

# Market update

18 February 2025

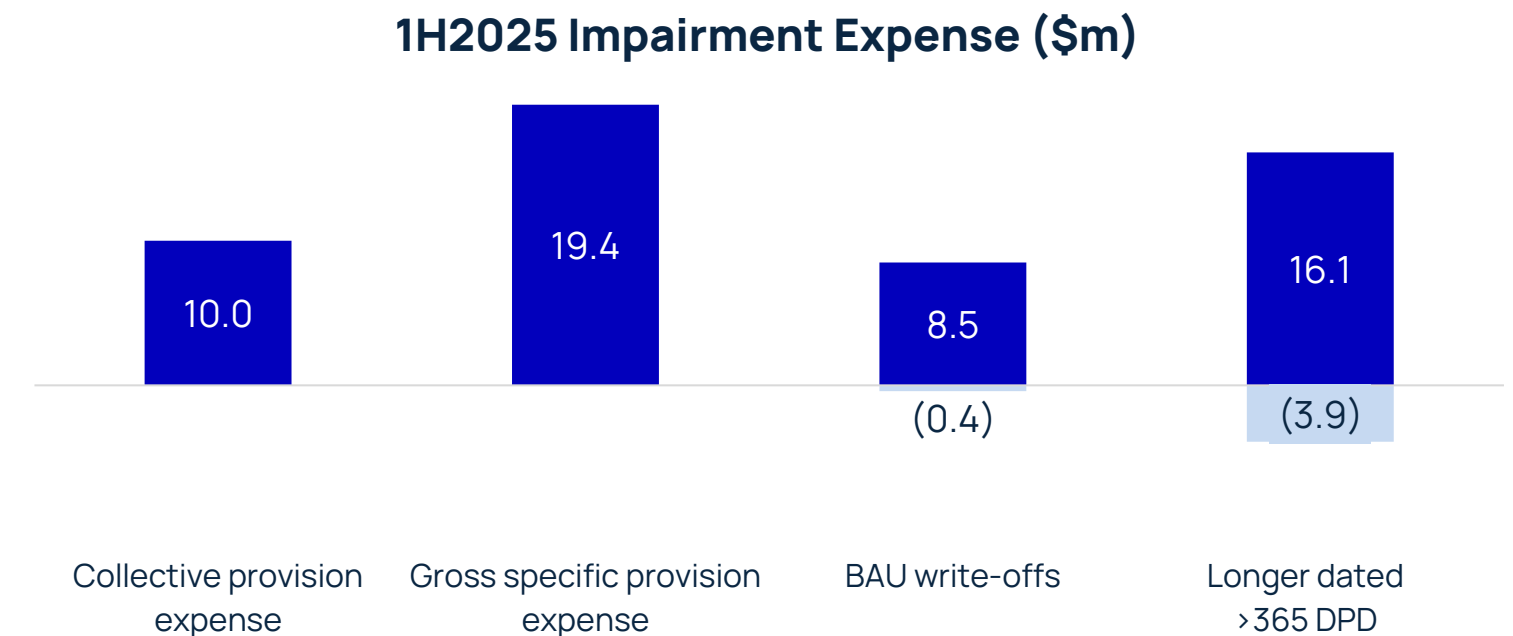
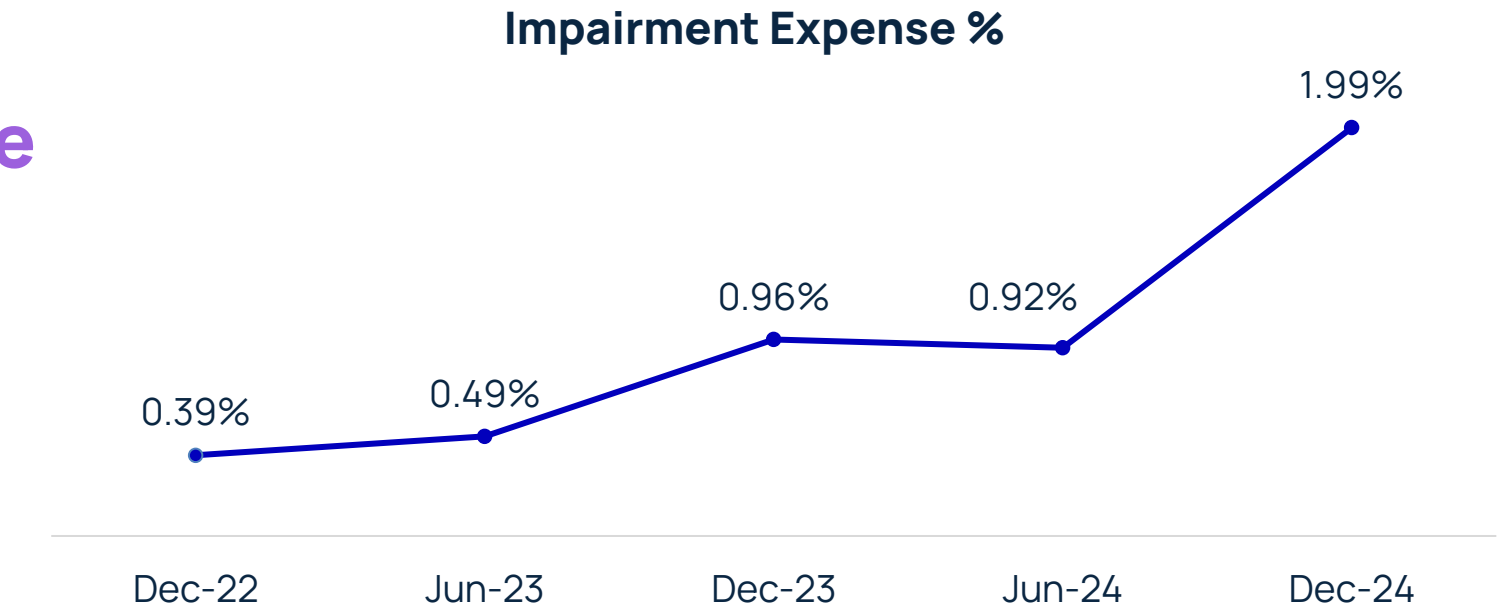
**HEARTLAND**  
— GROUP —

**INVESTOR  
PRESENTATION**

# INCREASE IN HEARTLAND BANK IMPAIRMENT EXPENSE

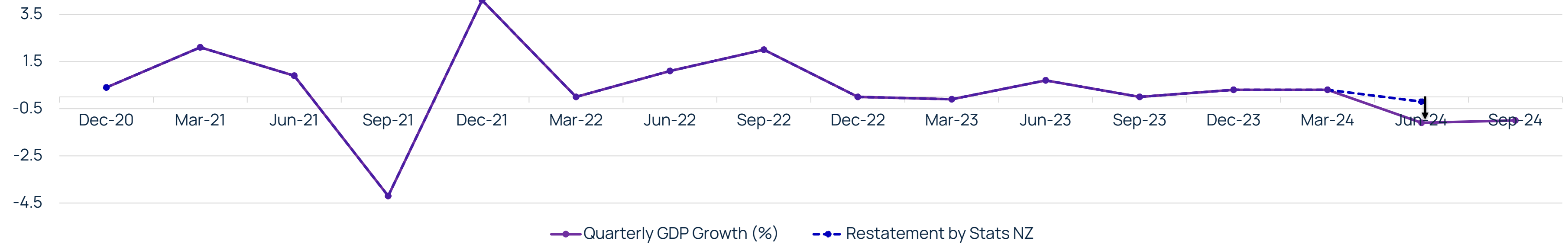
## Increase in response to the impact of ongoing deterioration in NZ economic conditions and to derisk and reposition some of the NZ bank's lending portfolios.

- Impairment expense of \$49.6m required for 1H2025:
  - **write-offs:** \$20.2m net impact from writing off arrears, net of expected recoveries, including:
    - \$12.1m impact from writing off loans >365 days past due in Motor Finance and O4B
    - \$8.1m BAU write-offs
  - **specific provisions:** \$19.4m predominantly for Asset Finance and older Business Relationship
  - **collective provisions:** \$10.0m for Motor Finance, O4B and Asset Finance.
- This NZ bank impairment expense will have an impact on 1H2025 NPAT. 1H2025 NPAT is expected to be in the range of \$2m to \$5m subject to completion of 1H2025 interim review by Heartland's external auditors, which is substantially progressed.
- Heartland Bank remains well capitalised with strong liquidity.
- Credit quality of NZ Reverse Mortgage and NZ Livestock Finance portfolios remain strong.
- AU bank is unaffected continues to perform well.
- While the Board is yet to declare an interim dividend, its current expectation is that the increased Heartland Bank impairment expense will not prevent Heartland from paying an interim dividend. The quantum of any dividend to be declared in respect of 1H2025 will be carefully determined by the Board based on Heartland's capital needs, return on equity accretive growth opportunities, balance sheet flexibility and financial performance.

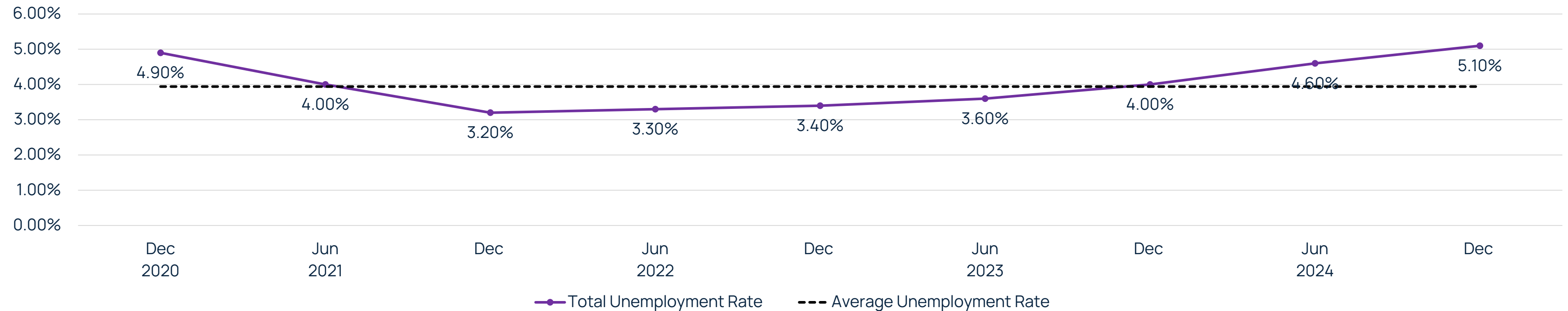


# IMPACT OF RECESSIONARY OPERATING ENVIRONMENT

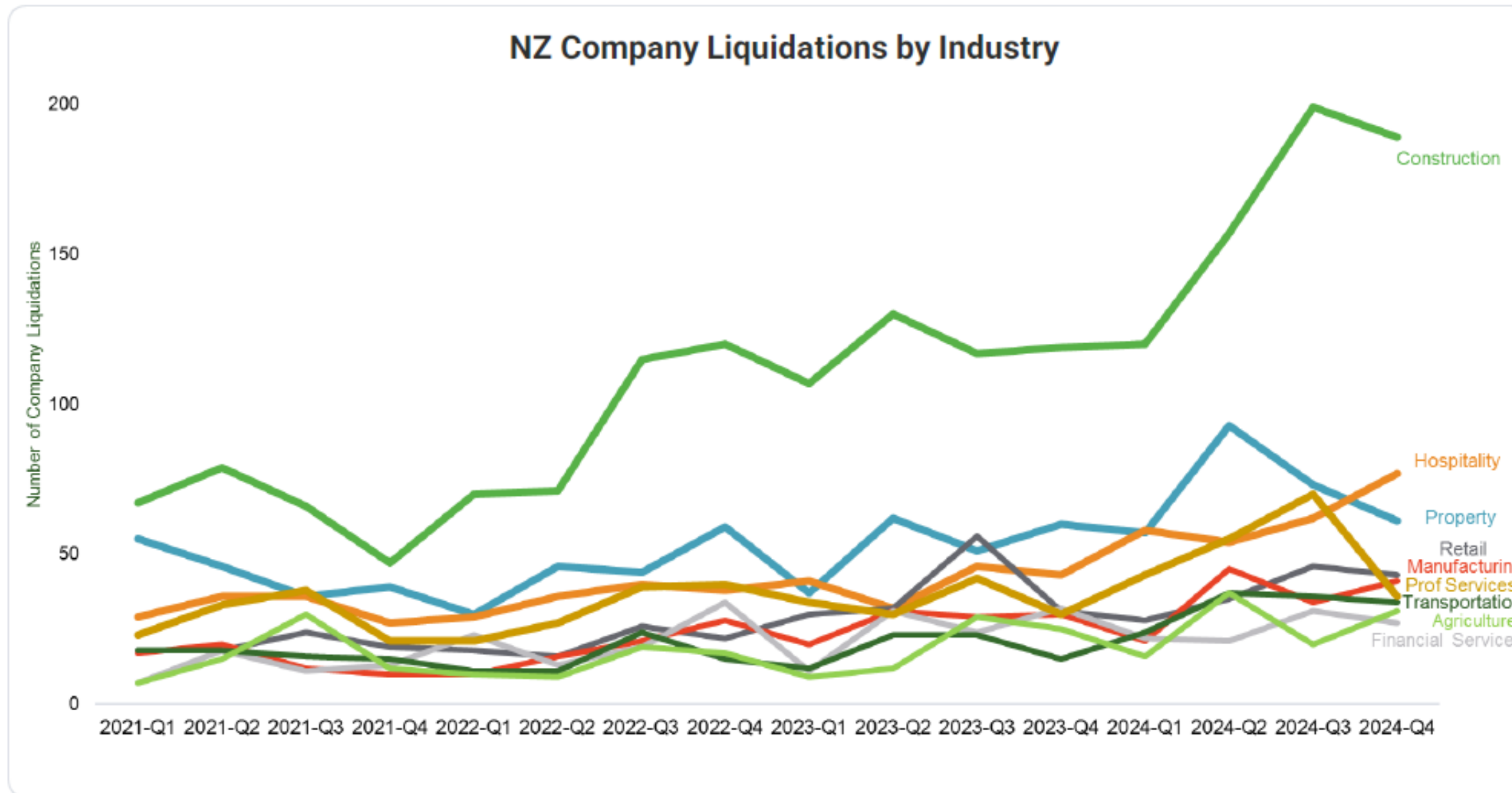
Quarterly GDP Growth (%)



Unemployment Rate (%)



# IMPACT OF RECESSIONARY OPERATING ENVIRONMENT

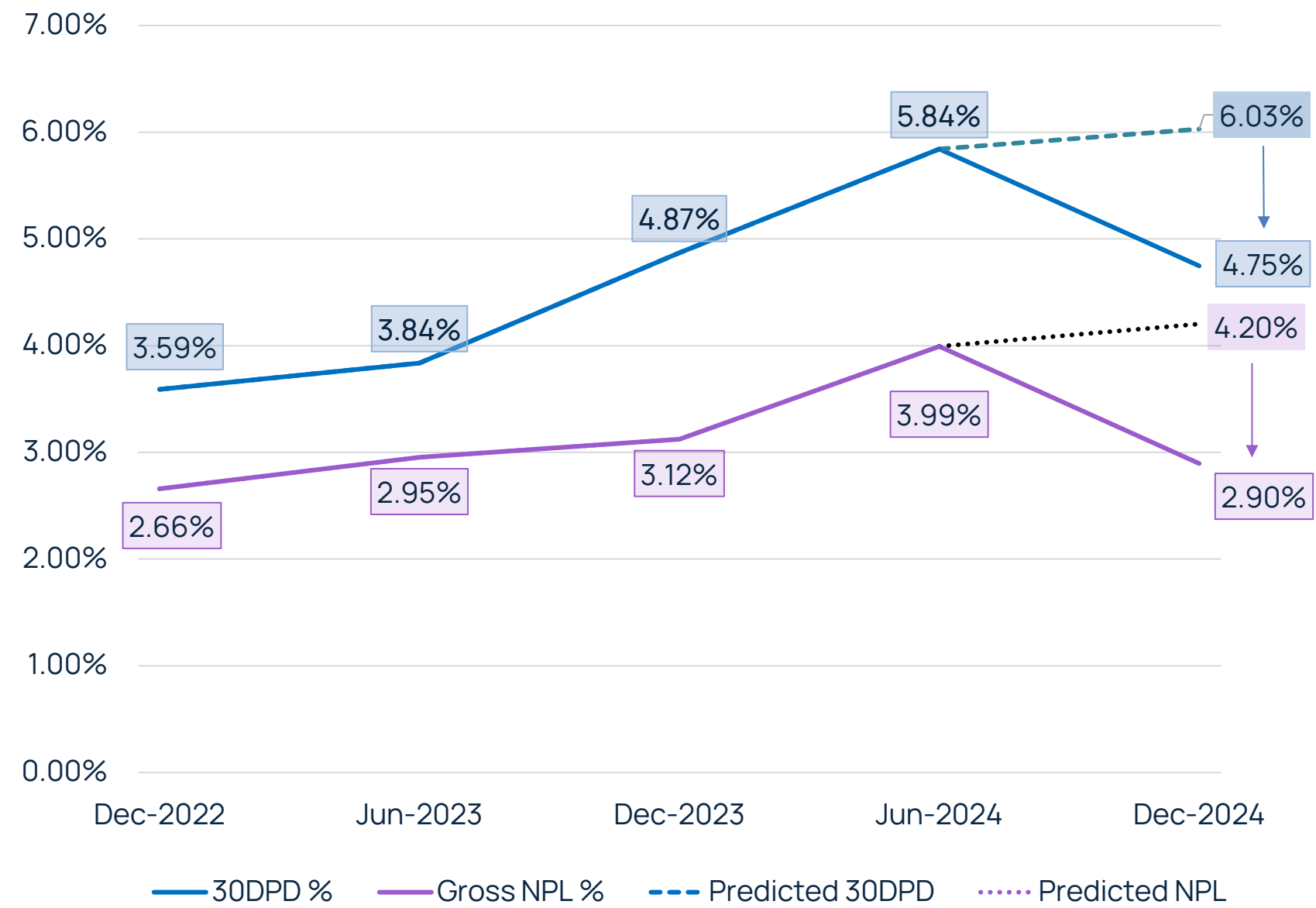


## NZ economic conditions significantly deteriorated during 1H2025

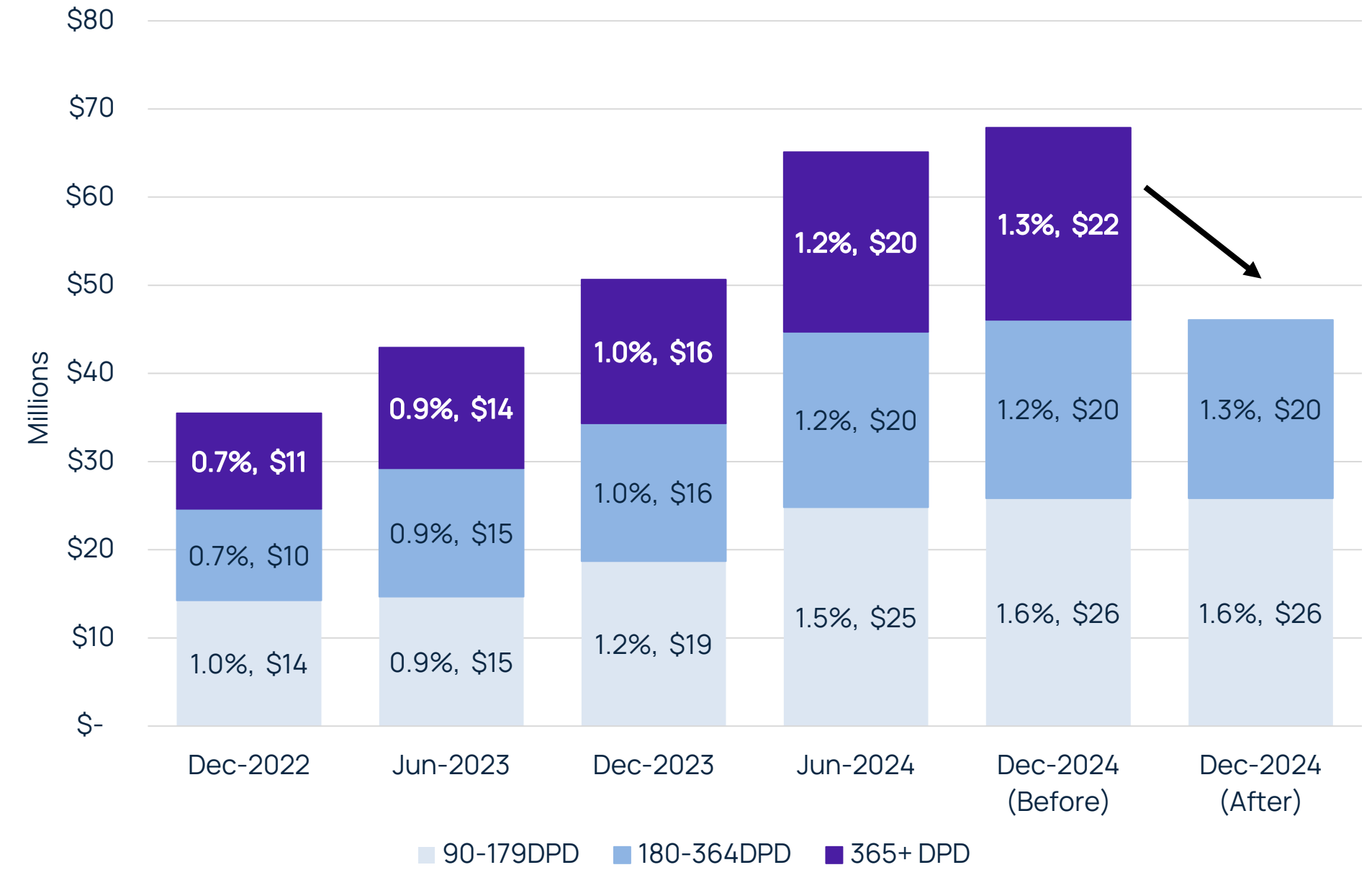
- Largest six-month fall in GDP since mid-1991, excluding the COVID-19 period.
- Unemployment rose to four-year high of 5.1%.
- Financial hardships up 19% year-on-year.
- Company liquidations up 39% year-on-year .
- Consumer defaults up 39% annually vs 28% at June 2024.
- Business defaults up 22% annually vs 5% at June 2024.

# MOTOR FINANCE

Motor Finance arrears ratios

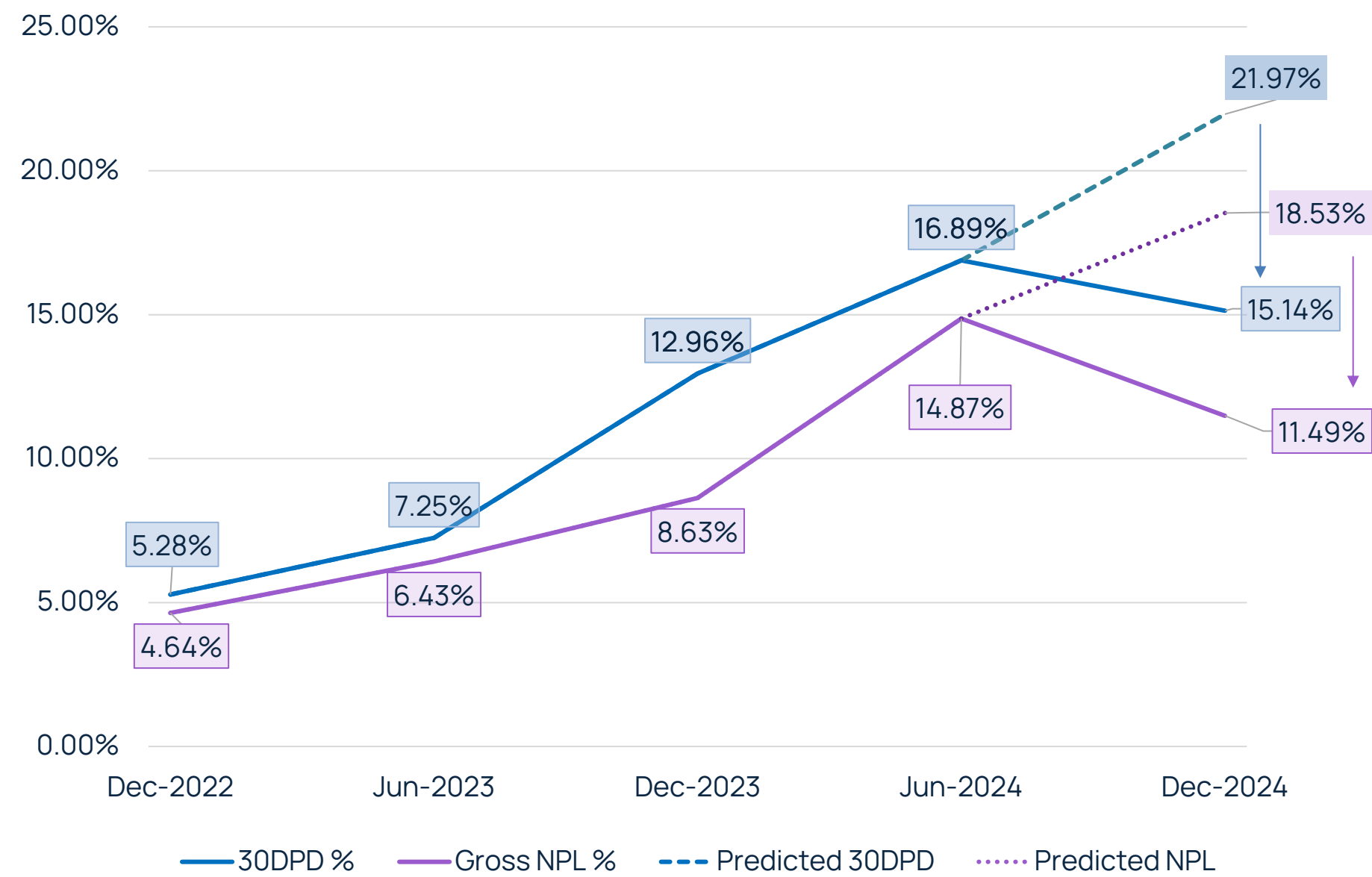


Motor Finance 90DPD composition (\$m & %)

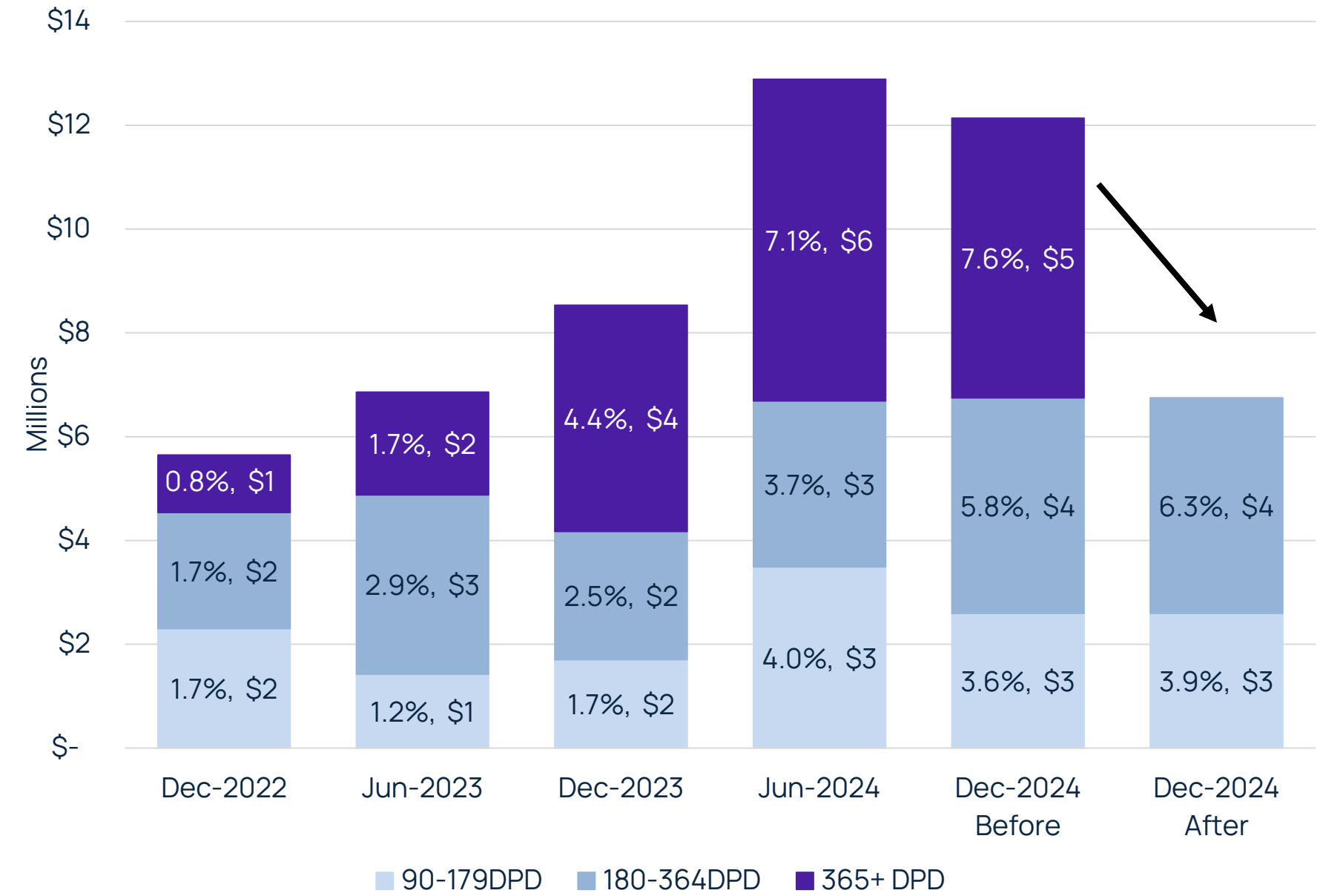


# OPEN FOR BUSINESS

O4B arrears ratios

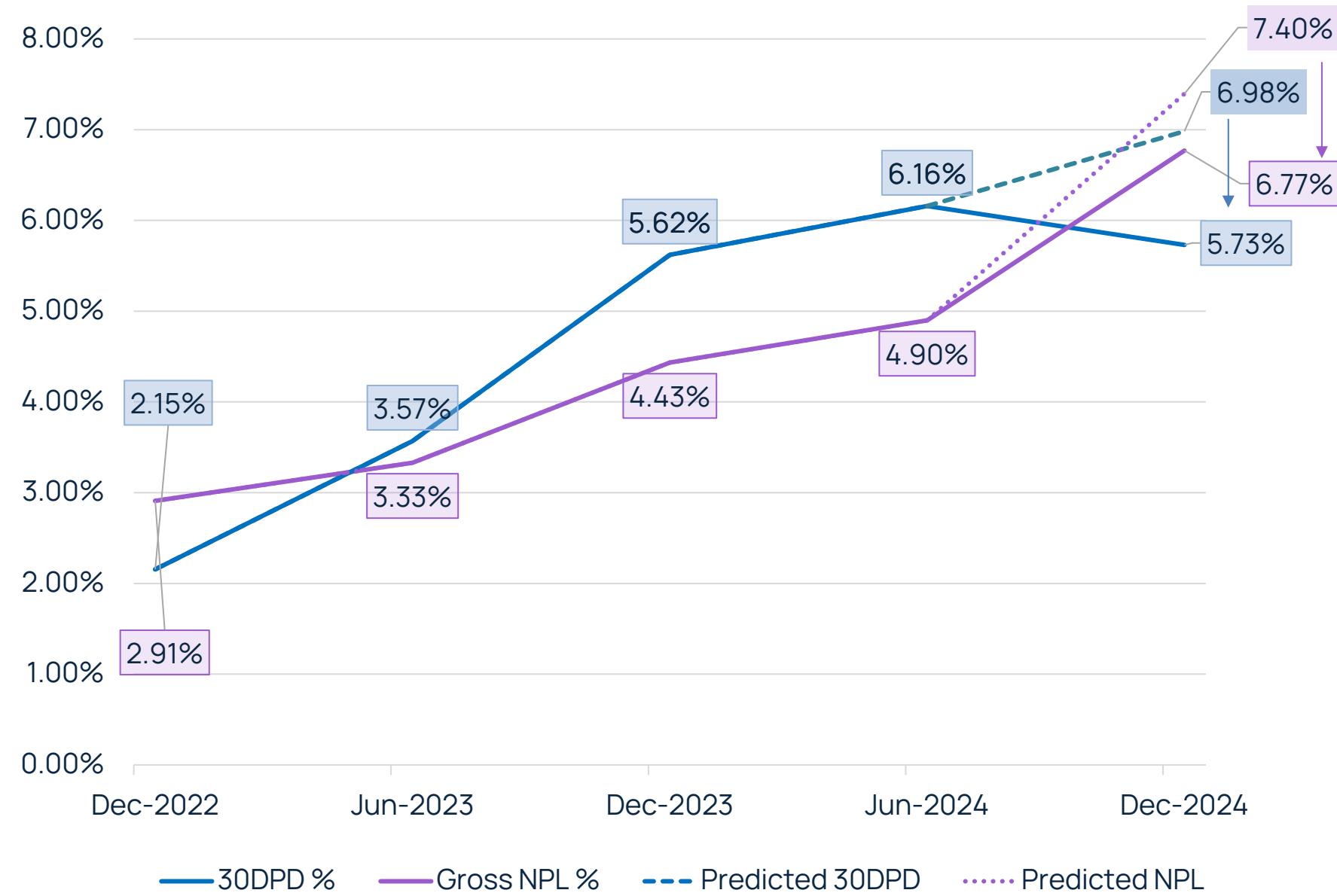


O4B 90DPD composition (\$ and %)

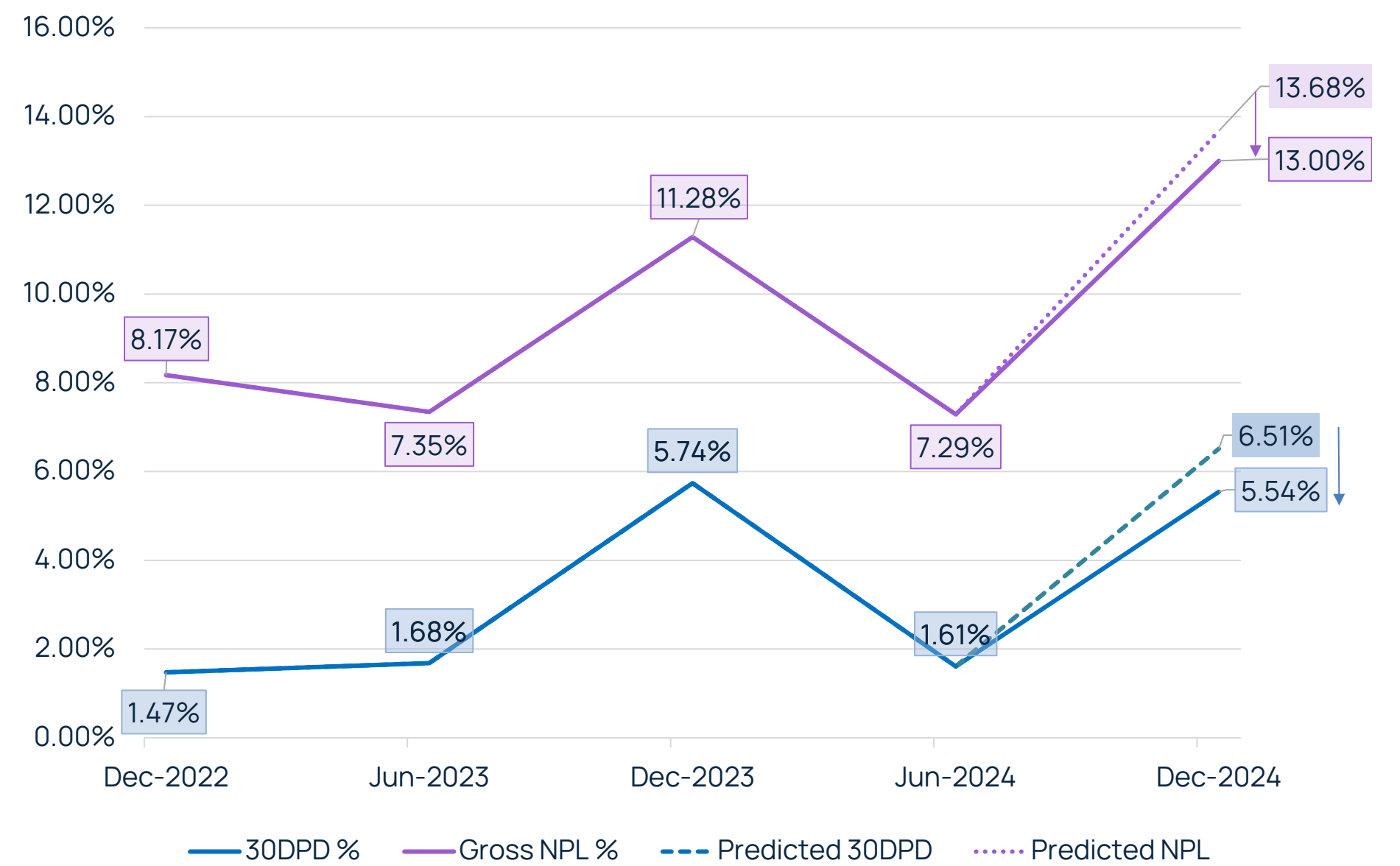


# ASSET FINANCE & BUSINESS RELATIONSHIP

Asset Finance arrears ratios

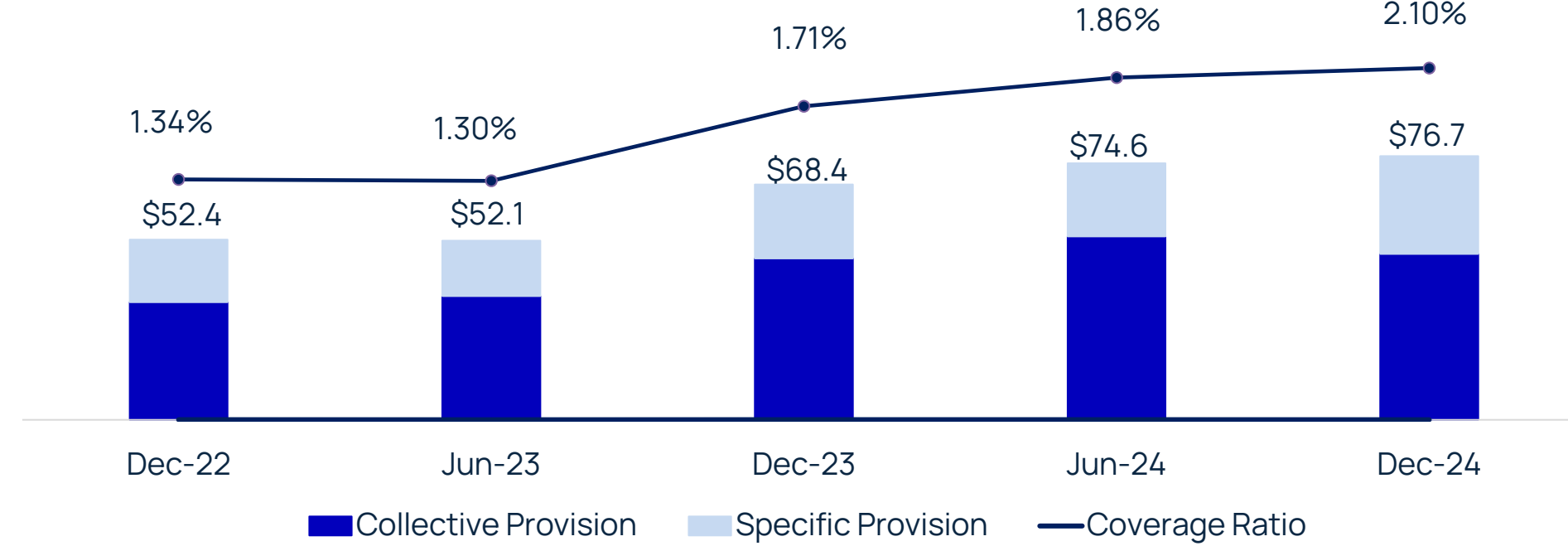


Business Relationship arrears ratios

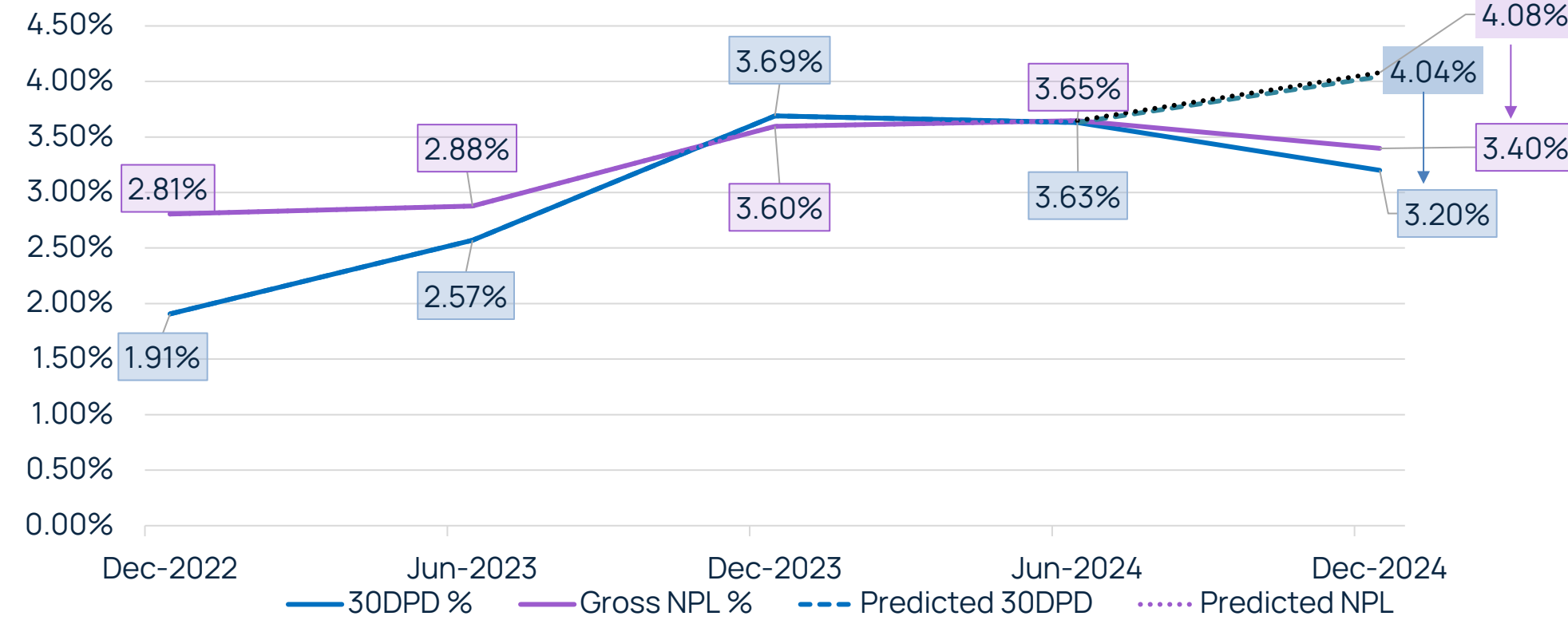


# HEARTLAND BANK (NEW ZEALAND)

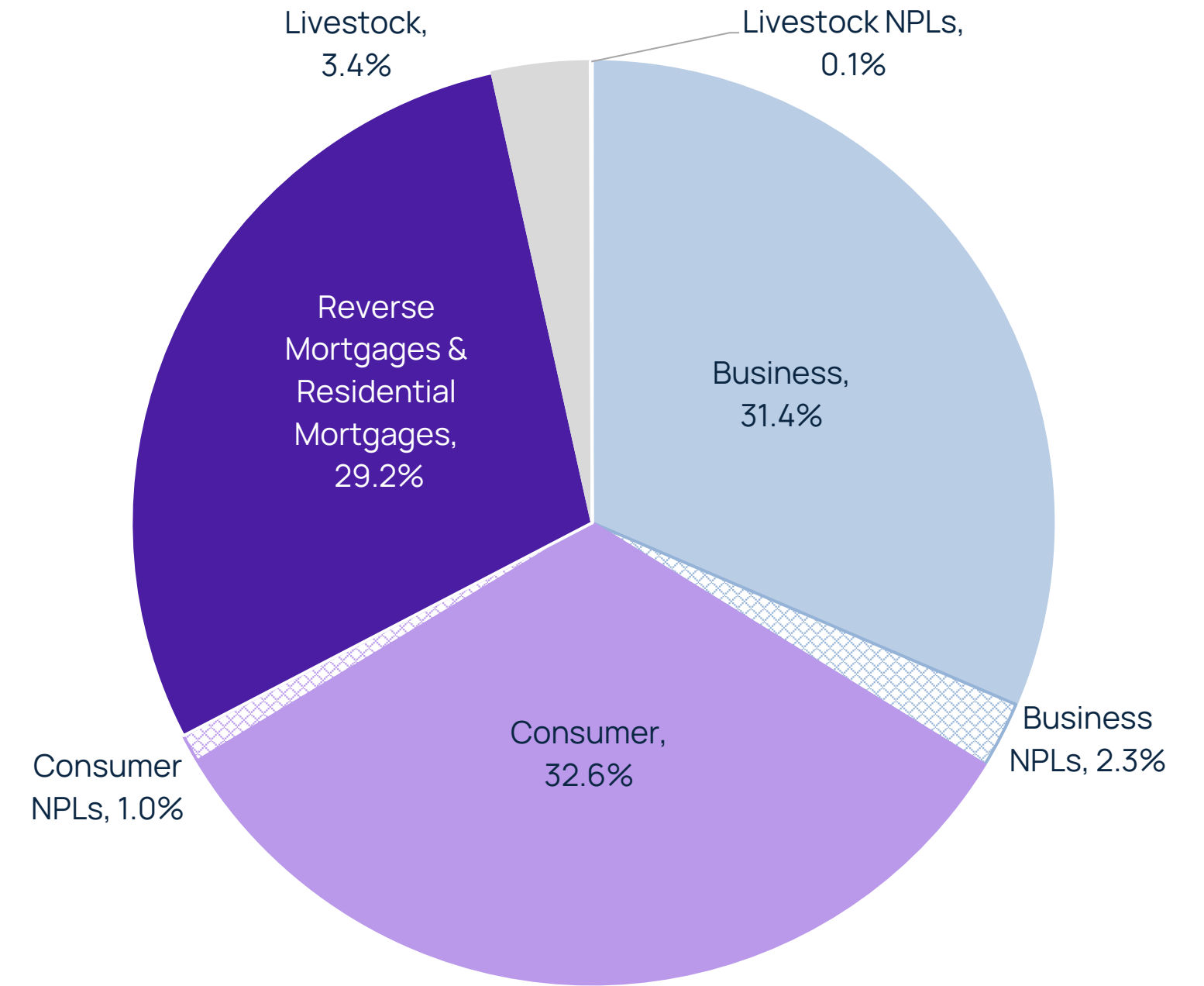
Heartland Bank – Total provisions and coverage



Heartland Bank arrears ratios



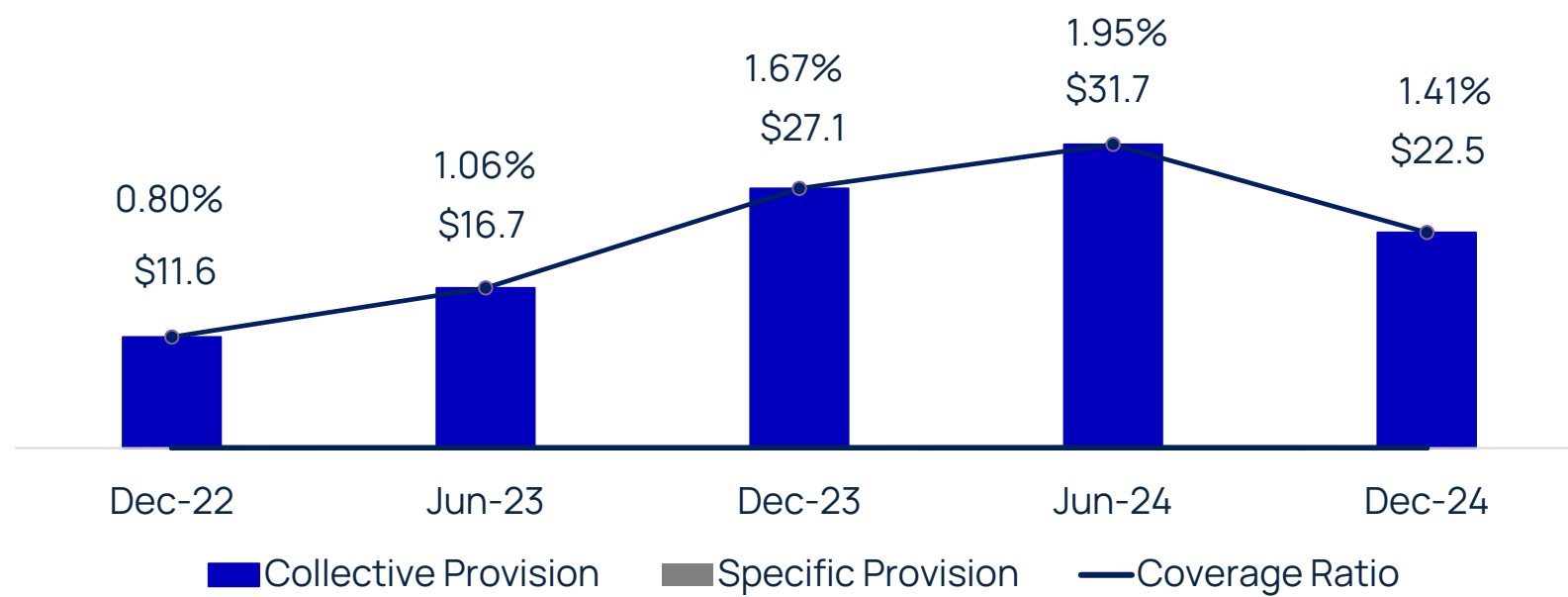
Heartland Bank portfolio composition



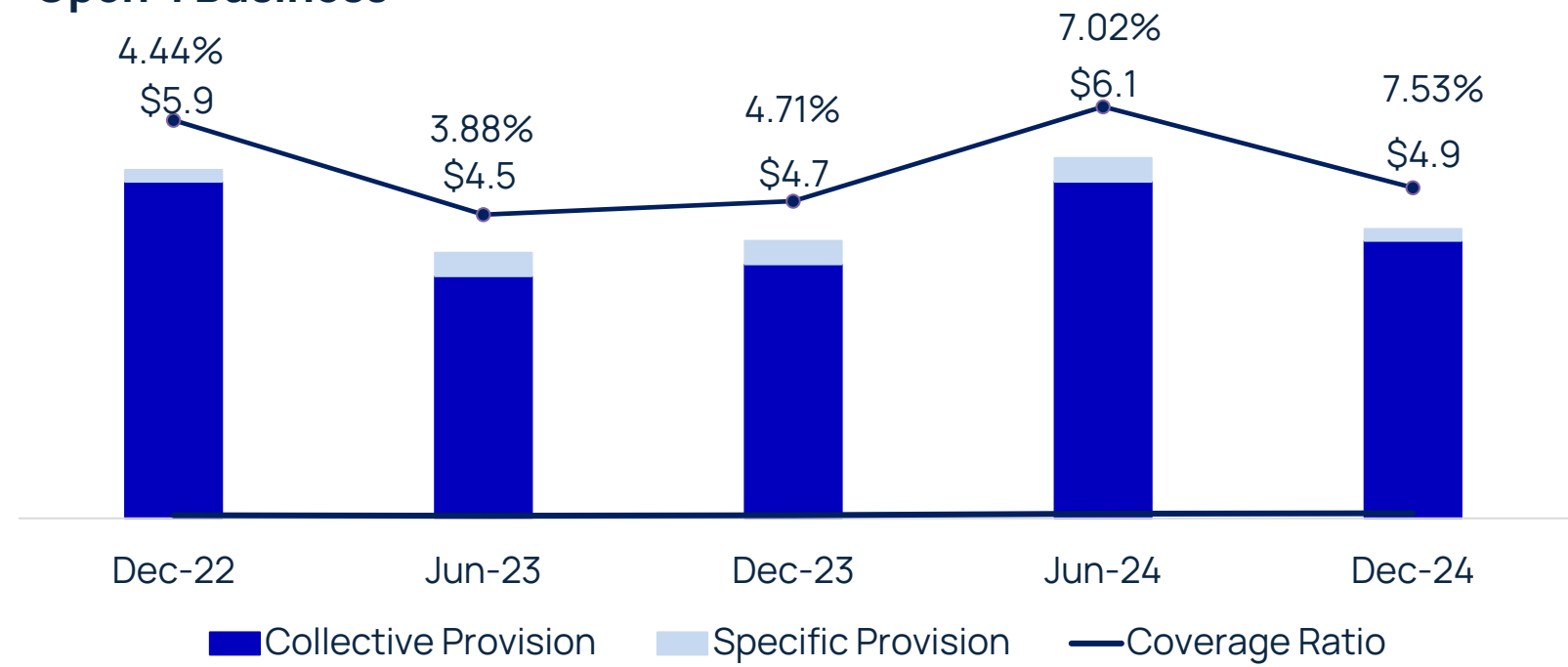


# PROVISIONS

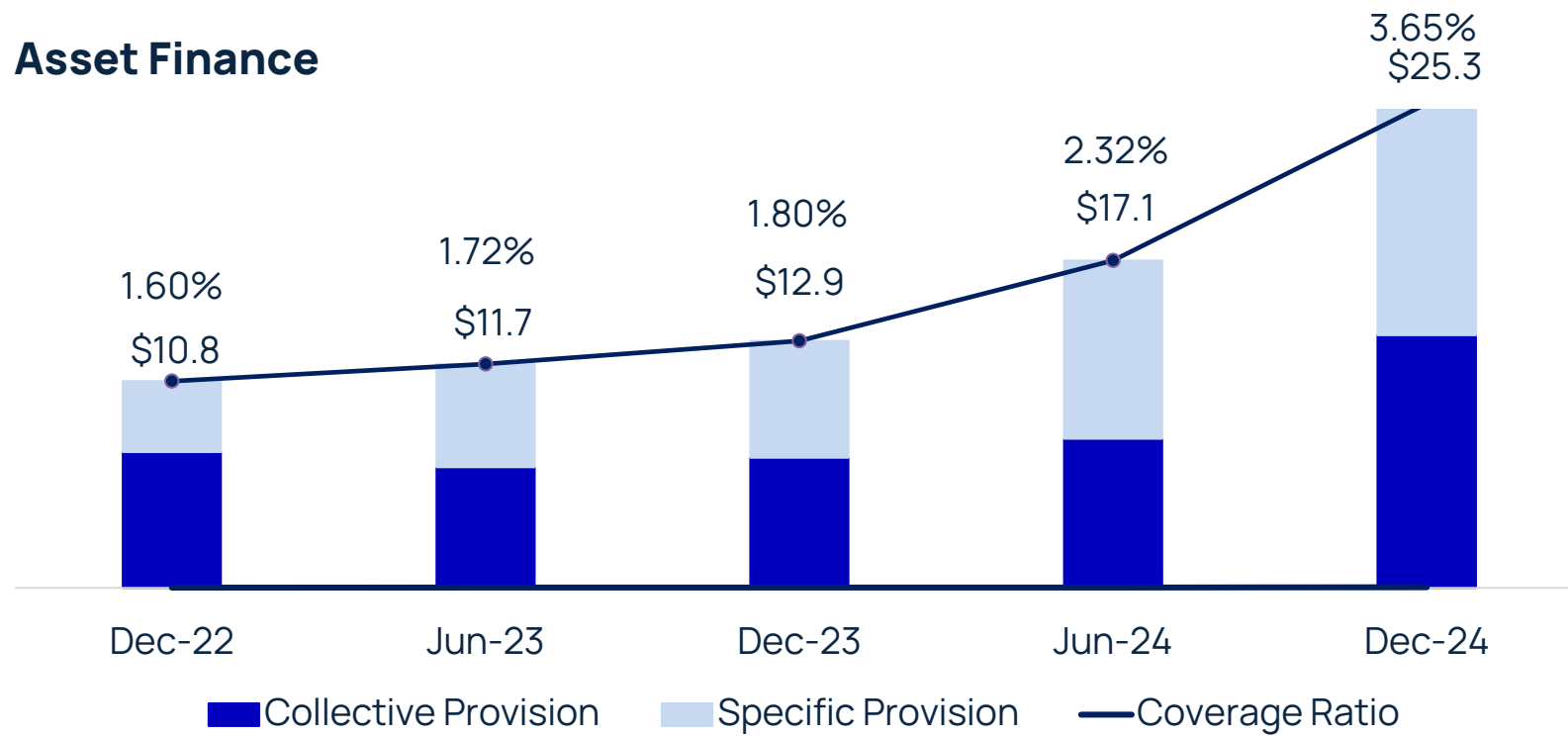
## Motor Finance



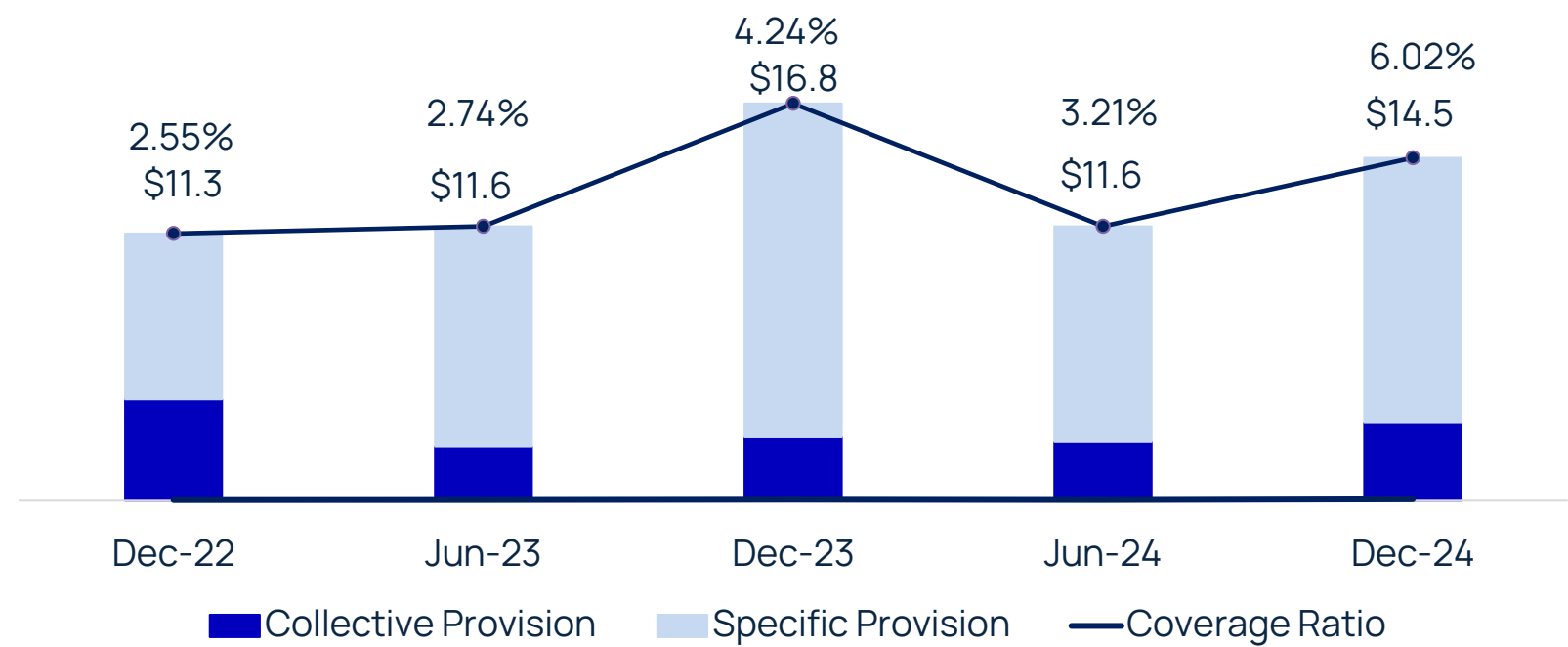
## Open 4 Business



## Asset Finance



## Business Relationship



# COLLECTIONS ENHANCEMENTS

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## Heartland Bank has enhanced its collections, recoveries and write-off strategies

### Motor Finance and O4B loans

- Adopted a more prescriptive repossession policy, to implement recovery action sooner in the collections cycle.
- Implemented a prescriptive 180-day write-off policy.
- Formal engagement with debt collection agencies immediately post-write-off to enhance recovery.

### Older Business and Rural Relationship loans

- Changes to risk-grading, security valuations, Heartland Bank's restructuring policy, and the strategy and timing of intervention measures are underway to strengthen NPL management.

# LOOKING FORWARD

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## 2H2025 expected to remain challenging for borrowers

- While there may be some positive economic tailwinds emerging in NZ in 2H2025 from further interest rate reductions and a consequential increase in credit demand, it is expected economic conditions for NZ consumers and businesses will remain challenging.
- Heartland Bank expects trading conditions within the forestry, transport, agriculture and construction sectors to remain challenging through 2H2025.
- Heartland Bank will continue to proactively work with impacted customers.
- Heartland Bank is proactively managing Motor Finance and O4B loans currently 180-364 days past due. This is expected to result in no arrears for this cohort by 30 June 2026.
- If conditions deteriorate further than what is currently anticipated and provisioned within Heartland Bank's lending portfolios, then additional losses could result in 2H2025, of up to \$8m in write-offs (in addition to what is considered business as usual) and up to \$5m in specific provisions.

**Heartland will report on its 1H2025 financial results, and provide a NPAT guidance range for FY2025, on 27 February 2025.**

# THANK YOU

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## Investor & media relations

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## Investor information

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

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