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BOARD REMUNERATION BENCHMARKING SUMMARY REPORT 2026

HEARTLAND
GROUP

HEARTLAND
BANK
New Zealand

HEARTLAND
BANK
Australia

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\\ BACKGROUND AND METHODOLOGY

- Propero Consulting was engaged by the Board of directors of Heartland Group Holdings Limited to provide an independent review of board remuneration (Chair, director and committee fees) across:
  - **Heartland Group Holdings Limited**, referred to as '**HGH**' in this report.
  - **Heartland Bank Limited** (referred to as **'HBL'** or '**Heartland Bank**' in this report. Our review is based on the proposed merger of Heartland Bank and **TSB Bank Limited** ('**TSB**') taking place, resulting in the newly formed **TSB Heartland Bank Limited**, referred to as '**TSB Heartland Bank**' in this report.
  - **Heartland Bank Australia Limited**, referred to as '**HBAL**' in this report.

- Best practice is to conduct fee reviews and make adjustments regularly to maintain positioning, ensure the ability to attract / retain and fairly compensate high quality directors, and avoid large irregular increases. The setting of director fees should have a focus on:

Ensuring appropriate market alignment in order to attract and retain quality directors.	**The organisation's performance and ability to pay for fees.**	**The size and complexity of the entity.**	**Director workload (including committees).**	**The market movement of director fees.**

- The report is prepared as a guide to setting the relevant Board's remuneration. It is by nature an independent opinion based on our research of publicly available market remuneration data.

ATTESTATION OF INDEPENDENCE

Propero Consulting Limited is satisfied that we are independent for the purposes of this engagement.
This report is not subject to any influence from any member of management or Board member from HGH, its subsidiaries, or any third party.

\\ PROCESS OVERVIEW AND REPORT INSIGHTS

A number of key considerations have informed our review of Board remuneration in Heartland Group Holdings Limited's ('HGH') current context:

- The proposed merger of Heartland Bank Limited ('Heartland Bank') and TSB Bank Limited ('TSB') to create TSB Heartland Bank Limited ('TSB Heartland Bank'). Our review and final recommendations are based on the merger taking place, noting this remains subject to the completion of a number of conditions.
- HBL is unique as the only NZ-based parent bank with an Australian ADI subsidiary, Heartland Bank Australia Limited ('Heartland Bank Australia' or 'HBAL').
- The merger would significantly increase HBL's size and scale in the NZ banking sector as a 'challenger bank'.
- The majority of the Group's operating banking business occurs at the subsidiary level (currently Heartland Bank and HBAL) rather than the 'HGH level'.
- HGH currently sits within the largest 40 of NZX entities (by market capitalisation), potentially lifting to sit within the top 30 post-merger (data as at 17th August 2026).

A critical element in reviewing fees is establishing the most appropriate comparator group:

- As there are 3 separate entities (HGH, TSB Heartland Bank and HBAL), we have considered different groups for each. This draws from a wide range of NZX, ASX and unlisted entities across both the NZ and Australian financial services sectors.
- A number of likely comparators (based on sector and organisational scale) cannot be used as they do not publicly disclose board remuneration data. The comparator groups used in this report were confirmed with HGH.

Key insights:

- HGH's current Board Chair fee and Chair premium sit in the lower quartile of comparators.
- Despite the merger significantly increasing the scale of HBL, current remuneration for the post-merger entity is well-positioned against respective comparator groups.
- There are significant differences between NZ and Australian board remuneration practices. Careful consideration will need to be given to HBAL Board fees in particular given its subsidiary status.
- There is a level of 'cross over' between the Group, where an individual may sit on more than 1 board. As per the 2025 annual report, these individuals are only entitled to receive one full fee but receive an additional part fee.
- Across the Group, while committee Chairs receive additional remuneration, committee members do not. This is atypical versus comparators.

Recommendations:

- We have modelled potential fees on pages 8, 10 and 12. We have included a 'count' of Board members who will receive remuneration for each role following the merger.
- As is the Heartland Group's current practice, a CEO of any of the three entities should not receive additional remuneration for any 'board role' they also have across the other entities. We note this would currently apply only to Andrew Dixson, HGH CEO, as he is a Non-Independent Non-Executive Director on both the Heartland Bank and HBAL Boards.

A note on the data:

- All data used in this report is drawn from the latest annual reports, public information, notice of meetings and / or annual meeting results (at the time of collection and analysis).
- All fee data may be rounded slightly for ease of use and comparison.
- Unless otherwise stated, all fee data for HGH and TSB Heartland Bank is provided in NZ$, and all fee data for HBAL is provided in AU$.


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\\ REVIEWING THE ‘ADDITIONAL FEE’

Individuals may sit on multiple boards across the Heartland Group.

Rather than receiving ‘full sets of director fees for both boards’, these individuals instead receive a smaller ‘additional fee’. Currently, this applies to:

- Board Member of the Heartland Bank Board, where also a member of the Heartland Board: applied to John Harvey, Kate Mitchell (paid in NZ$).
- Board member of the Heartland Bank Australia Board, where also Chair of the Heartland Bank Board: applied to Bruce Irvine (paid in AU$).
- Board member of the Heartland Bank Australia Board, where also a member of the Heartland Board: applied to Simon Beckett (paid in NZ$).

We note this does not apply to Andrew Dixson as he does not receive board remuneration in addition to his HGH CEO remuneration.

There is insufficient direct comparator data to fully inform a recommendation here.

While some comparators report ‘director fees for subsidiaries’, these subsidiaries may be smaller scale or more niche than Heartland Bank and / or HBAL. Therefore, the following options can be considered.

- Option 1 (recommended): maintain this additional fee (likely at the current ratio against the base director fee).
- Option 2: rather than the smaller additional fee, individuals could be fully remunerated for their multiple roles. This would be a significant increase in the total fees paid to the individuals noted above.
- Option 3: remove the additional fee entirely, individuals could receive the highest single available remuneration option only. This would not account for the extra workload and responsibility of multiple board roles.

\\ HGH COMPARATORS – QUARTILE VIEW

The table below displays quartile and median data of the comparator group across a range of organisational metrics.

We have highlighted HGH's approximate post-merger position relative to this dataset. We note:

- HGH will have a significantly larger asset base than most comparators. This is expected given the banking / financial services sector.
- We have not included an estimate on revenue.
- HGH's current Board Chair fee and Chair premium sit in the lower quartile of comparators. The current director fee sits in the upper quartile.
- HGH's total board fee pool is based on the 2025 annual report. It is significantly larger than comparators given it encompasses three separate boards.

All fee data below is provided in NZ$.

	Lower quartile	Median	Upper quartile	HGH (post-merger)
Market capitalisation ($ billion)	$1.0	$1.3	**$1.9**	**$1.7**
Total assets ($ million)	$900	$2,200	**$3,700**	**$18,300**
Revenue ($ million)	$250	$800	$1,300	-
Headcount	**130**	800	3,200	**20**
Chair fee	**$181,000**	$200,000	$240,000	**$175,000**
Director fee	$99,000	$100,000	**$104,500**	**$120,000**
Chair premium	**1.9x**	2.0x	2.2x	**1.5x**
Total board fee pool	$851,000	$927,000	**$1,188,000**	**$2,400,000*** ***(current)***

**This value represents the whole Heartland Group. For the current HGH Board specifically, this value is $430,000.*

Comparators: Freightways Group Limited, Ryman Healthcare Limited, Summerset Group Holdings Limited, Precinct Properties NZ & Precinct Properties Investments Ltd, Kiwi Property Group Limited, Air New Zealand Limited (NS), Channel Infrastructure NZ Limited, Skellerup Holdings Limited, Property for Industry Limited, Briscoe Group Limited, Argosy Property Limited, Scales Corporation Limited, Vulcan Steel Limited

\\ HGH RECOMMENDATIONS AND POSSIBLE UPLIFTS

Current remuneration data is based on the Heartland Group 2025 annual report. We understand Heartland's preference is for HGH and Heartland Bank Board fees to be equal.

The 'count' column indicates the number of Board members who will receive remuneration for each role following the merger. We have noted where this differs from the current count.

We believe setting fees for TSB Heartland Bank should be the priority, and then equivalency can be applied to HGH. Please see page 10.

- While HGH post-merger will have a significant asset base, there is less 'operational responsibility' at the Group level.
- While HGH is atypical in not having additional committee member fees, the current base director fee is positioned very strongly against comparators. We have modelled the introduction of member fees, but HGH may conclude this uplift is not required. Given HGH's larger comparator group, we have considered these committee fees to inform potential uplifts. We have maintained the Heartland Group's current practice of the Board Chair receiving additional remuneration for any committee Chair roles they hold (noting that the Board Chair does not receive additional remuneration for any committee memberships they hold).
- Separately, we have also accounted for an 'unallocated pool' of NZ$100,000 to be distributed across all 3 entities as HGH sees fit (page 14). As it is not specific to HGH, we have not included this figure below.

All fee data below is provided in NZ$.

		Current remuneration		Potential changes				
Role	**Count**	**Fee**	**Total** (count x fee)	**Revised fee**	**% increase**	**Increase**	**Revised total** (count x fee)	**Explanation**
Chair	1	$175,000	$175,000	$200,000	14%	$25,000	$200,000	**Uplift of circa 14%** to maintain relative market positioning and align the Chair premium closer to comparators at circa 1.7x the base director fee.
Director	1*	$120,000	$120,000	$120,000	0%	$0	$120,000	**No uplift recommended**. Current HGH director fees are well-positioned against the majority of comparators. **The low 'count' of remunerated directors is due to a majority of HGH directors receiving the 'additional fee' rather than a full director fee (as noted below).*
Additional fee: Board Member of TSB Heartland Bank Board or HBAL Board, where also a member of Heartland Group Board	4*	$25,000	$75,000*	$25,000	0%	$0	$100,000	**No uplift recommended**. This maintains the circa 21% of base director fees. **Currently, 3 directors receive the additional fee. Post-merger, this is expected to increase to 4.*
Audit & Risk Committee Chair	1	$20,000	$20,000	$23,000	15%	$3,000	$23,000	**Uplift of circa 15%** to align with the HGH comparator Audit and Risk Committee Chair median.
Audit & Risk Committee member	1*	$0	$0	$11,500	-	$11,500	$11,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HGH Chair does not receive additional remuneration.*
Sustainability Committee Chair	1	$20,000	$20,000	$20,000	0%	$0	$20,000	**No uplift recommended.** Current Chair fee is well-positioned against comparators.
Sustainability Committee member	2	$0	$0	$10,000	-	$10,000	$20,000	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility.
Corporate Governance, People, Remuneration and Nominations Committee Chair*	1	$20,000	$20,000	$20,000	0%	$0	$20,000	**Recently established, we recommend **fees be aligned to the Sustainability Committee**. If applied, this Chair fee will be well-positioned against comparators.*
Corporate Governance, People, Remuneration and Nominations Committee member*	1ˆ	$0	$0	$10,000	-	$10,000	$10,000	**Recently established, we recommend **fees be aligned to the Sustainability Committee**. Introduce this fee at 50% of the committee Chair fee, in recognition of the increased workload and responsibility.* *ˆAs a member of this committee, the HGH Chair does not receive additional remuneration.*
Total			**$430,000**				**$524,500**	

\\ TSB HEARTLAND BANK COMPARATORS – QUARTILE VIEW

The table below displays quartile and median data of the comparator group across a range of organisational metrics.

We have highlighted TSB Heartland Bank's approximate post-merger position (and shown TSB and Heartland Bank's current positions) relative to this dataset. We note:

- TSB Heartland Bank's total assets sit between the median and upper quartile of comparators.
- TSB Heartland Bank's gross receivables sit between the lower quartile and median of comparators.
- Both TSB and Heartland Bank's net operating income sit around the median of comparators.
- Both TSB and Heartland Bank's interest income sit around the lower quartile of comparators.
- TSB's Chair premium is high relative to comparators, and Heartland Bank's is low.

All fee data below is provided in NZ$.

	Lower quartile	Median	Upper quartile	TSB Heartland	TSB^	Heartland Bank NZ
Total assets ($ million)	$850	$3,700	$23,700	$15,100	$9,501	$5,600
Net operating income ($ million)*	$135	$185	$410	-	$227	$227
Interest income / insurance revenue ($ million)	$495	$675	$1,530	-	$479	$212
Gross receivables ($ million)	$5,100	$20,800	$36,400	$12,300	$7,814	$4,710
Headcount	375	695	1,350	1,071	593	478
Chair	$168,000	$180,000	$182,500	-	$220,000	$175,000
Director	$83,000	$87,500	$96,500	-	$99,667	$120,000
Chair premium	1.9x	2.0x	2.0x	-	2.2x	1.5x

** We have excluded Southern Cross Medical Care Society net operating income from the median analysis.*

^ TSB data drawn from the 2026 annual report.

Comparators: Kiwibank, Kiwi Group Capital Limited, SBS Bank, The Co-operative Bank, FMG, Southern Cross Medical Care Society, Tower

\\ TSB HEARTLAND BANK RECOMMENDATIONS AND POSSIBLE UPLIFTS

Current remuneration data is based on the Heartland Group 2025 annual report. We understand Heartland's preference is for HGH and Heartland Bank Board fees to be equal.

The 'count' column indicates the number of Board members who will receive remuneration for each role following the merger. We have noted where this differs from the current count.

We believe setting fees for TSB Heartland Bank should be the priority, and then equivalency can be applied to the Heartland Group Board (see page 8).

We have not included Andrew Dixson in any of the remuneration counts given the expectation that any CEO across the Group does not receive additional remuneration for a board role they also hold across the Group.

- While Heartland Bank is atypical in not having additional committee member fees, the current base director fee is positioned very strongly against comparators. We have modelled the introduction of member fees, but Heartland Bank may conclude this uplift is not required. Given HGH's larger comparator group, we have considered these committee fees to inform potential uplifts. We have maintained Heartland Group's current practice of the Board Chair receiving additional remuneration for any committee Chair roles they hold (noting that the Board Chair does not receive additional remuneration for any committee memberships they hold).
- Separately, we have also accounted for an 'unallocated pool' of NZ$100,000 to be distributed across all 3 entities as HGH sees fit (page 14). As it is not specific to TSB Heartland Bank, we have not included this figure below.

All fee data below is provided in NZ$.

		Current remuneration		Potential changes				
Role	Count	Fee	Total (count x fee)	Revised fee	% increase	Increase	Revised total (count x fee)	Explanation
Chair	1	$175,000	$175,000	$200,000	14%	$25,000	$200,000	**Uplift of circa 14%** to maintain relative market positioning as a large challenger bank in the NZ sector and align the Chair premium closer to comparators at circa 1.7x the base director fee.
Director	6*	$120,000	$480,000*	$120,000	0%	$0	$720,000	**No uplift recommended.** Current Heartland Bank director fees are well-positioned against comparators. **Currently, 4 directors receive remuneration. Post-merger, this is expected to increase to 6. As noted, the HGH CEO does not receive a director fee for the role as a director on this Board.*
Audit Committee Chair	1	$20,000	$20,000	$23,000	15%	$3,000	$23,000	**Uplift of circa 15%** to align with the HGH comparator Audit and Risk Committee Chair median (the HGH comparator group was larger than HBL's so providing more data points to consider). As that comparator dataset combines 'audit' and 'risk' functions, the same new fee would be applied to TSB Heartland's separate Audit Committee and Risk Committee).
Audit Committee member	3*	$0	$0	$11,500	-	$11,500	$34,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HBL Chair does not receive additional remuneration.*
Risk Committee Chair	1	$20,000	$20,000	$23,000	15%	$3,000	$23,000	**Uplift of circa 15%** to align with the HGH comparator Audit and Risk Committee Chair median (the HGH comparator group was larger than HBL's so providing more data points to consider). As that comparator dataset combines 'audit' and 'risk' functions, the same new fee would be applied to TSB Heartland's separate Audit Committee and Risk Committee).
Risk Committee member	4	$0	$0	$11,500	-	$11,500	$46,000	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility.
People & Culture and Remuneration Committee Chair	1*	$20,000	$20,000	$20,000	0%	$0	$20,000	**No uplift recommended**. Current Chair fee is well-positioned against comparators. **As Chair of this committee, the current HBL Chair does receive additional remuneration.*
People & Culture and Remuneration Committee member	2	$0	$0	$10,000	-	$10,000	$20,000	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility.
Total			$715,000				$1,086,500	

\\ HBAL COMPARATORS – QUARTILE VIEW

The table below displays quartile and median data of the comparator group across a range of organisational metrics.

We have highlighted HBAL's approximate position relative to this dataset. We note:

- Total assets are aligned to comparator median.
- Across other organisational metrics, HBAL is aligned to the lower quartile of comparators.
- However, HBAL Chair and director fees are aligned to the upper quartiles of comparators.

All fee data below is provided in AU$.

We would expect HBAL Board fees to be commensurate to wider organisational metrics and aligned towards the lower quartile of comparators.

A less aggressive reduction would see fees reset to median of the comparator group. However, we note the significantly larger scale of a number of the comparator group.

	Lower quartile	Median	Upper quartile	HBAL
Total assets ($ million)	$2,200	$3,100	$7,450	$3,100
Net operating income ($ million)	$220	$545	$1,020	$80
Interest income ($ million)	$330	$710	$1,010	$78
Gross receivable ($ million)	$2,300	$3,900	$8,500	$2,500
Headcount	280	545	1100	114
Chair	$238,500	$265,000	$351,000	$320,000
Director	$110,000	$135,000	$158,000	$155,000
Chair premium	2.0x	2.0x	2.1x	2.1x

Comparators: MyState Bank Limited, Judo Bank, Latitude Financial, humm group limited, Zip Co Limited, Plenti Pty Limited, Hume Bank Limited, nib Group, HBF Health Limited, MoneyMe Financial Group Pty Ltd

\\ HBAL RECOMMENDATIONS AND POSSIBLE CHANGES

Current remuneration data is based on the Heartland Group 2025 annual report.

HBAL Chair and director remuneration is very strongly positioned against comparators. We have modelled reductions to the base Chair and director fees to reflect the scale of HBAL's organisational metrics.

We have not included Andrew Dixson in any of the remuneration counts given the expectation that any CEO across the Group does not receive additional remuneration for a board role they also hold across the Group.

- While HBAL is atypical in not having additional committee member fees, the current base director fee is positioned very strongly against comparators. Following the recommended reduction to the base director fee, we have modelled the introduction of member fees, but HBAL may conclude this uplift is not required. We have maintained Heartland Group's current practice of the Board Chair receiving additional remuneration for any committee Chair roles they hold (noting that the Board Chair does not receive additional remuneration for any committee memberships they hold).
- Separately, we have also accounted for an 'unallocated pool' of NZ$100,000 to be distributed across all 3 entities as HGH sees fit (page 14). As it is not specific to HBAL, we have not included this figure below.

All fee data below is provided in AU$.

		Current remuneration		Potential changes				
Role	**Count**	**Fee**	**Total** (count x fee)	**Revised fee**	**% change**	**$ change**	**Revised total** (count x fee)	**Explanation**
Chair	1	$320,000	$320,000	$238,500	-25%	-$81,500	$238,500*	**Reduction recommended** to align Chair fee against the lower quartile of comparators given the scale of HBAL's organisational metrics. This maintains HBAL's Chair premium at the upper quartile of comparators. **Consideration may also be paid to reducing this fee to $265,000, equivalent to the median of comparator data (page 11). This option has not been modelled.*
Director	3*	$155,000	$465,000	$110,000	-29%	-$45,000	$330,000	**Reduction recommended** to align director fee against the lower quartile of comparators given the scale of HBAL's organisational metrics. **The low 'count' of remunerated directors is due to the HGH CEO who sits on the HBAL Board not receiving a director fee, and the HBL Board Chair receiving the 'additional fee' rather than a full director fee (as noted below).*
Additional fee: Heartland Bank Australia Board member, where also Heartland Bank Board Chair	1	$35,000	$35,000	$25,500	-27%	-$9,500	$25,500	**Reduction recommended** to maintain this fee at circa 23% of the new base director fees.
Audit Committee Chair	1	$25,000	$25,000	$25,000	0%	$0	$25,000	**No uplift recommended**. Current Chair fee is well-positioned against comparators.
Audit Committee member	3*	$0	$0	$12,500	-	$12,500	$37,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HBAL Chair does not receive additional remuneration.*
Risk Committee Chair	1	$25,000	$25,000	$25,000	0%	$0	$25,000	**No uplift recommended**. Current Chair fee is well-positioned against comparators.
Risk Committee member	3*	$0	$0	$12,500	-	$12,500	$37,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HBAL Chair does not receive additional remuneration.*
People, Remuneration and Nominations Committee Chair	1	$25,000	$25,000	$25,000	0%	$0	$25,000	**No uplift recommended**. Current Chair fee is well-positioned against comparators.
People, Remuneration and Nominations Committee member	3*	$0	$0	$12,500	-	$12,500	$37,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HBAL Chair does not receive additional remuneration.*
Total			**$895,000**				**$781,500**	

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\\ SETTING THE UNALLOCATED POOL

It is common that a board will not require their maximum total fee pool. The remaining unallocated pool provides useful 'headroom' to account for ad-hoc responsibilities if needed (for example, a new committee appointment).

As per the 2025 annual report, the Group's unallocated pool sat at circa NZ$152,000.

If the wider recommendations of this report are accepted, we recommend an updated unallocated pool of NZ$100,000 for the Group.

The distribution of this pool (if required) would be overseen by HGH.

As this single pool would be shared across the Group's 3 entities, we have not included this figure in any of the recommendation pages (8, 10, 12).