calibre partners

Heartland Group Holdings Ltd

Independent Expert's Report (short form)

August 2026

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1. Introduction

1.1 The Proposed Transaction

Heartland Group Holdings Limited (**HGH or Heartland**), the parent company of Heartland Bank Ltd (**Heartland Bank** or **HBL**), is considering the acquisition of TSB Bank Ltd (**TSB**) from Toi Foundation (**Toi**). Immediately following the acquisition, HBL and TSB would undertake a legal amalgamation to form a single New Zealand bank of significantly enhanced scale and diversification (the **Merged Bank**). Together, this two-step process is referred to as the **Proposed Transaction**.

The Merged Bank would be wholly owned by HGH.

The proposed consideration to Toi for the acquisition of TSB is $620 million.

If the Proposed Transaction proceeds, the consideration to Toi would be a combination of cash, debt instruments and shares in HGH, as follows:

Instrument	$ million	Description
Pre-completion cash dividend	50.0	Dividend paid by TSB to Toi immediately prior to completion of the Proposed Transaction.
Equity	250.0	200 million HGH shares issued to Toi at a fixed price of $1.25, resulting in Toi owning 17.5% of HGH.
Vendor financing	264.0	Vendor finance loan facility provided by Toi. 2-year term, margin over NZ 1-month BKBM. Repayable at any point within loan term with no break fee.
Tier 2 capital	56.0	Capital issued by HBL to Toi. 10-year term, callable after 5 years with an initial fixed margin over the NZ 5-year swap, and a floating margin thereafter.
Total	620.0	

Following the Proposed Transaction, Toi would become a 17.5% shareholder in HGH.

1.2 Industry context

The New Zealand banking sector is highly concentrated with the four major Australian owned banks accounting for approximately 84% of all bank lending and holding a similar proportion of total banking assets. Smaller banks face structural disadvantages, including higher funding costs, weaker brand recognition, smaller balance sheets and less capacity to absorb technology and compliance costs.

New Zealand's banking sector is heavily concentrated in residential mortgage lending. As a result, bank earnings and asset quality are strongly influenced by housing market conditions, interest rates, and household finances. This also increases the impact of macroprudential controls, such as loan-to-value (**LVR**) and debt-to-income (**DTI**) limits, on lending growth and revenue. While the major banks offer a full suite of financial services, smaller banks tend to focus on retail customers and often specialise in niche areas such as rural lending, asset finance, or regional markets.

Bank funding is predominantly short-term, with most liabilities maturing within a year. Although assets are longer-term, they are typically either floating or short-term fixed rates, allowing monetary policy changes to flow through quickly to borrowers. In the past, loan growth was supported by rising house prices. More recently, higher interest rates have reduced demand for new mortgages, although they have also supported stronger revenue from existing lending despite lower overall volumes.

The conflict in the Middle East added economic uncertainty and weakened both global and domestic conditions. This has worsened New Zealand's near-term inflation outlook and delayed what was already a fragile recovery. While GDP growth was recorded in the December quarter, it fell short of expectations due to weak household spending and business investment, leading economists to revise down growth forecasts. Inflation is expected to remain elevated, with higher oil prices putting pressure on household budgets and business margins. In response, the Reserve Bank of New Zealand (**RBNZ**) has paused its easing cycle and shifted to a tightening bias, signalling that interest rates are now more likely to rise than fall, depending on how persistent inflation proves to be. Wholesale interest rates have already increased, and some mortgage rates have followed, although pricing remains mixed and the path of the official cash rate remains uncertain.

Against this backdrop, the outlook for New Zealand banks is becoming more challenging. Slower economic growth and rising unemployment are likely to dampen credit demand and increase pressure on asset quality, particularly as borrowers refinance at higher interest rates and face ongoing cost-of-living pressures. At the same time, rising funding costs may compress margins, depending on how quickly banks reprice their loans. These challenges are likely to be more pronounced for smaller banks, given their more limited diversification, tighter margins, and reduced capacity to absorb shocks or implement cost reductions.

1.3 Transaction rationale

The rationale for the Proposed Transaction is both strategic and financial. The transaction would result in the creation of a New Zealand bank with significantly enhanced scale and diversification. Scale is fundamental to the banking model, as it enables the generation of returns in excess of operating and funding costs, supporting shareholder value creation.

HGH and TSB offer distinct yet complementary product suites and differ in their regional concentrations of depositors. Combining these capabilities would broaden the product offering and diversify the loan portfolio, mitigating concentration and systemic risks.

A larger and more diversified Merged Bank is expected to benefit from a lower cost of funding as the funding mix will be widened to include more non-interest-bearing deposits via transaction accounts. It may also achieve an improvement in HBL's (and the HGH Group's) credit rating, which would further reduce funding costs. Collectively, these factors are anticipated to enhance shareholder returns.

1.4 Heartland shareholder approval

The Proposed Transaction requires the approval of HGH shareholders.

Relevant to this Report, there are two resolutions (**the Resolutions**) to be voted on:

> ### Resolution 1: Merger of Heartland Bank and TSB
>
> That the acquisition by Heartland of all of the shares in TSB and the subsequent amalgamation of Heartland Bank and TSB (with Heartland Bank being the amalgamated company) under the merger implementation agreement dated 1 June 2026 between Heartland, Toi Foundation and Toi Foundation Holdings Limited be approved, confirmed and ratified for all purposes, including section 129 of the Companies Act 1993 and NZX Listing Rule 5.1.1.
>
> ### Resolution 2: Consideration shares
>
> That the issue of 200,000,000 fully paid ordinary shares in Heartland to Toi Foundation at an issue price of NZ$1.25 per share on completion of, and as partial consideration for, the acquisition by Heartland of all of the shares in TSB be approved, confirmed and ratified for all purposes, including NZX Listing Rule 4.1.1.

Under the Agreement, completion is conditional on shareholder approval for both above resolutions. If one were voted down, the transaction would not proceed.

The Shareholder Meeting to consider the Proposed Transaction is proposed to be held on 30 September 2026.

The Board of HGH fully supports the Proposed Transaction and unanimously recommends that HGH shareholders vote in favour of the Resolutions.

Each Director of the Board of HGH has indicated that he or she will be voting the HGH shares that they control in favour of the Resolutions.

1.5 Scope of this Report

There is no specific requirement for an independent report on the Proposed Transaction under the Takeovers Code or the NZX Listing Rules. However, the NZX Listing Rules require that a notice of meeting include, or be accompanied by, sufficient information to enable a reasonable shareholder to understand the effect of each proposed resolution.

HGH has obtained this independent expert's report (**Report**) to assist shareholders in voting on the Proposed Transaction. This is a short form of the Report which we have prepared to accompany the notice of meeting. The full Report will be made available on Heartland's website.

1.6 Key issues to be considered by shareholders

Key issues for shareholders to consider:

- We consider the proposed consideration for TSB is reasonable, considering TSB's scale and return on equity relative to listed peers.
- HGH would acquire TSB at a discount to book value. The discount reflects the lack of economies of scale characteristic of a small bank, rather than a concern with the quality of the underlying assets that would require an impairment.
- The Proposed Transaction creates a bank of substantially greater scale, with a larger capital base and a more diversified loan book.
- The Proposed Transaction is expected to yield significant cost synergies in the Merged Bank; however, synergies do carry risk in terms of timing, cost to extract and the final value that is realised on a continuing basis.
- The Proposed Transaction is expected to be meaningfully Earnings Per Share (**EPS**) and Dividend Per Share (**DPS**) accretive. Together with the expected higher Return on Equity (**ROE**) and growth opportunities from the enhanced ability to serve customers throughout their financial lifecycle across respective customer bases, this is supportive of a directional increase in the Price to Book Value (**P/BV**) multiple for HGH over time.
- HGH would acquire regulatory capital at a discount to its book value; it would effectively be acquiring capital more cheaply than it could generate organically or could raise externally.
- A larger, more diversified entity is likely to be less sensitive to systemic risks and provide greater financial stability to the HGH shareholders.
- The Proposed Transaction increases HGH's exposure to residential lending which is a competitive market with lower net interest margins than Heartland's other product lines. Residential lending would be the largest component of the loan portfolio in the merged group. Whilst Heartland has historically offered residential mortgages, it has not previously been able to achieve meaningful scale in this product line. The acquisition of TSB however provides immediate scale with $6.5 billion of residential mortgage loans as at 31 December 2025.
- As with all mergers, there are integration risks (especially technology transformation) associated with the merger of HBL and TSB.

> **In our opinion, the proposed consideration for TSB is reasonable. On balance we consider the positives of the Proposed Transaction outweigh the negatives for HGH shareholders.**

The above should be read in conjunction with the full Report, available on the Heartland website.

Voting on the Proposed Transaction is a matter for individual shareholders based on their own views as to the value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

1.7 Other

The key sources of information we have relied upon are set out in Appendix 1.

This Report should be read in conjunction with the statements and declarations set out in Appendix 2 regarding our independence, qualifications, general disclaimer and indemnity, as well as restrictions on the use of this Report.

Unless specified otherwise:

- References to '$' and 'NZD' are to New Zealand Dollars.
- References to 'A$' and 'AUD' are to Australian Dollars.

All amounts are in NZD unless stated otherwise.

When referring to TSB, references to financial years or 'FY' mean TSB's financial years ended 31 March. References to interim period, half years or 'HY' mean TSB's interim reporting periods ended 30 September. References to 31 December 2025 mean TSB's data drawn from the Reserve Bank of New Zealand (**RBNZ**).

When referring to HGH or the Merged Bank, references to financial years or 'FY' mean financial years ended 30 June. References to interim period, half year or 'HY' mean HGH's interim reporting periods ended 31 December.

Tables may not add due to rounding.

2. Merits of the Proposed Transaction

We have considered the merits of the Proposed Transaction in the manner typically undertaken by an independent adviser preparing a report under the Takeovers Code.

The Takeovers Code requires an independent adviser to form an opinion on the merits of a proposed transaction and, in doing so, to consider matters broader than valuation alone.

The term 'merits' has no definition in either the Takeovers Code or in any statute dealing with securities or commercial law in New Zealand. Although the Takeovers Code does not prescribe a meaning of the term 'merits', the Takeovers Panel has interpreted the word to include both positives and negatives in respect of a transaction. Although we are not preparing this Report under the provisions of the Takeovers Code, we have adopted this approach in preparing this Report.

2.1 The consideration payable to Toi

We have carried out analysis to assess whether the proposed consideration to Toi for TSB, at $620 million, is reasonable. As part of the consideration, Toi will receive a pre-completion cash dividend of $50 million, with the remaining $570 million payable by HGH.

To assess whether this consideration is reasonable, we calculate the valuation multiples and other financial metrics implied by the proposed price. We benchmark these metrics against equivalent metrics for other comparable institutions.

The proposed consideration to Toi of $620 million implies a P/BV in the region of 0.76x. This is based on TSB's book value of equity as reported to the Reserve Bank of New Zealand as at 31 December 2025.

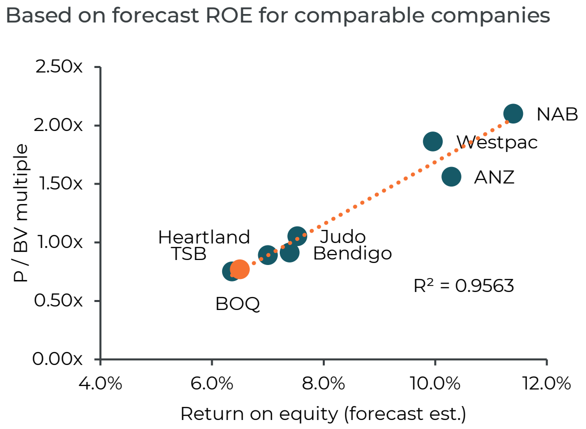
Table 1: Implied valuation multiple

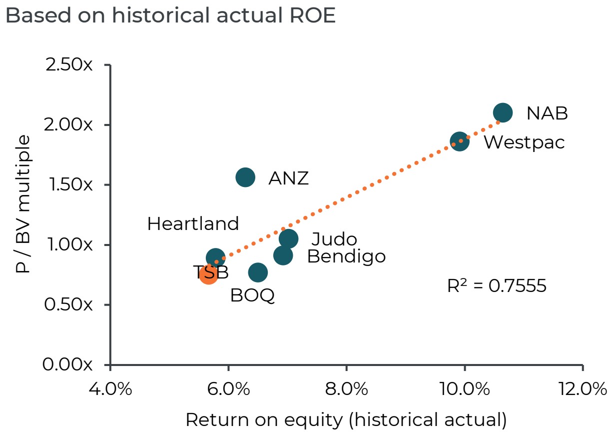
	$ million
Proposed consideration to Toi	620.0
Book value of equity (31 December 2025)	814.6
Implied P / BV	**0.76x**

The implied P/BV multiple is comparable to the multiples observed for transactions and listed companies we consider most comparable to TSB with reference to or taking into account the ROE generated.

We consider the relationship between P/BV and return on equity is of key importance when considering the proposed consideration. In general terms, companies which consistently report high ROEs demonstrate the ability to generate returns in excess of costs. All else being equal, investors are willing to pay a higher book value multiple for these companies. Conversely, companies with low or volatile ROEs tend to trade at lower P/BV multiples.

Figure 1: P/BV and return on equity





We consider a P/BV multiple of less than 1.0x is appropriate in the circumstances and is not unusual for sub-scale banks. This reflects the overhead burden in the business model rather than the quality of the underlying assets. In this scenario, the discount to book value reflects the lack of economies of scale rather than an impairment of the assets.

We have also considered comparable transactions, noting there have been few sales of banks in New Zealand as going concerns over the last decade. The most relevant recent transaction in Australia is MyState's acquisition of Auswide Bank in 2024, at a P/BV multiple of 0.83x.

Considering the comparable companies and transactions and the relative performance and size of TSB, we consider a reasonable P/BV multiple for TSB to transact at would be in the region of 0.70x to 0.80x.

2.2 The rationale and strategic benefits of the Proposed Transaction

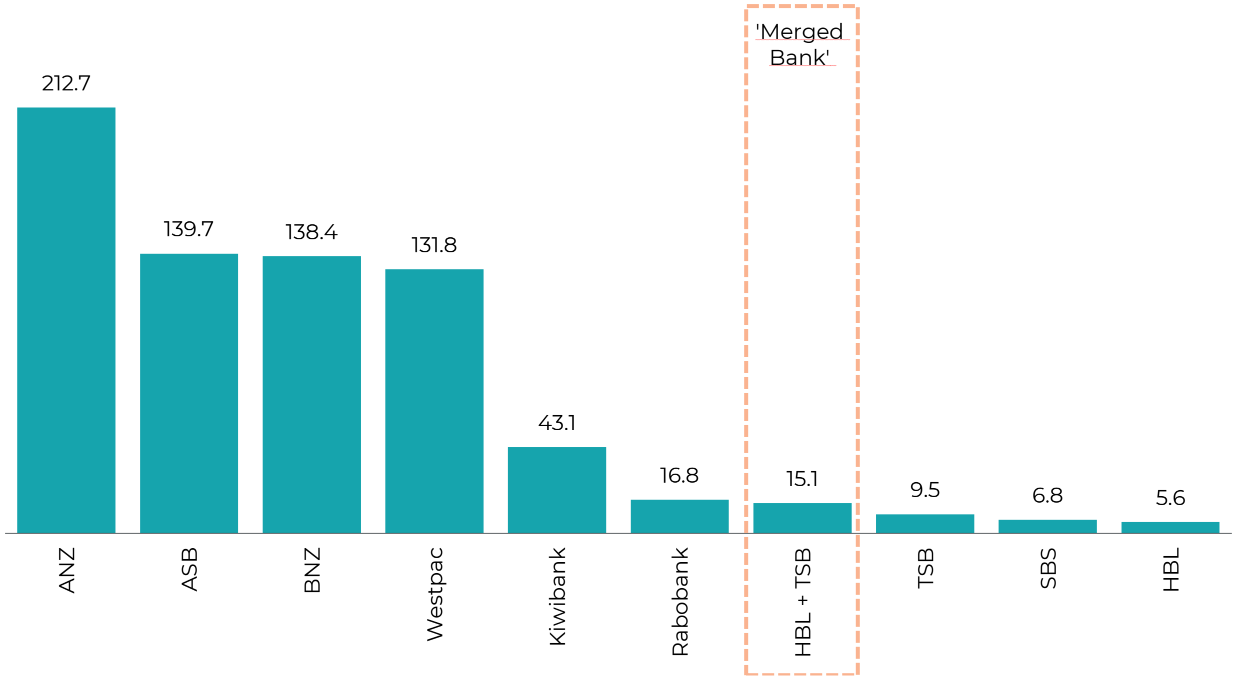
The Proposed Transaction is expected to deliver significant synergistic value. In this instance, synergistic value is broader than cost savings or growth opportunities from the enhanced ability to serve customers throughout their financial lifecycle across respective customer bases. It extends to extracting value from the benefits of economies of scale and diversification in a banking environment.

Scale benefits

Due to the inherent operating cost structure of banks, scale is critical to delivering operating leverage benefits. This is evident in larger banks typically reporting substantially lower Cost-To-Income (**CTI**) ratios.

The Proposed Transaction will create a merged bank of substantially greater scale. The total assets in New Zealand would almost triple, increasing from $5.6 billion for HBL on a stand-alone basis to $15.1 billion for the Merged Bank. The Merged Bank would be the seventh largest bank, by assets, in New Zealand. While the Merged Bank would be substantially larger than HBL, it would remain small relative to the major Australian owned banks.

Figure 1: Total assets as at 31 December 2025 ($ billions)



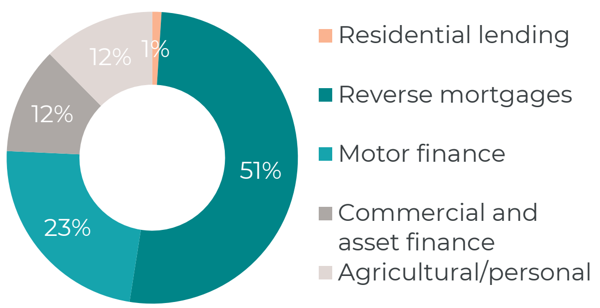
Source: Reserve Bank of New Zealand

Portfolio diversification

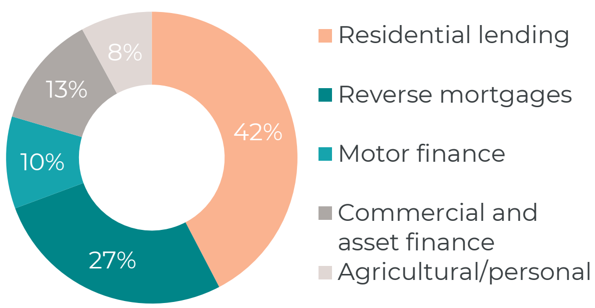
The Proposed Transaction will create a bank with a substantially more diversified loan book and an enhanced product offering for existing and prospective customers.

Figure 2: Portfolio diversification (shown for the HGH Group)

HGH Group loan portfolio before merger



HGH Group loan portfolio after merger



HGH has historically not succeeded in organically growing its residential mortgage loan portfolio in a meaningful way. Following the Proposed Transaction, HGH will have a more diverse loan portfolio with substantial exposure to residential mortgages.

HBL is currently the largest market participant in reverse mortgages in New Zealand, with a market share in excess of 90%. Following the merger, HGH's exposure to reverse mortgages is expected to decrease from about half the portfolio to around a quarter, reducing concentration risk associated with this product specifically, particularly in light of potential increased competition in New Zealand in the future (the Australian market is substantially more competitive which has resulted in lower margins compared to New Zealand).

Overall, HGH's loan portfolio will be more diversified and stable, while continuing to present attractive growth opportunities, supported by relatively low market shares in residential mortgages, motor finance and commercial lending.

The Merged Bank's (and HGH's) product offering will be more extensive, and this is expected to present opportunities to serve customers throughout their financial lifecycle. TSB customers can be offered motor vehicle loans, asset finance loans and reverse mortgages. Similarly, HBL customers can be offered residential mortgages and transaction accounts.

A larger, more diversified bank will be less susceptible to systemic risks and should provide greater financial stability.

The Proposed Transaction is expected to improve HBL's cost of funding.

HBL currently has a Fitch credit rating of BBB with a stable outlook, while TSB has a Fitch credit rating of BBB+ with a stable outlook. The merger of HBL and TSB will result in a significantly larger asset base, with scale improvement opportunities and a more diversified loan book. The strengthened asset quality and risk profile of the Merged Bank may result in an uplift in the assessed long-term credit rating, which could provide further opportunities to lower the cost of funding.

The funding mix of HBL will also be widened to include more non-interest-bearing deposits via transaction accounts.

Cost saving and revenue synergies

The Proposed Transaction is expected to deliver cost saving synergies. Ongoing cost synergies of approximately $34 million per annum have been assessed by an internal working group (supported by external advisers) to be progressively realised over a 3-year period post-completion. The largest component of the expected cost savings is through leadership and back-office staff cost savings.

Conservatively, cost savings from future technology synergies have not been factored into the analysis, as no final decision has been made on technology strategy as at the date of preparing this Report.

The transaction will also result in one-off transaction costs of $15 million. Estimated non-recurring integration costs of $34 million are expected to be incurred over a 3-year period, post completion.

Revenue synergies are also expected to be material but have not been factored into this synergy analysis given inherent uncertainty and greater execution risk.

Access to regulatory capital at a discount

The discount to book value for the acquisition of TSB is due to a lack of economies of scale, rather than a discount due to hidden credit losses or asset impairments. As such, HGH will acquire regulatory capital at a discount – it would be acquiring capital more cheaply than it could generate capital organically or externally via an equity capital raise.

In a constrained regulatory environment, growing lending typically requires incremental capital. Acquiring capital at below book value lowers the cost of growth. It also provides a buffer to downside risk, as purchasing assets at a discount can provide a margin of safety.

Improved financial metrics

HGH shareholders will remain invested in a listed company, but one which will benefit from improved economies of scale and diversification benefits which will decrease risk and improve returns to shareholders.

Heartland would acquire TSB at a discount to its book value; however, the underlying assets are not impaired beyond the existing credit impairment provisions. Merging TSB with HBL to realise operating and funding efficiencies and removing duplicate overheads means that the acquired assets can quickly become value accretive.

The expected financial metrics, based on the pro-forma financial statements prepared for the Merged Bank, are shown below. The purpose of this analysis is to illustrate the change from HGH 'as-is' to HGH with the Merged Bank.

The financial information is based on the reported historical results for HGH and TSB, being 12 months ending December 2025 for HGH and 12 months ending December 2025 for TSB. This aligns with the most recent data provided to the RBNZ.

The pro-forma accounts include merger adjustments. These are intended to reflect the run-rate, rather than one-off adjustments. For example, the profit and loss adjustments include a full year of realised cost saving synergies (as that is what is expected to persist), but it does not include the one-off integration costs nor the transaction costs. This is done to make the comparison to HGH 'as-is', on a like-for-like basis. The one-off integration and transaction costs are included on the balance sheet as a liability – this is done to show these costs will need to be incurred to deliver the expected benefits.

Table 2: Pro-forma statements ($ millions)

	HGH as-is	TSB	Adjustments	HGH (with Merged Bank)
Summarised pro-forma income statement				
Interest income	674.2	499.2		1,173.4
Interest expense	(350.1)	(291.8)		(641.9)
Net interest income	324.1	207.4		531.5
Other operating income	14.1	14.4		28.5
Net operating income	**338.2**	**221.8**		**560.0**
Operating expenses	(188.9)	(148.9)	12.8	(325.0)
Profit before credit impairment and tax	**149.4**	**72.9**	**12.8**	**235.0**
Credit impairment losses / reversal of impairment loss and other	(29.4)	(1.2)		(30.6)
Profit before tax	**120.0**	**71.7**	**12.8**	**204.4**
Tax expense	(35.9)	(20.4)	(3.6)	(59.9)
Net profit after tax	**84.0**	**51.3**	**9.2**	**144.5**
Summarised pro-forma balance sheet				
Cash and cash equivalents	395.4	401.6	(50.0)[1]	747.0
Loan book	7,240.2	7,788.1		15,028.3
Investment securities	782.1	1,280.1		2,062.2
Other assets	390.9	68.1		459.0
Total assets	8,808.6	9,537.9	(50.0)	18,296.5
Deposits	(6,895.2)	(8,625.7)		(15,520.9)
Vendor financing			(264.0)[2]	(264.0)
Tier 2 capital			(56.0)[3]	(56.0)
One-off integration costs			(24.5)[4]	(24.5)
Other liabilities	(624.9)	(97.6)		(722.5)
Total liabilities	(7,520.1)	(8,723.3)	(344.5)	(16,587.9)
Total equity	1,288.6	814.6	(394.5)	1,708.6
Financial metrics				
Number of shares on issue	945.2			1,145.2
Earnings per share (cps)	*8.9*			*12.6*
NPAT Margin	*12.5%*	*10.3%*		*12.3%*
Return on equity (based on avg equity)	*6.7%*	*6.5%*		*8.6%*

[1] Transaction funding: Dividend paid by TSB to Toi immediately prior to completion of the Proposed Transaction

[2] Transaction funding: Vendor financing

[3] Transaction funding: Tier 2 capital

[4] One-off integration costs, net of tax.

2.3 The potential impact of the Proposed Transaction on HGH's share price

Likely to have positive impact on HGH's share price

All else being equal, we consider the benefits of the Proposed Transaction are likely to be supportive of a higher share price. The financial metrics that underpin a bank valuation are expected to improve and we consider a higher P/BV multiple will likely result.

The new shares in HGH will be issued at $1.25 per share, which is a 14.6% premium to the 10-day volume weighted average share price on the NZX (being $1.09) immediately prior to the announcement of the Proposed Transaction. This is not expected to be value dilutive to existing shareholders.

May increase share liquidity

The Proposed Transaction is unlikely to reduce share liquidity and may increase share liquidity due to being a larger company with 21% more shares on issue. There is no lock up agreement for the HGH shares that will be issued to Toi, however Toi has indicated it plans to be a long-term supportive holder of HGH shares.

Toi would have influence but could not block resolutions on its own

The Proposed Transaction would result in Toi owning a large interest in HGH. In addition, HGH shareholders will be asked to approve the appointment of one Toi representative to the Heartland Board.

However, Toi would not be able to block ordinary or special resolutions. It is a proportional interest that another party could acquire on-market or off-market, without making a formal Takeover Offer or seeking HGH shareholder consent (given it does not pass the 20% threshold).

The next largest shareholder, after the Proposed Transaction, will be Tomlinson Group HGH Limited with a 7.3% shareholding.

2.4 The likely consequences of the Proposed Transaction being rejected

The alternative to the Proposed Transaction is that the status quo persists and HGH continues in its current form.

While HGH shareholders will remain invested in a listed bank, HGH will remain significantly concentrated to the reverse mortgage market segment. Competition within this segment is expected to increase as the product suite and market participants mature in the New Zealand and Australian markets, likely resulting in declines to net interest margins.

In the Australian market, new fintech and non-deposit-taking competitors have captured significant market share in the reverse mortgage segment. As a result, Heartland Bank Australia's share of new originations has declined from around 90% five years ago to around 40% currently. The increased competition has been driven by the attractive Net Interest Margin (**NIM**) associated with reverse mortgages, relative to actual impairment levels.

Heartland Bank has a greater than 90% market share in the New Zealand reverse mortgage market. High NIM combined with low impairments will attract new entrants, and potentially the large banks to re-enter this market if it is viewed as a growth market with attractive returns and limited reputational risk.

2.5 Risks and other considerations

The Proposed Transaction increases HGH's exposure to residential lending which is a highly competitive market with lower net interest margins than HGH's existing product lines. Residential lending would be the largest component (close to 45%) of the loan portfolio in the merged HGH group (including the Australian operations).

TSB is highly reliant on third party mortgage originators (compared to other banks) to generate business. Accordingly, TSB has less direct control over its mortgage product distribution.

The Proposed Transaction would result in a high deposit exposure to the Taranaki region (around 26%). Many of these depositors have been long standing customers of TSB.

The merger has integration risks, such as:

- timing and amount of integration costs
- timing and amount of expected cost synergies
- challenges with moving to consistent technology platforms, and
- cultural integration and retention of key staff and customer relationships.

While the Merged Bank will be a larger entity, with the potential for improved shareholder returns, it will still remain a relatively small bank in comparison to Kiwibank and the four large Australian-owned banks.

2.6 Conditions of the Proposed Transaction

The Proposed Transaction is subject to conditions that are outside the control of HGH shareholders (such as RBNZ approval, any necessary Australian regulatory approvals, confirmatory due diligence and HGH and Toi entering into a separate warranty and indemnity deed (together with an associated warranty insurance policy)). There is no certainty that the Proposed Transaction will proceed, even if supported by HGH shareholders, until such time as those conditions have been satisfied.

HGH's one substantial shareholder, Tomlinson Group HGH Limited, currently owns approximately 8.8% of the HGH shares on issue and has committed to vote in favour of the Proposed Transaction.

If the Proposed Transaction is rejected by HGH shareholders, or the other conditions are not satisfied, the parties to the Proposed Transaction could elect to renegotiate the transaction terms. In that circumstance a new set of resolutions could be put to HGH shareholders.

A consequence of the issuance of a significant number of new shares in HGH is that the proportional ownership of existing HGH shareholders in the merged group will reduce by around 17.5%. For example, a shareholder owning say 5.0% of the issued shares will own approximately 4.1% of the issued shares in the larger Merged Group. While this dilution to a shareholder's proportional ownership interest is not expected to be value dilutive to the shareholder, it will reduce a shareholder's ability to affect shareholder resolutions. The relevance of this dilution may be minimal to many shareholders, in circumstances where HGH shares are widely held and the new shares will be held by a party without overall control of the company.

Appendix 1: Sources of information

Documents relied upon

Key information sources we have used and relied on, without independent verification, in preparing this Report include the following:

- The Reserve Bank of New Zealand
- KPMG Financial Institutions Performance Survey 2024
- The Commerce Commission report on personal banking services, August 2024
- Retail banking in New Zealand: Customer satisfaction, use and perception compared with the rest of the world, November 2022. Boston Consulting Group.
- New Zealand Treasury
- International Monetary Fund
- HGH annual reports, interim reports and investor presentations
- TSB annual reports
- CapitalIQ
- NZX announcements
- Listed company annual reports and financial statements

We have also had discussions with HGH's management team in relation to the nature of its operations and the known risks and opportunities for HGH in the foreseeable future.

Reliance upon information

In forming our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by HGH and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion, but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of HGH. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

Calibre Partners is an independent New Zealand Chartered Accounting practice. The firm has established its reputation nationally through the provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because we have no audit or tax divisions, we avoid potential conflicts of interest that may otherwise arise. This allows Calibre Partners to regularly act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this Report are Shaun Hayward, Grant Graham and Gillian Andrews. All have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

This Report should not be used or relied upon for any purpose other than as an expression of Calibre Partners' opinion as to merits of the proposed transaction. Calibre Partners expressly disclaims any liability to any Heartland shareholder that relies, or purports to rely, on this Report for any other purpose and to any other party who relies, or purports to rely, on the Report for any purpose.

This Report has been prepared by Calibre Partners with care and diligence, and the statements and opinions given by Calibre Partners in this Report are given in good faith and in the belief, on reasonable grounds, that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Calibre Partners or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of the Report, provided that this shall not absolve Calibre Partners from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Heartland has agreed that, to the extent permitted by law, it will indemnify Calibre Partners and its partners, employees and officers in respect of any liability suffered or incurred as a result of, or in connection with, the preparation of the Report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Heartland has also agreed to indemnify Calibre Partners and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person, except where Calibre Partners or its partners, employees and officers are guilty of negligence, misconduct or breach of law, in which case Calibre Partners shall reimburse such costs.

Independence

Calibre Partners and the persons responsible for the preparation of this Report do not have at the date of this Report, and have not had, any shareholding in, or other relationship, or conflict of interest with Heartland that could affect their ability to provide an unbiased opinion in relation to this transaction. Calibre Partners will receive a fee for the preparation of this Report. This fee is not contingent on the success or implementation of the proposed transaction or any transaction complementary to it. Calibre Partners and the persons responsible for the preparation of this Report have no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this Report was provided to Heartland and its advisers, solely for the purpose of verifying the factual matters contained in this Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this Report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

Calibre Partners consents to the issuing of the Report, in the form and context in which it is included, in the information to be sent to Heartland's shareholders. Neither the whole nor any part of the Report, nor any reference thereto, may be included in any other document without the prior written consent of Calibre Partners as to the form and context in which it appears.

Appendix 3: Glossary of key terms

Term	Definition
ADI	Authorised Deposit Taking Institution
CAGR	Compound Annual Growth Rate
CCCFA	The Credit Contracts and Consumer Finance Act 2003
CET1	Common Equity Tier 1
CoFI	Conduct of Financial Institutions Amendment Act 2022
CTI	Cost to income ratio
DCS	Depositor Compensation Scheme
DTI	Debt to Income ratio
HBAL	Heartland Bank Australia Limited
HBL	Heartland Bank Limited
HGH or Heartland	Heartland Group Holdings Limited
HYEFU	Half Year Economic and Fiscal Update
IMF	International Monetary Fund
LVR	Loan to Value Ratio
Merged Bank	Amalgamation of HBL and TSB
NIM	Net Interest Margin
NPAT	Net Profit After Tax
NPL	Non-Performing Loan
NSA	Non-Strategic Asset programme
OCR	Official Cash Rate
P/BV	Price to book value multiple
RBNZ	Reserve Bank of New Zealand
Report	The Independent expert's report
ROE	Return on Equity
Toi	The Toi Foundation
TSB	TSB Bank Limited