FY2023 results
Investor presentation

For the year ended 30 June 2023

HEARTLAND GROUP

Contents

01

Highlights & strategic update

Jeff Greenslade
Chief Executive Officer Heartland Group

01 Presentation of results

Financial results in this investor presentation are presented on a reported and underlying basis.

- Reported results are prepared in accordance with NZ GAAP and include the impacts of one-offs, both positive and negative, which can make it difficult to compare performance between periods.
- Underlying results exclude the impacts of fair value changes on equity investments held, the de-designation of derivatives, and other one-offs. This is intended to allow for easier comparability between periods, and is used internally by management for this purpose.

Adjustments for underlying results impact NOI, OPEX, NPAT, NIM and EPS. Underlying ROE, underlying CTI ratio and underlying impairment expense ratio measures are supplementary, non-GAAP measures that may be used by investors, industry analysts and others in assessing and benchmarking profitability and performance against the industry and/or other companies. A GAAP and non-GAAP comparative is provided for each of these measures.

Refer to Appendix 3 on page 42 for a detailed reconciliation between reported and underlying financial information, including details about one-offs in the periods covered in this investor presentation.

General information about the use of non-GAAP financial measures is set out on page 38 of this investor presentation.

Group financial highlights

	NPAT	NIM	CTI ratio	Impairment expense ratio	ROE	EPS
Reported	$95.9m ↑ 0.8% vs FY2022	3.97% ↓ 8 bps vs FY2022	44.9% ↑ 126 bps vs FY2022	0.36% ↑ 11 bps vs FY2022	10.4% ↓ 169 bps vs FY2022	14.0 cps ↓ 2.1 cps vs FY2022
Underlying[1]	$110.2m ↑ 14.6% vs FY2022	4.00% ↓ 2 bps vs 1H2023 ↓ 16 bps vs FY2022	42.0% ↓ 53 bps vs FY2022	0.36% ↑ 7 bps vs FY2022	11.9% ↓ 68 bps vs FY2022	16.0 cps ↓ 0.3 cps vs FY2022

Receivables[2]	Borrowings	Equity	Final dividend
$6,791m ↑ 10.1%[3] vs June 2022	$6,627m ↑ 7.4% vs June 2022	$1,031m ↑ 27.5% vs June 2022	6.0 cps ↑ 0.5 cps vs FY2022

[1] Refer to Appendix 3 for a reconciliation between reported and underlying NPAT result. [2] Receivables also includes Reverse Mortgages. [3] Excluding the impact of changes in FX rates.

FY2023 achievements

Demonstrated resilience in 'best or only' strategy

- Growth in core lending portfolios despite macroeconomic environment, demonstrating resilience of 'best or only' products.
- Motor Finance grew 13.5% in a market where new and used vehicles declined 6.2%.
- Heartland Bank awarded Canstar NZ's Bank of the Year – Savings award and Outstanding Value Home Lender Award.

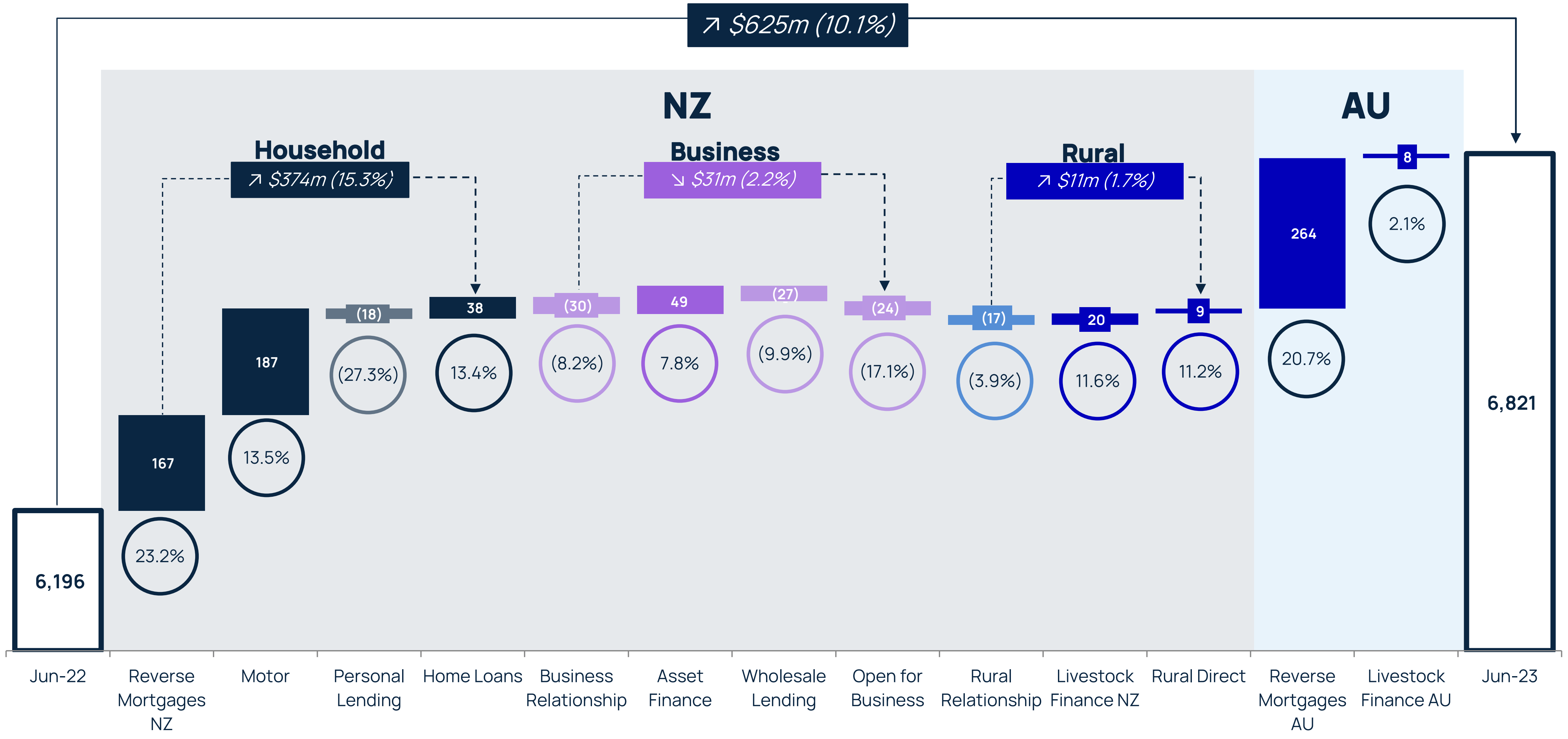
FY2024 focus

Growth in core product portfolios

- Continued growth in core product portfolio, plus higher contribution from AU Livestock Finance.

Continue to wind down legacy lending

- Continue the transition away from legacy business and focus on lower risk lending which is more cost efficient to transact.



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.

Strategic update

FY2023 achievements

Replicating the scale of big banks
- Underlying CTI ratio of 42.0%, much lower than the average CTI ratio of non-major NZ banks and more comparable to the average CTI ratio of major AU banks.[1]

Increasing uptake of mobile platforms
- Expanded secure automatic approval capabilities of Asset Finance and NZ Livestock Finance application processes, reducing friction for customers and the need for manual assessment. This resulted in an uplift in approval rates of 20% and 12% respectively.
- The Heartland Finance Mobile App was rolled out to all AU Reverse Mortgage customers in June 2023. Within one month, more than 10% of customers had digital access.
- Heartland Mobile App users up 65% from 1 July 2022.
- The percentage of NZ Reverse Mortgage website visitors who used mobile devices increased from 51% as at 30 June 2022 to 54% as at 30 June 2023.

FY2024 focus

Ambition to achieve underlying CTI ratio < 35% by FY2028
- Ambition to reduce the CTI ratio further over time through revenue growth and ongoing automation and digitalisation initiatives.

Increasing efficiency through digitalisation and automation
- Deliver One-Click Deferral, enabling customers to self-manage loan repayments.
- Develop self-service mobile app functionality to reduce friction for customers – progress toward reducing inbound customer calls by 73% by 30 June 2025.
- Improve efficiency in loan servicing and administration through process automation – progress toward automating 65% of manual back-end processes by 30 June 2025.
- Expand branded online origination platforms to more Motor Finance dealer partners to provide customers with swift digital options.

Implementation of upgraded core banking system
- Due to go live within this calendar year.
- The core banking upgrade provides a platform on which to deliver increased levels of automation and digitisation.

[1] The average CTI ratio of New Zealand's main domestic non-major banks excluding Heartland (The Co-operative Bank, Kiwibank, SBS and TSB) was 68.9% for the 12 months to 31 March 2023 (data from the RBNZ Financial Strength Dashboard, valid as at 31 July 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.

Strategic update

FY2023 achievements

Largest active provider of AU reverse mortgages

- Maintained position as largest active provider of reverse mortgages in Australia, with market share of 38.4% at 31 March 2023 (up from 33.1% at 31 March 2022).[1]
- Heartland Finance was a finalist for Best Banking Innovation at the Australian Finder Innovation Awards 2022 and received the Excellence Award for Non-Bank of the Year at the Australian Mortgage Awards 2022.

Integration of StockCo Australia

- Completed the integration of StockCo Australia into Heartland, and repaid acquisition-related bridge debt of $174 million (A$158 million) using proceeds from Heartland's equity raise in 1H2023.

Challenger Bank acquisition

- Signed a conditional share purchase agreement on 20 October 2022 for the purchase of Challenger Bank, subject to obtaining the requisite regulatory approvals.

FY2024 focus

Grow Reverse Mortgages

- Leverage demand being experienced through the growing ageing population to continue to increase market share with the addressable market estimated to be A$10-15 billion.[2]

Grow Livestock Finance

- Grow the Australian Livestock Finance business through product developments and digitalisation. Increasing demand for export is expected to contribute to growth, noting the addressable market estimated to be A$7 billion[3].

Become an ADI in Australia

- Complete the acquisition of Challenger Bank, enabling sustainable growth of existing AU portfolios through access to retail deposits.
- Leverage NZ expertise to expand product offering in the Australian market consistent with Heartland's 'best or only' strategy.
- Opportunity for targeted entry into Motor and Asset Finance markets in Australia.

[1] Based on APRA ADI Property Exposure and Heartland Finance data as at 31 March 2022 and 31 March 2023. [2] Heartland internal analysis based on information from the ABS December 2022, Census 2021 and Deloitte (2021 Three Pillars Forum). Market size based on reverse mortgage lending from banks and non-banks. [3] Based on 2020 ABS total rural debt and 2021 StockCo Australia data.

01

Sustainability

Heartland's sustainability framework is built on three key pillars: environment, people and financial wellbeing.

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.

Introduced an **environment risk screening tool** in the credit decisioning process to understand the sustainability of larger business and rural borrowers.

Undertook **ANZSIC code analysis to understand Heartland's exposure to customers in high emitting industries**, or industries subject to a heightened degree of transitional risk as a result of climate factors.

Lending to new generation vehicles more than doubled from 5% of all lending in FY2022 to 11% in FY2023.

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.

The Manawa Ako internship welcomed 25 Māori and Pasifika interns in its sixth intake. **More than 110 interns welcomed since 2017.**

Heartland Bank maintained accreditation for the **Rainbow Tick, as a Hearing Accredited Workplace, and Living Wage Employer**.

More than $710,000 granted through the Heartland Trust in the areas of education, arts and culture, and wellbeing.[1]

Heartland Bank's products recognised as providing exceptional value for customers through Canstar NZ awards for **Savings Bank of the Year** and **Outstanding Value Home Lender.**

Financial wellbeing

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

Supported more than 48,000 people in NZ and AU to live a more comfortable retirement by releasing equity from their homes with a reverse mortgage.

Continued to offer Heartland Extend to consumer customers, supporting customers to make existing loan repayments more manageable.

Development of new features and automation to Heartland Bank's mobile app and some online application forms to **enable customers to control their own finances in their own time**.

[1] The Heartland Trust is Heartland's registered charitable trust which is independent from, but closely supported by Heartland.

02

Financial results, funding & liquidity

Andrew Dixson
Chief Financial Officer Heartland Group

Group financial results

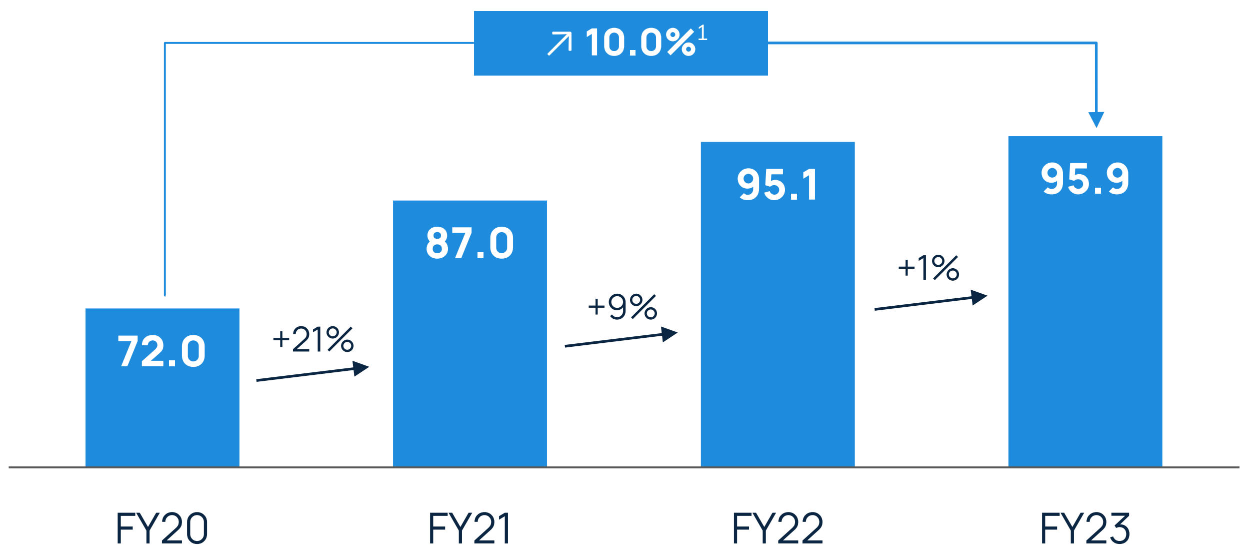
		Reported			Underlying		
Financial performance	NII	$282.0m	↑	12.7% vs FY2022	$283.9m	↑	14.3% vs FY2022
	OOI[1]	$3.3m	↓	81.0% vs FY2022	$16.9m	↑	22.7% vs FY2022
	NOI	**$285.3m**	↑	**6.6% vs FY2022**	**$300.7m**	↑	**14.8% vs FY2022**
	OPEX	$128.1m	↑	9.7% vs FY2022	$126.2m	↑	13.4% vs FY2022
	Impairment Expense	$23.2m	↑	68.1% vs FY2022	$23.2m	↑	47.9% vs FY2022
	Tax Expense	$38.1m	↓	9.0% vs FY2022	$41.1m	↑	5.8% vs FY2022
	NPAT[2]	$95.9m	↑	0.8% vs FY2022	$110.2m	↑	14.6% vs FY2022
	NIM	3.97%	↓	8 bps vs FY2022	4.00%	↓	2 bps vs 1H2023
						↓	16 bps vs FY2022
	CTI	44.9%	↑	126 bps vs FY2022	42.0%	↓	53 bps vs FY2022
	Impairment Expense Ratio[3]	0.36%	↑	11 bps vs FY2022	0.36%	↑	7 bps vs FY2022
	ROE	10.4%	↓	169 bps vs FY2022	11.9%	↓	68 bps vs FY2022
	EPS	14.0 cps	↓	2.1 cps vs FY2022	16.0 cps	↓	0.3 cps vs FY2022

Financial position	Receivables[4]	$6,791m	↑	10.1%[5] vs June 2022
	Borrowings	$6,627m	↑	7.4% vs June 2022
	Equity	$1,031m	↑	27.5% vs June 2022
	Equity/Total Assets	13.3%	↑	1.9 pps vs June 2022

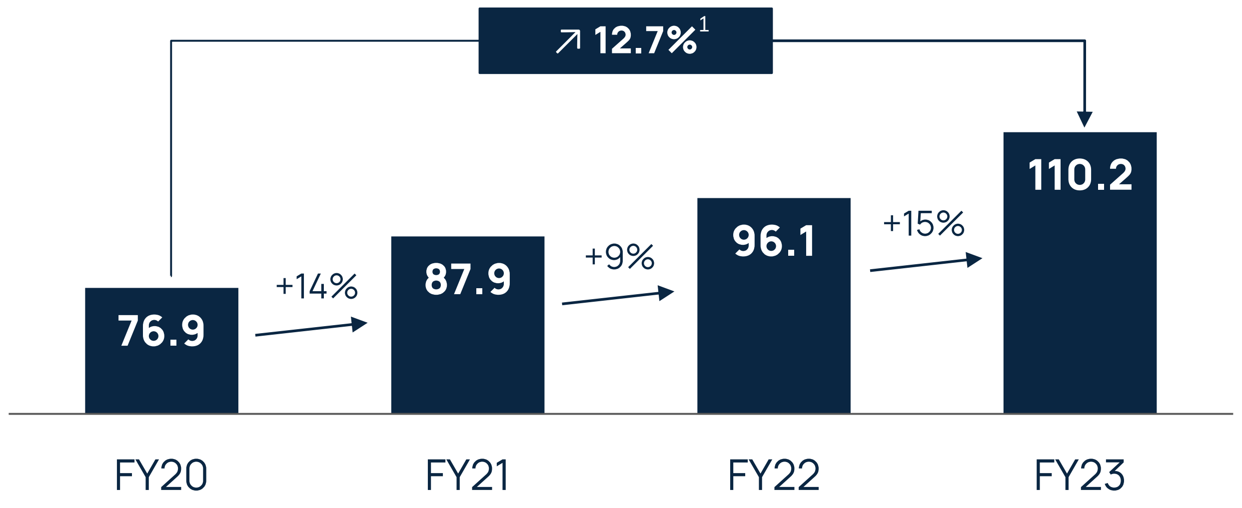
[1] OOI includes fair value gains/losses on investments. [2] Refer to Appendix 3 for a reconciliation between reported and underlying NPAT result. [3] Impairment expense as a percentage of average Receivables.
[4] Receivables also includes Reverse Mortgages and StockCo Australia. [5] Excluding the impact of changes in FX rates.

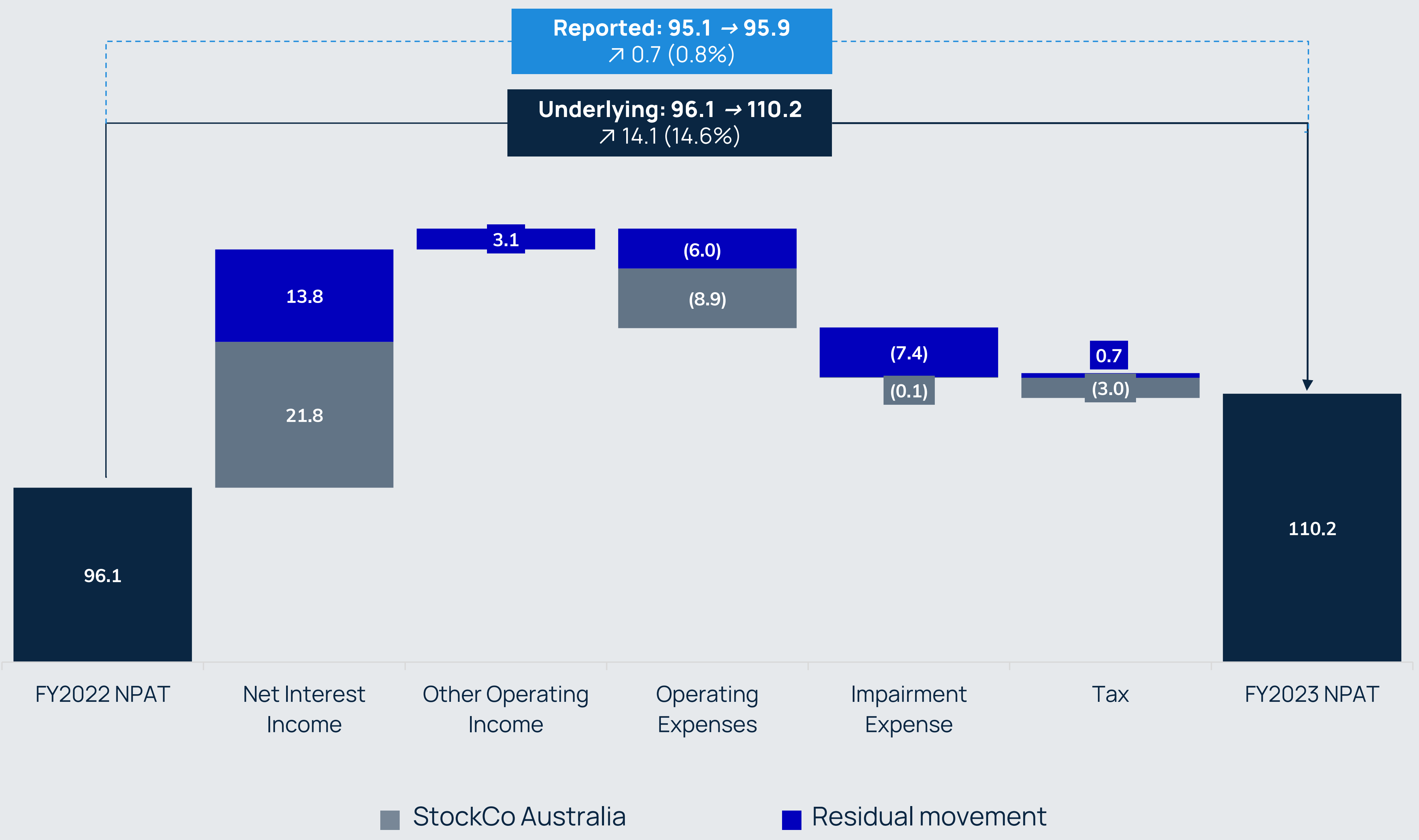
Growth in profitability

NPAT ($ million)



Underlying NPAT ($ million)



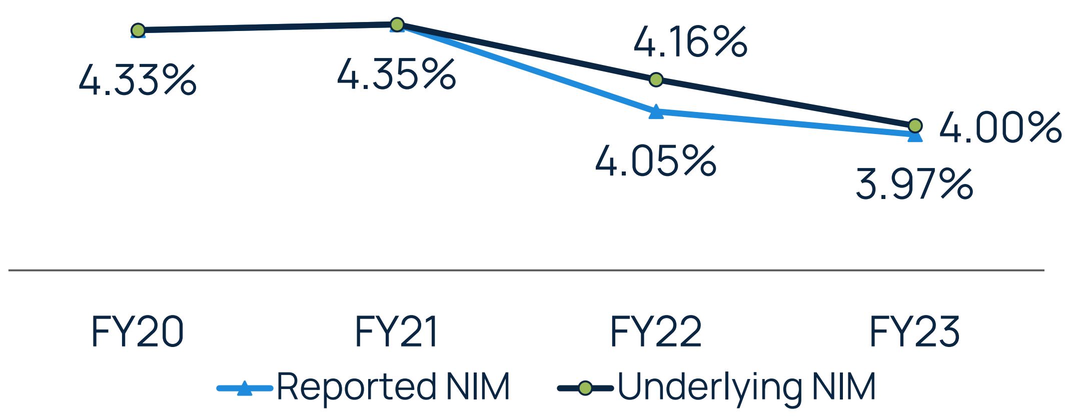


[1] Compounded annual growth rate for the period FY2020-FY2023.

Note: All figures in NZ$m. Refer to Appendix 3 for a reconciliation between reported and underlying NPAT result. Chart is not to scale.

Net interest margin

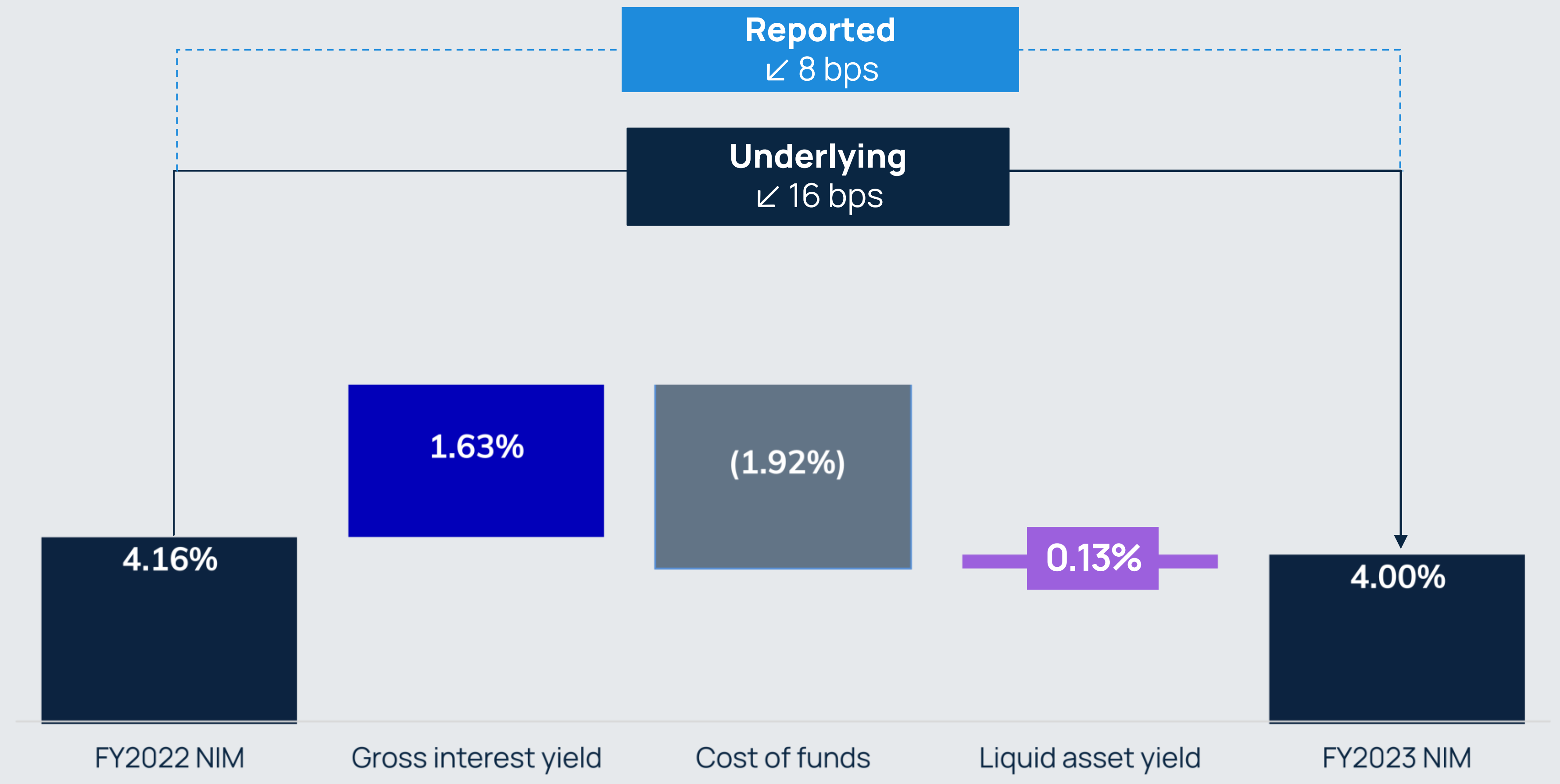
NIM



Underlying Gross interest yield
7.88%
NIM contribution ↗ 163bps[1] vs FY22

Underlying Cost of funds
3.81%
NIM contribution ↘ 192bps[2] vs FY22

Underlying Liquid assets yield
2.63%
NIM contribution ↗ 13bps[3] vs FY22



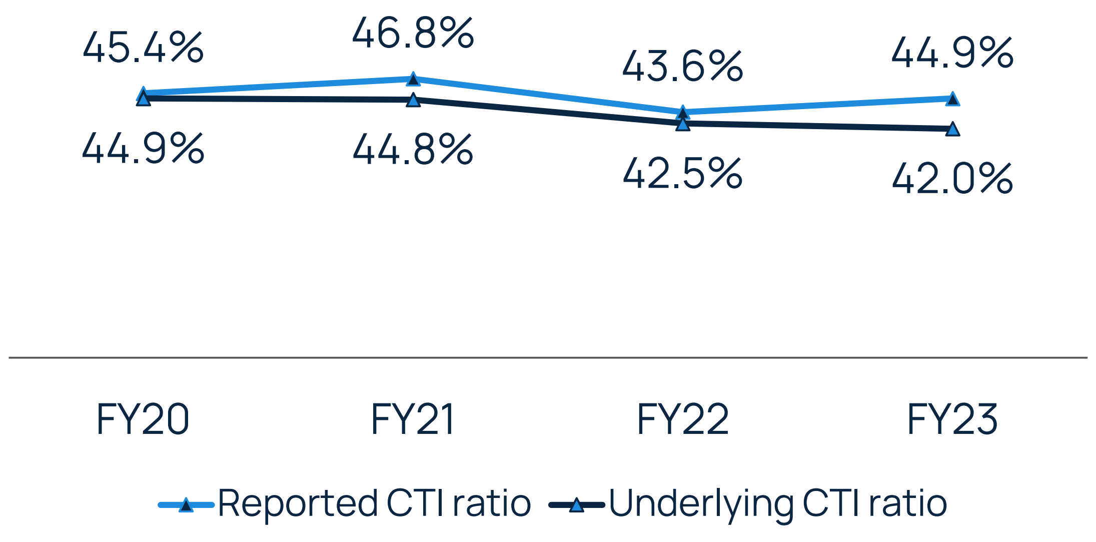
FY24 NIM outlook

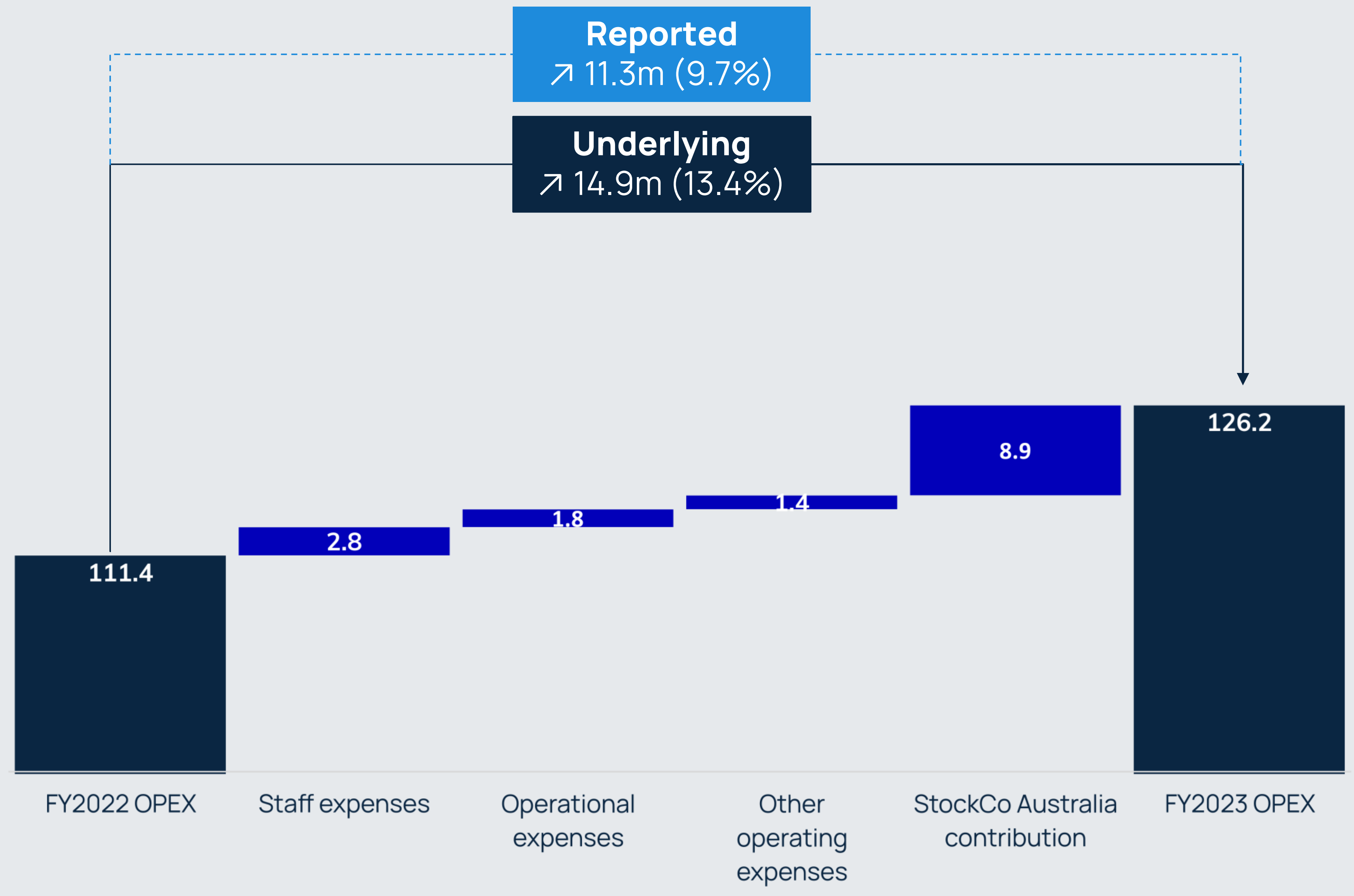
Expected to remain stable through proactive portfolio pricing and margin management.

Note: NIM is calculated as net interest income/average gross interest earning assets.
[1] Underlying gross interest yield increased 174 bps vs FY2022 to 7.88%, contributing a 163 bps increase in NIM vs FY2022.
[2] Underlying cost of funds increased 211 bps vs FY2022 to 3.81%, contributing a 192 bps decrease in NIM vs FY2022
[3] Underlying liquid asset yield increased 155 bps vs FY2022 to 2.63%, contributing a 13 bps increase in NIM vs FY2022

Cost to income ratio

CTI ratio





FY24 CTI ratio outlook

Expected to gradually improve, via continued cost discipline, efficiency and digitalisation initiatives.

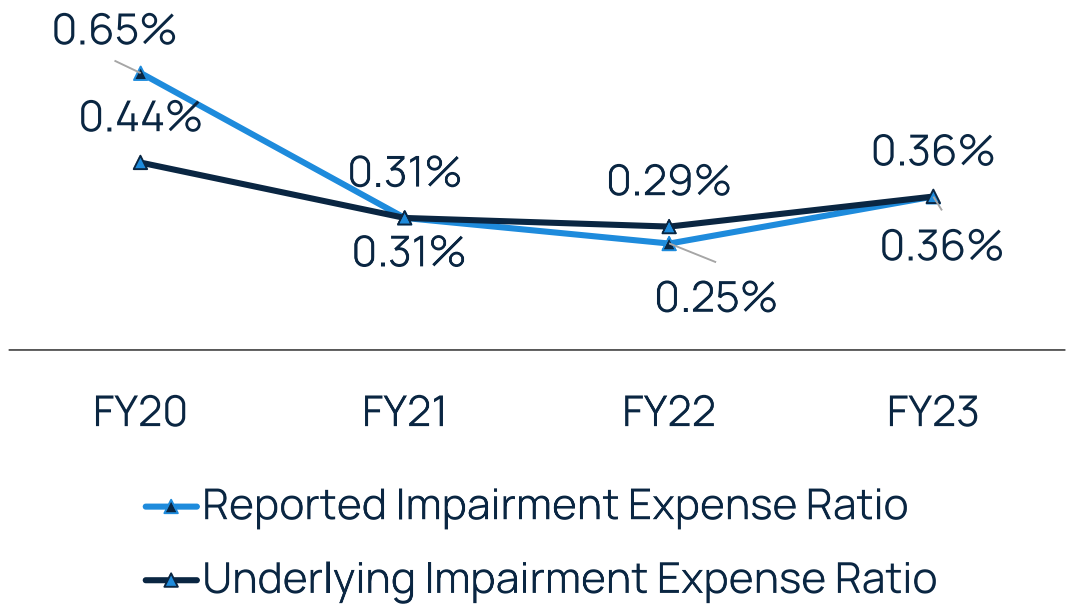
Note:
- CTI ratio is calculated as OPEX/NOI.
- Underlying CTI ratio excludes one-off impacts. Refer to Appendix 3 for a reconciliation between reported and underlying result.

Loan provisions

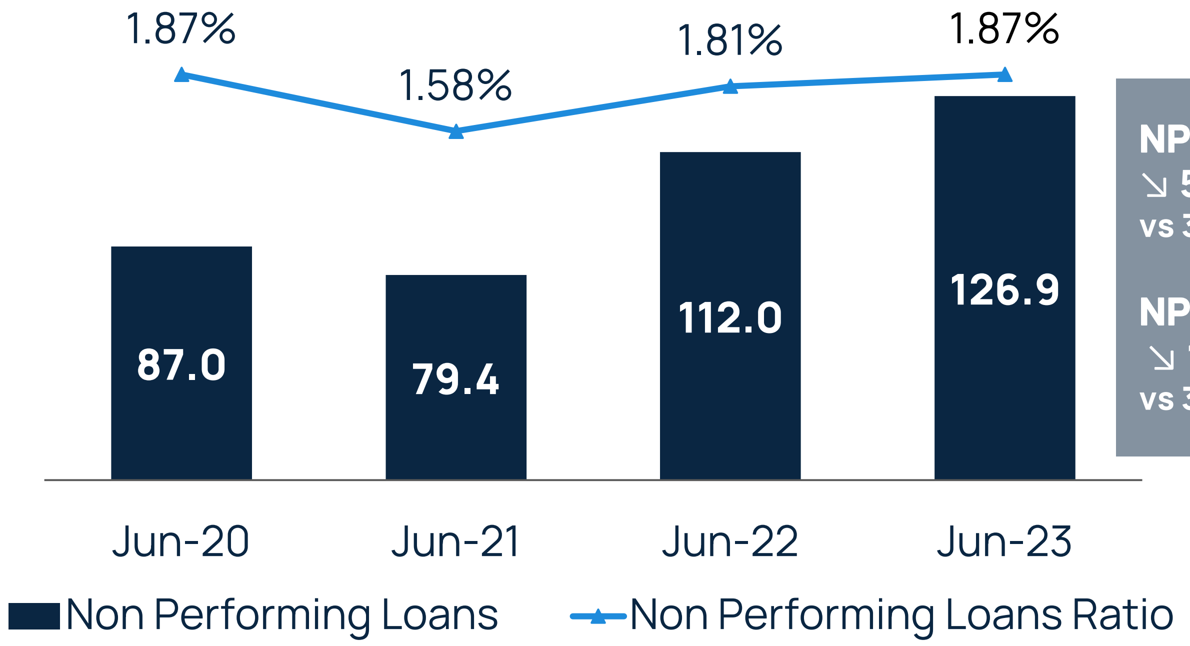
- Impairment expense was $23.2 million (68.1% up on FY2022).
- Underlying impairment expense up $7.5 million (47.9%) on FY2022.
- Increase in underlying impairment expense due to:
  - an allowance for the potential impact of rising unemployment on Motor Finance
  - the Harmoney book amortising at a slower rate in FY2023 compared with FY2022
  - deterioration in the quality of unsecured Personal Lending, no longer actively originating.

- As at 30 June 2023, the balance of Heartland's Economic Overlay of $8.0 million taken in FY2022 was $2.4 million. The Economic Overlay has been allocated to specifically provision for Business Relationship lending and Asset Finance loans that have been impacted by low economic growth, and remained in place at 30 June 2023.

Impairment Expense Ratio



Non-Performing Loans



NPL
↘ 5.5m
vs 31 December 2022

NPL ratio
↘ 18 bps
vs 31 December 2022

FY24 outlook

FY2024 economic outlook is difficult to predict. Interest rates appear at or near the peak but are forecast to remain elevated until 2025. The rate of unemployment remains low despite forecasts of it rising. The upcoming NZ general election provides additional uncertainty.

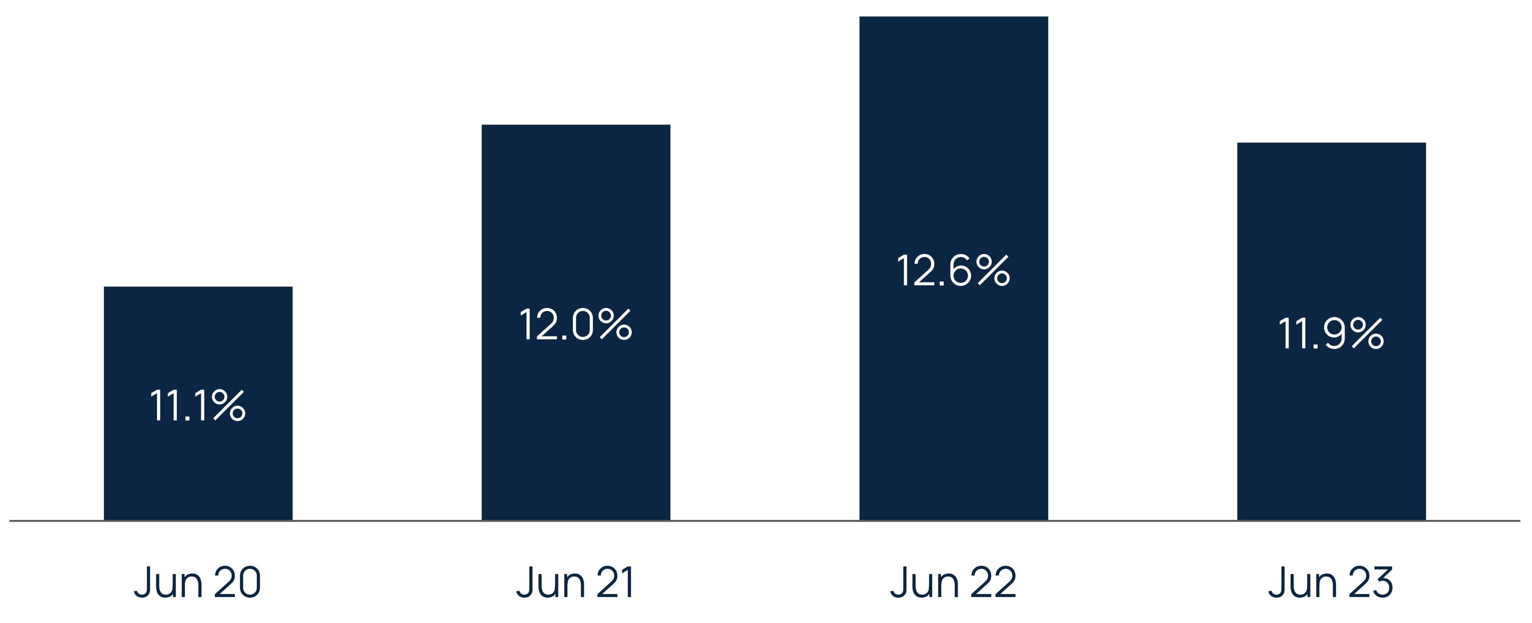
Despite this, and recognising the lag effect of these economic indicators, Heartland expects FY2024 to have broadly similar credit outcomes to FY2023.

Note: Impairment expense ratio is calculated as impairment expense/average gross finance receivables.

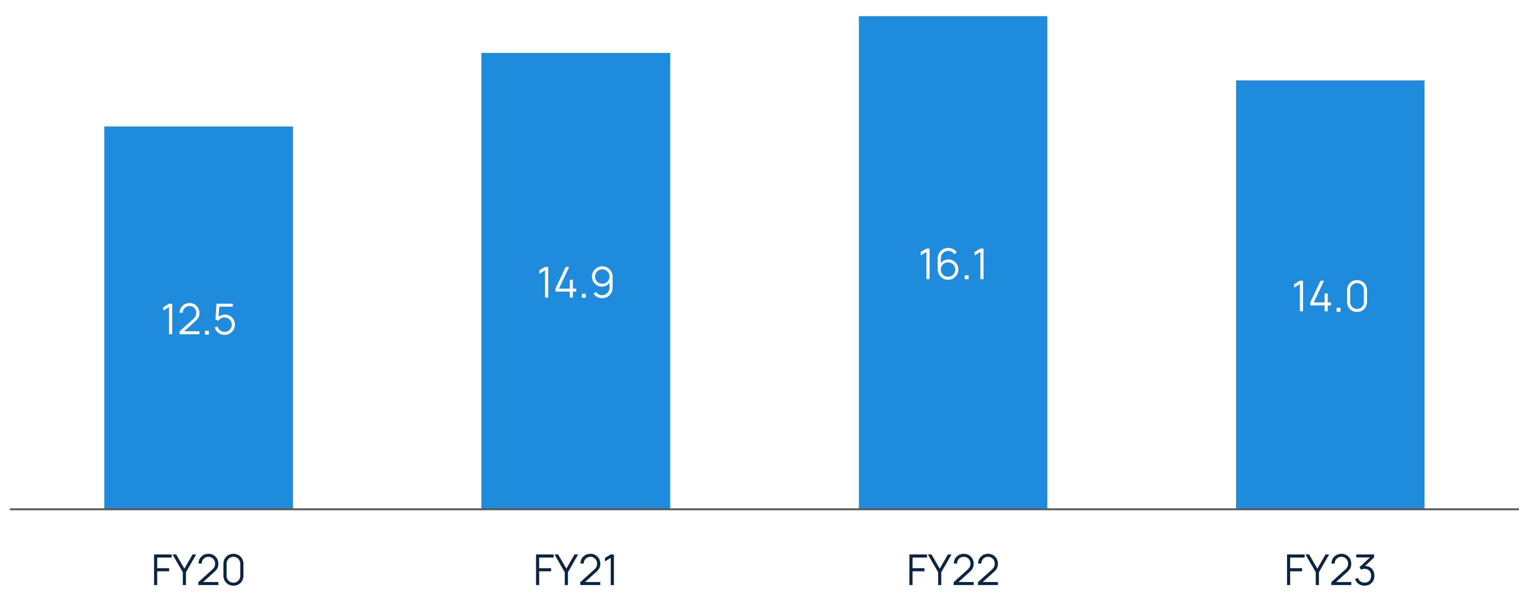
Shareholder return

- Underlying ROE of 11.9% (down 68 bps vs FY2022).[1]
- EPS of 14.0 cps, down 2.1 cps compared with FY2022.
- Underlying EPS of 16.0 cps (down 0.3 cps vs FY2022).
- Final dividend of 6.0 cps, taking FY2023 total dividend to 11.5 cps, up 0.5 cps on FY2022.
- Dividend yield of 9.3%[2] (FY2022: 7.1%[3]).
- Heartland's DRP will apply to the final dividend with a 2.0% discount.[4]

Underlying ROE

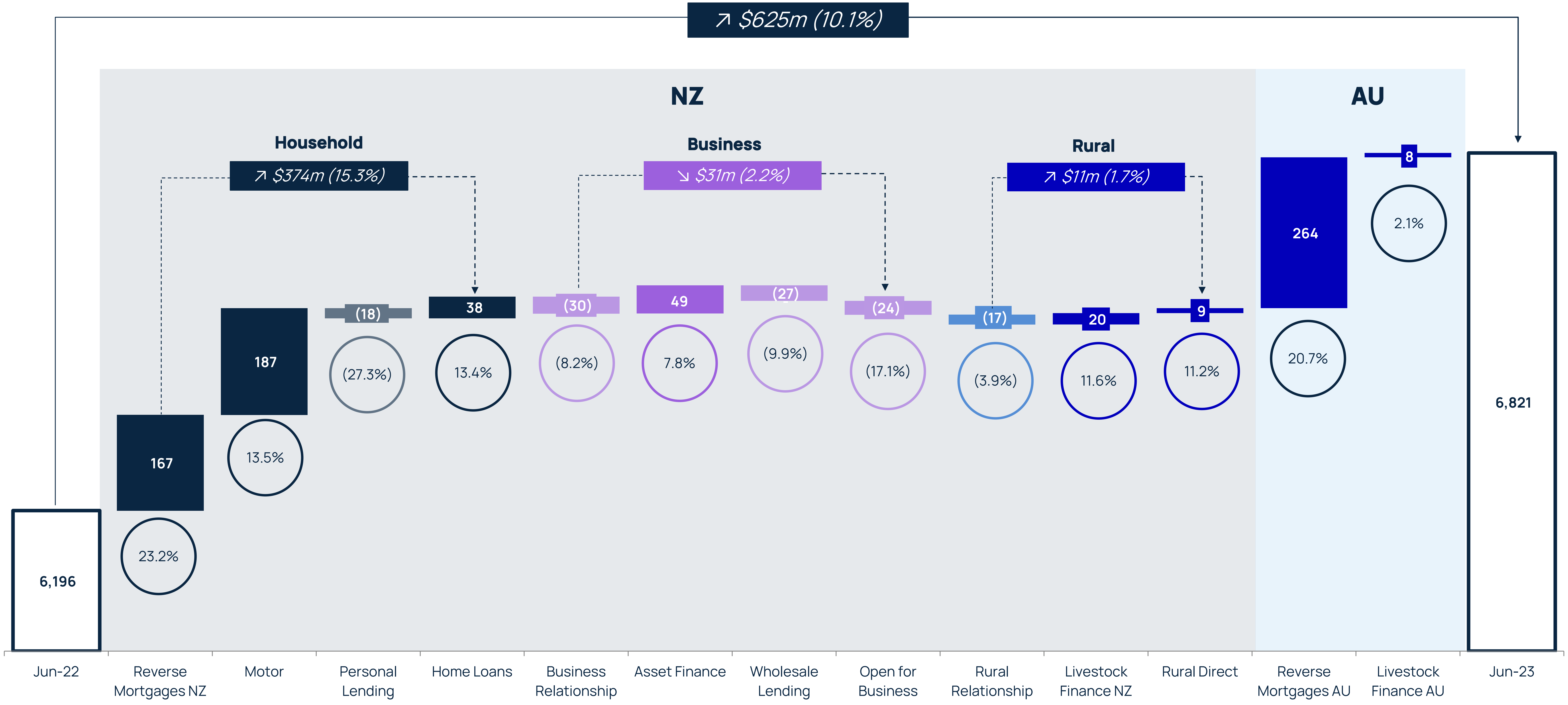


EPS (cps)



[1] Underlying ROE refers to ROE calculated using underlying results. When calculated using reported results, ROE was 10.4%, down 169 bps. See page 4 for more information about the use of ROE, a supplementary, non-GAAP measure.
[2] Total fully imputed dividends divided by the closing share price as at 25 August 2023 of $1.72.
[3] Total fully imputed dividends divided by the closing share price as at 19 August 2022 of $2.16.
[4] That is, the strike price under the DRP will be 98.0% of the volume weighted average sale price of Heartland shares over the five trading days following the Record Date. For the full details of the DRP and the Strike Price calculation, refer to the Heartland DRP offer document dated 10 December 2018.

Growth in receivables



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.

NZ funding & liquidity

New Zealand

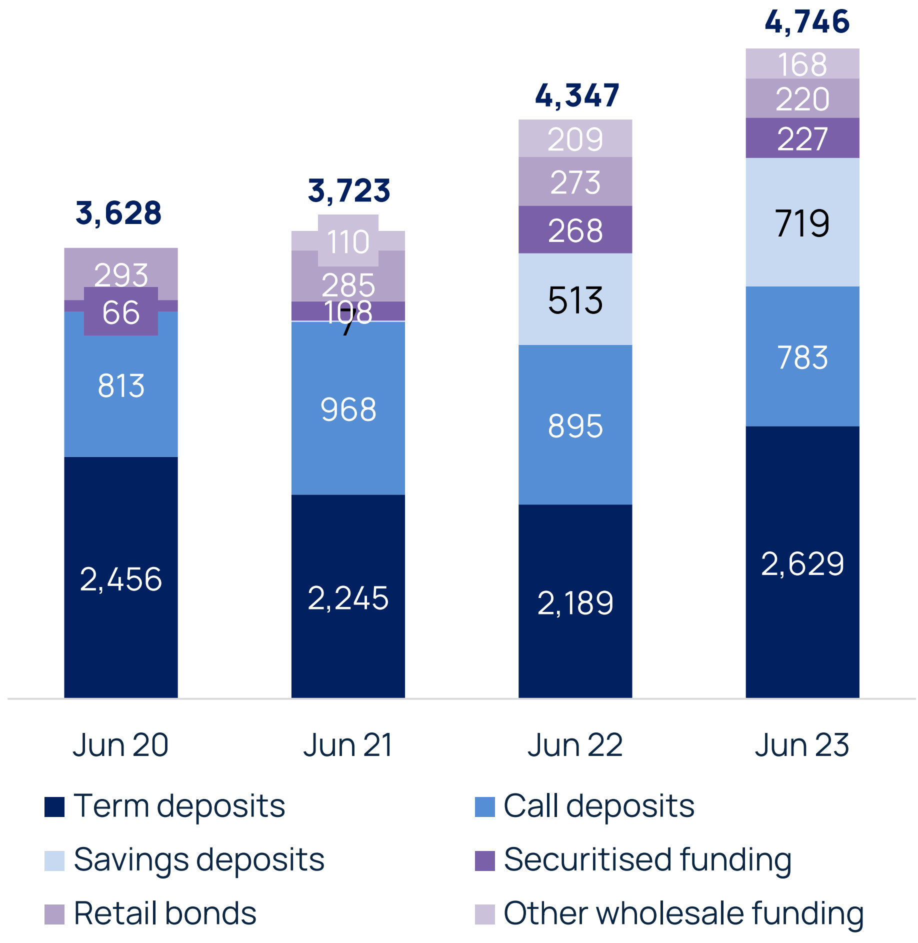
- Heartland Bank increased borrowings by $399.5 million (9.2%) to $4,746.2 million.
  - Deposits grew $533.9 million (14.8%) to $4,131.0 million, driven by competitive pricing on targeted products, including Heartland's Notice Saver offerings which both received Canstar New Zealand recognition in the year.[2]
  - In Q1 and Q2, Heartland Bank experienced the highest growth rate in retail deposits of all main and domestic banks in NZ.[1]
  - Other borrowings decreased by $134.4 million (17.9%), largely due to the maturity of a $150 million retail bond, as well as the amount drawn down in Heartland Bank's committed auto warehouse facility decreasing by $40.7 million. This was partially offset by an issuance of $100 million of unsecured subordinated notes to the retail market in 2H2023, which qualify as Tier 2 capital for regulatory purposes.
  - Total liquidity strengthened, increasing by $76.3 million (12.1%) to $704.2 million.
- Heartland Bank holds liquidity well in excess of regulatory minimums and maintains strong regulatory liquidity ratios.

Core funding ratio
89.6%
as at Jun 23
vs 75% regulatory minimum
↓ 0.6 pps vs Jun 22

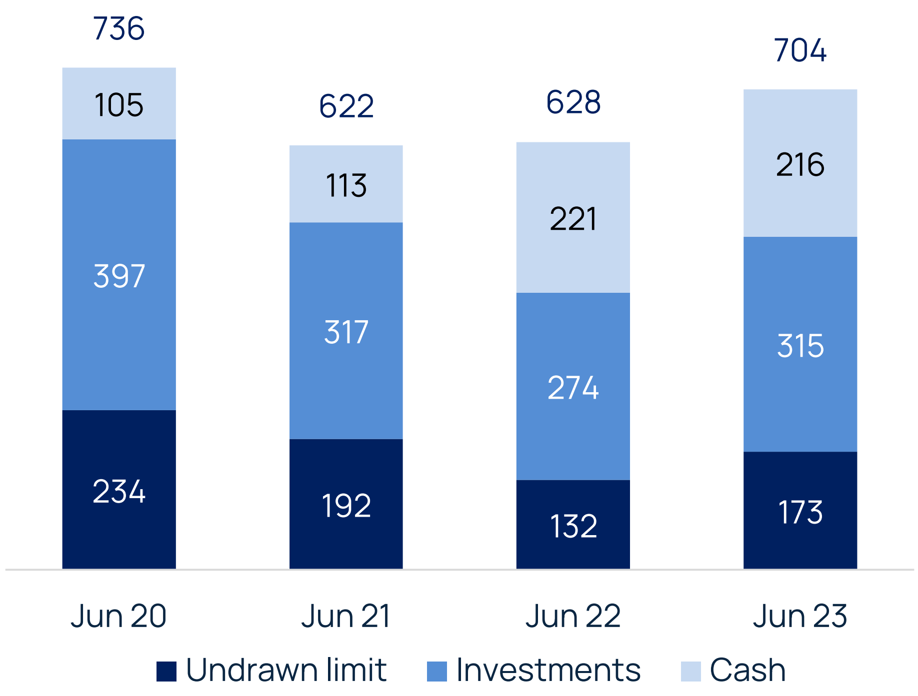
1-week mismatch
8.66%
as at Jun 23
vs 0% regulatory minimum
↑ 1.5 pps vs Jun 22

1-month mismatch
8.31%
as at Jun 23
vs 0% regulatory minimum
↑ 1.4 pps vs Jun 22

HBL Funding Composition[3] $m



HBL Liquidity Composition $m

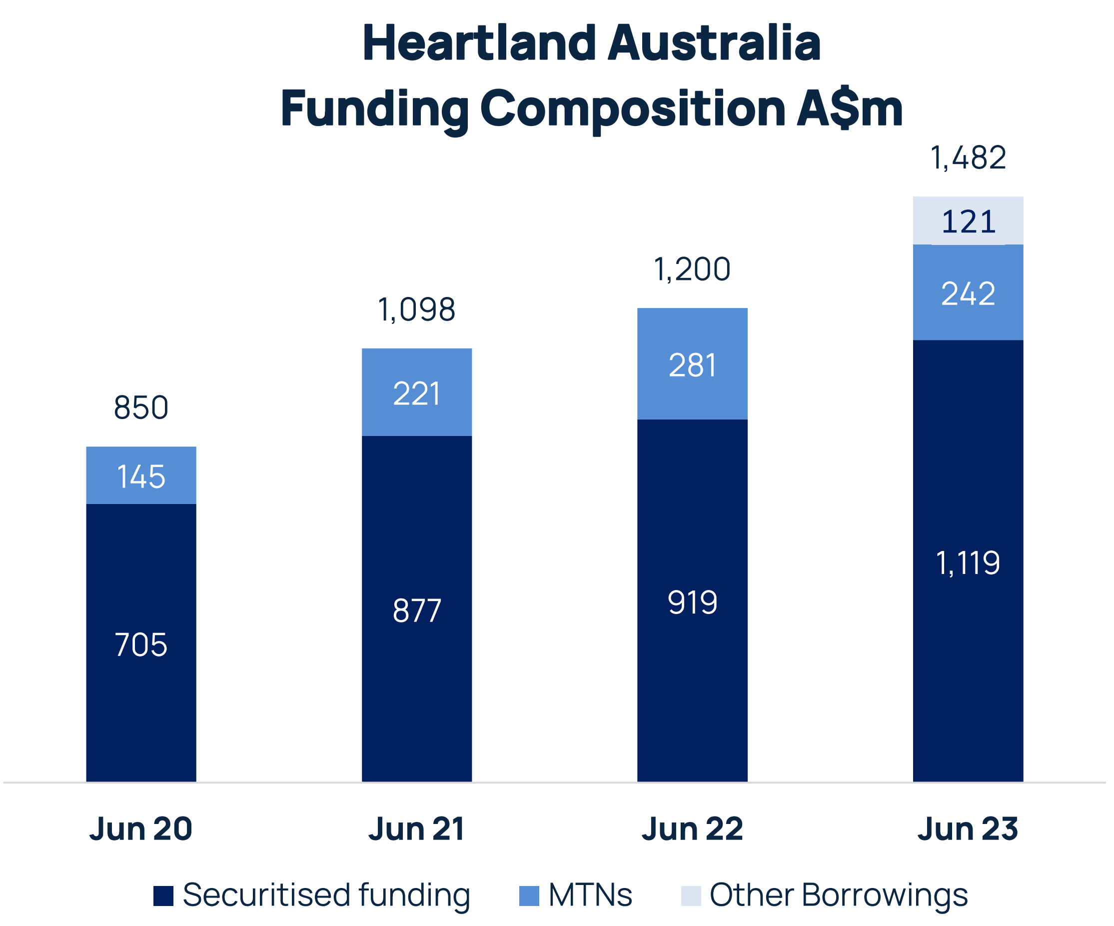


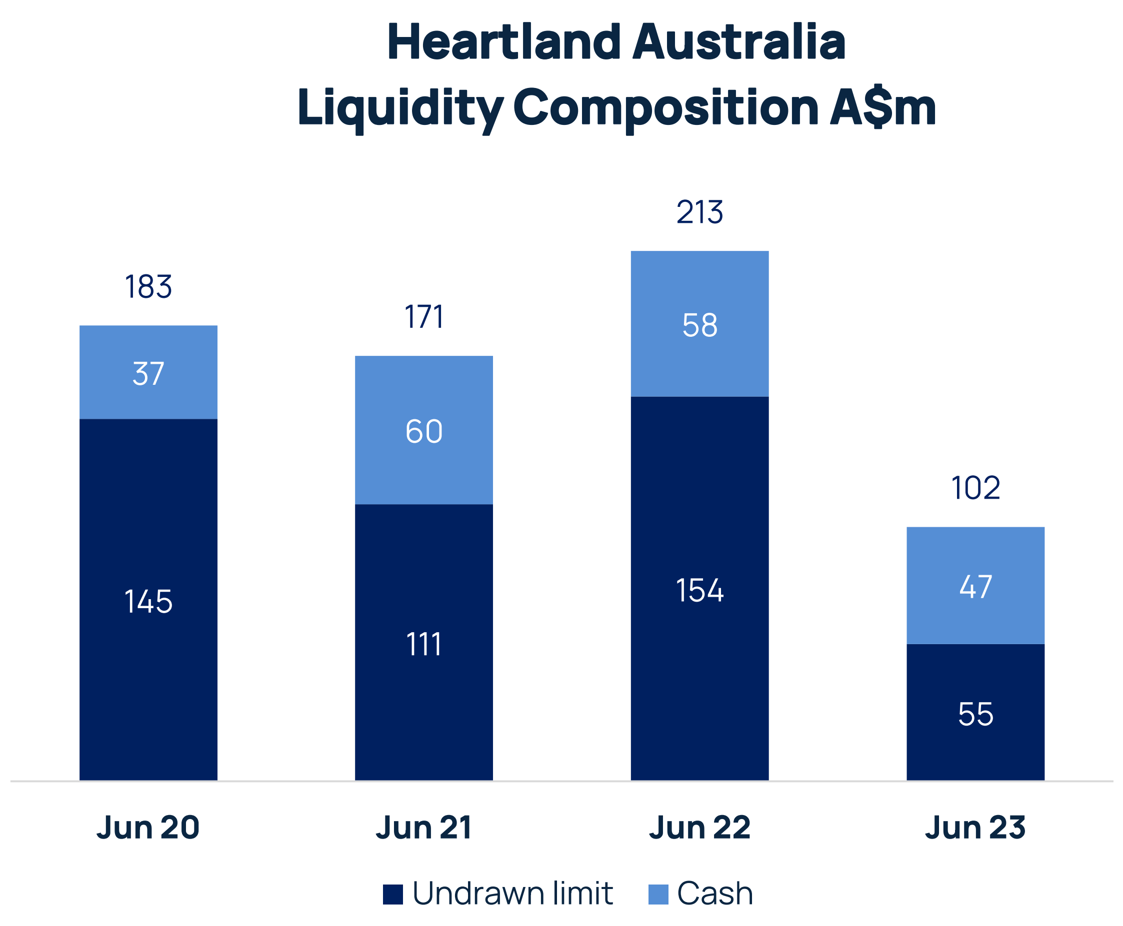
[1] Based on balance sheet data from the RBNZ. [2] Awarded July 2022 and July 2023. [3] Includes intercompany deposits.

AU funding & liquidity

Heartland Australia[1]

- Heartland Australia increased borrowings by A$282.0 million (23.5%) to A$1,482.2 million.
- A A$30 million tap issue was completed in August 2022 and a further A$50 million MTN was issued in October 2022. Heartland Australia's April 2023 A$120 million MTN maturity was refinanced. This now takes the aggregate outstanding issuance under Heartland Australia's MTN programme to A$240 million as at 30 June 2023.
- Maturity of Reverse Mortgage securitisation warehouses were extended by two and three years, and aggregate senior limits were expanded by A$100 million, providing additional headroom to fund future growth in the portfolio. This provides Heartland Australia with access to A$1.54 billion of committed funding in aggregate.





StockCo Australia[2]

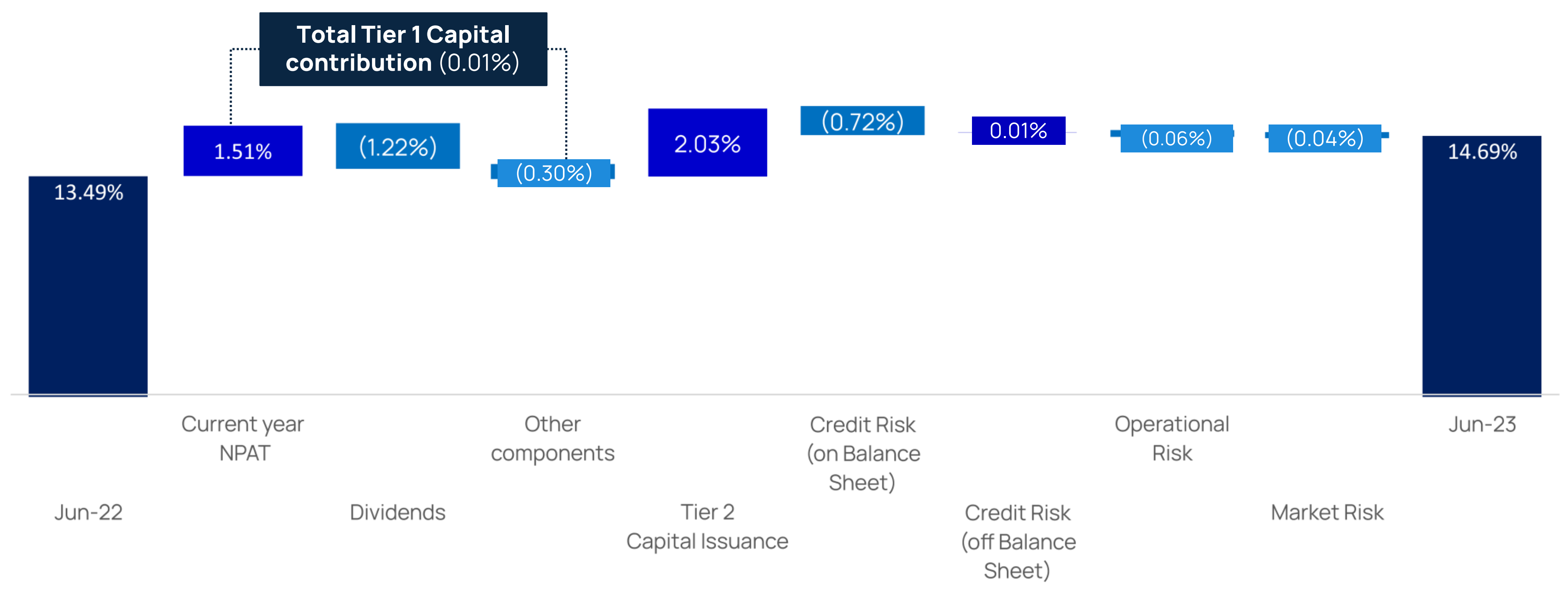
- StockCo Australia increased borrowings by A$17.2 million (5.2%) to A$346.4 million.

[1] Comprised of Heartland Australia Holdings Pty Ltd and its subsidiaries. [2] Comprised of StockCo Australia Management Pty Ltd, StockCo Holdings 2 Pty Ltd and their subsidiaries.

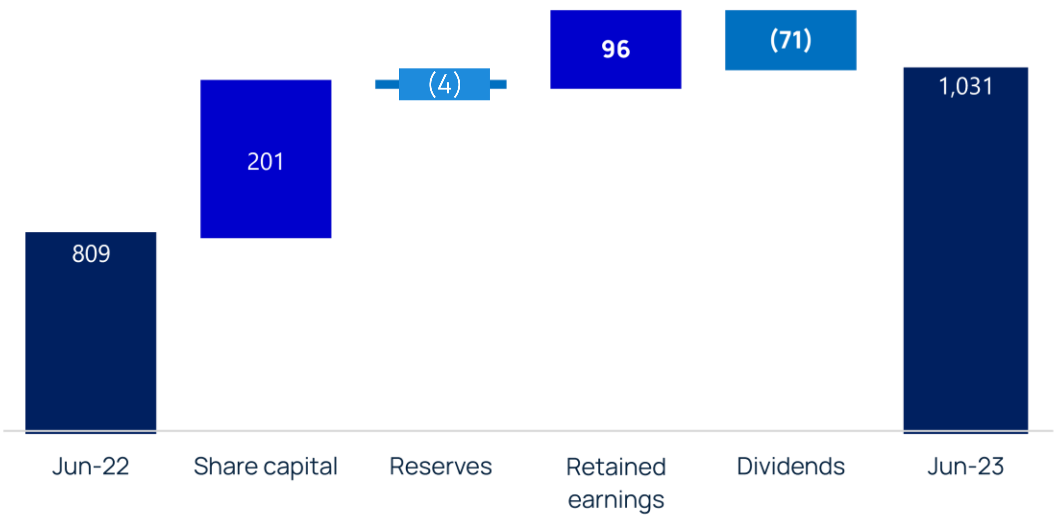
Capital

- Heartland Bank's regulatory capital ratio increased to 14.69% as at 30 June 2023 (30 June 2022: 13.49%). Heartland Bank continues to operate significantly in excess of regulatory minimums and is well positioned to meet the RBNZ's future higher capital requirements.
- In order to accelerate this journey, diversify its capital base and accommodate future projected growth, Heartland Bank issued $100 million unsecured subordinated Tier 2 capital notes in 2H2023.
- The RBNZ future capital requirements are for a core capital ratio of 11.50% and a total capital ratio of 16.00% by 1 July 2028.

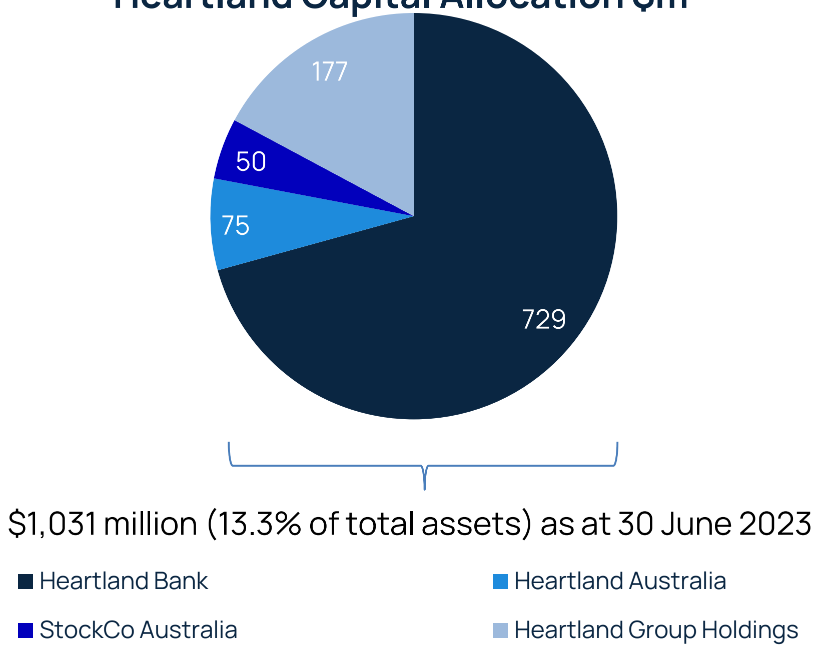
Heartland Bank Total Capital Ratio



Heartland Capital Movement $m



Heartland Capital Allocation $m



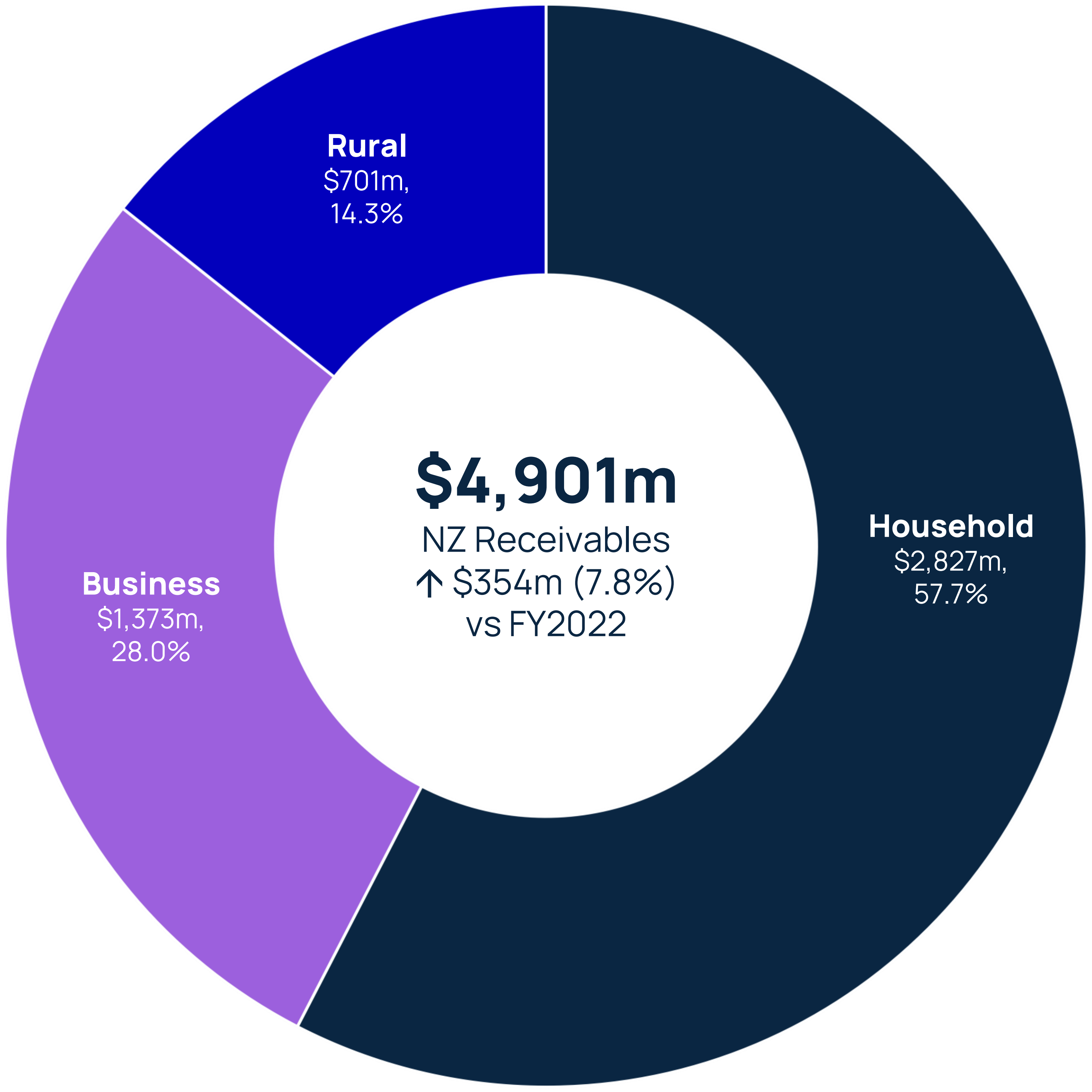
Note:
1. Increase in share capital is primarily as a result of a $199 million equity raise completed in September 2022.
2. Retained earnings includes current NPAT.

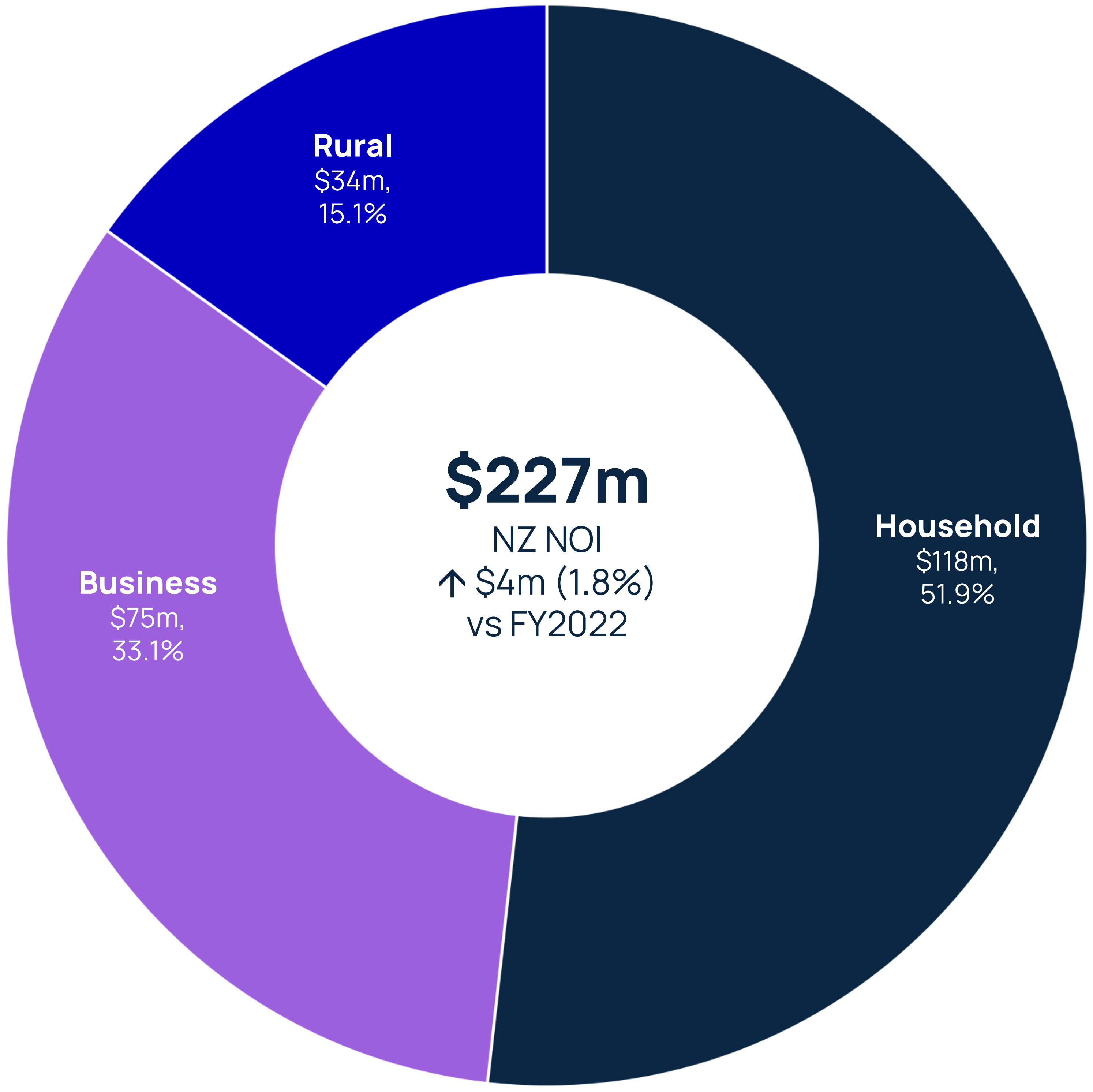
03

NZ divisional summary

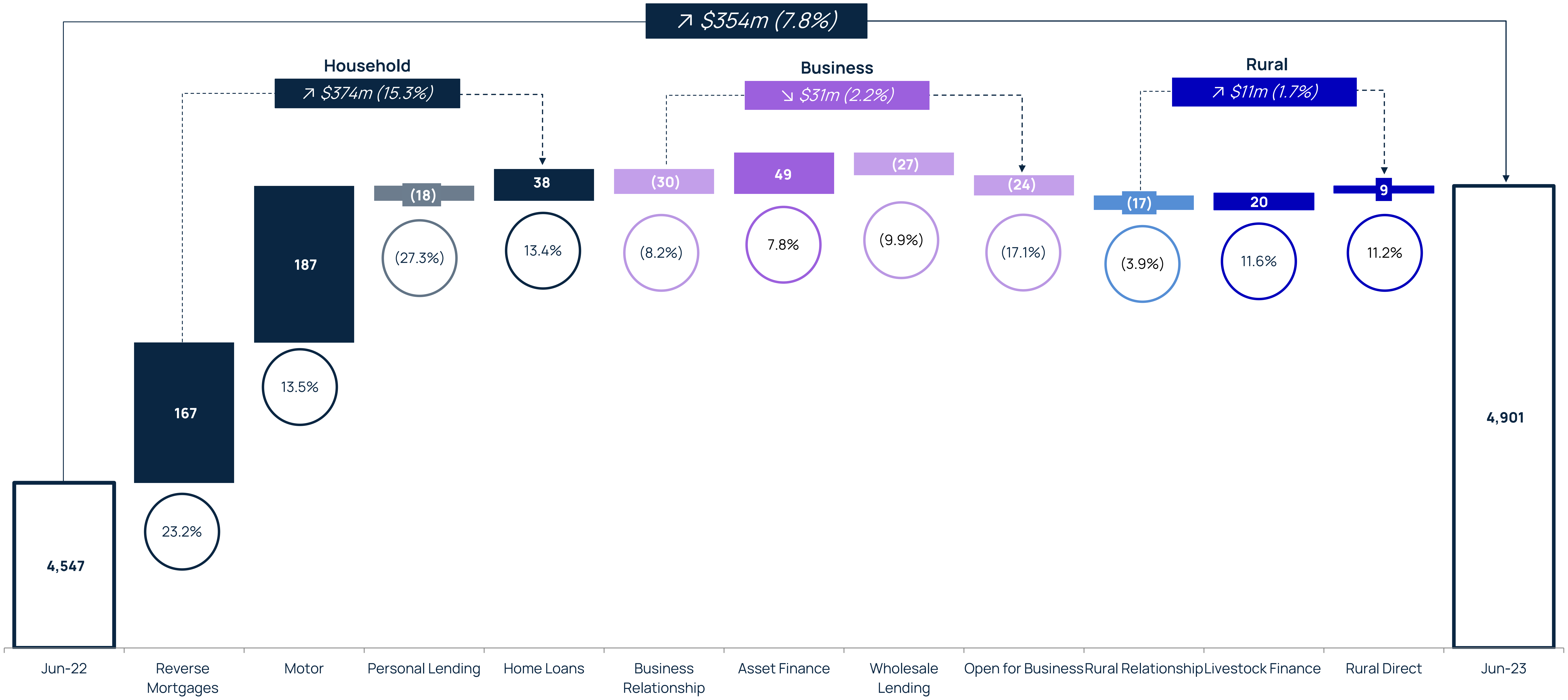
Leanne Lazarus
Chief Executive Officer Heartland Bank

NZ divisional summary



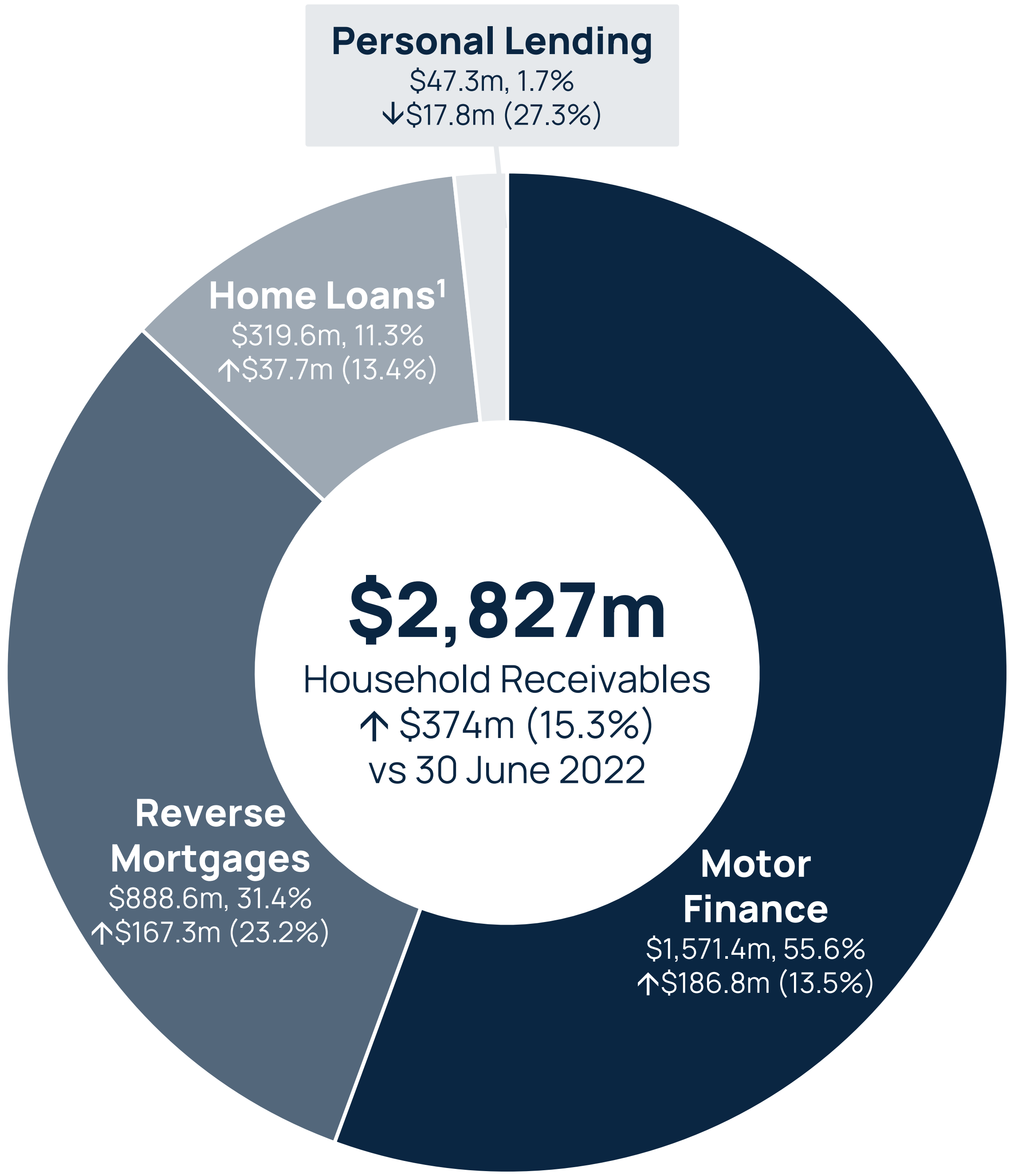


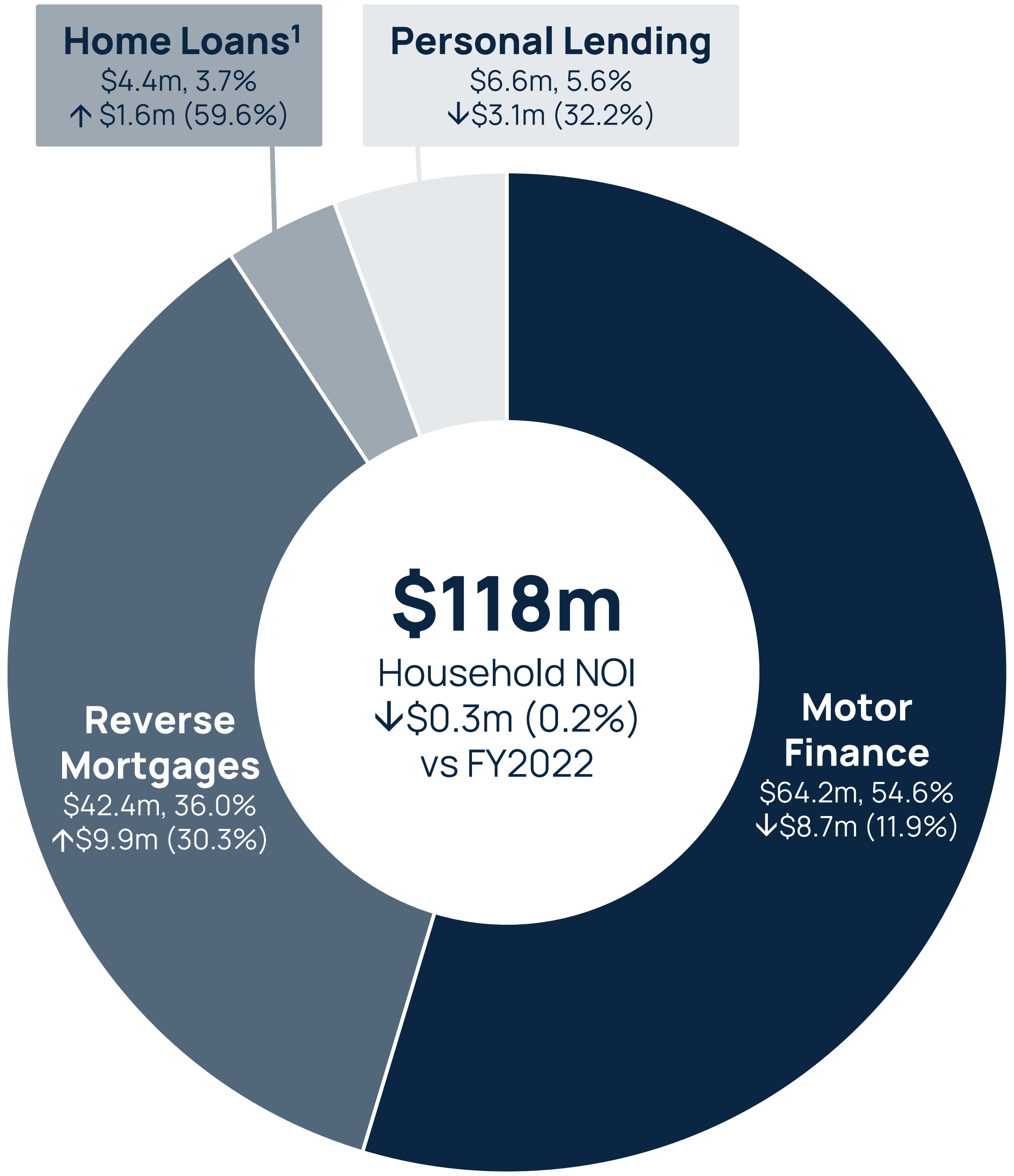
NZ divisional summary



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.

NZ Household





Motor Finance

- Strong growth of 13.5%. Market share gains made at the expense of margin, alongside general margin compression due to a shift in asset quality and competitive pressures.
- Broad distribution network and digital innovation were key contributing factors in achieving system growth in a difficult market.

Reverse Mortgages

- Strong demand due to increased education and awareness of reverse mortgages as a solution to the ongoing strains placed on older homeowners by cost of living and cash flow pressures.

Online Home Loans

- While subdued compared to FY2022, Online Home Loans experienced growth in a challenging economic environment.
- Retention exceeded 90% for customers whose fixed rates came up for renewal in FY2023.

Personal Lending[2]

- Includes loans originated directly through Heartland Bank, and those originated by Harmoney in NZ and AU.
- To manage risk in the current environment, this portfolio is not actively originating.
- The Harmoney personal loans channel is closed to new business and running down.

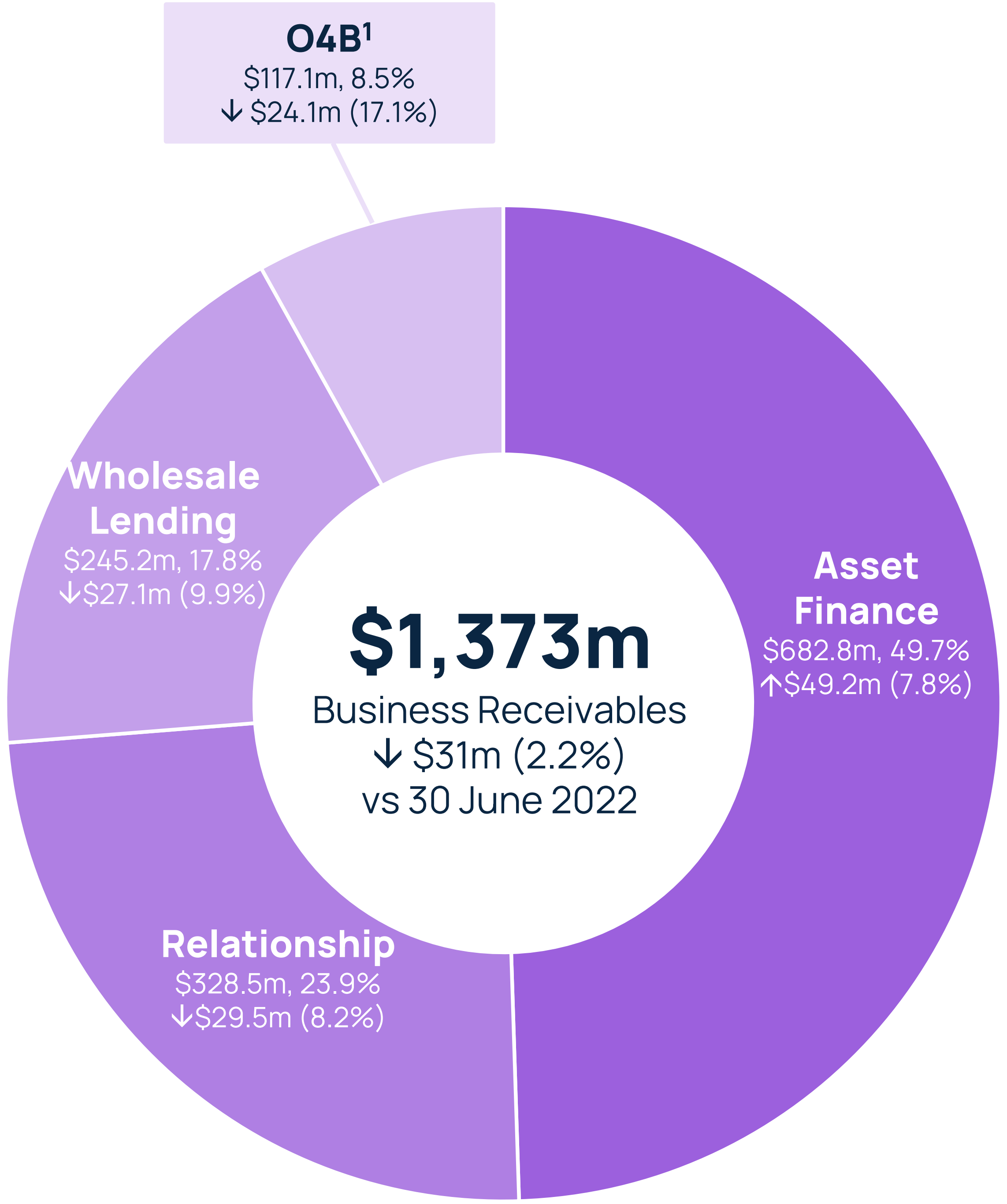
[1] Includes Online Home Loans and legacy Retail Mortgages.
[2] Excluding the impact of changes in FX rates.

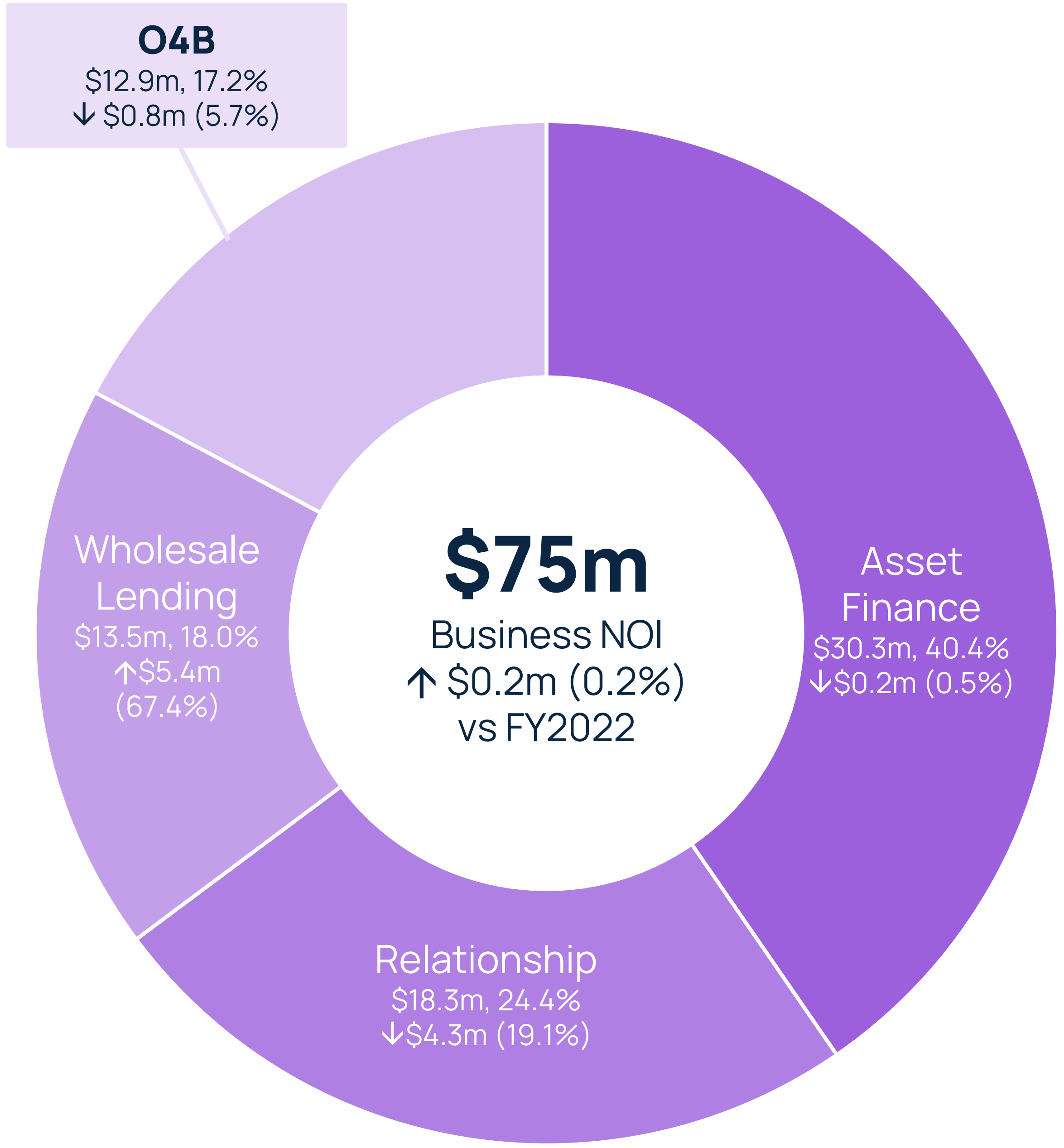
NZ Reverse Mortgages portfolio analytics

$889m NZ Reverse Mortgages +$167m (23.2%) vs June 2022	**$128,938** Average loan size	**78** Weighted average borrowers' age	**16.4%** Compounded annual growth rate[1]
9.8% Average origination LVR	**21.3%** Weighted average LVR	**0.0%** Proportion of the loan book over 75% LVR	**0** Number of loans in the book over 75% LVR
$197m (+$32m vs FY2022) FY2023 origination	**$97m** (+$12m vs FY2022) Total repayments in FY2023	**13.4%** (vs 14.0% in FY2022) FY2023 repayment rate	**31.8%** (vs 32.1% in FY2022) Repayments from vintage loans (+11 years)

[1] Compounded annual growth rate for the period 1 July 2018 – 30 June 2023.

NZ Business





Asset Finance

- Solid growth with continued focus on freight transport and yellow goods sectors.
- NIM affected by change in mix of new business weighted toward an improved credit profile. Lower margin loans being repaid and replaced, and expected to have a positive contribution to margin in late FY2024.

Wholesale Lending

- Includes floorplan lending to vehicle retailers and wholesale facilities to other lenders, including for medium enterprises that on-lend to their own customers in the consumer motor and business sectors.
- Utilisation of floorplan lending limits decreased due to unpredictable inventory conditions.

Relationship

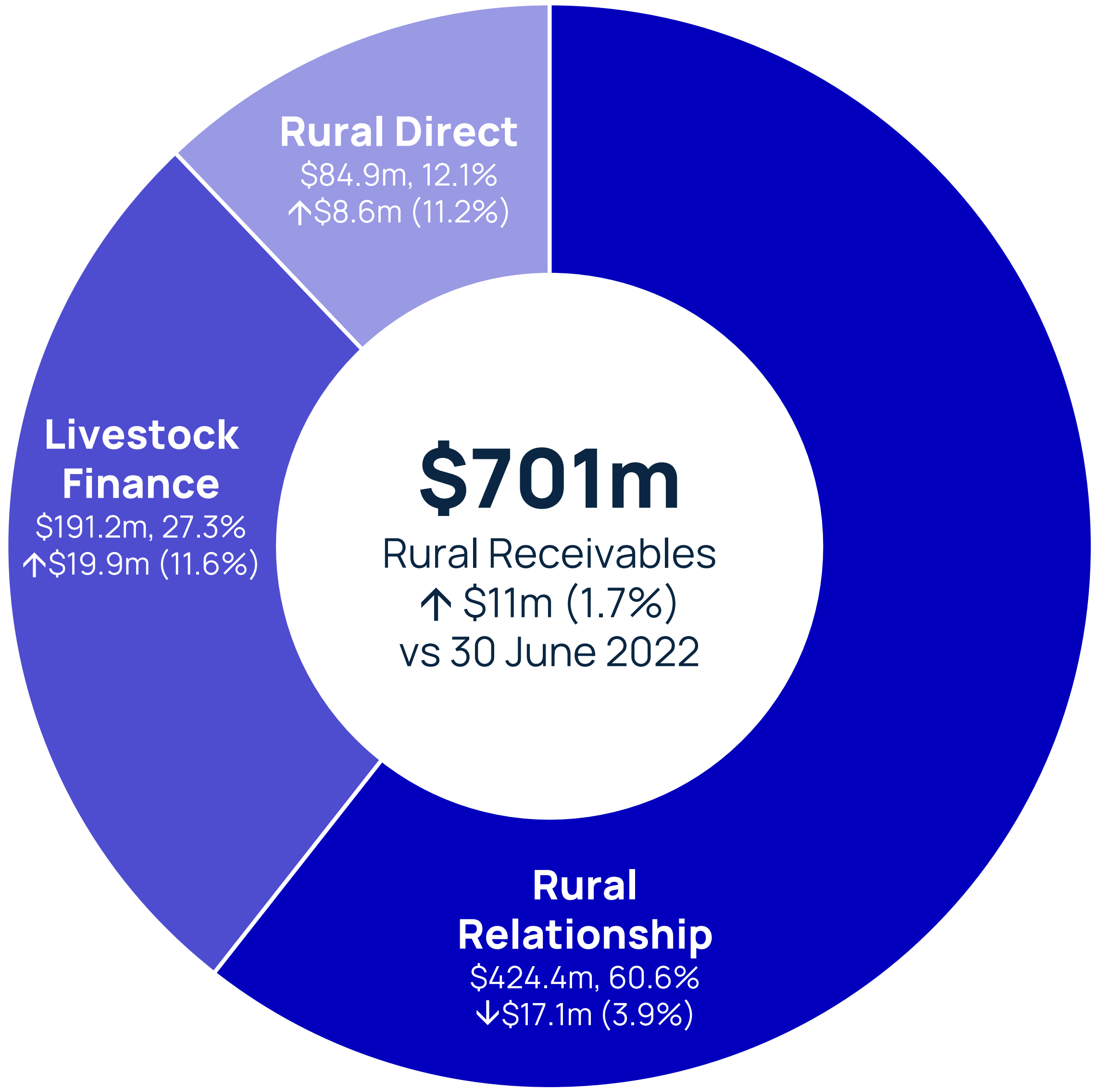
- Includes legacy Business Relationship lending being run down as Heartland transitions to loans which present lower risk and are more cost efficient to transact.

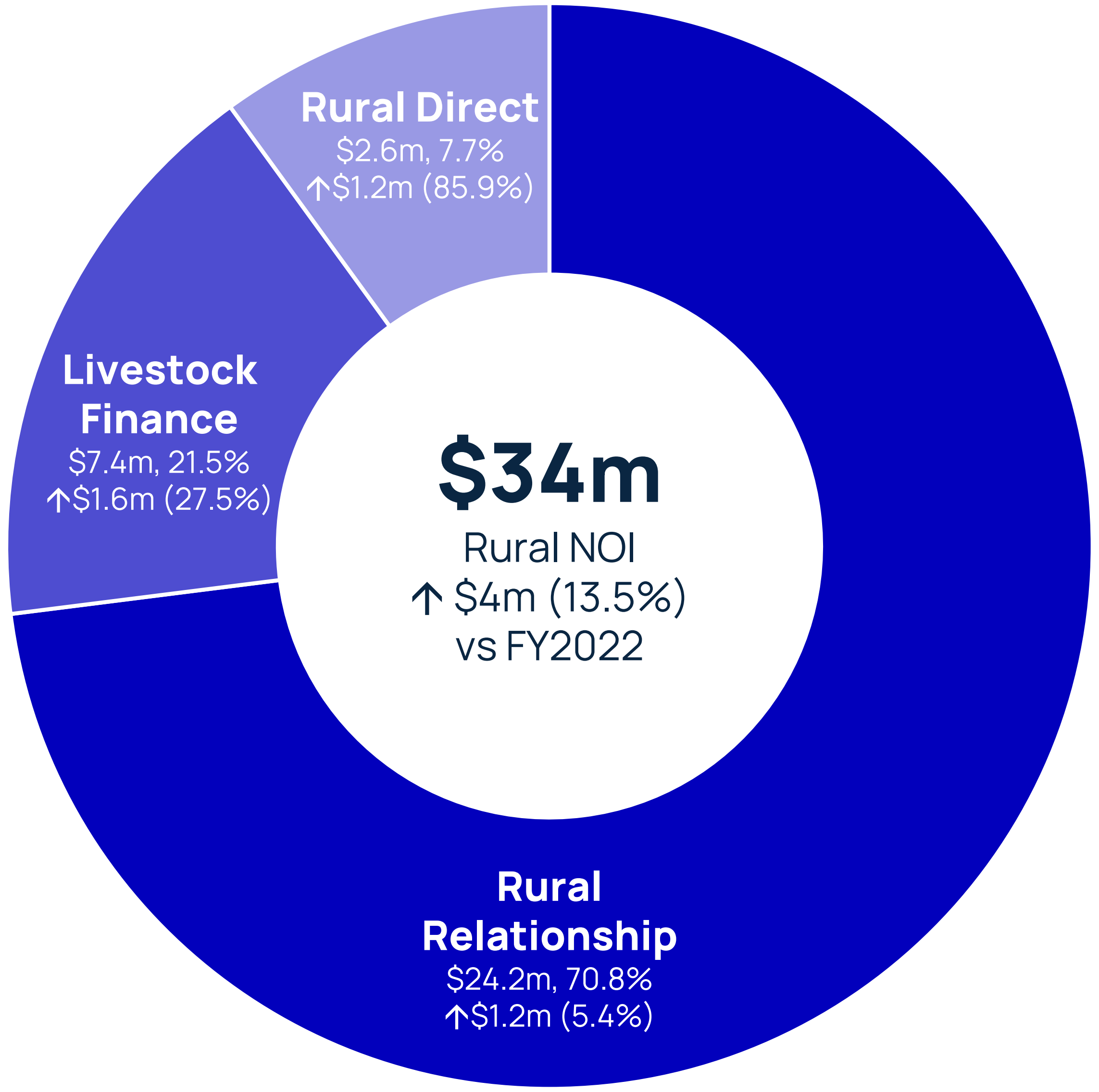
O4B[1]

- Stopped actively originating in Q2 to manage risk due to the macro-economic challenges for the SME sector.

[1] Excluding the impact of changes in FX rates.

NZ Rural





Rural Relationship

- Reduction in Receivables of $17.1m due to the continued transition of the book away from large, complex, low margin lending.
- Heartland's exposure to the dairy sector reduced to 32.8% of the total Rural book.

Livestock Finance

- Growth of 11.6% in a market impacted by falling commodity prices, difficult climatic conditions and Cyclone Gabrielle in the Hawke's Bay and Tairāwhiti regions.
- 6% of growth originated from the addition of key intermediary partnerships, with the balance from existing customers.

Rural Direct

- Online platforms which are lower risk and cost efficient to transact.
- Includes Heartland's Sheep & Beef Direct and Dairy Direct products, providing online finance to sheep, beef and dairy farmers.

CTI ratio reduction initiatives

A number of initiatives are being delivered through a systemised programme of work to enhance digital, self-service and automation capabilities.

Four key automation and digitalisation initiatives:

Zero inbound calls

Digitise basic banking requests to enable customers to self-serve via the Heartland Mobile App, create a seamless user experience, and reduce inbound customer call volumes. In doing so, employees will be able to focus on more complex customer requests.

- **Heartland Bank's ambition is to reduce inbound customer call volumes by approx. 73% by 30 June 2025 by developing Mobile App self-service features to address the top reasons for inbound customer calls.**

One-Click Deferral

Offer flexibility for customers to self-manage their Motor Finance loan repayments digitally via the Mobile App, including customers in arrears.

- **Develop seven new functions and features to enable customers to self-manage repayments, reducing the need for customers to contact Heartland Bank.**

Process automation

Upgrade and introduce scalable digital technologies to optimise back-end processes and improve efficiency.

Increase automation to improve workflows and reduce manual effort, reducing friction for customers and employees.

- **Heartland Bank's ambition is to automate approx. 65% of operations and collections manual processes by 30 June 2025.**

Motor digitalisation

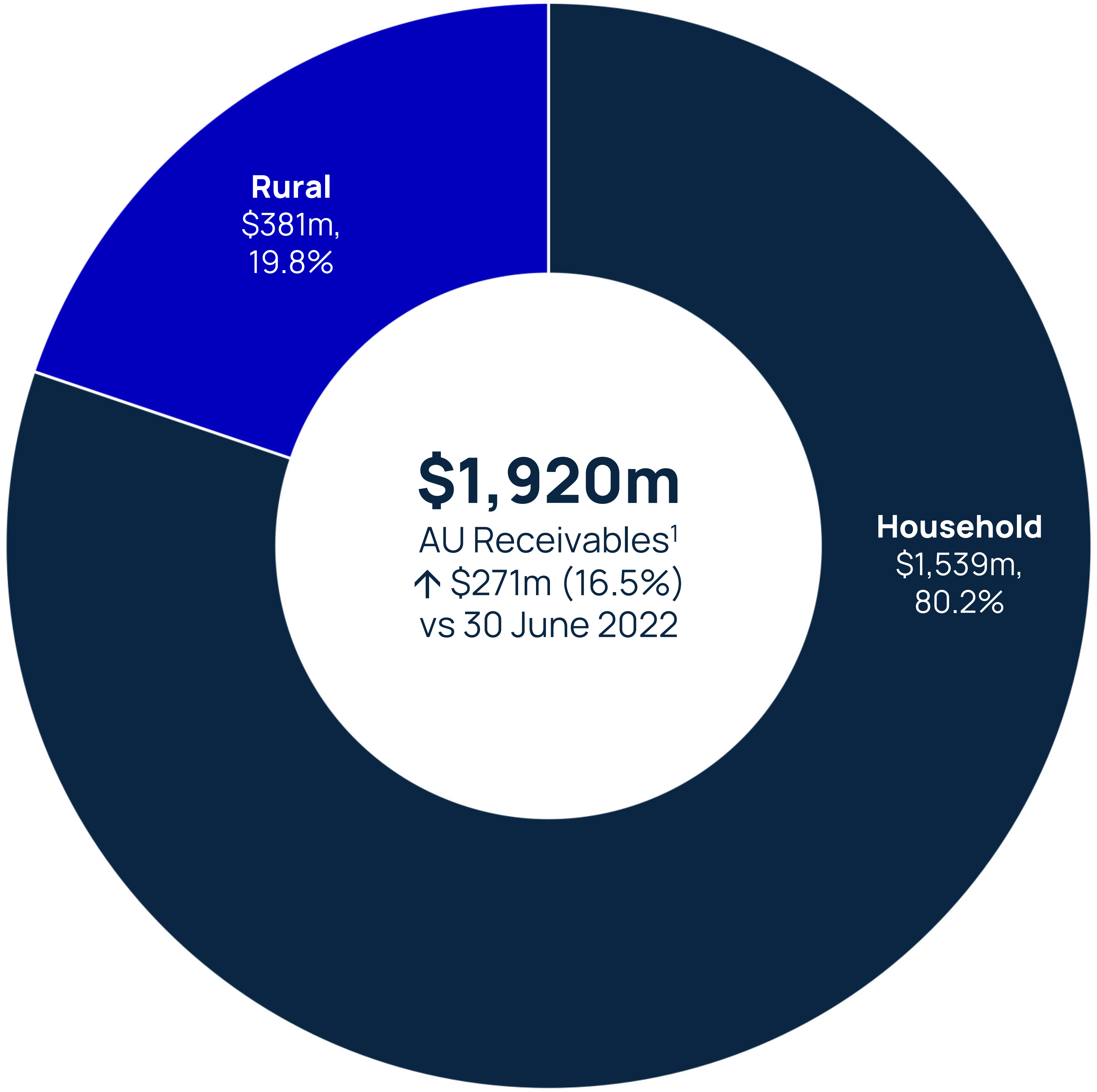
- Continued enhancement of Motor Finance digital capabilities to enable faster and easier access to vehicle finance through online application platforms.
- **Intention to rollout seven branded online origination platforms to Motor Finance dealer partners in FY2024.**

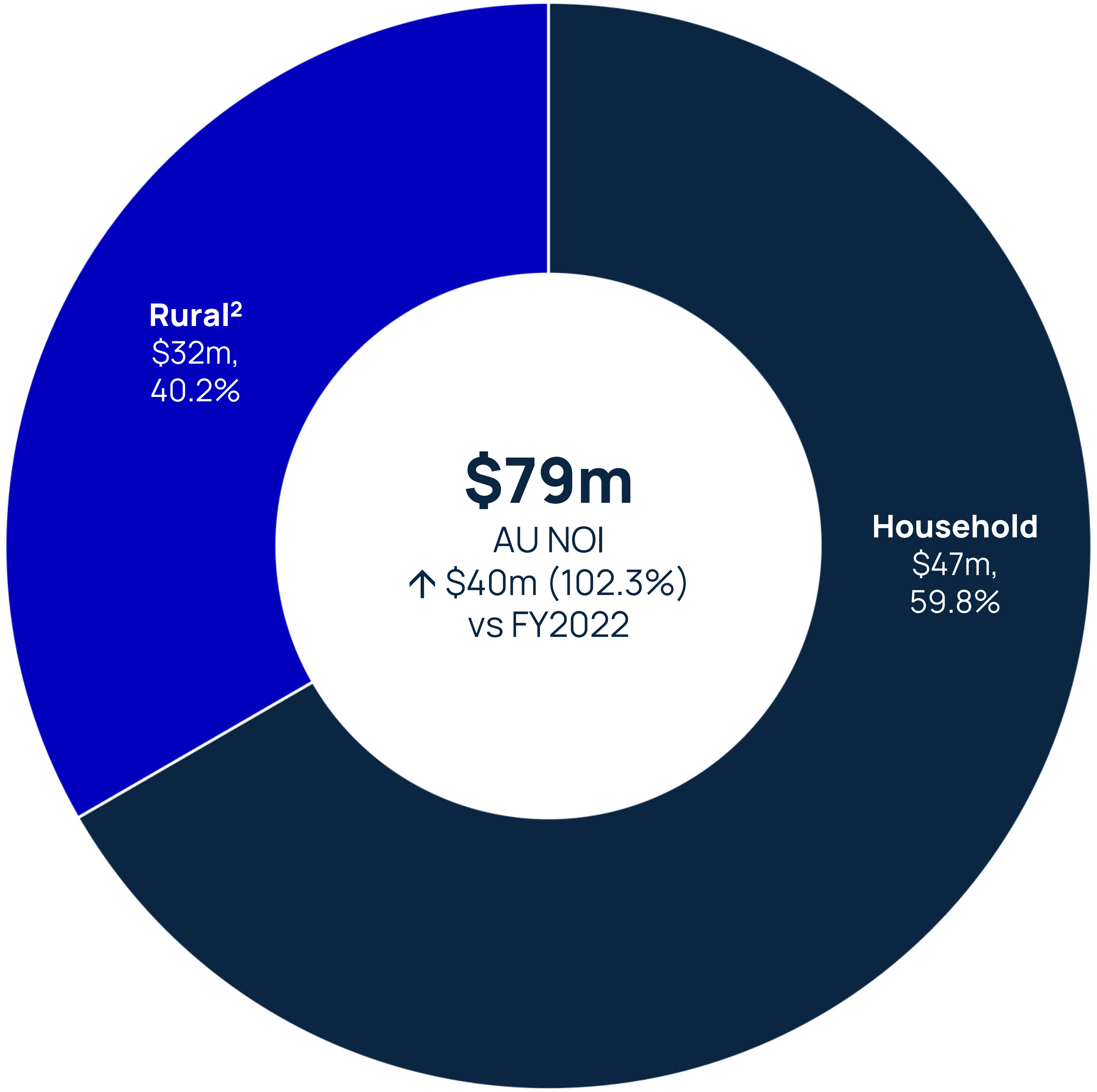
04

AU divisional summary

Chris Flood
Deputy Chief Executive Officer Heartland Group

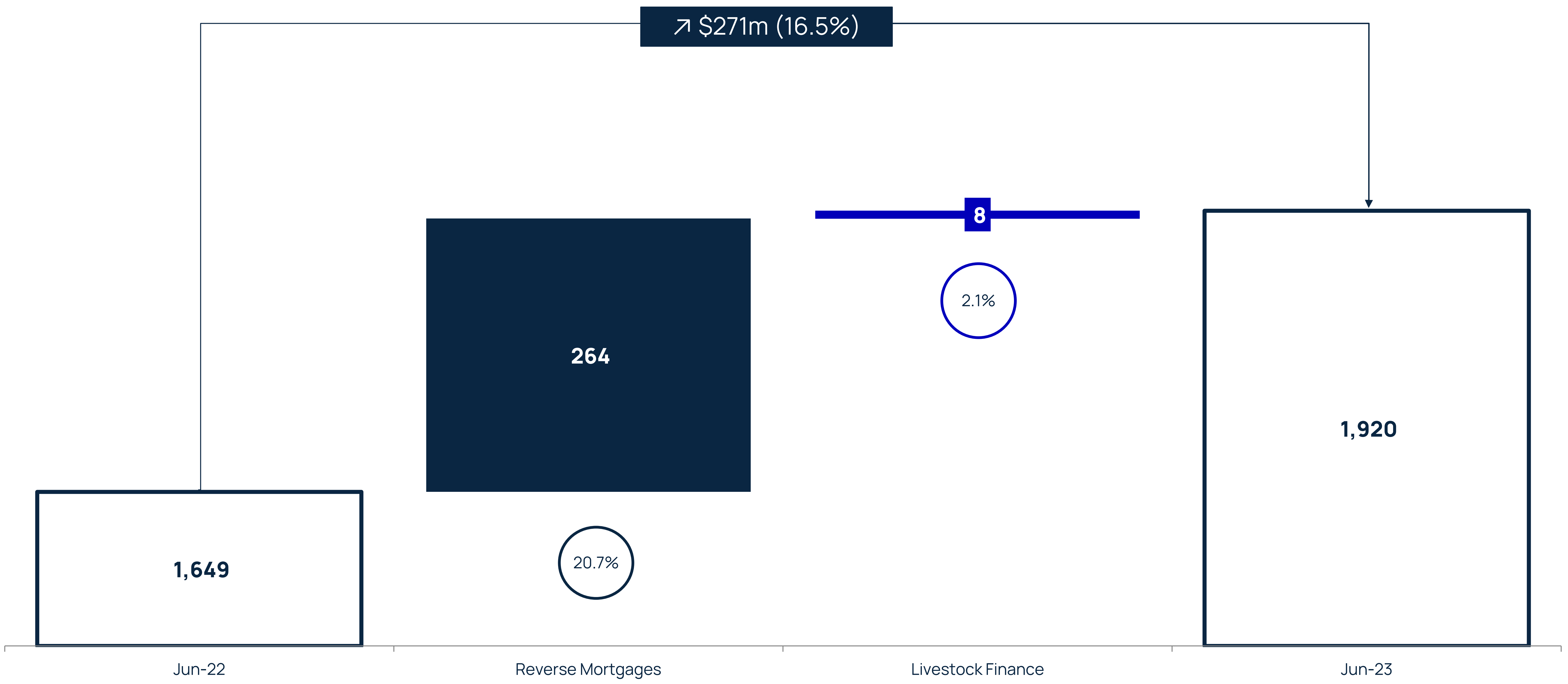
AU divisional summary





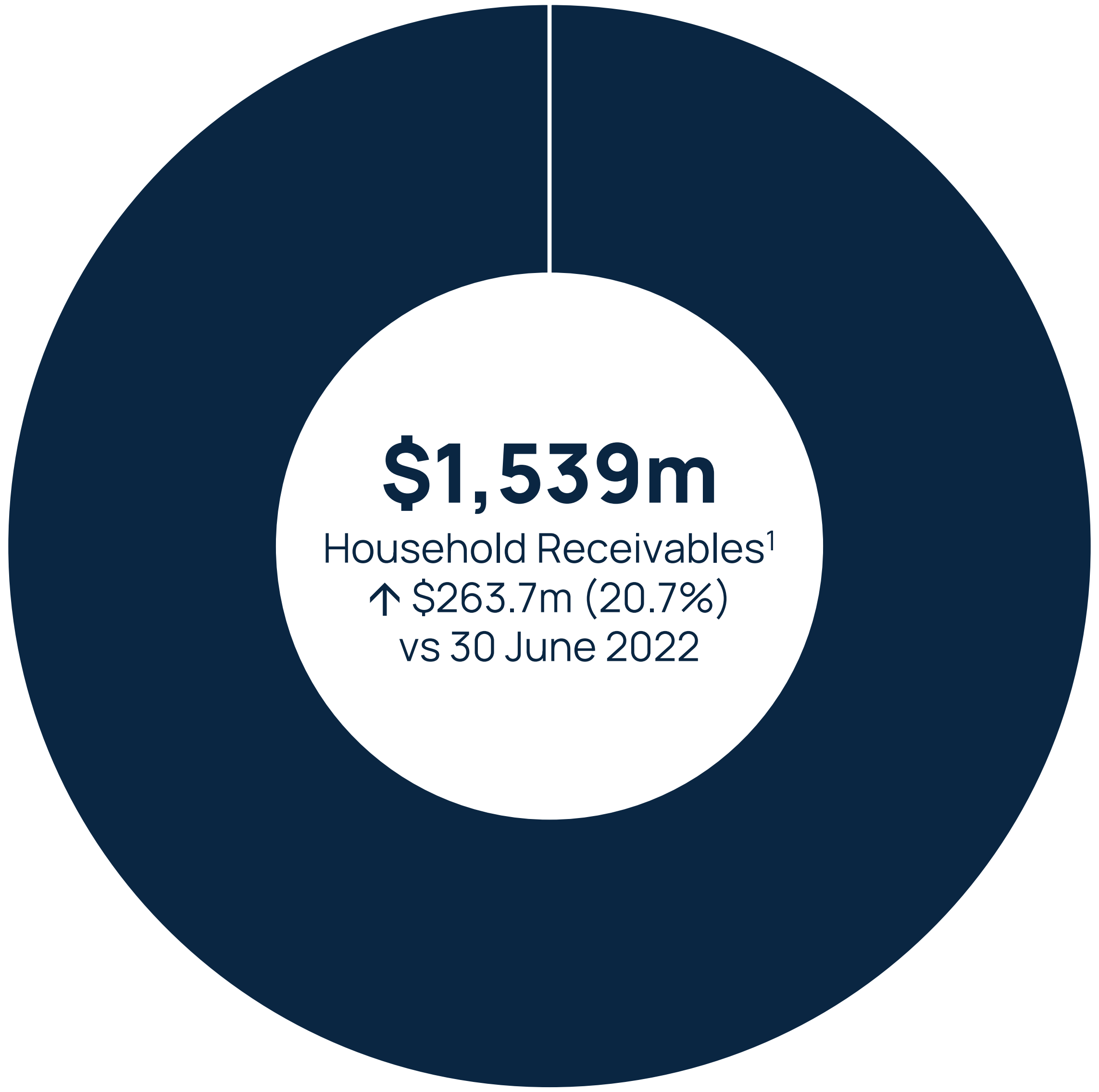
[1] Excluding the impact of changes in FX rates
[2] Includes full year contribution of StockcCo Australia since the completion of acquisition on 31 May 2022.

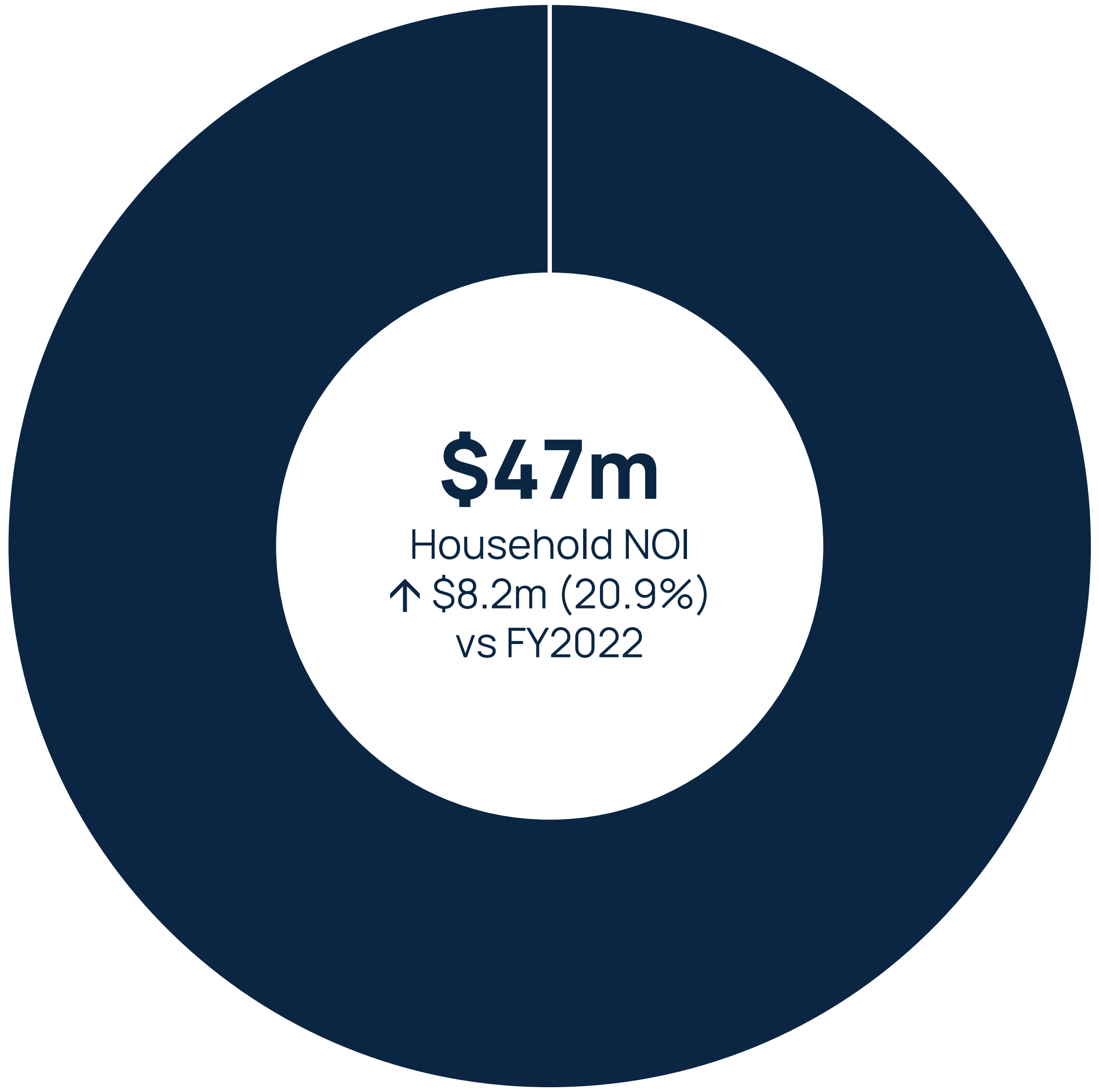
AU divisional summary



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.

AU Household





Reverse Mortgages[1]

- Growth was driven by increased debt consolidation and cost of living requests due to current economic environment, and customers seeking funds to age in place more comfortably.
- Growth is expected to remain strong in FY2024 as ongoing improvements and efficiencies are made to the loan application, approval and maintenance process.

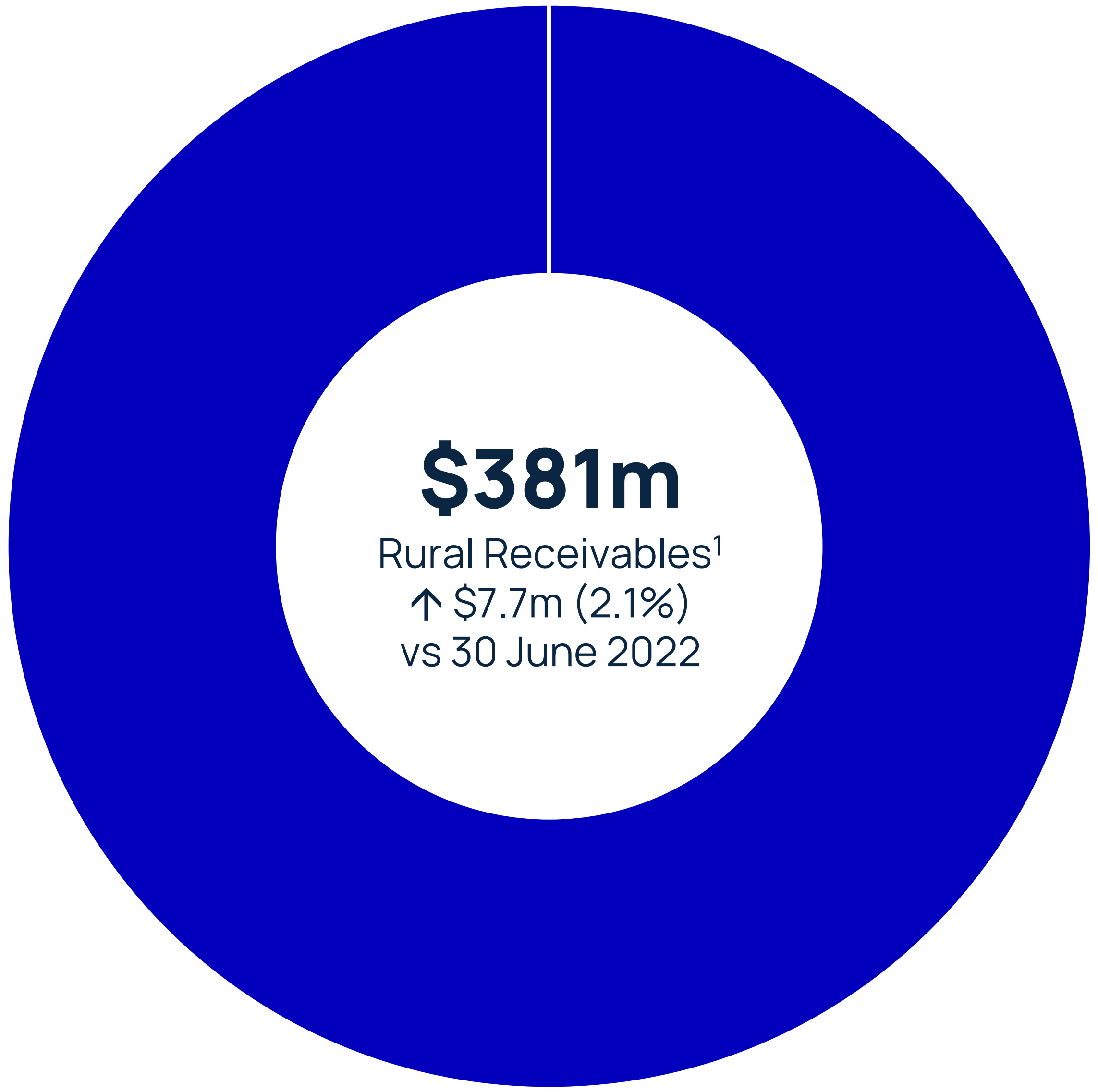
[1] Excluding the impact of changes in FX rates.

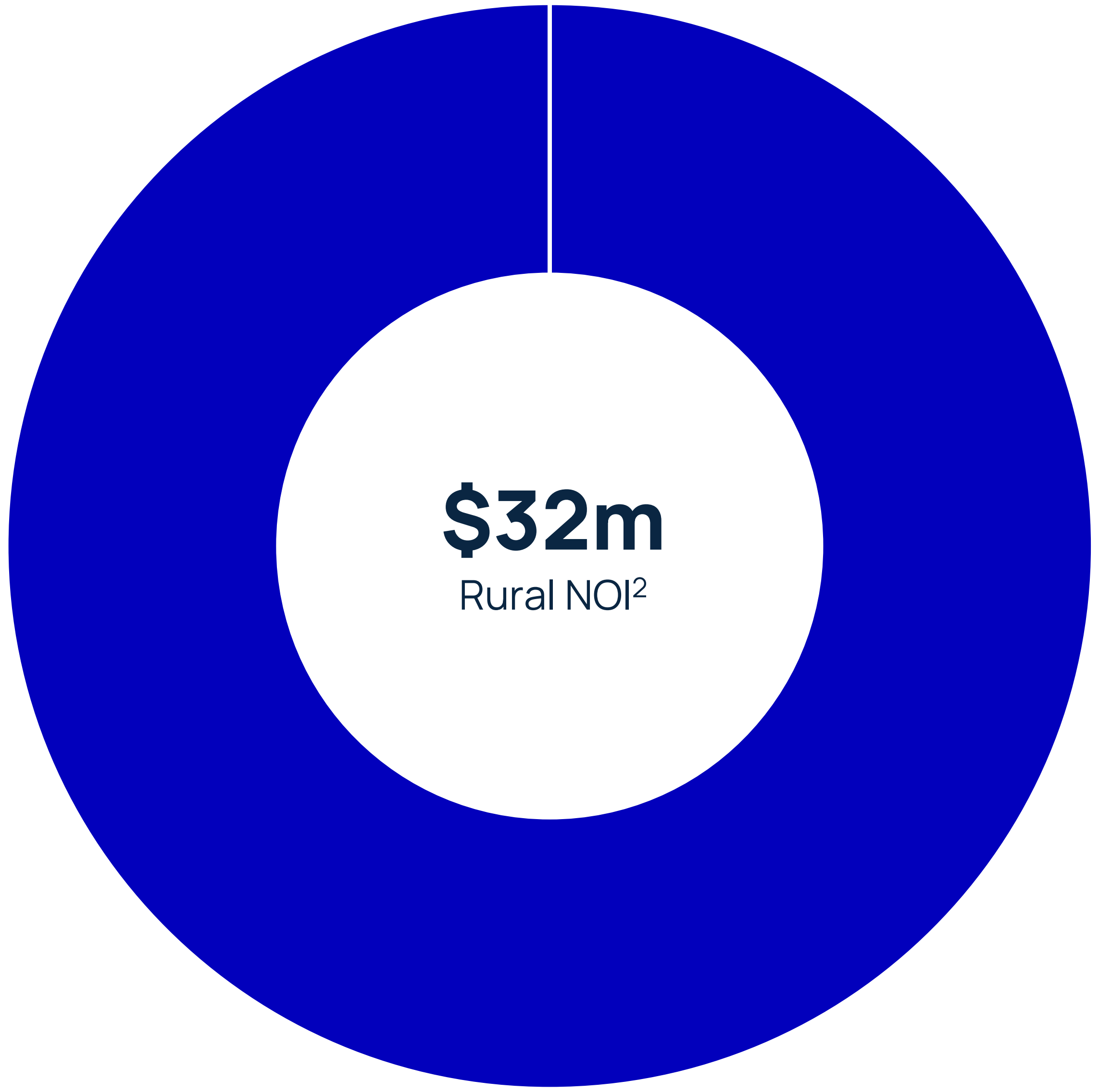
AU Reverse Mortgages portfolio analytics[1]

$1,539m AU Reverse Mortgages +$264m (20.7%) vs June 2022	**$180,432** Average loan size	**77** Weighted average borrowers' age	**22.8%** Compounded annual growth rate[2]
11.7% Average origination LVR	**21.5%** Weighted average LVR	**0.0%** Proportion of the loan book over 75% LVR	**1** Number of loans in the book over 75% LVR
$349m (+$78m vs FY2022) FY2023 origination	**$197m** (+$30m vs FY2022) Total repayments in FY2023	**16.0%** (vs 15.7% in FY2022) FY2023 repayment rate	**16.1%** (vs 19.0% in FY2022) Repayments from vintage loans (+11 years)

[1] All figures in NZD, excluding the impact of changes in FX rates (where applicable).
[2] Compounded annual growth rate for the period 1 July 2018 – 30 June 2023.

AU Rural





Livestock Finance

- Subdued growth was due to macroeconomic events affecting livestock prices and demand, including adverse weather conditions, the rising interest rate environment, and low export demand with the USA drought and China's COVID-19 response contributing to freezers being full around the world.
- Despite lower dollars per head, the volume of livestock financed increased. At 30 June 2023, cattle was up 25% compared with 30 June 2022. Sheep transactions were flat.
- Direct client growth of 11%.
- Processor capacity has been strained due to a lack of skilled workers, the ongoing impacts of COVID-19 and adverse weather conditions. Slaughter production in 2022 was down approximately 27% from 2021 volumes. This is expected to improve in the first half of FY2024 and have a positive effect on livestock demand and value, as processors work through their backlog.
- The outlook is positive with demand for protein expected to increase and have a positive effect on livestock value.

[1] Excluding the impact of changes in FX rates
[2] Includes full year contribution of StockcCo Australia since the completion of acquisition on 31 May 2022.

05

Outlook

Jeff Greenslade
Chief Executive Officer Heartland Group

Outlook

Business as usual growth

- Heartland's strength is its track record of strong growth in core lending portfolios.
- Growth focus will be on Reverse Mortgages, Motor Finance, Asset Finance and Livestock Finance.
- Supported by ongoing digitalisation and automation of lending platforms.
- Leverage demographic-driven demand in Reverse Mortgages.

NIM stabilisation

- NIM outlook is stable with repayment and replacement of legacy lower margin Motor Finance and Asset Finance loans.
- Growth mix will continue to influence margin, causing acceptable contraction offset by corresponding growth.

Ambition to double underlying NPAT within 5 years

- Since 2012, Heartland's NPAT has more than tripled.
- Ambition to continue track record of income growth by doubling underlying NPAT within 5 years.

Obtain an ADI licence

- Complete Challenger Bank acquisition, which remains subject to RBNZ and APRA approval. Heartland's desire is to complete the acquisition in the 2023 calendar year.
- Post-completion, Heartland's focus will be on integration and leveraging its common distribution channels in NZ to expand into AU.

Ambition to reduce underlying CTI ratio to <35% by FY2028

- Digitalisation initiatives underway to improve operational efficiency and increase customer self-service functionality, including One-Click Deferral, reducing telephony, and further automation.
- Revenue growth and careful management of costs critical pathways to a reduced CTI ratio.
- Stable CTI ratio expected while investment and delivery of initiatives continues .

FY2024 NPAT

- Heartland expects NPAT for FY2024 to be within the guidance range of $116 million to $122 million, 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 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.

06

Disclaimer, glossary & appendices

Disclaimer

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.

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.

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Non-GAAP measures

This presentation contains references to non-GAAP measures including underlying profit or loss, underlying ROE, underlying CTI ratios and underlying EPS. A reconciliation between reported and the non-GAAP measure of underlying financial information is included on page 42.

Because Heartland complies with accounting standards, investors know that comparisons can be made with confidence between reported profits and those of other companies, and there is integrity in Heartland's reporting approach. These non-GAAP figures are provided as a supplementary measure for readers to assess Heartland's performance alongside NZ GAAP reported measures, where one-offs, both positive and negative, can make it difficult to compare profits between years. However, these non-GAAP measures do not have standardised meanings prescribed by GAAP and should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ GAAP.

Non-GAAP financial information has not been subject to review by PricewaterhouseCoopers, Heartland's external auditor.

All amounts are in New Zealand dollars unless otherwise indicated. Financial data in this presentation is as at 30 June 2023 unless otherwise indicated. Any other financial information provided as at a date after 30 June 2023 has not been audited or reviewed by any independent registered public accounting firm.

Glossary

ABP	Australia Bank Programme	NII	Net interest income
ADI	Authorised deposit-taking institution	NIM	Net interest margin
ANZSIC	Australian and New Zealand Standard Industrial Classification	NOI	Net operating income
APRA	Australian Prudential Regulation Authority	NPAT	Net profit after tax
bps	Basis points	O4B	Open for Business
CCCFA	New Zealand Credit Contracts and Consumer Finance Act 2003	OOI	Other Operating Income
Challenger Bank	Challenger Bank Limited	OPEX	Operating expenses
cps	Cents per share	pps	Percentage points
CTI ratio	Cost to income ratio	RBNZ	Reserve Bank of New Zealand
DRP	Dividend Reinvestment Plan	Receivables	Gross Finance Receivables
EPS	Earnings per share	ROE	Return on Equity
FX	Foreign currency exchange	SME	Small-to-medium sized enterprise
Harmoney	Harmoney Corp Limited	TSR	Total shareholder return
Heartland	Heartland Group Holdings Limited or the **Company**	Q1	First quarter of FY2023 (1 July to 30 September 2022)
Heartland Australia Group	Heartland Australia Holdings Pty Ltd and its direct and indirect wholly-owned subsidiaries	Q2	Second quarter of FY2023 (1 October to 31 December 2022)
Heartland Bank, HBL	Heartland Bank Limited	Q4	Fourth quarter of FY2023 (1 April to 30 June 2023)
LVR	Loan-to-value ratio	1H2023	First half of FY2023 (1 July to 31 December 2022)
MTN	Medium Term Note	2H2023	Second half of FY2023 (1 January to 30 June 2023)

Appendix 1: Financial performance

$m	Reported FY2023	Reported FY2022	Reported Change ($)	Reported Change (%)	Underlying FY2023	Underlying FY2022	Underlying Change ($)	Underlying Change (%)
NII	282.0	250.1	31.8	12.7%	283.9	248.3	35.6	14.3%
OOI[1]	3.3	17.5	(14.1)	(81.0%)	16.9	13.7	3.1	22.7%
NOI	**285.3**	**267.6**	**17.7**	**6.6%**	**300.7**	**262.0**	**38.7**	**14.8%**
OPEX	128.1	116.8	11.3	9.7%	126.2	111.4	14.9	13.4%
Impairment Expense	23.2	13.8	9.4	68.1%	23.2	15.7	7.5	47.9%
Profit Before Tax	134.0	137.0	(3.0)	(2.2%)	151.2	134.9	16.3	12.1%
Tax Expense	38.1	41.9	(3.8)	(9.0%)	41.1	38.8	2.3	5.8%
NPAT	95.9	95.1	0.7	0.8%	110.2	96.1	14.1	14.6%
NIM	3.97%	4.05%	(8 bps)		4.00%	4.16%	(16 bps)	
CTI	44.9%	43.6%	126 bps		42.0%	42.5%	(53 bps)	
Impairment Expense Ratio[2]	0.36%	0.25%	11 bps		0.36%	0.29%	7 bps	
ROE	10.4%	12.1%	(169 bps)		11.9%	12.6%	(68 bps)	
EPS	14.0 cps	16.1 cps	(2.1 cps)		16.0 cps	16.3 cps	(0.3 cps)	

[1] Includes fair value movements. [2] Impaired asset expense as a percentage of average Receivables.

Appendix 2: Financial position

$m	30 June 2023	30 June 2022	Movement ($m)	Movement (%)
Liquid Assets	627	585	42	7.1%
Gross Finance Receivables	6,791	6,196	596	9.6%
Provisions	(53)	(52)	(1)	(2.4%)
Other Assets	383	362	21	5.8%
Total Assets	**7,747**	**7,090**	**657**	**9.3%**
Retail Deposits	*4,131*	*3,593*	*539*	*15.0%*
Other Borrowings	*2,496*	*2,578*	*(82)*	*(3.2%)*
Total Funding	6,627	6,171	457	7.4%
Other Liabilities	89	111	(22)	(19.7%)
Equity	1,031	809	222	27.5%
Total Equity & Liabilities	**7,747**	**7,090**	**657**	**9.3%**

Appendix 3: Reconciliation of reported with underlying results

FY2023 one-offs included in the reported result:

- *Hedging*: a $9.1 million loss was recognised in relation to derivatives that were de-designated from prior hedge accounting relationships in FY2022.
- *Valuation of equity investments*: a $4.5 million fair value loss was recognised on investment in Harmoney shares.
- *Bridging loan:* a $1.9 million interest expense was recognised for a $174 million (A$158 million) bridging loan taken by Heartland to acquire StockCo Australia, which was fully repaid in September 2022.
- *Other provisions:* $0.7 million of unwarranted legacy provisions were released.
- *ABP costs*: $2.2 million of transaction and other costs in relation to becoming an ADI in Australia. In addition, $6.4 million of costs directly attributable to applying to become an ADI have been capitalised as an intangible asset.
- *Other non-recurring expenses:* $0.3 million.

FY2022 one-offs included in the reported result:

- *Hedging:* A $16.7 million gain was recognised in relation to derivatives that were de-designated from hedge accounting relationships.
- *Valuation of equity investments:* a $12.7 million fair value loss was recognised on investment in Harmoney shares, and a further $0.3 million fair value loss was recognised on Heartland Bank's rights over a profit-sharing arrangement with a customer.
- *Impairment provisions:* $9.6 million COVID-19 Overlay, originally raised in FY2020, remained entirely unutilised and was released in full. A new $8.0 million Economic Overlay was created.
- *Voluntary amortisation of intangibles:* $2.9 million expense was recognised for intangibles that are no longer expected to derive future economic benefits.
- *Other non-recurring expenses:* $1.0 million.
- *Aged items provisions and legacy accruals:* a combined $0.5 million of unwarranted accruals and provisions for aged legacy suspense account transactions were released.
- *Tax adjustments:* a $1.2 million release of tax provisions relating to prior periods and $0.2 million of other non-recurring tax benefits were recognised during the year.

$m	FY2023	FY2022	Movement ($)	Movement (%)
Reported NOI	**285.3**	**267.6**	**17.7**	**6.6%**
Less:				
StockCo Australia impacts	(1.9)	1.9	(3.8)	
Hedge accounting Impacts	(9.1)	16.7	(25.8)	
Net fair value gain/loss on investments	(4.5)	(13.0)	8.5	
Underlying NOI	**300.7**	**262.0**	**38.7**	**14.8%**
Reported OPEX	**128.1**	**116.8**	**11.3**	**9.7%**
Less:				
StockCo Australia impacts	-	1.9	(1.9)	
Voluntarily accelerated amortisation	-	2.9	(2.9)	
Legacy provisions and accruals	(0.7)	(0.5)	(0.2)	
ABP costs	2.2	-	2.2	
Other non-recurring items	0.3	1.0	(0.7)	
Underlying OPEX	**126.2**	**111.4**	**14.9**	**13.4%**
Reported impairment expense	**23.2**	**13.8**	**9.4**	**68.1%**
Less:				
StockCo Australia impacts	-	(0.3)	0.3	
COVID-19 overlay release	-	(9.6)	9.6	
Economic Overlay created	-	8.0	(8.0)	
Underlying impairment expense	**23.2**	**15.7**	**7.5**	**47.9%**
Reported NPAT	**95.9**	**95.1**	**0.7**	**0.8%**
Less:				
Post-tax impact of one-offs	(14.3)	(2.3)	(12.0)	
Tax adjustments relating to prior periods	-	1.4	(1.4)	
Underlying NPAT	**110.2**	**96.1**	**14.1**	**14.6%**
Reported NIM	3.97%	4.05%	(8 bps)	
Underlying NIM	**4.00%**	**4.16%**	**(16 bps)**	
Reported CTI	44.9%	43.6%	126 bps	
Underlying CTI	**42.0%**	**42.5%**	**(53 bps)**	
Reported ROE	10.4%	12.1%	(169 bps)	
Underlying ROE	**11.9%**	**12.6%**	**(68 bps)**	

Thank you

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