

NZX/ASX release
9 November 2023

Heartland 2023 Annual General Meeting

The Annual General Meeting of Heartland Group Holdings Limited (Heartland) (NZX/ASX: HGH) will be held online today at www.virtualmeeting.co.nz/hgh23 and in person at Te Pae Christchurch Convention Centre, Christchurch, New Zealand, commencing at 2pm (New Zealand time).

Shareholders joining the online meeting will require their shareholder number for verification purposes. From the online platform, shareholders will be able to view the presentation, vote and ask questions during the meeting.

For more information about joining the online meeting, view the attached Virtual Annual Meeting Online Guide.

Please find attached the following documents relating to the meeting:

1. Annual General Meeting Presentation
2. Chair's Address
3. Chief Executive Officer's Address
4. Virtual Annual Meeting Online Guide.

The webcast will be available on Heartland's website at www.heartlandgroup.info, approximately 24 hours after the conclusion of the live event.

— ENDS —

The person(s) who authorised this announcement:

Jeff Greenslade
Chief Executive Officer

Greg Tomlinson
Chair of the Board

For further information, please contact:

Nicola Foley
Group Head of Communications
+64 27 345 6809
nicola.foley@heartland.co.nz
Level 3, Heartland House, 35 Teed Street, Newmarket, Auckland, New Zealand



Annual General Meeting 2023

9 November 2023

HEARTLAND
— GROUP —

Agenda

- 01** Welcome and formalities
- 02** Chair's address
- 03** Chief Executive Officer's address
- 04** Shareholder discussion
- 05** Voting and conduct of poll
- 06** Other business

Heartland Group Board



Gregory Tomlinson
(Chair)
Non-Executive Director



Jeff Greenslade
CEO &
Executive Director



Ellen Comerford
Independent
Non-Executive Director



Kathryn Mitchell
Independent
Non-Executive Director



Geoff Summerhayes
Independent
Non-Executive Director

Heartland Bank Board



Bruce Irvine (Chair)
Independent
Non-Executive Director



Jeff Greenslade
Non-Independent
Non-Executive Director



John Harvey
Independent
Non-Executive Director



Kathryn Mitchell
Non-Independent
Non-Executive Director



Shelley Ruha
Independent
Non-Executive Director



Simon Tyler
Independent
Non-Executive Director



Jeff Greenslade
Group CEO



Chris Flood
Deputy Group CEO



Leanne Lazarus
Heartland Bank CEO



Andrew Dixon
Group Chief Financial
Officer



Michael Drumm
Heartland Bank Chief
Compliance &
Sustainability Officer



Phoebe Gibbons
Group General Counsel



Aleisha Langdale
Group Chief
Performance Officer



Doug Snell
StockCo Australia
CEO



Lana West
Group Chief People
& Culture Officer



Andy Wood
Heartland Bank
Chief Risk Officer

- **Proxies and postal votes received**
- **Meeting procedures**
- **Voting procedures and declaration of poll**
- **Notice of meeting**
- **Minutes of last Annual Meeting**

HEARTLAND
GROUP

HELP NUMBER
0800 200 220

Ask a Question

Get a Voting Card

Exit Meeting ↗

Voting Card

+

Get a Voting Card

Question box

?

Ask a Question

Downloads

Notice of Meeting

Annual Report

Virtual Meeting Online Guide

Virtual Meeting

POWERED BY LINK MARKET SERVICES

FOR PRIVACY INFORMATION SEE [PRIVACY POLICY](#)

- **Proxies and postal votes received**
- **Meeting procedures**
- **Voting procedures and declaration of poll**
- **Notice of meeting**
- **Minutes of last Annual Meeting**

02

Chair's address



Greg Tomlinson
Chair of the Board

NET PROFIT
AFTER TAX

FY23	95.9m
underlying net profit after tax \$110.2m	
FY22	95.1m
underlying net profit after tax \$96.1m	

RETURN
ON EQUITY

FY23	10.4%
underlying return on equity 11.9%	
FY22	12.1%
underlying return on equity 12.6%	

GROSS FINANCE
RECEIVABLES¹
GROWTH²

FY23	10.1%
FY22	15.3%

NET INTEREST
MARGIN

Consistently
higher than
banking peers³

FY23	3.97%
underlying net interest margin 4.00%	
FY22	4.05%
underlying net interest margin 4.16%	

1 Receivables also includes Reverse Mortgages.
2 Excluding the impact of changes in FX rates.
3 KPMG FIPS Report June 2023.



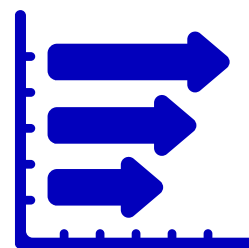
Australian Reverse Mortgages **increased market share to 39.9%.¹**



Signed a share purchase agreement for the acquisition of Challenger Bank in Australia in October 2022.²



Awarded **Canstar NZ's Outstanding Value Home Lender and Savings Bank of the Year.**



65% increase in Heartland Mobile App users.

¹Based on Australian Prudential Regulation Authority (APRA) authorised deposit-taking institution (ADI) Property Exposure and Heartland Finance data as at 30 June 2023.
²Conditional only on regulatory approval by APRA and the Reserve Bank of New Zealand (RBNZ).

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.



Environment risk screening tool used to understand the sustainability of larger business and rural borrowers.



Increased lending to **new generation vehicles**.

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.



FY23 was Heartland's second year of **reporting pay gap information for gender, Māori and Pasifika.**



Invested in young Māori and Pasifika through the Manawa Ako internship. **More than 110 interns welcomed since 2017.**



More than \$710,000 granted through the Heartland Trust. ¹ **\$4.3 million in total grants since 2012.**

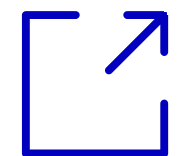
¹The Heartland Trust is Heartland's registered charitable trust which is independent from, but closely supported by Heartland.

Financial wellbeing

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



Continued to offer Heartland Extend to consumer customers.



More than 48,000 people in NZ and AU have been supported to live a more comfortable retirement with a reverse mortgage.



Extended digital access to its Australian Reverse Mortgage customers through the release of its **Heartland Finance Mobile App which had a 10% uptake** in the first month.

11.5
cents per share

Final dividend of 6.0 cents per share (**cps**), bringing the **total dividend** for FY23 to 11.5 cps.

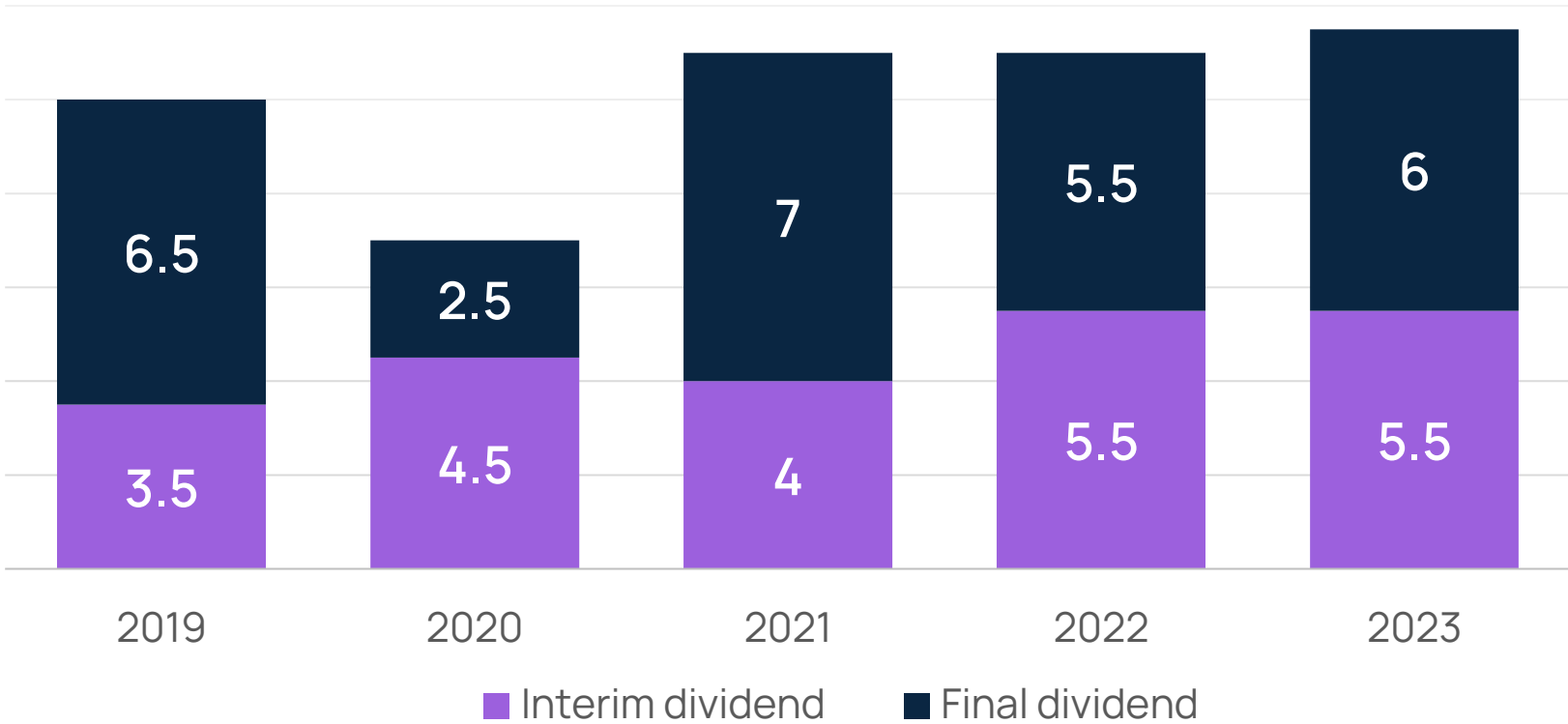
85%

The **full year payout ratio** of 85% compares to the average over the last three years of 76%.

\$514m

Heartland has paid more than \$514 million in **dividends to shareholders** since 2011 NZX listing.

Dividends (cps)



- The Board is confident in Heartland's ability to generate strong growth and profitability as it continues to deliver against its strategy to provide best or only products through scalable digital platforms.
- Complete the acquisition of Challenger Bank.
- Continue commitment to digitalisation and frictionless service for customers.

FY2024 NPAT

- Heartland expects NPAT for FY2024 to be within the guidance range of

\$116m to \$122m

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 and integration of Challenger Bank, which remains subject to RBNZ and APRA approval.

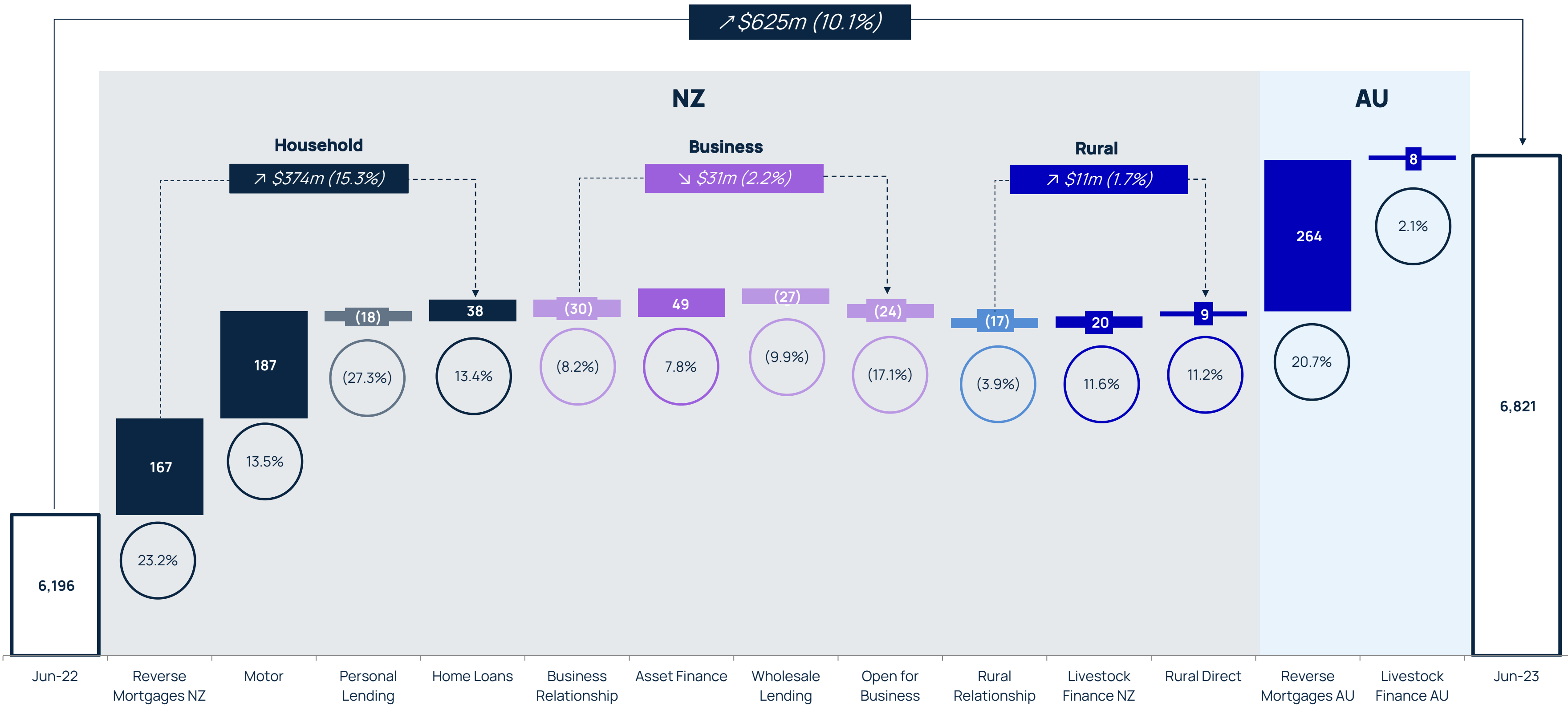
- As the acquisition nears completion, guidance will be updated to reflect the impact of Challenger Bank becoming part of Heartland.

03

Chief Executive Officer's Address



Jeff Greenslade
Chief Executive Officer



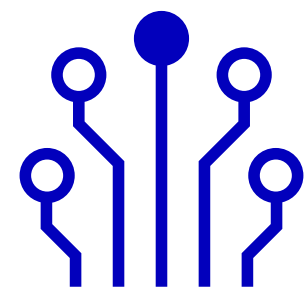
Note: The graph shows FY2023 growth in receivables by portfolio excluding the impact of changes in FX rates and intercompany balances. All figures in NZ\$m.



Ambition to achieve an **underlying CTI ratio of less than 35% by 2028.**



FY23 underlying CTI ratio of 42% is more comparable to average CTI ratio of major Australian banks.¹



Key digitalisation initiatives:

- reducing customer inbound call through self-service
- increased flexibility to self-manage vehicle loan repayments
- back-end process automation
- Motor digitalisation.



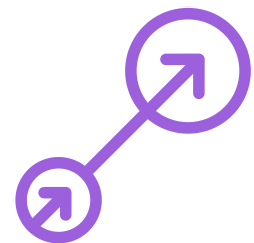
Successfully completed the **upgrade of Heartland Bank's core banking system.**

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 69.2% for the 12 months to 30 June 2023 (data from the RBNZ Financial Strength Dashboard, valid as at 27 September 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.



Becoming a bank in Australia

- Significant progress made towards the completion of the acquisition of Challenger Bank, subject to approval from APRA and the RBNZ.
- Heartland is hopeful of receiving in principle approvals prior to Christmas, or if not, early in 2024, to be followed by completion as soon as practicable.



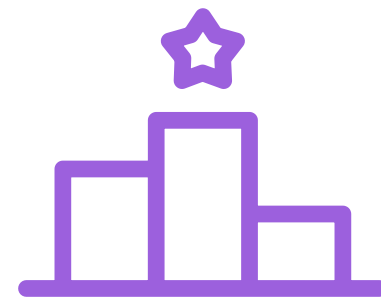
Expansion of 'best or only' product strategy

- Integration of existing AU businesses into Challenger Bank (subject to completion) would make Heartland the only AU bank provider of specialist reverse mortgages and livestock finance.
- Opportunity to expand current offerings into Motor Finance and Asset Finance, leveraging existing NZ expertise and networks.
- AU motor finance market estimated to be \$35 billion.¹

¹ Based on annual lending which includes consumer and commercial lending segments (see ABS 5601.0 Table 7 LTM to June 2020, and ABS 5671.0 Table 9 LTM to November 2018 (ABS discontinued ABS 5671.0 in November 2018)).



High interest rates
impacting on borrower
demand and credit
quality.



Greater
competition for
deposits due to
major banks
refinancing the
COVID Funding for
Lending Programme.



Pipelines in **Motor**
Finance are strong.
Reverse Mortgage
and **Asset Finance**
growth has continued.



Commitment to
good **customer**
outcomes,
proactive portfolio
pricing and **margin**
management.

04

Shareholder discussion



05 Voting



06

Other business



Thank you

Investor & media relations

Nicola Foley
Group Head of Communications
+64 27 345 6809
nicola.foley@heartland.co.nz

Investor information

For more information
heartlandgroup.info/investor-information

HEARTLAND
— GROUP —

Heartland Annual Meeting 2023: Chair's Address

1. Introduction

I acknowledged earlier that this is the first Annual General Meeting since the very sad passing of Geoff Ricketts in March this year. As a founding Director, Geoff played an instrumental role in bringing Heartland Group Holdings Limited (**Heartland** or the **Group**) together and establishing the successful trans-Tasman financial services organisation that it is today. Geoff will be remembered as an esteemed leader who was generous with his time and wisdom. Geoff leaves an incredible legacy.

The Board of Directors (the **Board**) and I are proud of the way in which Heartland and its customers demonstrated resilience through the financial year ended 30 June 2023 (**FY2023**). I am pleased to be standing here today confirming Heartland's performance for FY2023, which I believe Geoff would have been proud of.

2. The year in review

On behalf of the Board, I can report that in FY2023, Heartland achieved a net profit after tax (**NPAT**) of \$95.9 million, an increase of \$0.7 million on the financial year ended 30 June 2022 (**FY2022**). On an underlying¹ basis, this result was \$110.2 million, an increase of \$14.1 million over the prior year.

Heartland's underlying results exclude the impacts of one-off and technical non-cash items such as fair value changes on equity investments and the de-designation of derivatives. Underlying results are intended to allow for easier comparability between periods as these items are not considered part of business as usual activity and therefore are not representative of Heartland's core earnings.

This is another strong result for Heartland, driven by growth in gross finance receivables (**Receivables**)² of 10.1% to \$6.8 billion³ across Heartland's core lending portfolios.

Underlying return on equity (**ROE**) was 11.9%, down 68 basis points compared with FY2022.⁴ This reflects a strengthened capital position following Heartland's equity raise in the first half of the financial year, positioning the business well for future growth opportunities.

¹ Financial results are presented on a reported and underlying basis. Reported results are prepared in accordance with NZ GAAP and include the impacts of positive and negative one-offs, which can make it difficult to compare performance. Underlying results (which are non-GAAP financial information) exclude any impacts of one-offs. This is intended to allow for easier comparability between periods, and is used internally by management for this purpose. A detailed reconciliation between reported and underlying financial information, including details about FY2023 one-offs, is set out in Heartland's FY2023 full year results investor presentation available at heartlandgroup.info. General information about the use of non-GAAP financial measures is also available in that presentation.

² Receivables includes Reverse Mortgages.

³ Excludes the impact of changes in foreign currency exchange rates.

⁴ Underlying ROE refers to ROE calculated using underlying results. When calculated using reported results, ROE was 10.4%, down 169 bps. See page 4 of Heartland's FY2023 Investor Presentation available at www.heartlandgroup.info for more information about the use of ROE, a supplementary, non-GAAP measure.

Heartland's net interest margin (**NIM**) has consistently remained higher than its banking peers.⁵ This trend continued in FY2023 with an underlying NIM of 4.00%. Through proactive portfolio pricing and margin management, Heartland's NIM stabilised in the second half of FY2023. Focus will remain on careful management of asset quality, margin and growth as the high interest rate environment continues to impact on borrower demand and credit quality.

Heartland continued to solidify its position in the Australian market. StockCo Australia completed its first full year as part of the Group and performed well in a challenging environment. Meanwhile, Heartland's Australian Reverse Mortgages business continued to increase its market share to 39.9%, up from 34.7% as at 30 June 2022.⁶

In October last year, Heartland signed a share purchase agreement for the acquisition of Challenger Bank Limited (**Challenger Bank**), conditional only on receipt of the necessary regulatory approvals. As we continue to actively work through the regulatory approval process, we eagerly anticipate the growth opportunities that will be possible upon completion. Jeff Greenslade will discuss in more detail the Australian growth strategy, including the proposed Challenger Bank acquisition.

As demonstrated in Receivables growth, Heartland Bank Limited (**Heartland Bank**) continued to perform well. This was supported by the recognition Heartland Bank received for its savings products and online home loans. Heartland Bank was awarded Canstar New Zealand's Savings Bank of the Year Award for the sixth year in a row, while its Online Home Loans received the Outstanding Value Home Lender award.

Digitalisation of Heartland's products and platforms continued. Achievements included a 65% increase in the number of Heartland Mobile App users in New Zealand. As part of its commitment to digitalisation and the efficiency of its operations, Heartland's ambition is to reduce its underlying cost to income ratio to less than 35% by the financial year ending 30 June 2028 (**FY2028**). Jeff will address this shortly.

Progress has also been made against Heartland's sustainability framework. In this regard, I am pleased to announce that at the beginning of October, Michael Drumm, previously Group Chief Operating Officer was appointed to the new role of Chief Compliance & Sustainability Officer at Heartland Bank. Michael has responsibility for creating a dedicated regulatory affairs and compliance function within Heartland Bank, and progressing the various initiatives within Heartland's sustainability framework.

3. Sustainability

Heartland's three-pillar sustainability framework is focused on sustainable practices which minimise Heartland's environmental impact, positively contribute to its communities, and enhance the lives of its people and customers.

Environment

Under the *Environment* pillar, Heartland has made a commitment to support the just transition to a net-zero economy. Heartland's unaudited operational Greenhouse Gas (**GHG**) emissions for FY2023 saw a 17% reduction on the base year for the financial year ended 30 June 2019. Heartland intends

⁵ KPMG FIPS Report June 2023.

⁶ Based on APRA ADI Property Exposure and Heartland Finance data as at 30 June 2022 and 30 June 2023.

to set a long-term GHG emission reduction target plan in FY2024, including Scope 3 financed emissions.

Heartland developed an environmental risk screening tool to understand the sustainability of its larger business and rural borrowers by reference to environmental, climate, reputational and regulatory factors. This tool is now being used in the credit decisioning process.

Furthermore, Heartland is phasing out lending on diesel passenger vehicles and more than doubled the proportion of new generation vehicles funded through its Motor Finance portfolio in FY2023.

People

The *People* pillar is focused on supporting Heartland's people to grow, thrive, and be empowered to achieve Heartland's goals together. It also describes Heartland's commitment to caring for customers and the communities in which it operates.

FY2023 was Heartland's second year of reporting pay gap information for gender, Māori and Pasifika. Heartland remains committed to ensuring it monitors recruitment, pay levels and remuneration to ensure it is fair and unbiased. There is more to be done to close Heartland's pay gaps, and we will continue to report on these metrics annually.

Heartland invests in attracting and developing talent, with a particular focus on the younger demographic. This is important given that 49% of Heartland's employees are under 35 years old. Heartland's Manawa Ako internship programme for Māori and Pasifika youth is a key initiative in this space. The programme has welcomed more than 110 interns since inception in 2017, with many having continued in employment with Heartland after the conclusion of the internship.

In line with concerted efforts by its people to focus on diversity, equity and inclusion, Heartland's Accessibility employee group was formed to champion accessibility within Heartland, with the goal of achieving the NZ Accessibility Tick.

As many of our shareholders will be familiar, Heartland has a long history in New Zealand dating back to 1875. So, we are delighted to be able to support the communities we operate in through the Heartland Trust. The Heartland Trust is an independent registered charitable trust which is closely supported by Heartland. Since becoming the Heartland Trust in the financial year ended 30 June 2012, the Heartland Trust has donated more than \$4.3 million to New Zealand community groups and organisations – a figure we are very proud of.

During FY2023 alone, the Heartland Trust made grants totalling more than \$710,000 in the areas of education, arts and culture, and mental health. The Heartland Trust continued its funding and support of the InZone Education Foundation, Auckland City Mission, WORD Christchurch Festival, and a number of high school and club 1st XV rugby teams across the country. Donations in FY2023 included \$45,000 towards disaster relief efforts following the effects of the Auckland flooding and Cyclone Gabrielle in the Hawke's Bay.

Financial Wellbeing

Activities under the *Financial wellbeing* pillar intend to support the financial wellbeing of Heartland's customers and communities. This was delivered through Heartland's products and ongoing digitalisation efforts.

The current economic environment and cost of living has left more New Zealanders experiencing financial difficulties. Heartland is committed to supporting its customers during this difficult time and

continues to offer the Heartland Extend product which enables customers in arrears to make their existing loan repayments more manageable.

Furthermore, we are pleased to share that more than 48,000 New Zealanders and Australians have been able to live a more comfortable retirement with a Heartland Reverse Mortgage.

Heartland has extended digital access to its Australian Reverse Mortgage customers through the release of its Heartland Finance Mobile App, allowing these customers to manage their loan from their mobile devices. Heartland intends to provide app access to its New Zealand Reverse Mortgage customers in FY2024.

4. Shareholder return

For our shareholders, we were pleased to be able to pay a final dividend of 6.0 cents per share, bringing the total dividend for FY2023 to 11.5 cents per share. The full year payout ratio of 85% compares to the average over the last three years of 76%.

This continues our track record of delivering for shareholders. Since first listing on the NZX in 2011, Heartland has paid more than \$514 million in dividends to its shareholders.

5. Outlook

The year ahead will be significant for Heartland as it seeks to complete the acquisition of Challenger Bank and continues its commitment to digitalisation and frictionless service for customers.

The Board is confident in Heartland's ability to generate strong growth and profitability as it continues to deliver against its strategy to provide 'best or only' products through scalable digital platforms.

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, the impact of the de-designation of derivatives, and any costs related to the acquisition and integration of Challenger Bank. As the acquisition nears completion, guidance will be updated to reflect the impact of Challenger Bank becoming part of Heartland.

6. Conclusion

I wish to conclude my address this afternoon by expressing my thanks and gratitude to my fellow directors for their wise counsel and support.

Thank you to Jeff Greenslade and the Executive team who continue to provide strong leadership for Heartland.

On behalf of the Board and Executive team, I wish to thank Heartland's employees for their hard work and resilience which enabled an exceptional result this year.

Last but not least, I would like to thank you, our shareholders and customers, for supporting Heartland. We appreciate the confidence you place in us, and we look forward to continuing the delivery of strong shareholder returns.

Thank you.

I will now ask Jeff Greenslade to address you.

Heartland Annual Meeting 2023: Chief Executive Officer's Address

1. Introduction

E ngā mana, e ngā reo, e ngā rau rangatira, tēnā koutou katoa.

Greetings to all of you, all voices, all authorities and leaders.

E ngā iwi maha o te motu whānui, kei te mihi, kei te mihi.

To the many iwi across the country, I acknowledge you as tangata whenua.

Ki a koutou katoa kua hui mai nei i tēnei rā, tēnā tātou katoa.

To everyone joining us today, thank you.

This calendar year began with sadness for Heartland Group Holdings Limited (**Heartland** or the **Group**) as we mourned the loss of Geoff Ricketts. Geoff was instrumental in bringing Heartland together – he had enormous vision and drive and was a wonderful mentor.

As the Chair noted, the financial year ended 30 June 2023 (**FY2023**) was another year of growth, achieving 10.1%¹ growth in gross finance receivables (**Receivables**)² and with it, both underlying³ and reported net profit after tax (**NPAT**) grew.

This result was achieved in a tightening environment of high inflation and interest rates, and reflects the strong market positions that the Group has in New Zealand and Australia, particularly in Motor Finance, Asset Finance and Reverse Mortgages.

These core lending portfolios have shown resilience and have consistently performed well. In the case of Reverse Mortgages, over the last five years, the compound annual growth rates for the New Zealand and Australian portfolios have been 16.4% and 22.8% respectively.⁴ Each country experienced growth of more than 20%⁵ in FY2023, which is expected to continue through demographic driven demand as more people seek to remain in their home as they age.

¹ Excludes the impact of changes in foreign currency exchange (**FX**) rates.

² Receivables includes Reverse Mortgages.

³ Financial results are presented on a reported and underlying basis. Reported results are prepared in accordance with NZ GAAP and include the impacts of positive and negative one-offs, which can make it difficult to compare performance. Underlying results (which are non-GAAP financial information) exclude any impacts of one-offs. This is intended to allow for easier comparability between periods, and is used internally by management for this purpose. A detailed reconciliation between reported and underlying financial information, including details about FY2023 one-offs, is set out in Heartland's FY2023 full year results investor presentation available at heartlandgroup.info. General information about the use of non-GAAP financial measures is also available in that presentation.

⁴ Compound annual growth rates for the five-year period from 1 July 2018 to 30 June 2023.

⁵ Excluding the impact of changes in FX rates.

In Motor Finance, while New Zealand's vehicle market experienced a 6.2% decrease in total new and used car sales in FY2023⁶, Heartland Bank Limited's (**Heartland Bank**) Motor Finance new business volumes increased by 11.6% from the financial year ended 30 June 2022 (**FY2022**). Growth is expected to continue in the financial year ending 30 June 2024 (**FY2024**) as dealer and white label partnerships are strengthened and new partnerships are onboarded.

Asset Finance, which includes financing of trucks, freight transport and yellow goods, experienced 7.8% growth. The Online Home Loans portfolio performed well in FY2023, achieving 14.1% growth despite a highly competitive market. This product is an example of the success of Heartland's digital strategy where, with an online-only finance platform, we can be competitive against the major banks.

Despite growth across these portfolios, the net interest margin (**NIM**) contracted due to the mix of new business favouring better credit profiles. Disproportionally higher growth rates in lower margin Reverse Mortgages also had an impact on margin.

Alongside these operational achievements, FY2023 was one of significant strategic activity in two areas in particular:

- in increasing efficiency through technology and Heartland Bank's core systems upgrade; and
- the development of our strategy for Australia.

2. Technology: Frictionless Service at the Lowest Cost is at the heart of our strategy

Heartland's commitment to digitalisation is aimed at quick, hassle-free service. This in turn is dependent upon efficiency. We measure efficiency through the cost to income (**CTI**) ratio which is a key performance measure for management.

Our ambition is to achieve an underlying CTI ratio of less than 35% by the financial year ending 30 June 2028. This sets us apart.

In FY2023, Heartland's underlying CTI ratio was 42.0%⁷, which means we spent \$0.42 to generate \$1 of earnings. That ratio is similar to that of the average CTI ratio of the major Australian banks. Smaller New Zealand banks of our size have CTI ratios ranging from 60-80%.⁸ This means that we operate under the same operating leverage as banks that are more than 100 times our size. We have done this through technology; using online or app-based channels to replicate scale, starting through being an early adopter of digitalisation at the front end and reducing our physical distribution networks.

⁶ Based on data from the Motor Industry Association of New Zealand on new and used vehicle sales from motor vehicle dealers.

⁷ Underlying CTI ratio refers to the CTI ratio calculated using underlying results. When calculated using reported results, the CTI ratio was 44.9%, up 126 bps compared with FY2022. See page 4 of Heartland's FY2023 Investor Presentation available at www.heartlandgroup.info for more information about the use of ROE, a supplementary, non-GAAP measure.

⁸ The average CTI ratio of New Zealand's main domestic non-major banks excluding Heartland (The Co-operative Bank, Kiwibank, SBS and TSB) was 69.2% for the 12 months to 30 June 2023 (data from the RBNZ Financial Strength Dashboard, valid as at 27 September 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.

This is an ongoing challenge and requires the application beyond the front end and automating all parts of the service platform.

Our aim is not to achieve parity with the major banks in terms of CTI ratio, but to create a distance between us.

Key to achieving a lower underlying CTI ratio will be further increasing customer self-service functionality, and improving efficiency through streamlining and digitalising our internal ways of working. Critical to success is providing speedy and intuitive customer access.

Several digitalisation initiatives are underway, including:

- reducing customer inbound calls by digitalising the most common reasons for customers to call, and thereby enabling increased self-service through Heartland's Mobile App
- offering Motor Finance customers increased flexibility to self-manage loan repayments via the Heartland Mobile App with our One-Click Deferral initiative
- increasing efficiency by automating manual back-end processes
- the continued rollout of digital capabilities for Motor Finance white label brands and dealer partners.

The upgrade of Heartland Bank's core banking system is an important enabler of this activity. This upgrade is expected to position Heartland for increased scalability in the future and provide a platform from which to deliver increased levels of automation and digitalisation.

The upgrade of the core banking system continued through FY2023, and I am pleased to confirm the upgrade has now been successfully completed. This project involved considerable effort over three years, during which COVID-19 lockdowns and the availability of people dogged resourcing and stretched capacity.

I wish to note and thank Heartland Bank CEO Leanne Lazarus for her leadership and tireless efforts in bringing this important project to a successful conclusion.

3. Expansion in Australia

Alongside this, a major focus has been on fulfilling the objective of becoming a bank in Australia - the acquisition of Challenger Bank Limited (**Challenger Bank**) being the key stepping-stone.

Chris Flood, Heartland Deputy CEO, has been engaged heavily in preparations for the Challenger Bank acquisition, paving the way for the transfer of our existing Australian businesses into an operationally integrated Heartland Bank Australia once regulatory approvals are obtained, and completion has occurred.

The regulatory process has proven to be complex. What we are doing, a New Zealand bank buying an Australian bank and integrating existing businesses, is a novel process on both sides of the Tasman. There have been a range of technical issues to resolve across two jurisdictions.

The applications are with the relevant regulators in New Zealand and Australia.

These applications are made on the basis of Heartland Bank becoming the owner of Challenger Bank, under which Heartland's existing Australian businesses will be held.

We are now subject to regulatory timetables, but we are hopeful of receiving in principle approvals prior to Christmas or if not, early in 2024, to be followed by completion as soon as practicable.

The opportunity for Heartland in Australia is significant. It will make Heartland the only bank provider of specialist Reverse Mortgages and Livestock Finance in Australia. There is also the opportunity to expand current offerings into Motor Finance and Asset Finance. Motor Finance in particular has the potential for high growth with a differentiated position of being the only specialist bank in the sector, utilising distribution through existing relationships with manufacturers. We estimate the size of the Australian motor finance market to be \$35 billion.⁹

As signalled when the FY2023 results were announced, the guidance range for FY2024 did not include the impact of Challenger Bank becoming part of Heartland. Guidance will be updated to address this as we near completion, and we are hopeful of being able to make some announcements soon.

4. Outlook

We expect FY2024 to be a more challenging year due to high interest rates impacting borrower demand and credit quality. We are also seeing greater competition for deposits due to major banks refinancing the COVID-19 funding for lending programme. Initiatives to address this are underway, including Heartland Bank's new Digital Saver on-call deposit product, targeting lower cost and less competitive parts of the yield curve.

The first quarter is typically slower, and this was exacerbated by election uncertainty, which impacted Motor Finance in particular, but there are signs of a bounce back post-election and pipelines are strong. Meanwhile, Reverse Mortgages and Asset Finance growth has continued. A strong commitment to ensuring good customer outcomes, alongside proactive portfolio pricing and margin management will remain a focus, especially in this challenging environment.

5. Conclusion

Finally, I would like to thank the people of Heartland for their exceptional efforts, in what I'm sure you will all agree has been another extraordinary year.

He manawa whenua, he manawa tangata, Ko Heartland tēnei.

This is our Heartland.

Thank you also to our shareholders.

Tēnā koutou katoa.

Thank you all.

⁹ Annual lending includes consumer and commercial lending segments (see ABS 5601.0 Table 7 LTM to June 2020, and ABS 5671.0 Table 9 LTM to November 2018 (ABS discontinued ABS 5671.0 in November 2018)).



Virtual Annual General Meeting Online Guide

Virtual Annual General Meeting Online Guide

Before you begin

Ensure your browser is compatible. You can easily check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

- Chrome – Version 44 & 45
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 “Mavericks” & OS X v10.10 “Yosemite”
- Internet Explorer 9 and up (please note Internet Explorer 8 is not supported)

The virtual meeting is viewable from desktops and laptops. To attend and vote at the virtual annual general meeting you must have:

- NZX registered holders: Shareholder number and authorisation code (FIN)
- ASX registered holders: Shareholder number and postcode

If you are an appointed proxy you will need your proxy number which will be provided by Link Market Services prior to the meeting. **Please make sure you have this information before proceeding.**



Step 2

Login to the portal using your full name, email address, and company name (if applicable).

Please read and accept the terms and conditions before clicking on the blue **‘Register and Watch Annual General Meeting’** button. Once you have logged in you will see:

- On the left – a live video webcast of the Annual General Meeting
- On the right – the presentation slides that will be addressed during the Annual General Meeting.

Note: After you have logged in we recommend that you keep your browser open for the duration of the meeting. If you close your browser, your session will expire. If you attempt to log in again, you will be sent a recovery link via email for security purposes.

Step 1

Open your web browser and go to virtualmeeting.co.nz and select the relevant meeting.



Navigating

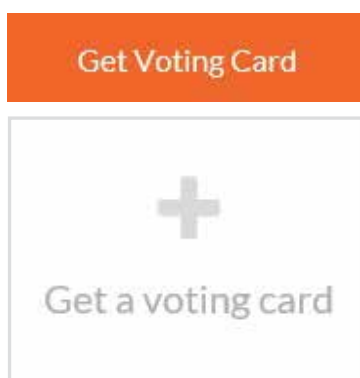
At the bottom of the webpage under the webcast and presentation there are three boxes. Refer to each section below for operating instructions.

- 1 Get a voting card
- 2 Ask a Question
- 3 Downloads



1. Get a voting card

To register to vote - click on the 'Get a voting card' box at the top of the webpage or below the videos.



This will bring up a box which looks like this.

If you are an individual or joint Shareholder you will need to register and provide validation by entering your details in the top section:

- **NZX registered holders:** Shareholder number and authorization code (FIN)
- **ASX registered holders:** Shareholder number and postcode

If you are an appointed Proxy, please enter the Proxy Number issued to you by Link Market Services in the PROXY DETAILS section. Once you have entered your appropriate details click the blue **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by Shareholders at the Annual General Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to scroll up or down to view all resolutions.

Shareholders and proxies can either submit a Full Vote or a Partial Vote. You can move between the two tabs by clicking on **'Full Vote'** or **'Partial Vote'** at the top of the voting card.

Virtual Annual General Meeting Online Guide *continued*

ADRIAS PTY LTD X39210924

Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the the shareholder's voting instructions.

Full Vote Partial Vote

Resolution 2B ☒ For ☐ Against ☐ Abstain
RE-ELECTION OF MR ANTHONY FROGGATT AS A DIRECTOR

Resolution 2C ☒ For ☐ Against ☐ Abstain
RE-ELECTION OF MR JOHN BORGHETTI AS A DIRECTOR

Resolution 3 ☒ For ☐ Against ☐ Abstain
INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT

Resolution 4 ☒ For ☐ Against ☐ Abstain
PARTICIPATION BY EXECUTIVE DIRECTOR IN THE 2016-2018 LONG TERM INCENTIVE PLAN

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes you would like to vote (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes in a certain box it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click the blue **'Cast Vote'** or **'Cast Partial Vote'** button.

Note: You are able to close your voting card during the meeting without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

If at any point you have submitted your voting card and wish to make a change while voting is still open you can do so by clicking the **'Edit Card'** button and making the required change. Once you have completed your card select the blue **'Cast Vote'** or **'Cast Partial Vote'** button.

The voting card remains editable until the voting is closed at the conclusion of the Annual General Meeting. Once voting has been closed all voting cards, submitted and un-submitted, will automatically be submitted and cannot be changed.

At the conclusion of the Annual General Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time available to shareholders. Please make any changes required to your voting cards at this point and submit your voting cards.

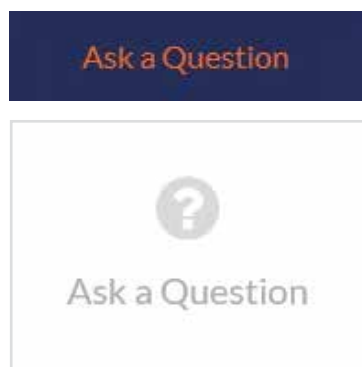
If an additional resolution is proposed during the meeting, there will be a short delay while the resolution is added to the voting card. Once the resolution has been added you will be notified by the Chairman during the meeting. In order to vote on the extra resolution you will need to reopen your voting card to cast your vote by clicking the **'Edit Card'** button.

Note: Registration for the Annual General Meeting and voting opens one hour before the meeting begins.

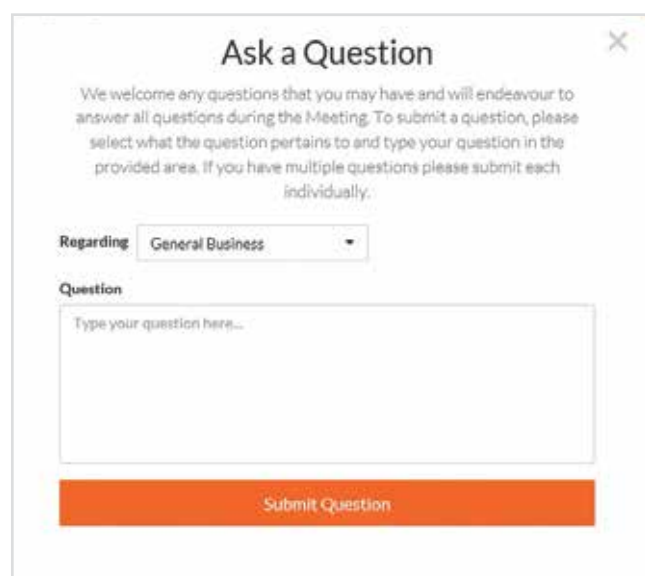
2. How to ask a question

Note: Only shareholders are eligible to ask questions.

You will only be able to ask a question after you have registered to vote. If you would like to ask a question, click on the 'Ask a Question' box either at the top or bottom of the webpage.



The 'Ask a Question' box will then pop up with two sections for completion.



In the 'Regarding' section click on the drop down arrow and select one of the following categories:

- General Business
- Resolution 1
- Resolution 2
- Resolution 3
- Resolution 4
- Resolution 5
- Resolution 6

After you have selected your question category, click in the 'Question' section and type your question.

When you are ready to submit your question - click the blue 'Submit Question' button. This will send the question to the Management/Board.

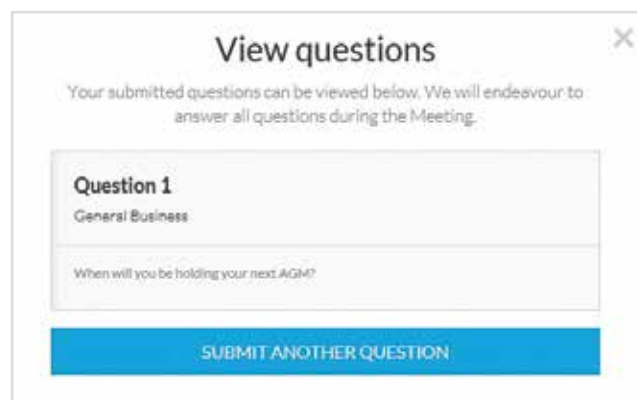
Note that not all questions are guaranteed to be answered during the Annual General Meeting, but we will do our best to address your concerns.

Once you have asked a question a 'View Questions' box will appear.

At any point you can click on 'View Questions' and see all the questions you have submitted. Only you can see the questions you have asked.

Note: You can submit your questions by this method one hour before the meeting begins, if you have registered to vote. You can continue to submit questions up until the close of voting.

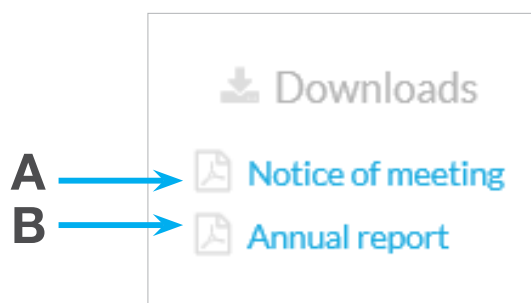
If your question has been answered and you would like to exercise your right of reply, you can do so by submitting another question.



Virtual Annual General Meeting Online Guide *continued*

3. Downloads

If you would like to see the Notice of Annual General Meeting or the Annual Report you can do so here.



- To download the Notice of Meeting – click A
- To download the Annual Report – click B

When you click on these links the file will open in another tab in your browser.

Voting closing

Voting will close 5 minutes after the close of the Annual General Meeting.

At the conclusion of the Annual General Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not yet submitted your vote at this point, you will be required to do so now.

At the close of the meeting any votes you have placed will automatically be submitted.



Contact us

Australia

T +61 2 8280 7100
E info@linkmarketservices.com.au

New Zealand

T +64 9 375 5998
E enquiries@linkmarketservices.co.nz

United Arab Emirates

T +27 72 6299034
E paular@linkmarketservices.co.za