



# Annual General Meeting 2023

9 November 2023

**HEARTLAND**  
GROUP

# Agenda

- 01** Welcome and formalities
- 02** Chair's address
- 03** Chief Executive Officer's address
- 04** Shareholder discussion
- 05** Voting and conduct of poll
- 06** Other business

## Heartland Group Board



**Gregory Tomlinson**  
**(Chair)**  
Non-Executive Director



**Jeff Greenslade**  
CEO &  
Executive Director



**Ellen Comerford**  
Independent  
Non-Executive Director



**Kathryn Mitchell**  
Independent  
Non-Executive Director



**Geoff Summerhayes**  
Independent  
Non-Executive Director

## Heartland Bank Board



**Bruce Irvine (Chair)**  
Independent  
Non-Executive Director



**Jeff Greenslade**  
Non-Independent  
Non-Executive Director



**John Harvey**  
Independent  
Non-Executive Director



**Kathryn Mitchell**  
Non-Independent  
Non-Executive Director



**Shelley Ruha**  
Independent  
Non-Executive Director



**Simon Tyler**  
Independent  
Non-Executive Director

# Management team



**Jeff Greenslade**  
Group CEO



**Chris Flood**  
Deputy Group CEO



**Leanne Lazarus**  
Heartland Bank CEO



**Andrew Dixon**  
Group Chief Financial Officer



**Michael Drumm**  
Heartland Bank Chief Compliance & Sustainability Officer



**Phoebe Gibbons**  
Group General Counsel



**Aleisha Langdale**  
Group Chief Performance Officer



**Doug Snell**  
StockCo Australia CEO



**Lana West**  
Group Chief People & Culture Officer



**Andy Wood**  
Heartland Bank Chief Risk Officer

- **Proxies and postal votes received**
- **Meeting procedures**
- **Voting procedures and declaration of poll**
- **Notice of meeting**
- **Minutes of last Annual Meeting**

HEARTLAND GROUP

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Voting Card

Question box

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Ask a Question

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Virtual Meeting

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# Chair's address



**Greg Tomlinson**  
Chair of the Board

## NET PROFIT AFTER TAX

**FY23** **95.9m**  
underlying net profit after tax \$110.2m

**FY22** **95.1m**  
underlying net profit after tax \$96.1m

## RETURN ON EQUITY

**FY23** **10.4%**  
underlying return on equity 11.9%

**FY22** **12.1%**  
underlying return on equity 12.6%

## GROSS FINANCE RECEIVABLES<sup>1</sup> GROWTH<sup>2</sup>

**FY23** **10.1%**

**FY22** **15.3%**

## NET INTEREST MARGIN

Consistently higher than banking peers<sup>3</sup>

**FY23** **3.97%**  
underlying net interest margin 4.00%

**FY22** **4.05%**  
underlying net interest margin 4.16%

<sup>1</sup> Receivables also includes Reverse Mortgages.

<sup>2</sup> Excluding the impact of changes in FX rates.

<sup>3</sup> KPMG FIPS Report June 2023.



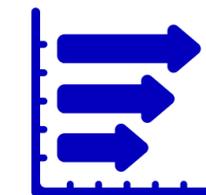
Australian Reverse Mortgages **increased market share to 39.9%.**<sup>1</sup>



**Signed a share purchase agreement** for the acquisition of Challenger Bank in Australia in October 2022.<sup>2</sup>



Awarded **Canstar NZ's Outstanding Value Home Lender and Savings Bank of the Year.**



**65% increase** in Heartland Mobile App users.

<sup>1</sup>Based on Australian Prudential Regulation Authority (APRA) authorised deposit-taking institution (ADI) Property Exposure and Heartland Finance data as at 30 June 2023.

<sup>2</sup>Conditional only on regulatory approval by APRA and the Reserve Bank of New Zealand (RBNZ).

# Environment

- Support the just transition to a net-zero economy.



**Unaudited operational GHG emissions for FY2023 saw a 17% reduction** on the FY2019 base year.



**Environment risk screening tool** used to understand the sustainability of larger business and rural borrowers.



Increased lending to **new generation vehicles.**

## People

- Create a pathway and place for Heartland's people to grow, thrive and be empowered to achieve Heartland's goals as one team.
- Care for the communities Heartland operates in.
- Care for Heartland's customers.



FY23 was Heartland's second year of **reporting pay gap information for gender, Māori and Pasifika.**



Invested in young Māori and Pasifika through the Manawa Ako internship. **More than 110 interns welcomed since 2017.**



**More than \$710,000 granted** through the Heartland Trust. <sup>1</sup> **\$4.3 million in total grants since 2012.**

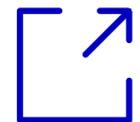
<sup>1</sup>The Heartland Trust is Heartland's registered charitable trust which is independent from, but closely supported by Heartland.

## Financial wellbeing

- Support the financial wellbeing of Heartland’s customers and communities.



**Continued to offer Heartland Extend** to consumer customers.



**More than 48,000 people in NZ and AU have been supported to live a more comfortable retirement** with a reverse mortgage.



Extended digital access to its Australian Reverse Mortgage customers through the release of its **Heartland Finance Mobile App which had a 10% uptake** in the first month.

**11.5**  
cents per share

Final dividend of 6.0 cents per share (**cps**), bringing the **total dividend** for FY23 to 11.5 cps.

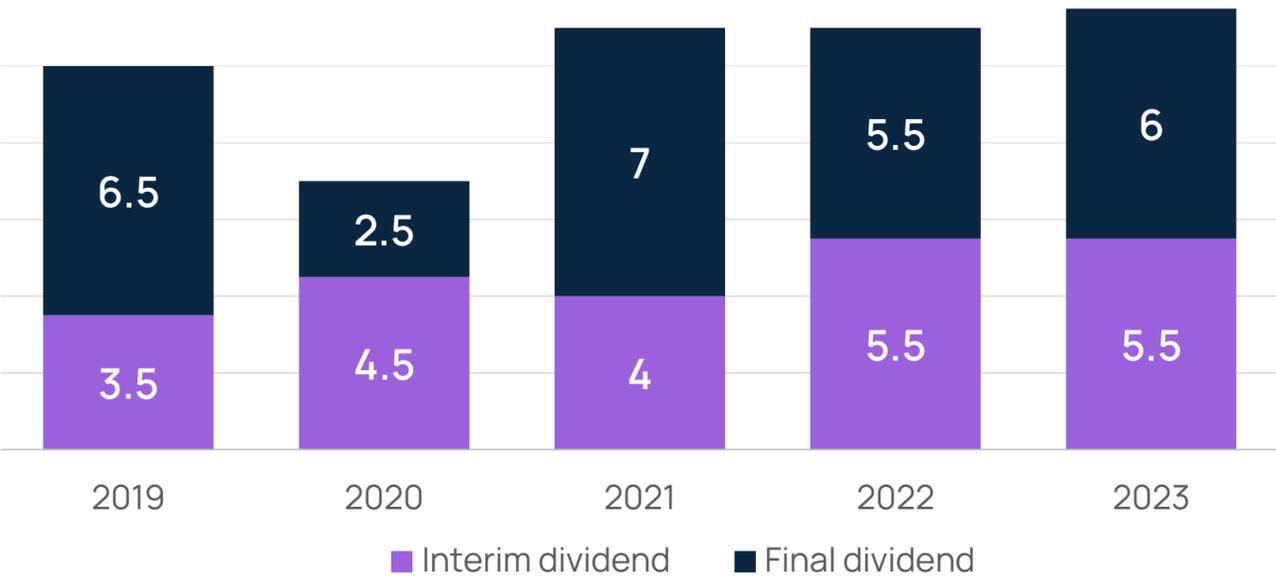
**85%**

The **full year payout ratio** of 85% compares to the average over the last three years of 76%.

**\$514m**

Heartland has paid more than \$514 million in **dividends to shareholders** since 2011 NZX listing.

Dividends (cps)



- The Board is confident in Heartland's ability to generate strong growth and profitability as it continues to deliver against its strategy to provide best or only products through scalable digital platforms.
- Complete the acquisition of Challenger Bank.
- Continue commitment to digitalisation and frictionless service for customers.

## FY2024 NPAT

- Heartland expects NPAT for FY2024 to be within the guidance range of

**\$116m to \$122m**

Excluding any impacts of fair value changes on equity investments held and the impact of the de-designation of derivatives, and any costs related to the acquisition and integration of Challenger Bank, which remains subject to RBNZ and APRA approval.

- As the acquisition nears completion, guidance will be updated to reflect the impact of Challenger Bank becoming part of Heartland.

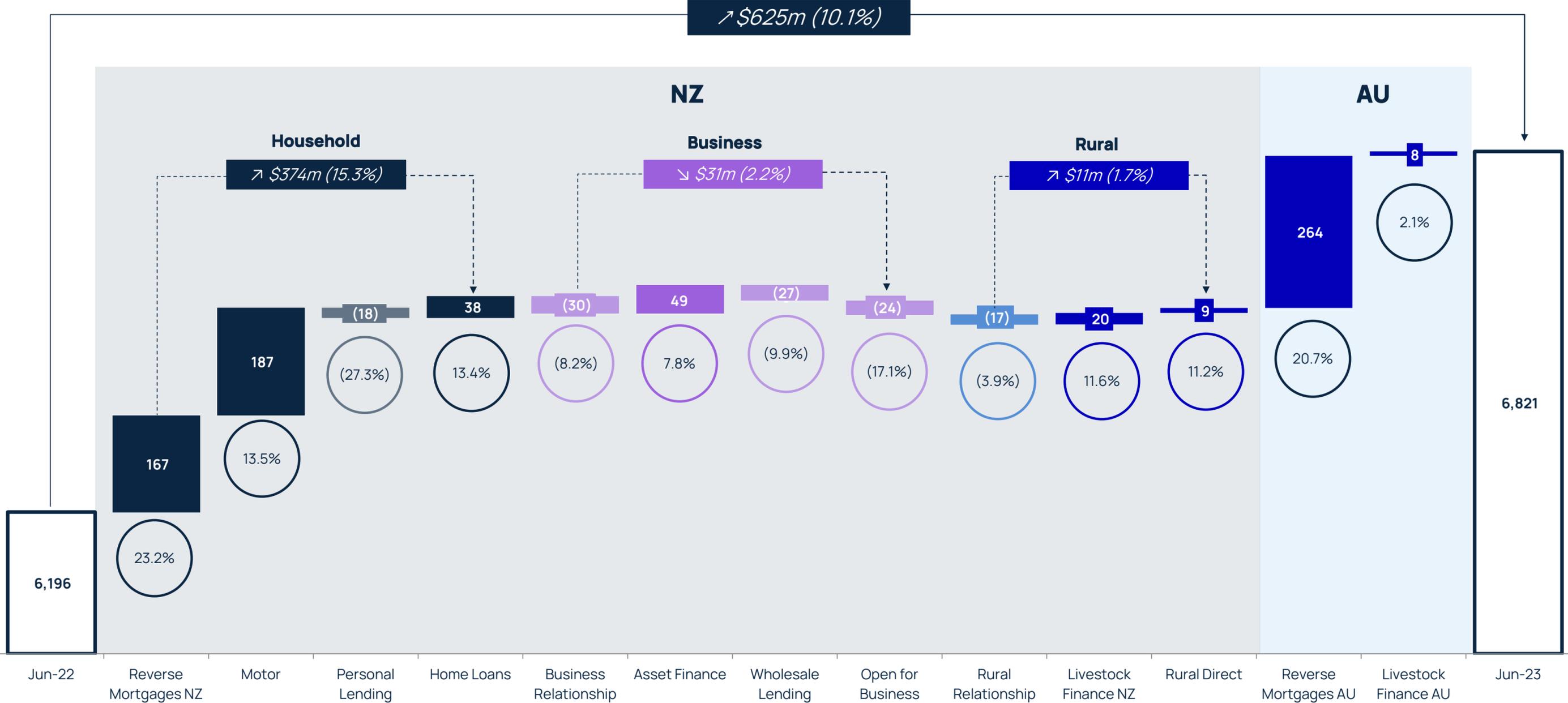
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# Chief Executive Officer's Address



**Jeff Greenslade**  
Chief Executive Officer

# Business as Usual Growth



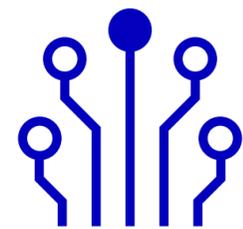
Note: The graph shows FY2023 growth in receivables by portfolio excluding the impact of changes in FX rates and intercompany balances. All figures in NZ\$m.



Ambition to achieve an **underlying CTI ratio of less than 35% by 2028.**



**FY23 underlying CTI ratio of 42%** is more comparable to average CTI ratio of major Australian banks.<sup>1</sup>



## Key digitalisation initiatives:

- reducing customer inbound call through self-service
- increased flexibility to self-manage vehicle loan repayments
- back-end process automation
- Motor digitalisation.



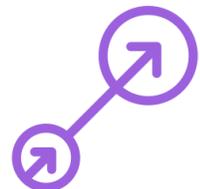
Successfully completed the **upgrade of Heartland Bank's core banking system.**

<sup>1</sup> The average CTI ratio of New Zealand's main domestic non-major banks excluding Heartland (The Co-operative Bank, Kiwibank, SBS, and TSB) was 69.2% for the 12 months to 30 June 2023 (data from the RBNZ Financial Strength Dashboard, valid as at 27 September 2023). The average CTI ratio of Australia's major banks (ANZ, CBA, NAB and Westpac) was 45.2% for their most recent respective annual reporting periods.



## Becoming a bank in Australia

- Significant progress made towards the completion of the acquisition of Challenger Bank, subject to approval from APRA and the RBNZ.
- Heartland is hopeful of receiving in principle approvals prior to Christmas, or if not, early in 2024, to be followed by completion as soon as practicable.



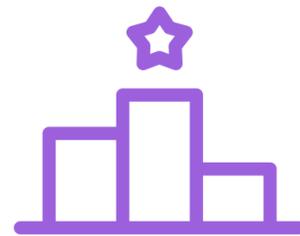
## Expansion of 'best or only' product strategy

- Integration of existing AU businesses into Challenger Bank (subject to completion) would make Heartland the only AU bank provider of specialist reverse mortgages and livestock finance.
- Opportunity to expand current offerings into Motor Finance and Asset Finance, leveraging existing NZ expertise and networks.
- AU motor finance market estimated to be \$35 billion.<sup>1</sup>

<sup>1</sup>Based on annual lending which includes consumer and commercial lending segments (see ABS 5601.0 Table 7 LTM to June 2020, and ABS 5671.0 Table 9 LTM to November 2018 (ABS discontinued ABS 5671.0 in November 2018)).



**High interest rates impacting** on borrower demand and credit quality.



**Greater competition** for deposits due to major banks refinancing the COVID Funding for Lending Programme.



Pipelines in **Motor Finance** are strong. **Reverse Mortgage** and **Asset Finance** growth has continued.



Commitment to good **customer outcomes**, **proactive portfolio pricing** and **margin management**.

04

# Shareholder discussion



# 05 Voting



06

# Other business



# Thank you

## Investor & media relations

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## Investor information

For more information  
[heartlandgroup.info/investor-information](http://heartlandgroup.info/investor-information)

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