

NZX/ASX release
30 April 2024

Heartland Bank completes acquisition of Challenger Bank

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: **HGH**) is pleased to confirm the completion of Heartland Bank Limited's (**Heartland Bank's**) acquisition of Challenger Bank Limited (**Challenger Bank**) from Challenger Limited (ASX: **CGF**).

Completing the acquisition makes Heartland Bank the first New Zealand registered bank to acquire an Australian authorised deposit-taking institution (**ADI**). The acquisition is a critical step in Heartland's strategy for achieving its long-term growth ambitions and expansion in the Australian market, where it is already well-established.

Heartland's Australian Reverse Mortgage business, Heartland Finance, is Australia's leading provider of reverse mortgages with 42% market share.¹ Since 2004, Heartland Finance has helped more than 27,500 Australians to live a more comfortable retirement by releasing equity from their homes. Heartland's Livestock Finance business, StockCo Australia, is a leading specialist provider of livestock finance. StockCo Australia has been providing livestock finance solutions to food producers across Australia since 2014, with origins in New Zealand dating back to 1995. At 31 December 2023, Heartland Finance and StockCo Australia together had approximately NZ\$2 billion of gross finance receivables.

On 2 May 2024, Heartland will transfer Heartland Australia Holdings Pty Limited and its subsidiaries (which include Heartland Finance and StockCo Australia) (together, **Heartland Australia**) to Challenger Bank.

The total consideration paid for the acquisition of Challenger Bank was AU\$115.7 million and comprised:

1. the total purchase price of AU\$46.4 million, reflecting the initial purchase price of AU\$36.7 million plus AU\$9.7 million of additional consideration due to the deposit raising programme undertaken by Challenger Bank prior to completion, and
2. an additional payment of AU\$69.3 million, reflecting the increased capital being held by Challenger Bank following its pre-completion purchase of AU\$574.3 million of reverse mortgages from Heartland Australia.

Challenger Bank's deposit raising programme, undertaken prior to completion, positions Heartland well for accelerated growth in Australia. Between 30 December 2023 and 26 April 2024, Challenger Bank achieved retail deposit growth of AU\$891.2 million at a rate that is 172 bps lower than Heartland Australia's current cost of funds.²

Introducing Heartland Bank (Australia)

From 1 May 2024, Challenger Bank will begin trading as Heartland Bank – a digital specialist bank (**Heartland Bank (Australia)**).

¹ Based on Australian Prudential Regulation Authority (**APRA**) ADI Property Exposure and Heartland Finance data as at 31 December 2023. This does not include data from non-ADI providers of reverse mortgages.

² The cost of funds benefit is calculated with reference to Heartland Australia's average cost of funds from January to March 2024.

Drawing on Heartland’s expertise in New Zealand, and its successful track-record in Australia, Heartland Bank (Australia) will focus on providing Australians with specialist banking products that are the best or only of their kind, through digital channels. Once Heartland Finance and StockCo become part of Heartland Bank (Australia), it will be Australia’s only specialist bank provider of both reverse mortgages and livestock finance.

Expansion will be enabled through access to retail deposits, providing the advantage of a lower cost of funds. As such, Heartland Bank (Australia) will continue to actively raise deposits – its 6-, 9- and 12-month Term Deposit offers are currently market leading.³

Leveraging retail deposit funding and Heartland’s New Zealand product and distribution expertise, Heartland Bank (Australia) may pursue future opportunities to expand into new product segments, such as Motor Finance and Asset Finance.⁴ Heartland has a history of success with these products in New Zealand, and considers these sectors to be underserved by larger banks in Australia.

Board and Management updates

Heartland Bank (Australia) Board

Heartland is pleased to announce the appointment of the new Heartland Bank (Australia) Board of Directors:

- **Geoff Summerhayes** has resigned from the Heartland Board and has been appointed Chair and Independent, Non-Executive Director of Heartland Bank (Australia)
- **Shane Buggle, Lyn McGrath** (who sat on the Challenger Bank Board prior to Heartland’s acquisition), **Vivienne Yu** and **Bruce Irvine** (currently Chair and Independent Non-Executive Director of Heartland Bank) have been appointed Independent, Non-Executive Directors of Heartland Bank (Australia)
- **Leanne Lazarus** (currently Chief Executive Officer of Heartland Bank) and **Jeff Greenslade** (currently Chief Executive Officer and Executive Director of Heartland, and Non-Independent, Non-Executive Director of Heartland Bank) have been appointed Non-Independent, Non-Executive Directors of Heartland Bank (Australia).

The highly experienced Heartland Bank (Australia) Board has a strong level of independence and knowledge of prudential regulatory requirements to drive growth and expansion in Australia. For more information, go to heartlandgroup.info/about-heartland/board-of-directors.

Heartland Bank (Australia) Management

Heartland is pleased to confirm the appointment of **Michelle Winzer** as Chief Executive Officer of Heartland Bank (Australia) will be effective from 22 July 2024.

Chris Flood has been appointed Acting Chief Executive Officer of Heartland Bank (Australia), effective 1 May 2024 and ceased being a senior manager of Heartland. Chris is expected to return to his role as Deputy Chief Executive Officer of Heartland later in the 2024 calendar year, allowing time for a comprehensive handover with Michelle.

Michelle and Chris will be supported by a management team with extensive experience in banking and financial services. For more information, go to heartlandgroup.info/about-heartland/management.

³ Challenger Bank’s 6-, 9- and 12-month Term Deposit rates are higher than other rates advertised for an initial deposit amount of AU\$25,000 as at 30 April 2024.

⁴ Subject to meeting minimum return on equity hurdles and APRA consultation.

Heartland Board

Heartland also confirms that **John Harvey** has been appointed to the Heartland Board as an Independent, Non-Executive Director. John remains on the Heartland Bank Board as a Non-Independent, Non-Executive Director.

Following the announcement on 8 April of her intention to resign, Heartland wishes to confirm that the resignation of Independent, Non-Executive Director, **Ellie Comerford**, will be effective from 26 June 2024. Ellie has served on Heartland Boards for more than seven years. Heartland Board Chair, Greg Tomlinson, wishes to thank Ellie on behalf of the Heartland Board for her significant contribution, dedication and commitment to Heartland throughout that period, particularly in relation to her experience and associated advice on the Australian market.

Heartland is well progressed in its recruitment of new Australian candidates for the Heartland Board and a further market update will be provided in due course.

– ENDS –

The persons who authorised this announcement:

Jeff Greenslade, Chief Executive Officer
Andrew Dixson, Chief Financial Officer

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About Heartland

Heartland Group Holdings Limited (**Heartland**) is a financial services group with operations in Australia and New Zealand. Heartland has a long history with roots stretching back to 1875, and is listed on the New Zealand and Australian stock exchanges (NZX/ASX:HGH).

Heartland's New Zealand registered bank, [Heartland Bank Limited](#) provides New Zealanders with savings and deposit products, online home loans, reverse mortgages, business loans, car loans and rural loans.

In Australia, the Heartland group includes Heartland Bank⁵ (previously known as Challenger Bank and MyLife MyFinance), a digital specialist bank. Heartland's Australian businesses also include [Heartland Finance](#), Australia's leading provider of reverse mortgages, and [StockCo](#), a specialist livestock finance provider.

Heartland's point of differentiation is its "best or only" strategy – where it focuses on providing products which are the best or only of their kind through scalable digital platforms. Heartland is committed to delivering financial solutions through speed and simplicity, particularly via digital platforms which reduce the cost of onboarding and make it easier for customers to open accounts or apply for funds when they need it.

More about Heartland: heartlandgroup.info

⁵ Challenger Bank Limited trading as Heartland Bank ABN 54 087 651 750 (Australian Financial Services Licence/Australian Credit Licence 245606).

About Challenger

Challenger Limited (**Challenger**) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited is Australia's largest provider of annuities.

More about Challenger: challenger.com.au