

HEARTLAND GROUP HOLDINGS LIMITED

Minutes of the Annual Shareholder Meeting held via Virtual Meeting and in person at Te Pae Christchurch Convention Centre on Thursday, 9 November 2023 commencing at 2.00 pm

Present: *Heartland Group Holdings Limited (Heartland):* G R Tomlinson (Chair), E F Comerford, J K Greenslade, K Mitchell, G E Summerhayes (Directors) and approximately 201 shareholders represented

Heartland Bank Limited (HBL): B R Irvine (Chair), J K Greenslade, E J Harvey, K Mitchell, S M Ruha and S R Tyler (Directors)

In attendance: L Lazarus (Heartland Bank CEO), C Flood (Group Deputy CEO), P Gibbons (General Counsel), A Dixon (CFO), A Wood (Chief Risk Officer), M Drumm (Chief Compliance & Sustainability Officer) and N Foley (Head of Communications)

1. Welcome and Quorum

The Chair (G Tomlinson) welcomed shareholders and guests and those attending by webcast.

The Chair declared a quorum to be present and declared the meeting open.

2. Agenda

The Chair gave a brief overview of the agenda for the meeting.

3. Introduction of Directors and Senior Management Group

The Chair then introduced the directors of Heartland and HBL and the members of senior management and other attendees to shareholders.

4. Proxies and Postal Votes

The Chair confirmed that 840 proxies and postal votes were received, representing approximately 251,000,000 shares (or approximately 35% of total shares on issue), and noted that more than 82% of those proxy and postal votes were in favour of the resolutions to be voted on at the meeting.

5. Meeting Procedures/Voting Procedures

The Chair explained the meeting procedures and voting procedures.

6. Notice of Meeting

The Chair confirmed that the Notice of Meeting, outlining the formal business to be conducted at the meeting, was published electronically on 11 October 2023 and subsequently sent to shareholders.

7. Minutes of last Annual Shareholder Meeting

The Chair noted that the minutes of the previous Annual Shareholder Meeting held on 8 November 2022 had been approved and confirmed by the directors, as is our custom. A digital version is also available on Heartland's website at www.heartlandgroup.info.

8. Address by the Chair

The Chair addressed the meeting, giving an overview of Heartland's FY23 performance and outlook for FY24. The Chair noted to shareholders that in October 2022, Heartland signed a share purchase agreement for the acquisition of Challenger Bank Limited (*Challenger Bank*) and further explained that Mr Greenslade would provide more detail on progress with the proposed acquisition shortly.

9. Address by the Chief Executive Officer

The Chief Executive Officer (CEO, J Greenslade) addressed the meeting, first by commemorating Geoff Ricketts. Mr Greenslade then provided an overview of the current economic environment. He went on to provide an overview of the performance of Heartland's business divisions before turning to Heartland's digitisation and automation efforts. Mr Greenslade then spoke to Heartland's expansion in Australia, highlighting it as a key area of focus and providing an update on the proposed acquisition of Challenger Bank, which remains subject to regulatory approvals, describing it as a key stepping stone and emphasising the opportunity it will provide Heartland in the future.

10. Shareholder Discussion

10.1 The Chair advised shareholders that Karen Shires of PwC, the company's auditor, was present and available to answer any questions relevant to the conduct of the audit, and the preparation and content of the auditor's report for the financial year.

10.2 The Chair noted that shareholders were invited to submit questions in advance of the meeting and that only one such question was received. The question related to the proposed increase in the director fee pool, and it queried why the proposed increase was so high.

10.3 The Chair explained that the additional fees were needed to attract and retain suitably qualified non-executive directors to the board of Challenger Bank from the date of completion of the acquisition. The Chair noted that the acquisition remains subject to receipt of the necessary regulatory approvals, but that Challenger Bank is a regulated authorised deposit taking institution and is required to be independently governed by a Board of Directors who meet certain governance requirements. Secondly, the increase is required in order to increase the fees payable to Heartland and Heartland Bank's existing non-executive directors. As noted in the Notice of Meeting, Heartland and Heartland Bank's non-executive directors have not had the benefit of any change in fee allocations since 30 June 2018. The Chair noted that prior to setting the proposed fees for non-executive directors, the Board commissioned an independent benchmarking review of director fees by EY to support the Board's decision-making and to provide transparency for shareholders. Ultimately, for the reasons set out in the Notice of Meeting, including increased regulatory complexity, timing considerations, and increases in CPI, the proposal put forward is considered appropriate.

10.4 The Chair then opened the meeting for questions, starting with those in the room, followed by questions online. The Chair and others addressed the questions which were raised as follows:

(a) *A question on Heartland's vision to grow its existing Australian reverse mortgage business and the fact this could bring about increased competition from other market participants.* The Chair responded by acknowledging that the Board is aware that it could bring increased competition and that partly explains the decision to obtain a banking licence in the Australia – effectively, Heartland was in the process of becoming “match fit” to meet this increased competition.

(b) *A question on the tightening economy in Australia, in particular the increased default rates in motor vehicle financing.* The Chair responded that the market is tightening overall and that in respect of Heartland's niche lending products, there is a strong team of professionals managing those parts of the business. The Chair also mentioned there is a strong focus on the quality of Heartland's assets.

(c) *A question on Heartland's progress to carbon zero and what efforts are being made to work out the carbon footprint of customers.* The Chair passed the question to Heartland's Chief Compliance and Sustainability Officer, M Drumm. Mr Drumm responded by noting that Heartland needs to calculate the emissions of its borrowers through looking at various factors, for example how far they drive their cars, what tractors they are using, etc., and then using that as a baseline. Heartland is looking to finance high quality customers going forward to help with the transition to carbon zero.

(d) *A question on StockCo's performance and its current operations and growth.* The Chair passed that question to C Flood. Mr Flood responded by noting that the livestock market had its challenges in the past year due to commodity prices and weather conditions. However, the underlying performance of StockCo was very strong – it increased cattle, sheep and customer numbers. There was a commodity price drop during the last financial year, so the value of the stock was reduced overall. However, the increase in customer numbers and stock numbers means Heartland is well placed to execute on its strategy in the future.

- (e) *A question on Heartland's slant towards reverse mortgages and whether that involves any long-term risk in deteriorating economic environment.* Mr Greenslade answered the question by noting that reverse mortgages are quite attractive from a risk perspective, given the low loan-to-value-ratio. That, combined with the fact that people on average repay the loan after 7 or 8 years, meant there were no concerns in terms of this risk.
- (f) *A question on the increase in director fees and how much director involvement is required outside of Board meetings.* E Comerford, as a director of Heartland, commented that directors spend as much time as is necessary, and that it is not uniform across the directors. On average, it is at least one full day a week and it can vary and include weekends, depending on what the business has going on. Mr Greenslade added that Heartland is very demanding of its directors given its volume of business activity, and that there is a lot of involvement required between board meetings.
- (g) *A question requesting guidance on dividends for the year ahead (online question).* The Chair responded that Heartland is not in a position to give that information at the moment. The Bank Chair, B Irvine noted that Heartland has a history of dividends which have been consistent over the years, but that Heartland will need to consider how the acquisition of Challenger Bank impacts the needs of the business over the next 12 months.
- (h) *A question on whether Heartland has adequate resources for expansion in Australia or whether there be future calls to shareholders for capital (online question).* The Chair answered by noting that Australia is a key opportunity, and you can see that in the company's growth. The Board and Management will be working to grow the business and are focused on obtaining regulatory approvals to complete the acquisition of Challenger Bank.

The Chair closed the meeting for questions and moved to the next agenda item, being voting on the resolutions outlined in the Notice of Meeting.

11. Voting at the Meeting

Resolution 1: That Greg Tomlinson, who retires by rotation and is eligible for re-election, be re-elected as a director of Heartland.

- 11.1 B Irvine took the Chair.
- 11.2 B Irvine explained that the details regarding G Tomlinson background qualifications and experience were included in the Notice of Meeting and that G Tomlinson stands for re-election with the full support of the Heartland Board of Directors.
- 11.3 G Tomlinson provided some background on his history with Heartland and other listed and unlisted companies.
- 11.4 The Chair then opened the floor for any questions. None were received, so the Chair requested shareholders to mark their voting cards.
- 11.5 G Tomlinson resumed the Chair.

Resolution 2: That the total annual remuneration available to all non-executive directors be increased from NZ\$1,600,000 or AU\$1,400,000 (whichever is the greater amount from time to time) to NZ\$2,400,000 or AU\$2,200,000 (whichever is the greater amount from time to time), an increase of NZ\$800,000 or AU\$800,000 (33% and 57% respectively) effective for the financial year ending 30 June 2024 and onwards, with such sum to be divided amongst the non-executive directors as the Board may from time to time determine.

- 11.3 The Chair then opened up the floor for any questions.
- 11.4 There was a question from the floor asking how the acquisition of Challenger Bank would impact the proposed increase in directors' fees if the acquisition did not proceed. The Chair responded that the proposed fees would not increase to the same level but there would still be an increase to the fees for the current Heartland and HBL non-executive directors.
- 11.5 There was another comment from the floor from the New Zealand Shareholders' Association which noted that they were in support of the proposed increase.

11.6 The Chair requested shareholders to mark their voting cards.

Resolution 3: That the Board be authorised to fix the remuneration of Heartland's auditor, PwC, for the financial year ending 30 June 2024.

11.7 The Chair addressed the meeting, and the Chair then opened up the floor for any questions.

11.8 The Chair requested shareholders to mark their voting cards.

12. Polling Procedures

The Chair explained that voting cards would be collected, and that the results of the poll would be advised on NZX and ASX after the conclusion of the meeting.

13. General Business

13.1 The Chair gave shareholders the opportunity to raise any other matter which should properly be brought before the meeting.

13.2 *A question was raised in relation to the possible earnings that are expected to come from the acquisition of Challenger Bank.* The Chair responded that there is a benefit in having the banking licence for deposit raising purposes and it is difficult to provide any forecasts, but that Heartland is moving forward with its core lending platforms with this proposed acquisition. Mr Greenslade added that although Heartland is unsure on timing, the company would provide the market with an update on guidance when it has a better indication of timing.

13.3 *Another question asked for a comment that would provide shareholders with some confidence in the prospects of the acquisition in the context of the proposed director fee increases.* Mr Greenslade answered the question by explaining that through becoming a bank in Australia, Heartland would have access to a deeper and more efficient pool of funding which would be beneficial going forward.

13.4 *A further question was asked about whether the increased business in Australia would impact the level of imputations attached to dividends.* Mr Dixon answered the question by responding in the negative.

13.5 *A further question was asked about the purchase price for the Challenger Bank acquisition and how that was being funded.* The Chair responded that the purchase price was \$36m with some completion price adjustments and that Heartland is looking at a number of options to fund the acquisition.

13.6 *A further question asked where in the Australasian banking sector were the directors wanting to position the company over the medium to long term.* The Chair responded that Heartland is focusing on the "under-served" segments of the market, and that there is plenty of runway ahead of the company. Mr Irvine added that the company wants to be number one in their areas of competency, for example, reverse mortgages, livestock lending and motor lending.

14. Other Business

14.1 As no other matters were raised, the Chair thanked shareholders for their attendance and declared the meeting closed at 3.20 pm.

Confirmed as a true and accurate record.



Chair

26 June 2024
Date