NZX/ASX release
21 August 2025

Heartland announces FY2025 result and outlook for FY2026

Addresses long-term ambitions, with further detail to be provided at a 2025 Investor Day

Following a year of significant reset, change and integration, Heartland Group Holdings Limited's (**Heartland**) (**NZX/ASX: HGH**) net profit after tax (**NPAT**) for the financial year ended 30 June 2025 (**FY2025**) was $38.8 million. On an underlying basis[1], FY2025 NPAT was $46.9 million, meeting underlying NPAT guidance of at least $45 million. Heartland prioritised capital efficiency during FY2025, restoring a superior margin and actively derisking its lending portfolios to strengthen its foundations for the future.

Overview: FY2025 performance[2]

- After a reset of some of its New Zealand lending portfolios in the first half of FY2025 (**1H2025**), Heartland substantially met the financial performance expectations set in its interim financial results announcement (**Outlooks**) for the second half of FY2025 (**2H2025**).
- Superior margin restored, with net interest margin (**NIM**) up 17 basis points (**bps**) to 3.56% and each bank ending FY2025 with a strong exit margin[3] (4.13% in New Zealand and 3.59% in Australia).
- Operating expenses (**OPEX**) were up $53.2 million (38.1%) primarily due to non-repeating benefits in the financial year ended 30 June 2024 (**FY2024**), the cost base of the authorised deposit-taking institution (**ADI**) and subsequent costs related to regulatory requirements following the ADI acquisition, hiring for growth, and software related costs. Cost growth is stabilising.
- Impairment expense was up $25.2 million (54.3%) due to a significant increase for Heartland Bank Limited (**Heartland Bank**) in 1H2025 in response to the impact of the ongoing deterioration in economic conditions on some lending portfolios and to derisk and reposition some of its lending portfolios (as previously announced on 18 February 2025).
- The introduction of more prescriptive collections and recoveries policies in 2H2025 has had a positive effect on asset quality and recovery outcomes, exceeding Heartland's initial expectations. Overall asset quality is improving and Motor Finance arrears are now performing better than the industry average.[4]
- An increased focus on capital optimisation through several key initiatives by Heartland Bank and accelerated non-strategic asset (**NSA**) realisation is enabling capital to be redeployed to high-return core lending portfolios.
- Heartland's existing Australian businesses have now been integrated into the acquired ADI to form a new and unique Australian bank.
- The Australian funding transition has been successful, with deposits forming 81% of the bank's funding. Heartland Bank Australia Limited (**Heartland Bank Australia**) now has a deep, stable and diverse platform to efficiently fund future lending growth.
- Strong growth continued in Reverse Mortgages in both countries (Receivables up 15.5% in New Zealand and 18.5% in Australia), demonstrating growing market demand for this product.
- Good momentum achieved in Livestock Finance in New Zealand (Receivables up 18.4%) and a return to growth in Australia (Receivables up 1.5%, arresting the FY2024 decline of 27.5%).
- Growth has remained challenged in Heartland Bank's other core lending portfolios of Motor Finance and Asset Finance due to subdued economic conditions and a focus on higher quality lending.
- Final dividend of 2 cents per share (**cps**), bringing the total FY2025 dividend to 4 cps.

Heartland Bank has refined its lending strategy to create a foundation for quality sustainable growth. As part of its product simplification, Unsecured Lending[5] is winding down, and NSA realisation has accelerated – the total NSA balance reduced by $103.0 million (22.0%) during 2H2025, releasing $7.7 million of capital. Through several key capital optimisation initiatives, including completion of the run-off of Marac Insurance and cancellation of its licence, and reducing its stake in Harmoney Corp Limited to below 10%, Heartland Bank has released $9.8 million of capital with a further $4 million expected in the first half of the financial year ending 30 June 2026 (**FY2026**). This activity, together with NSA realisation, has strengthened Heartland's capacity for organic growth and future capital investment.

Note: *All figures in NZD unless otherwise stated. Endnotes are located at the end of this announcement.*

Overview: FY2026 outlook

Heartland's priority for FY2026 is to deliver an underlying return on equity (**ROE**) of at least 7% and an improved underlying NPAT of at least $85 million. In FY2026, Heartland will maintain its refined strategic focus on its core product sets, invest in technology uplift to unlock future growth, continue to focus on operational cost control and prioritise efficient use of capital.

See the accompanying FY2025 investor presentation for more detail.

NZ banking

NIM

NZ banking	FY2024	1Q2025	2Q2025	3Q2025	4Q2025	2H2025 Outlook	2H2025	FY2025
Average NIM	3.79%	3.82%	3.79%	3.92%	4.18%	> 3.90%	4.05%	**3.87%**
Exit NIM	3.84%	3.82%	3.89%	3.93%	4.13%	> 4.00%	4.13%	**4.13%**

NIM continued to expand and met the 2H2025 Outlook, driven by an improved cost of funds, growth in higher margin lending portfolios and accelerated realisation of NSAs.

Costs

NZ banking	FY2024	1H2025	2H2025 Outlook	2H2025	FY2025
Reported OPEX	$104.5m	$63.1m	No outlook provided	$68.7m	**$131.8m**
Underlying OPEX	$102.8m	$62.1m	$66.1m	$66.0m	**$128.1m**
Underlying CTI ratio[6]	43.2%	53.2%	57.5%	56.4%	**54.8%**

Cost growth stabilised in 2H2025 as underlying OPEX and the underlying cost-to-income (**CTI**) ratio met the 2H2025 Outlooks. OPEX increased $27.3 million (26.1%) to $131.8 million in FY2025. On an underlying basis, OPEX increased by $25.3 million (24.7%) to $128.1 million. The increase was driven by:

- $7.2 million due to the reallocation of teams providing support functions from Heartland Group to Heartland Bank as a condition of the ADI acquisition – this is cost neutral to the Group
- $6.3 million amortisation of Heartland Bank's core banking system upgrade completed in late 2023
- $4.7 million of non-repeating FY2024 benefits – this relates to costs capitalised to projects in FY2024 that did not occur in FY2025, the non-payment of short-term incentives and reversal of long-term incentive accruals in FY2024
- $4.1 million investment in core functions to enable higher quality growth and address additional regulatory oversight responsibilities arising from owning an ADI.

Asset quality

NZ banking	FY2024	1Q2025	2Q2025	3Q2025	4Q2025	2H2025 Outlook	2H2025	FY2025
Reported impairment expense ratio	0.92%	1.02%	2.97%	0.92%	0.70%	No outlook provided	0.81%	**1.40%**
Underlying impairment expense ratio	0.60%	0.77%	3.32%	0.92%	0.70%	> 0.85%	0.81%	**1.40%**

Heartland Bank's overall asset quality improved over FY2025 and the underlying impairment expense ratio met the 2H2025 Outlook. The non-performing loans (**NPL**) ratio improved by 44 bps from 3.65% as at 30 June 2024 to 3.21% as at 30 June 2025. Excluding NSAs and Unsecured Lending, Heartland Bank's NPL ratio strengthened by 30 bps from 2.70% as at 30 June 2024 to 2.40% as at 30 June 2025.

Changes made to Heartland Bank's collections, recoveries and write-off strategies have had a positive effect on the Motor Finance[7] portfolio. As at 30 June 2025, the portfolio had no loans greater than 365 days past due (**DPD**). Motor Finance NPLs between 180 and 364 DPD have reduced from $20 million as at 30 June 2024 to $13 million as at 30 June 2025. Heartland Bank is on track to have no Motor Finance arrears greater than 180 DPD by 30 June 2026. The flow through of arrears has also reduced, with loans between 5 and 89 DPD down from $85 million (4.81%) to $76 million (4.51%) over the same period. The Motor Finance NPL ratio was 2.24%, down from 3.67% in FY2024. As at 30 June 2025, Heartland Bank's total Motor Finance arrears of 5.2% (as per Centrix's measure of arrears greater than or equal to 14 DPD) is now performing better than the industry average of 5.4%.[4]

The recovery rate on loans written off in FY2025 exceeded Heartland's initial expectations. As at 30 June 2025, $4.2 million had been recovered. Heartland Bank anticipates $2.7 million of additional recoveries from loans written off in FY2025. Due to Heartland Bank's enhanced recovery management strategy, a further $2.9 million is estimated to be recovered from accounts transferred to debt collection agencies in 2H2025.

The Reverse Mortgage NPL ratio remains very low at 0.17%[8] and the weighted average current loan-to-value ratio (**LVR**) for this portfolio remains strong at 25.3%.[9]

Rural[10] asset quality also improved as rural trading conditions strengthened, largely off the back of stronger international commodity prices. The Rural NPL ratio[11] was 0.90%, down from 2.42% in FY2024.

Notwithstanding improved overall asset quality, largely driven by Heartland Bank's consumer and rural sectors, economic conditions for the business sector remain challenging. This is particularly relevant for businesses in the construction, property, hospitality and transportation industries which constitute a significant portion of Heartland Bank's Business Finance[12] portfolio. Centrix reported that New Zealand business operating conditions in June 2025 saw a 26% increase year-on-year in company liquidations and a 14% increase year-on-year in business defaults.[13] These conditions contributed to the increase in impairments and provisions seen across the Business Finance portfolio in 1H2025 which continued into 2H2025.

The Business Finance portfolio remains appropriately provisioned recognising the secured nature of this lending. While NPLs increased from $42 million as at 30 June 2024 to $58 million as at 30 June 2025, early-stage arrears (less than 90 DPD) decreased from $50 million as at 30 June 2024 to $43 million[11] due to changes made to the strategy and timing of intervention measures.

Core lending performance

Reverse Mortgage Receivables were up $165 million (15.5%) from 30 June 2024 to $1.23 billion as at 30 June 2025, reflecting the ongoing demand for this product.

Rural Receivables were up $29 million (4.9%) from 30 June 2024 to $609 million as at 30 June 2025. Rural growth was driven by Livestock Finance Receivables growth of $36.4 million (18.4%) from 30 June 2024 to $235 million as at 30 June 2025.

Motor Finance Receivables were down $77 million (4.3%) from 30 June 2024 to $1.69 billion as at 30 June 2025. This is in part due to ongoing subdued economic conditions, and as lending origination shifted to higher quality channels.

Asset Finance Receivables were down $123.9 million (16.8%) from 30 June 2024 to $613 million as at 30 June 2025. Heightened competition together with subdued demand in particular industry sectors saw Heartland Bank prioritise support for existing customers while retaining pricing discipline and a tight risk appetite.

AU banking

NIM

AU banking	FY2024	1Q2025	2Q2025	3Q2025	4Q2025	2H2025 Outlook	2H2025	FY2025
Average NIM	Reported: 2.58% Underlying: 3.17%[14]	2.58%	3.01%	3.31%	3.47%	>3.30%	3.37%	**3.01%**
Exit NIM	2.84%	2.67%	3.13%	3.27%	3.59%	>3.60%	3.59%	**3.59%**

Heartland Bank Australia's successful funding transition, with deposits now making up 81% of the bank's funding, has provided a material NIM uplift. In the fourth quarter of FY2025 (**4Q2025**), NIM expanded 89 bps when compared with the first quarter of FY2025 (**1Q2025**). Exit NIM of 3.59% was in line with the 2H2025 Outlook.

Costs

AU banking	FY2024	1H2025	2H2025 Outlook	2H2025	FY2025
Reported OPEX	AU$38.2m	AU$24.2m	No outlook provided	AU$23.5m	**AU$47.7m**
Underlying OPEX	AU$31.1m	AU$23.2m	AU$23.4m	AU$23.2m	**AU$46.4m**
Underlying CTI ratio[6]	48.2%	56.4%	47.8%	48.4%	**52.0%**

Costs have been tightly managed in 2H2025, with underlying OPEX meeting 2H2025 Outlook. Combined with growth and margin uplift, this has delivered consistent improvement in the CTI ratio across FY2025. The underlying CTI ratio was slightly above the 2H2025 Outlook due to lower Livestock Finance revenue from higher repayments late in FY2025.

OPEX increased by AU$9.4 million (24.6%) to AU$47.7 million in FY2025. On an underlying basis, OPEX increased by AU$15.3 million (49.0%) to AU$46.4 million. The increase reflects:

- the AU$15.2 million cost base of the ADI on acquisition
- AU$3.1 million of investment in people to enable growth and meet the regulatory requirement for the bank to maintain its own core functions such as finance and risk
- AU$3.9 million of other costs including lending origination costs in line with Australian Reverse Mortgage volume growth
- AU$1.3 million for the long-term renewal of the current version of the core banking system and to accommodate increased volume from deposits.

Asset quality

Heartland Bank Australia's lending portfolios continue to show resilience and exhibit high asset quality metrics. The Australian Reverse Mortgage NPL ratio continues to be very low at 0.88%[8] and the weighted average current LVR remains strong at 24.6%.[9] Through prudent management, Livestock Finance NPLs reduced in 2H2025 to AU$36.4 million (or 1.62%) as at 30 June 2025, down from AU$64.4 million (3.26%) as at 30 June 2024. While impairments remain low, they were higher than expected with an impairment expense ratio of 0.13% (up 9 bps from FY2024) due to specific provisions being required for three Livestock Finance customers. The Livestock Finance portfolio is appropriately provisioned in line with expected credit losses and prevailing economic conditions.

Lending performance

Heartland Bank Australia's Reverse Mortgage portfolio exceeded the 2H2025 Outlook, with Receivables up AU$309 million (18.5%) from 30 June 2024 to AU$1.98 billion as at 30 June 2025. Despite heightened competition, Heartland Bank Australia's market share increased from 36% as at 31 March 2024 to 40% as at 31 March 2025[15]. It continues to be the leading provider of reverse mortgages in Australia.

Heartland Bank Australia's Livestock Finance saw a return to growth with Receivables up AU$3.7 million (1.5%) from 30 June 2024 to AU$254 million as at 30 June 2025, and the highest volume of new business written since the financial year ending 30 June 2022, with over one million livestock funded in FY2025 (up 36% on FY2024).

Final dividend

Heartland has declared a FY2025 final dividend of 2.0 cps, taking the total FY2025 dividend to 4.0 cps with a payout ratio of 80%. The 2H2025 payout ratio of 52% is in line with Heartland's target dividend payout ratio of at least 50% of underlying NPAT. Heartland's final dividend yield is 6.9%[16]. The final dividend will be paid on Friday 12 September 2025 (**Payment Date**) to shareholders on the company's share register as at 5.00pm NZST on Friday 29 August 2025 (**Record Date**) and will be fully imputed.

Heartland has a Dividend Reinvestment Plan (**DRP**), giving eligible shareholders the opportunity to reinvest some or all of their dividend payments into new ordinary shares. The DRP will apply to the final dividend with no discount.[17] The DRP offer document and participation form have been refreshed and are available on Heartland's website at heartlandgroup.info/investor-information/dividends.

Looking forward

FY2026 outlook

Capitalising on the reset, change and integration that occurred during FY2025, Heartland expects to deliver improved underlying ROE[18] and underlying NPAT in FY2026.

Its FY2026 focus will be on:

1. maintaining a refined strategic focus on its core product sets
2. investment in technology uplift to simplify and automate manual processes, introduce new digital capability and provide better customer, intermediary and employee experience – unlocking future growth
3. operational cost control
4. continuing to prioritise efficient use of capital.

Refined strategic focus

Within its core product sets (Reverse Mortgages, Rural Lending, Motor Finance, Asset Finance and Deposits), Heartland Bank will manage its portfolios to ensure each product meets an appropriate ROE threshold. Heartland Bank Australia will maintain its specialist focus on Reverse Mortgages, Livestock Finance and Deposits.

Within these core product sets, each bank will prioritise growth and innovation in Reverse Mortgages to retain its leading position and increase competitive advantage in markets with significantly untapped potential. Heartland estimates the total addressable market to be $170 billion in New Zealand, and AU$660 billion in Australia.[19] To meet this growth opportunity, Heartland will provide lending solutions:

- to meet the unique financial needs of those aged over 60 years
- for older people in and entering retirement with existing residential mortgages
- for people in or seeking to access retirement villages or aged care.

In New Zealand, the Depositor Compensation Scheme (**DCS**), which came into effect on 1 July 2025, presents an opportunity for Heartland Bank to increase its share of domestic deposits. As a small domestic bank and Canstar New Zealand's Savings Bank of the Year for eight consecutive years, the protection provided to eligible depositors under the DCS gives Heartland Bank an opportunity for increased competitive differentiation as depositor confidence increases and deposit diversification is encouraged.

In Australia, the priority in respect of Heartland Bank Australia's deposit business is on continuing to build its direct channel while further diversifying its intermediary channel.

Technology investment uplift

In late 2023, Heartland Bank completed its upgrade to a modern core banking system. Since then, Heartland has been occupied with executing and integrating strategic acquisitions in Australia. With these complete, in FY2026 Heartland will invest in a targeted technology uplift to resume and reinvigorate its digital transformation.

Heartland Bank will commence the implementation of a single modern platform to unify its origination and servicing activity, leveraging and fully integrating with its updated core banking system. Heartland Bank Australia will also implement a new unified origination and servicing platform. These platforms will modernise existing infrastructure and deliver new capability within the respective banks, resulting in greater efficiency, an enhanced customer, intermediary and employee experience, and positioning both banks to be able to meet customer demand at scale.

Work is underway to determine the required investment and benefits this technology uplift is expected to deliver. Heartland will provide an update to the market when this is available.

Operational cost control

The increase in costs during FY2025 was mainly driven by the full year impact of costs related to the acquisition of the ADI, with much of the increase fixed in nature. Looking ahead, Heartland does not anticipate any further material cost increases and is firmly committed to disciplined cost control, with a particular emphasis on improving the underlying CTI ratio for both banks.

For Heartland Bank, underlying OPEX is expected to remain largely flat on FY2025 and be kept below $129.1 million. Increased investment in marketing and IT security will be offset by the elimination of non-recurring expenses, lower operational costs and reduced amortisation of completed projects.

For Heartland Bank Australia, underlying OPEX is expected to increase in FY2026, up to AU$54.6 million. Increases in costs will be mainly variable and tied to growth – primarily higher broker commissions and onboarding expenses related to the expansion of the Reverse Mortgage portfolio, as well as the full-year impact of additional roles filled in FY2025 to strengthen capability and capacity for growth. Despite these increases, the underlying CTI ratio is expected to reduce to less than 45.5% due to an uplift in net operating income from Receivables growth and the full year benefit of the funding transition that occurred in FY2025.

Capital efficiency

With ROE as Heartland's key performance metric, ensuring efficient use of capital is critical. Heartland will continue the active realisation of NSAs to redeploy capital to high-return core lending portfolios. Heartland also welcomes and will continue to participate in the Reserve Bank of New Zealand's review of key capital settings, with a particular focus on capital levels, asset risk-weights and the composition of regulatory capital. Heartland sees this as a critical pathway to support Heartland Bank's ability to remain competitive, reduce the cost to the end customer, and deliver a significantly improved ROE.

FY2026 guidance

Heartland expects FY2026 underlying NPAT to be at least $85 million.[20] The FY2026 guidance detailed below is subject to change once the impact of the technology investment required to deliver against Heartland's technology strategy is known. Heartland expects the difference between reported and underlying NPAT in FY2026 to be limited only to any fair value changes on equity investments held and other one-off non-recurring expenses.

Underlying financial metrics	FY2026 guidance		
	Heartland	NZ banking	AU banking
NPAT	≥$85m	>$45m	>AU$37m (NZ$40m)
ROE	≥7%	>6%	>8%
Average NIM	>3.90%	>4.20%	>3.40%
Exit NIM	>3.95%	>4.25%	>3.65%
CTI ratio	<53.5%	<53.5%	<45.5%
Impairment expense ratio	<0.55%	<0.85%	<0.10%

The Board continues to target a total dividend payout ratio of at least 50% of underlying NPAT in FY2026.[21]

Long-term ambitions

Intentional and necessary resets in Heartland's businesses throughout FY2025 have rebased the starting position assumed when Heartland announced its ambitions for the financial year ending 30 June 2028 (**FY2028**). These resets have included:

- a focus on ROE as Heartland's key performance metric, requiring increased discipline in capital management and allocation
- a refined product strategy, prioritising growth in high-return core product sets which are accretive to ROE – this has necessarily resulted in a near-term reduction in Heartland Bank's lending base as it exits NSAs and winds down unsecured lending portfolios
- enhancements to collections, recoveries and write-off strategies to deliver sustainable asset quality over the longer-term – these changes amplified Heartland's near-term impairment expense
- recognising that accelerated investment in process simplification and automation is required to maintain a competitive advantage, and to achieve growth ambitions, in Heartland's core product sets
- an increase in the cost base, primarily due to absorption of the ADI and subsequent costs related to regulatory requirements following the ADI acquisition.

At an investor day ahead of its FY2025 annual general meeting (**2025 Investor Day**), Heartland intends to present updated long-term ambitions, resetting to a full five-year time horizon (to the financial year ending 30 June 2030 (**FY2030**)) to demonstrate its operating metrics at scale. Heartland will provide to investors detailed information on the underlying approach, growth drivers and timeframes that support the delivery of its reset long-term ambitions.

Heartland currently expects that during the period to FY2030, investors will see a significant increase in underlying ROE and underlying NPAT from:

- a continued focus on capital efficiency, both in the composition of its regulatory capital and the allocation of that capital to core product sets
- profits generated in Australia largely, if not wholly, retained within Heartland Bank Australia to provide the capital to fund projected growth
- continued growth in core product sets, with a bias to growth in Reverse Mortgages
- superior NIM being maintained
- enhanced asset quality
- an underlying CTI ratio reduction.

More information about Heartland's 2025 Investor Day will be provided in due course.

– ENDS –

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About Heartland

Heartland is an Australasian financial services group providing specialist banking products to New Zealanders and Australians. Heartland is listed on the New Zealand and Australian stock exchanges under the HGH ticker (NZX/ASX: HGH). Through its various predecessors, Heartland has a long history in financial services, stretching back to Ashburton, New Zealand in 1875.

Today, Heartland is the listed holding company for two banks – Heartland Bank in New Zealand and Heartland Bank Australia. Each bank is focused on providing specialist banking products to enable better lives for New

Zealanders and Australians. In both countries, these products include Reverse Mortgages, Livestock Finance, and Savings and Deposits. In New Zealand, Heartland Bank also offers Motor Finance and Asset Finance.

Heartland's role as the listed parent company is to ensure capital is allocated to the parts of its business which generate strong returns, and to set the strategy and risk appetite within which the group operates. This enables Heartland to maximise shareholder returns and for each bank to enhance the value it offers customers by helping more New Zealanders and Australians with their specialist banking needs.

More: heartlandgroup.info

Endnotes

[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 between periods. Underlying results for FY2025 (which are non-GAAP financial information) exclude the impact of one-off regulatory assurance costs arising in relation to the acquisition of (now) Heartland Bank Australia, one-off staff exit costs, the de-designation of derivatives, fair value changes on equity investments held, other non-recurring costs and other impacts of non-recurring income. The use of underlying results is intended to allow for easier comparability between periods and is used internally by management for this purpose. In the accompanying FY2025 investor presentation, refer to page 4 for information on the presentation of results, page 6 for a summary of reported and underlying results, page 7 for details about FY2025 one-offs, page 49 for details about FY2024 one-offs and page 48 for general information about the use of non-GAAP financial measures.
[2] All comparative figures and percentage increases or decreases are against FY2024, unless explicitly stated otherwise.
[3] Exit margin is the NIM on the last day in the reporting period.
[4] Industry average arrears are based on auto arrears as at June 2025, reported by Centrix in its Credit Insights Report, July 2025.
[5] Unsecured Lending includes Open for Business and Personal Lending portfolios which are winding down.
[6] Underlying CTI ratio refers to the CTI ratio calculated using underlying results. When calculated using reported results, Heartland Bank's CTI ratio was 56.4%, up 10.9% compared with FY2024, and Heartland Bank Australia's CTI ratio was 52.0%, up 3.85% compared with FY2024. For more information, see page 4 of the FY2025 IP.
[7] Motor Finance includes intermediary and direct distribution channels and Wholesale Lending.
[8] Reverse Mortgages are measured at fair value. NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2025, the Heartland Bank Reverse Mortgage NPL ratio included 11 loans with a total NPL value of $2.0 million and a weighted average LVR of 29.4%. The Heartland Bank Australia Reverse Mortgage NPL ratio included 64 loans with a total NPL value of AU$17.4 million and a weighted average LVR of 29.3%.
[9] Measured using indexed valuation.
[10] Rural includes Rural Relationship, Rural Direct and Livestock Finance.
[11] Excluding NSAs.
[12] Business Finance includes Asset Finance and Business Relationship lending.
[13] Centrix Credit Insights Report, July 2025.
[14] Heartland Bank Australia's FY2024 underlying average NIM is adjusted for the impacts of the ADI acquisition. This adjustment refers primarily to the inclusion of liquid assets from the ADI which earn a lower yield than receivables.
[15] Australian Reverse Mortgage market share estimate based on APRA ADI data and public statements and internal estimates for non-bank reverse mortgage lending.
[16] FY2025 total fully imputed dividends divided by the closing share price as at 19 August 2025 of $0.80.
[17] That is, the strike price under the DRP will be 100% of the volume weighted average sale price of Heartland shares over the five trading days following the Record Date. For the full details of the DRP and the Strike Price calculation, refer to the Heartland DRP offer document dated 20 August 2025 available at heartlandgroup.info/investor-information/dividends.

[18] Underlying ROE refers to ROE calculated using underlying results.
[19] The total addressable market opportunity for reverse mortgages is a best estimate only and based on a combination of publicly available information and internal sources.
[20] Heartland has presented its FY2026 guidance on an underlying basis. The FY2026 underlying financial metrics are non-GAAP financial information that are intended to be determined in a manner consistent with Heartland's FY2025 underlying results, noting that adjustments from statutory financial information are expected to be limited to any fair value changes on equity investments held and other one-off non-recurring expenses.
[21] Subject to the Board considering Heartland's capital needs, ROE accretive growth opportunities, balance sheet flexibility and financial performance.

HEARTLAND GROUP

Investor Presentation

FY2025 Full Year Results

For the 12 months ended 30 June 2025

Contents

01	Executive summary	**3-11**
02	New Zealand banking	**12-25**
03	Australian banking	**26-35**
04	Outlook	**36-40**
05	Additional information	**41-46**
06	Disclosure, appendices & glossary	**47-50**

HEARTLAND GROUP

01 Executive summary

Andrew Dixson Chief Executive Officer, Heartland Group

Presentation of results

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

- Reported results are prepared in accordance with NZ GAAP and include the impacts of one-offs, both positive and negative, which can make it difficult to compare performance between periods.
- FY2025 underlying results (which are non-GAAP financial information) exclude the impact of one-off regulatory assurance costs arising in relation to the acquisition of (now) Heartland Bank Australia, one-off staff exit costs, the de-designation of derivatives, fair value changes on equity investments held, other non-recurring costs and other impacts of non-recurring income. This is intended to allow for easier comparability between periods and is used internally by management for this purpose.
- Heartland has presented its FY2026 guidance on an underlying basis. The FY2026 underlying financial metrics are non-GAAP financial information that are intended to be determined in a manner consistent with Heartland's FY2025 underlying results, noting that adjustments from statutory financial information are expected to be limited to any fair value changes on equity investments held and other one-off non-recurring expenses.

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

Refer to page 6 for a detailed comparison between reported and underlying financial information, page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs.

General information about the use of non-GAAP financial measures is set out on page 48 of this investor presentation.

FY2025 summary

A year of significant reset, change and integration.

Heartland prioritised capital efficiency during FY2025, restoring a superior margin and actively derisking its lending portfolios to strengthen its foundations for the future.

Overview

- NPAT of $38.8m. **Underlying NPAT of $46.9m**, meeting underlying NPAT guidance of at least $45m.
- After a reset of some of its NZ lending portfolios in 1H2025, Heartland **substantially met its 2H2025 Outlook metrics**.
- **Superior margin restored**, with NIM up 17 bps to 3.56%, and each bank ending FY2025 with a strong exit margin (4.13% in NZ and 3.59% in AU).[1]
- OPEX up $53.2m (38.1%) primarily due to non-repeating benefits in FY2024, the cost base of the ADI and subsequent costs related to regulatory requirements following the ADI acquisition, hiring for growth, and software related costs. **Cost growth is stabilising.**
- Impairment expense up $25.2m (54.3%) due to an increase for the NZ bank in 1H2025 in response to the impact of the ongoing deterioration in economic conditions on some lending portfolios and to **derisk and reposition some of the NZ bank's lending portfolios**.[2]
- The introduction of more prescriptive collections and recoveries policies in 2H2025 has had a positive effect on asset quality and recovery outcomes, exceeding Heartland's initial expectations. **Overall asset quality is improving**, and Motor Finance arrears are now performing better than the industry average.[3]
- An **increased focus on capital optimisation** through several key initiatives and accelerated NSA realisation is enabling capital to be redeployed to high-return core lending portfolios.
- Heartland's existing AU businesses have now been integrated into the acquired ADI **to form a new and unique Australian bank**.
- **The AU funding transition has been successful**, with deposits forming 81% of the AU bank's funding. The AU bank now has a deep, stable and diverse platform to efficiently fund future lending growth.
- **Strong growth continued in Reverse Mortgages** in both countries (up 15.5% in NZ and 18.5% in AU), demonstrating growing market demand for this product.
- **Good momentum achieved in Livestock Finance** in NZ (up 18.4%) and a return to growth in AU (up 1.5%, arresting the FY2024 decline of 27.5%).
- **Growth has remained challenged in Motor Finance and Asset Finance** due to subdued economic conditions and a focus on higher quality lending.
- **Final dividend of 2 cps**, bringing the total FY2025 dividend to 4 cps.

Note: See page 4 for a definition of underlying financial metrics. Refer to page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs. All comparative figures and percentage increases or decreases are against FY2024, unless explicitly stated otherwise.

[1] Exit margin is the NIM on the last day in the reporting period.

[2] See Heartland's market update announcement published on 18 February 2025 for more detail.

[3] Industry average arrears are based on auto arrears as at June 2025, reported by Centrix in its Credit Insights Report, July 2025. See page 43.

Group financial results

		Reported FY25	Reported FY24	Reported Movement			Underlying FY25	Underlying FY24	Underlying Movement			Reported v Underlying FY25	Reported v Underlying FY24
Financial performance	NII	$307.3m	$277.6m	↑	$29.7m	10.7%	$307.3m	$277.8m	↑	$29.6m	10.6%	-	($0.2m)
	OOI[1]	$15.6m	$12.7m	↑	$2.9m	22.6%	$15.5m	$20.2m	↓	($4.7m)	(23.2%)	$0.1m	($7.5m)
	NOI	**$322.9m**	**$290.4m**	↑	**$32.5m**	**11.2%**	**$322.8m**	**$298.0m**	↑	**$24.8m**	**8.3%**	**$0.1m**	**($7.7m)**
	OPEX	$192.5m	$139.4m	↑	$53.2m	38.1%	$181.3m	$124.9m	↑	$56.4m	45.2%	$11.2m	$14.5m
	Impairment expense	$71.6m	$46.4m	↑	$25.2m	54.3%	$71.6m	$30.4m	↑	$41.2m	135.5%	-	$16.0m
	GFV provision	$1.5m	-	↑	$1.5m	n/a	$1.5m	-	↑	$1.5m	n/a	-	-
	Tax expense	$18.4m	$30.0m	↓	($11.6m)	(38.7%)	$21.5m	$39.9m	↓	($18.5m)	(46.2%)	($3.1m)	($10.0m)
	NPAT[2]	**$38.8m**	**$74.5m**	↓	**($35.7m)**	**(47.9%)**	**$46.9m**	**$102.7m**	↓	**($55.8m)**	**(54.4%)**	**($8.1m)**	**($28.2m)**
	NIM	3.56%	3.39%	↑	17 bps		3.56%	3.64%	↓	(8 bps)		(0bps)	(25 bps)
	CTI ratio	59.6%	48.0%	↑	1162 bps		56.2%	41.9%	↑	1425 bps		346 bps	609 bps
	Impairment expense ratio[3]	1.00%	0.66%	↑	33 bps		1.00%	0.44%	↑	56 bps		0 bps	23 bps
	ROE	3.2%	6.6%	↓	(341 bps)		4.2%	9.8%	↓	(578 bps)		(99 bps)	(336 bps)
	EPS	4.1 cps	9.8 cps	↓	(5.7 cps)		5.0 cps	13.5 cps	↓	(8.5 cps)		(0.9 cps)	(3.7 cps)

		Jun 25	Jun 24	Movement		
Financial position	Liquid assets	$1,135m	$1,708m	↓	($573m)	(33.5%)
	Receivables[4]	$7,156m	$7,241m	↓	($85m)[5]	(1.2%)[5]
	Borrowings	$7,355m	$7,994m	↓	($638m)	(8.0%)
	Equity	$1,219m	$1,238m	↓	($19m)	(1.5%)
	Equity/total assets	14.1%	13.3%	↑	76 bps	

Note: See page 4 for a definition of underlying financial metrics. Refer to page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs.
[1] Reported OOI includes fair value gains/losses on investments.
[2] Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation.
[3] Impairment expense as a percentage of average Receivables.
[4] Receivables also includes Reverse Mortgages.
[5] Including the impact of changes in FX rates.

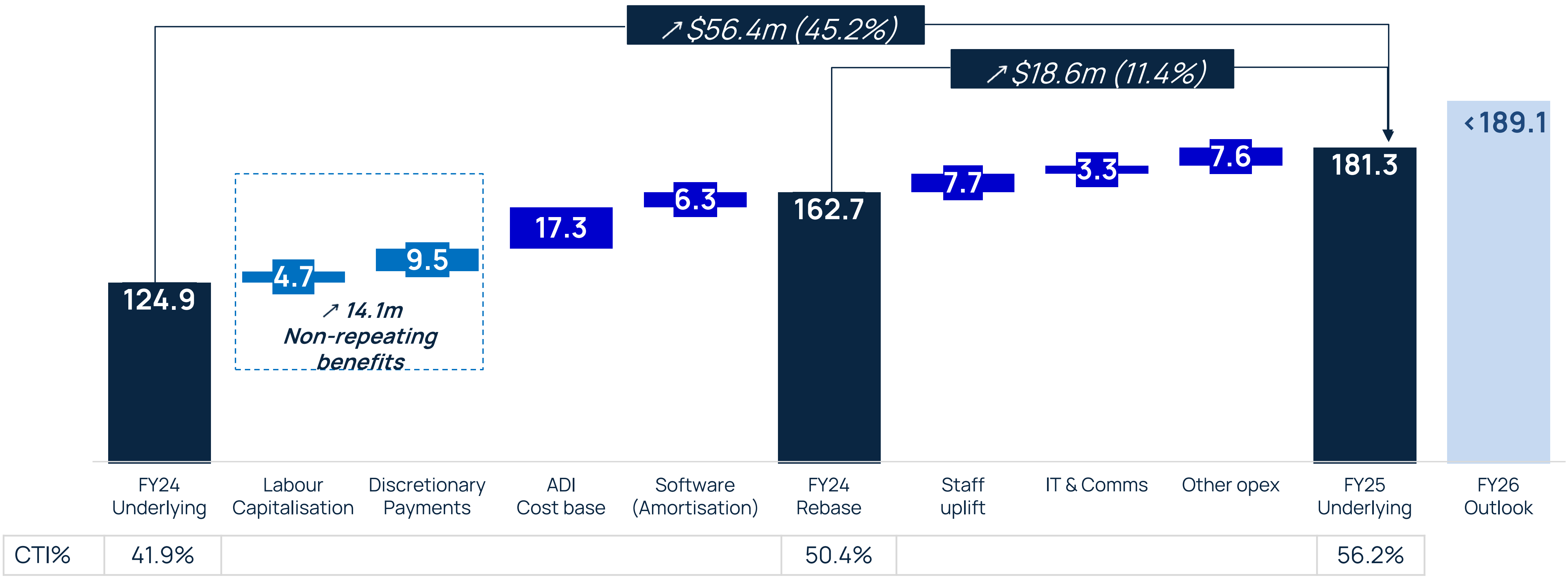
FY2025 reported vs. underlying

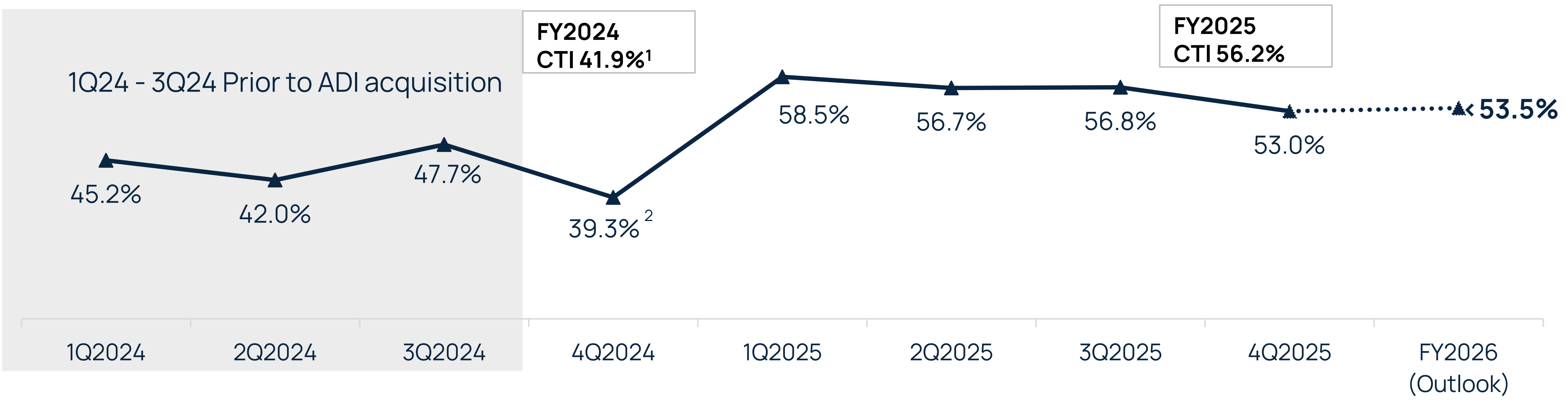
	FY2025	Entity		
		HBL	HBAL	HGH[2]
Reported NPAT	**$38.8m**	**$21.9m**	**$29.8m**	**($12.8m)**
– De-designation of derivatives	$1.1m	$1.1m	-	-
– Fair value changes on equity investments held	($1.6m)	($1.6m)	-	-
– Other non-recurring income	$0.5m	$0.5m	-	-
Other operating income (OOI)	**($0.1m)**	**($0.1m)**	**-**	**-**
– One-off regulatory assurance costs arising in relation to the acquisition of (now) Heartland Bank Australia	$1.5m	$1.1m	$0.4m	$0.1m
– One-off staff exit costs	$7.3m	$0.8m	$1.0m	$5.5m
– Other non-recurring cost	$2.3m	$1.9m	-	$0.4m
Operating expenses (OPEX)	**$11.2m**	**$3.7m**	**$1.4m**	**$6.1m**
Tax impact	**($3.1m)**	**($1.0m)**	**($0.4m)**	**($1.7m)**
Underlying NPAT[1]	**$46.9m**	**$24.6m**	**$30.8m**	**($8.5m)**

- The impact from the de-designation of derivatives completed in 1H2025.
- 2H2025 one-offs were limited to any fair value changes on equity investments held and other one-off non-recurring expenses.
- Heartland expects the difference between reported and underlying NPAT in FY2026 to be limited only to any fair value changes on equity investments held and other one-off non-recurring expenses.

Note: Refer to page 49 for details about FY2024 one-offs.
[1] See page 4 for definition of underlying financial metrics. Refer to page 6 for a detailed comparison between reported and underlying financial information.
[2] Includes consolidation and eliminations.

Underlying OPEX





FY2025 v FY2024

- **OPEX was up primarily as a result of the ownership, governance and integration of the AU bank:**
  - the AU bank was required to maintain its own core functions
  - the NZ bank required increased investment in core functions to address additional regulatory oversight responsibilities.
- **Additional cost drivers included:**
  - non-repeating benefits from costs capitalised to projects in FY2024 not occurring in FY2025, and non-payment of short-term incentives and reversal of long-term incentive accruals in FY2024
  - hiring to enable quality growth
  - software amortisation from the NZ bank's core banking system upgrade completed in late 2023
  - implementing a modern, organisation-wide finance and HR platform, and investing in IT security
  - the long-term renewal of the AU bank's core banking system and to accommodate increased volume from deposits.
- **Other operating expenses** includes costs aligned with AU Reverse Mortgage growth, elevated professional fees which are expected to decline, and additional audit and board costs related to the ADI.

FY2026 outlook

- **Heartland is committed to disciplined cost control and improving the underlying CTI ratio.**
  - NZ bank underlying OPEX is expected to remain largely flat on FY2025.
  - AU bank underlying OPEX is expected to increase mainly due to variable costs tied to growth. The underlying CTI ratio is expected to reduce due to an uplift in NOI.

Note: CTI ratio is calculated as OPEX/NOI. Underlying CTI ratio excludes one-off impacts . See page 4 for definition of underlying financial metrics. Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation.

[1] FY2024 CTI ratio is adjusted for the impacts of the ADI acquisition.

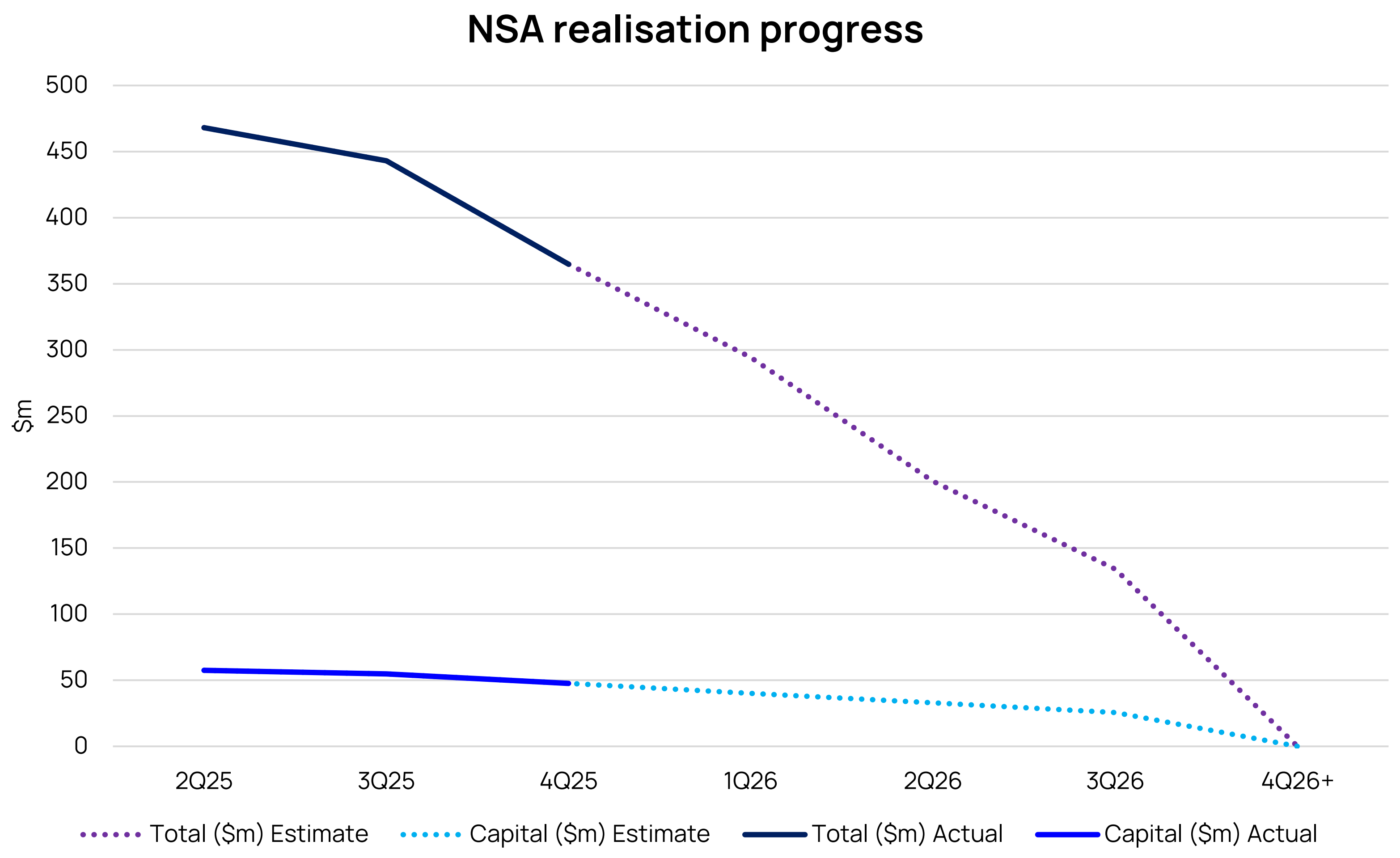
[2] The decrease in CTI ratio is largely driven by the release of discretionary bonus accrual in June 2024 . Adjusting for this release and other one offs, the 4Q2024 CTI ratio would be 44.3%.

Non-strategic asset (NSA) realisation progress

Accelerated NSA realisation is enabling capital to be redeployed to high-return core lending portfolios.

- Online Home Loans is in run down after Heartland Bank closed applications to new customers on 18 March 2025.
- 4Q2025 saw the largest reduction in Receivables NSA balances since NSA portfolio reporting commenced.
- Work to achieve accelerated exits from the Rural and Business Relationship borrowers is progressing as planned, however the complexity of some cases has impacted timing. Exit strategies are well developed for all borrowers and progress is under tight monitoring.
- Individual exit strategies include working towards faster short-term exits while also pursuing medium-term options to better position the assets concerned to achieve greater value.
- Simultaneously, effort also continues to achieve a full or partial sale, or refinance of the Rural and Business Relationship NSAs as a portfolio.
- Reflecting the progress made to 30 June 2025, the quarterly NSA realisation targets for FY2026 have been reviewed and revised with no material changes.

		Outstanding balance		2H2025 realisation	
Asset	**NZ ($m)**	31 Dec 2024	30 Jun 2025	Actual	Target
Rural Relationship	Total ($m)	122.6	112.0	10.6	7.4
	Capital ($m)	18.9	17.1	1.8	1.3
Business Relationship	Total ($m)	59.6	47.8	11.8	27.9
	Capital ($m)	9.2	6.9	2.4	3.5
Home Loans[1]	Total ($m)	252.4	171.7	80.7	92.1
	Capital ($m)	13.8	10.2	3.5	4.6
Properties	Total ($m)	16.2	16.2	-	-
	Capital ($m)	2.6	2.6	-	-
Investment Properties	Total ($m)	4.4	4.4	-	1.0
	Capital ($m)	0.6	0.6	-	0.1
Equity Investments (NZ)	Total ($m)	5.3	7.0	-	-
	Capital ($m)	5.3	4.5	-	-
Equity Investments (AU)	Total ($m)	7.6	5.7	-	-
	Capital ($m)	7.6	5.7	-	-
Total NSAs	Total ($m)	468.1	364.8	103.0	128.4
	Capital ($m)	57.5	47.6	7.7	9.5



Note: NSAs are primarily NZ assets that are outside of Heartland's core lending strategy, or do not deliver threshold ROE. For more information, see page 42.
Capital for December 2024 has been restated following a shift to a loan-level calculation from the previous portfolio-level approach.
[1] Includes Online Home Loans and old residential mortgages.

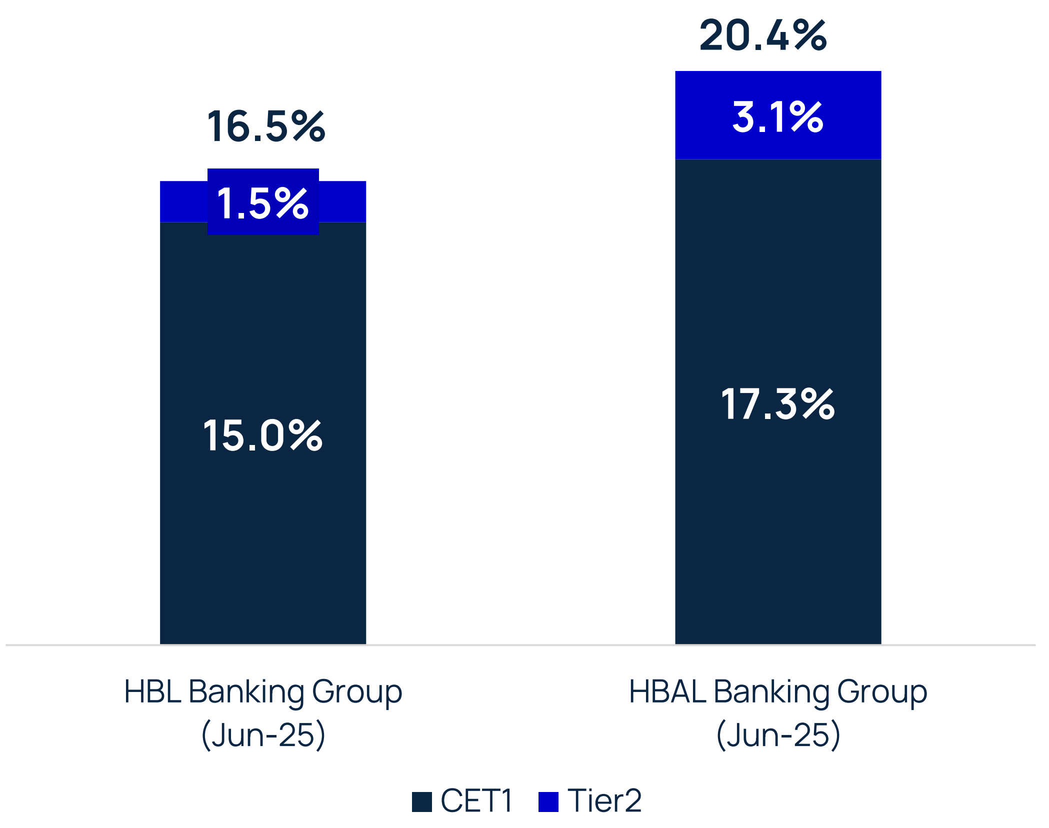
Capital

Heartland remains well capitalised, and both banks maintain strong regulatory capital positions.

- There are currently no ordinary share capital issuances planned to meet future requirements.
- The increase in share capital is due to the reinvested dividend per Heartland's DRP.
- Capital optimisation activity within the NZ bank, together with accelerated NSA realisation, has strengthened Heartland's capacity for organic growth and future capital investment.

Heartland capital movement $m

Capital ratio



Note:
- Retained earnings include current reported NPAT.
- AU Banking includes the ADI and its subsidiaries (Heartland Australia Group & StockCo Australia).

Shareholder return

4.2%

Underlying ROE
2H2025 6.0% vs 1H2025 1.9%

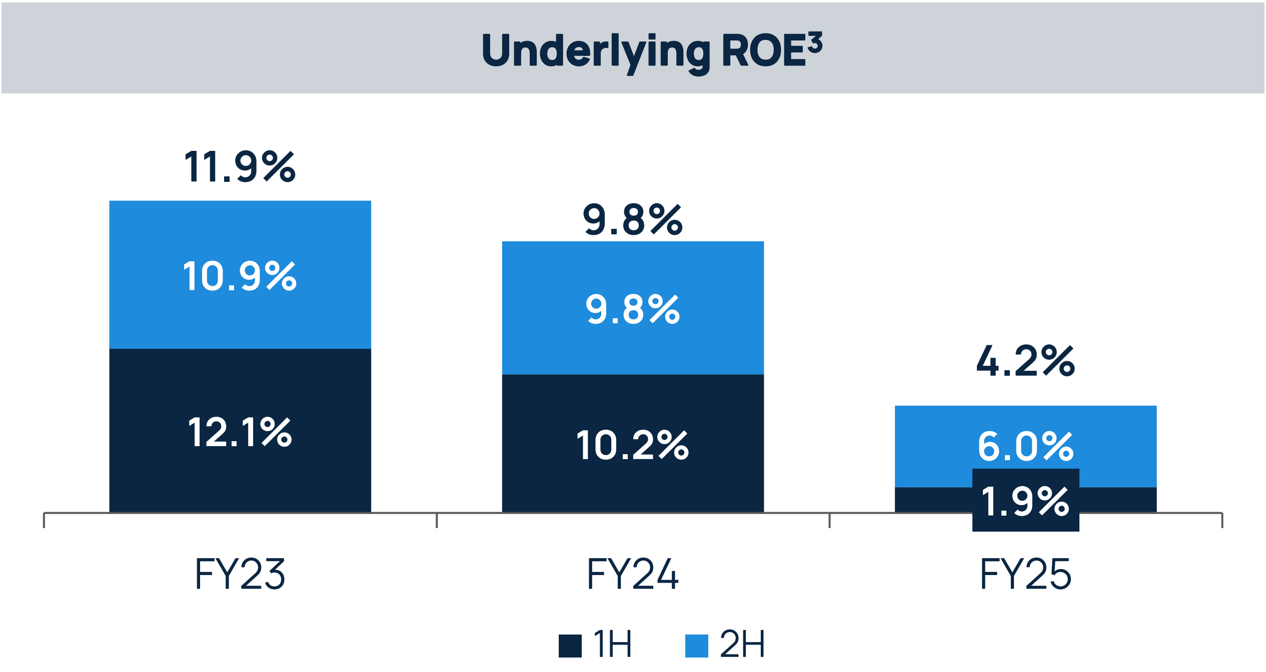
2.0 cps

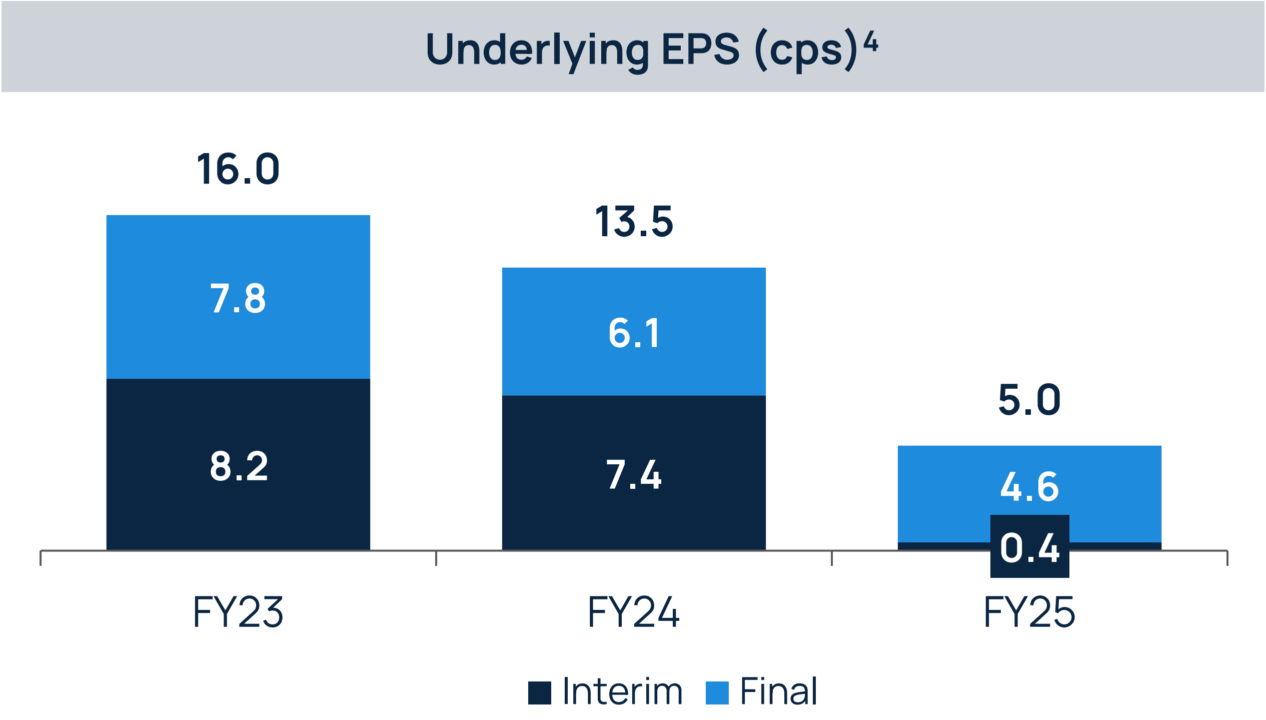
Final dividend
down 1.0 cps vs FY2024

6.9%[1]

Dividend yield

- Heartland has declared a FY2025 final dividend of 2.0 cps, taking the total FY2025 dividend to 4.0 cps with a payout ratio of 80%.
- The 2H2025 payout ratio of 52% is in line with Heartland's target dividend payout ratio of at least 50% of underlying NPAT.
- Heartland's DRP will apply to the final dividend with no discount.[2]





[1] Total fully imputed dividends divided by the closing share price as at 19 August 2025 of $0.80.
[2] That is, the strike price under the DRP will be 100% of the volume weighted average sale price of Heartland shares over the five trading days following the Record Date. For the full details of the DRP and the Strike Price calculation, refer to the Heartland DRP offer document dated 20 August 2025.
[3] Underlying ROE refers to ROE calculated using underlying results.
[4] Underlying EPS refers to EPS calculated using underlying results.

HEARTLAND
GROUP

02
New Zealand banking

Leanne Lazarus Chief Executive Officer, Heartland Bank
Kerry Conway Chief Financial Officer, Heartland Bank

NZ banking: FY2025 summary

Heartland Bank's vision is to be New Zealand's leading specialist bank, with a superior customer and originator experience, low CTI ratio and a strong ROE.

Efficiency

Disciplined cost management and efficient use of capital. Automation to increase speed and ease for customers and employees.

- Heartland Bank has actively managed its cost of funds to end FY2025 with a strong margin. NIM was 3.87%, up 8 bps from FY2024. Exit NIM was 4.13%.
- A Reverse Mortgage cash reserve online request form released in July 2024 resulted in 2,200 approved requests for a total $38.1m drawn. By the end of FY2025, half of all cash reserve drawdowns were processed online, supporting strong year-on-year cash reserve growth of 18%.
- Capital optimisation is being achieved through NSA realisation and key capital optimisation initiatives.

Quality

Actively manage lending for margin and risk, prioritising direct distribution and high-quality intermediaries.

- The introduction of more prescriptive collections, recoveries and write-off strategies has had a positive effect on asset quality.
- Introduced new credit decisioning scorecards for Motor Finance.
- Shifted Motor Finance focus from lending originated through brokers to lending through higher quality direct-to-consumer channels (Motor Direct), franchise dealers and branded distribution partners.
- Unsecured Lending (which includes Open for Business and Personal Lending) is winding down, with Receivables down 43% to $63m.
- NSA realisation is progressing well.

Growth

Expansion within existing specialist lending portfolios where Heartland Bank's customer value proposition is strongest.

- Heartland Bank is now prioritising growth in high-return core product sets which are accretive to ROE, including Reverse Mortgages, Livestock Finance and Motor Finance.
- Continued strong growth in Reverse Mortgages, with Receivables up 15.5%.
- Livestock Finance exceeded expectations, with Receivables up 18.4%.
- Leveraged Heartland Bank's position as the reverse mortgage market leader to launch Village Access Loans.
- Launched Marac Marketplace, a new online marketplace for vehicle purchasing and financing.

Financial results

		Reported					Underlying				
		FY25	FY24	Movement			FY25	FY24	Movement		
Financial performance	NII	$212.4m	$210.6m	↑	$1.8m	0.9%	$212.4m	$210.6m	↑	$1.8m	0.9%
	OOI[1]	$21.3m	$19.0m	↑	$2.4m	12.5%	$21.3m	$27.2m	↓	($5.9m)	(21.6%)
	NOI	**$233.7m**	**$229.6m**	↑	**$4.2m**	**1.8%**	**$233.7m**	**$237.7m**	↓	**($4.1m)**	**(1.7%)**
	OPEX	$131.8m	$104.5m	↑	$27.3m	26.1%	$128.1m	$102.8m	↑	$25.3m	24.7%
	Impairment expense	$68.8m	$45.8m	↑	$23.0m	50.2%	$68.8m	$29.8m	↑	$39.0m	131.0%
	GFV provision	$1.5m	n/a	↑	$1.5m	n/a	$1.5m	n/a	↑	$1.5m	n/a
	Tax expense	$9.7m	$23.5m	↓	($13.8m)	(58.5%)	$10.7m	$30.3m	↓	($19.6m)	(64.7%)
	NPAT[2]	**$21.9m**	**$55.8m**	↓	**($33.9m)**	**(60.7%)**	**$24.6m**	**$74.9m**	↓	**($50.3m)**	**(67.2%)**
	NIM	3.87%	3.79%	↑	8 bps		3.87%	3.79%	↑	8 bps	
	CTI ratio	56.4%	45.5%	↑	1087 bps		54.8%	43.2%	↑	1160 bps	
	Impairment expense ratio[3]	1.40%	0.92%	↑	49 bps		1.40%	0.60%	↑	81 bps	
	ROE	3.0%	7.6%	↓	(459 bps)		3.4%	10.2%	↓	(683 bps)	

		Jun 25	Jun 24	Movement		
Financial position	Liquid assets	$570m	$620m	↓	($49m)	(7.9%)
	Receivables[4]	$4,710m	$5,078m	↓	($368m)	(7.3%)
	Borrowings	$4,660m	$5,039m	↓	($379m)	(7.5%)
	Equity[5]	$737m	$761m	↓	($24m)	(3.2%)
	Equity/total assets	20.0%	19.1%	↑	82 bps	

Note: See page 4 for definition of underlying financial metrics. Refer to page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs.

1 Reported OOI includes fair value gains/losses on investments.

2 Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation..

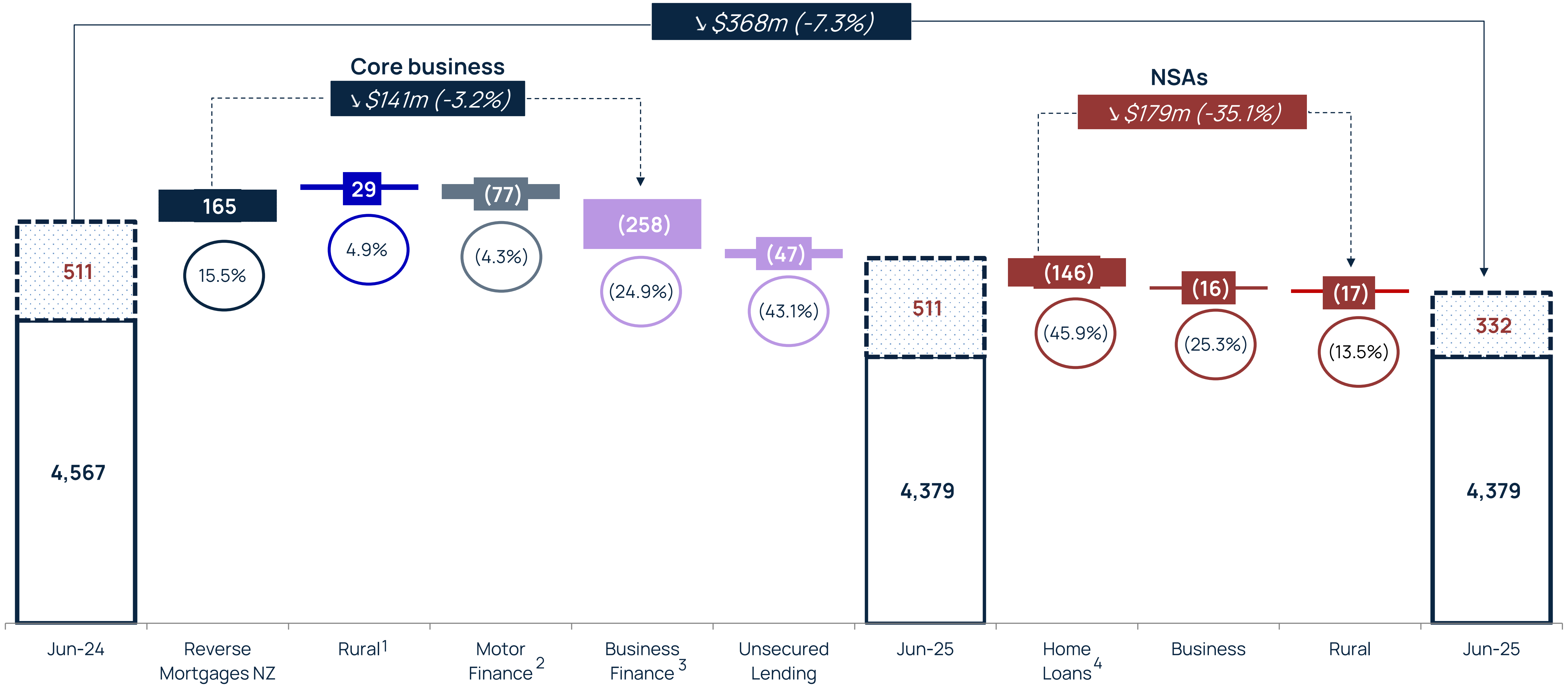
3 Impairment expense as a percentage of average Receivables.

4 Receivables also includes Reverse Mortgages.

5 Equity excluding investment in subsidiaries. ROE is calculated as NPAT/average equity (excl. investment in subsidiaries).

Receivables

Momentum continued in Reverse Mortgages, with Rural growth driven by Livestock Finance. Subdued economic conditions continued to impact Motor Finance and Asset Finance, with an increased focus on quality lending.



	Jun-24	Reverse Mortgages NZ	Rural[1]	Motor Finance[2]	Business Finance[3]	Unsecured Lending	Jun-25	Home Loans[4]	Business	Rural	Jun-25
Receivables $m	**5,078**	1,233	609	1,694	779	63	**4,890**	172	48	112	**4,710**

Note: FY2025 growth in Receivables by portfolio excludes the impact of changes in FX rates and intercompany balances. All figures in NZ$m. NSAs include loans in Business, Rural and Home Loans.

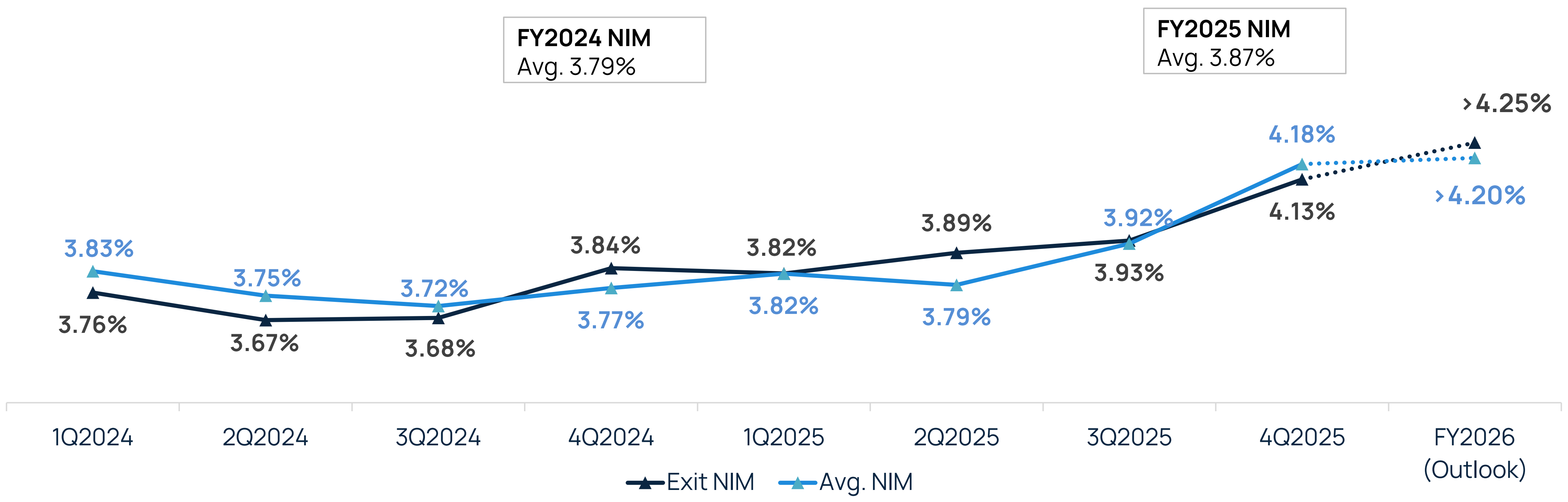
[1] Rural includes Rural Relationship, Rural Direct and NZ Livestock Finance loans.

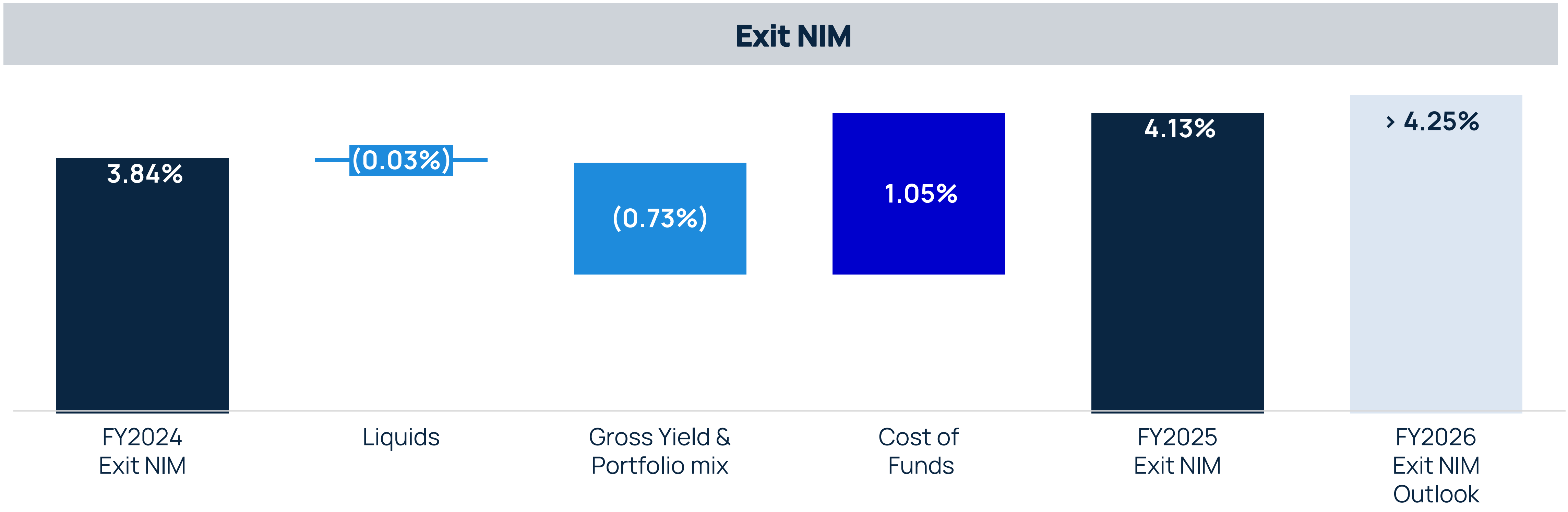
[2] Motor Finance includes Wholesale Lending.

[3] Business Finance includes Asset Finance and Business Relationship.

[4] Home Loans are part of NSAs (Jun-24 has been rebased to reflect this change) and includes Online Home Loans and Heartland Bank's old residential mortgages portfolio that is in run down.

Underlying NIM





Exit NIM up 29bps YoY despite headwinds

Despite pricing competition from declining interest rates and subdued credit demand, FY2025 exit NIM expanded to 4.13%, exceeding the 4.00% 2H2025 Outlook.

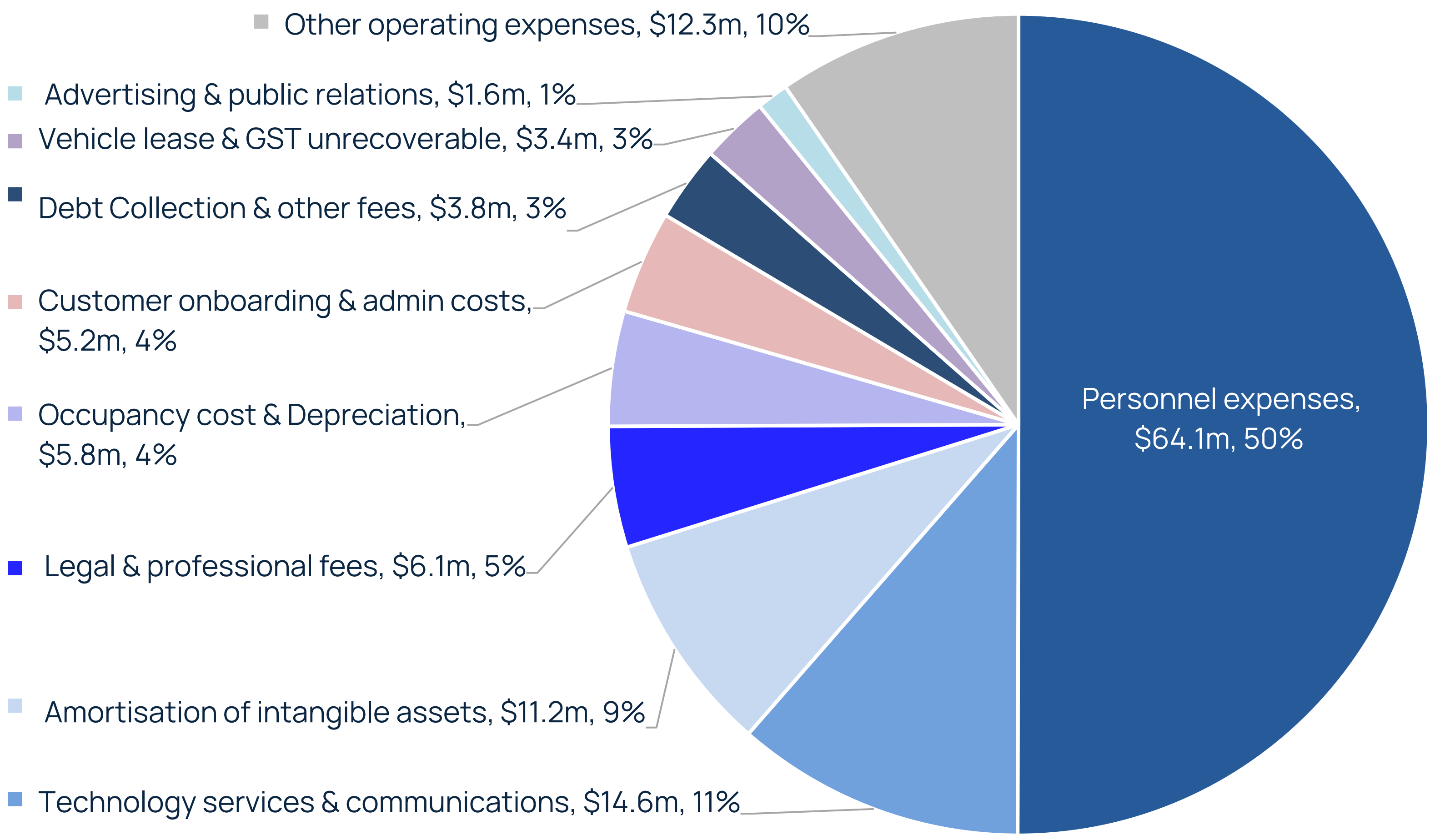
- **Cost of funds:** Lower base interest rates, contracting margin above base rates in 2H2025, and a strategic shift from wholesale funding to deposits saw cost of funds materially fall (from peak cost of funds to exit).
- **Improved fixed rate portfolio returns:** Repayment of lower yielding loans replaced with higher margin loans, combined with cost of funds benefit above drove fixed NIM improvements.
- **Sustainable lending:** A focused lending approach, prioritising high-quality core lending and actively managing NSAs, contributed to margin expansion.

FY2026 outlook

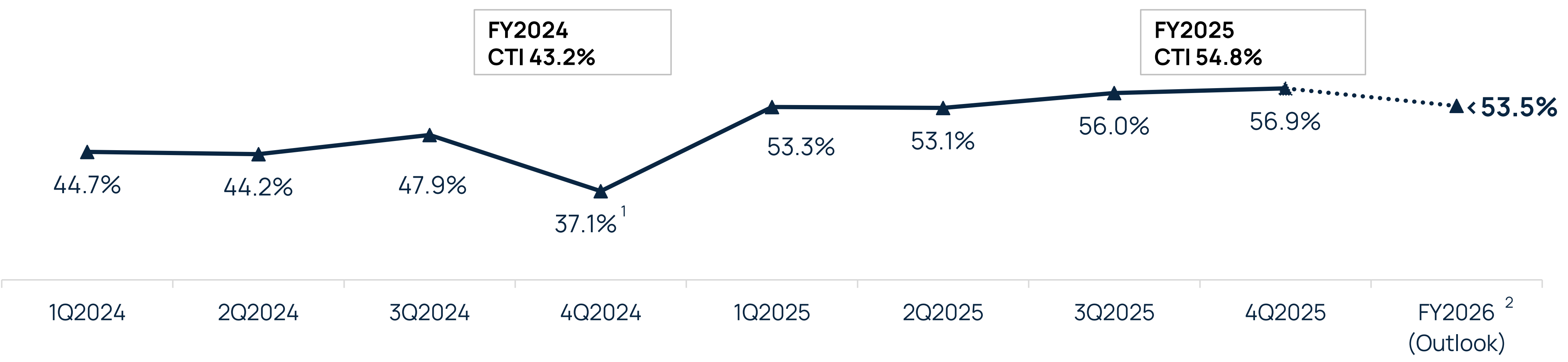
- Further flow on impacts to cost of funds and competitive lending as the OCR eases.
- Focus on maintaining margins across the business and realising improvement opportunities.
- FY2026 avg. NIM outlook of ›**4.20%**.

Note: NIM is calculated as NII/average gross interest earning assets.
See page 4 for a definition of underlying financial metrics.

Underlying OPEX



Underlying CTI ratio



FY2025

Total FY2025 underlying OPEX of $128.1m, largely made up of:

- $64.1m personnel expenses, based on 482 FTEs (avg FTEs of 464), primarily comprising remuneration ($55.5m)
- $14.6m IT costs comprising software licence fees (including core banking system), software & IT support costs, IT security, maintenance and communication
- $11.2m amortisation of intangible assets including $6.3m related to the core banking system upgrade completed in late 2023
- $12.3m other operating expenses
- $6.1m of legal and professional fees including compensation of auditor – these costs have been elevated but are expected to decline.

FY2026 outlook

- The underlying OPEX outlook for FY2026 is expected to be largely flat on FY2025, at **‹$129.1m**.
- Increased investment in marketing and IT security will be offset by the elimination of non-recurring expenses, lower operational costs and reduced amortisation of completed projects.

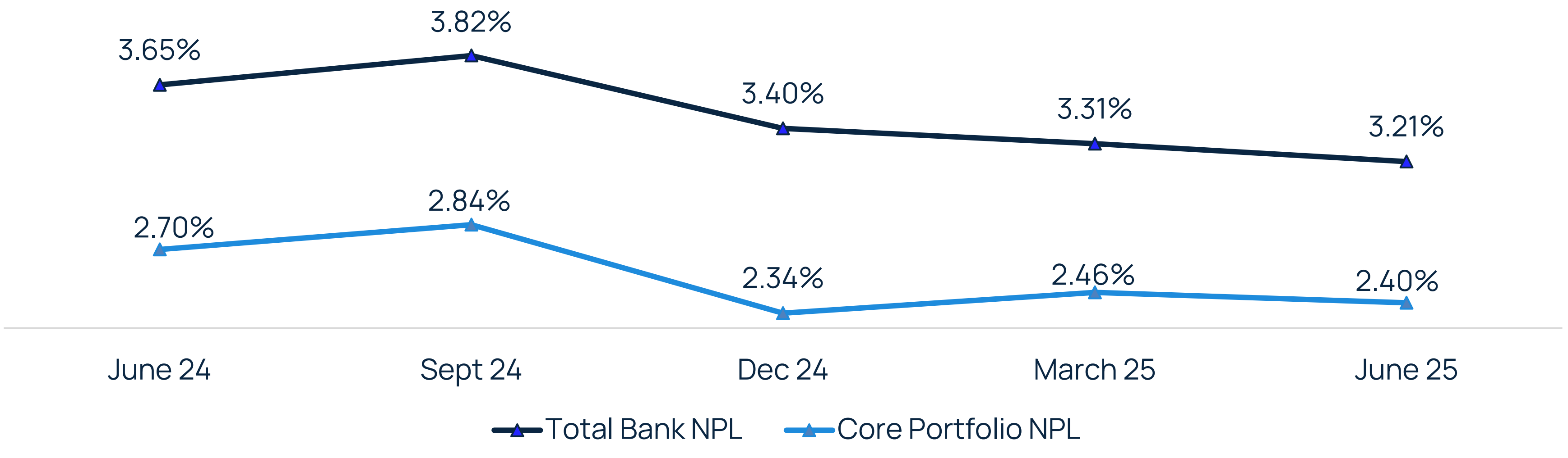
Note: CTI ratio is calculated as OPEX/NOI. Underlying CTI ratio excludes one-off impacts . See page 4 for definition of underlying financial metrics. Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation.

[1] The decrease in CTI ratio is largely driven by the release of discretionary bonus accrual in June 2024 . Adjusting for this release and other one offs, the 4Q2024 CTI ratio would be 45.3%.

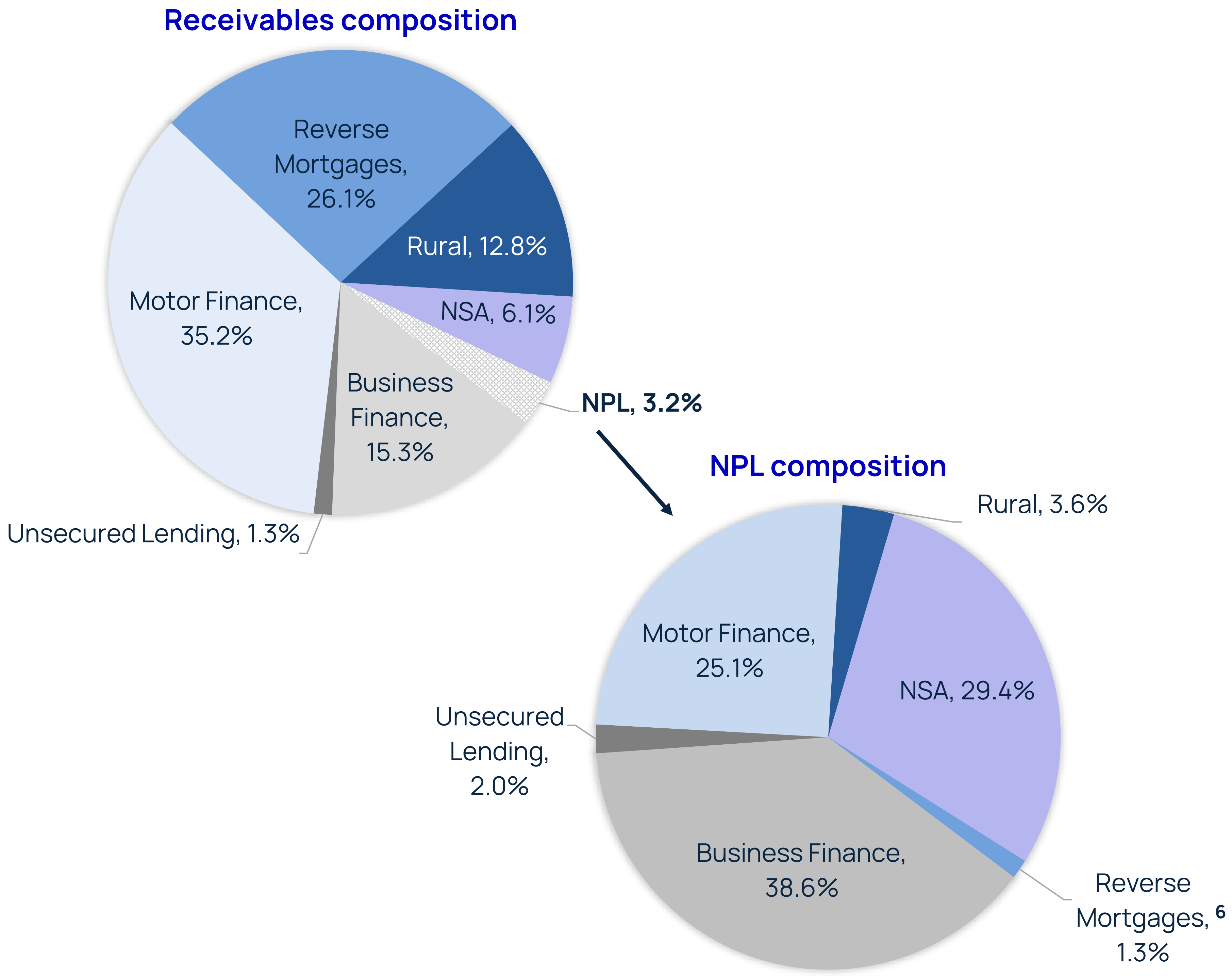
[2] Excluding intercompany group charges .

Asset quality

NPL ratios



Portfolio composition



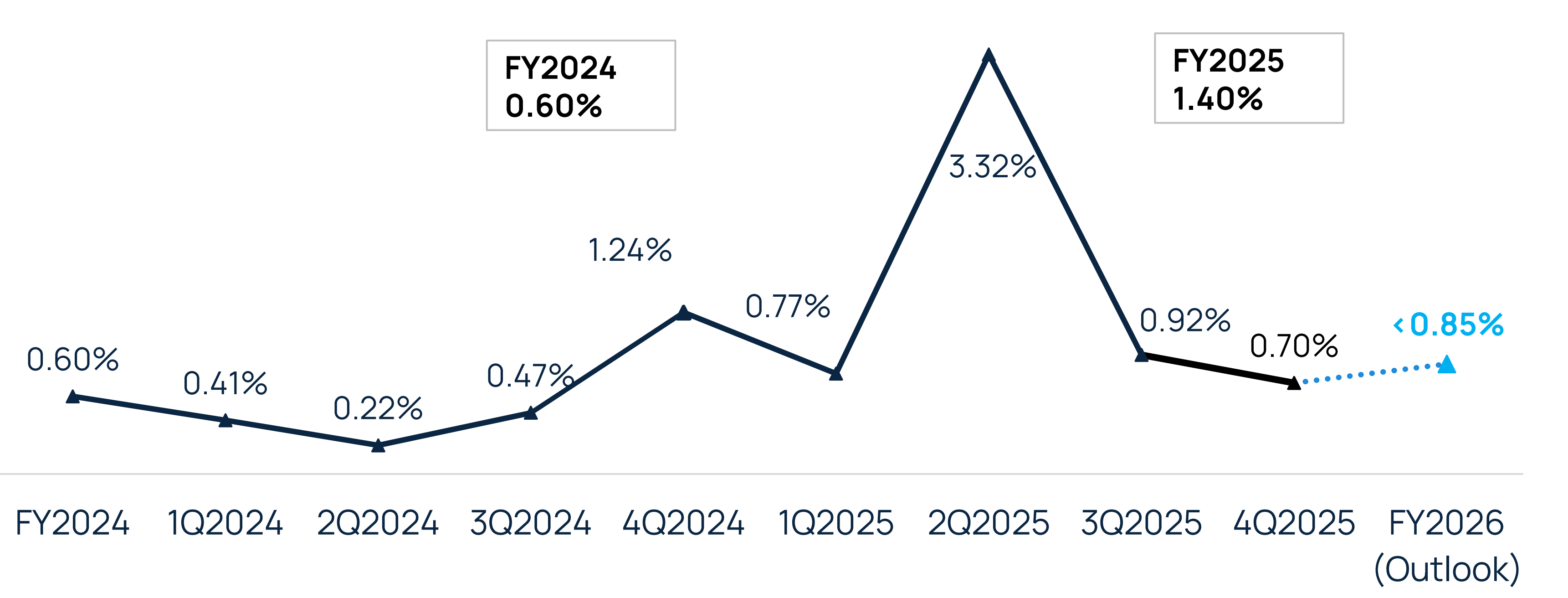
Heartland Bank's overall asset quality improved over FY2025 and the impairment expense ratio met the 2H2025 Outlook.

- Excluding NSAs and Unsecured Lending[1], Heartland Bank's NPL ratio strengthened by 30 bps from 2.70% as at 30 June 2024 to 2.40%.
- Changes made to collections, recoveries and write-off strategies have had a positive effect on Motor Finance. As at 30 June 2025, Heartland Bank's total Motor Finance arrears (as per Centrix's measure of arrears ≥14 DPD) are now performing better than the industry average.[2]
- Reverse Mortgage asset quality remains strong.
- Rural[3] asset quality also improved as trading conditions strengthened.
- Trading conditions remain challenging[4] in the main industries Heartland Bank lends to for Business Finance[5]. This has affected asset quality. However, early-stage arrears are improving due to changes made to the strategy and timing of intervention measures.

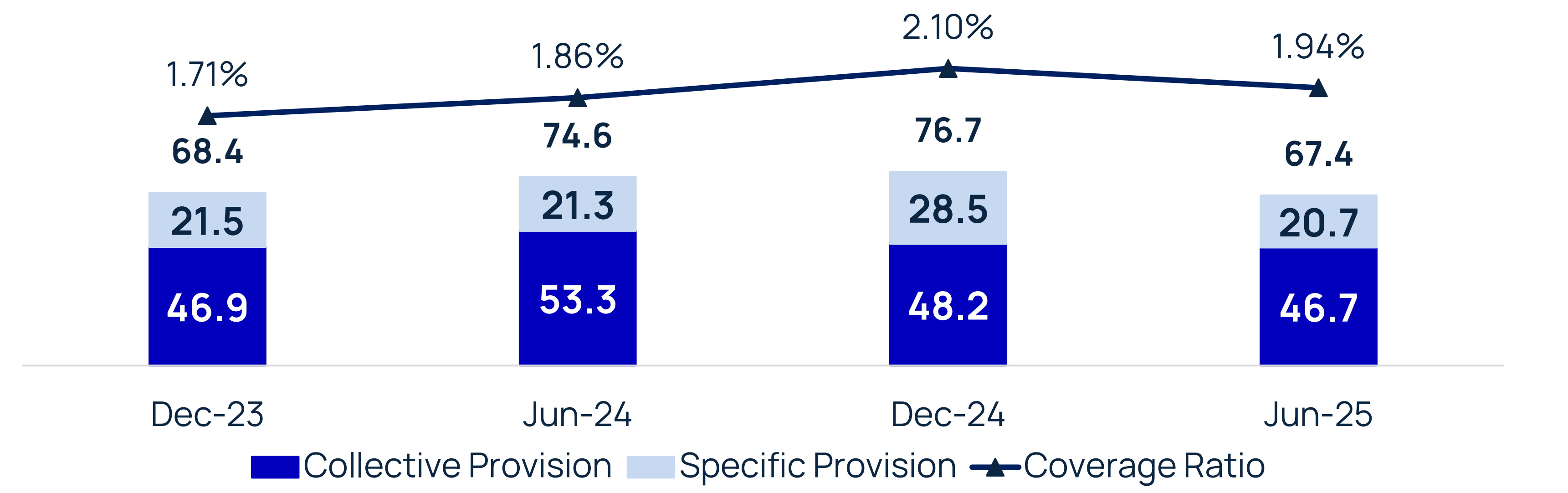
[1] Unsecured Lending includes Open for Business and Personal Lending portfolios which are winding down.
[2] Using the calculation used by Centrix, and compared with the auto industry average as at 30 June 2025, reported by Centrix in its Credit Insights Report, July 2025.
[3] Rural includes Heartland Bank's Livestock Finance, Rural Direct and Rural Relationship portfolios.
[4] As reported by Centrix in its Credit Insights Report, July 2025, the main industries that continue to be affected by company liquidations and business defaults are construction, property, hospitality and transport.
[5] Business Finance includes Asset Finance and Business Relationship lending.
[6] Reverse Mortgage NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2025, this included 11 loans with a total NPL value of $2.0m and a weighted average LVR of 29.4%.

Impairment expense

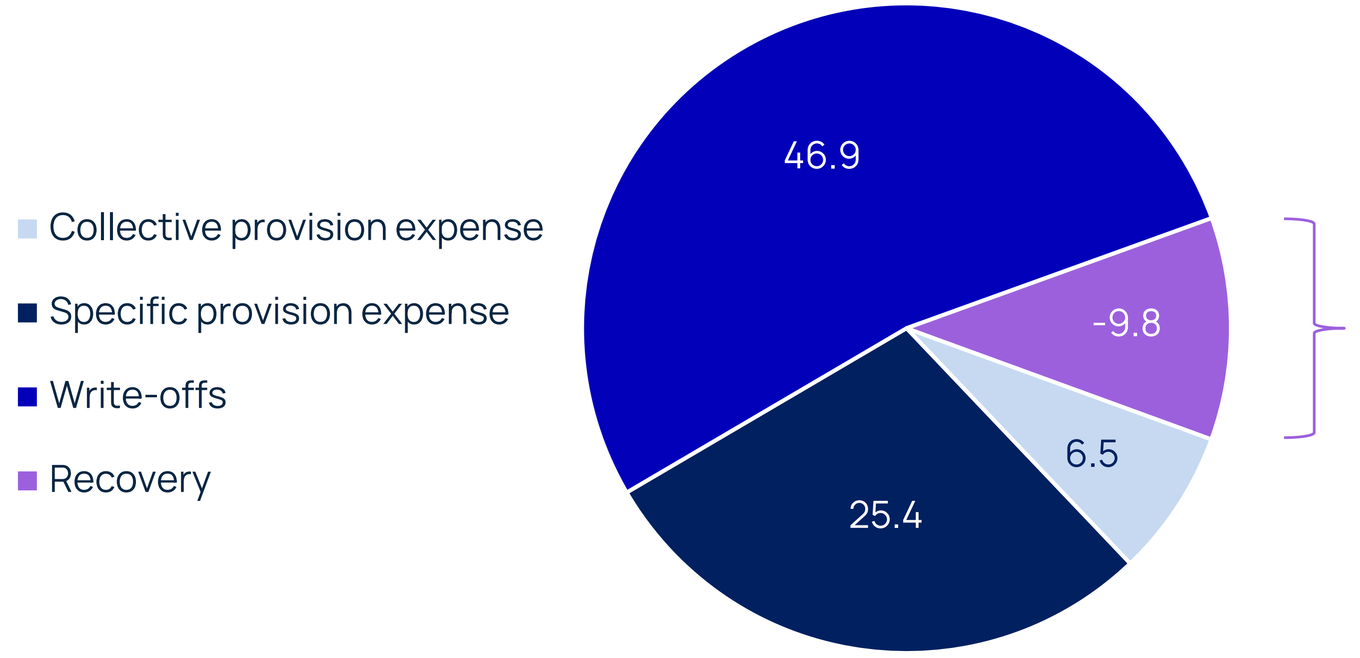
Underlying Impairment expense ratio



Total provisions and coverage



FY2025 impairment expense ($m)



The recovery rate on loans written off in FY2025 exceeded Heartland's initial expectations.

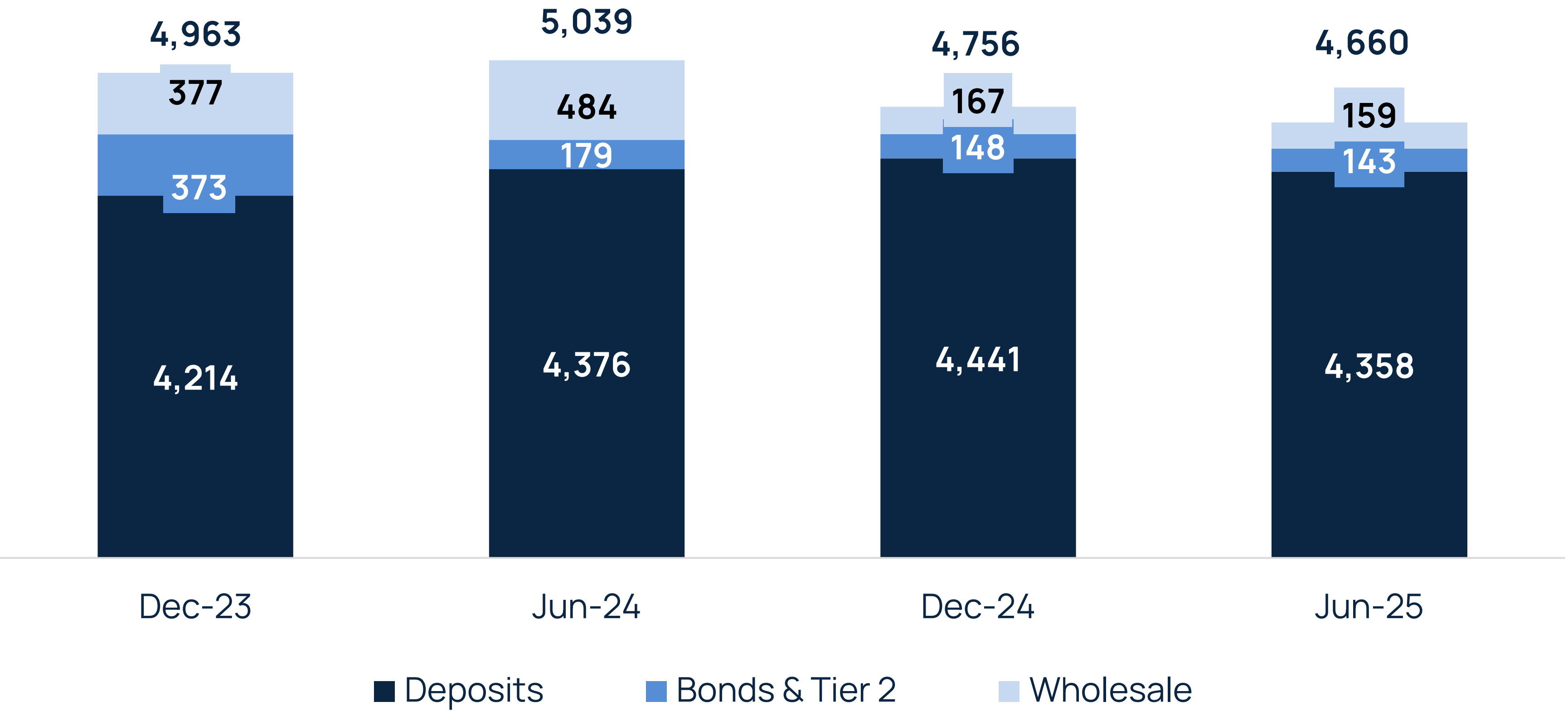
- As at 30 June 2025, $4.2m had been recovered.
- Heartland Bank anticipates $2.7m of additional recoveries from loans written off in FY2025.
- Due to Heartland Bank's enhanced recovery management strategy, a further $2.9m is estimated to be recovered from accounts transferred to debt collection agencies in 2H2025.

Funding & liquidity

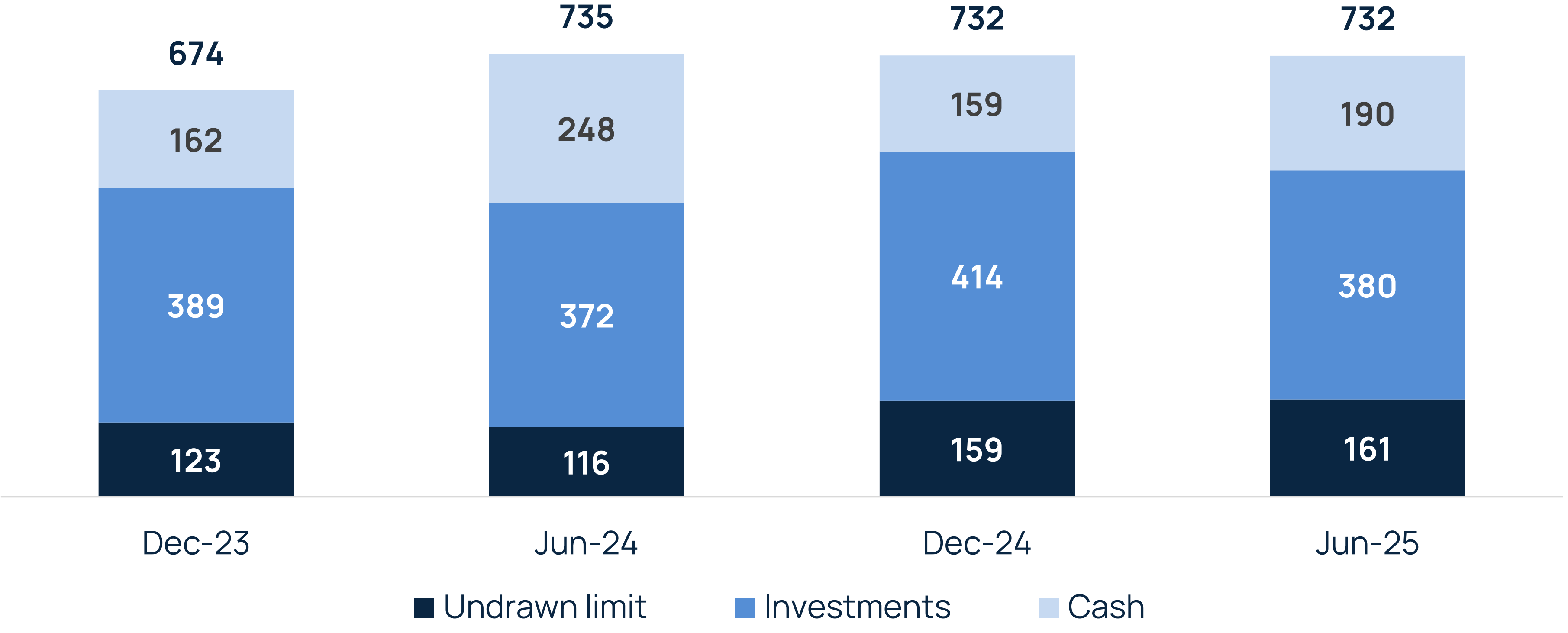
- Deposit retention remained high, positioning the bank well for the commencement of the Depositor Compensation Scheme on 1 July 2025. Introduction of the scheme is not expected to have a financial impact on Heartland Bank.
- Excess funds as a result of Receivables contraction have been used to repay wholesale funding, and the securitisation facility limit has been reduced.

	30-Jun-25		
	1-Week MMR[1]	1-Month MMR[1]	Core funding
New Zealand Banking Group	10.1%	10.1%	92.2%
RBNZ minimum	0.0%	0.0%	75.0%

Funding composition $m



Liquidity composition $m

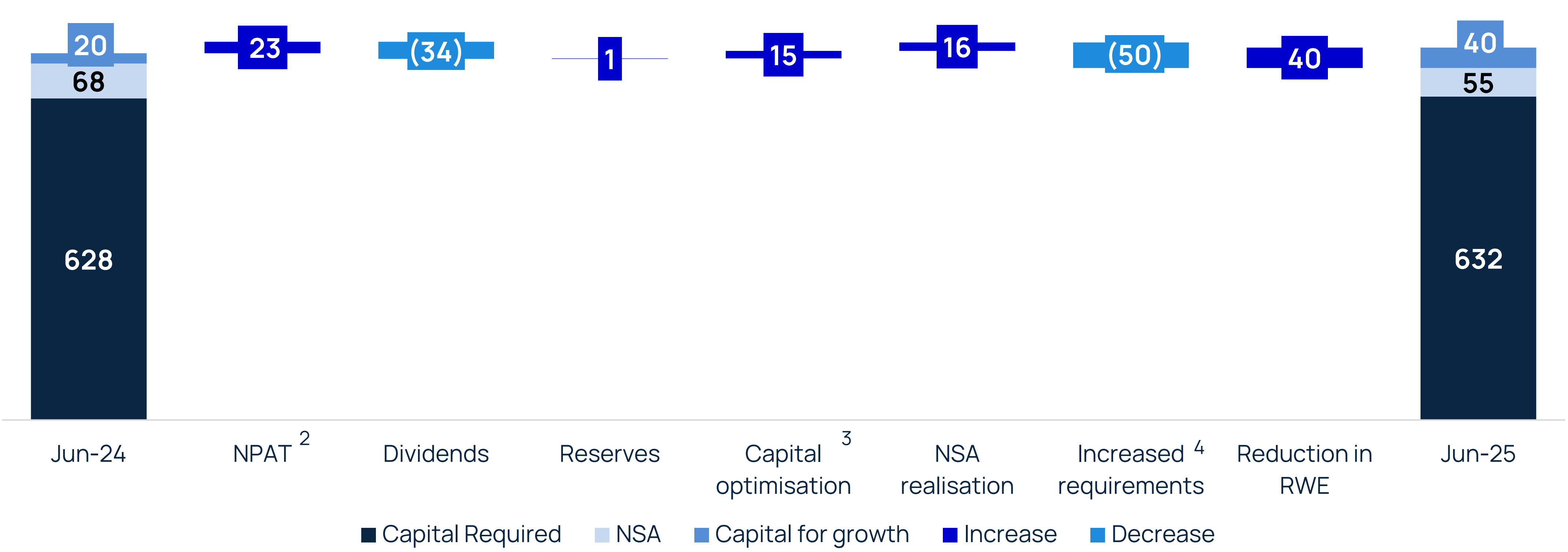


Note:
- Regulatory ratios are calculated on the last working day of the reported period and according to the RBNZ's liquidity policy, BS13.
- The NZBG consists of the NZ bank and its NZ subsidiaries, excluding Marac Insurance. The Banking Group includes all of the NZ bank's subsidiaries, including the AU bank and Marac Insurance.
- The NZ bank had transitional arrangements from the acquisition of (now) Heartland Bank Australia until 31 October 2024, which restricted the bank's liquidity requirements to the NZ Banking Group until that date.

[1] MMR = mismatch ratio, which is a short-term liquidity metric, as per the RBNZ's liquidity policy in BS13.

Capital

New Zealand Banking Group[1] – Total Capital movement $m



New Zealand Banking Group - Capital ratio and RBNZ requirements

Heartland Bank's capital remains well above regulatory minimums and is well positioned for future growth.

- Throughout FY2025, a focus on capital optimisation led to the release of $9.8m in capital through several key initiatives, including:
  - $5.5m in capital released through completion of the run-off of Marac Insurance and the cancellation of its license
  - $2m was released by reducing Heartland Bank's stake in Harmoney Corp Limited to below 10%.
- A further $4m is expected to be released in 1H2026.
- NSA realisation has released $16m of total regulatory capital.
- Increased RBNZ Tier 1 capital requirements consumed $50m of Tier 1 capital.

Note:
- RBNZ imposed a transitional capital overlay on Heartland Bank after the acquisition of (now) Heartland Bank Australia.
- Heartland Bank's regulatory capital ratio increased to 16.46% as of 30 June 2025 (30 June 2024: 15.39%), due to capital released from NSAs alongside a single wholesale lending customer during 1H2025. The total capital ratio for the NZBG increased to 15.88% from 14.40% during the same period.

[1] The New Zealand Banking Group (NZBG) consists of the NZ bank and its NZ subsidiaries, excluding Marac Insurance. The Banking Group includes all of the NZ bank's subsidiaries, including the AU bank and Marac Insurance.

[2] Current reported NPAT for the NZBG.

[3] During the financial year Marac Insurance completed its run off and cancelled its licence, releasing capital to the NZBG. Additionally, amortisation of intangible assets reduced the capital deduction.

[4] On 1 July 2025, the Tier 1 capital requirements increased from 11.5% to 12.5% due to the RBNZ's 2019 Capital Review for non D-SIB banks.

NZ lending performance: Reverse Mortgages

$1,233m

Receivables as at 30 Jun 2025
+$165m, 15.5% since Jun 2024

$58.3m

NOI as at 30 Jun 2025
+18.5% vs FY2024

- In FY2025, Heartland Bank introduced electronic property valuations for the majority of applicants, resulting in a reduction in average settlement times by approximately five days.
- By the end of FY2025, 50% of cash reserve drawdown requests were processed online, marking a significant shift from prior reliance on phone and email communications.
- Leveraging its market leadership in NZ, Heartland Bank launched the pilot of a new product, Village Access Loans, in March 2025 to help older New Zealanders overcome financial barriers to moving into retirement villages. The product received strong early interest and is now a permanent offering.

Outlook

- **FY2026 growth**: >18%

Asset quality[1]

- **NPL[2] ratio:** 0.17% ($2.0m)
- **Average current loan size:** $154k
- **Weighted average current LVR:** 25.3%[3]

[1] Reverse Mortgages are measured at fair value.
[2] Reverse Mortgage NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2025, this included 11 loans with a total value of $2.0m and a weighted average LVR of 29.4%.
[3] Using indexed valuation.

NZ lending performance: Rural[1]

$609m

Receivables as at 30 Jun 2025
+$29m, +4.9% since Jun 2024

Includes **$374m Rural Lending**[2] and **$235m Livestock Finance**

$34.7m

NOI as at 30 Jun 2025
+2.6% vs FY2024

Includes **$25.8m Rural Lending**[2] and **$8.9m Livestock Finance**

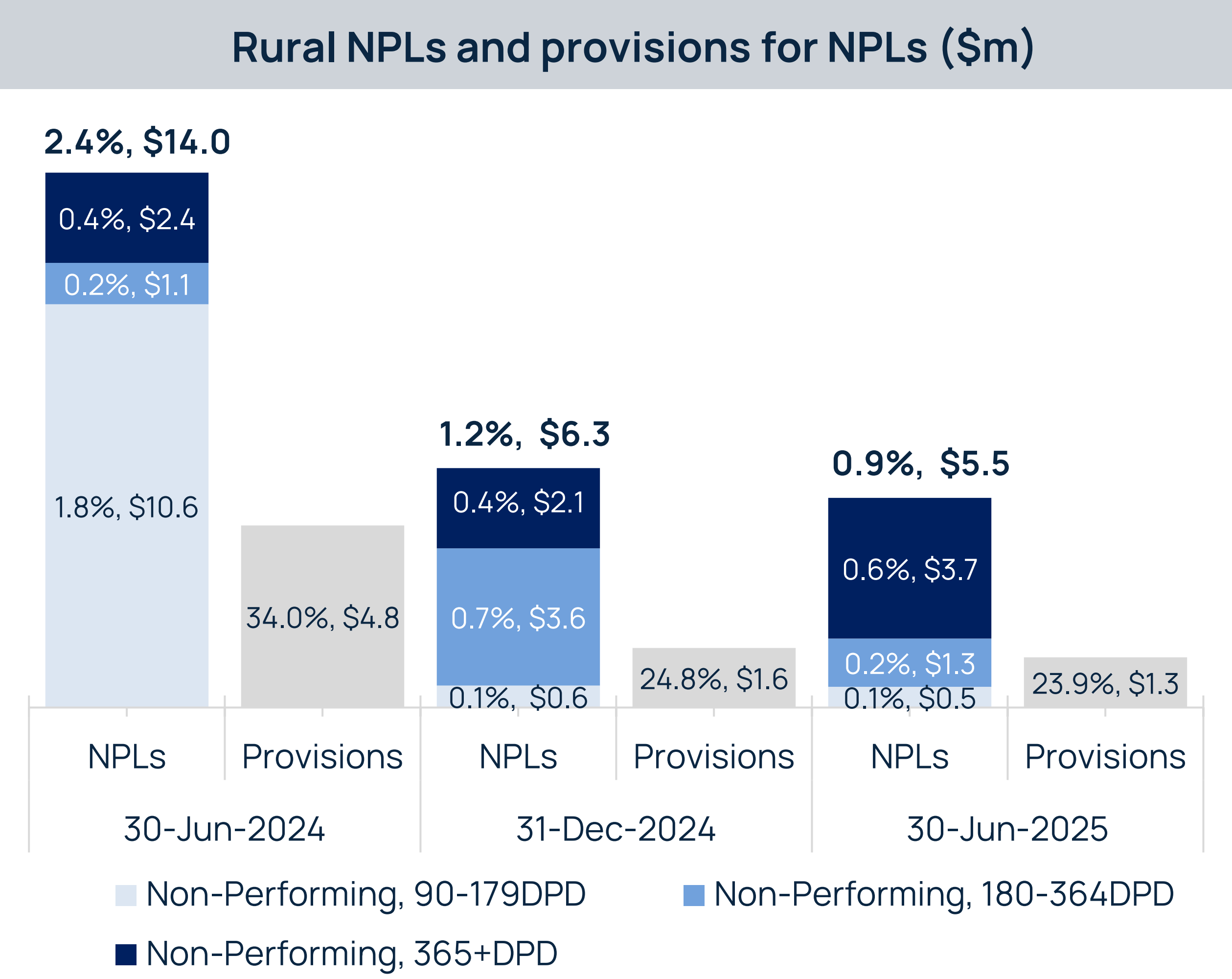
- Growth in FY2025 was driven by improved conditions in the Livestock Finance portfolio and expanded intermediary partnerships.
- Rural asset quality improved as rural trading conditions strengthened, largely off the back of stronger international commodity prices.

Outlook

- **FY2026 growth**: >6%

Asset quality

- **Early-day arrears (5 – 89DPD)**: Reduced from $10m (1.7%) to $5m (0.8%)



[1] Rural includes Rural Relationship, Rural Direct and Livestock Finance. Excludes NSAs.
[2] Rural Lending includes Rural Relationship and Rural Direct.

NZ lending performance: Motor Finance[1]

$1,694m

Receivables as at 30 Jun 2025
-$77m, -4.3% since Jun 2024

Includes **$1,565m Motor Lending**[2] and **$130m Wholesale Lending**

$75.2m

NOI as at 30 Jun 2025
+8.6% vs FY2024

Includes **$71.9m Motor Lending**[2] and **$3.3m Wholesale Lending**

- The Motor Finance focus has shifted from lending originated through brokers to lending through higher quality direct-to-consumer channels, franchise dealers and branded distribution partners.
- New credit decisioning scorecards with enhanced criteria launched in 2H2025 to improve lending quality.
- Motor Finance arrears are now performing better than the industry average – see page 43.[3]
- The introduction of a new dealer platform is expected to make applications easier to complete and to increase conversion rates.
- Marac Marketplace launched, providing an end-to-end digital platform to meet evolving consumer vehicle purchasing preferences.

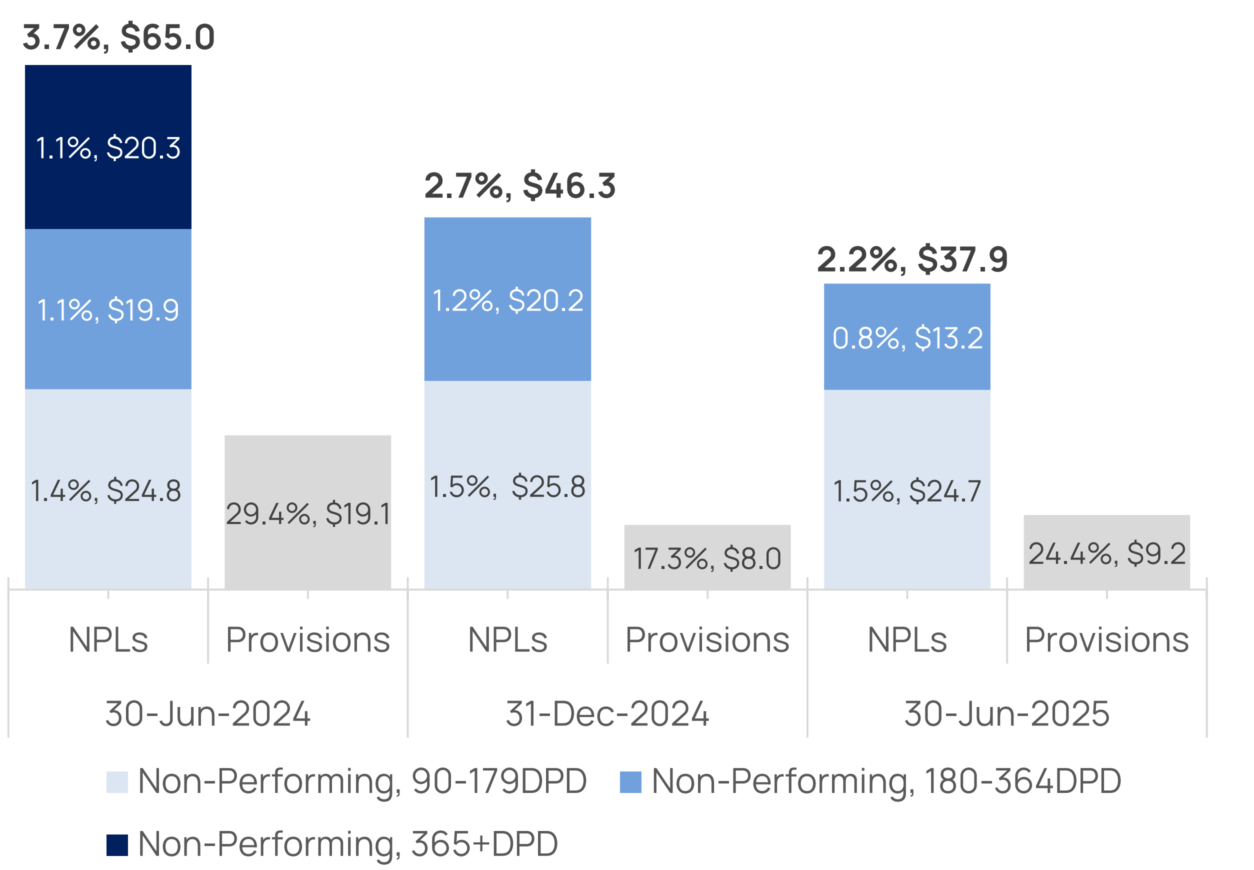
Outlook

- **FY2026 growth**: >3.0%

Asset quality

- **Early-day arrears (5 – 89DPD)**: Reduced from $85m (4.8%) to $76m (4.5%)

Motor Finance NPLs and provisions for NPLs ($m)



[1] Motor Finance includes Motor Wholesale lending.
[2] Motor Lending includes Intermediary and Direct distribution channels.
[3] Using the calculation used by Centrix, and compared with the auto industry average as at 30 June 2025, reported by Centrix in its Credit Insights Report, July 2025.

NZ lending performance: Business Finance[1]

$779m

Receivables as at 30 Jun 2025
-$258m[2], **-24.9%**[2] since Jun 2024

Includes **$166m Business Lending** and **$613m Asset Finance**

$46.3m

NOI as at 30 Jun 2025
-11.5% vs FY2024

Includes **$15.2m Business Lending** and **$31.1m Asset Finance**

- Heightened competition together with subdued demand in particular industry sectors saw Heartland Bank prioritise support for existing customers while retaining pricing discipline and a tight risk appetite.
- Ongoing trading condition challenges for the construction, property, hospitality and transport industries have contributed to impairment and provision increases.[3] However, early-stage arrears have improved due to changes made to the strategy and timing of intervention measures.
- The portfolio remains appropriately provisioned recognising the secured nature of this lending.
- As conditions improve and Government support for NZ's productive economy increases, Heartland Bank expects this to bolster both volume and viability of investments within the sectors Asset Finance targets, and is building a sustainable lending pipeline for FY2026.

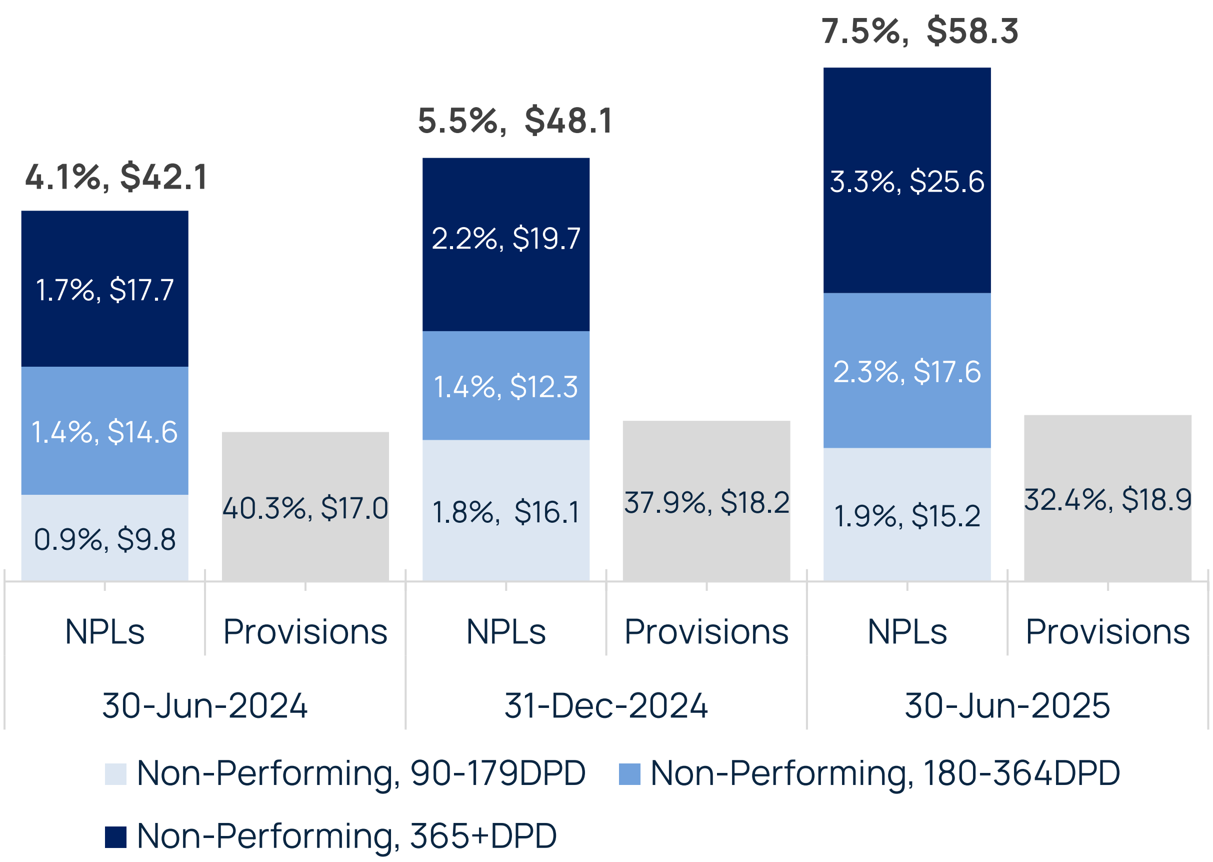
Outlook

- **FY2026 growth**: <-9%

Asset quality

- **Early-day arrears (5 - 89DPD)**: Reduced from $50m (4.8%) to $43m (5.5%)

Business Finance NPLs and provisions for NPLs ($m)



[1] Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.
[2] Includes early repayment of an $80m wholesale funding facility by a client who exited the NZ market.
[3] As reported by Centrix in its Credit Insights Report, July 2025, the main industries that continue to be affected by company liquidations and business defaults are construction, property, hospitality and transport, which constitute a significant portion of Heartland Bank's Business Finance portfolio.

HEARTLAND GROUP

03 Australian banking

Michelle Winzer Chief Executive Officer, Heartland Bank Australia
Kerry Conway Chief Financial Officer, Heartland Bank

AU banking: FY2025 summary

Heartland Bank Australia's vision is to be Australia's leading specialist bank, enriching customers' lives through financial freedom.

Business growth

Continue to focus on expansion within existing segments: Reverse Mortgages, Livestock Finance and Deposit offerings.

- Heartland Bank Australia's transition to a predominantly deposit funded model has been successful, with deposits now making up 81% of the bank's funding. The funding transition has positively affected the bank's cost of funds and NIM.
- On a reported basis, NIM was 3.01%, up 42 bps from FY2024.
- Launched new MySavings on-call savings account in February 2025.
- Strong growth continued in Reverse Mortgages, with momentum continuing in FY2026 as Receivables met the A$2b milestone.
- Livestock Finance saw a return to growth.

Service excellence

Through a commitment to strategy execution and disciplined cost management, deliver service excellence for customers.

- Improvements in Reverse Mortgage broker origination and training contributed to a 74% reduction in application turnaround times.
- Process improvements and removal of duplication for customers has reduced the Reverse Mortgage application time to service from >60 days to <20 days.
- Reorganisation of teams and workflow has delivered significant benefit to customers and partners.
- Bringing together the Reverse Mortgage and Deposit contact centre teams has ensured more fulsome coverage to support customers at the times they need to contact the bank.

Diversify distribution

Expand distribution networks and strengthen partnerships to increase product reach.

- Diversification and strengthening of intermediary distribution partnerships across all core product areas (Reverse Mortgages, Livestock Finance and Deposits) to reduce single channel reliance.
- 300 new accredited Reverse Mortgage brokers and a new aggregator joined Heartland Bank Australia's already large broker network.

Financial results

		Reported					Underlying				
		FY25	FY24	Movement			FY25	FY24	Movement		
Financial performance	NII	$86.5m	$61.8m	↑	$24.7m	40.0%	$86.5m	$61.9m	↑	$24.6m	39.7%
	OOI[1]	$2.7m	$2.1m	↑	$0.5m	24.3%	$2.7m	$2.7m	↓	($0.0m)	(1.7%)
	NOI	**$89.1m**	**$63.9m**	↑	**$25.2m**	**39.5%**	**$89.1m**	**$64.6m**	↑	**$24.5m**	**38.0%**
	OPEX	$47.7m	$38.2m	↑	$9.4m	24.6%	$46.4m	$31.1m	↑	$15.3m	49.0%
	Impairment expense	$2.7m	$0.6m	↑	$2.0m	332.5%	$2.7m	$0.6m	↑	$2.0m	332.5%
	Tax expense	$11.6m	$7.3m	↑	$4.3m	59.1%	$12.0m	$9.5m	↑	$2.5m	25.9%
	NPAT[2]	**$27.2m**	**$17.7m**	↑	**$9.4m**	**53.2%**	**$28.1m**	**$23.3m***	↑	**$4.8m**	**20.4%**
	NIM	3.01%	2.58%	↑	42 bps		3.01%	3.17%	↓	(16 bps)	
	CTI ratio	53.5%	59.8%	↓	(636 bps)		52.0%	48.2%	↑	385 bps	
	Impairment expense ratio[3]	0.13%	0.03%	↑	9 bps		0.13%	0.03%	↑	9 bps	
	ROE	6.6%	6.9%	↓	(31 bps)		6.8%	12.5%[5]	↓	(565 bps)	

		Jun 25	Jun 24	Movement		
Financial position	Liquid assets	$517m	$993m	↓	($476m)	(47.9%)
	Receivables[4]	$2,265m	$1,975m	↑	$290m	14.7%
	Borrowings	$2,499m	$2,715m	↓	($216m)	(7.9%)
	Equity	$424m	$398m	↑	$26m	6.5%
	Equity/total assets	14.4%	12.7%	↑	169 bps	

Heartland Bank Australia is a substantially different business following ADI acquisition completion on 30 April 2024. As such, comparing FY2025 with FY2024 is not a like-for-like comparison.

*To provide a clearer view of historical performance, impacts from the ADI acquisition on performance in May 2024 and June 2024 have been excluded to form the underlying result for FY2024.

Note: All figures are in AUD$m. See page 4 for definition of underlying financial metrics. Refer to page 7 for details about FY2025 one-offs and page 49 for details about FY2024 one-offs.

1 Reported OOI includes fair value gains/losses on investments.

2 Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation..

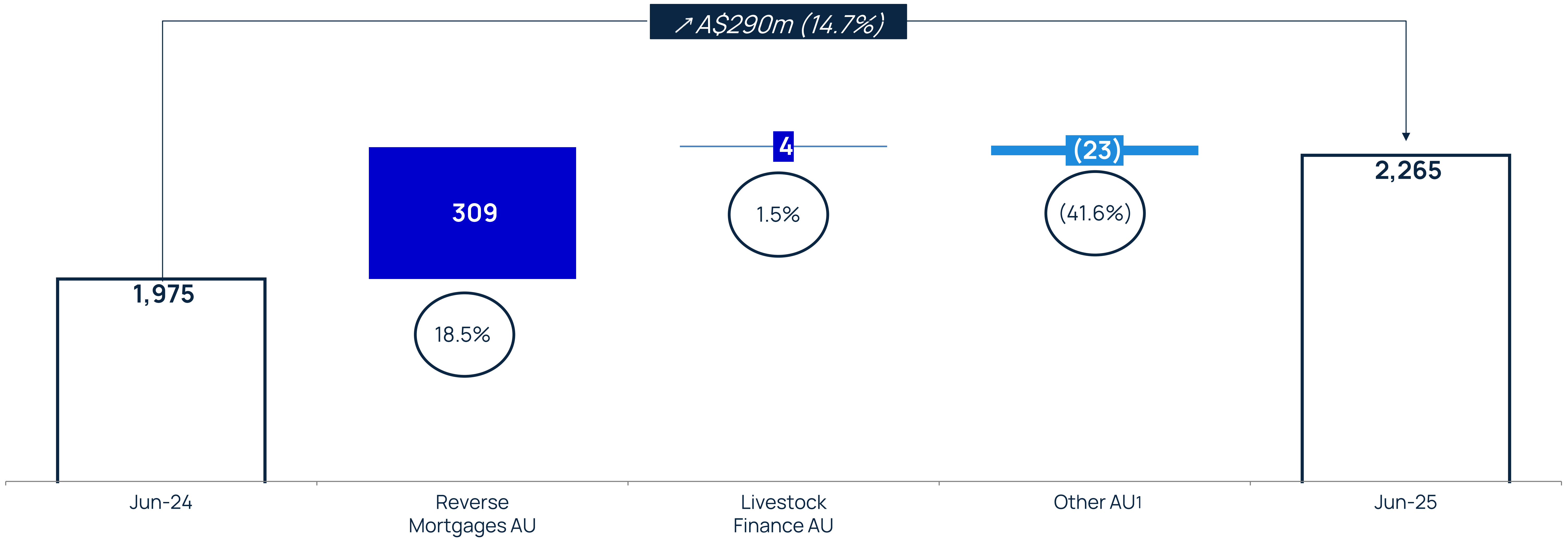
3 Impairment expense as a percentage of average Receivables.

4 Receivables also includes Reverse Mortgages.

5 Underlying ROE for FY2024 excludes the impact of the ADI acquisition.

Receivables

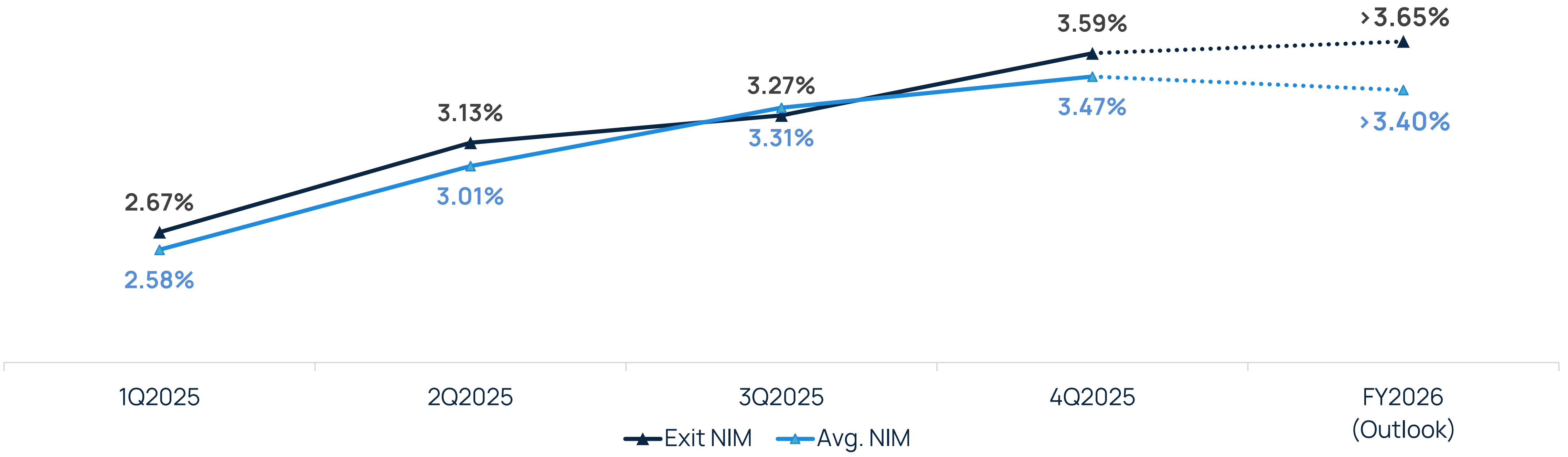
Strong growth continued in Reverse Mortgages as Heartland Bank Australia maintained its market leading position. Livestock Finance saw a return to growth as confidence returns to the market, despite some impacts from drought in Victoria and South Australia.

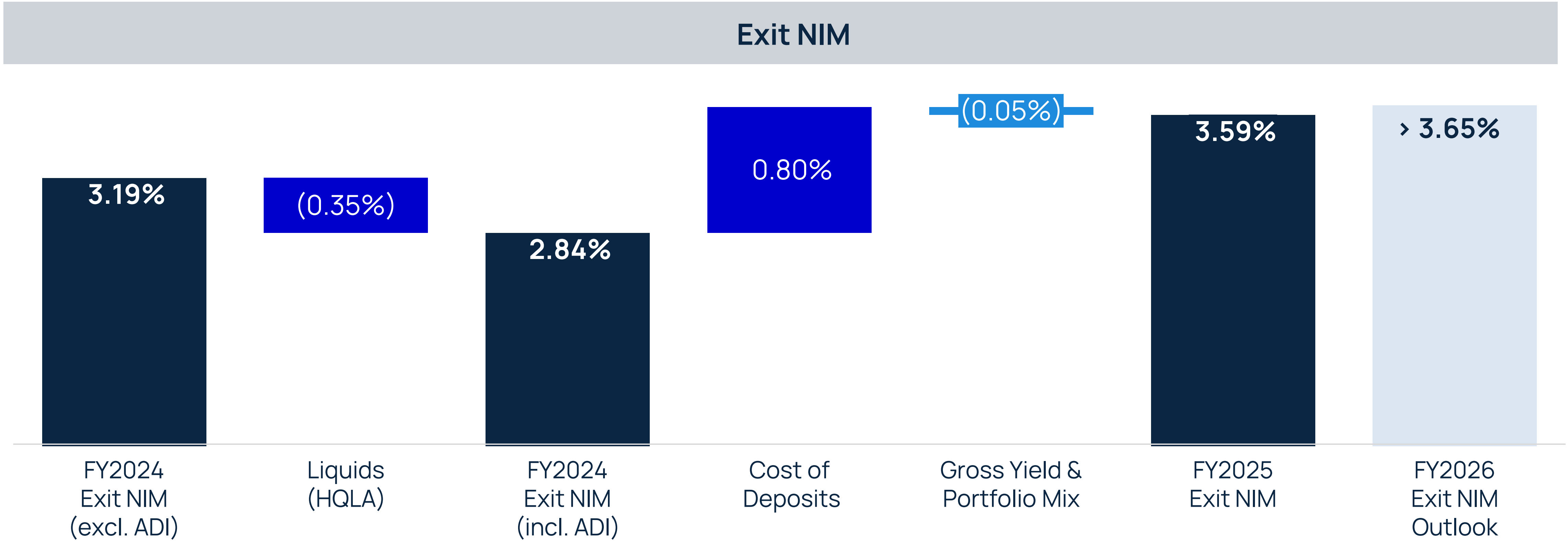


	Jun-24	Reverse Mortgages AU	Livestock Finance AU	Other AU[1]	Jun-25
Receivables (AUD $m)	**1,975**	1,980	254	31	**2,265**

Note: All figures in AUD$m.
[1] Other AU includes Home Loans and Consumer & Other loan portfolios acquired through the ADI which are in run down.

Underlying NIM





Exit NIM up 75bps YoY

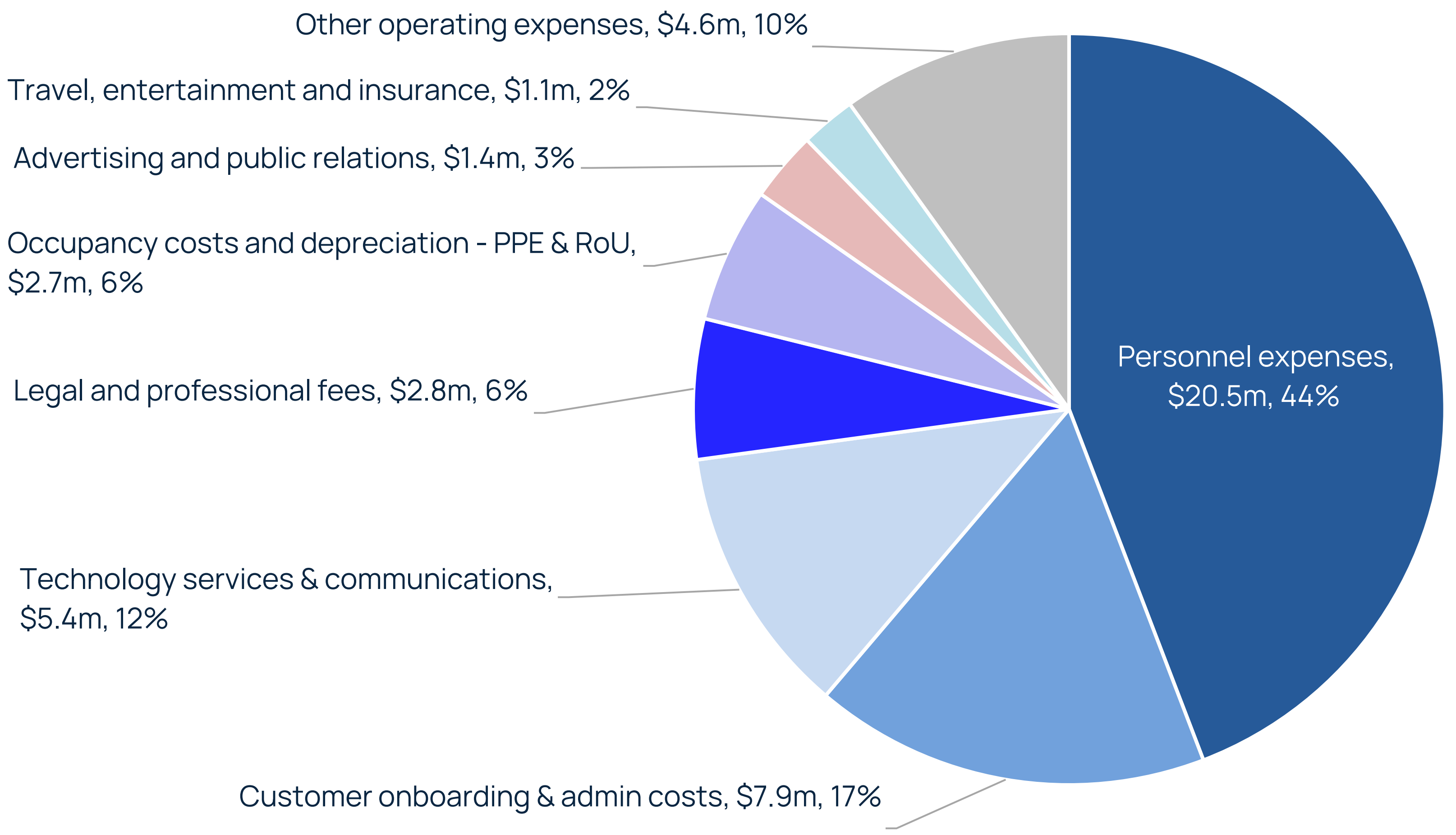
- **Cost of deposits**: lower cost of funds through funding mix transition which completed successfully, moving from 100% reliance on wholesale funding to deposits making up 81% of funding as at 30 June 2025.

FY2026 outlook

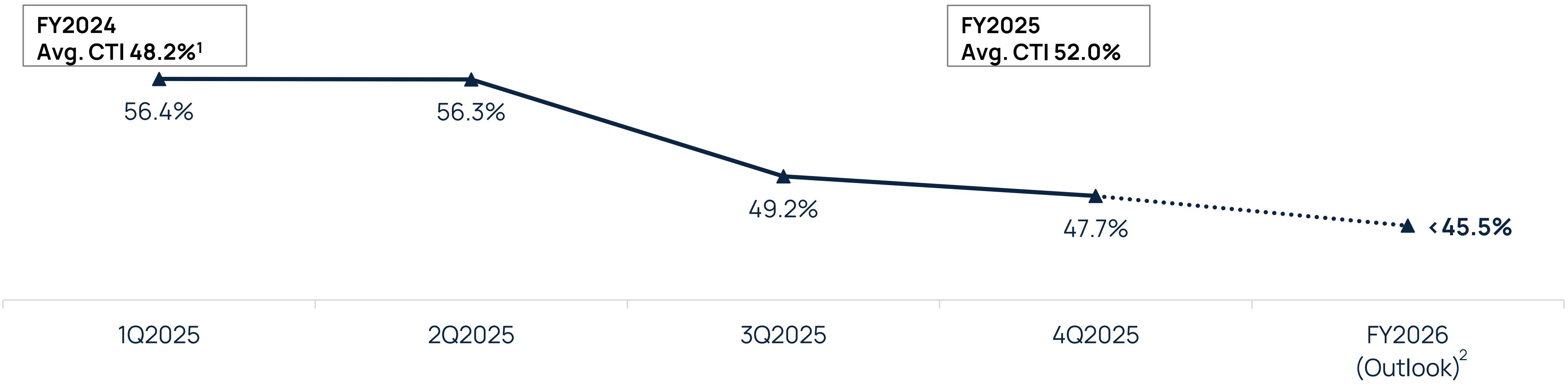
- RBA cash rate easing with flow on impacts to competitive lending.
- Further cost of deposits opportunity with wholesale to deposit funding to lift deposit funded ratio › 85%.
- Identifying higher yielding investment securities.
- FY2026 avg. NIM outlook of ›**3.40%**.

Note: NIM is calculated as NII/average gross interest earning assets in $AUD. See page 4 for a definition of underlying financial metrics.

Underlying OPEX



Underlying CTI ratio



FY2025

Total FY2025 underlying OPEX of A$46.4m, largely made up of:

- A$20.5m personnel expenses, based on 117 FTEs (avg FTEs of 95) including the acquired ADI cost base, and primarily comprising remuneration (A$19.0m)
- A$7.9m of customer onboarding and admin costs including lending origination costs in line with AU Reverse Mortgage volume growth
- A$5.4m IT costs including the acquired cost base, the long-term renewal of the current version of the core banking system and to accommodate increased volume from deposits
- A$2.8m of legal and professional fees including compensation of auditor
- A$4.6m other operating expenses.

FY2026 outlook

- Underlying OPEX expected to be **<A$54.6m**.
- Increases will be mainly variable and tied to growth – primarily higher broker commissions and onboarding expenses related to the expansion of Reverse Mortgages, as well as the full-year impact of additional roles filled in FY2025.
- Despite OPEX increases, the underlying CTI ratio is expected to be **<45.5%** due to an uplift in NOI.

Note: All figures in AUD. CTI ratio is calculated as OPEX/NOI. Underlying CTI ratio excludes one-off impacts. See page 4 for definition of underlying financial metrics. Refer to pages 7 and 49 for details about one-offs in the periods covered in this investor presentation.

[1] FY2024 CTI ratio is adjusted for the impacts of the ADI acquisition.

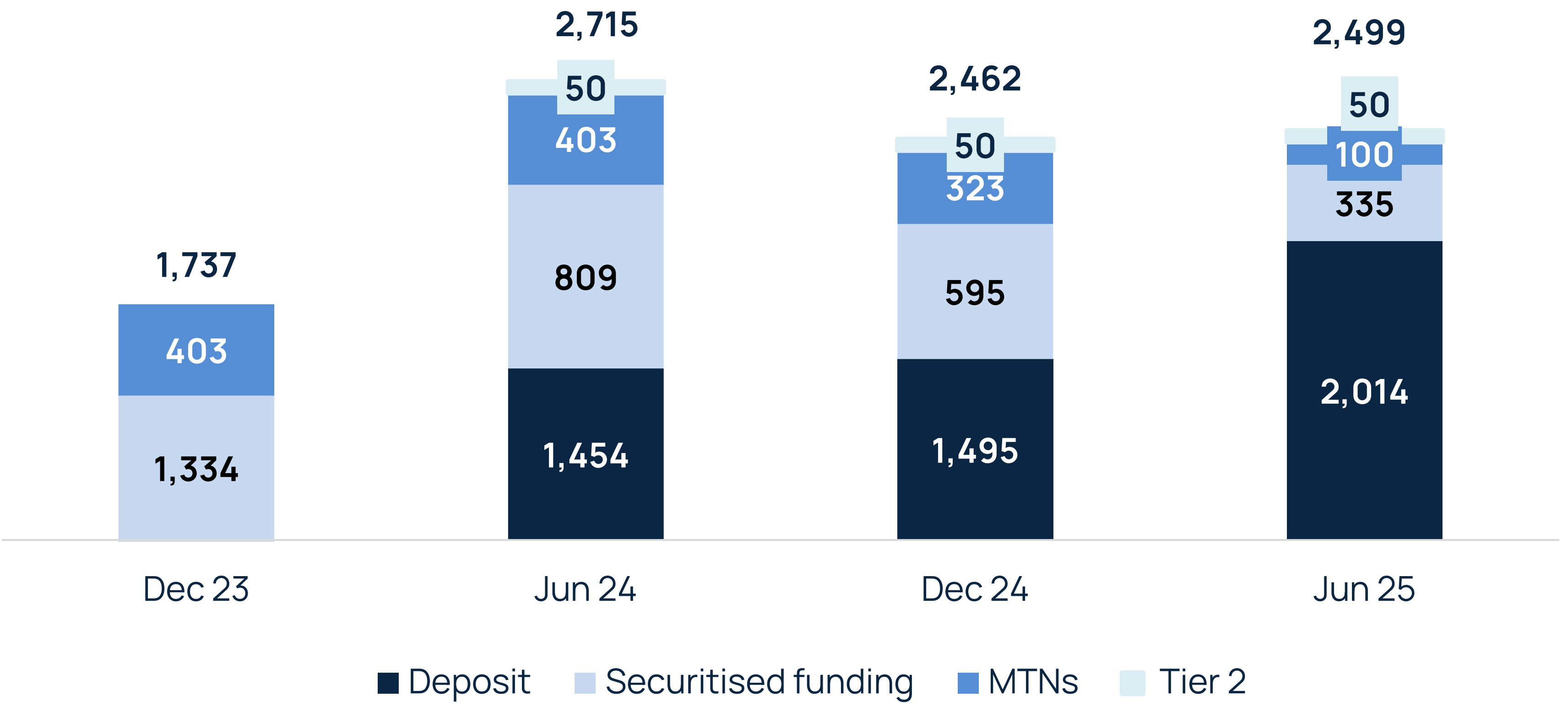
[2] Excluding intercompany group charges .

Funding & liquidity

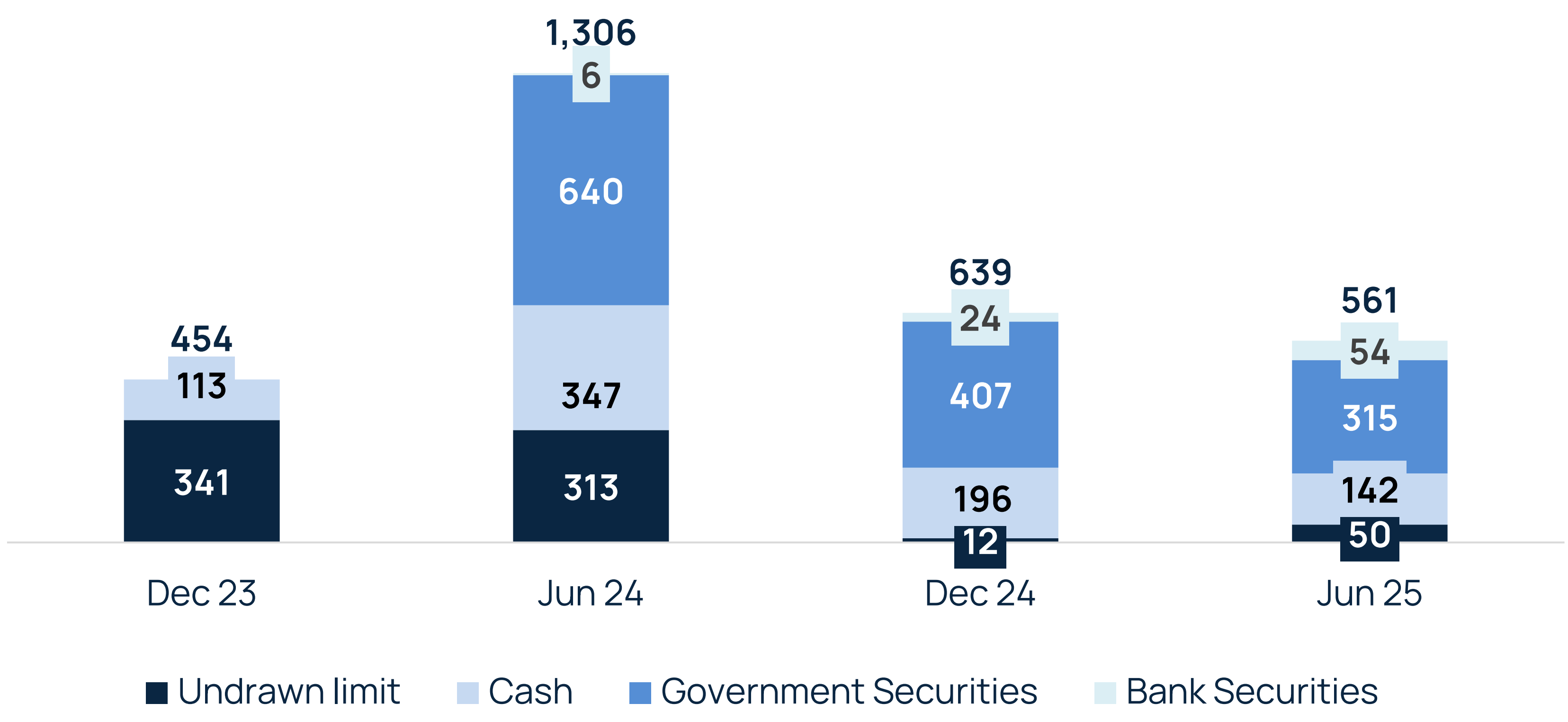
- In FY2025, Heartland Bank Australia used deposit funding to complete the repayment of a A$800m wholesale debt funding facility.
- The transition to a predominantly deposits funding mix, from a reliance on wholesale funding, has been successful. Deposits made up 81% of the bank's funding as at 30 June 2025 (up from 54% as at 30 June 2024). This is expected to increase to 85% by the end of FY2026.

	31-Dec-24 MLH	30-Jun-25 MLH
Heartland Bank Australia	20.6%	19.4%

Funding composition A$m

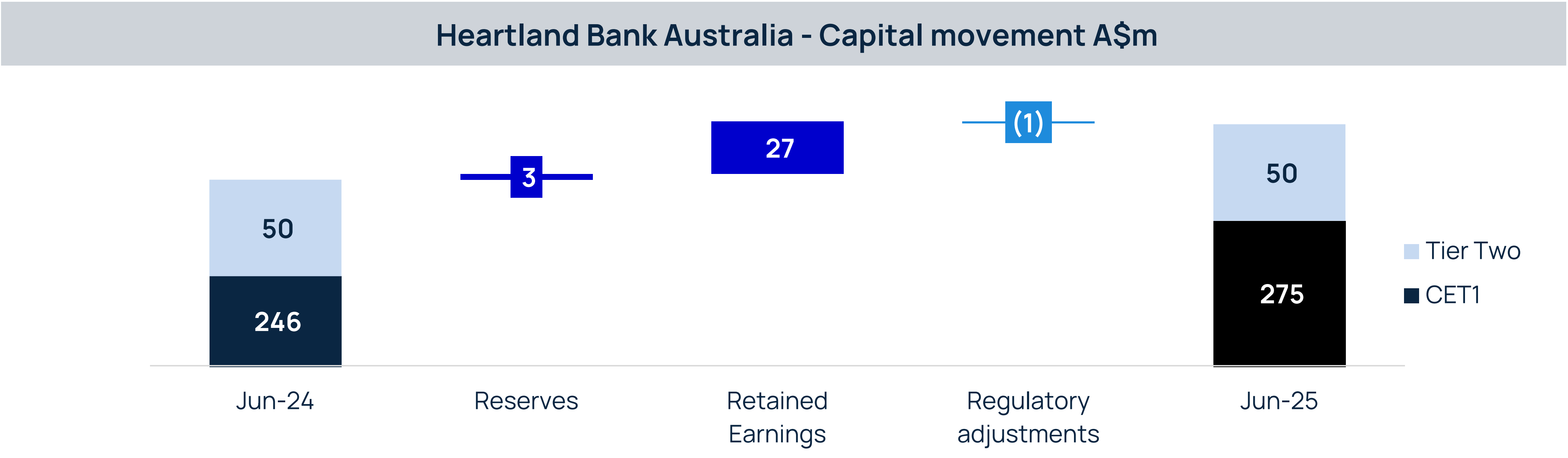


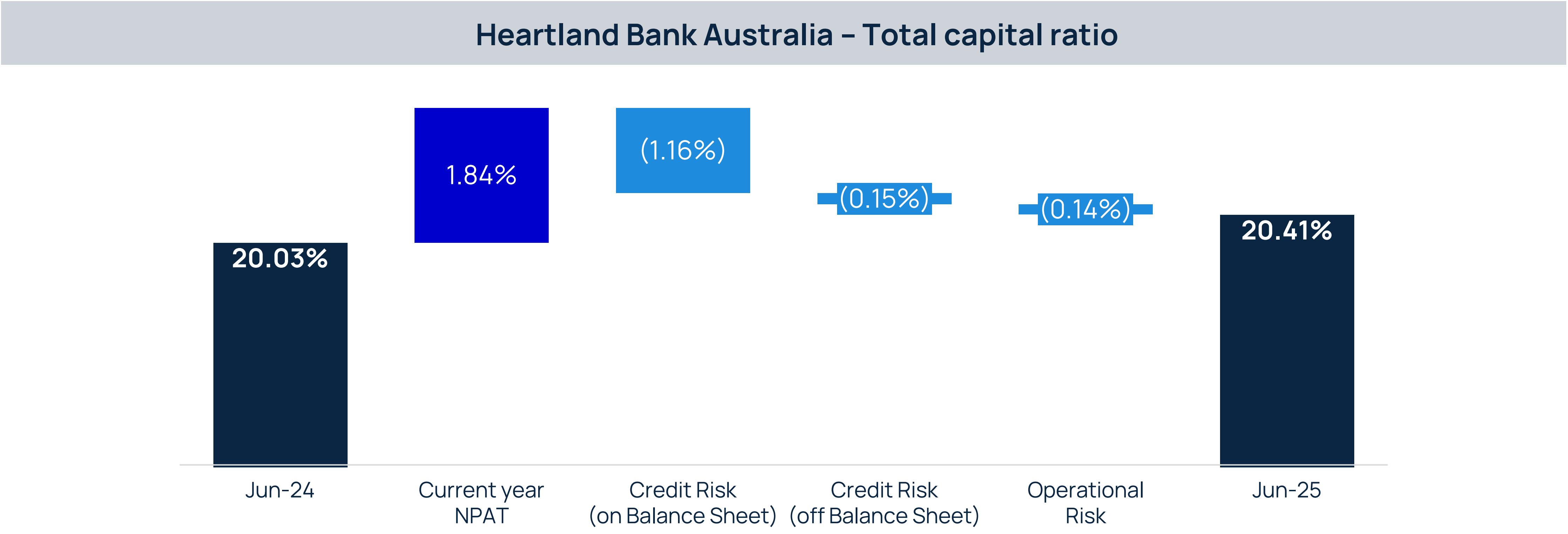
Liquidity composition A$m



Note: Heartland Bank acquired (now) Heartland Bank Australia on 30 April 2024. Prior to that, Heartland's Australian businesses operated as Heartland Australia Group, which did not have an ADI licence or access to deposit funding in Australia.
Liquid assets (securities) are HQLA APRA eligible securities.

Capital





Heartland Bank Australia continues to operate above regulatory capital minimums and is well positioned for future sustainable growth.

- Heartland Bank Australia maintained a strong regulatory capital position, ensuring compliance with prudential requirements and supporting sustainable growth.
- Total capital ratio remained robust at 20.41%, reflecting disciplined capital management, earnings and prudent risk-weighted asset growth, coupled with non-performing loan management. This positioned the bank well to support customers and drive long-term financial stability.
- Profits generated by the AU bank are largely, if not wholly, expected to be retained within the AU bank to provide the capital to fund projected growth.

AU lending performance: Reverse Mortgages

A$1,980m **Receivables** as at 30 Jun 2025
+A$309m, 18.5% since Jun 2024

A$63.8m **NOI** as at 30 Jun 2025

- Achieved the highest quarterly new Reverse Mortgage origination on record in 4Q2025, positioning Heartland Bank Australia well for continued momentum into FY2026.
- Heartland Bank Australia's market share increased to 40%[1] despite heightened competition in the reverse mortgage market. It remains the leading provider of reverse mortgages in Australia, with more than half the flow of lending by active providers.
- Significant expansion of the broker and partner network, with enhanced broker onboarding and training, contributed to a 74% reduction in application turnaround times.
- Receivables eclipsed the A$2b milestone in July 2025.

Outlook

- **FY2026 growth**: >19.0%

Asset quality[2]

- **NPL[3] ratio:** 0.88% (A$17.4m)
- **Average current loan size :** A$208k
- **Weighted average current LVR :** 24.6%[4]

[1] AU Reverse Mortgage market share estimate based on APRA ADI data and public statements and internal estimates for non-bank reverse mortgage lending.
[2] Reverse Mortgages are measured at fair value.
[3] Reverse Mortgage NPLs arise due to late settlement (90 days after the 12-month repayment period) after the departure of the borrower from the property. As at 30 June 2025, this included 64 loans with a total NPL value of A$17.4m and a weighted average LVR of 29.3%.
[4] Using indexed valuation.

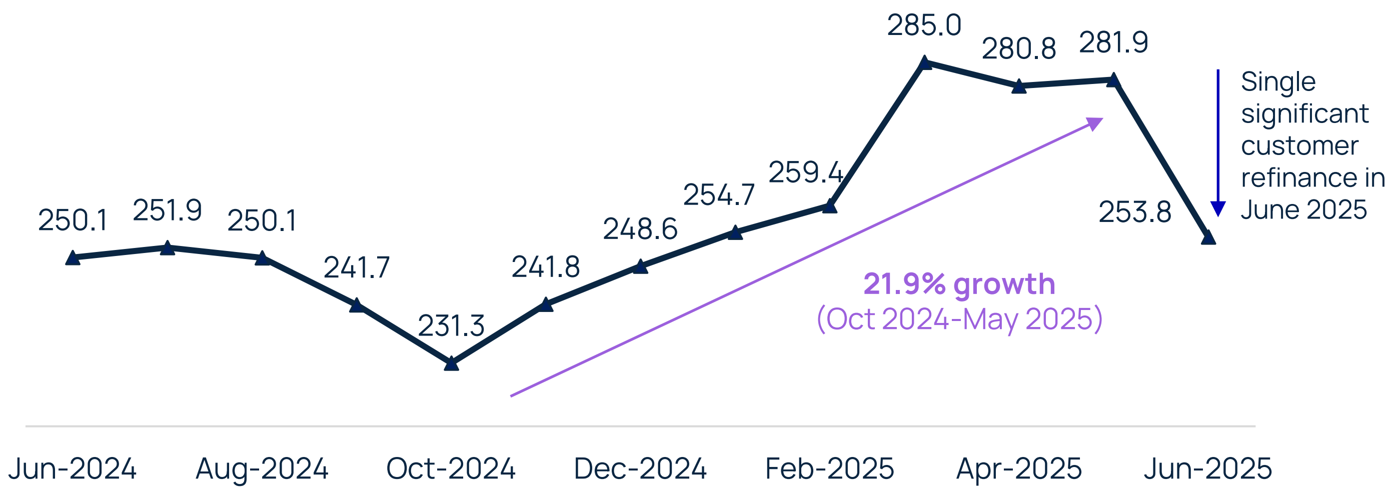
AU lending performance: Livestock Finance

A$254m **Receivables** as at 30 Jun 2025
+A$3.7m, 1.5% since Jun 2024

A$12.6m **NOI** as at 30 Jun 2025

- Increased confidence has returned to the Australian livestock market, resulting in the highest volume of new business written since FY2022, with over one million livestock funded in FY2025 (up 36% on FY2024).
- FY2025 Receivables growth of 1.5% arrested the FY2024 Receivables decline of 27.5%.
- Droughts in Victoria and South Australia reduced livestock feed levels and resulted in a sell down of livestock by customers in those states, impacting growth.
- Growth has been supported by diversification of the Livestock Finance distribution channels as Heartland Bank Australia continues to strengthen its partnerships.

FY2025 Receivables (A$m)



Outlook

- **FY2026 growth**: >20.0%

Asset quality

- Through prudent management, Livestock Finance NPLs reduced in 2H2025 to A$36.4m (1.62%) as at 30 June 2025, down from A$64.4m (3.26%) as at 30 June 2024.
- While impairments remain low, they were higher than expected with a FY2025 impairment expense ratio of 0.13% (up 9 bps from FY2024) due to specific provisions being required for three Livestock Finance customers.
- The Livestock Finance portfolio is appropriately provisioned in line with expected credit losses and prevailing economic conditions.

04
Outlook

Andrew Dixson Chief Executive Officer, Heartland Group

FY2026 outlook

Capitalising on the reset, change and integration that occurred in FY2025, Heartland expects to deliver improved ROE and profitability in FY2026. Its focus will be on:

1. **Maintaining a refined strategic focus on its core product sets.**
   - NZ bank: Reverse Mortgages, Rural Lending, Motor Finance, Asset Finance, Deposits
   - AU bank: Reverse Mortgages, Livestock Finance, Deposits
2. **Investment in technology uplift** to simplify and automate manual processes, introduce new digital capability and provide better customer, intermediary and employee experience – unlocking future growth.
3. **Operational cost control**.
4. **Continuing to prioritise efficient use of capital.**

FY2026 outlook: Reverse Mortgage opportunity

Each bank will prioritise growth and innovation in Reverse Mortgages to retain its leading position and increase competitive advantage in markets with significantly untapped potential.

Reverse Mortgages	Australia	New Zealand	Commentary
Market sizing[1]	A$	NZ$	
Property owned without mortgage[2] (value of security property at 20% LVR)	$320 billion	$110 billion	• Australia's 65+ population is projected to grow from 4.75m currently to 7.0m by 2040 (47% increase). • New Zealand's 65+ population is projected to grow from 0.9m currently to 1.3m by 2040 (44% increase). • Increasing build up in home equity through sustained house price inflation in key urban centres.
Property owned with mortgage[3] (outstanding mortgage balance)	$300 billion	$50 billion	• Significant mortgage debt held by those aged 60+, creating financial stress given low fixed incomes and rising cost of living. The number and value of this debt continues to increase. • Opportunity to transition to reverse mortgage and remove burden of servicing.
Retirement village - independent and assisted living[4] (value of ORA at 50% LVR)	$40 billion	$10 billion	• Affordability and access to quality independent and assisted living is increasingly difficult. • Existing and proposed new supply of senior living stock is lagging population growth.
Total market opportunity	**$660 billion**	**$170 billion**	

[1] Best estimate only and based on a combination of publicly available information and internal sources.
[2] Market sizing for reverse mortgages is calculated by determining the total value of residential property owned by seniors (aged 60+), multiplied by an LVR of 20%. This is then apportioned to property owned without a mortgage and property owned with a mortgage (outstanding mortgage balance).
[3] Assumes average LVR on residential mortgages held by seniors to be ~20%.
[4] The value of retirement village dwellings (valued at 50% of occupational right agreement).

FY2026 guidance

Heartland expects FY2026 underlying NPAT to be at least $85 million.

The FY2026 guidance detailed below is subject to change once the impact of the technology investment required to deliver against Heartland's technology strategy is known.

Heartland expects the difference between reported and underlying NPAT in FY2026 to be limited only to any fair value changes on equity investments held and other one-off non-recurring expenses.

	FY2026 guidance		
Underlying financial metrics	Heartland	NZ Banking	AU Banking
NPAT	≥$85m	>$45m	>AU$37m (NZ$40m)
ROE	≥7%	>6%	>8%
Average NIM	>3.90%	>4.20%	>3.40%
Exit NIM	>3.95%	>4.25%	>3.65%
CTI ratio	<53.5%	<53.5%	<45.5%
Impairment expense ratio	<0.55%	<0.85%	<0.10%

The Board continues to target a total dividend payout ratio of at least 50% of underlying NPAT in FY2026.[1]

[1] Subject to the Board considering Heartland's capital needs, ROE accretive growth opportunities, balance sheet flexibility and financial performance.

Long-term ambitions

Heartland intends to present updated long-term ambitions, resetting to a full five-year time horizon to demonstrate its operating metrics at scale.

Intentional and necessary resets in Heartland's businesses throughout FY2025 have rebased the starting position assumed when Heartland announced its FY2028 ambitions.

Heartland currently expects that during the period to FY2030, investors will see a significant increase in underlying ROE and underlying NPAT from:

- a continued focus on capital efficiency, both in the composition of the regulatory capital stack and the allocation of that capital to core product sets
- profits generated in AU largely, if not wholly, retained within the AU bank to provide the capital to fund projected growth
- continued growth in quality core product portfolios, with a bias to growth in Reverse Mortgages
- superior NIM being maintained
- enhanced asset quality
- an underlying CTI ratio reduction.

Heartland will host an investor day ahead of its FY2025 annual general meeting, to provide detailed information on the underlying approach, growth drivers and timeframes that support the delivery of its reset long-term ambitions.

05 Additional information

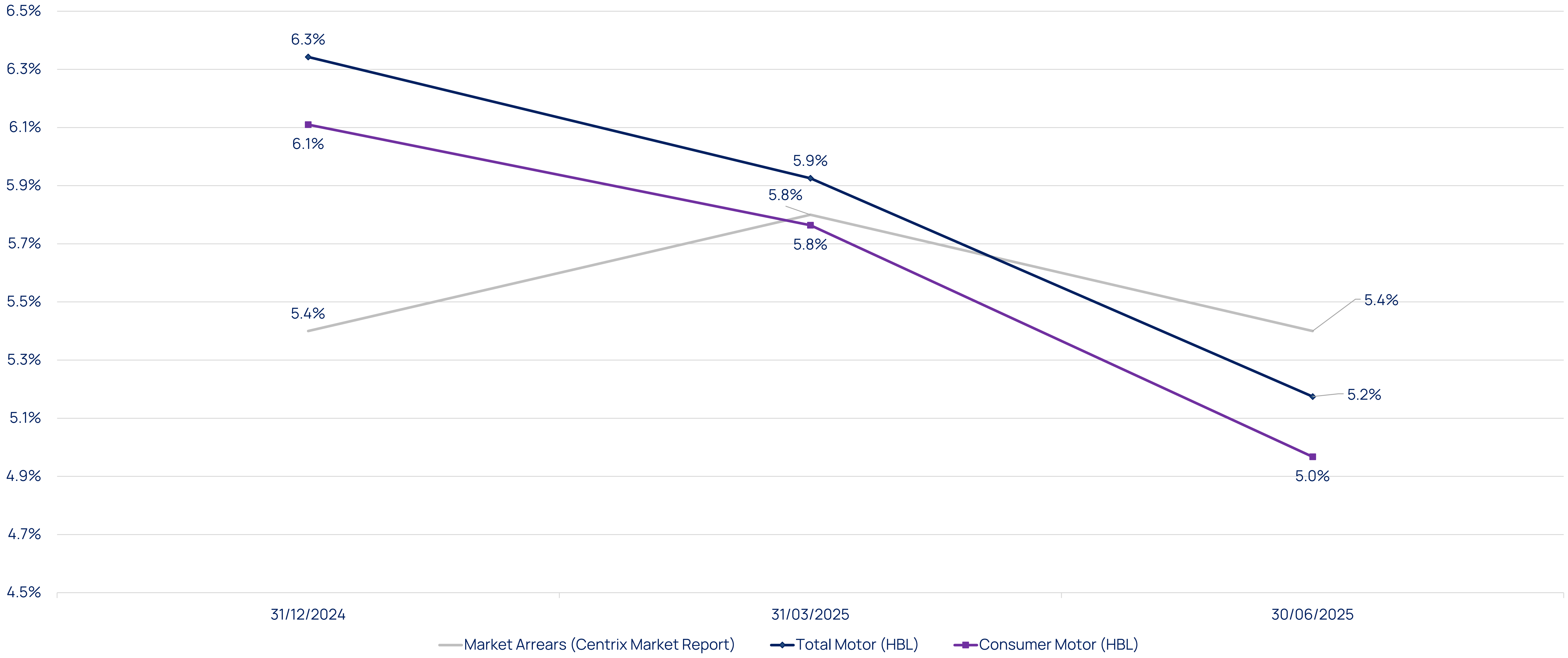
Non-strategic assets (NSA) overview

NSAs are primarily NZ assets that are outside of Heartland's core lending strategy, or do not deliver threshold ROE.

Asset type	Description	Exit strategies	Balance Dec-24 ($m)	Movement ($m)	Balance Jun-25 ($m)
Rural Receivables	• Diversified portfolio of agricultural lending primarily to NZ based dairy farms and sheep and beef farms. • Exposures are ~30% North Island and ~70% South Island (Otago ~60%).[1]	• Primary exit strategy assessed on a file-by-file basis. This is expected to be achieved through a combination of refinancing and sale of underlying security. • Portfolio level solutions continue to be explored as a means of expediting realisation timeframes.	**122.6**	(10.6)	**112.0**
Business Receivables	• Portfolio of diversified NZ SME lending. • Primary sectors include: transport, forestry, mining, vineyards and construction.		**59.6**	(11.8)	**47.8**
Home Loan[2] Receivables	• Portfolio of prime home loans.	• The portfolio is being wound down through organic repayment. Heartland expects over 80% of the total balance will be repaid by the end of 1H2026.	**252.4**	(80.7)	**171.7**
Properties	• Two dairy farms located in Canterbury and Otago.	• Both farms are currently being prepared for sale at the next available market window.	**16.2**	-	**16.2**
Investment properties	• Block of 16 apartments located in Northland.	• Marketing of the apartments for sale on the open market will continue in September 2025.	**4.4**	-	**4.4**
Equity investments	• Minority equity stake in Alex Corporation Limited (Alex Bank), Avenue Hold Limited (Avenue Bank) and Harmoney Corp Limited.	• No near term exits likely on commercially acceptable terms. Primary exit strategy is via existing shareholder base. • Actively selling Harmoney Corp Limited shareholder on-market where the appropriate opportunity presents.	**12.9**	(0.2)	**12.6**
Total			**468.1**	(103.3)	**364.8**

1 Sized by $ exposure.
2 Includes Online Home Loans and old residential mortgages.

Motor Finance arrears vs. auto industry average



Note:
- For the purpose of this comparison, Heartland Bank's total Motor Finance arrears are calculated using the calculation method used by Centrix (arrears greater than or equal to 14 DPD) as at 30 June 2025.
- Auto industry arrears are sourced from the Centrix Credit Indicator Report, where 31/12/2024, 31/03/2025, and 30/06/2025 uses the January, April, and July 2025 Insights Report, respectively.
- Consumer Motor are Motor Finance loans to individuals rather than businesses.

NZ Reverse Mortgage portfolio analytics

$1.23b NZ Reverse Mortgages +$165m (15.5%) vs June 2024	**$211m** (+$13.6m vs FY2024) FY2025 origination[2]	**73** Average age of youngest borrower (new customers)[3]	**17.1%** Compound annual growth rate[4]	
$153,518 Average current loan size[2]	**$77,583** Average initial loan amount	**8.1%** Weighted average initial LVR[3]	**25.3%** Weighted average current LVR (indexed valuation)[1,5]	
$158m (+$44.4m vs FY2024) Total repayments in FY2025[2]	**14.8%** (vs 12.7% in FY2024) FY2025 repayment rate[2]	**6.00 years** Average term at repayment	**81%** Voluntary repayment	**19%** Involuntary repayment

Note: All figures are in $NZD unless otherwise stated.
[1] Across all time on whole book.
[2] As at 30 June 2025.
[3] Rolling 12 months as at 30 June 2025.
[4] Compound annual growth rate for the period 1 July 2020 – 30 June 2025.
[5] Indexed valuation.

AU Reverse Mortgage portfolio analytics

A$1.98b AU Reverse Mortgages +A$309m (+18.5%) vs June 2024	**A$404m** (+A$73m vs FY2024) FY2025 origination[2]	**73** Average age of youngest borrower (new customers)[3]	**17.9%** Compound annual growth rate[4]	
A$208,221 Average current loan size[2]	**A$161,907** Average initial loan amount	**14.3%** Weighted average initial LVR[3]	**24.6%** Weighted average current LVR (indexed valuation)[1,5]	
A$261m (+A$61 vs FY2024) Total repayments in FY2025[2]	**15.6%** (vs 14.3% in FY2024) FY2025 repayment rate[2]	**5.92 years** Average term at repayment	**77%** Voluntary repayment	**23%** Involuntary repayment

Note: All figures are in $AUD unless otherwise stated.
1 Across all time on whole book.
2 As at 30 June 2025.
3 Rolling 12 months as at 30 June 2025.
4 Compound annual growth rate for the period 1 July 2020 – 30 June 2025.
5 Indexed valuation.

Sustainability

Heartland's sustainability strategy is built on three pillars:

1 **Environment**
Support the just transition to a net-zero economy

2 **People**
Caring for Heartland's people, customers and communities

3 **Financial wellbeing**
Support the financial wellbeing of Heartland's customers and communities

FY2025 achievements

- Heartland hit its target to increase the percentage of new generation vehicles funded by the NZ Motor Finance portfolio year on year. 16.3% of vehicles funded in FY2025 were new-generation vehicles, up from 15.1% in FY2024.
- Developed an initial detailed transition plan to position Heartland's operational emissions pathway to net zero by FY2050.
- Identified as a 'fast follower' and one of the top three improvers in Forsyth Barr's 2024 Carbon & ESG ratings of NZX listed companies.
- The number of volunteer days used by Heartland's employees to give back to the community was up 76% on the past three years combined.
- The NZ bank held its annual Manawa Ako internship for Māori and Pasifika rangatahi (youth), welcoming 29 interns. More than 165 rangatahi have participated in the programme since inception in 2017.

More information will be available in Heartland's Climate Report and Annual Report which will be published on 30 September 2025.

06
Disclosures appendices & glossary

Disclaimer

This presentation has been prepared by Heartland Group Holdings Limited (**NZX/ASX: HGH**) (the **Company** or **Heartland**) for the purpose of briefings in relation to its Financial Statements.

The presentation and the briefing (together the **Presentation**) contain summary information only, which should not be relied on in isolation from the full detail in the Financial Statements.

The information in the Presentation has been prepared with due care and attention, but its accuracy, correctness and completeness cannot be guaranteed. No person (including the Company and its directors, shareholders and employees) will be liable to any other person for any loss arising in connection with the Presentation.

The Presentation outlines a number of the Company's forward-looking plans and projections. Those plans and projections reflect current expectations, but are inherently subject to risk and uncertainty, and may change at any time. There is no assurance that those plans will be implemented or that projections will be realised. You are strongly cautioned not to place undue reliance on any forward-looking statements, particularly in light of the current economic climate.

No person is under any obligation to update this presentation at any time after its release or to provide further information about the Company.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.

Non-GAAP measures

This presentation contains references to non-GAAP measures including underlying profit or loss, underlying ROE, underlying CTI ratios, underlying impairment expense ratios and underlying EPS. A reconciliation between the reported and non-GAAP measure of underlying financial information is included on page 6.

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

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

All amounts are in New Zealand dollars unless otherwise indicated. Financial data in this presentation is as at 30 June 2025 unless otherwise indicated. Any other financial information provided as at a date after 30 June 2025 has not been audited or reviewed by any independent registered public accounting firm.

FY2024 reported vs. underlying

	FY2024	Entity		
		HGH	HBL	HBAL
Reported NPAT	**$74.5m**	**$0.3m**	**$55.8m**	**$18.5m**
– De-designation of derivatives	$6.6m		$6.6m	
– Fair value changes on equity investments held	$0.3m	($1.3m)	$1.6m	
Other operating income (OOI)	**$6.9m**	**($1.3m)**	**$8.2m**	
– Australian Bank Programme transaction costs	$9.8m	$4.8m	$1.1m	$3.8m
– Other non-recurring expense	$0.8m	$0.2m	$0.6m	
Operating expenses (OPEX)	**$10.6m**	**$5.0m**	**$1.7m**	**$3.8m**
– Provision for a subset of legacy lending	$16.0m		$16.0m	
Impairment Expense	**$16.0m**		**$16.0m**	
Tax impact	**($8.6m)**	**($0.7m)**	**($6.8m)**	**($1.1m)**
– Challenger Bank Net Loss	$3.3m			$3.3m
Underlying NPAT[1]	**$102.7m**	**$3.3m**	**$74.9m**	**$24.5m**

[1] See page 4 for definition of underlying financial metrics. Refer to page 6 for a detailed reconciliation between reported and underlying financial information.

Glossary

ADI	Authorised deposit-taking institution	NSA	Non-strategic assets
APRA	Australian Prudential Regulation Authority	NZ Banking Group, NZBG	The New Zealand Banking Group consists of the NZ Bank and its NZ subsidiaries, excluding Marac Insurance.
Banking Group	The Banking Group includes all of the NZ bank's subsidiaries, including the AU bank and Marac Insurance.	OOI	Other Operating Income
bps	Basis points	OPEX	Operating expenses
CET1	Common Equity Tier 1	RBNZ	Reserve Bank of New Zealand
cps	Cents per share	Receivables	Gross Finance Receivables (includes Reverse Mortgages)
CTI ratio	Cost-to-income ratio	ROE	Return on Equity
DPD	Days past due	FY2030	Financial year ending 30 June 2030 (1 July 2029 to 30 June 2030)
DRP	Dividend Reinvestment Plan	FY2028	Financial year ending 30 June 2028 (1 July 2027 to 30 June 2028)
EPS	Earnings per share	4Q26+	Fourth quarter of FY2026 (1 April to 30 June 2026) and onwards
Exit NIM	NIM on the last day of the reporting period.	3Q26	Third quarter of FY2026 (1 January to 31 March 2026)
FX	Foreign currency exchange	2Q26	Second quarter of FY2026 (1 October to 31 December 2025)
GFV	Guaranteed Future Value	1Q26	First quarter of FY2026 (1 July to 30 September 2025)
Heartland, Heartland Group, HGH	Heartland Group Holdings Limited or the **Company**	FY2026	Financial year ending 30 June 2026 (1 July 2025 to 30 June 2026)
Heartland Australia Group	Heartland Australia Holdings Pty Ltd and its direct and indirect wholly-owned subsidiaries	4Q2025, 4Q25	Fourth quarter of FY2025 (1 April to 30 June 2025)
Heartland Bank, HBL, NZ Bank, NZ Banking	Heartland Bank Limited	3Q25	Third quarter of FY2025 (1 January to 31 March 2025)
Heartland Bank Australia, HBAL, AU Bank, AU banking	Heartland Bank Australia Limited	2H2025	Second half of FY2025 (1 January to 30 June 2025)
LVR	Loan-to-value ratio	2H2025 Outlook	Financial metric expectations for 2H2025 set by Heartland in its 1H2025 financial results announcement published on 27 February 2025
MLH	Minimum Liquidity Holdings	2Q25	Second quarter of FY2025 (1 October to 31 December 2024)
NII	Net interest income	1H2025	First half of FY2025 (1 July to 31 December 2024)
NIM	Net interest margin	FY2025	Financial year ended 30 June 2025 (1 July 2024 to 30 June 2025)
NOI	Net operating income	FY2024	Financial year ended 30 June 2024 (1 July 2023 to 30 June 2024)
NPAT	Net profit after tax	1H2024	First half of FY2024 (1 July to 31 December 2023)
NPL	Non-performing loan	FY2022	Financial year ended 30 June 2022 (1 July 2021 to 30 June 2022)

Thank you

Investor & media relations

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nicola.foley@heartland.co.nz

Investor information

For more information
heartlandgroup.info/investor-information

HEARTLAND GROUP

HEARTLAND GROUP

Results announcement

Results for announcement to the market		
Name of issuer	Heartland Group Holdings Limited	
Reporting Period	12 months to 30 June 2025	
Previous Reporting Period	12 months to 30 June 2024	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$322,890	11.2%
Total Revenue	$322,890	11.2%
Net profit/(loss) from continuing operations	$38,813	-47.9%
Total net profit/(loss)	$38,813	-47.9%
Interim/Final Dividend		
Amount per Quoted Equity Security	$ 0.02000000	
Imputed amount per Quoted Equity Security	$ 0.00777778	
Record Date	29/08/2025	
Dividend Payment Date	12/09/2025	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$0.99	$1.00
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to the audited financial statements that accompany this announcement for a further explanation of these figures.	
Authority for this announcement		
Name of person authorised to make this announcement	Andrew Dixson, Chief Executive Officer	
Contact person for this announcement	Nicola Foley, Head of Corporate Communications & Investor Relations	
Contact phone number	027 345 6809	
Contact email address	nicola.foley@heartland.co.nz	
Date of release through MAP	21/08/2025	

Audited financial statements accompany this announcement.

HEARTLAND GROUP

Distribution Notice

Section 1: Issuer information				
Name of issuer	Heartland Group Holdings Limited			
Financial product name/description	Ordinary shares			
NZX ticker code	HGH			
ISIN (If unknown, check on NZX website)	NZHGHE0007S9			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies	X		
Record date	29/08/2025			
Ex-Date (one business day before the Record Date)	28/08/2025			
Payment date (and allotment date for DRP)	12/09/2025			
Total monies associated with the distribution[1]	$18,801,996.82			
Source of distribution (for example, retained earnings)	Retained earning			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution[2]	$ 0.02777778			
Gross taxable amount [3]	$ 0.02777778			
Total cash distribution[4]	$ 0.02000000			
Excluded amount (applicable to listed PIEs)	NIL			
Supplementary distribution amount	$ 0.00352941			
Section 3: Imputation credits and Resident Withholding Tax[5]				
Is the distribution imputed	Fully imputed – YES			
	~~Partial imputation~~			
	~~No imputation~~			

[1] Continuous issuers should indicate that this is based on the number of units on issue at the date of the form
[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).
[3] "Gross taxable amount" is the gross distribution minus any excluded income.
[4] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.
[5] The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

If fully or partially imputed, please state imputation rate as % applied[6]	28%	
Imputation tax credits per financial product	$ 0.00777778	
Resident Withholding Tax per financial product	$ 0.00138889	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	NIL	
Start date and end date for determining market price for DRP	01/09/2025	05/09/2025
Date strike price to be announced (if not available at this time)	08/09/2025	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	New Issue	
DRP strike price per financial product	$	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	01/09/2025, 5:00pm NZT	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Andrew Dixson, Chief Executive Officer	
Contact person for this announcement	Nicola Foley, Head of Corporate Communications & Investor Relations	
Contact phone number	027 345 6809	
Contact email address	nicola.foley@heartland.co.nz	
Date of release through MAP	21/08/2025	

[6] Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.

NZX/ASX release
21 August 2025

ASX Listing Rule 1.15.3 Statement

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: HGH) (an ASX Foreign Exempt Listing) confirms, for the purposes of ASX Listing Rule 1.15.3, that it has complied with and continues to comply with the Listing Rules of NZX Limited, which is its overseas home exchange.

– ENDS –

The person(s) who authorised this announcement:

Andrew Dixson
Chief Executive Officer

For further information, please contact:

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HEARTLAND

GROUP

Financial Statements

For the year ended 30 June 2025

Contents

General Information 3

Auditor 3

Other Material Matters 3

Directors 3

Directors' Statements 5

Statement of Comprehensive Income 6

Statement of Changes in Equity 7

Statement of Financial Position 8

Statement of Cash Flows 9

Notes to the Financial Statements

1 Financial statements preparation 11

Performance

2 Segmental analysis 16

3 Net interest income 18

4 Net operating lease income 19

5 Other income 20

6 Operating expenses 21

7 Compensation of auditor 21

8 Impaired asset expense 23

9 Taxation 24

10 Earnings per share 25

Financial Position

11 Investments 26

12 Derivative financial instruments 27

13 Finance receivables measured at amortised cost 32

14 Operating lease vehicles 37

15 Borrowings 38

16 Share capital and dividends 41

17 Other reserves 42

18 Other balance sheet items 43

19 Acquisition 47

20 Related party transactions and balances 49

21 Fair value 51

Risk Management

22 Enterprise risk management program 57

23 Credit risk exposure 62

24 Liquidity and funding risk 67

25 Interest rate risk 69

Other Disclosures

26 Significant subsidiaries 72

27 Structured entities 72

28 Staff share ownership arrangements 74

29 Securitisation, funds management and other fiduciary activities 75

30 Concentrations of funding 76

31 Offsetting financial instruments 77

32 Contingent liabilities and commitments 78

33 Events after reporting date 78

Auditor's Report 79

General Information

These financial statements are issued by Heartland Group Holdings Limited (**HGH**) and its subsidiaries (the **Group**) for the year ended 30 June 2025.

Name and address for service

The Group's address for service is Level 3, 35 Teed Street, Newmarket, Auckland 1023.

Details of incorporation

HGH was incorporated under the Companies Act 1993 on 19 July 2018.

Auditor

PricewaterhouseCoopers
PwC Tower, Level 27
15 Customs Street West
Auckland 1010

Other Material Matters

On 1 July 2025, the Depositor Compensation Scheme (**DCS**) came into effect under the Deposit Takers Act 2023. The DCS is a government-backed scheme, funded by deposit takers and administered by the Reserve Bank of New Zealand (**RBNZ**). In the event of a deposit taker's failure, the scheme covers each eligible depositor with deposits held in DCS-protected accounts up to $100,000 per deposit taker.

There are no other material matters relating to the business or affairs of the Group that are not disclosed in these consolidated financial statements which, if disclosed, would materially affect the decision of a person to subscribe for debt or equity instruments of which the Group is the issuer.

Directors

All Directors of HGH reside in New Zealand with the exception of Robert Bell and Simon Beckett who reside in Australia. Communications to the Directors can be sent to Heartland Group Holdings Limited, Level 3, 35 Teed Street, Newmarket, Auckland 1023.

Jeffrey Kenneth Greenslade retired as a Non-Independent Executive Director of HGH, effective 30 September 2024.

There have been no other changes to the composition of the Board of Directors of the Group for the year ended 30 June 2025.

Directors (continued)

The Directors of HGH and their details at the time these financial statements were signed were:

Chair – Board of Directors
Name: Gregory Raymond Tomlinson
Qualifications: AME
Type of Director: Non-Independent Non-Executive Director
Occupation: Company Director

External Directorships: Alta Cable Holdings Limited, Chippies Vineyard Limited, Indevin Group Holdings Limited, Indevin Group Investments Limited, Indevin Group Limited, Mountbatten Trustee Limited, Nearco Stud Limited, Oceania Healthcare Limited, Pelorus Finance Limited, St Leonards Limited, Tomlinson Group Argenta GP Limited, Tomlinson Group NZ Limited, Tomlinson Holdings Limited, Tomlinson Group Investments Limited, Tomlinson Ventures Limited, Terra Vitae Vineyards Limited, Brandywine Vineyards Limited, Tomlinson Group HGH Limited.

Name: Simon Beckett
Qualifications: BSc (Hons), GAICD
Type of Director: Independent Non-Executive Director
Occupation: Company Director

External Directorships: ORDE Holdings Pty Ltd, ORDE Financial Pty Ltd, ORDE Capital Management Limited, ORDE Mortgage Custodian Pty Ltd, GeoSnapShot Pty Ltd, First Avenue Ventures Pty Ltd, First Avenue Capital Pty Ltd, Karia Technology Pty Ltd.

Name: Robert Bell
Qualifications: BBus
Type of Director: Independent Non-Executive Director
Occupation: Company Director

External Directorships: Liveheats Pty Ltd, 86 Elwood Pty Ltd, Home Finance Company PTE Limited, Moonova Payments Pty Ltd.

Name: Edward John Harvey
Qualifications: BCom, CA, CFInstD
Type of Director: Independent Non-Executive Director
Occupation: Company Director

External Directorships (excluding HGH subsidiaries): Napier Port Holdings Limited, Pomare Investments Limited, Port of Napier Limited.

Name: Kathryn Mitchell
Qualifications: BA, CMInstD
Type of Director: Independent Non-Executive Director
Occupation: Company Director

External Directorships (excluding HGH subsidiaries): Chambers@151 Limited, Christchurch International Airport Limited, Firsttrax Approvals Limited, Link Engine Management Limited, Link Engine Management International (NZ) Limited, Morrison Horgan Limited, The New Zealand Merino Company Limited, The A2 Milk Company Limited, Purepods Limited, MyRaceLab Limited, Link Engine Management (NZ) Limited, Link Engine Management USA Inc, Link Engine Management Pty Ltd, Link Engine Management EU B.V, Prorace Studio Limited, Link ECU Limited.

Directors' Statements

The financial statements are dated 20 August 2025 and have been signed by all Directors.

G. R. Tomlinson (Chair)

E. J. Harvey

K. Mitchell

S. Beckett

R. Bell

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2025

$000's	Note	June 2025	June 2024
Interest income:			
Effective interest method	3	400,416	405,089
Fair value through profit or loss	3	305,449	255,943
Total interest income		**705,865**	**661,032**
Interest expense	3	398,558	383,387
Net interest income		**307,307**	**277,645**
Operating lease income	4	6,054	6,058
Operating lease expense	4	4,299	4,373
Net operating lease income		**1,755**	**1,685**
Lending and credit fee income		13,981	14,284
Other (expense)	5	(1,776)	(2,946)
Net operating income		**321,267**	**290,668**
Operating expenses	6	192,543	139,386
Profit before net fair value gain/(loss) on equity investments and investment property, losses on guaranteed future value products, impaired asset expense and income tax		**128,724**	**151,282**
Net fair value gain/(loss) on equity investments and investment property		1,623	(314)
Losses on guaranteed future value products		1,504	–
Impaired asset expense	8	71,638	46,423
Profit before income tax		**57,205**	**104,545**
Income tax expense	9	18,392	29,996
Profit for the year		**38,813**	**74,549**
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss, net of income tax:			
Effective portion of change in fair value of derivative financial instruments in a cash flow hedge relationship		(13,848)	(10,701)
Movement in fair value reserve		1,551	925
Movement in foreign currency translation reserve		(6,905)	1,773
Items that will not be reclassified to profit or loss, net of income tax:			
Movement in fair value of equity investments at fair value through other comprehensive income		(1,805)	(3,152)
Other comprehensive loss the year, net of income tax		**(21,007)**	**(11,155)**
Total comprehensive income for the year		**17,806**	**63,394**
Earnings per share			
Basic earnings per share	10	4.14	9.85
Diluted earnings per share	10	4.14	9.85

Total comprehensive income for the year is attributable to the owners of the Group.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2025

$000's	Note	June 2025 Share Capital	June 2025 Reserves	June 2025 Retained Earnings	June 2025 Total Equity	June 2024 Share Capital	June 2024 Reserves	June 2024 Retained Earnings	June 2024 Total Equity
Balance at beginning of year		**1,018,954**	**(8,496)**	**227,411**	**1,237,869**	**800,712**	**6,240**	**224,052**	**1,031,004**
Total comprehensive income for the year									
Profit for the year		–	–	38,813	38,813	–	–	74,549	74,549
Other comprehensive loss, net of income tax	17	–	(21,007)	–	(21,007)	–	(11,155)	–	(11,155)
Total comprehensive income for the year		**–**	**(21,007)**	**38,813**	**17,806**	**–**	**(11,155)**	**74,549**	**63,394**
Transactions with owners									
Dividends paid	16	–	–	(46,665)	(46,665)	–	–	(71,190)	(71,190)
Dividends reinvestment plan	16	9,321	–	–	9,321	13,476	–	–	13,476
Transaction costs associated with capital raising	16	–	–	–	–	(6,254)	–	–	(6,254)
Share based payments	28	–	721	–	721	–	(2,816)	–	(2,816)
Share issuance	16	–	–	–	–	210,255	–	–	210,255
Vesting of share based payments	28	–	–	–	–	765	(765)	–	–
Total transactions with owners		**9,321**	**721**	**(46,665)**	**(36,623)**	**218,242**	**(3,581)**	**(71,190)**	**143,471**
Balance at end of the year		**1,028,275**	**(28,782)**	**219,559**	**1,219,052**	**1,018,954**	**(8,496)**	**227,411**	**1,237,869**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

$000's	Note	June 2025	June 2024
Assets			
Cash and cash equivalents		356,229	629,619
Collateral paid		14,239	–
Investments	11	791,760	1,092,131
Derivative financial instruments	12	4,792	12,316
Finance receivables measured at amortised cost	13	3,711,450	4,266,946
Finance receivables - reverse mortgages	21	3,370,949	2,897,818
Investment properties		4,390	3,660
Operating lease vehicles	14	15,561	18,261
Right of use assets	18	12,223	15,519
Other assets	18	43,233	35,185
Current tax asset		35,449	16,767
Intangible assets	18	265,222	279,906
Deferred tax asset	9	21,953	23,727
Total assets		**8,647,450**	**9,291,855**
Liabilities			
Collateral received		–	2,384
Deposits	15	6,529,953	5,949,116
Other borrowings	15	825,454	2,040,763
Derivative financial instruments	12	20,660	9,017
Lease liabilities	18	14,390	17,776
Trade and other payables	18	36,620	34,930
Deferred tax liability	9	1,321	–
Total liabilities		**7,428,398**	**8,053,986**
Net assets		**1,219,052**	**1,237,869**
Equity			
Share capital	16	1,028,275	1,018,954
Retained earnings and other reserves	17	190,777	218,915
Total equity		**1,219,052**	**1,237,869**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2025

$000's	Note	June 2025	June 2024
Cash flows from operating activities			
Interest received		449,348	434,466
Operating lease income received		5,417	5,288
Lending, credit fees and other income received		11,337	9,345
Operating inflows		**466,102**	**449,099**
Interest paid		(410,617)	(327,643)
Payments to suppliers and employees		(179,419)	(130,662)
Taxation paid		(31,420)	(46,842)
Operating outflows		**(621,456)**	**(505,147)**
Net cash flows applied to operating activities before changes in operating assets and liabilities		**(155,354)**	**(56,048)**
Collateral paid		(42,680)	(67,120)
Collateral received		26,110	42,000
Proceeds from sale of operating lease vehicles		2,561	2,219
Purchase of operating lease vehicles		(3,249)	(6,732)
Net decrease in finance receivables measured at amortised cost[1]		464,299	65,750
Net (increase)/decrease in finance receivables - reverse mortgages		(220,324)	406,743
Net movement in deposits		601,836	541,541
Net cash flows from operating activities		**673,199**	**928,353**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(4,410)	(28,091)
Proceeds from investment securities		2,032,633	246,490
Purchase of investment securities		(1,725,205)	(637,399)
Cash acquired on acquisition of subsidiary		—	165,620
Consideration adjustment related to acquisition of subsidiary		1,404	—
Sale of equity investment		68	—
Purchase of equity investment		(252)	—
Net cash flows from/(applied to) investing activities		**304,238**	**(253,380)**
Cash flows from financing activities			
Proceeds from wholesale borrowings		424,614	1,743,510
Repayment of wholesale borrowings		(1,311,047)	(2,362,786)
Proceeds from issue of unsubordinated notes		—	189,588
Repayment of unsubordinated notes		(321,347)	(123,764)
Proceeds from issue of subordinated debt		—	51,572
Dividends paid	16	(37,344)	(57,714)
Payment of lease liabilities		(3,723)	(3,044)
Net issue of share capital	16	—	204,001
Net cash flows applied to financing activities		**(1,248,847)**	**(358,637)**
Net (decrease)/increase in cash held		**(271,410)**	**316,336**
Effect of exchange rates on cash and cash equivalents		(1,980)	1,780
Opening cash and cash equivalents		629,619	311,503
Closing cash and cash equivalents[2]		**356,229**	**629,619**

[1]Cash flows during the year ended 30 June 2024 include proceeds from sale of reverse mortgage portfolio from the Group to Heartland Bank Australia Limited (**HBA**) prior to HBA's acquisition. Refer to Note 21 - Fair value for further details.

[2]At 30 June 2025, the Group has $66.3 million (2024: $176.0 million) of cash held by Trusts which may only be used for the purposes defined in the underlying Trust documents. Refer to Note 27 - Structured entities for definition of Trusts and further details.

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows (continued)

For the year ended 30 June 2025

Reconciliation of profit after tax to net cash flows from operating activities

$000's	Note	June 2025	June 2024
Profit for the year		**38,813**	**74,549**
Add/(less) non-cash items:			
Depreciation and amortisation expense		17,145	12,129
Depreciation on lease vehicles	14	3,923	3,902
Capitalised net interest income and fee income		(278,849)	(186,389)
Impaired asset expense	8	73,393	47,842
Losses on guaranteed future value products		1,504	—
Fair value movements		(10,420)	(11,537)
Deferred tax		3,095	(2,622)
Other non-cash items		2,821	(3,110)
Total non-cash items		**(187,388)**	**(139,785)**
Add/(less) movements in operating assets and liabilities:			
Finance receivables measured at amortised cost		464,299	65,750
Finance receivables - reverse mortgages		(220,324)	406,743
Operating lease vehicles		(1,223)	(5,197)
Other assets		(22,605)	595
Current tax		(18,682)	(20,919)
Derivative financial instruments		19,167	26,060
Deposits		601,836	541,541
Other liabilities		(694)	(20,984)
Total movements in operating assets and liabilities		**821,774**	**993,589**
Net cash flows from operating activities		**673,199**	**928,353**

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2025

1 Financial statements preparation

Reporting entity

The financial statements presented are the consolidated financial statements comprising Heartland Group Holdings Limited (**HGH**) and its controlled entities (the **Group**). Refer to Note 26 – Significant subsidiaries for further details.

HGH is a company incorporated in New Zealand under the Companies Act 1993 and a Financial Market Conduct (**FMC**) reporting entity for the purposes of the Financial Markets Conduct Act 2013 **(FMCA)**.

The Group is a designated climate reporting entity (**CRE**) and is required to produce annual mandatory group climate statements under the FMCA and Aotearoa New Zealand Climate Standards (**NZ CS**). A copy of the Climate Report will be available on HGH's website at **https:www.heartlandgroup.info/sustainability**, once issued. Refer to Note 22 - Enterprise risk management program for further details.

Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**), the New Zealand Exchange (**NZX**) Main Board Listing Rules and the Australian Securities Exchange (**ASX**) Listing Rules. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards Accounting Standards (**IFRS Accounting Standards**) as issued by the International Accounting Standards Board.

The financial statements are presented in New Zealand dollars which is the Group's functional and presentation currency. Unless otherwise indicated, amounts are rounded to the nearest thousand dollars.

The financial statements have been prepared on a going concern basis after considering the Group's funding and liquidity position.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

Certain comparative balances have been reclassified to align with the presentation used in the current financial year.

The Group has revised the presentation of individual line items and made the following changes in these financial statements including the comparative information for consistency with the current financial year presentation:

- Total Interest income of $661 million is disaggregated into two categories as interest calculated using the effective interest method of $405.1 million and interest derived from financial assets measured at fair value through profit or loss of $255.9 million in the statement of comprehensive income and Note 3 - Net interest income; and
- Collateral received of $2.4 million is presented separately from Trade and other payables in the statement of financial position. Collateral paid of $67.1 million and collateral received of $42.0 million are also presented separately from Payments to suppliers and employees within operating activities in the statement of cash flows.

These reclassifications have no impact on the overall financial performance, financial position or cash flows for the comparative year.

Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments and investment properties, which are measured at their fair values as identified in the accounting policies set out in the accompanying notes to the financial statements.

1 Financial statements preparation (continued)

Principles of consolidation

The financial statements of the Group incorporate the assets, liabilities and results of all controlled entities. Controlled entities are all entities in which the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Intercompany transactions, balances and any unrealised income and expense (except for foreign currency transaction gains or losses) between controlled entities are eliminated.

Assets and liabilities in a transactional currency that is not the New Zealand dollar, are translated at the exchange rates ruling at balance date. Revenue and expense items are translated at the average rate at the balance date. Exchange differences are taken to the statement of comprehensive income.

Changes in accounting standards

Accounting standards issued and effective

Changes in accounting policy

The Group elected to adopt NZ IFRS 9 Financial Instruments **(NZ IFRS 9)** to account for designated hedge relationships, transitioning from the previous accounting standard NZ IAS 39 Financial Instruments: Recognition and Measurement **(NZ IAS 39)** prospectively from 1 July 2024. There was no retrospective adjustment to the Group's results.

NZ IFRS 9 contains hedge accounting requirements that adopt a more principles-based approach, which more closely aligns accounting with risk management activities and increases the eligibility of both hedge instruments and hedged items for hedge accounting.

NZ IFRS 9 requires a forward-looking assessment of hedge effectiveness at the inception of the hedge relationship and on an ongoing basis and removes the NZ IAS 39 requirement of a highly effective hedge relationship being within the 80% to 125% range. To comply with hedge effectiveness requirements, NZ IAS 39 requires the de-designation of existing hedge relationship and re-designation of a new hedge relationship. NZ IFRS 9 requires the rebalancing of the existing hedge by adjusting a hedge ratio through altering the quantities of the hedge instrument or hedged item. Rebalancing is accounted for as a continuation of an existing hedge relationship.

While the Group's risk management strategies remain largely unchanged, management has updated the hedge documentation to be in compliance with NZ IFRS 9. As the purpose and types of hedge relationships remain the same as those before the adoption of NZ IFRS 9 hedge accounting requirements, in the absence of any need to rebalance on transition date, there is no significant impact on the Group's results upon this adoption.

Refer to Note 12 - Derivative financial instruments for further details.

There have been no other changes to accounting policies or new or amended standards that are issued and effective that are expected to have a material impact on the Group.

Accounting standards issued not yet effective

Presentation and Disclosure in Financial Statements (NZ IFRS 18)

NZ IFRS 18 Presentation and Disclosure in Financial Statements (**NZ IFRS 18**) was issued in May 2024 to replace NZ IAS 1 Presentation of Financial Statements (**NZ IAS 1**) when applied.

NZ IFRS 18 will not have an impact on the recognition and measurement of items in the financial statements. However, it is expected to have a significant effect on their presentation and disclosure. These changes include categorisation and sub-totals in the statement of comprehensive income, aggregation/disaggregation and labelling of information, and disclosure of management defined performance measures.

NZ IFRS 18 will also result in consequential amendments to certain presentation and disclosure requirements in the financial statements and various IFRS Accounting Standards.

NZ IFRS 18 will be effective for the Group's reporting period beginning on 1 July 2027. The Group is currently assessing the impact and will disclose more detailed assessments in the future.

1 Financial statements preparation (continued)

Changes in accounting standards (continued)

Accounting standards issued not yet effective (continued)

Amendments to the Classification and Measurement of Financial Instruments (the Amendments)

The Amendments to NZ IFRS 9 and NZ IFRS 7 Financial Instruments: Disclosures (**NZ IFRS 7**) were issued in June 2024, in response to matters identified during the post-implementation review of the classification and measurement requirements of NZ IFRS 9.

The Amendments include guidance on classifying financial assets with non-recourse and social and corporate governance related features, clarification of recognition and derecognition timing for electronically settled financial instruments and disclosure requirements for investments designated as at fair value through other comprehensive income.

The Amendments will be effective for the Group's reporting period beginning on 1 July 2026. The Group is currently assessing the impact and will disclose more detailed assessment in the future.

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 30 June 2025 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the current or future reporting periods.

Critical accounting estimates and judgements

The preparation of the Group's financial statements requires the use of estimates and judgements. This note provides an overview of the areas that involve a higher degree of judgement or complexity. Detailed information about each of these estimates and judgements is included in the relevant notes together with the basis of calculation for each affected item in the financial statements.

- Provisions for impairment - The effect of credit risk is quantified based on the Group's best estimate of future cash repayments and proceeds from any security held or by reference to risk profile groupings, historical loss data and forward-looking information. Refer to Note 13 - Finance receivables measured at amortised cost for further details.
- Recognition of Banking Licence intangible asset - The recognition of Banking Licence intangible asset required judgement in determining external and internal costs directly attributable to the Group's joint application for an Australian Authorised Deposit-Taking Institution Licence with Heartland Bank Australia Limited. Judgement is also required to determine whether such costs fulfil the definition and recognition criteria of an intangible asset. Such costs include professional fees and costs of employee benefits arising directly from the licence application. Refer to Note 18 - Other balance sheet items for further details.
- Fair value of reverse mortgages - Fair value is quantified by the transaction price (cash advanced plus accrued capitalised interest). Judgement is applied in determining the appropriateness of the transaction price as fair value. Refer to Note 21 - Fair value for further details.
- Goodwill - The Group carries out impairment testing annually over the carrying value of goodwill of its cash generating units (CGU). Uncertainty is involved in estimating fair value less costs of disposal and judgement is applied in assumptions used to determine the recoverable amount of a CGU for impairment testing. Refer to Note 18 - Other balance sheet items for further details.
- Prior year acquisition of Heartland Bank Australia Limited (previously Challenger Bank Limited) – Fair value of the revised consideration transferred and fair values of the identifiable assets acquired and liabilities assumed. Judgement is applied in determining consideration and in the valuation of the acquiree's identifiable assets and liabilities assumed at the acquisition date. Refer to Note 19 – Acquisition for further details.

Assumptions made at each reporting date (e.g., the calculation of the provision for impairment and fair value adjustments) are based on best estimates as at that date. Although the Group has internal controls in place to ensure that estimates can be reliably measured, actual amounts may differ from these estimates. The estimates and judgements used in the preparation of the Group's financial statements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity. Revisions to accounting estimates are recognised in the reporting period in which the estimates are revised and in any future periods affected.

1 Financial statements preparation (continued)

Significant events

On 27 June 2025, the Reserve Bank of New Zealand (**RBNZ**) approved Marac Insurance Limited (**MIL**) application to cancel its insurer licence and terminate MIL's statutory fund under the Insurance (Prudential Supervision) Act 2010 (**IPSA**).

Effective 27 June 2025, MIL is no longer licensed to carry out insurance business in New Zealand and is therefore no longer subject to the requirements of IPSA (which only apply to licensed insurers). In January 2020 MIL stopped underwriting insurance policies. Existing periodic policies written by MIL expired in January 2025.

Financial assets and liabilities

Financial Assets

Financial assets are classified based on:

- The business model within which the assets are managed; and
- Whether the contractual cash flows of the instrument represent solely payment of principal and interest (**SPPI**).

The Group determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model, the Group considers factors including how performance and risks are managed, evaluated and reported and the frequency and volume of, and reason for sales in previous periods.

Financial assets are classified into the following measurement categories:

Financial Assets	Measurement Category	Note
Government securities, bank bonds and floating rate notes	Fair value through other comprehensive income (**FVOCI**) and fair value through profit or loss (**FVTPL**)	11
Public sector securities and corporate bonds	FVOCI	11
Equity securities	FVOCI and FVTPL	11
Finance receivables – Reverse mortgages	FVTPL	21
Finance receivables	Amortised cost	13
Derivative financial instruments	FVTPL	12

Financial assets measured at amortised cost
Financial assets are measured at amortised cost if they are held within a business model whose objective is achieved through holding the financial asset to collect contractual cash flows which represent SPPI.

Financial assets at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial assets measured at FVOCI
Financial assets are measured at FVOCI if they are held within a business model whose objective is achieved both through collecting contractual cash flows which represent SPPI or selling the financial asset.

Financial assets at FVOCI are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for interest income, impairment charges and foreign exchange gains and losses, which are recognised in profit or loss.

Financial assets measured at FVTPL
Financial assets are measured at FVTPL if:

- they are held within a business model whose objective is achieved through selling or repurchasing the financial asset in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking; or
- the contractual cash flows of the financial asset do not represent SPPI on the principal balance outstanding; or
- they are designated at FVTPL upon initial recognition to eliminate or reduce an accounting mismatch.

Financial assets at FVTPL are measured at fair value with subsequent changes in fair value recognised in profit or loss.

1 Financial statements preparation (continued)

Financial assets and liabilities (continued)

Financial Liabilities

Financial liabilities are classified into the following measurement categories:

- those to be measured at amortised cost;
- those to be measured at FVTPL.

Financial liabilities measured at amortised cost
Financial liabilities are measured at amortised cost if they are not held for trading or designated at FVTPL.

Financial liabilities measured at amortised cost are accounted for using the effective interest rate method.

Financial liabilities measured at FVTPL
Financial liabilities are measured at FVTPL if:

- they are held for trading where the principal objective is achieved through selling or repurchasing the financial liability in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking; or
- they are designated at FVTPL upon initial recognition to eliminate or reduce an accounting mismatch.

Financial liabilities at FVTPL are measured at fair value with subsequent changes in fair value recognised in profit or loss.

Further details of the accounting policy for each category of financial asset or financial liability mentioned above is set out in the note for the relevant item.

The Group's policies for determining the fair value of financial assets and financial liabilities are set out in Note 21 -Fair value.

Recognition

The Group initially recognises finance receivables and borrowings on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at FVTPL) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with the retention of all or substantially all risks and rewards include, for example, securitised assets and repurchase transactions.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in profit or loss.

PERFORMANCE

2 Segmental analysis

Segment information is presented in respect of the Group's operating segments, consistent with those used for the Group's management and internal reporting. This information is presented in accordance with NZ IFRS and included in the measurement of segment profit or loss to enable the evaluation of the nature and financial effects of the Group's business activities and operating environment.

An operating segment is a component of an entity engaging in business activities whose results are regularly reviewed by the Group's chief operating decision maker (**CODM**). The CODM, who is responsible for allocating resources and assessing business performance of the Group, has been identified as the Group’s Chief Executive Officer (**CEO**).

Operating segments

The Group operates within New Zealand and Australia and comprises the following main operating segments:

Operating segments – New Zealand

Motor	Motor vehicle finance.
Reverse mortgages	Reverse mortgage lending.
Personal lending	Transactional, home loans and personal loans to individuals.
Business	Term debt, plant and equipment finance, commercial mortgage lending and working capital solutions for small-to-medium sized businesses.
Rural	Specialist financial services to the farming sector primarily offering livestock finance, rural mortgage lending, seasonal and working capital financing, as well as leasing solutions to farmers.

Operating segment – Australia

Australian Banking Group	Australian Banking Group provides banking and financial services in Australia which consist of reverse mortgage lending, livestock finance and other financial services.

All other segments

Other	Operating expenses, such as premises, IT and support centre costs in New Zealand are not allocated to the New Zealand operating segments and are included in Other.

Finance receivables are allocated across the operating segments as assets. Liabilities are managed centrally and therefore are not allocated across the operating segments, except for the geographical allocation between Australia and New Zealand. The Group does not rely on any single major customer for its revenue base.

During the year, the Group revised the disclosure of specific income and expenses included in the operating segment profit and concluded that personnel expenses are material for the CODM’s assessment of operating segment performance and therefore, appropriate for disclosure as a separate line item. Comparative information within this note has been adjusted to align to the current year’s basis for segmental analysis disclosure.

2 Segmental analysis (continued)

$000's	Motor	Reverse Mortgages	Personal lending	Business	Rural	Australian Banking Group	Other	Total
June 2025								
Net interest income	69,467	55,861	5,187	49,144	32,686	94,749	213	307,307
Lending and credit fee income	5,298	2,472	(187)	3,595	511	2,292	–	13,981
Net other income/(expense)	765	–	10	1,085	1,469	641	(3,991)	(21)
Net operating income	**75,530**	**58,333**	**5,010**	**53,824**	**34,666**	**97,682**	**(3,778)**	**321,267**
Personnel expenses	5,524	2,030	3,289	5,762	2,253	21,458	58,031	98,347
Other expenses	1,653	3,516	2,089	1,394	869	30,796	53,879	94,196
Operating expenses	**7,177**	**5,546**	**5,378**	**7,156**	**3,122**	**52,254**	**111,910**	**192,543**
Profit/(loss) before fair value (loss)/gain on equity investments, impaired asset expense and income tax	**68,353**	**52,787**	**(368)**	**46,668**	**31,544**	**45,428**	**(115,688)**	**128,724**
Net fair value (loss) on equity investments and investment property	–	–	–	–	–	–	1,623	1,623
Losses on guaranteed future value products	1,504	–	–	–	–	–	–	1,504
Impaired asset expense	19,218	–	639	44,812	4,084	2,885	–	71,638
Profit/(loss) before income tax	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**42,543**	**(114,065)**	**57,205**
Income tax expense	–	–	–	–	–	12,756	5,636	18,392
Profit/(loss) for the year	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**29,787**	**(119,701)**	**38,813**
Total assets	**1,687,763**	**1,233,272**	**178,625**	**853,011**	**731,819**	**3,169,630**	**793,330**	**8,647,450**
Total liabilities[1]								**7,428,398**
June 2024								
Net interest income	58,909	46,586	5,156	62,090	34,652	68,617	1,635	277,645
Lending and credit fee income	3,908	2,651	198	3,935	374	3,218	–	14,284
Net other income/(expense)	1,194	–	543	1,145	(443)	(839)	(2,861)	(1,261)
Net operating income	**64,011**	**49,237**	**5,897**	**67,170**	**34,583**	**70,996**	**(1,226)**	**290,668**
Personnel expenses	3,475	1,800	4,099	7,436	2,510	21,215	26,594	67,129
Other expenses	1,153	3,566	2,726	1,677	671	20,563	41,901	72,257
Operating expenses	**4,628**	**5,366**	**6,825**	**9,113**	**3,181**	**41,778**	**68,495**	**139,386**
Profit/(loss) before fair value (loss)/gain on equity investments, impaired asset expense and income tax	**59,383**	**43,871**	**(928)**	**58,057**	**31,402**	**29,218**	**(69,721)**	**151,282**
Fair value (loss) on equity investments	–	–	–	–	–	–	(314)	(314)
Losses on guaranteed future value products	–	–	–	–	–	–	–	–
Impaired asset expense	24,329	–	1,476	17,527	2,428	663	–	46,423
Profit/(loss) before income tax	**35,054**	**43,871**	**(2,404)**	**40,530**	**28,974**	**28,555**	**(70,035)**	**104,545**
Income tax expense	–	–	–	–	–	7,644	22,352	29,996
Profit/(loss) for the year	**35,054**	**43,871**	**(2,404)**	**40,530**	**28,974**	**20,911**	**(92,387)**	**74,549**
Total assets	**1,608,282**	**1,068,154**	**339,110**	**1,306,689**	**720,339**	**3,415,495**	**833,786**	**9,291,855**
Total liabilities[1]								**8,053,986**

[1]Total liabilities include $2,713 million (2024: $2,987 million) attributable to the Australian Banking Group segment.

3 Net interest income

Policy

Interest income and expense on financial instruments is measured using the effective interest rate method that discounts the financial instruments' future cash flows to their present value and allocates the interest income or expense over the life of the financial instrument. The effective interest rate is established on initial recognition of the financial assets or liabilities and is not subsequently revised. For financial instruments at amortised cost, the calculation of the effective interest rate includes all yield related fees and commissions paid or received that are an integral part of the underlying financial instrument.

Interest income is calculated based on the gross carrying amount of financial assets in stages 1 and 2 of the Group's expected credit losses (**ECL**) model and on the carrying amount net of the provision for ECL for financial assets in stage 3.

For financial instruments measured at FVTPL, interest is calculated based on the contractual rate. Fees and commissions related to the origination of these instruments are recognised within Lending and credit fee income and Operating expenses, respectively, at the time of the instruments initial recognition.

$000's	June 2025	June 2024
Interest Income		
Calculated using the effective interest method		
Cash and cash equivalents	12,302	12,952
Investments measured at FVOCI	33,152	12,082
Finance receivables measured at amortised cost	354,962	380,055
Total interest income calculated using the effective interest method	**400,416**	**405,089**
Fair value through profit or loss		
Investments measured at FVTPL	7,416	4,186
Finance receivables - reverse mortgages	298,033	251,757
Total interest income on financial assets measured at FVTPL	**305,449**	**255,943**
Total interest income	**705,865**	**661,032**
Interest Expense		
Calculated using the effective interest method		
Deposits	311,922	240,758
Other borrowings	95,885	167,796
Total interest expense calculated using the effective interest method	**407,807**	**408,554**
Fair value through profit or loss		
Net interest (income) on derivative financial instruments	(9,249)	(25,167)
Total net interest (income) on derivative financial instruments measured at FVTPL	**(9,249)**	**(25,167)**
Total interest expense	**398,558**	**383,387**
Net interest income	**307,307**	**277,645**

4 Net operating lease income

Policy

As a lessor, the Group retains substantially all the risks and rewards incidental to ownership of the assets and therefore, classifies the leases as operating leases. Rental income and expense from operating leases are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Profits on the sale of operating lease assets are included as part of operating lease income. Current year depreciation and losses on the sale of operating lease assets are included as part of operating lease expenses. The leased assets are depreciated over their useful lives on a basis consistent with similar assets.

$000's	June 2025	June 2024
Operating lease income		
Lease income	5,455	5,374
Gain on disposal of lease assets	599	684
Total operating lease income	**6,054**	**6,058**
Operating lease expense		
Depreciation of lease assets	3,923	3,902
Direct lease costs	376	471
Total operating lease expense	**4,299**	**4,373**
Net operating lease income	**1,755**	**1,685**

5 Other income

Policy

Rental income from investment properties

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Insurance income

Insurance premium income and commission expense are recognised in profit or loss from the date of attachment of the risk over the period of the insurance contract. Claim expense is recognised in the profit or loss on an accrual basis once our liability to the policyholder has been confirmed under the terms of the contract.

Fair value gain or loss on derivative financial instruments

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the hedging reserve. The ineffective portion of a fair value gain or loss and changes in the fair value of any derivatives not designated in a hedge relationship are recognised immediately in the statement of comprehensive income and disclosed within Other income. Refer to Note 12 - Derivative financial instruments for further details.

Fair value gain or loss on non-derivative financial instruments

A fair value gain or loss on certain non-derivative financial instruments are recognised in the statement of comprehensive income for financial instruments held at fair value through profit or loss. The cumulative gain or loss on debt instruments, recognised in other comprehensive income, is subsequently reclassified to profit or loss on disposal of the instrument. Refer to Note 11 – Investments for further details.

$000's	June 2025	June 2024
Rental income from investment properties	584	995
Insurance income[1]	63	209
Fair value loss on derivative instruments measured at fair value[2]	(5,142)	(5,074)
Fair value gain/(loss) on non-derivative financial instruments[3]	441	(727)
Other income[4]	1,943	4
Foreign exchange gain	335	1,647
Total other expense	**(1,776)**	**(2,946)**

[1]Insurance income includes net income from MIL. MIL ceased writing insurance policies in 2020, and coverage under all existing policies ended in January 2025. Refer to Significant events section within Note 1 - Financial statements preparation for further details.

[2]Includes a loss of $0.3 million (2024: $0.9 million gain) related to hedge ineffectiveness from cash flow hedge relationships. Refer to Note 12 - Derivative financial instruments for further details.

[3]Includes realised and unrealised losses on HBA's government securities, bank bonds and floating rate notes. Refer to Note 11 - Investments for further details.

[4]The increase in Other income for the year ended 30 June 2025 is primarily attributed to income generated from rural properties under the management of the Group.

6 Operating expenses

Policy

Operating expenses are recognised as the underlying service is rendered or over a period in which an asset is consumed or a liability is incurred.

$000's	**June 2025**	**June 2024**
Personnel expenses[1]	98,347	67,129
Directors' fees	2,196	1,507
Superannuation	3,594	2,088
Depreciation - property, plant and equipment	1,933	1,809
Legal and professional fees[2]	9,477	6,240
Advertising and public relations	3,137	3,017
Depreciation - right of use asset	3,703	3,252
Technology services and communications	20,960	14,386
Customer administration costs	11,117	11,876
Customer onboarding costs	2,730	2,717
Occupancy costs	3,038	2,588
Amortisation of intangible assets	11,509	5,516
Other operating expenses[3]	20,802	17,261
Total operating expenses	**192,543**	**139,386**

[1]Excludes certain personnel expenses directly incurred in acquiring and developing software and capitalised as part of specific application software.

[2]Legal and professional fees include compensation of auditor which is disclosed in Note 7 - Compensation of auditor.

[3]Other operating expenses mainly comprise non-recoverable proportion of goods and services tax (**GST**), debt collection fees, insurance and project expenses.

7 Compensation of auditor

In accordance with the Amendments to FRS-44, the Group is required to disclose the fees incurred for services received from its audit or review firm, with a description of each service, including audit or review of the financial statements. Other services performed during the reporting period are required to be disclosed using the following categories:

- audit or review related services;
- other assurance services and other agreed-upon procedures engagements;
- taxation services and;
- other services.

In accordance with the Group's external auditor independence policy, it is prohibited for the external auditor's firm to perform tax compliance work. It is the Group's policy to engage the external auditor's firm on assignments additional to its statutory audit duties only if they are not perceived to be in conflict with the role of external auditor. All services are pre-approved by the Board Audit and Risk Committee.

7 Compensation of auditor (continued)

The fees payable to the auditors, PricewaterhouseCoopers (**PwC**) and to the predecessor auditor of HBA and its controlled entities, Ernst & Young (**EY**), are outlined in the below table:

$000's	June 2025	June 2024
Fees paid to auditor - PwC		
Audit and review of financial statements		
Current year[1]	1,811	1,330
Additional prior year[1]	56	58
Total audit and review of financial statements	**1,867**	**1,388**
Audit or review related services		
APRA regulatory reporting and Australian Financial Services Licence reporting assurance services - current year	200	—
APRA regulatory reporting and Australian Financial Services Licence reporting assurance services - additional for prior year	—	22
Insurance solvency return assurance services - current year	—	4
Insurance solvency return assurance services - additional for prior year	4	—
Registry assurance services	12	11
Trust deed reporting services	3	3
Total audit or review related services	**219**	**40**
Other assurance services and other agreed-upon procedures		
Greenhouse gas emissions assurance readiness assessment	—	35
Greenhouse gas emissions assurance services	61	38
Total other assurance services and other agreed-upon procedures	**61**	**73**
Other services		
Provision of executive reward survey report	4	—
Total compensation paid to PwC	**2,151**	**1,501**
Fees paid to auditor - EY		
Audit and review of financial statements[1]	**—**	692
Audit or review related services		
APRA regulatory reporting and Australian Financial Services Licence reporting (assurance engagement)	—	119
Other services[2]	—	332
Total compensation paid to EY	**—**	**1,143**
Total compensation of auditor	**2,151**	**2,644**

[1]Fees are for both the audit of the annual financial statements and review of the interim financial statements. This includes limited assurance on disclosures of capital adequacy and regulatory liquidity requirements.

[2]Other services paid to EY in 2024 comprised actuarial services for reverse mortgages, actuarial services for stress testing, directors remuneration review, executive reward survey report, executive remuneration review, CPS 234 information security plan review, hedge accounting and other accounting advisory services, review of Australian banking policies and periodic assessment of StockCo funding facilities and facilitation of strategy review workshop. Except for the actuarial services for reverse mortgages stress testing, all other services were carried out prior to their appointment as external auditor.

8 Impaired asset expense

$000's	June 2025	June 2024
Individually impaired asset expense	24,730	13,705
Collectively impaired asset expense	48,663	34,137
Total impaired asset expense excluding recovery of amounts previously written off to the income statement	**73,393**	**47,842**
Recovery of amounts previously written off to the income statement	(1,755)	(1,419)
Total impaired asset expense	**71,638**	**46,423**

Refer to Note –13 Finance receivables measured at amortised cost for provision for impairment details.

9 Taxation

Policy

Income tax

Income tax expense for the year comprises current tax and movements in deferred tax balances, including any adjustment required for prior years' tax expense. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable or receivable in respect of previous years. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. As required by NZ IAS 12 Income Taxes, a deferred tax asset is recognised only to the extent that it is probable that a future taxable profit will be available to realise the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST. As the Group is predominantly involved in providing financial services, only a proportion of GST paid on inputs is recoverable. The non-recoverable proportion of GST is treated as an expense or, if relevant, as part of the cost of acquisition of an asset.

Income tax expense

$000's	June 2025	June 2024
Income tax recognised in profit or loss		
Current tax		
Current year	16,722	35,997
Adjustments for prior year	2,520	(879)
Tax at other rates	973	590
Deferred tax		
Current year	434	(5,446)
Adjustments for prior year	(2,136)	(581)
Change in recognition of deferred tax	—	372
Tax at other rates	(121)	(57)
Total income tax expense recognised in profit or loss	**18,392**	**29,996**
Income tax recognised in other comprehensive income		
Current tax		
Investment securities at fair value in fair value reserve	592	357
Fair value movements in derivatives held in cash flow hedge reserve	(3,193)	(4,276)
Total income tax benefit recognised in other comprehensive income	**(2,601)**	**(3,919)**
Reconciliation of effective tax rate		
Profit before income tax	**57,205**	**104,545**
Tax at local income tax rate (NZ:28%, Australia:30%)	16,868	29,797
Adjusted tax effects of items not deductible	1,140	1,287
Adjustments for prior year	384	(1,460)
Change in recognition of deferred tax asset	—	372
Total income tax expense	**18,392**	**29,996**

9 Taxation (continued)

Deferred tax comprise the following temporary differences:

$000's	June 2025	June 2024
Employee entitlements	3,253	2,636
Share based payment	202	—
Provision for impairment	20,881	21,528
Intangibles and property, plant and equipment	(3,767)	(1,465)
Right of use assets	(3,536)	(4,180)
Lease liabilities	4,152	4,834
Deferred acquisition costs	(6)	(6)
Operating lease vehicles	(357)	(594)
Deferred income	(5,758)	(6,522)
Tax loss	5,996	4,911
Deductible prior year expense	—	421
Other temporary differences	(428)	2,164
Total deferred tax	**20,632**	**23,727**
Opening balance of deferred tax	**23,727**	**21,105**
Movement recognised in profit or loss	1,823	6,084
Transfer on acquisition of business	—	820
Utilisation of tax loss	(4,320)	(3,910)
Change in recognition of deferred tax asset	(598)	(372)
Closing balance of deferred tax	**20,632**	**23,727**

Imputation credit account

$000's	June 2025	June 2024
Imputation credits available for use in subsequent reporting periods	48,761	46,427

10 Earnings per share

	June 2025			June 2024		
$000's	Earnings Per Share Cents	Net Profit After Tax $000's	Weighted Average No. of Shares 000's	Earnings Per Share Cents	Net Profit After Tax $000's	Weighted Average No. of Shares 000's
Basic Earnings	4.14	38,813	936,613	9.85	74,549	757,046
Diluted Earnings	4.14	38,813	936,613	9.85	74,549	757,046

FINANCIAL POSITION

11 Investments

Policy

Investments are classified into one of the following categories:

Fair value through other comprehensive income

Investments under this category are held within a business model whose objective is achieved both through collecting contractual cash flows or selling the financial asset. These investments include debt securities such as bank bonds, floating rate notes, public sector securities and corporate bonds, and equity securities where the Group has irrevocably elected at initial recognition to measure at FVOCI. These are initially measured at fair value, including transaction costs, and subsequently carried at fair value. Changes in fair value of these investments are recognised in other comprehensive income and presented within the fair value reserve.

The cumulative gain or loss on debt securities, recognised in other comprehensive income, is subsequently reclassified to the statement of comprehensive income on disposal and disclosed within Other income.

Fair value through profit or loss

Investments under this category are held within a business model whose objective is achieved through selling the financial asset. These investments include government securities, bank bonds, floating rate notes and equity securities and are measured at fair value plus transaction costs. Changes in fair value of these investments are recognised in profit or loss in the period in which they occur.

$000's	June 2025	June 2024
Investments measured at FVOCI		
Bank bonds	276,287	270,581
Public sector securities and corporate bonds	500,658	101,235
Equity investments	5,664	7,575
Investments measured at FVTPL		
Government securities, bank bonds and floating rate notes[1]	2,174	706,840
Equity investments	6,977	5,900
Total investments	**791,760**	**1,092,131**

[1]Includes HBA's investments acquired prior to the acquisition of HBA by HBL on 30 April 2024. Effective 1 July 2024, HBA has adopted a business model whose objective is achieved through both the collection of contractual cash flows and the sale of debt securities. Accordingly, HBA's newly acquired debt securities have been measured at FVOCI, in alignment with the Group's policies. Refer to Note 21 - Fair value for further details.

12 Derivative financial instruments

Policy

The Group uses derivatives for risk management purposes. Derivatives held for risk management purposes are placed into hedges that either meet hedge accounting requirements, or economic hedges not placed into an accounting hedge relationship.

Derivatives are recognised at their fair value, with the derivatives being carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative instruments that do not qualify for hedge accounting are held as economic hedges. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income and disclosed within Other income.

A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that exposes the Group to risk of changes in fair value or cash flows, and that is designated as being hedged.

The criteria that must be met for a relationship to qualify for hedge accounting under NZ IFRS 9 include:

- the hedging relationship must be formally designated and documented at inception of the hedge,
- prospective effectiveness testing must be carried out at the inception of the hedging relationship, and on an on-going basis to ensure the hedge is effective, consistent with the originally documented risk management strategy, and
- the instruments or counterparty must be a third party external to the Group.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an assessment of the qualitative characteristics of this hedged item and the hedged risk, supported by quantitative analysis. Close alignment of the critical terms of the hedged item and hedging instrument is also considered a strong indication of the presence of an economic relationship by the Group.

The Group establishes a hedge ratio by aligning the par amount of the exposure to be hedged and the notional amount of the interest rate swap designated as a hedging instrument and measures prospective hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is the extent to which the changes in the fair value of the derivative hedging instrument do not offset those of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio while the risk management objective for that hedging relationship remains the same, the Group adjusts the hedge ratio so that it meets the qualifying criteria again, allowing the continuation of a hedging relationship.

Hedge ineffectiveness may arise from timing difference on repricing between the hedged item and the hedging instrument, difference in timing of their cash flows, or due to changes in the counterparties' credit risk affecting the fair value of hedging instruments.

If the hedge no longer meets the criteria for hedge accounting, it is discontinued prospectively from the date on which the qualifying criteria are no longer met. This includes instances when the hedging instrument expires or is sold, terminated or exercised.

12 Derivative financial instruments (continued)

Policy (continued)

Fair value hedge accounting

The Group applies fair value hedge accounting to hedge movements in the value of fixed interest assets and liabilities subject to interest rate risk.

Subsequent to initial designation, changes in the fair value of derivatives that are designated and qualify for fair value hedge accounting are recorded through profit or loss alongside any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Where the hedged item is carried at amortised cost, the movement in fair value of the hedged item attributable to the hedged risk is made as an adjustment to the carrying value of the hedged asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the adjustment to carrying amount of a hedged item carried at amortised cost is amortised to the statement of comprehensive income on an effective yield basis over the remaining period to maturity of the hedged item. Where a hedged item carried at amortised cost is derecognised from the balance sheet, the adjustment to the carrying amount of the asset or liability is immediately transferred to the statement of comprehensive income.

Cash flow hedge accounting

The Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to interest rate risk on variable interest rate components of financial liabilities.

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the hedging reserve. The ineffective portion of a fair value gain or loss is recognised immediately in the statement of comprehensive income.

When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging derivative remains in the cash flow hedging reserve until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in the cash flow hedging reserve is immediately transferred to the statement of comprehensive income.

The Group elected to apply NZ IFRS 9 to account for designated hedge relationships, transitioning from the previous accounting standard NZ IAS 39 prospectively from 1 July 2024. Refer to Changes in accounting policy section in the Note 1 – Financial statements preparation for further details.

The Group's approach to managing market risk, including interest rate risk, is disclosed in Note 25 – Interest rate risk. The Group actively manages residual interest rate risk from the net exposure of its underlying assets and liabilities, associated with the mismatch of the interest rate repricing profiles of its interest earning assets and interest bearing liabilities, by entering into interest rate swaps to hedge against movements in interest rates.

12 Derivative financial instruments (continued)

Interest rate swaps are bilateral derivative contracts with commitments to exchange one set of cash flows for another resulting in an economic exchange of interest rates without exchange of principal. Interest rate swap notional values indicate the volume of transactions outstanding at the end of the financial year and provide basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved, therefore don't indicate the Group's exposure to credit or market risks. The fair values of derivative instruments and their notional values are set out in the below table.

$000's	June 2025			June 2024		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Interest rate related contracts						
Held as economic hedges	–	–	–	344,598	293	782
Designated as cash flow hedges	854,635	175	11,456	885,903	4,658	4,609
Designated as fair value hedges	349,100	4,617	9,203	424,502	7,365	3,626
Interest rate related contracts	**1,203,735**	**4,792**	**20,659**	**1,655,003**	**12,316**	**9,017**
Foreign currency related contracts						
Held as economic hedges	1,044	–	1	–	–	–
Foreign currency related contracts	**1,044**	**–**	**1**	**–**	**–**	**–**
Total derivative financial instruments	**1,204,779**	**4,792**	**20,660**	**1,655,003**	**12,316**	**9,017**

Cash flow hedge accounting is applied to interest rate swaps designated as hedges of the Group's floating rate domestic borrowings and deposits by using 'receive floating / pay fixed' interest rate swaps to fix the cost of floating interest rate deposits and borrowings.

Fair value hedge accounting is applied to receive fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate subordinated notes and retail bond, and to pay fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate investment securities.

The following table shows the maturity and interest rate risk profiles of the interest rate swaps as hedging instruments in continuing fair value and cash flow hedge relationships.

$000's	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2025						
Interest rate risk						
Cash flow hedge relationships						
Pay fixed						
Nominal amounts	–	60,000	422,741	371,894	–	854,635
Average interest rate	–	4.83%	3.87%	3.71%	–	
Fair value hedge relationships						
Pay fixed						
Nominal amounts	5,000	10,000	21,500	212,600	–	249,100
Average interest rate	1.01%	1.05%	5.37%	4.32%	–	
Receive fixed						
Nominal amounts	–	–	–	100,000	–	100,000
Average interest rate	–	–	–	4.30%	–	
Total interest rate risk nominal amount	**5,000**	**70,000**	**444,241**	**684,494**	**–**	**1,203,735**

12 Derivative financial instruments (continued)

$000's	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2024						
Interest rate risk						
Cash flow hedge relationships						
Pay fixed						
Nominal amounts	45,000	40,000	232,851	568,052	–	885,903
Average interest rate	5.20%	5.15%	4.71%	4.59%	–	
Fair value hedge relationships						
Pay fixed						
Nominal amounts	10,002	50,000	55,400	209,100	–	324,502
Average interest rate	1.63%	0.73%	0.47%	4.59%	–	
Receive fixed						
Nominal amounts	–	–	–	100,000	–	100,000
Average interest rate	–	–	–	4.30%	–	
Total interest rate risk nominal amount	**55,002**	**90,000**	**288,251**	**877,152**	**–**	**1,310,405**

The following table sets out the accumulated fair value adjustments arising from the corresponding fair value hedge relationships and the outcome of the changes in fair value of the hedged item as well as the hedging instruments used as the basis for recognising effectiveness.

	As at 30 June 2025		For the year ended 30 June 2025
$000's	Carrying value	Accumulated amount of fair value hedge adjustment	Gain/(loss) recognised in income statement
Interest rate risk			
Investments	254,710	6,976	11,834
Other borrowings	(102,876)	(2,749)	(3,470)
Total	**151,834**	**4,227**	**8,364**
Interest rate swaps	**(4,586)**	**(4,586)**	**(8,219)**
Hedge ineffectiveness of financial instruments recognised in other income			**145**

	As at 30 June 2024		For the year ended 30 June 2024
$000's	Carrying value	Accumulated amount of fair value hedge adjustment	Gain/(loss) recognised in income statement
Interest rate risk			
Investments	361,808	(4,390)	10,036
Other borrowings	(99,706)	721	(4,610)
Total	**262,102**	**(3,669)**	**5,426**
Interest rate swaps	**3,739**	**3,739**	**(5,303)**
Hedge ineffectiveness of financial instruments recognised in other income			**123**

12 Derivative financial instruments(continued)

The accumulated amount of fair value hedge adjustments included in the carrying amount of hedged items that have ceased to be adjusted for hedging gains and losses is nil (2024: nil).

The balance of the cash flow hedge reserve, amounts recognised in the reserve, and amounts transferred out of the reserve are shown in the following table.

$000's	June 2025	June 2024
Cash flow hedge reserve		
Balance at beginning of year	4,374	15,075
Transferred to the income statement	(3,690)	(744)
Net (loss)/gain from change in fair value	(13,351)	(14,233)
Net movement before tax	**(17,041)**	**(14,977)**
Tax on net movement in cash flow hedge reserve	3,193	4,276
Balance at end of year	**(9,474)**	**4,374**

During the year ended 30 June 2025, a loss of $0.3 million (2024: $0.9 million gain) was recognised in fair value loss on derivative financial instruments in the statement of comprehensive income recorded within other income related to hedge ineffectiveness from cash flow hedge relationships.

There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur (2024: nil).

There are $3.0 million of cumulative losses (2024: $2.5 million of cumulative gains) recognised in the cash flow hedge reserve on interest rate swaps for which hedge accounting is no longer applied on the basis that the associated variable cash flows are still expected to occur over the lifetime of the original hedge relationships. The associated cash flow hedge reserve is being released over the period of the original hedge relationship which has since been discontinued.

13 Finance receivables measured at amortised cost

Policy

Finance receivables measured at amortised cost are initially recognised at fair value plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

Fees and direct costs relating to loan origination, financing and loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest rate method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

$000's	June 2025	June 2024
Gross finance receivables measured at amortised cost	3,784,733	4,343,267
Less provision for impairment	(71,779)	(76,321)
Less provision for losses on guaranteed future value products[1]	(1,504)	–
Net finance receivables measured at amortised cost	**3,711,450**	**4,266,946**
Due within one year	1,068,661	1,050,448
Due more than one year	2,716,072	3,292,819
Less provision for impairment	(71,779)	(76,321)
Less provision for losses on guaranteed future value products	(1,504)	–
Net finance receivables measured at amortised cost	**3,711,450**	**4,266,946**

[1]Represents provision for probable losses arising from guaranteed future value (**GFV**) portfolio of motor vehicle loans that have guaranteed residual value of the underlying security and optionality for customers to return the vehicle.

13 Finance receivables measured at amortised cost (continued)

Policy

Impairment of finance receivables measured at amortised cost

At each reporting date, the Group applies a three-stage approach to measuring ECL of finance receivables not carried at fair value. The ECL model assesses whether there has been a significant increase in credit risk since initial recognition.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

For the purposes of a collective evaluation of impairment, finance receivables are grouped based on shared credit risk characteristics, credit risk ratings, contractual term, date of initial recognition, remaining term to maturity, customer type and other relevant factors.

The ECL model is a forward-looking model where impairment allowances are recognised before losses are actually incurred. On initial recognition, an impairment allowance is required, based on events that are possible in the next 12 months.

Assets may migrate between the following stages based on their change in credit quality:

Stage 1 - 12 months ECL (past due 30 days or less)

Where there has been no evidence of increased credit risk since initial recognition, and finance receivables are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2 - Lifetime ECL not credit impaired (greater than 30 but less than 90 days past due)

Where there has been a significant increase in credit risk.

Stage 3 - Lifetime ECL credit impaired (90 days past due or more)

Objective evidence of impairment, are considered to be in default or otherwise credit impaired.

Credit quality of financial assets

The Group internally computes probability of default using historical default data, to assess the potential risk of default of the lending, or other financial services products, provided to counterparties or customers. The Group has defined counterparty probabilities of default across consumer, retail, business and rural portfolios.

The Group considers a receivable to be in default when contractual payments are 90 days or more past due, or when it is considered unlikely that the credit obligation to the Group will be paid in full without recourse to actions, such as realisation of security.

Finance receivables are written off against the related impairment allowance when there is no reasonable expectation of recovery. Any recoveries of amounts previously written off are credited to credit impairment expense in profit or loss.

In determining whether credit risk has increased all available information relevant to the assessment of economic conditions at the reporting date are taken into consideration. To do this the Group considers its historical loss experience and adjusts this for current observable data based on a loss curve distribution.

The calculation of expected credit loss is modelled for portfolios of like assets. For portfolios which are either new or too small to model, judgement is used to determine impairment provisions.

For assets that are individually assessed for ECL, the allowance for ECL is calculated directly as the difference between the defaulted assets carrying value and the recoverable amount (being the present value of expected future cash flows, including cash flows from the realisation of collateral or guarantees, where applicable).

13 Finance receivables measured at amortised cost (continued)

Policy (continued)

Modification of contractual cash flows

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

Collectively assessed ECL (stage 1, 2 and 3)- New Zealand

The Group's models for estimating ECL for each of its portfolios are based on the historical credit experience of those portfolios.The models assume that economic conditions remain static over time, and the provision is calculated as a point in time estimate. During the year, HBL has recalibrated the probabilities of default and loss given default to align modelled inputs with more recent observations and data. HBL had also determined that the likelihood of recovery for unsecured loans within Open for Business and Motor Finance portfolios with no established payment arrangements has significantly diminished, resulting in a full provision net of anticipated recoveries against those cohorts of loans. In addition, secured motor loans that are more than 365 days past due have been fully provisioned, net of expected recoveries from the sale of collateral.

Model overlays are required in circumstances where the existing inputs, assumptions and model techniques do not capture all risk factors relevant to the Group's lending portfolios. An overlay has been applied to allow for the ECL impacts of considering all possible outcomes (multiple economic scenarios or MES) on forward-looking loss rates. The overlay is determined by building distribution curves for each portfolio based on previous loss rates, which involves finding the probability for each loss rate based on historical loss experience. The MES-weighted loss rates for each portfolio are estimated by weighting all possible losses by their associated probabilities across the distribution curves. The MES-weighted loss rates are then compared against the base ECL rates for each portfolio, with the rate differential determined as the required adjustment for the portfolios.

The rate differential is then applied on each of the portfolios to derive the overlay. The total quantum of the overlay at 30 June 2025 is $3.16 million (2024: $1.78 million). This includes an overlay for geopolitical risk of $0.5 million (2024: nil), which represents the expected incremental losses arising from current global geopolitical uncertainty.

Judgement is applied in determining if the forward-looking loss rates represent the expected loss rates of the portfolios, noting that the actual performance of the portfolios may vary significantly from expectations. The below represents different components of the collective ECL, including the impact of incorporating forward-looking loss rates for MES and geopolitical overlay.

Upside collective ECL (-10% shift)	$43.15m
Base collective ECL	$43.53m
MES-weighted collective ECL without geopolitical overlay	$46.19m
MES-weighted collective ECL with geopolitical overlay	$46.69m

Individually assessed ECL (stage 3)- New Zealand

For loans which are assessed individually for credit impairment, these are predominantly within the Asset Finance and older Business Relationship lending portfolios within the transport, construction, forestry and agriculture sectors. The loss given default since 30 June 2024 for this subset of loans has increased significantly as a direct consequence of poor trading conditions and weaker security valuations since 30 June 2024, resulting in limited prospects of recovery. Accordingly, the provision has increased since 30 June 2024, with subsequent write-off of some of the HBL's loans and associated ECL.

ECL (stage 1,2 and 3) - Australia

There have been no material changes to the ECL in HBA during the year ended 30 June 2025.

13 Finance receivables measured at amortised cost (continued)

The following table details the movement from the opening balance to the closing balance of the provision for impairment losses by class.

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
June 2025					
Impairment allowance as at 30 June 2024	**14,361**	**5,197**	**34,281**	**22,482**	**76,321**
Changes in loss allowance					
Transfer between stages[1]	(140)	(9,070)	7,582	1,628	—
New and increased provision (net of provision releases)[1]	1,832	11,724	36,735	23,102	73,393
Credit impairment charge	**1,692**	**2,654**	**44,317**	**24,730**	**73,393**
Write-offs	—	—	(55,494)	(22,417)	(77,911)
Effect of changes in foreign exchange rate	(24)	—	—	—	(24)
Impairment allowance as at 30 June 2025	**16,029**	**7,851**	**23,104**	**24,795**	**71,779**
June 2024					
Impairment allowance as at 30 June 2023	**13,009**	**2,463**	**21,499**	**16,295**	**53,266**
Changes in loss allowance					
Transfer between stages[1]	(769)	(5,687)	4,478	1,978	—
New and increased provision (net of provision releases)[1]	1,954	8,422	25,739	11,727	47,842
Credit impairment charge	**1,185**	**2,735**	**30,217**	**13,705**	**47,842**
Write-offs	—	—	(17,451)	(7,518)	(24,969)
Effect of changes in foreign exchange rate	—	(1)	16	—	15
Acquisition of subsidiary	167	—	—	—	167
Impairment allowance as at 30 June 2024	**14,361**	**5,197**	**34,281**	**22,482**	**76,321**

[1] The increase in provision when a loan moves to a higher stage is included in New and increased provision (net of provision releases) in the higher stage to which the loan moved. The decrease in provision when a loan moves to a lower stage is included in New and increased provision (net of provision releases) in the higher stage from which the loan moved.

13 Finance receivables measured at amortised cost (continued)

Impact of changes in gross finance receivables measured at amortised cost on allowance for ECL

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
30 June 2025					
Gross finance receivables measured at amortised cost as at 30 June 2024	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**
Transfer between stages	(216,671)	79,265	103,381	34,025	–
Additions	1,255,780	–	–	–	1,255,780
Deletions	(1,564,666)	(83,543)	(67,653)	(16,182)	(1,732,044)
Write-offs	–	–	(55,494)	(22,417)	(77,911)
Effect of changes in foreign exchange rate	(3,290)	(493)	–	(576)	(4,359)
Gross finance receivables measured at amortised cost as at 30 June 2025	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**
30 June 2024					
Gross finance receivables measured at amortised cost as at 30 June 2023	**4,070,598**	**182,470**	**81,294**	**53,118**	**4,387,480**
Acquisition of subsidiary	61,179	–	–	–	61,179
Transfer between stages	(261,729)	95,866	112,111	53,752	–
Additions	1,284,203	–	–	–	1,284,203
Deletions	(1,269,748)	(36,077)	(60,382)	(2,592)	(1,368,799)
Write-offs	(226)	(628)	(16,305)	(7,810)	(24,969)
Effect of changes in foreign exchange rate	4,166	2	5	–	4,173
Gross finance receivables measured at amortised cost as at 30 June 2024	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**

Impact of changes in gross exposures on loss allowances

The Group's provision for impairment had a net reduction by $4.5 million during the year ended 30 June 2025 due to:

- A net reduction in collective provisions of $6.8 million reflecting:
  - An increase in provisions of $48.7 million predominantly relating to motor vehicles and business lending as a result of diminished recoverability and declining credit quality of these receivables attributed to further deterioration of economic conditions; and
  - subsequent bad debt write offs of $55.5 million which include the write -off of receivables and related increased provisions explained above.
- A net increase in individually assessed provisions of $2.3 million due to the transfer of $34.0 million total receivables within the business portfolio into this category which resulted in additional provisions of $24.7 million made against these loans due to the worsening economic conditions and declining security valuations caused by reduced demand. This is partially offset by subsequent bad debt write-offs of $22.4 million.

As at 30 June 2025, there were $0.86 million undrawn lending commitments available to counterparties for whom drawn balances are classified as individually impaired (2024: $0.03 million).

As at 30 June 2025, the contractual amount outstanding on loans to customers written off during the year and are still subject to enforcement activity was $19.12 million (2024: nil).

14 Operating lease vehicles

Policy

Operating lease vehicles are stated at cost less accumulated depreciation.

Operating lease vehicles are depreciated on a straight-line basis over their expected useful life after allowing for any residual values. The estimated lives of these vehicles vary up to five years. Vehicles held for sale are not depreciated but are tested for impairment.

$000's	June 2025	June 2024
Cost		
Opening balance	26,191	22,913
Additions	3,416	6,732
Disposals	(4,721)	(3,454)
Closing balance	**24,886**	**26,191**
Accumulated depreciation		
Opening balance	7,930	5,947
Depreciation charge for the year	3,923	3,902
Disposals	(2,528)	(1,919)
Closing balance	**9,325**	**7,930**
Opening net book value	18,261	16,966
Closing net book value	**15,561**	**18,261**

The future minimum lease payments receivable under operating leases not later than one year is $4.240 million (2024: $5.037 million), within one to five years is $4.758 million (2024: $7.192 million) and over five years is nil (2024: $0.002 million).

15 Borrowings

Policy

Borrowings and deposits are initially recognised at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The Group hedges interest rate risk on certain debt issues. When fair value hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks.

The Group also uses repurchase agreements as a source of short term wholesale funding. The cash consideration received is recognised as a liability (Repurchase agreements) within Other borrowings.

Repurchase agreements are designated at FVTPL when they are managed as part of a trading portfolio, otherwise they are measured at amortised cost. The difference between the sale price and the repurchase price is recognised within interest expense.

$000's	June 2025	June 2024
Deposits		
Short-term interest bearing deposits	1,417,823	1,399,189
Non-interest bearing deposits	38,369	38,193
Term deposits	5,073,761	4,511,734
Total deposits	**6,529,953**	**5,949,116**
Other borrowings		
Unsubordinated notes	128,747	458,019
Subordinated notes	156,854	153,732
Securitised borrowings	520,048	1,369,394
Certificates of deposit	19,805	59,618
Total other borrowings	**825,454**	**2,040,763**
Total deposits and other borrowings	**7,355,407**	**7,989,879**
Due within one year	6,244,476	6,150,044
Due more than one year	1,110,931	1,839,835
Total deposits and other borrowings	**7,355,407**	**7,989,879**

Deposits and unsubordinated notes rank equally and are unsecured.

Unsubordinated notes

Unsubordinated notes include long-term retail bond and medium term notes. Medium term notes are issued in Australian dollars to eligible non-retail investors in compliance with applicable laws.

The Group has the following unsubordinated notes on issue at balance sheet date:

Retail bond and medium term notes $000's	Frequency of interest repayment	June 2025	June 2024	Maturity date
NZ $20 million	Semi-annually	20,298	20,302	27 March 2028
AU $45 million[1]	Quarterly	–	49,974	9 July 2024
AU $30 million[1]	Quarterly	–	33,285	9 July 2024
AU $220million[1]	Quarterly	–	242,543	13 May 2025
AU $100 million	Quarterly	108,449	111,915	5 October 2027
Total retail bond and medium term notes		**128,747**	**458,019**	

[1]The repayment of the medium term notes was predominantly funded through retail deposits raised by HBA.

The Group actively engages facility providers in commercial negotiations including tenor extensions, increase in facility limits, refinancing arrangements, and other commercial terms. The Group has a track record of extending or refinancing funding arrangements as they fall due and does not anticipate any difficultly in doing so when the facilities above expire.

15 Borrowings (continued)

Subordinated notes

NZD Subordinated notes

On 28 April 2023, HBL, a subsidiary of the Group, issued $100 million of subordinated unsecured notes (**NZD Subordinated notes**) to New Zealand investors and certain overseas institutional investors pursuant to the terms of the Subordinated Unsecured Notes Deed Poll in accordance with the laws of New Zealand. NZD Subordinated notes are treated as Tier 2 capital under HBL regulatory capital requirements and will mature on 28 April 2033.

Interest payable

The interest rate is a fixed rate of 7.51% for a period of 5 years until 28 April 2028, after which it will reset to quarterly floating rate equal to the sum of the applicable 3-month Bank Bill Rate plus 3.2% Issue Margin. The quarterly payment of interest in respect of the subordinated notes are subject to HBL being solvent at the time of, and immediately following the interest payment.

Early Redemption

HBL may choose to repay all or some of the subordinated notes for their face value together with accrued interest (**if any**) on 28 April 2028 or any interest payment date thereafter. Early redemption of all the subordinated notes for certain tax or regulatory events is permitted on an interest payment date. Early redemption is subject to certain conditions, including HBL obtaining the RBNZ prior written approval and HBL being solvent at the time.

Ranking

The claims of the holders of the subordinated notes will rank:

- Behind the claims of all depositors and other creditors of HBL;
- equally with the claims of other holders of any other securities and obligations that rank equally with the subordinated notes and;
- ahead of the rights of the HBL's shareholders and holders of any other securities and obligations of HBL that rank behind the subordinated notes.

AUD Subordinated notes

On 28 June 2024, HBA, a subsidiary of the Group, issued A$50 million of subordinated unsecured notes (**AUD Subordinated notes**) pursuant to the terms of the Debt Issuance Programme in accordance with the laws of Australia. AUD Subordinated notes are treated as Tier 2 capital under HBA regulatory capital requirements and will mature on 28 June 2034. AUD Subordinated notes do not qualify for treatment as Tier 2 capital under HBL regulatory capital requirements.

Interest payable

The interest rate is a floating rate equal to the sum of the applicable 3-month Bank Bill Swap Rate plus 3.7% Issue Margin. The quarterly payment of interest in respect of the subordinated notes are subject to HBA being solvent at the time of, and immediately following the interest payment.

Early Redemption

HBA may elect to repay the subordinated notes before 28 June 2034 in part or in full at their face value together with accrued interest on 28 June 2029 or any interest payment date thereafter. Early redemption of all the subordinated notes for certain tax or regulatory events is permitted on an interest payment date. Early redemption is subject to certain conditions, including HBA obtaining the Australian Prudential Regulatory Authority (**APRA**) prior written approval and HBA being solvent at the time.

Ranking

The claims of the holders of the subordinated notes will rank:

- Behind the claims of all depositors and other creditors of HBA;
- equally with the claims of other holders of any other securities and obligations that rank equally with the subordinated notes and;
- ahead of the rights of the HBA's shareholders and holders of any other securities and obligations of HBA that rank behind the subordinated notes.

15 Borrowings (continued)

Securitised borrowings

The Group had the following securitised borrowings outstanding as at 30 June 2025:

Securitisation facility $000's	Currency	June 2025 Limit AUD	June 2025 Limit NZD	June 2025 Drawn	June 2024 Limit AUD	June 2024 Limit NZD	June 2024 Drawn	Maturity date
Heartland Auto Receivable Warehouse Trust (**HARWT**)[1]	NZD	—	320,000	158,640	—	600,000	484,422	26 August 2026
Seniors Warehouse Trust No.2 (**SWT2**)[2]	AUD	260,000	280,687	230,133	750,000	821,198	596,669	8 May 2056
StockCo Securitisation Trust 2021-1 (**StockCo**)[3]	AUD	—	—	—	250,000	273,733	155,581	Not applicable
Atlas 2020-1 Trust (**Atlas**)[4]	AUD	—	—	131,275	—	—	132,722	24 September 2050
Total securitisation borrowings			**600,687**	**520,048**		**1,694,931**	**1,369,394**	

[1]HARWT reduced its securitisation facility limit and partially repaid its securitised borrowings following the repurchase of its securitised assets by HBL during the year. Refer to Note 27 - Structured entities for further details.

[2]SWT2 reduced its securitisation facility limit as part of execution of its date-based calls and scheduled repayments of its securitised borrowings, in compliance with Australian Prudential Standard APS 120 Securitisation.

[3]StockCo facility undrawn limit was cancelled and drawn balance was fully repaid on 30 April 2025. Refer to Note 27 - Structured entities for further details.

[4]Atlas is a closed securitisation trust due to its predefined asset composition and outstanding borrowings balance, fixed throughout its operational life. As such, there is no facility limit applicable to Atlas issued notes.

- HARWT notes issued to investors are secured over motor vehicle loans.
- StockCo notes issued to investors were secured over livestock loans.
- SWT2 and Atlas notes issued to investors are secured over reverse mortgage loans.

Net debt reconciliation

The below table sets out net cash and non-cash changes in liabilities arising from financing activities.

$000's	June 2025	June 2024
Balance as at beginning of year	**2,040,763**	**2,496,375**
Proceeds from wholesale borrowings	424,614	1,743,510
Repayment of wholesale borrowings	(1,311,047)	(2,362,786)
Proceeds from issue of unsubordinated notes	—	189,588
Repayment of unsubordinated notes	(321,347)	(123,764)
Proceeds from issue of subordinated debt	—	51,572
Total cash movements	**(1,207,780)**	**(501,880)**
Acquisition of debt from purchase of subsidiary	—	2,574
Capitalised interest and fee expense	(3,354)	30,791
Fair value movements	3,470	805
Foreign exchange and other movements	(7,645)	12,098
Total non-cash movements	**(7,529)**	**46,268**
Balance as at the end of year	**825,454**	**2,040,763**

16 Share capital and dividends

Policy

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

000's	June 2025 Number of Shares	June 2024 Number of Shares
Issued shares		
Opening balance	930,561	709,658
Shares issued during the year	—	211,868
Shares issued - dividend reinvestment plan	9,539	9,035
Closing balance	**940,100**	**930,561**

The Group issued 6,857,950 new shares at $1.04 per share ($7.1 million) on 20 September 2024 and 2,680,562 shares at $0.81 per share ($2.2 million) on 21 March 2025 under the dividend reinvestment plan (**DRP**) for the year (2024: 4,790,946 new shares at $1.69 per share ($8.1 million) on 22 September 2023 and 4,243,768 new shares at $1.27 per share ($5.4 million) on 20 March 2024 under the DRP for the year).

During the year ended 30 June 2024 HGH completed a capital raise which comprised an institutional share placement (**Placement**) and a 1 for 6.85 accelerated non-renounceable entitlement offer (**Entitlement Offer**), offered to eligible institutional shareholders (**Institutional Entitlement Offer**) and eligible retail shareholders (**Retail Entitlement Offer**). HGH issued 131,949,647 shares for total proceeds of $131.9 million on 15 April 2024 under the Institutional Entitlement Offer and 79,102,644 shares at $1.00 per share ($79.1 million) on 26 April 2024 under the Retail Entitlement Offer. The total value of shares issued was $210.0 million with $6.3 million of transaction costs recognised in relation to this share issuance.

On 19 September 2023, HGH issued a further 1,275,194 shares at $0.60 per share ($0.8 million) under the Long Term Incentive Scheme of HGH (**LTI Scheme**), of which 459,070 shares at $1.74 per share ($0.8 million) were acquired by HGH pursuant to the buyback offer to the participants to fund the tax liability arising for those participants upon receipt of shares under the LTI Scheme.

The ordinary shares have no par value. Each ordinary share of HGH carries the right to vote on a poll at meetings of shareholders, the right to an equal share in dividends and the right to an equal share in the distribution of the surplus assets of HGH in the event of liquidation.

Dividends paid

	June 2025			June 2024		
	Date Declared	Cents Per Share	$000's	Date Declared	Cents Per Share	$000's
Final dividend	28 August 2024	3.0	27,918	28 August 2023	6.0	42,579
Interim dividend	26 February 2025	2.0	18,747	26 February 2024	4.0	28,611
Total dividends paid			**46,665**			**71,190**

17 Other reserves

$000's	Employee Benefit Reserve	Foreign Currency Translation Reserve (FCTR)	Fair Value Reserve	Cash Flow Hedge Reserve	Total
June 2025					
Balance as at 30 June 2024	–	(6,665)	(6,205)	4,374	(8,496)
Movements attributable to net investments in foreign operations	–	(6,905)	–	–	(6,905)
Movements attributable to changes in fair value of debt investments at FVOCI	–	–	2,143	–	2,143
Movements attributable to cash flow hedges	–	–	–	(17,041)	(17,041)
Movements attributable to changes in fair value of equity investments at FVOCI	–	–	(1,805)	–	(1,805)
Income tax effect	–	–	(592)	3,193	2,601
Total other comprehensive income/(loss) net of income tax	**–**	**(6,905)**	**(254)**	**(13,848)**	**(21,007)**
Share based payments[1]	721	–	–	–	721
Balance as at 30 June 2025	**721**	**(13,570)**	**(6,459)**	**(9,474)**	**(28,782)**
June 2024					
Balance as at 30 June 2023	3,581	(8,438)	(3,978)	15,075	6,240
Movements attributable to net investments in foreign operations	–	1,773	–	–	1,773
Movements attributable to changes in fair value of debt investments at FVOCI	–	–	1,282	–	1,282
Movements attributable to cash flow hedges	–	–	–	(14,977)	(14,977)
Movements attributable to changes in fair value of equity investments at FVOCI	–	–	(3,152)	–	(3,152)
Income tax effect	–	–	(357)	4,276	3,919
Total other comprehensive income/(loss) net of income tax	**–**	**1,773**	**(2,227)**	**(10,701)**	**(11,155)**
Share based payments	(2,816)	–	–	–	(2,816)
Vesting of share based payments	(765)	–	–	–	(765)
Balance as at 30 June 2024	**–**	**(6,665)**	**(6,205)**	**4,374**	**(8,496)**

[1] Includes fair value of equity instruments in respect of a proposed issuance of performance rights. Refer to Note 28 - Staff share ownership arrangements for further details.

Employee benefit reserve
Includes amounts which arise on the recognition of the Group's fair value estimate of equity instruments expected to vest under share-based compensation plan.

FCTR
Exchange differences arising on translation of the Group's foreign operations are accumulated in the Foreign currency translation reserve and recognised in other comprehensive income. The cumulative amount is reclassified to profit or loss when a foreign operation is disposed of.

Fair value reserve
Includes changes in the fair value of investment securities measured at fair value through other comprehensive income, net of tax. For debt securities, these changes are reclassified to the profit or loss when the asset is disposed. For equity securities, these changes are not reclassified to the profit or loss when the asset is disposed.

Cash flow hedge reserve
This includes fair value gains and losses associated with the effective portion of the designated cash flow hedging instruments, net of tax.

18 Other balance sheet items

Policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment (if any). Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each asset over its expected life to its estimated residual value.

$000's	June 2025	June 2024
Other assets		
Trade receivables	9	194
GST receivables	8,541	4,402
Prepayments	9,412	6,218
Property, plant and equipment	21,713	22,031
Other receivables	3,558	2,340
Total other assets	**43,233**	**35,185**

Policy

Intangible assets

Intangible assets with finite useful lives

Software acquired or internally developed by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on software assets is capitalised only when it increases the future economic value of that asset. Certain internal and external costs directly incurred in acquiring and developing software are capitalised when specific criteria are met. Costs incurred on planning or evaluating software proposals during the research phase or on maintaining systems after implementation are not capitalised. Amortisation of software is on a straight-line basis, at rates which will write off the cost over the assets' estimated useful lives. The expected useful life of the software varies up to ten years.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service agreements that grant the Group the right to access the cloud provider's application software over the contract period. Costs associated with configuring or customising the software, along with ongoing fees for accessing the cloud provider's application, are recognised as operating expenses when the services are received.

Some of these costs pertain to developing software code that enhances or modifies, or creates additional capability to, existing on-premise systems and qualifies as an intangible asset based on its definition and recognition criteria.

The Group capitalises costs incurred in configuring or customising certain suppliers' application software within specific cloud computing arrangements as intangible assets as the Group considers that it would benefit from those costs to implement the cloud-based software over the expected terms of the cloud computing arrangements. However, such capitalisation occurs only if the activities result in creating an intangible asset that the Group has control over and meets the necessary recognition criteria. Costs that do not meet the criteria for capitalisation as intangible assets are expensed as incurred unless they are paid to the suppliers (or subcontractors of the supplier) of the cloud-based software to significantly customise the cloud-based software for the Group (i.e., such services are not distinct from the Group's right to receive access to the supplier's cloud-based software). In the latter case, the upfront costs are recorded as prepayments for services and amortised over the expected terms of the cloud computing arrangements.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable net assets acquired. Goodwill that has an indefinite useful life is not subject to amortisation and is tested for impairment annually. Goodwill is carried at cost less accumulated impairment losses.

18 Other balance sheet items (continued)

$000's	June 2025	June 2024
Computer software		
Software - cost	77,360	88,533
Software under development	1,823	5,692
Accumulated amortisation	(33,181)	(37,443)
Net carrying value of computer software	**46,002**	**56,782**
Goodwill	204,819	208,723
Net carrying value of goodwill	**204,819**	**208,723**
Banking licence	14,401	14,401
Total intangible assets	**265,222**	**279,906**

Banking Licence

On 30 April 2024 Heartland Group Holdings Limited acquired 100% of the shares of HBA, holder of a full Australian Authorised Deposit-Taking Institution (**ADI**) Licence. HGH and HBA jointly applied to APRA for approval to expand the range of products HBA offers and to amend HBA's APRA approved business plan to integrate with HGH's existing Australian based financial services business.

Costs directly attributable to the licence application have been recognised as Banking Licence intangible asset as the Banking Licence will have an indefinite life with no foreseeable limit to the period over which the asset will generate benefits for the business.

Goodwill

For the purposes of impairment testing, goodwill is allocated to cash generating units. A Cash Generating Unit (**CGU**) is the smallest identifiable group of assets that generate independent cash inflows. The Group has assessed that goodwill should be allocated to the smallest identifiable CGU or group of CGUs.

During the year, the Group finalised goodwill recognised from the acquisition of HBA (refer to Note 19 – Acquisition for further details).

Pursuant to the acquisition of HBA, HBA and the Australian reverse mortgage lending and livestock financing businesses were transferred into HBA (collectively the **Australian businesses**). During the year ended 30 June 2025, HBA underwent a corporate simplification and the operational integration of the Australian reverse mortgage and livestock finance receivable portfolios with HBA. The performance of the Australian businesses is no longer managed and monitored as separate business units but rather aggregated and monitored as a collective business. This has resulted in the allocation of goodwill to one single HBA CGU (2024: the group of CGUs represented by the Australian businesses).

CGU	Goodwill	
$000's	**June 2025**	**June 2024**
Heartland Bank Limited	29,799	29,799
Heartland Bank Australia Limited (previously, group of CGUs)	175,020	178,924
Total goodwill	**204,819**	**208,723**

18 Other balance sheet items (continued)

Goodwill (continued)

Impairment testing of goodwill

Further information about goodwill impairment tests performed for CGUs or group of CGUs is provided below.

Heartland Bank Limited (**HBL**) - $29.8 million

The recoverable amount of the CGU was determined on a value in use (**VIU**) basis using a discounted cash flow methodology. The model uses a five-year cash flow forecast based on the latest budget approved by the Board and extended out based on long term growth rates. The long-term growth rate applied to the future cash flows after year five of the forecast was 2.0%, and a discount rate of 12.5% for HBL was applied which reflect both past experience and external sources of information. An impairment would only arise where the discount rate exceeds 14.0% and the terminal growth rate falls to 1.0% or below concurrently. Alternatively, goodwill may be impaired if projected cash flows for the terminal period are reduced by at least 25%. Both scenarios are considered highly unlikely.

Heartland Bank Australia (**HBA**) CGU (2024: the group of CGUs comprising the CGUs of Heartland Bank Australia Limited, Heartland Australia Holdings Pty Limited and StockCo Australia Group) - $175.0 million

Management have adopted fair value less costs of disposal (FVLCD) as the primary approach to assessing the recoverable amount of the CGU. The key assumptions used in the FVLCD determination were price-earnings (P/E) multiple and normalised current year earnings.

The P/E multiples used were sourced from publicly available data associated with comparable Australian Financial Services companies to HBA, as well as comparable transactions within the Australian banking industry within the past 12 months. The P/E multiples observed for these businesses and transactions were in a range of 13.7x to 19.8x with an average multiple of 16.4x. Management have used a multiple of 14x, with a 2.5% cost of disposal used for the business. Had management used a multiple of 12x, or reduced the normalised current year earning by 15%, the recoverable amount would still exceed the carrying amount of goodwill recorded at the 30 June 2025.

No impairment losses have been recognised against the carrying amount of goodwill for the year ended 30 June 2025 (2024: nil).

Policy

Employee benefits

Annual leave entitlements are accrued at amounts expected to be paid. Long service leave is accrued by calculating the probable future value of the entitlements and discounting back to present value. Obligations to defined contribution superannuation schemes are recognised as an expense when the contribution is paid.

$000's	June 2025	June 2024
Trade and other payables		
Trade and other payables	16,636	17,158
Insurance liability	556	645
Employee benefits	16,949	12,951
Other tax payables	2,479	4,176
Total trade and other payables	**36,620**	**34,930**

Other balance sheet items (continued)

Policy

Leases

The Group leases office space, car parks, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option are considered. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Lease liabilities are measured at the present value of the remaining lease payments and discounted using the Group's incremental borrowing rate (**IBR**). Carrying amounts are remeasured only upon reassessments and lease modifications.

Right of use assets are depreciated at the shorter of lease term or the Group's depreciation policy for that asset class.

$000's	June 2025	June 2024
Right of use assets		
Balance at beginning of year	15,519	12,318
Depreciation charge for the year, included within depreciation expense in the income statement	(3,703)	(3,252)
Additions to right of use assets	407	6,453
Total right of use assets	**12,223**	**15,519**
Lease liability		
Current	3,542	3,689
Non-current	10,848	14,087
Total lease liability	**14,390**	**17,776**
Interest expense relating to lease liability	**569**	**693**

19 Acquisition

Policy

Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.

The consideration transferred in the acquisition and any contingent consideration to be transferred are generally measured at fair value, as are the identifiable net assets acquired. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the fair value of the net assets acquired) and is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and does not exceed twelve months. Transaction cost related to the acquisition is recognised as an expense in profit or loss when incurred with the exception of costs to issue debt or equity securities.

On 30 April 2024 the Group completed the acquisition of 100% shareholding in HBA from Challenger Limited.

The consideration paid was subject to a completion adjustment based on the net asset movements and finalisation of other commercials since the determination date. The revised purchase consideration with respect to this acquisition was A$113.95 million (NZ$125.20 million) at the exchange rate of the dates of the acquisition and the completion adjustment.

During the year ended 30 June 2025, the purchase price was finalised and a reduction of A$1.29 million (NZ$1.40 million) was made to the initial purchase consideration. The fair value of consideration reduced from A$115.24 million (NZ$126.60 million) to A$113.95 million (NZ$125.20 million) resulting in goodwill reduction from A$21.19 million (NZ$23.20 million) to A$19.90 million (NZ$21.80 million).

The final goodwill as at the reporting date has been allocated to the Heartland Australia Bank Limited CGU (refer to Note 18 - Other balance sheet items for further details).

19 Acquisition (continued)

Details of the fair values of the assets and liabilities acquired and the final goodwill arising from the acquisition of HBA are set out as follows:

$000's	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	292,211
Investments	367,739
Finance receivables measured at amortised cost	61,179
Finance receivables - reverse mortgages	635,609
Provision for impairment	(167)
Deferred tax asset	820
Other assets	860
Total assets	**1,358,251**
Liabilities	
Deposits	1,249,375
Other borrowings	2,574
Trade and other payables	2,916
Total liabilities	**1,254,865**
Net assets acquired	**103,386**
Final goodwill arising on acquisition	21,801
Fair value of consideration	**126,591**
Purchase price adjustment	(1,404)
Total cash consideration transferred	**125,187**

20 Related party transactions and balances

Policy

A person or entity is a related party under the following circumstances:

(a) A person or a close member of that person's family if that person:
- i) has control or joint control over HGH;
- ii) has significant influence over HGH; or
- iii) is a member of the key management personnel of HGH.

(b) An entity is related to HGH if any of the following conditions applies:
- i) the entity and HGH are members of the same group;
- ii) one entity is an associate or joint venture of the other entity;
- iii) both entities are joint ventures of the same third party;
- iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- v) the entity has a post-employment benefit plan for the benefit of employees of either HGH or an entity related to HGH.
- vi) the entity is controlled, or jointly controlled by a person identified in (a); and
- vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of entity (or of a parent of the entity).

(a) Transactions with key management personnel

Key management personnel (**KMP**), are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Group. This includes all executive staff and Directors.

KMP and their related parties receive personal banking and financial investment services from the Group in the ordinary course of business. The terms and conditions, for example interest rates and collateral, and the risks to the Group are comparable to transactions with other employees and did not involve more than the normal risk of repayment or present other unfavourable features.

All other transactions with KMP's and their related parties are conducted in the ordinary course of business on commercial terms and conditions.

$000's	June 2025	June 2024
Transactions with key management personnel[1]		
Interest expense	(15)	(69)
Total transactions with key management personnel	**(15)**	**(69)**
Key management personnel compensation		
Short-term employee benefits	(3,043)	(3,317)
Post-employment benefits[2]	(4,106)	(106)
Other long-term benefits	(198)	–
Termination benefits[2]	(1,875)	–
Share-based plan benefit	(400)	–
Total key management personnel compensation	**(9,622)**	**(3,423)**
Due from/(to) key management personnel[1]		
Borrowings - deposits	(145)	(1,231)
Total due to key management personnel	**(145)**	**(1,231)**

[1]These transactions and balances include those with key management personnel, their close family members, and/or entities controlled/jointly controlled by them.

[2]Post-employment benefits and termination benefits during the year ended 30 June 2025 are retirement and disestablishment payments to certain key management personnel.

20 Related party transactions and balances (continued)

(b) Transactions with related parties

HGH is the ultimate parent company of the Group.

Entities within the Group have regular transactions with each other on agreed terms. The transactions include the provision of administrative services and customer operations. Banking facilities are provided by HBL to other Group entities on normal commercial terms as with other customers. There is no lending from subsidiaries within the Group to HGH.

Related party transactions between the Group members eliminate on consolidation. Related party transactions outside of the Group are as follows:

$000's	June 2025	June 2024
Heartland Trust (HT)		
Payment to HT for providing goods and services	10	–
Dividends paid	325	650

HT held 6,504,266 shares in HGH (2024: 6,504,266 shares).

The Trustees of HT and certain employees of the Group provided their time and skills to the oversight and operation of HT at no charge.

21 Fair value

Policy

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair value using other valuation techniques.

The Group measures fair values using the following fair value hierarchy, which reflects the observability of the inputs used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(a) Financial instruments measured at fair value

The following methods and assumptions were used to estimate the fair value of each class of financial asset and liability measured at fair value on a recurring basis in the statement of financial position.

The Group has an established framework in performing valuations required for financial reporting purposes including Level 3 fair values. The Group regularly reviews and calibrates significant unobservable inputs and valuation adjustments in accordance with market participants' views. If external valuation specialists are engaged to measure fair values, the Group assesses the evidence obtained from these specialists to support the conclusion of these valuations. All significant valuations are reported to the Group's Board Audit and Risk Committee for approval prior to its adoption in the financial statements.

Investments in debt securities

Investments in public sector securities and corporate bonds are stated at FVOCI or FVTPL, with the fair value being based on quoted market prices (Level 1 under the fair value hierarchy) or modelled using observable market inputs (Level 2 under the fair value hierarchy). Refer to Note - 11 Investments for more details.

Investments valued under Level 2 of the fair value hierarchy are valued either based on quoted market prices or dealer quotes for similar instruments, or discounted cash flows analysis.

Investments in equity securities

Investments in equity securities are classified at FVTPL unless an irrevocable election is made by the Group to measure at FVOCI. Investment in listed securities traded in liquid, active markets where prices are readily observable are measured under Level 1 of the fair value hierarchy with no modelling or assumptions used in the valuation. Equity securities are measured at FVOCI where they are not held for trading, the Group doesn't have control or significant influence over the investee and where an irrevocable election is made to measure them at FVOCI. These securities are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for dividend income which is recognised in profit or loss. Investments in unlisted equity securities are measured under Level 3 of the fair value hierarchy with the fair value being based on unobservable inputs using market accepted valuation techniques. Where appropriate, the Group may apply adjustments to the above-mentioned techniques to determine fair value of an equity security to reflect the underlying characteristics. These adjustments are reflective of market participant considerations in valuing the said security.

21 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

Finance receivables - reverse mortgages

The Group classifies and measures the reverse mortgage portfolio at FVTPL under NZ IFRS 9 as the review of the reverse mortgage portfolio valuation determined that the terms and conditions of these loan contracts do not contain a component of significant insurance risk.

On initial recognition the Group considers the transaction price to represent the fair value of the loan, on the basis that no reliable fair value can be estimated as there is no relevant active market and fair value cannot be reliably measured using other valuation techniques under NZ IFRS 13 Fair value measurement.

For subsequent measurement, and at balance date, the Group considered whether the fair value can be determined by reference to a relevant active market or using a valuation technique that incorporates observable inputs but has concluded relevant support is not currently available. In the absence of such market evidence the Group has used the transaction value (cash advanced plus accrued capitalised interest) for subsequent measurement. The Group has used an actuarial method to determine a proxy for the fair value that incorporates changes in the portfolio risk and expectations of the portfolio performance. This includes inputs such as mortality and potential move into care, voluntary exits, house price changes, interest rate margin and the no equity guarantee. This estimate is highly subjective and a wide range of plausible values are possible. The estimate provides an indication of whether the transaction value is overstated.

The Group does not consider that the actuarial estimate has moved outside of the original expectation range on initial recognition. There has been no fair value movement recognised in profit or loss during the period (2024: nil). Fair value is not sensitive to the above assumptions due to the nature of reverse mortgage loans. In particular, given conservative origination loan-to-value ratio and security criteria, a material deterioration in house prices combined with a material increase in interest rates over a sustained period of time would likely need to occur before any potential impact to fair value.

The Group will continue to reassess the existence of a relevant active market and movements in expectations on an on-going basis.

Derivative financial instruments

Derivative financial instruments are recognised in the financial statements at fair value. Fair values are determined from observable market prices as at the reporting date, discounted cash flow models or option pricing models as appropriate (Level 2 under the fair value hierarchy).

21 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which each fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

$000's	Level 1	Level 2	Level 3	Total
June 2025				
Assets				
Investments	784,988	–	6,772	791,760
Derivative financial instruments	–	4,792	–	4,792
Finance receivables - reverse mortgages	–	–	3,370,949	3,370,949
Total financial assets measured at fair value	**784,988**	**4,792**	**3,377,721**	**4,167,501**
Liabilities				
Derivative financial instruments	–	20,660	–	20,660
Total financial liabilities measured at fair value	**–**	**20,660**	**–**	**20,660**
June 2024				
Assets				
Investments	1,082,699	–	9,432	1,092,131
Derivative financial instruments	–	12,316	–	12,316
Finance receivables - reverse mortgages	–	–	2,897,818	2,897,818
Total financial assets measured at fair value	**1,082,699**	**12,316**	**2,907,250**	**4,002,265**
Liabilities				
Derivative financial instruments	–	9,017	–	9,017
Total financial liabilities measured at fair value	**–**	**9,017**	**–**	**9,017**

There were no transfers between levels in the fair value hierarchy in the year ended 30 June 2025 (2024: nil).

21 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

The movement in Level 3 assets measured at fair value are below:

$000's	Finance Receivables - Reverse Mortgages	Investments	Total
June 2025			
As at 30 June 2024	2,897,818	9,432	2,907,250
New loans	643,735	—	643,735
Repayments	(424,626)	—	(424,626)
Capitalised Interest and fees	283,600	—	283,600
Purchase of investments	—	251	251
Fair value loss on investment	—	(2,805)	(2,805)
Other[3]	(29,578)	(106)	(29,684)
As at 30 June 2025	**3,370,949**	**6,772**	**3,377,721**
June 2024			
As at 30 June 2023	2,403,810	11,484	2,415,294
Sale of SWT portfolio to HBA[1]	(631,345)	—	(631,345)
Additions - acquisition of HBA[2]	635,609	—	635,609
New loans	552,073	—	552,073
Repayments	(335,429)	—	(335,429)
Capitalised Interest and fees	261,318	—	261,318
Purchase of investments	—	1,059	1,059
Fair value (loss) on investment	—	(3,152)	(3,152)
Other[3]	11,782	41	11,823
As at 30 June 2024	**2,897,818**	**9,432**	**2,907,250**

[1]Represents reverse mortgage portfolio sold to HBA on 24 April 2024, prior to its acquisition. Refer to Note 27 - Structured entities.

[2]Refer to Note 19 - Acquisition.

[3]Represents foreign currency translation differences for the assets.

(b) Financial instruments not measured at fair value

The following assets and liabilities of the Group are not measured at fair value in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and their carrying value is considered equivalent to their fair value due to their short term nature.

Finance receivables measured at amortised cost

The fair value of the Group's finance receivables is calculated using a valuation technique which assumes the Group's current weighted average lending rates for loans of a similar nature and term.

Finance receivables with a floating interest rate are deemed to be at current market rates. The current amount of credit provisioning has been deducted from the fair value calculation of finance receivables as a proxy for future losses.

21 Fair value (continued)

(b) Financial instruments not measured at fair value (continued)

Borrowings

The fair value of deposits, bank borrowings and other borrowings is the present value of future cash flows and is based on the current market interest rates payable by the Group for debt of similar maturities.

Other financial assets and financial liabilities

The fair value of all other financial instruments is considered equivalent to their carrying value due to their short-term nature.

The following table sets out financial instruments not measured at fair value where the carrying value does not approximate fair value, compares their carrying value against their fair value and analyses them by level in the fair value hierarchy.

	June 2025			June 2024		
$000's	**Fair Value Hierarchy**	**Total Fair Value**	**Total Carrying Value**	**Fair Value Hierarchy**	**Total Fair Value**	**Total Carrying Value**
Assets						
Finance receivables measured at amortised cost	Level 3	3,823,238	3,711,450	Level 3	4,146,692	4,266,946
Total financial assets		**3,823,238**	**3,711,450**		**4,146,692**	**4,266,946**
Liabilities						
Deposits	Level 2	6,554,765	6,529,953	Level 2	5,955,369	5,949,116
Other borrowings	Level 2	831,035	825,454	Level 2	2,042,396	2,040,763
Total financial liabilities		**7,385,800**	**7,355,407**		**7,997,765**	**7,989,879**

21 Fair value (continued)

(c) Classification of financial instruments

The following tables summarise the categories of financial instruments and the carrying value of all financial instruments of the Group:

$000's	FVOCI Equity	FVOCI Debt Securities	FVTPL	Amortised Cost	Total Carrying Value
June 2025					
Assets					
Cash and cash equivalents	—	—	—	356,229	356,229
Collateral paid	—	—	—	14,239	14,239
Investments	5,664	776,945	9,151	—	791,760
Finance receivables measured at amortised cost	—	—	—	3,711,450	3,711,450
Finance receivables - reverse mortgages	—	—	3,370,949	—	3,370,949
Derivative financial instruments	—	—	4,792	—	4,792
Other financial assets	—	—	—	3,567	3,567
Total financial assets	**5,664**	**776,945**	**3,384,892**	**4,085,485**	**8,252,986**
Liabilities					
Deposits	—	—	—	6,529,953	6,529,953
Other borrowings	—	—	—	825,454	825,454
Derivative financial instruments	—	—	20,660	—	20,660
Other financial liabilities	—	—	—	17,192	17,192
Total financial liabilities	**—**	**—**	**20,660**	**7,372,599**	**7,393,259**
June 2024					
Assets					
Cash and cash equivalents	—	—	—	629,619	629,619
Investments	7,575	371,816	712,740	—	1,092,131
Finance receivables measured at amortised cost	—	—	—	4,266,946	4,266,946
Finance receivables - reverse mortgages	—	—	2,897,818	—	2,897,818
Derivative financial instruments	—	—	12,316	—	12,316
Other financial assets	—	—	—	2,534	2,534
Total financial assets	**7,575**	**371,816**	**3,622,874**	**4,899,099**	**8,901,364**
Liabilities					
Collateral received	—	—	—	2,384	2,384
Deposits	—	—	—	5,949,116	5,949,116
Other borrowings	—	—	—	2,040,763	2,040,763
Derivative financial instruments	—	—	9,017	—	9,017
Other financial liabilities	—	—	—	17,803	17,803
Total financial liabilities	**—**	**—**	**9,017**	**8,010,066**	**8,019,083**

Risk Management

22 Enterprise risk management program

The board of directors (the **Board**) sets and monitors the Group's risk appetite across the primary risk domains of credit, capital, liquidity, market (including interest rate, foreign exchange and equity valuations), continuity, conduct and compliance, and people risk. Management is, in turn, responsible for ensuring appropriate structures, policies, procedures and information systems are in place to actively manage these risk domains, as outlined within the Risk Management Strategy and Framework document (**RMS&F**). Collectively, these processes are known as the Group's Enterprise Risk Management Program (**RMP**).

The Group's RMS&F addresses RBNZ prudential risk management requirements and aligns with HBA's own Risk Management Strategy document that addresses APRA regulatory requirements.

Role of the Board and the Board Audit and Risk Committee

The Board, through its Board Audit and Risk Committee (**BARC**) is responsible for oversight and governance of the development of the RMP. The role of the BARC includes assisting the Board to formulate its risk appetite and monitoring the effectiveness of the RMP. BARC's responsibilities also include:

- Reviewing financial reporting and application of accounting policies as part of the internal control and risk assessment framework.
- Monitoring the identification, evaluation and management of all significant risks through the Group. This work is supported by an internal audit programme, which provides an independent assessment of the design, adequacy and effectiveness of internal controls. The BARC receives regular reports from internal audit.
- Advising the Board on the formulation of the Board's Risk Appetite Statement.
- Reviewing any reports, policies, standards, other risk documents or matters, or minutes which have been prepared by or in respect of the HGH's Board.
- Monitor material, emerging and strategic risks for the Group and its subsidiaries.

The BARC consists of three non-executive directors, two of whom are independent. The Chair of the HBL Audit Committee and the Chair of the HBL Risk Committee, as well as the HGH CEO, the HBL CEO, the Head of Internal Audit, the HBL Chief Financial Officer (**CFO**) and the HBL Chief Risk Officer (**CRO**), each attend BARC meetings. The BARC undertakes its responsibilities with the assistance of subsidiary Boards and subsidiary Board Committees.

Internal Audit

The Internal Audit function for New Zealand is maintained within HBL and made available to HGH while HBA has its own Internal Audit function. Internal Audit is allowed full, free and unfettered access to any and all of the organisation's records, personnel and physical properties deemed necessary to accomplish its activities. The Internal Audit functions and other assurance roles have unfettered access to the Group's Boards as required.

The objective of the Group's Internal Audit functions is to provide independent, objective assurance over the internal risk control framework and compliance with policies. In certain circumstances, Internal Audit will provide risk and control advice to Management provided the work does not impede the independence of the Internal Audit functions. The functions assist the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The HGH BARC and the HBA BAC each approve the respective annual internal audit programmes (as applicable), which are developed in consultation with Management. A regular cycle of review is implemented to cover all areas of the business, focused on assessment, management and control of risks identified. The audit plan takes into account cyclical review of various business units and operational areas, as well as identified areas of higher identified risk. The audit methodology is designed to meet the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

22 Enterprise risk management program (continued)

Group Asset and Liability Committee (GALCO)

The GALCO is a management committee consisting of members from HBL and HBA which informs and supports the HGH BARC by providing consolidated oversight of risks of the Group's assets and liabilities across both HBL and HBA in relation to market risk, liquidity risk, balance sheet structure and capital management through:

- Ensuring compliance of the Group's risk limits and governance requirements.
- Ensuring robust governance over HBA's and the New Zealand Banking Group's 12-month funding plans and alignment with the Group's strategic funding plan.
- Recommending financial risk management policies for approval and changes to financial risk tolerances to BARC and the Board.
- Development of the Group's Contingency Funding Plan (**CFP**) and review of HBA's CFP.
- Setting the strategic direction for asset and liability management, to be reflected in the asset and liability management policy.
- Monitoring, assessing and proactively reacting to trends in the economy, interest rates, and foreign exchange rates to limit any potential adverse impact on earnings.
- Developing and recommending the Group's hedging strategy.

HBL Executive Risk Committee (ERC)

The ERC comprises a minimum of three members of the executive leadership team who are direct reports to the HBL CEO. The ERC has responsibility for overseeing the internal control environment to ensure that residual risk is consistent with the Group's risk appetite. The ERC generally meets 6 times a year, and minutes are made available to the BARC. ERC's specific responsibilities include the ongoing monitoring of risks which individually or collectively comprise the Board's risk appetite, and oversight over the management of operational, compliance and credit risks, including regulatory oversight and conduct risk within the Group.

During the year ended 30 June 2025 the ERC approved the establishment of the Product Governance Committee (**PGC**) responsible for overseeing and guiding the development, management and optimisation of HBL's product offerings and pricing strategies. This includes overseeing the development and launch of new product offerings and the positioning of existing products in the market.

Members of the PGC include a minimum of two direct reports to the HBL CEO and meetings are held not less than four times per calendar year. The ERC monitors and ensures that the PGC's purpose, responsibilities, and performance remain appropriate.

Three lines of defence model

To ensure appropriate responsibility is allocated for the management, reporting and escalation of operational and compliance risk, the Group operates a "three lines of defence" model which outlines principles for the roles, responsibilities and accountabilities for operational and compliance risk management:

- The first line of defence is the business line management of the identification, management and mitigation of the risks associated with the products and processes of the business. This accountability includes regular testing and attestation of the adequacy and effectiveness of controls and compliance with the Group's policies.
- The second line of defence is the Enterprise Risk function, responsible for the overall management of enterprise risk. It incorporates key processes including governance oversight, risk and control self-assessment (**RCSA**), incident management, targeted independent evaluation of the adequacy and effectiveness of the internal control framework and the attestation process.
- The third line of defence provides independent assurance on the design and effectiveness of the risk frameworks, the effectiveness of the first and second lines of defence, and the effectiveness of the Group's policies, procedures, and systems. The third line assurance incorporates the internal audit function and extends to any other independent review activities.

The Group categorises its key risks as financial and non-financial, reflecting its overarching approach to risk management. Financial risks comprise profit risk, balance sheet risk, funding, liquidity and market risks. Non-financial risks are operational in nature and include continuity risk, conduct and compliance risk, and people risk.

22 Enterprise risk management program (continued)

Financial risks

Profit risk

Profit risk is the risk of failing to achieve financial performance levels, targets and market expectations which may result in reputational damage, financial loss, higher cost of capital, and a diminished capacity to raise capital.

Balance sheet risk

Balance sheet risk encompasses capital risk and credit risk. Capital risk refers to the risk of failing to meet or maintain regulatory capital requirements, capital quality standards, or a satisfactory external credit rating, which could impair the Group's ability to absorb business shocks and raise capital. Credit risk is the risk that a borrower fails to meet their obligations when due, resulting in loss of principal and interest, disruption to cash flows, increased collection costs, and consequent impacts on profitability. Refer to Note 23 - Credit risk exposure for further details.

Liquidity and funding risk

Liquidity and funding risks refer to the risk of being unable to secure sufficient, appropriately diversified funding with suitable tenor and pricing, or to meet payment obligations as they fall due. Refer to Note 24 - Liquidity and funding risk for further details.

Market risk

Market risk is the possibility of experiencing losses or gains due to factors affecting the overall performance of financial markets in which the Group is exposed. The primary market risk exposures for the Group are interest rate risk and foreign exchange risk. The risk arises from potential changes in market interest rates or foreign exchange rates that could adversely affect the Group's earnings. This may result from unfavourable movements in exchange rates or, in the case of interest rate risk, from mismatches between the repricing dates of interest-bearing assets and liabilities and/or differences between customer pricing and wholesale funding rates.

Interest rate risk

Interest rate risk refers to exposure of an entity's earnings and / or capital because of a mismatch between the interest rate exposures of its assets and liabilities. Interest rate risk for the Group arises from the provision of non-traded retail banking products and services and from traded wholesale transactions entered into to reduce aggregate interest rate risk (known as hedges). This risk arises from the following key sources:

- Mismatches between the repricing dates of interest-bearing assets and liabilities (yield curve and repricing risk);
- Banking products repricing differently to changes in wholesale market rates (basis risk);
- Loan prepayment or deposit early withdrawal behaviour from customers that deviates from the expected or contractually agreed behaviour (optionality risk);
- The effect of internal or market forces on a bank's net interest margin where, for example, in a low rate environment any fall in rates will further decrease interest income earned on the assets whereas funding cost cannot be reduced as it is already at the minimum level (margin compression risk); and
- The risk that the fair value of financial instruments will change when interest rates change (price risk). This is particularly relevant for the Group's fair-valued assets, such as its liquid asset portfolio, which the fair value of is relied upon to support the Group's funding requirements.

Refer to Note 25 - Interest rate risk for further details regarding interest rate risk.

Foreign exchange risk

Foreign exchange (**FX**) risk arises from a change in FX rates for assets, liabilities, profit, or income denominated in an entity's non-functional currency. Functional currency is the currency in which an entity primarily operates.

FX risk has the below components:

- Structural FX risk refers to the risk that an entity is exposed to when its assets, liabilities, or capital resources are denominated in a currency that is different to its reporting currency. This risk does not impact earnings unless and until the investment is sold. However, it does impact shareholder equity through revaluations of the net asset value through the foreign currency translation reserve.
- Profit translation risk is the risk that deviations in exchange rates significantly impact the translated value of a foreign currency-based operation's profit, creating volatility in the entity's reported profit.

22 Enterprise risk management program (continued)

Financial risks (continued)

Foreign exchange risk (continued)

- Balance sheet translation risk - arises from monetary assets and liabilities denominated in foreign currencies. Movements in FX rates change the equivalent value of foreign currency-denominated assets and liabilities through the entity's reported profit.

The Group's investment of capital in foreign currency operations generates an exposure to changes in foreign exchange rates. The Group has exposure to foreign currency translation risks through its Australian subsidiaries which have functional currency of Australian dollars (**AUD**). Variations in the value of these foreign currency operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity. The Group incurs some non-traded foreign currency risk related to the potential repatriation of profits from its Australian subsidiaries.

The Group does not currently hedge its net investments in foreign operations except in circumstances where there is a material exposure arising from a currency that is anticipated to be volatile, and the hedging is cost effective. This risk is routinely monitored, and hedging is conducted where it is likely to add shareholder value.

The Group's sensitivity to movements in the FX rates arises mainly from the translation of the profit generated by its Australian subsidiaries and the AUD-denominated monetary assets and liabilities. The Group's FX sensitivity analysis is based on the Australian subsidiaries' annual profit representing an annual exposure to profit translation risk. Additionally, it incorporates the exposure related to the Group's AUD-denominated cash balance as at 30 June 2024, which is excluded from the total exposure as at 30 June 2025, as it was fully hedged through an FX forward contract as at the reporting date.

The following sensitivity analysis measures the impact on the Group's net profit after tax and equity from a reasonably possible movements in AUD/NZD exchange rates, given the historical exchange rate volatility, with all other variables remaining constant.

$000's	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	As at 30 June 2025		As at 30 June 2024	
AUD/NZD exchange rate - increase 1%	(295)	(212)	(173)	(124)
AUD/NZD exchange rate - decrease 1%	301	217	176	127

Counterparty credit risk

Counterparty credit risk is the risk that the Group's earnings and/or capital are adversely impacted by the default of a counterparty.

The Group has on-going credit exposure associated with:

- Cash and cash equivalents;
- Finance receivables;
- Holding of investment securities; and
- Payments owed to the Group from risk management instruments.

Counterparty credit risk is managed against limits set in the Market Risk Policy including credit exposure on derivative contracts, bilateral set-off arrangements, cash and cash equivalents and investment securities.

Non-financial risks

Non-financial risks encompass operational and compliance risks including conduct, regulatory, third party, cyber and other business interruption risks arising from day-to-day operational activities in the execution of the Group's strategy which may result in direct or indirect loss. Operational and compliance risk losses can occur as a result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The losses range from direct financial losses to reputational damage, unfavourable media attention, injury to or loss of staff or clients or as a breach of laws or banking regulations. Where appropriate, risks are mitigated by insurance.

22 Enterprise risk management program (continued)

Non-financial risks (continued)

The Group's exposure to operational and compliance risk is governed by a RAS approved by the Board and is used to guide management activities. This statement sets out the nature of risk which may be taken and aggregate risk limits, which are monitored by the ERC.

Climate-related risks

Climate-related risks are integrated into the Group's overall risk management strategy and processes.

Risk Management

HGH has a defined risk tolerance for climate-related risk, which is monitored as part of HGH's RAS, reviewed, and updated at least annually to incorporate necessary changes and consider any new material emerging risks.

HGH's Enterprise Operational Risk Assessment identifies and assists proactive management of the Group's most critical operational risks, including climate-related risks, by establishing an inherent risk rating and residual risk rating to assist with monitoring of the risk exposure.

All Group business units are required to review their RCSA at least annually. The RCSA primarily focuses on key operational risks and considers climate-related risks where relevant.

Governance

The Board is responsible for the Group's strategy and risk appetite ensuring climate-related risks and opportunities are considered. Oversight, assessment and management of climate-related risks and opportunities occur within HBL and HBA given their direct involvement in business operations and decision-making.

The HGH Sustainability Committee meets at least quarterly to consider climate-related risks and opportunities and provide updates, guidance, and leadership regarding climate initiatives to the Board.

The ERC receives quarterly updates on risk appetite and status, including the status of climate-related risks, as well as quarterly Climate Change Composite Assessment capturing HBL and HBA climate-related risks.

HBL and HBA management are responsible for executing the initiatives, metrics and targets allocated based on accountability.

Strategy

The Group's sustainability strategy continues to evolve with the ongoing commitment to reducing its direct environmental impact, creating business practices that support positive environmental outcomes and fostering an internal culture of environmental awareness. The Group's strategy is built upon three pillars:

- building the capability to appropriately take climate change risks into consideration when making lending decisions,
- funding borrowers' transition to a net-zero economy; and
- embedding sustainability into every aspect of the Group's operations.

The Group integrates climate-related risks and opportunities into its wider business strategy, supported by ongoing monitoring of these risks through specific metrics and set targets focused on sustainable finance and its own operational emissions.

The Group assesses the impact of climate-related risks on its financial position and performance. Although climate change introduces an element of uncertainty, the Group has determined that climate-related risks do not have a material impact on the judgements, assumptions, and estimates for the year ended 30 June 2025 (2024: same). HGH will release its Climate Report for the year ended 30 June 2025 by 30 September 2025, providing further details on the Group's approach to climate-related risks.

23 Credit risk exposure

Credit risk is the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to make. The risk is primarily that of the lender and includes loss of principal and interest, disruption to cash flows and increased collection costs.

Credit risk is managed to achieve sustainable risk-reward performance whilst maintaining exposures within acceptable risk "appetite" parameters. This is achieved through the combination of governance, policies, systems and controls, underpinned by commercial judgement as described below.

To manage this risk the ERC oversees the formal credit risk management strategy. The ERC reviews the Group's credit risk exposures typically on a monthly basis. The credit risk management strategies aim to ensure that:

- Credit origination meets agreed levels of credit quality at point of approval;
- Sector concentrations are monitored;
- Maximum total exposure to any one debtor is actively managed;
- Changes to credit risk are actively monitored with regular credit reviews.

The BARC (with the assistance of the HBL Board Risk Committee for New Zealand and the Heartland Australia Group Board for Australia) also oversees the Group's credit risk exposures to monitor overall risk metrics having regard to risk appetite set by the Board.

HBL's Board Risk Committee (**BRC**) has authority for approval of all credit exposures for New Zealand. Lending authority has been provided by the BRC to HBL's Credit Committee, and to the business units under a detailed Delegated Lending Authority framework. Application of credit discretions in the business operation are monitored through a defined review and hindsight structure as outlined in the Credit Risk Oversight Policy. Delegated Lending Authorities are provided to individual officers with due cognisance of their experience and ability. Larger and higher risk exposures require approval of senior management, the Credit Committee and ultimately through to HBL's BRC.

HBA Board has authority for approval for all credit exposures for HBA and its subsidiaries.

Reverse mortgage loans and negative equity risk

Reverse mortgage loans are a form of mortgage lending designed for the needs of people over 60 years of age. These loans differ to conventional mortgages in that they typically are not repaid until the borrower ceases to reside in the property. Further, interest is not required to be paid, it is capitalised into the loan balance and is repayable on termination of the loan. As such, there are no incoming cash flows and therefore no default risk to manage during the term of the loan. Negative equity risk arises from the promise by the Group that the maximum repayment amount is limited to the net sale proceeds of the borrowers' property.

The Group's exposure to negative equity risk is managed via lending standards specific for this product. In addition to usual criteria regarding the type, and location, of security property that the Group will accept for reverse mortgage lending, a key aspect of the Group's policy is that a borrower's age on origination of the reverse mortgage loan will dictate the loan-to-value ratio of the reverse mortgage on origination. New Zealand and Australia reverse mortgage lending standards and operations are well aligned.

Business Finance Guarantee Scheme

HBL, along with other registered banks in New Zealand, has entered into a Deed of Indemnity with the New Zealand Government to implement the New Zealand Government's Business Finance Guarantee Scheme (the Scheme). The purpose of the Scheme is to provide short term credit to eligible small and medium size businesses, who have been impacted by the economic effects of COVID-19. The scheme allowed banks to lend to a maximum of $5 million for a maximum of five years. The New Zealand Government will guarantee 80% of any loss incurred (credit risk) with HBL holding the remaining 20%. The Scheme concluded on 30 June 2021. As at 30 June 2025 HBL had a total exposure of $32.1 million (2024: $42.2 million) to its customers under this Scheme.

North Island Weather Events (NIWE) Loan Guarantee Scheme

On 31 July 2023, HBL entered into a Deed of Indemnity with the New Zealand Government to implement the North Island Weather Events Loan Guarantee Scheme. The supported loans are intended to assist New Zealand businesses to manage the impacts of the North Island Weather Events (during Auckland Anniversary weekend 2023). The facility limit for each supported loan must not exceed $10 million for a maximum of 5 years. The New Zealand Government will guarantee 80% of any loss incurred (credit risk) with HBL holding the remaining 20%. The Scheme concluded on 30 June 2025. As at 30 June 2025 HBL had supported loans under this scheme of $31.7 million (2024: $33.2 million).

23 Credit risk exposure (continued)

Maximum exposure to credit risk at the relevant reporting dates

The following table represents the maximum credit risk exposure, without taking into account any collateral held. The exposures set out below are based on net carrying amounts as reported in the statement of financial position, where investments exclude total equity investments and finance receivables measured at amortised cost are presented gross of provision for losses on guaranteed future value products as they do not give rise to credit risk exposure.

$000's	June 2025	June 2024
On balance sheet:		
Cash and cash equivalents	356,229	629,619
Collateral paid	14,239	—
Investments	779,119	1,078,656
Finance receivables measured at amortised cost	3,712,954	4,266,946
Finance receivables - reverse mortgages	3,370,949	2,897,818
Derivative financial assets	4,792	12,316
Other financial assets	3,567	2,534
Total on balance sheet credit exposures	**8,241,849**	**8,887,889**
Off balance sheet:		
Letters of credit, guarantee commitments and performance bonds	5,507	3,130
Undrawn facilities available to customers	565,735	554,307
Conditional commitments to fund at future dates	11,095	9,947
Total off balance sheet credit exposures	**582,337**	**567,384**
Total credit exposures	**8,824,186**	**9,455,273**

Concentration of credit risk by geographic region

$000's	June 2025	June 2024
New Zealand	5,407,089	5,800,275
Australia	3,313,862	3,514,691
Rest of the world	175,014	216,628
	8,895,965	**9,531,594**
Provision for impairment	(71,779)	(76,321)
Total credit exposures	**8,824,186**	**9,455,273**

[1]These overseas assets are primarily NZD-denominated investments in AA+ (Standard & Poor's) and higher rated securities issued by offshore supranational agencies ("Kauri Bonds").

23 Credit risk exposure (continued)

Concentration of credit risk by industry sector

The Australian and New Zealand Standard Industrial Classification (**ANZSIC**) codes have been used as the basis for categorising customer and investees across industry sectors.

$000's	June 2025	June 2024
Agriculture	1,076,425	1,084,047
Forestry and fishing	81,038	113,264
Mining	9,397	10,276
Manufacturing	58,203	69,799
Finance and insurance	1,044,209	1,754,662
Wholesale trade	35,177	40,561
Retail trade and accommodation	362,335	376,927
Households	4,960,991	4,715,535
Other business services	331,264	294,445
Construction	274,653	338,998
Rental, hiring and real estate services	182,361	196,329
Transport and storage	377,937	431,665
Other	101,975	105,086
	8,895,965	**9,531,594**
Provision for impairment	(71,779)	(76,321)
Total credit exposures	**8,824,186**	**9,455,273**

Credit risk grading

The Group's finance receivables are monitored either by account behaviour (**Behavioural portfolio)** or a regular assessment of their credit risk grade based on an objective review of defined risk characteristics (**Judgemental portfolio**).

The Judgemental portfolio consists mainly of business and rural lending where an on-going and detailed working relationship with the customer has been developed while the Behavioural portfolio consists of consumer, retail and smaller business receivables.

Judgemental loans are individually risk graded based on loan status, financial information, security and debt servicing ability. Exposures in the Judgemental portfolio are credit risk graded by an internal risk grading mechanism where grade 1 is the strongest risk. Grade 8 and grade 9 are the weakest risk grades where a loss is probable. Behavioural loans are managed based on their arrears status.

All loans past due but not impaired have been categorised into three impairment stages (see Note 13 – Finance receivables measured at amortised cost) which are in most cases based on arrears status. If a Judgemental loan is risk graded 6 or above it will be classified as stage 2 as a minimum and carry a provision based on lifetime ECL.

23 Credit risk exposure (continued)

Credit risk grading (continued)

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
June 2025					
Judgemental portfolio					
Grade 1 - Very Strong	256,835	–	–	–	256,835
Grade 2 - Strong	10,593	18,369	–	–	28,962
Grade 3 - Sound	32,226	73	–	–	32,299
Grade 4 - Adequate	431,796	8,614	5,737	–	446,147
Grade 5 - Acceptable	873,047	15,664	2,561	–	891,272
Grade 6 - Monitor	–	118,996	3,628	–	122,624
Grade 7 - Substandard	–	46,529	28,951	–	75,480
Grade 8 - Doubtful	–	–	40	62,786	62,826
Grade 9 - At risk of loss	–	–	52	25,764	25,816
Total Judgemental portfolio	1,604,497	208,245	40,969	88,550	1,942,261
Total Behavioural portfolio	1,755,099	28,617	55,988	2,768	1,842,472
Gross finance receivables measured at amortised cost	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**
Provision for impairment	(16,029)	(7,851)	(23,104)	(24,795)	(71,779)
Total finance receivables measured at amortised cost	**3,343,567**	**229,011**	**73,853**	**66,523**	**3,712,954**
Undrawn facilities available to customers	260,302	4,806	1,090	–	266,198
June 2024					
Judgemental portfolio					
Grade 1 - Very Strong	183,354	–	–	–	183,354
Grade 2 - Strong	40,557	–	–	–	40,557
Grade 3 - Sound	167,230	5,556	536	–	173,322
Grade 4 - Adequate	505,177	14,142	6,940	–	526,259
Grade 5 - Acceptable	977,495	41,505	36,206	–	1,055,206
Grade 6 - Monitor	–	120,611	12,028	–	132,639
Grade 7 - Substandard	–	47,328	17,225	–	64,553
Grade 8 - Doubtful	–	–	141	88,549	88,690
Grade 9 - At risk of loss	–	–	166	6,633	6,799
Total Judgemental portfolio	1,873,813	229,142	73,242	95,182	2,271,379
Total Behavioural portfolio	2,014,630	12,491	43,481	1,286	2,071,888
Gross finance receivables measured at amortised cost	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**
Provision for impairment	(14,361)	(5,197)	(34,281)	(22,482)	(76,321)
Total finance receivables measured at amortised cost	**3,874,082**	**236,436**	**82,442**	**73,986**	**4,266,946**
Undrawn facilities available to customers	272,829	1,805	904	–	275,538

23 Credit risk exposure (continued)

Collateral held

The Group employs a range of policies and practices to mitigate credit risk and has internal policies on the acceptability of specific classes of collateral. Collateral is held as security to support credit risk on finance receivables and enforced in satisfying the debt in the event contractual repayment obligations are not met. The collateral held for mitigating credit risk for the Group's lending portfolios is outlined below.

Reverse mortgage and Residential mortgage loans

Reverse mortgage loans are secured by a first mortgage over a residential property which is typically a customer's primary residential dwelling, residential investment property or holiday home. Residential mortgage loans are secured by a residential mortgage over an owner-occupied property located in an approved urban area.

Corporate lending

Business lending including rural lending is typically secured by way of a charge over property and/or specific security agreement over relevant business assets, and, where considered appropriate, a general security agreement to provide the ability to control cash flows.

Other lending

Other lending comprises personal loans, primarily motor loans, which are secured by a motor vehicle or a boat; and other shorter term smaller personal loans which are predominantly unsecured.

The Group analyses the coverage of the loan portfolio which is secured by the collateral it holds.

Coverage is measured by the value of security as a proportion of loan balance outstanding and classified as follows:

Fully secured	Greater or equal to 100%
Partially secured	1% - 99.9%
Unsecured	No security held

The Group's loan portfolio have the following coverage from collateral held on credit impaired loans:

	Corporate	Residential	All other
June 2025			
Fully secured	15 %	100 %	45 %
Partially secured	82 %	— %	36 %
Unsecured	3 %	— %	19 %
Total	**100 %**	**100 %**	**100 %**
June 2024			
Fully secured	47 %	100 %	69 %
Partially secured	37 %	— %	10 %
Unsecured	16 %	— %	21 %
Total	**100 %**	**100 %**	**100 %**

24 Liquidity and funding risk

Liquidity risk is the risk that the Group will be unable to obtain the necessary funds to meet its financial obligations as they fall due, leading to an inability to support its regular business activities and comply with regulatory liquidity requirements. The timing mismatch of cash flows and the related liquidity risk in all banking operations are closely monitored by the Group.

Measurement of liquidity risk is designed to ensure that the Group has the ability to generate or obtain sufficient cash in a timely manner and at a reasonable price to meet its financial commitments on a daily basis without compromising its operations or financial health.

Funding risk is the risk of excessive reliance on a particular funding source, which may lead to increased overall funding costs or challenges in raising funds. Effective management of funding risk requires maintaining a diverse and stable funding base to ensure the Group can meet its financial obligations under varying conditions.

The Group's exposure to liquidity risk is governed by a policy approved by the Board and managed by GALCO. This policy sets out the nature of the risk which may be taken and aggregate risk limits, that the GALCO must observe. Within this, the objective of the GALCO is to derive the most appropriate strategy for the Group in terms of a mix of assets and liabilities given its expectations of future cash flows, liquidity constraints and capital adequacy. The GALCO employs asset and liability cash flow modelling to determine appropriate liquidity and funding strategies.

The Group has developed a CFP to enable prompt and decisive action during liquidity and funding crises, ensuring the effective implementation of contingency measures. The CFP outlines defined roles and responsibilities, as well as procedures and plans to address disruptions to the Group's ability to meet its liquidity and funding requirements.

HBA manages its own domestic liquidity and funding requirements in accordance with its own liquidity policy and the policies of the Group. HBA's liquidity policy is also overseen by APRA.

In March 2020, the Bank was onboarded by the RBNZ as an approved counterparty and executed a 2011 Global Master Repo Agreement providing an additional source for intra-day liquidity for the Group if required.

The Group holds the following liquid assets and committed funding sources for the purpose of managing liquidity risk:

$000's	June 2025	June 2024
Cash and cash equivalents	356,229	629,619
Investments	779,119	1,078,656
Total liquid assets	**1,135,348**	**1,708,275**
Undrawn committed bank facilities	211,914	465,600
Total liquid assets and committed undrawn funding	**1,347,262**	**2,173,875**

24 Liquidity and funding risk (continued)

Contractual liquidity profile of financial liabilities

The following tables present the Group's financial liabilities by relevant maturity groupings based upon contractual maturity date. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows. As a result, the amounts in the tables below may differ to the amounts reported on the statement of financial position.

The contractual cash flows presented below may differ significantly from actual cash flows. This occurs as a result of future actions by the Group and its counterparties, such as early repayments or refinancing of term loans and borrowings. Deposits and other public borrowings include customer savings deposits and transactional accounts, which are at call. These accounts provide a stable source of long term funding for the Group.

$000's	On Demand	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2025							
Non-derivative financial liabilities							
Deposits	1,024,455	3,834,210	1,460,828	188,042	153,551	—	6,661,086
Other borrowings	—	27,760	251,581	193,519	202,745	363,390	1,038,995
Lease liabilities	—	2,152	1,998	3,985	7,471	114	15,720
Other financial liabilities	—	17,192	—	—	—	—	17,192
Total non-derivative financial liabilities	**1,024,455**	**3,881,314**	**1,714,407**	**385,546**	**363,767**	**363,504**	**7,732,993**
Derivative financial liabilities							
Inflows from derivatives	—	16,604	14,385	22,991	17,795	—	71,775
Outflows from derivatives	—	20,283	19,922	30,997	22,100	—	93,302
Total derivative financial liabilities	**—**	**3,679**	**5,537**	**8,006**	**4,305**	**—**	**21,527**
Undrawn facilities available to customers	565,735	—	—	—	—	—	565,735
June 2024							
Non-derivative financial liabilities							
Collateral received	—	2,384	—	—	—	—	2,384
Deposits	893,531	3,256,750	1,740,935	115,870	95,356	—	6,102,442
Other borrowings	—	205,029	305,010	1,304,185	217,942	443,513	2,475,679
Lease liabilities	—	2,158	2,212	4,043	10,610	640	19,663
Other financial liabilities	—	17,803	—	—	—	—	17,803
Total non-derivative financial liabilities	**893,531**	**3,484,124**	**2,048,157**	**1,424,098**	**323,908**	**444,153**	**8,617,971**
Derivative financial liabilities							
Inflows from derivatives	—	20,407	7,570	14,491	30,423	—	72,891
Outflows from derivatives	—	22,877	8,750	15,832	31,551	—	79,010
Total derivative financial liabilities	**—**	**2,470**	**1,180**	**1,341**	**1,128**	**—**	**6,119**
Undrawn facilities available to customers	554,307	—	—	—	—	—	554,307

25 Interest rate risk

The Group's market risk is derived primarily of exposure to interest rate risk, predominantly from raising funds through the retail and wholesale deposit market, the debt capital markets and committed and uncommitted bank funding, securitisation of receivables, and offering loan finance products to the commercial and consumer market in New Zealand and Australia.

The Group's exposure to market risk is governed by a policy approved by the Board and managed by the GALCO. This policy sets out the nature of risk which may be taken and aggregate risk limits, and the GALCO must conform to this. The objective of the GALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints and capital adequacy.

The objective of the Group's interest rate risk policies is to limit underlying net profit after tax (**NPAT**) volatility. The measurement comprises net interest income the Group generates from its interest earning assets and interest bearing liabilities.

The exposure to net interest income comes from a reduction in margins on interest earning assets or interest bearing liabilities and is managed when setting rates by taking into consideration wholesale rates, liquidity premiums, as well as appropriate lending credit margins.

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of interest bearing assets and the corresponding liability funding. One of the main causes of these mismatches is timing differences in the repricing of assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process in accordance with the Group's policy.

An analysis of the Group's sensitivity is based on the values of the interest bearing assets and liabilities as at the reporting date, and measures the prospective impact on the net profit after tax and equity from movements in market interest rates by 100 basis points (**BP**), presented in the below table:

$000's	Impact on NPAT	Impact on equity	Impact on NPAT	Impact on equity
	As at 30 June 2025[1]		As at 30 June 2024	
Market interest rates - 100 basis points increase	9,424	9,424	255	255
Market interest rates - 100 basis points decrease	(9,424)	(9,424)	(255)	(255)

[1]Increase in interest rate sensitivity is driven by changes in the Group's funding composition - specifically longer repricing periods - resulting from its transition from floating wholesale to retail funding sources with unhedged interest rate risk exposure.

The Group also manages interest rate risk by:

- Monitoring trends in interest rates to limit any potential adverse impact on earnings;
- Monitoring maturity profiles and seeking to match the re-pricing of assets and liabilities;
- Monitoring interest rates daily and regularly (at least monthly) reviewing interest rate exposures; and
- Entering into derivatives to hedge against movements in interest rates.

25 Interest rate risk (continued)

Contractual repricing analysis

The interest rate risk profile of financial assets and liabilities that follows has been prepared on the basis of maturity or next repricing date, whichever is earlier.

$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non-Interest Bearing	Total
June 2025							
Financial assets							
Cash and cash equivalents	356,229	—	—	—	—	—	356,229
Collateral paid	14,239	—	—	—	—	—	14,239
Investments	442,404	—	14,761	56,220	265,734	12,641	791,760
Derivative financial assets	—	—	—	—	—	4,792	4,792
Finance receivables measured at amortised cost	1,512,404	328,880	445,418	604,968	819,780	—	3,711,450
Finance receivables - reverse mortgages	3,370,949	—	—	—	—	—	3,370,949
Other financial assets	—	—	—	—	—	3,567	3,567
Total financial assets	**5,696,225**	**328,880**	**460,179**	**661,188**	**1,085,514**	**21,000**	**8,252,986**
Financial liabilities							
Deposits	3,107,945	1,670,886	1,409,173	174,359	129,221	38,369	6,529,953
Other borrowings	666,594	—	—	—	158,860	—	825,454
Derivative financial liabilities	—	—	—	—	—	20,660	20,660
Lease liabilities	—	—	—	—	—	14,390	14,390
Other financial liabilities	—	—	—	—	—	17,192	17,192
Total financial liabilities	**3,774,539**	**1,670,886**	**1,409,173**	**174,359**	**288,081**	**90,611**	**7,407,649**
Effect of derivatives held for risk management	860,941	93,460	(108,267)	(444,536)	(401,598)	—	—
Net financial assets/(liabilities)	**2,782,627**	**(1,248,546)**	**(1,057,261)**	**42,293**	**395,835**	**(69,611)**	**845,337**

25 Interest rate risk (continued)

Contractual repricing analysis (continued)

$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non-Interest Bearing	Total
June 2024							
Financial assets							
Cash and cash equivalents	629,619	—	—	—	—	—	629,619
Investments	4,461	605,518	154,873	57,641	256,163	13,475	1,092,131
Derivative financial assets	—	—	—	—	—	12,316	12,316
Finance receivables measured at amortised cost	1,869,269	393,187	589,162	797,035	618,293	—	4,266,946
Finance receivables - reverse mortgages	2,897,818	—	—	—	—	—	2,897,818
Other financial assets	—	—	—	—	—	2,534	2,534
Total financial assets	**5,401,167**	**998,705**	**744,035**	**854,676**	**874,456**	**28,325**	**8,901,364**
Financial liabilities							
Collateral received	2,384	—	—	—	—	—	2,384
Deposits	2,733,266	1,334,469	1,659,617	109,708	73,864	38,192	5,949,116
Other borrowings	1,883,541	—	—	—	157,222	—	2,040,763
Derivative financial liabilities	—	—	—	—	—	9,017	9,017
Lease liabilities	—	—	—	—	—	17,776	17,776
Other financial liabilities	—	—	—	—	—	17,803	17,803
Total financial liabilities	**4,619,191**	**1,334,469**	**1,659,617**	**109,708**	**231,086**	**82,788**	**8,036,859**
Effect of derivatives held for risk management	1,219,913	(145,235)	(277,771)	(405,932)	(390,975)	—	—
Net financial assets/(liabilities)	**2,001,889**	**(480,999)**	**(1,193,353)**	**339,036**	**252,395**	**(54,463)**	**864,505**

The tables above illustrate the periods in which the cash flows from interest rate swaps are expected to occur and affect profit or loss.

Other Disclosures

26 Significant subsidiaries

Significant subsidiaries	Country of incorporation and place of business	Nature of business	Proportion of ownership and voting power held June 2025	June 2024
Heartland Bank Limited	New Zealand	Bank	100%	100%
VPS Properties Limited	New Zealand	Investment property holding company	100%	100%
Marac Insurance Limited[1]	New Zealand	Insurance services	100%	100%
Heartland Bank Australia Limited	Australia	Bank	100%	100%
Heartland Australia Holdings Pty Limited	Australia	Financial services	100%	100%
Heartland Australia Group Pty Limited	Australia	Financial services	100%	100%
Australian Seniors Finance Pty Limited	Australia	Management services	100%	100%
StockCo Holdings 2 Pty Limited	Australia	Financial services	100%	100%
StockCo Australia Management Pty Limited	Australia	Management services	100%	100%

[1]Effective 27 June 2025, MIL is no longer licensed to carry out insurance business in New Zealand. Refer to Significant events section within Note 1 - Financial statements preparation for further details.

27 Structured entities

A structured entity is one which has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are created to accomplish a narrow and well-defined objective such as the securitisation or holding of particular assets, or the execution of a specific borrowing or lending transaction. Structured entities are consolidated where the substance of the relationship is that the Group controls the structured entity.

(a) Heartland Cash and Term PIE Fund (Heartland PIE Fund)

The Group controls the operations of the Heartland PIE Fund which is a portfolio investment entity that invests in the Group's deposits. Investments of Heartland PIE Fund are represented as follows:

$000's	June 2025	June 2024
Deposits	476,489	389,388

(b) Heartland Auto Receivable Warehouse Trust 2018-1 (HARWT)

HARWT securitises motor vehicle loan receivables as a source of funding.

The Group continues to recognise the securitised assets and associated borrowings in the statement of financial position as the Group remains exposed to and has the ability to affect variable returns from those assets and liabilities. Although the Group recognises those interests in HARWT, the loans sold to HARWT are set aside for the benefit of investors in HARWT. Other depositors and lenders to the Group have no recourse to those assets.

$000's	June 2025[1]	June 2024
Cash and cash equivalents	14,450	43,646
Finance receivables measured at amortised cost	171,336	540,075
Other borrowings	(183,062)	(550,144)

[1]The reduction in HARWT securitised assets balance is mainly related to the repurchase of $368.7 million of motor vehicle loan receivables from HARWT by HBL and a reduction in its securitisation facility limit from $600 million to $320 million during the year. Refer to Note 15 – Borrowings for further details.

27 Structured entities (continued)

(c) Seniors Warehouse Trust No.2 (SWT Trust) and Australian Seniors Finance Settlement Trust (ASF Trust)

SWT Trust and ASF Trust (collectively **the Trusts**) form part of Australian Seniors Finance Pty Limited (**ASF**) reverse mortgage business and were set up by ASF as asset holding entities. The Trustee for the Trusts is ASF Custodians Pty Limited, and the Trust Manager is ASF. The reverse mortgage loans held by the Trusts are set aside for the benefit of the investors in the Trusts. The balances of SWT Trust and ASF Trust are represented as follows:

$000's	June 2025[1]	June 2024
Cash and cash equivalents	32,210	68,316
Finance receivables - reverse mortgages	407,275	852,119
Other borrowings	(417,809)	(787,373)

[1]The reduction in the SWT Trust securitised assets balance is mainly related to the repurchase of $444.8 million of reverse mortgage receivables by HBA and a reduction in SWT2 securitisation facility limit from $821 million (A$750 million) to $281 million (A$260 million) as part of execution of its date-based calls (a repurchase of the remaining securitised assets on a predetermined date before their full repayment or maturity) during the year. Refer to Note 15 – Borrowings for further details.

(d) Atlas 2020-1 Trust (Atlas Trust)

Atlas Trust was set up on 11 September 2020 as part of ASF's reverse mortgage business similar to the existing SWT2 Trust and ASF Trust. The Trustee for the Trust is BNY Trust Company of Australia Limited and the Trust Manager is ASF. The balances of Atlas Trust are represented as follows:

$000's	June 2025	June 2024
Cash and cash equivalents	19,681	16,322
Finance receivables - reverse mortgages	148,993	152,156
Other borrowings	(144,949)	(144,635)

(e) StockCo Securitisation Trust 2022-1 (StockCo Trust)

StockCo Securitisation Trust 2022-1 was set up on 31 May 2022 as part of StockCo Australia's livestock business. The Trustee for the Trust is AMAL Trustees Pty Limited and the Trust Manager is AMAL Management Services Pty Limited. The balances of StockCo Securitisation Trust 2022-1 are represented as follows:

$000's	June 2025[1]	June 2024
Cash and cash equivalents	–	47,704
Finance receivables measured at amortised cost	–	171,960
Other borrowings	–	(211,046)

[1]StockCo Trust securitisation facility limit was cancelled on 18 November 2024, with subsequent full repayment of its securitised borrowings and repurchase of livestock finance receivables by HBA during the year.

28 Staff share ownership arrangements

The Group operates a share-based compensation plan that issues tranches of performance rights from time to time that are equity settled. The plan contains clauses which provide the Board with absolute discretion to moderate the awards to ensure an equitable outcome for both the recipients and Heartland shareholders. This discretion means there can be no shared understanding of the terms and conditions of the arrangement between participants and the company until finalisation of an award. The fair value of each tranche shall be measured at grant date, which in the absence of shared understanding is deemed to be each reporting date for the respective tranches until such time as the grant date has been established.

The fair value is determined using a Monte Carlo option pricing model developed by an independent third party expert at each reporting date.

Each tranche contains a total shareholder return (**TSR**) measure which is a gate opener to consideration of achievement of other performance measures. At the end of each reporting period the Group revises its estimate of the value of performance rights based on its probability of attaining an equitable TSR and the number of equity instruments expected to vest.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee benefits reserve.

As at the date of these financial statements, the Group has designed a new share-based compensation plan which certain senior employees will be invited to participate in going forward.

(a) Share-based compensation plan details

Heartland performance rights plan (PR plan)

The PR plan was established to enhance the alignment of participants' interests with those of the Group's shareholders. Under the PR plan participants are issued performance rights which will entitle them to receive shares in the Group. As at June 2025, there was one active tranche being 2025 (non-CEOs) subject to the existing rules of the PR plan.

2025 (non-CEOs) tranche

The performance rights were issued subject to the participants' continued employment with the Group until the measurement date and the Group achieving its financial measures, strategic objectives and culture and conduct objectives, over the period commencing 1 July 2022 and ending on 30 June 2025. The targets are dynamic and may be adjusted by the Board from time to time in order to account for unanticipated capital changes during the performance period. The measurement date is the business day following the date on which the Group announces its full year results for the financial year ended 30 June 2025.

	June 2025 PR Plan Number of Rights	June 2024 PR Plan Number of Rights
Opening balance	6,417,476	7,853,640
Vested	—	(1,275,194)
Issued	—	—
Forfeited / unvested[1]	(5,268,328)	(160,970)
Closing balance	**1,149,148**	**6,417,476**

[1]The 2024 (CEOs) and 2024 (non-CEOs) tranches did not vest. The 2025 (CEOs) tranche was forfeited pursuant to the departure of the participants.

(b) Effect of share-based payment transactions

$000's	June 2025	June 2024
Award of Shares		
PR Plan[1]	721	(2,816)
Total expense / (income) recognised	**721**	**(2,816)**

[1]Includes share-based payment expense for the year ended 30 June 2025 in relation to a proposed issuance of a new tranche of performance rights in exchange for services received during the period under a new share-based compensation plan. The fair value of the performance rights is estimated at 30 June 2025 and will be revalued upon establishment of grant date.

28 Staff share ownership arrangements (continued)

(b) Effect of share-based payment transactions (continued)

The fair value of each tranche of performance rights issued under the PR Plan were measured at nil as at 30 June 2025 based on the TSR performance of each respective tranche from its commencement date (2024: nil).

As at 30 June 2025 nil share scheme awards remain unvested and not expensed.

(c) Number of rights outstanding

	June 2025		June 2024	
	Rights Outstanding	Remaining Years	Rights Outstanding	Remaining Years
PR Plan - 2024	—	—	3,548	—
PR Plan - 2025	1,149	—	2,869	1
Total	**1,149**		**6,417**	

29 Securitisation, funds management and other fiduciary activities

Funds management and other fiduciary activities

The Group, through Heartland PIE Fund Limited, controls, manages and administers the Heartland PIE Fund and its products (Heartland Call PIE and Heartland Term Deposit PIE). Refer to Note 27 - Structured entities for further details. The Heartland PIE Fund deals with HBL in the normal course of business, in the HBL's capacity as Registrar of the Fund and also invests in HBL's deposits. The Group is considered to control the Heartland PIE Fund, and as such the Heartland PIE Fund is consolidated within the financial statements of the Group.

30 Concentrations of funding

(a) Concentration of funding by industry

ANZSIC codes have been used as the basis for categorising customer and investee industry sectors.

$000's	June 2025	June 2024
Agriculture	114,988	104,818
Forestry and fishing	14,038	18,745
Manufacturing	46	178
Mining	17,809	17,698
Finance and insurance	1,864,156	3,008,066
Wholesale trade	6,618	10,207
Retail trade and accommodation	32,053	30,410
Households	4,669,968	4,287,925
Rental, hiring and real estate services	62,663	101,495
Construction	25,517	28,914
Other business services	461,519	337,560
Transport and storage	6,509	6,512
Other	79,523	37,351
Total borrowings	**7,355,407**	**7,989,879**

(b) Concentration of funding by geographical area

$000's	June 2025	June 2024
New Zealand	4,545,940	4,921,410
Australia	2,731,585	3,005,336
Rest of the world	77,882	63,133
Total borrowings	**7,355,407**	**7,989,879**

31 Offsetting financial instruments

The Group offsets financial assets and financial liabilities and reports the net balance in the balance sheet where there is currently a legally enforceable right to set off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group enters into contractual arrangements with counterparties to manage the credit risks associated primarily with over-the-counter derivatives. The Group has entered into credit support annexes (**CSAs**) which form a part of International Swaps and Derivatives Association (**ISDA**) Master Agreement, in respect of certain exposures relating to derivative transactions. As per these CSAs, the Group or the counterparty needs to collateralise the market value of outstanding derivative transactions. As at 30 June 2025, the Group has paid $14.24 million of cash collateral (2024: received $2.38 million) against derivative assets. Cash collateral includes amounts of cash obtained to cover the net exposure between the counterparty in the event of default or insolvency. The cash collateral received is not netted off against the balance of derivative assets disclosed in the statement of financial position.

The following table sets out financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. Financial instruments refer to amounts that are subject to relevant close out netting arrangements under a relevant ISDA agreement. ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position because under such agreements the counterparties typically have the right to offset only following an event of default, insolvency or bankruptcy or following other pre-determined events.

	Effects of offsetting on the balance sheet			Related amounts not offset		
$000's	Gross amount	Gross amounts set off in the balance sheet	Net amounts reported in the balance sheet	Financial Instruments	Cash collateral	Net amount
June 2025						
Derivative financial assets	4,792	–	4,792	(4,792)	–	–
Total financial assets	**4,792**	**–**	**4,792**	**(4,792)**	**–**	**–**
Derivative financial liabilities	20,660	–	20,660	(4,792)	(14,239)	1,629
Total financial liabilities	**20,660**	**–**	**20,660**	**(4,792)**	**(14,239)**	**1,629**
June 2024						
Derivative financial assets	12,316	–	12,316	(9,017)	(2,384)	915
Total financial assets	**12,316**	**–**	**12,316**	**(9,017)**	**(2,384)**	**915**
Derivative financial liabilities	9,017	–	9,017	(9,017)	–	–
Total financial liabilities	**9,017**	**–**	**9,017**	**(9,017)**	**–**	**–**

32 Contingent liabilities and commitments

The Group in the ordinary course of business will be subject to claims and proceedings against it whereby the validity of the claim will only be confirmed by uncertain future events. In such circumstances the contingent liabilities are possible obligations, or present obligations if known, where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised, but are disclosed, unless they are remote. Where some loss is probable, provisions have been made on a case by case basis.

Credit related commitments arising in respect of the Group's operations were:

$000's	June 2025	June 2024
Letters of credit, guarantee commitments and performance bonds	5,507	3,130
Total	**5,507**	**3,130**
Undrawn facilities available to customers	565,735	554,307
Conditional commitments to fund at future dates	11,095	9,947
Total commitments	**576,830**	**564,254**

33 Events after reporting date

The Group approved a fully imputed final dividend of 2 cents per share on 20 August 2025.

Effective 1 July 2025, the New Zealand Depositor Compensation Scheme (**DCS**) came into effect and will be funded by deposit takers. The Group will be subject to a regulatory levy, which the Crown may impose at its discretion if there is a shortfall in the DCS scheme funds in the event of a deposit taker failure.

There were no other events subsequent to the reporting period, not already disclosed within these financial statements, that would materially affect the Group's financial position, results of its operations or its state of affairs in subsequent periods.

Independent auditor's report

To the shareholders of Heartland Group Holdings Limited

Our opinion

In our opinion, the accompanying consolidated financial statements (the financial statements) of Heartland Group Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2025, its financial performance, and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 30 June 2025;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our capacity as auditor and assurance practitioner, our firm provides review and other assurance services. Our firm also provided an executive reward survey report to the Group. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business. The firm has no other relationship with, or interests in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

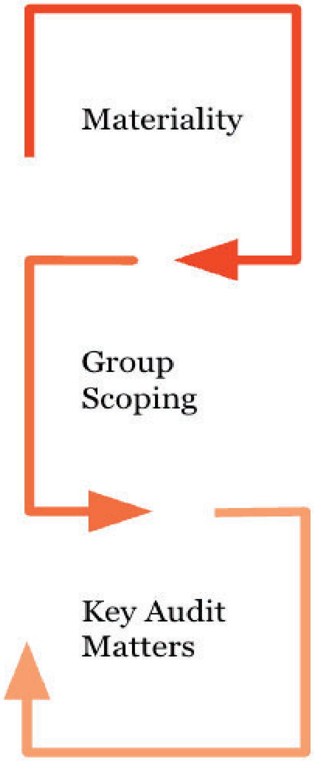
Description of the key audit matter	How our audit addressed the key audit matter
Provision for impairment of finance receivables As disclosed in note 13 of the financial statements, the impairment allowance totalled $71.8 million at 30 June 2025. For the determination of the collectively assessed impairment allowance, this requires the use of credit risk methodologies that are applied in models using the Group's historical experience of the correlations between defaults and losses, borrower creditworthiness, segmentation of customers or portfolios and the application of forward looking multiple economic scenarios. The assumptions we focused our audit on included those with greater levels of management judgement and for which variations have the most significant impact on the impairment allowance. For finance receivables that meet specific risk based criteria, the impairment allowance is individually assessed by the Group. These impairment allowances are measured using probability weighted scenarios which are intended to reflect a range of reasonably possible outcomes, and incorporate assumptions such as estimated future cash proceeds expected to be recovered from the realisation of security held as collateral by the Group. We considered this a key audit matter due to the significant inherent estimation uncertainty present in the determination of the impairment allowance.	We obtained an understanding of control activities over the Group's impairment allowance, and for certain control activities assessed whether they are appropriately designed. For controls relevant to our planned audit approach we tested, on a sample basis, whether they operated effectively, throughout the financial year. In addition, we, along with our credit risk modelling expert, performed the following procedures, amongst others, on a targeted or sample basis, on the Group's collectively assessed impairment allowance: ● Assessed the appropriateness of the methodology inherent in the models used against the requirements of NZ IFRS 9 *Financial Instruments*; ● Challenged and assessed the appropriateness of the collectively assessed impairment allowance inclusive of the impacts of any post model adjustments; ● Tested the accuracy of the collectively assessed impairment allowance calculation; and ● Tested the completeness and accuracy of critical data elements used in the calculations. With respect to individually assessed impairment allowances we: ● For a sample of business and rural loans not identified as impaired, considered the borrowers latest information available to the Group to assess the credit risk grade rating allocated to the borrower as to whether the borrower could be identified as impaired, a critical data element which involves significant management judgement; and ● For loans where an impairment allowance was individually assessed, we considered the borrower's latest financial information, value of security held as collateral and probability weighted scenario outcomes (where applicable) to test the basis of measuring the impairment allowance. We considered the impacts of events occurring subsequent to balance date on the impairment allowances. We also assessed the reasonableness of the disclosures against the requirements of the accounting standards.
Fair value of finance receivables - reverse mortgages The Group's fair value of finance receivables – reverse mortgages ("Reverse mortgages") totalled $3.4 billion at 30 June 2025 as disclosed in note 21 of the financial statements. Reverse mortgages are held at fair value through profit or loss. The Group records the estimated fair value of the Reverse mortgages at transaction price (cash advanced plus accrued capitalised interest), on the basis that no reliable fair value can be estimated as there is no relevant	Our audit procedures included assessing the design and implementation of controls relating to the Group's assessment of the fair value of Reverse mortgages. In addition, our audit procedures included: ● Assessing the reasonableness of the Group's approach to estimating the fair value based on the transaction price against the requirements of the accounting standards; ● Assessing whether there was evidence of a relevant active market or observable inputs in which to establish fair value using a market approach;

Description of the key audit matter	How our audit addressed the key audit matter
active market and the fair value cannot be reliably estimated using other valuation techniques, as permitted under the accounting standards. To assess whether the transaction price remains an appropriate proxy for fair value, the Group considers the impact on discounted future cash flows of changes in the risk profile and expectations of performance since origination, including possible outflows under the no negative equity guarantee provided by the Group to the borrower. High interest rates and volatility in house prices, combined with the economic outlook, increases the possibility of outflows under the no negative equity guarantee. Accordingly, we consider this to be a key audit matter.	• Engaging our internal actuarial expert to assess the Group's estimate of the value of discounted future cash flows from the Reverse mortgages, including any expected outflows under the no negative equity guarantee and comparing this to the transaction price of Reverse mortgages (carrying value) to assess any potential shortfall (a shortfall would indicate the transaction price was overstated); • Testing the completeness and accuracy of a sample of critical data elements used as inputs to the value of discounted future cash flows; • Assessing the reasonableness of key assumptions (such as future house prices, voluntary exits, interest rate margins, future interest rates) used in the value of discounted future cash flows; and • Considering the appropriateness of the disclosures against the requirements of the accounting standards.
Heartland Bank Australia Limited goodwill impairment assessment The carrying amount of the Heartland Bank Australia Limited goodwill as at 30 June 2025, as disclosed in note 18 of the financial statements, amounted to $175.0 million. The carrying value of goodwill is a key audit matter as it is a significant intangible asset in the Group's statement of financial position. At balance date an impairment assessment is required which uses an estimate of the recoverable amount that is dependent on future earnings. Previously, the goodwill was allocated to a group of cash generating units (CGUs) representing the Australian reverse mortgage lending and the Australian livestock financing businesses. In the current year, the Group has determined the goodwill for this group of CGUs should be allocated to a single Heartland Bank Australia Limited CGU at which impairment is assessed due to the corporate simplification and operational integration of the Australian business, and the way goodwill is monitored internally. The Group used the Fair Value Less Costs of Disposal (FVLCD) approach to determine the recoverable amount of the Heartland Bank Australia Limited CGU. FVLCD is based on a price-earnings multiples approach using normalised current year earnings. The key assumptions used in the FVLCD are: • Price-earnings multiple; and • Normalised current year earnings.	We held discussions with management to understand the assumptions used in the determination of the single CGU and the goodwill impairment assessment. Our audit procedures also included the following: • Assessing judgements made in respect of the determination of the CGU, taking into account the corporate simplification and operational integration of the Group's Australian business; • Obtaining an understanding of the business processes and controls applied by management in performing the impairment assessment; • Assessing the appropriateness of using a FVLCD approach against the requirements of the accounting standards; • Engaging our internal valuation expert to assess management's valuation methodology and key assumptions, including comparable price-earnings multiples; • Assessing the appropriateness of the normalised current year earnings, as well as comparing these to the FY26 forecast earnings approved by the Board for reasonableness; • Obtaining and evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions on the recoverable amount; and • Considering the appropriateness of disclosures against the requirements of the accounting standards.

Description of the key audit matter	How our audit addressed the key audit matter
Operation of financial reporting information technology (IT) systems and controls The Group's operations and financial reporting processes are dependent on IT systems for the capture, processing, storage and extraction of significant volumes of transactions which is critical to the recording of financial information and the preparation of the Group's financial statements. In addition, the Group changed to a new general ledger system in the current year. Accordingly, we consider this to be a key audit matter. In common with other groups with banking subsidiaries, access management controls are important to ensure both access and changes made to applications and data are appropriate. Ensuring that only appropriate staff have access to IT systems, that the level of access itself is appropriate, and that access is periodically monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data. The Group's controls over IT systems are intended to ensure that: • New systems or changes to existing systems operate as intended and are authorised; • Access to process transactions or change data is appropriate and maintains an intended segregation of duties; • The use of privileged access to systems and data is restricted and monitored; and • IT processing is approved and where issues arise they are resolved.	For material financial statement transactions and balances, our procedures included obtaining an understanding of the business processes, IT systems used to generate and support those transactions and balances, associated IT application controls, and IT dependencies in manual controls. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit: • Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems; • System development: the project disciplines which ensure that significant developments or implementations are appropriately tested before implementation and that data is converted and transferred completely and accurately; • Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts, or ensure that data is only changed through authorised means; and • IT operations: the controls over certain IT batch processes used to ensure that any issues that arise are managed appropriately. Where we identified design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures.

Our audit approach

Overview



The overall group materiality is $5.2 million, which represents approximately 0.75% of interest income.

We chose interest income as the benchmark because, in our view, it best reflects the activity and performance of the Group which now includes an enlarged banking operation in Australia. Interest income is a proxy for revenue which is a generally accepted benchmark

Following our assessment of the risk of material misstatement, full scope audits were performed for two (NZ Banking Group and Australia Banking Group) of the three identified components based on their financial significance. Specified audit procedures and analytical review procedures were performed on the remaining component (the Company).

As reported above, we have four key audit matters, being:

- Provision for impairment of finance receivables
- Fair value of finance receivables – reverse mortgages
- Heartland Bank Australia Limited goodwill impairment assessment
- Operation of financial reporting information technology (IT) systems and controls

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed a full scope audit of the Group's two financially significant components. The full scope audit of the Australia Banking Group component was performed by a PwC network firm operating under our instructions.

Our involvement with the PwC network firm auditing the Australia Banking Group component included the following:

- issuing Group audit instructions;
- meeting with the component audit team and reviewing their audit findings;
- inspecting audit working papers;
- attending key management and audit committee meetings; and
- maintaining regular communication throughout the audit and appropriately directing their audit.

Specified audit procedures and analytical review procedures were performed on the remaining component.

By performing these procedures, together with the procedures performed on the consolidation and intercompany eliminations, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis for our opinion on the Group's financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon, and the Heartland Climate Report 2025. The Annual Report and Heartland Climate Report 2025 is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Karen Shires.

For and on behalf of

PricewaterhouseCoopers Auckland
20 August 2025

HEARTLAND
BANK

Disclosure Statement

For the year ended 30 June 2025

Contents

General Information		**3**
Priority of Creditors' Claims		**3**
Guarantee Arrangements		**3**
Pending Proceedings		**3**
Auditor		**3**
Directors		**4**
Directors' Statements		**6**
Statement of Comprehensive Income		**7**
Statement of Changes in Equity		**8**
Statement of Financial Position		**9**
Statement of Cash Flows		**10**
Notes to the Financial Statements		
1	Financial statements preparation	**12**
Performance		
2	Segmental analysis	17
3	Net interest income	19
4	Net operating lease income	20
5	Other income	21
6	Operating expenses	22
7	Compensation of auditor	23
8	Impaired asset expense	24
9	Taxation	25
Financial Position		
10	Investments	27
11	Derivative financial instruments	28
12	Finance receivables measured at amortised cost	33
13	Operating lease vehicles	33
14	Borrowings	34
15	Share capital and dividends	37
16	Other reserves	38
17	Other balance sheet items	39
18	Acquisition	42
19	Related party transactions and balances	45
20	Fair value	47
Risk Management		
21	Enterprise risk management program	53
22	Credit risk exposure	59
23	Asset quality	64
24	Liquidity and funding risk	73
25	Interest rate risk	75
26	Concentrations of funding	78
Other Disclosures		
27	Significant subsidiaries	79
28	Structured entities	79
29	Capital adequacy and regulatory liquidity ratios - unaudited	81
30	Securitisation, funds management and other fiduciary activities	90
31	Offsetting financial instruments	92
32	Contingent liabilities and commitments	93
33	Events after reporting date	93
Auditor's Reports		94
Historical Summary of the Financial Statements		104
New Zealand Banking Group disclosures		105
Amendments to Conditions of Registration		115
Conditions of Registration		116
Conditions of Registration – Non Compliance		126
Credit Ratings		127
Other Material Matters		127

General Information

This Disclosure Statement has been issued by Heartland Bank Limited (**HBL** or the **Bank**) and its subsidiaries (the **Banking Group**) for the year ended 30 June 2025 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the **Order**). The financial statements of the Banking Group for the year ended 30 June 2025 form part of, and should be read in conjunction with, this Disclosure Statement.

Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

Name and address for service

The name of the Registered Bank is Heartland Bank Limited.

The Banking Group consists of the Bank and all of its subsidiaries.

The Bank's address for service is Level 3, 35 Teed Street, Newmarket, Auckland 1023.

The address for service of the ultimate parent, Heartland Group Holdings Limited (**HGH**), is Level 3, 35 Teed Street, Newmarket, Auckland 1023.

Details of incorporation

The Bank was incorporated under the Companies Act 1993 on 30 September 2010.

Interests in 5% or more of voting securities of the Bank

Name	Percentage held
Heartland Group Holdings Limited	100%

Heartland Group Holdings Limited has the ability to appoint 100% of Directors, subject to Reserve Bank of New Zealand (**RBNZ**) restrictions and RBNZ Director approval.

Priority of Creditors' Claims

In the event of the Bank becoming insolvent or ceasing business, certain claims set out in legislation are paid in priority to others. These claims include secured creditors, taxes, certain payments to employees and any liquidator's costs. After payment of those creditors, the claims of all other creditors are unsecured and would rank equally, with the exception of holders of subordinated bonds and notes which rank below all other claims.

Guarantee Arrangements

As at the date this Disclosure Statement was signed, no material obligations of the Bank were guaranteed.

Pending Proceedings or Arbitration

There are no pending legal proceedings or arbitrations concerning any member of the Banking Group at the date of Disclosure Statement that may have a material adverse effect on the Bank or the Banking Group.

Auditor

PricewaterhouseCoopers
PwC Tower, Level 27
15 Customs Street West
Auckland 1010

Directors

All Directors of the Bank reside in New Zealand. Communications to the Directors can be sent to Heartland Bank Limited, Level 3, 35 Teed Street, Newmarket, Auckland 1023.

Jeffrey Kenneth Greenslade retired as a Non-Independent Non-Executive Director of HBL, effective 30 September 2024.

Andrew Peter Dixson was appointed as a Non-Independent Non-Executive Director of HBL, effective 1 October 2024.

There have been no other changes in the composition of the Board of Directors of the Bank for the year ended 30 June 2025.

The Directors of the Bank and their details at the time this Disclosure Statement was signed were:

Chairman – Board of Directors

Name:	Bruce Robertson Irvine
Qualifications:	BCom, LLB, FCA, CFInstD
Type of Director:	Independent Non-Executive Director
Occupation:	Company Director

External Directorships: Air Rarotonga Limited, Amaia Day Spa (Tonga) Limited, Amaia Luxury Spa Limited, B R Irvine Limited, Blackbyre Horticulture Limited, Bowdens Mart Limited, MG Sustainable Operations Limited, Chambers @151 Limited, Clipper Investments (2002) Limited, Cockerill and Campbell (2007) Limited, Embassy Hotels Limited, GZ Capital Limited, GZ NZ Limited, GZ RES Limited, Hansons Lane International Holdings Limited, Hawling Holdings Limited, House of Travel Holdings Limited, Kaipaki Holdings Limited, Kaipaki Properties Limited, Lake Angelus Holdings Limited, Market Fresh Wholesale Limited, Market Gardeners Limited, MG Group Holdings Limited, MG Marketing Limited, MG New Zealand Limited, Monarch Hotels Limited, Noblesse Oblige Limited, Paradise Islands Limited, Phimai Holdings Limited, Quitachi Limited, Scenic Hotels (Karapiro) Limited, Scenic Hotels (Hamilton) Limited, Scenic Hotel Punakaiki Limited, Scenic Circle Convention Services Limited, Scenic Hotel (Haast) Limited, Scenic Circle (Napier) Limited, Scenic Hotel Group Limited, Scenic Hotels (Ashburton) Limited, Scenic Hotels (International) Limited, Scenic Circle MLC Cafe & Bar Limited, Skope Industries Limited, Southland Produce Markets Limited, Stark Holdings (NZ) Limited, Wavell Resources Limited, Scenic Circle (Rotorua) Limited, Scenic Circle (Queenstown) Limited, Scenic Hotels Limited, Abalon Investments Limited, Scenic Hotels (Tonga) Limited, Waiho Investments Limited, Scenic Circle Hotels Management Services Limited, Scenic Hotel Collection New Zealand Limited, Scenic Hotels (Auckland) Limited, Scenic Hotels (Niue) Limited, Scenic Hotels (Kaikoura) Limited, Heartland Hotels Limited, Scenic (Franz Josef) Limited, Scenic Circle (Airedale) Limited, Scenic Circle (Bay Of Islands) Limited, Platinum Hotels Limited, Scenic Aviation Limited, Scenic Circle (Bay Of Plenty) Limited, Scenic Circle (Blenheim) Limited, Karma Finance Limited, Scenic Circle Hotels (Dunedin) Limited, Refined Hotels Limited, Scenic Hospitality Services Limited, Scenic Circle Glacier Country Hotel Limited, Mitchell Corp Contract Services Limited, Scenic Hotels Technology Limited, Scenic Hotels Contract Services Limited, Ezibed (2022) Limited, Mainstay International Hotels (NZ) (2022) Limited, Mainstay International Hotels (2022) Limited, Mitchell Corp New Zealand (2022) Limited, MLC Scenic Limited, Wagstaff Holdings Limited, Golden Chain (NZ) (2022) Limited, Sproule Ft Leinster Limited, Sproule Ft Marshland Limited, Paulsen Porto Limited.

Name:	Andrew Dixson
Qualifications:	BCom, DipCom, CA
Type of Director:	Non-Independent Non-Executive Director
Occupation:	Chief Executive Officer of Heartland Group Holdings

External Directorships: None

Name:	Edward John Harvey
Qualifications:	BCom, CA, CFInstD
Type of Director:	Non-Independent Non-Executive Director
Occupation:	Company Director

External Directorships: Napier Port Holdings Limited, Pomare Investments Limited, Port of Napier Limited.

Directors (continued)

Name: Kathryn Mitchell
Qualifications: BA, CMInstD
Type of Director: Non-Independent Non-Executive Director
Occupation: Company Director

External Directorships: Chambers@151 Limited, Christchurch International Airport Limited, Firsttrax Approvals Limited, Link Engine Management Limited, Link Engine Management International (NZ) Limited, Morrison Horgan Limited, The New Zealand Merino Company Limited, The A2 Milk Company Limited, Purepods Limited, MyRaceLab Limited, Link Engine Management (NZ) Limited, Link Engine Management USA Inc, Link Engine Management Pty Ltd, Link Engine Management EU B.V, Prorace Studio Limited, Link ECU Limited.

Name: Shelley Maree Ruha
Qualifications: BCom, DipBank
Type of Director: Independent Non-Executive Director
Occupation: Company Director

External Directorships: Analey Holdings Limited, Analey Investments Limited, Analey Riverhead Limited, IT & Business Consulting Limited, New Zealand Rural Land Management GP Limited, Partners Group Holdings Limited, Partners Life Limited, 9 Spokes International Limited, Paysauce Limited, 9 Spokes Knowledge Limited, 9 Spokes Operations Limited, 9 Spokes Trustee Limited, 9 Spokes US Holdings Limited, Allied Farmers Limited, Allied Farmers (New Zealand) Limited, 5M No.2 Limited, Alf Nominees Limited, Allied Farmers Rural Limited, Allied Farmers Property Holdings Limited, Clearwater Hotel 2004 Limited, Lifestyles of New Zealand Queenstown Limited, Lonz 2008 Holdings Limited, Lonz 2008 Limited, NZ Farmers Livestock Finance Limited, QWF Holdings Limited, Rural Funding Solutionz Limited, UFL Lakeview Limited, Smartpay Holdings Limited.

Name: Simon Ross Tyler
Qualifications: MSc, BSc (Hons)
Type of Director: Independent Non-Executive Director
Occupation: Company Director

External Directorships: Nutrition for Health Limited, Global Horticulture Limited, Palliser Estate Wines of Martinborough Limited, NZ Bio Forestry Limited, Asteron Life Limited.

Conflicts of interest policy

All Directors are required to disclose to the Board any actual or potential conflicts of interest which may exist or is thought to exist upon appointment and are required to keep these disclosures up to date. The details of each disclosure made by a Director to the Board must be entered in the Interests Register.

Directors are required to take any necessary and reasonable measures to try to resolve the conflict and comply with the Companies Act 1993 by disclosing interests and restrictions on voting. Any Director with a material personal, professional or business interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, may not be present during the boardroom discussions or vote on the relevant matter.

Interested transactions

There have been no transactions between the Bank or any member of the Banking Group and any Director or immediate relative or close business associate of any Director which either has been entered into on terms other than those which would in the ordinary course of business of the Bank or any member of the Banking Group be given to any other person of like circumstances or means, or could be reasonably likely to influence materially the exercise of the Directors' duties.

Audit committee composition

Members of the Bank's Audit Committee as at the date of this Disclosure Statement are as follows:

Simon Ross Tyler (Chairperson)	Independent Non-Executive Director
Edward John Harvey	Non-Independent Non-Executive Director
Bruce Robertson Irvine	Independent Non-Executive Director
Shelley Maree Ruha	Independent Non-Executive Director

Directors' Statements

Each Director of the Bank states that he or she believes, after due enquiry, that:

1. As at the date on which this Disclosure Statement is signed:

   (a) the Disclosure Statement contains all the information that is required by the Order; and

   (b) the Disclosure Statement is not false or misleading.

2. During the year ended 30 June 2025:

   (a) the Bank complied in all material respects with each Condition of Registration that applied during the period;

   (b) credit exposures to connected persons were not contrary to the interests of the Registered Bank's Banking Group; and

   (c) the Bank had systems in place to monitor and control adequately the material risks of the Registered Bank's Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 20 August 2025 and has been signed by all the Directors.

B. R. Irvine (Chair)

S. R. Tyler

E. J. Harvey

S. M. Ruha

K. Mitchell

A. P. Dixson

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2025

$000's	Note	June 2025	June 2024
Interest income:			
Effective interest method	3	400,415	371,590
Fair value through profit or loss	3	305,449	135,203
Total interest income		**705,864**	**506,793**
Interest expense	3	398,770	284,405
Net interest income		**307,094**	**222,388**
Operating lease income	4	6,054	6,058
Operating lease expense	4	4,299	4,373
Net operating lease income		**1,755**	**1,685**
Lending and credit fee income		13,981	11,724
Other income	5	5,093	2,718
Net operating income		**327,923**	**238,515**
Operating expenses	6	182,254	116,302
Profit before net fair value gain/(loss) on equity investments and investment property, losses on guaranteed future value products, impaired asset expense and income tax		**145,669**	**122,213**
Net fair value gain/(loss) on equity investments and investment property		1,623	(1,595)
Losses on guaranteed future value products		1,504	–
Impaired asset expense	8	71,638	46,313
Profit before income tax		**74,150**	**74,305**
Income tax expense	9	22,494	21,785
Profit for the year		**51,656**	**52,520**
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss, net of income tax:			
Effective portion of change in fair value of derivative financial instruments in a cash flow hedge relationship		(13,848)	(10,439)
Movement in fair value reserve		1,551	925
Movement in foreign currency translation reserve		(6,905)	(1,682)
Items that will not be reclassified to profit or loss, net of income tax:			
Movement in fair value of equity investments at fair value through other comprehensive income		(1,805)	–
Other comprehensive loss for the year, net of income tax		**(21,007)**	**(11,196)**
Total comprehensive income for the year		**30,649**	**41,324**

Total comprehensive income for the year is attributable to the owner of the Bank.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2025

$000's	Note	June 2025 Share Capital	June 2025 Reserves	June 2025 Retained Earnings	June 2025 Total Equity	June 2024 Share Capital	June 2024 Reserves	June 2024 Retained Earnings	June 2024 Total Equity
Balance at beginning of year		**1,044,811**	**(83,621)**	**235,200**	**1,196,390**	**553,239**	**13,143**	**162,354**	**728,736**
Business combination under common control	16, 18	–	–	–	–	–	(85,568)	85,826	258
Total comprehensive income for the year									
Profit for the year		–	–	51,656	51,656	–	–	52,520	52,520
Other comprehensive loss, net of income tax	16	–	(21,007)	–	(21,007)	–	(11,196)	–	(11,196)
Total comprehensive income for the year		**–**	**(21,007)**	**51,656**	**30,649**	**–**	**(11,196)**	**52,520**	**41,324**
Transactions with owner									
Dividends paid to owner	15	–	–	(33,750)	(33,750)	–	–	(65,500)	(65,500)
Share issuance	15	–	–	–	–	491,572	–	–	491,572
Total transactions with owner		**–**	**–**	**(33,750)**	**(33,750)**	**491,572**	**–**	**(65,500)**	**426,072**
Other movements	16	249	(249)	–	–	–	–	–	–
Balance at end of the year		**1,045,060**	**(104,877)**	**253,106**	**1,193,289**	**1,044,811**	**(83,621)**	**235,200**	**1,196,390**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

$000's	Note	June 2025	June 2024
Assets			
Cash and cash equivalents		349,745	627,969
Collateral paid		14,239	–
Investments	10	791,760	1,092,131
Derivative financial instruments	11	4,792	12,316
Finance receivables measured at amortised cost	12	3,711,450	4,266,946
Finance receivables - reverse mortgages	20	3,370,949	2,897,818
Investment properties		4,390	3,660
Operating lease vehicles	13	15,561	18,261
Right of use assets	17	12,223	15,519
Other assets	17	43,130	34,897
Current tax asset		31,274	15,172
Intangible assets	17	250,821	264,493
Deferred tax asset	9	21,430	22,605
Total assets		**8,621,764**	**9,271,787**
Liabilities			
Collateral received		–	2,384
Deposits	14	6,532,794	5,967,239
Other borrowings	14	825,454	2,040,763
Derivative financial instruments	11	20,660	9,017
Due to related parties	19	792	7,653
Lease liabilities	17	14,390	17,776
Trade and other payables	17	33,064	30,565
Deferred tax liability	9	1,321	–
Total liabilities		**7,428,475**	**8,075,397**
Net assets		**1,193,289**	**1,196,390**
Equity			
Share capital	15	1,045,060	1,044,811
Retained earnings and other reserves	16	148,229	151,579
Total equity		**1,193,289**	**1,196,390**
Total interest earning and discount bearing assets		8,225,502	8,871,389
Total interest and discount bearing liabilities		7,319,879	7,972,194

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2025

$000's	Note	June 2025	June 2024
Cash flows from operating activities			
Interest received		449,347	368,533
Operating lease income received		5,417	5,288
Lending, credit fees and other income received		18,206	16,612
Operating inflows		**472,970**	**390,433**
Interest paid		(410,829)	(256,683)
Payments to suppliers and employees		(169,685)	(109,231)
Taxation paid		(31,131)	(41,691)
Operating outflows		**(611,645)**	**(407,605)**
Net cash flows applied to operating activities before changes in operating assets and liabilities		**(138,675)**	**(17,172)**
Collateral paid		(42,680)	(67,120)
Collateral received		26,110	42,000
Proceeds from sale of operating lease vehicles		2,561	2,219
Purchase of operating lease vehicles		(3,249)	(6,732)
Net decrease/(increase) in finance receivables measured at amortised cost		464,299	(5,901)
Net (increase) in finance receivables - reverse mortgages		(220,324)	(166,821)
Net movement in deposits		586,554	559,209
Net movement in related party balances		(10,531)	(4,312)
Net cash flows from operating activities		**664,065**	**335,370**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(3,716)	(18,842)
Proceeds from investment securities		2,032,633	246,490
Purchase of investment securities		(1,725,205)	(637,399)
Cash acquired on business combination under common control		—	125,085
Cash acquired on acquisition of subsidiary		—	165,620
Consideration adjustment related to acquisition of subsidiary		1,404	—
Sale of equity investment		68	—
Purchase of equity investment		(252)	—
Net cash flows from/(applied to) investing activities		**304,932**	**(119,046)**
Cash flows from financing activities			
Proceeds from wholesale borrowings		424,614	998,688
Repayment of wholesale borrowings		(1,311,047)	(870,413)
Proceeds from issue of unsubordinated notes		—	24,364
Repayment of unsubordinated notes		(321,347)	(126,485)
Proceeds from issue of subordinated debt		—	51,572
Dividends paid	16	(33,750)	(65,500)
Payment of lease liabilities		(3,723)	(2,327)
Net issue of share capital	16	—	187,500
Net cash flows (applied to)/from financing activities		**(1,245,253)**	**197,399**
Net (decrease)/increase in cash held		**(276,256)**	**413,723**
Effect of exchange rates on cash and cash equivalents		(1,968)	(1,798)
Opening cash and cash equivalents		627,969	216,044
Closing cash and cash equivalents[1]		**349,745**	**627,969**

[1]At 30 June 2025, the Banking Group has $66.3 million (2024: $176.0 million) of cash held by Trusts which may only be used for the purposes defined in the underlying Trust documents. Refer to Note 28 - Structured entities for definition of the Trusts and further details.

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows (continued)

For the year ended 30 June 2025

Reconciliation of profit after tax to net cash flows from operating activities

$000's	Note	June 2025	June 2024
Profit for the year		**51,656**	**52,520**
Add/(less) non-cash items:			
Depreciation and amortisation expense		17,122	9,355
Depreciation on lease vehicles	13	3,923	3,902
Capitalised net interest income and fee income		(278,849)	(127,327)
Impaired asset expense	8	73,393	47,587
Losses on guaranteed future value products		1,504	—
Fair value movements		(10,420)	(8,712)
Deferred tax		2,496	(5,845)
Other non-cash items		1,630	4,211
Total non-cash items		**(189,201)**	**(76,829)**
Add/(less) movements in operating assets and liabilities:			
Finance receivables measured at amortised cost		464,299	(5,901)
Finance receivables - reverse mortgages		(220,324)	(166,821)
Operating lease vehicles		(1,223)	(5,197)
Other assets		(30,876)	(7,285)
Current tax		(16,102)	(22,864)
Derivative financial instruments		19,167	26,059
Deposits		586,554	559,209
Other liabilities		115	(17,521)
Total movements in operating assets and liabilities		**801,610**	**359,679**
Net cash flows from operating activities		**664,065**	**335,370**

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2025

1 Financial statements preparation

Reporting entity

The financial statements presented are the consolidated financial statements comprising Heartland Bank Limited (**HBL** or the **Bank**) and its controlled entities (the **Banking Group**). Refer to Note 27 – Significant subsidiaries for further details.

The Bank is a company incorporated in New Zealand under the Companies Act 1993, a registered bank under the Banking (**Prudential Supervision**) Act 1989 and a Financial Market Conduct (**FMC**) reporting entity for the purposes of the Financial Markets Conduct Act 2013 **(FMCA)**.

The Banking Group is a designated climate reporting entity (**CRE**) and is required to produce annual mandatory group climate statements under the FMCA and Aotearoa New Zealand Climate Standards (**NZ CS**). A copy of the Climate Report will be available on HGH's website at **https://www.heartlandgroup.info/sustainability**, once issued. Refer to Note 21 - Enterprise risk management program for further details.

For purposes of these financial statements and this Disclosure Statement,

- the New Zealand Banking Group, as defined in the Bank's Conditions of Registration, refers to the consolidated group comprising HBL and its controlled entities incorporated in New Zealand but not including Marac Insurance Limited (**MIL**);
- the Australian Banking Group refers to the consolidated group comprising Heartland Bank Australia Limited (**HBA**) and its controlled entities incorporated in Australia; and
- the Banking Group refers to the consolidated group comprising the New Zealand Banking Group, Australian Banking Group and MIL.

Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**) and with the requirements of the Financial Markets Conduct Act 2013. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities, and the Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the **Order**). The financial statements also comply with International Financial Reporting Standards Accounting Standards (**IFRS Accounting Standards**) as issued by the International Accounting Standards Board.

The financial statements are presented in New Zealand dollars which is the Banking Group's functional and presentation currency. Unless otherwise indicated, amounts are rounded to the nearest thousand dollars.

The financial statements have been prepared on a going concern basis after considering the Banking Group's funding and liquidity position.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

Certain comparative balances have been reclassified to align with the presentation used in the current financial year.

The Banking Group has revised the presentation of individual line items and made the following changes in these financial statements including the comparative information for consistency with the current financial year presentation:

- Total Interest income of $506.8 million is disaggregated into two categories as interest calculated using the effective interest method of $371.6 million and interest derived from financial assets measured at fair value through profit or loss of $135.2 million in the statement of comprehensive income and Note 3 - Net interest income; and
- Collateral received of $2.4 million is presented separately from Trade and other payables in the statement of financial position. Collateral paid of $67.1 million and collateral received of $42.0 million are also presented separately from Payments to suppliers and employees within operating activities in the statement of cash flows.

These reclassifications have no impact on the overall financial performance, financial position or cash flows for the comparative year.

1 Financial statements preparation (continued)

Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments and investment properties, which are measured at their fair values as identified in the accounting policies set out in the accompanying notes to the financial statements.

Principles of consolidation

The financial statements of the Banking Group incorporate the assets, liabilities and results of all controlled entities. Controlled entities are all entities in which the Banking Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Intercompany transactions, balances and any unrealised income and expense (except for foreign currency transaction gains or losses) between controlled entities are eliminated.

Assets and liabilities in a transactional currency that is not the New Zealand dollar, are translated at the exchange rates ruling at balance date. Revenue and expense items are translated at the average rate at the balance date. Exchange differences are taken to the statement of comprehensive income.

Changes in accounting standards

Accounting standards issued and effective

Changes in accounting policy

The Banking Group elected to adopt NZ IFRS 9 Financial Instruments **(NZ IFRS 9)** to account for designated hedge relationships, transitioning from the previous accounting standard NZ IAS 39 Financial Instruments: Recognition and Measurement **(NZ IAS 39)** prospectively from 1 July 2024. There was no retrospective adjustment to the Banking Group's results.

NZ IFRS 9 contains hedge accounting requirements that adopt a more principles-based approach, which more closely aligns accounting with risk management activities and increases the eligibility of both hedge instruments and hedged items for hedge accounting.

NZ IFRS 9 requires a forward-looking assessment of hedge effectiveness at the inception of the hedge relationship and on an ongoing basis and removes the NZ IAS 39 requirement of a highly effective hedge relationship being within the 80% to 125% range. To comply with hedge effectiveness requirements, NZ IAS 39 requires the de-designation of existing hedge relationship and re-designation of a new hedge relationship. NZ IFRS 9 requires the rebalancing of the existing hedge by adjusting a hedge ratio through altering the quantities of the hedge instrument or hedged item. Rebalancing is accounted for as a continuation of an existing hedge relationship.

While the Banking Group's risk management strategies remain largely unchanged, management has updated the hedge documentation to be in compliance with NZ IFRS 9. As the purpose and types of hedge relationships remain the same as those before the adoption of NZ IFRS 9 hedge accounting requirements, in the absence of any need to rebalance on transition date, there is no significant impact on the Banking Group's results upon this adoption.

Refer to Note 11 - Derivative financial instruments for further details.

There have been no other changes to accounting policies or new or amended standards that are issued and effective that are expected to have a material impact on the Banking Group.

Accounting standards issued not yet effective

Presentation and Disclosure in Financial Statements (NZ IFRS 18)

NZ IFRS 18 Presentation and Disclosure in Financial Statements (**NZ IFRS 18**) was issued in May 2024 to replace NZ IAS 1 Presentation of Financial Statements (**NZ IAS 1**) when applied.

NZ IFRS 18 will not have an impact on the recognition and measurement of items in the financial statements. However, it is expected to have a significant effect on their presentation and disclosure. These changes include categorisation and sub-totals in the statement of comprehensive income, aggregation/disaggregation and labelling of information, and disclosure of management defined performance measures.

1 Financial statements preparation (continued)

Changes in accounting standards (continued)

Accounting standards issued not yet effective (continued)

Presentation and Disclosure in Financial Statements (NZ IFRS 18) (continued)

NZ IFRS 18 will also result in consequential amendments to certain presentation and disclosure requirements in the financial statements and various IFRS Accounting Standards.

NZ IFRS 18 will be effective for the Banking Group's reporting period beginning on 1 July 2027. The Banking Group is currently assessing the impact and will disclose more detailed assessments in the future.

Amendments to the Classification and Measurement of Financial Instruments (the Amendments)

The Amendments to NZ IFRS 9 and NZ IFRS 7 Financial Instruments: Disclosures (**NZ IFRS 7**) were issued in June 2024, in response to matters identified during the post-implementation review of the classification and measurement requirements of NZ IFRS 9.

The Amendments include guidance on classifying financial assets with non-recourse and social and corporate governance related features, clarification of recognition and derecognition timing for electronically settled financial instruments and disclosure requirements for investments designated as at fair value through other comprehensive income.

The Amendments will be effective for the Banking Group's reporting period beginning on 1 July 2026. The Banking Group is currently assessing the impact and will disclose more detailed assessment in the future.

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 30 June 2025 reporting periods and have not been early adopted by the Banking Group. These standards, amendments or interpretations are not expected to have a material impact on the current or future reporting periods.

Critical accounting estimates and judgements

The preparation of the Banking Group's financial statements requires the use of estimates and judgements. This note provides an overview of the areas that involve a higher degree of judgement or complexity. Detailed information about each of these estimates and judgements is included in the relevant notes together with the basis of calculation for each affected item in the financial statements.

- Provisions for impairment - The effect of credit risk is quantified based on the Banking Group's best estimate of future cash repayments and proceeds from any security held or by reference to risk profile groupings, historical loss data and forward-looking information. Refer to Note 12 - Finance receivables measured at amortised cost for further details.
- Fair value of reverse mortgages - Fair value is quantified by the transaction price (cash advanced plus accrued capitalised interest). Judgement is applied in determining the appropriateness of the transaction price as fair value. Refer to Note 20 - Fair value for further details.
- Goodwill - The Banking Group carries out impairment testing annually over the carrying value of goodwill of its cash generating units (**CGUs**). Uncertainty is involved in estimating fair value less costs of disposal and judgement is applied in assumptions used to determine the recoverable amount of a CGU for impairment testing. Refer to Note 17 - Other balance sheet items for further details.
- Prior year acquisition of Heartland Bank Australia Limited (previously Challenger Bank Limited) – Fair value of the revised consideration transferred and fair values of the identifiable assets acquired and liabilities assumed. Judgement is applied in determining consideration and in the valuation of the acquiree's identifiable assets and liabilities assumed at the acquisition date. Refer to Note 18 – Acquisition for further details.

Assumptions made at each reporting date (e.g., the calculation of the provision for impairment and fair value adjustments) are based on best estimates as at that date. Although the Banking Group has internal controls in place to ensure that estimates can be reliably measured, actual amounts may differ from these estimates. The estimates and judgements used in the preparation of the Banking Group's financial statements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity. Revisions to accounting estimates are recognised in the reporting period in which the estimates are revised and in any future periods affected.

1 Financial statements preparation (continued)

Significant events

On 27 June 2025, the Reserve Bank of New Zealand (**RBNZ**) approved MIL's application to cancel its insurer licence and terminate MIL's statutory fund under the Insurance (Prudential Supervision) Act 2010 (**IPSA**).

Effective 27 June 2025, MIL is no longer licensed to carry out insurance business in New Zealand and is therefore no longer subject to the requirements of IPSA (which only apply to licensed insurers). In January 2020 MIL stopped underwriting insurance policies. Existing periodic policies written by MIL expired in January 2025.

Financial assets and liabilities

Financial Assets

Financial assets are classified based on:

- The business model within which the assets are managed; and
- Whether the contractual cash flows of the instrument represent solely payment of principal and interest (**SPPI**).

The Banking Group determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model, the Banking Group considers factors including how performance and risks are managed, evaluated and reported and the frequency and volume of, and reason for sales in previous periods.

Financial assets are classified into the following measurement categories:

Financial Assets	Measurement Category	Note
Government securities, bank bonds and floating rate notes	Fair value through other comprehensive income (**FVOCI**) and fair value through profit or loss (**FVTPL**)	10
Public sector securities and corporate bonds	FVOCI	10
Equity securities	FVOCI and FVTPL	10
Finance receivables – reverse mortgages	FVTPL	20
Finance receivables	Amortised cost	12
Derivative financial instruments	FVTPL	11

Financial assets measured at amortised cost
Financial assets are measured at amortised cost if they are held within a business model whose objective is achieved through holding the financial asset to collect contractual cash flows which represent SPPI.

Financial assets at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial assets measured at FVOCI
Financial assets are measured at FVOCI if they are held within a business model whose objective is achieved both through collecting contractual cash flows which represent SPPI or selling the financial asset.

Financial assets at FVOCI are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for interest income, impairment charges and foreign exchange gains and losses, which are recognised in profit or loss.

Financial assets measured at FVTPL
Financial assets are measured at FVTPL if:

- they are held within a business model whose objective is achieved through selling or repurchasing the financial asset in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking; or
- the contractual cash flows of the financial asset do not represent SPPI on the principal balance outstanding; or
- they are designated at FVTPL upon initial recognition to eliminate or reduce an accounting mismatch.

Financial assets at FVTPL are measured at fair value with subsequent changes in fair value recognised in profit or loss.

1 Financial statements preparation (continued)

Financial assets and liabilities (continued)

Financial Liabilities

Financial liabilities are classified into the following measurement categories:

- those to be measured at amortised cost;
- those to be measured at FVTPL.

Financial liabilities measured at amortised cost
Financial liabilities are measured at amortised cost if they are not held for trading or designated at FVTPL.

Financial liabilities measured at amortised cost are accounted for using the effective interest rate method.

Financial liabilities measured at FVTPL
Financial liabilities are measured at FVTPL if:

- they are held for trading where the principal objective is achieved through selling or repurchasing the financial liability in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking; or
- they are designated at FVTPL upon initial recognition to eliminate or reduce an accounting mismatch.

Financial liabilities at FVTPL are measured at fair value with subsequent changes in fair value recognised in profit or loss.

Further details of the accounting policy for each category of financial asset or financial liability mentioned above is set out in the note for the relevant item.

The Banking Group's policies for determining the fair value of financial assets and financial liabilities are set out in Note 20 - Fair value.

Recognition

The Banking Group initially recognises finance receivables and borrowings on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at FVTPL) are initially recognised on the trade date at which the Banking Group becomes a party to the contractual provisions of the instrument.

Derecognition

The Banking Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Banking Group is recognised as a separate asset.

The Banking Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with the retention of all or substantially all risks and rewards include, for example, securitised assets and repurchase transactions.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in profit or loss.

Performance

2 Segmental analysis

Segment information is presented in respect of the Banking Group's operating segments, consistent with those used for the Banking Group's management and internal reporting. This information is presented in accordance with NZ IFRS and included in the measurement of segment profit or loss to enable the evaluation of the nature and financial effects of the Banking Group's business activities and operating environment.

An operating segment is a component of an entity engaging in business activities whose results are regularly reviewed by the Banking Group's chief operating decision maker (**CODM**).The CODM, who is responsible for allocating resources and assessing business performance of the Banking Group, has been identified as the Banking Group's Chief Executive Officer (**CEO**) and direct reports.

Operating segments

The Banking Group operates within New Zealand and Australia and comprises the following main operating segments:

Operating segments – New Zealand

Motor	Motor vehicle finance.
Reverse mortgages	Reverse mortgage lending.
Personal lending	Transactional, home loans and personal loans to individuals.
Business	Term debt, plant and equipment finance, commercial mortgage lending and working capital solutions for small-to-medium sized businesses.
Rural	Specialist financial services to the farming sector primarily offering livestock finance, rural mortgage lending, seasonal and working capital financing, as well as leasing solutions to farmers.

Operating segment – Australia

Operating segment – Australian Banking Group was acquired through the acquisition of HBA on 30 April 2024 and transfer of HAH and its subsidiaries from HGH to HBA on 2 May 2024, with HBA assuming ownership over HGH's Australian reverse mortgage lending, specialist livestock finances and other financial services businesses. Refer to Note - 18 Acquisition for further details. The performance result of the Australian Banking Group segment for the year ended 30 June 2024 includes the period from the date of acquisition of HBA.

Australian Banking Group	Australian Banking Group provides banking and financial services in Australia which consist of reverse mortgage lending, livestock finance and other financial services.

All other segments

Other	Operating expenses, such as premises, IT and support centre costs in New Zealand are not allocated to the New Zealand operating segments and are included in Other.

Finance receivables are allocated across the operating segments as assets. Liabilities are managed centrally and therefore are not allocated across the operating segments, except for the geographical allocation between Australia and New Zealand. The Banking Group does not rely on any single major customer for its revenue base.

During the year, the Banking Group revised the disclosure of specific income and expenses included in the operating segment profit and concluded that personnel expenses are material for the CODM's assessment of operating segment performance and therefore, appropriate for disclosure as a separate line item. Comparative information within this note has been adjusted to align to the current year's basis for segmental analysis disclosure.

2 Segmental analysis (continued)

$000's	Motor	Reverse Mortgages[1]	Personal lending	Business	Rural	Australian Banking Group	Other	Total
June 2025								
Net interest income	69,467	55,861	5,187	49,144	32,686	94,749	–	307,094
Lending and credit fee income	5,298	2,472	(187)	3,595	511	2,292	–	13,981
Net other income/(expense)	765	–	10	1,085	1,469	641	2,878	6,848
Net operating income	**75,530**	**58,333**	**5,010**	**53,824**	**34,666**	**97,682**	**2,878**	**327,923**
Personnel expenses	5,524	2,030	3,289	5,762	2,253	21,458	44,578	84,894
Other expenses	1,653	3,516	2,089	1,394	869	30,796	57,043	97,360
Operating expenses	**7,177**	**5,546**	**5,378**	**7,156**	**3,122**	**52,254**	**101,621**	**182,254**
Profit/(loss) before fair value (loss)/gain on equity investments, impaired asset expense and income tax	**68,353**	**52,787**	**(368)**	**46,668**	**31,544**	**45,428**	**(98,743)**	**145,669**
Net fair value gain on equity investments and investment property	–	–	–	–	–	–	1,623	1,623
Losses on guaranteed future value products	1,504	–	–	–	–	–	–	1,504
Impaired asset expense	19,218	–	639	44,812	4,084	2,885	–	71,638
Profit/(loss) before income tax	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**42,543**	**(97,120)**	**74,150**
Income tax expense	–	–	–	–	–	12,756	9,738	22,494
Profit/(loss) for the year	**47,631**	**52,787**	**(1,007)**	**1,856**	**27,460**	**29,787**	**(106,858)**	**51,656**
Total assets	**1,687,763**	**1,233,272**	**178,625**	**853,011**	**731,819**	**3,169,630**	**767,644**	**8,621,764**
Total liabilities[2]								**7,428,475**
June 2024								
Net interest income	58,909	46,586	4,937	62,090	34,652	15,214	–	222,388
Lending and credit fee income	3,908	2,651	198	3,935	374	658	–	11,724
Net other income/(expense)	1,194	–	543	1,145	(443)	(762)	2,726	4,403
Net operating income	**64,011**	**49,237**	**5,678**	**67,170**	**34,583**	**15,110**	**2,726**	**238,515**
Personnel expenses	3,475	1,800	4,099	7,436	2,510	5,798	29,186	54,304
Other expenses	1,153	3,566	2,725	1,677	671	10,406	41,800	61,998
Operating expenses	**4,628**	**5,366**	**6,824**	**9,113**	**3,181**	**16,204**	**70,986**	**116,302**
Profit/(loss) before fair value (loss)/gain on equity investments, impaired asset expense and income tax	**59,383**	**43,871**	**(1,146)**	**58,057**	**31,402**	**(1,094)**	**(68,260)**	**122,213**
Fair value (loss) on equity investments	–	–	–	–	–	–	(1,595)	(1,595)
Losses on guaranteed future value products	–	–	–	–	–	–	–	–
Impaired asset expense	24,329	–	1,476	17,527	2,428	553	–	46,313
Profit/(loss) before income tax	**35,054**	**43,871**	**(2,622)**	**40,530**	**28,974**	**(1,647)**	**(69,855)**	**74,305**
Income tax (benefit)/expense	–	–	–	–	–	(1,705)	23,490	21,785
Profit/(loss) for the year	**35,054**	**43,871**	**(2,622)**	**40,530**	**28,974**	**58**	**(93,345)**	**52,520**
Total assets	**1,608,282**	**1,068,154**	**339,110**	**1,306,689**	**720,339**	**3,415,495**	**813,718**	**9,271,787**
Total liabilities[2]								**8,075,397**

[1] The result for the year ended 30 June 2024 includes Australian Reverse Mortgage loans acquired from Seniors Warehouse Trust (**SWT**) and subsequently sold to HBA post acquisition. Refer to Note 19 - Related party transactions and balances for further details.
[2] Total liabilities include $2,713 million (2024: $2,987 million) attributable to the Australian Banking Group segment.

3 Net interest income

Policy

Interest income and expense on financial instruments is measured using the effective interest rate method that discounts the financial instruments' future cash flows to their present value and allocates the interest income or expense over the life of the financial instrument. The effective interest rate is established on initial recognition of the financial assets or liabilities and is not subsequently revised. For financial instruments at amortised cost, the calculation of the effective interest rate includes all yield related fees and commissions paid or received that are an integral part of the underlying financial instrument.

Interest income is calculated based on the gross carrying amount of financial assets in stages 1 and 2 of the Banking Group's expected credit losses (**ECL**) model and on the carrying amount net of the provision for ECL for financial assets in stage 3.

For financial instruments measured at FVTPL, interest is calculated based on the contractual rate. Fees and commissions related to the origination of these instruments are recognised within Lending and credit fee income and Operating expenses, respectively, at the time of the instruments initial recognition.

$000's	**June 2025**	**June 2024**
Interest Income		
Calculated using the effective interest method		
Cash and cash equivalents	12,301	10,739
Investments measured at FVOCI	33,152	12,082
Finance receivables measured at amortised cost	354,962	348,769
Total interest income calculated using the effective interest method	**400,415**	**371,590**
Fair value through profit or loss		
Investments measured at FVTPL	7,416	4,186
Finance receivables - reverse mortgages	298,033	131,017
Total interest income on financial assets measured at FVTPL	**305,449**	**135,203**
Total interest income	**705,864**	**506,793**
Interest Expense		
Calculated using the effective interest method		
Deposits	312,134	240,978
Other borrowings	95,885	68,332
Total interest expense calculated using the effective interest method	**408,019**	**309,310**
Fair value through profit or loss		
Net interest (income) on derivative financial instruments	(9,249)	(24,905)
Total net interest (income) on derivative financial instruments measured at FVTPL	**(9,249)**	**(24,905)**
Total interest expense	**398,770**	**284,405**
Net interest income	**307,094**	**222,388**

4 Net operating lease income

Policy

As a lessor, the Banking Group retains substantially all the risks and rewards incidental to ownership of the assets and therefore, classifies the leases as operating leases. Rental income and expense from operating leases are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Profits on the sale of operating lease assets are included as part of operating lease income. Current year depreciation and losses on the sale of operating lease assets are included as part of operating lease expenses. The leased assets are depreciated over their useful lives on a basis consistent with similar assets.

$000's	June 2025	June 2024
Operating lease income		
Lease income	5,455	5,374
Gain on disposal of lease assets	599	684
Total operating lease income	**6,054**	**6,058**
Operating lease expense		
Depreciation of lease assets	3,923	3,902
Direct lease costs	376	471
Total operating lease expense	**4,299**	**4,373**
Net operating lease income	**1,755**	**1,685**

5 Other income

Policy

Rental income from investment properties

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Insurance income

Insurance premium income and commission expense are recognised in profit or loss from the date of attachment of the risk over the period of the insurance contract. Claim expense is recognised in the profit or loss on an accrual basis once our liability to the policyholder has been confirmed under the terms of the contract.

Fair value gain or loss on derivative financial instruments

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the hedging reserve. The ineffective portion of a fair value gain or loss and changes in the fair value of any derivatives not designated in a hedge relationship are recognised immediately in the statement of comprehensive income and disclosed within Other income. Refer to Note 11 - Derivative financial instruments for further details.

Fair value gain or loss on non-derivative financial instruments

A fair value gain or loss on certain non-derivative financial instruments are recognised in the statement of comprehensive income for financial instruments held at fair value through profit or loss. The cumulative gain or loss on debt instruments, recognised in other comprehensive income, is subsequently reclassified to profit or loss on disposal of the instrument. Refer to Note 10 - Investments for further details.

$000's	June 2025	June 2024
Rental income from investment properties	584	995
Insurance income[1]	63	209
Fair value loss on derivative instruments measured at fair value[2]	(5,142)	(5,074)
Management fee income[3]	7,181	5,591
Fair value gain/(loss) on non-derivative financial instruments[4]	441	(727)
Other income[5]	1,640	4
Foreign exchange gain	326	1,720
Total other income	**5,093**	**2,718**

[1]Insurance income includes net income from MIL. MIL ceased writing insurance policies in 2020, and coverage under all existing policies ended in January 2025. Refer to Significant events section within Note 1 - Financial statements preparation for further details.

[2]Includes a loss of $0.3 million (2024: $0.9 million gain) related to hedge ineffectiveness from cash flow hedge relationships. Refer to Note 11 - Derivative financial instruments for further details.

[3]Refer to Note 19 - Related party transactions and balances for further details.

[4]Includes realised and unrealised losses on HBA's government securities, bank bonds and floating rate notes. Refer to Note 10 - Investments for further details.

[5]The increase in Other income for the year ended 30 June 2025 is primarily attributed to income generated from rural properties under the management of the Banking Group.

6 Operating expenses

Policy

Operating expenses are recognised as the underlying service is rendered or over a period in which an asset is consumed or a liability is incurred.

$000's	June 2025	June 2024
Personnel expenses[1]	84,894	54,304
Directors' fees	1,605	648
Superannuation	3,297	1,409
Depreciation - property, plant and equipment	1,910	1,676
Legal and professional fees[2]	8,708	4,488
Advertising and public relations	3,126	2,162
Depreciation - right of use asset	3,703	2,459
Technology services and communications	20,904	13,922
Customer administration costs	11,117	5,767
Customer onboarding costs	2,730	2,533
Occupancy costs	2,848	1,834
Amortisation of intangible assets	11,509	5,220
Management fees - related party[3]	7,229	9,003
Other operating expenses[4]	18,674	10,877
Total operating expenses	**182,254**	**116,302**

[1]Excludes certain personnel expenses directly incurred in acquiring and developing software and capitalised as part of specific application software.

[2]Legal and professional fees include compensation of auditor which is disclosed in Note 7 - Compensation of auditor.

[3]Refer to Note 19 - Related party transactions and balances for further details.

[4]Other operating expenses mainly comprise non-recoverable proportion of goods and services tax (**GST**), debt collection fees, insurance and project expenses.

7 Compensation of auditor

In accordance with the Amendments to FRS-44, the Banking Group is required to disclose the fees incurred for services received from its audit or review firm, with a description of each service, including audit or review of the financial statements. Other services performed during the reporting period are required to be disclosed using the following categories:

- audit or review related services;
- other assurance services and other agreed-upon procedures engagements;
- taxation services and;
- other services.

It is the Banking Group's policy to engage the external auditor's firm on assignments additional to its statutory audit duties only if they are not perceived to be in conflict with the role of external auditor. All services are approved by the HGH Board Audit and Risk Committee.

The fees payable to the auditors, PricewaterhouseCoopers (**PwC**) and to the predecessor auditor of HBA and its controlled entities, Ernst & Young (**EY**), are outlined in the below table:

$000's	June 2025	June 2024
Fees paid to auditor- PwC		
Audit and review of financial statements		
Current year[1]	1,686	1,154
Additional for prior year[1]	56	29
Total audit and review of financial statements	**1,742**	**1,183**
Audit or review related services		
APRA regulatory reporting and Australian Financial Services Licence reporting assurance services	200	–
Insurance solvency return assurance services - current year	–	4
Insurance solvency return assurance services - additional for prior year	4	–
Registry assurance services	12	11
Trust deed reporting services	3	3
Total audit or review related services	**219**	**18**
Other assurance services and other agreed-upon procedures		
Greenhouse gas emissions assurance readiness assessment	–	35
Greenhouse gas emissions assurance services	49	38
Total other assurance services and other agreed-upon procedures	**49**	**73**
Other services		
Provision of executive reward survey report	4	–
Total compensation paid to PwC	**2,014**	**1,274**
Fees paid to auditor - EY		
Audit and review of financial statements[1]	**–**	692
Audit or review related services		
APRA regulatory reporting and Australian Financial Services Licence reporting (assurance engagement)	–	119
Other services[2]	–	230
Total compensation paid to EY	**–**	**1,041**
Total compensation of auditor	**2,014**	**2,315**

[1]Fees are for both the audit of the annual financial statements and review of the interim financial statements. This includes limited assurance on disclosures of capital adequacy and regulatory liquidity requirements.

[2]Other services paid to EY in 2024 comprised actuarial services for reverse mortgages, actuarial services for stress testing, directors remuneration review, executive reward survey report, CPS 234 information security plan review, hedge accounting and other accounting advisory services and facilitation of strategy review workshop. Except for the actuarial services for stress testing, all other services were carried out prior to their appointment as external auditor.

8 Impaired asset expense

$000's	June 2025	June 2024
Individually impaired asset expense	24,730	13,869
Collectively impaired asset expense	48,663	33,718
Total impaired asset expense excluding recovery of amounts previously written off to the income statement	**73,393**	**47,587**
Recovery of amounts previously written off to the income statement	(1,755)	(1,274)
Total impaired asset expense	**71,638**	**46,313**

Refer to Note 23 – Asset quality for provision for impairment details.

9 Taxation

Policy

Income tax

Income tax expense for the year comprises current tax and movements in deferred tax balances, including any adjustment required for prior years' tax expense. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable or receivable in respect of previous years. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. As required by NZ IAS 12 Income Taxes, a deferred tax asset is recognised only to the extent that it is probable that a future taxable profit will be available to realise the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Banking Group intends to settle its current tax assets and liabilities on a net basis.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST. As the Banking Group is predominantly involved in providing financial services, only a proportion of GST paid on inputs is recoverable. The non-recoverable proportion of GST is treated as an expense or, if relevant, as part of the cost of acquisition of an asset.

Income tax expense

$000's	June 2025	June 2024
Income tax recognised in profit or loss		
Current tax		
Current year	21,383	27,551
Adjustments for prior year	2,561	248
Tax at other rates	973	(50)
Deferred tax		
Current year	247	(5,584)
Adjustments for prior year	(2,549)	(712)
Tax at other rates	(121)	(40)
Change in recognition of deferred tax	—	372
Total income tax expense recognised in profit or loss	**22,494**	**21,785**
Income tax expense recognised in other comprehensive income		
Current tax		
Investment securities at fair value in fair value reserve	592	357
Fair value movements in derivatives held in cash flow hedge reserve	(3,193)	(4,276)
Total income tax benefit recognised in other comprehensive income	**(2,601)**	**(3,919)**
Reconciliation of effective tax rate		
Profit before income tax	**74,150**	**74,305**
Tax at local income tax rate (NZ:28%, Australia:30%)	21,613	20,706
Adjusted tax effect of items not deductible	869	1,172
Adjustments for prior year	12	(465)
Change in recognition of deferred tax asset	—	372
Total income tax expense	**22,494**	**21,785**

9 Taxation (continued)

Deferred tax comprises the following temporary differences:

$000's	June 2025	June 2024
Employee entitlements	2,886	1,901
Share based payment	90	—
Provision for impairment	20,880	21,528
Intangibles and property, plant and equipment	(3,777)	(1,465)
Right of use assets	(3,536)	(4,180)
Lease liabilities	4,152	4,834
Deferred acquisition costs	(6)	(6)
Operating lease vehicles	(357)	(594)
Deferred income	(5,758)	(6,522)
Tax loss	5,996	4,911
Deductible prior year expense	—	421
Other temporary differences	(461)	1,777
Total deferred tax	**20,109**	**22,605**
Opening balance of deferred tax	**22,605**	**16,760**
Movement recognised in profit or loss	2,423	6,336
Transfer on acquisition of business	—	1,673
Deferred tax asset reclass	—	2,118
Utilisation of tax loss	(4,321)	(3,910)
Change in recognition of deferred tax asset	(598)	(372)
Closing balance of deferred tax	**20,109**	**22,605**

Financial Position

10 Investments

Policy

Investments are classified into one of the following categories:

Fair value through other comprehensive income

Investments under this category are held within a business model whose objective is achieved both through collecting contractual cash flows or selling the financial asset. These investments include debt securities such as bank bonds, floating rate notes, public sector securities and corporate bonds, and equity securities where the Banking Group has irrevocably elected at initial recognition to measure at FVOCI. These are initially measured at fair value, including transaction costs, and subsequently carried at fair value. Changes in fair value of these investments are recognised in other comprehensive income and presented within the fair value reserve.

The cumulative gain or loss on debt securities, recognised in other comprehensive income, is subsequently reclassified to the statement of comprehensive income on disposal and disclosed within Other income.

Fair value through profit or loss

Investments under this category are held within a business model whose objective is achieved through selling the financial asset. These investments include government securities, bank bonds, floating rate notes and equity securities and are measured at fair value plus transaction costs. Changes in fair value of these investments are recognised in profit or loss in the period in which they occur.

$000's	June 2025	June 2024
Investments measured at FVOCI		
Bank bonds	276,287	270,581
Public sector securities and corporate bonds	500,658	101,235
Equity investments	5,664	7,575
Investments measured at FVTPL		
Government securities, bank bonds and floating rate notes[1]	2,174	706,840
Equity investments	6,977	5,900
Total investments	**791,760**	**1,092,131**

[1]Includes HBA's investments acquired prior to the acquisition of HBA by HBL on 30 April 2024. Effective 1 July 2024, HBA has adopted a business model whose objective is achieved through both the collection of contractual cash flows and the sale of debt securities. Accordingly, HBA's newly acquired debt securities have been measured at FVOCI, in alignment with the Banking Group's policies. Refer to Note 20 - Fair value for further details.

11 Derivative financial instruments

Policy

The Banking Group uses derivatives for risk management purposes. Derivatives held for risk management purposes are placed into hedges that either meet hedge accounting requirements, or economic hedges not placed into an accounting hedge relationship.

Derivatives are recognised at their fair value, with the derivatives being carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative instruments that do not qualify for hedge accounting are held as economic hedges. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income and disclosed within Other income.

A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that exposes the Banking Group to risk of changes in fair value or cash flows, and that is designated as being hedged.

The criteria that must be met for a relationship to qualify for hedge accounting under NZ IFRS 9 include:

- the hedging relationship must be formally designated and documented at inception of the hedge,
- prospective effectiveness testing must be carried out at the inception of the hedging relationship, and on an on-going basis to ensure the hedge is effective, consistent with the originally documented risk management strategy, and
- the instruments or counterparty must be a third party external to the Banking Group.

The Banking Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Banking Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The Banking Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an assessment of the qualitative characteristics of this hedged item and the hedged risk, supported by quantitative analysis. Close alignment of the critical terms of the hedged item and hedging instrument is also considered a strong indication of the presence of an economic relationship by the Banking Group.

The Banking Group establishes a hedge ratio by aligning the par amount of the exposure to be hedged and the notional amount of the interest rate swap designated as a hedging instrument and measures prospective hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is the extent to which the changes in the fair value of the derivative hedging instrument do not offset those of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio while the risk management objective for that hedging relationship remains the same, the Banking Group adjusts the hedge ratio so that it meets the qualifying criteria again, allowing the continuation of a hedging relationship.

Hedge ineffectiveness may arise from timing difference on repricing between the hedged item and the hedging instrument, difference in timing of their cash flows, or due to changes in the counterparties' credit risk affecting the fair value of hedging instruments.

If the hedge no longer meets the criteria for hedge accounting, it is discontinued prospectively from the date on which the qualifying criteria are no longer met. This includes instances when the hedging instrument expires or is sold, terminated or exercised.

11 Derivative financial instruments (continued)

Policy (continued)

Fair value hedge accounting

The Banking Group applies fair value hedge accounting to hedge movements in the value of fixed interest assets and liabilities subject to interest rate risk.

Subsequent to initial designation, changes in the fair value of derivatives that are designated and qualify for fair value hedge accounting are recorded through profit or loss alongside any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Where the hedged item is carried at amortised cost, the movement in fair value of the hedged item attributable to the hedged risk is made as an adjustment to the carrying value of the hedged asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the adjustment to carrying amount of a hedged item carried at amortised cost is amortised to the statement of comprehensive income on an effective yield basis over the remaining period to maturity of the hedged item. Where a hedged item carried at amortised cost is derecognised from the balance sheet, the adjustment to the carrying amount of the asset or liability is immediately transferred to the statement of comprehensive income.

Cash flow hedge accounting

The Banking Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to interest rate risk on variable interest rate components of financial liabilities.

A fair value gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in the hedging reserve. The ineffective portion of a fair value gain or loss is recognised immediately in the statement of comprehensive income.

When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging derivative remains in the cash flow hedging reserve until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in the cash flow hedging reserve is immediately transferred to the statement of comprehensive income.

The Banking Group elected to apply NZ IFRS 9 to account for designated hedge relationships, transitioning from the previous accounting standard NZ IAS 39 prospectively from 1 July 2024. Refer to Changes in accounting policy section in the Note 1 - Financial statements preparation for further details.

The Banking Group's approach to managing market risk, including interest rate risk, is disclosed in Note 25 – Interest rate risk. The Banking Group actively manages residual interest rate risk from the net exposure of its underlying assets and liabilities, associated with the mismatch of the interest rate repricing profiles of its interest earning assets and interest bearing liabilities, by entering into interest rate swaps to hedge against movements in interest rates.

11 Derivative financial instruments (continued)

Interest rate swaps are bilateral derivative contracts with commitments to exchange one set of cash flows for another resulting in an economic exchange of interest rates without exchange of principal. Interest rate swap notional values indicate the volume of transactions outstanding at the end of the financial year and provide basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved, therefore don't indicate the Banking Group's exposure to credit or market risks. The fair values of derivative instruments and their notional values are set out in the below table.

	June 2025			June 2024		
$000's	**Notional Principal**	**Fair Value Assets**	**Fair Value Liabilities**	**Notional Principal**	**Fair Value Assets**	**Fair Value Liabilities**
Interest rate related contracts						
Held as economic hedges	–	–	–	344,598	293	782
Designated as cash flow hedges	854,635	175	11,456	885,903	4,658	4,609
Designated as fair value hedges	349,100	4,617	9,203	424,502	7,365	3,626
Interest rate related contracts	**1,203,735**	**4,792**	**20,659**	**1,655,003**	**12,316**	**9,017**
Foreign currency related contracts						
Held as economic hedges	1,044	–	1	–	–	–
Foreign currency related contracts	**1,044**	**–**	**1**	**–**	**–**	**–**
Total derivative financial instruments	**1,204,779**	**4,792**	**20,660**	**1,655,003**	**12,316**	**9,017**

Cash flow hedge accounting is applied to interest rate swaps designated as hedges of the Banking Group's floating rate domestic borrowings and deposits by using 'receive floating / pay fixed' interest rate swaps to fix the cost of floating interest rate deposits and borrowings.

Fair value hedge accounting is applied to receive fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate subordinated notes and retail bond, and to pay fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate investment securities.

The following table shows the maturity and interest rate risk profiles of the interest rate swaps as hedging instruments in continuing fair value and cash flow hedge relationships.

$000's	**0-6 Months**	**6-12 Months**	**1-2 Years**	**2-5 Years**	**5+ Years**	**Total**
June 2025						
Interest rate risk						
Cash flow hedge relationships						
Pay fixed						
Nominal amounts	–	60,000	422,741	371,894	–	854,635
Average interest rate	–	4.83%	3.87%	3.71%	–	
Fair value hedge relationships						
Pay fixed						
Nominal amounts	5,000	10,000	21,500	212,600	–	249,100
Average interest rate	1.01%	1.05%	5.37%	4.32%	–	
Receive fixed						
Nominal amounts	–	–	–	100,000	–	100,000
Average interest rate	–	–	–	4.30%	–	
Total interest rate risk nominal amount	**5,000**	**70,000**	**444,241**	**684,494**	**–**	**1,203,735**

11 Derivative financial instruments(continued)

$000's	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2024						
Interest rate risk						
Cash flow hedge relationships						
Pay fixed						
Nominal amounts	45,000	40,000	232,851	568,052	—	885,903
Average interest rate	5.20%	5.15%	4.71%	4.59%	—	
Fair value hedge relationships						
Pay fixed						
Nominal amounts	10,002	50,000	55,400	209,100	—	324,502
Average interest rate	1.63%	0.73%	0.47%	4.59%	—	
Receive fixed						
Nominal amounts	—	—	—	100,000	—	100,000
Average interest rate	—	—	—	4.30%	—	
Total interest rate risk nominal amount	**55,002**	**90,000**	**288,251**	**877,152**	**—**	**1,310,405**

The following table sets out the accumulated fair value adjustments arising from the corresponding fair value hedge relationships and the outcome of the changes in fair value of the hedged item as well as the hedging instruments used as the basis for recognising effectiveness.

	As at 30 June 2025		For the year ended 30 June 2025
$000's	Carrying value	Accumulated amount of fair value hedge adjustment	Gain/(loss) recognised in income statement
Interest rate risk			
Investments	254,710	6,976	11,834
Other borrowings	(102,876)	(2,749)	(3,470)
Total	**151,834**	**4,227**	**8,364**
Interest rate swaps	**(4,586)**	**(4,586)**	**(8,219)**
Hedge ineffectiveness of financial instruments recognised in other income			**145**

	As at 30 June 2024		For the year ended 30 June 2024
$000's	Carrying value	Accumulated amount of fair value hedge adjustment	Gain/(loss) recognised in income statement
Interest rate risk			
Investments	361,808	(4,390)	10,036
Other borrowings	(99,706)	721	(4,610)
Total	**262,102**	**(3,669)**	**5,426**
Interest rate swaps	**3,739**	**3,739**	**(5,303)**
Hedge ineffectiveness of financial instruments recognised in other income			**123**

11 Derivative financial instruments (continued)

The accumulated amount of fair value hedge adjustments included in the carrying amount of hedged items that have ceased to be adjusted for hedging gains and losses is nil (2024: nil).

The balance of the cash flow hedge reserve, amounts recognised in the reserve, and amounts transferred out of the reserve are shown in the following table.

$000's	June 2025	June 2024
Cash flow hedge reserve		
Balance at beginning of year	4,374	14,710
Business combination under common control	–	103
Transferred to the income statement	(3,690)	(482)
Net loss from change in fair value	(13,351)	(14,233)
Net movement before tax	**(17,041)**	**(14,612)**
Tax on net movement in cash flow hedge reserve	3,193	4,276
Balance at end of year	**(9,474)**	**4,374**

During the year ended 30 June 2025, a loss of $0.3 million (2024: $0.9 million gain) was recognised in fair value loss on derivative financial instruments in the statement of comprehensive income recorded within other income related to hedge ineffectiveness from cash flow hedge relationships.

There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur (2024: nil).

There are $3.0 million of cumulative losses (2024: $2.5 million of cumulative gains) recognised in the cash flow hedge reserve on interest rate swaps for which hedge accounting is no longer applied on the basis that the associated variable cash flows are still expected to occur over the lifetime of the original hedge relationships. The associated cash flow hedge reserve is being released over the period of the original hedge relationship which has since been discontinued.

12 Finance receivables measured at amortised cost

Policy

Finance receivables measured at amortised cost are initially recognised at fair value plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

Fees and direct costs relating to loan origination, financing and loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest rate method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

$000's	June 2025	June 2024
Gross finance receivables measured at amortised cost	3,784,733	4,343,267
Less provision for impairment[1]	(71,779)	(76,321)
Less provision for losses on guaranteed future value products[2]	(1,504)	–
Net finance receivables measured at amortised cost	**3,711,450**	**4,266,946**
Due within one year	1,068,661	1,050,448
Due more than one year	2,716,072	3,292,819
Less provision for impairment[1]	(71,779)	(76,321)
Less provision for losses on guaranteed future value products[2]	(1,504)	–
Net finance receivables measured at amortised cost	**3,711,450**	**4,266,946**

[1] Refer to Note 23 -Asset quality for further details.
[2] Represents provision for probable losses arising from guaranteed future value (**GFV**) portfolio of motor vehicle loans that have guaranteed residual value of the underlying security and optionality for customers to return the vehicle.

13 Operating lease vehicles

Policy

Operating lease vehicles are stated at cost less accumulated depreciation.

Operating lease vehicles are depreciated on a straight-line basis over their expected useful life after allowing for any residual values. The estimated lives of these vehicles vary up to five years. Vehicles held for sale are not depreciated but are tested for impairment.

$000's	June 2025	June 2024
Cost		
Opening balance	26,191	22,913
Additions	3,416	6,732
Disposals	(4,721)	(3,454)
Closing balance	**24,886**	**26,191**
Accumulated depreciation		
Opening balance	7,930	5,947
Depreciation charge for the year	3,923	3,902
Disposals	(2,528)	(1,919)
Closing balance	**9,325**	**7,930**
Opening net book value	18,261	16,966
Closing net book value	**15,561**	**18,261**

The future minimum lease payments receivable under operating leases not later than one year is $4.240 million (2024: $5.037 million), within one to five years is $4.758 million (2024: $7.192 million) and over five years is nil (2024: $0.002 million).

14 Borrowings

Policy

Borrowings and deposits are initially recognised at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The Banking Group hedges interest rate risk on certain debt issues. When fair value hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks.

The Banking Group also uses repurchase agreements as a source of short term wholesale funding. The cash consideration received is recognised as a liability (Repurchase agreements) within Other borrowings.

Repurchase agreements are designated at FVTPL when they are managed as part of a trading portfolio, otherwise they are measured at amortised cost. The difference between the sale price and the repurchase price is recognised within interest expense.

$000's	June 2025	June 2024
Deposits		
Short-term interest bearing deposits	1,420,664	1,417,312
Non-interest bearing deposits	38,369	38,193
Term deposits	5,073,761	4,511,734
Total deposits	**6,532,794**	**5,967,239**
Other borrowings		
Unsubordinated notes	128,747	458,019
Subordinated notes	156,854	153,732
Securitised borrowings	520,048	1,369,394
Certificates of deposit	19,805	59,618
Total other borrowings	**825,454**	**2,040,763**
Total deposits and other borrowings	**7,358,248**	**8,008,002**
Due within one year	6,247,317	6,168,167
Due more than one year	1,110,931	1,839,835
Total deposits and other borrowings	**7,358,248**	**8,008,002**

Deposits and unsubordinated notes rank equally and are unsecured.

Unsubordinated notes

Unsubordinated notes include long-term retail bond and medium term notes. Medium term notes are issued in Australian dollars to eligible non-retail investors in compliance with applicable laws.

The Banking Group has the following unsubordinated notes on issue at balance sheet date:

Retail bond and medium term notes $000's	Frequency of interest repayment	June 2025	June 2024	Maturity date
NZ $20 million	Semi-annually	20,298	20,302	27 March 2028
AU $45 million[1]	Quarterly	—	49,974	9 July 2024
AU $30 million[1]	Quarterly	—	33,285	9 July 2024
AU $220million[1]	Quarterly	—	242,543	13 May 2025
AU $100 million	Quarterly	108,449	111,915	5 October 2027
Total retail bond and medium term notes		**128,747**	**458,019**	

[1]The repayment of the medium term notes was predominantly funded through retail deposits raised by HBA.

The Banking Group actively engages facility providers in commercial negotiations including tenor extensions, increase in facility limits, refinancing arrangements, and other commercial terms. The Banking Group has a track record of extending or refinancing funding arrangements as they fall due and does not anticipate any difficultly in doing so when the facilities above expire.

14 Borrowings (continued)

Subordinated notes

NZD Subordinated notes

On 28 April 2023, HBL issued $100 million of subordinated unsecured notes (**NZD Subordinated notes**) to New Zealand investors and certain overseas institutional investors pursuant to the terms of the Subordinated Unsecured Notes Deed Poll in accordance with the laws of New Zealand. NZD Subordinated notes are treated as Tier 2 capital under HBL regulatory capital requirements and will mature on 28 April 2033.

Interest payable
The interest rate is a fixed rate of 7.51% for a period of 5 years until 28 April 2028, after which it will reset to quarterly floating rate equal to the sum of the applicable 3-month Bank Bill Rate plus 3.2% Issue Margin. The quarterly payment of interest in respect of the subordinated notes are subject to HBL being solvent at the time of, and immediately following the interest payment.

Early Redemption
HBL may choose to repay all or some of the subordinated notes for their face value together with accrued interest (if any) on 28 April 2028 or any interest payment date thereafter. Early redemption of all the subordinated notes for certain tax or regulatory events is permitted on an interest payment date. Early redemption is subject to certain conditions, including HBL obtaining the RBNZ prior written approval and HBL being solvent at the time.

Ranking
The claims of the holders of the subordinated notes will rank:

- Behind the claims of all depositors and other creditors of HBL;
- equally with the claims of other holders of any other securities and obligations that rank equally with the subordinated notes and;
- ahead of the rights of the HBL's shareholders and holders of any other securities and obligations of HBL that rank behind the subordinated notes.

AUD Subordinated notes

On 28 June 2024, HBA, a subsidiary of the Banking Group, issued A$50 million of subordinated unsecured notes (**AUD Subordinated notes**) pursuant to the terms of the Debt Issuance Programme in accordance with the laws of Australia. AUD Subordinated notes are treated as Tier 2 capital under HBA regulatory capital requirements and will mature on 28 June 2034. AUD Subordinated notes do not qualify for treatment as Tier 2 capital under HBL regulatory capital requirements.

Interest payable
The interest rate is a floating rate equal to the sum of the applicable 3-month Bank Bill Swap Rate plus 3.7% Issue Margin. The quarterly payment of interest in respect of the subordinated notes are subject to HBA being solvent at the time of, and immediately following the interest payment.

Early Redemption
HBA may elect to repay the subordinated notes before 28 June 2034 in part or in full at their face value together with accrued interest on 28 June 2029 or any interest payment date thereafter. Early redemption of all the subordinated notes for certain tax or regulatory events is permitted on an interest payment date. Early redemption is subject to certain conditions, including HBA obtaining the Australian Prudential Regulatory Authority (**APRA**) prior written approval and HBA being solvent at the time.

Ranking
The claims of the holders of the subordinated notes will rank:

- Behind the claims of all depositors and other creditors of HBA;
- equally with the claims of other holders of any other securities and obligations that rank equally with the subordinated notes and;
- ahead of the rights of the HBA's shareholders and holders of any other securities and obligations of HBA that rank behind the subordinated notes.

14 Borrowings (continued)

Securitised borrowings

The Banking Group had the following securitised borrowings outstanding as at 30 June 2025:

Securitisation facility $000's	Currency	June 2025 Limit AUD	June 2025 Limit NZD	June 2025 Drawn	June 2024 Limit AUD	June 2024 Limit NZD	June 2024 Drawn	Maturity date
Heartland Auto Receivable Warehouse Trust (**HARWT**)[1]	NZD		320,000	158,640	–	600,000	484,422	26 August 2026
Seniors Warehouse Trust No.2 (**SWT2**)[2]	AUD	260,000	280,687	230,133	750,000	821,198	596,669	8 May 2056
StockCo Securitisation Trust 2021-1 (**StockCo**)[3]	AUD	–	–	–	250,000	273,733	155,581	Not applicable
Atlas 2020-1 Trust (**Atlas**)[4]	AUD	–	–	131,275	–	–	132,722	24 September 2050
Total securitisation borrowings			**600,687**	**520,048**		**1,694,931**	**1,369,394**	

[1]HARWT reduced its securitisation facility limit and partially repaid its securitised borrowings following the repurchase of its securitised assets by HBL during the year. Refer to Note 28 – Structured entities for further details.

[2]SWT2 reduced its securitisation facility limit as part of execution of its date-based calls and scheduled repayments of its securitised borrowings, in compliance with Australian Prudential Standard APS 120 Securitisation.

[3]StockCo facility undrawn limit was cancelled and drawn balance was fully repaid on 30 April 2025. Refer to Note 28 – Structured entities for further details.

[4]Atlas is a closed securitisation trust due to its predefined asset composition and outstanding borrowings balance, fixed throughout its operational life. As such, there is no facility limit applicable to Atlas issued notes.

- HARWT notes issued to investors are secured over motor vehicle loans.
- StockCo notes issued to investors were secured over livestock loans.
- SWT2 and Atlas notes issued to investors are secured over reverse mortgage loans.

Net debt reconciliation

The below table sets out net cash and non-cash changes in liabilities arising from financing activities.

$000's	June 2025	June 2024
Balance as at beginning of year	**2,040,763**	**615,126**
Proceeds from wholesale borrowings	424,614	998,688
Repayment of wholesale borrowings	(1,311,047)	(870,413)
Proceeds from issue of unsubordinated notes	–	24,364
Repayment of unsubordinated notes	(321,347)	(126,485)
Proceeds from issue of subordinated debt	–	51,572
Total cash movements	**(1,207,780)**	**77,726**
Business combination under common control	–	1,341,420
Acquisition of debt from purchase of subsidiary	–	2,574
Capitalised interest and fee expense	(3,354)	3,779
Fair value movements	3,470	805
Foreign exchange and other movements	(7,645)	(667)
Total non-cash movements	**(7,529)**	**1,347,911**
Balances as at end of year	**825,454**	**2,040,763**

15 Share capital and dividends

Policy

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

000's	June 2025 Number of Shares	June 2024 Number of Shares
Issued shares		
Opening balance	1,030,260	565,430
Shares issued during the year	—	464,830
Closing balance	**1,030,260**	**1,030,260**

There were nil new shares issued during the period.

During the year ended 30 June 2024, HBL issued 187,500,000 shares at $1.00 to HGH as consideration for capital injection from HGH to fund HBL's acquisition of HBA and provide growth capital to the Banking Group, another 4,844,986 shares at $1.00 to HGH as consideration for the acquisition of the equity investment in Harmoney Corp Limited (**HMY**) from HGH and a further 272,485,225 shares to HGH as consideration for HAH and its subsidiaries transferred to HBA.

The issued and fully paid ordinary share capital is included in Common Equity Tier 1 (**CET1**) capital of the Banking Group. Refer to Note 29 - Capital adequacy and regulatory liquidity ratios - unaudited for further details.

Dividends paid

	June 2025		June 2024	
	Date Declared	$000's	Date Declared	$000's
Dividend to HGH	28 August 2024	15,000	28 August 2023	43,000
Dividend to HGH	26 February 2025	18,750	26 February 2024	22,500
Total dividends paid		**33,750**		**65,500**

16 Other reserves

$000's	Common Control Reserve	Foreign Currency Translation Reserve (FCTR)	Fair Value Reserve	Cash Flow Hedge Reserve	Total
June 2025					
Balance as at 30 June 2024	(81,660)	(1,682)	(4,653)	4,374	(83,621)
Movements attributable to net investments in foreign operations	–	(6,905)	–	–	(6,905)
Movements attributable to changes in fair value of debt investments at FVOCI	–	–	2,143	–	2,143
Movements attributable to cash flow hedges	–	–	–	(17,041)	(17,041)
Movements attributable to changes in fair value of equity investments at FVOCI	–	–	(1,805)	–	(1,805)
Income tax effect	–	–	(592)	3,193	2,601
Total other comprehensive income/(loss) net of income tax	**–**	**(6,905)**	**(254)**	**(13,848)**	**(21,007)**
Other movements	(258)	9	–	–	(249)
Balance as at 30 June 2025	**(81,918)**	**(8,578)**	**(4,907)**	**(9,474)**	**(104,877)**
June 2024					
Balance as at 30 June 2023	–	–	(1,567)	14,710	13,143
Business combination under common control[1]	(81,660)	–	(4,011)	103	(85,568)
Movements attributable to net investments in foreign operations	–	(1,682)	–	–	(1,682)
Movements attributable to changes in fair value of debt investments at FVOCI	–	–	1,282	–	1,282
Movements attributable to cash flow hedges	–	–	–	(14,715)	(14,715)
Income tax effect	–	–	(357)	4,276	3,919
Total other comprehensive income/(loss) net of income tax	**–**	**(1,682)**	**925**	**(10,439)**	**(11,196)**
Balance as at 30 June 2024	**(81,660)**	**(1,682)**	**(4,653)**	**4,374**	**(83,621)**

[1]Movements represent the components of equity of the transferred entities and the resulting common control reserve. Refer to Note 18 - Acquisition for further details.

FCTR
Exchange differences arising on translation of the Banking Group's foreign operations are accumulated in the Foreign currency translation reserve and recognised in other comprehensive income. The cumulative amount is reclassified to profit or loss when a foreign operation is disposed of.

Fair value reserve
Includes changes in the fair value of investment securities measured at fair value through other comprehensive income, net of tax. For debt securities, these changes are reclassified to the profit or loss when the asset is disposed. For equity securities, these changes are not reclassified to the profit or loss when the asset is disposed.

Cash flow hedge reserve
This includes fair value gains and losses associated with the effective portion of the designated cash flow hedging instruments, net of tax.

Common control reserve
Common control reserve represents the difference between the consideration paid and the share capital of the transferred entities based on carrying amounts at the date of transfer.

17 Other balance sheet items

Policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment (if any). Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each asset over its expected life to its estimated residual value.

$000's	June 2025	June 2024
Other assets		
Trade receivables	9	194
GST receivables	8,571	4,376
Prepayments	9,399	6,091
Property, plant and equipment	21,713	22,009
Other receivables	3,438	2,227
Total other assets	**43,130**	**34,897**

Policy

Intangible assets

Intangible assets with finite useful lives

Software acquired or internally developed by the Banking Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on software assets is capitalised only when it increases the future economic value of that asset. Certain internal and external costs directly incurred in acquiring and developing software are capitalised when specific criteria are met. Costs incurred on planning or evaluating software proposals during the research phase or on maintaining systems after implementation are not capitalised. Amortisation of software is on a straight-line basis, at rates which will write off the cost over the assets' estimated useful lives. The expected useful life of the software varies up to ten years.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service agreements that grant the Banking Group the right to access the cloud provider's application software over the contract period. Costs associated with configuring or customising the software, along with ongoing fees for accessing the cloud provider's application, are recognised as operating expenses when the services are received.

Some of these costs pertain to developing software code that enhances or modifies, or creates additional capability to, existing on-premise systems and qualifies as an intangible asset based on its definition and recognition criteria.

The Banking Group capitalises costs incurred in configuring or customising certain suppliers' application software within specific cloud computing arrangements as intangible assets as the Banking Group considers that it would benefit from those costs to implement the cloud-based software over the expected terms of the cloud computing arrangements. However, such capitalisation occurs only if the activities result in creating an intangible asset that the Banking Group has control over and meets the necessary recognition criteria. Costs that do not meet the criteria for capitalisation as intangible assets are expensed as incurred unless they are paid to the suppliers (or subcontractors of the supplier) of the cloud-based software to significantly customise the cloud-based software for the Banking Group (i.e., such services are not distinct from the Banking Group's right to receive access to the supplier's cloud-based software). In the latter case, the upfront costs are recorded as prepayments for services and amortised over the expected terms of the cloud computing arrangements.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the Banking Group's interest in the fair value of the identifiable net assets acquired. Goodwill that has an indefinite useful life is not subject to amortisation and is tested for impairment annually. Goodwill is carried at cost less accumulated impairment losses.

17 Other balance sheet items (continued)

$000's	June 2025	June 2024
Computer software		
Software - cost	77,360	88,533
Software under development	1,823	4,680
Accumulated amortisation	(33,181)	(37,443)
Net carrying value of computer software	**46,002**	**55,770**
Goodwill	204,819	208,723
Net carrying value of goodwill	**204,819**	**208,723**
Total intangible assets	**250,821**	**264,493**

Goodwill

For the purposes of impairment testing, goodwill is allocated to cash generating units. A Cash Generating Unit (**CGU**) is the smallest identifiable group of assets that generate independent cash inflows. The Banking Group has assessed that goodwill should be allocated to the smallest identifiable CGU or group of CGUs.

During the year, the Banking Group finalised goodwill recognised from the acquisition of HBA during the year ended 30 June 2024 (refer to Note 18 – Acquisition for further details).

Pursuant to the acquisition of HBA, HBA and the Australian reverse mortgage lending and livestock financing businesses were transferred into HBA (collectively the **Australian businesses**). During the year ended 30 June 2025, HBA underwent a corporate simplification and the operational integration of the Australian reverse mortgage and livestock finance receivable portfolios with HBA. The performance of the Australian businesses is no longer managed and monitored as separate business units but rather aggregated and monitored as a collective business. This has resulted in the allocation of goodwill to one single HBA CGU (2024: the group of CGUs represented by the Australian businesses).

CGU	Goodwill	
$000's	June 2025	June 2024
Heartland Bank Limited	29,799	29,799
Heartland Bank Australia Limited (previously, group of CGUs)	175,020	178,924
Total goodwill	**204,819**	**208,723**

Impairment testing of goodwill

Further information about goodwill impairment tests performed for CGUs or group of CGUs is provided below.

Heartland Bank Limited (**HBL**) CGU - $29.8 million

The recoverable amount of the CGU was determined on a value in use (**VIU**) basis using a discounted cash flow methodology. The model uses a five-year cash flow forecast based on the latest budget approved by the Board and extended out based on long-term growth rates. The long-term growth rate applied to the future cash flows after year five of the forecast was 2.0%, and a discount rate of 12.5% for HBL was applied which reflects both past experience and external sources of information. An impairment would only arise where the discount rate exceeds 14.0% and the terminal growth rate falls to 1.0% or below concurrently. Alternatively, goodwill may be impaired if projected cash flows for the terminal period are reduced by at least 25%. Both scenarios are considered highly unlikely.

Heartland Bank Australia (**HBA**) CGU (2024: the group of CGUs (comprising the CGUs of Heartland Bank Australia Limited, Heartland Australia Holdings Pty Limited and StockCo Australia Group) - $175.0 million.

Management have adopted fair value less costs of disposal (FVLCD) as the primary approach to assessing the recoverable amount of the CGU. The key assumptions used in the FVLCD determination were price-earnings (P/E) multiple and normalised current year earnings.

17 Other balance sheet items (continued)

Goodwill (continued)

The P/E multiples used were sourced from publicly available data associated with comparable Australian Financial Services companies to HBA, as well as comparable transactions within the Australian banking industry within the past 12 months. The P/E multiples observed for these businesses and transactions were in a range of 13.7x to 19.8x with an average multiple of 16.4x. Management have used a multiple of 14x, with a 2.5% cost of disposal used for the business. Had management used a multiple of 12x, or reduced the normalised current year earning by 15%, the recoverable amount would still exceed the carrying amount of goodwill recorded at the 30 June 2025.

No impairment losses have been recognised against the carrying amount of goodwill for the year ended 30 June 2025 (2024: nil).

Policy

Employee benefits

Annual leave entitlements are accrued at amounts expected to be paid. Long service leave is accrued by calculating the probable future value of the entitlements and discounting back to present value. Obligations to defined contribution superannuation schemes are recognised as an expense when the contribution is paid.

$000's	June 2025	June 2024
Trade and other payables		
Trade and other payables	16,453	15,747
Insurance liability	556	645
Employee benefits	13,318	9,997
Other tax payables	2,737	4,176
Total trade and other payables	**33,064**	**30,565**

Policy

Leases

The Banking Group leases office space and car parks. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option are considered. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Lease liabilities are measured at the present value of the remaining lease payments and discounted using the Banking Group's incremental borrowing rate (**IBR**). Carrying amounts are remeasured only upon reassessments and lease modifications.

Right of use assets are depreciated at the shorter of lease term or the Banking Group's depreciation policy for that asset class.

$000's	June 2025	June 2024
Right of use assets		
Balance at beginning of year	15,519	11,510
Depreciation charge for the year, included within depreciation expense in the income statement	(3,703)	(2,459)
Additions to right of use assets	407	6,468
Total right of use assets	**12,223**	**15,519**
Lease liability		
Current	3,542	3,689
Non-current	10,848	14,087
Total lease liability	**14,390**	**17,776**
Interest expense relating to lease liability	**569**	**689**

18 Acquisition

Policy

Business combination

The Banking Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Banking Group. In determining whether a particular set of activities and assets is a business, the Banking Group assesses whether the set of assets and activities consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.

The consideration transferred in the acquisition and any contingent consideration to be transferred are generally measured at fair value, as are the identifiable net assets acquired. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the fair value of the net assets acquired) and is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Banking Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Banking Group obtains complete information about facts and circumstances that existed as of the acquisition date and does not exceed twelve months. Transaction cost related to the acquisition is recognised as an expense in profit or loss when incurred with the exception of costs to issue debt or equity securities.

Business combination under common control

Acquisitions which result in a business combination involving common control entities, are outside the scope of NZ IFRS 3 Business Combinations (**NZ IFRS 3**). Accordingly, predecessor value method has been applied by the Banking Group to account for such common control business combinations.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. The assets and liabilities combined are recognised based on the carrying amounts at the date of transfer and no adjustments are made to reflect the fair values. These amounts include any goodwill and other fair value adjustments recorded at the consolidated level in respect of the transferred entity. The components of equity of the acquired entities are added to the same components within the Banking Group equity and any difference between the consideration paid and the share capital of the transferred entity is reflected within equity as a common control reserve.

On 30 April 2024 the Banking Group completed the acquisition of 100% shareholding in HBA from Challenger Limited.

The consideration paid was subject to a completion adjustment based on the net asset movements and finalisation of other commercials since the determination date. The revised purchase consideration with respect to this acquisition was A$113.95 million (NZ$125.20 million) at the exchange rate of the dates of the acquisition and the completion adjustment.

During the year ended 30 June 2025, the purchase price was finalised and a reduction of A$1.29 million (NZ$1.40 million) was made to the initial purchase consideration. The fair value of consideration reduced from A$115.24 million (NZ$126.60 million) to A$113.95 million (NZ$125.20 million) resulting in goodwill reduction from A$21.19 million (NZ$23.20 million) to A$19.90 million (NZ$21.80 million).

The final goodwill as at the reporting date has been allocated to the Heartland Australia Bank Limited CGU (refer to Note 17 - Other balance sheet items for further details).

18 Acquisition (continued)

Details of the fair values of the assets and liabilities acquired and the final goodwill arising from the acquisition of HBA are set out as follows:

$000's	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	292,211
Investments	367,739
Finance receivables measured at amortised cost	61,179
Finance receivables - reverse mortgages	635,609
Provision for impairment	(167)
Deferred tax asset	820
Other assets	860
Total assets	**1,358,251**
Liabilities	
Deposits	1,249,375
Other borrowings	2,574
Trade and other payables	2,916
Total liabilities	**1,254,865**
Net assets acquired	**103,386**
Final goodwill arising on acquisition	21,801
Fair value of consideration	**126,591**
Purchase price adjustment	(1,404)
Total cash consideration transferred	**125,187**

Transfer of HAH and its controlled entities

On 2 May 2024, HGH transferred to HBA 100% shareholding of its Australian subsidiaries, being Heartland Australia Holdings Pty Limited (HAH) and its controlled entities, under the requirements of the varied conditions of HBA's banking licence granted by APRA. Transfer of HAH and its controlled entities from HGH to HBA is a reorganisation of entities under common control where HBA, HAH and its controlled entities are under the ultimate control of HGH, before and after the transaction. NZ IFRS 3 does not apply to business combinations under common control.

The Banking Group elected to apply predecessor value method for the recognition of assets and liabilities of HAH and its controlled entities, including goodwill, at date of transfer. During the year ended 30 June 2024 HBL issued shares to HGH in exchange for HAH and its controlled entities transferred to HBA. Refer to Note 15 – Share capital and dividends for further details.

18 Acquisition (continued)

Details of the consolidated book values of the assets and liabilities of HAH and its controlled entities transferred from HGH to HBA are set out as follows:

$000's	Book value recognised on transfer
Assets	
Cash and cash equivalents	125,085
Investments	1,972
Finance receivables measured at amortised cost	279,971
Finance receivables - reverse mortgages	1,072,410
Right of use assets	6,337
Other assets	1,814
Goodwill	156,274
Intangible assets	1,557
Deferred tax asset	853
Total assets	**1,646,273**
Liabilities	
Other borrowings	1,341,419
Due to related parties	789
Lease liabilities	6,494
Tax liabilities	566
Trade and other payables	2,134
Total liabilities	**1,351,402**
Net assets	**294,871**
Equity	
Share capital	212,953
Retained earnings	85,826
Other reserves	(3,908)
Total equity	**294,871**

Common control reserve of $81.92 million was recognised from the transfer of assets and liabilities of HAH and its controlled entities. Refer to Note 16 - Other reserves for further details on equity movements from business combination under common control.

19 Related party transactions and balances

Policy

A person or entity is a related party under the following circumstances:

a) A person or a close member of that person's family if that person:
   i) has control or joint control over the Bank;
   ii) has significant influence over the Bank; or
   iii) is a member of the key management personnel of the Bank or HGH.

b) An entity is related to the Bank if any of the following conditions applies:
   i) the entity and the Bank are members of the same group;
   ii) one entity is an associate or joint venture of the other entity;
   iii) both entities are joint ventures of the same third party;
   iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   v) the entity has a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
   vi) the entity is controlled, or jointly controlled by a person identified in (a); and
   vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of entity (or of a parent of the entity).

(a) Transactions with key management personnel

Key management personnel (**KMP**), are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Banking Group. This includes all executive staff and Directors.

KMP and their related parties receive personal banking and financial investment services from the Banking Group in the ordinary course of business. The terms and conditions, for example interest rates and collateral, and the risks to the Banking Group are comparable to transactions with other employees and did not involve more than the normal risk of repayment or present other unfavourable features.

All other transactions with KMP's and their related parties are conducted in the ordinary course of business on commercial terms and conditions.

$000's	June 2025	June 2024
Transactions with key management personnel[1]		
Interest income	221	159
Interest expense	(17)	(43)
Total transactions with key management personnel	**204**	**116**
Key management personnel compensation		
Short-term employee benefits	(6,971)	(2,820)
Post-employment benefits	(124)	(56)
Share-based plan benefit	(322)	–
Total key management personnel compensation	**(7,417)**	**(2,876)**
Due from/(to) key management personnel[1]		
Lending	2,227	2,918
Borrowings - deposits	(217)	(975)
Total due from key management personnel	**2,010**	**1,943**

[1]These transactions and balances include those with key management personnel of the Bank and HGH, their close family members, and/or entities controlled/jointly controlled by them.

19 Related party transactions and balances (continued)

(b) Transactions with related parties

The Banking Group's ultimate parent company is HGH.

The Bank has regular transactions with its ultimate parent company and subsidiaries (collectively known as the **Heartland Group**) on agreed terms. The transactions include the provision of administrative services and customer operations. Banking facilities are provided by HBL to other Banking Group entities on normal commercial terms as with other customers. There is no lending from the Banking Group to HGH.

The Trustees of Heartland Trust (**HT**) and certain employees of the Banking Group provided their time and skills to the oversight and operation of HT at no charge.

SWT formed part of Australian Seniors Finance Pty Ltd (**ASF**) reverse mortgage business and was set up by ASF as an asset holding entity. During the year ended 30 June 2024, HBL purchased A$80 million (NZ$87 million) of reverse mortgage loans from SWT in the first half of the financial year and subsequently sold this portfolio to HBA post-acquisition. The transacted values approximated fair values at transaction dates.

Related party transactions between the Banking Group members eliminate on consolidation. Related party transactions outside of the Banking Group are as follows:

$000's	June 2025	June 2024
Heartland Group Holdings Limited (HGH)		
Interest expense	212	219
Net (withdrawals)/deposits	(15,500)	17,900
Shares issued to HGH	—	491,572
Dividends paid to HGH[1]	(33,750)	(65,500)
Management fees paid to HGH	(7,229)	(9,003)
Management fees received from HGH	7,181	5,203
Acquisition of equity investments from HGH[1]	—	10,479
Transfer of HAH and its subsidiaries from HGH[2]	—	294,871

[1]Refer to Note 15 - Share capital and dividends for further details.

[2]Refer to Note 18 - Acquisition for further details.

$000's	June 2025	June 2024
Australian Seniors Finance Pty Limited (ASF)		
Management fees received from ASF[1]	—	388
Heartland Trust (HT)		
Payment to HT for providing goods and services	10	—

[1]Management fee disclosed for the year ended 30 June 2024 is in relation to services received by ASF for the period from 1 July 2023 to 2 May 2024, prior to the transfer of HAH and its controlled entities from HBA to HBA. Refer to Note 18 - Acquisition for further details.

(c) Due to related parties

$000's	June 2025	June 2024
Due to		
Heartland Group Holdings Limited	792	7,653
Total due to related parties	**792**	**7,653**

(d) Other balances with related parties

$000's	June 2025	June 2024
Heartland Group Holdings Limited		
Retail deposits owing to HGH[1]	2,841	18,123

[1]Included within Deposits on the Statement of financial position.

20 Fair value

Policy

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Banking Group determines fair value using other valuation techniques.

The Banking Group measures fair values using the following fair value hierarchy, which reflects the observability of the inputs used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Banking Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(a) Financial instruments measured at fair value

The following methods and assumptions were used to estimate the fair value of each class of financial asset and liability measured at fair value on a recurring basis in the statement of financial position.

The Banking Group has an established framework in performing valuations required for financial reporting purposes including Level 3 fair values. The Banking Group regularly reviews and calibrates significant unobservable inputs and valuation adjustments in accordance with market participants' views. If external valuation specialists are engaged to measure fair values, the Banking Group assesses the evidence obtained from these specialists to support the conclusion of these valuations. All significant valuations are reported to the Banking Group's Board Audit Committee for approval prior to its adoption in the financial statements.

Investments in debt securities

Investments in public sector securities and corporate bonds are stated at FVOCI or FVTPL, with the fair value being based on quoted market prices (Level 1 under the fair value hierarchy) or modelled using observable market inputs (Level 2 under the fair value hierarchy). Refer to Note - 10 Investments for more details.

Investments valued under Level 2 of the fair value hierarchy are valued either based on quoted market prices or dealer quotes for similar instruments, or discounted cash flows analysis.

Investments in equity securities

Investments in equity securities are classified at FVTPL unless an irrevocable election is made by the Banking Group to measure at FVOCI. Investment in listed securities traded in liquid, active markets where prices are readily observable are measured under Level 1 of the fair value hierarchy with no modelling or assumptions used in the valuation. Equity securities are measured at FVOCI where they are not held for trading, the Banking Group doesn't have control or significant influence over the investee and where an irrevocable election is made to measure them at FVOCI. These securities are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for dividend income which is recognised in profit or loss. Investments in unlisted equity securities are measured under Level 3 of the fair value hierarchy with the fair value being based on unobservable inputs using market accepted valuation techniques. Where appropriate, the Banking Group may apply adjustments to the above-mentioned techniques to determine fair value of an equity security to reflect the underlying characteristics. These adjustments are reflective of market participant considerations in valuing the said security.

20 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

Finance receivables - reverse mortgages

The Banking Group classifies and measures the reverse mortgage portfolio at FVTPL under NZ IFRS 9 as the review of the reverse mortgage portfolio valuation determined that the terms and conditions of these loan contracts do not contain a component of significant insurance risk.

On initial recognition the Banking Group considers the transaction price to represent the fair value of the loan, on the basis that no reliable fair value can be estimated as there is no relevant active market and fair value cannot be reliably measured using other valuation techniques under NZ IFRS 13 Fair value measurement.

For subsequent measurement, and at balance date, the Banking Group considered whether the fair value can be determined by reference to a relevant active market or using a valuation technique that incorporates observable inputs but has concluded relevant support is not currently available. In the absence of such market evidence the Banking Group has used the transaction value (cash advanced plus accrued capitalised interest) for subsequent measurement. The Banking Group has used an actuarial method to determine a proxy for the fair value that incorporates changes in the portfolio risk and expectations of the portfolio performance. This includes inputs such as mortality and potential move into care, voluntary exits, house price changes, interest rate margin and the no equity guarantee. This estimate is highly subjective and a wide range of plausible values are possible. The estimate provides an indication of whether the transaction value is overstated.

The Banking Group does not consider that the actuarial estimate has moved outside of the original expectation range on initial recognition. There has been no fair value movement recognised in profit or loss during the period (2024: nil). Fair value is not sensitive to the above assumptions due to the nature of reverse mortgage loans. In particular, given conservative origination loan-to-value ratio and security criteria, a material deterioration in house prices combined with a material increase in interest rates over a sustained period of time would likely need to occur before any potential impact to fair value.

The Banking Group will continue to reassess the existence of a relevant active market and movements in expectations on an on-going basis.

Derivative financial instruments

Derivative financial instruments are recognised in the financial statements at fair value. Fair values are determined from observable market prices as at the reporting date, discounted cash flow models or option pricing models as appropriate (Level 2 under the fair value hierarchy).

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which each fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

20 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

$000's	Level 1	Level 2	Level 3	Total
June 2025				
Assets				
Investments	784,988	—	6,772	791,760
Derivative financial instruments	—	4,792	—	4,792
Finance receivables - reverse mortgages	—	—	3,370,949	3,370,949
Total financial assets measured at fair value	**784,988**	**4,792**	**3,377,721**	**4,167,501**
Liabilities				
Derivative financial instruments	—	20,660	—	20,660
Total financial liabilities measured at fair value	**—**	**20,660**	**—**	**20,660**
June 2024				
Assets				
Investments	1,082,699	—	9,432	1,092,131
Derivative financial instruments	—	12,316	—	12,316
Finance receivables - reverse mortgages	—	—	2,897,818	2,897,818
Total financial assets measured at fair value	**1,082,699**	**12,316**	**2,907,250**	**4,002,265**
Liabilities				
Derivative financial instruments	—	9,017	—	9,017
Total financial liabilities measured at fair value	**—**	**9,017**	**—**	**9,017**

There were no transfers between levels in the fair value hierarchy in the year ended 30 June 2025 (2024: nil).

20 Fair value (continued)

(a) Financial instruments measured at fair value (continued)

The movement in Level 3 assets measured at fair value are below:

$000's	Finance Receivables - Reverse Mortgages	Investments	Total
June 2025			
As at 30 June 2024	2,897,818	9,432	2,907,250
New loans	643,735	—	643,735
Repayments	(424,626)	—	(424,626)
Capitalised Interest and fees	283,600	—	283,600
Purchase of investments	—	251	251
Fair value loss on investment	—	(2,805)	(2,805)
Other[3]	(29,578)	(106)	(29,684)
As at 30 June 2025	**3,370,949**	**6,772**	**3,377,721**
June 2024			
As at 30 June 2023	888,600	1,819	890,419
Additions - transfer from SWT to HBL[1]	86,551	—	86,551
Additions - acquisition of HBA[2]	635,609	—	635,609
Additions - transfer of HAH and its controlled entities from HGH to HBA	1,072,410	1,972	1,074,382
New loans	245,920	—	245,920
Repayments	(158,498)	—	(158,498)
Capitalised Interest and fees	128,925	—	128,925
Purchase of investments	—	5,596	5,596
Other[3]	(1,699)	45	(1,654)
As at 30 June 2024	**2,897,818**	**9,432**	**2,907,250**

[1]Refer to Note 19 - Related party transactions and balances.

[2]Refer to Note 18 - Acquisition.

[3]Represents foreign currency translation differences for the assets.

20 Fair value (continued)

(b) Financial instruments not measured at fair value

The following assets and liabilities of the Banking Group are not measured at fair value in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and their carrying value is considered equivalent to their fair value due to their short term nature.

Finance receivables measured at amortised cost

The fair value of the Banking Group's finance receivables is calculated using a valuation technique which assumes the Banking Group's current weighted average lending rates for loans of a similar nature and term.

Finance receivables with a floating interest rate are deemed to be at current market rates. The current amount of credit provisioning has been deducted from the fair value calculation of finance receivables as a proxy for future losses.

Borrowings

The fair value of deposits, bank borrowings and other borrowings is the present value of future cash flows and is based on the current market interest rates payable by the Banking Group for debt of similar maturities.

Other financial assets and financial liabilities

The fair value of all other financial instruments is considered equivalent to their carrying value due to their short-term nature.

The following table sets out financial instruments not measured at fair value where the carrying value does not approximate fair value, compares their carrying value against their fair value and analyses them by level in the fair value hierarchy.

	June 2025			June 2024		
$000's	Fair Value Hierarchy	Total Fair Value	Total Carrying Value	Fair Value Hierarchy	Total Fair Value	Total Carrying Value
Assets						
Finance receivables measured at amortised cost	Level 3	3,823,238	3,711,450	Level 3	4,146,692	4,266,946
Total financial assets		**3,823,238**	**3,711,450**		**4,146,692**	**4,266,946**
Liabilities						
Deposits	Level 2	6,557,613	6,532,794	Level 2	5,973,492	5,967,239
Other borrowings	Level 2	831,035	825,454	Level 2	2,042,396	2,040,763
Total financial liabilities		**7,388,648**	**7,358,248**		**8,015,888**	**8,008,002**

20 Fair value (continued)

(c) Classification of financial instruments

The following tables summarise the categories of financial instruments and the carrying value of all financial instruments of the Banking Group:

$000's	FVOCI Equity	FVOCI Debt Securities	FVTPL	Amortised Cost	Total Carrying Value
June 2025					
Assets					
Cash and cash equivalents	–	–	–	349,745	349,745
Collateral paid	–	–	–	14,239	14,239
Investments	5,664	776,945	9,151	–	791,760
Finance receivables measured at amortised cost	–	–	–	3,711,450	3,711,450
Finance receivables - reverse mortgages	–	–	3,370,949	–	3,370,949
Derivative financial instruments	–	–	4,792	–	4,792
Other financial assets	–	–	–	3,447	3,447
Total financial assets	**5,664**	**776,945**	**3,384,892**	**4,078,881**	**8,246,382**
Liabilities					
Deposits	–	–	–	6,532,794	6,532,794
Other borrowings	–	–	–	825,454	825,454
Derivative financial instruments	–	–	20,660	–	20,660
Due to related parties	–	–	–	792	792
Other financial liabilities	–	–	–	17,009	17,009
Total financial liabilities	**–**	**–**	**20,660**	**7,376,049**	**7,396,709**
June 2024					
Assets					
Cash and cash equivalents	–	–	–	627,969	627,969
Investments	7,575	371,816	712,740	–	1,092,131
Finance receivables measured at amortised cost	–	–	–	4,266,946	4,266,946
Finance receivables - reverse mortgages	–	–	2,897,818	–	2,897,818
Derivative financial instruments	–	–	12,316	–	12,316
Other financial assets	–	–	–	2,421	2,421
Total financial assets	**7,575**	**371,816**	**3,622,874**	**4,897,336**	**8,899,601**
Liabilities					
Collateral received	–	–	–	2,384	2,384
Deposits	–	–	–	5,967,239	5,967,239
Other borrowings	–	–	–	2,040,763	2,040,763
Derivative financial instruments	–	–	9,017	–	9,017
Due to related parties	–	–	–	7,653	7,653
Other financial liabilities	–	–	–	16,392	16,392
Total financial liabilities	**–**	**–**	**9,017**	**8,034,431**	**8,043,448**

Risk Management

21 Enterprise risk management program

The board of directors (the **Board**) sets and monitors the Banking Group's risk appetite across the primary risk domains of credit, capital, liquidity, market (including interest rate, foreign exchange and equity valuations), continuity, conduct and compliance, and people risk. Management is, in turn, responsible for ensuring appropriate structures, policies, procedures and information systems are in place to actively manage these risk domains, as outlined within the Risk Management Strategy and Framework document (**RMS&F**). Collectively, these processes are known as the Banking Group's Enterprise Risk Management Program (**RMP**).

The Banking Group's RMS&F addresses RBNZ prudential risk management requirements and aligns with HBA's own Risk Management Strategy document that addresses APRA regulatory requirements.

Role of the Board and the Board Risk Committee

The Board, through its Board Risk Committee (**BRC**) is responsible for oversight and governance of the development of the RMP. The role of the BRC is to assist the Board to formulate its risk appetite, and to monitor the effectiveness of the RMP. The BRC has specific responsibilities over the following areas:

- The Board's Risk Appetite Statement (**RAS**).
- Heartland's Internal Capital Adequacy Assessment Program (**ICAAP**) including appropriate stress testing scenarios.
- The effectiveness of the RMS&F and internal compliance and risk related policies, including approval or variation of policies, procedures and standards.
- Respond to changes anticipated in the economic, business and regulatory environment.
- Conduct, culture and customer outcomes, including emerging risks and any areas of concern.
- Credit exposures of the Bank, including the Delegated Lending Authority Policy and Framework.
- Consideration of risks associated with pursuit of strategy.
- Forming a view on risk culture supporting effective management of risks.

The BRC consists of four non-executive directors, two of whom are independent. In addition, the HBL Chief Risk Officer (**CRO**) (or their nominee, subject to the Chair's prior approval) attends the BRC meetings, and the HBL CEO and the directors who are not members of the BRC are entitled to attend meetings and to receive copies of the BRC papers.

Board Audit Committee

The Board Audit Committee (**BAC**) focuses on financial reporting and application of accounting policies as part of the internal control and risk assessment framework. The BAC provides oversight of the independent evaluation of the effectiveness of RMS&F processes and ensure corrective action is taken. This work is supported by Internal Audit, which provides an independent assessment of the design, adequacy and effectiveness of internal controls. The BAC receives regular reports from Internal Audit.

Charters for both the BRC and the BAC ensure suitable cross representation to allow effective communication pertaining to identified issues with oversight by the Board. The HBL CRO has a direct reporting line to the Chair of the BRC. The Head of Internal Audit has a direct reporting line to the Chair of the BAC.

Internal Audit

The Internal Audit function for New Zealand is maintained within HBL and made available to HGH while HBA has its own Internal Audit function. Internal Audit is allowed full, free and unfettered access to any and all of the organisation's records, personnel and physical properties deemed necessary to accomplish its activities. The Internal Audit functions and other assurance roles have unfettered access to the Banking Group's Boards as required.

The objective of the Banking Group's Internal Audit functions is to provide independent, objective assurance over the internal risk control framework and compliance with policies. In certain circumstances, Internal Audit will provide risk and control advice to Management provided the work does not impede the independence of the Internal Audit functions. The functions assist the Banking Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The HBL BAC and the HBA BAC each approve the respective annual internal audit programmes (as applicable), which are developed in consultation with Management. A regular cycle of review is implemented to cover all areas of the business, focused on assessment, management and control of risks identified. The audit plan takes into account cyclical review of various business units and operational areas, as well as identified areas of higher identified risk. The audit methodology is designed to meet the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

21 Enterprise risk management program (continued)

Group Asset and Liability Committee (GALCO)

The GALCO consists of members from HBL and HBA, providing consolidated oversight of the Banking Group's assets and liabilities across both HBL and HBA through:

- Ensuring compliance of the Banking Group's risk limits and governance requirements.
- Ensuring robust governance over HBA's and the New Zealand Banking Group's 12-month funding plans and alignment with the Banking Group's strategic funding plan.
- Recommending financial risk management policies for approval and changes to financial risk tolerances to BRC and the Board.
- Development of the Banking Group's Contingency Funding Plan (**CFP**) and review of HBA's CFP.
- Setting the strategic direction for asset and liability management, to be reflected in the asset and liability management policy.
- Monitoring, assessing and proactively reacting to trends in the economy, interest rates, and foreign exchange rates to limit any potential adverse impact on earnings.
- Developing and recommending the Banking Group's hedging strategy.

Asset and Liability Committee (ALCO)

The ALCO is a New Zealand Banking Group management committee comprising the HBL CEO, HBL CFO, HBL CRO, HBL Chief Operating Officer (**COO**), HBL Group Treasurer and HBL General Manager Retail & Reverse Mortgages. The ALCO meets monthly and has responsibility for managing the New Zealand Banking Group's market risk, liquidity and funding risk, pricing, balance sheet structure and capital risk, in line with approved risk tolerances and policy guidance. ALCO provides senior management oversight through:

- Monitoring the performance and effectiveness of market risk management activities.
- Ensuring appropriate management through regular reporting, availability of experienced staff and adequacy of liquidity buffers.
- Monitoring and recommending changes in liquidity limits to GALCO and interest rate pricing levels for all funding products.
- Review of the New Zealand Banking Group's 12-month funding plan, cost of funds projections, internal liquidity stress testing assumptions and approval of new and existing liquidity early warning indicators.
- Approving changes to the HBL's hedging strategies in line with the Banking Group 's hedging strategy approved by GALCO.

Executive Risk Committee (ERC)

The ERC comprises a minimum of three members of the executive leadership team who are direct reports to the HBL CEO. The ERC has responsibility for overseeing the internal control environment to ensure that residual risk is consistent with the Banking Group's risk appetite. The ERC generally meets 6 times a year, and minutes are made available to the BRC. ERC's specific responsibilities include the ongoing monitoring of risks which individually or collectively comprise the Board's risk appetite, and oversight over the management of operational, compliance and credit risks, including regulatory oversight and conduct risk within the Banking Group.

During the year ended 30 June 2025 the ERC approved the establishment of the Product Governance Committee (**PGC**) responsible for overseeing and guiding the development, management and optimisation of HBL's product offerings and pricing strategies. This includes overseeing the development and launch of new product offerings and the positioning of existing products in the market.

Members of the PGC include a minimum of two direct reports to the HBL CEO and meetings are held not less than four times per calendar year. The ERC monitors and ensures that the PGC's purpose, responsibilities, and performance remain appropriate.

21 Enterprise risk management program (continued)

Three lines of defence model

To ensure appropriate responsibility is allocated for the management, reporting and escalation of operational and compliance risk, the Banking Group operates a “three lines of defence” model which outlines principles for the roles, responsibilities and accountabilities for operational and compliance risk management:

- The first line of defence is the business line management of the identification, management and mitigation of the risks associated with the products and processes of the business. This accountability includes regular testing and attestation of the adequacy and effectiveness of controls and compliance with the Banking Group's policies.
- The second line of defence is the Enterprise Risk function, responsible for the overall management of enterprise risk. It incorporates key processes including governance oversight, risk and control self-assessment (**RCSA**), incident management, targeted independent evaluation of the adequacy and effectiveness of the internal control framework and the attestation process.
- The third line of defence provides independent assurance on the design and effectiveness of the risk frameworks, the effectiveness of the first and second lines of defence, and the effectiveness of the Banking Group's policies, procedures, and systems. The third line assurance incorporates the internal audit function and extends to any other independent review activities.

The Banking Group categorises its key risks as financial and non-financial, reflecting its overarching approach to risk management. Financial risks comprise profit risk, balance sheet risk, funding, liquidity and market risks. Non-financial risks are operational in nature and include continuity risk, conduct and compliance risk, and people risk.

Financial risks

Profit risk

Profit risk is the risk of failing to achieve financial performance levels, targets and market expectations which may result in reputational damage, financial loss, higher cost of capital, and a diminished capacity to raise capital.

Balance sheet risk

Balance sheet risk encompasses capital risk and credit risk. Capital risk refers to the risk of failing to meet or maintain regulatory capital requirements, capital quality standards, or a satisfactory external credit rating, which could impair the Banking Group's ability to absorb business shocks and raise capital. Credit risk is the risk that a borrower fails to meet their obligations when due, resulting in loss of principal and interest, disruption to cash flows, increased collection costs, and consequent impacts on profitability. Refer to Note 22 - Credit risk exposure for further details.

Liquidity and funding risk

Liquidity and funding risks refer to the risk of being unable to secure sufficient, appropriately diversified funding with suitable tenor and pricing, or to meet payment obligations as they fall due. Refer to Note 24 - Liquidity and funding risk for further details.

Market risk

Market risk is the possibility of experiencing losses or gains due to factors affecting the overall performance of financial markets in which the Banking Group is exposed. The primary market risk exposures for the Banking Group are interest rate risk and foreign exchange risk. The risk arises from potential changes in market interest rates or foreign exchange rates that could adversely affect the Banking Group’s earnings. This may result from unfavourable movements in exchange rates or, in the case of interest rate risk, from mismatches between the repricing dates of interest-bearing assets and liabilities and/or differences between customer pricing and wholesale funding rates.

Interest rate risk

Interest rate risk refers to exposure of an entity’s earnings and / or capital because of a mismatch between the interest rate exposures of its assets and liabilities. Interest rate risk for the Banking Group arises from the provision of non-traded retail banking products and services and from traded wholesale transactions entered into to reduce aggregate interest rate risk (known as hedges). This risk arises from the following key sources:

- Mismatches between the repricing dates of interest-bearing assets and liabilities (yield curve and repricing risk);
- Banking products repricing differently to changes in wholesale market rates (basis risk);
- Loan prepayment or deposit early withdrawal behaviour from customers that deviates from the expected or contractually agreed behaviour (optionality risk);

21 Enterprise risk management program (continued)

Financial risks (continued)

Interest rate risk (continued)

- The effect of internal or market forces on a bank's net interest margin where, for example, in a low rate environment any fall in rates will further decrease interest income earned on the assets whereas funding cost cannot be reduced as it is already at the minimum level (margin compression risk); and
- The risk that the fair value of financial instruments will change when interest rates change (price risk). This is particularly relevant for the Banking Group's fair-valued assets, such as its liquid asset portfolio, which the fair value of is relied upon to support the Banking Group's funding requirements.

Refer to Note 25 - Interest rate risk for further details regarding interest rate risk.

Foreign exchange risk

Foreign exchange (FX) risk arises from a change in FX rates for assets, liabilities, profit, or income denominated in an entity's non-functional currency. Functional currency is the currency in which an entity primarily operates.

FX risk has the below components:

- Structural FX risk refers to the risk that an entity is exposed to when its assets, liabilities, or capital resources are denominated in a currency that is different to its reporting currency. This risk does not impact earnings unless and until the investment is sold. However, it does impact shareholder equity through revaluations of the net asset value through the foreign currency translation reserve.
- Profit translation risk is the risk that deviations in exchange rates significantly impact the translated value of a foreign currency-based operation's profit, creating volatility in the entity's reported profit.
- Balance sheet translation risk - arises from monetary assets and liabilities denominated in foreign currencies. Movements in FX rates change the equivalent value of foreign currency-denominated assets and liabilities through the entity's reported profit.

The Banking Group's investment of capital in foreign currency operations generates an exposure to changes in foreign exchange rates. The Banking Group has exposure to foreign currency translation risks through its Australian subsidiaries which have functional currency of Australian dollars (AUD). Variations in the value of these foreign currency operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity. The Banking Group incurs some non-traded foreign currency risk related to the potential repatriation of profits from its Australian subsidiaries.

The Banking Group does not currently hedge its net investments in foreign operations except in circumstances where there is a material exposure arising from a currency that is anticipated to be volatile, and the hedging is cost effective. This risk is routinely monitored, and hedging is conducted where it is likely to add shareholder value.

The Banking Group's sensitivity to movements in the FX rates arises mainly from the translation of the profit generated by its Australian subsidiaries and the AUD-denominated monetary assets and liabilities. The Banking Group's FX sensitivity analysis is based on the Australian subsidiaries' annual profit representing an annual exposure to profit translation risk. Additionally, it incorporates the exposure related to the Banking Group's AUD-denominated cash balance as at 30 June 2024, which is excluded from the total exposure as at 30 June 2025, as it was fully hedged through an FX forward contract as at the reporting date.

The following sensitivity analysis measures the impact on the Banking Group's net profit after tax and equity from a reasonably possible movements in AUD/NZD exchange rates, given the historical exchange rate volatility, with all other variables remaining constant.

$000's	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	As at 30 June 2025		As at 30 June 2024	
AUD/NZD exchange rate - increase 1%	(295)	(212)	(173)	(124)
AUD/NZD exchange rate - decrease 1%	301	217	176	127

21 Enterprise risk management program (continued)

Financial risks (continued)

Counterparty credit risk

Counterparty credit risk is the risk that the Banking Group's earnings and/or capital are adversely impacted by the default of a counterparty.

The Banking Group has on-going credit exposure associated with:

- Cash and cash equivalents;
- Finance receivables;
- Holding of investment securities; and
- Payments owed to the Banking Group from risk management instruments.

Counterparty credit risk is managed against limits set in the Market Risk Policy including credit exposure on derivative contracts, bilateral set-off arrangements, cash and cash equivalents and investment securities.

Non-financial risks

Non-financial risks encompass operational and compliance risks including conduct, regulatory, third party, cyber and other business interruption risks arising from day-to-day operational activities in the execution of the Banking Group's strategy which may result in direct or indirect loss. Operational and compliance risk losses can occur as a result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The losses range from direct financial losses to reputational damage, unfavourable media attention, injury to or loss of staff or clients or as a breach of laws or banking regulations. Where appropriate, risks are mitigated by insurance.

The Banking Group's exposure to operational and compliance risk is governed by a RAS approved by the Board and is used to guide management activities. This statement sets out the nature of risk which may be taken and aggregate risk limits, which are monitored by the ERC and BRC.

Climate-related risks

Climate-related risks are integrated into the Banking Group's overall risk management strategy and processes.

Risk Management

HBL has a defined risk tolerance for climate-related risk, which is monitored as part of HBL's RAS, reviewed, and updated at least annually to incorporate necessary changes and consider any new material emerging risks.

For HBL, climate-related risks primarily manifest as credit risk. HBL's business strategy outlines its credit appetite for business lending, reviewed at least annually with consideration given to climate-related risks. HBL's credit risk management processes incorporate consideration of climate-related risks for the HBL's large customers initially at onboarding and subsequently during annual reviews. Climate-related risks for HBL's portfolio-managed exposures are continually monitored.

HBL conducts an annual ICAAP to ensure adequate capital in relation to its risk profile, including climate-related risks. The Banking Group's Enterprise Operational Risk Assessment identifies and assists in the proactive management of the most critical operational risks, including climate-related risks, by establishing inherent and residual risk ratings to monitor risk exposure.

All Banking Group business units are required to review their RCSA at least annually. The RCSA primarily focuses on key operational risks and considers climate-related risks where relevant.

The Australian Banking Group's credit risk management processes also incorporate consideration of climate-related risks.

21 Enterprise risk management program (continued)

Climate-related risks (continued)

Risk Management (continued)

Governance

The Board is responsible for the Banking Group's strategy and risk appetite ensuring climate-related risks and opportunities are considered. Oversight, assessment and management of climate-related risks and opportunities occur within HBL and HBA given their direct involvement in business operations and decision-making.

The HGH Sustainability Committee meets at least quarterly to consider climate-related risks and opportunities and provide updates, guidance, and leadership regarding climate initiatives to the Board. HBL and HBA benefit from the work carried out by the HGH Sustainability Committee, the members of which are a director of each of HGH, HBL and HBA, although they have their own Boards of Directors and management teams.

The ERC receives quarterly updates on risk appetite and status, including the status of climate-related risks, as well as quarterly Climate Change Composite Assessment capturing HBL and HBA climate-related risks.

HBL and HBA management are responsible for executing the initiatives, metrics and targets allocated based on accountability.

Strategy

The Banking Group's sustainability strategy continues to evolve with the ongoing commitment to reducing its direct environmental impact, creating business practices that support positive environmental outcomes and fostering an internal culture of environmental awareness. The Banking Group's strategy is built upon three pillars:

- building the capability to appropriately take climate change risks into consideration when making lending decisions,
- funding borrowers' transition to a net-zero economy; and
- embedding sustainability into every aspect of the Banking Group's operations.

The Banking Group integrates climate-related risks and opportunities into its wider business strategy, supported by ongoing monitoring of these risks through specific metrics and set targets focused on sustainable finance and its own operational emissions.

The Banking Group assesses the impact of climate-related risks on its financial position and performance. Although climate change introduces an element of uncertainty, the Banking Group has determined that climate-related risks do not have a material impact on the judgements, assumptions, and estimates for the year ended 30 June 2025 (2024: same). HGH will release its Climate Report for the year ended 30 June 2025 by 30 September 2025, providing further details on the Banking Group's approach to climate-related risks.

22 Credit risk exposure

Credit risk is the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to make. The risk is primarily that of the lender and includes loss of principal and interest, disruption to cash flows and increased collection costs.

Credit risk is managed to achieve sustainable risk-reward performance whilst maintaining exposures within acceptable risk “appetite” parameters. This is achieved through the combination of governance, policies, systems and controls, underpinned by commercial judgement as described below.

To manage this risk the ERC oversees the formal credit risk management strategy. The ERC reviews the Banking Group's credit risk exposures typically on a monthly basis. The credit risk management strategies aim to ensure that:

- Credit origination meets agreed levels of credit quality at point of approval;
- Sector concentrations are monitored;
- Maximum total exposure to any one debtor is actively managed;
- Changes to credit risk are actively monitored with regular credit reviews.

The BRC also oversees the Banking Group's credit risk exposures to monitor overall risk metrics having regard to risk appetite set by the Board.

The BRC has authority from the Board for approval of all credit exposures. Lending authority has been provided by the BRC to the Banking Group's Credit Committee, and to the business units under a detailed Delegated Lending Authority framework. Application of credit discretions in the business operation are monitored through a defined review and hindsight structure as outlined in the Credit Risk Oversight Policy. Delegated Lending Authorities are provided to individual officers with due cognisance of their experience and ability. Larger and higher risk exposures require approval of senior management, the Credit Committee and ultimately through to the BRC.

The Banking Group employs a credit risk oversight process of hindsighting loans to ensure that credit policies and the quality of credit processes are maintained.

HBA Board has authority for approval for all credit exposures for HBA and its subsidiaries.

Reverse mortgage loans and negative equity risk

Reverse mortgage loans are a form of mortgage lending designed for the needs of people over 60 years of age. These loans differ to conventional mortgages in that they typically are not repaid until the borrower ceases to reside in the property. Further, interest is not required to be paid, it is capitalised into the loan balance and is repayable on termination of the loan. As such, there are no incoming cash flows and therefore no default risk to manage during the term of the loan. Negative equity risk arises from the promise by the Banking Group that the maximum repayment amount is limited to the net sale proceeds of the borrowers' property.

The Banking Group's exposure to negative equity risk is managed via lending standards specific for this product. In addition to usual criteria regarding the type, and location, of security property that the Banking Group will accept for reverse mortgage lending, a key aspect of the Banking Group's policy is that a borrower’s age on origination of the reverse mortgage loan will dictate the loan-to-value ratio of the reverse mortgage on origination. New Zealand and Australia reverse mortgage lending standards and operations are well aligned.

Business Finance Guarantee Scheme (BFGS)

The Bank, along with other registered banks in New Zealand, has entered into a Deed of Indemnity with the New Zealand Government to implement the New Zealand Government's Business Finance Guarantee Scheme (the Scheme). The purpose of the Scheme is to provide short term credit to eligible small and medium size businesses, who have been impacted by the economic effects of COVID-19. The scheme allowed banks to lend to a maximum of $5 million for a maximum of five years. The New Zealand Government will guarantee 80% of any loss incurred (credit risk) with Bank holding the remaining 20%. The Scheme concluded on 30 June 2021. As at 30 June 2025 the Bank had a total exposure of $32.1 million (2024: $42.2 million) to its customers under this Scheme.

22 Credit risk exposure (continued)

North Island Weather Events (NIWE) Loan Guarantee Scheme

On 31 July 2023, the Bank entered into a Deed of Indemnity with the New Zealand Government to implement the North Island Weather Events Loan Guarantee Scheme. The supported loans are intended to assist New Zealand businesses to manage the impacts of the North Island Weather Events (during Auckland Anniversary weekend 2023). The facility limit for each supported loan must not exceed $10 million for a maximum of 5 years. The New Zealand Government will guarantee 80% of any loss incurred (credit risk) with the Bank holding the remaining 20%. The Scheme concluded on 30 June 2025. As at 30 June 2025 the Bank had supported loans under this scheme of $31.7 million (2024: $33.2 million).

Maximum exposure to credit risk at the relevant reporting dates

The following table represents the maximum credit risk exposure, without taking into account any collateral held. The exposures set out below are based on net carrying amounts as reported in the statement of financial position, where investments exclude total equity investments and finance receivables measured at amortised cost are presented gross of provision for losses on guaranteed future value products as they do not give rise to credit risk exposure.

$000's	June 2025	June 2024
On balance sheet:		
Cash and cash equivalents	349,745	627,969
Collateral paid	14,239	—
Investments	779,119	1,078,656
Finance receivables measured at amortised cost	3,712,954	4,266,946
Finance receivables - reverse mortgages	3,370,949	2,897,818
Derivative financial assets	4,792	12,316
Other financial assets	3,447	2,421
Total on balance sheet credit exposures	**8,235,245**	**8,886,126**
Off balance sheet:		
Letters of credit, guarantee commitments and performance bonds	5,507	3,130
Undrawn facilities available to customers	565,735	554,307
Conditional commitments to fund at future dates	11,095	9,947
Total off balance sheet credit exposures	**582,337**	**567,384**
Total credit exposures	**8,817,582**	**9,453,510**

Concentration of credit risk by geographic region

$000's	June 2025	June 2024
New Zealand	5,400,485	5,798,512
Australia	3,313,862	3,514,691
Rest of the world[1]	175,014	216,628
	8,889,361	**9,529,831**
Provision for impairment	(71,779)	(76,321)
Total credit exposures	**8,817,582**	**9,453,510**

[1]These overseas assets are primarily NZD-denominated investments in AA+ (Standard & Poor's) and high quality investment grade securities issued by offshore supranational agencies ("Kauri Bonds").

22 Credit risk exposure (continued)

Concentration of credit risk by industry sector

The Australian and New Zealand Standard Industrial Classification (**ANZSIC**) codes have been used as the basis for categorising customer and investees across industry sectors.

$000's	June 2025	June 2024
Agriculture	1,076,425	1,084,047
Forestry and fishing	81,038	113,264
Mining	9,397	10,276
Manufacturing	58,203	69,799
Finance and insurance	1,037,725	1,753,013
Wholesale trade	35,177	40,561
Retail trade and accommodation	362,335	376,927
Households	4,960,991	4,715,535
Other business services	331,264	294,445
Construction	274,653	338,998
Rental, hiring and real estate services	182,361	196,329
Transport and storage	377,937	431,665
Other	101,855	104,972
	8,889,361	**9,529,831**
Provision for impairment	(71,779)	(76,321)
Total credit exposures	**8,817,582**	**9,453,510**

Credit exposures to connected persons

The Banking Group's methodology for calculating credit exposure concentrations is on the basis of actual credit exposures and calculated on a gross basis (net of individual credit impairment allowances and excluding advances of a capital nature) in accordance with the Bank's Conditions of Registration and the Reserve Bank's Connected Exposures Policy (**BS8**). Peak end-of-day aggregate credit exposures to connected persons has been derived using maximum end-of-day aggregate amount of credit exposure over the year and then dividing that amount by the Banking Group's Tier 1 capital as at 30 June 2025.

In accordance with its conditions of registration, the Banking Group must comply with all requirements set out in the RBNZ's standard BS8 Connected Exposures effective from 1 October 2023. Exposures to connected persons are not on more favourable terms than corresponding exposures to non-connected persons.

22 Credit risk exposure (continued)

Credit exposures to connected persons (continued)

	As at 30 June 2025	Peak End-of-Day for Year Ended 30 June 2025
Credit exposures to connected persons ($000's)	2,227	7,853
As a percentage of Tier 1 capital of the Banking Group at the end of the year	0.24%	0.84%
Credit exposures to non-bank connected persons ($000's)	2,227	7,853
As a percentage of Tier 1 capital of the Banking Group at the end of the year	0.24%	0.84%

As at 30 June 2025, the Banking Group had no aggregate contingent exposures to connected persons arising from unfunded contingent credit protection arrangements provided by any connected persons. The aggregate amount of the Banking Group's loss allowance for credit exposures to connected persons that are credit-impaired was nil at 30 June 2025.

Credit exposure to individual counterparties

The Banking Group's aggregate concentration of credit exposure to individual counterparties is calculated based on the actual credit exposure. Credit exposures to connected persons, the central government or central bank of any country with a long term credit rating of A- or A3 or above, or its equivalent, and any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent are excluded.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant six-month period and then dividing the amount by the Banking Group's CET1 capital at 30 June 2025.

	Number of Exposures as at 30 June 2025	Number of Exposure Peak End-of-day over 6 months to June 2025
Exposures to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent:		
10% to less than 15% of CET1 capital	—	—
15% to less than 20% of CET1 capital	—	—
20% to less than 25% of CET1 capital	—	—
25% to less than 30% of CET1 capital	1	—
30% to less than 35% of CET1 capital	—	1
35% to less than 40% of CET1 capital	—	—
40% to less than 45% of CET1 capital	—	—
45% to less than 50% of CET1 capital	—	1
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	—	—
Exposures to non-banks		
Total number of exposures to non-banks that are greater than 10% to less than 15% of CET1 capital that have a long-term credit rating of A- or A3 or above.	—	1
Total number of exposures to non-banks that are greater than 10% to less than 15% of CET1 capital that do not have a long-term credit rating.	—	—

22 Credit risk exposure (continued)

Collateral held

The Banking Group employs a range of policies and practices to mitigate credit risk and has internal policies on the acceptability of specific classes of collateral. Collateral is held as security to support credit risk on finance receivables and enforced in satisfying the debt in the event contractual repayment obligations are not met. The collateral held for mitigating credit risk for the Banking Group's lending portfolios is outlined below.

Reverse mortgage and Residential mortgage loans

Reverse mortgage loans are secured by a first mortgage over a residential property which is typically a customer's primary residential dwelling, residential investment property or holiday home. Residential mortgage loans are secured by a residential mortgage over an owner-occupied property located in an approved urban area.

Corporate lending

Business lending including rural lending is typically secured by way of a charge over property and/or specific security agreement over relevant business assets, and, where considered appropriate, a general security agreement to provide the ability to control cash flows.

Other lending

Other lending comprises personal loans, primarily motor loans, which are secured by a motor vehicle or a boat; and other shorter term smaller personal loans which are predominantly unsecured.

The Banking Group analyses the coverage of the loan portfolio which is secured by the collateral it holds.

Coverage is measured by the value of security as a proportion of loan balance outstanding and classified as follows:

Fully secured	Greater or equal to 100%
Partially secured	1% - 99.9%
Unsecured	No security held

The Banking Group's loan portfolio have the following coverage from collateral held on credit impaired loans:

	Corporate	Residential	All other
June 2025			
Fully secured	15%	100%	45%
Partially secured	82%	—%	36%
Unsecured	3%	—%	19%
Total	**100%**	**100%**	**100%**
June 2024			
Fully secured	47%	100%	69%
Partially secured	37%	—%	10%
Unsecured	16%	—%	21%
Total	**100%**	**100%**	**100%**

23 Asset quality

The disclosures in this note are categorised by the following credit risk concentrations:

Corporate Business lending including rural lending.

Residential Lending secured by a first ranking mortgage over a residential property used primarily for residential purposes either by the mortgagor or a tenant of the mortgagor.

All Other This relates primarily to consumer lending to individuals.

Information is not presented in respect of other financial assets or credit related commitments as the related allowances for ECL are not material to the Banking Group.

(a) Past due but not individually impaired

$000's	Corporate	Residential[1]	All Other	Total
June 2025				
Less than 30 days past due	43,924	7,455	38,193	89,572
At least 30 but less than 60 days past due	27,410	18,216	11,099	56,725
At least 60 but less than 90 days past due	37,678	3,175	5,503	46,356
At least 90 days past due	68,299	23,456	20,779	112,534
Total past due but not individually impaired	**177,311**	**52,302**	**75,574**	**305,187**
June 2024 Restated				
Less than 30 days past due	58,075	2,040	40,042	100,157
At least 30 but less than 60 days past due	28,021	993	16,461	45,475
At least 60 but less than 90 days past due	19,470	4,005	8,266	31,741
At least 90 days past due	71,021	22,460	46,276	139,757
Total past due but not individually impaired	**176,587**	**29,498**	**111,045**	**317,130**

[1]Residential finance receivables comprise $49.4 million (2024: $25.1 million) of past due finance receivables - reverse mortgages which are measured at FVTPL. The comparative amounts have been restated to include this class of past due assets that are not individually impaired.

(b) Credit risk grading

The Banking Group's finance receivables are monitored either by account behaviour (**Behavioural portfolio**) or a regular assessment of their credit risk grade based on an objective review of defined risk characteristics (**Judgemental portfolio**).

The Judgemental portfolio consists mainly of business and rural lending where an on-going and detailed working relationship with the customer has been developed while the Behavioural portfolio consists of consumer, retail and smaller business receivables.

Judgemental loans are individually risk graded based on loan status, financial information, security and debt servicing ability. Exposures in the Judgemental portfolio are credit risk graded by an internal risk grading mechanism where grade 1 is the strongest risk. Grade 8 and grade 9 are the weakest risk grades where a loss is probable. Behavioural loans are managed based on their arrears status.

23 Asset quality (continued)

(b) Credit risk grading (continued)

All loans past due but not impaired have been categorised into three impairment stages (refer to Note 23 – Asset quality (c)) which are in most cases based on arrears status. If a Judgemental loan is risk graded 6 or above it will be classified as stage 2 as a minimum and carry a provision based on lifetime ECL.

	Collectively Assessed				
$000's	**Stage 1**	**Stage 2**	**Stage 3**	**Individually Assessed**	**Total**
June 2025					
Judgemental portfolio					
Grade 1 - Very Strong	256,835	–	–	–	256,835
Grade 2 - Strong	10,593	18,369	–	–	28,962
Grade 3 - Sound	32,226	73	–	–	32,299
Grade 4 - Adequate	431,796	8,614	5,737	–	446,147
Grade 5 - Acceptable	873,047	15,664	2,561	–	891,272
Grade 6 - Monitor	–	118,996	3,628	–	122,624
Grade 7 - Substandard	–	46,529	28,951	–	75,480
Grade 8 - Doubtful	–	–	40	62,786	62,826
Grade 9 - At risk of loss	–	–	52	25,764	25,816
Total Judgemental portfolio	1,604,497	208,245	40,969	88,550	1,942,261
Total Behavioural portfolio	1,755,099	28,617	55,988	2,768	1,842,472
Gross finance receivables measured at amortised cost	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**
Provision for impairment	(16,029)	(7,851)	(23,104)	(24,795)	(71,779)
Total finance receivables measured at amortised cost	**3,343,567**	**229,011**	**73,853**	**66,523**	**3,712,954**
Undrawn facilities available to customers	260,302	4,806	1,090	–	266,198
June 2024					
Judgemental portfolio					
Grade 1 - Very Strong	183,354	–	–	–	183,354
Grade 2 - Strong	40,557	–	–	–	40,557
Grade 3 - Sound	167,230	5,556	536	–	173,322
Grade 4 - Adequate	505,177	14,142	6,940	–	526,259
Grade 5 - Acceptable	977,495	41,505	36,206	–	1,055,206
Grade 6 - Monitor	–	120,611	12,028	–	132,639
Grade 7 - Substandard	–	47,328	17,225	–	64,553
Grade 8 - Doubtful	–	–	141	88,549	88,690
Grade 9 - At risk of loss	–	–	166	6,633	6,799
Total Judgemental portfolio	1,873,813	229,142	73,242	95,182	2,271,379
Total Behavioural portfolio	2,014,630	12,491	43,481	1,286	2,071,888
Gross finance receivables measured at amortised cost	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**
Provision for impairment amortised cost	(14,361)	(5,197)	(34,281)	(22,482)	(76,321)
Total finance receivables measured at amortised cost	**3,874,082**	**236,436**	**82,442**	**73,986**	**4,266,946**
Undrawn facilities available to customers	272,829	1,805	904	–	275,538

23 Asset quality (continued)

(c) Provision for impairment

Policy

Impairment of finance receivables measured at amortised cost

At each reporting date, the Banking Group applies a three-stage approach to measuring ECL of finance receivables not carried at fair value. The ECL model assesses whether there has been a significant increase in credit risk since initial recognition.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

For the purposes of a collective evaluation of impairment, finance receivables are grouped based on shared credit risk characteristics, credit risk ratings, contractual term, date of initial recognition, remaining term to maturity, customer type and other relevant factors.

The ECL model is a forward-looking model where impairment allowances are recognised before losses are actually incurred. On initial recognition, an impairment allowance is required, based on events that are possible in the next 12 months.

Assets may migrate between the following stages based on their change in credit quality:

Stage 1 - 12 months ECL (past due 30 days or less)

Where there has been no evidence of increased credit risk since initial recognition, and finance receivables are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2 - Lifetime ECL not credit impaired (greater than 30 but less than 90 days past due)

Where there has been a significant increase in credit risk.

Stage 3 - Lifetime ECL credit impaired (90 days past due or more)

Objective evidence of impairment, are considered to be in default or otherwise credit impaired.

Credit quality of financial assets

The Banking Group internally computes probability of default using historical default data, to assess the potential risk of default of the lending, or other financial services products, provided to counterparties or customers. The Banking Group has defined counterparty probabilities of default across consumer, retail, business and rural portfolios.

The Banking Group considers a receivable to be in default when contractual payments are 90 days or more past due, or when it is considered unlikely that the credit obligation to the Banking Group will be paid in full without recourse to actions, such as realisation of security.

Finance receivables are written off against the related impairment allowance when there is no reasonable expectation of recovery. Any recoveries of amounts previously written off are credited to credit impairment expense in profit or loss.

In determining whether credit risk has increased all available information relevant to the assessment of economic conditions at the reporting date are taken into consideration. To do this the Banking Group considers its historical loss experience and adjusts this for current observable data based on a loss curve distribution.

The calculation of expected credit loss is modelled for portfolios of like assets. For portfolios which are either new or too small to model, judgement is used to determine impairment provisions.

23 Asset quality (continued)

Policy (continued)

Credit quality of financial assets (continued)

For assets that are individually assessed for ECL, the allowance for ECL is calculated directly as the difference between the defaulted assets carrying value and the recoverable amount (being the present value of expected future cash flows, including cash flows from the realisation of collateral or guarantees, where applicable).

Modification of contractual cash flows

The Banking Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

Collectively assessed ECL (stage 1, 2 and 3) - New Zealand

The Bank's models for estimating ECL for each of its portfolios are based on the historical credit experience of those portfolios.The models assume that economic conditions remain static over time, and the provision is calculated as a point in time estimate. During the year, the Bank has recalibrated the probabilities of default and loss given default to align modelled inputs with more recent observations and data. The Bank had also determined that the likelihood of recovery for unsecured loans within Open for Business and Motor Finance portfolios with no established payment arrangements has significantly diminished, resulting in a full provision net of anticipated recoveries against those cohorts of loans. In addition, secured motor loans that are more than 365 days past due have been fully provisioned, net of expected recoveries from the sale of collateral.

Model overlays are required in circumstances where the existing inputs, assumptions and model techniques do not capture all risk factors relevant to the Bank's lending portfolios. An overlay has been applied to allow for the ECL impacts of considering all possible outcomes (multiple economic scenarios or MES) on forward-looking loss rates. The overlay is determined by building distribution curves for each portfolio based on previous loss rates, which involves finding the probability for each loss rate based on historical loss experience. The MES-weighted loss rates for each portfolio are estimated by weighting all possible losses by their associated probabilities across the distribution curves. The MES-weighted loss rates are then compared against the base ECL rates for each portfolio, with the rate differential determined as the required adjustment for the portfolios.

The rate differential is then applied on each of the portfolios to derive the overlay. The total quantum of the overlay at 30 June 2025 is $3.16 million (2024: $1.78 million). This includes an overlay for geopolitical risk of $0.5 million (2024: nil), which represents the expected incremental losses arising from current global geopolitical uncertainty.

Judgement is applied in determining if the forward-looking loss rates represent the expected loss rates of the portfolios, noting that the actual performance of the portfolios may vary significantly from expectations. The below represents different components of the collective ECL, including the impact of incorporating forward-looking loss rates for MES and geopolitical overlay.

Upside collective ECL (-10% shift)	$43.15m
Base collective ECL	$43.53m
MES-weighted collective ECL without geopolitical overlay	$46.19m
MES-weighted collective ECL with geopolitical overlay	$46.69m

Individually assessed ECL (stage 3) - New Zealand

For loans which are assessed individually for credit impairment, these are predominantly within the Asset Finance and older Business Relationship lending portfolios within the transport, construction, forestry and agriculture sectors. The loss given default since 30 June 2024 for this subset of loans has increased significantly as a direct consequence of poor trading conditions and weaker security valuations since 30 June 2024, resulting in limited prospects of recovery. Accordingly, the provision has increased since 30 June 2024, with subsequent write-off of some of the HBL's loans and associated ECL.

ECL (stage 1,2 and 3) - Australia

There have been no material changes to the ECL in HBA during the year ended 30 June 2025.

23 Asset quality (continued)

(c) Provision for impairment (continued)

$000's	Collectively Assessed Stage 1	Stage 2	Stage 3	Individually Assessed	Total
June 2025					
Corporate					
Impairment allowance as at 30 June 2024	**6,753**	**1,716**	**20,051**	**22,482**	**51,002**
Changes in loss allowance					
Transfer between stages[1]	211	(5,318)	3,596	1,511	–
New and increased provision (net of provision releases)[1]	3,265	9,216	24,121	23,219	59,821
Credit impairment charge	**3,476**	**3,898**	**27,717**	**24,730**	**59,821**
Write-offs	–	–	(31,941)	(22,417)	(54,358)
Effect of changes in foreign exchange rate	(6)	–	–	–	(6)
Impairment allowance as at 30 June 2025	**10,223**	**5,614**	**15,827**	**24,795**	**56,459**
Residential					
Impairment allowance as at 30 June 2024	**165**	**3**	**110**	**–**	**278**
Changes in loss allowance					
Transfer between stages[1]	(117)	110	(110)	117	–
New and increased provision (net of provision releases)[1]	149	(113)	–	(117)	(81)
Credit impairment charge	**32**	**(3)**	**(110)**	**–**	**(81)**
Effect of changes in foreign exchange rate	(18)	–	–	–	(18)
Impairment allowance as at 30 June 2025	**179**	**–**	**–**	**–**	**179**
All Other					
Impairment allowance as at 30 June 2024	**7,443**	**3,478**	**14,120**	**–**	**25,041**
Changes in loss allowance					
Transfer between stages[1]	(234)	(3,862)	4,096	–	–
New and increased provision (net of provision releases)[1]	(1,582)	2,621	12,614	–	13,653
Credit impairment charge	**(1,816)**	**(1,241)**	**16,710**	**–**	**13,653**
Write-offs	–	–	(23,553)	–	(23,553)
Impairment allowance as at 30 June 2025	**5,627**	**2,237**	**7,277**	**–**	**15,141**
Total					
Impairment allowance as at 30 June 2024	**14,361**	**5,197**	**34,281**	**22,482**	**76,321**
Changes in loss allowance					
Transfer between stages[1]	(140)	(9,070)	7,582	1,628	–
New and increased provision (net of provision releases)[1]	1,832	11,724	36,735	23,102	73,393
Credit impairment charge	**1,692**	**2,654**	**44,317**	**24,730**	**73,393**
Write-offs	–	–	(55,494)	(22,417)	(77,911)
Effect of changes in foreign exchange rate	(24)	–	–	–	(24)
Impairment allowance as at 30 June 2025	**16,029**	**7,851**	**23,104**	**24,795**	**71,779**

[1]The increase in provision when a loan moves to a higher stage is included in New and increased provision (net of provision releases) in the higher stage to which the loan moved. The decrease in provision when a loan moves to a lower stage is included in New and increased provision (net of provision releases) in the higher stage from which the loan moved.

23 Asset quality (continued)

(c) Provision for impairment (continued)

$000's	Collectively Assessed Stage 1	Collectively Assessed Stage 2	Collectively Assessed Stage 3	Individually Assessed	Total
June 2024					
Corporate					
Impairment allowance as at 30 June 2023	**11,089**	**1,337**	**8,530**	**16,131**	**37,087**
Business combination under common control	899	–	161	–	1,060
Changes in loss allowance					
Transfer between stages[1]	(1,074)	(2,655)	1,640	2,089	–
New and increased provision (net of provision releases)[1]	(4,147)	3,041	13,957	11,780	24,631
Credit impairment charge	**(5,221)**	**386**	**15,597**	**13,869**	**24,631**
Write-offs	–	–	(4,258)	(7,518)	(11,776)
Effect of changes in foreign exchange rate	(14)	(7)	21	–	–
Impairment allowance as at 30 June 2024	**6,753**	**1,716**	**20,051**	**22,482**	**51,002**
Residential					
Impairment allowance as at 30 June 2023	**127**	**–**	**–**	**–**	**127**
Acquisition of subsidiary	167	–	–	–	167
Changes in loss allowance					
Transfer between stages[1]	–	–	–	–	–
New and increased provision (net of provision releases)[1]	(129)	3	110	–	(16)
Credit impairment charge	**(129)**	**3**	**110**	**–**	**(16)**
Write-offs	–	–	–	–	–
Impairment allowance as at 30 June 2024	**165**	**3**	**110**	**–**	**278**
All Other					
Impairment allowance as at 30 June 2023	**1,034**	**1,111**	**12,786**	**–**	**14,931**
Business combination under common control	37	9	14	–	60
Changes in loss allowance					
Transfer between stages[1]	(333)	(3,032)	3,365	–	–
New and increased provision (net of provision releases)[1]	6,705	5,390	10,877	–	22,972
Credit impairment charge	**6,372**	**2,358**	**14,242**	**–**	**22,972**
Write-offs	–	–	(12,922)	–	(12,922)
Impairment allowance as at 30 June 2024	**7,443**	**3,478**	**14,120**	**–**	**25,041**
Total					
Impairment allowance as at 30 June 2023	**12,250**	**2,448**	**21,316**	**16,131**	**52,145**
Business combination under common control	936	9	175	–	1,120
Acquisition of subsidiary	167	–	–	–	167
Changes in loss allowance					
Transfer between stages[1]	(1,407)	(5,687)	5,005	2,089	–
New and increased provision (net of provision releases)[1]	2,429	8,434	24,944	11,780	47,587
Credit impairment charge	**1,022**	**2,747**	**29,949**	**13,869**	**47,587**
Write-offs	–	–	(17,180)	(7,518)	(24,698)
Effect of changes in foreign exchange rate	(14)	(7)	21	–	–
Impairment allowance as at 30 June 2024	**14,361**	**5,197**	**34,281**	**22,482**	**76,321**

[1]The increase in provision when a loan moves to a higher stage is included in New and increased provision (net of provision releases) in the higher stage to which the loan moved. The decrease in provision when a loan moves to a lower stage is included in New and increased provision (net of provision releases) in the higher stage from which the loan moved.

23 Asset quality (continued)

(d) Impact of changes in gross finance receivables held at amortised cost on allowance for ECL

$000's	Collectively Assessed Stage 1	Collectively Assessed Stage 2	Collectively Assessed Stage 3	Individually Assessed	Total
June 2025					
Corporate					
Gross finance receivables as at 30 June 2024	**2,421,215**	**217,085**	**67,780**	**96,468**	**2,802,548**
Transfer between stages	(181,471)	73,510	75,595	32,366	–
Additions	967,341	–	–	–	967,341
Deletions	(1,059,550)	(70,015)	(37,261)	(15,012)	(1,181,838)
Write-offs	–	–	(31,941)	(22,417)	(54,358)
Effect of changes in foreign exchange rate	(2,842)	(488)	–	(575)	(3,905)
Gross finance receivables as at 30 June 2025	**2,144,693**	**220,092**	**74,173**	**90,830**	**2,529,788**
Residential					
Gross finance receivables as at 30 June 2024	**393,896**	**1,891**	**762**	**–**	**396,549**
Transfer between stages	(1,902)	258	(15)	1,659	–
Additions	30,396	–	–	–	30,396
Deletions	(205,702)	(1,775)	251	(1,170)	(208,396)
Effect of changes in foreign exchange rate	(448)	(5)	–	(1)	(454)
Gross finance receivables as at 30 June 2025	**216,240**	**369**	**998**	**488**	**218,095**
All Other					
Gross finance receivables as at 30 June 2024	**1,073,332**	**22,657**	**48,181**	**–**	**1,144,170**
Transfer between stages	(33,298)	5,497	27,801	–	–
Additions	258,043	–	–	–	258,043
Deletions	(299,414)	(11,753)	(30,643)	–	(341,810)
Write-offs	–	–	(23,553)	–	(23,553)
Gross finance receivables as at 30 June 2025	**998,663**	**16,401**	**21,786**	**–**	**1,036,850**
Total					
Gross finance receivables as at 30 June 2024	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**
Transfer between stages	(216,671)	79,265	103,381	34,025	–
Additions	1,255,780	–	–	–	1,255,780
Deletions	(1,564,666)	(83,543)	(67,653)	(16,182)	(1,732,044)
Write-offs	–	–	(55,494)	(22,417)	(77,911)
Effect of changes in foreign exchange rate	(3,290)	(493)	–	(576)	(4,359)
Gross finance receivables as at 30 June 2025	**3,359,596**	**236,862**	**96,957**	**91,318**	**3,784,733**

23 Asset quality (continued)

(d) Impact of changes in gross finance receivables held at amortised cost on allowance for ECL (continued)

	Collectively Assessed				
$000's	**Stage 1**	**Stage 2**	**Stage 3**	**Individually Assessed**	**Total**
June 2024					
Corporate					
Gross finance receivables as at 30 June 2023	**2,310,034**	**158,956**	**44,709**	**52,955**	**2,566,654**
Business combination under common control	278,680	–	176	–	278,856
Transfer between stages	(203,286)	73,059	76,475	53,752	–
Additions	672,083	–	–	–	672,083
Deletions	(634,764)	(14,834)	(50,932)	(2,487)	(703,017)
Write-offs	(36)	(96)	(2,647)	(7,752)	(10,531)
Effect of changes in foreign exchange rate	(1,496)	–	(1)	–	(1,497)
Gross finance receivables as at 30 June 2024	**2,421,215**	**217,085**	**67,780**	**96,468**	**2,802,548**
Residential					
Gross finance receivables as at 30 June 2023	**322,486**	**–**	**–**	**–**	**322,486**
Acquisition of subsidiary	61,074	–	–	–	61,074
Transfer between stages	(2,653)	1,891	762	–	–
Additions	24,588	–	–	–	24,588
Deletions	(11,356)	–	–	–	(11,356)
Write-offs	–	–	–	–	–
Effect of changes in foreign exchange rate	(243)	–	–	–	(243)
Gross finance receivables as at 30 June 2024	**393,896**	**1,891**	**762**	**–**	**396,549**
All Other					
Gross finance receivables as at 30 June 2023	**1,058,044**	**23,224**	**36,537**	**–**	**1,117,805**
Acquisition of subsidiary	105	–	–	–	105
Business combination under common control	1,909	245	82	–	2,236
Transfer between stages	(55,505)	20,798	34,707	–	–
Additions	587,532	–	–	–	587,532
Deletions	(518,556)	(21,076)	(9,699)	–	(549,331)
Write-offs	(190)	(532)	(13,445)	–	(14,167)
Effect of changes in foreign exchange rate	(7)	(2)	(1)	–	(10)
Gross finance receivables as at 30 June 2024	**1,073,332**	**22,657**	**48,181**	**–**	**1,144,170**
Total					
Gross finance receivables as at 30 June 2023	**3,690,564**	**182,180**	**81,246**	**52,955**	**4,006,945**
Acquisition of subsidiary	61,179	–	–	–	61,179
Business combination under common control	280,589	245	258	–	281,092
Transfer between stages	(261,444)	95,748	111,944	53,752	–
Additions	1,284,203	–	–	–	1,284,203
Deletions	(1,164,676)	(35,910)	(60,631)	(2,487)	(1,263,704)
Write-offs	(226)	(628)	(16,092)	(7,752)	(24,698)
Effect of changes in foreign exchange rate	(1,746)	(2)	(2)	–	(1,750)
Gross finance receivables as at 30 June 2024	**3,888,443**	**241,633**	**116,723**	**96,468**	**4,343,267**

23 Asset quality (continued)

(d) Impact of changes in gross finance receivables held at amortised cost on allowance for ECL (continued)

The Banking Group's provision for impairment had a net reduction of $4.5 million during the year ended 30 June 2025 as follows:

Impact of changes in gross exposures on loss allowances - Corporate exposures

A net increase in provision of $5.5 million due to:

- A net increase in collective provisions of $3.2 million predominantly due to increase in provisions made against motor vehicles and business lending to corporate clients of $35.1 million as a result of further deterioration of economic conditions and diminished recoverability and declining credit quality of these receivables, partially offset by subsequent bad debt write-offs of $31.9 million.
- A net increase in individually assessed provisions of $2.3 million due to the transfer of $32.4 million total receivables within the business portfolio into this category which resulted in additional provisions of $24.7 million made against these loans due to the worsening economic conditions and declining security valuations caused by reduced demand. This is partially offset by subsequent bad debt write-offs of $22.4 million.

Impact of changes in gross exposures on loss allowances - Residential exposures

The Banking Group's provision for impairment has reduced by $0.1 million. There has been no significant change in gross exposures or staging of these exposures.

Impact of changes in gross exposures on loss allowances – All other exposures

A net reduction in collective provisions of $9.9 million reflects:

- An increase in provisions of $13.7 million predominantly relating to motor vehicles lending as a result of diminished recoverability and declining credit quality of these receivables attributed to further deterioration of economic conditions; and
- Subsequent bad debt write-offs of $23.6 million which includes the write-off of receivables and related increased provisions during the year explained above.

(e) Other asset quality information

As at 30 June 2025 there were $0.86 million undrawn lending commitments available to counterparties for whom drawn balances are classified as individually impaired (2024: $0.03 million). As at 30 June 2025, the Banking Group had $3.16 million assets under administration (2024: $0.436 million).

As at 30 June 2025, the contractual amount outstanding on loans to customers written off during the year and are still subject to enforcement activity was $19.12 million (2024: nil).

24 Liquidity and funding risk

Liquidity risk is the risk that the Banking Group will be unable to obtain the necessary funds to meet its financial obligations as they fall due, leading to an inability to support its regular business activities and comply with regulatory liquidity requirements. The timing mismatch of cash flows and the related liquidity risk in all banking operations are closely monitored by the Banking Group.

Measurement of liquidity risk is designed to ensure that the Banking Group has the ability to generate or obtain sufficient cash in a timely manner and at a reasonable price to meet its financial commitments on a daily basis without compromising its operations or financial health.

Funding risk is the risk of excessive reliance on a particular funding source, which may lead to increased overall funding costs or challenges in raising funds. Effective management of funding risk requires maintaining a diverse and stable funding base to ensure the Banking Group can meet its financial obligations under varying conditions.

The Banking Group's exposure to liquidity risk is governed by a policy approved by the Board and managed by GALCO. This policy sets out the nature of the risk which may be taken and aggregate risk limits, that the GALCO must observe. Within this, the objective of the GALCO is to derive the most appropriate strategy for the Banking Group in terms of a mix of assets and liabilities given its expectations of future cash flows, liquidity constraints and capital adequacy. The GALCO employs asset and liability cash flow modelling to determine appropriate liquidity and funding strategies.

The Banking Group has developed a CFP to enable prompt and decisive action during liquidity and funding crises, ensuring the effective implementation of contingency measures. The CFP outlines defined roles and responsibilities, as well as procedures and plans to address disruptions to the Banking Group's ability to meet its liquidity and funding requirements.

The Australian Banking Group manages its own domestic liquidity and funding requirements in accordance with its own liquidity policy and the policies of the Banking Group. HBA's liquidity policy is also overseen by APRA.

In March 2020, the Bank was onboarded by the RBNZ as an approved counterparty and executed a 2011 Global Master Repo Agreement providing an additional source for intra-day liquidity for the Banking Group if required.

The Banking Group holds the following liquid assets and committed funding sources for the purpose of managing liquidity risk:

$000's	**June 2025**	**June 2024**
Cash and cash equivalents	349,745	627,969
Investments in debt securities	779,119	1,078,656
Total liquid assets	**1,128,864**	**1,706,625**
Undrawn committed bank facilities	211,914	465,600
Total liquid assets and committed undrawn funding	**1,340,778**	**2,172,225**

24 Liquidity and funding risk (continued)

Contractual liquidity profile of financial liabilities

The following tables present the Banking Group's financial liabilities by relevant maturity groupings based upon contractual maturity date. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows. As a result, the amounts in the tables below may differ to the amounts reported on the statement of financial position.

The contractual cash flows presented below may differ significantly from actual cash flows. This occurs as a result of future actions by the Banking Group and its counterparties, such as early repayments or refinancing of term loans and borrowings. Deposits and other public borrowings include customer savings deposits and transactional accounts, which are at call. These accounts provide a stable source of long term funding for the Banking Group.

$000's	On Demand	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
June 2025							
Non-derivative financial liabilities							
Deposits	1,027,303	3,834,210	1,460,828	188,042	153,551	–	6,663,934
Other borrowings	–	27,760	251,581	193,519	202,745	363,390	1,038,995
Due to related parties	–	792	–	–	–	–	792
Lease liabilities	–	2,152	1,998	3,985	7,471	114	15,720
Other financial liabilities	–	17,009	–	–	–	–	17,009
Total non-derivative financial liabilities	**1,027,303**	**3,881,923**	**1,714,407**	**385,546**	**363,767**	**363,504**	**7,736,450**
Derivative financial liabilities							
Inflows from derivatives	–	16,604	14,385	22,991	17,795	–	71,775
Outflows from derivatives	–	20,283	19,922	30,997	22,100	–	93,302
Total derivative financial liabilities	**–**	**3,679**	**5,537**	**8,006**	**4,305**	**–**	**21,527**
Undrawn facilities available to customers	565,735	–	–	–	–	–	565,735
June 2024							
Non-derivative financial liabilities							
Collateral received	–	2,384	–	–	–	–	2,384
Deposits	911,654	3,256,750	1,740,935	115,870	95,356	–	6,120,565
Other borrowings	–	205,029	305,010	1,304,185	217,942	443,513	2,475,679
Due to related parties	–	7,653	–	–	–	–	7,653
Lease liabilities	–	2,158	2,212	4,043	10,610	640	19,663
Other financial liabilities	–	16,392	–	–	–	–	16,392
Total non-derivative financial liabilities	**911,654**	**3,490,366**	**2,048,157**	**1,424,098**	**323,908**	**444,153**	**8,642,336**
Derivative financial liabilities							
Inflows from derivatives	–	20,407	7,570	14,491	30,423	–	72,891
Outflows from derivatives	–	22,877	8,750	15,832	31,551	–	79,010
Total derivative financial liabilities	**–**	**2,470**	**1,180**	**1,341**	**1,128**	**–**	**6,119**
Undrawn facilities available to customers	554,307	–	–	–	–	–	554,307

25 Interest rate risk

The Banking Group's market risk is derived primarily of exposure to interest rate risk, predominantly from raising funds through the retail and wholesale deposit market, the debt capital markets and committed and uncommitted bank funding, securitisation of receivables, and offering loan finance products to the commercial and consumer market in New Zealand and Australia.

The Banking Group's exposure to market risk is governed by a policy approved by the Board and managed by the GALCO. This policy sets out the nature of risk which may be taken and aggregate risk limits, and the GALCO must conform to this. The objective of the GALCO is to derive the most appropriate strategy for the Banking Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints and capital adequacy.

The objective of the Banking Group's interest rate risk policies is to limit underlying net profit after tax (**NPAT**) volatility. The measurement comprises net interest income the Banking Group generates from its interest earning assets and interest bearing liabilities.

The exposure to net interest income comes from a reduction in margins on interest earning assets or interest bearing liabilities and is managed when setting rates by taking into consideration wholesale rates, liquidity premiums, as well as appropriate lending credit margins.

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of interest bearing assets and the corresponding liability funding. One of the main causes of these mismatches is timing differences in the repricing of assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process in accordance with the Banking Group's policy.

An analysis of the Banking Group's sensitivity is based on the values of the interest bearing assets and liabilities as at the reporting date, and measures the prospective impact on the net profit after tax and equity from movements in market interest rates by 100 basis points (**BP**), presented in the below table:

$000's	Impact on NPAT	Impact on equity	Impact on NPAT	Impact on equity
	As at 30 June 2025[1]		As at 30 June 2024	
Market interest rates - 100 basis points increase	9,424	9,424	255	255
Market interest rates - 100 basis points decrease	(9,424)	(9,424)	(255)	(255)

[1]The increase in interest rate sensitivity is driven by changes in the Banking Group's funding composition - specifically longer repricing periods - resulting from its transition from floating wholesale to retail funding sources with unhedged interest rate risk exposure.

The Banking Group also manages interest rate risk by:

- Monitoring trends in interest rates to limit any potential adverse impact on earnings;
- Monitoring maturity profiles and seeking to match the re-pricing of assets and liabilities;
- Monitoring interest rates daily and regularly (at least monthly) reviewing interest rate exposures; and
- Entering into derivatives to hedge against movements in interest rates.

25 Interest rate risk (continued)

Contractual repricing analysis

The interest rate risk profile of financial assets and liabilities that follows has been prepared on the basis of maturity or next repricing date, whichever is earlier.

$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non-Interest Bearing	Total
June 2025							
Financial assets							
Cash and cash equivalents	349,745	–	–	–	–	–	349,745
Collateral paid	14,239	–	–	–	–	–	14,239
Investments	442,404	–	14,761	56,220	265,734	12,641	791,760
Derivative financial assets	–	–	–	–	–	4,792	4,792
Finance receivables measured at amortised cost	1,512,404	328,880	445,418	604,968	819,780	–	3,711,450
Finance receivables - reverse mortgages	3,370,949	–	–	–	–	–	3,370,949
Other financial assets	–	–	–	–	–	3,447	3,447
Total financial assets	**5,689,741**	**328,880**	**460,179**	**661,188**	**1,085,514**	**20,880**	**8,246,382**
Financial liabilities							
Deposits	3,110,786	1,670,886	1,409,173	174,359	129,221	38,369	6,532,794
Other borrowings	666,594	–	–	–	158,860	–	825,454
Due to related parties	–	–	–	–	–	792	792
Derivative financial liabilities	–	–	–	–	–	20,660	20,660
Lease liabilities	–	–	–	–	–	14,390	14,390
Other financial liabilities	–	–	–	–	–	17,009	17,009
Total financial liabilities	**3,777,380**	**1,670,886**	**1,409,173**	**174,359**	**288,081**	**91,220**	**7,411,099**
Effect of derivatives held for risk management	860,941	93,460	(108,267)	(444,536)	(401,598)	–	–
Net financial assets/(liabilities)	**2,773,302**	**(1,248,546)**	**(1,057,261)**	**42,293**	**395,835**	**(70,340)**	**835,283**

25 Interest rate risk (continued)

Contractual repricing analysis (continued)

$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non-Interest Bearing	Total
June 2024							
Financial assets							
Cash and cash equivalents	627,969	—	—	—	—	—	627,969
Investments	4,461	605,518	154,873	57,641	256,163	13,475	1,092,131
Derivative financial assets	—	—	—	—	—	12,316	12,316
Finance receivables measured at amortised cost	1,869,269	393,187	589,162	797,035	618,293	—	4,266,946
Finance receivables - reverse mortgages	2,897,818	—	—	—	—	—	2,897,818
Other financial assets	—	—	—	—	—	2,421	2,421
Total financial assets	**5,399,517**	**998,705**	**744,035**	**854,676**	**874,456**	**28,212**	**8,899,601**
Financial liabilities							
Collateral received	2,384	—	—	—	—	—	2,384
Deposits	2,751,389	1,334,469	1,659,617	109,708	73,864	38,192	5,967,239
Other borrowings	1,883,541	—	—	—	157,222	—	2,040,763
Due to related parties	—	—	—	—	—	7,653	7,653
Derivative financial liabilities	—	—	—	—	—	9,017	9,017
Lease liabilities	—	—	—	—	—	17,776	17,776
Other financial liabilities	—	—	—	—	—	16,392	16,392
Total financial liabilities	**4,637,314**	**1,334,469**	**1,659,617**	**109,708**	**231,086**	**89,030**	**8,061,224**
Effect of derivatives held for risk management	1,219,913	(145,235)	(277,771)	(405,932)	(390,975)	—	—
Net financial assets/(liabilities)	**1,982,116**	**(480,999)**	**(1,193,353)**	**339,036**	**252,395**	**(60,818)**	**838,377**

The tables above illustrate the periods in which the cash flows from interest rate swaps are expected to occur and affect profit or loss.

26 Concentrations of funding

(a) Concentration of funding by industry

ANZSIC codes have been used as the basis for categorising customer and investee industry sectors.

$000's	June 2025	June 2024
Agriculture	114,988	104,818
Forestry and fishing	14,038	18,745
Manufacturing	46	178
Mining	17,809	17,698
Finance and insurance	1,866,998	3,026,189
Wholesale trade	6,618	10,207
Retail trade and accommodation	32,053	30,410
Households	4,669,968	4,287,925
Rental, hiring and real estate services	62,663	101,495
Construction	25,517	28,914
Other business services	461,519	337,560
Transport and storage	6,509	6,512
Other	79,522	37,351
Total borrowings	**7,358,248**	**8,008,002**

(b) Concentration of funding by geographical area

$000's	June 2025	June 2024
New Zealand	4,548,781	4,939,533
Australia	2,731,585	3,005,336
Rest of the world	77,882	63,133
Total borrowings	**7,358,248**	**8,008,002**

Other Disclosures

27 Significant subsidiaries

Significant subsidiaries	Country of incorporation and place of business	Nature of business	Proportion of ownership and voting power held June 2025	June 2024
VPS Properties Limited	New Zealand	Investment property holding company	100%	100%
Marac Insurance Limited[1]	New Zealand	Insurance services	100%	100%
Heartland Bank Australia Limited	Australia	Bank	100%	100%
Heartland Australia Holdings Pty Limited	Australia	Financial services	100%	100%
Heartland Australia Group Pty Limited	Australia	Financial services	100%	100%
Australian Seniors Finance Pty Limited	Australia	Management services	100%	100%
StockCo Holdings 2 Pty Limited	Australia	Financial services	100%	100%
StockCo Australia Management Pty Limited	Australia	Management services	100%	100%

[1]Effective 27 June 2025, MIL is no longer licensed to carry out insurance business in New Zealand. Refer to Significant events section within Note 1 - Financial statements preparation for further details.

28 Structured entities

A structured entity is one which has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are created to accomplish a narrow and well-defined objective such as the securitisation or holding of particular assets, or the execution of a specific borrowing or lending transaction. Structured entities are consolidated where the substance of the relationship is that the Banking Group controls the structured entity.

(a) Heartland Cash and Term PIE Fund (Heartland PIE Fund)

The Banking Group controls the operations of the Heartland PIE Fund which is a portfolio investment entity that invests in the Banking Group's deposits. Investments of Heartland PIE Fund are represented as follows:

$000's	June 2025	June 2024
Deposits	476,489	389,388

(b) Heartland Auto Receivable Warehouse Trust 2018-1 (HARWT)

HARWT securitises motor vehicle loan receivables as a source of funding.

The Banking Group continues to recognise the securitised assets and associated borrowings in the statement of financial position as the Banking Group remains exposed to and has the ability to affect variable returns from those assets and liabilities. Although the Banking Group recognises those interests in HARWT, the loans sold to HARWT are set aside for the benefit of investors in HARWT. Other depositors and lenders to the Banking Group have no recourse to those assets.

$000's	June 2025[1]	June 2024
Cash and cash equivalents	14,450	43,646
Finance receivables measured at amortised cost	171,336	540,075
Other borrowings	(183,062)	(550,144)

[1]The reduction in HARWT securitised assets balance is mainly related to the repurchase of $368.7 million of motor vehicle loan receivables from HARWT by HBL and a reduction in its securitisation facility limit from $600 million to $320 million during the year. Refer to Note 14 – Borrowings for further details.

28 Structured entities (continued)

(c) Seniors Warehouse Trust No.2 (SWT Trust) and Australian Seniors Finance Settlement Trust (ASF Trust)

SWT Trust and ASF Trust (collectively **the Trusts**) form part of Australian Seniors Finance Pty Limited (**ASF**) reverse mortgage business and were set up by ASF as asset holding entities. The Trustee for the Trusts is ASF Custodians Pty Limited, and the Trust Manager is ASF. The reverse mortgage loans held by the Trusts are set aside for the benefit of the investors in the Trusts. The balances of SWT Trust and ASF Trust are represented as follows:

$000's	June 2025[1]	June 2024
Cash and cash equivalents	32,210	68,316
Finance receivables - reverse mortgages	407,275	852,119
Other borrowings	(417,809)	(787,373)

[1]The reduction in the SWT Trust securitised assets balance is mainly related to the repurchase of $444.8 million of reverse mortgage receivables by HBA and a reduction in SWT2 securitisation facility limit from $821 million (A$750 million) to $281 million (A$260 million) as part of execution of its date-based calls (a repurchase of the remaining securitised assets on a predetermined date before their full repayment or maturity) during the year. Refer to Note 14 – Borrowings for further details.

(d) Atlas 2020-1 Trust (Atlas Trust)

Atlas Trust was set up on 11 September 2020 as part of ASF's reverse mortgage business similar to the existing SWT2 Trust and ASF Trust. The Trustee for the Trust is BNY Trust Company of Australia Limited and the Trust Manager is ASF. The balances of Atlas Trust are represented as follows:

$000's	June 2025	June 2024
Cash and cash equivalents	19,681	16,322
Finance receivables - reverse mortgages	148,993	152,156
Other borrowings	(144,949)	(144,635)

(e) StockCo Securitisation Trust 2022-1 (StockCo Trust)

StockCo Securitisation Trust 2022-1 was set up on 31 May 2022 as part of StockCo Australia's livestock business. The Trustee for the Trust is AMAL Trustees Pty Limited and the Trust Manager is AMAL Management Services Pty Limited. The balances of StockCo Securitisation Trust 2022-1 are represented as follows:

$000's	June 2025[1]	June 2024
Cash and cash equivalents	–	47,704
Finance receivables measured at amortised cost	–	171,960
Other borrowings	–	(211,046)

[1]StockCo Trust securitisation facility limit was cancelled on 18 November 2024, with subsequent full repayment of its securitised borrowings and repurchase of livestock finance receivables by HBA during the year.

29 Capital adequacy and regulatory liquidity ratios - unaudited

The Reserve Bank of New Zealand (**RBNZ**) minimum regulatory capital requirements for banks have been established under the RBNZ Capital Adequacy Framework, outlined in the "Banking Prudential Requirements" (**BPRs**) documents. These documents are based on the international framework developed by the Bank for International Settlements Committee on Banking Supervision, commonly known as Basel III. These requirements define what is acceptable as capital and provide methods for measuring risks incurred by the banks in New Zealand. Basel III consists of three pillars:

- Pillar One covers the capital requirements for banks for credit, operational, and market risks;
- Pillar Two covers all other material risks not already included in Pillar One; and
- Pillar Three relates to market disclosure.

RBNZ Capital Adequacy Framework

Pursuant to the acquisition of Heartland Bank Australia (**HBA**), which was completed on 30 April 2024, RBNZ issued Conditions of Registration (**CoR**) for Heartland Bank Limited that modified how capital adequacy was to be calculated and applied after 30 April 2024. These included the requirement that Heartland Bank Limited must manage the capital requirements of the Banking Group and the New Zealand Banking Group in line with these CoR. Refer to New Zealand Banking Group disclosures - unaudited for further details.

The Banking Group has calculated its Risk Weighted Exposures (**RWEs**) and minimum regulatory capital requirements in accordance with the CoR and the BPR documents, where relevant. In doing so, the Banking Group has applied the following methodology:

- Calculated the total credit risk - Risk Weighted Assets (**RWAs**) for the New Zealand operations as per BPR 130: Credit Risk RWAs;
- Calculated the total credit risk RWAs for HBA and its subsidiaries as per Australian Prudential Standard (**APS**)112 Capital Adequacy: Standardised Approach to Credit Risk (**APS112**) and APS180 Capital Adequacy: Counterparty Credit Risk (**APS180**);
- Calculated the Banking Group's capital requirement for market risk exposure as per BPR140: Market Risk; and
- Calculated the Banking Group's capital requirement for operational risk as per BPR150: Standardised Operational Risk.

Total regulatory capital is divided into Tier 1 and Tier 2 capital. Tier 1 capital comprises Common Equity Tier 1 (**CET1**) capital and Additional Tier 1 (**AT1**) capital. Tier 1 capital primarily consists of shareholder's equity and other capital instruments acceptable to the RBNZ as per BPR110: Capital Definitions (**BPR110**)**,** less intangible assets, cash flow hedge reserves, deferred tax assets, and other prescribed deductions. Tier 2 as per BPR110 comprises eligible subordinated debt securities and revaluation reserves.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of RWEs. As a Condition of Registration, the Bank must comply with the following minimum requirements set by the RBNZ:

- Total capital of the Banking Group and New Zealand Banking Group must not be less than 11% of RWE[1]
- Tier 1 capital of the Banking Group and New Zealand Banking Group must not be less than 9% of RWE[1]
- CET1 capital of the Banking Group and New Zealand Banking Group must not be less than 6.5% of RWE[1]

[1] Includes the RBNZ's 2% capital overlay attached to the Bank's CoR.

In addition, if the Prudential Buffer Ratio (**PCR**) of the Banking Group is less than 2.5%, the Bank must limit aggregate distributions, other than discretionary payments payable to holders of AT1 capital instruments, to the limits set out within the Bank's CoR.

Including the PCR, the Banking Group's minimum total capital requirement is 13.5%. On 5 December 2019 the RBNZ finalised their revised Capital Framework for banks which were not domestic systematically important banks (**non D-SIB**). This requires non D-SIB in New Zealand to gradually increase their Total Capital ratio to 16% by July 2028. The Banking Group's Total Capital ratio is 16.46% as at 30 June 2025, above this minimum requirement. As part of the phasing increase in capital buffers, from 1 July 2025 the conservative buffer will increase from 2.5% to 3.5%. The Banking Group's total PCR is 1.96% above this buffer.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

Capital management

The Board has overall responsibility for ensuring the Banking Group has adequate capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum.

The Banking Group's objectives for the management of capital are to:

- Maintain a strong capital base to cover the inherent risks of the business in excess of that required by credit ratings agencies to maintain a strong credit rating;
- Support the future development and growth of the business; and
- Comply at all times with the regulatory capital requirements set by the RBNZ, whereas the Australian Banking Group must comply at all times with the regulatory capital requirements set by APRA.

The Bank's Capital Management Framework includes its:

- Internal Capital Adequacy Assessment Process (**ICAAP**);
- Capital Stress Testing Policy; and
- Capital Management Plan (**CMP**).

The Banking Group has an ICAAP that complies with the requirements set out in BPR100: Capital Definitions (**BPR100**) and follows its CoR. The ICAAP identifies the capital required to be held against other material risks, such as strategic business risk, reputational risk, regulatory risk, and additional credit risk. Stress testing conducted following the Capital Stress Testing Policy assists in this process.

The Banking Group actively monitors their capital adequacy through Group Asset and Liability Committee (**GALCO**) and report this regularly to the Board. This includes forecasting capital requirements to ensure that future capital requirements can be executed on time. The Banking Group uses a mix of capital instruments to reduce single-source reliance and optimise its mix of capital. The Board reviews the ICAAP, CMP, and Capital Stress Testing Policy annually.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

The capital adequacy tables set out on the following pages summarise the composition of regulatory capital and the capital adequacy ratios for the Banking Group as at 30 June 2025.

(a) Capital

$000's	June 2025
Tier 1 Capital	
CET1 capital	
Paid-up ordinary shares issued by the Banking Group plus related share premium	1,045,060
Retained earnings (net of appropriations)	253,106
Accumulated other comprehensive income and other disclosed reserves[1]	(96,299)
Less deductions from CET1 capital	
Intangible assets	(250,836)
Deferred tax assets	(21,430)
Cash flow hedge reserve	9,474
Reverse Mortgage LVR greater than 100%[2]	(1,378)
Adjustment under the corresponding deductions approach - individual stakes exceeding 10%	(5,664)
Total CET1 capital	**932,033**
AT1 capital	–
Total Tier 1 capital	**932,033**
Tier 2 Capital	
NZD subordinated notes[3]	100,000
Foreign exchange translation reserve	(8,578)
Total Tier 2 capital	**91,422**
Total capital	**1,023,455**

[1]Excludes Foreign exchange translation reserve which is included within Tier 2 Capital.

[2]Australian reverse mortgage loan-to-value ratios (**LVRs**) for capital adequacy purposes are required to be calculated in accordance with APS112 Capital Adequacy: Standardised Approach to Credit Risk, which requires the property valuation to be the value at origination or, where relevant, on a subsequent formal revaluation. This has the effect of generally overstating LVRs in Australia as property values are not periodically updated (as compared to New Zealand) and therefore, some reverse mortgages in Australia are calculated with a LVR greater than 100% under this methodology. Had the Australian reverse mortgage property values been valued on the same basis as New Zealand reverse mortgage property values for LVR purposes, there would be no loans with LVR greater than 100%.

[3]Classified as a liability under NZ GAAP and excludes capitalised transaction costs.

(b) Capital structure

The following details summarise each instrument included within Total Capital. None of these instruments are subject to phase-out from eligibility as capital under the RBNZ's Basel III transitional arrangements.

Ordinary shares

In accordance with BPR110, ordinary share capital is classified as CET1 capital. The ordinary shares have no par value. Each ordinary share of the Bank carries the right to vote on a poll at meetings of shareholders, the right to an equal share in dividends authorised by the Board and the right to an equal share in the distribution of the surplus assets of the Bank in the event of liquidation.

Retained earnings

Retained earnings is the accumulated profit or loss that has been retained in the Banking Group. Retained earnings is classified as CET1 capital.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(b) Capital structure (continued)

Reserves classified as CET1 capital

Fair value reserve	The fair value reserve comprises the changes in the fair value of investments, net of tax.
Cash flow hedge reserve	The hedging reserve comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments, net of tax. Where the hedge item relating to the reserve is held against items which are not recorded at fair value on the balance sheet, the reserve is a deduction from CET1 capital.
Common control reserve	Common control reserve represents the difference between the consideration paid and the share capital of the transferred entities based on carrying amounts at the date of transfer.

Tier 2 capital

Tier 2 capital comprises foreign exchange translation reserve and subordinated debt securities as per BPR110.

Subordinated notes - Tier 2 capital

NZD Subordinated notes

Refer to Note 14 - Borrowings for further details.

Foreign exchange translation reserve

The foreign exchange reserve arises from the translation of financial statements of foreign operations into the presentation currency of the reporting entity. This reserve includes the cumulative gains and losses resulting from the translation of assets, liabilities, income, and expenses at different exchange rates.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(c) Credit risk for the Banking Group

On balance sheet exposures

	Total Exposure After Credit Risk Mitigation $000's	Risk Weight %	Risk Weighted Exposure $000's
June 2025			
Sovereigns and central banks	403,785	0%	–
Multilateral development banks and other international organisations	195,857	0%	–
	14,101	20%	2,820
Public sector entities	135,945	20%	27,189
Banks	12,986	10%	1,299
	402,572	20%	80,514
	2,167	30%	650
	15,534	50%	7,767
Corporate	25,292	20%	5,058
	191,303	85%	162,607
	1,856,069	100%	1,856,069
	721	150%	1,081
Residential mortgages not past due			
	14,177	20%	2,835
	7,745	25%	1,936
	5,345	30%	1,604
	183,231	35%	64,131
	5,880	40%	2,352
	257	45%	116
	223	65%	145
Reverse mortgages	662,959	40%	265,184
	2,525,611	50%	1,262,805
	42,125	80%	33,700
	115,743	100%	115,743
	1,018	150%	1,527
Past due residential mortgages	3,094	100%	3,094
	20,079	150%	30,119
Other past due assets	5,890	20%	1,178
	7,800	30%	2,340
	73,205	100%	73,205
	53,640	150%	80,460
Equity holdings in the Business Growth Fund that qualify for 250% risk weight	–	250%	–
Equity holdings (not deducted from capital) included in the NZX50 or overseas equivalent index	–	300%	–
All other equity holdings (not deducted from capital)	6,962	400%	27,848
Other assets	1,346,348	100%	1,346,348
Non risk weighted assets	279,308	0%	–
Total on balance sheet exposures	**8,616,972**		**5,461,724**

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(c) Credit risk for the Banking Group (continued)

Off balance sheet exposures

$000's	Total Exposure $000's	Credit Conversion Factor %	Credit Equivalent Amount $000's	Average Risk Weight %	Risk Weighted Exposure $000's
June 2025					
Direct credit substitute	2,697	100%	2,697	100%	2,697
Commitments with certain drawdown as per APS 112	157,925	100%	157,925	50%	79,582
Performance-related contingency	2,810	50%	1,405	100%	1,405
Other commitments where original maturity is more than one year	291,325	50%	145,662	82%	118,778
Other commitments where original maturity is less than or equal to one year	33	20%	7	29%	2
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	31,398	0%	–	0%	–
Other commitments as per APS 112	96,149	40%	38,459	49%	18,819
Counterparty credit risk[1]					
Foreign exchange contracts	1,044	N/A	4	20%	1
Interest rate contracts	1,203,735	N/A	2,576	36%	936
Credit valuation adjustment	N/A	N/A	N/A	N/A	939
Total off balance sheet exposures	**1,787,116**		**348,735**		**223,159**

[1]The credit equivalent amount for market related contracts was calculated using the current exposure method.

Qualifying Central Counterparty (QCCP) exposures

As at 30 June 2025, the Banking Group does not have any exposures arising from trades settled on Qualifying Central Counterparties.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(d) Additional mortgage information – LVR range

In the table below, both New Zealand and Australian mortgage information is calculated in accordance with BPR131: Standardised Credit Risk RWAs (**BPR131**) LVR.

$000's	On Balance Sheet Exposures	Off Balance sheet Exposures[1]	Total Exposures
June 2025			
Does not exceed 80%	3,581,181	343,865	3,925,046
Exceeds 80% and not 90%	5,688	117	5,805
Exceeds 90%	1,996	—	1,996
Total exposures for the Banking Group	**3,588,865**	**343,982**	**3,932,847**

[1]Off balance sheet exposures means unutilised limits.

At 30 June 2025, there were no Welcome Home loans whose credit risk is mitigated by the Crown included in "Exceeds 90% residential mortgages". For capital adequacy calculations only the value of the first mortgages over residential property is included in the LVR calculation, in accordance with BPR131.

(e) Reconciliation of mortgage related amounts

$000's	Note	June 2025
Gross finance receivables - reverse mortgages	20	3,370,949
Loans and advances - loans with residential mortgages	23(d)	206,333
Loans and advances - corporate lending secured on residential mortgages	23(d)	11,762
On balance sheet residential mortgage exposures subject to the standardised approach		**3,589,044**
Less: collective provision for impairment	23(c)	(179)
On balance sheet residential mortgage exposures after collective provision	29(d)	**3,588,865**
Off balance sheet mortgage exposures subject to the standardised approach	29(d)	343,982
Total residential exposures subject to the standardised approach		**3,932,847**

(f) Credit risk mitigation

As at 30 June 2025, the Banking Group had $0.9 million of Welcome Home Loans (2024: $1.0 million), $16.3 million of BFGS loans (2024: $25.3 million) and NIWE loans of $25.4 million (2024: $30.9 million) whose credit risk is mitigated by the Crown.

The Banking Group also has eligible collateral paid from its correspondent banks in relation to derivatives it holds on its balance sheet, however no benefit has been attributed to the risk weighted assets held against these exposures.

(g) Operational risk

The Banking Group's implied RWEs in the below table are calculated in accordance with BPR150: Standardised Operational Risk.

$000's	Implied Risk Weighted Exposure	Total Operational Risk Capital Requirement
June 2025		
Operational risk	421,034	33,683

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(h) Market risk

Market risk is the risk that market interest rates or foreign exchange rates will change and impact on the Banking Group's earnings due to either mismatches between repricing dates of interest bearing assets and liabilities and/or differences between customer pricing and wholesale rates.

$000's	Implied Risk Weighted Exposure	Aggregate Capital Charge
June 2025		
Market risk end-of-period capital charge		
Equity risk	6,962	557
Interest rate risk	106,342	8,507
Foreign currency risk	2	—
Market risk peak end-of-period capital charge		
Equity risk	6,962	557
Interest rate risk	171,990	13,759
Foreign currency risk	997	80

The Banking Group's aggregate market exposure is derived in accordance with BPR140. Peak end-of-day capital charge disclosure is derived by taking the highest daily market exposure over the six months ended 30 June 2025. Interest rate, foreign exchange, and equity risks are calculated using a combination of static monthly and daily data sets.

(i) Total capital requirement

$000's	Total Exposure After Credit Risk Mitigation	Risk Weighted Exposure or Implied Risk Weighted Exposure	Total Capital Requirement
June 2025			
Total credit risk + equity	10,404,088	5,684,883	625,337
Operational risk	N/A	421,034	46,314
Market risk	N/A	113,306	12,464
Total	**10,404,088**	**6,219,223**	**684,115**

Total capital requirement in the above table is based on 9.0% RBNZ minimum and includes an additional 2.0% overlay in accordance with the Bank's Conditions of Registration.

29 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(j) Capital ratios

%	June 2025	June 2024
Capital ratios compared to minimum ratio requirements[1]		
Common Equity Tier 1 capital ratio	14.99%	13.86%
Minimum Common Equity Tier 1 capital ratio	6.50%	6.50%
Tier 1 capital ratio	14.99%	13.86%
Minimum Tier 1 capital ratio	9.00%	8.00%
Total capital ratio	16.46%	15.39%
Minimum Total capital ratio	11.00%	10.00%
Prudential capital buffer ratio		
Prudential capital buffer ratio	5.46%	5.39%
Buffer trigger ratio	2.50%	2.50%

[1] Effective 1 July 2024 the minimum Total and Tier 1 Capital Ratios increased from 8.0% to 9.0% and 6.0% to 7.0% respectively. In addition, the minimum ratios above include an additional 2.0% overlay in accordance with the Bank's Conditions of Registration.

(k) Solo capital adequacy

%	June 2025	June 2024
Capital ratios		
Common Equity Tier 1 capital ratio	13.69%	12.39%
Tier 1 capital ratio	13.69%	12.39%
Total capital ratio	15.88%	14.40%

(l) Capital for other material risks

As at 30 June 2025, the Banking Group has identified no material risks requiring additional capital allocation (2024: nil).

(m) Regulatory liquidity ratios

RBNZ requires banks to hold minimum amounts of liquid assets to help ensure they effectively manage their liquidity risks. The mismatch ratio is a measure of a bank's liquid assets, adjusted for contractual cash inflows and outflows during a one-month or one-week period of stress. It is expressed as a ratio over the bank's total funding. The Banking Group must maintain its one-month and one-week mismatch ratios above zero percent. The below one-month and one-week mismatch ratios are averaged over the quarter.

RBNZ requires banks to hold a minimum amount of funding from stable sources called core funding. The minimum amount of core funding is 75% of a bank's total loans. The Banking Group must maintain its core funding ratio above the regulatory minimum. The below measure of the core funding ratio is averaged over the quarter.

	Average for the 3 Months Ended	
	June 2025	March 2025
One-week mismatch ratio	13.66%	13.03%
One-month mismatch ratio	12.75%	12.09%
Core funding ratio	89.25%	86.50%

30 Securitisation, funds management and other fiduciary activities

Securitisation

The Banking Group securitises its motor vehicle loan receivables, reverse mortgage loans and livestock finance receivables as a funding and liquidity tool. Securitisation structured entities, controlled by the Banking Group are consolidated.

As at 30 June 2025, the Banking Group had $727.6 million securitised assets (2024: $1,716.31 million). Refer to Note 28 - Structured entities for further details.

There have been no other material changes to the Banking Group's involvement in securitisation activities, not already disclosed within these financial statements.

Insurance business

The Banking Group no longer conducts any insurance business following the cancellation of MIL's insurer license by RBNZ effective 27 June 2025. Refer to Significant events section within Note 1 - Financial statements preparation for further details.

Funds management and other fiduciary activities

The Banking Group, through Heartland PIE Fund Limited, controls, manages and administers the Heartland PIE Fund and its products (Heartland Call PIE and Heartland Term Deposit PIE). Note 28 - Structured entities has further details. The Heartland Cash and Term PIE Fund deals with the Bank in the normal course of business, in the Bank's capacity as Registrar of the Fund and also invests in the Bank's deposits. The Banking Group is considered to control the Heartland Cash and Term PIE Fund, and as such the Heartland Cash and Term PIE Fund is consolidated within the financial statements of the Banking Group.

Risk management

The Banking Group has in place policies and procedures to ensure that the fiduciary activities identified above are conducted in an appropriate manner. It is considered that these policies and procedures will ensure that any difficulties arising from these activities will not impact adversely on the Banking Group. The policies and procedures include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management and internal auditors. Further information on the Banking Group's risk management policies and practices is included in Note 21 Enterprise risk management program .

Provision of financial services and asset purchases

Over the accounting period, financial services provided by the Banking Group to entities which were involved in the activities above (including trust, custodial, funds management and other fiduciary activities) were provided on arm's length terms and conditions and at fair value.

Any assets purchased from such entities have been purchased on arm's length terms and conditions and at fair value.

Peak aggregate funding to entities

The Banking Group did not provide any funding to entities conducting funds management and other fiduciary activities, or insurance product or marketing and distribution activities described in this note, during the year (2024: nil).

30 Securitisation, funds management and other fiduciary activities (continued)

The Bank provided the following funding in relation to securitisation entities.

	Peak end-of-day aggregate amount of funding provided ($000's)		Peak end-of-day aggregate amount of funding provided as a percentage of the Banking Group's Tier 1 Capital as at the end of the year	
	June 2025	**June 2024**	**June 2025**	**June 2024**
Total Trusts	1,248,334	1,412,358	133.9%	158.3%

For this purpose, peak ratio information was derived by determining the maximum end-of-day aggregate amount of funding over the financial year and then dividing that amount by the amount of the Banking Group's Tier 1 Capital as at the end of the year.

	Peak end-of-day aggregate amount of funding provided ($000's)		Peak end-of-day aggregate amount of funding provided as a percentage of the total assets of the individual entity as at the end of the year	
	June 2025	**June 2024**	**June 2025**	**June 2024**
HARWT[1]	373,185	531,639	196.7%	90.7%
SWT[1]	594,333	589,620	132.0%	67.6%
Atlas Trust	142,646	139,562	84.6%	82.8%
Stockco Trust[2]	140,940	173,083	N/A	78.2%

[1]Total assets as at 30 June 2025 were lower compared to the timing of the peak end-of-day aggregate amount of funding provided due to repurchase of securitised assets during the financial year ended 30 June 2025.

[2]StockCo Trust securitisation facility limit was cancelled on 18 November 2024, with subsequent full repayment of its securitised borrowings and repurchase of livestock finance receivables by HBA during the year.

For this purpose, peak ratio information was derived by determining the maximum end-of-day aggregate amount of funding over the financial year and then dividing that amount by the amount of the entity's assets as at the end of the year.

31 Offsetting financial instruments

The Banking Group offsets financial assets and financial liabilities and reports the net balance in the balance sheet where there is currently a legally enforceable right to set off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Banking Group enters into contractual arrangements with counterparties to manage the credit risks associated primarily with over-the-counter derivatives. The Banking Group has entered into credit support annexes (**CSAs**) which form a part of International Swaps and Derivatives Association (**ISDA**) Master Agreement, in respect of certain exposures relating to derivative transactions. As per these CSAs, the Banking Group or the counterparty needs to collateralise the market value of outstanding derivative transactions. As at 30 June 2025, the Banking Group has paid $14.24 million of cash collateral (2024: received $2.38 million) against derivative assets. Cash collateral includes amounts of cash obtained to cover the net exposure between the counterparty in the event of default or insolvency. The cash collateral received is not netted off against the balance of derivative assets disclosed in the statement of financial position.

The following table sets out financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. Financial instruments refer to amounts that are subject to relevant close out netting arrangements under a relevant ISDA agreement. ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position because under such agreements the counterparties typically have the right to offset only following an event of default, insolvency or bankruptcy or following other pre-determined events.

	Effects of offsetting on the balance sheet			**Related amounts not offset**		
$000's	**Gross amount**	**Gross amounts set off in the balance sheet**	**Net amounts reported in the balance sheet**	**Financial Instruments**	**Cash collateral**	**Net amount**
June 2025						
Derivative financial assets	4,792	–	4,792	(4,792)	–	–
Total financial assets	**4,792**	**–**	**4,792**	**(4,792)**	**–**	**–**
Derivative financial liabilities	20,660	–	20,660	(4,792)	(14,239)	1,629
Total financial liabilities	**20,660**	**–**	**20,660**	**(4,792)**	**(14,239)**	**1,629**
June 2024						
Derivative financial assets	12,316	–	12,316	(9,017)	(2,384)	915
Total financial assets	**12,316**	**–**	**12,316**	**(9,017)**	**(2,384)**	**915**
Derivative financial liabilities	9,017	–	9,017	(9,017)	–	–
Total financial liabilities	**9,017**	**–**	**9,017**	**(9,017)**	**–**	**–**

32 Contingent liabilities and commitments

The Banking Group in the ordinary course of business will be subject to claims and proceedings against it whereby the validity of the claim will only be confirmed by uncertain future events. In such circumstances the contingent liabilities are possible obligations, or present obligations if known, where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised, but are disclosed, unless they are remote. Where some loss is probable, provisions have been made on a case by case basis.

Credit related commitments arising in respect of the Banking Group's operations were:

$000's	June 2025	June 2024
Letters of credit, guarantee commitments and performance bonds	5,507	3,130
Total	**5,507**	**3,130**
Undrawn facilities available to customers	565,735	554,307
Conditional commitments to fund at future dates	11,095	9,947
Total commitments	**576,830**	**564,254**

33 Events after reporting date

The Bank resolved to pay a cash dividend to its parent company HGH of $28.35 million on its ordinary shares on 20 August 2025.

Effective 1 July 2025, the New Zealand Depositor Compensation Scheme (**DCS**) came into effect and will be funded by deposit takers. The Banking Group will be subject to a regulatory levy, which the Crown may impose at its discretion if there is a shortfall in the DCS scheme funds in the event of a deposit taker failure.

There were no other events subsequent to the reporting period, not already disclosed within these financial statements, that would materially affect the Banking Group's financial position, results of its operations or its state of affairs in subsequent periods.

Independent auditor’s report

To the shareholder of Heartland Bank Limited

Our opinion

In our opinion, the accompanying:

- financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the “Order”), of Heartland Bank Limited (the “Bank”), including the entities it controlled as at 30 June 2025 or from time to time during the financial year (the “Banking Group”), present fairly, in all material respects, the financial position of the Banking Group as at 30 June 2025, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (“NZ IFRS”) and International Financial Reporting Standards Accounting Standards (“IFRS Accounting Standards”); and
- information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the “Supplementary Information”), in all material respects:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with those schedules.

What we have audited

- The Banking Group’s financial statements (the “Financial Statements”) required by clause 24 of the Order, comprising:
  - the statement of financial position as at 30 June 2025;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the Financial Statements, excluding the information disclosed in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Order within the statement of financial position and notes 21, 22, 23, 24, 25, 29 and 30, which includes material accounting policy information and other explanatory information.
- The Supplementary Information within the statement of financial position and notes 21, 22, 23, 24, 25, 29 and 30 of the Financial Statements for the year ended 30 June 2025 of the Banking Group.

We have not audited the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order within note 29 of the Financial Statements and our opinion does not extend to this information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Banking Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our capacity as auditor and assurance practitioner, our firm provides review and other assurance services. Our firm also provided an executive reward survey report to the Group. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities. The firm has no other relationship with, or interests in, the Banking Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements and the Supplementary Information of the current year. These matters were addressed in the context of our audit of the Financial Statements and the Supplementary Information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Provision for impairment of finance receivables As disclosed in note 23 of the Financial Statements, the impairment allowance totalled $71.8 million at 30 June 2025. For the determination of the collectively assessed impairment allowance, this requires the use of credit risk methodologies that are applied in models using the Banking Group's historical experience of the correlations between defaults and losses, borrower creditworthiness, segmentation of customers or portfolios and the application of forward looking multiple economic scenarios. The assumptions we focused our audit on included those with greater levels of management judgement and for which variations have the most significant impact on the impairment allowance. For finance receivables that meet specific risk based criteria, the impairment allowance is individually assessed by the Banking Group. These impairment allowances are measured using probability weighted scenarios which are intended to reflect a range of reasonably possible outcomes, and incorporate assumptions such as estimated future cash proceeds expected to be recovered from the	We obtained an understanding of control activities over the Banking Group's impairment allowance, and for certain control activities assessed whether they are appropriately designed. For controls relevant to our planned audit approach we tested, on a sample basis, whether they operated effectively, throughout the financial year. In addition, we, along with our credit risk modelling expert, performed the following procedures, amongst others, on a targeted or sample basis, on the Banking Group's collectively assessed impairment allowance: • Assessed the appropriateness of the methodology inherent in the models used against the requirements of NZ IFRS 9 *Financial Instruments*; • Challenged and assessed the appropriateness of the collectively assessed impairment allowance inclusive of the impacts of any post model adjustments; • Tested the accuracy of the collectively assessed impairment allowance calculation; and • Tested the completeness and accuracy of critical data elements used in the calculations. With respect to individually assessed impairment allowances we:

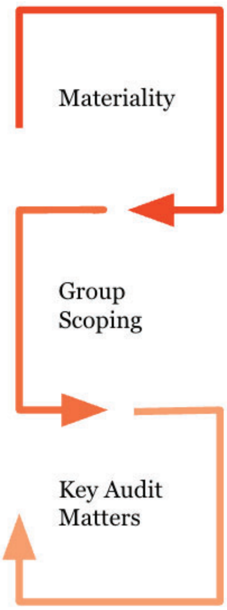
Description of the key audit matter	How our audit addressed the key audit matter
realisation of security held as collateral by the Banking Group. We considered this a key audit matter due to the significant inherent estimation uncertainty present in the determination of the impairment allowance.	● For a sample of business and rural loans not identified as impaired, considered the borrowers latest information available to the Banking Group to assess the credit risk grade rating allocated to the borrower as to whether the borrower could be identified as impaired, a critical data element which involves significant management judgement; and ● For loans where an impairment allowance was individually assessed, we considered the borrower's latest financial information, value of security held as collateral and probability weighted scenario outcomes (where applicable) to test the basis of measuring the impairment allowance. We considered the impacts of events occurring subsequent to balance date on the impairment allowances. We also assessed the reasonableness of the disclosures against the requirements of the accounting standards.
Fair value of finance receivables - reverse mortgages The Banking Group's fair value of finance receivables – reverse mortgages ("Reverse mortgages") totalled $3.4 billion at 30 June 2025 as disclosed in note 20 of the Financial Statements. Reverse mortgages are held at fair value through profit or loss. The Banking Group records the estimated fair value of the Reverse mortgages at transaction price (cash advanced plus accrued capitalised interest), on the basis that no reliable fair value can be estimated as there is no relevant active market and the fair value cannot be reliably estimated using other valuation techniques, as permitted under the accounting standards. To assess whether the transaction price remains an appropriate proxy for fair value, the Banking Group considers the impact on discounted future cash flows of changes in the risk profile and expectations of performance since origination, including possible outflows under the no negative equity guarantee provided by the Banking Group to the borrower. High interest rates and volatility in house prices, combined with the economic outlook, increases the possibility of outflows under the no negative equity guarantee. Accordingly, we consider this to be a key audit matter.	Our audit procedures included assessing the design and implementation of controls relating to the Banking Group's assessment of the fair value of Reverse mortgages. In addition, our audit procedures included: ● Assessing the reasonableness of the Banking Group's approach to estimating the fair value based on the transaction price against the requirements of the accounting standards; ● Assessing whether there was evidence of a relevant active market or observable inputs in which to establish fair value using a market approach; ● Engaging our internal actuarial expert to assess the Banking Group's estimate of the value of discounted future cash flows from the Reverse mortgages, including any expected outflows under the no negative equity guarantee and comparing this to the transaction price of Reverse mortgages (carrying value) to assess any potential shortfall (a shortfall would indicate the transaction price was overstated); ● Testing the completeness and accuracy of a sample of critical data elements used as inputs to the value of discounted future cash flows; ● Assessing the reasonableness of key assumptions (such as future house prices, voluntary exits, interest rate margins, future interest rates) used in the value of discounted future cash flows; and ● Considering the appropriateness of the disclosures against the requirements of the accounting standards.
Heartland Bank Australia Limited goodwill impairment assessment The carrying amount of the Heartland Bank Australia Limited goodwill as at 30 June 2025, as disclosed in note 17 of the	We held discussions with management to understand the assumptions used in the determination of the single CGU and the goodwill impairment assessment. Our audit procedures also included the following:

Description of the key audit matter	How our audit addressed the key audit matter
Financial Statements, amounted to $175.0 million. The carrying value of goodwill is a key audit matter as it is a significant intangible asset in the Banking Group's statement of financial position. At balance date an impairment assessment is required which uses an estimate of the recoverable amount that is dependent on future earnings. Previously, the goodwill was allocated to a group of cash generating units (CGUs) representing the Australian reverse mortgage lending and the Australian livestock financing businesses. In the current year, the Banking Group has determined the goodwill for this group of CGUs should be allocated to a single Heartland Bank Australia Limited CGU at which impairment is assessed due to the corporate simplification and operational integration of the Australian business, and the way goodwill is monitored internally. The Banking Group used the Fair Value Less Costs of Disposal (FVLCD) approach to determine the recoverable amount of the Heartland Bank Australia Limited CGU. FVLCD is based on a price-earnings multiples approach using normalised current year earnings. The key assumptions used in the FVLCD are: ● Price-earnings multiple; and ● Normalised current year earnings.	● Assessing judgements made in respect of the determination of the CGU, taking into account the corporate simplification and operational integration of the Banking Group's Australian business; ● Obtaining an understanding of the business processes and controls applied by management in performing the impairment assessment; ● Assessing the appropriateness of using a FVLCD approach against the requirements of the accounting standards; ● Engaging our internal valuation expert to assess management's valuation methodology and key assumptions, including comparable price-earnings multiples; ● Assessing the appropriateness of the normalised current year earnings, as well as comparing these to the FY26 forecast earnings approved by the Board for reasonableness; ● Obtaining and evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions on the recoverable amount; and ● Considering the appropriateness of disclosures against the requirements of the accounting standards.
Operation of financial reporting information technology (IT) systems and controls The Banking Group's operations and financial reporting processes are dependent on IT systems for the capture, processing, storage and extraction of significant volumes of transactions which is critical to the recording of financial information and the preparation of the Banking Group's Financial Statements. In addition, the Banking Group changed to a new general ledger system in the current year. Accordingly, we consider this to be a key audit matter. In common with other banking entities, access management controls are important to ensure both access and changes made to applications and data are appropriate. Ensuring that only appropriate staff have access to IT systems, that the level of access itself is appropriate, and that access is periodically monitored, are key controls in	For material Financial Statement transactions and balances, our procedures included obtaining an understanding of the business processes, IT systems used to generate and support those transactions and balances, associated IT application controls, and IT dependencies in manual controls. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit: ● Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems; ● System development: the project disciplines which ensure that significant developments or implementations are appropriately tested before implementation and that data is converted and transferred completely and accurately; ● Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts, or ensure that data is only changed through authorised means; and

Description of the key audit matter	How our audit addressed the key audit matter
mitigating the potential for fraud or error as a result of a change to an application or underlying data. The Banking Group's controls over IT systems are intended to ensure that: • New systems or changes to existing systems operate as intended and are authorised; • Access to process transactions or change data is appropriate and maintains an intended segregation of duties; • The use of privileged access to systems and data is restricted and monitored; and • IT processing is approved and where issues arise they are resolved.	• IT operations: the controls over certain IT batch processes used to ensure that any issues that arise are managed appropriately. Where we identified design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures.

Our audit approach

Overview



The overall Banking Group materiality is $5.2 million, which represents approximately 0.75% of interest income.

We chose interest income as the benchmark because, in our view, it best reflects the activity and performance of the Banking Group which now includes an enlarged banking operation in Australia. Interest income is a proxy for revenue which is a generally accepted benchmark.

Following our assessment of the risk of material misstatement, full scope audits were performed for the two identified components of the Banking Group (New Zealand and Australia).

As reported above, we have four key audit matters, being:

- Provision for impairment of finance receivables
- Fair value of finance receivables - reverse mortgages
- Heartland Bank Australia Limited goodwill impairment assessment
- Operation of financial reporting information technology (IT) systems and controls

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements and the Supplementary Information. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Banking Group materiality for the Financial Statements and the Supplementary Information, as a whole, as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the Financial Statements and the Supplementary Information, as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements and the Supplementary Information, as a whole, taking into account the structure of the Banking Group, the financial reporting processes and controls, and the industry in which the Banking Group operates.

We performed a full scope audit of the Banking Group's two components (New Zealand and Australia), which we considered are both financially significant in the context of the Banking Group. The full scope audit of the Australia component was performed by a PwC network firm operating under our instructions.

Our involvement with the PwC network firm auditing the Australia component included the following:

- issuing Group audit instructions;
- meeting with the component audit team and reviewing their audit findings;
- inspecting audit working papers;
- attending key management and audit committee meetings; and
- maintaining regular communication throughout the audit and appropriately directing their audit.

By performing these procedures, together with the procedures performed on the consolidation and intercompany eliminations, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Banking Group to provide a basis for our opinion on the Banking Group's Financial Statements and the Supplementary Information.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Disclosure Statement presented in accordance with Schedule 2 of the Order on pages 3 to 6, 104, 115 to 127 (but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon), the information included in the Disclosure Statement relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order within note 29, the information included in the Disclosure Statement relating to the New Zealand Banking Group disclosures and the Heartland Climate Report 2025 to be published at a later date. Other than the Heartland Climate Report 2025 which we will receive at a later date, we have received all the other information included in the Disclosure Statement.

Our opinion on the Financial Statements and the Supplementary Information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. We issue a separate limited assurance report on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order.

In connection with our audit of the Financial Statements and the Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the Supplementary Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Heartland Climate Report 2025, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the Disclosure Statement

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 24 of the Order, NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Disclosure Statement which includes:

- all of the information prescribed in Schedule 2 of the Order; and
- the information prescribed in Schedules 4, 7, 9, 13, 14, 15 and 17 of the Order.

In preparing the Financial Statements, the Directors are responsible for assessing the Banking Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Banking Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

A further description of our responsibilities for the audit of the Financial Statements and the Supplementary Information is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Bank's shareholder. Our work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder, for our work, for this report, or for the opinions we have formed.

The engagement partner on the engagement resulting in this independent auditor's report is Karen Shires.

For and on behalf of

PricewaterhouseCoopers

PricewaterhouseCoopers
20 August 2025

Auckland

Independent Assurance Report

To the shareholder of Heartland Bank Limited

Limited assurance report on compliance with the information required on capital adequacy and regulatory liquidity requirements

Our conclusion

We have undertaken a limited assurance engagement on Heartland Bank Limited's (the "Bank's") compliance, in all material respects, with clause 21 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") which requires information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its full year Disclosure Statement for the year ended 30 June 2025 (the "Disclosure Statement"). The Disclosure Statement containing the information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the Bank's shareholder.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order and disclosed in note 29 of the financial statements, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusion

We have conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* ("SAE 3100 (Revised)") issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Directors' responsibilities

The Directors are responsible on behalf of the Bank for compliance with the Order, including clause 21 of the Order which requires information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In addition to our role as external auditor of the Bank, our firm provides audit, review and other assurance services. Our firm also provided an executive reward survey report to the Banking Group. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities. The firm has no other relationship with, or interests in, the Banking Group.

Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 21 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the "RBNZ") prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the annual financial statements; and
- agreed the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with the compliance requirements.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with the compliance requirements may occur and not be detected.

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 21 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report

This report has been prepared for use by the Bank's shareholder for the purpose of establishing that these compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Bank and the Bank's shareholder, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance report is Karen Shires.

PricewaterhouseCoopers

PricewaterhouseCoopers Auckland
20 August 2025

Historical Summary of Financial Statements

For the year ended 30 June 2025

$000's	Audited June 2025	Audited June 2024	Audited June 2023	Audited June 2022	Audited June 2021
Interest income	705,864	506,793	372,688	275,770	272,562
Interest expense	398,770	284,405	158,027	66,205	73,753
Net interest income	**307,094**	**222,388**	**214,661**	**209,565**	**198,809**
Other net income	20,829	16,127	12,458	33,704	15,006
Net operating income	**327,923**	**238,515**	**227,119**	**243,269**	**213,815**
Operating expenses	182,254	116,302	101,337	96,203	100,852
Profit before impaired asset expense and income tax	**145,669**	**122,213**	**125,782**	**147,066**	**112,963**
Net fair value gain/(loss) on investments and investment property	1,623	(1,595)	–	(315)	215
Losses on guaranteed future value products	1,504	–	–	–	–
Impaired asset expense	71,638	46,313	22,891	14,692	14,579
Profit before income tax	**74,150**	**74,305**	**102,891**	**132,059**	**98,599**
Income tax expense	22,494	21,785	28,389	36,068	27,090
Profit for the year	**51,656**	**52,520**	**74,502**	**95,991**	**71,509**
Dividends paid to equity holders	33,750	65,500	60,000	35,500	30,000

As at 30 June 2025

$000's	June 2025	June 2024	June 2023	June 2022	June 2021
Total assets	8,621,764	9,271,787	5,561,808	5,154,652	4,419,488
Individually impaired assets	91,318	96,468	52,955	66,183	38,143
Total liabilities	7,428,475	8,075,397	4,833,072	4,447,149	3,777,660
Total equity	1,193,289	1,196,390	728,736	707,503	641,828

The information presented in the above table has been extracted from audited financial statements of the Banking Group. The amounts for the periods from the financial year ended 30 June 2024 to the financial year ended 30 June 2021 are not comparable with the information presented for the year ended 30 June 2025 due to HBL's acquisition of HBA and transfer of HAH and its controlled entities from HGH to HBA during the year ended 30 June 2024. Refer to Note 18 - Acquisition for further details.

New Zealand Banking Group disclosures - unaudited

For the year ended 30 June 2025

Basis of preparation

These disclosures are presented for the New Zealand Banking Group ("**NZ Banking Group**") for the year ended 30 June 2025.

In accordance with the amended Conditions of Registration (**CoR**) for Heartland Bank Limited, the NZ Banking Group is defined as all entities included in its Banking Group that are incorporated or otherwise established in New Zealand, but not including Marac Insurance Limited (**MIL**), which is consistent with the consolidation of subsidiaries for capital ratio calculations. As such, MIL and Heartland Bank Australia Limited (**HBA**) and its subsidiaries do not form part of the NZ Banking Group and are, therefore, excluded from consolidation for purposes of these disclosures.

The disclosures have been prepared based on the accounting policies that are consistent with the Banking Group financial statements, with the exception of principles of aggregation.

The CoR contains specific requirements applicable to the NZ Banking Group. These disclosures are mainly focused on the NZ Banking Group's enterprise risk management including market, liquidity, balance sheet structure and operational risks, and contain relevant information that is considered appropriate by the Directors and is in accordance with the CoR requirements for the NZ Banking Group applicable as at 30 June 2025.

These disclosures are presented in New Zealand dollars which is the NZ Banking Group's functional and presentation currency. Unless otherwise indicated, amounts are rounded to the nearest thousand dollars.

1 Enterprise Risk Management

The board of directors (the **Board**) sets and monitors the NZ Banking Group's risk appetite across the primary risk domains of credit, capital, liquidity, market (including interest rate, foreign exchange and equity valuations), continuity, conduct and compliance, and people risk. Management is, in turn, responsible for ensuring appropriate structures, policies, procedures and information systems are in place to actively manage these risk domains, as outlined within the Risk Management Strategy and Framework document (**RMS&F**).

Refer to Note 21 - Enterprise risk management program of the Banking Group's financial statements for further information in relation to the role of the Board, the Board Risk Committee, the Executive Risk Committee, and the Internal audit function.

Asset and Liability Committee (ALCO)

The ALCO is a NZ Banking Group management committee comprising the HBL CEO, HBL CFO, HBL CRO, HBL Chief Operating Officer (**COO**), HBL Group Treasurer and HBL General Manager Retail & Reverse Mortgages. The ALCO has responsibility for managing the NZ Banking Group's market risk, liquidity and funding risk, pricing, balance sheet structure and capital risk, in line with approved risk tolerances and policy guidance . Refer to Note 21 - Enterprise risk management program of the Banking Group's financial statements for further information in relation to ALCO's responsibilities.

New Zealand Banking Group disclosures - unaudited (continued)

1 Enterprise Risk Management (continued)

The NZ Banking Group categorises its key risks as financial and non-financial, reflecting its overarching approach to risk management. Financial risks comprise profit risk, balance sheet risk, funding, liquidity and market risks. Market risk is the possibility of experiencing losses or gains due to factors affecting the overall performance of financial markets in which the NZ Banking Group is exposed. The primary market risk exposures for the NZ Banking Group are interest rate risk and foreign exchange risk.

ALCO is responsible for providing senior management oversight of market risk by ensuring that adequate controls, processes and systems have been established to identify, measure and manage market risk.

Counterparty credit risk is managed against limits set in the Market Risk Policy including credit exposure on derivative contracts, bilateral set-off arrangements, cash and cash equivalents and investment securities.

Refer to Note 21 - Enterprise risk management program of the Banking Group's Financial statements for further information in relation to the NZ Banking Group's financial risks.

Non-financial risks encompass operational and compliance risks including conduct, regulatory, third party, cyber and other business interruption risks arising from day-to-day operational activities in the execution of the Banking Group's strategy which may result in direct or indirect loss.

Operational and compliance risk losses can occur as a result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events due to regulatory, cyber and other business interruption risks which may affect NZ Banking Group's ability to maintain continuity of service. The losses range from direct financial losses to reputational damage, unfavourable media attention, injury to or loss of staff or clients or as a breach of laws or banking regulations. Where appropriate, risks are mitigated by insurance.

Refer to Note 21 - Enterprise risk management program of the Banking Group's Financial statements for further information in relation to the roles and responsibilities for operational and compliance risk management.

Climate-related risks

Climate-related risks are integrated into the NZ Banking Group's overall risk management strategy and processes. Refer to Note 21 - Enterprise risk management program of the Banking Group's Financial statements for further information in relation to the climate-related risk management, governance and strategy.

2 Capital adequacy and regulatory liquidity ratios - unaudited

The RBNZ minimum regulatory capital requirements for banks have been established under the RBNZ Capital Adequacy Framework, outlined in the "Banking Prudential Requirements" (**BPRs**) documents. These documents are based on the international framework developed by the Bank for International Settlements Committee on Banking Supervision, commonly known as Basel III. These requirements define what is acceptable as capital and provide methods of measuring the risks incurred by the banks in New Zealand. Basel III consists of three pillars:

- Pillar One covers the capital requirements for banks for credit, operational, and market risks;
- Pillar Two covers all other material risks not already included in Pillar One; and
- Pillar Three relates to market disclosure.

RBNZ Capital Adequacy Framework

The NZ Banking Group has calculated its Risk Weighted Exposures (**RWEs**) and minimum regulatory capital requirements in accordance with the CoR and the BPR documents, where relevant. In doing so, the Banking Group has applied the following methodology:

- Calculated the total credit risk as Risk Weighted Assets (**RWAs**) for the NZ Banking Group as per BPR 130: Credit Risk RWAs;
- Calculated the NZ Banking Group's capital requirement for market risk exposure as per BPR140: Market Risk; and
- Calculated the NZ Banking Group's capital requirement for operational risk as per BPR150: Standardised Operational Risk.

Total regulatory capital is divided into Tier 1 and Tier 2 capital. Tier 1 capital comprises Common Equity Tier 1 (**CET1**) capital and Additional Tier 1 (**AT1**) capital. Tier 1 capital primarily consists of shareholder's equity and other capital instruments acceptable to the RBNZ as per BPR110: Capital Definitions, less intangible assets, cash flow hedge reserves, deferred tax assets, and other prescribed deductions. Tier 2 as per BPR110: Capital Definitions comprises eligible subordinated debt securities.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of RWEs. As a Condition of Registration (1AA), the NZ Banking Group must comply with the following minimum requirements set by the RBNZ:

- Total capital must not be less than 11% of RWE[1]
- Tier 1 capital must not be less than 9% of RWE[1]
- CET1 capital must not be less than 6.5% of RWE[1]
- NZ Banking Group capital must not be less than NZ$30 million

[1] Includes the RBNZ's 2% capital overlay attached to the Bank's CoR.

In addition, if the Prudential Buffer Ratio (**PCR**) is less than 2.5%, the NZ Banking Group must limit aggregate distributions, other than discretionary payments payable to holders of AT1 capital instruments, to the limits set out within the Bank's CoR.

Including the PCR the Banking Group's minimum total capital requirement is 13.5%. On 5 December 2019 the RBNZ finalised their revised Capital Framework for banks which were not domestic systematically important banks (**non D-SIB**). This requires non D-SIB banks in New Zealand to gradually increase their Total Capital ratio to 16% by July 2028. The NZ Banking Group's Total Capital ratio is 15.88% as at 30 June 2025, above this minimum requirement. This means the revised Capital Framework (excluding any capital overlay) requires the NZ Banking Group to increase its Total Capital ratio by 0.12% over the transitional period. As part of the phasing increase in capital buffers, from 1 July 2025 the conservative buffer will increase from 2.5% to 3.5%. The NZ Banking Group's total PCR is 1.19% above this buffer.

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

Capital management

The Board has overall responsibility for ensuring the NZ Banking Group has adequate capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum.

The Bank's objectives for the management of capital are to:

- Maintain a strong capital base to cover the inherent risks of the business in excess of that required by credit ratings agencies to maintain a strong credit rating;
- Support the future development and growth of the business; and
- Comply at all times with the regulatory capital requirements set by the RBNZ.

The Bank's Capital Management Framework includes its:

- Internal Capital Adequacy Assessment Process (**ICAAP**);
- Capital Stress Testing Policy; and
- Capital Management Plan (**CMP**).

The Bank has an ICAAP which complies with the requirements set out in BPR100 and is in accordance with its CoR. The ICAAP identifies the capital required to be held against other material risks, being strategic business risk, reputational risk, regulatory risk and additional credit risk which is assisted through stress testing conducted in accordance with the Capital Stress Testing policy.

The Bank actively monitors its capital adequacy through ALCO and reports this on a regular basis to the Board. This includes forecasting capital requirements to ensure any future capital requirements can be executed in a timely manner. The Banking Group uses a mix of capital instruments to reduce single source reliance and to optimise the Banking Group's mix of capital. ICAAP, CMP and Capital Stress Testing Policy are reviewed annually by the Board.

The capital adequacy tables set out on the following pages summarise the composition of regulatory capital and the capital adequacy ratios for the NZ Banking Group as at 30 June 2025.

(a) Capital

$000's	June 2025
Tier 1 Capital	
CET1 capital	
Paid-up ordinary shares issued by the Banking Group plus related share premium	1,045,060
Retained earnings (net of appropriations)	140,423
Accumulated other comprehensive income and other disclosed reserves	(9,217)
Less deductions from CET1 capital	
Intangible assets	(74,737)
Deferred tax assets	(21,436)
Cash flow hedge reserve	9,474
Adjustment under the corresponding deductions approach	
- Investments in unconsolidated subsidiaries	(462,123)
Total CET1 capital	**627,444**
AT1 capital	—
Total Tier 1 capital	**627,444**
Tier 2 Capital	
Tier 2 capital instruments[1]	100,000
Total Tier 2 capital	**100,000**
Total capital	**727,444**

[1] Classified as a liability under NZ GAAP and excludes capitalised transaction costs. Refer to Note 29 - Capital adequacy and regulatory liquidity ratios - unaudited of the Banking Group's Financial statements for further details.

Refer to Note 29 - Capital adequacy and regulatory liquidity ratios - unaudited of the Banking Group's Financial statements for further details for the capital structure.

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(b) Credit risk

On balance sheet exposures

	Total Exposure After Credit Risk Mitigation $000's	Risk Weight %	Risk Weighted Exposure $000's
June 2025			
Sovereigns and central banks	60,481	0%	–
Multilateral development banks and other international organisations	195,857	0%	–
	14,101	20%	2,820
Public sector entities	135,945	20%	27,189
Banks	199,907	20%	39,981
	14,239	50%	7,119
Corporate	25,292	20%	5,058
	1,813,286	100%	1,813,286
Residential mortgages not past due			
	178,345	35%	62,421
	5,133	40%	2,053
Reverse mortgages	662,959	40%	265,184
	521,187	50%	260,594
	42,125	80%	33,700
	4,965	100%	4,965
Past due residential mortgages	2,950	100%	2,950
Other past due assets	5,890	20%	1,178
	7,800	30%	2,340
	73,205	100%	73,205
	19,086	150%	28,629
Equity holdings in the Business Growth Fund that qualify for 250% risk weight	–	250%	–
Equity holdings (not deducted from capital) included in the NZX50 or overseas equivalent index	–	300%	–
All other equity holdings (not deducted from capital)	6,962	400%	27,848
Other assets	1,339,972	100%	1,339,972
Non risk weighted assets	558,296	0%	–
Total on balance sheet exposures	**5,887,983**		**4,000,492**

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(b) Credit risk (continued)

Off balance sheet exposures

	Total Exposure $000's	Credit Conversion Factor %	Credit Equivalent Amount $000's	Average Risk Weight %	Risk Weighted Exposure $000's
June 2025					
Direct credit substitute	2,697	100%	2,697	100%	2,697
Performance-related contingency	2,810	50%	1,405	100%	1,405
Other commitments where original maturity is more than one year	291,325	50%	145,662	82%	118,778
Other commitments where original maturity is less than or equal to one year	33	20%	7	29%	2
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	31,398	0%	—	0%	—
Counterparty credit risk[1]					
Foreign exchange contracts	1,044	N/A	4	20%	1
Interest rate contracts	1,203,735	N/A	2,576	36%	936
Credit valuation adjustment	N/A	N/A	N/A	N/A	939
Total off balance sheet exposures	**1,533,042**		**152,351**		**124,758**

[1]The credit equivalent amount for market related contracts was calculated using the current exposure method.

Qualifying Central Counterparty (QCCP) exposures

As at 30 June 2025, the NZ Banking Group does not have any exposures arising from trades settled on Qualifying Central Counterparties.

(c) Additional mortgage information - LVR range

$000's	On Balance Sheet Exposures	Off Balance Sheet Exposures[2]	Total Exposure
June 2025			
Does not exceed 80%	1,411,786	89,908	1,501,694
Exceeds 80% and not 90%	4,330	—	4,330
Exceeds 90%	1,548	—	1,548
Total exposures	**1,417,664**	**89,908**	**1,507,572**

[2]Off balance sheet exposures means unutilised limits.

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(c) Additional mortgage information - LVR range (continued)

At 30 June 2025, there were no Welcome Home loans whose credit risk is mitigated by the Crown included in “Exceeds 90% residential mortgages”. For capital adequacy calculations only the value of the first mortgages over residential property is included in the LVR calculation, in accordance with BPR131.

(d) Reconciliation of mortgage related amounts

$000's	June 2025
Gross finance receivables - reverse mortgages	1,233,272
Loans and advances - loans with residential mortgages	177,218
Loans and advances - corporate lending secured on residential mortgages	7,349
On balance sheet residential mortgage exposures subject to the standardised approach	**1,417,839**
Less: collective provision for impairment	(175)
On balance sheet residential mortgage exposures after collective provision	**1,417,664**
Off balance sheet mortgage exposures subject to the standardised approach	89,908
Total residential exposures subject to the standardised approach	**1,507,572**

(e) Credit risk mitigation

As at 30 June 2025, the NZ Banking Group had $0.9 million of Welcome Home Loans (2024: $1.0 million), $16.3 million of BFGS loans (2024: $25.3 million) and $25.4 million of NIWE loans (2024: $30.9 million) whose credit risk is mitigated by the Crown.

The NZ Banking Group also has eligible collateral paid from its correspondent banks in relation to derivatives it holds on its balance sheet, however no benefit has been attributed to the risk weighted assets held against these exposures.

(f) Operational risk

NZ Banking Group's implied RWEs in the below table are calculated in accordance with BPR150: Standardised Operational Risk.

$000's	Implied Risk Weighted Exposure	Total Operational Risk Capital Requirement
June 2025		
Operational risk	343,312	27,465

(g) Market risk

Market risk is the risk that market interest rates or foreign exchange rates will change and impact on the NZ Banking Group's earnings due to either mismatches between repricing dates of interest-bearing assets and liabilities and/or differences between customer pricing and wholesale rates.

$000's	Implied Risk Weighted Exposure	Aggregate Capital Charge
June 2025		
Market risk		
Equity risk	6,962	557
Interest rate risk	106,342	8,507
Foreign currency risk	2	—
Market risk peak end-of-period capital charge		
Equity risk	6,962	557
Interest rate risk	171,990	13,759
Foreign currency risk	939	75

New Zealand Banking Group disclosures - unaudited (continued)

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(g) Market risk (continued)

NZ Banking Group's aggregate market exposure is derived in accordance with BPR140. Peak end-of-day capital charge disclosure is derived by taking the highest daily market exposure over the six months ended 30 June 2025. Interest rate, foreign exchange, and equity risks are calculated using a combination of static monthly and daily data sets.

(h) Total capital requirement

$000's	Total Exposure After Credit Risk Mitigation	Risk Weighted Exposure or Implied Risk Weighted Exposure	Total Capital Requirement
June 2025			
Total credit risk + equity	7,421,025	4,125,250	453,778
Operational risk	N/A	343,312	37,764
Market risk	N/A	113,306	12,464
Total	**7,421,025**	**4,581,868**	**504,006**

Total capital requirement in the above table is based on 9.0% RBNZ minimum and includes an additional 2.0% overlay in accordance with the Bank's Conditions of Registration.

(i) Capital for other material risks

As of 30 June 2025, the NZ Banking Group has identified no material risks requiring additional capital allocation (June 2024: nil).

(j) Capital ratios

%	June 2025	June 2024
Capital ratios compared to minimum ratio requirements[1]		
Common Equity Tier 1 capital ratio	13.69%	12.39%
Minimum Common Equity Tier 1 capital ratio	6.50%	6.50%
Tier 1 capital ratio	13.69%	12.39%
Minimum Tier 1 capital ratio	9.00%	8.00%
Total capital ratio	15.88%	14.40%
Minimum Total capital ratio	11.00%	10.00%
Prudential capital buffer ratio		
Prudential capital buffer ratio	4.69%	4.39%
Buffer trigger ratio	2.50%	2.50%

[1] Effective 1 July 2024 the minimum Total and Tier 1 Capital Ratios increased from 8.0% to 9.0% and 6.0% to 7.0% respectively. In addition, the minimum ratios above include an additional 2.0% overlay in accordance with the Bank's Conditions of Registration.

2 Capital adequacy and regulatory liquidity ratios - unaudited (continued)

(k) Regulatory liquidity ratios - unaudited

RBNZ requires banks to hold minimum amounts of liquid assets to help ensure they effectively manage their liquidity risks. The mismatch ratio is a measure of a bank's liquid assets, adjusted for contractual cash inflows and outflows during a one-month or one-week period of stress. It is expressed as a ratio over the bank's total funding. The NZ Banking Group must maintain its one-month and one-week mismatch ratios above zero percent. The below one-month and one-week mismatch ratios are averaged over the quarter.

RBNZ requires banks to hold a minimum amount of funding from stable sources called core funding. The minimum amount of core funding is 75% of a bank's total loans. The NZ Banking Group must maintain its core funding ratio above the regulatory minimum. The below measure of the core funding ratio is averaged over the quarter.

Refer to section 11B of the Conditions of Registration for further details.

	Average for the 3 Months Ended	
	June 2025	March 2025
One-week mismatch ratio	9.04%	8.36%
One-month mismatch ratio	9.05%	8.29%
Core funding ratio	92.31%	91.93%

3 Credit exposures to connected persons

The NZ Banking Group's methodology for calculating credit exposure concentrations is on the basis of actual credit exposures and calculated on a gross basis (net of individual credit impairment allowances and excluding advances of a capital nature) in accordance with the Bank's Conditions of Registration and the Reserve Bank's Connected Exposures Policy (**BS8**). Peak end-of-day aggregate credit exposures to connected persons has been derived using maximum end-of-day aggregate amount of credit exposure over the year and then dividing that amount by the NZ Banking Group's Tier 1 capital as at 30 June 2025.

In accordance with the section 4A of the CoR, the NZ Banking Group's aggregate credit exposures to all connected persons must not exceed 25% of NZ Banking Group's Tier 1 capital. Exposures to connected persons are not on more favourable terms than corresponding exposures to non-connected persons.

	As at 30 June 2025	Peak End-of-Day for Year Ended 30 June 2025
Credit exposures to connected persons ($000's)	2,752	6,481
As a percentage of Tier 1 capital of the NZ Banking Group at the end of the year	0.44%	1.03%
Credit exposures to non-bank connected persons ($000's)	2,227	4,463
As a percentage of Tier 1 capital of the NZ Banking Group at the end of the year	0.35%	0.71%

As at 30 June 2025, the NZ Banking Group had no aggregate contingent exposures to connected persons arising from unfunded contingent credit protection arrangements provided by any connected persons. The aggregate amount of the NZ Banking Group's loss allowance for credit exposures to connected persons that are credit-impaired was nil at 30 June 2025.

Credit exposure to individual counterparties

The NZ Banking Group's aggregate concentration of credit exposure to individual counterparties is calculated based on the actual credit exposure. Credit exposures to connected persons, the central government or central bank of any country with a long term credit rating of A- or A3 or above, or its equivalent, and any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent are excluded.

The peak end-of-day aggregate concentration of credit exposure to individual counterparties has been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant six month period and then dividing the amount by the NZ Banking Group's CET1 capital as at 30 June 2025.

New Zealand Banking Group disclosures - unaudited (continued)

3 Credit exposures to connected persons (continued)

Credit exposure to individual counterparties (continued)

	Number of Exposure as at 30 June 2025	Number of Exposure Peak End-of-Day over 6 months to 30 June 2025
Exposure to banks		
With a long-term credit rating of A- or A3 or above, or its equivalent:		
10% to less than 15% of CET1 capital	—	—
15% to less than 20% of CET1 capital	—	—
20% to less than 25% of CET1 capital	—	—
25% to less than 30% of CET1 capital	1	—
30% to less than 35% of CET1 capital	—	1
With a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	—	—
Exposure to non-banks		
Total number of exposures to non-banks that are greater than 10% to less than 15% of CET1 capital that have a long-term credit rating of A- or A3 or above.	—	—
Total number of exposures to non-banks that are greater than 10% to less than 15% of CET1 capital that do not have a long-term credit rating.	—	—

Related party transactions and balances

Transactions with related parties

The NZ Banking Group's ultimate parent company is HGH.

The Bank has regular transactions with its ultimate parent company, fellow subsidiaries and subsidiaries (collectively known as the Heartland Group) on agreed terms. The transactions include the provision of administrative services and customer operations. Banking facilities are provided by HBL to other NZ Banking Group entities on normal commercial terms as with other customers. There is no lending from the NZ Banking Group to HGH.

Amendments to Conditions of Registration

Changes in Conditions of Registration

Effective 1 July 2024, the Reserve Bank of New Zealand (**RBNZ**) amended the Bank's Conditions of Registration (**CoR**) as follows:

Condition	Change Summary
1	Total capital ratio requirements specific to the Banking Group have been changed. Capital requirements for the banking group were updated as follows: a) the Total capital ratio of the banking group is not less than 11% (previously 10%); b) the Tier 1 capital ratio of the banking group is not less than 9% (previously 8%;
1AA.	Capital requirements for the New Zealand banking group were updated as follows: a) the Total capital ratio of the New Zealand banking group is not less than 11% (previously 10%; b) the Tier 1 capital ratio of the New Zealand banking group is not less than 9% (previously 8%;
4A & 4C	Interim condition 4A relating to the reporting exemption now became redundant and was removed to require compliance with all requirements set out in BS8 Connected Exposures. The existing condition of registration 4C was numbered as 4A accordingly.
11 & 11A	Conditions of registration 11 & 11A came into force six months after the date of completion of the acquisition transaction on 1 November 2024.
19–20	Bank's loan-to-value ratio (**LVR**) restrictions have been eased as follows: • from 5% limit for loans with LVR above 65% for investors, to 5% limit for loans with LVR above 70%, and • from 15% limit for loans with LVR above 80% for owner occupiers, to 20% limit for loans with LVR above 80%
28–29	Debt-to-income (**DTI**) restrictions were activated on the bank's qualifying new mortgage lending at settings of: • a 20% limit on new residential lending to investors with a DTI greater than 7; and • a 20% limit on new residential lending to owner-occupiers with a DTI greater than 6. Additionally, debt-to-income ratio and debt-to-income measurement period have been defined.

As at 30 June 2025, there have been no other changes to the Conditions of Registration.

Conditions of Registration

For Heartland Bank Limited

These conditions apply on and after 1 July 2024.

The registration of Heartland Bank Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

   (a) the Total capital ratio of the banking group is not less than 11%;
   (b) the Tier 1 capital ratio of the banking group is not less than 9%;
   (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 6.5%.

   For the purposes of this condition of registration, —

   "Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, subject to the additional requirements on the calculation methodology specified in condition 1BAA.

1AA. That—

   (a) the Total capital ratio of the New Zealand banking group is not less than 11%;
   (b) the Tier 1 capital ratio of the New Zealand banking group is not less than 9%;
   (c) the Common Equity Tier 1 capital ratio of the New Zealand banking group is not less than 6.5%;
   (d) the Total capital of the New Zealand banking group is not less than $30 million.

   For the purposes of this condition of registration, —

   "Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy when the calculation methodology is applied with all references to "banking group" replaced by references to "New Zealand banking group";

   "Total capital" has the same meaning as in BPR110: Capital Definitions when the capital adequacy calculation methodology in BPR100: Capital Adequacy is applied with all references to "banking group" replaced by references to "New Zealand banking group".

1A. That—

   (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in Part D of BPR100: Capital Adequacy;
   (b) under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and
   (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 2.5% or less or the Prudential Capital Buffer (PCB) ratio of the New Zealand banking group is 2.5% or less, the bank must—

   (a) according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio; and

Lesser of banking group PCB ratio and New Zealand banking group PCB ratio	Percentage limit on distributions of the bank's earnings	Capital Buffer Response Framework stage
0% – 0.5%	0%	Stage 3
>0.5 – 1%	30%	Stage 2
>1 – 2%	60%	Stage 1
>2 – 2.5%	100%	None

Conditions of Registration (continued)

(b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

For the purposes of this condition of registration, —

"prudential capital buffer ratio of the banking group" has the same meaning as "prudential capital buffer ratio" in Subpart B2 of BPR100: Capital Adequacy, subject to the additional requirements on the calculation methodology specified in condition 1BAA;

"prudential capital buffer ratio of the New Zealand banking group" has the same meaning as "prudential capital buffer ratio" in Subpart B2 of BPR100: Capital Adequacy, when the capital adequacy calculation methodology in BPR100: Capital Adequacy is applied with all references to "banking group" replaced by references to "New Zealand banking group";

"distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

1BAA. When calculating the "total RWA equivalents" in Subpart B2 of BPR100: Capital Adequacy as part of the formula for those ratios in conditions 1 (Total capital ratio, Tier 1 capital ratio, and Common Equity Tier 1 capital ratio) and 1B (Prudential Capital Buffer Ratio), the bank must do the following—

(a) as per A1.2 of BPR130: Credit Risk RWAs Overview, calculate the total RWAs for credit risk ("total credit risk RWAs") in the manner specified in section A1.3 of BPR130: Credit Risk RWAs Overview; and

(b) for all items which fall within the scope of section A1.3 of BPR130: Credit Risk RWAs Overview and which are exposures of the ADI or a subsidiary of the ADI, calculate risk-weighted assets for credit risk using the methodology set out in the following documents issued by APRA,—
   (i) APS 112 Capital Adequacy: Standardised Approach to Credit Risk; and
   (ii) APS 180 Capital Adequacy: Counterparty Credit Risk; and

(c) as per A2.1 of BPR140: Market Risk, calculate the aggregate capital charge for currency risk in the manner specified in Part C of BPR140: Market Risk; and

(d) when calculating the aggregate capital charge for currency risk as part of the total capital charge for market risk in accordance with BPR140: Market Risk, treat the excess (if any) of AUD-denominated assets of the ADI over AUD denominated liabilities of the ADI as an AUD structural foreign currency position in terms of section C1.2(1)(c) of BPR140: Market Risk.

For the purposes of this condition of registration, —

"the ADI" means the Authorised Deposit-taking Institution Challenger Bank Limited (ACN 106 842 371);

"APRA" means the Australian Prudential Regulation Authority;

"APS 112 Capital Adequacy: Standardised Approach to Credit Risk" means the Prudential Standard issued by APRA as amended or replaced from time to time;

"APS 180 Capital Adequacy: Counterparty Credit Risk" means the Prudential Standard issued by APRA as amended or replaced from time to time; and "AUD" means Australian Dollars.

1BA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: Capital Definitions and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

Conditions of Registration (continued)

1C. That:

(a) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and

(b) the bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration, —

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. The bank must comply with all the requirements set out in the following document:
BS8 Connected Exposures 1 October 2023.

Conditions of Registration (continued)

4A. That the aggregate credit exposures of the New Zealand banking group to all connected persons must not exceed 25% of the New Zealand banking group's Tier 1 capital.

For the purposes of this condition of registration, —

"aggregate credit exposures" has the same meaning as in Part C of the Reserve Bank of New Zealand document entitled "Connected exposure policy" (BS8) dated October 2023, with "a banking group" in paragraph C.5(1) taken to refer to the New Zealand banking group.
"connected person" has the same meaning as in Subpart A.3 of the Reserve Bank of New Zealand document entitled "Connected exposure policy" (BS8) dated October 2023, but with the reference to "banking group" in paragraph A.3(3) replaced with a reference to "New Zealand banking group".

"Tier 1 capital" has the same meaning as in BPR110: Capital Definitions when the capital adequacy calculation methodology in BPR100: Capital Adequacy is applied with all references to "banking group" replaced with references to "New Zealand banking group".

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

5A That exposures of the New Zealand banking group to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

For the purposes of this condition of registration, "connected person" has the same meaning as in Subpart A.3 of the Reserve Bank of New Zealand document entitled "Connected exposure policy" (BS8) dated October 2023, but with the reference to "banking group" in paragraph A.3(3) replaced with a reference to "New Zealand banking group".

6. That the bank complies with the following corporate governance requirements:
   (a) the board of the bank must have at least five directors;
   (b) the majority of the board members must be non-executive directors;
   (c) at least half of the board members must be independent directors;
   (d) an alternate director, —
      (i) for a non-executive director must be non-executive; and
      (ii) for an independent director must be independent;
   (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
   (f) the chairperson of the board of the bank must be independent; and
   (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, —

"independent,"—

(a) in relation to a person other than a person to whom paragraph (b) applies, has the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014; and
(b) in relation to a person who is the chairperson of the board of the bank, means a person who—
   (i) meets the criteria for independence set out in section 10 except for those in paragraph 10(1)(a) in BS14; and
   (ii) does not raise any grounds of concern in relation to the person's independence that are communicated in writing to the bank by the Reserve Bank of New Zealand:

"non-executive" has the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

Conditions of Registration (continued)

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

7A. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the parent company of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

8A. That a person must not be appointed as chairperson of the board of the parent company of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
   (b) the committee must have at least three members;
   (c) every member of the committee must be a non-executive director of the bank;
   (d) the majority of the members of the committee must be independent; and
   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "independent" and "non-executive" have the same meanings as in condition of registration 6.

10. That more than 75% of the bank's business is conducted in and from New Zealand.

10A. That more than 50% of the banking group's business is conducted in and from New Zealand.

11. That—

   (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
   (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
   (c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022, subject to the additional requirements on the calculation methodology specified in condition 11A.

   This condition comes into force six months after the date of completion of the acquisition transaction.

   For the purpose of this condition of registration, the "acquisition transaction" means the bank's acquisition of Challenger Bank Limited and the transfer of Heartland Australia and its subsidiaries to sit under Challenger Bank as per the bank's BS15 application dated 17 October 2023.

Conditions of Registration (continued)

11A. When calculating the one-week mismatch ratio, one-month mismatch ratio and core funding ratio for the purpose of condition 11, the bank must vary the calculation methodology specified in BS13 and BS13A as follows—

(a) an asset denominated in Australian dollars and owned by the ADI or a subsidiary of the ADI qualifies as a primary or secondary liquid asset if—
   (i) it meets the conditions for liquid assets specified in Attachment B "Minimum liquidity holdings approach" of APS 210 Liquidity; and
   (ii) the bank includes it in the ratio calculations using the primary/ secondary classification and cover factors ("haircuts") set out in BS13A according to the following correspondence table:

Category in APS210 Attachment B	Primary or secondary	BS13A category for determining haircuts
2(a) notes and coins and settlement funds	Primary	Nil haircut
2(b) Commonwealth Government	Primary	New Zealand government securities
2(b) semi-government securities	Primary	Local authority securities
2(c) debt securities guaranteed by the Australian Government, or foreign sovereign governments	Secondary	Securities guaranteed by the New Zealand government
2(d) debt securities issued by supranationals and foreign governments	Primary	"Kauri" securities
2(e) bank bills, certificates of deposits (CDs) and debt securities issued by ADIs	Secondary	Registered bank securities
2(f) deposits (at call and any other deposits readily convertible into cash within two business days) held with other ADIs net of placements by other ADIs.	Primary	Nil haircut

(b) the eligibility limit on total RCDs specified in paragraph 12(b) of BS13A applies such that the maximum value of bank bills, certificates of deposit, and RCDs held by the banking group, after applying the haircuts, that is eligible to be included in secondary liquid assets is 2% of the banking group's total assets;

(c) in respect of non-market funding provided by a person or group of connected persons to the banking group that is treated as a single deposit for the purpose of the policy and is denominated exclusively in Australian dollars, the definitions of the size bands set out in Table 3 in BS13 must be read as referring to Australian dollars rather than New Zealand dollars;

(d) references in BS13 to "dollar amounts" are to New Zealand dollar amounts, and conversion from other currencies as needed to calculate New Zealand dollar aggregates must be carried out at the end-of-day exchange rates used by the bank in New Zealand; and

(e) references in the BS13 definitions to cash flows due in or out at close of business must be taken to refer to the business day relevant to the transaction, namely the New Zealand or Australian business day as appropriate.

This condition comes into force six months after the date of completion of the acquisition transaction.

For the purposes of this condition of registration,—

"the acquisition transaction" means the bank's acquisition of Challenger Bank Limited and the transfer of Heartland Australia and its subsidiaries to sit under Challenger Bank as per the bank's BS15 application dated 17 October 2023.

"the ADI" means the Authorised Deposit-taking Institution Heartland Bank Australia;

"APRA" means the Australian Prudential Regulation Authority; "APS 210 Liquidity" means the Prudential Standard issued by APRA as amended or replaced from time to time;

Conditions of Registration (continued)

11B. That—

(a) the one-week mismatch ratio of the New Zealand banking group is not less than zero per cent at the end of each business day;
(b) the one-month mismatch ratio of the New Zealand banking group is not less than zero per cent at the end of each business day; and
(c) the one-year core funding ratio of the New Zealand banking group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022.

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the banking group's liquidity risk and the New Zealand banking group's liquidity risk at a prudent level, and that, in particular:

(a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
(b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
(c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
(d) considers the material sources of stress that the banking group and the New Zealand banking group might face, and prepares the bank to manage stress through a contingency funding plan.

13. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition, —

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person—
(a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:
-
"covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

14. That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
    (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
    (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
    (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
    (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, “qualifying acquisition or business combination”, “notification threshold” and “non-objection threshold” have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011.

15. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—

(a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—
  (i) all liabilities are frozen in full; and
  (ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

(b) apply a de minimis to relevant customer liability accounts;

(c) apply a partial freeze to the customer liability account balances;

(d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

(e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

(f) reinstate customers’ access to some or all of their residual frozen funds.

For the purposes of this condition of registration, “de minimis”, “partial freeze”, “customer liability account”, and “frozen and unfrozen funds” have the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Prepositioning Requirements Policy” (BS17) dated June 2022.

16. That the bank has an Implementation Plan that—

(a) is up-to-date; and
(b) demonstrates that the bank’s prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: “Open Bank Resolution Pre-positioning Requirements Policy” (BS17) dated June 2022.

For the purposes of this condition of registration, “Implementation Plan” has the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

17. That the bank has a compendium of liabilities that—

(a) at the product-class level lists all liabilities, indicating which are—
  (i) pre-positioned for Open Bank Resolution; and
  (ii) not pre-positioned for Open Bank Resolution;
(b) is agreed to by the Reserve Bank; and
(c) if the Reserve Bank’s agreement is conditional, meets the Reserve Bank’s conditions.

For the purposes of this condition of registration, “compendium of liabilities”, and “pre-positioned and non pre-positioned liabilities” have the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

18. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank’s pre-positioning for Open Bank Resolution as specified in the bank’s Implementation Plan.

For the purposes of this condition of registration, “Implementation Plan” has the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

Conditions of Registration (continued)

19. That, for a loan-to-valuation measurement period ending on or after 31 December 2024, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

20. That, for a loan-to-valuation measurement period ending on or after 31 December 2024, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

21. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

22. That, subject to conditions 2 and 3–

    (a) the parent company does not carry out any business other than the business of ownership or control of subsidiaries that operate banking business unless the Reserve Bank provides prior written non-objection. The business of ownership or control of subsidiaries that operate banking business is limited to:
    (i) holding investments in subsidiaries;
    (ii) holding properties used by Heartland group members;
    (iii) raising funds to invest in, or to provide support to its subsidiaries;
    (iv) raising funds to conduct activities permitted under these conditions;
    (v) investing funds (i.e. surplus capital) on behalf of the Heartland group;
    (vi) conducting the financial activities required for the purpose of carrying out activities permitted under these conditions;
    (vii) providing strategic analysis and setting strategic direction and priorities for the Heartland group;
    (viii) setting risk appetite for the Heartland group (acknowledging that subsidiaries within the Heartland group may set their own risk appetite within group risk tolerances);
    (ix) monitoring and managing compliance of subsidiaries with Heartland group strategic and risk settings;
    (x) providing corporate finance services to support the operation of the Heartland group;
    (xi) providing analysis, design, marketing, and digital delivery services to support product initiatives within the Heartland group;
    (xii) providing administration services to support the operation of the Heartland group); and
    (xiii) activities that must be undertaken to enable the bank to meet its obligations under its conditions of registration, activities that the parent company is required to undertake under a statute, listing rule or requirement of any governmental agency or regulatory body;

    (b) the parent company does not:
    (i) itself issue deposit liabilities;
    (ii) trade in financial instruments (other than for hedging for the purposes of carrying on the activities specified in conditions 22(b)(ii) to (vi));
    (iii) provide security over investments in its subsidiaries without the prior written non-objection from the Reserve Bank;
    (iv) provide guarantees of the obligations of its subsidiaries without the prior written non-objection from the Reserve Bank except the existing guarantees;
    (v) conduct any other business that is not in connection with the activities specified in conditions 22(a)(i) to (xiii);
    (vi) carry out activities that relate to undertaking a corporate centre role including banking group financial control, banking group treasury activities, banking group risk management, banking group settlements, banking group human resources, banking group financial reporting, banking group taxation and other banking group services such as company secretarial services; and
    (vii) carry out any activity that the Reserve Bank determines it may give rise to a prudential risk if retained by the parent company;

    (c) if the parent company carries out any business other than those permitted in writing, the Reserve Bank may make a recommendation to the Minister under section 77 of the Banking (Prudential Supervision) Act 1989 and the Minister may direct the Reserve Bank to cancel the bank's registration.

Conditions of Registration (continued)

In this condition of registration, –

"banking business" means:

(a) the business consists of, or to a substantial extent consists of, the borrowing and lending of money, or the provision of other financial services, or both; and
(b) any other business which the Reserve Bank considers as a type of banking business that would be carried out by a registered bank based on the determination criteria under the Banking (Prudential Supervision) Act 1989.

"existing guarantees" for the purpose of condition 22(c)(iv) means the guarantees that the parent company currently provides as at the date of completion of the acquisition transaction relating to the approximately AUD $290 million of Medium-Term Notes and AUD $20 million of bridge finance issued by Heartland Australia Group Pty Limited. "Heartland group" means the group of companies owned by Heartland Group Holdings Limited and it includes Heartland Group Holdings Limited itself.

23. That the business and affairs of the banking group are managed by, or under the direction or supervision of, the board of the bank.

24. That the employment agreement of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank.

25. That all staff employed by the bank have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and are accountable (directly or indirectly) to the CEO of the bank.

26. That Heartland Bank Australia complies with the requirements imposed on it by the Australian Prudential Regulation Authority.

27. That the total amount of the banking group's assets transferred or committed to be transferred to special purpose vehicles in securitisation structures is less than 20% of the banking group's total assets.

28. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

29. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.

In these conditions of registration, —

"banking group" means Heartland Bank Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

"New Zealand banking group" means Heartland Bank Limited and all entities included in its banking group that are incorporated or otherwise established in New Zealand, but not including Marac Insurance Limited.

"parent company" means Heartland Group Holdings Limited (company number:6937955), the ultimate holding company of the bank duly incorporated and established in New Zealand.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1C, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are—

Conditions of Registration (continued)

BPR document	Version date
BPR100: Capital adequacy	1 July 2024
BPR110: Capital definitions	1 October 2023
BPR120: Capital adequacy process requirements	1 October 2023
BPR130: Credit risk RWAs overview	1 July 2024
BPR131: Standardised credit risk RWAs	1 July 2024
BPR132: Credit risk mitigation	1 July 2024
BPR133: IRB credit risk RWAs	1 July 2024
BPR134: IRB minimum system requirements	1 July 2024
BPR140: Market risk exposure	1 July 2024
BPR150: Standardised operational risk	1 July 2024
BPR151: AMA operational risk	1 July 2024
BPR160: Insurance, securitisation, and loan transfers	1 July 2024
BPR001: Glossary	1 October 2023

In conditions of registration 19 to 20,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan",

"property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021.

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month.

In condition of registration 21, —

"residential mortgage loan" has the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023.

In conditions of registration 28 and 29, —

"debt-to-income ratio", "debt-to-income measurement period", "non property- investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023:

"debt-to-income measurement period" means—

(a) the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and

(b) thereafter, a rolling period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on 31 January 2025 and covers the months of August, September, October, November and December 2024 and January 2025.

Conditions of Registration – Non Compliance

Conditions of Registration Non-Compliance

The Bank has not identified any material non-compliance with the conditions of registration since its last disclosure statement.

Credit Ratings

As at the date of signing this Disclosure Statement, the Bank's credit rating issued by Fitch Australia Pty Ltd (**Fitch Ratings**) was BBB stable. This BBB credit rating was issued on 14 October 2015 and is applicable to long term unsecured obligations payable in New Zealand, in New Zealand dollars. This BBB stable credit rating was affirmed by Fitch Ratings for the Bank and HBA on 29 October 2024.

The following is a summary of the descriptions of the ratings categories for rating agencies for the rating of long-term senior unsecured obligations:

Fitch Ratings	Standard & Poor's	Moody's Investors Service	Description of Grade
AAA	AAA	Aaa	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	AA	Aa	Very strong ability to repay principal and interest in a timely manner.
A	A	A	Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business, or financial conditions.
BBB	BBB	Baa	Adequate ability to repay principal and interest. More vulnerable to adverse changes.
BB	BB	Ba	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and therefore greater likelihood of default.
CCC	CCC	Caa	Likelihood of default considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.
CC-C	CC-C	Ca-C	Highest risk of default.
RD to D	D	-	Obligations currently in default.

Credit ratings from Fitch Ratings and Standard & Poor's may be modified by the addition of a plus or minus sign to show relative status within the major rating categories. Moody's Investors Service apply numerical modifiers 1, 2, and 3 to show relative standing within the major rating categories, with 1 indicating the higher end and 3 the lower end of the rating category.

Other Material Matters

Depositor Compensation Scheme

The Depositor Compensation Scheme (DCS) took effect from 1 July 2025 under the Deposit Takers Act 2023. The DCS is administered by the RBNZ whose address is 2 The Terrace, Wellington Central, Wellington 6140.

Certain Heartland Bank accounts are protected deposits under the DCS, which protects up to $100,000 per eligible depositor per deposit taker. For a list of Heartland Bank accounts protected by the DCS, please refer to Heartland Bank's website at https://www.heartland.co.nz/savings-and-deposits/depositor-compensation-scheme.

For detailed information about the DCS, please refer to the Reserve Bank of New Zealand's internet site at www.rbnz.govt.nz/dcs.

There are no other material matters relating to the business or affairs of the Bank or the Banking Group that are not already contained elsewhere in this Disclosure Statement which would, if disclosed in this Disclosure Statement, materially affect the decision of a person to subscribe for debt securities of which the Bank or any member of the Banking Group is the issuer.

Heartland Group Holdings Limited Dividend Reinvestment Plan

TERMS AND CONDITIONS

1. Introduction

This document (**Offer Document**) contains the terms and conditions of the Heartland Group Holdings Limited (**Heartland**) Dividend Reinvestment Plan (the **Plan**).

The Plan is available to you (**you**) if, subject to clauses 3 and 4, you are the holder of ordinary shares in Heartland (**Shares**).

Under the Plan, you may elect to reinvest the net proceeds of cash dividends payable or credited on all or some of your fully paid Shares by acquiring further Shares (**Additional Shares**).

The record date for determining your entitlement to Additional Shares under the Plan is 5:00pm on the date fixed by Heartland for determining entitlements to dividends payable or credited on Shares (**Record Date**).

Further information about Heartland can be found in the Investor Information section of its website at:
www.heartlandgroup.info/investor-information

This Offer Document has been prepared as at 20 August 2025.

2. Available Options

You may elect to participate in the Plan by exercising one of the following options:

(a) ***Full Participation*** – If you choose full participation, the Plan will apply to the cash dividends payable or credited from time to time in respect of all Shares registered in your name

(b) ***Partial Participation*** – If you choose partial participation, the Plan will only apply to the cash dividends payable or credited from time to time in respect of your nominated percentage of Shares registered in your name.

The Shares, if any, which you have chosen to participate in the Plan at each Record Date will be your **Participating Shares**.

If you do not wish to participate in the Plan and instead wish to receive any dividends payable or credited in respect of your Shares from time to time in cash, you do not need to do anything.

3. Overseas Shareholders

3.1 No action has been taken to permit the offer of the Plan in any jurisdiction outside New Zealand and Australia. The distribution of this document in a jurisdiction outside New Zealand or Australia may be restricted by law and persons who come into possession of it (including nominees, trustees or custodians) should seek advice on and observe any such restrictions.

3.2 Heartland may, in its absolute discretion, elect not to offer participation in the Plan to shareholders whose address recorded in Heartland's share register is outside New Zealand if Heartland considers that to do so would risk breaching the laws of any other jurisdiction and it would be unduly onerous to ensure that the laws of those jurisdictions are complied with. As at the date of this Offer Document, the Plan is only available to holders of Shares who have an address recorded in Heartland's share register in New Zealand or Australia. However, the Board may amend this policy at any time, in its sole discretion.

3.3 If you do not reside in New Zealand, Australia or any other jurisdiction in respect of which the Plan is made available and you participate in the Plan through a nominee resident in New Zealand, Australia or any other such jurisdiction you are deemed to represent and warrant to Heartland that you can lawfully participate through your nominee. Heartland accepts no responsibility for determining whether any person is able to participate in the Plan under laws applicable outside of New Zealand, Australia or any other jurisdiction in respect of which the Plan is made available.

4. Exclusion where Liens or Charges over Shares

If you hold any Shares over which Heartland has a lien or charge, those Shares will not be eligible to participate in the Plan.

5. Participation Election

5.1 To participate in the Plan, you must make a **Participation Election** in one of the following ways:

(a) ***Online Election*** – by visiting the investor centre of Heartland's Share Registrar, MUFG Pension & Market Services:

nz.investorcentre.mpms.mufg.com
(for New Zealand Registered Holders)

au.investorcentre.mpms.mufg.com
(for Australian Registered Holders)

Once you have logged in, you should click "Payment and Tax", then "Reinvestment Plans", and then "Edit Instruction" to participate in the Plan. If you make an Online Election, you will be required to confirm that you have read, understood and complied with the terms and conditions of the Plan; or

(b) ***Participation Notice*** – by completing and returning the enclosed participation notice which accompanies this Offer Document (**Participation Notice**) in accordance with the instructions on that notice.

5.2 You can make your Participation Election at any time while this Plan is in effect by following one of the steps in clause 5.1. Participation Notices can be obtained from Heartland's Share Registrar at any time.

5.3 If your Participation Election does not specify your degree of participation in the Plan, you will be deemed to have chosen full participation if your Participation Election is otherwise correctly completed and signed.

5.4 The last date for receipt of a Participation Notice for participation in any dividend will be the first business day (being a day the NZX Main Board is open for trading) after the Record Date for that dividend or such later date as may be set by the board and advised to NZX Limited (**NZX**) and ASX Limited (**ASX**) (**Election Date**).

6. Participation Applies from First Election Date

Net proceeds of cash dividends payable or credited on your Participating Shares will be reinvested in Additional Shares from the first Election Date which occurs after receipt by Heartland of a properly completed Participation Election and, unless varied or terminated in accordance with clause 16, will apply to all subsequent dividend payments.

7. Formula for Calculation of Additional Shares and Strike Price

7.1 If you choose to participate in the Plan, the number of Additional Shares you will be allotted will be calculated in accordance with the following formula:

$$N = \frac{PS \ x \ D}{SP}$$

Where:

N is the number of Additional Shares you will receive (with fractional entitlements to be rounded to the nearest whole number, provided that fractional entitlements of 0.5 shall be rounded up).

PS is the number of your Participating Shares.

D is the net proceeds of cash dividends paid or credited per Share by Heartland (expressed in cents and fractions of cents, including any applicable supplementary dividends in respect of Participating Shares payable to non-resident shareholders but excluding any tax credits and after deduction of any withholding or other taxes, if any).

SP is the **Strike Price**, calculated in accordance with clause 7.2.

7.2 The Strike Price will be calculated in accordance with the following formula:

$$SP \ = \ P \ x \ E$$

Where:

P is the volume weighted average sale price in New Zealand dollars (expressed in cents and fractions of cents) for a Share calculated on all trades of Shares which took place through the NZX Main Board over the period of 5 trading days immediately following the Record Date. If no sales of Shares occur during those 5 trading days, then the volume weighted average sale price will be deemed to be the sale price for a Share for the last trade of Shares which took place prior to such trading days as determined by NZX. The price "**P**" may be reasonably adjusted by Heartland to allow for any bonus issue or dividend or other distribution expectation. If, in the opinion of the Board, any exceptional or unusual circumstances (including any unusual or irregular trades) have artificially affected the price "P", Heartland may make such adjustment to that price as it considers reasonable.

E is the percentage determined by the Board from time to time, in its absolute discretion, provided that such percentage discount (if any) shall not be less than 95 per cent. As at the date of this Offer Document, the percentage is 100 per cent. If the percentage discount is not 100 per cent, the amount of the percentage shall be released to NZX and ASX through the market announcement platform not later than the date by which Heartland is required to release to NZX and ASX the details of a proposal to pay a dividend.

The price at which your Additional Shares will be allotted will be the Strike Price. The determination of the Strike Price of the Additional Shares by the Board, or by some other person nominated by the Board, will be binding on all participants in the Plan.

7.3 Any net proceeds per Share as described in the definition of "D" in clause 7.1 above, which are not applied to acquire a part of an Additional Share because a fractional entitlement to Additional Shares is rounded down (in accordance the definition of "N" in clause 7.1 above), shall be forfeited.

8. Compliance with Laws, Listing Rules and Constitution

8.1 The Plan will not operate to the extent that the allotment of Additional Shares under the Plan would breach any applicable law, the listing rules of any stock exchange on which the Shares are quoted or any provision of Heartland's constitution.

8.2 If, for any reason, Heartland cannot allot your Additional Shares, the relevant dividend on your Participating Shares will be paid or distributed to you in the same manner as to shareholders not participating in the Plan. You will not be paid interest on any such payment.

9. Issue of Additional Shares

Heartland will allot your Additional Shares in accordance with clauses 7 to 8 on the day that you would otherwise have been paid a dividend.

10. Share Price Information Publicly Available

Heartland will ensure that at the time the Strike Price is set under clause 7.2 it will have no information that is not publicly available that would, or would be likely to, have a material adverse effect on the realisable price of the Shares if it was publicly available.

11. Terms of Issue and Ranking of Additional Shares

Your Additional Shares will be allotted on the terms set out in this Plan, subject to the rights of termination, suspension and modification set out in clause 14. Your Additional Shares will, from the date of allotment, rank equally in all respects with each other and with all other Shares of Heartland on issue as at that date.

12. Source of Additional Shares

Your Additional Shares may, at the Board's discretion, be:

(a) new Shares issued by Heartland;

(b) existing Shares acquired by Heartland or a nominee or agent of Heartland; or

(c) any combination of (a) and (b) above.

13. Statements

If you choose to participate in the Plan, Heartland will send a statement to your address or electronic mail address (if you have elected to receive communications electronically) as set out in Heartland's share register within 5 trading days of the allotment of Additional Shares detailing:

(a) the number of your Participating Shares as at the Record Date;

(b) the amount of your cash dividend reinvested in Additional Shares and the amount paid in respect of any of your Shares that are not participating in the Plan (if applicable);

(c) the Strike Price and number of Additional Shares you were allotted under the Plan;

(d) the amount of any tax deductions or withholdings, imputations or other taxation credits in respect of the cash dividend; and

(e) such other matters required by law with respect to dividends and/or reinvestment.

14. Termination, Suspension and Modification

The Board may, in its sole discretion, at any time:

(a) terminate, suspend or modify the Plan. If the Plan is modified, your Participation Election will be deemed to be a Participation Election under the modified Plan unless you withdraw or modify your Participation Election in accordance with clause 16;

(b) resolve that some or all of a dividend will be paid in cash only instead of the Plan applying;

(c) resolve that in the event of the subdivision, consolidation or reclassification of the Shares into one or more new classes of shares, your Participation Election will be deemed to be a Participation Election in respect of the shares as subdivided, consolidated or reclassified unless you withdraw or modify your Participation Election in accordance with clause 16;

(d) resolve that your Participation Election will cease to be of any effect; or

(e) determine that Additional Shares may be issued at a discount to the market price of Shares and the amount of any such discount.

15. Prior Notice

You will be sent written notice by Heartland of any modification or termination to the Plan at your address or electronic mail address (if you have elected to receive communications electronically) as set out in Heartland's share register prior to the Record Date on which any modification or termination will take effect, unless Heartland:

(a) modifies or terminates the Plan to comply with any applicable law, the listing rules of any stock exchange on which the Shares are quoted or any provision of Heartland's constitution; or

(b) makes minor amendments to the Plan where such amendments are of an administrative or procedural nature, in which case no notice need be given.

16. Variation or Termination

You may at any time:

(a) increase or decrease the number of your Participating Shares by making a new Participation Election in accordance with clause 5.1; or

(b) terminate your participation in the Plan by revoking your Online Election at

nz.investorcentre.mpms.mufg.com
(for New Zealand Registered Holders)

au.investorcentre.mpms.mufg.com
(for Australian Registered Holders)

or by written notice to Heartland's Share Registrar at the address set out in clause 5.1.

Such variation or termination will take effect on the first Election Date after receipt by Heartland's Share Registrar of the new Participation Election or the written termination notice, as the case may be.

17. Partial Dispositions

If you dispose of any of your Participating Shares, you will be deemed to have terminated your participation in the Plan with respect to the Participating Shares you disposed of from the date Heartland's Share Registrar registers a transfer of those Participating Shares.

18. Dispositions of all of your Participating Shares

If you dispose of all of your Participating Shares, you will be deemed to have terminated your participation in the Plan from the date Heartland's Share Registrar registers a transfer of those Shares.

19. Taxation

For New Zealand tax purposes, if you reinvest the net proceeds of your cash dividends to acquire Additional Shares, you should be treated in the same way as if you had not participated in the Plan. This means that if you participate in the Plan, you should derive dividend income of the same amount that you would have derived had you not participated in the Plan. The taxation summary above is based on New Zealand taxation laws as at the date of this Offer Document and is, of necessity, general. It does not take into account your individual circumstances and the specific tax consequences of your participation or non-participation in the Plan, which may vary considerably. You should not rely on this general summary but should seek your own tax advice. Heartland does not accept any responsibility for the financial or taxation effects of your participation or non-participation in the Plan.

20. Costs

You will not be charged for participation in or withdrawal from the Plan. You will not incur any brokerage costs on the allotment of your Additional Shares.

21. Quotation of Additional Shares

The Shares have been accepted for quotation by NZX and ASX and it is expected that the Additional Shares will be quoted upon completion of allotment procedures. However, neither NZX nor ASX accepts responsibility for any statement in this Offer Document.

You cannot trade in any Additional Shares allotted to you pursuant to the Plan, either as principal or agent, until official quotation of the Additional Shares on the NZX Main Board or ASX in accordance with the applicable listing rules which apply as result of Heartland's listing on the NZX Main Board and ASX from time to time. Heartland expects that the Additional Shares will commence trading on the NZX Main Board and ASX on the trading day immediately after their allotment.

22. Listing Rules

The Plan is subject to any applicable listing rules and to any rules for clearing and/or settlement which apply to Heartland as a result of its listing on the NZX Main Board and ASX from time to time (together, the **Rules**) and in the event of any inconsistency between the Plan and the Rules, the Rules will apply.

23. Information for Shareholders

The offer of Shares under the Plan does not require a regulated disclosure document under New Zealand and Australian legislation as a result of clause 10 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand) and section 708 of the Corporations Act 2001 (Cth), respectively. Accordingly, this document does not constitute a prospectus or product disclosure statement.

24. No Financial Product Advice

Heartland shareholders should note that Heartland is not licensed to provide financial product advice in relation to the Shares offered under the Plan. There is no cooling-off regime that applies in respect of the acquisition of Shares offered under the Plan. This Plan does not take into account shareholders' personal objectives, financial situations or needs. Shareholders should consider obtaining their own financial product advice in relation to the offer from a licensed broker, financial, investment or other professional adviser.

25. Governing Law

The Plan and its operation will be governed by the laws of New Zealand.

26. Dividend Policy

Heartland's current dividend policy can be found on its website at www.heartlandgroup.info/investor-information/dividends

27. Other Information

You can download an electronic copy of Heartland's most recent Annual Report and Heartland's most recent financial statements (and any auditor's report on those financial statements) from Heartland's website at www.heartlandgroup.info/investor-information

Alternatively, you can request a copy of these documents free of charge by writing to Heartland's registered office at:

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