

NZX/ASX release 30 October 2024

#### Heartland 2024 Annual General Meeting

The Annual General Meeting (**Annual Meeting**) of Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: HGH) will be held online today at <u>virtualmeeting.co.nz/hgh24</u> and in person at the Hyundai Marine Sports Centre (Akarana), Auckland, 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 Meeting Presentation
- 2. Chair's Address
- 3. Chief Executive Officer's Address
- 4. NZ Bank Chief Executive Officer's Address
- 5. AU Bank Chief Executive Officer's Address
- 6. Virtual Annual Meeting Online Guide.

The webcast will be available on Heartland's website at <a href="heartlandgroup.info">heartlandgroup.info</a> approximately 24 hours after the conclusion of the live event.

- ENDS -

#### The person(s) who authorised this announcement:

Andrew Dixson 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



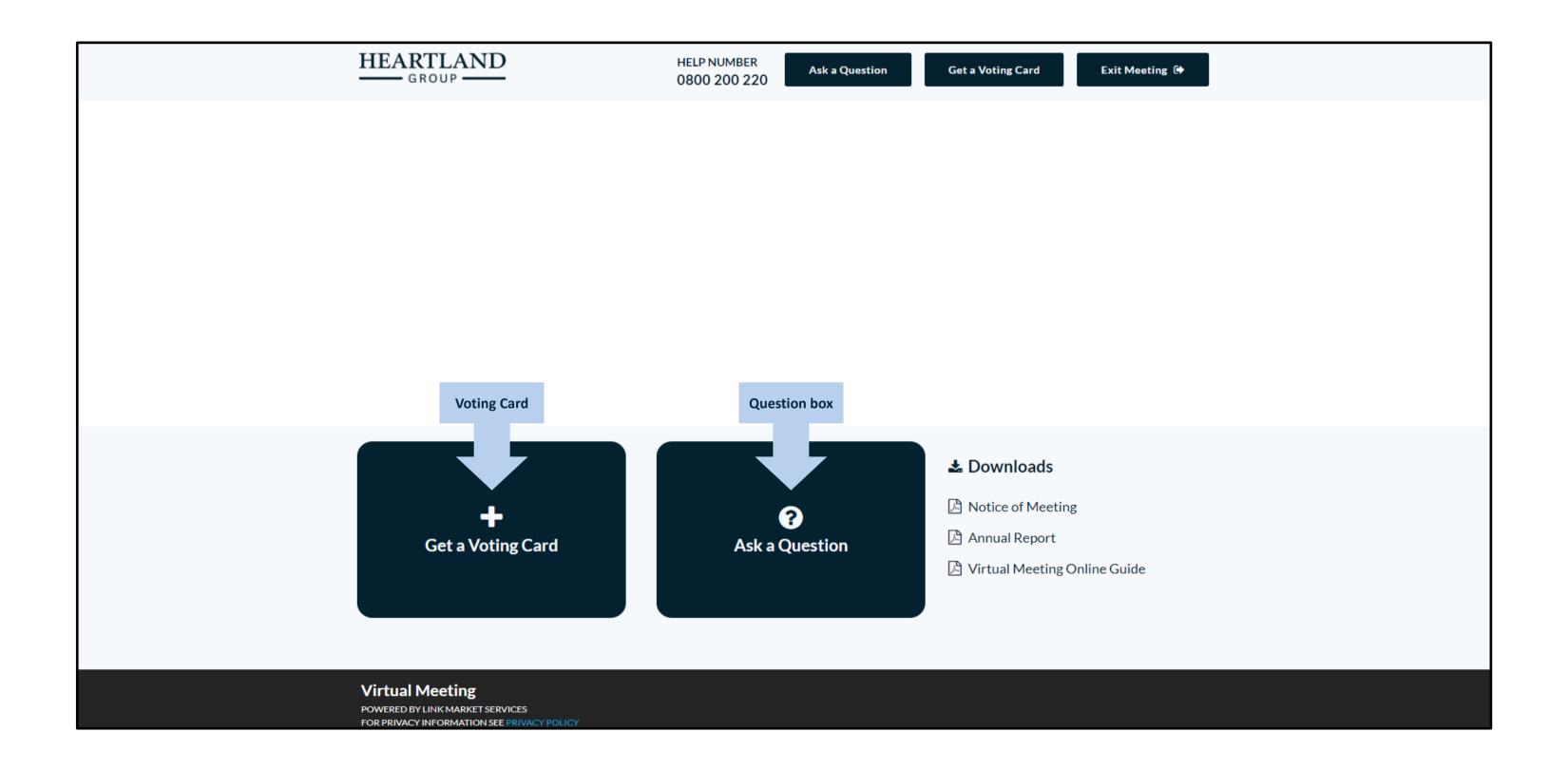
## **AGENDA**

Welcome and formalities
Chair's Address
Heartland Group CEO's Address
Heartland Bank New Zealand CEO's Address
Heartland Bank Australia CEO's Address
Shareholder discussion
Voting and conduct of poll
Other business

## **OTHER FORMALITIES**

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

## **VOTING AND ASKING QUESTIONS**





**Greg Tomlinson,** Chair, Heartland Group

# 02 | CHAIR'S ADDRESS

## THE YEAR IN REVIEW

		Reported				Underlying					
		FY2024	FY2023		Moveme	ent	FY2024	FY2023		Moveme	nt
	NII	\$277.6m	\$282.0m	<b>\</b>	(\$4.3m)	(1.5%)	\$277.8m	\$283.9m	Ψ	(\$6.1m)	(2.1%)
	OOI <sup>1</sup>	\$12.7m	\$3.3m	<b>↑</b>	\$9.4m	282.0%	\$20.2m	\$16.9m	<b>↑</b>	\$3.4m	19.9%
	NOI	\$290.4m	\$285.3m	<b>↑</b>	\$5.0m	1.8%	\$298.0m	\$300.7m	$\downarrow$	(\$2.7m)	(0.9%)
	OPEX	\$139.4m	\$128.1m	<b>↑</b>	\$11.3m	8.8%	\$124.9m	\$126.2m	<b>V</b>	(\$1.3m)	(1.0%)
	Impairment Expense	\$46.4m	\$23.2m	<b>↑</b>	\$23.2m	99.7%	\$30.4m	\$23.2m	<b>↑</b>	\$7.2m	30.9%
Financial	Tax Expense	\$30.0m	\$38.1m	<b>V</b>	(\$8.1m)	(21.3%)	\$39.9m	\$41.1m	<b>V</b>	\$1.1m	2.8%
performance	NPAT <sup>2</sup>	\$74.5m	\$95.9m	<b>↓</b>	(\$21.3m)	(22.2%)	\$102.7m	\$110.2m	Ψ	(\$7.4m)	(6.7%)
	NIM	3.39%	3.97%	<b>V</b>	(58 bps)		3.64%	4.00%	<b>V</b>	(36 k	ops)
	CTI	48.0%	44.9%	<b>↑</b>	311 bps		41.9%	42.0%	<b>V</b>	(6 b	ps)
	Impairment Expense Ratio <sup>3</sup>	0.66%	0.36%	<b>1</b>	30 bps		0.44%	0.36%	<b>1</b>	8 b	ps
	ROE	6.6%	10.4%	<b>V</b>	(385 bps)		9.8%	11.9%	<b>V</b>	(207	bps)
	EPS	9.8 cps	14.0 cps	$\downarrow$	(4.2	cps)	13.5 cps	16.0 cps	<b>V</b>	(2.5	cps)
	Liquid Assets	\$1,708m	\$627m	<b>↑</b>	\$1,082m	172.6%					
Financial	Receivables <sup>4</sup>	\$7,241m	\$6,791m	<b>↑</b>	\$432m <sup>5</sup>	6.4% <sup>5</sup>					
Financial position	Borrowings	\$7,994m	\$6,627m	<b>↑</b>	\$1,366m	20.6%					
posicion	Equity	\$1,238m	\$1,031m	<b>↑</b>	\$207m	20.1%					
	Equity/Total Assets	13.3%	13.3%	<b>1</b>	3 b	ps					

## **SHAREHOLDER RETURN**



Raised \$210m in April 2024 **to fund the acquisition**, with strong investor support.

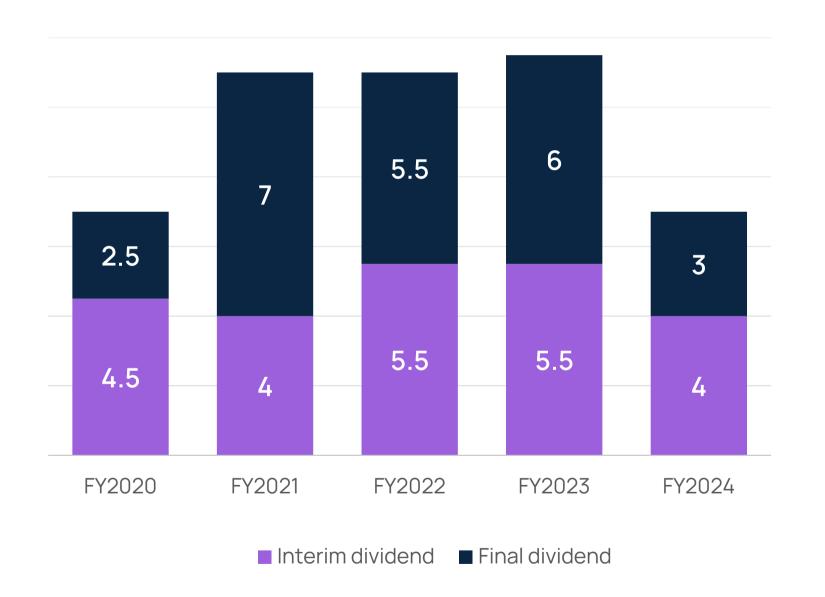
7.0 cps

Final dividend of 3.0 cps, bringing the **total dividend** for FY2024 to 7.0 cps.

55%

The **full year payout ratio**.

## Dividends (cps)



## OUTLOOK

# Transforming the business to deliver growth and enhanced shareholder return.

- Heartland's role as a parent company will be focused on improving shareholder return.
- In New Zealand, Heartland Bank's FY2025 focus is on simplification and efficiency.
- In Australia, Heartland Bank Australia has a secure position and a greater opportunity to meet the growth potential in this market.
- Heartland's long-term outlook is positive as it remains committed to its FY2028 ambitions.
- The volatility experienced in FY2024 has continued in the markets Heartland operates within and continues to create too much uncertainty to provide an accurate underlying NPAT guidance range for FY2025 at this stage.

## **BOARD OF DIRECTORS**

#### **HEARTLAND GROUP**

Greg Tomlinson	Chair & Non-Independent Non-Executive Director
Kate Mitchell	Independent Non-Executive Director
John Harvey	Independent Non-Executive Director
Simon Beckett	Independent Non-Executive Director
Rob Bell	Independent Non-Executive Director

#### **HEARTLAND BANK NEW ZEALAND**

Bruce Irvine	Chair & Independent Non-Executive Director
John Harvey	Non-Independent Non-Executive Director
Kate Mitchell	Non-Independent Non-Executive Director
Shelley Ruha	Independent Non-Executive Director
Simon Tyler	Independent Non-Executive Director
Andrew Dixson	Non-Independent Non-Executive Director

#### **HEARTLAND BANK AUSTRALIA**

Geoff Summerhayes	Chair & Independent Non-Executive Director
Shane Buggle	Independent Non-Executive Director
Lyn McGrath	Independent Non-Executive Director
Vivienne Yu	Independent Non-Executive Director
Leanne Lazarus	Non-Independent Non-Executive Director
Bruce Irvine	Non-Independent Non-Executive Director

## **MANAGEMENT**

#### **HEARTLAND GROUP**

Andrew Dixson	Chief Executive Officer Joined in 2010
Chris Flood <sup>1</sup>	<b>Deputy Chief Executive Officer</b> Joined in 1997

#### **HEARTLAND BANK NEW ZEALAND**

Leanne Lazarus	Chief Executive Officer Joined in 2022
Andy Wood	Chief Risk Officer Joined in 2022
Kerry Conway	Chief Financial Officer Joined in 2024
Michael Drumm	Chief Operating Officer Joined in 2015
Lana West	Chief People & Culture Officer Joined in 2021
Aleisha Langdale	Chief Performance Officer Joined in 2015
Phoebe Gibbons	General Counsel Joined in 2020

#### **HEARTLAND BANK AUSTRALIA**

Michelle Winzer	Chief Executive Officer Joined in 2024
David Brown	Chief Risk Officer Joined Challenger Bank in 2021
Sarah Burgemeister	<b>General Counsel</b> Joined Heartland Finance in 2023
Medina Cicak	Chief Commercial Officer Joined in 2024
Richard Collier	Chief Financial Officer Joined Challenger Bank in 2024
Vaughan Dixon	Chief Technology & Operations Officer Joined in 2024
Sharon Yardley	Chief Compliance & Sustainability Officer

Joined Heartland Finance in 2004<sup>2</sup>



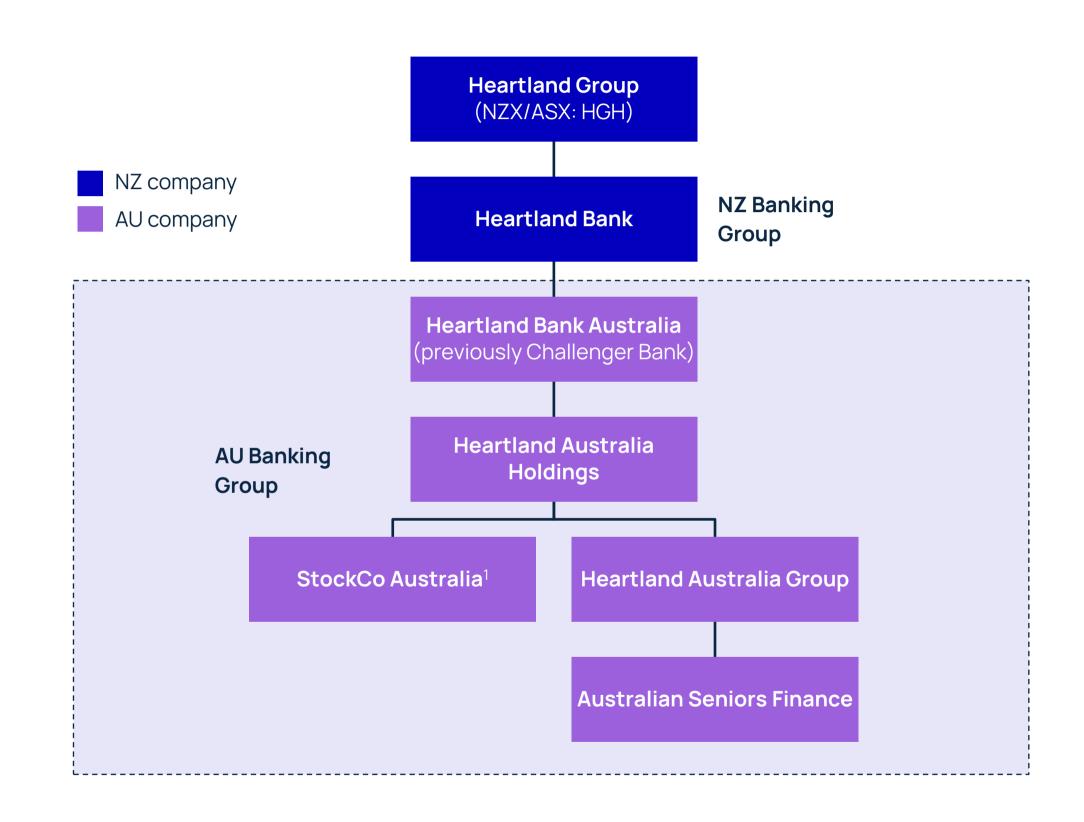
Andrew Dixson, Chief Executive Officer, Heartland Group

## 03 | HEARTLAND GROUP CEO'S ADDRESS

## HEARTLAND GROUP CORPORATE STRUCTURE

# Heartland's focus as the listed parent company:

- broader group strategy
- corporate finance
- investor relations
- capital allocation
- strategic and risk management oversight.



## **NON-STRATEGIC ASSETS**

# Non-Strategic Assets includes assets that earn little or no income or are returning less than Heartland's cost of capital.<sup>1</sup>

- Non-Strategic Assets will be managed and reported separately in FY2025 for greater transparency and focused resolution strategies.
- Heartland intends to rationalise these assets over a responsible period of time.

Non-Strategic Assets	June 2024
Equity investments	\$13.5m
Investment properties	\$3.7m
Property	\$12.6m
Receivables <sup>2</sup>	
- Business	\$74.4m
- Rural	\$113.7m
Total	\$217.8m

## **FY2028 GROWTH AMBITIONS**

FY2028 ambitions are driven by modest Receivables growth, NIM expansion, cost savings from automation, and an improvement in impairments.

Financial metric	FY2024	FY2028 ambition	Commentary
Receivables	\$7.2b	> 10% CAGR p.a.	<ul> <li>Assumes modest Receivables growth below Heartland's track record of 11.8% over the last 4 years.<sup>1</sup></li> <li>Organic growth in existing Australia and New Zealand portfolios which are aligned with Heartland's strategic ambitions.</li> <li>Increased competitiveness in Australian Reverse Mortgages and Livestock Finance through utilisation of bank cost of funds.</li> <li>Further upside from launch of Motor Finance and Asset Finance in Australia if it is ROE accretive.<sup>2</sup></li> </ul>
Underlying NIM <sup>3</sup>	3.64%	> 4%	<ul> <li>Continued shift of asset mix towards higher quality portfolios and focus on recycling capital related to Non-Strategic Assets.</li> <li>Transition of Australian funding base from 100% wholesale to a retail/wholesale funding mix to drive a reduction in the cost of funds in the Australian business through cheaper retail deposit costs relative to wholesale.</li> </ul>
Underlying CTI ratio <sup>3</sup>	41.9%	< 35%	<ul> <li>Investing in digitalisation and automation in New Zealand with a focus on Heartland Bank's Collections &amp; Recoveries area to improve internal workflows and reduce manual effort.</li> <li>Motor digitalisation through branded online origination platforms for Motor Finance dealer partners in New Zealand.</li> <li>Flow-on benefit of improved revenue margins.</li> </ul>
Underlying impairment expense ratio <sup>3</sup>	0.44%	< 0.30%	<ul> <li>Heartland's long term underlying impairment expense has been 0.37%.<sup>4</sup></li> <li>FY2028 ambition of &lt; 0.30% underlying impairment expense ratio through the cycle reflects portfolio mix transitioning towards higher quality assets (i.e. Reverse Mortgages and Livestock Finance).</li> </ul>

\$200m+ FY2028 underlying NPAT<sup>3</sup> ambition

12%-14% FY2028 underlying ROE<sup>3</sup> ambition

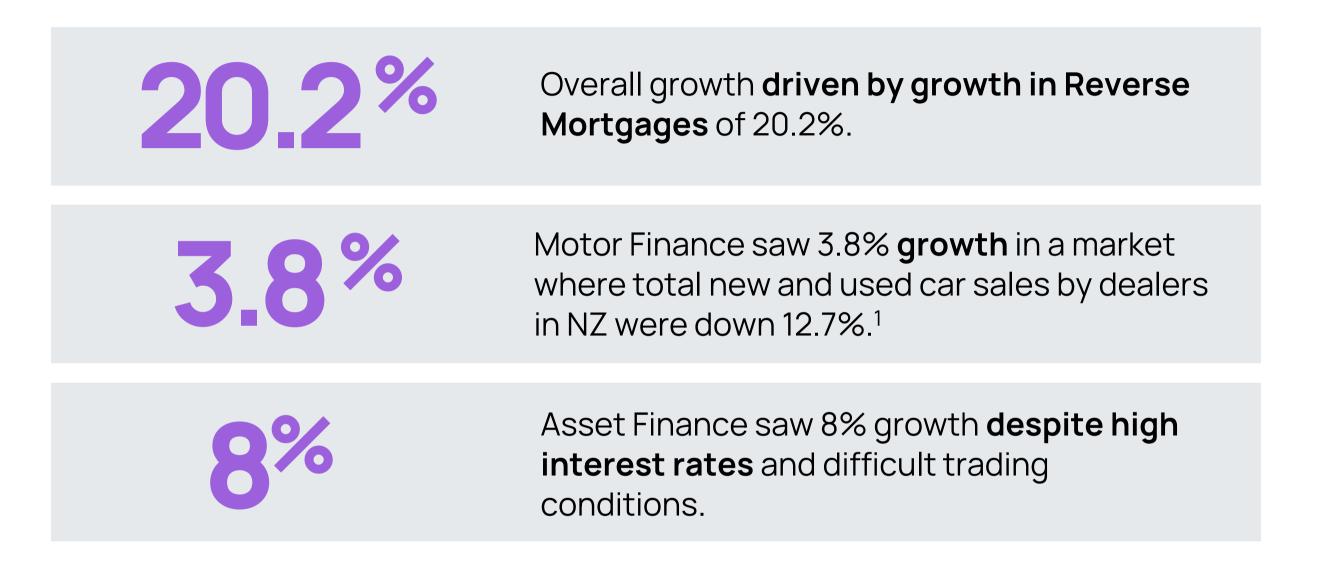
The ratios and growth rates provided for the financial metrics underlying the FY2028 ambitions are not targets. They represent an indication of how the financial metrics may work in combination to achieve the FY2028 underlying NPAT and ROE ambitions. The FY2028 ambitions and underlying key metrics assumes current growth in Receivables being maintained and no material deterioration in the economic environment.



Leanne Lazarus, Chief Executive Officer, Heartland Bank New Zealand

## 04 | HEARTLAND BANK NZ CEO'S ADDRESS

## FY2024 SUMMARY



- Completed Heartland Bank's core banking system upgrade, accelerating digitalisation and enhancing service delivery.
- Completed Challenger Bank acquisition becoming the first New Zealand bank to acquire an Australian ADI.

## **NEW ZEALAND FY2025 FOCUS**

Heartland Bank New Zealand aims to simplify the business, expand its margin and reduce costs to deliver better returns. These key strategic priorities will drive a strong contribution to the Group's FY2028 ambitions.

## SIMPLIFICATION AND BETTER RETURNS

#### Accelerate growth in strategic portfolios

- Simplify the business through identifying lending that no longer aligns to Heartland Bank's strategy.
- Develop focused strategies to separately manage Non-Strategic Assets, within an appropriate time frame.

#### MARGIN EXPANSION

#### NIM<sup>1</sup> expansion > 4%

- Growth in Reverse Mortgages and Motor Finance.
- Proactive management of fixed back book portfolios in Asset Finance and Motor Finance.
- Actively increase mix of retail funding focused on growth in call deposits.

Underlying	FY2024	FY2024	FY2025
NIM <sup>2</sup>		exit	expectation
Heartland Bank	3.79%	3.92%	4.00%

#### COST REDUCTION

#### Reduce costs by \$5m

- Cost savings through digitalisation and automation (\$3.8m).
  - Digitalise 58% of basic banking functions to enable customers to self-serve.
  - Mobile app customer usage uplift to 60% and reduction of customer calls by 35%.
  - Automate 35% of processes.
  - Offer customers flexibility to self manage loan repayments for Motor Finance (from October 2024).
- Cost savings through structural and supplier efficiency with disciplined cost management (\$1.2m).

<sup>1</sup> NIM is calculated as net interest income over average gross interest earning assets. 2 Underlying NIM refers to NIM calculated using underlying results. When calculated using reported results, NIM was 3.79%, down 32 bps compared with FY2023



Michelle Winzer, Chief Executive Officer, Heartland Bank Australia

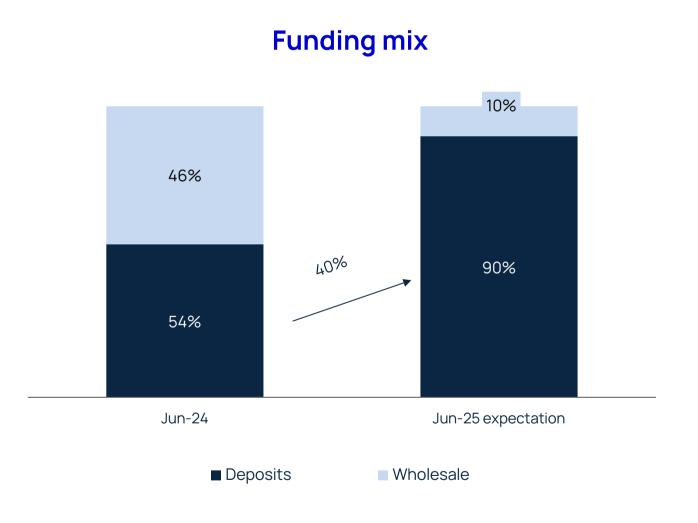
# 05 | HEARTLAND BANK AU CEO'S ADDRESS

## **ESTABLISHING A SPECIALIST AUSTRALIAN BANK**

Heartland Bank Australia is well positioned for sustainable growth beyond FY2025 through its focus on business growth, operational efficiency and service excellence.

#### **OPERATIONAL EFFICIENCY & SERVICE EXCELLENCE**

- Establish a strong leadership team and integrate cultures of three businesses.
- Create structural efficiencies by removing duplication and identifying process improvement.
- Invest in digitalisation and automation to improve service delivery and enhance our customers' experience.
- Transition from historic 100% wholesale to predominantly (~90%) retail funding by the end of FY2025.



### **BUSINESS GROWTH**

Continue to focus on expansion within deposits and existing specialist lending portfolios.

#### **DEPOSITS**

- Challenger Bank's pre-acquisition deposit raising campaign exceeded expectations and gave us a good head start on our funding mix transition – we are now well positioned to fund future growth expectations.
- Planning is underway to diversify our deposit distribution network, with new deposit product ideas in development to bring to market in the coming months.

#### LIVESTOCK FINANCE

- Execute on Livestock Finance product development initiatives.
- Adapt to the operating conditions and needs of the market.
- Expand distribution networks and strengthen partnerships to increase product reach.

#### **REVERSE MORTGAGES**

- Leverage the strong ongoing demographic demand for Reverse Mortgages, providing older Australians with a solution to remaining in their home as they age.
- Focus on process efficiency to enable growth and increase capacity to serve more customers.





## **RESOLUTION 1: RE-ELECTION OF KATE MITCHELL**



That Kate Mitchell who retires and is eligible for re-election, be re-elected as a director of Heartland Group.

## **RESOLUTION 2: ELECTION OF JOHN HARVEY**



That John Harvey who retires and is eligible for election, be elected as a director of Heartland Group.

## **RESOLUTION 3: ELECTION OF SIMON BECKETT**



That Simon Beckett who retires and is eligible for election, be elected as a director of Heartland Group.

## **RESOLUTION 4: ELECTION OF ROB BELL**



That Rob Bell who retires and is eligible for election, be elected as a director of Heartland Group.

## **RESOLUTION 5: RATIFICATION OF PLACEMENT**

That the shareholders of Heartland approve and ratify for all purposes, including NZX Listing Rule 4.5.1 (c) the previous issue of 106,021,860 fully paid ordinary shares in Heartland on 15 April 2024 in accordance with NZX Listing Rule 4.5.1 comprising (a) the issue of shares to investors at an issue price of NZ\$1.00 per share pursuant to the placement announced on 8 April 2024, and (b) the issue of shares as scrip consideration payable by Heartland for the acquisition of shares in Alex Corporation Limited.

## **RESOLUTION 6: AUDITOR'S REMUNERATION**

That the Board be authorised to fix the remuneration of Heartland's auditor, PwC, for the financial year ending 30 June 2025.





## **GLOSSARY**

ADI	Authorised deposit-taking institution	Heartland, Heartland Group	Heartland Group Holdings Limited or the <b>Company</b>
APRA	Australian Prudential Regulation Authority	Heartland Bank, Heartland Bank New Zealand	Heartland Bank Limited
bps	Basis points	Heartland Bank Australia	Heartland Bank Australia Limited
CAGR	Compound annual growth rate	IP	Investor presentation, available at heartlandgroup.info
Challenger Bank	Challenger Bank Limited	NII	Net interest income
cps	Cents per share	NIM	Net interest margin
CTI ratio	Cost to income ratio	NOI	Net operating income
EPS	Earnings per share	NPAT	Net profit after tax
FX	Foreign currency exchange	OOI	Other Operating Income
FY2023	The financial year ended 30 June 2023	OPEX	Operating expenses
FY2024	The financial year ended 30 June 2024	Receivables	Gross Finance Receivables
FY2025	The financial year ending 30 June 2025	ROE	Return on Equity
FY2028	The financial year ending 30 June 2028	StockCo, StockCo Australia	Comprised of StockCo Australia Management Pty Ltd, StockCo Holdings 2 Pty Ltd and their subsidiaries
The Group	Heartland Group Holdings Limited and its subsidiaries	YoY	Year-on-year



## Heartland Annual Meeting 2024: Chair's Address

Good afternoon, ladies and gentlemen. Thank you for joining us today.

#### 1. The year in review

There is no doubt that the financial year ended 30 June 2024 (FY2024) was challenging and Heartland Group Holdings Limited's (Heartland's) (NZX/ASX: HGH) financial results were not as strong as we would have liked. However, in the context of a weak economy, Heartland's net profit after tax (NPAT) of \$74.5 million, or \$102.7 million on an underlying basis<sup>1</sup>, was solid. The same can be said for gross finance receivables (Receivables)<sup>2</sup> which were up 6.4%<sup>3</sup>. This is testament to Heartland's best or only product strategy.

In FY2024, Heartland also met some key strategic milestones which have helped to pave the way for the next phase of our evolution as a banking group.

Notably, the acquisition of Challenger Bank Limited (**Challenger Bank**) on 30 April 2024 saw Heartland Bank Limited (**Heartland Bank**) become the first New Zealand bank to buy an Australian bank.

Importantly though, we acknowledge that key metrics essential to shareholder return need improvement. Our share price has not performed well in more recent times, and return on equity (**ROE**) has decreased to 6.6%, or 9.8% on an underlying basis. We are focused on fixing this.

#### 2. Shareholder return

While the recent capital raise to fund the Challenger Bank acquisition had an impact on earnings per share, it was a necessary part of our expansion into Australia and critical to enhancing Heartland's longer-term value proposition.

We greatly appreciate and acknowledge the significant level of support and investment from shareholders during that capital raise. We were pleased to raise \$210 million to successfully purchase Challenger Bank and support further growth and capital requirements across the group.

<sup>&</sup>lt;sup>1</sup> 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 between periods. Underlying results (which are non-GAAP financial information) exclude the impact of the de-designation of derivatives, the fair value changes on equity investments held, the Australian Bank Programme costs, an increase in provisions for a subset of legacy lending, the Challenger Bank NPAT, and any other impacts of one-offs. Adjusted NPAT before excluding the increase in provisions for a subset of legacy lending and the Challenger Bank NPAT was \$87.9 million (Adjusted NPAT). The use of underlying results is intended to allow for easier comparability between periods and is used internally by management for this purpose. Refer to page 7 of Heartland's FY2024 investor presentation (IP) for a summary of reported and underlying results, page 8 for details about FY2024 one-offs, and pages 35 and 36 for general information about the use of non-GAAP financial measures, available at heartlandgroup.info.

<sup>&</sup>lt;sup>2</sup> Receivables includes Reverse Mortgages.

<sup>&</sup>lt;sup>3</sup> Excludes the impact of changes in foreign currency exchange (**FX**) rates.

We are taking a prudent approach to capital and expect to continue to fund our business through organic capital generation. At this stage, we do not currently expect to seek additional capital from the market unless we identify a growth opportunity that is sensible and beneficial for shareholders. In this respect, the resolution seeking shareholder approval to ratify placement capacity is to preserve optionality.

Regarding dividends, in September we paid a final dividend of 3 cents per share, bringing the total dividend for FY2024 to 7 cents per share. The total dividend payout ratio for FY2024 was 55% of underlying NPAT and takes into consideration the recent capital raise, the acquisition of Challenger Bank and associated growth opportunities.

We expect to target a similar dividend payout ratio in the financial year ending 30 June 2025 (**FY2025**). The Board will continue to actively manage dividend settings and carefully consider the declaration of any dividends subject to maintaining a prudent level of capital needs, while having regard to ROE accretive growth opportunities and financial performance.

#### 3. Outlook

The year ahead will see a transformation of the business. As we set ourselves up for long-term success, in FY2025 we are focused on ensuring the right foundations are in place to deliver growth and enhanced shareholder return.

Since becoming the ultimate parent company of two banks in two jurisdictions, Heartland's role has evolved. Its operations are now focused on group strategy, investor relations, corporate finance, capital allocation and strategic and risk management oversight of each bank. Ultimately, Heartland will be focused on improving shareholder return. Andrew will discuss this in more detail.

New Zealand's focus is on simplification and efficiency. Keeping our business simple and focusing on the markets and asset classes which allow us to be the best or only at what we do. Leanne will expand on this shortly.

In Australia, we now have a secure position and a greater opportunity to meet the growth potential in this market – growth which we can now fund ourselves through retail deposits. As Heartland Bank Australia Limited (Heartland Bank Australia) continues to establish itself and bed in new ways of working, structural and process efficiencies will increase the bank's capacity to do more. Michelle will share more on this in her address.

All of this is expected to contribute towards our ambitions as a Group for the financial year ending 30 June 2028 (**FY2028**).

Looking towards the end of FY2025, as the New Zealand and Australian economies improve, we expect this to have a positive effect on lending performance.

However, the volatility we experienced in FY2024 has continued in the markets we operate in and continues to create too much uncertainty to provide an accurate underlying NPAT guidance range for FY2025. We will revisit our ability to provide guidance as the financial year progresses.

With that said, under Andrew, Leanne and Michelle's leadership, the Board is confident in Heartland's ability to execute against its best or only strategy and deliver enhanced value to customers and shareholders.

#### 4. Board and Management updates

Moving to Board and Management updates, this year saw several changes, largely as a result of the Australian bank acquisition.

#### **Board**

On 30 April 2024, we were pleased to appoint a highly skilled Board to lead Heartland Bank Australia. The Board is chaired by Geoff Summerhayes and has a strong level of independence and regulatory knowledge to drive our strategy for expansion in Australia.

Following Ellie Comerford's resignation from the Heartland Group Board on 26 June 2024, we were pleased to strengthen the Board's Australian capability with the appointments of Rob Bell and Simon Beckett on 27 June 2024. In addition to their Australian banking expertise, Rob and Simon bring skillsets which complement the Group's best or only strategy. This includes Rob's expertise in digital banking, technology and growth strategies, and Simon's motor finance experience.

On 30 April 2024, John Harvey was also appointed to the Heartland Group Board. He remains on the Heartland Bank Board.

#### Management

On 22 July, we welcomed Michelle Winzer to the role of Chief Executive Officer (**CEO**) of Heartland Bank Australia. Michelle has made great progress in bringing the three Australian businesses together in very quick time, in a highly regulated market. Michelle will speak to this in more detail soon.

After 15 years with Heartland and its predecessors, on 30 September 2024, Jeff Greenslade retired from his role as CEO of Heartland, and from all of his Heartland directorships. As one of Heartland's founders, Jeff's contribution to the business and our shareholders has been outstanding, as I am sure you will agree.

On 1 October 2024, the Board was pleased to appoint Andrew Dixson as CEO of Heartland. The Board is confident in Andrew's ability to lead Heartland in the next stage of its journey, focused on capital allocation and an improved return on equity.

As announced in September, Andrew's previous role of Group Chief Financial Officer will not be replaced, and the Deputy Group CEO role has been disestablished. This means Chris Flood will finish with Heartland on 31 October 2024.

As many of our shareholders will be familiar, Chris first joined Heartland through a predecessor entity in 1997 and has held a number of senior management positions at Heartland. This included as CEO of Heartland Bank before he was appointed Deputy Group CEO in August 2022.

On behalf of the Board, I would like to express our sincere thanks to Chris for his significant contribution to Heartland and acknowledge the value he has created for our shareholders. We wish him all the best in his next endeavours.

#### 5. Conclusion

I wish to conclude my address this afternoon by expressing my sincere thanks and gratitude to our shareholders. We appreciate the confidence you have placed in us and are committed to delivering enhanced shareholder return. This is something which we take very seriously.

Thank you also to my fellow directors for their wise counsel, and the Management team who continue to provide strong leadership for Heartland.

On behalf of the Board and Management, I wish to thank Heartland's employees for their hard work and dedication to our customers.

Thank you once again. I will now ask Andrew Dixson to address you.



#### Heartland Annual Meeting 2024: Chief Executive Officer's Address

#### 1. Introduction

Good afternoon and welcome all,

I would like to thank our shareholders, Boards, Management teams and employees for their ongoing support of Heartland Group Holdings Limited (Heartland) (NZX/ASX: HGH) which has enabled the achievement of several strategic milestones amidst a backdrop of challenging economic conditions. We are now well positioned to capitalise on opportunities in our chosen markets as economic recovery progresses.

I am extremely honoured in the Board's faith in appointing me as Heartland Chief Executive Officer (**CEO**). I have been with Heartland for more than 14 years in various roles, including for the past four years as Group Chief Financial Officer.

In my time at Heartland, I have been fortunate to have been part of each significant building block of the business, including the initial merger in 2011, New Zealand bank registration in 2012 and Heartland's listing on the NZX and ASX. I have also been involved in the execution of every major strategic acquisition, including the Reverse Mortgage businesses in 2014, StockCo Australia in 2022 and Challenger Bank Limited (Challenger Bank) (now Heartland Bank Australia Limited (Heartland Bank Australia)) this year.

As Greg described, Heartland's role as the parent company of two banks has evolved. With it, the role of CEO has changed and is different to that held previously.

We now have two specialist banks with their own boards, and exceptional teams led by great leaders in Leanne Lazarus and Michelle Winzer respectively.

Heartland's role as the listed parent company will encompass broader group strategy, corporate finance, investor relations, capital allocation and strategic and risk management oversight of each bank.

As the interface between our internal businesses and the external market, the fundamental purpose of Heartland is to maximise shareholder value. My immediate focus therefore is addressing Heartland's return on equity (ROE) and, in doing so, ensuring that capital is allocated to the parts of our business that generate strong returns. This discipline is paramount in an environment of standardised prescriptive capital requirements. Capital is one of our most precious resources, and it must be utilised efficiently.

The successful completion of two capital raises during the past two years has enabled key strategic acquisitions in StockCo Australia, our Australian Livestock Finance business, and Heartland Bank Australia.

This, alongside our existing Reverse Mortgage businesses, has set a solid foundation from which to achieve our long-term ambitions.

As acknowledged by Greg, we appreciate the support and patience shown by our shareholders in completing these acquisitions. Despite the tough trading conditions the business has experienced, we remain positive about livestock market recovery, in-train product and distribution initiatives, and the successful transition of our Australian funding base from purely wholesale to around 90% deposits by the end of the financial year ending 30 June 2025 (FY2025) which will provide a strong margin uplift and unlock growth opportunities.

Our Reverse Mortgage businesses remain well positioned as product and service leaders in their respective markets. We expect strong demand to continue for reverse mortgages, supported by a growing demographic need. We are committed to being the retirement finance provider of choice and plan to grow the market and secure more of it with a broader product offering and enhanced distribution network.

#### 2. Non-Strategic Assets

A key part of simplifying our business and improving ROE is the reallocation of capital from assets we have identified as non-strategic. These are a pool of assets that Heartland Bank Limited (**Heartland Bank**) has accumulated over time during its journey to date<sup>1</sup>. As the business has matured, these are no longer a strategic fit for the organisation and do not contribute positively to Heartland Bank's ROE.

The total value of these assets at 30 June 2024 was \$217.8 million, out of total assets of \$9.3 billion.

We have commenced development of realisation strategies and will report on these assets separately in FY2025 to provide greater transparency. This will allow underlying capital to be redeployed to support value accretive growth within Heartland Bank.

#### 3. FY2028 ambitions

While we remain cautious in the near term, we expect growth in core lending to return, and asset quality metrics to stabilise as economic recovery progresses during FY2025. We are already experiencing an improvement in our net interest margin, and these factors will support our ambitions for the financial year ending 30 June 2028 (FY2028) as we enter the financial year ending 30 June 2026 (FY2026).

Our stated FY2028 ambition is for the Group to deliver a return on equity between 12-14% while achieving a net profit after tax of \$200 million.

The pathway to achieving this is through simplification and product excellence. We will continue to be different, enable better lives for New Zealanders and Australians through our specialist banking products, and continue to make things easier for our people and customers.

Achieving this ambition will involve:

- 10% p.a. gross finance receivables (Receivables)<sup>2</sup> growth in our core lending products
- returning net interest margin above 4% through a focus on best or only products

<sup>&</sup>lt;sup>1</sup> Non-Strategic Assets do not reflect a structural change to Heartland's operations.

<sup>&</sup>lt;sup>2</sup> Receivables includes Reverse Mortgages.

- cost containment through automation, leading to an improved cost to income ratio targeting less than 35%
- an efficient assessment of credit, management of arrears, and collections and recoveries to maintain high asset quality and improve our impairment expense ratio.

#### 4. Conclusion

In conclusion, our fundamental purpose is to maximise shareholder value. This means ensuring activity is driven toward value accretive outcomes, measured by ROE. To do this, we must focus on where capital is deployed and how efficiently it is utilised.

I am pleased to now hand firstly to Leanne Lazarus, followed by Michelle Winzer, to provide updates on our respective New Zealand and Australian bank strategies.



### Heartland Annual Meeting 2024: Heartland Bank New Zealand CEO's Address

#### 1. Introduction and FY2024 summary

Kia ora koutou, hello everyone,

As noted by Greg, the financial year ended 30 June 2024 (**FY2024**) was challenging economically. For Heartland Bank Limited (**Heartland Bank**), while Reverse Mortgages continued to perform extremely well, we saw a reduced level of growth from what we typically see in our Motor Finance and Asset Finance portfolios.

Buying or upgrading to a new car was deprioritised for many New Zealanders – this was clear as total new and used car sales by dealers in the New Zealand market were down 12.7%<sup>1</sup>. In comparison, Heartland Bank's Motor Finance portfolio saw 3.8% growth. Similarly, in Asset Finance, high interest rates and difficult trading conditions meant lower margin loans continued to take longer to roll off as customers took longer to refinance assets. This portfolio still saw pleasing growth of 8%.

As customers responded to the challenging environment, we did see a deterioration in non-performing loans, within Motor Finance and Asset Finance and an increase in provisions. We spoke about this in detail within our FY2024 results announcement in August and described the May and June deterioration in domestic economic conditions and the impact this had on additional specific and collective provisions.

The recent reduction in the rate of inflation and the associated fall in the Official Cash Rate signals a positive change for the New Zealand economy. While this is encouraging, the projected unemployment rate and the lag between interest rates and business outcomes means we expect some volatility to continue through the financial year ending 30 June 2025 (**FY2025**) for the New Zealand bank.

Our ongoing investment in operational process efficiency and systems automation is having a positive effect on arrears management. Alongside this, we are continuing to support customers through the last stage of this economic downturn.

We have been diligently ensuring the fundamentals are in place to restore growth when the economy turns. We are doing this through our process automation and digital programme of work, and through simplification, which I'll discuss shortly.

Strategically, we are incredibly proud of what we achieved in the last year. We completed the upgrade of our core banking system. This was a multi-year investment and really sets us up for success in terms of our ability to continue to effectively service our customers and improve our digitalisation efforts.

<sup>&</sup>lt;sup>1</sup> Based on data from Turners, dated June 2024 (data sourced from Waka Kotahi NZ Transport Agency).

We also became the first New Zealand bank to acquire an Australian bank. With this privilege comes a greater responsibility to ensure integration and oversight of the Heartland New Zealand Banking Group, including Heartland Bank Australia Limited (**Heartland Bank Australia**) and its subsidiaries.

Greg and Andrew have both discussed the evolution of the group following the milestone acquisition. This requires a change in the way we do things across all entities, and ensuring we have the foundations in place to achieve our strategic ambitions.

In New Zealand, we are focused on simplification and efficiency.

#### 2. FY2025 focus

Simplification

By simplifying the New Zealand business, we intend to accelerate growth in our strategic, core lending portfolios, and generate better returns.

This is about enabling us to focus on the portfolios that we know have a good return and will allow us to restore profitability. Business and Rural lending gross finance receivables (**Receivables**)<sup>2</sup> made up about \$190 million of the \$217 million of Non-Strategic Assets<sup>3</sup> (**NSAs**) at 30 June. Our strategy to manage these loans is to sell or run down the portfolios over a responsible period.

NIM<sup>4</sup> expansion and cost reduction

Expanding our margin and cost reduction are key areas of focus for the New Zealand bank in FY25.

We started to see an improvement in NIM at the end of FY2024. Our underlying<sup>5</sup> exit NIM, the NIM on 30 June 2024, was 3.92%. By the end of FY2025, we expect NIM to be 4%. We are confident we'll get there through a number of measures.

Our active management of NSAs and increasing our focus on core lending will contribute to this. As will continued improvement in our fixed rate portfolios, mostly Motor Finance and Asset Finance, and cost of funds benefits as interest rates reduce further.

On costs, while we expect our cost to income (**CTI**) ratio to increase in FY2025, we have a clear strategy and plan in place to reduce costs through digitalisation initiatives and structural efficiencies. Our aim is to extend our best or only strategy to our CTI ratio and become the lowest cost provider for the products we offer.

#### 3. Conclusion

Heartland Bank has a long history of helping New Zealanders with their finances and in doing things differently. We have proven there is strength in our best or only strategy and in the addressable markets we operate in.

<sup>&</sup>lt;sup>2</sup> Receivables as at 30 June 2024 excluding provisions.

<sup>&</sup>lt;sup>3</sup> NSAs do not reflect a structural change to Heartland Group Holding Limited's (**Heartland**'s) operations.

<sup>&</sup>lt;sup>4</sup> Net interest margin (**NIM**) is calculated as net interest income over average gross interest earning assets.

<sup>&</sup>lt;sup>5</sup> Underlying NIM refers to NIM calculated using underlying results.

- A recent research paper funded by the Retirement Commission reported that about 25% of New Zealand households have low retirement income and limited options to access liquid wealth but hold substantial equity in the owner-occupied homes. We are proud to offer Reverse Mortgages as a financial solution for this audience and our ageing population.
- Most households need a vehicle, which we can support access to through Motor Finance.
- We also have a growing opportunity within New Zealand's infrastructure and agricultural sectors to provide specialised finance solutions through our Asset Finance and Livestock Finance products.

As we simplify our business and continue our digitalisation programme, we are setting a strong foundation to contribute towards meeting the Heartland's ambitions for the financial year ended 30 June 2028 (FY2028).

Thank you to Heartland's shareholders and our New Zealand bank customers for your support. I will now hand over to Michelle to discuss the Australian bank.

Heartland Group Holdings Limited | 0800 85 20 20 | PO Box 9919, Newmarket, Auckland 1149 | shareholders.heartland.co.nz

<sup>&</sup>lt;sup>6</sup> Source: "Do New Zealand home equity release schemes provide value for money?", Motu Economic and Public Policy Research.



### Heartland Annual Meeting 2024: Heartland Bank Australia CEO's Address

#### 1. Introduction

Good afternoon,

I have the great privilege of leading Heartland Bank Australia Limited (**Heartland Bank Australia**). I joined the business towards the end of July 2024, so will be taking more of a forward-looking approach today.

But first a bit about me. I have had over 30 years' experience in banking, with extensive experience in Australia's major banks, but most recently more experience in smaller banks. My strength is in leadership, business growth and a full understanding of the end-to-end process of our business. With that, I bring to Heartland Group Holdings Limited (**Heartland**) the best of the big bank disciplines, coupled with the dynamic customer-focused approach of a small bank.

I am very excited by the potential to deliver our best or only strategy to the Australian market, and know we have the capability and product offering to make a real difference.

#### 2. Establishing a specialist Australian bank

Heartland completed its acquisition of Challenger Bank Limited (**Challenger Bank**) on 30 April 2024. It's existing businesses, Heartland Finance's Reverse Mortgages and StockCo Australia's (**StockCo**) Livestock Finance, were then transferred into the bank, which was subsequently rebranded to Heartland Bank Australia. We continue to offer Livestock Finance under the StockCo brand.

Since then, the focus has been on integration and bringing together the cultures of these three businesses. In doing so, we've identified, and will continue to identify, opportunities to remove duplication, improve processes, streamline what we do, and deliver faster time to service for our customers. These operational efficiencies will increase our capacity to do more.

This includes ensuring we have the right structure in place to provide value and exceptional service to customers, grow as a business and contribute towards Heartland's ambitions for the financial year ending 30 June 2028 (FY2028).

We recently welcomed some new roles to the leadership team, including a Chief Commercial Officer and Chief Technology & Operations Officer. These roles join the already existing strong executive team.

A large part of process improvement will be through digitalisation and automation. This is of course part of who we are and what we do across the Group. Our investment in digitalisation and automation is aimed at improving service delivery and enhancing the experience for our customers and our team.

Prior to the acquisition, Heartland relied on costly wholesale funding to fund its Australian businesses. This was a key driver for obtaining an authorised deposit taking institution (ADI) in

Australia. Transitioning Heartland Bank Australia's funding mix from 100% wholesale funding to predominantly retail funding is a key part of our ability to do more. Since completion, we have been originating and funding all lending through deposits on our own balance sheet while wholesale facilities continue to repay. So, we are well on track to meet our target of about 90% retail funding by the end of the financial year ending 30 June 2025 (FY2025).

The benefits of this transition will flow through to improvements in Heartland Bank Australia's underlying cost to income (CTI) ratio and underlying net interest margin (NIM).

#### 3. Business growth

We have had incredible success with deposit raising to date. In fact, Challenger Bank's preacquisition deposit raising campaign exceeded Heartland's expectations and gave us a good head start on our funding mix transition. This of course sets us up well to fund future growth expectations.

We are working on opening up and diversifying our deposit distribution network, and are developing new deposit product ideas to bring to market in the coming months.

Similarly to the New Zealand bank, we are focused on keeping things simple. This means focusing on our existing specialist lending portfolios of Reverse Mortgages and Livestock Finance before looking to expand into new asset classes.

In the first half of the financial year ended 30 June 2024 (**FY2024**) livestock producers experienced one of the steepest and sharpest falls in livestock prices since the 1970s. This was the main driver for the decrease in Australian Livestock Finance gross finance receivables (**Receivables**) which were down \$103.0 million, or 27.5%<sup>1</sup>, to \$272.0 million. Receivables balances stabilised in the second half of FY2024 as trading conditions in some states and the volatility in livestock prices eased. In the last three quarters of the year, we actually saw an increase in the total number of livestock financed, up from 578,000 on finance at the end of September 2023, to finish the year with 635,000 on finance at the end of June 2024.

Despite the extreme market and seasonal conditions that our StockCo customers have endured, the relatively low level of provisioning is an indication of the credit strength and resilience of the portfolio and the sector.

As Leanne has said for New Zealand, Livestock Finance is very reliant on the weather. We have seen an improvement, however, to set ourselves up for success we need to find ways where we can serve the needs of Australian food producers without such reliance on climatic conditions.

In bringing the Australian businesses together, we've taken the opportunity to deep dive into StockCo and specifically how we offer our Australian Livestock Finance. We are adapting to the conditions we arere operating within, and the needs of the market to develop new livestock finance products and broaden our distribution model. We expect this to contribute to growth in FY2025.

When it comes to Reverse Mortgages, we have more opportunity than we currently have the capacity for. This is being driven primarily by Australia's ageing population. Our focus on process

<sup>&</sup>lt;sup>1</sup> Excludes the impact of changes in foreign currency exchange rates.

efficiency will enable growth and help us to serve more customers. In fact, we have already more than halved our time to serve and hope to reduce this further over the coming year.

#### 4. Conclusion

Looking beyond FY2025, Heartland Bank Australia is well positioned for growth. With the right structure in place, and as we continue to bed in new ways of working, we have a great opportunity to expand our business and become known as a leading specialist bank. I am incredibly proud of what we are achieving and the opportunity available for us to help more Australians with their specialist banking needs.

Thank you for your time.

# Virtual Meeting Guide



#### **Check your browser**

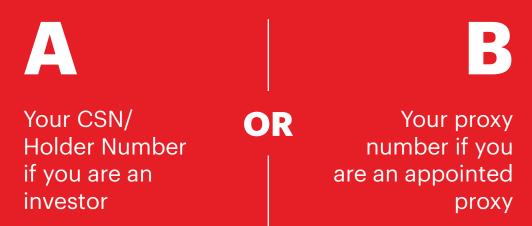
### Make sure your browser will work by going to whatismybrowser.com

#### Supported browsers are:

Chrome Version 44 and later
Edge Version 92.0 and later
Firefox Version 40.0.2 and later
Safari MacOS 10.9 and later

#### Get ready to vote

### You will need one of the following to vote



If you're an investor, you can find your CSN/Holder Number on most investor communications from us.

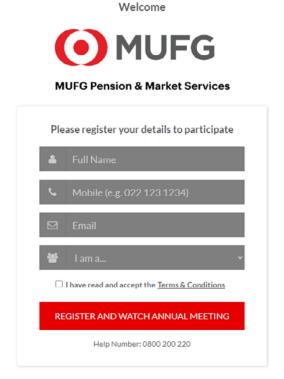
If you're a proxy, your proxy number will be sent to your email address one to two days before the meeting.

#### Register for the meeting

### Open your browser and go to www.virtualmeeting.co.nz

Choose the meeting you want to watch from the list and click the *View Meeting* button. Register using your full name, mobile number, email address, and participant type.

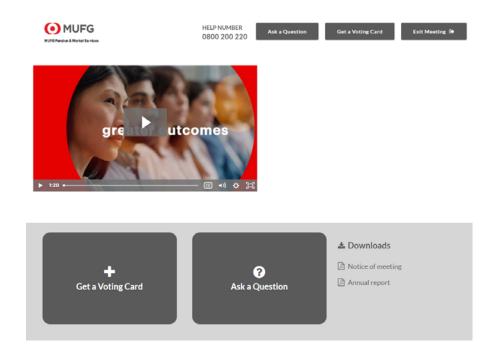
Read and accept the terms and conditions before clicking on the *Register and Watch Meeting* button.



#### Watch the meeting

### The webcast will start by itself when the meeting begins

If the webcast doesn't start, press the play button and check the volume on your device is turned up. The meeting slides will be cycled through while the webcast plays.



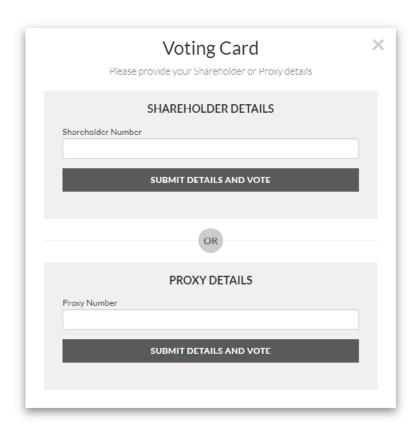
At the bottom are buttons for **Get a Voting Card**, **Ask a Question** and a list of documents available for download.

#### Get a voting card

### Register to vote by clicking on the Get a Voting Card button

If you're an investor, you will need to enter your CSN/Holder Number.

If you're an appointed proxy, you will need to enter the proxy number in the **Proxy Details** section, then click the **Submit Details and Vote** button.

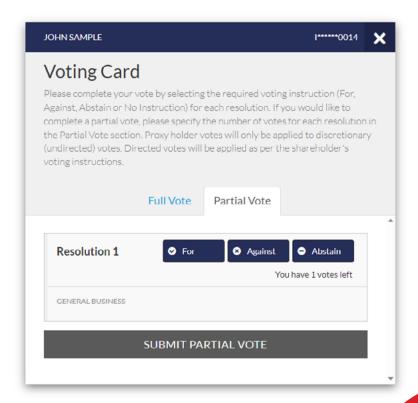


#### **Enter your vote**

### Once you have your voting card, tell us how you want to vote

You may need to use the scroll bar on the right side of the voting card to see all resolutions.

Choose either *Full Vote* or *Partial Vote* using the tabs. Click on either the *For*, *Against*, or *Abstain* voting buttons. For a *Partial Vote*, enter a number of votes—the total number of votes you have are shown.



#### **Submit your vote**

## Make sure you submit your vote before the countdown timer ends

Once you have finished voting, scroll down to the bottom of the box and click on the **Submit Vote** or **Submit Partial Vote** button.

You can close your voting card without submitting your vote while voting is open. Any votes you have already made are saved. The voting card will be under the webcast with a *Not yet submitted* message below.

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

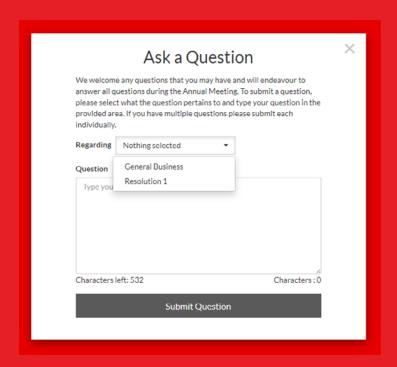
At the end of the meeting, a red bar with a five-minute countdown timer will appear at the top of the website advising the remaining time to submit your voting cards. Once voting has been closed, your vote can't be changed.

#### Ask a question

# Only investors, proxies and corporate representatives can ask questions

If you have not registered a voting card, you will be asked to enter your CSN/Holder Number or proxy number before you can ask a question.

Click on the **Ask a Question** button either at the top or bottom of the page.

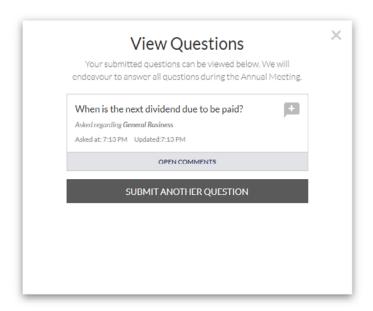


#### Submit a question/reply

### Select the category or resolution for your question

Type your question in the **Question** box, and click on the **Submit Question** button.

After submitting, click the *View Questions* button to see your questions (only visible to you).



If your question has been answered and you want to reply, submit another question.

