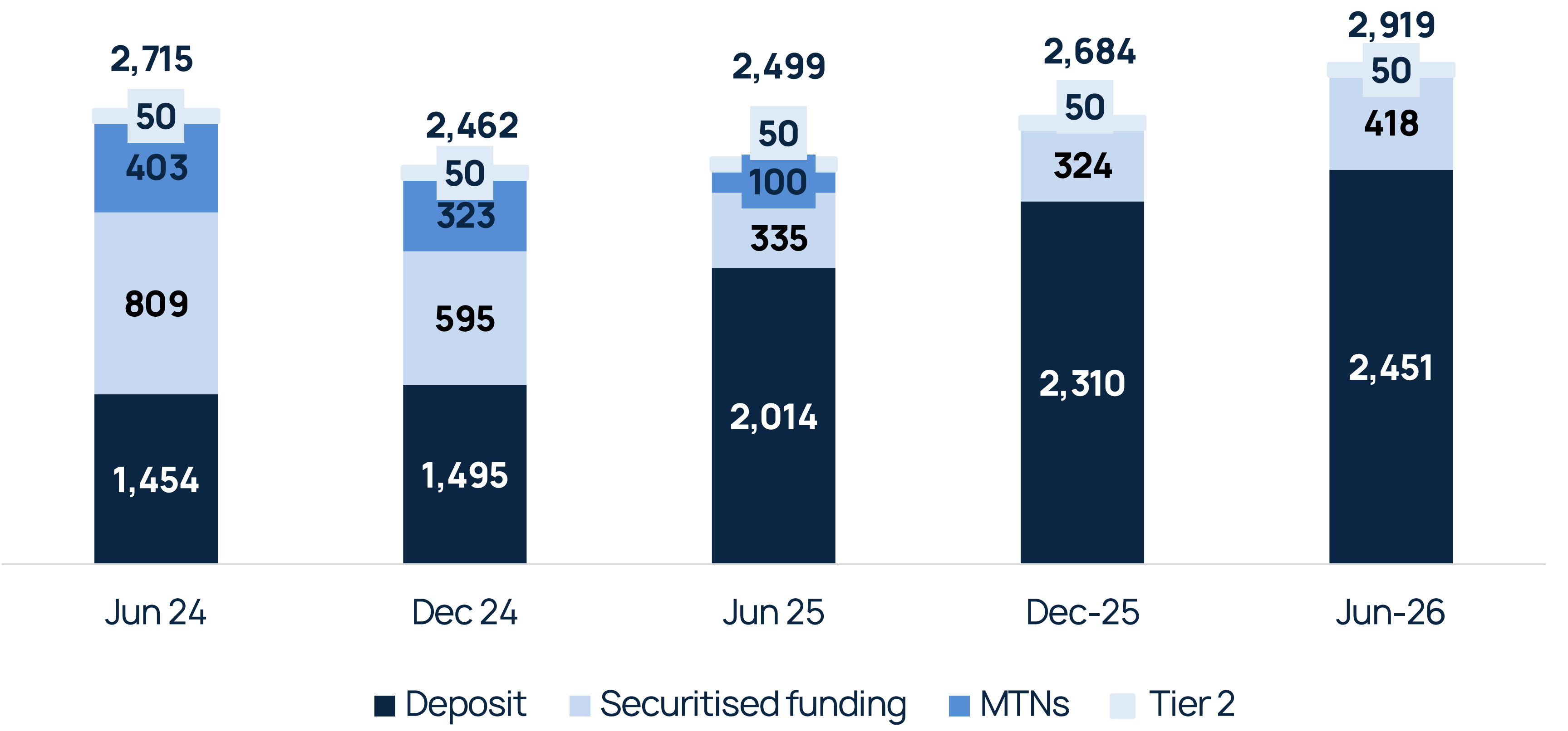
1. Including intercompany group charges.
2. Excluding intercompany group charges.

Funding & liquidity

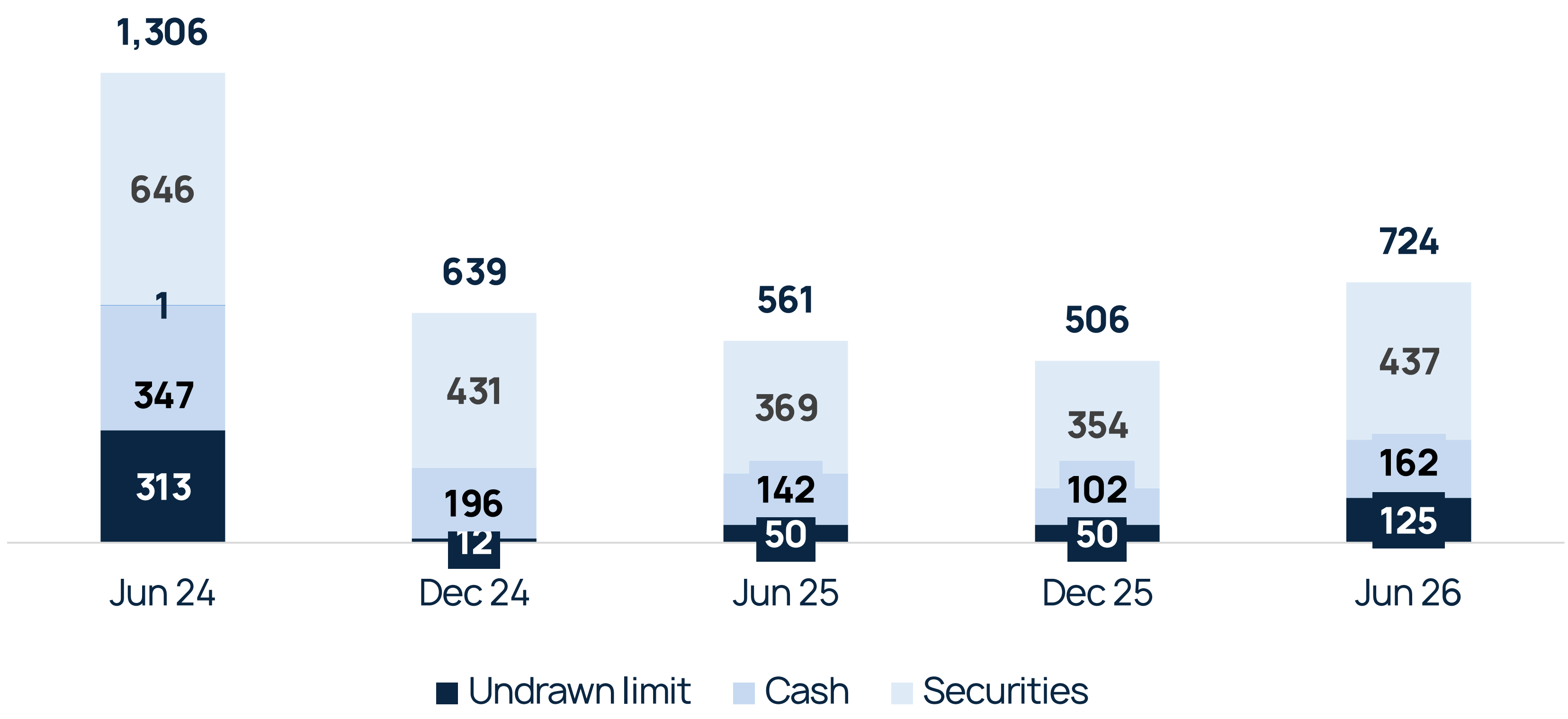
- Deposits increased to A$2.45b, representing 84% of total funding (June 2025: 81%), further strengthening the funding mix and reducing reliance on wholesale funding.
- Heartland Bank Australia completed the early repayment of its final A$100m MTN, using deposit funding.
- Liquidity increased to A$724m, with the MLH ratio maintained at 19.3%.

	30-Jun-25 MLH[1]	30-Jun-26 MLH[1]
Heartland Bank Australia	19.4%	19.3%

Funding composition A$m



Liquidity composition A$m

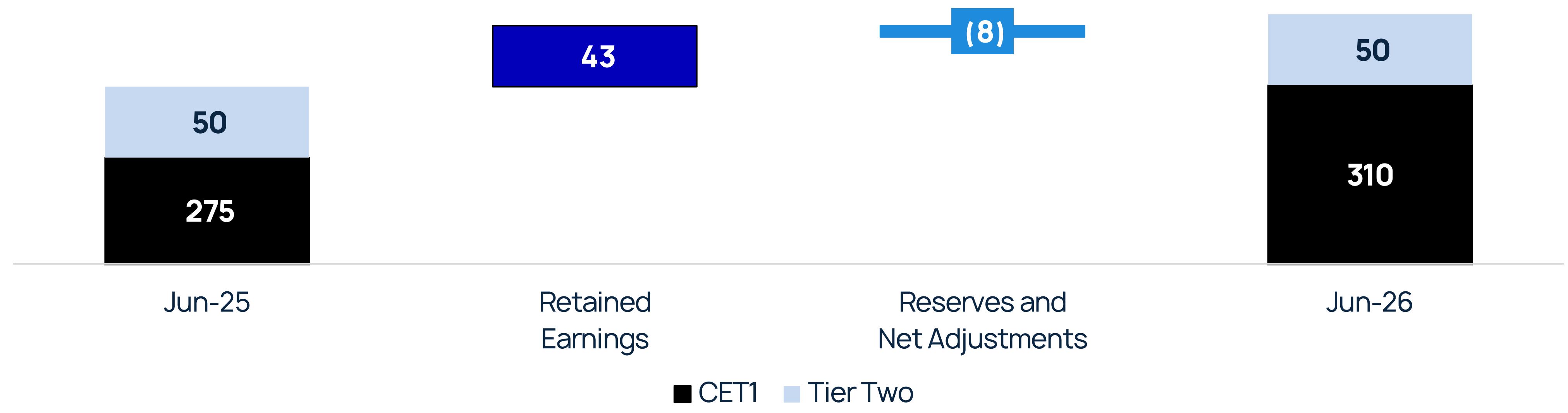


Note: All figures in AUD$m. Heartland Bank acquired what is now Heartland Bank Australia on 30 April 2024. Prior to that, Heartland's Australian businesses operated as Heartland Australia Group, which did not have an ADI licence or access to deposit funding in Australia.
Liquid assets (securities) are HQLA APRA eligible securities.

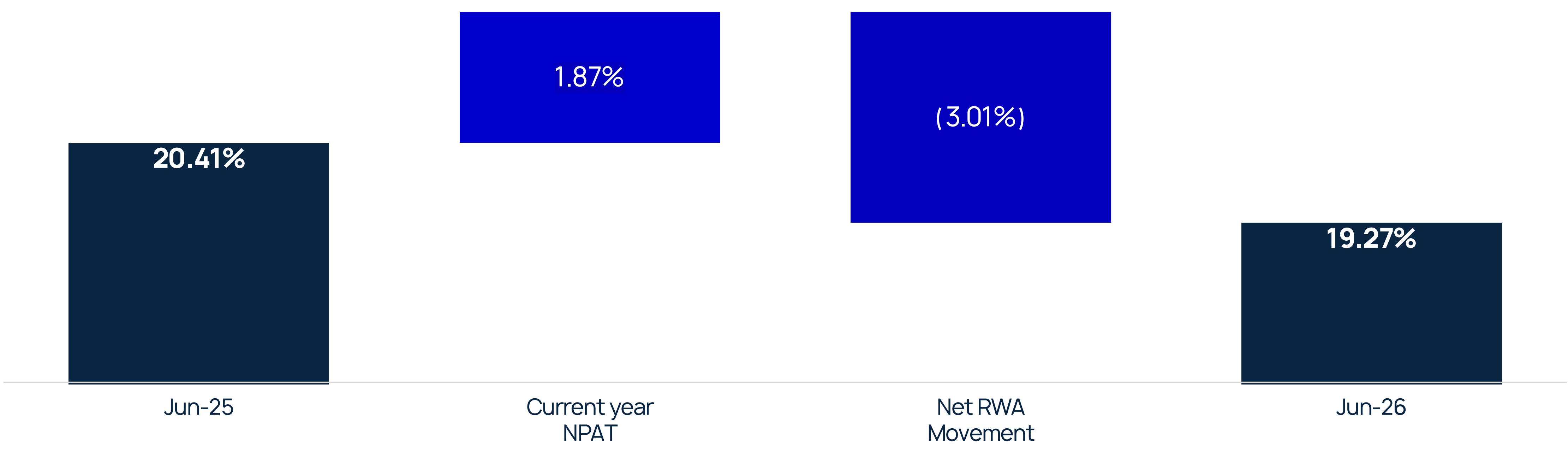
1. Minimum Liquidity Holdings (MLH) for Heartland Bank Australia has been measured on an APRA level 2 consolidated basis, i.e. including Heartland Australia Bank and its' subsidiaries.

Regulatory capital

Heartland Bank Australia - Capital movement A$m



Heartland Bank Australia – Total capital ratio



Heartland Bank Australia maintains a strong capital position while supporting portfolio growth.

- Total capital increased to A$360m, driven by retained earnings of A$43m.
- The total capital ratio was 19.3% at FY2026. Capital generated during the year was reinvested to support continued growth in Reverse Mortgages and associated risk-weighted assets, while maintaining capital strength.

Note: All figures in AUD$m.

AU lending performance: Reverse Mortgages

A$2,371m

Receivables as at 30 Jun 2026
+A$391m, 19.7% since 30 Jun 2025

A$79.8m

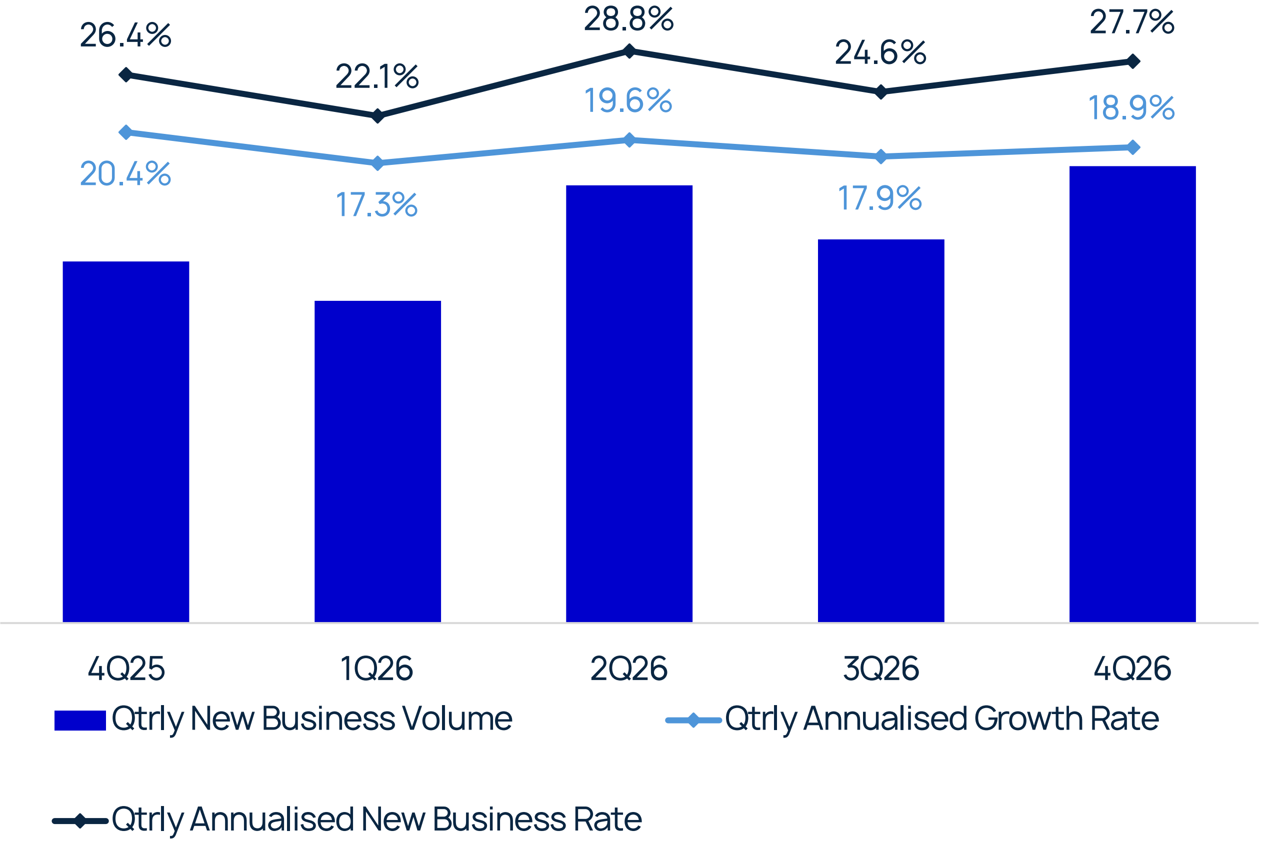
NOI as at 30 Jun 2026
A$63.8m 30 Jun 2025

- Reverse Mortgages continued to deliver strong growth, supported by ongoing customer demand and continued momentum across both direct and intermediary channels.
- Heartland Bank Australia maintained its leading position in the Australian reverse mortgage market, with market share of more than 40%, supported by a diversified broker network and marketing activity.
- Asset quality remains strong with an NPL ratio of 0.74%[1], average current loan size of A$223k and weighted average current LVR of 24.8%.

Outlook

- **FY2027 growth**: >20.0%

Receivables growth



1. Reverse Mortgages are measured at fair value. NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2026, this included 63 loans with a total value of A$19.97m and a weighted average LVR (using indexed valuation) of 28.15%.

AU lending performance: Livestock Finance

A$250m

Receivables as at 30 Jun 2026
-A$4.3m, -1.7% since 30 Jun 2025

A$15.1m

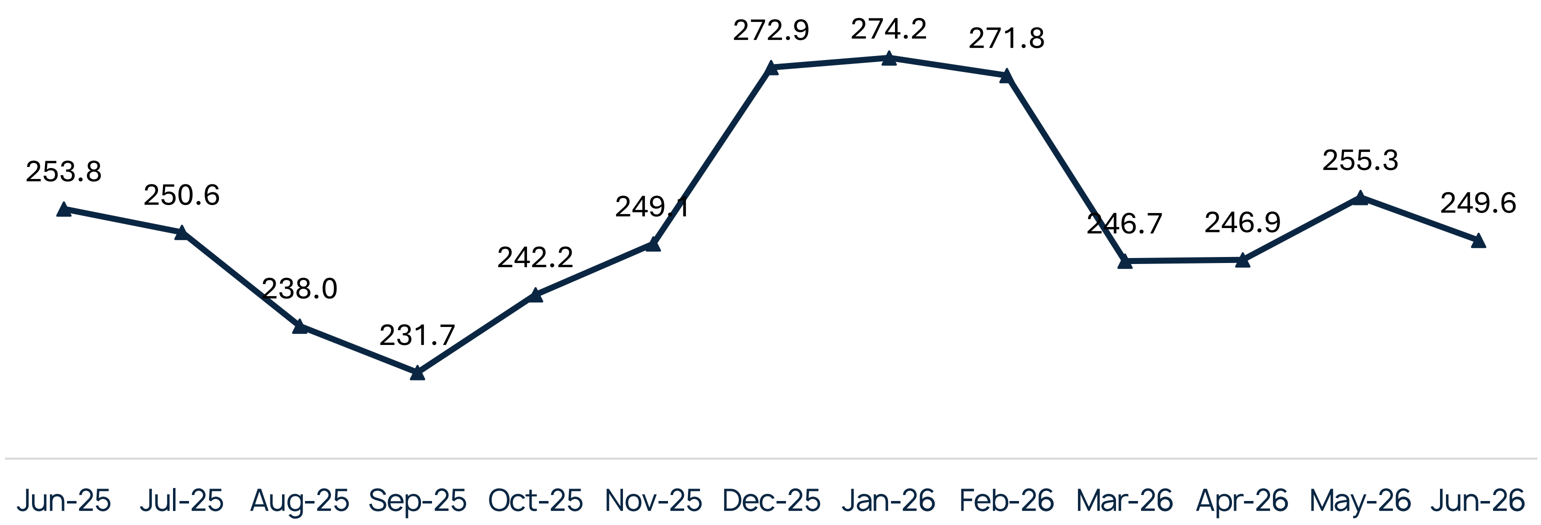
NOI as at 30 Jun 2026
A$12.6m at 30 Jun 2025

- Livestock Finance saw good customer trading activity through FY2026, funding a high volume of livestock purchases and sales across the portfolio.
- Receivables were down 1.7% with livestock sales exceeding purchases over the year despite generally supportive industry conditions, particularly across cattle markets.
- NOI increased 20% to A$15.1m (from A$12.6m in FY2025), reflecting improved funding costs and portfolio quality, with average Receivables remaining stable.
- Active portfolio management and customer support strategies reduced NPLs by A$10.4m, from A$36.9m as at 30 June 2025 to A$26.5m as at 30 June 2026.

Outlook

- **FY2027 growth**: >10.0%

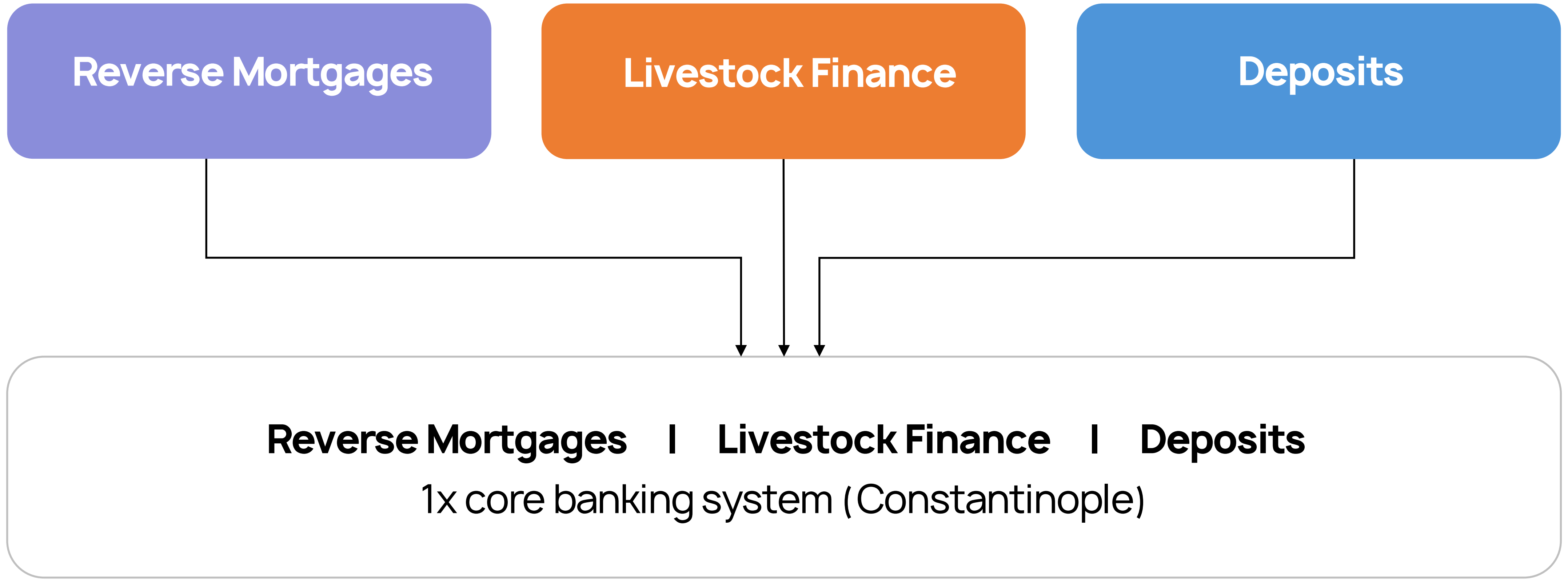
Receivables (A$m)



AU transformation programme

Heartland Bank Australia has partnered with Constantinople to consolidate multiple platforms into a single core banking system, simplifying operations and enabling scalable growth.

- The programme will simplify Heartland Bank Australia's technology infrastructure, reducing platform complexity, manual processes and operational risk.
- Once fully operational, the platform and improved operating model will enable scalable growth through greater automation, faster decisioning and a lower cost to serve.



Programme benefits over time

- **Improved customer, broker and employee experience** through faster decisioning, streamlined digital workflows and greater automation.
- **Reduced operational risk** through the retirement of manual processes, stronger embedded controls and enhanced compliance capability.
- **Greater scalability**, with higher Reverse Mortgage volumes and future product growth supported without a corresponding increase in FTE.
- **Efficiency benefits** over time from a simplified cloud-based technology architecture, reduced vendor complexity, legacy system decommissioning and lower cost to serve.
- **Improved operating leverage and CTI ratio** following migration completion and full adoption of the target operating model.

AU transformation programme: Progress report

FY2026 progress

Programme delivery

Overall status	• On track. • No change to delivery timetable.
Milestones achieved	• Completed initial production deployment of the Constantinople platform. • Launched the first phase of the Reverse Mortgage platform in July 2026.
Outcomes	✓ Established the foundation for increased automation, enhanced digital workflows and future migration from legacy systems. ✓ Approximately 40% of new Reverse Mortgage origination volumes are now being processed on the platform. ✓ Improved customer, broker and employee experience as manual and fragmented processes begin to transition to digital workflows.
Implementation investment	• A$2.4m invested in external implementation costs in FY2026. • Within budget expectations (estimated to be ≤A$5m over a three-year period).

FY2027 focus

Deliverables and objectives

- Transition existing Reverse Mortgage broker channels to the platform.
- 100% of new Reverse Mortgage originations are processed on the platform.
- Retire legacy Reverse Mortgage systems.
- Complete Reverse Mortgage back-book migration.
- Deploy additional functionality and digital capability to further streamline Reverse Mortgage processes and improve decisioning.
- Introduce new and migrate existing Savings and Deposit products.

Indicative implementation timeline

Note: The timeline and sequencing of implementation is indicative only and subject to change.

HEARTLAND GROUP

04 Outlook

Andrew Dixson Chief Executive Officer, Heartland Group

FY2027 strategic focus

Continue to improve shareholder return by growing ROE to at least 7.5% and lifting profitability to at least $102m.

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

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

Accelerating growth in core portfolios, with Reverse Mortgage growth targets >18% in both countries.

Successfully completing the Proposed Transaction (subject to satisfaction of all MIA conditions).

This will be supported by:

Executing the next phase of Heartland Bank and Heartland Bank Australia's technology transformation programmes to enhance operating leverage and unlock future growth.

Commencing merger integration (subject to completion of the Proposed Transaction).

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

FY2027 guidance

Heartland expects FY2027 NPAT to be at least $102m, excluding any costs related to the Proposed Transaction.

It is expected that transaction costs relating to the Proposed Transaction of approximately $9.5m will be expensed and reflected in Heartland's NPAT for FY2027 (subject to the Proposed Transaction completing in FY2027).

Subject to satisfaction of all MIA conditions, as the proposed merger nears completion, guidance will be updated to reflect the impact of TSB merging with Heartland Bank.

Financial metrics	FY2027 guidance[1] Heartland	NZ Banking	AU Banking
NPAT	≥$102m	>$48m	>A$46m
ROE	≥7.5%	>6.3%	>9.3%
Average NIM	>3.88%	>4.05%	>3.68%
OPEX	<$212m	<$135m	<A$65m
CTI ratio	<55.7%	<58.4%	<47.2%
Impairment expense ratio	<0.32%	<0.48%	<0.10%

Note: Heartland's FY2027 guidance has been set using a FX rate of 1.2055.[3]

The Board continues to target a total dividend payout ratio of at least 50% of NPAT in FY2027.[2]

1. FY2027 guidance is provided by Heartland on a reported basis, not an underlying basis. Heartland intends to take this approach to guidance and the presentation of its financial results going forward, with any exceptional items disclosed where applicable.
2. 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.
3. The FX rate of 1.2055 is based on a published forecast from a New Zealand economist.

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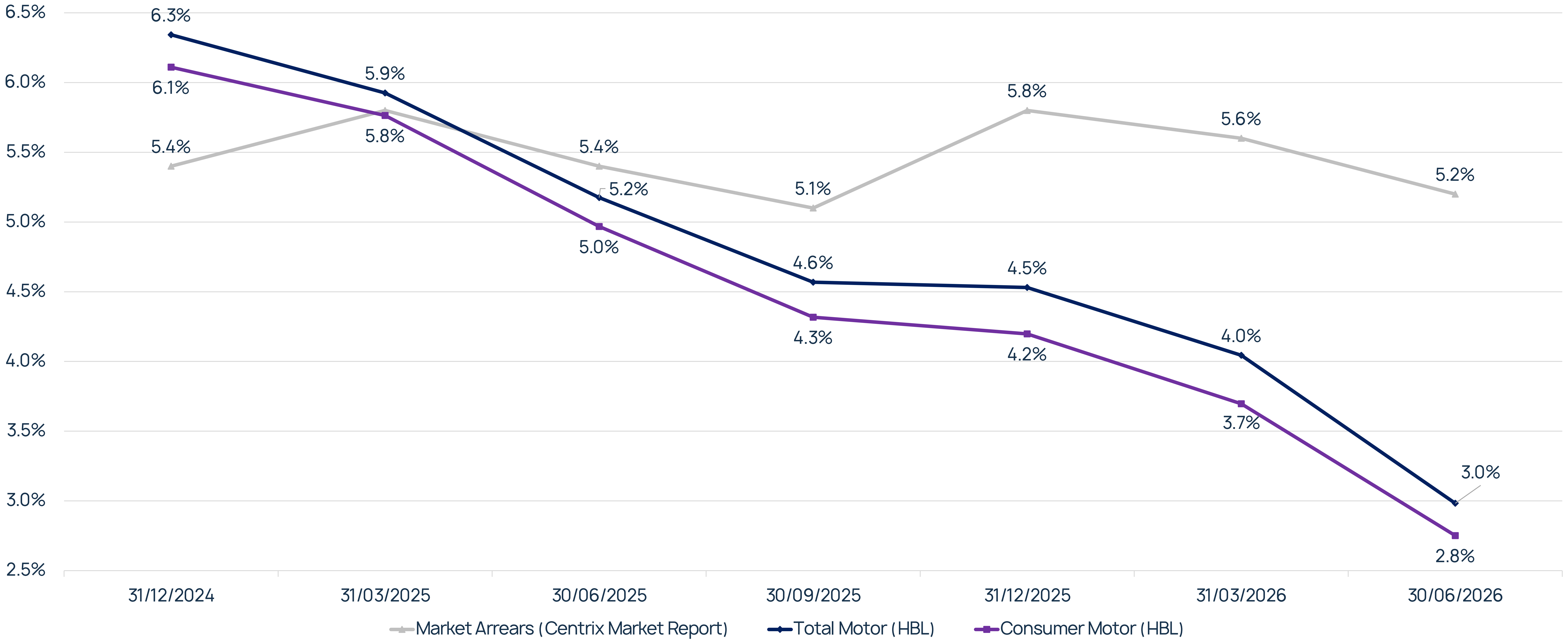
Appendix
Additional information

Motor Finance arrears vs. auto industry average



Note:
- For the purpose of this comparison, Heartland Bank's total Motor Finance arrears are calculated using the calculation method used by Centrix (arrears greater than or equal to 14 DPD).
- Auto industry arrears are sourced from the Centrix Credit Indicator Report, where 31/12/2024, 31/03/2025, 30/06/2025, 30/09/2025, 31/12/2025, 31/03/2026 and 30/06/2026 uses the January, April, July, October 2025, and January, April and July 2026 Insights Reports, respectively.
- Consumer Motor are Motor Finance loans to individuals rather than businesses.

NZ Reverse Mortgage portfolio analytics

$1.44b NZ Reverse Mortgages +$207m (+16.8%) vs June 2025	**$285m** (+$74.4 vs FY2025) FY2026 origination[2]	**73** Average age of youngest borrower (new customers)[3]	**17.1%** Compound annual growth rate[4]	
$162,963 Average current loan size[2]	**$88,173** Average initial loan amount	**9.1%** Weighted average initial LVR[3]	**27.5%** Weighted average current LVR (indexed valuation)[1,5]	
$182m (+$24.9m vs FY2025) Total repayments in FY2026[2]	**13.6%** (vs 14.8% in FY2025) FY2026 repayment rate[2]	**6.40 years** Average term at repayment	**80%** Voluntary repayment	**20%** Involuntary repayment[6]

Note: All figures are in $NZD unless otherwise stated.
1. Across all time on whole book.
2. As at 30 June 2026.
3. Rolling 12 months as at 30 June 2026.
4. Compound annual growth rate for the period 1 July 2020 – 30 June 2026.
5. Indexed valuation.
6. Due to death or moving to aged care.

AU Reverse Mortgage portfolio analytics

A$2.37b AU Reverse Mortgages +A$390.9m (+19.7%) vs June 2025	**A$548.2m** (+A$144.5m vs FY2025) Total originations in FY2026	**72** Average age of youngest borrower (new customers)[3]	**18.2%** Compound annual growth rate[1]	
A$222,843 Average current loan size[2]	**A$161,557** Average initial loan amount[3]	**14.0%** Weighted average initial LVR[4]	**24.8%** Weighted average current LVR (indexed valuation)[4,5]	
A$353m (+A$92m vs FY2025) Total repayments in FY2026	**16.2%** (vs 15.6% in FY2025) FY2026 repayment rate	**5.3 years** Average term at repayment	**76%** Voluntary Repayments	**24%** Involuntary Repayments[6]

Note: All figures are in $AUD unless otherwise stated.
1. Compound annual growth rate for the period 1 July 2020 – 30 June 2026.
2. As at 30 June 2026.
3. New drawdowns in rolling 12 months as at 30 June 2026.
4. Indexed valuation.
5. Across all time on whole book.
6. Due to death or moving to aged care.

Glossary

ADI	Authorised deposit-taking institution	**NPL**	Non-performing loan
APRA	Australian Prudential Regulation Authority	**NSA**	Non-strategic assets
Banking Group	The Banking Group includes all of the NZ bank's subsidiaries, including the AU bank and Marac Insurance.	**NZ Banking Group, NZBG**	The New Zealand Banking Group consists of the NZ Bank and its NZ subsidiaries, excluding Marac Insurance.
bps	Basis points	**OOI**	Other Operating Income
CET1	Common Equity Tier 1	**OPEX**	Operating expenses
cps	Cents per share	**Proposed Transaction**	The proposed acquisition by Heartland of all TSB shares on issue from Toi Foundation, and subsequent merger of Heartland Bank and TSB
CTI ratio	Cost-to-income ratio	**RBNZ**	Reserve Bank of New Zealand
DPD	Days past due	**Receivables**	Gross Finance Receivables (includes Reverse Mortgages)
DRP	Dividend Reinvestment Plan	**ROE**	Return on Equity
EPS	Earnings per share	**RWA**	Risk weighted assets
Exit NIM	NIM for the last month of the reporting period.	**TSB**	TSB Bank Limited
FTE	Full-time employee	**FY2028**	Financial year ending 30 June 2028 (1 July 2027 to 30 June 2028)
FX	Foreign currency exchange	**FY27+**	FY2027 and onwards
GFV	Guaranteed Future Value	**FY2027**	Financial year ending 30 June 2027 (1 July 2026 to 30 June 2027)
Heartland, Heartland Group, HGH	Heartland Group Holdings Limited or the **Company**	**4Q2026, 4Q26**	Fourth quarter of FY2026 (1 April to 30 June 2026)
Heartland Bank, HBL, NZ Bank, NZ Banking	Heartland Bank Limited	**3Q2026, 3Q26**	Third quarter of FY2026 (1 January to 31 March 2026)
Heartland Bank Australia, HBAL, AU Bank, AU banking	Heartland Bank Australia Limited	**2Q2026, 2Q26**	Second quarter of FY2026 (1 October to 31 December 2025)
LTI Scheme	Long-term incentive scheme	**1Q2026, 1Q26**	First quarter of FY2026 (1 July to 30 September 2025)
LVR	Loan-to-value ratio	**FY2026, FY26**	Financial year ended 30 June 2026 (1 July 2025 to 30 June 2026)
MIA	Merger implementation agreement	**4Q2025, 4Q25**	Fourth quarter of FY2025 (1 April to 30 June 2025)
MLH	Minimum Liquidity Holdings	**3Q2025, 3Q25**	Third quarter of FY2025 (1 January to 31 March 2025)
NCDs	Negotiable Certificates of Deposit	**2Q2025, 2Q25**	Second quarter of FY2025 (1 October to 31 December 2024)
NII	Net interest income	**FY2025, FY25**	Financial year ended 30 June 2025 (1 July 2024 to 30 June 2025)
NIM	Net interest margin	**FY2024, FY24**	Financial year ended 30 June 2024 (1 July 2023 to 30 June 2024)
NOI	Net operating income	**FY2023, FY23**	Financial year ended 30 June 2023 (1 July 2022 to 30 June 2023)
NPAT	Net profit after tax		

Thank you

Investor & media relations

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nicola.foley@heartland.co.nz

Investor information

For more information
heartlandgroup.info/investor-information

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Results announcement

Results for announcement to the market		
Name of issuer	Heartland Group Holdings Limited	
Reporting Period	12 months to 30 June 2026	
Previous Reporting Period	12 months to 30 June 2025	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$361,924	12.1%
Total Revenue	$361,924	12.1%
Net profit/(loss) from continuing operations	$93,227	140.2%
Total net profit/(loss)	$93,227	140.2%
Interim/Final Dividend		
Amount per Quoted Equity Security	$ 0.03500000	
Imputed amount per Quoted Equity Security	$ 0.01361111	
Record Date	28/08/2026	
Dividend Payment Date	11/09/2026	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$1.10	$0.99
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to the audited financial statements that accompany this announcement for a further explanation of these figures.	
Authority for this announcement		
Name of person authorised to make this announcement	Andrew Dixson, Chief Executive Officer	
Contact person for this announcement	Nicola Foley, Head of Corporate Communications & Investor Relations	
Contact phone number	027 345 6809	
Contact email address	nicola.foley@heartland.co.nz	
Date of release through MAP	20/08/2026	

Audited financial statements accompany this announcement.

HEARTLAND GROUP

Distribution Notice

Section 1: Issuer information				
Name of issuer	Heartland Group Holdings Limited			
Financial product name/description	Ordinary shares			
NZX ticker code	HGH			
ISIN (If unknown, check on NZX website)	NZHGHE0007S9			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies			
Record date	28/08/2026			
Ex-Date (one business day before the Record Date)	27/08/2026			
Payment date (and allotment date for DRP)	11/09/2026			
Total monies associated with the distribution[1]	$33,082,265.26			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution[2]	$ 0.04861111			
Gross taxable amount [3]	$ 0.04861111			
Total cash distribution[4]	$ 0.03500000			
Excluded amount (applicable to listed PIEs)	NIL			
Supplementary distribution amount	$ 0.00617647			
Section 3: Imputation credits and Resident Withholding Tax[5]				
Is the distribution imputed	Fully imputed – YES			
	~~Partial imputation~~			
	~~No imputation~~			

[1] Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).

[3] "Gross taxable amount" is the gross distribution minus any excluded income.

[4] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.

[5] The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

If fully or partially imputed, please state imputation rate as % applied[6]	28%	
Imputation tax credits per financial product	$ 0.01361111	
Resident Withholding Tax per financial product	$ 0.00243056	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	N/A	
Start date and end date for determining market price for DRP	N/A	N/A
Date strike price to be announced (if not available at this time)	N/A	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	N/A	
DRP strike price per financial product	N/A	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	N/A	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Andrew Dixson, Chief Executive Officer	
Contact person for this announcement	Nicola Foley, Head of Corporate Communications & Investor Relations	
Contact phone number	027 345 6809	
Contact email address	nicola.foley@heartland.co.nz	
Date of release through MAP	20/08/2026	

[6] Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.

NZX/ASX release
20 August 2026

ASX Listing Rule 1.15.3 Statement

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: HGH) (an ASX Foreign Exempt Listing) confirms, for the purposes of ASX Listing Rule 1.15.3, that it has complied with and continues to comply with the Listing Rules of NZX Limited, which is its overseas home exchange.

– ENDS –

The person(s) who authorised this announcement:

Andrew Dixson
Chief Executive Officer

For further information, please contact:

Nicola Foley
Head of Corporate Communications & Investor Relations
+64 27 345 6809
nicola.foley@heartland.co.nz
Level 3, Heartland House, 35 Teed Street, Newmarket, Auckland, New Zealand

Financial Statements

For the year ended 30 June 2026

HEARTLAND

GROUP

Contents

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 on 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.

Directors (continued)

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.

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.

$000's	As at 30 June 2026		For the year ended 30 June 2026
	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)**

$000's	As at 30 June 2025		For the year ended 30 June 2025
	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		June 2026 Drawn	June 2025 Limit		June 2025 Drawn	Maturity date
		AUD	NZD		AUD	NZD		
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.

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.

<table>
<tr><th>Description of the key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

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.

</td><td>

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.

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</table>

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 Auckland
19 August 2026

Disclosure Statement

For the year ended 30 June 2026

HEARTLAND

BANK

Contents

General Information

This Disclosure Statement has been issued by Heartland Bank Limited (**HBL** or the **Bank**) and its subsidiaries (the **Banking Group**) for the year ended 30 June 2026 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the **Order**). The financial statements of the Banking Group for the year ended 30 June 2026 form part of, and should be read in conjunction with, this Disclosure Statement.

Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

Name and address for service

The name of the Registered Bank is Heartland Bank Limited.

The Banking Group consists of the Bank and all of its subsidiaries.

The Bank's address for service is Level 3, 35 Teed Street, Newmarket, Auckland 1023.

The address for service of the ultimate parent, Heartland Group Holdings Limited (**HGH**), is Level 3, 35 Teed Street, Newmarket, Auckland 1023.

Details of incorporation

The Bank was incorporated under the Companies Act 1993 on 30 September 2010.

Interests in 5% or more of voting securities of the Bank

Name	Percentage held
Heartland Group Holdings Limited	100%

Heartland Group Holdings Limited has the ability to appoint 100% of Directors, subject to Reserve Bank of New Zealand (**RBNZ**) restrictions and RBNZ Director approval.

Priority of Creditors' Claims

In the event of the Bank becoming insolvent or ceasing business, certain claims set out in legislation are paid in priority to others. These claims include secured creditors, taxes, certain payments to employees and any liquidator's costs. After payment of those creditors, the claims of all other creditors are unsecured and would rank equally, with the exception of holders of subordinated bonds and notes which rank below all other claims.

Guarantee Arrangements

As at the date this Disclosure Statement was signed, no material obligations of the Bank were guaranteed.

Pending Proceedings or Arbitration

There are no pending legal proceedings or arbitrations concerning any member of the Banking Group at the date of this Disclosure Statement that may have a material adverse effect on the Bank or the Banking Group.

Auditor

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

Directors

All Directors of the Bank reside in New Zealand. Communications to the Directors can be sent to Heartland Bank Limited, Level 3, 35 Teed Street, Newmarket, Auckland 1023.

There have been no changes in the composition of the Board of Directors of the Bank for the year ended 30 June 2026.

The Directors of the Bank and their details at the time this Disclosure Statement was signed were:

Chairman – Board of Directors

Name:	Bruce Robertson Irvine
Qualifications:	BCom, LLB, FCA, CFInstD
Type of Director:	Independent Non-Executive Director
Occupation:	Company Director

External Directorships: Air Rarotonga Limited, Amaia Day Spa (Tonga) Limited, Amaia Luxury Spa Limited, B R Irvine Limited, Blackbyre Horticulture Limited, Bowdens Mart Limited, MG Sustainable Operations Limited, Chambers @151 Limited, Clipper Investments (2002) Limited, Cockerill and Campbell (2007) Limited, Embassy Hotels Limited, GZ Capital Limited, GZ NZ Limited, GZ RES Limited, Hansons Lane International Holdings Limited, Hawling Holdings Limited, House of Travel Holdings Limited, Kaipaki Holdings Limited, Kaipaki Properties Limited, Lake Angelus Holdings Limited, Market Fresh Wholesale Limited, Market Gardeners Limited, MG Group Holdings Limited, MG Marketing Limited, MG New Zealand Limited, Monarch Hotels Limited, Noblesse Oblige Limited, Paradise Islands Limited, Phimai Holdings Limited, Quitachi Limited, Scenic Hotels (Karapiro) Limited, Scenic Hotels (Hamilton) Limited, Scenic Hotel Punakaiki Limited, Scenic Circle Convention Services Limited, Scenic Hotel (Haast) Limited, Scenic Circle (Napier) Limited, Scenic Hotel Group Limited, Scenic Hotels (Ashburton) Limited, Scenic Hotels (International) Limited, Scenic Circle MLC Cafe & Bar Limited, Skope Industries Limited, Southland Produce Markets Limited, Stark Holdings (NZ) Limited, Wavell Resources Limited, Scenic Circle (Rotorua) Limited, Scenic Circle (Queenstown) Limited, Scenic Hotels Limited, Abalon Investments Limited, Scenic Hotels (Fox Glacier) Limited, Waiho Investments Limited, Scenic Circle Hotels Management Services Limited, Scenic Hotel Collection New Zealand Limited, Scenic Hotels (Auckland) Limited, Scenic Hotels (Niue) Limited, Scenic Hotels (Kaikoura) Limited, Heartland Hotels Limited, Scenic (Franz Josef) Limited, Scenic Circle (Airedale) Limited, Scenic Circle (Bay Of Islands) Limited, Platinum Hotels Limited, Scenic Aviation Limited, Scenic Circle (Bay Of Plenty) Limited, Scenic Circle (Blenheim) Limited, Karma Finance Limited, Scenic Circle Hotels (Dunedin) Limited, Refined Hotels Limited, Scenic Hospitality Services Limited, Scenic Circle Glacier Country Hotel Limited, Mitchell Corp Contract Services Limited, Scenic Hotels Technology Limited, Scenic Hotels Contract Services Limited, Ezibed (2022) Limited, Mainstay International Hotels (NZ) (2022) Limited, Mainstay International Hotels (2022) Limited, Mitchell Corp New Zealand (2022) Limited, MLC Scenic Limited, Wagstaff Holdings Limited, Golden Chain (NZ) (2022) Limited, Sproule Ft Leinster Limited, Sproule Ft Marshland Limited, Paulsen Porto Limited, Global Travel Network Limited.

Name:	Andrew Dixson
Qualifications:	BCom, DipCom, CA
Type of Director:	Non-Independent Non-Executive Director
Occupation:	Chief Executive Officer of Heartland Group Holdings Limited.

External Directorships: None

Name:	Edward John Harvey
Qualifications:	BCom, CA, CFInstD
Type of Director:	Non-Independent Non-Executive Director
Occupation:	Company Director

External Directorships: Napier Port Holdings Limited, Pomare Investments Limited, Port of Napier Limited.

Directors (continued)

Name:	Kathryn Mitchell
Qualifications:	BA, CMInstD
Type of Director:	Non-Independent Non-Executive Director
Occupation:	Company Director

External Directorships: Chambers@151 Limited, Christchurch International Airport Limited, Firsttrax Approvals Limited, Link Engine Management Limited, Link Engine Management International (NZ) Limited, Zentera Wool Company 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, Porace Studio Limited, Link ECU Limited.

Name:	Shelley Maree Ruha
Qualifications:	BCom, DipBank
Type of Director:	Independent Non-Executive Director
Occupation:	Company Director

External Directorships: Analey Holdings Limited, Analey Investments Limited, Analey Riverhead Limited, IT & Business Consulting Limited, New Zealand Rural Land Management GP Limited, 9 Spokes International Limited, Paysauce Limited, 9 Spokes Knowledge Limited, 9 Spokes Operations Limited, 9 Spokes Trustee Limited, 9 Spokes US Holdings Limited, Allied Farmers Limited, Allied Farmers (New Zealand) Limited, 5M No.2 Limited, Alf Nominees Limited, Allied Farmers Rural Limited, Allied Farmers Property Holdings Limited, Clearwater Hotel 2004 Limited, Lifestyles of New Zealand Queenstown Limited, Lonz 2008 Holdings Limited, Lonz 2008 Limited, QWF Holdings Limited, Rural Funding Solutionz Limited, UFL Lakeview Limited, The Growth Collective Limited.

Name:	Simon Ross Tyler
Qualifications:	MSc, BSc (Hons)
Type of Director:	Independent Non-Executive Director
Occupation:	Company Director

External Directorships: Nutrition for Health Limited, Global Horticulture Limited, Palliser Estate Wines of Martinborough Limited, NZ Bio Forestry Limited, Asteron Life Limited, Sunny Financial Services Limited.

Conflicts of interest policy

All Directors are required to disclose to the Board any actual or potential conflicts of interest which may exist or are thought to exist upon appointment and are required to keep these disclosures up to date. The details of each disclosure made by a Director to the Board must be entered in the Interests Register.

Directors are required to take any necessary and reasonable measures to try to resolve the conflict and comply with the Companies Act 1993 by disclosing interests and restrictions on voting. Any Director with a material personal, professional or business interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, may not be present during the boardroom discussions or vote on the relevant matter.

Interested transactions

There have been no transactions between the Bank or any member of the Banking Group and any Director or immediate relative or close business associate of any Director which either have been entered into on terms other than those which would in the ordinary course of business of the Bank or any member of the Banking Group be given to any other person of like circumstances or means, or could be reasonably likely to influence materially the exercise of the Directors' duties.

Audit committee composition

Members of the Bank's Audit Committee as at the date of this Disclosure Statement are as follows:

Simon Ross Tyler (Chairperson)	Independent Non-Executive Director
Edward John Harvey	Non-Independent Non-Executive Director
Bruce Robertson Irvine	Independent Non-Executive Director
Shelley Maree Ruha	Independent Non-Executive Director

Directors' Statements

Each Director of the Bank states that he or she believes, after due enquiry, that:

1. As at the date on which this Disclosure Statement is signed:

   (a) the Disclosure Statement contains all the information that is required by the Order; and

   (b) the Disclosure Statement is not false or misleading.

2. During the year ended 30 June 2026:

   (a) the Bank complied in all material respects with each Condition of Registration that applied during the period;

   (b) credit exposures to connected persons were not contrary to the interests of the Registered Bank's Banking Group; and

   (c) the Bank had systems in place to monitor and control adequately the material risks of the Registered Bank's Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 19 August 2026 and has been signed by all the Directors.

B. R. Irvine (Chair)

S. R. Tyler

E. J. Harvey

S. M. Ruha

K. Mitchell

A. P. Dixson

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	400,415
Fair value through profit or loss	3	329,926	305,449
Total interest income		**664,643**	**705,864**
Interest expense	3	327,013	398,770
Net interest income		**337,630**	**307,094**
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	5	8,177	5,093
Net operating income		**359,693**	**327,923**
Operating expenses	6	189,315	182,254
Profit before net fair value gain on equity investments, investment property, losses on guaranteed future value products, impaired asset expense and income tax		**170,378**	**145,669**
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		**139,899**	**74,150**
Income tax expense	9	39,824	22,494
Profit for the year		**100,075**	**51,656**
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	16	5,570	(13,848)
Movement in fair value of debt investments at fair value through other comprehensive income (**FVOCI**)	16	313	1,551
Movement in foreign currency translation reserve	16	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	16	(1)	(1,805)
Other comprehensive income/(loss) for the year, net of income tax		**69,903**	**(21,007)**
Total comprehensive income for the year		**169,978**	**30,649**

Total comprehensive income for the year is attributable to the owner of the Bank.

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 the year		**1,045,060**	**(104,877)**	**253,106**	**1,193,289**	**1,044,811**	**(83,621)**	**235,200**	**1,196,390**
Comprehensive income for the year									
Profit for the year		–	–	100,075	100,075	–	–	51,656	51,656
Other comprehensive income/(loss), net of income tax	16	–	69,903	–	69,903	–	(21,007)	–	(21,007)
Total comprehensive income for the year		**–**	**69,903**	**100,075**	**169,978**	**–**	**(21,007)**	**51,656**	**30,649**
Transactions with owner									
Dividends paid to owner	15	–	–	(56,350)	(56,350)	–	–	(33,750)	(33,750)
Total transactions with owner		**–**	**–**	**(56,350)**	**(56,350)**	**–**	**–**	**(33,750)**	**(33,750)**
Transfer on disposal of equity investments at FVOCI	16	–	6,052	(6,052)	–	–	–	–	–
Other movements	16	–	–	–	–	249	(249)	–	–
Balance at end of the year		**1,045,060**	**(28,922)**	**290,779**	**1,306,917**	**1,045,060**	**(104,877)**	**253,106**	**1,193,289**

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		383,966	349,745
Collateral paid		5,129	14,239
Investments	10	820,300	790,044
Derivative financial instruments	11	5,034	4,792
Finance receivables measured at amortised cost	12	3,418,184	3,711,450
Finance receivables - reverse mortgages	19	4,358,190	3,370,949
Investment properties		3,890	4,390
Operating lease vehicles	13	16,280	15,561
Right-of-use assets	17	12,070	12,223
Other assets	17	48,785	44,846
Current tax asset		7,907	31,274
Intangible assets	17	263,233	250,821
Deferred tax asset	9	15,138	21,430
Total assets		**9,358,106**	**8,621,764**
Liabilities			
Deposits	14	7,168,888	6,532,794
Other borrowings	14	790,541	825,454
Derivative financial instruments	11	10,966	20,660
Due to related parties	18	5,044	792
Lease liabilities	17	14,253	14,390
Trade and other payables	17	61,128	33,064
Deferred tax liability	9	369	1,321
Total liabilities		**8,051,189**	**7,428,475**
Net assets		**1,306,917**	**1,193,289**
Equity			
Share capital	15	1,045,060	1,045,060
Retained earnings and other reserves	16	261,857	148,229
Total equity		**1,306,917**	**1,193,289**
Total interest earning and discount bearing assets		8,984,202	8,225,502
Total interest and discount bearing liabilities		7,924,703	7,319,879

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	449,347
Operating lease income received		4,196	5,417
Lending, credit fees and other income received		10,232	11,025
Operating inflows		**373,516**	**465,789**
Interest paid		(318,868)	(410,829)
Payment for early extinguishment of borrowings		(2,271)	—
Payments to suppliers and employees		(185,717)	(169,685)
Taxation paid		(228)	(31,131)
Operating outflows		**(507,084)**	**(611,645)**
Net cash flows applied to operating activities before changes in operating assets and liabilities		**(133,568)**	**(145,856)**
Collateral paid		(27,300)	(42,680)
Collateral received		36,380	26,110
Proceeds from sale of operating lease vehicles	13	5,772	2,561
Purchase of operating lease vehicles	13	(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		325,994	586,554
Net movement in related party balances		431	(3,350)
Net cash flows from operating activities		**137,967**	**664,065**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(3,502)	(3,716)
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		**40,967**	**304,932**
Cash flows from financing activities			
Proceeds from wholesale borrowings	14	258,364	424,614
Repayment of wholesale borrowings	14	(239,968)	(1,311,047)
Repayment of unsubordinated notes	14	(113,559)	(321,347)
Dividends paid	15	(56,350)	(33,750)
Payment of lease liabilities		(3,674)	(3,723)
Net cash flows applied to financing activities		**(155,187)**	**(1,245,253)**
Net increase/(decrease) in cash and cash equivalents		**23,747**	**(276,256)**
Effect of exchange rates on cash and cash equivalents		10,474	(1,968)
Opening cash and cash equivalents		349,745	627,969
Closing cash and cash equivalents[1]		**383,966**	**349,745**

[1]At 30 June 2026, the Banking 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 27 - Structured entities for definition of the 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		**100,075**	**51,656**
Add/(less) non-cash items:			
Depreciation and amortisation expense		16,546	17,122
Depreciation on lease vehicles	13	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		5,509	2,496
Other non-cash items		(8,719)	1,630
Total non-cash items		**(246,265)**	**(189,201)**
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		(11,495)	(30,876)
Current tax		35,688	(16,102)
Derivative financial instruments		(9,936)	19,167
Deposits		325,994	586,554
Other liabilities		8,501	115
Total movements in operating assets and liabilities		**284,157**	**801,610**
Net cash flows from operating activities		**137,967**	**664,065**

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 Bank Limited (**HBL** or the **Bank**) and its controlled entities (the **Banking Group**). Refer to Note 26 – Significant subsidiaries for further details.

The Bank is a company incorporated in New Zealand under the Companies Act 1993, a registered bank under the Banking (**Prudential Supervision**) Act 1989 and a Financial Market Conduct (**FMC**) reporting entity for the purposes of the Financial Markets Conduct Act 2013 **(FMCA)** providing consumer and business banking services to customers.

The Banking Group 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 20 - Enterprise risk management program for further details.

For purposes of these financial statements and this Disclosure Statement,

- the New Zealand Banking Group, as defined in the Bank's Conditions of Registration, refers to the consolidated group comprising HBL and its controlled entities incorporated in New Zealand but not including Marac Insurance Limited (**MIL**);
- the Australian Banking Group refers to the consolidated group comprising Heartland Bank Australia Limited (**HBA**) and its controlled entities incorporated in Australia; and
- the Banking Group refers to the consolidated group comprising the New Zealand Banking Group, Australian Banking Group and MIL.
- Effective 27 June 2025, MIL was no longer licensed to carry out insurance business in New Zealand.

Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**) and with the requirements of the Financial Markets Conduct Act 2013. 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, and the Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the **Order**). 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 HBL'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 Banking Group's funding and liquidity position.

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

The Banking 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.

1 Financial statements preparation (continued)

Principles of consolidation

The financial statements of the Banking Group incorporate the assets, liabilities and results of all controlled entities. Controlled entities are all entities in which the Banking 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.

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 effective that had a material impact on the Banking 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 Banking 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 Banking Group's reporting period beginning on 1 July 2027. The Banking Group is currently assessing the impact and will disclose more detailed assessments in the future.

The Banking 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 Banking Group are:

- NZ IFRS 9: derecognition timing of financial liabilities settling through electronic payment systems. The Banking 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 Banking 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 Banking Group's reporting period beginning on 1 July 2026. The Banking Group plans to apply the transition provision of the Amendments and apply any change prospectively.

1 Financial statements preparation (continued)

Accounting standards issued not yet effective (continued)

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 Banking Group, from its reporting period beginning on 1 July 2029. Management will consider the implications of this new standard in the future.

Critical accounting estimates and judgements

The Banking Group's financial statements requires the use of estimates and judgements. 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 Banking 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 22 - Asset quality for further details.
- Fair value of reverse mortgages - Judgement is applied in determining the appropriateness of the fair value. Refer to Note 19 - Fair value for further details, including the changes in accounting estimates during the year.
- Goodwill - The Banking Group carries out impairment testing annually over the carrying value of goodwill of its cash generating units (**CGUs**). 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 17 - 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 Banking 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 Banking 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

Realisation of Non-Strategic Assets (NSAs)

NSAs represent assets accumulated over time that are no longer aligned with the Banking 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 Banking 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 within 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 Banking Group's equity investments.

These realisations align with the Banking 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.

1 Financial statements preparation (continued)

Significant events (continued)

Reduction of regulatory capital overlay

The RBNZ has issued revised Conditions of Registration (**CoR**) which, effective 1 March 2026, reduce the regulatory capital overlay for both the Banking Group and the New Zealand Banking Group from 2.00% to 0.50%. Refer to Note 29 - Capital adequacy and regulatory liquidity ratios and New Zealand Banking Group disclosures for further details.

Proposed merger with TSB Bank Limited

On 2 June 2026, HGH announced a conditional agreement to acquire all shares of TSB Bank Limited from Toi Foundation for $620 million and subsequently merge the Bank 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 Banking 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 Banking Group determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model, the Banking 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**)	10
Equity securities	FVOCI and FVTPL	10
Finance receivables – reverse mortgages	FVTPL	19
Finance receivables	Amortised cost	12
Derivative financial instruments	FVTPL	11

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 Banking Group's policies for determining the fair value of financial assets and financial liabilities are set out in Note 19 - Fair value.

Recognition

The Banking 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 Banking Group becomes a party to the contractual provisions of the instrument.

1 Financial statements preparation (continued)

Financial assets and liabilities *(continued)*

Derecognition

The Banking 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 Banking Group is recognised as a separate asset.

The Banking 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 Banking Group's operating segments, consistent with those used for the Banking 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 Banking 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 Banking Group's chief operating decision maker (**CODM**). The CODM, who is responsible for allocating resources and assessing business performance of the Banking Group, has been identified as the Banking Group's Chief Executive Officer (**CEO**) and direct reports.

Operating segments

The Banking 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 Banking 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	—	337,630
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	2,908	9,556
Net operating income	**74,152**	**65,934**	**2,276**	**42,398**	**33,474**	**138,551**	**2,908**	**359,693**
Personnel expenses	6,260	2,218	3,128	4,343	2,419	28,027	47,967	94,362
Other expenses	1,789	5,445	1,064	785	1,161	35,511	49,198	94,953
Operating expenses	**8,049**	**7,663**	**4,192**	**5,128**	**3,580**	**63,538**	**97,165**	**189,315**
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**	**(94,257)**	**170,378**
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**	**(91,202)**	**139,899**
Income tax expense	—	—	—	—	—	21,607	18,217	39,824
Profit/(loss) for the year	**54,037**	**58,271**	**(2,118)**	**23,525**	**25,482**	**50,297**	**(109,419)**	**100,075**
Total assets	**1,724,400**	**1,440,707**	**43,143**	**670,182**	**680,559**	**4,161,570**	**637,545**	**9,358,106**
Total liabilities[1]								**8,051,189**

2 Segmental analysis (continued)

$000's	Motor	Reverse Mortgages[1]	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	–	307,094
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	2,878	6,848
Net operating income	**75,530**	**58,333**	**5,010**	**53,824**	**34,666**	**97,682**	**2,878**	**327,923**
Personnel expenses	5,524	2,030	3,289	5,762	2,253	21,458	44,578	84,894
Other expenses	1,653	3,516	2,089	1,394	869	30,796	57,043	97,360
Operating expenses	**7,177**	**5,546**	**5,378**	**7,156**	**3,122**	**52,254**	**101,621**	**182,254**
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**	**(98,743)**	**145,669**
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**	**(97,120)**	**74,150**
Income tax expense	–	–	–	–	–	12,756	9,738	22,494
Profit/(loss) for the year	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**29,787**	**(106,858)**	**51,656**
Total assets	**1,687,763**	**1,233,272**	**178,625**	**853,011**	**731,819**	**3,169,630**	**767,644**	**8,621,764**
Total liabilities[1]								**7,428,475**

[1]Total liabilities include $3,593 million (2025: $2,713 million) attributable to the Australian Banking Group segment.

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 Banking 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	12,301
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**	**400,415**
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**	**705,864**
Interest Expense		
Calculated using the effective interest method		
Deposits	269,025	312,134
Other borrowings	45,845	95,885
Total interest expense calculated using the effective interest method	**314,870**	**408,019**
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	**327,013**	**398,770**
Net interest income	**337,630**	**307,094**

4 Net operating lease income

Policy

As a lessor, the Banking 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 Banking 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 11 - 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 10 - 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)
Management fee income[1]	1,075	7,181
Fair value gain on non-derivative financial instruments[2]	7,016	441
Other income[3]	1,844	1,703
Loss on early extinguishment of borrowings[4]	(2,271)	—
Foreign exchange gain	209	326
Total other income	**8,177**	**5,093**

[1] Refer to Note 18 - Related party transactions and balances for further details.

[2] 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 10 - 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 19 - Fair value for further details).

[3] Other income for the year ended 30 June 2026 includes (a) $1.1 million income generated from rural properties under management of the Banking 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.

[4] Refer to Unsubordinated note section of Note 14 - 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]	94,362	84,894
Directors' fees	1,540	1,605
Superannuation	4,055	3,297
Depreciation - property, plant and equipment	1,597	1,910
Legal and professional fees[2]	9,374	8,708
Advertising and public relations	6,282	3,126
Depreciation - right-of-use assets	3,635	3,703
Technology services and communications	25,426	20,904
Customer administration costs	11,573	11,117
Customer onboarding costs	2,648	2,730
Occupancy costs	2,844	2,848
Amortisation of intangible assets	11,314	11,509
Management fees - related party[3]	4,939	7,229
Other operating expenses[4]	9,726	18,674
Total operating expenses	**189,315**	**182,254**

[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.

[3]Refer to Note 18 - Related party transactions and balances for further details.

[4]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[1]		
Current year	1,789	1,686
Additional for prior year	68	56
Total audit and review of financial statements	**1,857**	**1,742**
Audit or review related services		
APRA regulatory reporting and Australian Financial Services Licence reporting assurance services	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	51	49
Total other assurance services and other agreed-upon procedures	**51**	**49**
Other services		
Provision of executive reward survey report	—	4
Total compensation paid to auditor	**2,166**	**2,014**

[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 22 – Asset quality 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 Banking 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 Banking 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	34,754	18,035
Adjustments for prior year	(439)	2,561
Deferred tax		
Current year	5,835	4,447
Adjustments for prior year	(326)	(2,549)
Total income tax expense recognised in profit or loss	**39,824**	**22,494**
Income tax expense 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	**139,899**	**74,150**
Tax at local income tax rate (NZ:28%, Australia:30%)	40,610	21,613
Adjusted tax effect of items not (taxable)/deductible	(21)	869
Adjustments for prior year	(765)	12
Total income tax expense	**39,824**	**22,494**

Deferred tax comprises the following temporary differences:

$000's	June 2026	June 2025
Employee entitlements	3,921	2,886
Share based payment	427	90
Provision for impairment	16,007	20,880
Intangibles and property, plant and equipment	(5,643)	(3,777)
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	468	(461)
Total deferred tax	**14,769**	**20,109**
Opening balance of deferred tax	**20,109**	**22,605**
Movement recognised in profit or loss	(5,509)	(1,898)
Movement recognised in other comprehensive income	169	—
Change in recognition of deferred tax asset	—	(598)
Closing balance of deferred tax	**14,769**	**20,109**

Financial Position

10 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 Banking 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 Banking 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 Banking Group's lending to customers); and (b) equity securities where the Banking 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 Banking Group's policies. Refer to Note 19 - Fair value for further details.

11 Derivative financial instruments

Policy

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

The Banking 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 Banking 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 Banking 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 Banking 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 Banking 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 Banking 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 Banking Group.

The Banking 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 Banking 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.

11 Derivative financial instruments (continued)

Policy (continued)

Fair value hedge accounting

The Banking 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 Banking 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 Banking 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 Banking Group's approach to managing market risk, including interest rate risk, is disclosed in Note 24 – Interest rate risk. The Banking 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 Banking 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**

11 Derivative financial instruments (continued)

Cash flow hedge accounting is applied to interest rate swaps designated as hedges of the Banking 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**

11 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.

$000's	As at 30 June 2026 Carrying value	Accumulated fair value hedge adjustment[1]	For the year ended 30 June 2026 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)**

$000's	As at 30 June 2025 Carrying value	Accumulated fair value hedge adjustment[1]	For the year ended 30 June 2025 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 income/(loss) 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 of cumulative losses (2025: $3.0 million of 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.

12 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[1]	(54,022)	(71,779)
Less provision for losses on guaranteed future value products[2]	(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[1]	(54,022)	(71,779)
Less provision for losses on guaranteed future value products[2]	(1,504)	(1,504)
Net finance receivables measured at amortised cost	**3,418,184**	**3,711,450**

[1] Refer to Note 22 - Asset quality for further details.
[2] 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 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).

14 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 Banking 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 Banking 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	1,478,234	1,420,664
Non-interest bearing deposits	34,726	38,369
Term deposits	5,655,928	5,073,761
Total deposits	**7,168,888**	**6,532,794**
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	**7,959,429**	**7,358,248**
Due within one year	6,841,917	6,247,317
Due more than one year	1,117,512	1,110,931
Total deposits and other borrowings	**7,959,429**	**7,358,248**

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 Banking 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 maturity. Refer to Note 5 - Other income for the loss incurred on early extinguishment of the borrowing.

14 Borrowings (continued)

Subordinated notes

NZD Subordinated notes

On 28 April 2023, HBL 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 Banking 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.

14 Borrowings (continued)

Securitised borrowings

The Banking Group had the following securitised borrowings outstanding as at 30 June 2026:

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	8 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 27 - 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 Banking Group actively engages facility providers in commercial negotiations including tenor extensions, increase in facility limits, refinancing arrangements, and other commercial terms. The Banking 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 below table sets out net cash and non-cash changes in liabilities 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 hedge adjustment	(484)	3,470
Foreign exchange and other movements	58,695	(7,645)
Total non-cash movements	**60,250**	**(7,529)**
Balances as at end of year	**790,541**	**825,454**

15 Share capital and dividends

Policy

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of ordinary shares 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 and closing balance	**1,030,260**	**1,030,260**

There were nil new shares issued during the year (2025: nil).

The issued and fully paid ordinary share capital is included in Common Equity Tier 1 (**CET1**) capital of the Banking Group. Refer to Note 29 - Capital adequacy and regulatory liquidity ratios - unaudited for further details.

Dividends paid

	June 2026		June 2025	
	Date Declared	**$000's**	**Date Declared**	**$000's**
Dividend to HGH	20 August 2025	28,350	28 August 2024	15,000
Dividend to HGH	25 February 2026	28,000	26 February 2025	18,750
Total dividends paid		**56,350**		**33,750**

16 Other reserves

$000's	Employee Benefit Reserve	Common Control Reserve	Foreign Currency Translation Reserve (FCTR)	Fair Value Reserve	Cash Flow Hedge Reserve	Total
June 2026						
Balance as at 30 June 2025	**–**	**(81,918)**	**(8,578)**	**(4,907)**	**(9,474)**	**(104,877)**
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]	1,140	–	–	–	–	1,140
Recharge of share based payments due to HGH[2]	(1,140)	–	–	–	–	(1,140)
Transfer on disposal of equity investments at FVOCI	–	–	–	6,052	–	6,052
Balance as at 30 June 2026	**–**	**(81,918)**	**55,443**	**1,457**	**(3,904)**	**(28,922)**
June 2025						
Balance as at 30 June 2024	**–**	**(81,660)**	**(1,682)**	**(4,653)**	**4,374**	**(83,621)**
Movements attributable to net investments in foreign operations	–	–	(6,905)	–	–	(6,905)
Net 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)**
Other movements	–	(258)	9	–	–	(249)
Balance as at 30 June 2025	**–**	**(81,918)**	**(8,578)**	**(4,907)**	**(9,474)**	**(104,877)**

[1]The movement in FCTR is primarily driven by the depreciation of the NZD against the AUD on translation of the Banking Group's Australian operations.

[2] Refer to Note 28 - Staff share ownership arrangements for further details.

16 Other reserves (continued)

Employee benefit reserve

Includes amounts which arise on the recognition of the Banking Group's equity-settled share-based compensation and offset by a recharge by HGH.

FCTR

Exchange differences arising on translation of the Banking 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 Banking 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.

Common control reserve

Common control reserve represents the difference between the consideration paid for the acquisition of Australian business from HGH and the share capital of the transferred entities based on carrying amounts at the date of transfer in May 2024.

17 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	2,110	8,571
Prepayments[1]	21,623	9,399
Property, plant and equipment	6,501	21,713
Assets held for sale[2]	7,513	–
Other receivables	9,893	5,154
Total other assets	**48,785**	**44,846**

[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 Banking 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 Banking Group the right to access the cloud provider's application software over the contract period.

The Banking Group capitalises costs incurred in configuring or customising certain suppliers' application software within specific cloud computing arrangements as intangible assets as the Banking 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 Banking 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 Banking Group (i.e., such services are not distinct from the Banking 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 Banking 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.

17 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**
Total intangible assets	**263,233**	**250,821**

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 Banking 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 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 (2025: $175.0 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).

17 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 Banking 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 Banking 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	19,038	16,453
Insurance liability	543	556
Employee benefits	17,471	13,318
Other tax payables	1,980	2,737
Government levies	1,867	–
Commission payable	20,229	–
Total trade and other payables	**61,128**	**33,064**

17 Other balance sheet items (continued)

Policy

Leases

The Banking Group leases office space and car parks. 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 Banking 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 Banking 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**

18 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 the Bank;
   ii) has significant influence over the Bank; or
   iii) is a member of the key management personnel of the Bank or HGH.

b) An entity is related to the Bank if any of the following conditions applies:
   i) the entity and the Bank 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 the Bank or an entity related to the Bank.
   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 Banking Group. This includes all Executives and Directors.

KMP and their related parties receive personal banking and financial investment services from the Banking Group in the ordinary course of business. The terms and conditions, for example interest rates and collateral, and the risks to the Banking 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	112	221
Interest expense	(13)	(17)
Total transactions with key management personnel	**99**	**204**
Key management personnel compensation		
Short-term employee benefits	(7,637)	(6,971)
Post-employment benefits	(181)	(124)
Share-based plan benefit	(292)	(322)
Termination benefits[2]	(574)	–
Total key management personnel compensation	**(8,684)**	**(7,417)**
Due from/(to) key management personnel[1]		
Lending	13	2,227
Borrowings - deposits	(437)	(217)
Total due (to)/from key management personnel	**(424)**	**2,010**

[1]These transactions and balances include those with key management personnel of the Bank and HGH, their close family members, and/or entities controlled/jointly controlled by them.

[2]Termination benefits during the year ended 30 June 2026 are related to disestablishment payments to certain key management personnel.

18 Related party transactions and balances (continued)

(b) Transactions with related parties

The Banking Group's ultimate parent company is HGH.

The Bank has regular transactions with its ultimate parent company and subsidiaries (collectively known as the **Heartland Group**) on agreed terms. The transactions include the provision of administrative services and customer operations. Banking facilities are provided by HBL to other Banking Group entities on normal commercial terms as with other customers. There is no lending from the Banking Group to HGH.

The Trustees of Heartland Trust (**HT**) and certain employees of the Banking Group provide their time and skills to the oversight and operation of HT at no charge.

Related party transactions between the Banking Group members eliminate on consolidation. Related party transactions outside of the Banking Group are as follows:

$000's	June 2026	June 2025
Heartland Group Holdings Limited (HGH)		
Interest expense	279	212
Net deposits/(withdrawals)	9,000	(15,500)
Dividends paid to HGH[1]	(56,350)	(33,750)
Management fees paid to HGH	(4,939)	(7,229)
Management fees received from HGH	1,075	7,181
Recharge of share based payments	1,140	—

[1]Refer to Note 15 - Share capital and dividends for further details.

$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

(c) Due to related parties

$000's	June 2026	June 2025
Due to		
Heartland Group Holdings Limited	5,044	792
Total due to related parties	**5,044**	**792**

(d) Other balances with related parties

$000's	June 2026	June 2025
Heartland Group Holdings Limited		
Retail deposits owing to HGH[1]	12,120	2,841

[1]Included within Deposits on the Statement of financial position.

19 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 Banking Group determines fair value using other valuation techniques.

The Banking 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 Banking 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 Banking Group has an established framework in performing valuations required for financial reporting purposes including Level 3 fair values. The Banking 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 Banking Group assesses the evidence obtained from these specialists to support the conclusion of these valuations. All significant valuations are reported to the Banking Group's Board Audit 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 10 - 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 Banking Group does not have control, joint control or significant influence are classified at FVTPL. However, where such securities are not held for trading, the Banking 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 Banking 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.

19 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

Finance receivables - reverse mortgages

The Banking 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 Banking 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 Banking 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 Banking 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 Banking Group could refer to establish a more reliable initial carrying value.

When measuring the fair value subsequently, at each balance date, the Banking 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 Banking 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 Banking Group subsequently measures the loans at its initial recognised amount and capitalised interest.

Changes in accounting estimates

The Banking 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 Banking 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 17 - 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).

19 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 Banking 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.

19 Fair value (continued)

(b) Financial instruments not measured at fair value

The following assets and liabilities of the Banking 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 Banking Group's finance receivables is calculated using a valuation technique which assumes the Banking 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 Banking 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	7,174,276	7,168,888	Level 2	6,557,613	6,532,794
Other borrowings	Level 2	796,262	790,541	Level 2	831,035	825,454
Total financial liabilities		**7,970,538**	**7,959,429**		**7,388,648**	**7,358,248**

19 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 Banking Group:

$000's	FVOCI Equity	FVOCI Debt Securities	FVTPL	Amortised Cost	Total Carrying Value
June 2026					
Assets					
Cash and cash equivalents	–	–	–	383,966	383,966
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	–	–	–	11,038	11,038
Total financial assets	**5,192**	**815,108**	**4,363,224**	**3,818,317**	**9,001,841**
Liabilities					
Deposits	–	–	–	7,168,888	7,168,888
Other borrowings	–	–	–	790,541	790,541
Derivative financial instruments	–	–	10,966	–	10,966
Due to related parties	–	–	–	5,044	5,044
Other financial liabilities	–	–	20,229	19,048	39,277
Total financial liabilities	**–**	**–**	**31,195**	**7,983,521**	**8,014,716**
June 2025					
Assets					
Cash and cash equivalents	–	–	–	349,745	349,745
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	–	–	–	5,163	5,163
Total financial assets	**5,664**	**775,229**	**3,384,892**	**4,080,597**	**8,246,382**
Liabilities					
Deposits	–	–	–	6,532,794	6,532,794
Other borrowings	–	–	–	825,454	825,454
Derivative financial instruments	–	–	20,660	–	20,660
Due to related parties	–	–	–	792	792
Other financial liabilities	–	–	–	14,800	14,800
Total financial liabilities	**–**	**–**	**20,660**	**7,373,840**	**7,394,500**

Risk Management

20 Enterprise risk management program

The board of directors (the **Board**) sets and monitors the Banking 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 Risk Committee

The role of the Board is to provide leadership and strategic guidance for the Bank and effective oversight of the Bank's management and effective oversight of HBA. The Board may delegate some governance responsibility to the Board Risk Committee.

Board Risk Committee (BRC)

The BRC is to monitor and advise the Board on the formulation and implementation of the Risk Appetite. The BRC is made up of at least three non-executive directors, two of whom must be independent. In addition, the HBL Chief Risk Officer (**CRO**) (or their nominee, subject to the Chair's prior approval) attends the BRC meetings, and the HBL CEO and the directors who are not members of the BRC are entitled to attend meetings and to receive copies of the BRC papers. The Board and BRC are responsible for:

- The Board's Risk Appetite Statement (**RAS**);
- Heartland's Internal Capital Adequacy Assessment Program (**ICAAP**) including appropriate stress testing scenarios;
- The effectiveness of the RMS and internal compliance and risk related policies, including advice on the approval or variation of (or, where authority has been delegated by the Board, approval or variation of) policies, procedures and standards;
- Responding to changes anticipated in the economic, business and regulatory environment;
- Conduct, culture and customer outcomes, including emerging risks and any areas of concern;
- Credit exposures of the Bank, including the Delegated Lending Authority Policy and Framework;
- Consideration of risks associated with pursuit of strategy; and
- Forming a view on risk culture supporting effective management of risks.

Board Audit Committee (BAC)

The BAC holds the responsibility of ensuring the integrity of financial reporting and application of accounting policies and providing oversight of the internal audit function and external audit process. The BAC provides oversight of the independent evaluation of the effectiveness of the RMS process, ensuring effective corrective action. The BAC have the authority to seek information from many stakeholders for the sake of performing their duties such as the CEO, CFO, FC, CRO or anyone they deem fit.

Charters for both the BRC and the BAC ensure suitable cross representation to allow effective communication pertaining to identified issues with oversight by the Board. The HBL CRO has unfettered access to the BRC Chair. The Head of Internal Audit has a direct reporting line to the Chair of the BAC.

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 Banking Group's Boards as required.

The objective of the Banking 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 Banking 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.

20 Enterprise risk management program (continued)

Internal Audit (continued)

The HBL BAC 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.

Group Asset and Liability Committee (GALCO)

The GALCO is a management committee that reports to the Board of Directors through BRC. It consists of members from HBL and HBA, providing consolidated oversight of the Banking Group's assets and liabilities across both HBL and HBA 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 BRC 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.

Asset and Liability Committee (ALCO)

The ALCO is a New Zealand Banking Group management committee that reports to the Board of Directors through BRC. It comprises the HBL CEO, HBL CFO, HBL CRO, HBL Chief Commercial Officer (**CCO**), HBL Group Treasurer and HBL General Manager Retail & Reverse Mortgages. The ALCO has responsibility for managing the New Zealand Banking Group's market risk, liquidity and funding risk, pricing, balance sheet structure and capital risk, in line with approved risk tolerances and policy guidance.

ALCO provides senior management oversight through:

- Monitoring the performance and effectiveness of market risk management activities;
- Ensuring appropriate management through regular reporting, availability of experienced staff and adequacy of liquidity buffers;
- Monitoring and recommending changes in liquidity limits to GALCO and interest rate pricing levels for all funding products.
- Review of the New Zealand Banking Group's 12-month funding plan, cost of funds projections, internal liquidity stress testing assumptions, and approval of new and existing liquidity early warning indicators; and
- Approving changes to HBL's hedging strategies in line with the Banking Group's hedging strategy approved by GALCO.

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 BRC 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.

20 Enterprise risk management program (continued)

Three lines of defence model

To ensure appropriate responsibility is allocated for the management, reporting and escalation of operational and compliance risk, the Banking 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 Banking 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 Banking 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.

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. Refer to Note 29 - Capital adequacy and regulatory liquidity ratios for further details.

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 21 - 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.

20 Enterprise risk management program (continued)

Financial risks (continued)

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 Banking Group is exposed. The primary market risk exposures for the Banking 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 Banking 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 Banking Group's fair-valued assets, such as its liquid asset portfolio, which the fair value of is relied upon to support the Banking 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;
- 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 Banking Group's investment of capital in foreign currency operations generates an exposure to changes in foreign exchange rates. The Banking 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 Banking Group incurs some non-traded foreign currency risk related to the potential repatriation of profits from its Australian subsidiaries.

The Banking 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 Banking 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 Banking 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.

20 Enterprise risk management program (continued)

Financial risks (continued)

Market risk (including interest rate risk and foreign exchange risk) (continued)

$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 Banking 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.

Business management risk

The risk of loss resulting from inadequate or failed design or operation of internal processes and systems, or human error.

Resilience risk

The risk that Heartland will fail to respond to, recover from and adapt to unexpected events or disruptions quickly and effectively. These events can include natural disasters, pandemics, supply chain disruptions, or other types of crises.

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.

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.

20 Enterprise risk management program (continued)

Non-financial risks (continued)

Climate-related risks

The Banking Group is increasingly considering and integrating climate-related risk into its overall risk management processes.

Risk Management

HBL has a defined risk tolerance for climate-related risk, which is monitored as part of HBL's RAS, reviewed, and updated at least annually to incorporate necessary changes and consider any new material emerging risks.

For HBL, climate-related risks primarily manifest as credit risk. HBL's business writing strategy outlines its credit appetite for business lending, reviewed at least annually with consideration given to climate-related risks. Climate-related risks for HBL's portfolio-managed exposures are continually monitored. Work is underway to improve the consideration of climate-related risks through both origination and servicing in the property-backed portfolios, likewise to ensure the insights drive customer engagement and decision-making across all portfolios.

HBL conducts an annual ICAAP to ensure adequate capital in relation to its risk profile. Climate-related risks are partially considered within the ICAAP through their compounding of operational risks. The Banking 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 Banking Group does have offices. The Banking Group will begin to integrate climate-related credit risk into the ICAAP in FY2027.

All Banking 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 Banking Group formalised its policies and controls for scope 1 and 2 GHG emissions measurement, monitoring and disclosure for FY2026. In future years, the Banking 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.

The Australian Banking Group will update its Risk Management Framework and related documents as it continues to integrate climate-related risks into the existing framework.

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 Banking Group's transition plan is built upon three pillars:

- Integrate climate-related risk into lending decisions. The Banking Group is building its capability to understand, monitor and manage climate-related risks in its lending decisions,
- Fund the Banking Group's borrowers' transition to a net-zero economy: The Banking 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 Banking Group does; The Banking 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 Banking Group assesses the impact of climate-related risks on its financial position and performance. Although the Banking 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 (2025: same). HGH and HBL will release their Climate Statement for the year ended 30 June 2026 by 30 September 2026, providing further details on the Banking Group's approach to identifying, assessing and managing climate-related risks.

21 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 Banking 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 BRC also (with the assistance of Heartland Bank Australia Group Board for Australia) oversees the Banking Group's credit risk exposures to monitor overall risk metrics having regard to risk appetite set by the Board.

The BRC has authority from the Board for approval of all credit exposures. Lending authority has been provided by the 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 the BRC.

The Banking 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 Banking Group's earnings and/or capital are adversely impacted by the default of a counterparty.

The Banking Group has ongoing credit exposure associated with:

- Cash and cash equivalents;
- Finance receivables;
- Holding of investment securities; and
- Payments owed to the Banking 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 Banking Group that the maximum repayment amount is limited to the net sale proceeds of the borrowers' property.

The Banking 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 Banking Group will accept for reverse mortgage lending, a key aspect of the Banking 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.

21 Credit risk exposure (continued)

Business Finance Guarantee Scheme (BFGS)

The Bank, 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 the Bank holding the remaining 20%. The BFGS Scheme concluded on 30 June 2021. As at 30 June 2026 the Bank 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, the Bank entered into a Deed of Indemnity with the New Zealand Government to implement the North Island Weather Events Loan Guarantee Scheme (**the NIWE Scheme**). The supported loans were 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 the Bank holding the remaining 20%. The NIWE Scheme concluded on 30 June 2025. As at 30 June 2026 the Bank had supported loans under the NIWE 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	383,966	349,745
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	11,038	5,163
Total on balance sheet credit exposures	**8,998,153**	**8,235,245**
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	**9,801,822**	**8,817,582**

Concentration of credit risk by geographic region

$000's	June 2026	June 2025
New Zealand	5,310,786	5,400,485
Australia	4,406,516	3,313,862
Rest of the world[1]	138,542	175,014
	9,855,844	**8,889,361**
Provision for impairment	(54,022)	(71,779)
Total credit exposures	**9,801,822**	**8,817,582**

[1]These overseas assets are primarily NZD-denominated investments in AA+ (Standard & Poor's) and high quality investment grade securities issued by offshore supranational agencies ("Kauri Bonds").

21 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	714,995	695,366
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	90,801	101,855
	9,855,844	**8,889,361**
Provision for impairment	(54,022)	(71,779)
Total credit exposures	**9,801,822**	**8,817,582**

[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 exposures to connected persons

The Banking Group's methodology for calculating credit exposure concentrations is on the basis of actual credit exposures and calculated on a gross basis (net of individual credit impairment allowances and excluding advances of a capital nature) in accordance with the Bank's Conditions of Registration and the Reserve Bank's Connected Exposures Policy (**BS8**). Peak end-of-day aggregate credit exposures to connected persons has been derived using maximum end-of-day aggregate amount of credit exposure over the year and then dividing that amount by the Banking Group's Tier 1 capital as at 30 June 2026.

In accordance with its conditions of registration, the Banking Group must comply with all requirements set out in the RBNZ's standard BS8 Connected Exposures effective from 1 October 2023. Exposures to connected persons are not on more favourable terms than corresponding exposures to non-connected persons.

	As at 30 June 2026	Peak End-of-Day for Year Ended 30 June 2026
Credit exposures to connected persons ($000's)	13	4,951
As a percentage of Tier 1 capital of the Banking Group at the end of the year	0.00%	0.52%
Credit exposures to non-bank connected persons ($000's)	13	4,951
As a percentage of Tier 1 capital of the Banking Group at the end of the year	0.00%	0.52%

As at 30 June 2026, the Banking Group had no aggregate contingent exposures to connected persons arising from unfunded contingent credit protection arrangements provided by any connected persons. The aggregate amount of the Banking Group's loss allowance for credit exposures to connected persons that are credit-impaired was nil at 30 June 2026.

21 Credit risk exposure (continued)

Credit exposure to individual counterparties

The Banking Group's aggregate concentration of credit exposure to individual counterparties is calculated based on the actual credit exposure. Credit exposures to connected persons, the central government or central bank of any country with a long term credit rating of A- or A3 or above, or its equivalent, and any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent are excluded.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant six-month period and then dividing the amount by the Banking Group's CET1 capital at 30 June 2026.

	Number of Exposures as at 30 June 2026	Number of Exposure Peak End-of-day over 6 months to 30 June 2026
Total number of exposures to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent:		
10% to less than 15% of CET1 capital	–	1
15% to less than 20% of CET1 capital	–	–
20% to less than 25% of CET1 capital	–	–
25% to less than 30% of CET1 capital	1	–
30% to less than 35% of CET1 capital	–	–
35% to less than 40% of CET1 capital	–	–
40% to less than 45% of CET1 capital	–	1
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	–	–
Without a long term credit rating that are greater than 10% to less than 15% of CET1 capital.	–	1
Total number of exposures to non-banks		
Total number of exposures to non-banks that are greater than 10% to less than 15% of CET1 capital that have a long-term credit rating of A- or A3 or above.	–	–
Total number of exposures to non-banks that are greater than 10% to less than 15% of CET1 capital that do not have a long-term credit rating.	–	–

21 Credit risk exposure (continued)

Collateral held

The Banking 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 Banking 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 Banking 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 Banking 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%**

22 Asset quality

The disclosures in this note are categorised by the following credit risk concentrations:

Corporate Business lending including rural lending.

Residential Lending secured by a first ranking mortgage over a residential property used primarily for residential purposes either by the mortgagor or a tenant of the mortgagor.

All Other This relates primarily to consumer lending to individuals.

Information is not presented in respect of other financial assets or credit related commitments as the related allowances for ECL are not material to the Banking Group.

(a) Past due but not individually impaired

$000's	Corporate	Residential[1]	All Other	Total
June 2026				
Less than 30 days past due	47,157	1,389	35,898	84,444
At least 30 but less than 60 days past due	13,868	5,217	4,918	24,003
At least 60 but less than 90 days past due	5,635	11,115	1,274	18,024
At least 90 days past due	22,721	24,676	8,679	56,076
Total past due but not individually impaired	**89,381**	**42,397**	**50,769**	**182,547**
June 2025				
Less than 30 days past due	43,924	7,455	38,193	89,572
At least 30 but less than 60 days past due	27,410	18,216	11,099	56,725
At least 60 but less than 90 days past due	37,678	3,175	5,503	46,356
At least 90 days past due	68,299	23,456	20,779	112,534
Total past due but not individually impaired	**177,311**	**52,302**	**75,574**	**305,187**

[1]Residential finance receivables comprise $40.6 million (2025: $49.4 million) of past due finance receivables - reverse mortgages which are measured at FVTPL.

(b) Credit risk grading

The Banking 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.

22 Asset quality (continued)

(b) Credit risk grading (continued)

All loans past due but not impaired have been categorised into three impairment stages (refer to Note 22 – Asset quality (c)) 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.

$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 amortised cost	(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 Asset quality (continued)

(c) Provision for impairment

Policy

Impairment of finance receivables measured at amortised cost

At each reporting date, the Banking 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 Banking Group to actions such as realising security. Indicators include a breach of contract with the Banking 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 Banking 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 Banking Group has defined counterparty probabilities of default across consumer, retail, business and rural portfolios.

The Banking 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 Banking 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 Banking 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.

22 Asset quality (continued)

(c) Provision for impairment (continued)

Policy (continued)

Credit quality of financial assets (continued)

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).

Modification of contractual cash flows

The Banking 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 ECL (stage 1, 2 and 3) - New Zealand

The Banking 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 Banking 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 Banking Group is $2.3 million (2025: $2.7 million).

22 Asset quality (continued)

(c) Provision for impairment (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 (e.g, Iran war and associated fuel crisis). 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 calculations 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.

22 Asset quality (continued)

(c) Provision for impairment (continued)

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
June 2026					
Corporate					
Impairment allowance as at 30 June 2025	**10,223**	**5,614**	**15,827**	**24,795**	**56,459**
Changes in loss allowance					
Transfer between stages[1]	(1,419)	(4,776)	(1,417)	7,612	–
New and increased provision (net of provision releases)[1]	1,466	4,081	4,248	18,193	27,988
Credit impairment charge	**47**	**(695)**	**2,831**	**25,805**	**27,988**
Write-offs	–	–	(10,808)	(29,337)	(40,145)
Effect of changes in foreign exchange rate	81	36	–	458	575
Impairment allowance as at 30 June 2026	**10,351**	**4,955**	**7,850**	**21,721**	**44,877**
Residential					
Impairment allowance as at 30 June 2025	**179**	**–**	**–**	**–**	**179**
Changes in loss allowance					
Transfer between stages[1]	–	–	–	–	–
New and decreased provision (net of provision releases)[1]	(124)	–	–	–	(124)
Credit impairment charge	**(124)**	**–**	**–**	**–**	**(124)**
Effect of changes in foreign exchange rate	(1)	–	–	–	(1)
Impairment allowance as at 30 June 2026	**54**	**–**	**–**	**–**	**54**
All Other					
Impairment allowance as at 30 June 2025	**5,627**	**2,237**	**7,277**	**–**	**15,141**
Changes in loss allowance					
Transfer between stages[1]	(213)	(2,387)	2,600	–	–
New and (decreased)/increased provision (net of provision releases)[1]	(2,811)	902	11,590	59	9,740
Credit impairment charge	**(3,024)**	**(1,485)**	**14,190**	**59**	**9,740**
Write-offs	–	–	(15,756)	–	(15,756)
Effect of changes in foreign exchange rate	(38)	–	–	4	(34)
Impairment allowance as at 30 June 2026	**2,565**	**752**	**5,711**	**63**	**9,091**
Total					
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**

[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.

22 Asset quality (continued)

(c) Provision for impairment (continued)

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
June 2025					
Corporate					
Impairment allowance as at 30 June 2024	**6,753**	**1,716**	**20,051**	**22,482**	**51,002**
Changes in loss allowance					
Transfer between stages[1]	211	(5,318)	3,596	1,511	–
New and increased provision (net of provision releases)[1]	3,265	9,216	24,121	23,219	59,821
Credit impairment charge	**3,476**	**3,898**	**27,717**	**24,730**	**59,821**
Write-offs	–	–	(31,941)	(22,417)	(54,358)
Effect of changes in foreign exchange rate	(6)	–	–	–	(6)
Impairment allowance as at 30 June 2025	**10,223**	**5,614**	**15,827**	**24,795**	**56,459**
Residential					
Impairment allowance as at 30 June 2024	**165**	**3**	**110**	**–**	**278**
Changes in loss allowance					
Transfer between stages[1]	(117)	110	(110)	117	–
New and increased/(decreased) provision (net of provision releases)[1]	149	(113)	–	(117)	(81)
Credit impairment charge	**32**	**(3)**	**(110)**	**–**	**(81)**
Write-offs	(18)	–	–	–	(18)
Impairment allowance as at 30 June 2025	**179**	**–**	**–**	**–**	**179**
All Other					
Impairment allowance as at 30 June 2024	**7,443**	**3,478**	**14,120**	**–**	**25,041**
Changes in loss allowance					
Transfer between stages[1]	(234)	(3,862)	4,096	–	–
New and (decreased)/increased provision (net of provision releases)[1]	(1,582)	2,621	12,614	–	13,653
Credit impairment charge	**(1,816)**	**(1,241)**	**16,710**	**–**	**13,653**
Write-offs	–	–	(23,553)	–	(23,553)
Impairment allowance as at 30 June 2025	**5,627**	**2,237**	**7,277**	**–**	**15,141**
Total					
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.

22 Asset quality (continued)

(d) Impact of changes in gross finance receivables held at amortised cost on allowance for ECL

	Collectively Assessed				
$000's	**Stage 1**	**Stage 2**	**Stage 3**	**Individually Assessed**	**Total**
June 2026					
Corporate					
Gross finance receivables as at 30 June 2025	**2,144,693**	**220,092**	**74,173**	**90,830**	**2,529,788**
Transfer between stages	(88,987)	(4,117)	26,389	66,715	—
Additions	854,463	—	—	—	854,463
Deletions	(676,136)	(130,729)	(64,058)	(45,748)	(916,671)
Write-offs	—	—	(10,808)	(29,337)	(40,145)
Effect of changes in foreign exchange rate	27,737	2,835	—	4,471	35,043
Gross finance receivables as at 30 June 2026	**2,261,770**	**88,081**	**25,696**	**86,931**	**2,462,478**
Residential					
Gross finance receivables as at 30 June 2025	**216,240**	**369**	**998**	**488**	**218,095**
Transfer between stages	298	336	(707)	73	—
Additions	2,475	—	—	—	2,475
Deletions	(159,232)	21	(291)	(338)	(159,840)
Effect of changes in foreign exchange rate	3,420	52	—	23	3,495
Gross finance receivables as at 30 June 2026	**63,201**	**778**	**—**	**246**	**64,225**
All Other					
Gross finance receivables as at 30 June 2025	**998,663**	**16,401**	**21,786**	**—**	**1,036,850**
Transfer between stages	(16,034)	(990)	16,874	150	—
Additions	467,481	—	—	—	467,481
Deletions	(521,861)	(10,233)	(9,495)	(4)	(541,593)
Write-offs	—	—	(15,756)	—	(15,756)
Effect of changes in foreign exchange rate	17	—	—	8	25
Gross finance receivables as at 30 June 2026	**928,266**	**5,178**	**13,409**	**154**	**947,007**
Total					
Gross finance receivables 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 as at 30 June 2026	**3,253,237**	**94,037**	**39,105**	**87,331**	**3,473,710**

22 Asset quality (continued)

(d) Impact of changes in gross finance receivables held at amortised cost on allowance for ECL (continued)

	Collectively Assessed				
$000's	**Stage 1**	**Stage 2**	**Stage 3**	**Individually Assessed**	**Total**
June 2025					
Corporate					
Gross finance receivables as at 30 June 2024	**2,421,215**	**217,085**	**67,780**	**96,468**	**2,802,548**
Transfer between stages	(181,471)	73,510	75,595	32,366	–
Additions	967,341	–	–	–	967,341
Deletions	(1,059,550)	(70,015)	(37,261)	(15,012)	(1,181,838)
Write-offs	–	–	(31,941)	(22,417)	(54,358)
Effect of changes in foreign exchange rate	(2,842)	(488)	–	(575)	(3,905)
Gross finance receivables as at 30 June 2025	**2,144,693**	**220,092**	**74,173**	**90,830**	**2,529,788**
Residential					
Gross finance receivables as at 30 June 2024	**393,896**	**1,891**	**762**	**–**	**396,549**
Transfer between stages	(1,902)	258	(15)	1,659	–
Additions	30,396	–	–	–	30,396
Deletions	(205,702)	(1,775)	251	(1,170)	(208,396)
Effect of changes in foreign exchange rate	(448)	(5)	–	(1)	(454)
Gross finance receivables as at 30 June 2025	**216,240**	**369**	**998**	**488**	**218,095**
All Other					
Gross finance receivables as at 30 June 2024	**1,073,332**	**22,657**	**48,181**	**–**	**1,144,170**
Transfer between stages	(33,298)	5,497	27,801	–	–
Additions	258,043	–	–	–	258,043
Deletions	(299,414)	(11,753)	(30,643)	–	(341,810)
Write-offs	–	–	(23,553)	–	(23,553)
Gross finance receivables as at 30 June 2025	**998,663**	**16,401**	**21,786**	**–**	**1,036,850**
Total					
Gross finance receivables 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 as at 30 June 2025	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**

22 Asset quality (continued)

(d) Impact of changes in gross finance receivables held at amortised cost on allowance for ECL (continued)

The Banking Group's provision for impairment has decreased by $17.8 million during the year ended 30 June 2026, driven by the following movements:

Impact of changes in gross exposures on loss allowances - Corporate exposures

- A net decrease in collective provisions of $8.5 million, reflecting improvements in staging mix and specifically, reductions in Stage 3 gross exposures due to recovery actions undertaken by the Banking Group and subsequent bad debt write-offs of $10.8 million.
- Individually assessed provisions decreased by $3.1 million during the year, following the transfer (net of repayments and exits) of approximately $21.0 million of receivables into this category. This resulted in additional provisions of $18.2 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.

Impact of changes in gross exposures on loss allowances - Residential exposures

The Banking Group's provision for impairment for residential exposures decreased by $0.1 million, predominantly due to lower gross exposures arising from customer repayments. There were no other significant changes in gross exposures or staging during the year.

Impact of changes in gross exposures on loss allowances – All other exposures

The Banking Group's provision for impairment has reduced by $6.1 million, primarily due to an improvement in the staging mix and a reduction in overall exposure and bad debt write-offs of $15.8 million against the loss allowance.

(e) Other asset quality information

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 Banking Group had $3.38 million assets under administration (2025: $3.16 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).

23 Liquidity and funding risk

Liquidity risk is the risk that the Banking 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 Banking Group.

Measurement of liquidity risk is designed to ensure that the Banking 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 Banking Group can meet its financial obligations under varying conditions.

The Banking 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 Banking 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 Banking 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 Banking Group's ability to meet its liquidity and funding requirements.

The Australian Banking Group manages its own domestic liquidity and funding requirements in accordance with its own liquidity policy and the policies of the Banking 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 Banking Group if required.

The Banking 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	383,966	349,745
Investments in debt securities	815,108	777,403
Total liquid assets	**1,199,074**	**1,127,148**
Undrawn committed bank facilities	372,292	211,914
Total liquid assets and committed undrawn funding	**1,571,366**	**1,339,062**

23 Liquidity and funding risk (continued)

Contractual liquidity profile of financial liabilities

The following tables present the Banking 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 Banking 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 Banking 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	1,023,376	4,049,333	1,787,257	294,017	159,782	—	7,313,765
Other borrowings	—	76,994	25,579	566,550	56,106	250,607	975,836
Due to related parties	—	5,044	—	—	—	—	5,044
Lease liabilities	—	2,280	2,312	4,432	5,682	1,975	16,681
Other financial liabilities	—	20,229	1,181	2,362	6,983	31,627	62,382
Total non-derivative financial liabilities	**1,023,376**	**4,153,880**	**1,816,329**	**867,361**	**228,553**	**284,209**	**8,373,708**
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	1,027,303	3,834,210	1,460,828	188,042	153,551	—	6,663,934
Other borrowings	—	27,760	251,581	193,519	202,745	363,390	1,038,995
Due to related parties	—	792	—	—	—	—	792
Lease liabilities	—	2,152	1,998	3,985	7,471	114	15,720
Other financial liabilities	—	14,800	—	—	—	—	14,800
Total non-derivative financial liabilities	**1,027,303**	**3,879,714**	**1,714,407**	**385,546**	**363,767**	**363,504**	**7,734,241**
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 Banking 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 Banking 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 Banking 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 Banking Group's interest rate risk policies is to limit underlying net profit after tax (**NPAT**) volatility. The measurement comprises net interest income the Banking 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 Banking Group's policy.

An analysis of the Banking 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 Banking 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	383,966	—	—	—	—	—	383,966
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	—	—	—	—	7,413	11,038
Total financial assets	**6,681,895**	**267,583**	**460,945**	**648,330**	**925,449**	**17,639**	**9,001,841**
Financial liabilities							
Deposits	3,302,548	1,678,241	1,727,490	277,998	147,885	34,726	7,168,888
Other borrowings	606,230	23,218	—	123,113	37,980	—	790,541
Due to related parties	—	—	—	—	—	5,044	5,044
Derivative financial liabilities	—	—	—	—	—	10,966	10,966
Lease liabilities	—	—	—	—	—	14,253	14,253
Other financial liabilities	—	—	—	—	—	39,277	39,277
Total financial liabilities	**3,908,778**	**1,701,459**	**1,727,490**	**401,111**	**185,865**	**104,266**	**8,028,969**
Effect of derivatives held for risk management	577,394	98,116	(72,447)	(252,815)	(350,248)	—	—
Net financial assets/(liabilities)	**3,350,511**	**(1,335,760)**	**(1,338,992)**	**(5,596)**	**389,336**	**(86,627)**	**972,872**

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	349,745	–	–	–	–	–	349,745
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	–	–	–	–	3,447	5,163
Total financial assets	**5,689,741**	**328,880**	**460,179**	**661,188**	**1,085,514**	**20,880**	**8,246,382**
Financial liabilities							
Deposits	3,110,786	1,670,886	1,409,173	174,359	129,221	38,369	6,532,794
Other borrowings	666,594	–	–	–	158,860	–	825,454
Due to related parties	–	–	–	–	–	792	792
Derivative financial liabilities	–	–	–	–	–	20,660	20,660
Lease liabilities	–	–	–	–	–	14,390	14,390
Other financial liabilities	–	–	–	–	–	14,800	14,800
Total financial liabilities	**3,777,380**	**1,670,886**	**1,409,173**	**174,359**	**288,081**	**89,011**	**7,408,890**
Effect of derivatives held for risk management	860,941	93,460	(108,267)	(444,536)	(401,598)	–	–
Net financial assets/ (liabilities)	**2,773,302**	**(1,248,546)**	**(1,057,261)**	**42,293**	**395,835**	**(68,131)**	**837,492**

The tables above illustrate the periods in which the cash flows from interest rate swaps are expected to occur and affect profit or loss.

25 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	1,927,141	1,866,998
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 funding	**7,959,429**	**7,358,248**

[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	4,294,024	4,548,781
Australia	3,593,872	2,731,585
Rest of the world	71,533	77,882
Total funding	**7,959,429**	**7,358,248**

Other Disclosures

26 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
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%

27 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 Banking Group controls the structured entity.

(a) Heartland Cash and Term PIE Fund (Heartland PIE Fund)

The Banking Group controls the operations of the Heartland PIE Fund which is a portfolio investment entity that invests in the Banking 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 Banking Group continues to recognise the securitised assets and associated borrowings in the statement of financial position as the Banking Group remains exposed to and has the ability to affect variable returns from those assets and liabilities. Although the Banking 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 Banking Group have no recourse to those assets. The balances of HARWT are represented as follows:

$000's	June 2026	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.

27 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	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 in 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 14 – 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 balance with HBA in accordance with the terms of the Trust Deed.

28 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 Heartland Group Holdings Limited (the **Group**) shareholders. 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 on which 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.

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.

28 Staff share ownership arrangements (continued)

FY2028 tranche (continued)

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 includes, but is 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 issuance and expense recognised relating to the Banking Group is as follows:

	June 2026 PR Plan Number of Rights
Issued and closing balance	**3,675,000**

(b) Effect of share-based payment transactions

$000's	June 2026
Award of Shares	
Plan - FY2028 tranche	1,140
Total expense recognised	**1,140**

As part of a common practice, HGH also charges the Banking Group for its grants of Performance Rights to the Banking Group's employees. The re-charge is made over the vesting period and is based on the expense recorded in the profit or loss from time to time. For the year ended 30 June 2026, the re-charge amounted to $1.1 million. The Banking Group accounts for the re-charge against the employee benefits reserve.

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.

	June 2026	
000's	**Rights Outstanding**	**Remaining Years**
PR Plan - FY2028	3,675	2.3
Total	**3,675**	

29 Capital adequacy and regulatory liquidity ratios - unaudited

The Reserve Bank of New Zealand (**RBNZ**) minimum regulatory capital requirements for banks have been established under the RBNZ Capital Adequacy Framework, outlined in the "Banking Prudential Requirements" (**BPRs**) documents. These documents are based on the international framework developed by the Bank for International Settlements Committee on Banking Supervision, commonly known as Basel III. These requirements define what is acceptable as capital and provide methods for measuring risks incurred by the banks in New Zealand. Basel III consists of three pillars:

- Pillar One covers the capital requirements for banks for credit, operational, and market risks;
- Pillar Two covers all other material risks not already included in Pillar One; and
- Pillar Three relates to market disclosure.

RBNZ Capital Adequacy Framework

Heartland Bank Limited must manage the capital requirements of the Banking Group and the New Zealand Banking Group in line with the Conditions of Registration (**CoR**) issued by the RBNZ. Refer to New Zealand Banking Group disclosures - unaudited for further details.

The Banking Group has calculated its Risk Weighted Exposures (**RWEs**) and minimum regulatory capital requirements in accordance with the CoR and the BPR documents, where relevant. In doing so, the Banking Group has applied the following methodology:

- Calculated the total credit risk - Risk Weighted Assets (**RWAs**) for the New Zealand operations as per BPR 130: Credit Risk RWAs;
- Calculated the total credit risk RWAs for HBA and its subsidiaries as per Australian Prudential Standard (**APS**)112 Capital Adequacy: Standardised Approach to Credit Risk (**APS112**) and APS180 Capital Adequacy: Counterparty Credit Risk (**APS180**);
- Calculated the Banking Group's capital requirement for market risk exposure as per BPR140: Market Risk; and
- Calculated the Banking Group's capital requirement for operational risk as per BPR150: Standardised Operational Risk.

Total regulatory capital is divided into Tier 1 and Tier 2 capital. Tier 1 capital comprises Common Equity Tier 1 (**CET1**) capital and Additional Tier 1 (**AT1**) capital. Tier 1 capital primarily consists of shareholder's equity and other capital instruments acceptable to the RBNZ as per BPR110: Capital Definitions (**BPR110**)**,** less intangible assets, cash flow hedge reserves, deferred tax assets, and other prescribed deductions. Tier 2 as per BPR110 comprises eligible subordinated debt securities and revaluation reserves.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of RWEs. As a Condition of Registration, the Bank must comply with the following minimum requirements set by the RBNZ:

- Total capital of the Banking Group and New Zealand Banking Group must not be less than 9.5% of RWE[1]
- Tier 1 capital of the Banking Group and New Zealand Banking Group must not be less than 7.5% of RWE[1]
- CET1 capital of the Banking Group and New Zealand Banking Group must not be less than 5.0% of RWE[1]

[1] Includes the RBNZ's 0.5% capital overlay attached to the Bank's CoR.

In addition, if the Prudential Capital Buffer (**PCB**) ratio of the Banking Group is less than 3.5%, the Bank must limit aggregate distributions, other than discretionary payments payable to holders of AT1 capital instruments, to the limits set out within the Bank's CoR.

Including the PCB, the Banking Group's minimum total capital requirement is 13.0%. On 17 December 2025, the RBNZ released its decisions on the new capital settings applying to deposit takers. This requires Group 2 deposit takers in New Zealand to gradually transition their Total Capital ratio to 14.0% by December 2028. The Banking Group's Total Capital ratio is 16.68% as at 30 June 2026, above this minimum requirement. As part of the phasing increase in capital buffers, from 1 July 2026 the conservation buffer increases from 3.5% to 4.5%. The Banking Group's total PCB is 2.36% above this buffer.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

Capital management

The Board has overall responsibility for ensuring the Banking Group has adequate capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum.

The Banking Group's objectives for the management of capital are to:

- Maintain a strong capital base to cover the inherent risks of the business in excess of that required by credit ratings agencies to maintain a strong credit rating;
- Support the future development and growth of the business; and
- Comply at all times with the regulatory capital requirements set by the RBNZ, whereas the Australian Banking Group must comply at all times with the regulatory capital requirements set by APRA.

The Bank's Capital Management Framework includes its:

- Internal Capital Adequacy Assessment Process (**ICAAP**);
- Capital Stress Testing Policy; and
- Capital Management Plan (**CMP**).

The Banking Group has an ICAAP that complies with the requirements set out in BPR100: Capital Adequacy (**BPR100**) and follows its CoR. The ICAAP identifies the capital required to be held against other material risks, such as strategic business risk, reputational risk, regulatory risk, and additional credit risk. Stress testing conducted following the Capital Stress Testing Policy assists in this process.

The Banking Group actively monitors their capital adequacy through Group Asset and Liability Committee (**GALCO**) and report this regularly to the Board. This includes forecasting capital requirements to ensure that future capital requirements can be executed on time. The Banking Group uses a mix of capital instruments to reduce single-source reliance and optimise its mix of capital. The Board reviews the ICAAP, CMP, and Capital Stress Testing Policy annually.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

The capital adequacy tables set out on the following pages summarise the composition of regulatory capital and the capital adequacy ratios for the Banking Group as at 30 June 2026.

(a) Capital

$000's	June 2026
Tier 1 Capital	
CET1 capital	
Paid-up ordinary shares issued by the Banking Group plus related share premium	1,045,060
Retained earnings (net of appropriations)	290,779
Accumulated other comprehensive income and other disclosed reserves[1]	(84,365)
Less deductions from CET1 capital	
Intangible assets	(263,233)
Deferred tax assets	(15,138)
Fair value gains and losses[2]	(8,005)
Cash flow hedge reserve	3,904
Reverse Mortgage LVR greater than 100%[3]	(2,579)
Adjustment under the corresponding deductions approach - individual stakes exceeding 10%	(5,077)
Total CET1 capital	**961,346**
AT1 capital	–
Total Tier 1 capital	**961,346**
Tier 2 Capital	
NZD subordinated notes[4]	100,000
Foreign currency translation reserve	55,443
Total Tier 2 capital	**155,443**
Total capital	**1,116,789**

[1]Excludes foreign currency translation reserve which is included within Tier 2 Capital.

[2]Related to fair value gains and losses on reverse mortgages upfront commissions. Refer to Note 19 - Fair value for further details.

[3]Australian reverse mortgage loan-to-value ratios (**LVRs**) for capital adequacy purposes are required to be calculated in accordance with APS112 Capital Adequacy: Standardised Approach to Credit Risk, which requires the property valuation to be the value at origination or, where relevant, on a subsequent formal revaluation. This has the effect of generally overstating LVRs in Australia as property values are not periodically updated (as compared to New Zealand) and therefore, some reverse mortgages in Australia are calculated with a LVR greater than 100% under this methodology. Had the Australian reverse mortgage property values been valued on the same basis as New Zealand reverse mortgage property values for LVR purposes, there would be no loans with LVR greater than 100%.

[4]Classified as a liability under NZ GAAP and excludes capitalised transaction costs.

(b) Capital structure

The following details summarise each instrument included within Total Capital. None of these instruments are subject to phase-out from eligibility as capital under the RBNZ's Basel III transitional arrangements.

Ordinary shares

In accordance with BPR110, ordinary share capital is classified as CET1 capital. The ordinary shares have no par value. Each ordinary share of the Bank carries the right to vote on a poll at meetings of shareholders, the right to an equal share in dividends authorised by the Board and the right to an equal share in the distribution of the surplus assets of the Bank in the event of liquidation.

Retained earnings

Retained earnings is the accumulated profit or loss that has been retained in the Banking Group. Retained earnings is classified as CET1 capital.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(b) Capital structure (continued)

Reserves classified as CET1 capital

Fair value reserve	The fair value reserve comprises the changes in the fair value of investments and fair value hedge adjustments, net of tax.
Cash flow hedge reserve	The hedging reserve comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments, net of tax. Where the hedge item relating to the reserve is held against items which are not recorded at fair value on the balance sheet, the reserve is a deduction from CET1 capital.
Common control reserve	Common control reserve represents the difference between the consideration paid and the share capital of the transferred entities based on carrying amounts at the date of transfer.

Tier 2 capital

Tier 2 capital comprises foreign exchange translation reserve and subordinated debt securities as per BPR110.

Subordinated notes - Tier 2 capital

NZD Subordinated notes

Refer to Note 14 - Borrowings for further details.

Foreign currency translation reserve

The foreign currency translation reserve arises from the translation of financial statements of foreign operations into the presentation currency of the reporting entity. This reserve includes the cumulative gains and losses resulting from the translation of assets, liabilities, income, and expenses at different exchange rates.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(c) Credit risk for the Banking Group

On balance sheet exposures

	Total Exposure After Credit Risk Mitigation $000's	Risk Weight %	Risk Weighted Exposure $000's
June 2026			
Sovereigns and central banks	471,456	0%	—
Multilateral development banks and other international organisations	149,770	0%	—
	9,094	20%	1,819
Public sector entities	84,031	20%	16,806
Banks	14,696	10%	1,470
	461,281	20%	92,256
	27,517	50%	13,759
Corporate	8,918	20%	1,784
	221,940	85%	188,649
	1,814,337	100%	1,814,337
	6,002	150%	9,003
Residential mortgages not past due			
	10,609	20%	2,122
	3,506	25%	876
	4,085	30%	1,226
	42,329	35%	14,815
	3,119	40%	1,248
	280	45%	126
Reverse mortgages	710,333	40%	284,133
	3,356,741	50%	1,678,371
	67,635	80%	54,108
	167,512	100%	167,512
Past due residential mortgages	1,099	100%	1,099
	24,300	150%	36,450
Other past due assets	986	20%	197
	12,447	30%	3,734
	34,030	100%	34,030
	34,848	150%	52,272
Equity holdings in the Business Growth Fund that qualify for 250% risk weight	—	250%	—
Equity holdings (not deducted from capital) included in the NZX50 or overseas equivalent index	—	300%	—
All other equity holdings (not deducted from capital)	115	400%	460
Other assets	1,295,795	100%	1,295,795
Non risk weighted assets	294,032	0%	—
Total on balance sheet exposures	**9,332,843**		**5,768,457**

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(c) Credit risk for the Banking Group (continued)

Off balance sheet exposures

$000's	Total Exposure $000's	Credit Conversion Factor %	Credit Equivalent Amount $000's	Average Risk Weight %	Risk Weighted Exposure $000's
June 2026					
Direct credit substitute	4,808	100%	4,808	100%	4,808
Commitments with certain drawdown as per APS 112	242,414	100%	242,414	50%	121,508
Performance-related contingency	2,145	50%	1,073	100%	1,073
Other commitments where original maturity is more than one year	359,736	50%	179,868	79%	141,619
Other commitments where original maturity is less than or equal to one year	1	20%	—	100%	—
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	35,536	0%	—	0%	—
Other commitments as per APS 112	159,029	40%	63,612	50%	31,783
Counterparty credit risk[1]					
Foreign exchange contracts	—	N/A	—	0%	—
Interest rate contracts	1,029,562	N/A	1,734	39%	668
Credit valuation adjustment	N/A	N/A	N/A	N/A	538
Total off balance sheet exposures	**1,833,231**		**493,509**		**301,997**

[1]The credit equivalent amount for market related contracts was calculated using the current exposure method.

Qualifying Central Counterparty (QCCP) exposures

As at 30 June 2026, the Banking Group does not have any exposures arising from trades settled on Qualifying Central Counterparties.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(d) Additional mortgage information – LVR range

$000's	On Balance Sheet Exposures[1]	Off Balance Sheet Exposures[2]	Total Exposures
June 2026			
Does not exceed 80%	4,332,632	533,407	4,866,039
Exceeds 80% and not 90%	28,004	118	28,122
Exceeds 90%	33,491	851	34,342
Total exposures for the Banking Group	**4,394,127**	**534,376**	**4,928,503**

[1]Total on balance sheet exposures exclude the fair value adjustment.

[2]Off balance sheet exposures means unutilised limits.

At 30 June 2026, there were no Welcome Home loans whose credit risk is mitigated by the Crown included in "Exceeds 90% residential mortgages". For capital adequacy calculations only the value of the first mortgages over residential property is included in the LVR calculation, in accordance with BPR131.

(e) Reconciliation of mortgage related amounts

$000's	Note	June 2026
Finance receivables - reverse mortgages[1]	19	4,329,956
Loans and advances - loans with residential mortgages	22(d)	60,892
Loans and advances - corporate lending secured on residential mortgages	22(d)	3,333
On balance sheet residential mortgage exposures subject to the standardised approach		**4,394,181**
Less: collective provision for impairment	22(c)	(54)
On balance sheet residential mortgage exposures after collective provision	29(d)	**4,394,127**
Off balance sheet mortgage exposures subject to the standardised approach	29(d)	534,376
Total residential exposures subject to the standardised approach		**4,928,503**

[1]Excludes the fair value adjustment.

(f) Credit risk mitigation

As at 30 June 2026, the Banking Group had $0.6 million of Welcome Home Loans (2025: $0.9 million), $4.7 million of BFGS loans (2025: $16.3 million) and NIWE loans of $19.8 million (2025: $25.4 million) whose credit risk is mitigated by the Crown.

The Banking Group also has eligible collateral paid from its correspondent banks in relation to derivatives it holds on its balance sheet, however no benefit has been attributed to the risk weighted assets held against these exposures.

(g) Operational risk

The Banking Group's implied RWEs in the below table are calculated in accordance with BPR150: Standardised Operational Risk.

$000's	Implied Risk Weighted Exposure	Total Operational Risk Capital Requirement
June 2026		
Operational risk	492,125	39,370

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(h) Market risk

The Banking Group's aggregate market exposure is derived in accordance with BPR140 as presented in the below table. Peak end-of-day capital charge disclosure is derived by taking the highest daily market exposure over the six months ended 30 June 2026. Interest rate, foreign exchange, and equity risks are calculated using a combination of static monthly and daily data sets.

$000's	Implied Risk Weighted Exposure	Aggregate Capital Charge
June 2026		
Market risk end-of-period capital charge		
Equity risk	113	9
Interest rate risk	132,900	10,632
Foreign currency risk	—	—
Market risk peak end-of-day capital charge		
Equity risk	113	9
Interest rate risk	145,913	11,673
Foreign currency risk	—	—

(i) Total capital requirement

$000's	Total Exposure After Credit Risk Mitigation	Risk Weighted Exposure or Implied Risk Weighted Exposure	Total Capital Requirement
June 2026			
Total credit risk + equity[1]	10,872,042	6,070,454	576,693
Operational risk	N/A	492,125	46,752
Market risk	N/A	133,013	12,636
Total	**10,872,042**	**6,695,592**	**636,081**

[1]Excludes non risk weighted assets not subject to credit risk.

Total capital requirement in the above table is based on 9.0% RBNZ minimum and an additional 0.5% overlay in accordance with the Bank's Conditions of Registration.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(j) Capital ratios

%	June 2026	June 2025
Capital ratios compared to minimum ratio requirements[1]		
Common Equity Tier 1 capital ratio	14.36%	14.99%
Minimum Common Equity Tier 1 capital ratio	5.00%	6.50%
Tier 1 capital ratio	14.36%	14.99%
Minimum Tier 1 capital ratio	7.50%	9.00%
Total capital ratio	16.68%	16.46%
Minimum Total capital ratio	9.50%	11.00%
Prudential capital buffer ratio[2]		
Prudential capital buffer ratio	6.86%	5.46%
Buffer trigger ratio	3.50%	2.50%

[1] Effective 1 March 2026 the minimum Total, Tier 1 and Common Equity Tier 1 Capital Ratios decreased from 11.0% to 9.5%, 9.0% to 7.5% and 6.5% to 5.0% respectively. In addition, the minimum ratios above include an additional 0.5% overlay in accordance with the Bank's Conditions of Registration.

[2] Effective 1 July 2025, the prudential capital buffer ratio was increased from 2.5% to 3.5%, in accordance with the Bank's Conditions of Registration.

(k) Solo capital adequacy

%	June 2026	June 2025
Capital ratios		
Common Equity Tier 1 capital ratio	14.32%	13.69%
Tier 1 capital ratio	14.32%	13.69%
Total capital ratio	16.57%	15.88%

(l) Capital for other material risks

As at 30 June 2026, the Banking Group has identified no material risks requiring additional capital allocation (2025: nil).

(m) Regulatory liquidity ratios

RBNZ requires banks to hold minimum amounts of liquid assets to help ensure they effectively manage their liquidity risks. The mismatch ratio is a measure of a bank's liquid assets, adjusted for contractual cash inflows and outflows during a one-month or one-week period of stress. It is expressed as a ratio over the bank's total funding. The Banking Group must maintain its one-month and one-week mismatch ratios above zero percent. The below one-month and one-week mismatch ratios are averaged over the quarter.

RBNZ requires banks to hold a minimum amount of funding from stable sources called core funding. The minimum amount of core funding is 75% of a bank's total loans. The Banking Group must maintain its core funding ratio above the regulatory minimum. The below measure of the core funding ratio is averaged over the quarter.

	Average for the 3 Months Ended	
	June 2026	March 2026
One-week mismatch ratio	13.35%	12.97%
One-month mismatch ratio	13.17%	12.50%
Core funding ratio	91.83%	92.44%

30 Securitisation, funds management and other fiduciary activities

Securitisation

The Banking Group securitises its motor vehicle loan receivables and reverse mortgage loans as a funding and liquidity tool. Securitisation structured entities, controlled by the Banking Group are consolidated.

As at 30 June 2026, the Banking Group had $892.3 million securitised assets (2025: $727.6 million). Refer to Note 27 - Structured entities for further details.

There have been no other material changes to the Banking Group's involvement in securitisation activities, not already disclosed within these financial statements.

Insurance business

The Banking Group no longer conducts any insurance business following the cancellation of MIL's insurer license by RBNZ effective 27 June 2025.

Funds management and other fiduciary activities

The Banking Group, through Heartland PIE Fund Limited, controls, manages and administers the Heartland PIE Fund and its products (Heartland Call PIE and Heartland Term Deposit PIE). Note 27 - Structured entities has further details. The Heartland Cash and Term PIE Fund deals with the Bank in the normal course of business, in the Bank's capacity as Registrar of the Fund and also invests in the Bank's deposits. The Banking Group is considered to control the Heartland Cash and Term PIE Fund, and as such the Heartland Cash and Term PIE Fund is consolidated within the financial statements of the Banking Group.

Risk management

The Banking Group has in place policies and procedures to ensure that the fiduciary activities identified above are conducted in an appropriate manner. It is considered that these policies and procedures will ensure that any difficulties arising from these activities will not impact adversely on the Banking Group. The policies and procedures include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management and internal auditors. Further information on the Banking Group's risk management policies and practices is included in Note 20 Enterprise risk management program.

Provision of financial services and asset purchases

Over the accounting period, financial services provided by the Banking Group to entities which were involved in the activities above (including trust, custodial, funds management and other fiduciary activities) were provided in the ordinary course of business and at fair value.

Any assets purchased from such entities have been purchased in the ordinary course of business on arm's length terms and conditions and at fair value.

Peak aggregate funding to entities

The Banking Group did not provide any funding to entities conducting funds management and other fiduciary activities, or insurance product or marketing and distribution activities described in this note, during the year (2025: nil).

30 Securitisation, funds management and other fiduciary activities (continued)

The Bank provided the following funding in relation to securitisation entities.

	Peak end-of-day aggregate amount of funding provided ($000's)		Peak end-of-day aggregate amount of funding provided as a percentage of the Banking Group's Tier 1 Capital as at the end of the year	
	June 2026	**June 2025**	**June 2026**	**June 2025**
Total Trusts	555,270	1,248,334	57.8%	133.9%

For this purpose, peak ratio information was derived by determining the maximum end-of-day aggregate amount of funding over the financial year and then dividing that amount by the amount of the Banking Group's Tier 1 Capital as at the end of the year.

	Peak end-of-day aggregate amount of funding provided ($000's)		Peak end-of-day aggregate amount of funding provided as a percentage of the total assets of the individual entity as at the end of the year	
	June 2026	**June 2025**	**June 2026**	**June 2025**
HARWT[1]	149,924	373,185	86.4%	196.7%
SWT2[1]	366,037	594,333	58.8%	132.0%
Atlas Trust	143,365	142,646	72.4%	84.6%
StockCo Trust[2]	–	140,940	N/A	N/A

[1]Total assets as at 30 June 2026 were lower compared to the timing of the peak end-of-day aggregate amount of funding provided due to repurchase of securitised assets during the financial year ended 30 June 2026.

[2]StockCo Trust securitisation facility limit was cancelled on 18 November 2024, with subsequent full repayment of its securitised borrowings and repurchase of livestock finance receivables by HBA during the year.

For this purpose, peak ratio information was derived by determining the maximum end-of-day aggregate amount of funding over the financial year and then dividing that amount by the amount of the entity's assets as at the end of the year.

31 Offsetting financial instruments

The Banking 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 Banking Group enters into contractual arrangements with counterparties to manage the credit risks associated primarily with over-the-counter derivatives. The Banking 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 Banking Group or the counterparty needs to collateralise the market value of outstanding derivative transactions. As at 30 June 2026, the Banking 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**

32 Contingent liabilities and commitments

In the ordinary course of its business, the Banking Group is subject to contingent risks and potential liabilities. The Banking 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 Banking 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 Banking 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**

33 Events after reporting date

The Bank resolved to pay a cash dividend to its parent company HGH of $33 million on its ordinary shares 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 Banking Group's financial position, results of its operations or its state of affairs in subsequent periods.

Independent auditor's report

To the shareholder of Heartland Bank Limited

Our opinion

In our opinion, the accompanying:

- consolidated financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order), of Heartland Bank Limited (the Bank), including its subsidiaries (the Banking Group), present fairly, in all material respects, the financial position of the Banking 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); and
- information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the Supplementary Information), in all material respects:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with those schedules.

What we have audited

- The Banking Group's consolidated financial statements (the Financial Statements) required by clause 24 of the Order, 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, excluding the information disclosed in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Order within the statement of financial position and notes 20, 21, 22, 23, 24, 29 and 30, comprising material accounting policy information and other explanatory information.
- The Supplementary Information within the statement of financial position and notes 20, 21, 22, 23, 24, 29 and 30 of the Financial Statements for the year ended 30 June 2026 of the Banking Group.

We have not audited the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order within note 29 of the Financial Statements and our opinion does not extend to this 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 and the Supplementary Information* 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 Banking 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.

In our capacity as auditor and assurance practitioner, our firm also provides review, other assurance and other services for the Banking Group. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The firm has no other relationship with, or interests in, the Banking 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 and the Supplementary Information of the current year. These matters were addressed in the context of our audit of the Financial Statements and the Supplementary Information 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 Banking Group's provision for impairment of finance receivables totalled $54.0 million at 30 June 2026 as disclosed in note 22 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 Banking 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 Banking 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 Banking 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 Banking 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 Banking 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 Banking 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 Banking Group's fair value of finance receivables – reverse mortgages ("Reverse mortgages") totalled $4.4 billion at 30 June 2026 as disclosed in note 19 of the Financial Statements. Reverse mortgages are held at fair value through profit or loss.

Previously, the Banking 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 Banking 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 Banking 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 Banking 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 Banking Group's assessment of the fair value of Reverse mortgages.

In addition, our audit procedures included:

- Assessing the reasonableness of the Banking 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 Banking 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 17 of the Financial Statements.

The carrying value of goodwill is a key audit matter as it is a significant intangible asset in the Banking 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 Banking Group has allocated the goodwill to the Heartland Bank Australia Limited cash generating unit

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;

(CGU), at which level impairment is assessed. The Banking 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.	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 Banking 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 20 of the Financial Statements. The Banking 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 Banking 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 the two identified components of the Banking Group (New Zealand and Australia).

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 and the Supplementary Information. 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 and the Supplementary Information 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 and the Supplementary Information.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Banking Group materiality for the Financial Statements and the Supplementary Information 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 and the Supplementary Information 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 and the Supplementary Information as a whole, taking into account the structure of the Banking Group, the accounting processes and controls, and the industry in which the Banking Group operates.

We performed a full scope audit of the Banking Group's two components (New Zealand and Australia), which we considered are both financially significant in the context of the Banking Group. The full scope audit of the Australia component was performed by a PwC network firm operating under our instructions.

Our involvement with the PwC network firm auditing the Australia 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.

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 Banking Group to provide a basis for our opinion on the Banking Group's Financial Statements and the Supplementary Information.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Disclosure Statement presented in accordance with Schedule 2 of the Order on pages 3 to 6, 104, 115 to 128, the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order within note 29, the information relating to the New Zealand Banking Group disclosures, and the Climate Statement, but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon. Other than the Climate Statement which we will receive at a later date, we have received all the other information expected to be included in the Disclosure Statement.

Our opinion on the Financial Statements and the Supplementary Information does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon. We issue a separate limited assurance report on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order. We also issue a separate limited assurance report on the Scope 1 and Scope 2 greenhouse gas emissions disclosures included in the Climate Statement.

In connection with our audit of the Financial Statements and the Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the Supplementary Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Disclosure Statement

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with NZ IFRS, IFRS Accounting Standards and clause 24 of the Order, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Disclosure Statement, which includes:

- all of the information prescribed in Schedule 2 of the Order; and
- the information prescribed in Schedules 4, 7, 9, 13, 14, 15 and 17 of the Order.

In preparing the Financial Statements, the Directors are responsible for assessing the Banking 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 Banking Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information, 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 and the Supplementary Information.

A further description of our responsibilities for the audit of the Financial Statements and the Supplementary Information 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 Bank's shareholder. 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 Bank and the Bank's shareholder, 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 | Auckland
19 August 2026

Independent assurance report

To the shareholder of Heartland Bank Limited

Limited assurance report on compliance with the information required on capital adequacy and regulatory liquidity requirements

Our conclusion

We have undertaken a limited assurance engagement on Heartland Bank Limited (the Bank)'s compliance, in all material respects, with clause 21 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order) which requires information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its full year Disclosure Statement for the year ended 30 June 2026 (the Disclosure Statement). The Disclosure Statement containing the information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder of the Bank.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank’s information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order and disclosed in note 29 of the financial statements, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusion

We conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* (SAE 3100 (Revised)) issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Directors’ responsibilities

The Directors are responsible on behalf of the Bank for:

- compliance with the Order, including clause 21 of the Order which requires information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements to be included in the Disclosure Statement;
- the identification of risks that may threaten compliance with that clause;
- implementing and operating controls which would mitigate those risks; and
- monitoring ongoing compliance.

Our independence and quality management

We have complied with the independence and other ethical requirements of 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, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In our capacity as auditor and assurance practitioner, our firm also provides audit, review, other assurance and other services for the Bank and its subsidiaries (the Banking Group). In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The firm has no other relationship with, or interests in, the Banking Group.

Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the Bank, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 21 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement, we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the RBNZ) prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the annual financial statements; and
- agreed the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on the Bank’s compliance with the compliance requirements.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with the compliance requirements may occur and not be detected.

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 21 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report

This report has been prepared for use by the Bank’s shareholder for the purpose of establishing that these compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Bank and the Bank’s shareholder, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance report is Karen Shires.

For and on behalf of:

PricewaterhouseCoopers

PricewaterhouseCoopers
19 August 2026

Auckland

Historical Summary of Financial Statements

For the year ended 30 June 2026

$000's	Audited June 2026	Audited June 2025	Audited June 2024	Audited June 2023	Audited June 2022
Interest income	664,643	705,864	506,793	372,688	275,770
Interest expense	327,013	398,770	284,405	158,027	66,205
Net interest income	**337,630**	**307,094**	**222,388**	**214,661**	**209,565**
Other net income	22,063	20,829	16,127	12,458	33,704
Net operating income	**359,693**	**327,923**	**238,515**	**227,119**	**243,269**
Operating expenses	189,315	182,254	116,302	101,337	96,203
Profit before impaired asset expense and income tax	**170,378**	**145,669**	**122,213**	**125,782**	**147,066**
Net fair value gain/(loss) on investments and investment property	3,055	1,623	(1,595)	–	(315)
Losses on guaranteed future value products	–	1,504	–	–	–
Impaired asset expense	33,534	71,638	46,313	22,891	14,692
Profit before income tax	**139,899**	**74,150**	**74,305**	**102,891**	**132,059**
Income tax expense	39,824	22,494	21,785	28,389	36,068
Profit for the year	**100,075**	**51,656**	**52,520**	**74,502**	**95,991**
Dividends paid to equity holders	56,350	33,750	65,500	60,000	35,500

As at 30 June 2026

$000's	June 2026	June 2025	June 2024	June 2023	June 2022
Total assets	9,358,106	8,621,764	9,271,787	5,561,808	5,154,652
Individually impaired assets	87,331	91,318	96,468	52,955	66,183
Total liabilities	8,051,189	7,428,475	8,075,397	4,833,072	4,447,149
Total equity	1,306,917	1,193,289	1,196,390	728,736	707,503

The information presented in the above table has been extracted from audited financial statements of the Banking Group. The amounts for the periods from the financial year ended 30 June 2024 to the financial year ended 30 June 2022 are not comparable with the information presented for the years ended 30 June 2025 and 30 June 2026 due to HBL's acquisition of HBA and transfer of Heartland Australia Holdings Pty Limited (**HAH**) and its controlled entities from HGH to HBA during the year ended 30 June 2024.

New Zealand Banking Group disclosures - unaudited

For the year ended 30 June 2026

Basis of preparation

These disclosures are presented for the New Zealand Banking Group (**NZ Banking Group**) for the year ended 30 June 2026.

In accordance with the Conditions of Registration (**CoR**) for Heartland Bank Limited, the NZ Banking Group is defined as all entities included in its Banking Group that are incorporated or otherwise established in New Zealand, but not including Marac Insurance Limited (**MIL**), which is consistent with the consolidation of subsidiaries for capital ratio calculations. As such, MIL and Heartland Bank Australia Limited (**HBA**) and its subsidiaries do not form part of the NZ Banking Group and are, therefore, excluded from consolidation for purposes of these disclosures.

The disclosures have been prepared based on the accounting policies that are consistent with the Banking Group financial statements, with the exception of principles of aggregation.

The CoR contains specific requirements applicable to the NZ Banking Group. These disclosures are mainly focused on the NZ Banking Group's enterprise risk management including market, liquidity, balance sheet structure and operational risks, and contain relevant information that is considered appropriate by the Directors and is in accordance with the CoR requirements for the NZ Banking Group applicable as at 30 June 2026.

These disclosures are presented in New Zealand dollars which is HBL's functional and presentation currency. Unless otherwise indicated, amounts are rounded to the nearest thousand dollars.

1 Enterprise Risk Management

The board of directors (the **Board**) sets and monitors the NZ Banking Group's risk appetite across the primary risk domains of credit, capital, liquidity, market (including interest rate, foreign exchange and equity valuations), continuity, conduct and compliance, and people risk. Management is, in turn, 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 and Framework document (**RMS&F**).

Refer to Note 20 - Enterprise risk management program of the Banking Group's financial statements for further information in relation to the role of the Board, the Board Risk Committee, the Executive Risk Committee, and the Internal audit function.

Asset and Liability Committee (ALCO)

The ALCO is a NZ Banking Group management committee that reports to the Board of Directors through BRC. It comprised the HBL CEO, HBL CFO, HBL CRO, HBL Chief Commercial Officer (**CCO**), HBL Group Treasurer and HBL General Manager Retail & Reverse Mortgages. The ALCO has responsibility for managing the NZ Banking Group's market risk, liquidity and funding risk, pricing, balance sheet structure and capital risk, in line with approved risk tolerances and policy guidance. Refer to Note 20 - Enterprise risk management program of the Banking Group's financial statements for further information in relation to ALCO's responsibilities.

New Zealand Banking Group disclosures - unaudited (continued)

1 Enterprise Risk Management (continued)

The NZ Banking Group categorises its key risks as financial and non-financial, reflecting its overarching approach to risk management. Financial risks comprise profit risk, balance sheet risk, funding, liquidity and market risks. Market risk is the possibility of experiencing losses or gains due to factors affecting the overall performance of financial markets in which the NZ Banking Group is exposed. The primary market risk exposures for the NZ Banking Group are interest rate risk and foreign exchange risk.

ALCO is responsible for providing senior management oversight of market risk by ensuring that adequate controls, processes and systems have been established to identify, measure and manage market risk.

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.

Refer to Note 20 - Enterprise risk management program of the Banking Group's financial statements for further information in relation to the NZ Banking Group's financial risks.

Non-financial risks encompass operational and compliance risks including conduct, regulatory, third party, cyber and other business interruption risks arising from day-to-day operational activities in the execution of the NZ Banking Group strategy which may result in direct or indirect loss.

Operational and compliance risk losses can occur as a result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events due to regulatory, cyber and other business interruption risks which may affect NZ Banking Group's ability to maintain continuity of service. 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.

Refer to Note 20 - Enterprise risk management program of the Banking Group's financial statements for further information in relation to the roles and responsibilities for operational and compliance risk management.

Climate-related risks

Climate-related risks are integrated into the NZ Banking Group's overall risk management strategy and processes. Refer to Note 20 - Enterprise risk management program of the Banking Group's financial statements for further information in relation to the climate-related risk management, governance and strategy.

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited

The RBNZ minimum regulatory capital requirements for banks have been established under the RBNZ Capital Adequacy Framework, outlined in the "Banking Prudential Requirements" (**BPRs**) documents. These documents are based on the international framework developed by the Bank for International Settlements Committee on Banking Supervision, commonly known as Basel III. These requirements define what is acceptable as capital and provide methods of measuring the risks incurred by the banks in New Zealand. Basel III consists of three pillars:

- Pillar One covers the capital requirements for banks for credit, operational, and market risks;
- Pillar Two covers all other material risks not already included in Pillar One; and
- Pillar Three relates to market disclosure.

RBNZ Capital Adequacy Framework

The NZ Banking Group has calculated its Risk Weighted Exposures (**RWEs**) and minimum regulatory capital requirements in accordance with the CoR and the BPR documents, where relevant. In doing so, the NZ Banking Group has applied the following methodology:

- Calculated the total credit risk as Risk Weighted Assets (**RWAs**) for the NZ Banking Group as per BPR 130: Credit Risk RWAs;
- Calculated the NZ Banking Group's capital requirement for market risk exposure as per BPR140: Market Risk; and
- Calculated the NZ Banking Group's capital requirement for operational risk as per BPR150: Standardised Operational Risk.

Total regulatory capital is divided into Tier 1 and Tier 2 capital. Tier 1 capital comprises Common Equity Tier 1 (**CET1**) capital and Additional Tier 1 (**AT1**) capital. Tier 1 capital primarily consists of shareholder's equity and other capital instruments acceptable to the RBNZ as per BPR110: Capital Definitions, less intangible assets, cash flow hedge reserves, deferred tax assets, and other prescribed deductions. Tier 2 as per BPR110: Capital Definitions comprises eligible subordinated debt securities.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of RWEs. As a Condition of Registration (1AA), the NZ Banking Group must comply with the following minimum requirements set by the RBNZ:

- Total capital must not be less than 9.5% of RWE[1]
- Tier 1 capital must not be less than 7.5% of RWE[1]
- CET1 capital must not be less than 5.0% of RWE[1]
- NZ Banking Group capital must not be less than NZ$30 million

[1] Includes the RBNZ's 0.5% capital overlay attached to the Bank's CoR.

In addition, if the Prudential Capital Buffer (**PCB**) ratio is less than 3.5%, the NZ Banking Group must limit aggregate distributions, other than discretionary payments payable to holders of AT1 capital instruments, to the limits set out within the Bank's CoR.

Including the PCB, the NZ Banking Group's minimum total capital requirement is 13.0%. On 17 December 2025, the RBNZ released its decisions on the new capital settings applying to deposit takers. This requires Group 2 deposit takers in New Zealand to gradually transition their Total Capital ratio to 14.0% by December 2028. The NZ Banking Group Total Capital ratio is 16.57% as at 30 June 2026, above this minimum requirement. As part of the phasing increase in capital buffers, from 1 July 2026 the conservative buffer increases from 3.5% to 4.5%. The NZ Banking Group's total PCB is 2.32% above this buffer.

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

Capital management

The Board has overall responsibility for ensuring the NZ Banking Group has adequate capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum.

The Bank's objectives for the management of capital are to:

- Maintain a strong capital base to cover the inherent risks of the business in excess of that required by credit ratings agencies to maintain a strong credit rating;
- Support the future development and growth of the business; and
- Comply at all times with the regulatory capital requirements set by the RBNZ.

The Bank's Capital Management Framework includes its:

- Internal Capital Adequacy Assessment Process (**ICAAP**);
- Capital Stress Testing Policy; and
- Capital Management Plan (**CMP**).

The Bank has an ICAAP which complies with the requirements set out in BPR100 and is in accordance with its CoR. The ICAAP identifies the capital required to be held against other material risks, being strategic business risk, reputational risk, regulatory risk and additional credit risk which is assisted through stress testing conducted in accordance with the Capital Stress Testing policy.

The Bank actively monitors its capital adequacy through ALCO and reports this on a regular basis to the Board. This includes forecasting capital requirements to ensure any future capital requirements can be executed in a timely manner. The NZ Banking Group uses a mix of capital instruments to reduce single source reliance and to optimise the NZ Banking Group's mix of capital. ICAAP, CMP and Capital Stress Testing Policy are reviewed annually by the Board.

The capital adequacy tables set out on the following pages summarise the composition of regulatory capital and the capital adequacy ratios for the NZ Banking Group as at 30 June 2026.

(a) Capital

$000's	**June 2026**
Tier 1 Capital	
CET1 capital	
Paid-up ordinary shares issued by the Banking Group plus related share premium	1,045,060
Retained earnings (net of appropriations)	133,862
Accumulated other comprehensive income and other disclosed reserves	(3,472)
Less deductions from CET1 capital	
Intangible assets	(64,955)
Deferred tax assets	(15,132)
Cash flow hedge reserve	3,904
Reverse Mortgage LVR greater than 100%	(273)
Adjustment under the corresponding deductions approach - investments in unconsolidated subsidiaries	(462,123)
Total CET1 capital	**636,871**
AT1 capital	—
Total Tier 1 capital	**636,871**
Tier 2 Capital	
Tier 2 capital instruments[1]	100,000
Total Tier 2 capital	**100,000**
Total capital	**736,871**

[1] Classified as a liability under NZ GAAP and excludes capitalised transaction costs. Refer to Note 29 - Capital adequacy and regulatory liquidity ratios - unaudited of the Banking Group's Financial statements for further details.

Refer to Note 29 - Capital adequacy and regulatory liquidity ratios - unaudited of the Banking Group's Financial statements for further details on the capital structure.

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(b) Credit risk

On balance sheet exposures

	Total Exposure After Credit Risk Mitigation $000's	Risk Weight %	Risk Weighted Exposure $000's
June 2026			
Sovereigns and central banks	51,354	0%	—
Multilateral development banks and other international organisations	149,770	0%	—
	9,094	20%	1,819
Public sector entities	84,031	20%	16,806
Banks	186,255	20%	37,251
	5,129	50%	2,564
Corporate	8,918	20%	1,784
	1,765,822	100%	1,765,822
Residential mortgages not past due			
	40,263	35%	14,092
	2,892	40%	1,157
Reverse mortgages	710,333	40%	284,133
	650,961	50%	325,481
	67,635	80%	54,108
	10,617	100%	10,617
Past due residential mortgages	856	100%	856
Other past due assets	986	20%	197
	12,447	30%	3,734
	34,030	100%	34,030
	11,796	150%	17,694
Equity holdings in the Business Growth Fund that qualify for 250% risk weight	—	250%	—
Equity holdings (not deducted from capital) included in the NZX50 or overseas equivalent index	—	300%	—
All other equity holdings (not deducted from capital)	115	400%	460
Other assets	1,282,794	100%	1,282,794
Non risk weighted assets	542,483	0%	—
Total on balance sheet exposures	**5,628,581**		**3,855,399**

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(b) Credit risk (continued)

Off balance sheet exposures

	Total Exposure $000's	Credit Conversion Factor %	Credit Equivalent Amount $000's	Average Risk Weight %	Risk Weighted Exposure $000's
June 2026					
Direct credit substitute	4,808	100%	4,808	100%	4,808
Performance-related contingency	2,145	50%	1,072	100%	1,072
Other commitments where original maturity is more than one year	359,736	50%	179,868	79%	141,619
Other commitments where original maturity is less than or equal to one year	1	20%	—	100%	—
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	35,536	0%	—	0%	—
Counterparty credit risk[1]					
Foreign exchange contracts	—	N/A	—	0%	—
Interest rate contracts	1,029,562	N/A	1,734	39%	668
Credit valuation adjustment	N/A	N/A	N/A	N/A	538
Total off balance sheet exposures	**1,431,788**		**187,482**		**148,705**

[1]The credit equivalent amount for market related contracts was calculated using the current exposure method.

Qualifying Central Counterparty (QCCP) exposures

As at 30 June 2026, the NZ Banking Group does not have any exposures arising from trades settled on Qualifying Central Counterparties.

(c) Additional mortgage information - LVR range

$000's	On Balance Sheet Exposures	Off Balance Sheet Exposures[1]	Total Exposure
June 2026			
Does not exceed 80%	1,472,939	132,823	1,605,762
Exceeds 80% and not 90%	8,457	110	8,567
Exceeds 90%	2,434	—	2,434
Total exposures	**1,483,830**	**132,933**	**1,616,763**

[1] Off balance sheet exposures means unutilised limits.

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(c) Additional mortgage information - LVR range (continued)

At 30 June 2026, there were no Welcome Home loans whose credit risk is mitigated by the Crown included in "Exceeds 90% residential mortgages". For capital adequacy calculations only the value of the first mortgages over residential property is included in the LVR calculation, in accordance with BPR131.

(d) Reconciliation of mortgage related amounts

$000's	June 2026
Finance receivables - reverse mortgages	1,440,675
Loans and advances - loans with residential mortgages	39,874
Loans and advances - corporate lending secured on residential mortgages	3,333
On balance sheet residential mortgage exposures subject to the standardised approach	**1,483,882**
Less: collective provision for impairment	(52)
On balance sheet residential mortgage exposures after collective provision	**1,483,830**
Off balance sheet mortgage exposures subject to the standardised approach	132,933
Total residential exposures subject to the standardised approach	**1,616,763**

(e) Credit risk mitigation

As at 30 June 2026, the NZ Banking Group had $0.6 million of Welcome Home Loans (2025: $0.9 million), $4.7 million of BFGS loans (2025: $16.3 million) and $19.8 million of NIWE loans (2025: $25.4 million) whose credit risk is mitigated by the Crown.

The NZ Banking Group also has eligible collateral paid from its correspondent banks in relation to derivatives it holds on its balance sheet, however no benefit has been attributed to the risk weighted assets held against these exposures.

(f) Operational risk

NZ Banking Group's implied RWEs in the below table are calculated in accordance with BPR150: Standardised Operational Risk.

$000's	Implied Risk Weighted Exposure	Total Operational Risk Capital Requirement
June 2026		
Operational risk	339,488	27,159

(g) Market risk

NZ Banking Group's aggregate market exposure is derived in accordance with BPR140 as presented in the below table. Peak end-of-day capital charge disclosure is derived by taking the highest daily market exposure over the six months ended 30 June 2026. Interest rate, foreign exchange, and equity risks are calculated using a combination of static monthly and daily data sets.

$000's	Implied Risk Weighted Exposure	Aggregate Capital Charge
June 2026		
Market risk end-of-period capital charge		
Equity risk	113	9
Interest rate risk	102,975	8,238
Foreign currency risk	—	—
Market risk peak end-of-day capital charge		
Equity risk	113	9
Interest rate risk	122,950	9,836
Foreign currency risk	—	—

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(h) Total capital requirement

$000's	Total Exposure After Credit Risk Mitigation	Risk Weighted Exposure or Implied Risk Weighted Exposure	Total Capital Requirement
June 2026			
Total credit risk + equity[1]	6,517,886	4,004,104	380,390
Operational risk	N/A	339,488	32,251
Market risk	N/A	103,088	9,793
Total	**6,517,886**	**4,446,680**	**422,434**

[1]Excludes non risk weighted assets not subject to credit risk.

Total capital requirement in the above table is based on 9.0% RBNZ minimum and an additional 0.5% overlay in accordance with the Bank's Conditions of Registration.

(i) Capital for other material risks

As of 30 June 2026, the NZ Banking Group has identified no material risks requiring additional capital allocation (June 2025: nil).

(j) Capital ratios

%	June 2026	June 2025
Capital ratios compared to minimum ratio requirements[1]		
Common Equity Tier 1 capital ratio	14.32%	13.69%
Minimum Common Equity Tier 1 capital ratio	5.00%	6.50%
Tier 1 capital ratio	14.32%	13.69%
Minimum Tier 1 capital ratio	7.50%	9.00%
Total capital ratio	16.57%	15.88%
Minimum Total capital ratio	9.50%	11.00%
Prudential capital buffer ratio[2]		
Prudential capital buffer ratio	6.82%	4.69%
Buffer trigger ratio	3.50%	2.50%

[1] Effective 1 March 2026 the minimum Total, Tier 1 and Common Equity Tier 1 Capital Ratios decreased from 11.0% to 9.5%, 9.0% to 7.5% and 6.5% to 5.0% respectively. In addition, the minimum ratios above include an additional 0.5% overlay in accordance with the Bank's Conditions of Registration.

[2] Effective 1 July 2025, the prudential capital buffer ratio was increased from 2.5% to 3.5%, in accordance with the Bank's Conditions of Registration.

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(k) Regulatory liquidity ratios

RBNZ requires banks to hold minimum amounts of liquid assets to help ensure they effectively manage their liquidity risks. The mismatch ratio is a measure of a bank's liquid assets, adjusted for contractual cash inflows and outflows during a one-month or one-week period of stress. It is expressed as a ratio over the bank's total funding. The NZ Banking Group must maintain its one-month and one-week mismatch ratios above zero percent. The below one-month and one-week mismatch ratios are averaged over the quarter.

RBNZ requires banks to hold a minimum amount of funding from stable sources called core funding. The minimum amount of core funding is 75% of a bank's total loans. The NZ Banking Group must maintain its core funding ratio above the regulatory minimum. The below measure of the core funding ratio is averaged over the quarter.

Refer to section 11B of the Conditions of Registration for further details.

	Average for the 3 Months Ended	
	June 2026	March 2026
One-week mismatch ratio	8.92%	10.78%
One-month mismatch ratio	9.02%	10.68%
Core funding ratio	92.25%	92.42%

3 Credit exposures to connected persons

The NZ Banking Group's methodology for calculating credit exposure concentrations is on the basis of actual credit exposures and calculated on a gross basis (net of individual credit impairment allowances and excluding advances of a capital nature) in accordance with the Bank's Conditions of Registration and the Reserve Bank's Connected Exposures Policy (**BS8**). Peak end-of-day aggregate credit exposures to connected persons has been derived using maximum end-of-day aggregate amount of credit exposure over the year and then dividing that amount by the NZ Banking Group's Tier 1 capital as at 30 June 2026.

In accordance with the section 4A of the CoR, the NZ Banking Group's aggregate credit exposures to all connected persons must not exceed 25% of NZ Banking Group's Tier 1 capital. Exposures to connected persons are not on more favourable terms than corresponding exposures to non-connected persons.

	As at 30 June 2026	Peak End-of-Day for Year Ended 30 June 2026
Credit exposures to connected persons ($000's)	13	4,793
As a percentage of Tier 1 capital of the NZ Banking Group at the end of the year	0.00%	0.75%
Credit exposures to non-bank connected persons ($000's)	13	4,372
As a percentage of Tier 1 capital of the NZ Banking Group at the end of the year	0.00%	0.69%

As at 30 June 2026, the NZ Banking Group had no aggregate contingent exposures to connected persons arising from unfunded contingent credit protection arrangements provided by any connected persons. The aggregate amount of the NZ Banking Group's loss allowance for credit exposures to connected persons that are credit-impaired was nil at 30 June 2026.

Credit exposure to individual counterparties

The NZ Banking Group's aggregate concentration of credit exposure to individual counterparties is calculated based on the actual credit exposure. Credit exposures to connected persons, the central government or central bank of any country with a long term credit rating of A- or A3 or above, or its equivalent, and any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent are excluded.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant six month period and then dividing the amount by the NZ Banking Group's CET1 capital as at 30 June 2026.

New Zealand Banking Group disclosures - unaudited (continued)

3 Credit exposures to individual counterparties (continued)

Credit exposure to individual counterparties (continued)

	Number of Exposures as at 30 June 2026	Peak End-of-day over 6 months to 30 June 2026
Total number of exposures to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent:		
10% to less than 15% of CET1 capital	—	—
15% to less than 20% of CET1 capital	—	—
20% to less than 25% of CET1 capital	—	—
25% to less than 30% of CET1 capital	1	—
30% to less than 35% of CET1 capital	—	1
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	—	—
Total number of exposures to non-banks		
Total number of exposures to non-banks that are greater than 10% to less than 15% of CET1 capital that have a long-term credit rating of A- or A3 or above.	—	—
Total number of exposures to non-banks that are greater than 10% to less than 15% of CET1 capital that do not have a long-term credit rating.	—	—

Related party transactions and balances

Transactions with related parties

The NZ Banking Group's ultimate parent company is HGH.

The Bank has regular transactions with its ultimate parent company, fellow subsidiaries and subsidiaries (collectively known as the Heartland Group) on agreed terms. The transactions include the provision of administrative services and customer operations. Banking facilities are provided by HBL to other NZ Banking Group entities on normal commercial terms as with other customers. There is no lending from the NZ Banking Group to HGH.

Amendments to Conditions of Registration

Changes in Conditions of Registration

Effective from 1 July 2025, the Reserve Bank of New Zealand (**RBNZ**) amended the Bank's Conditions of Registration **(CoR)** as follows:

Condition	Change Summary
1B	Raising the threshold for the Prudential Capital Buffer (PCB) ratio for the Banking Group and the NZ Banking Group from 2.5% to 3.5%, which affects how HBL can distribute earnings (other than discretionary payments payable to holders of Additional Tier 1 capital instruments). If the PCB thresholds are below the limits, HBL must limit shareholder distributions according to the table below and follow the Capital Buffer Response Framework in Part D of BPR120: Capital Adequacy Process Requirements.

PCB Ratio Range (New)	PCB Ratio Range (Previous)	Distribution Limit	Response Framework
0% - 0.5%	0% - 0.5%	-%	Stage 3
>0.5% - 2%	>0.5% - 1%	30%	Stage 2
>2.0% - 3.0%	>1% - 2%	60%	Stage 1
>3% - 3.5%	>2% - 2.5%	No limit	None

Effective from 1 December 2025, the RBNZ further amended the Bank's CoR as follows:

19	For qualifying new mortgage lending in respect of property-investment residential mortgage loans, the cap for loans with a loan-to-valuation (LVR) more than 70%, increased from 5%, effective for LVR measurement period ending on or after 31 December 2024, to 10%, effective for LVR measurement period ending on or after 31 May 2026.
20	For qualifying new mortgage lending in respect of non-property-investment residential mortgage loans, the cap for loans with a LVR more than 80%, increased from 20%, effective for LVR measurement period ending on or after 31 December 2024, to 25%, effective for LVR measurement period ending on or after 31 May 2026.

Effective from 1 March 2026, the RBNZ further amended the Bank's CoR as follows:

The RBNZ reduced the minimum capital ratio requirements applicable to the Banking Group and the NZ Banking Group, as outlined below.

Condition	Change Summary
1(a) and 1 AA(a)	The minimum Total capital ratio applicable to the Banking Group and the NZ Banking Group reduced from not less than 11% to not less than 9.5%.
1(b) and 1 AA (b)	The minimum Tier 1 capital ratio applicable to the Banking Group and the NZ Banking Group reduced from not less than 9% to not less than 7.5%.
1 (c) and 1 AA (c)	The minimum Common Equity Tier 1 capital ratio applicable to the Banking Group and the NZ Banking Group reduced from not less than 6.5% to not less than 5%.

Amendments to Conditions of Registration (continued)

Changes in Conditions of Registration (continued)

Condition	Change Summary
1BAA	The reference to the Authorised Deposit-taking Institution (ADI) for the purposes of capital calculation methodology was updated from Challenger Bank Limited to Heartland Bank Australia Limited. No changes were made to the underlying capital calculation methodology.
11 and 11A	Acquisition-related transitional timing provisions were removed. Previously, certain liquidity requirements applied six months after completion of the acquisition transaction; from 1 March 2026, the liquidity requirements apply on an ongoing basis without deferral.
22(b)(iv)	The definition of "existing guarantees" was simplified. Previously, the definition included guarantees relating to approximately AUD 290 million of Medium-Term Notes and AUD 20 million of bridge finance issued by Heartland Australia Group Pty Limited. References to specific instruments and monetary amounts were removed, while the underlying restriction on the provision of guarantees without prior written non-objection from the RBNZ remained unchanged.

As at 30 June 2026, there have been no further changes to the Bank's CoR.

Conditions of Registration

For Heartland Bank Limited

These conditions apply on and after 1 March 2026.

The registration of Heartland Bank Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

   (a) the Total capital ratio of the banking group is not less than 9.5%;
   (b) the Tier 1 capital ratio of the banking group is not less than 7.5%;
   (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 5%.

   For the purposes of this condition of registration, —

   "Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, subject to the additional requirements on the calculation methodology specified in condition 1BAA.

1AA. That—

   (a) the Total capital ratio of the New Zealand banking group is not less than 9.5%;
   (b) the Tier 1 capital ratio of the New Zealand banking group is not less than 7.5%;
   (c) the Common Equity Tier 1 capital ratio of the New Zealand banking group is not less than 5%;
   (d) the Total capital of the New Zealand banking group is not less than $30 million.

   For the purposes of this condition of registration, —

   "Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy when the calculation methodology is applied with all references to "banking group" replaced by references to "New Zealand banking group";

   "Total capital" has the same meaning as in BPR110: Capital Definitions when the capital adequacy calculation methodology in BPR100: Capital Adequacy is applied with all references to "banking group" replaced by references to "New Zealand banking group".

1A. That—

   (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in Part D of BPR100: Capital Adequacy;
   (b) under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and
   (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 3.5% or less or the Prudential Capital Buffer (PCB) ratio of the New Zealand banking group is 3.5% or less, the bank must—

   (a) according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio; and

Lesser of banking group PCB ratio and New Zealand banking group PCB ratio	Percentage limit on distributions of the bank's earnings	Capital Buffer Response Framework stage
0% – 0.5%	0%	Stage 3
>0.5 – 2%	30%	Stage 2
>2 – 3%	60%	Stage 1
>3 – 3.5%	100%	None

(b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

For the purposes of this condition of registration, —

“prudential capital buffer ratio of the banking group” has the same meaning as “prudential capital buffer ratio” in Subpart B2 of BPR100: Capital Adequacy, subject to the additional requirements on the calculation methodology specified in condition 1BAA;

“prudential capital buffer ratio of the New Zealand banking group” has the same meaning as “prudential capital buffer ratio” in Subpart B2 of BPR100: Capital Adequacy, when the capital adequacy calculation methodology in BPR100: Capital Adequacy is applied with all references to “banking group” replaced by references to “New Zealand banking group”;

“distributions”, and “earnings” have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

1BAA. When calculating the “total RWA equivalents” in Subpart B2 of BPR100: Capital Adequacy as part of the formula for those ratios in conditions 1 (Total capital ratio, Tier 1 capital ratio, and Common Equity Tier 1 capital ratio) and 1B (Prudential Capital Buffer Ratio), the bank must do the following—

(a) as per A1.2 of BPR130: Credit Risk RWAs Overview, calculate the total RWAs for credit risk (“total credit risk RWAs”) in the manner specified in section A1.3 of BPR130: Credit Risk RWAs Overview; and

(b) for all items which fall within the scope of section A1.3 of BPR130: Credit Risk RWAs Overview and which are exposures of the ADI or a subsidiary of the ADI, calculate risk-weighted assets for credit risk using the methodology set out in the following documents issued by APRA,—
  (i) APS 112 Capital Adequacy: Standardised Approach to Credit Risk; and
  (ii) APS 180 Capital Adequacy: Counterparty Credit Risk; and

(c) as per A2.1 of BPR140: Market Risk, calculate the aggregate capital charge for currency risk in the manner specified in Part C of BPR140: Market Risk; and

(d) when calculating the aggregate capital charge for currency risk as part of the total capital charge for market risk in accordance with BPR140: Market Risk, treat the excess (if any) of AUD-denominated assets of the ADI over AUD denominated liabilities of the ADI as an AUD structural foreign currency position in terms of section C1.2(1)(c) of BPR140: Market Risk.

For the purposes of this condition of registration, —

“the ADI” means the Authorised Deposit-taking Institution Heartland Bank Australia Limited (ACN 106 842 371);

“APRA” means the Australian Prudential Regulation Authority;

“APS 112 Capital Adequacy: Standardised Approach to Credit Risk” means the Prudential Standard issued by APRA as amended or replaced from time to time;

“APS 180 Capital Adequacy: Counterparty Credit Risk” means the Prudential Standard issued by APRA as amended or replaced from time to time; and “AUD” means Australian Dollars.

1BA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, “transitional AT1 capital instrument” has the meaning given in section A2.3 of BPR110: Capital Definitions and “loss absorption trigger event” and “non-viability trigger event” have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

Conditions of Registration (continued)

1C. That:

(a) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and

(b) the bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration, —

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. The bank must comply with all the requirements set out in the following document:
BS8 Connected Exposures 1 October 2023.

Conditions of Registration (continued)

4A. That the aggregate credit exposures of the New Zealand banking group to all connected persons must not exceed 25% of the New Zealand banking group's Tier 1 capital.

For the purposes of this condition of registration, —

"aggregate credit exposures" has the same meaning as in Part C of the Reserve Bank of New Zealand document entitled "Connected exposure policy" (BS8) dated October 2023, with "a banking group" in paragraph C.5(1) taken to refer to the New Zealand banking group.
"connected person" has the same meaning as in Subpart A.3 of the Reserve Bank of New Zealand document entitled "Connected exposure policy" (BS8) dated October 2023, but with the reference to "banking group" in paragraph A.3(3) replaced with a reference to "New Zealand banking group".

"Tier 1 capital" has the same meaning as in BPR110: Capital Definitions when the capital adequacy calculation methodology in BPR100: Capital Adequacy is applied with all references to "banking group" replaced with references to "New Zealand banking group".

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

5A That exposures of the New Zealand banking group to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

For the purposes of this condition of registration, "connected person" has the same meaning as in Subpart A.3 of the Reserve Bank of New Zealand document entitled "Connected exposure policy" (BS8) dated October 2023, but with the reference to "banking group" in paragraph A.3(3) replaced with a reference to "New Zealand banking group".

6. That the bank complies with the following corporate governance requirements:
   (a) the board of the bank must have at least five directors;
   (b) the majority of the board members must be non-executive directors;
   (c) at least half of the board members must be independent directors;
   (d) an alternate director, —
      (i) for a non-executive director must be non-executive; and
      (ii) for an independent director must be independent;
   (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
   (f) the chairperson of the board of the bank must be independent; and
   (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, —

"independent,"—

(a) in relation to a person other than a person to whom paragraph (b) applies, has the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014; and
(b) in relation to a person who is the chairperson of the board of the bank, means a person who—
   (i) meets the criteria for independence set out in section 10 except for those in paragraph 10(1)(a) in BS14; and
   (ii) does not raise any grounds of concern in relation to the person's independence that are communicated in writing to the bank by the Reserve Bank of New Zealand:

"non-executive" has the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

Conditions of Registration (continued)

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

    (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
    (b) the Reserve Bank has advised that it has no objection to that appointment.

7A. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the parent company of the bank unless:

    (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
    (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

    (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
    (b) the Reserve Bank has advised that it has no objection to that appointment.

8A. That a person must not be appointed as chairperson of the board of the parent company of the bank unless:

    (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
    (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

    (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
    (b) the committee must have at least three members;
    (c) every member of the committee must be a non-executive director of the bank;
    (d) the majority of the members of the committee must be independent; and
    (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

    For the purposes of this condition of registration, "independent" and "non-executive" have the same meanings as in condition of registration 6.

10. That more than 75% of the bank's business is conducted in and from New Zealand.

10A. That more than 50% of the banking group's business is conducted in and from New Zealand.

11. That—

    (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
    (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
    (c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022, subject to the additional requirements on the calculation methodology specified in condition 11A.

Conditions of Registration (continued)

11A. When calculating the one-week mismatch ratio, one-month mismatch ratio and core funding ratio for the purpose of condition 11, the bank must vary the calculation methodology specified in BS13 and BS13A as follows—

(a) an asset denominated in Australian dollars and owned by the ADI or a subsidiary of the ADI qualifies as a primary or secondary liquid asset if—
  (i) it meets the conditions for liquid assets specified in Attachment B "Minimum liquidity holdings approach" of APS 210 Liquidity; and
  (ii) the bank includes it in the ratio calculations using the primary/ secondary classification and cover factors ("haircuts") set out in BS13A according to the following correspondence table:

Category in APS210 Attachment B	Primary or secondary	BS13A category for determining haircuts
2(a) notes and coins and settlement funds	Primary	Nil haircut
2(b) Commonwealth Government	Primary	New Zealand government securities
2(b) semi-government securities	Primary	Local authority securities
2(c) debt securities guaranteed by the Australian Government, or foreign sovereign governments	Secondary	Securities guaranteed by the New Zealand government
2(d) debt securities issued by supranationals and foreign governments	Primary	"Kauri" securities
2(e) bank bills, certificates of deposits (CDs) and debt securities issued by ADIs	Secondary	Registered bank securities
2(f) deposits (at call and any other deposits readily convertible into cash within two business days) held with other ADIs net of placements by other ADIs.	Primary	Nil haircut

(b) the eligibility limit on total RCDs specified in paragraph 12(b) of BS13A applies such that the maximum value of bank bills, certificates of deposit, and RCDs held by the banking group, after applying the haircuts, that is eligible to be included in secondary liquid assets is 2% of the banking group's total assets;

(c) in respect of non-market funding provided by a person or group of connected persons to the banking group that is treated as a single deposit for the purpose of the policy and is denominated exclusively in Australian dollars, the definitions of the size bands set out in Table 3 in BS13 must be read as referring to Australian dollars rather than New Zealand dollars;

(d) references in BS13 to "dollar amounts" are to New Zealand dollar amounts, and conversion from other currencies as needed to calculate New Zealand dollar aggregates must be carried out at the end-of-day exchange rates used by the bank in New Zealand; and

(e) references in the BS13 definitions to cash flows due in or out at close of business must be taken to refer to the business day relevant to the transaction, namely the New Zealand or Australian business day as appropriate.

This condition comes into force six months after the date of completion of the acquisition transaction.

For the purposes of this condition of registration,—

"the ADI" means the Authorised Deposit-taking Institution Heartland Bank Australia Limited;

"APRA" means the Australian Prudential Regulation Authority;

"APS 210 Liquidity" means the Prudential Standard issued by APRA as amended or replaced from time to time;

Conditions of Registration (continued)

11B. That—

(a) the one-week mismatch ratio of the New Zealand banking group is not less than zero per cent at the end of each business day;
(b) the one-month mismatch ratio of the New Zealand banking group is not less than zero per cent at the end of each business day; and
(c) the one-year core funding ratio of the New Zealand banking group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022.

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the banking group's liquidity risk and the New Zealand banking group's liquidity risk at a prudent level, and that, in particular:

(a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
(b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
(c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
(d) considers the material sources of stress that the banking group and the New Zealand banking group might face, and prepares the bank to manage stress through a contingency funding plan.

13. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition, —

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person—
(a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

-
"covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

14. That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
   (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
   (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
   (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
   (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

Conditions of Registration (continued)

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

15. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—

    (a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—
        (i) all liabilities are frozen in full; and
        (ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

    (b) apply a de minimis to relevant customer liability accounts;

    (c) apply a partial freeze to the customer liability account balances;

    (d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

    (e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

    (f) reinstate customers' access to some or all of their residual frozen funds.

    For the purposes of this condition of registration, "de minimis", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Prepositioning Requirements Policy" (BS17) dated June 2022.

16. That the bank has an Implementation Plan that—

    (a) is up-to-date; and
    (b) demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17) dated June 2022.

    For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

17. That the bank has a compendium of liabilities that—

    (a) at the product-class level lists all liabilities, indicating which are—
        (i) pre-positioned for Open Bank Resolution; and
        (ii) not pre-positioned for Open Bank Resolution;
    (b) is agreed to by the Reserve Bank; and
    (c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

    For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

18. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's pre-positioning for Open Bank Resolution as specified in the bank's Implementation Plan.

    For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

Conditions of Registration (continued)

19. That, for a loan-to-valuation measurement period ending on or after 31 May 2026, the total of the bank's qualifying new mortgage lending amount in respect of property investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to valuation measurement period.

20. That, for a loan-to-valuation measurement period ending on or after 31 May 2026, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 25% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

21. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

22. That, subject to conditions 2 and 3–

    (a) the parent company does not carry out any business other than the business of ownership or control of subsidiaries that operate banking business unless the Reserve Bank provides prior written non-objection. The business of ownership or control of subsidiaries that operate banking business is limited to:
    (i) holding investments in subsidiaries;
    (ii) holding properties used by Heartland group members;
    (iii) raising funds to invest in, or to provide support to its subsidiaries;
    (iv) raising funds to conduct activities permitted under these conditions;
    (v) investing funds (i.e. surplus capital) on behalf of the Heartland group;
    (vi) conducting the financial activities required for the purpose of carrying out activities permitted under these conditions;
    (vii) providing strategic analysis and setting strategic direction and priorities for the Heartland group;
    (viii) setting risk appetite for the Heartland group (acknowledging that subsidiaries within the Heartland group may set their own risk appetite within group risk tolerances);
    (ix) monitoring and managing compliance of subsidiaries with Heartland group strategic and risk settings;
    (x) providing corporate finance services to support the operation of the Heartland group;
    (xi) providing analysis, design, marketing, and digital delivery services to support product initiatives within the Heartland group;
    (xii) providing administration services to support the operation of the Heartland group; and
    (xiii) activities that must be undertaken to enable the bank to meet its obligations under its conditions of registration, activities that the parent company is required to undertake under a statute, listing rule or requirement of any governmental agency or regulatory body;

    (b) the parent company does not:
    (i) itself issue deposit liabilities;
    (ii) trade in financial instruments (other than for hedging for the purposes of carrying on the activities specified in conditions 22(b)(ii) to (vi));
    (iii) provide security over investments in its subsidiaries without the prior written non-objection from the Reserve Bank;
    (iv) provide guarantees of the obligations of its subsidiaries without the prior written non-objection from the Reserve Bank except the existing guarantees;
    (v) conduct any other business that is not in connection with the activities specified in conditions 22(a)(i) to (xiii);
    (vi) carry out activities that relate to undertaking a corporate centre role including banking group financial control, banking group treasury activities, banking group risk management, banking group settlements, banking group human resources, banking group financial reporting, banking group taxation and other banking group services such as company secretarial services; and
    (vii) carry out any activity that the Reserve Bank determines it may give rise to a prudential risk if retained by the parent company;

    (c) if the parent company carries out any business other than those permitted in writing, the Reserve Bank may make a recommendation to the Minister under section 77 of the Banking (Prudential Supervision) Act 1989 and the Minister may direct the Reserve Bank to cancel the bank's registration.

Conditions of Registration (continued)

In this condition of registration, –

"banking business" means:

(a) the business consists of, or to a substantial extent consists of, the borrowing and lending of money, or the provision of other financial services, or both; and
(b) any other business which the Reserve Bank considers as a type of banking business that would be carried out by a registered bank based on the determination criteria under the Banking (Prudential Supervision) Act 1989.

"existing guarantee" for the purpose of condition 22(b)(iv) means the guarantee that the parent company provides under the Medium-Term Notes programme issued by Heartland Australia Group Pty Limited. "Heartland group" means the group of companies owned by Heartland Group Holdings Limited and it includes Heartland Group Holdings Limited itself.

23. That the business and affairs of the banking group are managed by, or under the direction or supervision of, the board of the bank.

24. That the employment agreement of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank.

25. That all staff employed by the bank have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and are accountable (directly or indirectly) to the CEO of the bank.

26. That Heartland Bank Australia complies with the requirements imposed on it by the Australian Prudential Regulation Authority.

27. That the total amount of the banking group's assets transferred or committed to be transferred to special purpose vehicles in securitisation structures is less than 20% of the banking group's total assets.

28. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

29. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.

In these conditions of registration, —

"banking group" means Heartland Bank Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

"New Zealand banking group" means Heartland Bank Limited and all entities included in its banking group that are incorporated or otherwise established in New Zealand, but not including Marac Insurance Limited.

"parent company" means Heartland Group Holdings Limited (company number:6937955), the ultimate holding company of the bank duly incorporated and established in New Zealand.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1C, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are—

Conditions of Registration (continued)

BPR document	Version date
BPR100: Capital adequacy	1 July 2024
BPR110: Capital definitions	1 October 2023
BPR120: Capital adequacy process requirements	1 October 2023
BPR130: Credit risk RWAs overview	1 July 2024
BPR131: Standardised credit risk RWAs	1 July 2024
BPR132: Credit risk mitigation	1 July 2024
BPR133: IRB credit risk RWAs	1 July 2024
BPR134: IRB minimum system requirements	1 July 2024
BPR140: Market risk exposure	1 July 2024
BPR150: Standardised operational risk	1 July 2024
BPR151: AMA operational risk	1 July 2024
BPR160: Insurance, securitisation, and loan transfers	1 July 2024
BPR001: Glossary	1 October 2023

In conditions of registration 19 to 20,—

“loan-to-valuation ratio”, “non property-investment residential mortgage loan”, “property-investment residential mortgage loan”, “qualifying new mortgage lending amount in respect of property-investment residential mortgage loans”, and “qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans” have the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High-LVR Residential Mortgage Lending” (BS19) dated October 2021.

“loan-to-valuation measurement period” means a period of six calendar months ending on the last day of the sixth calendar month.

In condition of registration 21, —

“residential mortgage loan” has the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High Debt-To-Income Residential Mortgage lending” (BS20) dated 3 April 2023.

In conditions of registration 28 and 29, —

"debt-to-income ratio", “debt-to-income measurement period”, “non property-investment residential mortgage loan”, “property-investment residential mortgage loan”, “qualifying new mortgage lending amount in respect of property-investment residential mortgage loans”, and “qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans” have the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High Debt-To-Income Residential Mortgage lending” (BS20) dated 3 April 2023:

“debt-to-income measurement period” means—

(a) the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and

(b) thereafter, a rolling period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on 31 January 2025 and covers the months of August, September, October, November and December 2024 and January 2025.

Conditions of Registration – Non-Compliance

Conditions of Registration - Non-Compliance

The Bank has not identified any material non-compliance with the conditions of registration since its last disclosure statement.

Credit Ratings

As at the date of signing this Disclosure Statement, the Bank's credit rating issued by Fitch Australia Pty Ltd (**Fitch Ratings**) was BBB stable. This BBB credit rating was issued on 14 October 2015 and is applicable to long term unsecured obligations payable in New Zealand, in New Zealand dollars. This BBB stable credit rating was affirmed by Fitch Ratings for the Bank and HBA on 1 June 2026.

The following is a summary of the descriptions of the ratings categories for rating agencies for the rating of long-term senior unsecured obligations:

Fitch Ratings	Standard & Poor's	Moody's Investors Service	Description of Grade
AAA	AAA	Aaa	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	AA	Aa	Very strong ability to repay principal and interest in a timely manner.
A	A	A	Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business, or financial conditions.
BBB	BBB	Baa	Adequate ability to repay principal and interest. More vulnerable to adverse changes.
BB	BB	Ba	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and therefore greater likelihood of default.
CCC	CCC	Caa	Likelihood of default considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.
CC-C	CC-C	Ca-C	Highest risk of default.
RD to D	D	-	Obligations currently in default.

Credit ratings from Fitch Ratings and Standard & Poor's may be modified by the addition of a plus or minus sign to show relative status within the major rating categories. Moody's Investors Service apply numerical modifiers 1, 2, and 3 to show relative standing within the major rating categories, with 1 indicating the higher end and 3 the lower end of the rating category.

Other Material Matters

There are no material matters relating to the business or affairs of the Bank or the Banking Group that are not already contained elsewhere in this Disclosure Statement which would, if disclosed in this Disclosure Statement, materially affect the decision of a person to subscribe for debt securities of which the Bank or any member of the Banking Group is the issuer.