

NZX/ASX release  
8 April 2024

## Heartland announces indicative regulatory approval of Challenger Bank acquisition, and NZ\$210m equity raise

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: **HGH**) is pleased to announce that it has received indicative regulatory approvals from the Australian Prudential Regulation Authority (**APRA**) and the Reserve Bank of New Zealand (**RBNZ**) for Heartland Bank Limited's (**Heartland Bank**) acquisition of Challenger Bank Limited (**Challenger Bank**) from Challenger Limited (ASX: **CGF**). Subject to receipt of final regulatory approvals, Heartland Bank expects to complete the acquisition of Challenger Bank on 30 April 2024 (**Completion**).

Heartland also announces a NZ\$210 million equity raise, the successful completion of which APRA and RBNZ's final regulatory approvals are conditional on. The equity raise comprises a NZ\$105 million underwritten placement (**Placement**) and a NZ\$105 million underwritten 1 for 6.85 accelerated non-renounceable entitlement offer (**Entitlement Offer**), described in detail below.

Proceeds from the equity raise will be used to finance the balance of the consideration payable for the Challenger Bank acquisition, support the expected regulatory capital requirements of Challenger Bank and Heartland Bank, and cater for near-term projected asset growth post-Completion.

Shortly after Completion, Heartland will transfer Heartland Australia Holdings Pty Limited and its subsidiaries (which include Heartland's existing Australian Reverse Mortgage business (Heartland Finance) and Livestock Finance business (StockCo Australia)) (together, **Heartland Australia**) to Challenger Bank. This is expected to occur on 2 May 2024.

### Becoming a bank in Australia

The acquisition is a critical step in Heartland's strategy for expansion in the Australian market and achieving its long-term growth ambitions. Heartland is already well-established in Australia through Heartland Australia. At 31 December 2023, together, Heartland's Australian Reverse Mortgage and Livestock Finance businesses had approximately NZ\$2 billion of gross finance receivables.

Completing the Challenger Bank acquisition will make Heartland Bank the first New Zealand registered bank to acquire an Australian Authorised Deposit-Taking Institution (**ADI**). Subject to Completion, under Heartland Bank's ownership, Challenger Bank will be rebranded to Heartland Bank (**Heartland Bank Australia**), providing a platform to extend Heartland's "best or only" strategy in Australia. Once Heartland Australia becomes part of Heartland Bank Australia, it will be the only specialist bank provider of both reverse mortgages and livestock finance in Australia.

To accelerate growth in Australia, Heartland will leverage Challenger Bank's foundation and funding platform, Heartland's successful track record in Australia, and its New Zealand product and distribution expertise. This will enable Heartland Bank Australia to expand into new product segments in which Heartland Bank has specialist expertise in New Zealand, such as Motor Finance and Asset Finance.<sup>1</sup>

<sup>1</sup> Subject to meeting minimum return on equity (**ROE**) hurdles and APRA consultation.

Expansion will be enabled through access to retail deposits, allowing Heartland to optimise the advantage of a lower cost of funds. Challenger Bank continues to actively raise deposits ahead of being acquired by Heartland Bank and will continue to do so following Completion. Challenger Bank's retail deposit growth to date has exceeded Heartland's expectations. In the period between 30 December 2023 to 29 March 2024, Challenger Bank achieved retail deposit growth of A\$702 million at a rate that is 1.74% lower than Heartland Australia's current cost of funds.<sup>2</sup>

## Dividends

Having regard to the equity raise, acquisition of Challenger Bank and associated growth opportunities, the Board expects to target a total dividend payout ratio in the financial year ending 30 June 2024 of 50% of underlying net profit after tax. The Board will, as it has historically, actively manage dividend settings and carefully consider the declaration of any dividend based on Heartland's capital needs, ROE accretive growth opportunities, balance sheet flexibility and Heartland's financial performance.

## Board and Management updates

After 15 years at Heartland, Jeff Greenslade has indicated to the Board his intention to step down from his role as CEO of Heartland at the end of this calendar year. Jeff's tenure at Heartland included seeing through its formation in 2011, and receipt of Heartland Bank's RBNZ banking registration in 2012. Post-Completion, Jeff's focus as CEO will be on the strategic transition of Heartland in its role as a listed parent company of banks in two jurisdictions, the integration of Challenger Bank into the group, and the continued development of Heartland's business in Australia.

The Board is confident in the continuation of senior expertise within the Heartland group, and will work closely with Jeff on succession planning through the calendar year to ensure a successful transition.

Subject to Completion, which is expected to take place on 30 April 2024, the following Board and Management changes will occur.

- Geoff Summerhayes will resign from the Heartland Board and be appointed Chair of the new Heartland Bank Australia Board. The accompanying investor presentation provides more information about the proposed Heartland Bank Australia Board of Directors and Management team.
- Michelle Winzer has been appointed Chief Executive Officer of Heartland Bank Australia with a start date yet to be confirmed. Michelle will join Heartland Bank Australia from her role as Chief Executive Banking of RACQ Bank in Queensland. Michelle will bring more than 30 years' experience in banking and financial services, including as Chief Executive Officer of Bank of Melbourne, and senior roles at Bankwest, the Commonwealth Bank of Australia and Westpac.
- John Harvey will be appointed to the Heartland Board as Independent Non-Executive Director, and will remain on the Heartland Bank Board as Non-Independent Non-Executive Director.
- Ellie Comerford, who has served on Heartland Boards for more than seven years, has indicated her intention to resign from the Heartland Board on or around 30 June 2024.
- Chris Flood, currently Deputy Chief Executive Officer of Heartland, will be appointed Acting Chief Executive Officer of Heartland Bank Australia. Chris is expected to return to his role as Deputy Chief Executive Officer of Heartland later in the 2024 calendar year, allowing time for a comprehensive handover with Michelle.

---

<sup>2</sup> The cost of funds benefit is calculated with reference to Heartland Australia's average cost of funds over January and February 2024.

Kerry Conway recently joined Heartland Bank as Chief Financial Officer on 4 March 2024 and will become a senior manager of Heartland Bank with effect from 8 April 2024. Andrew Dixson continues in his role as Group Chief Financial Officer of Heartland with responsibility for managing liquidity, funding and capital, corporate finance, including mergers and acquisitions, group tax, and investor relations within the Heartland group.

## Proposed equity raise

Heartland has announced a NZ\$210 million equity raise to facilitate the completion of the Challenger Bank acquisition. The proceeds of the equity raise will be used to:

1. finance the balance of the consideration payable for the Challenger Bank acquisition
2. support the expected regulatory capital requirements of Challenger Bank and Heartland Bank
3. cater for near term asset growth post-Completion.

The equity raise will comprise a NZ\$105 million underwritten Placement and a NZ\$105 million underwritten 1 for 6.85 pro-rata Entitlement Offer. The Placement and Entitlement Offer are fully underwritten by Jarden Partners Limited, with the exception of a pre-commitment received from Heartland's largest shareholder, Harrogate Trustee Limited, for approximately NZ\$14 million of the equity raise.

The Placement and Entitlement Offer will both be undertaken at a fixed price of NZ\$1.00 per new share, being a 18.0% discount to the last close price of NZ\$1.22 on 5 April 2024, and a 14.6% discount to the theoretical ex-rights price (**TERP**) of NZ\$1.1703<sup>3</sup>.

### Placement

The placement is underwritten by Jarden Partners Limited and will be conducted today through a bookbuild in which institutional and other select investors in New Zealand, Australia and a limited number of other jurisdictions will be invited to participate. The Placement has been underwritten at a fixed price of NZ\$1.00 per new share. The Placement will comprise 105 million new shares, which represents 11.3% of Heartland's shares on issue following completion of the equity raise. ASX settlement will take place on Friday 12 April, and NZX settlement and allotment of all new shares issued under the Placement will take place on Monday 15 April. New shares issued under the Placement will be ex-entitlement under the Entitlement Offer. A trading halt has been requested from NZX and ASX to facilitate the Placement.

### Entitlement Offer

Under the Entitlement Offer, eligible shareholders may apply for 1 new share for every 6.85 existing shares held at the dates and times described below, at an application price of NZ\$1.00 per new share. The Entitlement Offer will raise a total of approximately NZ\$105 million and be underwritten by Jarden Partners Limited at the same application price as the Placement of NZ\$1.00 per new share. The Entitlement Offer comprises the issue of approximately 105 million new shares which represents 11.3% of Heartland's shares on issue following completion of the equity raise.

The Entitlement Offer will be conducted in two parts – a component to institutional investors (**Institutional Entitlement Offer**) and a component to retail shareholders (**Retail Entitlement Offer**).

---

<sup>3</sup> TERP is the Theoretical Ex-Rights Price at which Heartland ordinary shares would trade immediately after the ex-rights date for the offer. TERP is calculated with reference to Heartland's closing share price of NZ\$1.22 on 5 April 2024 and includes all new shares issued under the placement and the offer. TERP is a theoretical calculation only and the actual price at which Heartland ordinary shares will trade immediately after the ex-rights date for the offer will depend on many factors and may not be equal to TERP.

The Entitlement Offer is non-renounceable, and entitlements will not be tradeable or otherwise transferable.

Eligible shareholders under the Institutional Entitlement Offer include institutional and other selected investors in New Zealand, Australia and select international jurisdictions as at 7.00pm NZST (5.00pm AEST) on the Record Date of Tuesday 9 April 2024 (**Record Date**). The Institutional Entitlement Offer will be accelerated and will close on Monday 8 April 2024 for New Zealand, Australia, Hong Kong and Singapore and on Tuesday 9 April 2024 for all other eligible international jurisdictions.

The Retail Entitlement Offer will be offered to eligible retail shareholders with an address recorded in Heartland's share register in New Zealand or Australia as at 7.00pm NZST (5.00pm AEST) on the Record Date. The Retail Entitlement Offer will open on Thursday 11 April 2024, and close on Monday 22 April 2024 (unless extended). Provided they have taken up their full entitlement, eligible retail shareholders may also apply for additional new shares not taken up by other retail shareholders up to a maximum of 100% above their pro-rata entitlement.

The Offer Document accompanies this announcement and will be sent to eligible retail shareholders on Thursday 11 April 2024 and be available at [www.heartlandshareoffer.co.nz](http://www.heartlandshareoffer.co.nz) on the same day. This document contains the terms of the offer. Applications can be made through this website or as otherwise directed by Heartland.

New shares to be issued under both the Placement and the Entitlement Offer will rank equally in all respects with Heartland's existing ordinary shares on issue.

Heartland chose this offer structure as it requires certainty that sufficient funds are raised to complete the Challenger Bank acquisition and support expected regulatory requirements post-Completion. The offer structure supports an accelerated timetable relative to renounceable offers to ensure faster completion with the additional benefit of tighter pricing. For further details on why Heartland has selected this offer structure, please refer to the Offer Document that accompanies this announcement.

The Placement and Entitlement Offer also fulfils Heartland's objective to further diversify its share register to promote increased liquidity on both the NZX and ASX. This is important in driving long-term value for all shareholders, by attracting depth of investment and widening demand. Through the Placement and the ability for retail shareholders to subscribe for additional new shares not taken up by other retail shareholders, Heartland endeavours to allow all shareholders that wish to maintain their pro-rata shareholdings through the equity raising, the ability to do so.

### Equity raise key dates

Event	Date <sup>4</sup>
Announcement of Equity Raising	Monday 8 April 2024
Record date for the Entitlement Offer	Tuesday 9 April 2024
<b>Institutional Entitlement Offer and Placement</b>	
Institutional Entitlement Offer and Placement opens	Monday 8 April 2024
Institutional Entitlement Offer and Placement closes (for institutional shareholders in New Zealand, Australia, Hong Kong and Singapore)	Monday 8 April 2024

<sup>4</sup> The dates set out in the table above (and any references to them in this announcement) are subject to change and are indicative only. All times and dates refer to NZ time (unless otherwise specified).

Institutional Entitlement Offer and Placement closes (for institutional shareholders in all other jurisdictions)	Tuesday 9 April 2024
Trading halt lifted and shares recommence trading on NZX and ASX on an 'ex-entitlement' basis	By 12.00pm NZST Tuesday 9 April 2024
ASX settlement	Thursday 11 April 2024
NZX settlement, allotment and commencement of trading of new shares	Friday 11 April 2024
<b>Retail Entitlement Offer</b>	
Retail Entitlement Offer opens	Thursday 11 April 2024
Offer Document dispatched to Eligible Retail Shareholders	Thursday 11 April 2024
Retail Entitlement Offer closes	Monday 22 April 2024
ASX and NZX settlement and allotment	Friday 26 April 2024
NZX commencement of trading of new shares	Friday 26 April 2024
ASX commencement of trading of new shares	Monday 29 April 2024

## Investor briefing

Heartland will hold an investor briefing at 11.00am NZST. Register to attend the briefing here: <https://ccmediaframe.com/?id=JHLK8tIK>

– ENDS –

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

Jeff Greenslade  
Chief Executive Officer

Andrew Dixon  
Chief Financial Officer

### For further information, please contact:

Nicola Foley  
Group Head of Communications  
+64 27 345 6809

[nicola.foley@heartland.co.nz](mailto:nicola.foley@heartland.co.nz)

Level 3, Heartland House, 35 Teed Street, Newmarket, Auckland, New Zealand

## About Heartland

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

Heartland's New Zealand business, [Heartland Bank](#), provides customers with savings and deposit products, online home loans, reverse mortgages, business loans, car loans and rural loans. In Australia, Heartland's main business is currently in reverse mortgages through [Heartland Finance](#) which is a market leader. Heartland also operates [StockCo Australia](#), a specialist livestock financier, which was acquired by Heartland in May 2022. In October 2022, Heartland announced its intention to purchase Challenger Bank, a digital bank based in Melbourne, Australia, subject to obtaining the requisite regulatory approvals.

For personal use only

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

More about Heartland: [heartlandgroup.info](http://heartlandgroup.info)

## About Challenger

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

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

More about Challenger: [challenger.com.au](http://challenger.com.au)

## Currency

Unless otherwise stated, all references to "\$" are to the New Zealand dollar.

## Not an offer of securities in the United States

This announcement has been prepared for publication in New Zealand and Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.



# HEARTLAND GROUP HOLDINGS LIMITED OFFER DOCUMENT

1 for 6.85 Accelerated Non-Renounceable Entitlement Offer of New Shares

8 April 2024

*Not for distribution or release in the United States*

**HEARTLAND**  
GROUP

This Offer Document is an important document. You should read the entire document before deciding what action to take with respect to your Entitlements. If you have any doubts as to what you should do, please consult your broker, financial, investment or other professional advisor. This Offer Document may not be released to US wire services and may be distributed in the United States only by the Company to Eligible Institutional Shareholders. The distribution of this Offer Document outside of New Zealand and Australia may be restricted by law. If you come into possession of this Offer Document, you should observe any such restrictions and should seek your own advice on those restrictions.

For personal use only

## **CONTENTS**

<b>IMPORTANT NOTICE</b>	<b>1</b>
<b>PART 1: LETTER FROM THE CHAIR</b>	<b>3</b>
<b>PART 2: OFFER AT A GLANCE</b>	<b>5</b>
<b>PART 3: IMPORTANT DATES</b>	<b>7</b>
<b>PART 4: DETAILS OF THE OFFER</b>	<b>9</b>
<b>PART 5: GLOSSARY</b>	<b>21</b>
<b>PART 6: DIRECTORY</b>	<b>25</b>

For personal use only



## IMPORTANT NOTICE

### GENERAL INFORMATION

The Offer is made under the exclusion in clause 19 of Schedule 1 of the FMCA and pursuant to the provisions of section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Instrument 18-1012).

This Offer Document is not a product disclosure statement or other disclosure document for the purposes of the FMCA, the Corporations Act or any other law, has not been lodged with the Financial Markets Authority or ASIC, and does not contain all of the information that an investor would find in a product disclosure statement or other disclosure document, or which may be required in order to make an informed investment decision about the Offer or Heartland.

### ADDITIONAL INFORMATION AVAILABLE UNDER HEARTLAND'S CONTINUOUS DISCLOSURE OBLIGATIONS

Heartland is subject to continuous disclosure obligations under the NZX Listing Rules. You can find market releases by Heartland at [nzx.com](http://nzx.com) and at [asx.com.au](http://asx.com.au) under the code "HGH".

Heartland may, during the period of the Offer, make additional releases to the NZX and the ASX. To the maximum extent permitted by law, no release by Heartland to the NZX or the ASX will permit an applicant to withdraw any previously submitted application without Heartland's prior consent.

### OFFERING RESTRICTIONS

This Offer Document does not constitute an offer, advertisement or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer, advertisement or invitation.

This Offer Document may not be sent or given to any person who is not an Eligible Shareholder or an Institutional Investor in circumstances in which the Offer or distribution of this Offer Document would be unlawful. The distribution of this Offer Document (including an electronic copy) outside New Zealand or Australia may be restricted by law. In particular, this Offer Document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside of New Zealand or Australia except to Eligible Institutional Investors or as Heartland may otherwise determine in compliance with applicable laws.

This Offer Document and any accompanying NZX or ASX announcements do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United

States or to any person who is acting for the account or benefit of any person in the United States (to the extent such person is acting for the account or benefit of a person in the United States), or in any other jurisdiction in which, or to any person to whom, such an offer would be illegal.

The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold in the United States or to persons acting for the account or benefit of a person in the United States (to the extent such persons hold Existing Shares and are acting for the account or benefit of a person in the United States), except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction of the United States.

Further details on the offering restrictions that apply are set out in Part Four.

If you come into possession of this Offer Document, you should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Heartland disclaims all liability to such persons.

### FUTURE PERFORMANCE

This Offer Document includes certain "forward-looking statements" about Heartland and the environment in which Heartland operates, such as indications of, and guidance on, future earnings and financial position and performance. Forward-looking information is inherently uncertain and subject to contingencies, known and unknown risks and uncertainties and other factors, many of which are outside of Heartland's control, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. A number of important factors could cause actual results or performance to differ materially from forward-looking statements. No assurance can be given that actual outcomes or performance will not materially differ from the forward-looking statements. The forward-looking statements are based on information available to Heartland as at the date of this Offer Document. Except as required by law or regulation (including the NZX Listing Rules), Heartland undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

In light of heightened geopolitical tensions, continuing cost of living pressures and uncertainty around whether New Zealand and Australian central bank inflation targets will be reached (and the commencement of commensurate rate cuts), extra caution should also be taken when assessing the forward-looking statements. These ever-evolving situations continue to pose challenges for global financial markets and the New Zealand and Australian economies. Capital markets may continue to see equity securities suffer from spikes in volatility.

As the holding company of an Australasian financial services group, Heartland is exposed to credit, capital, liquidity and funding, market (including interest rate and currency), operational, regulatory compliance and general business risk. Heartland has implemented (or will implement in preparedness for the acquisition of Challenger Bank) structures, policies, procedures, controls and information systems that it considers appropriate to manage these risks, but there are inherent limitations to any risk management framework.

Heartland is exposed to risks that may not be anticipated or are outside its control, its risk management framework may not operate effectively or there may be unforeseen challenges arising from the integration of Challenger Bank or in executing on Heartland's strategic objectives. If any of Heartland's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, Heartland could suffer unexpected losses and reputational damage which could adversely affect Heartland's business and financial performance.

**Investors are therefore strongly cautioned not to place undue reliance on forward-looking statements.**

#### **CHANGES TO THE OFFER**

Subject to the NZX Listing Rules, Heartland reserves the right to alter the dates set out in this Offer Document.

Additionally, Heartland reserves the right to withdraw all or any part of the Offer (either generally or in particular cases) and the issue of New Shares at any time before the Allotment Date at its absolute discretion.

#### **NO GUARANTEE**

No guarantee is provided by any person in relation to the New Shares to be issued pursuant to the Offer. Likewise, no warranty is provided with regard to the future performance of Heartland or any return on any investments made pursuant to this Offer Document.

#### **DECISION TO PARTICIPATE IN THE OFFER**

The information in this Offer Document does not constitute a recommendation to acquire or invest in New Shares nor does it amount to financial product advice. This Offer Document has been prepared without taking into account the particular needs or circumstances of any investor, including an investor's investment objectives, financial and/or tax position. You should conduct your own independent review, investigation and analysis of the Shares the subject of the Offer. You should obtain any professional advice you require to evaluate the merits and risks of an investment in the Company before making any investment decision based on your investment objectives.

#### **PRIVACY**

Any personal information provided by Eligible Shareholders via the online application will be held by Heartland or the Registrar at the addresses set out in the Directory.

Heartland and/or the Registrar may store your personal information in electronic format, including in online storage or on a server or servers which may be located in New Zealand or overseas. The information will be used for the purposes of administering your investment in Heartland.

This information will only be disclosed to third parties with your consent or if otherwise required or permitted by law. Under the New Zealand Privacy Act 2020 and Australian Privacy Act 1988 (Cth), you have the right to access and correct any personal information held about you.

#### **ENQUIRIES**

Enquiries about the Offer can be directed to a NZX Primary Market Participant, or your solicitor, accountant or other professional adviser.

If you have any questions about the number of New Shares shown on the Entitlement Form that accompanies this Offer Document, or how to apply online, please contact the Registrar.

#### **DEFINED TERMS**

Capitalised terms used in this Offer Document have the specific meaning given to them in the Glossary of this Offer Document.

## PART 1: LETTER FROM THE CHAIR

8 April 2024

Dear Heartland shareholder,

Heartland Group Holdings Limited (**Heartland**) is pleased to announce that it has received indicative regulatory approvals from the Australian Prudential Regulation Authority (**APRA**) and the Reserve Bank of New Zealand (**RBNZ**) for Heartland Bank Limited's (**Heartland Bank**) acquisition of Challenger Bank Limited (**Challenger Bank**) from Challenger Limited. Subject to receipt of final regulatory approvals, Heartland Bank expects to complete the acquisition of Challenger Bank on 30 April 2024.

Heartland also announces a NZ\$210 million equity raise, the successful completion of which APRA and RBNZ's final regulatory approvals are conditional on. The equity raise comprises a NZ\$105 million underwritten placement and a NZ\$105 million underwritten 1 for 6.85 pro-rata entitlement offer (**Entitlement Offer**), described in more detail below.

The acquisition of Challenger Bank is a critical step in Heartland's strategy for expansion in the Australian market and achieving its long-term growth ambitions. Heartland is already well-established in Australia through its Reverse Mortgage business (Heartland Finance) and Livestock Finance business (StockCo), (together, **Heartland Australia**). At 31 December 2023, together, Heartland's Australian Reverse Mortgage and Livestock Finance businesses had approximately NZ\$2 billion of gross finance receivables.

Completing the Challenger Bank acquisition will make Heartland Bank the first New Zealand registered bank to acquire an Australian Authorised Deposit-Taking Institution (**ADI**). Subject to completion, under Heartland Bank's ownership, Challenger Bank will be rebranded to Heartland Bank (**Heartland Bank Australia**), providing a platform to extend Heartland's "best or only" strategy in Australia. Once Heartland Australia becomes part of Heartland Bank Australia, it will be the only specialist bank provider of both reverse mortgages and livestock finance in Australia.

Proceeds from the equity raise will be used to fund the balance of the consideration payable for the Challenger Bank acquisition, support the expected regulatory capital requirements of Challenger Bank and Heartland Bank, and cater for near-term projected asset growth post-completion of the Challenger Bank acquisition.

### **1 FOR 6.85 ENTITLEMENT OFFER AT NZ\$1.00 PER NEW SHARE**

Under the Entitlement Offer, eligible shareholders may apply for 1 new share for every 6.85 existing shares held as at 7.00pm NZST (5.00pm AEST) on Tuesday 9 April 2024, at an application price of NZ\$1.00 per new share.

The application price is NZ\$1.00, reflecting an 18.0% discount to the last close price of NZ\$1.22 on 5 April 2024, and a 14.6% discount to the theoretical ex-rights price (**TERP**) of NZ\$1.1703<sup>1</sup>.

The placement and the institutional component of the Entitlement Offer will be accelerated and will close on Tuesday 9 April 2024. Eligible retail shareholders have until 5.00pm NZST (3.00pm AEST) on Monday 22 April 2024 to subscribe for new shares. In addition to being able to take up their entitlement, Eligible Retail Shareholders who take up their entitlement in full may apply for additional new shares not taken up by other retail shareholders up to a maximum of 100% above their pro-rata entitlement.

<sup>1</sup> TERP is the theoretical ex-rights price at which Heartland ordinary shares would trade immediately after the ex-rights date for the Entitlement Offer. TERP is calculated with reference to Heartland's closing share price of NZ\$1.22 on 5 April 2024 and includes all new shares issued under the placement and the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Heartland ordinary shares will trade immediately after the ex-rights date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

Heartland has received a pre-commitment from its largest shareholder, Harrogate Trustee Limited, for approximately NZ\$14 million of the equity raise. The placement and Entitlement Offer, excluding the amount pre-committed by Harrogate Trustee Limited, are fully underwritten by Jarden Partners Limited. Under the Entitlement Offer, there will be no trading of entitlements or any shortfall bookbuild of new shares not taken up. Those shareholders who do not exercise their entitlements, or who are ineligible to do so, will have their shareholdings diluted.

After reading the accompanying Offer Document, the Board encourages you to seek financial, investment, or other professional advice from a qualified professional adviser and that you take your time to consider this Offer. Additional information can be found at [www.heartlandshareoffer.co.nz](http://www.heartlandshareoffer.co.nz) and in the announcement and investor presentation released to the NZX and ASX on Monday 8 April 2024.

On behalf of the Board, thank you for your continued support. We welcome your consideration of, and participation in, the Entitlement Offer.

Yours sincerely,

Greg Tomlinson  
Heartland Board Chair

For personal use only

## PART 2: OFFER AT A GLANCE

<b>Issuer</b>	Heartland Group Holdings Limited
<b>The Offer</b>	<p>Heartland is undertaking an equity raise comprising the Placement to raise NZ\$105 million together with this accelerated non-renounceable entitlement offer (<b>ANREO</b>) to raise approximately \$105 million.</p> <p>The ANREO is a pro rata offer of 1 New Share for every 6.85 Existing Shares held by an Eligible Shareholder at 7.00pm (NZST) on the Record Date, with fractional entitlements being rounded down to the nearest share.</p> <p>Eligible Institutional Shareholders will have a shorter than usual offer period to accept their Entitlement under the Institutional Entitlement Offer, with the Institutional Entitlement Offer and the Placement conducted over two Business Days (including the date of the announcement of the Offer).</p> <p>If an Eligible Shareholder does not take up all of its Entitlements, its current shareholding will be diluted as a result of the issue of New Shares.</p> <p>New Shares attributable to the Institutional Entitlement Offer not taken up by Eligible Institutional Shareholders under the Institutional Entitlement Offer and the Entitlements of certain Ineligible Institutional Shareholders may, subject to demand, be allocated to Institutional Investors who participate in the Placement or as Heartland and the Underwriter may otherwise agree. Shares issued under the Placement will not be eligible to participate in the ANREO.</p> <p>New Shares that are attributable to Entitlements that are not taken up by Eligible Retail Shareholders (together with those attributable to Entitlements of Ineligible Retail Shareholders) will be offered to Eligible Retail Shareholders who take up their Entitlements in full, allowing them to subscribe for additional New Shares up to a maximum of 100% of their Entitlements.</p>
<b>Application Price</b>	NZ\$1.00 (or the A\$ Price) per New Share.
<b>Existing Shares currently on issue</b>	719,509,038 Existing Shares.
<b>Maximum number of New Shares being offered under the Offer</b>	105,037,815 New Shares (subject to rounding).
<b>Offer size</b>	The approximate amount to be raised under the Offer is NZ\$105 million.
<b>New Shares</b>	The same class as, and ranking equally with, Existing Shares.

---

<b>Eligible Retail Shareholders</b>	<p>You are an Eligible Retail Shareholder if, as at 7.00pm (NZST) on the Record Date, you are recorded in Heartland’s share register as a Shareholder and:</p> <ul style="list-style-type: none"><li>(a) your address is shown in Heartland’s share register as being in New Zealand or Australia; or</li><li>(b) Heartland considers, in its discretion, you may be treated as an Eligible Retail Shareholder under all applicable securities laws to receive an offer of New Shares under the Offer,</li></ul> <p>and you are not in the United States and not acting for the account or benefit of a person in the United States (or, in the event that you are acting for the account or benefit of a person in the United States, you are not participating in the Offer in respect of that person) and you are not an Institutional Shareholder.</p>
<b>How to apply</b>	<p><i>Eligible Retail Shareholders</i></p> <p>Applications must be made online at <a href="http://www.heartlandshareoffer.co.nz">www.heartlandshareoffer.co.nz</a></p> <p><i>Eligible Institutional Shareholders</i></p> <p>The Lead Manager will contact Eligible Institutional Shareholders to advise them of the terms and conditions of participation in the Offer and confirm their application process.</p>
<b>Pre-commitments</b>	<p>Heartland has received a pre-commitment from its largest shareholder, Harrogate Trustee Limited, for approximately NZ\$14 million of the equity raise.</p>
<b>Underwriting</b>	<p>The Placement and the Entitlement Offer is fully underwritten by the Underwriter with the exception of the amount pre-committed by Harrogate Trustee Limited.</p>

---



## PART 3: IMPORTANT DATES

### INSTITUTIONAL ENTITLEMENT OFFER

This timetable is relevant to participants in the Institutional Entitlement Offer. Eligible Retail Shareholders should refer to the important dates for the Retail Entitlement Offer set out in the “Retail Entitlement Offer” table on the following page.

Key Event	Date <sup>2</sup>
Trading halt commences on the NZX Main Board and the ASX (pre-market open)	Monday 8 April 2024
Institutional Entitlement Offer opens at 10.00am (NZST) or 8.00am (AEST)	Monday 8 April 2024
Institutional Entitlement Offer closes (for Eligible Institutional Shareholders in New Zealand, Australia, Hong Kong and Singapore)	Monday 8 April 2024
Institutional Entitlement Offer closes (for all other jurisdictions)	Tuesday 9 April 2024
Announce results of Institutional Entitlement Offer Trading halt lifted on the NZX Main Board and ASX	Tuesday 9 April 2024
Record Date 7.00pm (NZST) or 5.00pm (AEST)	Tuesday 9 April 2024
Settlement of Institutional Entitlement Offer on ASX	Friday 12 April 2024
Settlement of Institutional Entitlement Offer on the NZX Main Board and commencement of trading of allotted New Shares on the NZX Main Board and ASX	Monday 15 April 2024

<sup>2</sup> The dates set out in the table above (and any references to them in this Offer Document) are subject to change and are indicative only. All times and dates refer to NZ time (unless otherwise specified). Heartland reserves the right to amend the timetables (including by extending the closing dates for the Offer or accepting late Applications, either generally or in particular cases) subject to the NZX Listing Rules. Any extension of the closing dates for the Offer will have a consequential effect on the issue date of New Shares.

## RETAIL ENTITLEMENT OFFER

The timetable immediately below is relevant to participants in the Retail Entitlement Offer. Eligible Institutional Shareholders should refer to the important dates for the Institutional Entitlement Offer set out in the “Institutional Entitlement Offer” table on the previous page.

Key Event	Date <sup>3</sup>
Record Date 7.00pm (NZST) or 5.00pm (AEST)	Tuesday 9 April 2024
Expected dispatch of the Offer Document	Thursday 11 April 2024
Retail Entitlement Offer opens	Thursday 11 April 2024
Retail Entitlement Offer closes at 5.00pm (NZST) or 3.00pm (AEST) (last day for online applications, or for receipt of the Acceptance Form, with payment)	Monday 22 April 2024
Announce results for Retail Entitlement Offer	Wednesday 24 April 2024
Settlement of Retail Entitlement Offer on ASX	Friday 26 April 2024
Settlement of Retail Entitlement Offer on the NZX Main Board and commencement of trading of allotted New Shares on the NZX Main Board	Friday 26 April 2024
Commencement of trading of allotted New Shares on ASX	Monday 29 April 2024
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Tuesday 30 April 2024

Applicants must apply via the online application process as soon as possible. No cooling-off rights apply to applications submitted under the Offer and once an application is submitted, it cannot be withdrawn without Heartland’s prior consent.

<sup>3</sup> The dates set out in the table above (and any references to them in this Offer Document) are subject to change and are indicative only. All times and dates refer to NZ time (unless otherwise specified). Heartland reserves the right to amend the timetables (including by extending the closing dates for the Offer or accepting late Applications, either generally or in particular cases) subject to the NZX Listing Rules. Any extension of the closing dates for the Offer will have a consequential effect on the issue date of New Shares.

## **PART 4: DETAILS OF THE OFFER**

### **THE OFFER**

The Offer is an offer of New Shares to Eligible Shareholders under a pro rata accelerated non-renounceable entitlement offer. Under the Offer, Eligible Shareholders are entitled to subscribe for 1 New Share for every 6.85 Existing Shares held at 7.00 pm (NZST) on the Record Date. The New Shares will be the same class as, and will rank equally with, Existing Shares which are quoted on the NZX Main Board and ASX. It is a term of the Offer that Heartland will take any necessary steps to ensure that the New Shares are, immediately after issue, quoted on the NZX Main Board and ASX.

If you are an Eligible Shareholder you may take up all, part or none of your Entitlements. If you are an Eligible Shareholder and you do not take up all of your Entitlements, your percentage holding in Heartland will be reduced as a result of the issue of New Shares in the Placement and the Offer.

The maximum number of New Shares being offered under the Offer is 105,037,815 New Shares (subject to rounding). Heartland will raise a total of approximately NZ\$105 million through the Offer, which is fully underwritten by the Underwriter with the exception of the amount pre-committed by Harrogate.

### **APPLICATION PRICE**

The Application Price is NZ\$1.00 (or the A\$ Price) per New Share.

The A\$ Price is A\$0.9151 per New Share. The Australian dollar price of A\$0.9151 has been set by Heartland taking into account the NZ\$:A\$ exchange rate published by the Reserve Bank of New Zealand on its website on 5 April 2024. The Application Price must be paid in full on application. Payment of the Application Price must be made, for the Retail Entitlement Offer, in accordance with the online application process.

Any New Shares (including additional New Shares) issued to you will be issued on the branch register on which you currently hold the Existing Shares to which your Entitlement relates.

Heartland may accept late applications and application monies, but it has no obligation to do so. Heartland may accept or reject (at its discretion) any online application which it considers is not completed correctly and may correct any errors or omissions in the online application.

An application may not be withdrawn without Heartland's prior consent once submitted.

Application monies received will be held in a trust account with the Registrar until the corresponding New Shares are allotted or the application monies are refunded. Interest earned on the application monies will be for the benefit, and remain the property, of Heartland and will be retained by Heartland whether or not the issue of New Shares takes place. Any refunds of application monies (without interest) will be made within 10 Business Days of allotment (or the date that the decision not to accept an application is made, as the case may be).

## WITHDRAWAL

Subject to Heartland's compliance with all applicable laws, Heartland reserves the right to withdraw the Offer at any time at its absolute discretion. If any application is not accepted, all applicable application monies will be refunded, without interest, to the relevant Shareholder.

## OVERVIEW OF THE OFFER

Heartland will raise a total of approximately NZ\$105 million through the Offer, which is fully underwritten by the Underwriter with the exception of the amount pre-committed by Harrogate. The maximum number of New Shares that are being offered under the Offer is 105,037,815 New Shares (subject to rounding).

The Offer comprises the following components:

- the Institutional Entitlement Offer; and
- the Retail Entitlement Offer,

in each case, as described in further detail below.

The Offer is an accelerated non-renounceable entitlement offer (**ANREO**). This means that if you, as an Eligible Shareholder, do not take up your full Entitlement under the Offer, then your Entitlement will lapse, and you will receive no value for those lapsed Entitlements. Further, if you do not take up your full Entitlement, you will have your percentage holding in Heartland reduced as a result of the Placement and the Offer by approximately 22.6%.

By receiving this Offer Document, you represent and warrant that:

- you are an Eligible Shareholder or an Institutional Investor;
- you have not sent, and will not send, this Offer Document or any other offer materials outside Australia and New Zealand or to any person in the United States, except custodians and nominees may distribute this Offer Document to beneficial shareholders who are Institutional Investors in the Permitted Jurisdictions excluding the United States;
- you understand that the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and the New Shares may not be offered or sold in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction of the United States; and
- you acknowledge that, if you decide to sell or otherwise transfer any New Shares, you will only do so in the regular way for transactions on the NZX Main Board or ASX, where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States.

## PURPOSE OF THE OFFER

The proceeds of the equity raise will be used to finance the balance of the consideration payable for the Challenger Bank acquisition, support the expected regulatory capital requirements of Challenger Bank and Heartland Bank, and cater for near-term asset projected growth post-completion of the Challenger Bank acquisition.

## OFFER STRUCTURE

Heartland has chosen to undertake a Placement and ANREO to raise capital. The ANREO structure is the most common entitlement offer structure utilised by ASX listed companies. The board of directors of Heartland has determined that this capital raising structure is in the best interests of Heartland, after carefully considering alternative capital raising structures, and weighing the benefits of this capital raising structure against the expected impact on non-participating Shareholders. ANREOs have a variety of benefits compared to a renounceable pro-rata offer, which Heartland has assessed as desirable in the current circumstances. Those benefits are:

- **Certainty** – Heartland requires certainty that sufficient funds be raised under the Offer to complete the acquisition of Challenger Bank and to support the expected regulatory capital requirements of Challenger Bank and Heartland Bank. The Placement and the Offer are fully underwritten with the exception of the amount pre-committed by Harrogate, providing certainty that the necessary funds will be received. The expert investment banking advice obtained from Jarden noted that undertaking an ANREO enables greater sub-underwriting support due to the shorter timeframe exposure to market risk compared to a renounceable pro rata capital raising structure, which in turn has enabled the Offer to be fully underwritten with the exception of the amount pre-committed by Harrogate.
- **Pricing** – The expert investment banking advice obtained from Jarden also noted that using an ANREO structure allows Heartland to price the Offer at a smaller discount than would be the case for a renounceable pro rata capital raising structure. This minimises the dilutionary impact on non-participating Shareholders and provides more certainty for existing Shareholders subscribing for additional Shares at a fixed price.
- **Timing** – The Placement and the Offer are being conducted in relation to the acquisition of Challenger Bank and to support the near-term capital needs of Challenger Bank and Heartland Bank post-completion. Importantly, the accelerated nature of an ANREO enables completion of the Offer on a faster timetable than a traditional rights issue or an accelerated renounceable entitlement offer as no bookbuilds are required. This means Heartland will receive the proceeds of the capital raise more quickly, which will in turn allow for the acquisition of Challenger Bank to complete sooner. The faster timetable also means the period of risk associated with potential market volatility between the Offer opening and settlement is reduced, which in turn supports greater participation by both sub-underwriters and Shareholders, as well as a smaller discount.

The Placement and ANREO structure will mean that Shareholders who do not participate in the Offer will have their shareholding diluted and will not receive any value for their Entitlements. If a Shareholder did not participate in either the Placement or ANREO, their shareholding would be diluted by approximately 22.6%. To minimise the number of Ineligible Shareholders who are diluted as a result of the Offer, Heartland has obtained foreign securities law advice confirming that Shareholders holding approximately 99% of Heartland's Shares will be eligible to participate in the ANREO. Eligible Retail Shareholders who have taken up all of their Entitlements in full may apply for additional New Shares, up to a maximum amount of New Shares equal to 100% of their Entitlements, which means that in the event of a shortfall under the Retail Entitlement Offer, those Eligible Retail Shareholders may be able to offset any dilution experienced as a result of the Placement.

Heartland has obtained independent expert investment banking advice from Jarden which is consistent with the explanation above as to why the Placement and ANREO structure has been selected and is in the best interests of Heartland. Although Jarden acts as the Lead Manager (and a related company acts as the Underwriter) to the Offer, Heartland and its board of directors concluded that it was still appropriate for Jarden to provide this advice in these circumstances, as the advice was given in a manner that considers the best interests of all Shareholders, generally. To the maximum extent permitted by law, Jarden does not

accept any liability to Shareholders in relation to the contents of this Offer Document or the choice of offer structure by the board of directors of Heartland.

## **THE INSTITUTIONAL ENTITLEMENT OFFER**

### **Overview of the Institutional Entitlement Offer**

Heartland is offering Eligible Institutional Shareholders the opportunity to subscribe for 1 New Share for every 6.85 Existing Shares held as at 7.00 pm (NZST) on the Record Date, at an Application Price of NZ\$1.00. This ratio and the Application Price are the same as for the Retail Entitlement Offer. The Lead Manager will seek to approach Eligible Institutional Shareholders, who may take up all, part or none of their Entitlements.

The Institutional Entitlement Offer opens at 10.00 am (NZST) on Monday 8 April 2024 and closes on Monday, 8 April 2024 for Eligible Institutional Shareholders in New Zealand, Australia, Hong Kong and Singapore, and Tuesday 9 April 2024 for Eligible Institutional Shareholders located in all other jurisdictions (subject to Heartland's right to modify these dates or times).

Entitlements will not be quoted and cannot be traded on the NZX Main Board, the ASX or privately transferred.

### **Eligibility under the Institutional Entitlement Offer**

The Institutional Entitlement Offer is only open to Eligible Institutional Shareholders. Heartland will determine the Shareholders who will be treated as Eligible Institutional Shareholders for the purpose of determining the Shareholders to whom an offer of New Shares will be made under the Institutional Entitlement Offer. In exercising its discretion, Heartland may have regard to a number of matters, including legal and regulatory requirements and logistical and registry constraints. Heartland will determine which Shareholders will be treated as Ineligible Institutional Shareholders. To the maximum extent permitted by law, the Lead Manager, Underwriter, Heartland and each of their respective shareholders, directors, officers, employees, agents and advisers disclaims any duty or liability (including for negligence) in respect of such determination or exercise of such discretion.

Heartland reserves the right to reject any application for New Shares under the Institutional Entitlement Offer that it considers comes from a person who is not an Eligible Institutional Shareholder.

### **Acceptance of Entitlement under the Institutional Entitlement Offer**

The Lead Manager may seek to contact Eligible Institutional Shareholders to inform them of the terms and conditions of participation in the Institutional Entitlement Offer and seek confirmation of their Entitlements under the Offer. Applications for New Shares by Eligible Institutional Shareholders (excluding those in the United States) can only be made by contact with the Lead Manager. The Company will contact Eligible Institutional Shareholders in the United States directly.

Entitlements are not rounded up to a minimum holding. The number of New Shares to which an Eligible Institutional Shareholder is entitled under its Entitlement will, in the case of fractions of New Shares, be rounded down to the nearest whole number. Applications in excess of an Eligible Institutional Shareholder's Entitlement will not be accepted.

New Shares attributable to the Institutional Entitlement Offer not taken up by Eligible Institutional Shareholders under the Institutional Entitlement Offer and the Entitlements of certain Ineligible Institutional Shareholders may, subject to demand, be allocated to Institutional Investors who participate in the Placement or as the Lead Manager and Underwriter may otherwise determine. Shares issued under the Placement will not be eligible to participate in the ANREO.



### **Settlement of the Institutional Entitlement Offer**

Settlement of the Institutional Entitlement Offer will occur on the Institutional Settlement Date in accordance with arrangements advised by the Lead Manager. Each investor remains responsible for ensuring its own compliance with the Takeovers Code, the Banking (Prudential Supervision) Act 1989 and other applicable legislation.

## **THE RETAIL ENTITLEMENT OFFER**

### **Overview of the Retail Entitlement Offer**

Heartland is offering Eligible Retail Shareholders the opportunity to subscribe for 1 New Share for every 6.85 Existing Shares held as at 7.00pm (NZST) on the Record Date, at an Application Price of NZ\$1.00 per New Share (or the A\$ Price). This ratio and the Application Price are the same as for the Institutional Entitlement Offer. Eligible Retail Shareholders are sent this Offer Document together with a personalised Entitlement Form and may take up all, part or none of their Entitlements.

The Retail Entitlement Offer opens on Thursday 11 April 2024 and closes at 5.00 pm (NZST) on Monday 22 April 2024 (subject to Heartland's right to modify these dates or times).

Entitlements will not be quoted and cannot be traded on the NZX Main Board, the ASX or privately transferred.

### **Eligibility under the Retail Entitlement Offer**

The Retail Entitlement Offer is only open to Eligible Retail Shareholders.

The Retail Entitlement Offer does not constitute an offer to any person who is not an Eligible Retail Shareholder (including any Institutional Shareholder or an Ineligible Retail Shareholder) in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. In particular, Shareholders who are in the United States or who are acting for the account or benefit of persons in the United States (to the extent such persons are acting for the account or benefit of a person in the United States) are not eligible to participate in the Retail Entitlement Offer.

Any person allocated New Shares under the Institutional Entitlement Offer is not able to participate in the Retail Entitlement Offer in respect of those New Shares.

Heartland reserves the right to reject any application for New Shares under the Retail Entitlement Offer that it considers comes from a person who is not an Eligible Retail Shareholder.

### **Acceptance of Entitlement under the Retail Entitlement Offer**

Applications for New Shares by Eligible Retail Shareholders can only be made via an online application at [www.heartlandshareoffer.co.nz](http://www.heartlandshareoffer.co.nz).

Entitlements are not rounded up to a minimum holding. The number of New Shares to which an Eligible Retail Shareholder is entitled under an Entitlement will, in the case of fractions of New Shares, be rounded down to the nearest whole number.

Eligible Retail Shareholders are not obliged to subscribe for any or all of the New Shares to which they are entitled under the Offer. They may take up all, part or none of their Entitlements.

Any nominee who takes up an Entitlement in the Retail Entitlement Offer (and therefore applies for New Shares) on behalf of a person outside Australia and New Zealand will be deemed to have represented and warranted to Heartland that such person is an Institutional Investor in a Permitted Jurisdiction excluding

the United States or such other jurisdiction as Heartland may consent taking into account applicable securities laws.

New Shares attributable to the Retail Entitlement Offer not taken up by Eligible Retail Shareholders under the Retail Entitlement Offer and the Entitlements of certain Ineligible Retail Shareholders may, subject to demand, be allocated to Eligible Retail Shareholders who take up their Entitlements in full (as outlined below) or as the Lead Manager and Underwriter may otherwise determine.

#### **Applications to take up additional New Shares**

New Shares that are attributable to Entitlements that are not taken up by Eligible Retail Shareholders (together with those attributable to Entitlements of Ineligible Retail Shareholders) will be offered to Eligible Retail Shareholders who take up their Entitlements in full.

Eligible Retail Shareholders who have taken up all of their Entitlements in full may apply for these additional New Shares, up to a maximum amount of New Shares equal to 100% of their Entitlements. Eligible Retail Shareholders may apply for these additional New Shares at the Offer Price as directed by the online application. **Payment must be made for both your Entitlements and any additional New Shares for which you wish to apply.**

If you elect to apply for your Entitlements using the A\$ Price, then any additional New Shares that you are applying for **must also be paid for in Australian dollars at the A\$ price.**

Allocations and any necessary scaling of additional New Shares applied for by Eligible Retail Shareholders who take up their Entitlements in full will be determined by Heartland and the Lead Manager.

#### **NOMINEES**

If you hold Existing Shares as nominee for more than one person, then you may (depending on the nature of each such person) be an Eligible Institutional Shareholder, Ineligible Institutional Shareholder, Eligible Retail Shareholder or Ineligible Retail Shareholder with regard to the Entitlement of each such person. Nominees who hold Shares on behalf of persons in the United States, or who are acting for the account or benefit of persons in the United States, are not eligible to participate on behalf of those persons.

#### **Notice to nominees and custodians**

The Retail Entitlement Offer is being made to all Eligible Retail Shareholders. Nominees and custodians with registered addresses in eligible jurisdictions, irrespective of whether they participated under the Institutional Entitlement Offer, may also be able to participate in the Retail Entitlement Offer in respect of some or all of the beneficiaries on whose behalf they hold existing Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Retail Shareholder.

Nominees and custodians who hold Shares as nominees or custodians will receive a letter from Heartland. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to, and they must not purport to accept the Retail Entitlement Offer in respect of:

- (a) beneficiaries on whose behalf they hold Existing Shares who would not satisfy the criteria for an Eligible Retail Shareholder;
- (b) Eligible Institutional Shareholders who received an offer to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not);

- (c) Ineligible Institutional Shareholders who were ineligible to participate in the Institutional Entitlement Offer; or
- (d) Shareholders who are not eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

In particular, nominees and custodians who hold Shares on behalf of persons outside Australia and New Zealand, or persons who are acting for the account or benefit of persons in the United States, are not eligible to participate on behalf of those persons, and may not take up Entitlements on behalf of, or send any documents relating to the Retail Entitlement Offer to, any such person except for any beneficial shareholder of the Company outside Australia and New Zealand that is an Institutional Investor in another Permitted Jurisdiction (excluding the United States) or as Heartland may otherwise consent.

### **OVERSEAS SHAREHOLDERS**

The Offer is only open to Eligible Shareholders and persons that Heartland is satisfied can otherwise participate in the Offer in compliance with all applicable laws. Heartland has determined that it would be unduly onerous to extend the Retail Entitlement Offer to Ineligible Retail Shareholders and the Institutional Entitlement Offer to Ineligible Institutional Shareholders because of the small number of such Shareholders, the number and value of Shares that they hold and the cost of complying with the applicable regulations in jurisdictions outside New Zealand or Australia.

This Offer Document is only being sent by Heartland to Eligible Shareholders. The distribution of this Offer Document (including an electronic copy) outside New Zealand or Australia may be restricted by law. Any failure to comply with such restrictions may contravene applicable securities law. Heartland disclaims all liability to such persons.

This Offer Document does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this Offer Document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside New Zealand and Australia except to the extent permitted below.

#### **Hong Kong**

**WARNING:** This Offer Document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this Offer Document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Offer Document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Offer Document, you should obtain independent professional advice.

## Norway

This Offer Document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this Offer Document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in the Norwegian Securities Trading Act).

## Singapore

This Offer Document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Offer Document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the “SFA”) or another exemption under the SFA.

This Offer Document has been given to you on the basis that you are an “institutional investor” or an “accredited investor” (as such terms are defined in the SFA). If you are not such an investor, please return this Offer Document immediately. You may not forward or circulate this Offer Document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## United Kingdom

Neither this Offer Document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this Offer Document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Offer Document is issued on a confidential basis in the United Kingdom to “qualified investors” within the meaning of Article 21 of the UK Prospectus Regulation. This Offer Document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Offer Document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“FPO”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (“relevant persons”). The investment to which this Offer Document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this Offer Document.

## United States

This Offer Document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The New Shares will only be offered and sold In the United States to:

- “qualified institutional buyers” (as defined in Rule 144A under the US Securities Act); and
- dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.

## UNDERWRITING AGREEMENT

Heartland has requested the Underwriter to underwrite the Offer and the Underwriter has agreed to do so (except in respect of the amount pre-committed by Harrogate). This means that the Underwriter will subscribe at the Application Price for any New Shares that are not subscribed for under the Placement or by Eligible Shareholders under the Offer in accordance with the terms of the underwriting agreement. A summary of the principal terms of the underwriting agreement are set out immediately below:

- The Underwriter has the power to appoint sub-underwriters.
- The Underwriter will be paid an agreed fee for its services in connection with the Offer.
- The underwriting agreement contains termination events, representations, warranties and indemnities that are customary for an offer of this nature.
- The Underwriter may terminate its obligations under the underwriting agreement in certain circumstances, including where on or before the Allotment Date for the Retail Entitlement Offer:
  - the sale and purchase agreement for Challenger Bank is terminated;
  - the Company is prevented from allotting Shares pursuant to the Placement or the Offer by any applicable laws or as a result of an order or judgment of a Court or regulatory authority;
  - a statement in this Offer Document, the investor presentation or otherwise published in connection with the Offer and Placement is or becomes false, misleading or deceptive or likely to mislead or deceive (including by omission) in any material adverse respect, or such materials otherwise fail to comply with laws applicable to the Offer and Placement in any material respect;
  - the S&P/NZX 50 Index or ASX 200 Index declines by a specified percentage over a prescribed time period;
  - an insolvency event occurs in relation to the Company or any of its subsidiaries;
  - a material adverse event, or any event or development which is likely to give rise to a material adverse event, occurs in relation to the Offer, Placement or other certain specified matters;

- For personal use only
- a representation or warranty contained in the underwriting agreement on the part of the Company is not, or has ceased to be, true or correct (and this is not remedied without adverse impact before the Allotment Date for the Retail Entitlement Offer) or there is a breach of the underwriting agreement by the Company that has, or is likely to have, a material adverse effect on the Offer, Placement or other certain specified matters; or
  - an external event, such as a material or fundamental change in financial, economic and political conditions in certain countries or financial markets, occurs which is likely to have a material adverse effect on the Offer, Placement or other certain specified matters.
  - If the underwriting agreement is terminated, a termination fee may be payable to the Underwriter.
  - Heartland has indemnified the Underwriter and its directors, officers, partners, employees and advisers against certain losses sustained, suffered or incurred, arising out of or in connection with the Offer, the allotment of the New Shares or the Underwriting Agreement.
  - For a period commencing on the date of the Underwriting Agreement and ending three months after the allotment date for the Retail Entitlement Offer, Heartland must not, without the prior written consent of the Underwriter:
    - allot or issue any Shares or other equity securities of Heartland (whether preferential, redeemable, convertible or otherwise) or allow the issue of any equity securities by any of its subsidiaries (other than to Heartland or another subsidiary of Heartland);
    - issue or grant any right or option that entitles the holder to call for the issue of Shares or other equity securities by Heartland or that is otherwise convertible into, exchangeable for or redeemable by the issue of, Shares or other equity securities issued by Heartland;
    - create any debt instrument or other obligation which may be convertible into, exchangeable for or redeemable by, the issue of Shares or other equity securities by Heartland;
    - otherwise enter into any agreement whereby any person may be entitled to the allotment and issue of any Shares or other equity securities by Heartland; or
    - make any announcement of an intention to do any of the above,

other than pursuant to the Placement or the Offer, as publicly disclosed or under Heartland's performance rights plan.

- For a period commencing on the date of the Underwriting Agreement and ending three months after the allotment date for the Retail Entitlement Offer, Heartland and its subsidiaries must carry on their business in the ordinary course and not dispose of, or grant security over, all or any material part of their business or assets or acquire any material asset, except as publicly disclosed.
- For a period commencing on the date of the Underwriting Agreement and ending three months after the allotment date for the Retail Entitlement Offer, Heartland and its subsidiaries must not reduce, reorganise, or otherwise alter or restructure their capital structure, or agree or announce an intention to do any of those things, without the prior written consent of Jarden except as publicly disclosed or in connection with Heartland's performance rights plan.



## TERMS AND RANKING OF NEW SHARES

New Shares will rank equally with, and have the same voting rights, dividend rights and other entitlements as, Existing Shares in Heartland quoted on the NZX Main Board and ASX. Entitlements will not be quoted and cannot be traded on the NZX Main Board, ASX or privately transferred. It is a term of the Offer that Heartland will take any necessary steps to ensure that the New Shares are, immediately after issue, quoted on the NZX Main Board and ASX.

## DIVIDEND POLICY

Heartland determines dividends (both interim and final) based on its net profit after tax, subject to maintaining a prudent level of capital for its needs. Heartland's capital needs will vary from time to time depending on a range of factors (including regulatory and credit rating requirements, general economic conditions, current and expected growth and the business mix). A key objective is to ensure an appropriate balance between maximising shareholder returns, and protecting the interests of depositors through prudent capital management.

Having regard to the equity raise, acquisition of Challenger Bank and associated growth opportunities, the Board expects to target a total dividend payout ratio in the financial year ending 30 June 2024 of 50% of underlying net profit after tax. The Board will, as it has historically, actively manage dividend settings and carefully consider the declaration of any dividend based on Heartland's capital needs, ROE accretive growth opportunities, balance sheet flexibility and Heartland's financial performance.

## NZX

The New Shares have been accepted for quotation by NZX and will be quoted on the NZX Main Board upon completion of allotment procedures. The NZX Main Board is a licensed market under the FMCA. However, NZX accepts no responsibility for any statement in this Offer Document. It is expected that trading on the NZX Main Board of the New Shares issued under:

- the Institutional Entitlement Offer will commence on Monday 8 April 2024; and
- the Retail Entitlement Offer will commence on Thursday 11 April 2024.

## ASX

An application has or will be made to ASX for quotation of the New Shares issued under the Offer and Heartland expects that the New Shares will be quoted upon completion of allotment procedures. It is expected that trading on ASX of the New Shares issued under:

- the Institutional Entitlement Offer will commence on Monday 8 April 2024; and
- the Retail Entitlement Offer will commence on Thursday 11 April 2024.

ASX accepts no responsibility for any statement in this Offer Document. The fact that ASX may approve the New Shares for quotation is not to be taken in any way as an indication of the merits of Heartland. Holding statements for New Shares allotted under the Offer will be issued and mailed as soon as practicable after allotment. Applicants under the Offer should ascertain their allocation before trading in the New Shares. Applicants can do so by contacting the Registrar, whose contact details are set out in the Directory.

Applicants selling New Shares prior to receiving a holding statement do so at their own risk. No person accepts any liability or responsibility should any person attempt to sell or otherwise deal with New Shares

before the holding statement showing the number of New Shares allotted to an applicant is received by the applicant for those New Shares.

For personal use only

## PART 5: GLOSSARY

Term	Definition
<b>A\$ Price</b>	A\$0.9151 per New Share.
<b>Allotment Date</b>	In respect of the: (a) Institutional Entitlement Offer, Monday 15 April 2024; and (b) Retail Entitlement Offer, Friday 26 April 2024.
<b>Application Price</b>	NZ\$1.00 (or the A\$ Price) per New Share.
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited or the market it operates (as the context requires).
<b>Business Day</b>	Has the meaning giving to that term in the NZX Listing Rules.
<b>Challenger Bank</b>	Challenger Bank Limited (Australian Business Number 54 087 651 750).
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Eligible Institutional Shareholder</b>	A person who, as at 5.00 pm (NZST) on the Record Date, was recorded in Heartland's share register as being a Shareholder and is an Institutional Investor in a Permitted Jurisdiction, or is a person in another jurisdiction who Heartland is satisfied the Institutional Entitlement Offer may be made to under all applicable laws without the need for any registration, lodgement or other formality (other than a formality with which Heartland is willing to comply), and is invited to participate in the Institutional Entitlement Offer.
<b>Eligible Retail Shareholder</b>	A person who, as at 7.00 pm (NZST) on the Record Date, was recorded in Heartland's share register as being a Shareholder and: (a) whose address is shown in Heartland's share register as being in New Zealand or Australia; or (b) who Heartland considers, in its discretion, may be treated as an Eligible Retail Shareholder under all applicable securities laws to receive an offer of New Shares under the Offer, and who is not in the United States and not acting for the account or benefit of a person in the United States (to the extent such person is acting for the account or benefit of a person in the United States) and who is not an Institutional Shareholder.
<b>Eligible Shareholder</b>	An Eligible Retail Shareholder or an Eligible Institutional Shareholder.
<b>Eligible US Fund Manager</b>	A dealer or other professional fiduciary organised or incorporated in the United States that is acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not "US persons" (as defined in Rule 902(k) under the US Securities Act) for which it has and is exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.

<b>Entitlement</b>	A right to subscribe for 1 New Share for every 6.85 Existing Shares held at 7.00 pm (NZST) on the Record Date at the Application Price, issued pursuant to the Offer.
<b>Entitlement Form</b>	The personalised entitlement form accompanying this Offer Document for Eligible Retail Shareholders.
<b>Existing Share</b>	A Share on issue on the Record Date, excluding Shares held as treasury stock.
<b>FMCA</b>	The Financial Markets Conduct Act 2013.
<b>Ineligible Institutional Shareholder</b>	A person who, as at 7.00 pm (NZST) on the Record Date, was recorded in Heartland's share register as being a Shareholder who is not an Institutional Investor but, if the Shareholder's address was shown in Heartland's share register as being in New Zealand, Australia, United States, United Kingdom, Hong Kong, Singapore and Norway, would in the opinion of Heartland be an Institutional Investor.
<b>Ineligible Retail Shareholder</b>	A Shareholder who is not an Institutional Shareholder or an Eligible Retail Shareholder.
<b>Ineligible Shareholder</b>	A Shareholder other than an Eligible Shareholder.
<b>Institutional Entitlement Offer</b>	The offer of New Shares to Eligible Institutional Shareholders.
<b>Institutional Investor</b>	<p>A person with an address:</p> <ul style="list-style-type: none"> <li>(a) in New Zealand, in relation to the Institutional Entitlement Offer, who is a wholesale investor as defined in the FMCA;</li> <li>(b) in Australia, who the Company considers is a "wholesale investor" being a "sophisticated investor" within the meaning of section 708(8) of the Corporations Act or an experienced investor meeting the criteria in section 708(10) or the Corporations Act or a "professional investor" within the meaning of section 708(11) of the Corporations Act;</li> <li>(c) in Hong Kong, who the Company considers is a "professional investor" (as defined in the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the Laws of Hong Kong);</li> <li>(d) in Norway, who the Company considers is a "professional client" as defined in Norwegian Securities Trading Act of 29 June 2007 no. 75;</li> <li>(e) in Singapore, who the Company considers is an "institutional investor" or an "accredited investor" (as such terms are defined in the Securities and Futures Act 2001 of Singapore ("SFA"));</li> <li>(f) in United Kingdom, who the Company considers is a "qualified investor" within the meaning of Article 2(e) of the UK Prospectus Regulation; and within the categories of persons referred to in Article 19(5) (investment professionals) or Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended; or</li> <li>(g) in the United States, who the Company and Jarden reasonable believe to be a QIB or an Eligible US Fund Manager,</li> </ul>

	who Heartland is satisfied the Institutional Entitlement Offer may be made to under all applicable laws without the need for any registration, lodgement or other formality (other than a formality with which Heartland is willing to comply).
<b>Institutional Settlement Date</b>	The date of settlement of New Shares under the Institutional Entitlement Offer, expected to be Monday 15 April 2024 on NZX and Friday 12 April 2024 on ASX.
<b>Institutional Shareholder</b>	Eligible Institutional Shareholders and Ineligible Institutional Shareholders.
<b>Jarden or Lead Manager</b>	Jarden Securities Limited (company number 646979).
<b>Harrogate</b>	Harrogate Trustee Limited (company number 2377849).
<b>Heartland</b>	Heartland Group Holdings Limited (company number 6937955).
<b>New Share</b>	A Share in Heartland offered under the Offer of the same class as, and ranking equally in all respects with, Heartland's quoted Shares at the Allotment Date.
<b>NZX</b>	NZX Limited.
<b>NZX Main Board</b>	The main board equity security market operated by NZX.
<b>NZX Listing Rules</b>	The listing rules of NZX in relation to the NZX Main Board in force from time to time, read subject to any applicable rulings or waivers.
<b>NZX Primary Market Participant</b>	Any company, firm, organisation, or corporation designated or approved as a primary market participant from time to time by NZX.
<b>Offer or the ANREO</b>	The accelerated pro-rata non-renounceable entitlement offer of New Shares detailed in this Offer Document, comprising the Institutional Entitlement Offer and the Retail Entitlement Offer.
<b>Offer Document</b>	This document.
<b>Permitted Jurisdictions</b>	Australia, New Zealand, Hong Kong, Norway, Singapore, United Kingdom and the United States.
<b>Placement</b>	The NZ\$105 million placement to certain investors invited to participate in that placement by the Lead Manager with the exception of the amount pre-committed by Harrogate.
<b>QIB</b>	A "qualified institutional buyer" as that term is defined in Rule 144A under the US Securities Act.
<b>Record Date</b>	Tuesday 9 April 2024.
<b>Registrar</b>	Link Market Services Limited.
<b>Retail Entitlement Offer</b>	The offer of New Shares to Eligible Retail Shareholders.
<b>Share</b>	A fully paid ordinary share in Heartland.
<b>Shareholder</b>	A registered holder of Shares.

<b>Takeovers Code</b>	The Takeovers Code set out in the schedule to the Takeovers Regulations 2000.
<b>Underwriter</b>	Jarden Partners Limited (company number 1797701).
<b>US Persons</b>	Has the meaning given in Rule 902(k) under the US Securities Act.
<b>US Securities Act</b>	The U.S. Securities Act of 1933, as amended.

**NOTE:**

- All references to time are to New Zealand time unless stated or defined otherwise.
- All references to currency are to New Zealand dollars unless stated or defined otherwise.
- All references to legislation are references to New Zealand legislation unless stated or defined otherwise.
- This Offer Document, the Offer and any contract resulting from it are governed by the laws of New Zealand, and each applicant submits to the exclusive jurisdiction of the courts of New Zealand.

For personal use only



## PART 6: DIRECTORY

### ISSUER

#### **Heartland Group Holdings Limited**

35 Teed Street  
Newmarket  
Auckland 1023  
New Zealand

For investor relations queries contact:  
shareholders@heartland.co.nz

### LEGAL ADVISORS

#### **Chapman Tripp**

Level 34, PwC Tower  
15 Customs Street West  
Auckland 1010  
New Zealand

If you have any queries about the Entitlements shown on the Entitlement Form which accompanies this Offer Document, or how to apply online, please contact the Registrar at:

### REGISTRAR

#### **Link Market Services Limited**

Level 30, PwC Tower  
15 Customs Street West, Auckland  
PO Box 91976, Auckland 1142

Telephone: +64 9 375 5998

enquiries@linkmarketservices.co.nz

### LEAD MANAGER AND UNDERWRITER

#### **Jarden Securities Limited (as Lead Manager) and Jarden Partners Limited (as Underwriter)**

Level 32, PwC Tower  
15 Customs Street West  
Auckland 1010  
New Zealand

For personal use only

# Equity Raise Investor Presentation

8 April 2024

**HEARTLAND**  
GROUP

Not for release to US wire services or distribution in the United States

# Agenda

Section	Item	Page
	Executive summary	3
01	Overview of Heartland and continued expansion in Australia	5
02	Heartland's business in Australia and New Zealand moving forward	12
03	Equity raise overview	23
04	Key risks	27
05	Disclaimer, glossary and appendices	34

# Executive summary

## Challenger Bank acquisition summary

- In October 2022, Heartland Group Holdings Limited (**Heartland**) announced it had signed a conditional share purchase agreement for the purchase of Challenger Bank Limited (**Challenger Bank**). Heartland Bank Limited (**Heartland Bank**) will be the entity which acquires Challenger Bank.
- Heartland Bank has received indicative regulatory approvals from the Australian Prudential Regulation Authority (**APRA**) and the Reserve Bank of New Zealand (**RBNZ**) in respect of its proposed acquisition of Challenger Bank, with final approvals expected to be received following completion of the Equity Raise. Subject to receipt of final regulatory approvals, Heartland Bank expects to complete the acquisition of Challenger Bank on 30 April 2024.
- Challenger Bank is a long-established authorised deposit-taking institution (**ADI**) which offers customers a range of savings and lending products in Australia, operates under the prudential supervision of APRA and is successfully executing a material deposit raising programme.
- Subject to completion, Heartland's existing Reverse Mortgage and Livestock Finance businesses in Australia will be transferred to sit under Challenger Bank, and the bank will be rebranded to Heartland Bank (**Heartland Bank Australia**).
- From completion, Heartland intends to operate solely as the holding company of the Heartland group, with its activities and capital deployment limited to that which supports the businesses of Heartland Bank and Heartland Bank Australia, including setting the overall strategic direction and risk appetite for the Heartland group.
- Heartland entered the Australian market in 2014 through the acquisition of Heartland Finance<sup>1</sup>, a specialist provider of reverse mortgages since 2004. In 2022, Heartland acquired StockCo Australia, a specialist provider of Livestock Finance. Heartland has grown its Australian Receivables 18% p.a. since 2014.<sup>2</sup>
- The acquisition of Challenger Bank is strategic for Heartland, providing:
  1. immediate access to lower cost deposits in Australia to complement existing and successful wholesale funding capability
  2. lower cost funding to:
    - continue to grow market share in Reverse Mortgages supported by favourable sectoral structural drivers
    - penetrate further in Livestock Finance market and increase market share progressively over the medium term with an innovative and competitive offering to a sector underserved by larger banks
  3. an established platform, systems and processes to extend Heartland's "best or only" strategy in Australia and pursue future opportunities in sectors underserved by larger banks (e.g. Motor Finance and Asset Finance), leveraging Heartland's 10+ years of experience in New Zealand.

<sup>1</sup> The business was originally known as Australian Seniors Finance and is now known as Heartland Finance.

<sup>2</sup> For the period 30 June 2014 to 31 December 2023. Receivables includes all Australian Receivables including Receivables included in Non-Strategic Assets (see page 13). Growth rate includes the StockCo Australia acquisition.



# Executive summary (cont.)

## Equity Raise summary – institutional placement and entitlement offer

- Heartland is seeking to raise NZ\$210m (**Equity Raise**) in new equity via a:
  - NZ\$105m placement to eligible investors (**Placement**); and
  - 1 for 6.85 pro-rata accelerated non-renounceable entitlement offer to raise approximately NZ\$105m (**Entitlement Offer**).
- Use of funds to pay consideration for Challenger Bank, satisfy indicative conditions pertaining to regulatory capital and liquidity and fuel projected growth.
- Approximately 210m new Heartland ordinary shares will be issued under the Equity Raise.
- NZ\$1.00 per new share representing:
  - 14.6% discount to TERP<sup>1</sup> of NZ\$1.1703.
  - 18.0% discount to last closing price of NZ\$1.22 as at 5 April 2024.
- The Australian Dollar Offer Price for eligible retail shareholders has been set at A\$0.9151, using the prevailing RBNZ AUD/NZD exchange rate on 5 April 2024.
- The Placement and Entitlement Offer are fully underwritten (with the exception of the pre-committed amount by Heartland's largest shareholder, Harrogate Trustee Limited)

## FY2024 dividend

- Having regard to the equity raise, acquisition of Challenger Bank and associated growth opportunities, the Board expects to target a total dividend payout ratio in the financial year ending 30 June 2024 of 50% of underlying net profit after tax. The Board will, as it has historically, actively manage dividend settings and carefully consider the declaration of any dividend based on Heartland's capital needs, ROE accretive growth opportunities, balance sheet flexibility and Heartland's financial performance.

## Board and Management updates

- After 15 years at Heartland, Jeff Greenslade has indicated to the Board his intention to step down from his role as CEO of Heartland at the end of this calendar year. Jeff's tenure at Heartland included seeing through its formation in 2011, and receipt of Heartland Bank's RBNZ banking registration in 2012. Post-Completion, Jeff's focus as CEO will be on the strategic transition of Heartland in its role as a listed parent company of banks in two jurisdictions, the integration of Challenger Bank into the group, and the continued development of Heartland's business in Australia. The Board is confident in the continuation of senior expertise within the Heartland group, and will work closely with Jeff on succession planning through the calendar year to ensure a successful transition.
- For further Board and Management updates, please refer to the announcement that accompanies this investor presentation.

<sup>1</sup> TERP is the Theoretical Ex-Rights Price at which Heartland ordinary shares would trade immediately after the ex-rights date for the Entitlement Offer. TERP is calculated with reference to Heartland's closing share price of NZ\$1.22 on 5 April 2024 and includes all new shares issued under the Equity Raise. TERP is a theoretical calculation only and the actual price at which Heartland ordinary shares will trade immediately after the ex-rights date for the Entitlement Offer will depend on many factors and may not be equal to TERP.



01

# Overview of Heartland and continued expansion in Australia





# Overview of Heartland

Heartland is an Australasian financial services group focused on providing products that are “best or only” of their kind, through scalable digital platforms.

## Heartland overview

- 

Heartland’s origins date back to 1875 where it started as a small building society in New Zealand. In 2011, it merged with several other New Zealand financial institutions to become Heartland. Since then, Heartland has demonstrated a successful track record of profitable growth in New Zealand and Australia for 10+ years.
- 

Heartland is a financial services group with operations in New Zealand and Australia focused on providing products that are the “best or only” of their kind.
- 

Aim to continue to grow in Australia by offering products that meet Heartland’s “best or only” model and are profitable.
- 

Investing in digitalisation and technology to improve customer experience whilst lowering cost through removing “friction”.
- 

Proven ability to acquire, integrate and grow businesses (e.g. Heartland Finance and StockCo Australia).
- 

Heartland has a history of strong shareholder returns and Heartland Bank has a long term credit rating of BBB stable.<sup>1</sup>

## Key metrics

**\$6,924m**  
Receivables as at 31 December 2023

**\$108m**  
LTM underlying NPAT to 31 December 2023<sup>2</sup>

**566**  
Employees<sup>3</sup>

**517**  
New Zealand<sup>3</sup>

**49**  
Australia<sup>3</sup>

## Recognised and market leading products<sup>4</sup>

### Heartland Bank



### Heartland Australia<sup>5</sup>



<sup>1</sup> This BBB credit rating was issued by Fitch Australia Pty Ltd (**Fitch Ratings**) 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 on 1 September 2023.  
<sup>2</sup> See page 39 for definition of underlying financial metrics.  
<sup>3</sup> As at 31 December 2023. Includes casual, fixed term and permanent employees.  
<sup>4</sup> Select awards presented only.  
<sup>5</sup> Represents Heartland’s Australian business prior to the acquisition of Challenger Bank.

# Significant growth opportunities in Australia

Completing the Challenger Bank acquisition is a critical step in Heartland’s strategy for expansion in the Australian market.

## The acquisition of Challenger Bank provides a significant platform for growth

<p><b>Access to a deep and efficient pool of funding</b></p>	<ul style="list-style-type: none"> <li>✓ Challenger Bank is successfully executing a deposit raising programme on a competitive basis ahead of being acquired by Heartland Bank. This will enable Heartland to optimise the advantage of a lower cost of funds post-acquisition completion.</li> <li>✓ From 30 December 2023 to 29 March 2024, Challenger Bank achieved retail deposit growth of A\$702m at a rate that is 1.74% lower than Heartland Australia’s current cost of funds.<sup>1</sup></li> </ul>
<p><b>Strong opportunity to consolidate existing positions...</b></p>	<ul style="list-style-type: none"> <li>✓ The Challenger Bank acquisition will make Heartland the only specialist bank provider of both Reverse Mortgages and Livestock Finance in Australia with significant opportunity to grow.</li> <li>✓ Highly experienced Heartland Bank Australia Board and Management team to drive growth in Australia.</li> </ul>
<p><b>... and expand into incremental “best or only” strategies</b></p>	<ul style="list-style-type: none"> <li>✓ Heartland’s deep expertise in New Zealand, developed over many years, in addition to a competitive cost of funds, will allow Heartland to penetrate key target segments.</li> <li>✓ Motor Finance and Asset Finance are attractive asset classes where Heartland can leverage its banking platform and existing B2B client relationships (e.g. auto distributors).<sup>2</sup></li> </ul>

## Significant market sizes in Heartland’s target markets in Australia

**~A\$10-15b**

Australian reverse mortgage market size<sup>3</sup>

**~A\$30b**

Australian livestock finance market size<sup>4</sup>

**~A\$35b**

Australian motor finance market size<sup>5</sup>

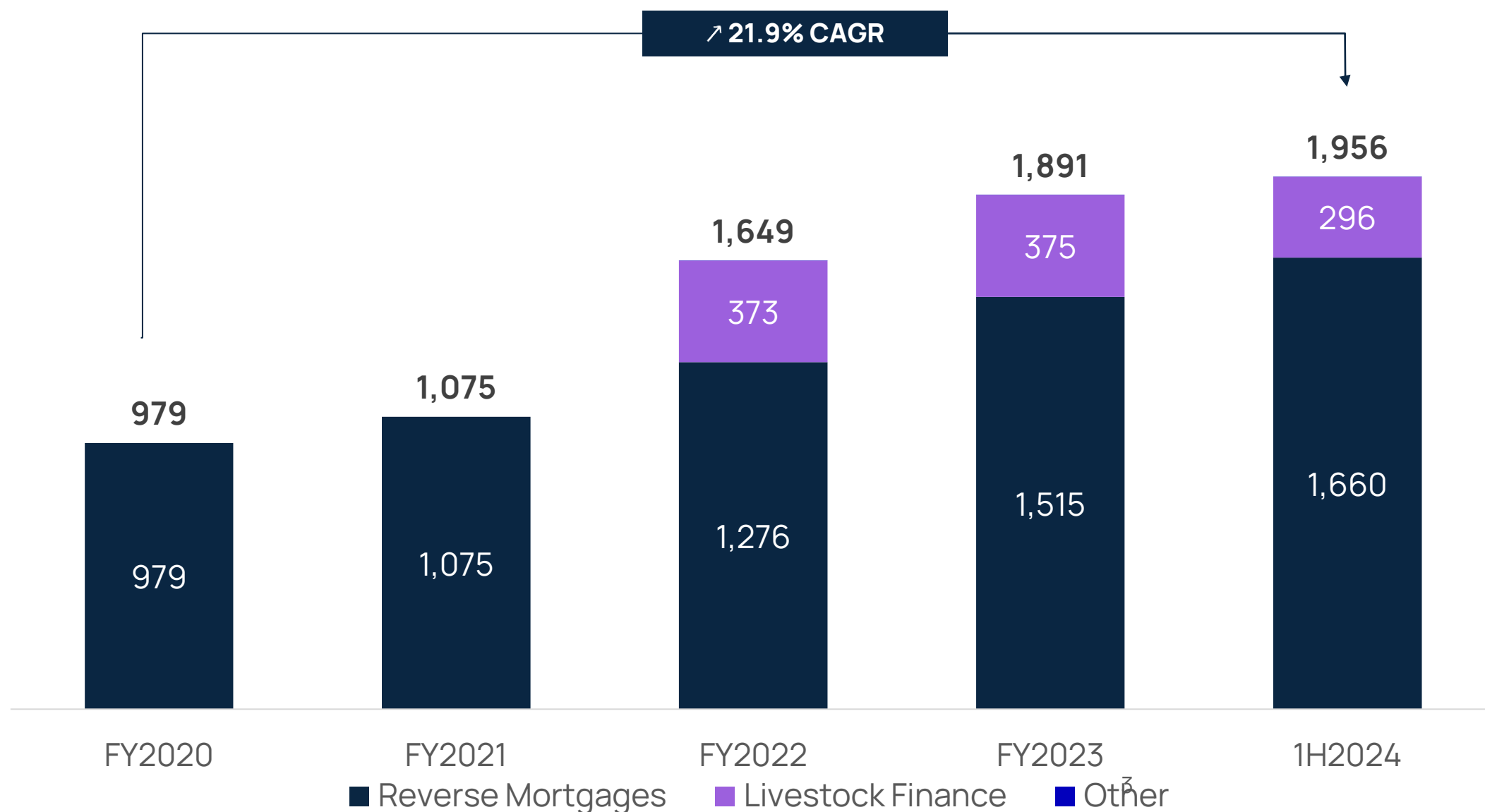
1 Heartland Australia comprises Heartland Australia Holdings Pty Ltd and its subsidiaries and StockCo Australia. The cost of funds benefit is calculated with reference to Heartland Australia’s average cost of funds over January and February 2024.  
 2 Subject to meeting minimum ROE hurdles and APRA consultation.  
 3 Heartland internal analysis based on information from the ABS, Census, CoreLogic, Stats NZ and Deloitte. Market size based on Reverse Mortgage lending from banks and non-banks.  
 4 StockCo Australia internal analysis.  
 5 Annual lending includes consumer and commercial lending segments (see ABS 5601.0 Table 7 LTM to Jun 20, and ABS 5671.0 Table 9 LTM to-Nov 18 (ABS discontinued ABS 5671.0 in Nov-18)).



# Australia is well set up for continued growth

To accelerate growth in Australia, Heartland will leverage Challenger Bank’s foundation and funding platform, Heartland’s c.10-year successful track record in Australia and its New Zealand product and distribution expertise.

## Historical Australia Receivables (NZ\$m)<sup>1,2</sup>



## Opportunities for outsized growth

### Reverse Mortgages

- Australia’s ageing population creates positive tailwinds.
- Leading Reverse Mortgage provider in Australia.

### Livestock Finance

- Consolidation in Australia to achieve scale.
- Leverage operational expertise in New Zealand to drive organic growth.

### Additional asset classes

- Pursue ROE accretive growth in Motor Finance and Asset Finance, leveraging experience and success from New Zealand.<sup>4</sup>

**Supported by Challenger Bank’s deposit funding platform**

1 Receivables includes Reverse Mortgages, Livestock Finance and Well Life Loans. StockCo Australia (Livestock Finance) was acquired in FY2022. Excludes Harmony and Open for Business which are included in Non-Strategic Assets (see page 13).  
 2 Receivables numbers exclude the impact of changes in FX rates.  
 3 Other includes Well Life Loan AU.  
 4 Subject to meeting minimum ROE hurdles and APRA consultation.

For personal use only

# Heartland Bank Australia's funding strategy

Heartland's funding strategy in Australia is to access deep, stable, efficient deposit funding and transition from its sole reliance on wholesale funding.

## Heartland's business in Australia today

- Heartland's Australian business today does not hold an ADI license, has no access to deposit funding, and is solely reliant on wholesale sources for funding.
- Wholesale funding is predominantly through securitisation facilities (A\$1,334m<sup>1</sup>) and supported by an A\$MTN programme (A\$402m<sup>1</sup>).

## Heartland's funding strategy in Australia

- Heartland's strategy in Australia is underpinned by a transition to a retail funding base.
- Funding mix expected to be majority retail deposits within the next 12 months.
- Wholesale sources will be maintained in the minority for diversification and liquidity support.
- **Deposit growth**
  - Challenger Bank is successfully executing a material deposit raising programme.
  - From 30 December 2023 to 29 March 2024, Challenger Bank achieved retail deposit growth of A\$702m at a rate that is 1.74% lower than Heartland Australia's current cost of funds.<sup>2</sup>
  - Post completion the ADI will materially scale its deposit programme.
- **Right size of wholesale funding programmes**
  - A\$MTNs issued by Heartland Australia will be repaid as they mature.
  - Ability to pay down securitisations utilising date based calls embedded in the respective programmes.

### Key benefits of executing on Heartland's funding strategy in Australia

- ✓ **NIM expansion and greater flexibility to test price elasticity in chosen markets.**
- ✓ **Access to funding that can scale materially with growth.**
- ✓ **Credit rating positive.**

<sup>1</sup> As at 31 December 2023.

<sup>2</sup> Heartland Australia comprises Heartland Australia Holdings Pty Ltd and its subsidiaries and StockCo Australia. The cost of funds benefit is calculated with reference to Heartland Australia's average cost of funds over January and February 2024.







# Highly experienced Board and Management to drive Australian expansion

Highly experienced Heartland Bank Australia Board with strong level of independence and knowledge of prudential regulatory requirements. Heartland Bank Australia's Management team carries extensive experience in banking and financial services.

## Heartland Bank Australia Board

	<b>Geoff Summerhayes</b>	<p><b>Chair &amp; Independent Non-Executive Director (35 years experience)</b></p> <ul style="list-style-type: none"> <li>Current Boards: Independent Non-Executive Director of Heartland Group, Chair of Zurich ANZ and Chair of the AICD Climate Governance Initiative and senior advisor to Pollination Group</li> <li>Previously: APRA Board, CEO of Suncorp Life and held several senior executive roles at NAB and Lendlease</li> </ul>
	<b>Shane Buggle</b>	<p><b>Independent Non-Executive Director (30 years experience)</b></p> <ul style="list-style-type: none"> <li>Current Boards: Melbourne Symphony Orchestra and is a Non-Executive Director and Audit Committee Chair for Monash College</li> <li>Previously: ANZ, Zurich Financial Services and PwC, including Group Chief Financial Officer, Chief Audit Officer, CFO Institutional and CFO Retail at ANZ Banking Group</li> </ul>
	<b>Lyn McGrath</b>	<p><b>Independent Non-Executive Director (30 years experience)</b></p> <ul style="list-style-type: none"> <li>Current Boards: Currently Chair of the Australian Digital Health Agency, and Non-Executive Director of Credit Corp</li> <li>Previously: Executive General Manager Retail at Commonwealth Bank and Group Executive, Retail Banking at Bank Of Queensland</li> </ul>
	<b>Vivienne Yu</b>	<p><b>Independent Non-Executive Director (25 years experience)</b></p> <ul style="list-style-type: none"> <li>Current Boards: Non-Executive Director at AIMS APAC REIT, Bridge Housing Ltd and the National Foundation for Australian Women</li> <li>Previously: Executive General Manager, International Financial Services at Commonwealth Bank, and CEO (Australia) of KVB Global Markets Pty Ltd</li> </ul>
	<b>Bruce Irvine</b>	<p><b>Independent Non-Executive Director (35 years experience)</b></p> <ul style="list-style-type: none"> <li>Current Boards: Chair &amp; Independent Non-Executive Director of Heartland Bank, Chair of Skope Industries Ltd, Market Gardeners Ltd and Non-Executive Director of House of Travel Ltd and Scenic Hotels Ltd</li> <li>Previously: Managing Partner at Deloitte</li> </ul>
	<b>Leanne Lazarus</b>	<p><b>Non-Independent Non-Executive Director (30 years experience)</b></p> <ul style="list-style-type: none"> <li>Current CEO of Heartland Bank</li> <li>Previously: CEO &amp; Executive Director of Westpac NZ's insurance brand Westpac Life NZ</li> <li>Previously: Executive positions at Westpac NZ, ANZ, National Bank of New Zealand and Nedbank Group</li> </ul>
	<b>Jeff Greenslade</b>	<p><b>Non-Independent Non-Executive Director (30 years experience)</b></p> <ul style="list-style-type: none"> <li>Current CEO and Executive Director of Heartland Group, Non-Independent Non-Executive Director of Heartland Bank</li> <li>Previously: Non-Executive Director at UDC Finance Limited, Managing Director of Corporate and Commercial Banking for ANZ National Banking Group</li> </ul>

## Heartland Bank Australia Management team

	<b>Chris Flood</b>	<p><b>Acting Chief Executive Officer   Joined in 1997</b></p> <ul style="list-style-type: none"> <li>Over 35 years experience</li> <li>Previously: CEO of Heartland Bank and had originally joined Heartland through MARAC finance in 1997. Senior roles at Westpac, National Australia Bank and UDC</li> </ul>
	<b>Michelle Winzer</b>	<p><b>Chief Executive Officer   Appointment date to be confirmed</b></p> <ul style="list-style-type: none"> <li>Over 30 years experience in banking and financial services</li> <li>Previously: Chief Executive Banking RACQ Bank, Chief Executive and other roles at Bank of Melbourne and senior roles at Bankwest, Commonwealth Bank of Australia and Westpac</li> </ul>
	<b>Richard Collier</b>	<p><b>Chief Financial Officer   Joined Challenger Bank in 2024</b></p> <ul style="list-style-type: none"> <li>Over 27 years experience</li> <li>Previously: General Manager Business Performance &amp; Analytics at Challenger Limited and held several senior roles at Westpac and St. George Bank</li> </ul>
	<b>David Brown</b>	<p><b>Chief Risk Officer   Joined Challenger Bank in October 2021</b></p> <ul style="list-style-type: none"> <li>Over 30 years experience in financial services</li> <li>Previously: Senior roles in Risk and Compliance, Credit and Audit with ANZ, NAB and Deloitte</li> </ul>
	<b>Sarah Burgemeister</b>	<p><b>General Counsel   Joined in 2023</b></p> <ul style="list-style-type: none"> <li>Over 16 years experience</li> <li>Previously: Senior Lawyer at Westpac, Senior Associate at Allens, Assistant General Counsel Bank of America Merrill Lynch (EMEA), Associate at Freshfields (Australia, London, New York)</li> </ul>
	<b>Sharon Yardley</b>	<p><b>Chief Compliance &amp; Sustainability Officer   Joined Heartland Finance in 2004<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>Over 22 years experience</li> <li>Current General Manager Reverse Mortgages of Heartland Finance</li> <li>Previously: Head of Operations, Risk and Compliance at Heartland Finance</li> </ul>

1 Prior to Heartland's acquisition in 2014.

For personal use only

# Heartland Bank Australia FY2025 projection<sup>1</sup>

Heartland Bank Australia will leverage Heartland’s existing expertise in Australia and New Zealand, and scale deposits in order to grow.

## Heartland Bank Australia FY2025 projection (underlying)<sup>2</sup>

### Income statement (underlying)<sup>2</sup>

A\$m	FY2025P
NII	91
OOI	3
<b>NOI</b>	<b>94</b>
OPEX	(42)
Impairment expense	(0)
<b>Profit before tax</b>	<b>51</b>
Tax expense	(15)
<b>NPAT</b>	<b>36</b>

### Balance sheet

A\$m	FY2025P
Net receivables <sup>3</sup>	2,366
Other assets	674
<b>Total assets</b>	<b>3,040</b>
Deposits	2,353
Wholesale borrowings	267
Other liabilities	3
<b>Total liabilities</b>	<b>2,623</b>
<b>Equity</b>	<b>417</b>

### Key metrics (underlying)<sup>2</sup>

%	FY2025P
NIM	3.3%
CTI	45.2%
Impairment expense ratio <sup>4</sup>	0.0%
Return on equity	9.0%
Return on regulatory capital	13.8%
MLH ratio (Level 2, average)	19.6%
Deposits / total liabilities	89.7%

- Projections based on growth in Reverse Mortgages, Livestock Finance and Home Loans<sup>5</sup> only.
- Reverse Mortgage receivables projected to grow in-line with historical rates. Livestock Finance assumes a return to positive growth in FY2025P, underpinned by improving market fundamentals and supported by retail cost of funds.
- Return profile of the business is projected to materially improve as the business continues to scale and the funding base transitions to majority retail (see page 17), driving an increase in net interest margin.

1 Assumes the Challenger Bank acquisition completes.

2 See page 39 for definition of underlying financial metrics.

3 Receivables net of provision for loan impairment.

4 Impaired asset expense as a percentage of average Receivables. Impairment expense ratio is de-minimis due to Reverse Mortgages being subject to fair value measurement and Livestock Finance impairment ratio currently < 0.05% p.a.

5 Home Loans acquired through the acquisition of Challenger Bank and is assumed to be in run-off.



02

# Heartland's business in Australia and New Zealand moving forward





# Heartland's business across Australia and New Zealand

Heartland has \$6.4b Receivables<sup>1</sup> across New Zealand and Australia portfolios which have a proven track record of profitable growth.

- The acquisition of Challenger Bank<sup>2</sup> and the growth opportunity presented in Australia allows Heartland to reassess capital allocation, with the goal to focus resources on target assets in Australia and New Zealand. Heartland's strategic priority is to allocate capital and drive growth in higher risk-adjusted returning assets in both countries.
- "Non-Strategic Assets" include non-bank like assets, assets that earn little or no income or are returning less than Heartland's cost of capital.<sup>3</sup> These will be subject to review and where appropriate, capital recycled.

	New Zealand	Australia	Non-Strategic Assets
<b>Products</b>	<ul style="list-style-type: none"> <li>• Reverse Mortgages</li> <li>• Livestock Finance</li> <li>• Asset Finance</li> <li>• Motor Finance</li> <li>• Home Loans</li> <li>• Sheep, Beef and Dairy Direct Lending</li> </ul>	<ul style="list-style-type: none"> <li>• Reverse Mortgages</li> <li>• Livestock Finance</li> <li>• Future growth opportunities in Motor Finance and Asset Finance<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Equity investments<sup>5</sup></li> <li>• Investment properties</li> <li>• Portfolios of receivables that are inconsistent with current business writing strategy and are sub-economic</li> </ul>
<b>Dec-23 Receivables 3.5 year CAGR<sup>6</sup></b>	<b>NZ\$4,399m 15.0%</b>	<b>NZ\$1,956m 21.9%</b>	<b>NZ\$569m (14.2%)</b>
<b>NPAT</b>	<b>NZ\$65m LTM Statutory NPAT</b>	<b>A\$36m FY2025P</b>	<b>c. (NZ\$2m) LTM Statutory NPAT</b>
<b>Return on regulatory capital<sup>7</sup></b>	<b>c.13%</b>	<b>c.14%</b>	<b>c.(0%)</b>
<b>Regulatory capital</b>	<b>c.NZ\$500m</b>	<b>c.A\$260m FY2025P</b>	<b>c.NZ\$100m 'recyclable' capital<sup>8</sup> c.NZ\$290m 'non-recyclable' capital<sup>9</sup> c.NZ\$390m total capital</b>
<b>Heartland's strategic growth priority</b>			

1 Excluding Non-Strategic Assets.  
 2 Subject to completion.  
 3 Non-Strategic Assets does not reflect a structural change to Heartland's operations.  
 4 Subject to meeting minimum ROE hurdles and APRA consultation.  
 5 Equity investments largely include Harmony Corp Limited, Alex Corporation Limited, Avenue Hold Limited, Kurow-Duntroon Irrigation Company Limited.

6 Calculated based on closing receivables from 30 June 2020 to 31 December 2023.  
 7 Calculated as NPAT divided by regulatory capital as presented in the table.  
 8 Includes equity investments, investment properties and capital underlying portfolios of receivables that are inconsistent with current business writing strategy and are sub-economic.  
 9 Includes intangible assets, right of use assets, deferred tax assets and operating leases as at 31 December 2023.

For personal use only

# Heartland's pathway to \$200m+ underlying NPAT and 12%-14% ROE

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

Financial metric	Today	FY2028 ambition	Commentary
1 Receivables	\$6.9b Dec-23 <sup>4</sup>	> 10% CAGR p.a.	<ul style="list-style-type: none"> <li>Assumes modest Receivables growth below Heartland's track record of 12.1% over the last 3.5 years.<sup>1</sup></li> <li>Organic growth in existing Australia and New Zealand portfolios which are aligned with Heartland's strategic ambitions.</li> <li>Increased competitiveness in Australian Reverse Mortgages and Livestock Finance through utilisation of bank cost of funds.</li> <li>Further upside from launch of Motor Finance and Asset Finance in Australia if it is ROE accretive.<sup>2</sup></li> </ul>
2 Underlying NIM <sup>3</sup>	3.67% 1H2024 <sup>4</sup>	> 4%	<ul style="list-style-type: none"> <li>Continued shift of asset mix towards higher quality portfolios and focus on recycling capital related to Non-Strategic Assets.</li> <li>Transition of Australian funding base from 100% wholesale to a retail/wholesale funding mix to drive a reduction in the cost of funds in the Australian business through cheaper retail deposit costs relative to wholesale.</li> </ul>
3 Underlying CTI ratio <sup>3</sup>	43.7% 1H2024 <sup>4</sup>	< 35%	<ul style="list-style-type: none"> <li>Investing in digitalisation and automation in New Zealand with a focus on Heartland Bank's Collections &amp; Recoveries area to improve internal workflows and reduce manual effort.</li> <li>Motor digitalisation through branded online origination platforms for Motor Finance dealer partners in New Zealand.</li> <li>Flow on benefit of improved revenue margins.</li> </ul>
4 Underlying impairment expense ratio <sup>3</sup>	0.23% 1H2024 <sup>4</sup>	< 0.30%	<ul style="list-style-type: none"> <li>Heartland's long term underlying impairment expense has been 0.40%.<sup>5</sup></li> <li>FY2028 ambition of &lt; 0.30% underlying impairment expense ratio through the cycle reflects portfolio mix transitioning towards higher quality assets (i.e. Reverse Mortgages and Livestock Finance).</li> </ul>

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

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

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

1 CAGR calculated for the period from 30 June 2020 to 31 December 2023.  
 2 Subject to meeting minimum ROE hurdles and APRA consultation.  
 3 See page 39 for definition of underlying financial metrics.  
 4 Unaudited.  
 5 Average of impairment expense ratio between FY2016 and 1H2024.

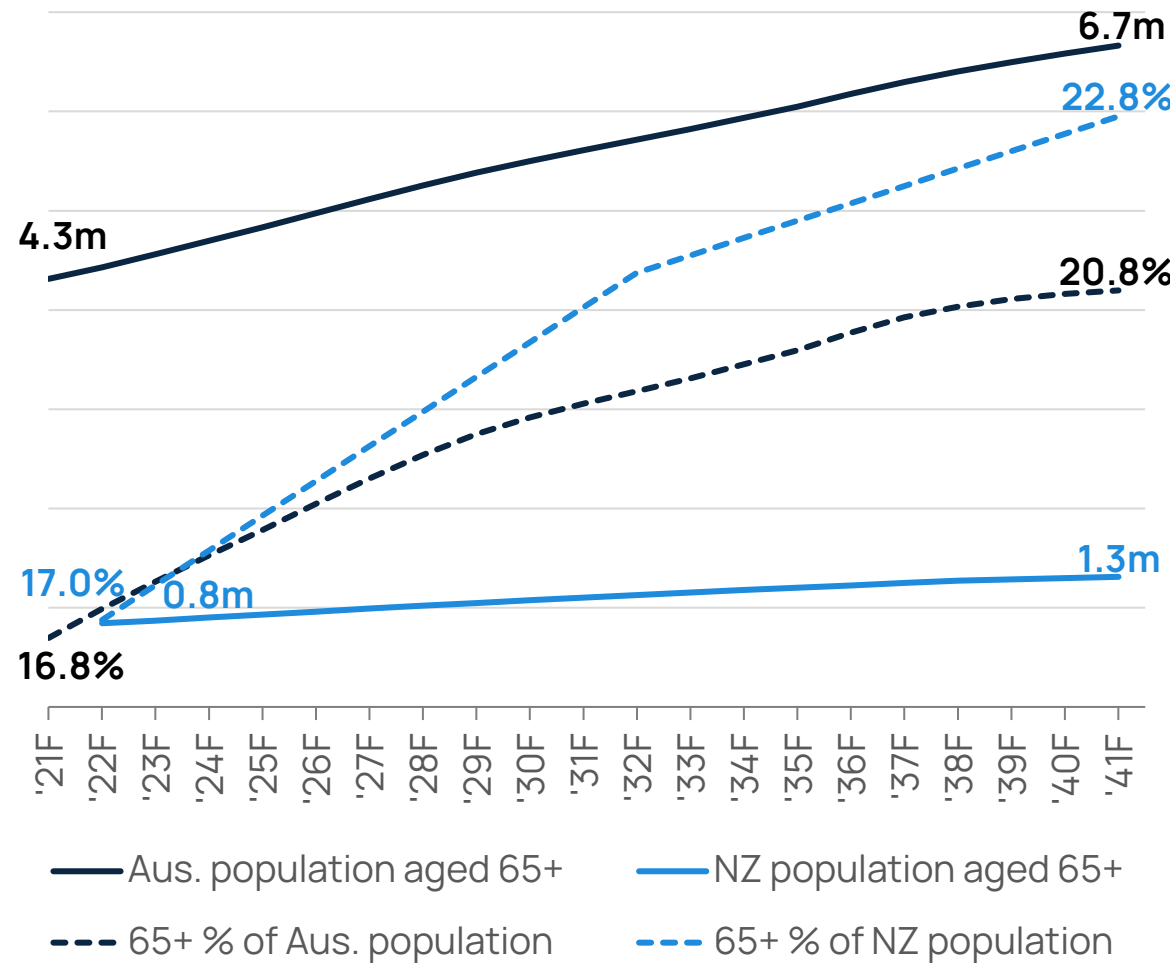
For personal use only

# 1 Heartland is positioned to benefit from structural tailwinds

Strong structural tailwinds are supporting Heartland's Receivables growth.

## Reverse Mortgages

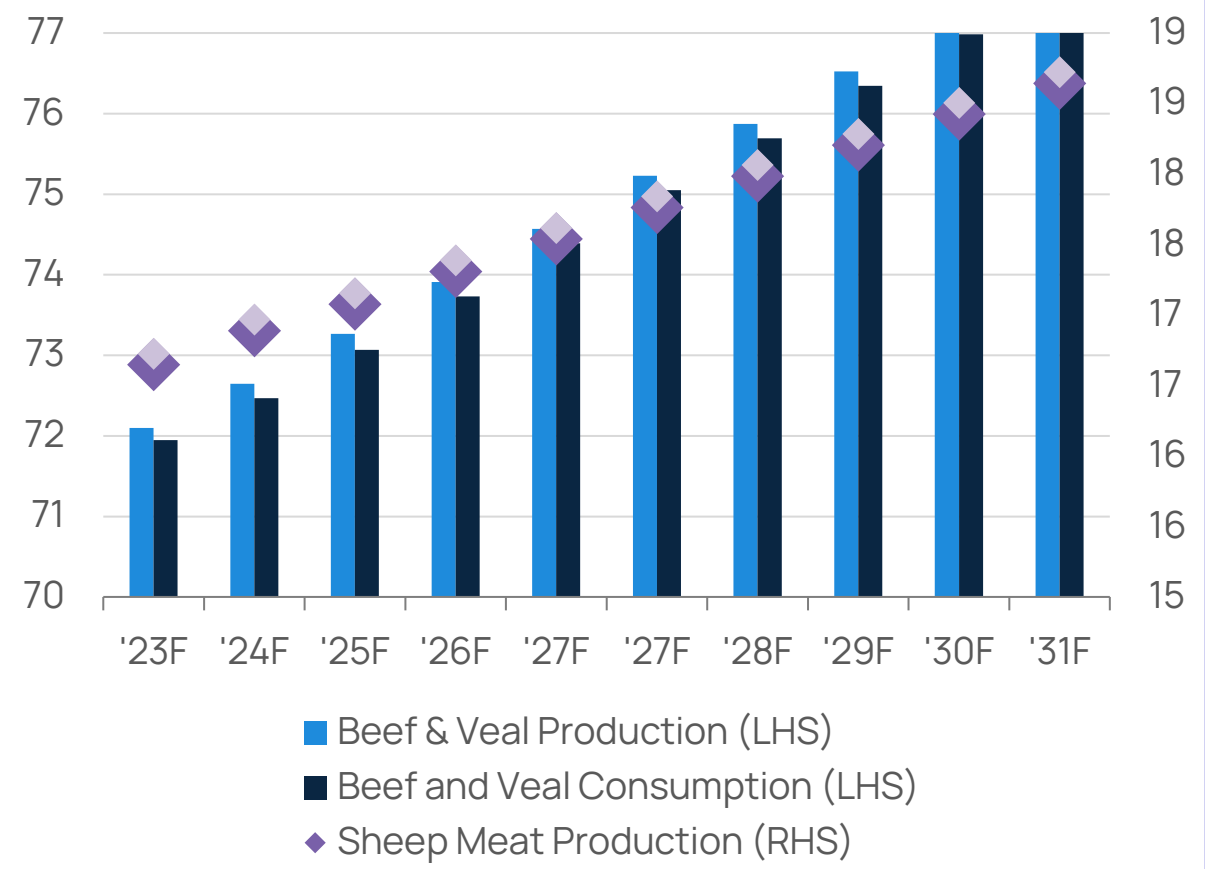
Australia and New Zealand population aged 65+<sup>1</sup>



Reverse mortgage addressable market estimated to be ~A\$10-15b<sup>2</sup> in Australia and ~NZ\$5.7b by 2030<sup>2</sup> in New Zealand.

## Livestock Finance

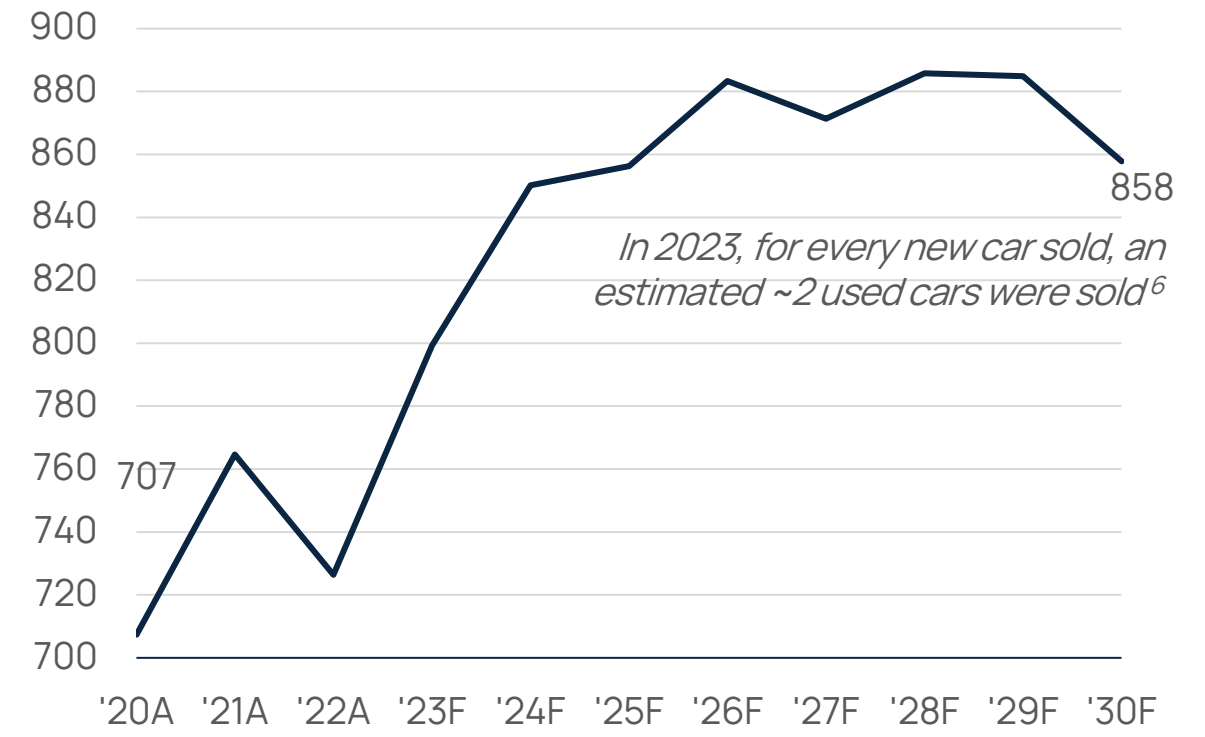
Global projected beef, veal and sheep meat production & consumption (mt cwe)<sup>3</sup>



Australian livestock finance addressable market estimated to be ~A\$30b.<sup>4</sup>

## Motor Finance

New Australian passenger motor vehicle sales<sup>5</sup> (k)



Motor Finance addressable market estimated to be ~A\$35b<sup>7</sup> in Australia and ~NZ\$12b<sup>8</sup> in New Zealand.

1 Sourced from ARC Centre of Excellence in Population Ageing Research as at Aug-22.  
 2 Heartland internal analysis based on information from the ABS, Census, CoreLogic, Stats NZ and Deloitte. Market size based on Reverse Mortgage lending from banks and non-banks.  
 3 Sourced from OECD-FAO Agricultural Outlook 2023-2032 as at 2023. MT CWE denotes megaton carcass weight equivalent.  
 4 StockCo Australia internal analysis.  
 5 Based on IBISWorld New Passenger Motor Vehicle Sales report dated April 2023. Forecast data from 2023 onwards. New passenger motor vehicles are constructed primarily for the carriage of persons and contain up to nine seats (including the driver's seat). Included are cars,

station wagons, four-wheel drive passenger vehicles, campervans and passenger vans or mini buses with fewer than 10 seats.  
 6 New car sales data was sourced from the Federal Chamber of Automotive Industries for 2023. Used car sales data was sourced from the Australian Automotive Dealer Association for 2023.  
 7 Annual lending includes consumer and commercial lending segments (see ABS 5601.0 Table 7 LTM to Jun 20, and ABS 5671.0 Table 9 LTM to-Nov 18 (ABS discontinued ABS 5671.0 in Nov-18)).  
 8 Based on Heartland internal analysis and public disclosure of identified peers.

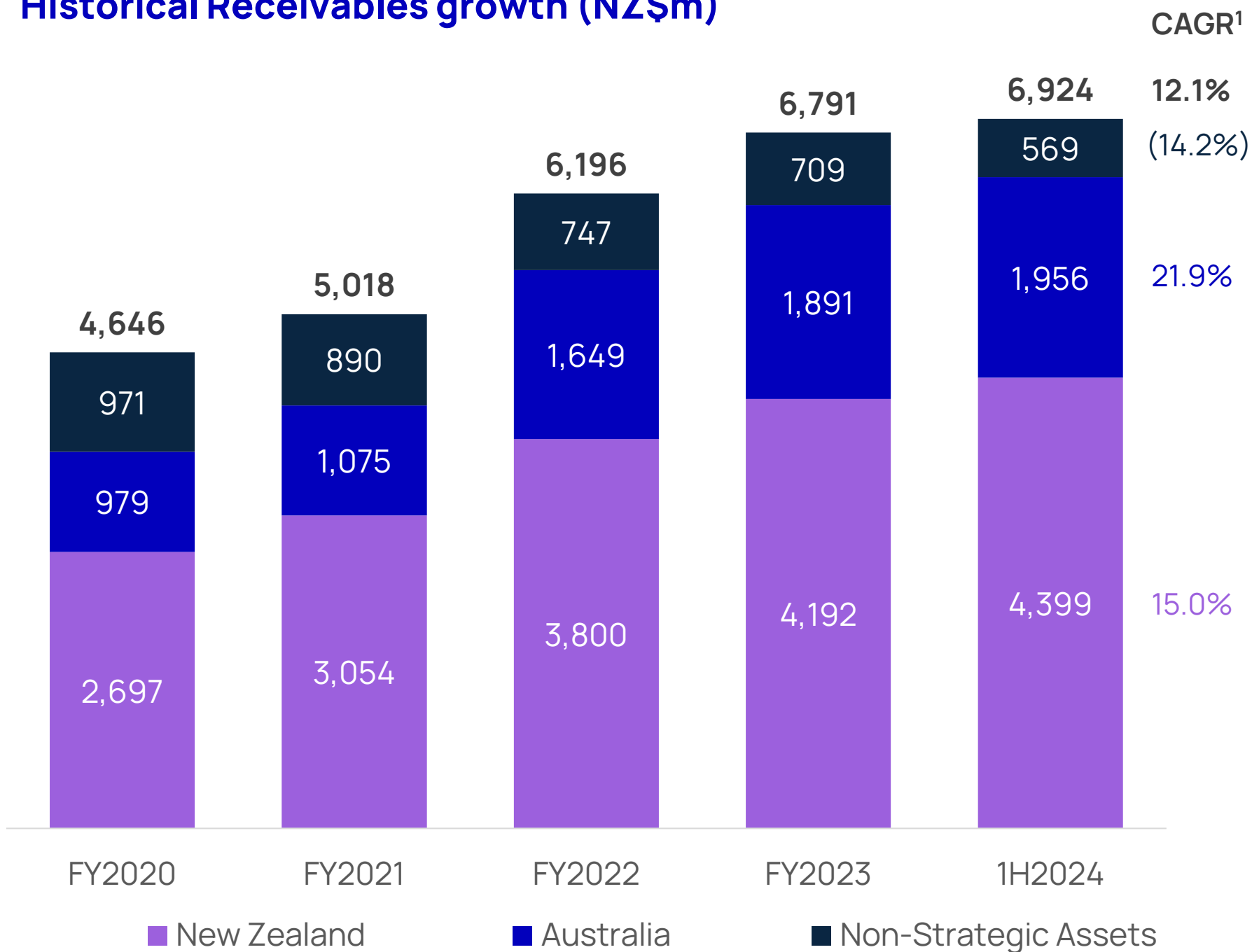
For personal use only



# 1 Heartland has shown a long history of strong growth

Heartland has a long history of growth in New Zealand driven by asset specific experience and operational expertise which can be leveraged in Australia.

## Historical Receivables growth (NZ\$m)



## FY2028 underlying NPAT and ROE ambition assumes Receivables grow at a lower rate than historical growth

### Reverse Mortgages New Zealand and Australia

- Leading Reverse Mortgage provider in New Zealand and Australia with significant scale and cost of capital advantage compared to competitors.

### Rural and Livestock Finance New Zealand

- Strong expertise in Rural and Livestock Finance in New Zealand with established direct and distributor networks and specialist teams.

### Motor Finance New Zealand

- Leading provider of vehicle finance in New Zealand with more than 65 years' experience and leading digital solutions.

### Asset Finance New Zealand

- Strong relationships with distributors and logistics companies driving growth in Asset Finance in New Zealand.

### Australia

- Continue to grow existing Reverse Mortgage and Livestock Finance in Australia supported by Challenger Bank's deposit funding platform.
- Pursue ROE accretive growth in Motor Finance and Asset Finance leveraging experience and success from New Zealand.<sup>2</sup>

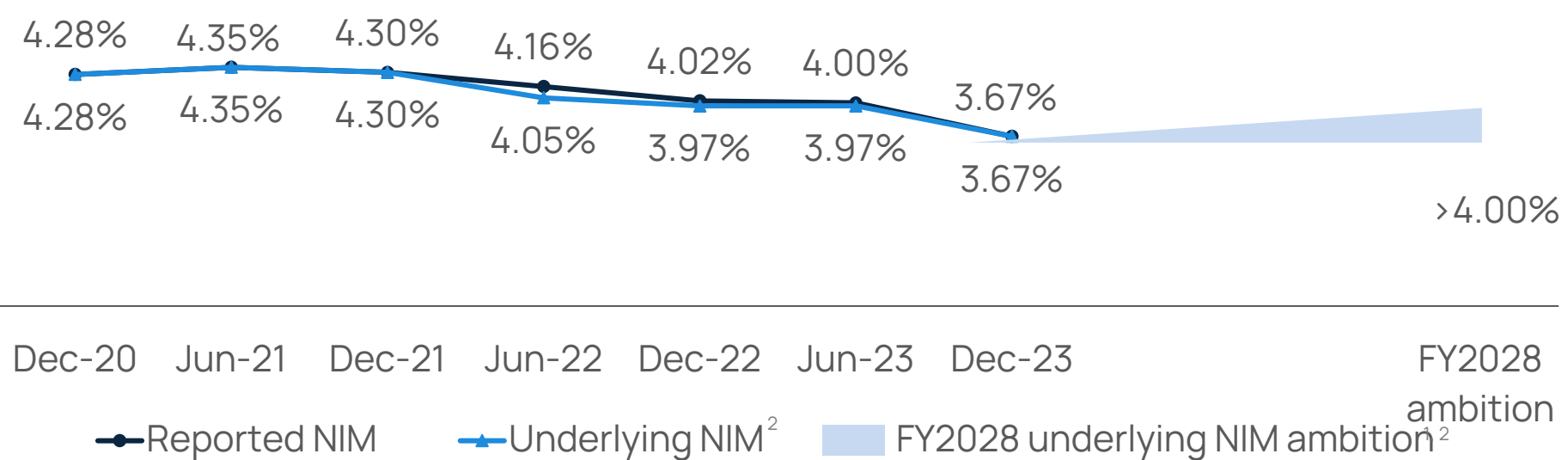
<sup>1</sup> CAGR calculated for the period from 30 June 2020 to 31 December 2023.

<sup>2</sup> Subject to meeting minimum ROE hurdles and APRA consultation.

# 2 Heartland's net interest margin

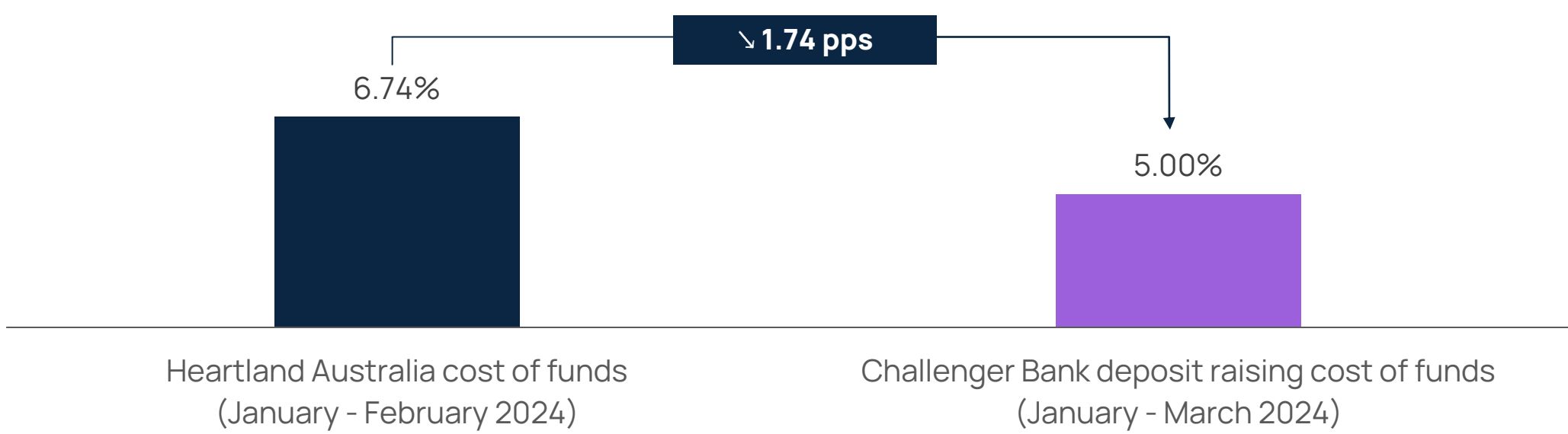
NIM is expected to benefit from positive tailwinds and transitioning Australia from 100% wholesale to a mix of wholesale and deposit funding.

## Heartland net interest margin (%)



## Challenger Bank deposit raising costs (%)

From the period between 30 December 2023 to 29 March 2024, Challenger Bank has achieved retail deposit growth of A\$702m at a rate that is 1.74% lower than Heartland Australia's current cost of funds.<sup>3</sup>



## Positive tailwinds supporting NIM

- **Heartland's historical NIM compression driven by:**
  - continued shift to higher quality assets (Reverse Mortgages)
  - increasing cost of funds in Australia and New Zealand due to rapid rate hikes from historical lows, and a strategic decision by Heartland to delay passing the full impact of interest rate increases onto New Zealand Reverse Mortgages and Australian Livestock Finance customers
  - competition in both lending and deposits in Australia and New Zealand.
- **Positive tailwinds are expected:**
  - older New Zealand Asset Finance and Motor Finance loans yielding lower rates being repaid and replaced with new originations at higher rates
  - StockCo Australia growth
  - easing of deposit competition in New Zealand after banks refinance their drawings under the RBNZ Funding for Lending Programme
  - following completion of the Challenger Bank acquisition, transitioning Australia from 100% wholesale funding to a majority of retail funding
  - introduction of call accounts in Australia
  - solidification of brand and increased direct distribution for Australian deposits.

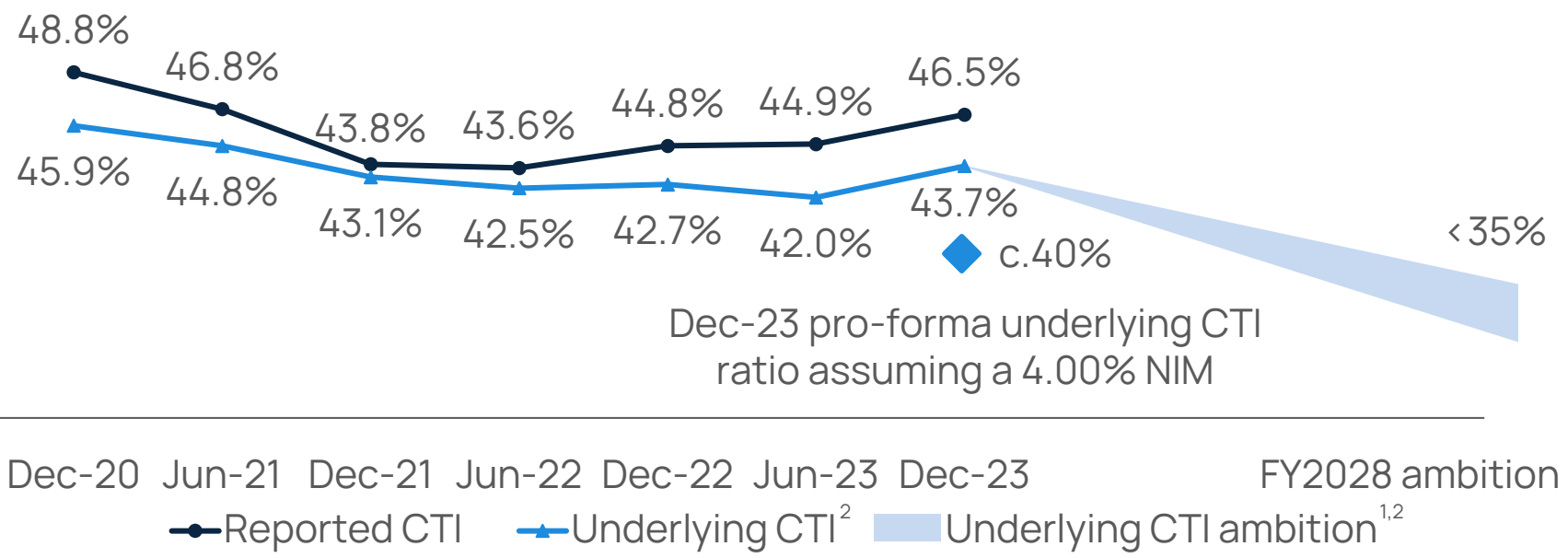
1 FY2028 ambition trajectory is not to scale.  
 2 See page 39 for definition of underlying financial metrics.  
 3 Heartland Australia comprises Heartland Australia Holdings Pty Ltd and its subsidiaries and StockCo Australia. The cost of funds benefit is calculated with reference to Heartland Australia's average cost of funds over January and February 2024.

For personal use only

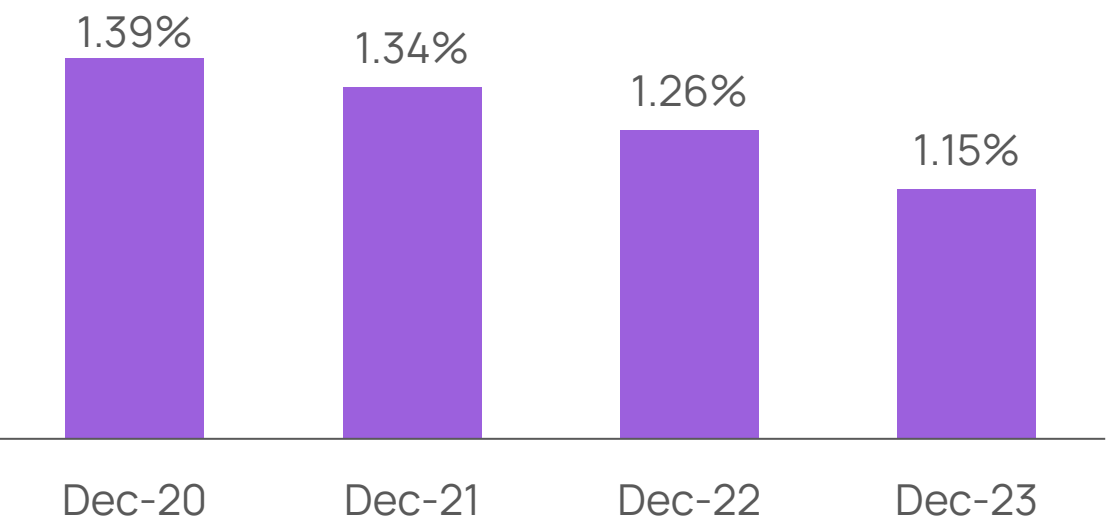
# 3 Heartland's cost to income ratio

Heartland's cost efficiency has improved consistently over the last 3 years despite NIM compression impacting CTI ratio.

## Heartland cost to income ratio (%)



## Heartland cost to business volumes (%)<sup>3</sup>



Whilst recent NIM compression has resulted in a reduction in CTI ratio, Heartland's cost efficiency has improved as cost to business volumes<sup>3</sup> have consistently improved in the last 3 years.

In 1H2024, underlying operating expenses reduced by \$0.4m whilst Receivables increased 4.2% (vs. 1H2023).<sup>4</sup>

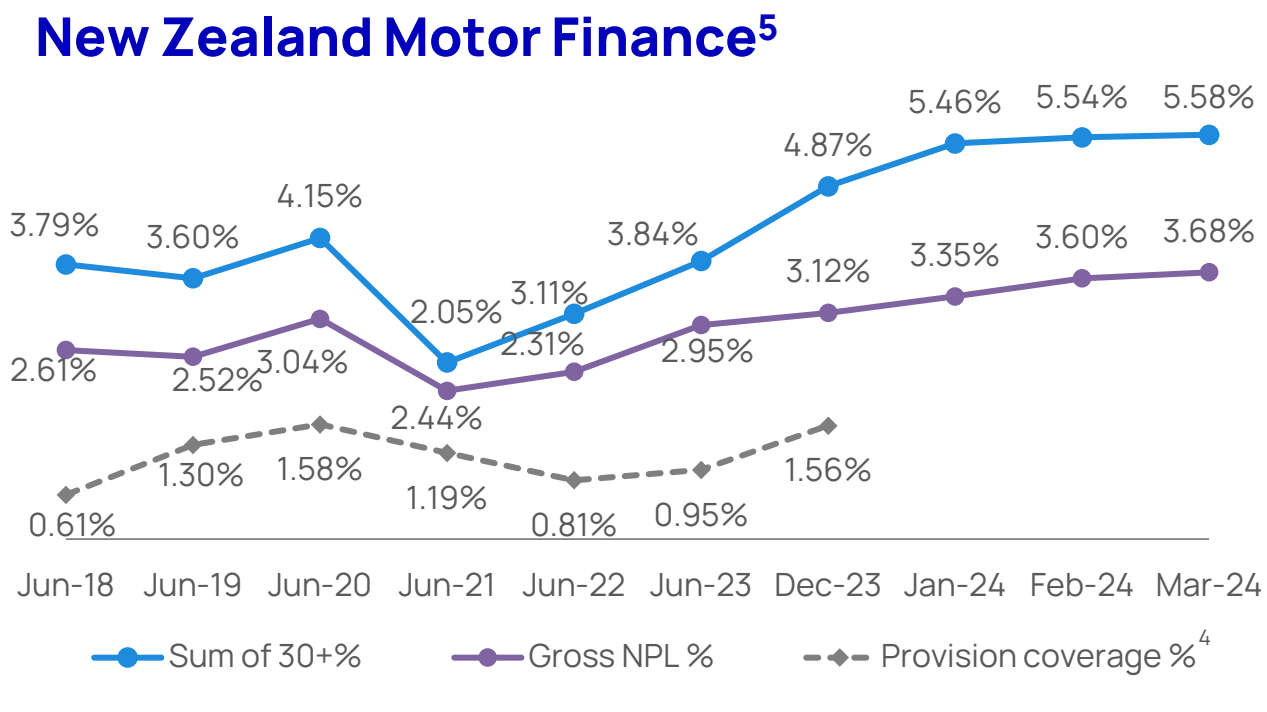
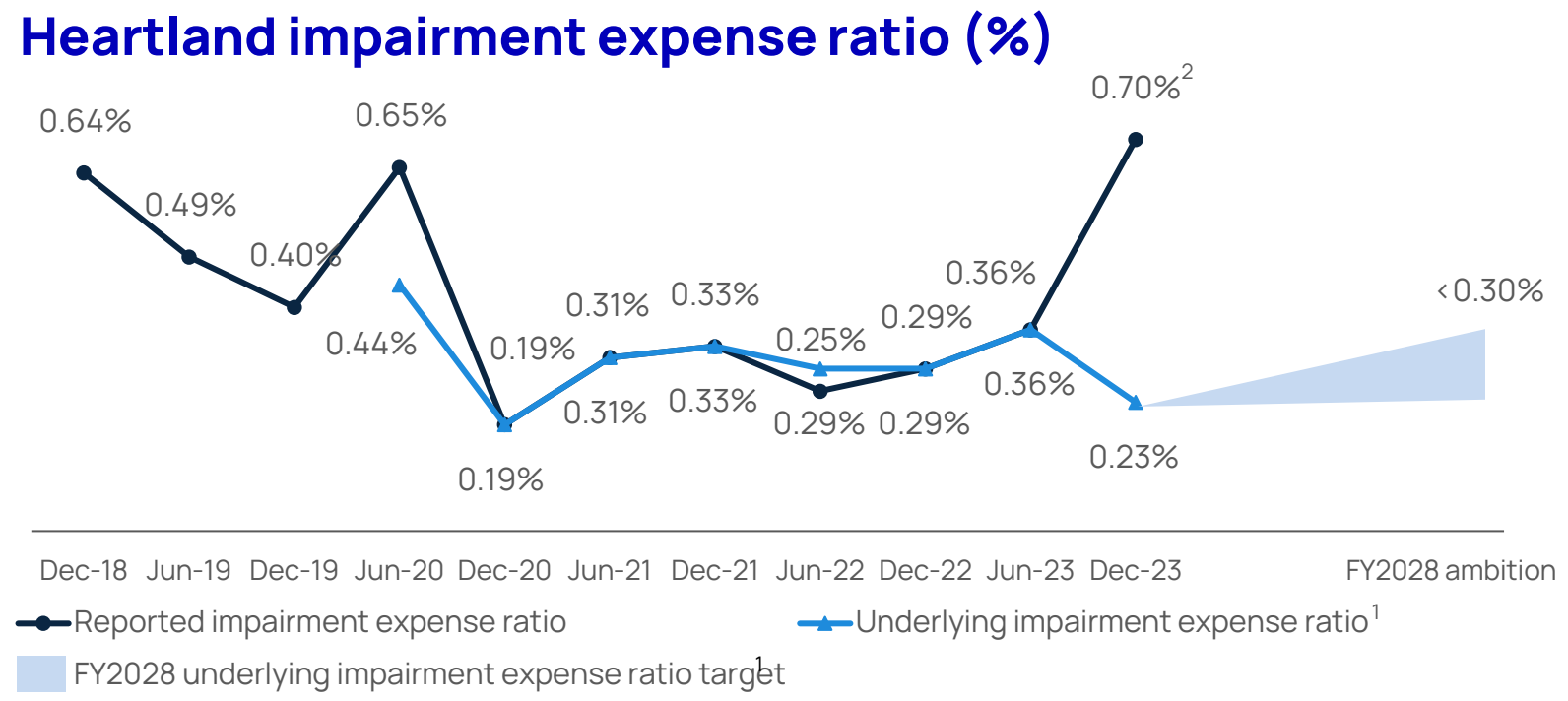
## Key drivers of underlying CTI ratio<sup>2</sup> ambition of < 35%

<b>Digitalisation and automation</b> New Zealand	<ul style="list-style-type: none"> <li>Zero inbound calls: Enable self-serviceability to reduce dependency on customer facing teams servicing inbound requests.</li> <li>One click deferral: Provide flexibility to manage cashflow via the app by enabling customers to self-manage loan repayments, including customers in arrears.</li> <li>Collections and operations automation: Upgrade and introduce scalable digital technologies including process and workflow automation, to optimise back-end processes and improve efficiency.</li> </ul>
<b>Motor digitalisation</b> New Zealand	<ul style="list-style-type: none"> <li>Continue to enhance Motor Finance digital capabilities to enable faster and easier access to vehicle finance through online applications.</li> <li>Expand branded online origination platforms to more Motor Finance dealer partners to provide customers with swift digital options.</li> <li>Enable new distributors to operate on a direct-to-consumer business model, e.g. Tesla model.</li> </ul>
<b>Core banking upgrade</b> New Zealand	<ul style="list-style-type: none"> <li>Heartland Bank core banking system upgrade completed in 1H2024, enabling accelerated digitalisation.</li> </ul>
<b>Challenger Bank</b> Australia	<ul style="list-style-type: none"> <li>Challenger Bank is a digital bank with no branches and does not have legacy infrastructure that requires investment.</li> </ul>
<b>NIM improvement</b> Group	<ul style="list-style-type: none"> <li>CTI ratio increase has been driven by NIM compression.</li> <li>Funding benefits of the Challenger Bank acquisition is expected to uplift NIM and drive CTI ratio improvement.</li> </ul>

1 FY2028 ambition trajectory is not to scale.  
 2 See page 39 for definition of underlying financial metrics.  
 3 Cost to business volumes calculated as the first half of the financial year (6 months to December of the respective years) underlying operating expense annualised as a proportion of average business volumes (calculated as the sum of deposits and Receivables).  
 4 Annualised 1H2024 growth excluding the impact of changes in FX rates.

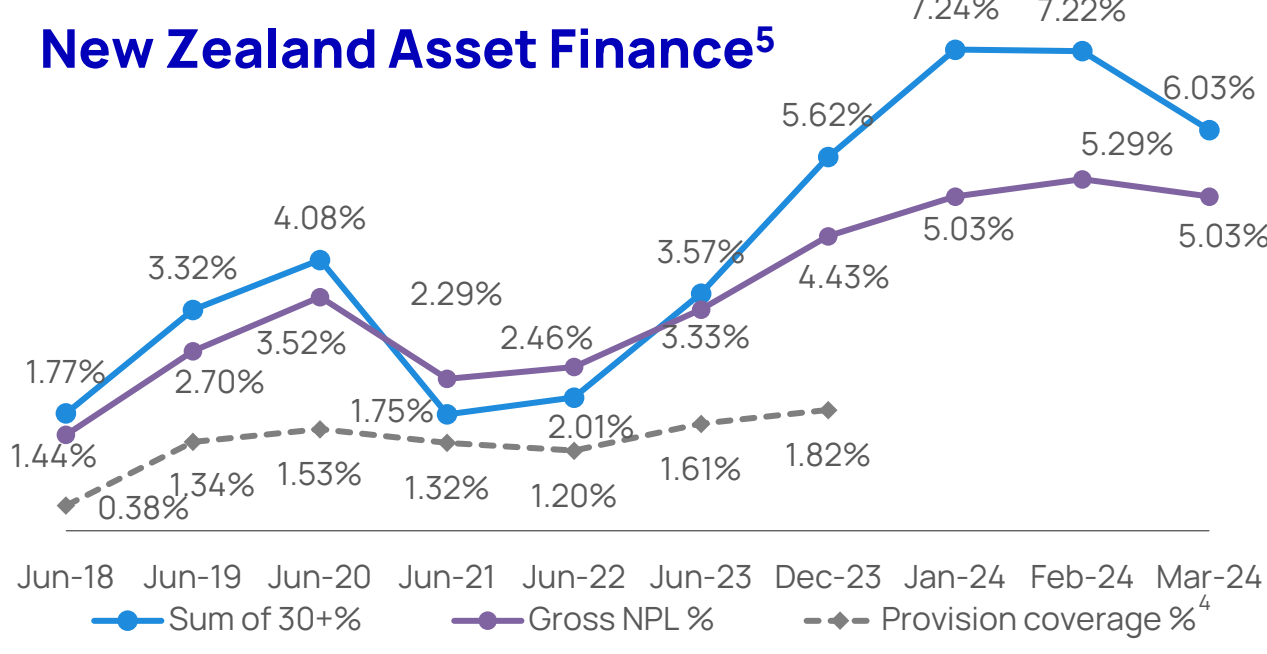
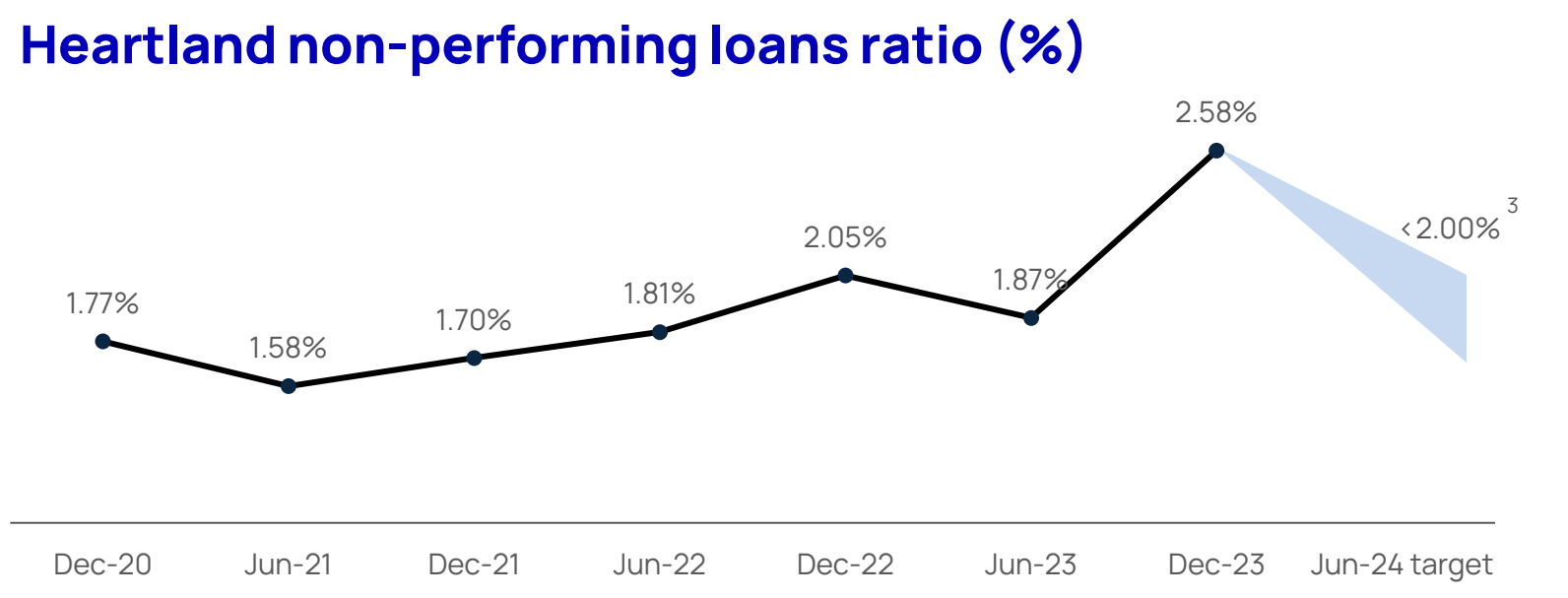
# 4 Heartland's impairment expense ratio

Underlying impairment expense ratio ambition of < 0.30% driven by a continued mix shift to higher quality reverse mortgages.



**Clear strategy to support underlying impairment expense ratio ambition of < 0.30%<sup>1</sup>**

- Growth in higher quality asset classes.
- Limiting exposure to lending in sub-sectors experiencing economic headwinds (e.g. forestry, commercial property).
- Investing in digitalisation and automation to improve internal workflows and reduce manual effort.
- The arrears experienced in a subset of longer dated Motor Finance loans are a result of short-term operational performance challenges. This is primarily a resourcing issue in Heartland Bank's Collections & Recoveries area and is being addressed through a specialised recruitment strategy and automation.



<sup>1</sup> See page 39 for definition of underlying financial metrics.  
<sup>2</sup> Reported impairment expense ratio increased due to a \$16.0m increase in provisions to respond to issues affecting a subset of legacy lending.  
<sup>3</sup> Represents non-performing loan ratio target at 30 June 2024.  
<sup>4</sup> Provision coverage metrics not yet available post 31 December 2023.  
<sup>5</sup> Financial metrics including and post-December 2023 are based on unaudited management accounts.

For personal use only



# 4 Reverse Mortgages credit quality

Heartland’s reverse mortgage book is high quality with only < 23% weighted average LVR.

## New Zealand Reverse Mortgage portfolio analytics

As at 31 December 2023

<b>\$972m</b> NZ Reverse Mortgages +\$84m (18.7%) <sup>1</sup> vs June 2023	<b>\$135,139</b> Average loan size
<b>78</b> Weighted average borrowers' ages	<b>22.8%</b> Weighted average LVR
<b>9.6%</b> Average origination LVR	<b>0.0%</b> Proportion of the loan book over 75% LVR
<b>0</b> Number of loans in the book over 75% LVR	<b>16.7%</b> Compounded annual growth rate <sup>2</sup>

## Australia Reverse Mortgage portfolio analytics<sup>3</sup>

As at 31 December 2023

<b>\$1,668m</b> AU Reverse Mortgages +\$153m (20.0%) <sup>4</sup> vs June 2023	<b>\$190,849</b> Average loan size
<b>77</b> Weighted average borrowers' ages	<b>22.7%</b> Weighted average LVR
<b>11.9%</b> Average origination LVR	<b>0.1%</b> Proportion of the loan book over 75% LVR
<b>3</b> Number of loans in the book over 75% LVR	<b>22.6%</b> Compounded annual growth rate <sup>5</sup>

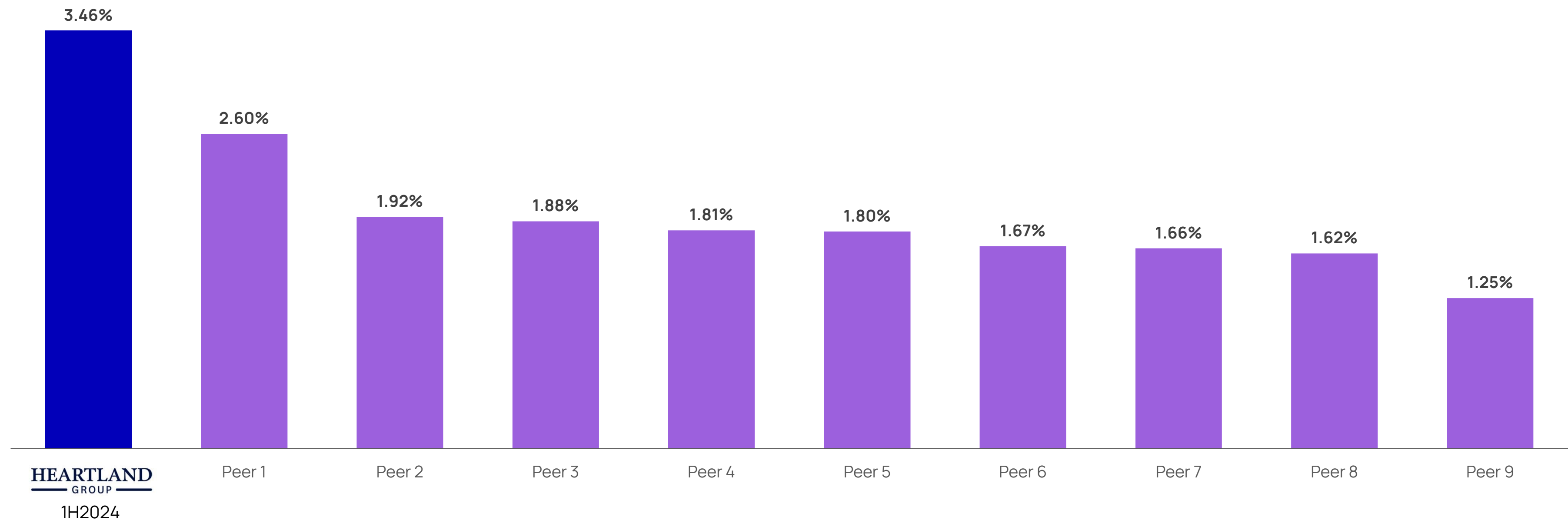
1 Annualised 1H2024 growth excluding the impact of changes in FX rates.  
 2 Compounded annual growth rate for the period 1 July 2018 – 31 December 2023.  
 3 Excluding the impact of changes in FX rates (where applicable). All figures in NZD.  
 4 Annualised 1H2024 growth excluding the impact of changes in FX rates.  
 5 Compounded annual growth rate for the period 1 July 2018 – 31 December 2023.

For personal use only

# Heartland's 'best or only' strategy delivers outsized risk-adjusted NIM

Heartland's risk-adjusted margins are superior to listed Australian banking peers, some of which have operations across Australia and New Zealand.<sup>1</sup>

## Risk-adjusted NIM<sup>1</sup>



<sup>1</sup> Risk-adjusted NIM is calculated as net interest income less impairments over average interest earning assets. Peers used are Australian listed banking peers. Data is based on the most recent company disclosures as at 31 March 2024 and includes total banking operations including Australia and New Zealand.

For personal use only

# Capital allocation management

Heartland has increased Reported NPAT from c.\$7m to c.\$110m over the past 12 years, predominantly funding that growth through organic capital generation, coming to market for M&A related capital.




## Capital will be deployed to ROE and EPS accretive opportunities

Organic growth
<ul style="list-style-type: none"> <li>• Continue to deploy capital to support growth in existing asset classes that are ROE and EPS accretive.</li> <li>• Entry into new markets or products where it fits Heartland’s “best or only” strategy and is ROE and EPS accretive.</li> </ul>
Capital management
<ul style="list-style-type: none"> <li>• The Board will, as it has historically, actively manage dividend settings and carefully consider the declaration of any dividend based on Heartland’s capital needs, ROE accretive growth opportunities, balance sheet flexibility and Heartland’s financial performance.</li> </ul>
Targeted inorganic growth
<ul style="list-style-type: none"> <li>• Proactive M&amp;A strategy focused on ROE and EPS accretive opportunities.</li> </ul>
<p><b>FY2028 underlying ROE ambition of 12%-14%<sup>1</sup></b></p>

## Capital resources to support strategy

Organic capital generation
<ul style="list-style-type: none"> <li>• <b>\$108-\$112m</b> FY2024 underlying NPAT guidance<sup>1</sup> rising to ambition of <b>\$200m+</b> by FY2028.</li> </ul>
Non-Strategic Assets
<ul style="list-style-type: none"> <li>• Potential realisation of notional asset pool for redeployment in accretive opportunity or distribution to shareholders.</li> <li>• <b>c.\$100m</b> of capital to be realised.</li> </ul>
Hybrid capital instruments
<ul style="list-style-type: none"> <li>• Diversify, optimise and support capital stack with qualifying regulatory capital instruments (additional Tier 1 and Tier 2) in Australia and New Zealand.</li> </ul>
Dividend reinvestment
<ul style="list-style-type: none"> <li>• Conduct dividend reinvestment plans.</li> </ul>

## Further capital needs beyond this will be driven by...

- 
**Any large-scale M&A activity**
- 
**Entry into new markets in Australia**
- 
**Organic growth beyond expectations**

For personal use only

<sup>1</sup> See page 39 for definition of underlying financial metrics.



# 03

## Equity raise overview





# Equity raise offer summary

<b>Offer size and structure</b>	<ul style="list-style-type: none"> <li>Heartland is seeking to raise NZ\$210m (<b>Equity Raise</b>) in new equity via a:             <ul style="list-style-type: none"> <li>NZ\$105m placement to eligible investors (<b>Placement</b>); and</li> <li>1 for 6.85 pro-rata accelerated non-renounceable entitlement offer to raise approximately NZ\$105m (<b>Entitlement Offer</b>).</li> </ul> </li> <li>Approximately 210m new Heartland ordinary shares will be issued under the Equity Raise.<sup>1</sup></li> </ul>
<b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>Proceeds of the Equity Raise will be used to:             <ol style="list-style-type: none"> <li>finance the balance of the consideration payable for the proposed Challenger Bank acquisition</li> <li>support the expected regulatory capital requirements of Challenger Bank and Heartland Bank</li> <li>cater for near term asset growth post-completion.</li> </ol> </li> </ul>
<b>Offer price for the Equity Raise</b>	<ul style="list-style-type: none"> <li>NZ\$1.00 per new share representing:             <ul style="list-style-type: none"> <li>14.6% discount to TERP<sup>2</sup> of NZ\$1.1703.</li> <li>18.0% discount to last closing price of NZ\$1.22 as at 5 April 2024.</li> </ul> </li> <li>The Australian Dollar Offer Price for eligible retail shareholders has been set at A\$0.9151, using the prevailing RBNZ AUD/NZD exchange rate on 5 April 2024.</li> </ul>
<b>Institutional Entitlement Offer</b>	<ul style="list-style-type: none"> <li>Eligible institutional shareholders will be invited to take up their entitlements in an accelerated Institutional Entitlement Offer.</li> <li>The Entitlement Offer is non-renounceable and any entitlements not taken up will lapse.</li> </ul>
<b>Retail Entitlement Offer</b>	<ul style="list-style-type: none"> <li>Eligible retail shareholders in Australia and New Zealand will be sent offer materials and invited to take up their entitlements in a Retail Entitlement Offer.</li> <li>Eligible retail shareholders may also subscribe for additional new shares in excess of their entitlements at the Offer Price, up to a maximum of 100% of their entitlements.</li> <li>The entitlements will not be listed on NZX or ASX and there will be no shortfall bookbuild for those entitlements not taken up by eligible retail shareholders or the entitlement of ineligible retail shareholders (the Offer is non-renounceable and any entitlements not taken up will lapse).</li> </ul>
<b>Ranking and quotation</b>	<ul style="list-style-type: none"> <li>New Shares issued under the Placement and the Entitlement Offer will rank equally with existing Heartland shares on issue and will be quoted on NZX Main Board and ASX from the date of allotment.</li> </ul>
<b>Pre-commitments</b>	<ul style="list-style-type: none"> <li>Heartland has received a pre-commitment from its largest shareholder, Harrogate Trustee Limited<sup>3</sup>, for approximately NZ\$14m of the Equity Raise.</li> </ul>
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>The Placement and Entitlement Offer are fully underwritten (with the exception of the pre-committed amount by Harrogate Trustee Limited).</li> </ul>

<sup>1</sup> In addition, Heartland proposes to issue approximately 1.0m new Heartland ordinary shares to Washington H. Soul Patterson and Company Limited as consideration for the acquisition of 0.65% of the shares in Alex Corporation Limited, the holding company for Alex Bank. These shares will be issued at the same time as shares are issued under the placement and institutional entitlement offer

<sup>2</sup> TERP is the Theoretical Ex-Rights Price at which Heartland ordinary shares would trade immediately after the ex-rights date for the Entitlement Offer. TERP is calculated with reference to Heartland's closing share price of NZ\$1.22 on 5 April 2024 and includes all new shares issued under the Equity Raise. TERP is a theoretical calculation only and the actual price at which Heartland ordinary shares will trade immediately after the ex-rights date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

<sup>3</sup> Heartland Chair, Greg Tomlinson, is a shareholder of Harrogate Trustee Limited.

# Equity raise timetable

- Shareholders entitled to participate in the Retail Entitlement Offer should visit [www.heartlandshareoffer.co.nz](http://www.heartlandshareoffer.co.nz) and apply online by 5.00pm (NZST) on Monday 22 April 2024.
- Shares purchased on-market following announcement of the Equity Raising and shares purchased via the Placement will not settle prior to the record date for the Entitlement Offer or before Tuesday 9 April 2024.
- If you acquired Heartland shares on or before Friday 5 April 2024, your share purchase will settle on or before Tuesday 9 April 2024 and those shares will be eligible for their respective entitlements.

Event	Date <sup>1</sup>
Announcement of Equity Raise	Monday 8 April 2024
Record date for the Entitlement Offer	Tuesday 9 April 2024
<b>Institutional Entitlement Offer and Placement</b>	
Institutional Entitlement Offer and Placement opens	Monday 8 April 2024
Institutional Entitlement Offer and Placement closes (for institutional shareholders in New Zealand, Australia, Hong Kong and Singapore)	Monday 8 April 2024
Institutional Entitlement Offer and Placement closes (for institutional shareholders in all other jurisdictions)	Tuesday 9 April 2024
Trading halt lifted and shares recommence trading on NZX and ASX on an 'ex-entitlement' basis	By 12.00pm (NZST) Tuesday 9 April 2024
ASX settlement	Friday 12 April 2024
NZX settlement, allotment and commencement of trading of new shares	Monday 15 April 2024
<b>Retail Entitlement Offer<sup>2</sup></b>	
Retail Entitlement Offer opens	Thursday 11 April 2024
Offer Document despatched to Eligible Retail Shareholders	Thursday 11 April 2024
Retail Entitlement Offer closes	Monday 22 April 2024
ASX and NZX settlement and allotment	Friday 26 April 2024
NZX commencement of trading of new shares	Friday 26 April 2024
ASX commencement of trading of new shares	Monday 29 April 2024

<sup>1</sup> Dates are subject to change and are indicative only.

<sup>2</sup> Eligible shareholders with an address recorded in Heartland's share register that is in New Zealand or Australia on the Record Date can find out more about the Retail Entitlement Offer at [www.heartlandshareoffer.co.nz](http://www.heartlandshareoffer.co.nz) and can apply online during the Retail Entitlement Offer period.

# Equity Raise impact on regulatory capital

Heartland Bank Australia and Heartland Bank will have strong capital bases and be well positioned for growth.

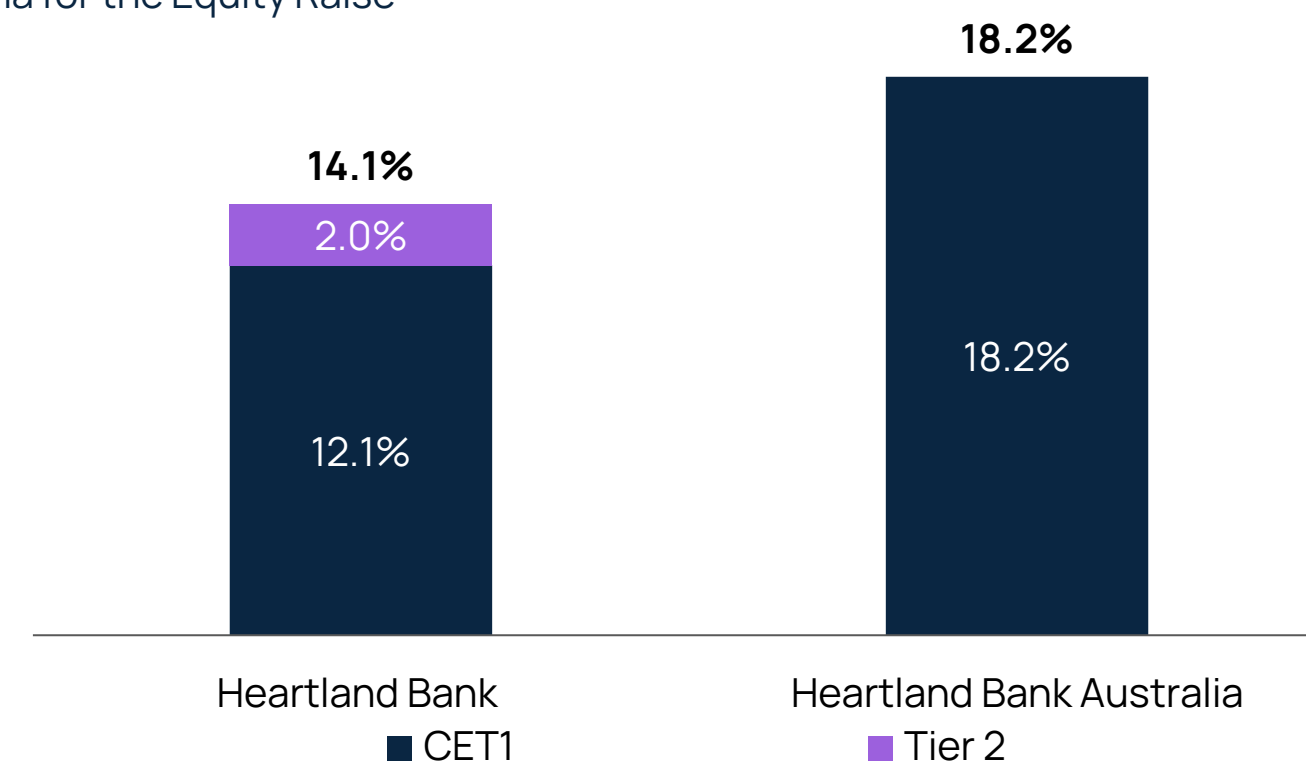
## Commentary

- Use of proceeds primarily applied to acquisition of Challenger Bank and the capitalisation of Heartland Bank Australia in accordance with APRA's regulatory capital and liquidity requirements.
- Both Heartland Bank Australia and Heartland Bank will have strong capital bases and be well positioned for growth.
- AT1 or Tier 2 capital issuances may be considered over time to further optimise and diversify Heartland's capital base.

Use of Equity Raise funds <sup>4</sup>	NZ\$m	%
Challenger Bank acquisition consideration	~50	~24%
Recapitalisation of Heartland Bank Australia	~105	~51%
Growth capital	~50	~24%
<b>Total</b>	<b>~205</b>	<b>~100%</b>

## Pro-forma total capital ratio

31 March 2024 pro-forma for the Equity Raise<sup>1,2,3</sup>



CET1 (\$m)	606	261
Tier 2 (\$m)	100	-
<b>Total capital (\$m)</b>	<b>706</b>	<b>261</b>

1 31 March 2024 pro-forma capital metrics are a projection and include the impact of the Equity Raise. Heartland Bank Australia assumes that all Heartland Australia and StockCo Australia assets and liabilities are transferred into the Challenger Bank ADI.  
 2 Assuming a NZD/AUD exchange rate of 0.9169 as at 31 March 2024.  
 3 The RBNZ capital requirement for Heartland Bank is 11.5% CET1 and 16% total capital by 1 July 2028.  
 4 Excluding transaction costs.

For personal use only



04

# Key risks



# Key risks

**This section outlines the key risks that Heartland has identified as relevant to investors in the proposed equity raise, including in relation to the acquisition of Challenger Bank. These risks may affect the future operating and financial performance of Heartland and the Heartland share price. Like any investment, there are risks associated with an investment in Heartland's shares.**

This section does not (and does not purport to) set out all of the risks related to an investment in Heartland shares, the future operating or financial performance of Heartland, the achievement of Heartland's growth aspirations, the proposed equity raise or general market, industry, regulatory or legal risks. Some risks may be unknown and other risks, currently believed to be immaterial, could turn out to be material.

In light of heightened geopolitical tensions, continuing cost of living pressures and uncertainty around whether New Zealand and Australian central bank inflation targets will be reached (and the commencement of commensurate rate cuts), extra caution should also be taken when assessing the risks associated with the investment. These ever-evolving situations continue to pose challenges for global financial markets and the New Zealand and Australian economies. Capital markets may continue to see equity securities suffer from spikes in volatility.

As the holding company of an Australasian financial services group, Heartland is exposed to credit, capital, liquidity and funding, market (including interest rate and currency), operational, regulatory compliance and general business risk. Heartland has implemented (or will implement in preparedness for the acquisition of Challenger Bank) structures, policies, procedures, controls and information systems that it considers appropriate to manage these risks, but there are inherent limitations to any risk management framework.

Heartland is exposed to risks that may not be anticipated or are outside its control, its risk management framework may not operate effectively or there may be unforeseen challenges arising from the integration of Challenger Bank or in executing on Heartland's strategic objectives. If any of Heartland's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, Heartland could suffer unexpected losses and reputational damage which could adversely affect Heartland's business and financial performance.

Before deciding whether to invest in Heartland shares, you must make your own assessment of the risks associated with such an investment and consider whether it is suitable for you, having regard to publicly available information (including this presentation), your personal circumstances and following consultation with a financial adviser or other professional adviser.



# Key risks (cont.)

<b>Completion risk</b>	<ul style="list-style-type: none"> <li>• The acquisition of Challenger Bank remains conditional on final regulatory approvals being received from APRA and the RBNZ. While Heartland Bank has received indicative regulatory approvals from the respective regulators, final approvals will not be received until after the shares are issued under the Equity Raise, the proceeds of which are necessary to capitalise Challenger Bank and Heartland Bank (amongst other things).</li> <li>• There is some complexity to the completion mechanics which will take place over several days. This includes reliance on Challenger Bank to complete the repayment of an existing Heartland Australia wholesale funding facility provided by the Commonwealth Bank of Australia utilising deposit funding prior to the acquisition being completed and Challenger Bank becoming a member of the Heartland group.</li> <li>• While Heartland considers completion risk to be minimal following completion of the Equity Raise, should the acquisition not proceed, Heartland would need to consider alternative uses for, or ways to return to shareholders, any excess capital it holds following the issue of the shares under the Equity Raise. Such alternative uses may include investing in other growth initiatives in New Zealand and/or Australia or refinancing maturing debt.</li> </ul>
<b>Business integration risk</b>	<ul style="list-style-type: none"> <li>• Since the share sale agreement was signed in October 2022, Challenger Bank carried on limited banking business until the recommencement of deposit raising in 2H2024. From completion, Challenger Bank will be executing on a strategic plan of expansion in Australia. In addition, shortly after completion, Heartland Australia (including Heartland's existing Australian reverse mortgage and livestock finance businesses) will be transferred to sit under Challenger Bank, with these businesses required to comply with APRA prudential requirements. From a New Zealand perspective, certain RBNZ prudential requirements will apply to a new trans-Tasman Consolidated Banking Group (<b>NZ CBG</b>), which will include Heartland Bank, Challenger Bank and its subsidiaries.</li> <li>• There may be challenges faced operationally integrating Challenger Bank and Heartland Australia into an APRA prudentially regulated banking group or with integrating the requirements imposed on the NZ CBG. However, Challenger Bank and Heartland Bank will retain a focus on completing required processes to keep the business moving forward during integration, and the integration process for Challenger Bank is clearly defined and aligned with existing priorities.</li> <li>• Additional staff/resources have also already been engaged by Heartland on behalf of Challenger Bank for this purpose. This means the likelihood of an integration failure is considered to be low.</li> </ul>

# Key risks (cont.)

For personal use only

<p><b>Successful execution of strategic objectives</b></p>	<ul style="list-style-type: none"> <li>• From completion, Challenger Bank will be pursuing a strategy to create sustainable growth and differentiation through “best or only” products delivered through scalable digital platforms. This includes growing Heartland’s existing Australian reverse mortgage and livestock lending businesses, while broadening its offering to pursue future opportunities in Motor Finance and Asset Finance.<sup>1</sup></li> <li>• The development and delivery of new products and improvements to existing products will be a key driver of Challenger Bank’s success. While Heartland has an established track record of executing on its “best or only” strategy in both the New Zealand and Australian markets, there is uncertainty and additional complexity associated with entry into the APRA regulated Australian banking sector, and the new compliance obligations which apply. There is always a risk that entry into a new market or development of a new product or product feature may not be successful or may take longer or be more expensive than anticipated. In addition, adverse changes in market, macro-economic or climatic conditions, significant delays in suppliers providing services or increased costs of services may mean it is more challenging for Challenger Bank to execute its strategy within its original timeframes and budget.</li> <li>• There is a risk that Challenger Bank (and the Heartland group more broadly) may not be successful in executing on its growth strategies, resulting in costs being incurred without commensurate benefits being enjoyed. In addition, the performance of particular business units may fail to meet expectations. This may have a material adverse impact on Heartland’s growth and financial performance, including Heartland’s ability to achieve its FY2028 ambitions.</li> <li>• There are other risks associated with Heartland’s strategy, including Heartland’s ability to successfully compete in the increasingly competitive landscape in which Heartland operates in both Australia and New Zealand; APRA consultation requirements prior to Challenger Bank launching new products; the ability to secure sufficient funding to facilitate Heartland’s growth aspirations; and that overall market conditions mean that it is more challenging to execute Heartland’s strategy within normal timeframes and budgets in the current environment.</li> </ul>
<p><b>Regulatory impact</b></p>	<ul style="list-style-type: none"> <li>• The New Zealand and Australian banking and financial services sectors continue to face significant regulatory scrutiny and change. Of relevance in New Zealand is the implementation of the Deposit Takers Act 2023 (including the introduction of a Depositor Compensation Scheme in mid-2025) and potential changes to the Credit Contracts and Consumer Finance Act 2003, which may impact Heartland Bank’s consumer and retail businesses, respectively. Of relevance in Australia is the Financial Accountability Regime which came into effect on 15 March 2024. This regime imposes a strengthened responsibility and accountability framework for entities in the banking, insurance and superannuation industries and their directors and senior executives.</li> <li>• Heartland Bank and Challenger Bank operate in an environment of significant regulatory supervision and are subject to prudential regulatory requirements imposed by the RBNZ and APRA, respectively (including in relation to regulatory capital). In addition, from completion, Heartland Australia must meet the same APRA prudential regulatory requirements which apply to Challenger Bank.</li> <li>• Any failures by Heartland or its subsidiaries to comply with new and existing regulatory requirements may impact both Heartland’s business and its reputation, potentially resulting in regulatory enforcement action (including fines and/or other pecuniary penalties), litigation (including class actions), changes in licence conditions or licences being revoked.</li> <li>• Future changes in laws and regulations or further policy development in New Zealand and Australia may require changes to Heartland’s business plan and model and may affect Heartland’s financial performance and/or its ability to successfully achieve its strategic objectives.</li> </ul>

<sup>1</sup> Subject to meeting minimum ROE hurdles and APRA consultation.

# Key risks (cont.)

For personal use only

<p><b>Information technology and cybersecurity</b></p>	<ul style="list-style-type: none"> <li>Investing in technology and improving customer experience while lowering costs through removing friction is a core pillar of Heartland's strategy. Heartland relies on the performance, reliability and availability of its information technology, communication and other business systems. Cyber attacks or other malicious or operational causes, damage, interruption or failure of Heartland's key systems and cybersecurity measures, or compromise of data, could result in significant disruptions to Heartland's business, reputational damage, and heightened regulatory scrutiny. The delivery of many of Heartland's products through digital platforms heightens the risk associated with cyber attacks and the impacts those attacks may have on the availability of Heartland's systems and services.</li> <li>Following completion, Heartland's subsidiaries will maintain different core systems across their businesses and, in some cases, product types. In addition, Challenger Bank's successful entry into new markets in Australia will be reliant on securing licenses for new systems and ensuring the currency of its core banking system is maintained, amongst other things.</li> <li>A failure to maintain or secure reliable systems may have an adverse effect on Heartland's reputation, financial performance or achievement of its growth aspirations.</li> </ul>
<p><b>People and projects</b></p>	<ul style="list-style-type: none"> <li>The retention of key staff and the successful recruitment of additional staff will be important in achieving the successful integration of Challenger Bank, and the successful achievement of Heartland's strategic objectives. Heartland considers that a small number of Heartland, Heartland Bank and Challenger Bank employees are crucial to the ongoing success of these businesses, and the ability of these key personnel to continue to support Heartland will be a vital component for Heartland's continued growth. Heartland management has been communicating with key personnel and considers the risk of key personnel leaving following completion of the Challenger Bank acquisition to be low.</li> <li>Unemployment rates remain historically low and the labour market remains fairly tight in areas where key skills are in high demand. Staff turnover in Heartland has decreased in this financial year reducing the number of overall vacancies, however, the recruitment of appropriately qualified staff across certain roles continues to present challenges to ensure the continuity and availability of people. Resource challenges could affect the delivery of major projects at Heartland, achievement of strategic priorities and the smooth functioning of business operations. Mitigation strategies include partnering with external consultants, agency staffing options and engaging recruitment agencies for complex and hard to fill roles.</li> </ul>
<p><b>Macro-economic conditions</b></p>	<ul style="list-style-type: none"> <li>Volatility in macro-economic conditions continues to be experienced as a result of geopolitical tensions, ongoing cost of living challenges as inflation moderates but remains high (particularly across New Zealand and Australia, with high migration) and other factors.</li> <li>Severe deterioration in macro-economic conditions could impact on the availability and/or utility of Heartland's funding arrangements or otherwise impact upon Heartland's liquidity. In addition, dislocations in funding markets or reductions in depositor confidence can occur that may place pressure on bank liquidity, at both an institution and/or system wide level.</li> <li>It could also result in increased credit risk through higher unemployment for consumers and adverse financial conditions for businesses. As a financial services group, either of those outcomes could have a material adverse impact on Heartland.</li> </ul>



# Key risks (cont.)

<b>Credit risk</b>	<ul style="list-style-type: none"> <li>Heartland Bank and Challenger Bank are exposed to credit risk and may incur losses from defaults by customers or counterparties. Levels of credit risk vary according to the economic cycle, with increased risk ordinarily evident during periods of tighter economic conditions. Both New Zealand and Australia are currently experiencing a period of higher interest rates and slower growth, hence underlying credit risk across all lending portfolios is elevated. Economic conditions are expected to improve in calendar year 2025 as interest rates fall (noting that unemployment may remain a key variable for both economies).</li> <li>A failure to adequately manage credit risk and/or provide for potential losses could result in Heartland Bank or Challenger Bank suffering financial losses (lost principal and interest income), disruption to cash flows and/or increased collection costs. This, in turn, could affect Heartland's profitability.</li> <li>Heartland is exposed to lending to the New Zealand and Australian household sector (motor vehicle lending (currently NZ only), reverse mortgage lending and some residential mortgage lending), asset financing and lending to small-to-medium sized businesses (currently NZ only) and livestock lending in both New Zealand and Australia. Heartland's significant exposure to these sectors means that the economic, social and environmental conditions in New Zealand and Australia (as applicable) may have a material impact on Heartland's credit risk. For example:             <ol style="list-style-type: none"> <li>Reverse mortgage loan borrowers are guaranteed lifetime occupancy of their property, make no payments until the last borrower leaves the property and, at that time, are only required to repay their loan up to the sale proceeds of the property. There is a risk therefore that the size of a reverse mortgage loan exceeds the value of the property at the time of repayment.</li> <li>Lending to the rural sector includes financing or taking security over livestock. Fluctuations in the market price of livestock or a widespread outbreak of disease affecting livestock could increase loan defaults in this sector.</li> <li>Motor finance credit risk outcomes tend to be more exposed to the rate of unemployment and business credit risk outcomes tend to be correlated to overall economic conditions but can also be impacted by asset and property valuations.</li> </ol> </li> <li>Both Heartland Bank and Challenger Bank are mature organisations with well-established credit risk management and provisioning frameworks, policies and processes. Key lending and credit managers are experienced in all specialist segments and across various economic cycles. Stress testing is also regularly performed to assess the impact of severe but plausible adverse events on credit quality and overall organisational strength.</li> </ul>
<b>Operational risk</b>	<ul style="list-style-type: none"> <li>Heartland Bank and Challenger Bank's businesses are dependent on their ability to process and monitor, on a daily basis, a large number of transactions (particularly in higher volume business areas, such as consumer lending and retail). This may be affected by human error, intentional actions such as internal or external fraud or theft, improper business practices, the failure of internal or external processes or systems, or external events which are wholly or partly beyond Heartland Bank or Challenger Bank's control.</li> <li>Any such failure may result in reduced customer demand, financial losses or a failure to comply with laws or regulations, contractual arrangements or industry standards, which could have an adverse impact on Heartland Bank or Challenger Group's (and therefore Heartland's) reputation.</li> </ul>

# Key risks (cont.)

For personal use only

<p><b>Climate risk</b></p>	<ul style="list-style-type: none"> <li>• Heartland’s subsidiaries provide motor vehicle lending, reverse mortgage lending and residential mortgage lending, asset financing and lending to small-to-medium sized New Zealand businesses and the rural sector (including small-to-medium sized New Zealand farming businesses and livestock lending in both New Zealand and Australia). Heartland’s Australian lending is currently limited to reverse mortgages and livestock, but its product suite is expected to expand with the acquisition of Challenger Bank and the execution of its strategic growth aspirations. Heartland’s significant exposure to these sectors means that environmental conditions in New Zealand and Australia may have a material impact on Heartland’s financial performance.</li> <li>• For example, Heartland’s lending to the rural sector includes financing or taking security over livestock. Widespread outbreak of disease affecting livestock (such as foot and mouth disease) could increase loan defaults in this sector. In addition, significant natural disaster or weather events affecting specific geographic regions of New Zealand or Australia where Heartland has material exposures may also increase the risk of loan defaults.</li> <li>• While Heartland endeavours to manage climate risk, including via undertaking scenario analysis to understand the risks and opportunities that climate change presents to its business currently, and into the future, it is a risk which is rapidly evolving and differs in impact jurisdictionally. A failure to adequately manage climate risk could result in Heartland suffering financial losses. It may also have a material adverse impact on Heartland’s financial performance.</li> </ul>
<p><b>Hedge accounting</b></p>	<ul style="list-style-type: none"> <li>• Heartland endeavours to fully hedge the economics of its interest rate risks. However, Heartland relies on the wholesale market for the derivatives used to create these hedges and the derivatives are subject to different accounting treatment than loan and deposit books. Hedge accounting for derivatives is complex, and in some market environments where ordinary correlations dislocate, it can be difficult to achieve exact matches for each position. This may cause accounting hedge ineffectiveness, or for hedge accounting relationships to fail, resulting in some gain or loss through profit or loss. Should this occur, it could possibly impact upon Heartland’s FY2024 NPAT, however it would be non-cash and not reflective of underlying performance.</li> </ul>



# 05

## Disclaimer, glossary & appendices





# Disclaimer and important notice

This presentation has been prepared by Heartland Group Holdings Limited (the Company or Heartland) in relation to an offer of new shares in the Company (New Shares) by way of:

- a placement to eligible institutional and other selected investors (Placement); and
- an accelerated, non-renounceable entitlement offer to eligible shareholders of the Company (ANREO), in New Zealand under clause 19 of Schedule 1 to the Financial Markets Conduct Act 2013 (FMCA), and in Australia pursuant to the provisions of section 708AA of the Corporations Act 2001 (Cth) (the Corporations Act) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Instrument 18-1012), (the Placement and the ANREO, together, are referred to as the Offer).

## Information

This presentation contains summary information about the Company and its activities that is current as of the date of this presentation. The information in this presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in the Company or that would be required in a product disclosure statement for the purposes of the FMCA. The Company is subject to disclosure obligations that require it to notify certain material information to NZX Limited (NZX) and ASX Limited (ASX). This presentation should be read in conjunction with the Company's financial statements for the year ended 30 June 2023 and for the six months ended 31 December 2023, and other periodic and continuous disclosure announcements released to NZX and ASX (which are available at [www.nzx.com](http://www.nzx.com) and [www.asx.com.au](http://www.asx.com.au) under the ticker code "HGH"). No information set out in this presentation will form the basis of any contract.

## NZX and ASX

The New Shares will be quoted on the NZX Main Board following completion of each of the Placement and the ANREO, and an application will be made by Heartland for the New Shares to be quoted on the ASX. Neither NZX nor ASX accepts any responsibility for any statement in this presentation. NZX is a licensed market operator, and the NZX Main Board is a licensed market under the FMCA.

## Not financial product advice

This presentation does not constitute legal, financial, tax, accounting, financial product or investment advice or a recommendation to acquire the Company's securities (including the New Shares), and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and consult a financial adviser, solicitor, accountant or other professional adviser if necessary.

## Investment risk

An investment in securities in the Company is subject to investment and other known and unknown risks, some of which are beyond the control of the Company. Pages 28 to 33 (Key Risks) of this presentation includes a non-exhaustive summary of certain key risks associated with the Company and the Offer. The Company does not guarantee the performance of the Company or any return on any securities of the Company.

## Not an offer

This presentation is not a prospectus or product disclosure statement or other offering document under New Zealand or Australian law or any other law (and will not be filed with or approved by any regulatory authority in New Zealand, Australia or any other jurisdiction). This presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction. Any decision to purchase New Shares in the ANREO must be made on the basis of all information provided in relation to the Offer, including information to be contained or referred to in the separate offer document released via NZX and ASX (Offer Document). Any eligible shareholder who wishes to participate in the ANREO should consider the Offer Document in deciding to apply under that offer. Anyone who wishes to apply for New Shares under the ANREO will need to apply in accordance with the instructions contained in the Offer Document. The distribution of this presentation outside New Zealand or Australia may be restricted by law. Any recipient of this presentation who is outside New Zealand or Australia must observe any such restrictions. Refer to Appendix 4 of this presentation (International Offer Restrictions) for information on restrictions on eligibility criteria to participate in the Placement and institutional entitlement offer component of the ANREO.

## Restrictions on distribution

The information in this presentation has been prepared on the basis that all offers in Australia of New Shares under the Placement and the institutional entitlement offer component of the ANREO will be made to Australian resident investors to whom an offer of shares for issue may lawfully be made without disclosure under Part 6D.2 of the Corporations Act because of sections 708(8) to 708(11) of that act. This presentation is not a prospectus, product disclosure statement or any other form of disclosure document regulated by the Corporations Act and has not been and will not be lodged with ASIC. ASIC takes no responsibility for the contents of this presentation. Accordingly, this presentation may not contain all information which a prospective investor may require to make a decision whether to subscribe for New Shares and it does not contain all of the information which would otherwise be required by Australian law to be disclosed in a prospectus, product disclosure statement or any other form of disclosure document regulated by the Corporations Act.

This presentation is not for distribution or release to US wire services or in the United States. This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 (US Securities Act), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold in the United States, except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and the applicable securities laws of any state or other jurisdiction of the United States.

# Disclaimer and important notice

## Financial data

All dollar values are in New Zealand dollars (NZ\$ or NZD) unless otherwise stated.

This presentation includes certain financial measures that are "non-GAAP (generally accepted accounting practice) financial information" under Guidance Note 2017: 'Disclosing non-GAAP financial information' published by the New Zealand Financial Markets Authority, "non-IFRS financial information" under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' and "non-GAAP financial measures" within the meaning of Regulation G under the U.S. Exchange Act of 1934. Disclosure of such non-GAAP financial measures in the manner included in this presentation would not be permissible in a registration statement under the U.S. Securities Exchange Act of 1934. Such financial information and financial measures (including underlying profit or loss, underlying net interest margin, underlying CTI ratios and underlying impairment expense ratio) do not have standardised meanings prescribed under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), Australian Accounting Standards (AAS) or International Financial Reporting Standards (IFRS) and therefore, may not be comparable to similarly titled measures presented by other entities.

Because the Company 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 the Company's reporting approach. These non-GAAP figures are provided as a supplementary measure for readers to assess the Company'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 do not have standardised meanings and should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ GAAP.

## Disclaimer

None of the Company, the Lead Manager, or the Underwriter, nor their respective related companies and affiliates including, in each case, their respective shareholders, directors, officers, employees, agents and advisers, as the case may be (Specified Persons), have independently verified or will verify any of the content of this presentation and none of them are under any obligation to you if they become aware of any change to or inaccuracy in the information in this presentation.

To the maximum extent permitted by law, each Specified Person disclaims and excludes all liability (whether in tort (including negligence) or otherwise) for any direct or indirect loss, damage or other consequence (whether foreseeable or not) suffered by any person: from the use of or reliance on the information contained in, or omitted from, this presentation; from refraining from acting because of anything contained in or omitted from this presentation; or otherwise arising in connection therewith (including for negligence, default, misrepresentation or by omission and whether arising under statute, in contract or equity or from any other cause). To the maximum extent permitted by law, no Specified Person makes any representation or warranty, either express or implied, as to the currency, fairness, accuracy, completeness or reliability of the information contained in this presentation. You agree that you will not bring any proceedings against or hold or purport to hold any Specified Person liable in any respect for this presentation or the information in this presentation and waive any rights you may otherwise have in this respect.

None of the Lead Manager or the Underwriter or any of their respective affiliates, related bodies corporate, directors,

officers, partners, employees, agents or advisers have authorised, permitted or caused the issue, submission, dispatch or provision of this presentation and none of them makes or purports to make any statement in this presentation and there is no statement in this presentation which is based on any statement by any of them. None of the Lead Manager or the Underwriter or any of their respective affiliates, related bodies corporate, directors, officers, partners, employees, agents or advisers take responsibility for any part of this presentation, or the Offer, and make no recommendations as to whether you or your related parties should participate in the Offer, nor do they make any representations or warranties to you concerning the Offer. Determination of eligibility of investors of the purposes of the ANREO is determined by reference to a number of matters, including legal requirements, logistical and registry constraints and discretion. To the maximum extent permitted by law, the Lead Manager, Underwriter, Specified Persons or any one of them disclaims any duty or liability (including for negligence) in respect of such determination or exercise of their discretion. You represent, warrant and agree that you have not relied on any statements made by the Lead Manager, Underwriter, or their respective affiliates, related bodies corporate, directors, officers, partners, employees, agents or advisers in relation to the Offer and you further expressly disclaim that you are in a fiduciary, agency, custodial or other legal relationship with any of them, and agree that you are responsible for making your own independent judgment in relation to any matter arising in connection with this document. No person named in this presentation or any of their affiliates accept or shall have any liability to any person in relation to the distribution of this presentation from or in any jurisdiction. To the maximum extent permitted by law, by accessing this document, you undertake that you will not seek to sue or hold the Lead Manager, Underwriter, Specified Persons or any one of them liable in any respect in connection with this document or the ANREO.

This presentation contains data sourced from and the views of independent third parties. In such data being replicated in this presentation, no Specified Person makes any representation, whether express or implied, as to the accuracy of such data. The replication of any views in this presentation should not be treated as an indication that the Company or any other Specified Person agrees with or concurs with such views.

# Disclaimer and important notice

## Forward-looking statements

This presentation may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. Forward-looking statements in this presentation include statements regarding the timetable, conduct and outcome of the Offer and the use of proceeds thereof, Heartland's strategies and future plans and Heartland's future financial performance. Any indications of, guidance or outlook on, or ambitions in respect of, future earnings or financial position or performance and future distributions are also forward-looking statements. All such forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies, and other factors, many of which are outside the control of the Company, which may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this presentation. Except as required by law or regulation (including the NZX Listing Rules and the ASX Listing Rules), the Company undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to the date of this presentation or to update or keep current any of the information contained herein. Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and performance) are based upon the best judgement of the Company from the information available as of the date of this presentation. A number of factors could cause actual results or performance to vary materially from the projections, including the risk factors set out in this presentation. Investors should consider the forward-looking statements in this presentation in light of those risks and disclosures. You are strongly cautioned not to place undue reliance on any forward-looking statements, particularly in light of the current economic climate.

## Past performance

Past performance information provided in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) a promise, representation, warranty or guarantee as to the past, present or future performance of the Company.

## General

For the purposes of this Disclaimer and Important Notice, "presentation" means the slides, any oral presentation of the slides by the Company, any question-and-answer session that follows that oral presentation, hard copies of this presentation and any materials distributed at, or in connection with, that presentation.

The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice. Subject to the NZX and ASX Listing Rules, the Company reserves the right to withdraw, or vary the timetable for, the Placement and/or the ANREO, without notice.

## Acceptance

By attending or reading this presentation, you agree to be bound by the foregoing limitations and restrictions and, in particular, will be deemed to have represented, warranted, undertaken and agreed that: (i) you have read and agree to comply with the contents of this Disclaimer and Important Notice; (ii) you are permitted under applicable laws and regulations to receive the information contained in this presentation; and (iii) you will base any investment decision solely on information released by the Company via NZX and ASX (including, in the case of the ANREO, the Offer Document).



# Glossary

ABP	Australia Bank Programme	NIM	Net interest margin
ADI	Authorised deposit-taking institution	NOI	Net operating income
APRA	Australian Prudential Regulation Authority	NPAT	Net profit after tax
AT1	Additional Tier 1	NPL	Non performing loans
Australian Seniors Finance	Australian Seniors Finance Pty Ltd, now known as Heartland Finance	OOI	Other operating income
Challenger Bank	Challenger Bank Limited	OPEX	Operating expenses
CAGR	Compound Annual Growth Rate	RBNZ	Reserve Bank of New Zealand
CTI ratio	Cost to income ratio	pps	Percentage points
EPS	Earnings per share	Receivables	Gross Finance Receivables
FX	Foreign currency exchange	ROE	Return on equity
Heartland	Heartland Group Holdings Limited or the <b>Company</b>	StockCo Australia	Comprised of StockCo Australia Management Pty Ltd, StockCo Holdings 2 Pty Ltd and their subsidiaries
Heartland Australia	Heartland Australia Holdings Pty Ltd and its direct and indirect wholly-owned subsidiaries, Heartland Australia Group Pty Ltd, Australia Seniors Finance and StockCo Australia	TERP	Theoretical Ex-Rights Price
Heartland Bank Australia	Challenger Bank (an Australian ADI) and Heartland Australia	FY2024	Financial year ending 30 June 2024
Heartland Bank	Heartland Bank Limited	FY2025P	Financial projections for the financial year ending 30 June 2025
LTM	Last twelve months to 31 December 2023	FY2028	Financial year ending 30 June 2028
LVR	Loan-to-value ratio	1H2023	First half of FY2023 (1 July to 31 December 2022)
MTN	Medium Term Note	1H2024	First half of FY2024 (1 July to 31 December 2023)
NII	Net interest income	2H2024	Second half of FY2024 (1 January to 30 June 2024)

# Presentation of financial results

Unaudited 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.
- Underlying results (which are non-GAAP financial information) exclude the impacts of fair value changes on equity investments held, the de-designation of derivatives, the ABP costs, increase in provisions for a subset of legacy lending, and any other impacts of one-offs. This is intended to allow for easier comparability between periods, and is used internally by management for this purpose.

Adjustments for underlying results impact net operating income (**NOI**), operating expenses (**OPEX**), net profit after tax (**NPAT**), net interest margin (**NIM**) and earnings per share (**EPS**). Underlying return on equity (**ROE**), underlying cost to income (**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 Heartland's full year and half year investor presentations at [heartlandgroup.info](http://heartlandgroup.info) for a detailed reconciliation between reported and underlying financial information, including details about one-offs in the periods covered in this presentation.

# Appendix 1: Sustainability

For personal use only

Heartland’s sustainability framework is built on three key pillars: **environment**, **people** and **financial wellbeing**.



Heartland is making good progress to meet the new **Climate-Related Disclosures obligations in NZ**, with Heartland’s first climate statement required as part of full year reporting for FY2024.



StockCo Australia announced a **two-year pilot project with Australian farmer-led software provider Ruminati**, to help producers track and validate on-farm climate action across the supply chain.



Heartland Bank awarded **Canstar NZ’s Bank of the Year – Savings** (sixth year in a row). Plus, **Five-star ratings** for Direct Call Account, 32-Day Notice Saver Account and 90-Day Notice Saver Account.



**Heartland’s Board established a Sustainability Committee** to oversee Heartland’s sustainability strategy and implementation plans.



The Manawa Ako internship welcomed 30 Māori and Pasifika interns in its sixth intake, with the **greatest number of applications** since programme establishment in 2017.








Heartland Finance, awarded a **Non-Bank of the Year Excellence Award at the Australian Mortgage Awards 2023** (fourth year in a row).

For more information on Heartland’s sustainability framework, please visit [heartlandgroup.info/sustainability](https://heartlandgroup.info/sustainability)

# Appendix 2: Current Board of Directors

Diversified and experienced Boards with a demonstrated good governance track record supported by extensive expertise in finance, banking and risk management.

## Heartland Group

	<b>Greg Tomlinson</b>	<p><b>Chairman &amp; Non-Executive Director   Appointed in 2018 (2013 to Heartland NZ Ltd Board)<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>• 40 years experience</li> <li>• Currently director of Oceania Healthcare, Tomlinson Group and Indevin Group</li> <li>• Previously founder at Impact Capital</li> </ul>
	<b>Ellie Comerford</b>	<p><b>Independent Non-Executive Director   Appointed in 2018 (2017 to Heartland Bank Board)</b></p> <ul style="list-style-type: none"> <li>• Over 35 years experience</li> <li>• Currently Non-Executive Director for a range of financial services sector boards ANZ</li> <li>• Previously Group CFO and Director of Hollard ANZ, CEO and Managing Director of Genworth Mortgage Insurance Australia, International division COO of First American Financial Corporation, CEO and Managing Director of First Title ANZ, and various senior executive roles at Citigroup</li> <li>• <i>Ellie has indicated her intention to resign from the Heartland Board on or around 30 June 2024</i></li> </ul>
	<b>Kate Mitchell</b>	<p><b>Independent Non-Executive Director   Appointed in 2021</b></p> <ul style="list-style-type: none"> <li>• Over 25 years experience</li> <li>• Currently Chair of The New Zealand Merino Company and Link Engine Management, and director of The a2 Milk Company and Christchurch International Airport</li> <li>• Previously Managing Director, Debt Capital Markets at Deutsche Bank, following Global Markets roles at Merrill Lynch and Goldman Sachs</li> </ul>
	<b>Geoff Summerhayes</b>	<p><b>Independent Non-Executive Director   Appointed in 2021</b></p> <ul style="list-style-type: none"> <li>• Over 35 years experience</li> <li>• Currently Chair of Zurich ANZ and Chair of the AICD Climate Governance Initiative and senior advisor to Pollination Group</li> <li>• Previously on APRA Board, CEO of Suncorp Life and held several senior executive roles at NAB and Lendlease</li> <li>• <i>Subject to completion, Mr Summerhayes will resign from the Heartland Board and will be appointed as the Chairman of the Challenger Bank Board</i></li> </ul>
	<b>Jeff Greenslade</b>	<p><b>CEO and Executive Director   Appointed in 2018 (2010 to Heartland NZ Ltd Board)<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>• Over 30 years experience</li> <li>• Previously Managing Director of Corporate and Commercial Banking for ANZ National Banking Group and held numerous senior roles in the institutional and capital markets areas of The National Bank of New Zealand and its subsidiary Southpac</li> <li>• Previously on board of UDC Finance Limited</li> <li>• <i>Mr Greenslade has indicated his intention to step down from his role as CEO of Heartland at the end of this calendar year. The Board is confident in the continuation of senior expertise within the Heartland group, and will work closely with Jeff on succession planning through the calendar year to ensure a successful transition</i></li> </ul>

## Heartland Bank

	<b>Bruce Irvine</b>	<p><b>Chair &amp; Independent Non-Executive Director   Appointed in 2015 (2013 to Heartland NZ Ltd Board)<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>• Over 35 years experience</li> <li>• Currently Chair of Skope Industries Ltd, Market Gardeners Ltd and Non-Executive Director of House of Travel Ltd and Scenic Hotels Ltd</li> <li>• Previously Managing Partner at Deloitte</li> </ul>
	<b>Jeff Greenslade</b>	<p><b>Non-Independent Non-Executive Director   Appointed in 2015 (2010 to Heartland NZ Ltd Board)<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>• Over 30 years experience</li> <li>• Previously Managing Director of Corporate and Commercial Banking for ANZ National Banking Group and held numerous senior roles in the institutional and capital markets areas of The National Bank of New Zealand and its subsidiary Southpac</li> <li>• Previously on board of UDC Finance Limited</li> </ul>
	<b>John Harvey</b>	<p><b>Independent Non-Executive Director   Appointed in 2015 (2013 to Heartland NZ Ltd Board)<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>• Over 45 years experience</li> <li>• Previously Partner at PWC</li> <li>• Board experience includes Stride Property, Investore Property, Napier Port, Kathmandu Holdings and previously APN News and Media</li> <li>• <i>Subject to completion, Mr Harvey will be appointed to the Heartland Board as an independent, non-executive director and will remain on the Heartland Bank Board as a non-independent, non-executive director</i></li> </ul>
	<b>Kate Mitchell</b>	<p><b>Non-Independent Non-Executive Director   Appointed in 2019</b></p> <ul style="list-style-type: none"> <li>• Over 25 years experience</li> <li>• Currently Chair of The New Zealand Merino Company and Link Engine Management, and director of The a2 Milk Company and Christchurch International Airport</li> <li>• Previously Managing Director, Debt Capital Markets at Deutsche Bank, following Global Markets roles at Merrill Lynch and Goldman Sachs</li> </ul>
	<b>Shelley Ruha</b>	<p><b>Independent Non-Executive Director   Appointed in 2020</b></p> <ul style="list-style-type: none"> <li>• Over 30 years experience</li> <li>• Currently Independent Director of Partners Life and 9Spokes and independent Chair of Allied Farmers and PaySauce</li> <li>• Previous banking executive experience across business banking, institutional markets, technology and product, and board experience at Hobson Wealth, Paymark, JB Were Australia, and The Icehouse</li> </ul>
	<b>Simon Tyler</b>	<p><b>Independent Non-Executive Director   Appointed in 2022</b></p> <ul style="list-style-type: none"> <li>• Over 35 years experience</li> <li>• Currently independent director on the audit committee of IHC New Zealand and director of Palliser Estate Wines of Martinborough</li> <li>• Previously CEO of the Government Superannuation Fund Authority and the National Provident Fund and also held senior treasury and markets roles</li> </ul>

<sup>1</sup> Heartland changed its name from Heartland New Zealand Limited to Heartland Bank Limited on 31 December 2015 (in conjunction with the amalgamation of Heartland New Zealand Limited and Heartland Bank Limited).

For personal use only









# Appendix 3: Current Management

Management team with a deep understanding of banking and finance and a commitment to achieving great outcomes for stakeholders.

## Heartland Group<sup>1</sup>

	<b>Jeff Greenslade</b>	<p><b>Chief Executive Officer   Joined in 2009</b></p> <ul style="list-style-type: none"> <li>Over 30 years experience</li> <li>Previously Managing Director of Corporate and Commercial Banking for ANZ National Banking Group and held numerous senior roles in the institutional and capital markets areas of The National Bank of New Zealand and its subsidiary Southpac</li> <li>Previously on board of UDC Finance Limited</li> </ul>
	<b>Chris Flood</b>	<p><b>Deputy Chief Executive Officer   Joined in 1997</b></p> <ul style="list-style-type: none"> <li>Over 35 years experience</li> <li>Previously CEO of Heartland Bank and originally joined Heartland through MARAC Finance in 1997</li> <li>Previously Westpac, National Australia Bank and UDC</li> <li>Director of numerous associated entities within the Heartland group of companies</li> </ul>
	<b>Andrew Dixon</b>	<p><b>Group Chief Financial Officer   Joined in 2010</b></p> <ul style="list-style-type: none"> <li>Over 20 years experience</li> <li>Held numerous senior roles focused on execution of key strategic projects</li> <li>Previously investment banker with Credit Suisse and ABN AMRO and auditor at PwC</li> </ul>
	<b>Aleisha Langdale</b>	<p><b>Chief Performance Officer   Joined in 2015</b></p> <ul style="list-style-type: none"> <li>9 years experience</li> <li>Previously Head of Digital Coordination, Home Loan Planning &amp; Execution Manager and Digital Projects Manager at Heartland Bank</li> </ul>

## Heartland Bank

	<b>Leanne Lazarus</b>	<p><b>Chief Executive Officer   Joined in 2022</b></p> <ul style="list-style-type: none"> <li>Over 30 years experience</li> <li>Previously CEO &amp; Executive Director of Westpac NZ's insurance brand Westpac Life NZ</li> <li>Held executive positions at Westpac NZ, ANZ, National Bank of New Zealand and Nedbank Group</li> </ul>
	<b>Andy Wood</b>	<p><b>Chief Risk Officer   Joined in 2022</b></p> <ul style="list-style-type: none"> <li>Over 30 years experience</li> <li>Previously Head of Supervision at Reserve Bank of New Zealand, where he was responsible for implementing the RBNZ's approach to supervision, covering both prudential and anti-money laundering activities across the bank, non-bank and insurance sectors</li> </ul>
	<b>Kerry Conway</b>	<p><b>Chief Financial Officer   Joined in 2024</b></p> <ul style="list-style-type: none"> <li>Over 30 years experience</li> <li>Previously Chief Product Officer and Deputy CFO at Westpac NZ, as well as CFO positions at GE Capital NZ and Paymark</li> <li>Held various senior finance roles within global organisations</li> </ul>
	<b>Michael Drumm</b>	<p><b>Chief Compliance &amp; Sustainability Officer   Joined in 2015</b></p> <ul style="list-style-type: none"> <li>Over 15 years experience</li> <li>Held numerous senior roles at Heartland, including General Counsel and Chief Risk Officer</li> <li>Previously Senior Associate at commercial law firm Mayne Wetherell</li> </ul>
	<b>Phoebe Gibbons</b>	<p><b>General Counsel   Joined in 2020</b></p> <ul style="list-style-type: none"> <li>Over 15 years experience</li> <li>Previously Senior Associate at commercial law firm Chapman Tripp</li> <li>Provides a shared resource into Heartland Group</li> </ul>
	<b>Lana West</b>	<p><b>Chief People &amp; Culture Officer   Joined in 2021</b></p> <ul style="list-style-type: none"> <li>Over 20 years experience</li> <li>Previously Head of People &amp; Culture at ASB Bank, Beca, BNZ, Head of Diversity &amp; Inclusion at BNZ, People &amp; Culture State Manager, Victoria &amp; Tasmania at Bupa</li> <li>Provides a shared resource into Heartland Group</li> </ul>

<sup>1</sup> Doug Snell will be leaving his role as StockCo Australia CEO on 12 April 2024. Chris Flood will cover the role in his capacity as Acting CEO of Heartland Bank Australia until a replacement is recruited.

For personal use only

# Appendix 4: Internal offer restrictions

This document does not constitute an offer of new ordinary shares (“New Shares”) of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside New Zealand and Australia except to the extent permitted below.

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance). No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities. The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in the Norwegian Securities Trading Act).

## Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the “SFA”) or another exemption under the SFA.

This document has been given to you on the basis that you are an “institutional investor” or an “accredited investor” (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to “qualified investors” within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“FPO”), (ii) who fall within the categories of persons referred to in Article 49(2) (a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (“relevant persons”). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

## United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The New Shares will only be offered and sold in the United States to:

- “qualified institutional buyers” (as defined in Rule 144A under the US Securities Act); and
- dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.



# Thank you

## Investor & media relations

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

## Investor information

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

**HEARTLAND**  
— GROUP —





NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

## Corporate Action Notice

(Other than for a Distribution)

### Section 1: Issuer information (mandatory)

Name of issuer	Heartland Group Holdings Limited		
Class of Financial Product	Ordinary Shares		
NZX ticker code	HGH		
ISIN (If unknown, check on NZX website)	NZHGHE0007S9		
Name of Registry	Link Market Services Limited		
Type of corporate action (Please mark with an X in the relevant box/es)	Share Purchase Plan/retail offer		Renounceable Rights issue or Accelerated Offer
	Capital reconstruction		Non-Renounceable Rights issue or Accelerated Offer
	Call		Bonus issue
	Placement	X	
Record date	09/04/2024		
Ex Date (one business day before the Record Date)	08/04/2024		
Currency	NZD / AUD		
External approvals required before offer can proceed on an unconditional basis?	N		
Details of approvals required	N/A		

### Section 2: Rights issue or Accelerated Offer

(delete full section if not applicable, or mark rows as N/A if not applicable)\*

If Accelerated Offer, structure	Accelerated Non-renounceable Entitlement Offer (ANREO)
Number of Rights to be issued or entitlements available for security holders in the Accelerated Offer	105,037,815
Maximum number of Equity Securities to be issued if offer is fully subscribed	105,037,815
ISIN of Rights (if applicable)	N/A
Oversubscription facility	Y

Details of scaling arrangements for oversubscriptions	Eligible Retail Shareholders who have taken up all of their Entitlements in full may apply for additional New Shares, up to a maximum amount of New Shares equal to 100% of their Entitlements. Allocations and any necessary scaling of additional New Shares applied for by Eligible Retail Shareholders who take up their Entitlements in full will be determined by Heartland and the Lead Manager.			
Entitlement ratio (for example 1 for 3) Please contact NZX ahead of announcing the offer if each Right will be exercisable for more or less than one Equity Security (i.e unless prior arrangement is made, Rights will be exercisable on a one for one basis)	New	1	Existing	6.85
Treatment of fractions**	Entitlements are not rounded up to a minimum holding. The number of New Shares to which an Eligible Shareholder is entitled will, in the case of fractions of New Shares, be rounded down to the nearest whole number.			
Subscription price (per Equity Security)	\$1.00 (or the A\$ price)			
Letters of entitlement mailed	11/04/2024			
Offer open	11/04/2024			
Offer close	22/04/2024			
Quotation date (if Rights will be quoted)	N/A			
Allotment date	Market open on: 26/04/2024			
<b>Section 7: Placement</b>				
Number of Equity Securities to be issued	105,000,000 <sup>1</sup>			
Issue price per Equity Security	\$1.00			
Maximum dollar amount of Equity Securities to be issued	\$105,000,000 <sup>1</sup>			
Proposed issue date	15/04/2024			
Existing holders eligible to participate	Y			
Related Parties eligible to participate	Y			

<sup>1</sup> As noted in the investor presentation released today, the offer also includes the issue of approximately 1.0 m new Heartland ordinary shares to Washington H. Soul Patterson and Company Limited as consideration for the acquisition of 0.65% of the shares in Alex Corporation Limited, the holding company for Alex Bank. The shares will be issued at the offer price. This component of the offer is a targeted placement to a single vendor following a negotiation on arm's length terms as to the basis of participation, and as such the responses in the balance of this notice relate to the placement being undertaken to raise capital.

<p>Basis upon which participation by existing Equity Security holders will be determined</p>	<p>Eligible institutional shareholders will be invited to participate in the Placement component of the Offer. Under the retail component of the ANREO, existing eligible retail shareholders may oversubscribe up to 100% of their entitlements which (if fully allocated) would prevent dilution by the Placement component of the offer.</p>
<p>Purpose(s) for which the Issuer is issuing the Equity Securities</p>	<p>Proceeds from the equity raise will be used to fund the balance of the consideration payable for the Challenger Bank acquisition, support the expected regulatory capital requirements of Challenger Bank and Heartland Bank, and cater for near-term projected asset growth post-completion of the Challenger Bank acquisition.</p>
<p>Reason for placement rather than a pro-rata rights issue or an offer under a Share Purchase Plan in which the Issuer's existing Equity Security holders would have been eligible to participate</p>	<p>Heartland has chosen to undertake a Placement and ANREO to raise capital. The board of directors of Heartland has determined that this capital raising structure is in the best interests of Heartland, after carefully considering alternative capital raising structures, and weighing the benefits of this capital raising structure against the expected impact on non-participating Shareholders. Those benefits are:</p> <ul style="list-style-type: none"> <li>• <b>Certainty</b> – Heartland requires certainty that sufficient funds be raised under the Placement and ANREO to complete the acquisition of Challenger Bank and to support the expected regulatory capital requirements of Challenger Bank and Heartland Bank. The Placement and ANREO are fully underwritten or pre-committed, providing certainty that the necessary funds will be received.</li> <li>• <b>Pricing</b> – The expert investment banking advice from Jarden also noted that using an ANREO structure allows Heartland to price the Placement and ANREO at a smaller discount than would be the case for a renounceable pro rata capital raising structure. This minimises the dilutionary impact on non-participating Shareholders.</li> <li>• <b>Timing</b> – The Placement and the ANREO are being conducted in relation to the acquisition of Challenger Bank and to support the near-term capital needs of Challenger Bank and Heartland Bank post-completion. Importantly, the accelerated nature of an ANREO enables completion of the offer on a faster timetable than a traditional rights issue or an accelerated renounceable entitlement offer as no bookbuilds are required. This means Heartland will receive the proceeds of the capital raise more quickly, which will in turn allow for the acquisition of Challenger Bank to complete sooner. The faster timetable also means the period of risk associated with potential market volatility between the Placement and ANREO opening and settlement is reduced, which in turn supports greater</li> </ul>





	participation by sub-underwriters, Shareholders and a smaller discount.
Equity Securities to be issued subject to voluntary escrow	N
Number and class of Equity Securities to be issued that will be subject to voluntary escrow and the date from which they will cease to be escrowed	N/A
<b>Section 8: Lead Manager and Underwriter (mandatory)</b>	
Lead Manager(s) appointed	Y
Name of Lead Manager(s)	Jarden Securities Limited
Fees, commission or other consideration payable to Lead Manager(s) for acting as lead manager(s)	The Company agrees to pay a lead management fee of 1.0% of the total gross proceeds raised under the Placement and ANREO.
Underwritten	Y
Name of Underwriter(s)	Jarden Partners Limited
Extent of underwriting (i.e. amount or proportion of the offer that is underwritten)	Heartland has received a pre-commitment from its largest shareholder, Harrogate Trustee Limited, for approximately NZ\$14 million of the equity raise. The placement and ANREO, excluding the amount pre-committed by Harrogate Trustee Limited, are fully underwritten by Jarden Partners Limited.
Fees, commission or other consideration payable to Underwriter(s) for acting as underwriter(s)	The Company agrees to pay an underwriting fee of 1.5% of the total gross proceeds raised under the Placement and ANREO excluding the amount pre-committed by Harrogate Trustee Limited.
Summary of significant events that could lead to the underwriting being terminated	A summary of the significant events that could lead to the underwriting being terminated are set out under the heading "Underwriting Agreement" in the offer document.
<b>Section 9: Authority for this announcement (mandatory)</b>	
Name of person authorised to make this announcement	Jeff Greenslade, Chief Executive Officer Andrew Dixson, Chief Financial Officer
Contact person for this announcement	Nicola Foley, Group Head of Communications
Contact phone number	027 345 6809
Contact email address	nicola.foley@heartland.co.nz
Date of release through MAP	8/04/2024

8 April 2024

NZ RegCo	ASX Limited
Level 1, NZX Centre	20 Bridge Street
11 Cable Street	Sydney NSW 2000
Wellington 6011	Australia
New Zealand	

**HEARTLAND GROUP HOLDINGS LIMITED (NZX: HGH, ASX: HGH): NOTICE PURSUANT TO CLAUSE 20(1)(a) OF SCHEDULE 8 TO THE FINANCIAL MARKETS CONDUCT REGULATIONS 2014**

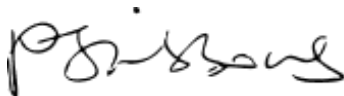
Heartland Group Holdings Limited (*Heartland*) has today announced that it will undertake a placement (the *Placement*), and accelerated non-renounceable entitlement offer (the *ANREO*) of new fully paid ordinary shares of the same class as already quoted on the NZX and the ASX (together, the *Offer*).<sup>1</sup>

Pursuant to clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013 (*FMCA*), clause 20 of Schedule 8 of the Financial Markets Conduct Regulations 2014 (*FMC Regulations*) and the Australian Corporations Act 2001 (Cth) (*Corporations Act*), Heartland states that:

- 1 Heartland is making the Offer in reliance upon the exclusion in clause 19 of Schedule 1 of the FMCA and is giving this notice under clause 20(1)(a) of Schedule 8 of the FMC Regulations.
- 2 Heartland will offer the ordinary shares for issue and issue the ordinary shares without disclosure under Part 6D.2 of the Corporations Act.
- 3 Heartland is giving this notice under paragraph 708A(12G) of the Corporations Act (as notionally inserted by ASIC Instrument 18-1012) and 708AA(2)(f) of the Corporations Act (as modified by the ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Instrument 18-1012).
- 4 As at the date of this notice, Heartland is in compliance:
  - 4.1 with the continuous disclosure obligations that apply to it in relation to Heartland's quoted ordinary shares and its obligations under rule 1.15.2 of the ASX Listing Rules; and
  - 4.2 with its "financial reporting obligations" within the meaning set out in clause 20(5) of Schedule 8 of the FMC Regulations.
- 5 As at the date of this notice, there is no information that is "excluded information" as defined in clause 20(5) of Schedule 8 to the FMC Regulations in respect of Heartland.

The Offer is not expected to have any effect on the control of Heartland within the meaning set out in clause 48 of Schedule 1 of the FMCA.

**This notice has been authorised for release to NZX and ASX by:**



Phoebe Gibbons  
General Counsel  
**Heartland Group Holdings Limited**

<sup>1</sup> As noted in the investor presentation released today, the Offer also includes the issue of approximately 1.0 m new Heartland ordinary shares to Washington H. Soul Patterson and Company Limited as consideration for the acquisition of 0.65% of the shares in Alex Corporation Limited, the holding company for Alex Bank.