NZX/ASX release
31 August 2026

Heartland publishes Notice of Meeting materials

Heartland Group Holdings Limited (**Heartland**) (**NZX/ASX: HGH**) has today published its Notice of Meeting for its Special Shareholder Meeting on 30 September 2026.

At the Special Shareholder Meeting, shareholders will vote on Heartland's proposal to acquire from Toi Foundation all TSB Bank Limited (**TSB**) shares on issue, and subsequently merge Heartland Bank Limited (**Heartland Bank**) and TSB to create TSB Heartland Bank Limited (**TSB Heartland Bank**) (together, the **Proposed Transaction**).

Heartland also advises it has today submitted to the Reserve Bank of New Zealand its application for consent to the Proposed Transaction.

Heartland CEO Andrew Dixson said the Proposed Transaction is a compelling opportunity to create a stronger New Zealand challenger bank of scale with a regional focus. He said TSB Heartland Bank would have an enhanced ability to serve customers throughout their financial lifecycle, support a productive economy and deliver improved financial returns to Heartland shareholders.

"At its core, the rationale is about bringing together two highly complementary banks while preserving what makes each bank distinctive. Heartland Bank brings specialist banking expertise in areas such as reverse mortgages, motor finance, rural and asset finance. TSB brings a strong residential mortgage portfolio, established transactional banking capability and a cost-effective retail funding base.

"Together they create a full-service capable bank with greater product and funding diversification, while remaining a proud New Zealand bank with deep regional roots," said Mr Dixson.

The parties continue to target completion in December 2026, subject to Heartland shareholder approval and any necessary regulatory approvals.

Resolutions

At the Special Shareholder Meeting, Heartland shareholders will be asked to approve:

1. the proposed acquisition by Heartland of all TSB shares on issue from Toi Foundation, and the subsequent merger of Heartland Bank and TSB
2. the issue of 200 million Heartland shares to Toi Foundation as part of the consideration for the Proposed Transaction
3. the appointment of a Toi Foundation nominee (Mark Darrow, current Chair of the TSB board of directors) to the Heartland Board, and
4. an increase to Heartland's annual fee pool available for director remuneration.

The Heartland Board unanimously recommends that shareholders vote in favour of each resolution. Each director intends to vote the shares they hold or control in favour, subject to applicable voting restrictions.

Calibre Partners has provided an Independent Expert Report on the merits of the transaction for Heartland shareholders. They consider the proposed consideration for TSB is reasonable and, on balance, the positives of the proposed merger outweigh the negatives for Heartland shareholders.

Special Shareholder Meeting

Heartland's Special Shareholder Meeting will be held online at https://meetings.mpms.mufg.com/hghsm26 and in person at the World Cup Lounge, Eden Park, Auckland, New Zealand on 30 September 2026, commencing at 3pm (NZDT).

The Notice of Meeting and Voting and Proxy Form are available from www.heartlandgroup.info/shareholder-meetings and will be sent to shareholders shortly. Copies of these documents are attached.

Attachments:

- Notice of Meeting
- Voting and Proxy Form
- Investor Presentation
- Independent Expert Report (full)
- Independent Expert Report (summary)
- Independent Board Remuneration Benchmarking Summary Report

– ENDS –

The person who authorised this announcement:
Andrew Dixson, Chief Executive Officer

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HEARTLAND GROUP

Notice of Special Meeting

Proposed merger of Heartland Bank Limited (**Heartland Bank**) and TSB Bank Limited (**TSB**)

Heartland Group Holdings Limited (**Heartland**) invites you, our shareholders, to join us at our hybrid special meeting (**Special Meeting**).

Dear Shareholders,

On behalf of Heartland's board of directors **(Board)**, I am pleased to invite you to Heartland's Special Meeting in relation to the proposed merger of Heartland Bank and TSB. The Special Meeting will be held online at https://meetings.mpms.mufg.com/hghsm26 and in person at the World Cup Lounge, Eden Park, Reimers Avenue, Kingsland, Auckland, New Zealand on Wednesday 30 September 2026, commencing at 3.00pm (NZDT).

On 2 June 2026, Heartland announced that it had entered into a conditional merger implementation agreement (**MIA**) with Toi Foundation and Toi Foundation Holdings Limited to merge Heartland Bank and TSB. Under the proposed transaction, Heartland will acquire from Toi Foundation all TSB shares on issue for an aggregate consideration of NZ$620 million, representing 76% of TSB's book value as at 31 December 2025. Immediately following the acquisition, Heartland Bank and TSB will merge to create TSB Heartland Bank Limited (**TSB Heartland Bank**). Together, this is referred to as the **Proposed Merger.**

This Proposed Merger would bring together two New Zealand banks with strong regional heritage and complementary strengths. By combining Heartland Bank's specialist product expertise with TSB's cost-effective funding platform and established transactional banking capabilities, TSB Heartland Bank will be a full-service capable bank differentiated by its specialist products, with a lower risk-weighted product portfolio.

Greater scale and diversification across products and locations will create a more financially efficient and resilient merged bank. Over time, this is expected to deliver improved financial returns and value for Heartland shareholders – including enhanced earnings per share and dividend per share accretion through the transaction structure and as cost synergies are realised.

We believe the Proposed Merger represents a positive opportunity for New Zealand banking, creating a larger domestic bank with greater scale, broader capability and a strong regional focus.

The Proposed Merger remains subject to a number of conditions, including Heartland shareholder approval and the relevant regulatory approvals, and is expected to be completed no earlier than December 2026.

At this Special Meeting, Heartland shareholders will be asked to vote on:

1. the proposed acquisition by Heartland of all TSB shares on issue from Toi Foundation, and the subsequent merger of Heartland Bank and TSB
2. the issue of 200 million Heartland shares to Toi Foundation as part of the consideration for the Proposed Merger
3. the appointment of a Toi Foundation nominee (Mark Darrow, current Chair of the TSB board of directors) to the Heartland Board, and
4. an increase to the annual fee pool available for directors' remuneration.

The Board unanimously supports each resolution. More information about each resolution is available in the Explanatory Notes to this notice of meeting. Before casting their vote, Heartland shareholders are also encouraged to read the supporting Investor Presentation, full Independent Expert Report (or the summary of that report) and Independent Board Remuneration Benchmarking Summary Report, each available on Heartland's website at heartlandgroup.info/shareholder-meetings.

If you are unable to attend the Special Meeting either in person or online, I encourage you to cast a postal vote or appoint a proxy to attend and vote at the Special Meeting on your behalf. Your personalised voting form accompanies this notice of meeting.

For those shareholders who are attending the Special Meeting in person, please bring the enclosed voting form with you to assist with your registration.

You are invited to join the Board and senior management for light refreshments at the conclusion of the meeting.

On behalf of the Board,

Greg Tomlinson
Chair of the Board

Executive summary

The proposed acquisition by Heartland of all TSB shares on issue from Toi Foundation, and the subsequent merger of Heartland Bank and TSB remains subject to a number of conditions in the MIA, including Heartland shareholder approval.

At the Special Meeting, Heartland shareholders will be asked to vote on:

- the proposed acquisition by Heartland of all TSB shares on issue from Toi Foundation, and the subsequent merger of Heartland Bank and TSB
- the issue of 200 million fully paid ordinary Heartland shares to Toi Foundation at a price of NZ$1.25 per share as partial consideration for the Proposed Merger, and
- the appointment of a Toi Foundation nominee to the Heartland Board, with effect from completion of the acquisition by Heartland of all of the shares in TSB.

Approval of these resolutions will fulfil the Heartland shareholder approval condition of the MIA.

While not a condition of the MIA, Heartland shareholders will also be asked to vote on a proposed increase to the annual fee pool available for directors' remuneration. An increased fee pool will accommodate the appointment of:

- a Toi Foundation nominee to the Heartland Board, with effect from completion of the acquisition by Heartland of all of the shares in TSB; and
- two existing TSB directors to the TSB Heartland Bank Board, with effect from completion of the Proposed Merger,

and reflect the increased scale and complexity of the enlarged banking group.

To support Heartland shareholders to make an informed decision as to how to vote, a brief description of each resolution is included in the Explanatory Notes on pages 6-13. Further information about the Proposed Merger and the resolutions is available to shareholders at heartlandgroup.info/shareholder-meetings, and includes:

- the Investor Presentation (updated from the presentation published with Heartland's announcement of the Proposed Merger on 2 June 2026) which sets out further information about the Proposed Merger, its rationale, the terms and conditions of the MIA, the consideration payable, and the key risks associated with the Proposed Merger
- the full Independent Expert Report by Calibre Partners opining on the merits of the Proposed Merger (together with a summary of that report), and
- the Independent Board Remuneration Benchmarking Summary Report by Propero in respect of the increase to the annual fee pool available for directors' remuneration.

Information about voting rights, postal voting, appointing a proxy, and submitting questions before the Special Meeting is set out on page 14. Details on how to attend the Special Meeting online or in person, including parking and a venue map, can be found on page 15.

Agenda for the Special Meeting

A. Chair's welcome and address
B. Chief Executive Officer's address
C. Shareholder discussion
D. Formal business

To consider and, if thought fit, pass the following resolutions:

Resolution 1: Merger of Heartland Bank and TSB

That the acquisition by Heartland of all of the shares in TSB and the subsequent amalgamation of Heartland Bank and TSB (with Heartland Bank being the amalgamated company) under the merger implementation agreement dated 1 June 2026 between Heartland, Toi Foundation and Toi Foundation Holdings Limited be approved, confirmed and ratified for all purposes, including section 129 of the Companies Act 1993 and NZX Listing Rule 5.1.1.

Resolution 2: Issue of consideration shares

That the issue of 200,000,000 fully paid ordinary shares in Heartland to Toi Foundation at an issue price of NZ$1.25 per share on completion of, and as partial consideration for, the acquisition by Heartland of all of the shares in TSB be approved, confirmed and ratified for all purposes, including NZX Listing Rule 4.1.1.

Resolution 3: Election of Mark Darrow as a Heartland Director

That Mark Darrow, having been nominated by the Board of Heartland in each director's capacity as a shareholder of Heartland, be elected as a director of Heartland with effect on and from the completion of the acquisition by Heartland of all of the shares in TSB.

Resolution 4: Directors' remuneration

That the total annual remuneration available to all non-executive directors of Heartland and its subsidiaries be increased from NZ$2,400,000 or AU$2,200,000 (whichever is the greater amount from time to time) to NZ$2,600,000 or AU$2,350,000[1] (whichever is the greater amount from time to time), an increase of NZ$200,000 or AU$150,000 (8.33% and 6.82% respectively) effective for the financial year ending 30 June 2027 onwards, with such sum to be divided amongst the non-executive directors as the Board may determine from time to time.

Resolution 1 is a special resolution, requiring approval by a special majority of 75% or more of the votes of those Heartland shareholders entitled to vote and voting. Resolutions 2 to 4 are ordinary resolutions, each requiring approval by a majority (being more than 50%) of the votes of those Heartland shareholders entitled to vote and voting.

Heartland shareholders are encouraged to read this notice of meeting and the supporting Investor Presentation, Independent Expert Report (or the summary of that report), and Independent Board Remuneration Benchmarking Summary Report before making a decision as to how to vote on the resolutions. The Board unanimously supports each resolution.

NZ RegCo has confirmed it has no objection to this notice of meeting, but takes no responsibility for any statement made in this notice of meeting.

1 An AUD/NZD exchange rate of 0.90 has been applied on the basis that it provides a more representative estimate of the long-term exchange rate between the two currencies as compared to the spot rates in recent periods, having regard to historical AUD/NZD movements over the past decade.

Explanatory notes

Resolution 1

Merger of Heartland Bank and TSB

As announced on 2 June 2026, Heartland entered into the MIA on 1 June 2026. Under the MIA, Heartland will acquire from Toi Foundation all of the shares in TSB for an aggregate consideration of NZ$620,000,000 (**Acquisition**). Immediately following the Acquisition, Heartland Bank and TSB will merge, with Heartland Bank being the amalgamated (or surviving) company. The merged bank will be renamed TSB Heartland Bank.

The Proposed Merger is conditional on the approval of Heartland's shareholders, which is being sought by way of this resolution. Further information about the Proposed Merger, its rationale, the terms and conditions of the MIA, the consideration payable, and the key risks associated with the Proposed Merger is set out in the Investor Presentation.

Listing rules requirements – acquisition of assets

Under NZX Listing Rule 5.1.1(b), Heartland, as a listed issuer, must obtain shareholder approval for an acquisition of assets where the "Gross Value" exceeds 50% of the listed issuer's "Average Market Capitalisation" (each as defined in the NZX Listing Rules).

The Gross Value of the Proposed Merger, being NZ$620,000,000, exceeds 50% of Heartland's Average Market Capitalisation of NZ$1,037,509,023. Accordingly, Heartland shareholder approval is required under NZX Listing Rule 5.1.1(b). Heartland's Average Market Capitalisation has been calculated using the 20-day volume weighted average price (**VWAP**) prior to 2 June 2026, being the day before the Proposed Merger was announced to the market. The 20-day VWAP is used as it is higher than the 5-day VWAP.

NZX Listing Rule 5.1.1 requires shareholder approval by way of an ordinary resolution (that is, more than 50% of the votes of those shareholders entitled to vote and voting must be in favour), unless approval is required under section 129 of the Companies Act 1993 (**Companies Act**) by special resolution (that is, 75% or more of the votes of those shareholders entitled to vote and voting must be in favour).

Based on Heartland's gross assets of NZ$1,288,560,000 as at the date of entry into the MIA, and the aggregate consideration payable of NZ$620,000,000 by Heartland to Toi Foundation for the Acquisition, the value of the Acquisition did not exceed half the value of Heartland's assets at the date of entry into the MIA and did not constitute a major transaction for the purposes of section 129 of the Companies Act. However, the relevant values must be assessed both at the date of entry into the MIA and the date of completion of the Acquisition. Given the aggregate consideration payable by Heartland to Toi Foundation represented 48% of the value of Heartland's assets at entry into the MIA, it is possible that changes in the value of Heartland's assets prior to completion of the Proposed Merger could result in shareholder approval being required under section 129 of the Companies Act.

Although the Board does not expect the value of Heartland's assets to decrease prior to completion of the Proposed Merger, the Board considers it prudent to seek shareholder approval by way of special resolution for the purposes of both section 129 of the Companies Act and NZX Listing Rule 5.1.1 to avoid any risk that the Proposed Merger may not proceed without further shareholder approval subsequently being required.

Although Heartland is not required under the NZX Listing Rules to appoint an independent adviser to prepare a report on the merits of the Proposed Merger, Heartland has commissioned an Independent Expert Report from Calibre Partners. In Calibre Partners' opinion, the proposed consideration for TSB is reasonable and, on balance, Calibre

Partners considers the positives of the Proposed Merger outweigh the negatives for Heartland shareholders.

The full Independent Expert Report (together with a summary of that report) is available at heartlandgroup.info/shareholder-meetings. Shareholders are encouraged to read the report, together with the rest of this notice of meeting and the Investor Presentation, before deciding how to vote on this Resolution.

Consequences if Resolution 1 is not approved by shareholders

If Resolution 1 is not approved by Heartland shareholders, the condition to the Proposed Merger relating to Heartland shareholder approval will not be satisfied and Heartland will not be able to proceed with the Proposed Merger. In that event, either party may terminate the MIA and the Proposed Merger will not proceed. Please refer to the "Consequences if Resolutions are not approved" section below and the Investor Presentation for further detail on the consequences of the Proposed Merger not proceeding.

The Board unanimously supports the Proposed Merger and recommends shareholders vote in favour of Resolution 1.

Resolution 2

For the purposes of the Proposed Merger, Heartland has agreed to issue 200,000,000 fully paid ordinary shares to Toi Foundation at an issue price of NZ$1.25 per share (being a 14.6% premium to Heartland's 10-day VWAP on the NZX of $1.09 prior to announcement of the Proposed Merger on 2 June 2026), as partial satisfaction of the aggregate consideration payable by Heartland for the Acquisition (**Consideration Shares**).

The Proposed Merger, including the issue of the Consideration Shares, is conditional on the approval of Heartland's shareholders, which is being sought by way of this resolution. Further information about the Proposed Merger, its rationale, the terms and conditions of the MIA, the consideration payable, and the key risks associated with the Proposed Merger, is set out in the Investor Presentation.

The Consideration Shares will rank equally with all other fully paid ordinary shares on issue in Heartland and will be quoted on the NZX Main Board and ASX. The Consideration Shares will be issued on completion of the Acquisition, resulting in Toi Foundation holding approximately 17.5% of Heartland's shares.

A consequence of the issue of the Consideration Shares to Toi Foundation is that the proportional shareholding of existing Heartland shareholders will reduce by approximately 17.5%. For example, a shareholder holding 5.0% of the shares on issue in Heartland prior to the Consideration Shares being issued would hold approximately 4.1% of the shares on issue in Heartland following the issue of the Consideration Shares.

Listing rules requirements – issue of equity securities

Under NZX Listing Rule 4.1.1, a listed issuer must obtain shareholder approval for an issue of shares unless the issuer is eligible to issue the shares under NZX Listing Rule 4.1.2. Heartland seeks shareholder approval by ordinary resolution to issue the Consideration Shares pursuant to NZX Listing Rule 4.1.1.

Consequences if Resolution 2 is not approved by shareholders

If Resolution 2 is not approved by shareholders, Heartland will not be able to issue the Consideration Shares to Toi Foundation and the condition to the Proposed Merger relating to shareholder approval will not be satisfied. In that event, either party may terminate the MIA and the Proposed Merger will not proceed. Please refer to the "Consequences if Resolutions are not approved" section below and the Investor Presentation for further detail on the consequences of the Proposed Merger not proceeding.

In accordance with NZX Listing Rule 6.3.1, Heartland will disregard any votes cast in favour of this resolution by Toi Foundation (and its Associated Persons), unless such shareholder is casting a vote under an expressly directed proxy of a person who is not disqualified from voting.

Fisher Funds Management Limited is majority owned (66%) by Toi Foundation. Therefore, as an Associated Person of Toi Foundation, Fisher Funds Management Limited is restricted from voting on Resolution 2.

The Board unanimously supports the issue of the Consideration Shares as part of the Proposed Merger and recommends shareholders vote in favour of Resolution 2.

Resolution 3

Election of Mark Darrow as a Heartland Director

Under the MIA, Toi Foundation is entitled to nominate one person for appointment as a director of Heartland with effect from completion of the Acquisition. Mark Darrow has been nominated under the MIA by Toi Foundation. Each member of the Board[2], in their respective capacities as shareholders of Heartland, directed the Chief Legal Officer of Heartland Bank to submit a nomination on their behalf for the appointment of Mark Darrow as a director of Heartland in the director nomination period for this Special Meeting. The Proposed Merger is conditional on Heartland's shareholders approving this resolution.

Mark Darrow having been so nominated for election, and being eligible, offers himself for election by Heartland shareholders.

The appointment of Mark Darrow as a director of Heartland is subject to Reserve Bank of New Zealand (RBNZ) approval in accordance with the RBNZ policy statement on the Review of Suitability of Bank Directors and Senior Managers issued in March 2011. If RBNZ approval is not obtained, Mark Darrow will not be appointed as a director of Heartland as at completion of the Acquisition.

A brief biography of Mark Darrow is set out below and includes information about his current directorships.

Listing rule requirements – appointment of director

For the purposes of the NZX Listing Rules[3], the Board has determined that, if elected, Mark Darrow will be an independent director of Heartland. The Board considers that Mark Darrow does not have a "disqualifying relationship" (as defined in the NZX Listing Rules), including after having reviewed and considered the factors set out in Recommendation 2.4 of the NZX Corporate Governance Code with respect to Mark Darrow, none of which the Board considers apply to Mark Darrow. The Board has had regard to the fact that Mark Darrow is currently the Chair of TSB, which is wholly owned by Toi Foundation. Mark Darrow has confirmed to the Board that he does not have any other association or connection with Toi Foundation or TSB. The Board is satisfied that following the Acquisition, Mark Darrow's previous chairmanship of TSB and the fact of his nomination by Toi Foundation under the MIA will not reasonably influence, or reasonably be perceived to influence, in a material way, his capacity to bring an independent view to decisions in relation to Heartland, act in the best interests of Heartland or represent the interests of Heartland's shareholders generally.

Biography: Mark Darrow

Mark Darrow is an experienced independent board Chair and Director with extensive knowledge across many sectors.

2 Being Simon Beckett, Robert Bell, Edward John Harvey, Kathryn Mitchell and Gregory Raymond Tomlinson.

3 Pursuant to NZX Listing Rule 2.6.1 the Board must determine which of its directors are Independent Directors (as defined in the NZX Listing Rules), having had regard to the non-exhaustive factors described in the NZX Corporate Governance Code that may impact director independence.

Mark is currently the Chair of TSB, Health New Zealand I Te Whatu Ora, the Civil Aviation Authority, and the Advisory Boards of Armstrong and PB Tech.

His previous Chair roles have included Inland Revenue's Risk & Assurance Committee, Primary ITO, The Lines Company, Leighs Construction and MTF Finance. He also served as a Council Member for Auckland University of Technology and was a director for Waka Kotahi (NZTA), Auckland Transport, Counties Manukau DHB, Sime Darby New Zealand, Charlies Group, Trustees Executors, MTA and VTNZ. He served on Eke Panuku's Audit and Risk Committee.

Prior to his governance career, Mark held a number of senior executive positions over a 25-year period, including as Managing Director for Sime Darby New Zealand and Continental Car Services, General Manager of Peugeot New Zealand, Executive Director for GE Money and CEO for PGG Wrightson Finance Limited.

Mark is a Chartered Fellow of the Institute of Directors, a Fellow of the Chartered Accountants Australia and New Zealand, and a Justice of the Peace of New Zealand.

Consequences if Resolution 3 is not approved by shareholders

If Resolution 3 is not approved by shareholders, the condition to the Proposed Merger relating to Heartland shareholder approval of the appointment of Toi Foundation's nominee to the Board will not be satisfied. The condition in the MIA relating to Heartland shareholder approval of Resolution 3 is for the sole benefit of Toi Foundation and may only be waived by Toi Foundation. Any such waiver would not affect the remaining conditions to the Proposed Merger, nor would it affect Heartland's obligations under the NZX Listing Rules to obtain shareholder approval of any director appointments. If Resolution 3 is not approved and is not waived by Toi Foundation, either party may terminate the MIA and the Proposed Merger will not proceed. Please refer to the "Consequences if Resolutions are not approved" section below and the Investor Presentation for further detail on the consequences of the Proposed Merger not proceeding.

The Board unanimously supports the appointment of Mark Darrow to the Board with effect on and from completion of the Acquisition and recommends shareholders vote in favour of Resolution 3.

Resolution 4

Directors' remuneration

At its 2023 Annual Meeting, Heartland obtained shareholder approval of the current annual fee pool available to all non-executive directors of Heartland and its subsidiaries (Heartland group) of NZ$2,400,000 or AU$2,200,000 (whichever is the greater amount from time to time). Director fees are currently paid to non-executive directors of Heartland, Heartland Bank and Heartland Bank Australia Limited (Heartland Bank Australia). Following the Proposed Merger, director fees will be paid to non-executive directors of Heartland, TSB Heartland Bank and Heartland Bank Australia. The Board proposes an increase in the total annual fee pool to NZ$2,600,000 or AU$2,350,000[4] (whichever is the greater amount from time to time) to address the following matters.

1. **Increased number of directors post Proposed Merger:** additional fees are needed to accommodate the appointment of the Toi Foundation nominee to the Heartland Board from completion of the Acquisition and two existing TSB directors to the TSB Heartland Bank board from completion of the Proposed Merger.
2. **Recognising time and expertise for board committee roles:** currently, the Heartland group pays fees to directors who chair Heartland group board committees, but does not pay fees to other committee members. Heartland proposes to commence paying committee fees to Heartland group directors who are members of board committees to reflect the additional time and expertise contributed by those directors serving on committees, including as a result of the additional scale and complexity of the

4 An AUD/NZD exchange rate of 0.90 has been applied on the basis that it provides a more representative estimate of the long-term exchange rate between the two currencies as compared to the spot rates in recent periods, having regard to historical AUD/NZD movements over the past decade.

Heartland group following the Proposed Merger. The commencement of the payment of board committee fees reflects the independent board remuneration benchmarking obtained by Heartland, which observes that the Heartland group's current approach of not remunerating committee members is atypical versus comparators. The number of directors on the TSB Heartland Bank board audit and risk committees will increase from completion of the Proposed Merger in comparison to the number of directors on current Heartland Bank board audit and risk committees to reflect the increased scale and complexity of the merged bank. The Chair of a Heartland group board of directors who is also a member of any of the committees of that board of directors will not receive additional remuneration for their committee memberships, but will (if applicable) continue to receive additional remuneration in their capacity as a committee chair.

The base fees payable to Heartland and Heartland Bank non-executive directors are not proposed to be increased, the base fees payable to Heartland and Heartland Bank Chairs are proposed to be increased, and the base fees payable to the Heartland Bank Australia Chair and non-executive directors are proposed to reduce to reflect independent board remuneration benchmarking obtained by Heartland.

Proposed changes to non-executive director fees

The current fee allocations to non-executive director roles across the Heartland group and the proposed fee allocations following the increase in the annual fee pool are set out in the following table (fees are stated in NZD unless otherwise specified).

The changes to the annual fee pool would come into effect on and from 1 October 2026 if Resolution 4 is passed and will apply on an annual basis aligned to Heartland's financial year (pro rated for the financial year ending 30 June 2027 to reflect the increase only being in effect for 9 months of the financial year). However, Heartland will not utilise those aspects of the annual fee pool applicable to the new directors proposed to be appointed to the Heartland Board and the TSB Heartland Bank board in connection with the Proposed Merger unless and until the Proposed Merger completes.

Where a non-executive director of the Heartland Board is also a non-executive director of Heartland Bank or Heartland Bank Australia, that director receives a smaller fee in respect of their Heartland directorship as noted in the following table. Similarly, the Chair of Heartland Bank who is also a non-executive director of Heartland Bank Australia receives a smaller fee in respect of his Heartland Bank Australia directorship as noted in the following table. This practice will continue following the Proposed Merger where it is expected that three of the six non-executive directors on the Heartland Board will also be non-executive directors of TSB Heartland Bank and one of the non-executive directors on the Heartland Board will also be a non-executive director on the Heartland Bank Australia board.

Given Heartland's operations in both New Zealand and Australia (including through Heartland Bank Australia), the Board proposes that the fees payable to directors of the Heartland group continue to be fixed in both New Zealand and Australian dollars, with whichever is the greater amount from time to time being the limit. This will minimise the risk of unfavourable currency movements which may adversely impact the ability to continue to pay Board fees at a level that will enable Heartland to attract and retain directors with the necessary experience.

Board / Committee	Position	Current fees (per annum)	Proposed fees (per annum)
Board of Directors – Heartland and Heartland Bank^	Chair	$175,000	$200,000
	Member	$120,000	$120,000
Board of Directors – Heartland Bank Australia	Chair	AU$320,000	AU$265,000
	Member	AU$155,000	AU$110,000
Board of Heartland Bank^ or Heartland Bank Australia, where also a member of Heartland Board	Member	$25,000	$25,000
Board of Heartland Bank Australia, where also Heartland Bank^ Chair	Member	AU$35,000	AU$25,500
Heartland Audit & Risk Committee	Chair	$20,000	$20,000
	Member*	Nil	$10,000
Heartland Corporate Governance, People, Remuneration and Nominations Committee	Chair	$20,000	$20,000
	Member*	Nil	$10,000
Heartland Sustainability Committee	Chair	$20,000	$20,000
	Member*	Nil	$10,000
Heartland Bank^ Audit Committee	Chair	$20,000	$20,000
	Member*	Nil	$10,000
Heartland Bank^ Risk Committee	Chair	$20,000	$20,000
	Member*	Nil	$10,000
Heartland Bank^ People & Culture and Remuneration Committee	Chair	$20,000	$20,000
	Member*	Nil	$10,000
Heartland Bank Australia Audit Committee	Chair	AU$25,000	AU$25,000
	Member*	Nil	AU$12,500
Heartland Bank Australia Risk Committee	Chair	AU$25,000	AU$25,000
	Member*	Nil	AU$12,500
Heartland Bank Australia People, Remuneration and Nominations Committee	Chair	AU$25,000	AU$25,000
	Member*	Nil	AU$12,500

^ Subject to completion of the Proposed Merger, Heartland Bank Limited will become TSB Heartland Bank Limited.

* The Chair of a Heartland group board of directors who is also a member of any of the committees of that board of directors will not receive additional remuneration for their committee memberships.

Independent board remuneration benchmarking review

Prior to setting the proposed base fees and committee fees for non-executive directors outlined above, the Board commissioned an independent board remuneration benchmarking review by Propero of the current fee allocations. Propero's Board Remuneration Benchmarking Summary Report is available at heartlandgroup.info/shareholder-meetings.

Propero's report concluded that, although the Proposed Merger will significantly increase the scale of the Heartland group, current remuneration across Heartland and Heartland Bank is generally well positioned against the relevant comparator groups. Director fees across Heartland and Heartland Bank sit above the upper quartile of comparators, so no significant adjustments are required. However, the Chair fee of the Heartland Board sits in the lower quartile of the comparator range, the Chair fee of the Heartland Bank board sits between the lower and median quartiles of the comparator range, and the Chair premium (being the Chair fee relative to the base director fee) is also low by comparison for both Heartland and Heartland Bank.

Propero's report concluded that Heartland Bank Australia's Chair and director fees are aligned to the upper quartile of comparators while its organisational metrics are generally aligned to the lower quartile of comparators. Propero recommended that careful consideration be given to Heartland Bank Australia board fees in particular.

Propero also noted that the Heartland group's current practice of not paying additional fees to committee members is atypical versus comparators, given that board committee members generally receive additional remuneration to reflect the increased workload and responsibilities beyond the base director fee.

Accordingly, Propero recommended an uplift to the Chair fee of the Heartland and Heartland Bank boards to maintain relative market positioning and better align the Chair premium with comparators, no change to the base director fees, and the introduction of committee member fees.

Propero also recommended reducing the fees payable to the Chair and directors of Heartland Bank Australia to better align those fees with the scale of that entity's operations relative to its comparator group, and the introduction of committee member fees.

Listing rule requirements – directors' remuneration

NZX Listing Rule 2.11.1 requires that remuneration of directors of a listed issuer and its subsidiaries (unless such subsidiary is a listed issuer of quoted equity securities) be authorised by an ordinary resolution. In accordance with NZX Listing Rules 2.11.5 and 6.3.1, Heartland will disregard any votes cast in favour of this resolution by any director who is intended to receive directors' fees (and their respective Associated Persons), unless such Heartland shareholder is casting a vote under an expressly directed proxy of a person who is not disqualified from voting.

Consequences if Resolution 4 is not approved by shareholders

Resolution 4 is not a condition to the Proposed Merger under the MIA. If Resolution 4 is not approved by shareholders, the Proposed Merger may still proceed (subject to the other conditions being satisfied or waived), but the increase in the total remuneration fee pool will not take effect. In that event, the Board would need to manage director remuneration within the existing annual fee pool of NZ$2,400,000 or AU$2,200,000 (whichever is greater), which may constrain the Board's ability to appropriately remunerate the additional director proposed to be appointed to the Heartland Board under Resolution 3 following the Acquisition and the directors to be appointed to the TSB Heartland Bank board following the Proposed Merger.

The Board unanimously supports the increase of the total annual fee pool for non-executive director remuneration and recommends shareholders vote in favour of Resolution 4.

Recommendation of the Board

The Board unanimously recommends the Proposed Merger and associated matters to Heartland shareholders for approval and encourages all shareholders to **vote in favour** of the Resolutions. In the Board's view, the Proposed Merger is in the best interests of Heartland and its shareholders. The Heartland directors intend to vote all shares in Heartland held or controlled by them in favour of each Resolution, subject to the applicable voting restrictions disclosed in this notice of meeting.

Consequences if Resolutions are not approved

The MIA is conditional on Heartland's shareholders approving Resolutions 1, 2 and 3 before 5.00pm (NZDT) on 1 March 2027. The condition relating to Resolution 3 is for the sole benefit of Toi Foundation and may only be waived in writing by Toi Foundation. Any such waiver would not affect the remaining conditions to the Proposed Merger, nor would it affect Heartland's obligations under the NZX Listing Rules to obtain shareholder approval of any director appointments. If Resolutions 1 and 2 are not approved, or Resolution 3 is not approved and is not waived by Toi Foundation, either party may terminate the MIA and the Proposed Merger will not proceed.

If the Proposed Merger does not proceed, Heartland would continue to operate as it does today. See page 29 of the Investor Presentation for more information.

Conditional nature of the Resolutions

The implementation of each of Resolution 1, 2 and 3 is effectively conditional upon all of those Resolutions being approved by the shareholders of Heartland or, in the case of Resolution 3 only, waiver by Toi Foundation.

Minority buy-out rights

Heartland shareholders who vote against Resolution 1 may have certain rights to require Heartland to purchase their shares if Resolution 1 is approved. Further detailed information about these rights and the procedure for their exercise is set out in the Appendix to this notice of meeting.

Procedural notes

Voting

Each shareholder will be entitled to one vote for every share held as at 5.00pm (NZDT) on Monday 28 September 2026.

Your right to vote may be exercised by:

- attending the meeting and voting in person
- attending the online meeting and voting online
- submitting a postal vote
- appointing a proxy (or representative) to attend the meeting and vote on your behalf (**Proxy**).

If you are attending the meeting in person, please bring the enclosed voting form that will act as your admission card to the meeting.

How to submit a postal vote or appoint a Proxy

If you are not able to attend the Special Meeting, either in person or online, but wish to submit a postal vote or appoint a Proxy to attend the online meeting and vote on your behalf, you can:

- lodge your postal vote or appoint a Proxy online at vote.cm.mpms.mufg.com/HGH. You will be required to enter your CSN/Holder Number and Authorisation Code (**FIN**) (New Zealand Register) or HIN/SRN and postcode (Australian Register). If you do not have a FIN number, please contact MUFG Pension & Market Services at +64 9 375 5998 or enquiriesnz@cm.mpms.mufg.com
- complete and return the enclosed voting form in accordance with the instructions on the voting form.

A Proxy need not be a shareholder of Heartland. If you wish, you may appoint the Chair of the meeting as your Proxy. To do so, please write "Chair of the meeting" in the relevant section of the voting form. The Chair will vote according to your instructions. If the Chair is not instructed how to vote, the Chair intends to vote in favour of the resolutions (other than Resolution 4 due to the voting restrictions outlined in the Explanatory Notes).

For your vote or Proxy to be effective, your completed voting form must be received by MUFG Pension & Market Services, or your postal vote or your Proxy appointment lodged online, by no later than 3.00pm NZDT on Monday 28 September 2026.

Shareholder questions prior to the Special Meeting

Shareholders are encouraged to submit questions in advance of the Special Meeting. Shareholders present at the Special Meeting, whether in person or online, will have the opportunity to ask questions during the meeting. If you cannot attend the Special Meeting in person or online, but would like to ask a question, you can submit a question by going to vote.cm.mpms.mufg.com/HGH or emailing your Proxy Form with your question to enquiriesnz@cm.mpms.mufg.com (please put the words "Heartland Group Holdings Proxy Form" in the subject line to enable easy identification).

Shareholder questions will need to be submitted by 3.00pm NZDT on Monday 28 September 2026. Questions should relate to matters being addressed at the Special Meeting.

How to attend the online meeting

To attend the online meeting, please go to https://meetings.mpms.mufg.com/hghsm26. Shareholders attending online will be able to vote during the Special Meeting.

Shareholders who will be attending the online meeting and wish to ask a question are encouraged to submit their question(s) prior to the Special Meeting in accordance with the instructions above. More information regarding virtual attendance at the Special Meeting (including how to vote during the meeting) is available in the Virtual Meeting Guide available at https://mail.cm.mpms.mufg.com/MUFG/MUFG_VirtualMeetingGuide.pdf.

Venue and parking information

Venue

The physical meeting is being held in the World Cup Lounge at Eden Park, Reimers Avenue, Kingsland, Auckland.

Eden Park is centrally located and well-connected to key transport hubs, including major train stations and bus routes.

Parking at Eden Park

Please enter Eden Park via Gate G, 42 Reimers Avenue.

Parking in and around this area (P5) is free of charge. Options include accessible bays, EV charging stations and permanent bicycle racks.

Arriving via train

Trains stop at Kingsland Station.

Follow directional signage onto Sandringham Road.

Take a quick stroll down Sandringham Road to Gate M, through the Bus Hub to Gate G.

Arrival

Upon arrival, make your way to reception where you will be warmly welcomed by the Eden Park concierge. The World Cup Lounge is located on Level 4 and can be accessed via the lift. For more information about getting to the venue, visit edenpark.co.nz/plan-your-visit/getting-here

Appendix - Minority buy-out rights

Section 110 of the Companies Act may confer minority buy-out rights on Heartland shareholders who vote against Resolution 1.

For a shareholder to exercise those minority buyout rights, the shareholder must cast all the votes attached to shares registered in the shareholder's name and having the same beneficial owner against Resolution 1. If Resolution 1 is nevertheless passed, a shareholder who wishes to exercise minority buy-out rights must, within 10 working days of the passing of Resolution 1, give written notice to Heartland that the shareholder requires Heartland to purchase the shareholder's shares.

Within 20 working days of receipt of the notice, the Board must:

- agree to the purchase of the relevant shares by Heartland; or
- arrange for some other person to agree to purchase the relevant shares; or
- apply to the court for an order exempting Heartland from the obligation to purchase the relevant shares on the grounds that the purchase would be disproportionately damaging to Heartland or that Heartland cannot reasonably be required to finance the purchase or it would not be just and equitable to require Heartland to purchase the relevant shares or on the grounds that the Board has resolved that the purchase of the relevant shares by Heartland would result in it failing to satisfy the solvency test and Heartland has, having made reasonable efforts to do so, been unable to arrange for the relevant shares to be purchased by another person; or
- arrange for Resolution 1 to be rescinded by special resolution of shareholders, or decide in the appropriate manner not to take the action concerned, as the case may be; and
- give written notice to the shareholder of the Board's decision as to which of the above actions it will take.

Where the Board agrees to the purchase of the relevant shares by Heartland, it must give notice to the relevant shareholder within five working days after the written notice of the Board's decision referred to in the preceding paragraph, setting out the price the Board offers to pay for those shares and certain information relating to how that price was calculated. That price must be a fair and reasonable price (as at the close of business on the day before Resolution 1 was passed) for the relevant shares held by the shareholder, calculated (subject to the following two sentences) using a default methodology described in the Companies Act designed to allocate to the relevant shares held by the shareholder a pro rata portion of the fair and reasonable value of all shares in Heartland adjusted to exclude any fluctuation in the value of all of Heartland's shares that occurred and that was due to, or in expectation of, the Proposed Merger.

The Board may use a different methodology to calculate the fair and reasonable price if using the default methodology would be clearly unfair to the shareholder or Heartland (and in that case the Board must also state in the notice that a different methodology has been used and why calculating the price under the default methodology would be clearly unfair).

A shareholder may object to the price offered by the Board by giving written notice to Heartland no later than 10 working days after the date the Board gave written notice to the shareholder of the price offered by the Board. If, within that 10 working day period, no objection to the price offered by the Board has been received by Heartland, it must purchase the relevant shareholder's shares at the nominated price. If, within that 10 working day period, an objection to the price has been received by Heartland, the fair and reasonable price offered by the Board must be submitted to arbitration. Heartland must within five working days of receiving the objection pay to the shareholder on a provisional basis the price offered by the Board. The arbitration is to be conducted in accordance with the Arbitration Act 1996. If the price determined by the arbitrator:

- exceeds the provisional price paid by Heartland, then the arbitrator must order Heartland to pay the balance owing to the shareholder; or
- is less than the provisional price paid by Heartland, then the arbitrator must order the shareholder to pay the excess to Heartland.

Except in exceptional circumstances, the arbitrator must award interest on any balance payable or excess to be repaid. If a balance is owing to the shareholder, the arbitrator may award to the shareholder, in addition to or instead of interest, damages for loss attributable to the shortfall in the initial payment.

Where the Board agrees to the purchase of the relevant shares by Heartland, on the day on which the Board gives written notice of the Board's decision that Heartland will purchase the relevant shares by Heartland, the legal title to those shares passes to Heartland and the rights of the relevant shareholder in relation to those shares end. If the Board arranges for some other person to agree to purchase the shares, the process and terms set out in the paragraphs above apply (with such modifications as may be necessary) to the purchase of shares by such person. In addition, Heartland must indemnify the shareholder in respect of any losses suffered by the shareholder by reason of the failure by the person to purchase the shares at the price nominated or fixed by arbitration, as the case may be.

HEARTLAND

GROUP

heartlandgroup.info

2026 Heartland Special Meeting

HEARTLAND GROUP

Voting and Proxy form

How to lodge your postal vote/proxy appointment:

Online: vote.cm.mpms.mufg.com/HGH

Email: meetings.nz@cm.mpms.mufg.com

Mail: Use the enclosed reply paid envelope or send to: MUFG Pension & Market Services, PO Box 91976, Auckland 1142, New Zealand

Deliver: MUFG Pension & Market Services Level 30, PwC Tower, 15 Customs Street West, Auckland 1010

QR code: Scan this QR code with your smartphone and vote online

World Cup Lounge, Eden Park, Reimers Avenue, Kingsland, Auckland, New Zealand and online at https://meetings.mpms.mufg.com/hghsm26 at 3pm (NZDT) Wednesday, 30 September 2026.

Admission card

If you are attending the Special Meeting, keep this form intact and bring it to the Special Meeting for registration purposes.

If you are not attending the Special Meeting, but wish to make a postal vote or appoint a proxy (**Proxy**), you can do so online or by completing and returning this form to MUFG Pension & Market Services. It must be received by no later than 3.00pm (NZDT) on Monday, 28 September 2026.

This is the cut-off time for postal votes to be cast and proxies to be appointed online.

Signing this form

If your shares are held by:

a. an individual, this form must be signed by the individual (or his or her duly authorised attorney);
b. a company, this form must be signed by a duly authorised signatory of the company (including a director);
c. a trust, this form should be signed as above by at least one trustee in accordance with the relevant trust deed (in accordance with (a) or (b) above, as applicable if the trustee is an individual or a company);
d. a partnership, this form should be signed by at least one partner in accordance with the rules governing the partnership (in accordance with (a) or (b) above, as applicable if the partner is an individual or a company); or
e. joint shareholders, this form should be signed by at least one joint shareholder (or as otherwise required by the arrangements between the joint shareholders) in accordance with the relevant method for that joint shareholder set out above.

If this form is completed by an attorney or representative, a copy of the power of attorney or letter of appointment of representative (unless previously provided), must accompany this form together with a completed certificate of non-revocation of authority.

Postal voting

If you are entitled to vote at the meeting, you may cast a postal vote by ticking the Postal Vote box, completing the Resolutions section, and signing and returning this form. Alternatively, you can cast your postal vote online.

If you return a postal vote without indicating how you wish to vote on a resolution, you will be deemed to have abstained from voting on that resolution. If you lodge a postal vote and appoint a Proxy, your postal vote will take priority over your Proxy appointment.

Appointing a Proxy

If you are entitled to vote at the meeting, you may appoint a Proxy by completing the Appointment of Proxy and Resolutions sections and signing and returning this form. Alternatively, you can appoint a Proxy online. If you return this form without appointing a Proxy, it will be treated as a postal vote.

A Proxy does not have to be a Heartland shareholder. If your Proxy does not attend the meeting, your vote will not be counted (unless you have cast a postal vote before the meeting).

If you appoint a Proxy to vote on your behalf and tick the "Proxy's Discretion" box for a resolution, or do not direct your Proxy how to vote on a resolution, your Proxy will vote as he/she sees fit on that resolution. If you wish, you may appoint the Chair of the meeting as your Proxy. To do so, please write "Chair of the meeting" in the Appointment of Proxy section. The Chair will vote according to your instructions. If the Chair is not instructed how to vote, the Chair intends to vote in favour of the resolutions (other than Resolution 4 due to the voting restrictions outlined in the Explanatory Notes in the notice of meeting).

You may still attend the meeting virtually should you appoint a Proxy, noting that you will not be able to vote if a Proxy has been appointed.

Voting restrictions

In accordance with NZX Listing Rule 6.3.1 and as set out in the notice of meeting in connection with this Special Meeting, certain persons are restricted from voting on certain resolutions. Heartland will disregard any votes cast in favour of:

- Resolution 2 by Toi Foundation (and its Associated Persons, including Fisher Funds Management Limited); and
- Resolution 4 by any director of Heartland who is intended to receive directors' fees (and their respective Associated Persons),

unless such shareholder or person is casting a vote as a directed Proxy for a person who is not disqualified from voting.

Postal vote

Complete this section if you will not attend the meeting but wish to cast a postal vote.

☐ **I/We wish to vote by Postal Vote (please tick the box).**

Appointment of Proxy

Complete this section if you will not attend the meeting but wish to appoint someone to attend on your behalf.
I/We being a shareholder/s of Heartland hereby appoint:

Full name:

Email address:

as my/our Proxy (or representative, if a body corporate) to attend the meeting on my/our behalf and any adjournment of the meeting and to vote on my/our behalf at the meeting and any adjournment of the meeting in accordance with my/our directions below, and to vote on any resolutions to amend the resolution, on any resolution so amended and on any other resolution proposed at the meeting (or any adjournment thereof).

Resolutions

Cast a postal vote, or instruct a Proxy to vote, by placing a tick in the relevant box.

If you have appointed a Proxy and want them to decide how to vote on the resolution, tick the box "Proxy's discretion". Proxy's discretion is not applicable for a postal vote.	For	Against	Proxy's discretion	Abstain
1. That the acquisition by Heartland of all of the shares in TSB and the subsequent amalgamation of Heartland Bank and TSB (with Heartland Bank being the amalgamated company) under the merger implementation agreement dated 1 June 2026 between Heartland, Toi Foundation and Toi Foundation Holdings Limited be approved, confirmed and ratified for all purposes, including section 129 of the Companies Act 1993 and NZX Listing Rule 5.1.1.	☐	☐	☐	☐
2. That the issue of 200,000,000 fully paid ordinary shares in Heartland to Toi Foundation at an issue price of NZD$1.25 per share on completion of, and as partial consideration for, the acquisition by Heartland of all of the shares in TSB be approved, confirmed and ratified for all purposes, including NZX Listing Rule 4.1.1.	☐	☐	☐	☐
3. That Mark Darrow, having been nominated by the Board of Heartland in each director's capacity as a shareholder of Heartland, be elected as a director of Heartland with effect on and from the completion of the acquisition by Heartland of all of the shares in TSB.	☐	☐	☐	☐
4. That the total annual remuneration available to all non-executive directors of Heartland and its subsidiaries be increased from NZD$2,400,000 or AUD$2,200,000 (whichever is the greater amount from time to time) to NZ$2,600,000 or AU$2,350,000 (whichever is the greater amount from time to time), an increase of NZ$200,000 or AU$150,000 (8.33% and 6.82% respectively) effective for the financial year ending 30 June 2027 onwards, with such sum to be divided amongst the non-executive directors as the Board may determine from time to time.	☐	☐	☐	☐

Shareholder questions

Shareholders present at the Special Meeting will have the opportunity to ask questions during the meeting. If you cannot attend but would like to ask a question, you can submit a question online by going to vote.cm.mpms.mufg.com/HGH and completing the online validation process or complete the question section below and return to MUFG Pension & Market Services. Questions will need to be submitted by **3.00pm** (NZDT) on **Monday 28 September 2026**. The Board will address and answer questions during the meeting.

Question:

Signature of shareholder(s)

Signature(s) of shareholder(s)	Signature(s) of shareholder(s)	Signature(s) of shareholder(s)
/ / 2026		
Date of signing	Day time contact phone number	

Electronic Investor Communication

If you received the notice of meeting and this form by mail and would like to receive all future shareholder communications electronically (by email) where possible, please write your email address below.

Email address:

HEARTLAND GROUP

Investor Presentation

Proposed merger of Heartland Bank and TSB

31 August 2026

Contents

Note: Any material updates to Heartland's NZX/ASX announcements dated 2 June 2026 or 20 August 2026 are clearly marked throughout this presentation. Where a slide has been updated, it is labeled as updated with changes highlighted in blue. Where a new slide has been included, it is labeled as supplementary. Changes have been made to reflect transaction progress, updates to transaction cost estimates and NSA realisation progress as published within Heartland's FY2026 financial results announcement, and to expand on the potential risks of the proposed transaction. Although Heartland and TSB's FY2026 financial results have each since been released, pro forma information within this investor presentation uses financial reporting for Heartland and TSB as at 31 December 2025, being the most recent date to which publicly available financial information is available for both banks on a comparable basis.

HEARTLAND GROUP

01 Summary of proposed transaction

Summary of proposed transaction

The proposed merger will create a New Zealand challenger bank of scale with a regional focus.

Proposed transaction summary	• On 1 June 2026, Heartland Group Holdings Limited (**Heartland**) signed a conditional merger implementation agreement (**MIA**) with Toi Foundation and Toi Foundation Holdings Limited (together, **Toi Foundation**) to merge Heartland Bank Limited (**Heartland Bank**) and TSB Bank Limited (**TSB**). • Under the proposed transaction, Heartland will acquire from Toi all TSB shares on issue for an aggregate consideration of $620m. • Immediately following the acquisition, Heartland Bank and TSB will merge via a short form amalgamation to create TSB Heartland Bank Limited (**TSB Heartland Bank**).[1] • The proposed merger will create a New Zealand challenger bank of scale with a regional focus – increasing banking competition and choice for New Zealanders. It will be a full-service capable bank differentiated by its specialist product offerings, with a lower risk-weighted product portfolio.
Financial outcomes	• Material synergies will be progressively realised over a 3-year period post-completion by reducing shared costs across TSB Heartland Bank. When fully realised, these synergies are expected to deliver a ~$34m p.a. benefit to profit before tax. • Material normalised EPS accretion in excess of 20% is expected to be generated in the first year post-completion based on full run-rate synergies[2], alongside an enhanced DPS profile.

Consideration	• The aggregate consideration to Toi Foundation of $620m includes a $50m pre-completion cash dividend from TSB. The remaining consideration comprises:
	  • $250m of ordinary equity issued to Toi Foundation by Heartland (200m shares issued at a price of $1.25 per share[3], representing a 17.5% ownership interest in Heartland post-completion of the proposed transaction)
	  • $56m subordinated debt (issued to Toi Foundation by Heartland Bank as RBNZ eligible Tier 2 capital)
	  • $264m vendor loan provided to Heartland by Toi Foundation[4].
	• The aggregate consideration to Toi Foundation implies:
	  • 0.76x TSB's book value[5]
	  • 12.1x TSB's LTM[5] NPAT
	  • 8.2x TSB's LTM[5] NPAT post achievement of full run-rate synergies realised across TSB Heartland Bank.[2, 6]

1 Heartland Bank will be the surviving entity following completion of the proposed merger.
2 Based on steady state pre-tax cost synergies of ~$34m p.a. which will be realised over time across TSB Heartland Bank. Excludes integration costs as these are non-recurring in nature.
3 Issue price is a 14.6% premium to Heartland's 10-day volume weighted average share price on the NZX of $1.09 prior to announcement.
4 Less the value of any non-permitted pre-completion dividend paid by TSB (if any), noting this would not reduce the aggregate consideration to Toi Foundation.
5 As at 31 December 2025.
6 Excludes capital structure (Tier 2 and vendor loan cost) adjustments from the proposed transaction.

Summary of proposed transaction

TSB Heartland Bank will continue to have a regional focus and nationwide presence.

Brand and regional presence	• Recognising each bank's long history and deep connection to regional New Zealand, the Heartland Bank and TSB brands will be reflected in the merged bank's name and branding strategies. • TSB Heartland Bank will continue to focus on helping New Zealanders to meet their banking needs. • It is intended that TSB Heartland Bank will retain Heartland Bank's existing nationwide presence, with Taranaki as a key operational hub for customer-based banking services – including maintaining a local branch network and customer-facing roles in Taranaki.
Governance	• As part of the consideration, Toi Foundation will hold 17.5% of the shares in Heartland. • Subject to Heartland shareholder approval, it is expected that one Toi Foundation nominee will be initially appointed to the Heartland Board.[2] • It is also expected that on completion of the proposed transaction, two existing TSB directors will initially join the TSB Heartland Bank Board.[3]
Timing and conditions	• Completion is being targeted in December 2026, subject to satisfaction of the remaining conditions in the MIA. See page 24 for the full list of conditions and page 25 for an update on the status of each condition. • The initial conditions (including completion of confirmatory due diligence, execution of the W&I Deed and obtaining W&I insurance), Toi Foundation's Taranaki community consultation and trustee approval conditions have been satisfied. The RBNZ application has been submitted. Heartland shareholder approval will be sought at the special shareholder meeting on 30 September 2026. • As is the case with any acquisition, the proposed transaction is subject to various risks, including that it may not complete if the conditions are not satisfied. See pages 27-29 for more detail on the risks.

Proposed structure (post-merger)

Heartland Group[1]

Heartland Group Holdings Limited
NZX/ASX: HGH

↓

New Zealand Banking

TSB Heartland Bank Limited

↓

Australian Banking

Heartland Bank Australia Limited

New Zealand company
Australian company

1 Heartland and its subsidiaries.
2 Effective from and subject to completion of the proposed transaction.
3 Subject to the approval of the respective boards of Heartland Bank and TSB.

Strategic rationale

Materially increases scale in New Zealand

- Material 171% increase in Heartland Bank's asset base and 72% increase in pro forma NPAT (post synergies)[1] to create a New Zealand challenger bank of scale.
- Greater scale and diversification across products and locations will provide improved financial efficiency and resilience.
- Enhanced regional presence through Heartland Bank's existing nationwide presence and the intention to retain Taranaki as a key operational hub for customer-based banking services.

Diversified and differentiated product set

- Creation of a full-service capable bank differentiated by its specialist product offerings, with a lower risk-weighted product portfolio – and an enhanced ability to serve customers throughout their financial lifecycle.
- Access to a cost-effective deposit funding base and established transactional banking capability.
- May support an uplift in the merged bank's long-term credit rating compared with Heartland Bank, reflecting strengthened asset quality and risk profile.[2]

Material synergies available

- Material synergies are expected to be progressively realised over a 3-year period post-completion by reducing shared costs across TSB Heartland Bank.
- When fully realised, these synergies are expected to deliver a ~$34m p.a. benefit to profit before tax.[3]
- Potential for further upside from funding and liquidity synergies in addition to the ability to further leverage Heartland's investment in current and future technology programmes.

Significant shareholder value creation

- The aggregate consideration to Toi Foundation of $620m implies an acquisition multiple of 0.76x TSB's book value[4] and 8.2x TSB's LTM[4] NPAT post achievement of full run-rate synergies realised across TSB Heartland Bank[1, 5].
- Synergy realisation and the transaction structure are expected to drive material normalised EPS accretion in excess of 20% for Heartland shareholders in the first year post-completion[1], alongside an enhanced DPS profile. The enlarged capital base and enhanced returns profile of Heartland Group may support improved share liquidity.

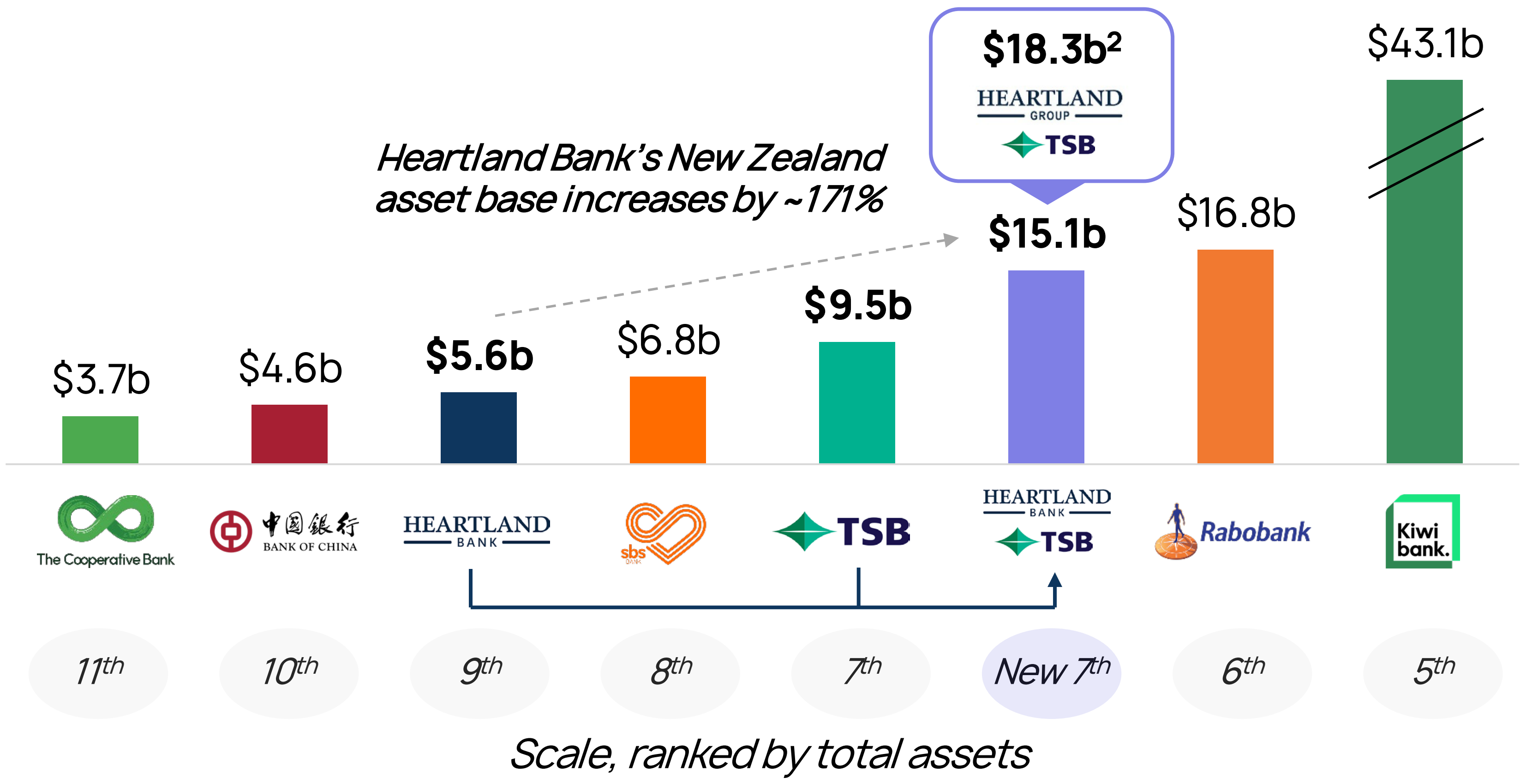
1 Based on steady state pre-tax cost synergies of ~$34m p.a. which will be realised over time across TSB Heartland Bank. Excludes integration costs as these are non-recurring in nature.
2 Heartland Bank currently has a long-term credit rating of BBB stable (issued by Fitch Australia Pty Ltd (**Fitch Ratings**)).
3 See page 17 for further detail.
4 As at 31 December 2025.
5 Excludes capital structure (Tier 2 and vendor loan cost) adjustments from the proposed transaction.

Snapshot of TSB Heartland Bank

A New Zealand challenger bank of scale with a regional focus – increasing banking competition and choice for New Zealanders.

Material increase in scale

Total New Zealand assets (NZ$b)[1]



Greater scale and product diversification will improve financial efficiency and resilience.

Scale drives efficiency opportunities

Ability to **deploy capital more effectively** across a **larger, optimised banking business.**

Additional scale will drive an **improved CTI ratio by leveraging the existing fixed cost base,** with a streamlined operating model.

Leverage Heartland's investment in current and future technology programmes.

Disclosure previously provided via NZX/ASX announcement dated 2 June 2026

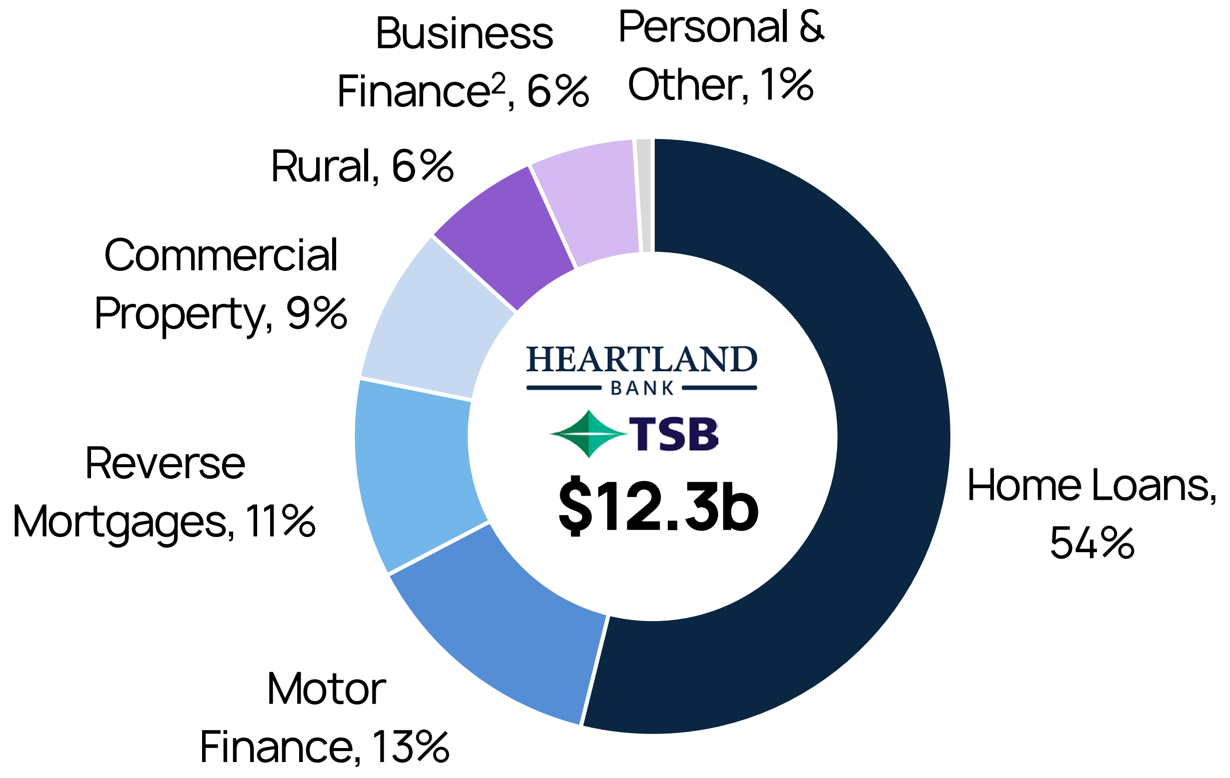
1 As at 31 December 2025 per RBNZ Banking Dashboard.
2 Including Heartland Bank Australia's assets, held in a subsidiary of Heartland Bank.

Snapshot of TSB Heartland Bank

TSB Heartland Bank will operate as a full-service capable bank with specialist products, benefiting from TSB's cost-effective funding platform.

Diversified and differentiated product set

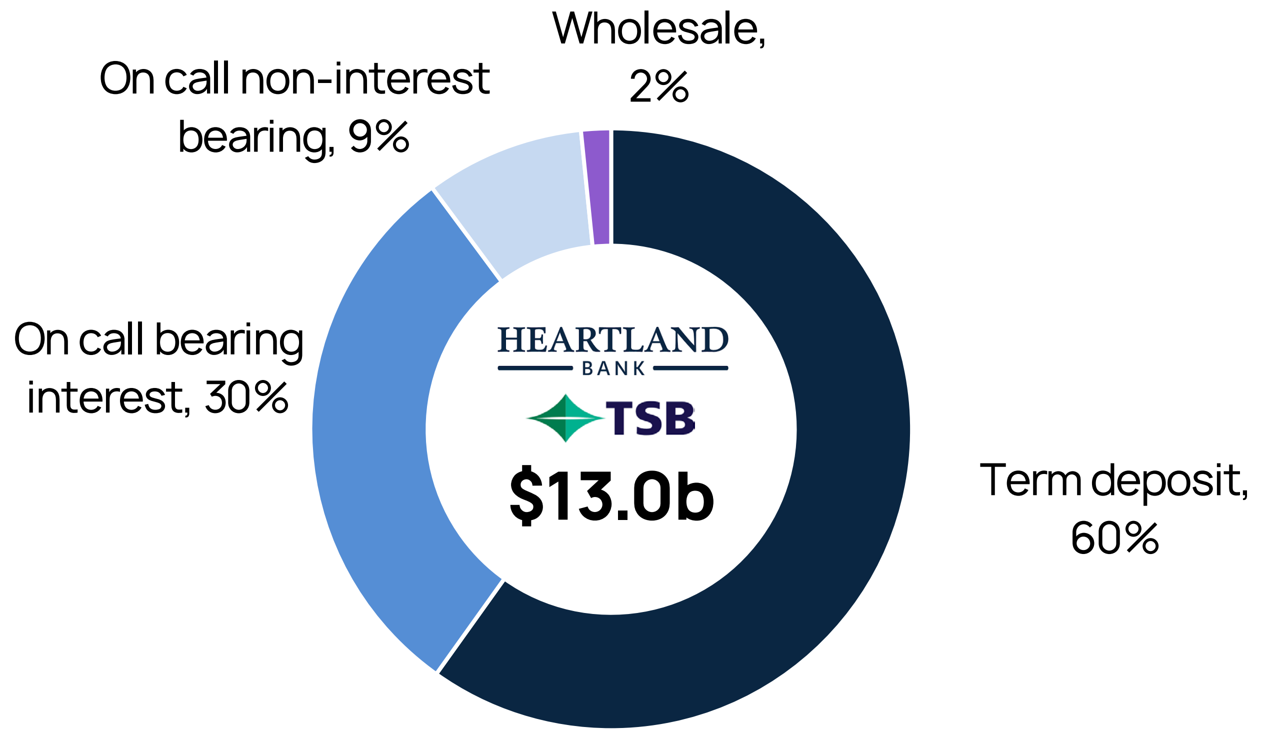
Gross receivables[1]



Full-service capable banking with specialist products, underpinned by low-risk reverse mortgages and home loans.

Optimised funding mix

Funding[1]



Optimised funding base through TSB's greater proportion of non-interest and interest bearing on call products.

1 Pro forma TSB Heartland Bank. As at 31 December 2025 for Heartland Bank and TSB. Gross receivables include Heartland Bank's NSAs. As at 30 June 2026, the NSA realisation programme had successfully concluded (for more information, see Heartland's FY2026 financial results announcement and accompanying investor presentation, available at heartlandgroup.info).

2 Business Finance includes Heartland Bank's Asset Finance and Business Relationship portfolios.

Snapshot of Heartland Group

The expanded Heartland Group will retain its existing specialist product focus across New Zealand and Australia, enhanced by full-service banking capabilities in New Zealand.

Core lending products[1]	New Zealand[5] – Heartland Bank	New Zealand[5] – TSB	Australia – Heartland Bank	Heartland Group[5] – Heartland Group	Gross receivables %
Home Loans		✓		✓	44%
Reverse Mortgages	✓		✓	✓	25%
Motor Finance	✓			✓	11%
Commercial Property		✓		✓	7%
Rural	✓		✓	✓	7%
Business Finance[2]	✓			✓	5%
Personal[3]		✓		✓	1%[6]
Gross receivables[4]	NZ$12.3b		A$2.5b	NZ$15.1b	
Total assets[4]	NZ$15.1b		A$3.1b	NZ$18.3b	
Funding[4]	NZ$13.0b		A$2.7b	NZ$16.1b	
Regulatory capital[4]	NZ$1.5b		A$0.3b	n.a.	

The acquisition of TSB provides requisite scale in New Zealand home loans which Heartland has been unable to achieve organically

Key highlights

- ✓ Formed through the merger of several New Zealand financial institutions in 2011, the addition of TSB extends Heartland Bank's scale and capability.
- ✓ Strong M&A and integration track record, including the recent acquisition of Challenger Bank Limited (now Heartland Bank Australia) – the first Australian authorised deposit-taking institution (**ADI**) to be acquired by a New Zealand registered bank.
- ✓ Continued focus on providing specialist products in New Zealand and Australia.
- ✓ Continued investment in technology and automation to enhance customer and employee experience.

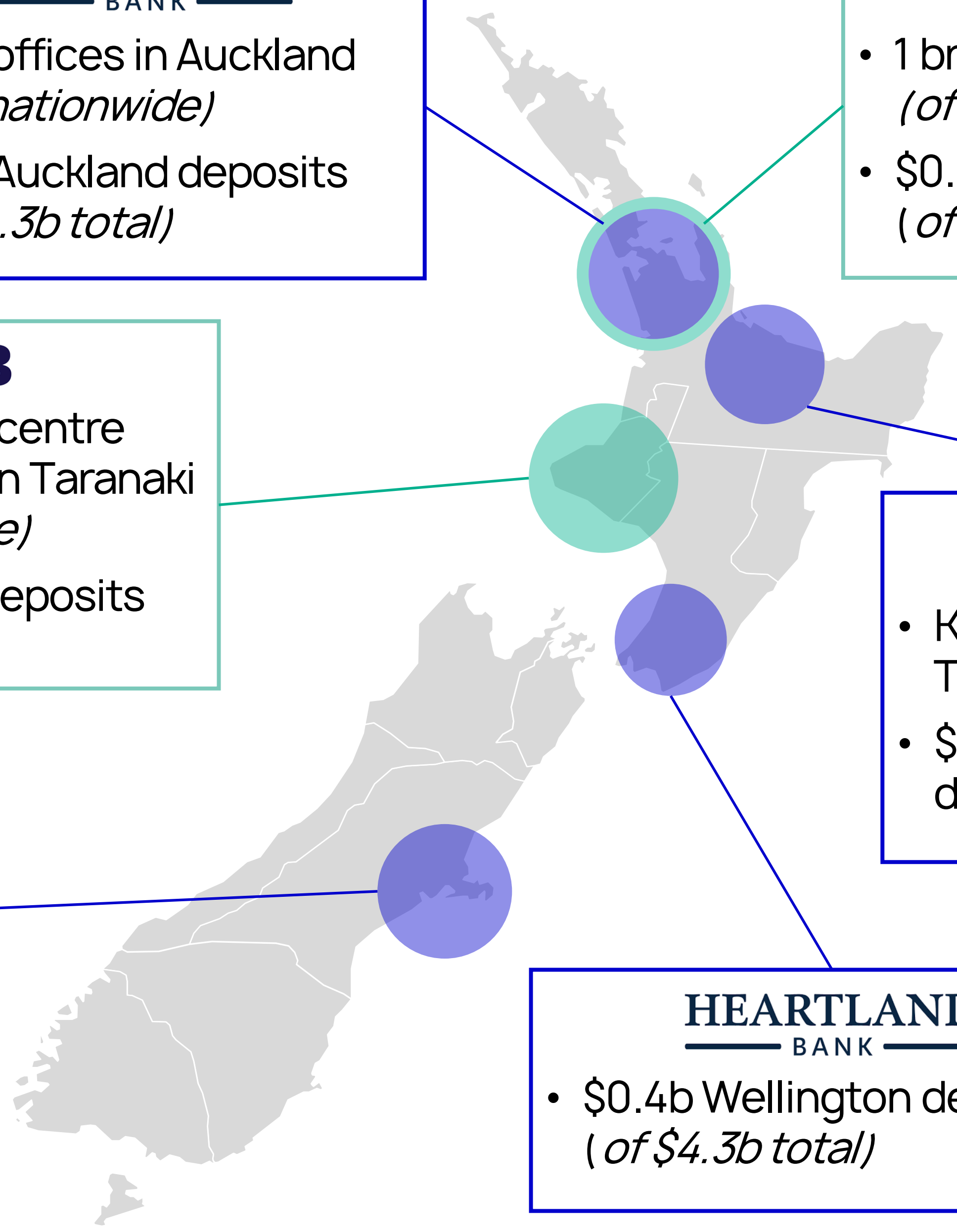
Disclosure previously provided via NZX/ASX announcement dated 2 June 2026

1 Heartland Bank's lending portfolio also includes Home Loans and Unsecured Lending portfolios in addition to core product portfolios. Home Loans and Unsecured Lending are winding down.
2 Business Finance includes Asset Finance and Business Relationship.
3 Includes credit card balances and other retail lending (including personal lending which is no longer accepting new applications).
4 As at 31 December 2025 for Heartland and TSB. Heartland Bank's gross receivables include NSAs.
5 Pro forma combination.
6 Including Heartland Bank's Unsecured Lending portfolio which is winding down.

Continued regional focus and nationwide presence

Heartland Bank and TSB each have long histories and a deep connection to regional New Zealand, with each bank's portfolio reflecting its community roots.[1]

- The proposed merger will be grounded in ensuring good outcomes for both Heartland Bank's and TSB's customers, and the communities they serve.
- With its combined rich Kiwi heritage, TSB Heartland Bank will keep its focus on helping New Zealanders to meet their banking needs.
- It is intended that TSB Heartland Bank will retain Heartland Bank's existing nationwide presence, with Taranaki as a key operational hub for customer-based banking services – including maintaining a local branch network and customer-facing roles in Taranaki.



HEARTLAND BANK
- 2 key offices in Auckland *(of 8 nationwide)*
- $1.3b Auckland deposits *(of $4.3b total)*

TSB
- 1 branch in Auckland *(of 12 nationwide)*
- $0.9b Auckland deposits *(of $8.6b total)*

TSB
- Key operational centre and 7 branches in Taranaki *(of 12 nationwide)*
- $4.2b Taranaki deposits *(of $8.6b total)*

HEARTLAND BANK
- Key offices in Hamilton and Tauranga *(of 8 nationwide)*
- $0.6b Waikato, Bay of Plenty deposits *(of $4.3b total)*

HEARTLAND BANK
- 2 key offices in Canterbury *(of 8 nationwide)*
- $1.1b Canterbury deposits *(of $4.3b total)*

HEARTLAND BANK
- $0.4b Wellington deposits *(of $4.3b total)*

1 Portfolio details as at 31 March 2025 for Heartland Bank and 31 December 2025 for TSB.

Disclosure previously provided via NZX/ASX announcement dated 2 June 2026

Independent Expert Report

On balance, Calibre Partners considers the positives of the proposed transaction outweigh the negatives for Heartland shareholders, and that the proposed consideration for TSB is reasonable.

Value for money	• Aggregate consideration of $620m implies a price to book value multiple of approximately 0.76x, within the range of approximately 0.70x to 0.80x that Calibre Partners considers reasonable for TSB. • Heartland acquires TSB at a discount to book value, reflecting benefit of economies of scale. • Effectively acquires regulatory capital at a discount, more cheaply than Heartland could generate organically or raise externally, providing capacity for future lending growth.
Scale and diversification	• Total New Zealand assets would almost triple from $5.6b to $15.1b, making TSB Heartland Bank the seventh largest bank by assets in New Zealand and better positioned to deliver operating leverage benefits. • More diversified loan book across the expanded Heartland Group, including exposure to residential lending. Heartland's reverse mortgage exposure decreases from approximately half the total portfolio across New Zealand and Australia, to just under a quarter, reducing concentration risk. • Broader product offering enables customers to be served throughout their financial lifecycle.
Financial benefits	• Ongoing cost synergies of approximately $34m p.a. expected over a 3-year period post-completion. Revenue synergies also expected but not quantified. • Expected to be meaningfully EPS and DPS accretive for existing Heartland shareholders, with an improved ROE supportive of a higher valuation multiple over time. • Expected to improve TSB Heartland Bank's cost of funding through a diversified funding mix and may support an uplift to its long-term credit rating.
Other considerations	• See pages 27-29 for more detail on the risks associated with the proposed merger. • Subject to conditions outside shareholders' control. No certainty it will proceed even if approved by Heartland shareholders, until remaining MIA conditions are satisfied. • Existing shareholders' proportional ownership will reduce by approximately 17.5% (however, this dilution is not expected to be value dilutive).

Although not required by the NZX Listing Rules, Heartland has sought an independent opinion from Calibre Partners on the merits of the transaction. Shareholders are encouraged to read the Independent Expert Report (or the summary of that report) before deciding how to vote.

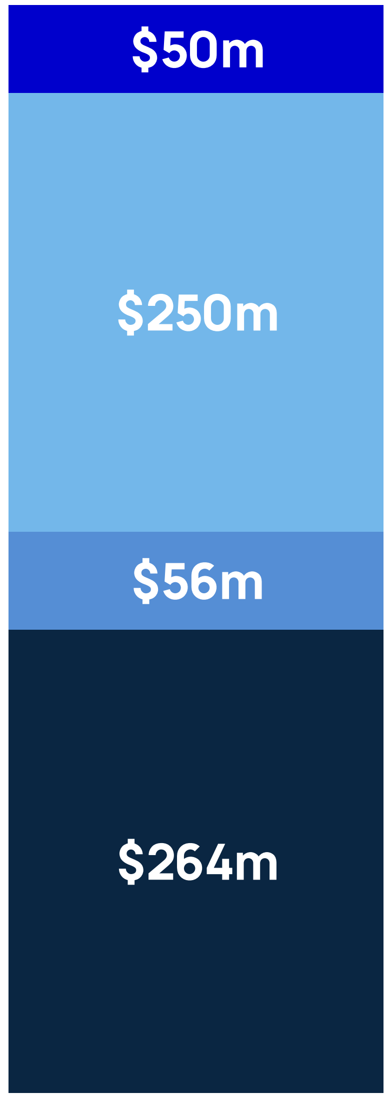
HEARTLAND GROUP

02 Funding and governance

Proposed transaction funding

As part of the consideration, Toi Foundation will receive a diversified range of banking investments with greater flexibility and liquidity than is currently possible through its ownership of TSB.

Aggregate consideration to Toi Foundation of $620m comprises:



$50m pre-completion cash dividend from TSB

$250m of ordinary equity: Ordinary shares issued in Heartland

- Shares issued: 200m
- Issue price: $1.25 per share (being a 14.6% premium to Heartland's 10-day volume weighted average share price on the NZX of $1.09 prior to announcement)

$56m subordinated debt: Issued to Toi Foundation by Heartland Bank as RBNZ eligible Tier 2 capital

- Margin: 220 bps over NZ 5Y swap rate
- Term: 10 years, callable after 5 years

$264m vendor loan: Provided to Heartland by Toi Foundation

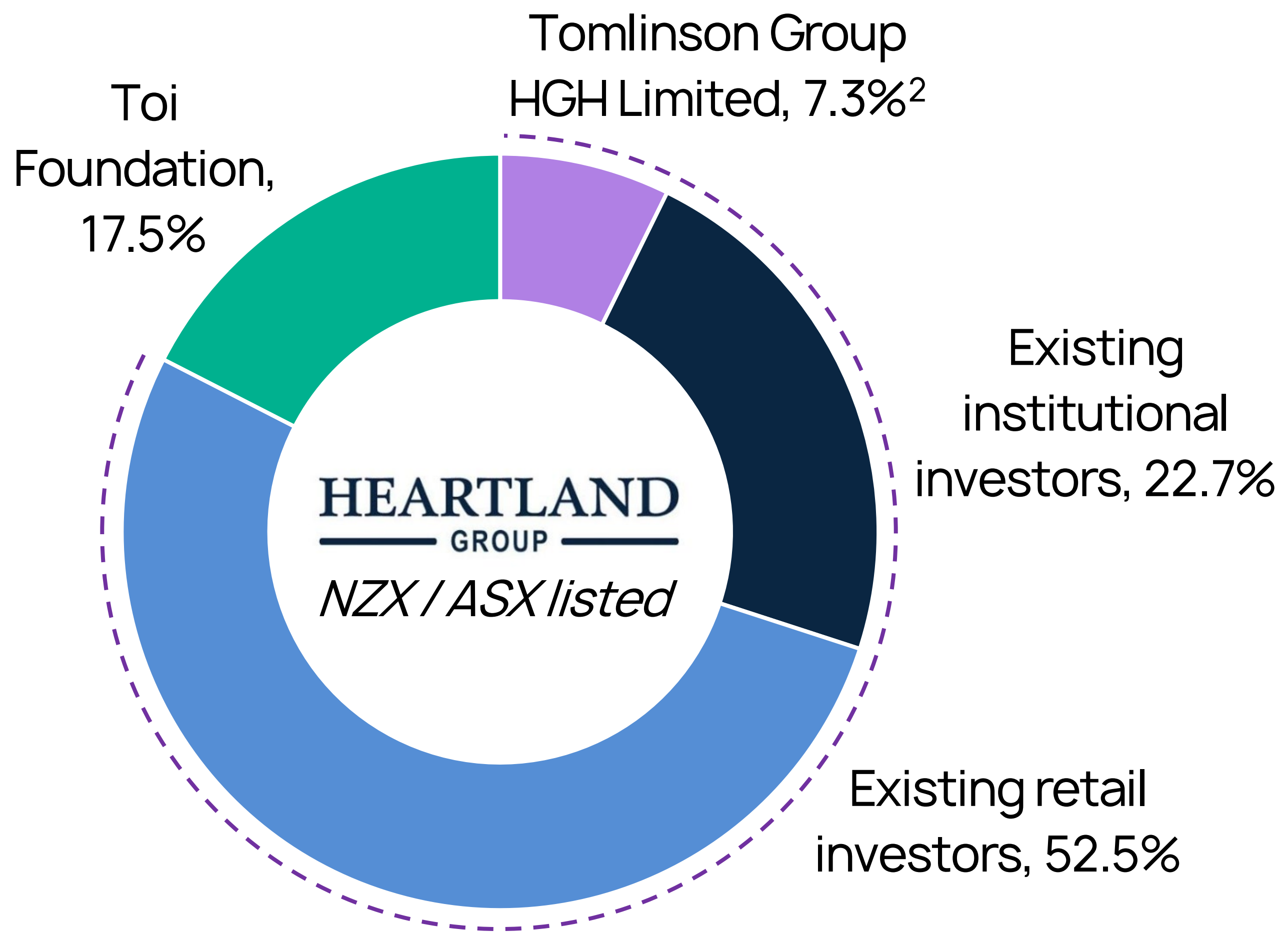
- Term: 2 years
- Repayable at any time over the loan term without break fees applying, providing TSB Heartland Bank flexibility to optimise capital levels post-merger and following implementation of new RBNZ capital requirements[1]

1 The RBNZ has confirmed that banks may apply any of the new standardised credit risk weights from 1 October 2026. The first annual step change in capital ratios is also taking place on 1 October 2026.

Heartland Group governance

Toi Foundation will hold 17.5% of the shares in Heartland. As a condition of the MIA, Toi has nominated one person for appointment to the Heartland Board, subject to Heartland shareholder approval.

Heartland indicative shareholdings[1]



Governance

- Toi Foundation is strongly aligned to the continued growth and prosperity of TSB Heartland Bank, and intends to be a long-term, supportive shareholder.
- As a condition of the MIA, and subject to Heartland shareholder approval of the proposed transaction and appointment, Toi Foundation has nominated Mark Darrow (current TSB Chair) to be initially appointed to the Heartland Board.[3] See Heartland's notice of special meeting for more information.
- It is also expected that on completion of the proposed transaction, two existing TSB directors will initially join the TSB Heartland Bank Board.[4]

1 Based on Heartland's share register at 30 April 2026.
2 Related interest of Greg Tomlinson, Chair and Non-Executive, Non-Independent Director of Heartland.
3 With effect on completion, subject to Heartland shareholder approval.
4 Subject to the approval of the respective boards of Heartland Bank and TSB.

HEARTLAND GROUP

03 Financial overview

Updated disclosure to NZX/ASX announcement dated 2 June 2026

Financial summary

The proposed transaction is expected to create significant value for Heartland shareholders.

1	• **Aggregate consideration to Toi Foundation of $620m for 100% of the shares in TSB implies:** • 0.76x book value[1] • 12.1x LTM[1] earnings after tax (excluding synergies) • 8.2x LTM[1] earnings after tax (including achievement of steady state synergies[2, 3]).
2	• **The proposed transaction is expected to generate material normalised EPS accretion in excess of 20%** including steady state synergies[2] in the first year post-completion, alongside an enhanced DPS profile. • In addition to synergies (see point 4 below), returns are enhanced through the vendor loan component offered by Toi Foundation.
3	• **The proposed transaction is expected to enhance normalised ROE** including steady state synergies.[2]
4	• **Pre-tax cost synergies of ~$34m p.a.** are expected to be realised over time across TSB Heartland Bank, with full run-rate achieved 3 years post-completion. • Estimated total one-off integration costs of ~$34m are expected to be incurred over a 3-year period post-completion. • Potential for further upside from funding and liquidity synergies, in addition to the ability to further leverage Heartland's investment in current and future technology programmes.
5	• **Strong balance sheet, funding and liquidity position maintained.** • Strengthened capital position, with TSB Heartland Bank well placed to benefit from the reduction in certain RBNZ risk weightings expected from October 2026. • The proposed transaction may support an uplift in TSB Heartland Bank's long-term credit rating reflecting its strengthened asset quality and risk profile.[4]
6	• Transaction costs are estimated to be approximately $15m. In FY2026, transaction costs of $5.5m were expensed and therefore reflected in Heartland's FY2026 NPAT. It is expected that approximately $9.5m will be expensed and reflected in Heartland's NPAT for FY2027 (subject to the transaction completing in FY2027).

1 As at 31 December 2025.
2 Based on steady state pre-tax cost synergies of ~$34m p.a. which will be realised over time across TSB Heartland Bank. Excludes integration costs as these are non-recurring in nature.
3 Excludes capital structure (Tier 2 and vendor loan cost) adjustments from the proposed transaction.
4 Heartland Bank has a long-term credit rating of BBB stable (issued by Fitch Ratings).

Significant synergies available

Ongoing cost synergies are expected to be realised over a three-year period across TSB Heartland Bank.

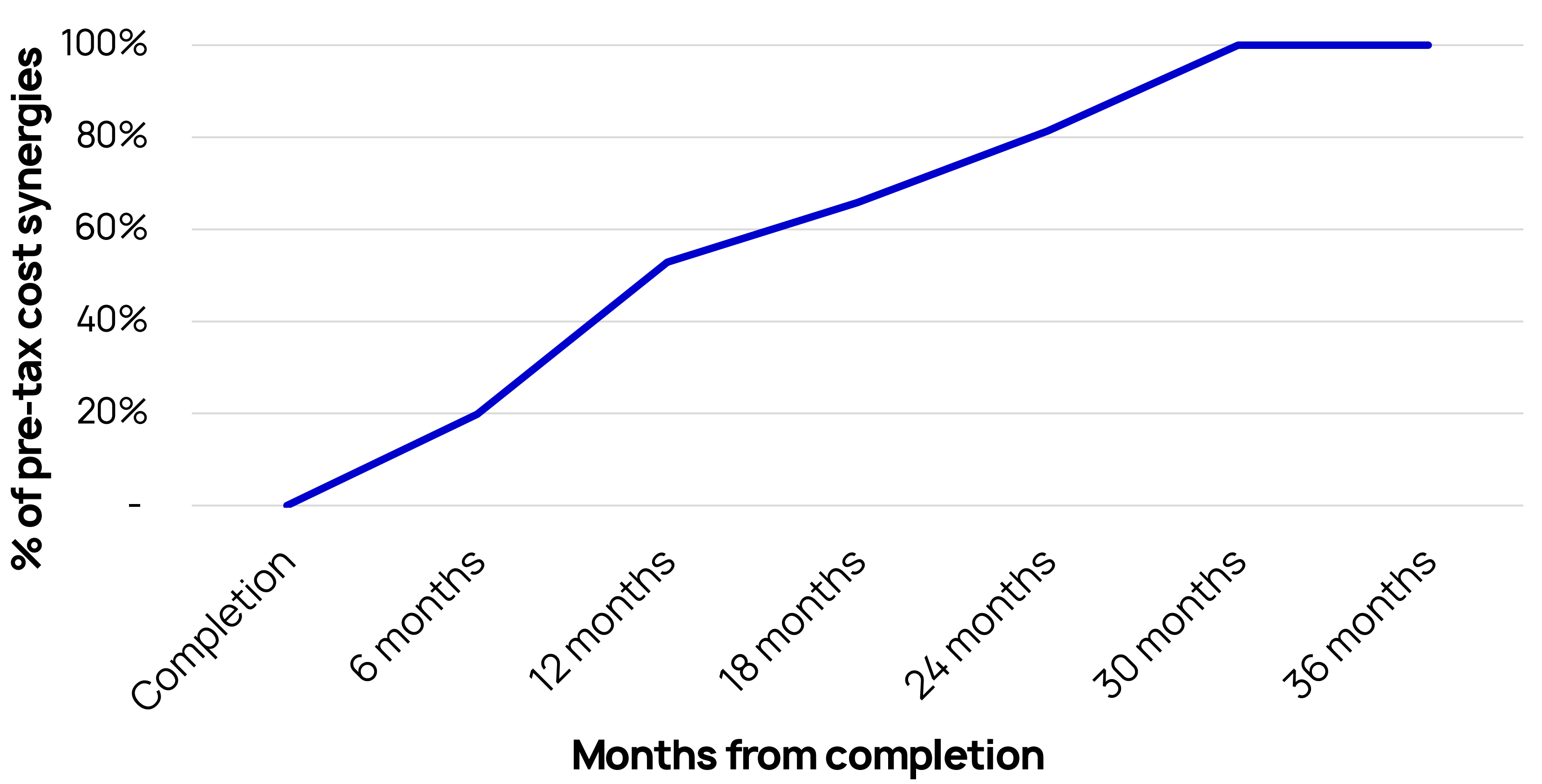
Synergies overview[1,2]

- Material synergies[3] will be realised over a 3-year period post-completion by reducing shared costs across TSB Heartland Bank. When fully realised, these synergies are expected to deliver a ~$34m p.a. benefit to profit before tax.
- Total one-off integration costs to realise the synergies are estimated at ~$34m and are expected to be incurred over a three-year period post-completion.

Potential further upside

- Enhanced ability to serve evolving customer needs throughout their financial lifecycle (e.g. transitioning from traditional mortgage to reverse equity product).
- Funding synergies based on access to TSB's cost-effective deposit base.
- Liquidity synergies based on optimising TSB Heartland Bank's liquid asset base post-completion.
- Ability to further leverage Heartland's investment in current and future technology programmes. Work remains ongoing in relation to technology integration costs and potential technology synergies, however these are not expected to materially impact the transaction economics.

Indicative phasing of pre-tax cost synergies



Estimated cost efficiencies associated with bringing the two banks together include reducing duplication in activities and processes, and shared business overheads.

Disclosure previously provided via NZX/ASX announcement dated 2 June 2026

1 EY was engaged by Heartland and Toi Foundation to assist in identifying and quantifying synergies, the pace at which they could be realised, and the cost of extracting them.
2 Assessed synergies and one-off integration costs exclude technology-related items.
3 Estimated synergies are management estimates prepared for transaction evaluation purposes and are forward-looking. Cost synergies (~$34m p.a.) represent expected annual pre-tax run-rate benefits anticipated to be progressively realised within 3 years post-completion, subject to execution risk, regulatory requirements, market conditions and final integration design. Synergy estimates have not been audited and may differ materially from actual outcomes.

Heartland Group pro forma balance sheet

The proposed transaction will significantly increase the size of Heartland Group.

Balance sheet[1]	HGH (Dec-25)	TSB (Dec-25)	Transaction adjustments[2]	HGH pro forma
Liquid assets	$1,173.6m	$1,676.1m	($50.0m) 1	$2,799.7m
Finance receivables (net)	$7,240.2m	$7,788.1m	-	$15,028.3m
Other assets	$394.9m	$73.7m	-	$468.5m
Total assets	**$8,808.6m**	**$9,537.9m**	**($50.0m)**	**$18,296.6m**
Deposits	$6,895.2m	$8,625.7m	-	$15,520.8m
Other borrowings	$554.6m	-	$320.0m 2	$874.6m
Other liabilities	$70.3m	$97.7m	-	$167.9m
Total liabilities	**$7,520.1m**	**$8,723.3m**	**$320.0m**	**$16,563.4m**
Total equity	**$1,288.6m**	**$814.6m**	**($370.0m)** 3	**$1,733.2m**

$445m increase in book value of equity

Pro forma adjustments

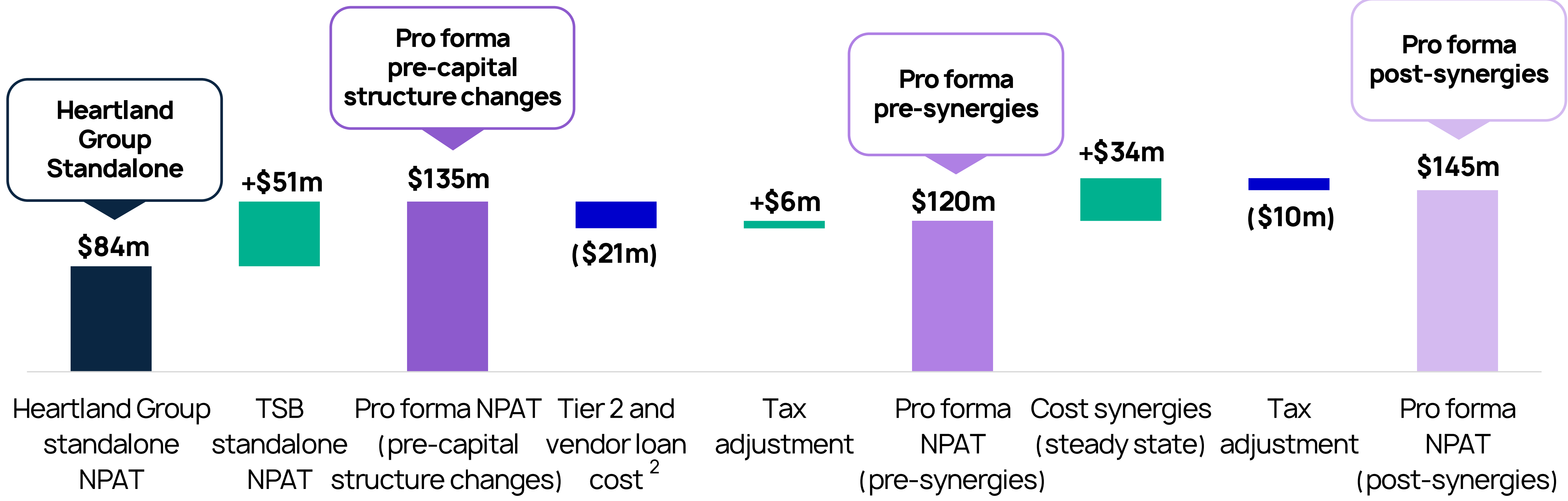
1. $50m pre-completion cash dividend from TSB to Toi Foundation
2. $320m increase in borrowings, comprising:
   - $56m subordinated debt (issued to Toi Foundation by Heartland Bank as RBNZ eligible Tier 2 capital)
   - $264m vendor loan (provided to Heartland by Toi Foundation)
3. Change in total equity of $445m is equal to TSB's total equity of $815m plus $250m ordinary equity in Heartland issued to Toi Foundation, less the aggregate consideration of $620m to Toi Foundation.

1 As at 31 December 2025 for Heartland (unaudited) and TSB (unaudited).
2 Excludes transaction costs.

Heartland Group pro forma NPAT

The proposed transaction is expected to materially enhance the earnings and ROE of Heartland Group.

Pro forma LTM NPAT (historical basis)[1]



	Heartland Group standalone NPAT	TSB standalone NPAT	Pro forma NPAT (pre-capital structure changes)	Tier 2 and vendor loan cost	Tax adjustment	Pro forma NPAT (pre-synergies)	Cost synergies (steady state)	Tax adjustment	Pro forma NPAT (post-synergies)
NIM[3]	~3.9%	~2.2%	~3.0%			~2.9%			~2.9%
CTI ratio	~56%	~67%	~60%			~63%			~54%
Impairment ratio[3]	~0.5%	~0.0%	~0.2%			~0.2%			~0.2%
EPS	8.9 cps	*n.a.*	*n.a.*			10.5 cps			12.6 cps
ROE[3]	~6.7%	~6.5%	~6.6%			~7.2%			~8.6%
EPS accretion[4]						~18%			~42%
ROE accretion[4]						~7%			~29%

Commentary

- Uplift in pro forma NPAT is expected to drive material normalised EPS accretion and enhance ROE.
- Uplift is expected to support a higher dividend payment and DPS accretion.
- Returns are enhanced through the vendor loan component provided by Toi Foundation.
- Normalised CTI ratio is expected to improve on Heartland's standalone LTM CTI ratio, underpinned by synergy realisation.

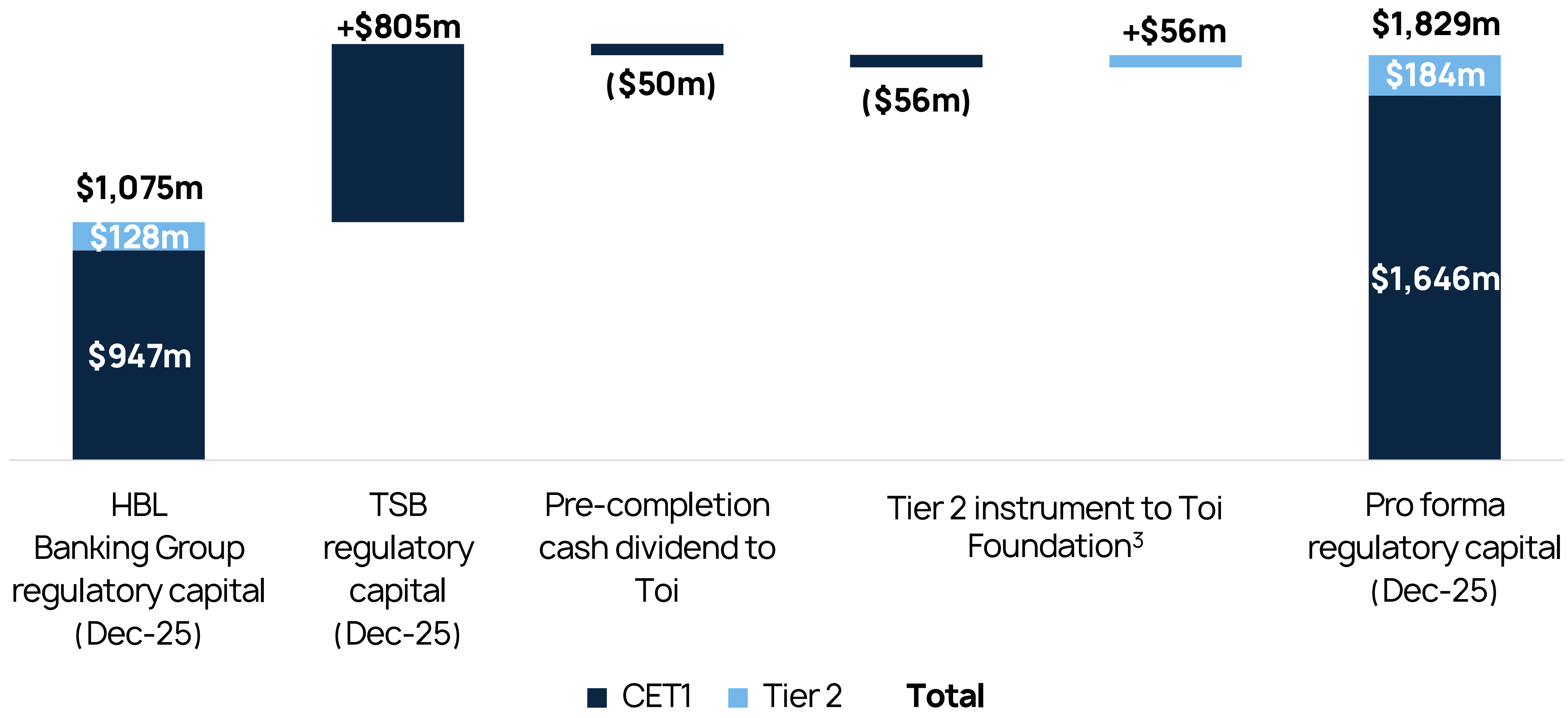
Disclosure previously provided via NZX/ASX announcement dated 2 June 2026

1 LTM as at 31 December 2025 for Heartland and TSB.
2 Base rates based on average 1m BKBM bid for 2025.
3 Average balances used in ratio calculations are based on period-end balances as at 31 December 2024 and 31 December 2025.
4 Percentage change relative to Heartland Group standalone.

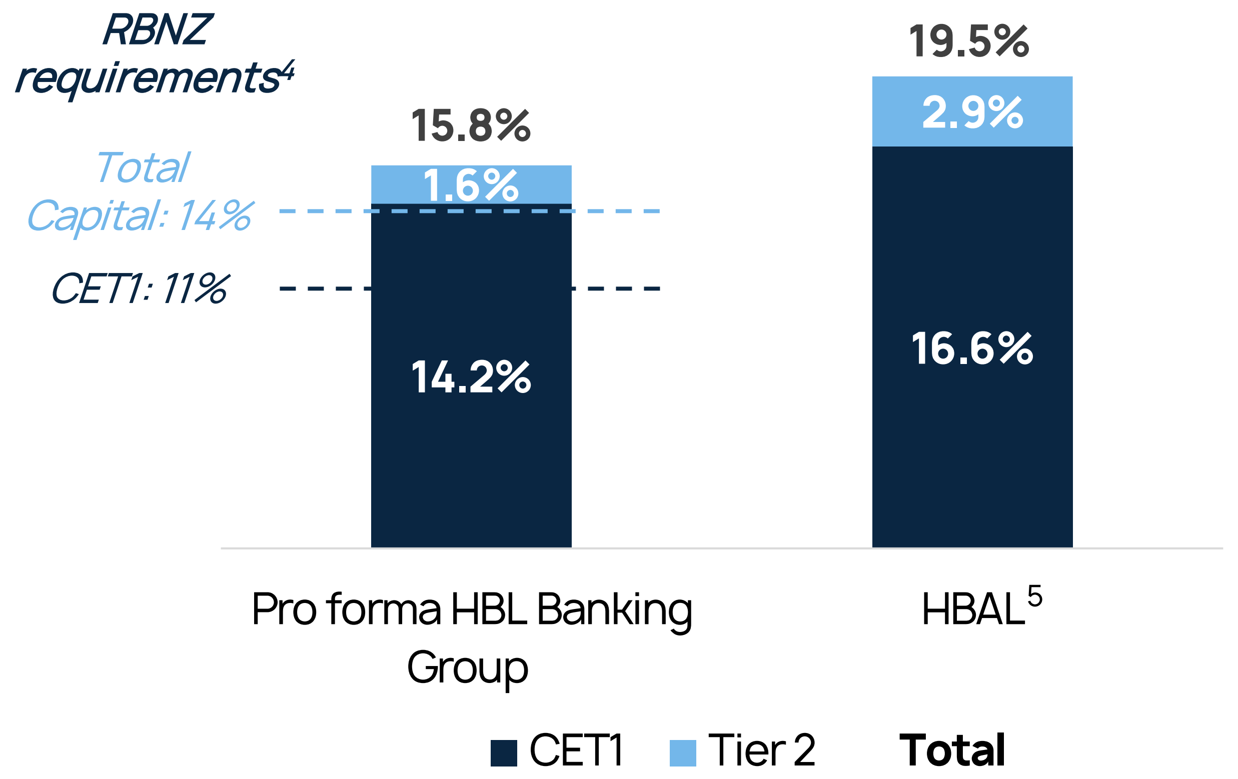
Pro forma capital impact

Heartland will remain well capitalised post-transaction, with TSB Heartland Bank and Heartland Bank Australia each maintaining strong regulatory capital positions. No ordinary equity share capital issuances by Heartland are expected to be needed to meet future capital requirements.

HBL Banking Group regulatory capital movement[1,2]



Capital ratio[1,2]



The $264m vendor loan is repayable by Heartland at any time over its two-year loan term, providing TSB Heartland Bank with flexibility to optimise capital levels post-merger.

1 As at 31 December 2025 for Heartland and TSB, assuming no pre-completion dividend above $50m.
2 HBL Banking Group includes all of Heartland Bank's subsidiaries, including Heartland Bank Australia and Marac Insurance Limited.
3 As the $56m Tier 2 instrument is issued by Heartland Bank (rather than by Heartland as purchaser), a corresponding liability arises from Heartland to Heartland Bank. Heartland Bank intends to declare a $56m dividend, reducing CET1 by $56m, which will be set off against that Heartland liability.
4 Based on RBNZ's final decisions on key capital settings for deposit takers (see next page for further detail).
5 HBAL includes Heartland Bank Australia and its subsidiaries.

Pro forma capital impact

Recent RBNZ decisions on key capital settings position TSB Heartland Bank well for future growth.

- The RBNZ's final decisions on key capital settings for deposit takers include the following key features set to benefit TSB Heartland Bank:
  - a reduction in Tier 1 (to 11% from 14%) and total capital (to 14% from 16%) ratio requirements[1];
  - removal of Additional Tier 1 capital instruments, while allowing a higher mix of Tier 2 capital (to 3% from 2%)[1]; and
  - more granular and reduced standardised risk weights, particularly in the productive sectors of the economy TSB Heartland Bank will focus on – including rural loans and residential mortgages. The RBNZ has confirmed that banks may apply any of the new standardised credit risk weights from 1 October 2026. The first annual step change in capital ratios is also taking place on 1 October 2026.
- The RBNZ is expected to review reverse mortgage risk weights in the second half of calendar year 2026, and Heartland Bank intends to participate in this review.[4]
- Effective 1 March 2026, the RBNZ reduced Heartland Bank's transitional capital overlay (imposed after the acquisition of what is now Heartland Bank Australia) by 1.5%, from 2.0% to 0.5%.

On a pro forma basis[2], having regard to the impact of the recent RBNZ decision on key capital settings[3], TSB Heartland Bank is expected to hold approximately $289m of regulatory capital in excess of expected regulatory requirements.[5]

1 Relative to the 2028 settings under the 2019 RBNZ review of New Zealand's capital adequacy.
2 As at 31 December 2025 for Heartland Bank and TSB, adjusted for the transaction consideration structure.
3 Assuming a target implementation date of 1 October 2026.
4 The exact timing of the RBNZ's review of reverse mortgage risk weights has not yet been confirmed.
5 In relation to New Zealand Banking Group and including ordinary internal buffers.

HEARTLAND
GROUP

04
Process and timing

Summary of MIA

The proposed transaction will be effected in accordance with the MIA, a summary of which is set out on the following pages.

Implementation	• A Steering Committee (comprised of three members nominated by Heartland and three by Toi Foundation) has oversight of the implementation process and will keep the parties informed of material developments.
	• On completion of the proposed transaction:
	  • Heartland will acquire all of the TSB Shares from Toi Foundation (**Step 1 Completion**). Step 1 Completion will occur after the parties determine that the merged bank will be able to operate in accordance with its conditions of registration and all relevant prudential standards.
	  • Immediately following Step 1 Completion, Heartland Bank and TSB will be amalgamated by way of short-form amalgamation.
	• The parties have agreed an Implementation Plan which provides for the steps and actions to be undertaken by the parties to give effect to the merger.

Consideration	• As set out on page 13.
Interim period	• Both banks are subject to certain customary interim period covenants in the interim period between signing of the MIA and Step 1 Completion, including to operate in the ordinary course consistent with past practice. Heartland also has certain rights of reasonable access to certain TSB executives for the purpose of planning the merger.
Termination events	• Either party may terminate if any condition is incapable of being satisfied, or is not satisfied or waived, by 5.00pm NZDT on the agreed sunset date (being 1 March 2027) • If a party materially defaults in performing its completion obligations for remediable defaults, the non-defaulting party may terminate after 5 business days notice if unremedied (except if the default relates to certain legal documents required to effect the amalgamation, in which case the non-defaulting party may terminate after 20 business days' notice if unremedied). For non-remediable defaults, the non-defaulting party may immediately sue for specific performance or cancel the MIA, with documents and consideration to be returned.

Summary of MIA: Conditions

Completion of the proposed transaction is subject to the satisfaction of conditions set out in the MIA and summarised here.

Initial conditions	• Completion of confirmatory due diligence by Heartland and Toi Foundation. • Execution of Warranty and Indemnity deed. • W&I insurance obtained by both parties.
Rating condition	• Fitch Ratings reaffirming that TSB Heartland Bank will have a Long-Term Issuer Default Rating of at least BBB with outlook "Stable".
Regulatory and approval conditions	• All necessary New Zealand or Australian regulatory approvals obtained by the parties as may be required, including RBNZ, FMA, APRA, and any other New Zealand government agencies. • The trustees of the Toi Foundation completing a community consultation process with Taranaki residents[1] in respect of the proposed transaction and the trustees approving the sale of the TSB Shares. • Heartland shareholders providing all necessary approvals for the proposed transaction and the appointment of the person nominated by Toi Foundation as a director of Heartland.
Material adverse change	• No Heartland or TSB material adverse change occurring, or coming to the attention of the parties, between signing and Step 1 Completion. • A material adverse change for each bank, respectively, means any event which has had, or is reasonably likely to have, a material adverse effect on the business, operations, assets, financial condition or results of the relevant bank[2], or the ability of the relevant bank to carry on its business, or has resulted in a reduction in the relevant bank's NPAT compared to the twelve months ended 30 April 2026 or net assets compared to net assets as at 30 April 2026 above specified levels (for Heartland, on a consolidated basis). • Carve-outs apply for general market, economic or political conditions or changes in applicable laws or accounting rules, except to the extent that they disproportionately impact the relevant bank.

1 Residents are defined as any people residing in the Taranaki region.
2 In the case of Heartland, the relevant bank will be Heartland Bank and Heartland Bank Australia assessed as a whole.

Status of MIA conditions

Completion is targeted for December 2026, subject to satisfaction or waiver (where applicable) of all remaining conditions.

Condition	Status	Commentary
Initial conditions	*Satisfied*	• Confirmatory due diligence has been completed by both Heartland and Toi Foundation. The W&I deed has been executed and W&I insurance has been obtained by both parties.
Rating condition	*In progress*	• Heartland has engaged Fitch Ratings. The point-in-time assessment is expected to be provided immediately following completion.
Regulatory and approval conditions	*In progress*	• The RBNZ application has been submitted. Toi Foundation's community consultation with Taranaki residents has been completed and the trustees have approved the sale of the TSB Shares. Heartland shareholder approval will be sought at its special shareholder meeting on 30 September 2026. See the notice of meeting which accompanies this presentation for more information on the Heartland shareholder approval process.
Material adverse change	*No change*	• No material adverse change has occurred or come to the attention of either party as at the date of this presentation.

Indicative timetable

The proposed transaction remains subject to Heartland shareholder and regulatory approvals. Heartland's shareholder meeting to vote on the Proposed Transaction will be held on 30 September 2026.

Key event	Indicative timing
Confirmatory due diligence completed and conditions satisfied	Completed
Warranties and indemnities insurance obtained	Completed
TSB FY2026 financial results	Completed
Toi Foundation community consultation period with Taranaki residents[1]	Completed
Heartland FY2026 financial results	Completed
Toi Foundation trustee approval condition satisfied	Completed
RBNZ application submitted	Completed
Notice of Meeting dispatched to Heartland shareholders	Completed
Heartland shareholder meeting to vote on proposed transaction	30 September 2026
Targeted merger implementation date[2]	December 2026

1 Residents are defined as any people residing in the Taranaki region.
2 Prior to 1 December 2026, TSB is permitted to pay to Toi Foundation dividends of an equivalent amount to those declared or paid by Heartland in the same period, based on the relative values of TSB and Heartland and, if the merger implementation date is delayed beyond the 1 December 2026 target, TSB is permitted to pay to Toi Foundation a dividend of up to $2.4m per full calendar month (pro-rated for any partial month) from 1 December 2026 to completion, in each case funded solely from TSB's NPAT generated during the relevant period.

Risks

As with any acquisition, there are risks associated with the proposed transaction. The key risks as at the date of this presentation are described below. These risks do not include all risks applicable to Heartland or the merged bank as a registered bank.

Completion risks	• There is a risk that the proposed transaction does not proceed. This may be due to the conditions not being satisfied by the requisite date or being unable to be satisfied, including if any of the regulatory or shareholder approvals are not obtained or if regulatory approvals are on terms and conditions which are unacceptable to either party. Heartland has incurred costs and expended resource in progressing the transaction and if the transaction does not proceed for any reason, including in relation to the completion of the conditions and obtaining the necessary approvals, these costs will not be recouped.
Forecast risks	• The information in this presentation includes forecasts for TSB Heartland Bank and statements about the expected benefits and financial position of the merged bank, including expected synergies. Although Heartland believes the forecasts in this presentation are well founded, there is a risk that, as with any forecast, the actual outcome is different to that expected. The actual position may be worse than expected, including if provisions are required which are greater than assumed to be necessary, the synergies are not achieved in full or take longer to realise than is anticipated, or if Heartland's assumptions about the market and economic conditions and the customer profile of the merged bank are incorrect. Work remains ongoing in relation to technology integration strategy, the economics of which are yet to be determined, and therefore may cause forecasts to differ from those presented.
Information risk	• In progressing the transaction, including in the preparation of this presentation, Heartland has relied on information provided by or on behalf of TSB. While Heartland has completed its confirmatory due diligence on TSB and did not in the course of that become aware of any new information material to the proposed transaction, there remains a risk that after completion Heartland discovers that information provided by or on behalf of TSB is incorrect, incomplete or misleading. However, Heartland emphasises that it has no reason to believe TSB has not provided complete and accurate disclosures to Heartland and therefore believes the likelihood of this risk materialising is low.

Risks

As with any acquisition, there are risks associated with the proposed transaction. The key risks as at the date of this presentation are described below. These risks do not include all risks applicable to Heartland or the merged bank as a registered bank.

Integration risks	• There may be challenges in integrating the operations, systems, processes and personnel of Heartland Bank and TSB, considering each bank's established brand identity and operating history. Integration may take longer or be more costly than anticipated, which could delay synergy realisation. However, Heartland has a strong M&A and integration track record, including the recent acquisition and operational integration of what is now Heartland Bank Australia, and intends to manage integration through a structured integration plan, run via an integration management office, and overseen by the TSB Heartland Bank board.
Key personnel risks	• Due to the nature of the banking industry, Heartland considers certain employees of both Heartland Bank and TSB to be important for the ongoing success of TSB Heartland Bank. If key personnel were to leave ahead of or following the merger, significant time and cost may be spent to replace those personnel and may impact the merged bank's ability to achieve its business objectives, including the anticipated synergies. Heartland is managing this risk through engagement with key personnel and careful integration planning.
Regulatory risks	• TSB Heartland Bank will be subject to extensive regulatory requirements and supervision, including by the RBNZ, FMA and other government bodies. Changes in applicable laws, regulations or regulatory policy (including prudential standards, capital requirements and risk weight settings) could adversely affect the merged bank's operations, financial condition or compliance costs. This risk may be heightened due to the greater scale of the merged bank (though noting that this may also, conversely, be a mitigating factor, depending on the particular regulatory impact). While Heartland monitors regulatory developments closely, the timing and impact of future regulatory changes cannot be predicted with certainty.
Macroeconomic risks	• There may be broader macroeconomic events which have an adverse effect on Heartland or TSB, and if those events have a disproportionate effect on Heartland or TSB compared to other New Zealand or Australian registered banks the Material Adverse Change (**MAC**) condition to the proposed transaction may be triggered (see page 24 for more information on this condition), resulting in the transaction not proceeding. Events that could give rise to a MAC include (but are not limited to) macroeconomic factors (such as severe economic downturn or geopolitical instability) that cause deterioration in assets or earnings. Macroeconomic factors may impact on or exacerbate other risks, including any challenges in integrating Heartland Bank and TSB and the expected benefits and forecast performance of the merged bank.

What happens if the merger does not proceed?

The impacts of a scenario where the merger does not proceed are outlined below.

- If Heartland shareholders do not approve the merger, the shareholder approval condition will not be satisfied and the MIA will be terminable by either party. The merger would not proceed.
- In these circumstances, Heartland would continue to operate as it does today (under its existing regulatory licenses and conditions), with Heartland Bank and Heartland Bank Australia continuing under their respective existing strategies and operating models, which includes the pursuit of value accretive acquisition opportunities.
- Heartland would not realise the expected benefits of the merger, including the ~$34m p.a. pre-tax cost synergies, the enhanced scale and diversification of the merged bank or the expected EPS accretion in excess of 20% or the enhanced DPS profile.
- Heartland has incurred, and will continue to incur, significant costs in connection with the proposed transaction (estimated at approximately $15m), including advisory, legal and regulatory costs. These costs are unlikely to be recouped if the proposed transaction does not proceed.
- There are no break fees payable by either party under the MIA if the proposed transaction does not proceed.

HEARTLAND GROUP

Appendix 01
Overview of Heartland Bank and TSB

Overview of Heartland Bank

HEARTLAND BANK

Heartland Bank is the 9th largest New Zealand bank by total assets with core product portfolios including Motor Finance, Reverse Mortgages, Rural and Business Finance.

Business overview

- Heartland Bank offers specialist products with over 150 years of banking and finance experience with regional roots dating back to Ashburton in 1875.[1]
- Heartland Bank NZ's lending portfolio[2,3,4] includes core products[5]:
  - **Motor Finance** (~$1.7b / ~37% of total lending)
    Loans secured against motor vehicles or wholesale floorplan lending.
  - **Reverse Mortgages** (~$1.3b / ~30% of total lending)
    Equity release lending for older homeowners secured against residential property.
  - **Rural** (~$0.6b / ~14% of total lending)
    Lending to farming businesses including livestock finance and farm financing.
  - **Business Finance** (~$0.8b / ~16% of total lending)
    Equipment and machinery finance provided to SME borrowers.
- In 2024, Heartland Bank became the first New Zealand registered bank to acquire an Australian ADI.

Snapshot of Heartland Bank

$5.6b *Total assets*[2,3]

$1.2b *Book equity*[2,3]

$53m *LTM NPAT*[2,3]

160k *Customers*[3, 5]

BBB *Credit rating*[6]

CANSTAR

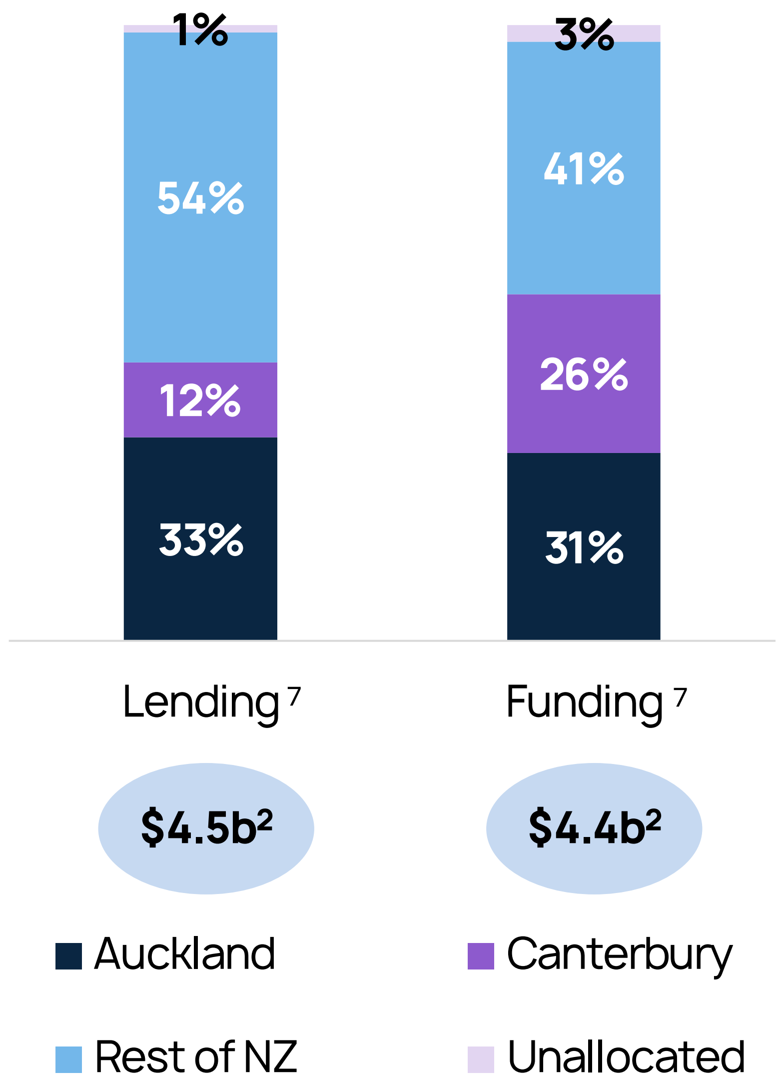
Bank of the Year

Savings	*2018 – 2025*

Outstanding Value

Direct Call Account	*2018 – 2025*
32 Day Notice Saver	*2022 – 2025*
90 Day Notice Saver	*2023 – 2025*
Digital Saver	*2025*

Geographic mix



1 See page 34 for a detailed history of Heartland.
2 As at 31 December 2025. Receivables includes NSAs.
3 For New Zealand Banking Group, excluding Heartland Bank Australia.
4 In addition to its core products, Heartland Bank's lending portfolio also includes Home Loans (~$0.1b / ~2% of total lending) and Unsecured Lending (~$0.05b / ~1% of total lending) which are winding down.
5 As at 30 June 2025.
6 Fitch credit rating.
7 As at 31 March 2025. Funding split is based on deposit mix.

Disclosure previously provided via NZX/ASX announcement dated 2 June 2026

Overview of TSB

TSB is the 7th largest New Zealand bank by total assets with core product portfolios including Home Loans, Commercial Property and Personal.

Business overview

- TSB offers a range of personal and business banking services nationwide with a significant presence in the Taranaki region.[1]
- TSB's lending portfolio[2] includes core products[3]:
  - **Home Loans** (~$6.5b / ~84% of total lending)
    Combination of owner-occupied housing and lending for the purpose of investment in residential property.
  - **Commercial Property** (~$1.1b / ~14% of total lending)
    Business loans and commercial property lending secured by residential or commercial properties.
  - **Personal** (~$0.1b / ~1% of total lending)
    Other retail lending and credit card balances.
- TSB has a low-cost funding base through transactional and savings accounts, in addition to everyday banking.

Snapshot of TSB

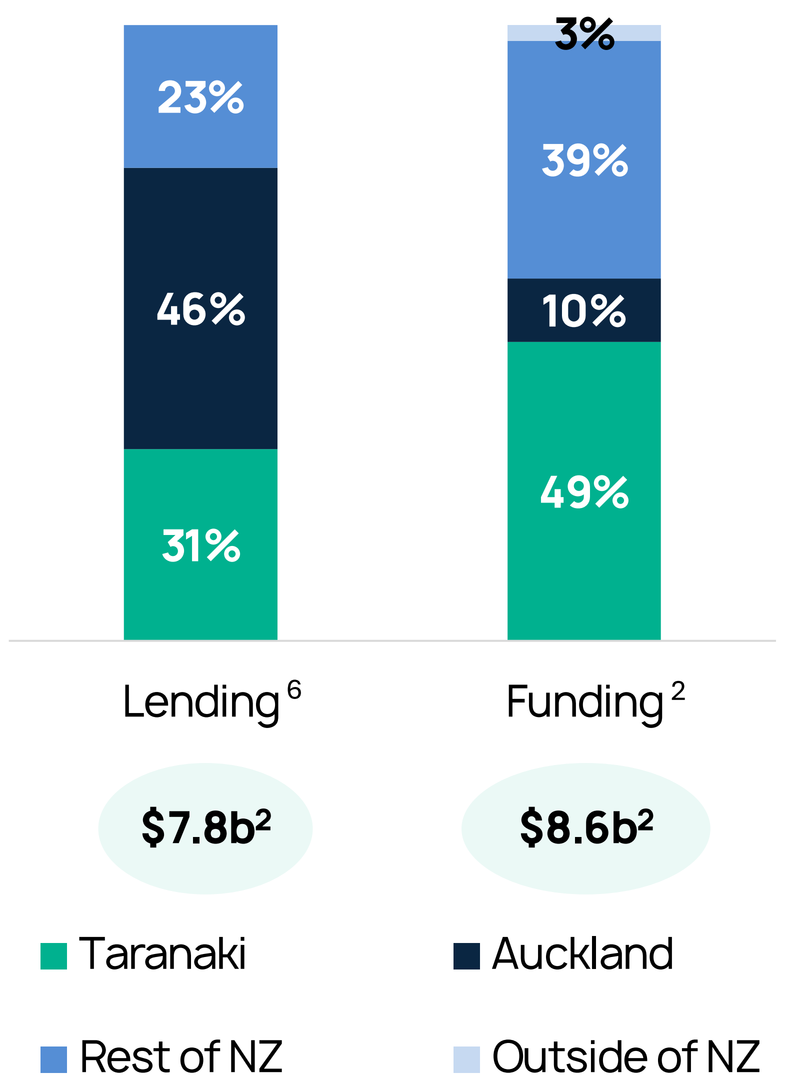
$9.5b *Total assets[2]*	**$815m** *Book equity[2]*	**$51m** *LTM NPAT[2]*
160k *Customers[2]*	**BBB+** *Credit rating[4]*	**12** *Branches[5]*

CANSTAR

Bank of the Year

Everyday Banking	*2023 – 2024*
Credit Cards	*2023 – 2025*
Home Loans	*2025*

Geographic mix



1 See page 34 for a detailed history of TSB.
2 As at 31 December 2025.
3 In addition to its core products, TSB's lending portfolio also includes Rural (~$0.1bn / ~2% of total lending).
4 Fitch credit rating.
5 In addition to 5 Banking Hubs that TSB customers can access.
6 Geographic split of lending at 31 March 2024.

Disclosure previously provided via NZX/ASX announcement dated 2 June 2026

Overview of Toi Foundation

TOI FOUNDATION

Toi Foundation is the 100% owner of TSB and the last community trust to own a registered bank in New Zealand.

Toi Foundation overview

- Toi Foundation is a perpetual philanthropic community trust focused on building a thriving, inclusive and equitable Taranaki for current and future generations.
- It has owned TSB since 1988, with its investment portfolio including 100% of TSB and 66% of Fisher Funds.
- Toi Foundation has invested significantly in its own capability in recent years, in terms of strategic philanthropy and investment management. Toi Foundation trustees have a plan to move towards a diversified investment portfolio, including fixed income investments.
  - Toi Foundation recognises that alternate, more cash generative assets could facilitate improved distributions into the community compared with more capital-intensive investments such as its current holding of 100% of the ordinary equity in TSB.
  - Toi Foundation also sees significant opportunity for earnings and ROE growth for TSB through merging with Heartland Bank, including benefits from greater scale and a more diversified product offering of the merged bank.

Values

Collaborative	Focused	Integrity	Innovative
Together we are stronger. Relationships are authentic, enduring and based on trust	*Targeted philanthropic efforts on areas of greatest need. Deliberate in our actions*	*Open and trustworthy. Value differences and knowledge within the community*	*Pursue the new. Grow from success and learn from failure*

“*Toi Foundation trustees are responsible for the prudent investment of the Foundation's assets consistent with the purposes of the Foundation.* ***We believe this proposal creates a win-win where we can further strengthen the bank, retain a strong presence in Taranaki, and grow the Foundation's investment returns*** *through both a stronger, combined, performing bank investment and some investment portfolio diversification.*”

Chris Ussher (Toi Foundation Chair)

History of Heartland

HEARTLAND GROUP

Heartland's origins date back to the establishment of the Ashburton Permanent Building & Investment Society in 1875. In 2011, in the wake of the Global Financial Crisis, Heartland Bank emerged with a clear ambition to be a bank that could thrive by doing things differently.

- **1875** – Ashburton Permanent Building & Investment Society established, later merged with SMC Building Society and Loan & Building Society to become CBS Canterbury
- **1923** – Southern Cross opened in Auckland offering North Island customers investments, savings, loans and day to day accounts
- **1957** – MARAC Finance established to support the growth of small to medium sized businesses
- **2004** – Australian Seniors Finance and Sentinel established
- **2011** – Southern Cross, CBS Canterbury and MARAC merged to create Heartland Building Society. Heartland listed on the NZX. Heartland later acquires PGG Wrightson Finance
- **2012** – Heartland granted its bank registration by the Reserve Bank of New Zealand
- **2013** – Heartland Building Society converted from a building society to a company and became Heartland Bank Limited
- **2014** – Australian Seniors Finance and Sentinel reverse mortgage businesses acquired
- **2015** – Heartland Bank Ltd amalgamated with its parent company, Heartland New Zealand Ltd
- **2018** – Corporate restructure completed. Heartland Bank Ltd became a wholly-owned subsidiary of new parent company, Heartland Group Holdings Ltd, which listed on the NZX and ASX
- **2022** – StockCo Australia acquired
- **2024** – Challenger Bank Limited acquired and subsequently rebranded to Heartland Bank Australia
- **2025** – Heartland completes the operational integration of its Australian businesses into Heartland Bank Australia, an APRA regulated ADI

History of TSB

TSB

Founded in 1850 to serve the people of Taranaki, today TSB enjoys nationwide trust and high brand recognition.

1850 – 1970	1970 – 1981	1981 – 1996	1996 – 2016	2016 – 2019	2019 – Present
Regional Focus • Established in 1850 as New Plymouth's independent, self-reliant bank • First New Plymouth branch opened in 1860, growing throughout Taranaki region • Renamed Taranaki Savings Bank (1964)	**Industry Pioneers** • First New Zealand bank to offer free interest-bearing cheque accounts (1975) • Technology leadership as the first New Zealand bank to use bank-wide real-time computer processing (1976) and develop/install ATMs (1981)	**Independence Confirmed** • Remained independent when 10 of 12 New Zealand banks merged during 1985 deregulation • TSB Community Trust established in 1988, renamed TSB Bank (1989)	**National Expansion** • Expanded beyond Taranaki with TSB Bank Direct (1996) and Loan Direct (1999) • Established home loan centres in Christchurch (2001) and Auckland (2002) • Opened branches across New Zealand including Wellington, Auckland and other regional cities	**Re-branding & customer recognition** • TSB Bank re-branded to TSB in 2017, leveraging two decades of national expansion • Achieved widespread recognition for superior service levels and customer satisfaction	**Transformational change** • Investing in transformational change, including technology, branch rationalisation and product offering • Roadmap to become New Zealand's digital bank of choice, whilst maintaining award winning customer care

Enhanced value proposition for customers and stakeholders

Two complementary banks, grounded in a focus on regional New Zealand, combined to create a New Zealand challenger bank of scale.

	Heartland Bank	TSB	TSB Heartland Bank
Legacy	A New Zealand bank with a rich Kiwi heritage dating back to Ashburton in 1875, focused on providing specialist banking products	Regional community roots since 1850, delivering award-winning banking solutions with exceptional customer service	**Significant New Zealand challenger bank of scale, providing New Zealanders with greater choice and supporting a productive economy**
Customers	c. 160k customers[1]	c. 160k customers[2]	**c. 320k customers[3]**
Distribution	Digital channels, call centre, relationship managers, third party brokers / advisors, dealerships (franchise & non-franchise), branded vendor financing, stock agents and meat processors	12 branches, 5 banking hubs, digital channels, contact centre, business, commercial and property finance managers, home lenders, third party mortgage advisors and ATM network	**Digital distribution strategy complemented by physical network across New Zealand with specialist product distribution capabilities**
Products[4]	Motor Finance, Reverse Mortgages, Rural, Business Finance, savings and deposits	Home Loans, Commercial Property, and Personal Lending, savings, deposits and everyday banking solutions	**Full-service capable bank with specialist products and a broad funding mix**

1 As at 30 June 2025 for Heartland Bank.
2 As at 31 December 2025 for TSB.
3 Pro forma without adjusting for any potential common customers.
4 Includes core product portfolios.

HEARTLAND GROUP

Appendix 02 Glossary and disclaimers

Glossary

ADI	Authorised deposit-taking institution	**NIM**	Net interest margin
APRA	Australian Prudential Regulation Authority	**NPAT**	Net profit after tax
AU Bank, AU banking, Heartland Bank Australia, HBAL	Heartland Bank Australia Limited	**NSAs**	Non-strategic assets
bps	Basis points	**On call**	Deposits repayable on demand (short-term) by the depositor
BV, Book value	Book value of equity (net assets)	**Receivables**	Gross Finance Receivables (includes Reverse Mortgages)
CET1	Common Equity Tier 1	**RBNZ**	Reserve Bank of New Zealand
CTI ratio	Cost-to-income ratio	**ROE**	Return on equity
DPS	Dividends per share	**RWA**	Risk-weighted assets
EPS	Earnings per share	**SME**	Small-to-medium enterprise
FMA	Financial Markets Authority	**Swap rate**	Fixed rate exchanged for floating interest rate
FY	Financial year	**Tier 1 capital**	CET1 and some other equity-like items
HBL Banking Group	HBL Banking Group includes all of the NZ bank's subsidiaries, including the AU bank and Marac Insurance	**Tier 2 capital**	Long-term subordinated debt
Heartland, HGH	Heartland Group Holdings Limited or the **Company**	**Total capital, regulatory capital**	Tier 1 and Tier 2 capital
Heartland Bank, HBL, NZ Bank, NZ Banking, Heartland Bank NZ	Heartland Bank Limited	**Total capital ratio**	Total capital divided by risk-weighted assets
Heartland Group	Heartland Group Holdings Limited and its subsidiaries (including after acquiring all of TSB Bank Limited's shares on issue)	**Toi Foundation**	Toi Foundation and Toi Foundation Holdings Limited
LTM	Last twelve months	**TSB**	TSB Bank Limited
New Zealand Banking Group, NZ Banking Group, NZBG	The New Zealand Banking Group consists of the NZ Bank and its NZ subsidiaries, excluding Marac Insurance	**TSB Heartland Bank**	Heartland Bank Limited together with TSB Bank Limited

Important notice and disclaimer and non-GAAP measures

Information

- The presentation (the **Presentation**) contains summary information about Heartland (NZX/ASX: HGH), TSB, Toi Foundation, and the proposal to merge Heartland Bank with TSB following the acquisition of all of TSB's shares by Heartland from Toi Foundation.
- This Presentation should be read in conjunction with Heartland's financial statements for the year ended 30 June 2025 and the interim financial statements for the six months ended 31 December 2025, TSB's disclosure statement for the six months ended 30 September 2025, Heartland Bank's disclosure statement for the six months ended 31 December 2025, TSB's disclosure statement for the year ended 31 March 2026, Heartland's financial statements for the year ended 30 June 2026 and other announcements released to NZX and ASX (which are available at www.nzx.com and www.asx.com.au under the ticker code "HGH").
- The information in the Presentation has been prepared with due care and attention, but its accuracy, correctness and completeness cannot be guaranteed. To the maximum extent permitted by law, no person (including Heartland, Toi Foundation, Heartland Bank, TSB, any member of Heartland Group and their respective directors, shareholders and employees) will be liable to any other person for any loss arising in connection with this Presentation.

Not advice

- The information in this Presentation is of a general nature and does not constitute legal, financial, tax, accounting, financial product or investment advice or any recommendation
- Investors should assess their own individual financial circumstances and consult with their own legal, tax, business and/or financial advisers before making any investment decision.

Non-GAAP measures

- This presentation contains references to non-GAAP measures including normalised CTI ratio, EPS and ROE.
- These non-GAAP figures are provided as a supplementary measure for readers to assess Heartland's performance alongside NZ GAAP reported measures, where one-offs, both positive and negative, can make it difficult to compare profits between years. However, these non-GAAP measures do not have standardised meanings prescribed by GAAP and should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ GAAP. Non-GAAP financial information has not been subject to review by PricewaterhouseCoopers, Heartland's external auditor.
- Some figures in this presentation may be rounded, and so actual calculations may differ from the figures presented.

Important notice and disclaimer and non-GAAP measures

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 Heartland, TSB, Toi Foundation or Heartland Group.

Forward-looking statements

- This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of Heartland Group.
- 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 Merger, Heartland Group's strategies and future plans, estimated synergies, and Heartland Group's future financial performance. Any indications of future earnings or financial position or performance and future distributions are also forward-looking statements.
- Those plans and projections reflect current expectations, but are inherently subject to risk and uncertainty, and may change at any time. 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 Heartland and Toi Foundation, which may cause the actual results or performance of Heartland Group 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), Heartland and Toi Foundation undertake 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, performance and synergies) are based upon the best judgement of Heartland and Toi Foundation 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 execution risk, regulatory requirements, market conditions and final integration design. There is no assurance that those plans will be implemented or that projections will be realised.

Important notice and disclaimer and non-GAAP measures

Basis of presentation

- This Presentation has been prepared on the basis that Heartland completes the Merger pursuant to the Merger Implementation Agreement dated 1 June 2026 (*MIA*).
- Unless otherwise stated, figures labelled "Heartland" or "HGH" are sourced from the consolidated financial statements of Heartland Group Holdings Limited, being the interim financial statements for the six months ended 31 December 2025, the annual financial statements for the year ended 30 June 2025, and presented on a last twelve months (LTM) basis where indicated. TSB figures are sourced from the RBNZ Bank Financial Strength Dashboard as at 31 December 2025 and TSB's disclosure statement for the six months ended 30 September 2025. Heartland Bank figures (where used) relate to Heartland Bank Limited and are sourced from Heartland Bank's disclosure statement for the six months ended 31 December 2025; these may differ from Heartland's consolidated figures due to differences in consolidation scope and accounting presentation.
- Pro forma financial information is presented for illustrative purposes only and is not intended to represent the actual financial position or performance of Heartland Group or any part of Heartland Group following completion. Pro forma adjustments reflect the assumed transaction structure, including a pre-completion dividend paid by TSB to Toi Foundation, issuance of shares by HGH to Toi Foundation, issuance of a Tier 2 instrument by HBL, and vendor loan, as described on page 13.
- Estimated synergies are management estimates prepared for transaction evaluation purposes and are forward-looking. See the above paragraph on forward-looking statements for more information about how these are used in this presentation. Cost synergies (~$34m p.a.) represent expected annual pre-tax run-rate benefits anticipated to be progressively realised over a three-year period post-completion, subject to execution risk, regulatory requirements, market conditions and final integration design. Synergy estimates have not been audited and may differ materially from actual outcomes.

General

- For the purposes of this disclaimer, "Presentation" means the slides, any oral presentation of the slides by Heartland, 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.
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Thank you

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HEARTLAND GROUP

calibre partners

Heartland Group Holdings Ltd

Independent Expert's Report

August 2026

Table of contents

1. Introduction

1.1 The Proposed Transaction

Heartland Group Holdings Limited (**HGH or Heartland**), the parent company of Heartland Bank Ltd (**HBL or Heartland Bank**), is considering the acquisition of TSB Bank Ltd (**TSB**) from Toi Foundation (**Toi**). Immediately following the acquisition, HBL and TSB would undertake a legal amalgamation to form a single New Zealand bank of significantly enhanced scale and diversification (the **Merged Bank**). Together, this two-step process is referred to as the **Proposed Transaction**.

The Merged Bank would be wholly owned by HGH.

The proposed consideration to Toi for the acquisition of TSB is $620 million.

If the Proposed Transaction proceeds, the consideration to Toi would be a combination of cash, debt instruments and shares in HGH, as follows:

Instrument	$ million	Description
Pre-completion cash dividend	50.0	Dividend paid by TSB to Toi immediately prior to completion of the Proposed Transaction.
Equity	250.0	200 million HGH shares issued to Toi at a fixed price of $1.25, resulting in Toi owning 17.5% of HGH.
Vendor financing	264.0	Vendor finance loan facility provided by Toi. 2-year term, margin over NZ 1-month BKBM. Repayable at any point within loan term with no break fee.
Tier 2 capital	56.0	Capital issued by HBL to Toi. 10-year term, callable after 5 years with an initial fixed margin over the NZ 5-year swap, and a floating margin thereafter.
Total	620.0	

Following the Proposed Transaction, Toi would become a 17.5% shareholder in HGH.

1.2 Transaction rationale

The rationale for the Proposed Transaction is both strategic and financial. The transaction would result in the creation of a New Zealand bank with significantly enhanced scale and diversification. Scale is fundamental to the banking model, as it enables the generation of returns in excess of operating and funding costs, supporting shareholder value creation.

HGH and TSB offer distinct yet complementary product suites and differ in their regional concentrations of depositors. Combining these capabilities would broaden the product offering and diversify the loan portfolio, mitigating concentration and systemic risks.

A larger and more diversified Merged Bank is expected to benefit from a lower cost of funding as the funding mix will be widened to include more non-interest-bearing deposits via transaction accounts. It may also achieve an improvement in HBL's (and the HGH Group's) credit rating, which would further reduce funding costs. Collectively, these factors are anticipated to enhance shareholder returns.

1.3 Heartland shareholder approval

The Proposed Transaction requires the approval of HGH shareholders.

Relevant to this Report, there are two resolutions (the Resolutions) to be voted on:

Resolution 1: Merger of Heartland Bank and TSB

That the acquisition by Heartland of all of the shares in TSB and the subsequent amalgamation of Heartland Bank and TSB (with Heartland Bank being the amalgamated company) under the merger implementation agreement dated 1 June 2026 between Heartland, Toi Foundation and Toi Foundation Holdings Limited be approved, confirmed and ratified for all purposes, including section 129 of the Companies Act 1993 and NZX Listing Rule 5.1.1.

Resolution 2: Consideration shares

That the issue of 200,000,000 fully paid ordinary shares in Heartland to Toi Foundation at an issue price of NZ$1.25 per share on completion of, and as partial consideration for, the acquisition by Heartland of all of the shares in TSB be approved, confirmed and ratified for all purposes, including NZX Listing Rule 4.1.1.

Under the Agreement, completion is conditional on shareholder approval for both above resolutions. If one were voted down, the transaction would not proceed.

The Shareholder Meeting to consider the Proposed Transaction is proposed to be held on 30 September 2026.

The Board of HGH fully supports the Proposed Transaction and unanimously recommends that HGH shareholders vote in favour of the Resolutions.

Each Director of the Board of HGH has indicated that he or she will be voting the HGH shares that they control in favour of the Resolutions.

1.4 Scope of this Report

There is no specific requirement for an independent report on the Proposed Transaction under the Takeovers Code or the NZX Listing Rules. However, the NZX Listing Rules require that a notice of meeting include, or be accompanied by, sufficient information to enable a reasonable shareholder to understand the effect of each proposed resolution.

HGH has obtained this independent expert's report (**Report**) to assist shareholders in voting on the Proposed Transaction.

1.5 Key issues to be considered by shareholders

Key issues for shareholders to consider:

- We consider the proposed consideration for TSB is reasonable, considering TSB's scale and return on equity relative to listed peers.
- HGH would acquire TSB at a discount to book value. The discount reflects the lack of economies of scale characteristic of a small bank, rather than a concern with the quality of the underlying assets that would require an impairment.
- The Proposed Transaction creates a bank of substantially greater scale, with a larger capital base and a more diversified loan book.
- The Proposed Transaction is expected to yield significant cost synergies in the Merged Bank; however, synergies do carry risk in terms of timing, cost to extract and the final value that is realised on a continuing basis.
- The Proposed Transaction is expected to be meaningfully Earnings Per Share (**EPS**) and Dividend Per Share (**DPS**) accretive. Together with the expected higher Return on Equity (**ROE**) and growth opportunities from the enhanced ability to serve customers throughout their financial lifecycle across respective customer bases, this is supportive of a directional increase in the Price to Book Value (**P/BV**) multiple for HGH over time.
- HGH would acquire regulatory capital at a discount to its book value; it would effectively be acquiring capital more cheaply than it could generate organically or could raise externally.
- A larger, more diversified entity is likely to be less sensitive to systemic risks and provide greater financial stability to the HGH shareholders.
- The Proposed Transaction increases HGH's exposure to residential lending which is a competitive market with lower net interest margins than Heartland's other product lines. Residential lending would be the largest component of the loan portfolio in the merged group. Whilst Heartland has historically offered residential mortgages, it has not previously been able to achieve meaningful scale in this product line. The acquisition of TSB however provides immediate scale with $6.5 billion of residential mortgage loans as at 31 December 2025.
- As with all mergers, there are integration risks (especially technology transformation) associated with the merger of HBL and TSB.

In our opinion, the proposed consideration for TSB is reasonable. On balance we consider the positives of the Proposed Transaction outweigh the negatives for HGH shareholders.

The above should be read in conjunction with the whole of this Report.

Voting on the Proposed Transaction is a matter for individual shareholders based on their own views as to the value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

1.6 Other

The key sources of information we have relied upon are set out in Appendix 1.

This Report should be read in conjunction with the statements and declarations set out in Appendix 2 regarding our independence, qualifications, general disclaimer and indemnity, as well as restrictions on the use of this Report.

Unless specified otherwise:

- References to '$' and 'NZD' are to New Zealand Dollars.
- References to 'A$' and 'AUD' are to Australian Dollars.

All amounts are in NZD unless stated otherwise.

When referring to TSB, references to financial years or 'FY' mean TSB's financial years ended 31 March. References to interim period, half years or 'HY' mean TSB's interim reporting periods ended 30 September. References to 31 December 2025 mean TSB's data drawn from the Reserve Bank of New Zealand (**RBNZ**).

When referring to HGH or the Merged Bank, references to financial years or 'FY' mean financial years ended 30 June. References to interim period, half year or 'HY' mean HGH's interim reporting periods ended 31 December.

Tables may not add due to rounding.

2. Merits of the Proposed Transaction

We have considered the merits of the Proposed Transaction in the manner typically undertaken by an independent adviser preparing a report under the Takeovers Code.

The Takeovers Code requires an independent adviser to form an opinion on the merits of a proposed transaction and, in doing so, to consider matters broader than valuation alone.

The term 'merits' has no definition in either the Takeovers Code or in any statute dealing with securities or commercial law in New Zealand. Although the Takeovers Code does not prescribe a meaning of the term 'merits', the Takeovers Panel has interpreted the word to include both positives and negatives in respect of a transaction. Although we are not preparing this Report under the provisions of the Takeovers Code, we have adopted this approach in preparing this Report.

2.1 The consideration payable to Toi

We have carried out analysis to assess whether the proposed consideration to Toi for TSB, at $620 million, is reasonable. As part of the consideration, Toi will receive a pre-completion cash dividend of $50 million, with the remaining $570 million payable by HGH.

To assess whether this consideration is reasonable, we calculate the valuation multiples and other financial metrics implied by the proposed price. We benchmark these metrics against equivalent metrics for other comparable institutions.

The proposed consideration to Toi of $620 million implies a P/BV in the region of 0.76x. This is based on TSB's book value of equity as reported to the RBNZ as at 31 December 2025.

The implied P/BV multiple is comparable to the multiples observed for listed companies we consider most comparable to TSB with reference to or taking into account the ROE generated.

We consider a P/BV multiple of less than 1.0x is appropriate in the circumstances and is not unusual for sub-scale banks. This reflects the overhead burden in the business model rather than the quality of the underlying assets. In this scenario, the discount to book value reflects the lack of economies of scale rather than an impairment of the assets.

Our analysis is provided in more detail in Section 6 of this Report.

2.2 The rationale and strategic benefits of the Proposed Transaction

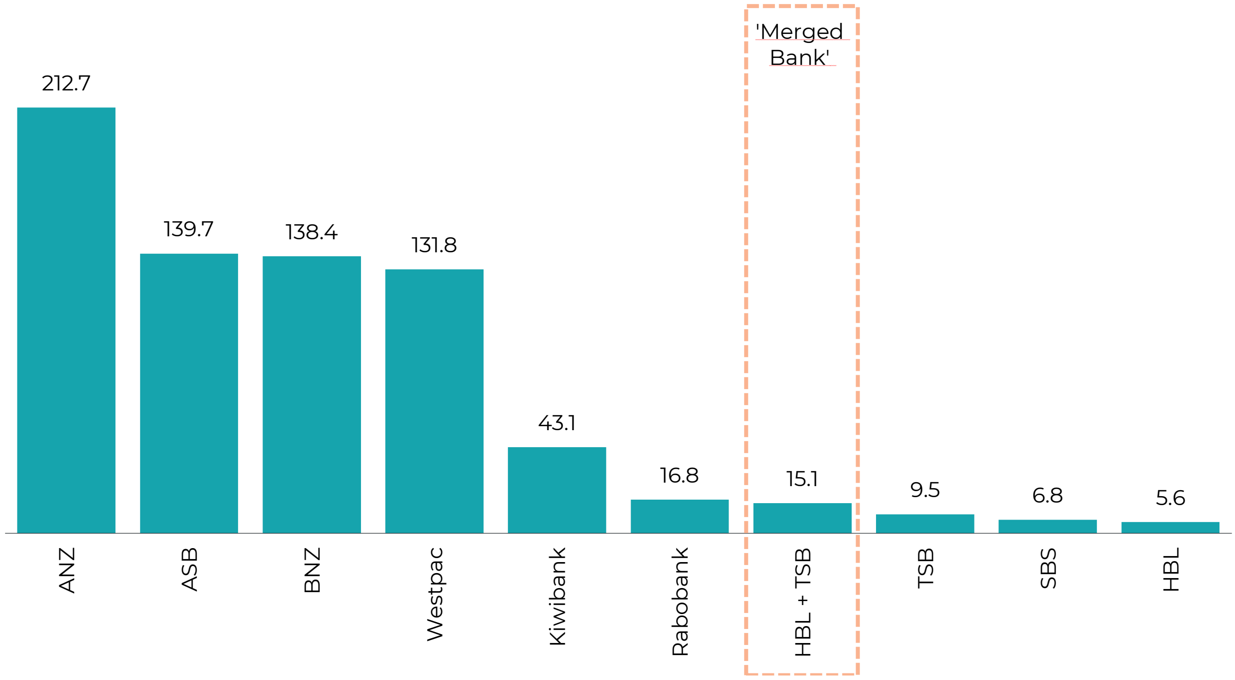
The Proposed Transaction is expected to deliver significant synergistic value. In this instance, synergistic value is broader than cost savings or growth opportunities from the enhanced ability to serve customers throughout their financial lifecycle across respective customer bases. It extends to extracting value from the benefits of economies of scale and diversification in a banking environment.

Scale benefits

Due to the inherent operating cost structure of banks, scale is critical to delivering operating leverage benefits. This is evident in larger banks typically reporting substantially lower Cost-To-Income (**CTI**) ratios.

The Proposed Transaction will create a merged bank of substantially greater scale. The total assets in New Zealand would almost triple, increasing from $5.6 billion for HBL on a stand-alone basis to $15.1 billion for the Merged Bank. The Merged Bank would be the seventh largest bank, by assets, in New Zealand. While the Merged Bank would be substantially larger than HBL, it would remain small relative to the major Australian owned banks.

Figure 1: Total assets as at 31 December 2025 ($ billions)

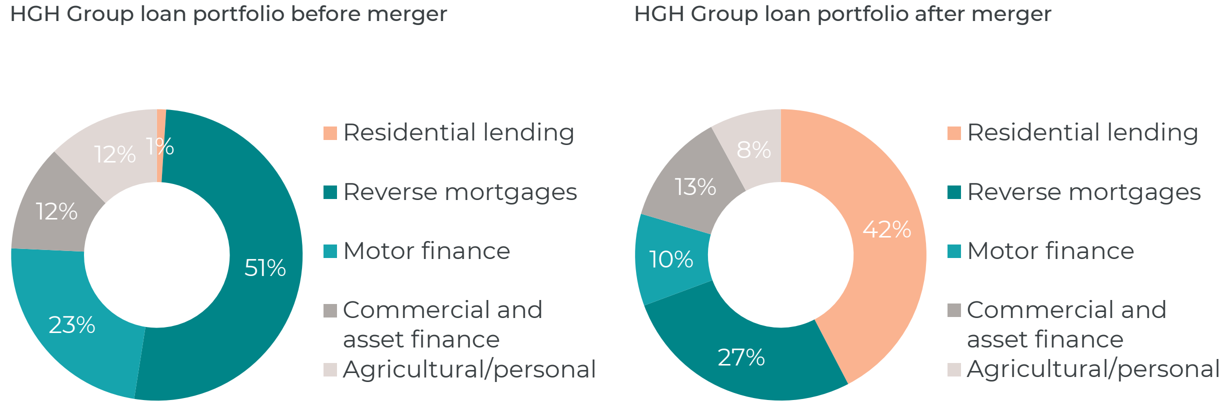


Source: Reserve Bank of New Zealand

Portfolio diversification

The Proposed Transaction will create a bank with a substantially more diversified loan book and an enhanced product offering for existing and prospective customers.

Figure 2: Portfolio diversification (shown for the HGH Group)



HGH has historically not succeeded in organically growing its residential mortgage loan portfolio in a meaningful way. Following the Proposed Transaction, HGH will have a more diverse loan portfolio with substantial exposure to residential mortgages.

HBL is currently the largest market participant in reverse mortgages in New Zealand, with a market share in excess of 90%. Following the merger, HGH's exposure to reverse mortgages is expected to decrease from about half the portfolio to around a quarter, reducing concentration risk associated with this product specifically, particularly in light of potential increased competition in New Zealand in the future (the Australian market is substantially more competitive which has resulted in lower margins compared to New Zealand).

Overall, HGH's loan portfolio will be more diversified and stable, while continuing to present attractive growth opportunities, supported by relatively low market shares in residential mortgages, motor finance and commercial lending.

The Merged Bank's (and HGH's) product offering will be more extensive, and this is expected to present opportunities to serve customers throughout their financial lifecycle. TSB customers can be offered motor vehicle loans, asset finance loans and reverse mortgages. Similarly, HBL customers can be offered residential mortgages and transaction accounts.

A larger, more diversified bank will be less susceptible to systemic risks and should provide greater financial stability.

The Proposed Transaction is expected to improve HBL's cost of funding.

HBL currently has a Fitch credit rating of BBB with a stable outlook, while TSB has a Fitch credit rating of BBB+ with a stable outlook. The merger of HBL and TSB will result in a significantly larger asset base, with scale improvement opportunities and a more diversified loan book. The strengthened asset quality and risk profile of the Merged Bank may result in an uplift in the assessed long-term credit rating, which could provide further opportunities to lower the cost of funding.

The funding mix of HBL will also be widened to include more non-interest-bearing deposits via transaction accounts.

Cost saving and revenue synergies

The Proposed Transaction is expected to deliver cost saving synergies. Ongoing cost synergies of approximately $34 million per annum have been assessed by an internal working group (supported by external advisers) to be progressively realised over a 3-year period post-completion. The largest component of the expected cost savings is through leadership and back-office staff cost savings.

Conservatively, cost savings from future technology synergies have not been factored into the analysis, as no final decision has been made on technology strategy as at the date of preparing this Report.

The transaction will also result in one-off transaction costs of $15 million. Estimated non-recurring integration costs of $34 million are expected to be incurred over a 3-year period post completion.

Revenue synergies are also expected to be material but have not been factored into this synergy analysis given inherent uncertainty and greater execution risk.

Access to regulatory capital at a discount

The discount to book value for the acquisition of TSB is due to a lack of economies of scale, rather than a discount due to hidden credit losses or asset impairments. As such, HGH will acquire regulatory capital at a discount – it would be acquiring capital more cheaply than it could generate capital organically or externally via an equity capital raise.

In a constrained regulatory environment, growing lending typically requires incremental capital. Acquiring capital at below book value lowers the cost of growth. It also provides a buffer to downside risk, as purchasing assets at a discount can provide a margin of safety.

Improved financial metrics

HGH shareholders will remain invested in a listed company, but one which will benefit from improved economies of scale and diversification benefits which will decrease risk and improve returns to shareholders.

Heartland would acquire TSB at a discount to its book value; however, the underlying assets are not impaired beyond the existing credit impairment provisions. Merging TSB with HBL to realise operating and funding efficiencies and removing duplicate overheads means that the acquired assets can quickly become value accretive.

The expected financial metrics, based on the pro-forma financial statements prepared for the Merged Bank, are included in Section 7 of this Report.

2.3 The potential impact of the Proposed Transaction on HGH's share price

Likely to have positive impact on HGH's share price

All else being equal, we consider the benefits of the Proposed Transaction are likely to be supportive of a higher share price. The financial metrics that underpin a bank valuation are expected to improve and we consider a higher P/BV multiple will likely result.

The new shares in HGH will be issued at $1.25 per share, which is a 14.6% premium to the 10-day volume weighted average share price on the NZX (being $1.09) immediately prior to the announcement of the Proposed Transaction. This is not expected to be value dilutive to existing shareholders.

May increase share liquidity

The Proposed Transaction is unlikely to reduce share liquidity and may increase share liquidity due to being a larger company with 21% more shares on issue. There is no lock up agreement for the HGH shares that will be issued to Toi, however Toi has indicated it plans to be a long-term supportive holder of HGH shares.

Toi would have influence but could not block resolutions on its own

The Proposed Transaction would result in Toi owning a large interest in HGH. In addition, HGH shareholders will be asked to approve the appointment of one Toi representative to the Heartland Board.

However, Toi would not be able to block ordinary or special resolutions. It is a proportional interest that another party could acquire on-market or off-market, without making a formal Takeover Offer or seeking HGH shareholder consent (given it does not pass the 20% threshold).

The next largest shareholder, after the Proposed Transaction, will be Tomlinson Group HGH Limited with a 7.3% shareholding.

2.4 The likely consequences of the Proposed Transaction being rejected

The alternative to the Proposed Transaction is that the status quo persists and HGH continues in its current form.

While HGH shareholders will remain invested in a listed bank, HGH will remain significantly concentrated to the reverse mortgage market segment. Competition within this segment is expected to increase as the product suite and market participants mature in the New Zealand and Australian markets, likely resulting in declines to net interest margins.

In the Australian market, new fintech and non-deposit-taking competitors have captured significant market share in the reverse mortgage segment. As a result, Heartland Bank Australia Limited's (**HBAL**) share of new originations has declined from around 90% five years ago to around 40% currently. The increased competition has been driven by the attractive Net Interest Margin (**NIM**) associated with reverse mortgages, relative to actual impairment levels.

Heartland Bank has a greater than 90% market share in the New Zealand reverse mortgage market. High NIM combined with low impairments will attract new entrants, and potentially the large banks to re-enter this market if it is viewed as a growth market with attractive returns and limited reputational risk.

2.5 Risks and other considerations

The Proposed Transaction increases HGH's exposure to residential lending which is a highly competitive market with lower net interest margins than HGH's existing product lines. Residential lending would be the largest component (close to 45%) of the loan portfolio in the merged HGH group (including the Australian operations).

TSB is highly reliant on third party mortgage originators (compared to other banks) to generate business. Accordingly, TSB has less direct control over its mortgage product distribution.

The Proposed Transaction would result in a high deposit exposure to the Taranaki region (around 26%). Many of these depositors have been long standing customers of TSB.

The merger has integration risks, such as:

- timing and amount of integration costs
- timing and amount of expected cost synergies
- challenges with moving to consistent technology platforms, and
- cultural integration and retention of key staff and customer relationships.

While the Merged Bank will be a larger entity, with the potential for improved shareholder returns, it will still remain a relatively small bank in comparison to Kiwibank and the four large Australian-owned banks.

2.6 Conditions of the Proposed Transaction

The Proposed Transaction is subject to conditions that are outside the control of HGH shareholders (such as RBNZ approval, any necessary Australian regulatory approvals, confirmatory due diligence and HGH and Toi entering into a separate warranty and indemnity deed (together with an associated warranty insurance policy)). There is no certainty that the Proposed Transaction will proceed, even if supported by HGH shareholders, until such time as those conditions have been satisfied.

HGH's one substantial shareholder, Tomlinson Group HGH Limited, currently owns approximately 8.8% of the HGH shares on issue and has committed to vote in favour of the Proposed Transaction.

If the Proposed Transaction is rejected by HGH shareholders, or the other conditions are not satisfied, the parties to the Proposed Transaction could elect to renegotiate the transaction terms. In that circumstance a new set of resolutions could be put to HGH shareholders.

A consequence of the issuance of a significant number of new shares in HGH is that the proportional ownership of existing HGH shareholders in the merged group will reduce by around 17.5%. For example, a shareholder owning say 5.0% of the issued shares will own approximately 4.1% of the issued shares in the larger Merged Group. While this dilution to a shareholder's proportional ownership interest is not expected to be value dilutive to the shareholder, it will reduce a shareholder's ability to affect shareholder resolutions. The relevance of this dilution may be minimal to many shareholders, in circumstances where HGH shares are widely held and the new shares will be held by a party without overall control of the company.

3. New Zealand banking industry

New Zealand's retail banking sector is highly concentrated and largely driven by mortgage lending, with total registered bank assets of around $770 billion as at January 2026. Banks supply roughly 94% of all credit to households and businesses, making the performance of the banking sector closely linked to overall economic conditions.

Despite economic pressures in recent years, the sector has remained resilient. The 2024 KPMG Financial Institutions Performance Survey (**FIPS**) reports modest growth in banks' loan portfolios and net interest income, with stable net interest margins at about 2.34%. However, banks are experiencing higher operating expenses, driven by increased personnel costs, ongoing investment in technology, and broader inflationary pressures.

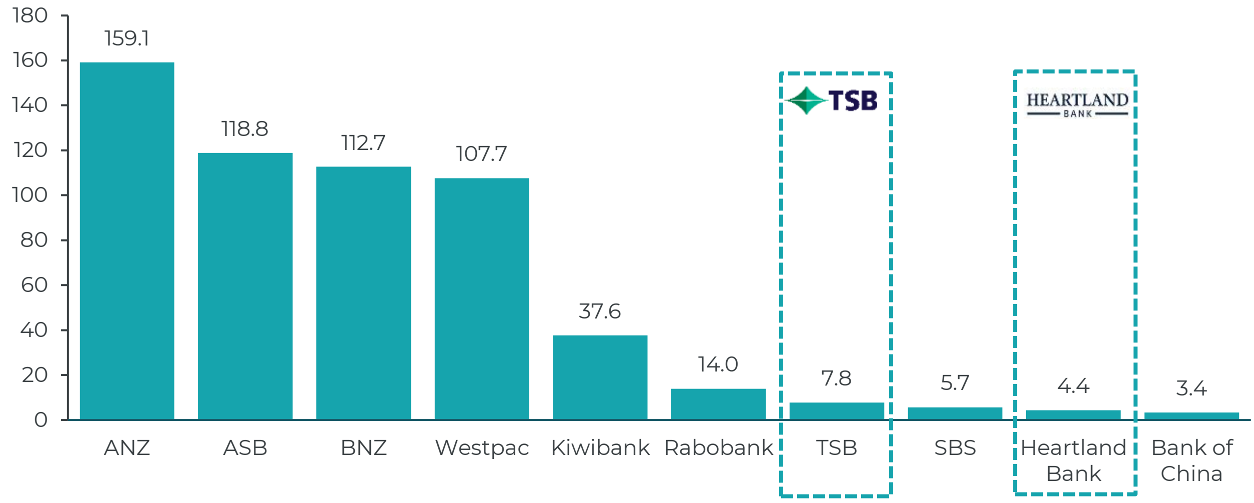
3.1 Market structure and market participants

New Zealand has 27 registered banks. However, the four large Australian-owned banks dominate the sector, accounting for roughly 84% of all bank lending and holding a similar proportion of total banking assets. New Zealand-owned banks make up about 10% of lending, with the remainder provided by other registered banks, including branches of overseas institutions.

The Commerce Commission's August 2024 market study found that the four major banks (ASB, ANZ, BNZ, and Westpac) face limited competitive pressure from smaller banks. This is primarily due to the smaller banks' lack of scale, higher funding costs, and lower brand recognition.

Figure 3 shows the principal market participants. The significant disparity in scale between the major Australian owned banks and the domestically owned institutions is a defining feature of the sector's competitive dynamics.

Figure 3: Market participants and loan book size[1] at December 2025 ($ billion)



Source: Reserve Bank of New Zealand, 'Financial Strength Dashboard'

The four Australian-owned banks are so dominant that the combined profit of New Zealand's next four largest banks amounts to less than 30% of the profits earned by the smallest of the major four.

These Australian-owned banks compete across all major product categories (with the exception of reverse mortgages and motor and asset finance), operate nationally, and serve all customer segments. Their scale underpins a strong competitive advantage, supported by nationwide branch networks, substantial investment in technology, strong brand recognition, access to lower-cost wholesale and offshore funding, and the implicit backing of their highly rated Australian parent banks.

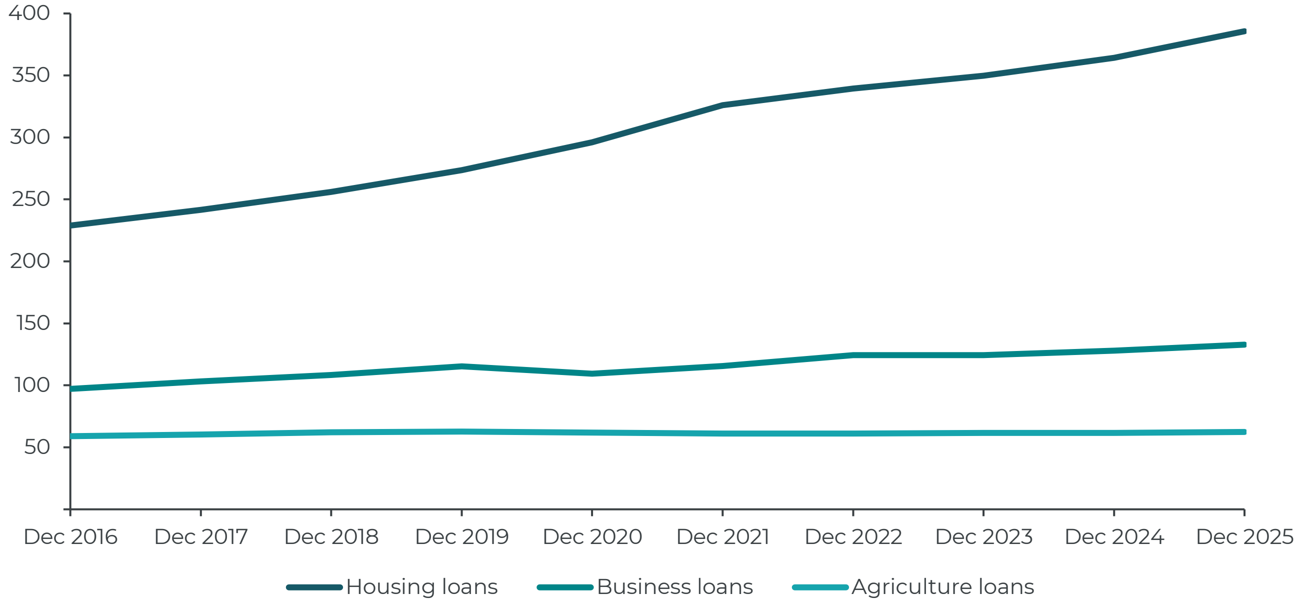
[1] Net loans and advances as per the RBNZ bank dashboard

Among the domestic institutions, Kiwibank is the only New Zealand-owned bank with a national footprint and a product suite that is broadly comparable to the major Australian-owned banks. However, it remains significantly smaller in terms of total assets and does not provide institutional banking services. TSB and Southland Building Society maintain strong regional bases in Taranaki and Southland respectively, though both have expanded their reach in recent years through broker partnerships and digital channels.

3.2 Products and lending composition

Residential mortgage lending is central to the New Zealand banking industry and is a key driver of bank performance.

Figure 4: Historical gross outstanding New Zealand loan balance by purpose ($ billion)



Source: Reserve Bank of New Zealand published data, 'Banks: Assets – Loans by purpose (S31)'

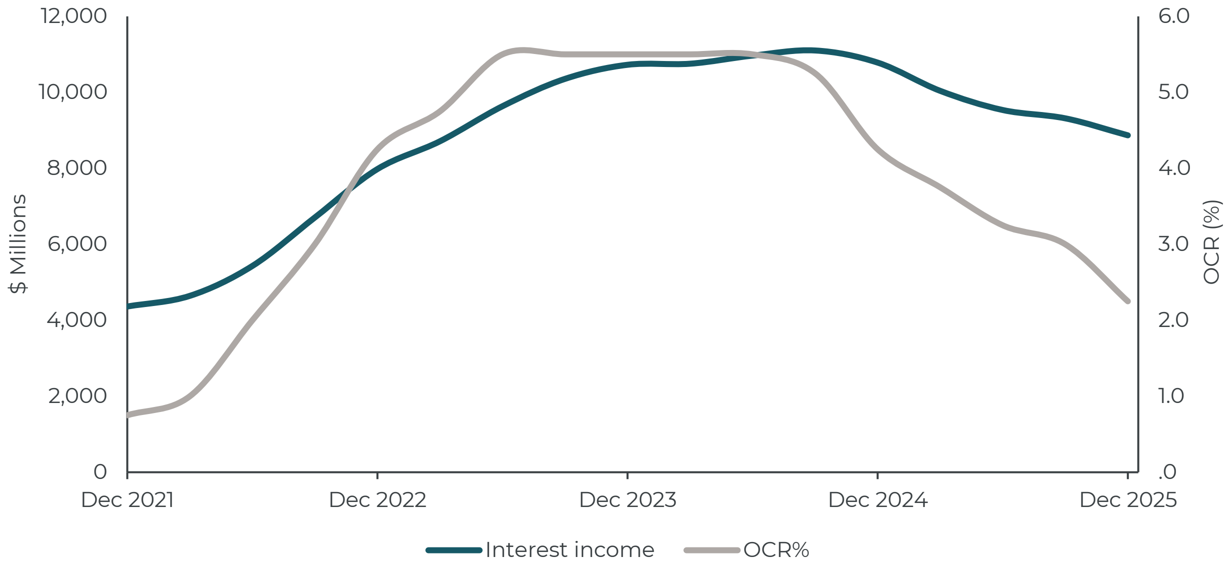
A defining feature of the New Zealand banking sector is its heavy concentration in residential mortgage lending, which has increased over the past decade. As a result, banks' earnings and asset quality are closely linked to the residential property market, including house-price movements, interest-rate settings, and the financial wellbeing of households. This significant exposure to housing also means that macro-prudential tools – such as loan-to-value ratio (**LVR**) requirements and the debt-to-income (**DTI**) restrictions introduced in 2024 – directly influence lending volumes and, in turn, revenue growth.

The major banks operate across all lending segments and provide a full range of banking services, including personal banking, business and institutional banking, wealth management, and insurance distribution. In contrast, smaller banks tend to focus on retail banking – primarily deposits and mortgages – and in some cases specialise in particular niches. For example, Rabobank focuses on rural and agricultural lending; Heartland specialises in reverse mortgages, motor-vehicle finance, asset finance and rural and livestock lending; and SBS and TSB maintain strong regional banking models.

Most bank funding comes from short-term deposits, with around 83% of total bank funding maturing within one year. Although bank assets are generally longer-term, New Zealand bank lending is mostly at variable or short-term fixed interest rates (about 10% is on floating rates and roughly two-thirds is fixed but due to reprice within a year). This structure reduces banks' exposure to interest rate risk but makes borrowers more sensitive to movements in the Official Cash Rate (**OCR**), meaning changes in monetary policy flow through to household cash-flows relatively quickly.

Until late 2022, growth in outstanding loans was largely driven by rising property prices. Although demand for new mortgages has since slowed as interest rates have increased, the higher rates have enabled banks to earn greater overall mortgage revenue, even with lower lending volumes.

Figure 5: OCR and banks interest income



Source: Reserve Bank of New Zealand

3.3 Competitive dynamics

The Commerce Commission's study found that New Zealand's banking sector has limited competition, largely because there is no 'maverick' provider willing or able to disrupt the market. It concluded that the four largest banks operate as a "stable oligopoly," with little incentive to compete aggressively on price. Market shares have remained steady over time: ANZ has consistently held around 30%, while ASB, BNZ, and Westpac each hold between 18% and 20%. No smaller bank has grown its market share beyond approximately 5%.

Competition has historically centred on mortgage rates, where banks periodically offer short-term special rates to attract new borrowers. However, these offers are quickly matched by other banks, meaning no single bank can gain a lasting advantage through pricing alone. The major banks' CTI ratios, which have typically remained between 35% and 45%, indicate strong scale efficiencies that are difficult for smaller banks to replicate.

The introduction of open banking represents a potentially material structural change. Open banking is a regulated system that will give customers control over their banking data and payment capabilities. It will allow accredited third-party providers to access customer banking data (with customer consent) through standardised APIs, potentially enabling new competitive dynamics through:

- Improved product comparison
- Reduced barriers for customers to switch banks
- Deliver lower-cost financial services
- Improved innovation and develop novel financial services products

The Commerce Commission has identified open banking as a potential "game changer" for competition in the banking sector. However, the pace and scale of its impact remain uncertain. Open banking will be introduced in stages, beginning on 1 December 2025, when the four major banks were required to have specific open-banking systems in place. Kiwibank will follow during 2026, while all other banks and deposit takers may choose to opt in voluntarily.

3.4 Digital innovation and disruption

New Zealand has one of the highest levels of digital banking engagement globally, with more than 60% of customers regularly using online or mobile banking. Customer behaviour continues to shift towards digital channels, with only about 3% of customers visiting a branch at least once a week. The major banks have invested heavily in digital platforms, mobile banking applications, and process automation. While these investments have contributed to rising operating costs in recent years, they are expected to deliver longer-term efficiencies by reducing reliance on physical branches and manual processes.

New Zealand's fintech sector remains relatively early-stage compared with larger markets. The most significant disruption to date has occurred in the payments sector, through providers such as Wise, Stripe, and buy-now-pay-later platforms. Fintechs have not yet materially challenged the major banks' core businesses of deposit-taking or mortgage lending. A fully implemented open-banking framework may provide a stronger foundation for fintech-driven competition in the future.

The major banks have responded to digital competition by strengthening their own technology capabilities and, in some cases, partnering with or acquiring fintech firms (for example, BNZ's acquisition of BlinkPay and ASB's partnership with Qippay). According to KPMG's latest FIPS survey, technology costs are a major contributor to rising operating expenses across the sector, reflecting both the need to maintain competitive digital offerings and the increasing costs associated with cybersecurity, fraud prevention, and compliance with evolving regulatory requirements.

3.5 Reserve Bank regulation and capital requirements

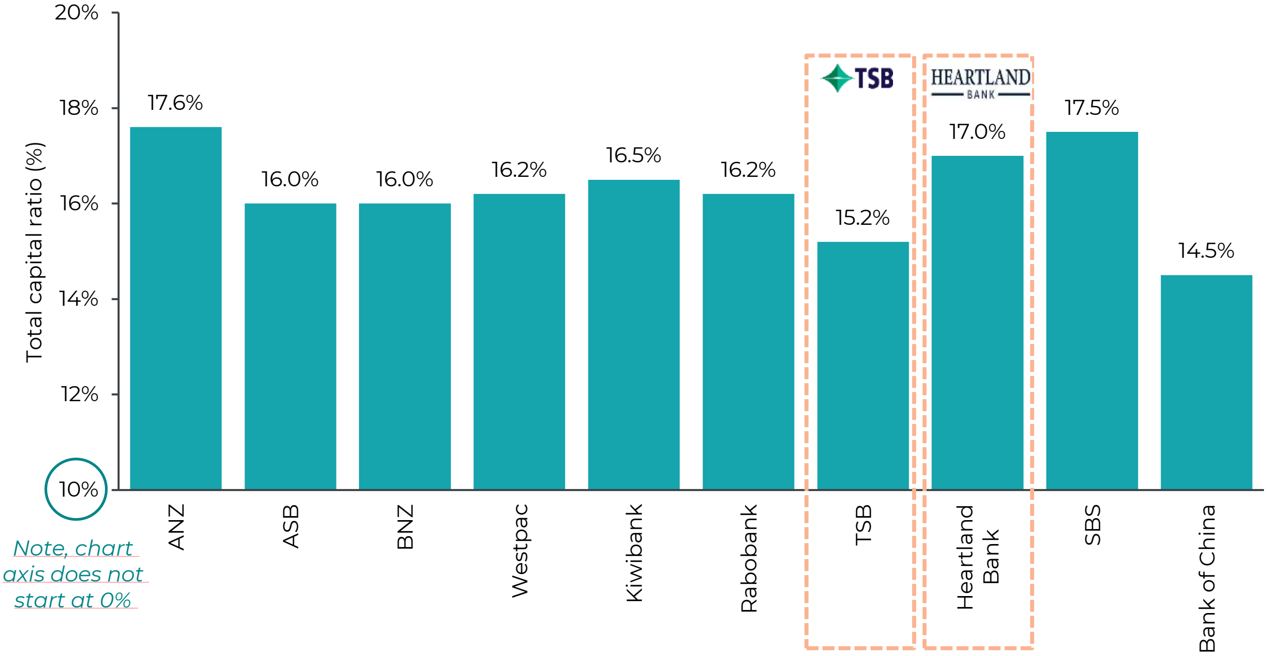
All banks must be registered with the RBNZ to operate in New Zealand. The RBNZ is the prudential regulator for the sector.

The regulatory frameworks have undergone significant changes in recent years, with key developments including:

- **Capital adequacy:** The Reserve Bank of New Zealand completed its capital review in December 2019, requiring banks to significantly increase their capital ratios over a seven-year transition period ending in 2028. For systemically important banks, the total capital requirement increased to 18% of risk-weighted assets, up from the previous level of around 10.5%. This change required the largest banks to retain a greater share of their earnings and has affected their return on equity. In December 2025, the RBNZ completed a further review of key capital settings and determined that total capital requirements should be reduced relative to the levels originally planned for 2028 under the 2019 framework. The key decisions are:
  - Systemically important banks (being ANZ, ASB, BNZ and Westpac New Zealand) will now be subject to a total capital requirement of 15%, made up of 12% Common Equity Tier 1 (**CET1**) capital and 3% Tier 2 capital. In addition, these banks must maintain a further 6% of Loss Absorbing Capacity (**LAC**). The LAC requirement can be met through pre-positioned debt instruments, which may be written down or converted into equity if a deposit taker experiences financial distress.
  - For the non-systemically important banks (such as Heartland and TSB) the total capital requirement reduces to 14%, made up of 11% CET1 and 3% Tier2 capital. This is a decrease from 16% under the 2019 review.
  - Removal of Additional Tier 1 (**AT1**) capital instruments, while allowing a higher mix of Tier 2 capital (to 3% from 2%).
  - More granular and reduced standardised risk weights (including rural loans and residential mortgages which are sectors that Heartland and TSB focus on).
- The target date for implementation of risk weight reductions and the first annual step changes in capital ratios is 1 October 2026.

- The RBNZ expects these changes to significantly reduce the amount of CET1 capital required across the banking sector. Because CET1 is the highest-quality — and most expensive — form of bank capital, the reduction is expected to lower banks' overall cost of capital and improve return on equity relative to the previous capital settings.

Figure 6: Total capital ratios by bank as at December 2025



Source: Reserve Bank of New Zealand published data, 'Bank Financial Strength Dashboard'

- **Deposit Takers Act 2023**: This Act introduced a Depositor Compensation Scheme (**DCS**), providing protection for deposits up to $100,000 per depositor, per institution. The DCS came into effect on 1 July 2025 and is funded by levies on deposit takers.

- **Liquidity policy**: The RBNZ's Liquidity Policy sets out the requirements banks must meet to reduce liquidity risk in the event of a sudden loss of confidence in an individual bank or in the wider banking sector. A key component of the policy is the use of mismatch ratios. These ratios recognise that banks typically have a timing mismatch between their assets and liabilities — with assets often having longer durations than the liabilities used to fund them. The mismatch ratios are designed to ensure that each bank maintains sufficient liquid assets to meet its cash outflows during a stress event, when cash inflows may fall sharply while outflows increase.

- **Macroprudential tools**: The RBNZ uses LVR restrictions and DTI restrictions to help manage financial stability risks.

  - LVR restrictions reduce the impact of borrower defaults by limiting the volume of high-LVR lending, which lowers potential losses if the housing market declines. DTI restrictions reduce the likelihood of default by ensuring borrowers do not take on debt levels that are too high relative to their income. Together, these tools act as guardrails to prevent the build-up of high-risk lending in the financial system.

  - LVR restrictions were eased from 1 December 2025. For owner-occupiers, the share of new lending permitted with an LVR above 80% increased to 25% (from 20%). For investors, the share of new lending permitted with an LVR above 70% increased to 10% (from 5%).

  - Under the DTI framework, banks may allocate up to 20% of new owner-occupier lending to borrowers with a DTI ratio greater than 6, and up to 20% of new investor lending to borrowers with a DTI ratio greater than 7. These DTI restrictions took effect on 1 July 2024 and may constrain lending growth during periods of rapid house-price inflation.

- **Conduct regulation**: The Financial Markets (Conduct of Financial Institutions) Amendment Act 2022 (**CoFI**) introduces conduct obligations for banks and other financial institutions, including fair treatment duties. Banks have invested significantly in compliance systems, training and processes to meet these requirements.
- **The Credit Contracts and Consumer Finance Act 2003 (CCCFA):** The CCCFA protects borrowers by requiring lenders to act responsibly, ensuring loans are affordable and terms are transparent. Key requirements include conducting proper affordability assessments, clear disclosure of fees, and fair treatment, with oversight transitioning from the Commerce Commission to the Financial Markets Authority (**FMA**).

3.6 Macro-economic considerations

The macro-economic environment is a key determinant of banking sector performance as it influences credit demand, asset quality, net interest margins and operating conditions.

Economic cycle and GDP growth

GDP growth is a key driver of credit demand. Periods of weak economic growth are typically associated with slower loan book expansion and higher impairment charges. Towards the end of 2025 New Zealand was emerging from a prolonged economic downturn, early signs of recovery were reflected in real GDP growth recorded in the September and December 2025 quarters.

Prior to the conflict in the Middle East, the rebound was expected to be led by the external sector - particularly agriculture and tourism - and supported by lower interest rates, which would help lift household and business spending. However, the Middle East conflict has caused increasing global commodity prices (4.1% in March), with global dairy prices rising 22% in the year to April 2026. Asian economies are the key export markets for New Zealand dairy and agricultural products and are among the most impacted by rising fuel costs. This is expected to impact demand. Aside from the conflict, global trade remains uncertain, including the impact of United States tariff policies, which continues to weigh on the outlook. The Treasury has revised down its trading-partner growth assumptions, and a more severe global slowdown would directly affect the New Zealand economy and, in turn, reduce demand for credit.

The economy is fragile and any economic growth is highly vulnerable given the recent and ongoing Middle East conflict. The consequent rising fuel costs and imported cost pressures are expected to put pressure on the near-term growth expectations. According to the April 2026 Parliamentary Monthly Economic Review, forecasts for the June quarter have turned more ‘downbeat’ in response to the conflict, but there is not a unanimous view across the major banks; two are predicting positive quarterly growth while the others are anticipating a contraction.

House price inflation

Residential mortgage lending makes up around two-thirds of total bank lending in New Zealand, meaning house-price movements are a major influence on banking-sector performance. Changes in house prices affect the sector through their impact on mortgage demand, collateral values, household confidence and wealth, and banks’ willingness to extend credit.

While lower interest rates, a falling OCR (although it was held stable in the most recent round), and improving sentiment may be supportive of growth, several factors are expected to constrain the rate of appreciation:

- The conflict in the Middle East. The growth outlook and market sentiment, at least in the near term, are overshadowed by the conflict in the Middle East, with commentators reporting that downside risks are re-emerging with an expectation for growth to remain flat over 2026.
- Elevated long-term mortgage rates, which have risen since late 2025 as wholesale rates increased
- New housing supply, particularly medium-density developments
- Weak population growth

- The effect of DTI restrictions as house prices rise faster than incomes

The RBNZ's February 2026 Monetary Policy Statement noted that house prices have continued to decline despite lower mortgage rates, which may reflect weak population growth and persistently high long-term interest rates.

The Official Cash Rate and the interest rate yield curve

The OCR is the primary monetary policy lever and it has a direct impact on bank net interest margins, credit demand and asset quality.

The OCR has been reduced nine times since August 2024, effectively halving it. However, despite the significant reduction in the OCR, the flow-through to fixed mortgage rates has been uneven. As at February 2026, the average mortgage rate had declined to around 5.3%, down from peaks above 7%.

Since late 2025, longer-term wholesale interest rates have risen due to higher global rates and growing expectations of future OCR increases. Banks have passed these higher wholesale funding costs through to fixed-term mortgage rates, particularly for terms longer than one year.[2] This has created a rate environment where short-term rates are low (reflecting the accommodative OCR) but longer-term rates are firming.

The shape of the yield curve has important implications for banks' NIMs. Banks generally benefit from a positively sloped curve, where long-term interest rates are higher than short-term rates, as a steeper curve typically supports wider margins. However, margins can come under pressure when wholesale funding costs increase and banks have limited scope to pass those higher costs on to borrowers.

Household indebtedness and unemployment

New Zealand households remain highly leveraged, with debt at around 168% of disposable income and close to 91% of GDP in 2025. Housing debt totals approximately $388.5 billion, or 64% of all private sector borrowing. The household debt-to-income ratio has eased slightly from its 2021 peak of 170%, but this decline largely reflects tighter lending conditions, slower credit growth and higher interest rates rather than a material reduction in debt levels.

Debt-servicing pressures were significant at the height of the interest rate cycle, when mortgage rates of 7% to 8% consumed a large portion of household income. With rates now closer to 5%, servicing pressures have eased and default risk has moderated. However, given still-elevated debt levels, high house prices relative to incomes, and the DTI framework, households have limited capacity to take on additional debt.

Rising unemployment increases the likelihood of borrower default, particularly for households with high leverage. The most recent data show an unemployment rate of 5.4%, the highest since 2015. Towards the end of 2025 the Treasury's expectation was for unemployment to peak at 5.5% in the March 2026 quarter before declining to 4.3% by the end of the forecast period[3] as the economy recovers. Unemployment typically lags movements in broader economic conditions. More recently, in response to the Middle East conflict, three of the four banks are forecasting an increase in the unemployment rate over 2026, with the remaining bank forecasting the rate to remain unchanged.

The RBNZ has revised its inflation forecasts for the March and June 2026 quarters. It expects 3% inflation for the March quarter, rising to 4.2% in the June quarter. This will put pressure on household budgets.

3.7 Critical success factors

In the New Zealand banking sector, several factors are fundamental to maintaining a durable competitive advantage and driving long-term value creation:

- **Scale and operating leverage**: The banking sector is characterised by high fixed costs, including technology, compliance, branch networks, and personnel, alongside relatively low marginal costs of

[2] RBNZ 2026 Monetary Policy Statement

[3] Half Year Economic and Fiscal Update 2025, 16 December 2025

incremental lending. Banks that achieve greater scale are better positioned to absorb fixed costs, resulting in superior cost-to-income ratios and ROEs.

- **Funding cost advantage**: Access to low-cost funding is a major competitive differentiator. This can stem from a strong retail deposit base, access to offshore wholesale markets, or the implicit credit support of highly rated parent banks. Higher credit ratings also enable banks to borrow at lower cost, improving profitability.
- **Brand and customer inertia**: Retail banking exhibits high customer stickiness. The rate at which individuals switch between banks remains low due to strong brand trust, perceived financial stability, and the convenience of established customer relationships. These factors provide larger, well-known banks with a natural retention advantage.
- **Geographic reach and distribution**: While digital banking has reduced reliance on physical branches, a national presence still matters – particularly for business and rural customers. Banks with limited geographic footprints face constraints on customer acquisition and overall market reach.
- **Technology and digital capability**: Effective investment in technology has become a critical source of competitive advantage. This includes customer-facing digital platforms, back-office automation, cybersecurity, data analytics, and regulatory technology. Banks with greater financial capacity to invest in technology are better positioned to compete.
- **Asset quality management**: Given the sector's heavy exposure to residential mortgages, strong credit-risk management across the economic cycle is essential. Banks that can maintain asset quality during periods of falling house prices or rising unemployment are more likely to deliver sustainable long-term returns.

3.8 Opportunities and risks

Drivers of growth and contraction since 2020

The period from 2020 to 2024 reflects a full credit cycle, although it was heavily shaped by the COVID-19 pandemic and the monetary policy response that followed.

2020–2021: Pandemic-era stimulus: During 2020 and 2021, the RBNZ reduced the OCR to a record low of 0.25% and introduced additional stimulus through the Funding for Lending Programme and the Large-Scale Asset Purchase programme. Combined with significant fiscal support, these measures drove rapid credit expansion, particularly in residential mortgages, and resulted in strong house-price growth. Bank profitability was supported by high lending volumes and low impairment charges, although this was partly offset by compressed net interest margins.

2022–2023: Monetary tightening: In response to rising inflation, the RBNZ increased the OCR from 0.25% to a peak of 5.50% across 2022 and 2023. Net interest margins widened as banks were able to reprice lending rates more quickly than deposit rates. However, credit growth slowed, operating costs increased, and impairment charges began to rise. Over this period, house prices fell by approximately 20% from their November 2021 peak.

Late 2024: Policy easing and early stabilisation: The RBNZ began cutting the OCR in late 2024. Sector NPAT remained broadly flat, loan growth returned to modest expansion, and net interest margins stabilised. However, operating costs continued to rise.

Industry outlook and recent developments

This Report was initially drafted prior to the escalation of the conflict in the Middle East. The subsequent intensification of the conflict introduced a material economic shock and significantly increased uncertainty, prompting many economic commentators and the RBNZ to revise their outlooks for the New Zealand economy.

Domestic and global economic conditions have been materially affected by the conflict. The scale and duration of the economic impact remain highly uncertain, and even if hostilities were resolved in the near term, inflationary pressures and constraints on economic growth are expected to persist for some time.

The RBNZ has effectively paused what proved to be a short-lived easing cycle, with policy communication shifting toward conditional tightening, reflecting concern about near-term inflation pressures. The current projections suggest limited scope for further easing and a likelihood of rate hikes to ensure inflation returns to target levels.

The conflict has materially worsened New Zealand's near-term inflation outlook. Market commentators broadly agree that inflation risks remain skewed to the upside, with inflation expected to remain above 3% and some bank economists forecasting headline inflation exceeding 4%. The economy has also been hit at a particularly vulnerable point in the cycle. While real GDP growth was recorded in the December quarter, it was weaker than anticipated due to subdued household consumption and business investment, indicating that the recovery was already fragile prior to the oil price shock. Bank economists have since made downward revisions to their near-term growth forecasts, reflecting a delay in recovery once the conflict abates.

Wholesale interest rates have moved higher, with some retail mortgage rates adjusted in response. These movements reflect market expectations that interest rates may need to rise to counter conflict-driven inflation pressures. However, recent mortgage rate changes across banks have been mixed rather than uniformly upward, and economists remain divided on the outlook for OCR and the path of interest rates.

Many forecasters now consider the OCR easing cycle to be over. Some economists anticipate OCR increases, potentially beginning as early as the next policy announcement, though the timing and extent of any tightening remain highly uncertain and dependent on the development of inflation and the conflict.

While the RBNZ held the OCR unchanged at its 27 May 2026 meeting, it has reiterated that on balance the OCR will most likely need to increase sooner and by more than envisaged at the start of the year. The rate of increase will depend on the relative influence of persistent wage- and price-setting behaviour versus weaker economic activity on medium-term inflation pressures. The Governor has previously noted that short-lived disruptions could be looked through, but that persistent increases in energy costs influencing inflation expectations could warrant a higher interest-rate response. Outcomes are therefore highly contingent on the duration and economic transmission of the conflict.

Persistently high oil prices act as an effective tax on household consumption and business margins. Sectors expected to lead the recovery, including exporters and tourism, are likely to come under renewed pressure.

Both Fitch and Moody's credit rating agencies have downgraded their outlook for the New Zealand economy, with Moody's citing global economic and political uncertainty presented downward risk to growth. It changed its outlook from stable to negative. This follows Fitch's downgrade from stable to negative in March.

Against this backdrop, the outlook for New Zealand banks is increasingly challenging. Weaker GDP growth and rising unemployment risk softening credit demand and increasing asset-quality pressures, particularly as borrowers refix at higher interest rates while household budgets are strained by inflation. Rising funding costs also place pressure on bank margins, depending on the speed and extent of loan repricing. These dynamics are likely to be more pronounced for sub-scale banks, given their more limited diversification, narrower margins, and reduced flexibility to absorb shocks or cut costs.

4. Heartland company overview

4.1 Background and history

Heartland is a New Zealand incorporated company that is dual-listed on the New Zealand Stock Exchange with a foreign exempt listing on the Australian Securities Exchange.

Heartland operates as a Trans-Tasman banking group headquartered in Auckland with registered offices in Auckland and Sydney. The group structure comprises two regulated banking subsidiaries, HBL and HBAL.

HBL operates Heartland's New Zealand banking business and is also the parent of HBAL, which operates Heartland's banking business in Australia.

A timeline of key events is shown below.

Figure 7: Timeline of key events

1875	Ashburton Permanent Building & Investment Society founded, the earliest predecessor entity of Heartland.
2011	Formation of Heartland Building Society through the merger of Canterbury Building Society, Southern Cross Building Society and the MARAC Finance arm of Pyne Gould Corporation. The company lists on the NZX Main Board. Acquisition of PGG Wrightson Finance Limited for approximately $100 million.
2012	Granted registered bank status by the RBNZ.
2013	Heartland Building Society converts to a company and becomes Heartland Bank Limited.
2014	Acquisition of Sentinel, establishing a leading position in the New Zealand reverse mortgage market. Entry into the Australian reverse mortgage market through the acquisition of Australian Seniors Finance.
2018	Corporate restructure creating Heartland Group Holdings Limited as the dual-listed parent company.
2022	Acquisition of StockCo Australia, a specialist livestock finance provider.
2024	Acquisition of Challenger Bank (Australia), an authorised deposit-taking institution (ADI), subsequently renamed Heartland Bank Australia Limited. Dual ASX/NZX listing maintained.
2025	Year of strategic reset, integration and derisking. Started the sale of Non-Strategic Assets.

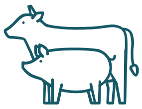
Source: Heartland Group FY25 annual report, NZX announcements, company presentations.

Heartland does not operate a traditional branch network; instead, it originates lending through direct (including digital) channels, intermediary partnerships (including livestock agents and motor vehicle dealers) and direct relationships. Its lending activities span all regions of New Zealand and across Australia, with strong rural lending exposure in New Zealand and livestock finance in regional Australia.

4.2 Loan portfolio

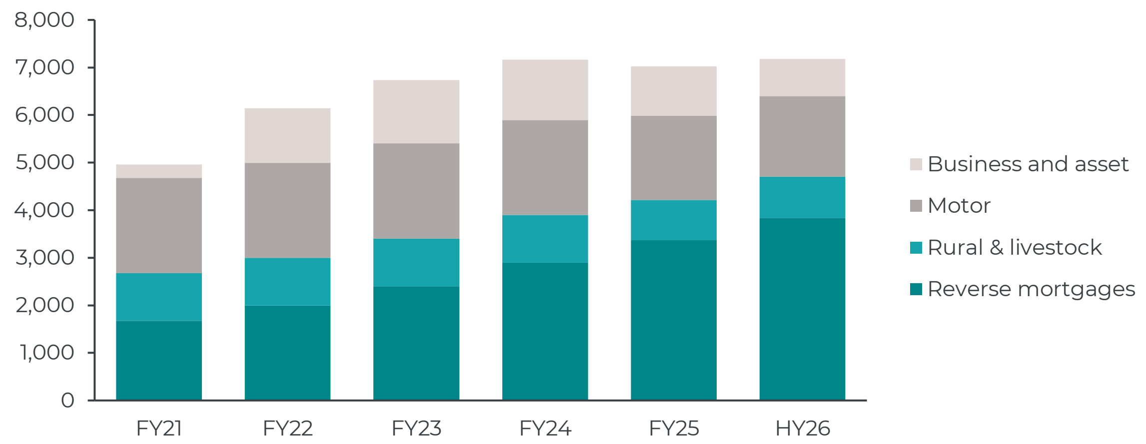
Heartland's loan book is differentiated from traditional banks through its specialist focus.

The key portfolio segments are as follows:

Reverse mortgages 	• Reverse mortgages are the flagship product for Heartland across both its New Zealand and Australian banks. • Heartland is a market leader in this product category, with an estimated greater than 90% market share in New Zealand, and around 40% in Australia.
Rural and Livestock Finance 	• Rural and livestock finance is available in New Zealand and livestock finance is available in Australia. Heartland offers various products within this category, including financing for 100% of stock purchases and term loans for buying or refinancing farms. • Rural and livestock financing has been available in New Zealand for nearly 20 years, whereas Heartland established its presence as a livestock financier in Australia with its acquisition of StockCo Australia in 2022.
Motor Finance 	• Heartland's motor finance is solely in New Zealand. • The loans are primarily originated through dealer intermediaries. • The size of the portfolio has declined in recent years, due to subdued economic conditions and a strategic shift by Heartland toward higher-quality lending.
Business and Asset Finance 	• Heartland's business and asset finance is solely in New Zealand. Its Asset Finance business focuses on secured lending to SMEs, participating in productive sectors of the economy. • Heartland is actively winding down unsecured business lending.

Heartland's historical loan book composition is illustrated in Figure 8.

Figure 8: Loan book composition (core products only, $ millions)



Source: Heartland annual reports, interim reports, investor presentations. Note, this graph only shows Heartland core products.

4.3 Non-Strategic Asset programme

Heartland announced its Non-Strategic Asset (**NSA**) programme in late 2024. It defined NSAs as those earning little to no income, returning less than Heartland's cost of capital, or inconsistent with current lending strategies.[4]

The NSA programme was positioned as part of a broader capital efficiency reset, whereby under-performing or non-core assets should be realised and the capital redeployed into high-return specialist lending (reverse mortgages and livestock funding).

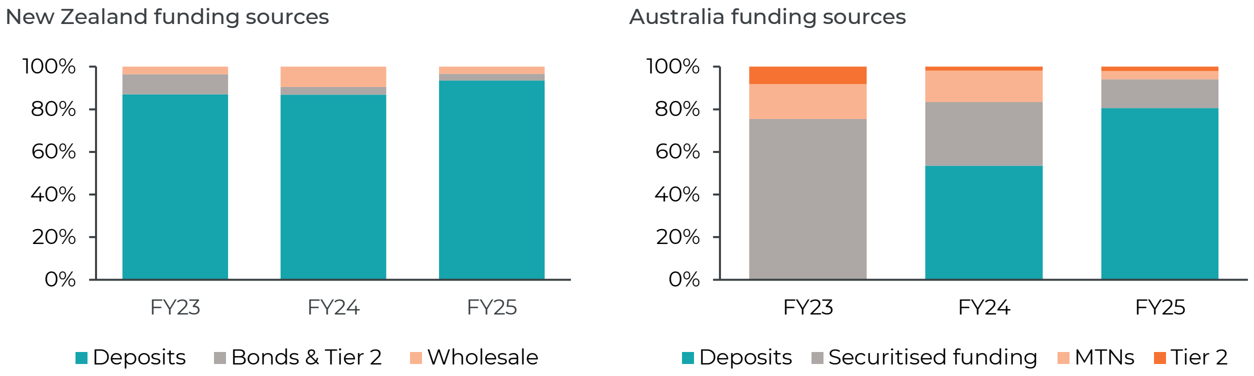
The NSA portfolio is largely New Zealand assets and consists of Rural relationship borrowers, Business Relationship borrowers, Online Home Loans (closed to new applications) and old residential mortgages, physical properties, investment properties and equity investments (which included its stake in Harmoney which has been disposed of).

The NSA programme accelerated through FY25 and 1H26 with the total NSA balance decreasing from $468 million in December 2024 to $175 million as at December 2025. NSAs account for a disproportionate share of the non-performing loans (**NPL**); their exit should improve asset quality. The programme is expected to be largely completed by June 2026.

4.4 Funding

HBL and HBAL fund their lending primarily through retail term deposits. The Australian businesses within HBAL were previously funded from wholesale sources but transitioned to deposit funding on becoming an ADI in 2024.

Figure 9: Funding

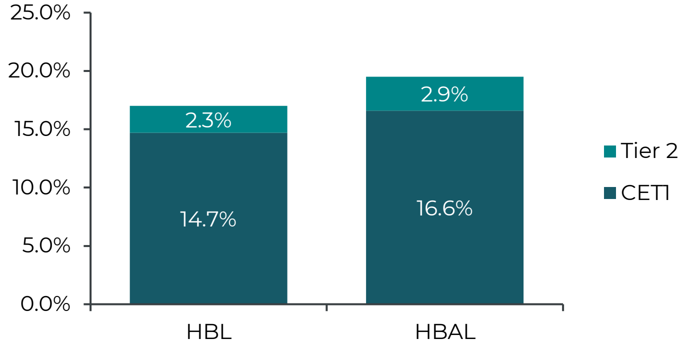


Source: investor presentations

[4] HGH annual report, page 9

4.5 Capital

Figure 10: Capital ratio



Note: HBL refers to the New Zealand Banking Group which consists of the New Zealand Bank and its NZ subsidiaries, excluding Marac Insurance Limited.

Source: Investor presentation for 1H2026 Interim results.

RBNZ's revised capital settings mean a reduction of Tier 1 and total capital requirements relative to previous requirements, and the removal of Additional Tier 1 capital instruments and reduced risk weights. At 31 December 2025, Heartland Bank held approximately $125 million of regulatory capital in excess of the expected regulatory requirements. Applying the expected risk weight changes to the December balance sheet increases the excess to approximately $190 million.[5]

Effective 1 March 2026, the RBNZ has reduced Heartland Bank's transitional capital overlay by 1.5%, from 2.0% to 0.5%. The remaining capital overlay is expected to remain in place until the RBNZ implements a formal Group Supervision Policy for deposit takers under the Deposit Takers Act 2023 (which is expected to come into force on 1 December 2028).

Heartland notes that through the NSA realisation and the RBNZ revised capital settings, it is well positioned for growth and holds excess capital across the group.

4.6 Technology

HBL is implementing a multi-year technology transformation with Pega to fully integrate with its modern core banking system and replace legacy processes with a single, automated digital platform. It plans to replace multiple legacy systems and manual processes with a single integrated, modern platform to improve operational efficiencies through automation and AI-driven processes. It anticipates that the transformation will strengthen the bank's control environment, resilience and competitiveness while improving user experience. The cost to implement is expected to be no more than $11 million over the three-year implementation period.

HBAL has partnered with Constantinople to consolidate three product origination and servicing platforms into a single solution. It will introduce a new core banking platform to support all products and simplify the bank's technology infrastructure, enabling increased automation and AI capability. The total cost to implement the platform is estimated to be no more than A$5 million over a three-year period.

[5] 1H26 investor presentation

4.7 Financial overview

The tables below summarise Heartland's financial performance and position over the last four years and the half year to December 2025.

Table 2: Consolidated financial performance ($ millions)

	FY22	FY23	FY24	FY25	HY26
Interest income	342.1	527.7	661.0	705.9	331.1
Interest expense	(92.0)	(245.7)	(383.4)	(398.6)	(165.2)
Net interest income	**250.1**	**282.0**	**277.6**	**307.3**	**165.9**
Other operating income	30.5	7.8	13.0	14.0	6.4
Net operating income	**280.6**	**289.8**	**290.7**	**321.3**	**172.3**
Operating expenses	(116.8)	(128.1)	(139.4)	(192.5)	(94.4)
Profit before credit impairment and tax	**163.9**	**161.7**	**151.3**	**128.7**	**77.9**
Fair value gain / (loss)	(13.0)	(4.5)	(0.3)	0.1	3.1
Net credit impairment losses	(13.8)	(23.2)	(46.4)	(71.6)	(12.8)
Profit before tax	**137.0**	**134.0**	**104.5**	**57.2**	**68.1**
Tax expense	(41.9)	(38.1)	(30.0)	(18.4)	(19.3)
Net profit after tax (NPAT)	**95.1**	**95.9**	**74.5**	**38.8**	**48.8**
Underlying NPAT[6]	**96.2**	**110.2**	**102.7**	**46.9**	**46.1**

Source: Annual and interim reports

Table 3: Consolidated balance sheet ($ millions)

	Jun-22	Jun-23	Jun-24	Jun-25	Dec-25
Cash and cash equivalents	310.8	311.5	629.6	356.2	395.4
Collateral paid to other financial institutions	0.0	0.0	0.0	14.2	12.9
Derivative financial instruments (asset)	45.2	44.0	12.3	4.8	5.5
Investment securities	289.3	330.2	1,092.1	791.8	778.2
Reverse mortgages	1,996.9	2,403.8	2,897.8	3,370.9	3,841.7
Loans and advances to customers	4,146.8	4,334.2	4,266.9	3,711.5	3,398.5
Intangible assets	218.9	235.7	279.9	265.2	273.1
Other assets	82.5	85.2	113.1	132.9	103.4
Total assets	**7,090.3**	**7,744.7**	**9,291.9**	**8,647.5**	**8,808.6**
Other borrowings	(2,578.2)	(2,496.4)	(2,040.8)	(825.5)	(554.6)
Deposits	(3,592.5)	(4,131.0)	(5,949.1)	(6,530.0)	(6,895.2)
Derivative financial instruments (liability)	(6.3)	(7.6)	(9.0)	(20.7)	(19.9)
Other liabilities	(104.5)	(78.7)	(55.1)	(52.3)	(50.4)
Total liabilities	**(6,281.6)**	**(6,713.7)**	**(8,054.0)**	**(7,428.4)**	**(7,520.1)**
Net assets	**808.7**	**1,031.0**	**1,237.9**	**1,219.1**	**1,288.6**

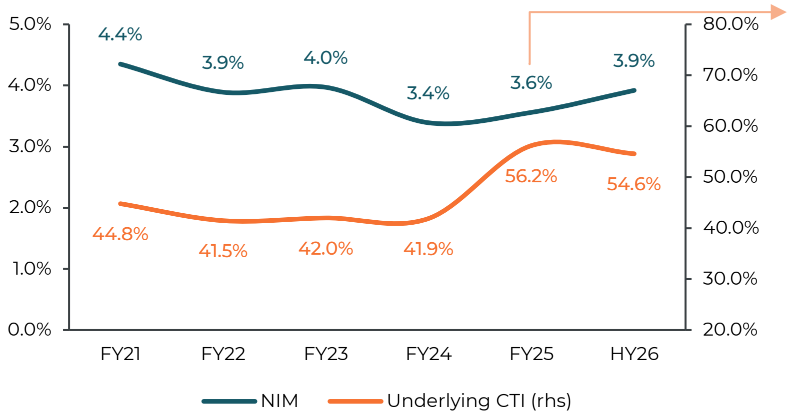
Source: Annual and interim reports

[6] Underlying NPAT excludes one-off or non-recurring items, the de-designation of derivatives, fair value changes on equity instruments held

Key matters to consider when reviewing Heartland's financial information:

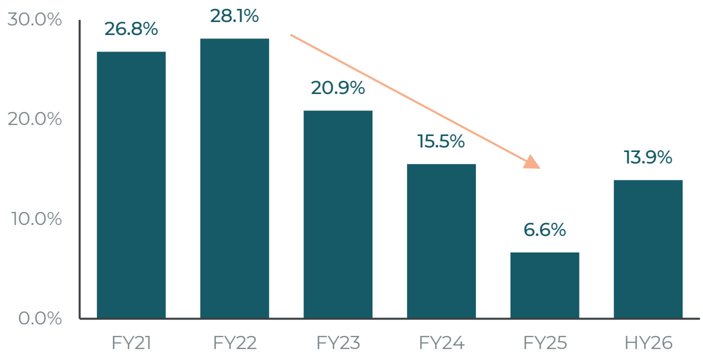
- Over the last five years Heartland has operated through a rapidly changing interest rate environment, expanded its operations in Australia, and more recently refined its strategic focus with an emphasis on improving return on equity.
- FY22 was the peak of the post-pandemic lending cycle. This resulted in strong profitability, which also reflected the benefits of operating leverage, reflected in the low CTI.
- In May 2022 Heartland completed its strategic acquisition of StockCo Australia, establishing it as a leading specialist livestock financier and strengthening its trans-Tasman presence.
- During FY23 and FY24, interest rates increased sharply, leading to NIM compression as deposit costs repriced faster than lending rates.
- Performance in FY24 reflected the impact of the tighter monetary conditions, subdued consumer spending and a softer housing market. Despite this, Heartland grew its loan book, almost entirely due to very strong growth in reverse mortgages (+20%). The contraction in other loans and advances in FY24 occurred across products which subsequently became NSAs, as well as a large contraction in the dollar value of Australian livestock book as the market was impacted by adverse weather and market conditions. Market competition for deposits resulted in a higher cost of funds, reducing the NIM. During this period, HGH incurred one-off costs related to completing the Challenger Bank acquisition in April 2024.
- HGH announced its intention to acquire an Australian ADI, Challenger Bank (may be referred to as the ADI), which it acquired in April 2024. The acquisition was a transformational step which enabled deposit-funded growth in Australia, which ultimately decreases the cost of funding.
- During FY25 Heartland refined its strategic focus to concentrate on core products capable of delivering threshold return on equity, a key performance metric. Proceeds from NSA realisations (for example, online loans) were redeployed into higher-return portfolios, contributing to improving reported NIM. The reverse mortgages book continued to grow; however other loans and receivables contracted materially. This was partly due to the exit from NSAs, but also due to contracting motor and business finance books due to subdued economic conditions and a focus on higher quality lending.
- The impairment expense increased materially in FY25 due to the ongoing challenging economic conditions and action taken to de-risk and reposition some of HBL's lending portfolios. Despite growth in the reverse-mortgage portfolio and the recovery in NIM, profitability fell to its lowest level in five years, reflecting elevated impairments, the cost associated with running Heartland's Australian businesses as a result of the Challenger acquisition, and continued investment in core-banking system upgrades and digital transformation.
- In the first half of FY26, profitability improved across all key metrics compared to FY25. Non-performing loans declined as the NSA programme progressed and Underlying ROE increased to above 7%.

Figure 11: Key performance metrics



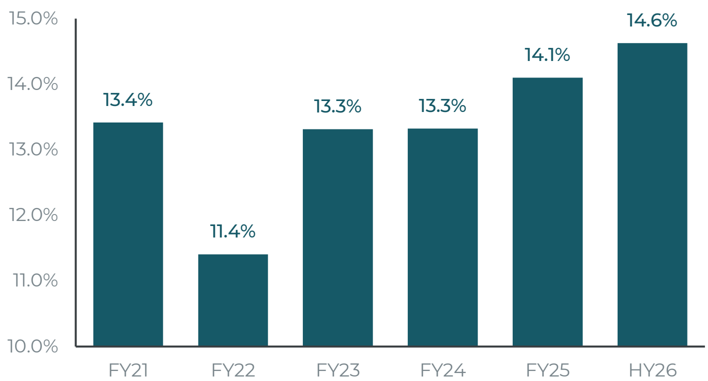
Reported NIM and underlying CTI

- FY25 NIM recovering largely due to improved cost of funds and improved fixed rate portfolio returns.
- FY25 CTI increase due to full cost base of the ADI absorbed by HGH, and HGH's core banking system upgrade. Improving trend in HY26 as growth supports scale operating efficiencies.
- Outlook: full year FY26 NIM of 3.9% and underlying CTI expected to be less than 56%.



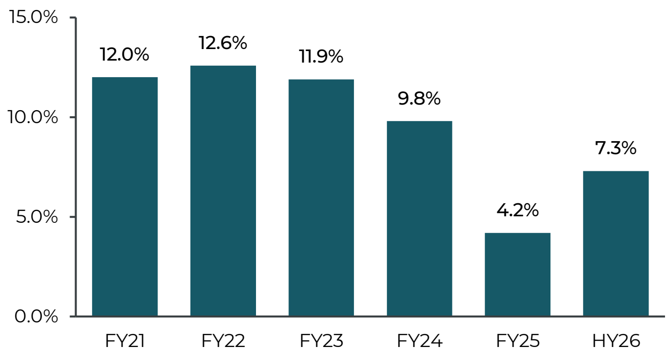
Underlying NPAT

- Declining trend in profitability between FY22 and FY24 due to economic conditions compressing NIMs and increasing CTIs.
- FY25 particularly impacted by elevated impairment expense due to challenging economic conditions and HGH's derisk and repositioning of some of HBL's lending portfolios.
- Outlook: Heartland has reaffirmed its FY26 guidance to deliver NPAT of $85 million



Equity / total assets

- A leverage ratio – the higher the ratio, the greater the proportion of assets are funded by equity.
- All else being equal, the higher the proportion of equity, the lower the ROE, acknowledging banks are required to hold a minimum amount of capital. However, excess capital positions the business to take advantage of growth opportunities.
- Outlook: the new RBNZ settings mean more capital can be deployed.



Underlying ROE

- Outlook: Heartland reaffirmed its FY26 guidance to deliver an underlying ROE of at least 7.0%.

4.8 Risks and opportunities

The primary growth path is reverse mortgages in both New Zealand and Australia, leveraging ageing demographics and significant addressable markets. As Heartland builds on the positive reset, change and integration achieved in FY25, it is confident in its ability to deliver an Underlying ROE of at least 7% and an improved underlying NPAT of at least $85 million in FY26. To support this outcome, its priorities for FY26 include maintaining a clear strategic focus, driving growth in core lending portfolios, further expanding its presence in the reverse mortgage market, maintaining disciplined cost control, leveraging technology to enhance efficiency and scalability, and continuing to ensure capital is deployed efficiently.

Key risks include continued concentration risk in the reverse mortgage product (particularly in NZ where Heartland holds over 90% market share) and credit risk in the motor finance and business portfolios during periods of economic weakness.

5. TSB company overview

5.1 Background and history

TSB was established in 1850. It is headquartered in New Plymouth and its principal business activity is retail banking. It is currently wholly owned by Toi via its subsidiary Toi Foundation Holdings Limited.

Figure 12: Timeline of key events

1850	New Plymouth Savings Bank was established in 1850 to provide the people of New Plymouth with a self-reliant bank, unsupported by government expenditure or British aid.
1860	Opened first physical branch in Fitzroy, New Plymouth.
1964	Name changed to Taranaki Savings Bank.
1975	First bank to offer free, interest-bearing cheque accounts.
1981	First bank to develop ATMs to allow customers to access money 24/7.
1986	Chose to remain independent and 100% NZ owned when other trustee banks merged.
1988	TSB Community Trust established as the bank's shareholder to ensure profits would benefit communities.
1989	Taranaki Savings Bank was renamed TSB Bank.
2001	National physical expansion begins with home loan centre opened in Christchurch.
2017	Rebranded to simply TSB to reflect modern, nationwide presence while staying true to its heritage.

Source: TSB website

TSB operates twelve branches, seven of which are in Taranaki. It also provides services at five nationwide banking hubs run through the New Zealand Banking Association, with different banks operating each hub.

The bank is shifting from a traditional, branch-led distribution model to a digital-first approach. This includes greater use of third-party mortgage originators, while maintaining a physical presence in key locations, and expanding its business banking team to grow its business banking portfolio. As part of this transition, TSB has been reducing its physical footprint – from 21 branches in 2022 to 12 today. The proportion of business originated by third party mortgage advisers has also increased, from around 43% in FY22 to around 60% in FY25.

In FY25, TSB outsourced its ATM network and expanded the number of deposit-enabled ATMs. The ATM network is crucial for TSB's business customers who still need to deposit cash daily.

In addition to lending, transactional and savings accounts, TSB also offers KiwiSaver, insurance and managed funds through partners. TSB's product range is deliberately narrower than that of a major bank, however it covers the core retail and business banking needs.

TSB continues to grow beyond Taranaki with more than half of its retail customer base now outside the region. Third party origination and the shift to digital channels has reduced barriers to national growth. The retail customer base skews towards an older demographic of loyal depositors who have banked with TSB for years.

5.2 Loan portfolio

As at 31 December 2025, TSB's total assets were $9.5 billion, comprising mainly loans and advances to customers of $7.8 billion, investment securities of $1.3 billion and cash and cash equivalents of $0.4 billion. Its lending is predominantly weighted toward residential mortgages.

Key product areas include:

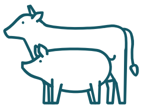
Residential mortgages

- Residential mortgages for owner-occupied housing (approximately 75% of the residential loan book) and investment in residential property (approximately 25% of residential loan book) are the core lending product for TSB.
- Residential mortgages make up 84% of the total loan portfolio.

Commercial property and business lending

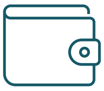
- Includes business loans and commercial property loans (secured by residential or commercial property or other securities such as a GSA) which grew 29% in FY25, reflecting a strategic priority to diversify the loan book.
- Commercial property and business lending make up 13% of the total loan portfolio.

Agricultural lending



- Includes agricultural loans secured by agricultural properties. TSB continues to support existing customers with new lending but no longer lends to new customers.
- Agricultural lending makes up 2% of the total loan portfolio.

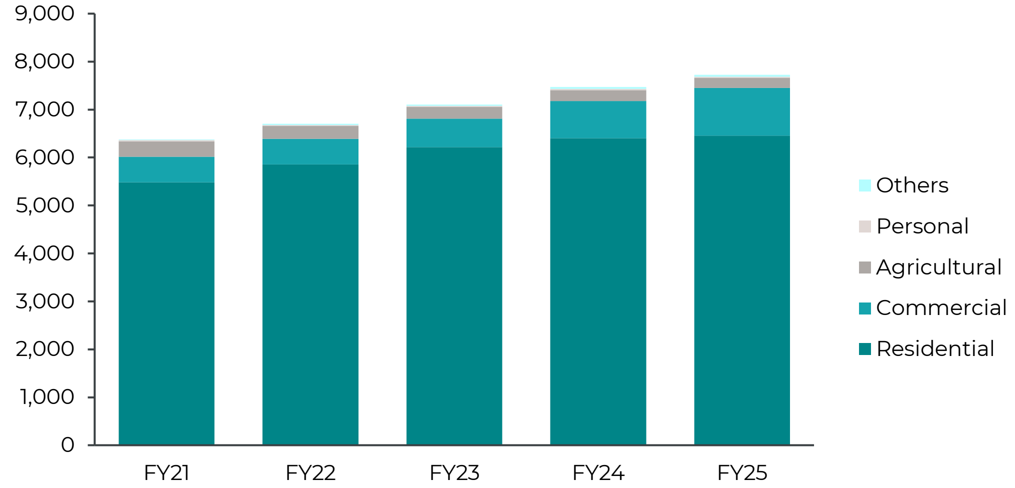
Personal lending and other



- Includes personal loans, overdrafts and credit card balances.
- Personal lending and other make up 1% of the total loan portfolio.

TSB's historical loan book composition is shown below.

Figure 13: Loan book composition ($ millions)



Source: TSB annual reports

TSB has grown its loan book every year since FY21. Residential mortgage lending increased at a compound annual growth rate (**CAGR**) of around 4%, to FY25.

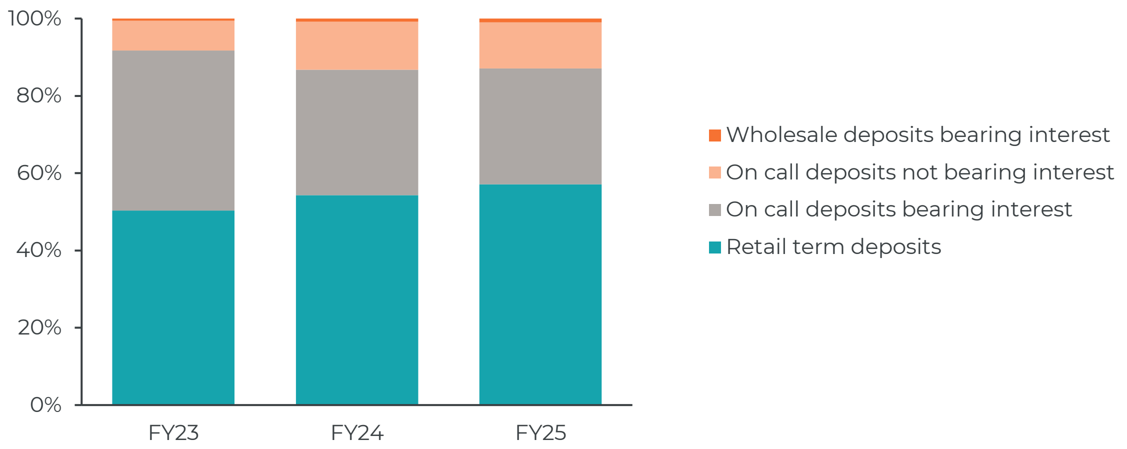
To diversify its portfolio and improve NIM, the bank has also expanded its commercial lending, which grew at CAGR of about 17% per year from FY21 to FY25, including strong year-on-year growth of close to 30% in FY24 and FY25. As a result, commercial lending has grown from 8% of the total loan book in FY21 to 13% in FY25. As part of the strategic lending focus, agricultural lending has been substantially reduced as TSB simplifies its business and targets higher NIM products.

Overall, the loan book is high quality given its exposure to residential mortgages, and commercial lending secured by commercial property. Consequently, provisions for doubtful debts have been low (0.33% of overall loan book for FY24 and FY25) and stable, with actual impairments lower than the provisioned amount.

5.3 Funding

TSB is primarily funded through retail term deposits and on-call deposits.

Figure 14: Funding sources



Source: TSB 2025 Annual Report

Approximately 12% of TSB's funding at the end of FY25 was via transactional accounts that do not bear interest.

5.4 Capital

TSB is well capitalised with a CET1 capital ratio of 15.2% as at December 2025 which is well above the RBNZ's recently amended minimum capital adequacy CET1 capital ratio of 11% and total capital ratio of 14% (11% of CET1 capital and 3% of Tier 2 capital). The RBNZ also refined and reduced loan risk weights which is expected to reduce the capital required to support the loan book. TSB is currently only funded with CET1 capital. This is the most expensive form of capital – TSB could substitute a portion of its CET1 capital for Tier 2 capital to improve its cost of funding and improve its ROE.

5.5 Technology

TSB is progressing its digital transformation, with a focus on making it easier for customers to join, bank and manage their finances through simpler, more intuitive digital experiences. Priorities over time include reducing friction in onboarding, expanding self-service capabilities, enabling new digital products and continuing to streamline processes across the bank.

In recent years, a significant share of technology and change capacity has been directed toward regulatory and compliance priorities. As this work is completed, TSB is increasingly able to redirect investment and delivery capacity toward customer and business-focused digital initiatives.

TSB's core banking environment has supported the bank reliably over many years and continues to provide a stable foundation for operations. At the same time, like many long-established banking platforms, it has less flexibility than newer cloud-native core banking solutions.

To support greater agility, TSB has progressively modernised its technology environment and simplified the role of the core so it can work more effectively with contemporary digital and integration layers. This approach provides a practical pathway to improve speed to market and customer experience while maintaining operational resilience.

TSB is continuing to modernise its core technology environment now, with a focus on improving agility, simplifying integration and better supporting digital delivery across the bank. Alongside this work, TSB is also considering modernisation options to ensure its technology environment continues to support customer expectations, business priorities and ongoing innovation.

5.6 Financial overview

The tables below summarise TSB's financial performance and position over the last four years and the nine months to December 2025.

Table 4: Financial performance ($ millions)

	FY22	FY23	FY24	FY25	9 months to Dec-25
Interest income	229.7	321.1	465.3	540.4	366.4
Interest expense	(67.9)	(133.5)	(279.5)	(348.2)	(206.7)
Net interest income	**161.8**	**187.6**	**185.8**	**192.2**	**159.7**
Other operating income	19.8	25.3	15.4	16.7	11.1
Net operating income	**181.6**	**212.9**	**201.2**	**209.0**	**170.8**
Operating expenses	(136.2)	(189.3)	(152.3)	(149.7)	(117.1)
Profit before credit impairment and tax	**45.4**	**23.6**	**48.8**	**59.3**	**53.7**
Credit impairment losses / reversal of impairment loss	8.1	5.3	2.0	(1.7)	(3.2)
Profit before tax	**53.5**	**28.9**	**50.9**	**57.6**	**50.6**
Tax expense	(15.4)	(8.9)	(16.8)	(16.4)	(14.2)
Net profit after tax	**38.1**	**19.9**	**34.0**	**41.2**	**36.5**

Source: TSB annual reports and the Reserve Bank of New Zealand

Table 5: Balance sheet ($ millions)

	Mar-22	Mar-23	Mar-24	Mar-25	Dec-25
Cash and cash equivalents	714.2	560.4	509.8	563.3	401.6
Derivative financial instruments (asset)	65.5	86.1	42.8	16.7	16.8
Investment securities	1,459.3	1,366.2	1,424.1	1,299.7	1,280.1
Loans and advances to customers	6,667.2	7,078.1	7,448.8	7,698.0	7,788.1
Collateral paid to other financial institutions	0.0	0.0	0.0	9.6	
Property, plant and equipment	32.4	32.1	27.2	26.9	
Other assets[7]	21.8	26.9	25.0	21.0	51.4
Total assets	**8,960.5**	**9,150.0**	**9,477.5**	**9,635.2**	**9,537.9**
Deposits	8,180.2	8,314.2	8,550.7	8,735.5	8,625.7
Derivative financial instruments (liability)	6.0	11.5	16.8	23.0	23.6
Collateral received from other financial institutions	0.0	0.0	0.0	2.2	
Due to other financial institutions	0.0	0.0	27.5	0.0	
Current tax liability	1.5	1.0	2.2	2.9	
Other liabilities[8]	49.5	92.7	135.4	83.9	74.0
Total liabilities	**8,237.2**	**8,419.4**	**8,732.5**	**8,847.5**	**8,723.3**
Net Assets	**723.3**	**730.6**	**745.0**	**787.8**	**814.6**

Source: TSB annual reports and the Reserve Bank of New Zealand

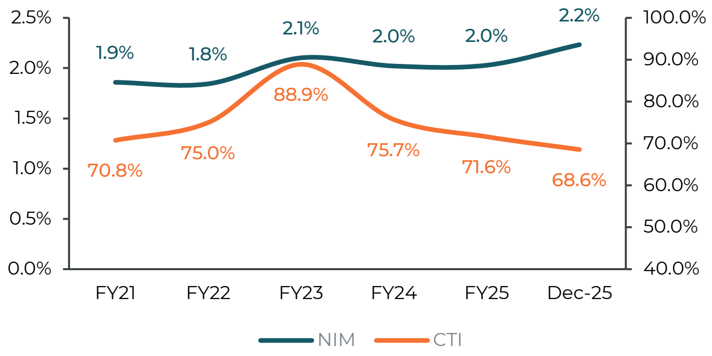
[7] Dec 2025: Other assets include collateral paid to other financial institutions and property, plant and equipment. These items are not disclosed separately for December 2025 reporting.

[8] Dec 2025 Other liabilities include collateral received from other financial institutions, due to other financial institutions and the current tax liability.

Key matters to consider when reviewing TSB's financial information:

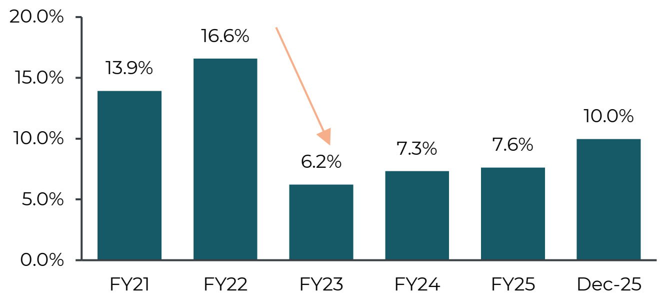
- Similar to HGH, TSB's financial performance over the period to March 2025 has been influenced by the challenging interest rate cycle and the structural constraints facing smaller New Zealand banks. At the same time it was a period of significant internal investment.
- TSB's NIM is influenced by its focus on low credit-risk business (residential mortgage loans) and by the high level of liquid assets held. NIM has been stable and improved from 1.8% in FY22 to 2.0% in FY25. The improvement in NIM over the period was driven by:
  - Rising interest rates (a benefit to all banks)
  - A shift in product mix towards higher margin products (such as commercial property lending)
  - Better margin management
  - Normalisation of liquidity buffers relative to peers, supported by the margin improvement.
- However, profitability was constrained by high operating expenditure as the bank started a multi-year programme to strengthen its technology infrastructure, regulatory compliance capability and its internal systems. Management described this investment as essential for future growth.
- In FY23 net interest income and operating income experienced reasonable growth, however a significant increase in operating costs resulted in the lowest profit after tax outcome for TSB over the five-year period to FY25. Operating costs in FY23 were driven higher by CCCFA and AML compliance issues and resulting remediation costs and regulatory provisions.
- The economic contraction over FY24 resulted in lending growth moderating as housing activity slowed and business confidence weakened. Despite the economic contraction, the net operating income continued to grow during FY24 as a result of the lending diversification strategy to grow commercial lending off a low base.
- In July 2024 Fitch downgraded TSB's credit rating from A- to BBB+, which reflects the agency's view that TSB's risk profile was no longer significantly stronger than those of domestic regional bank peers. Fitch reaffirmed TSB's credit rating as BBB+ in July 2025.
- FY25 represented the strongest financial result in five years, despite the weak domestic economy. TSB continued to broaden its lending portfolio, with commercial lending growing 29% as the bank continued to diversify beyond its traditional residential mortgage lending.
- TSB's results reflect the relatively higher CTI ratio driven by the high fixed cost burden of technology, compliance and regulation, a narrow NIM reflecting its reliance on mortgage lending, together with a limited ability to generate economies of scale due to its size. The bank's strategic response has been to invest in digital capability, simplify operations (such as optimising the branch network and reducing agricultural lending) and diversify into commercial lending.

Figure 15: Key performance metrics[9]



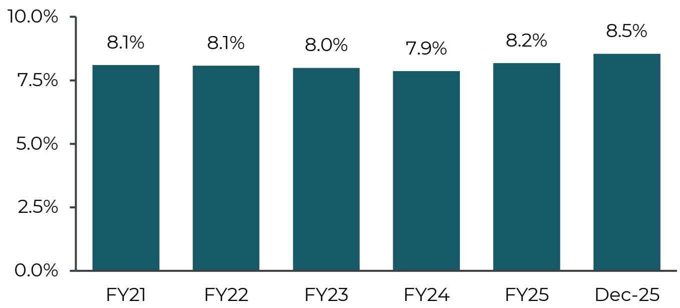
Reported NIM and CTI

- NIM has improved due to higher interest rates and diversification into higher margin lending (commercial), improved margin management and normalisation of liquidity buffer (relative to peers).
- FY23 CTI increase was due to compliance remediation costs and regulatory provisions.
- Outlook: NIM is expected to continue to improve with continued diversification and improved deposit mix. CTI is expected to improve from ongoing cost management and investment in simplification and automation.



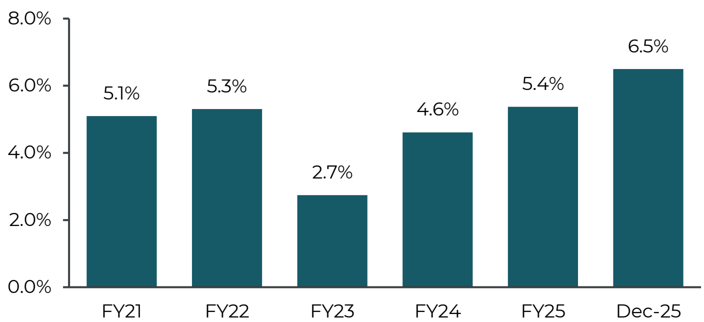
NPAT %

- Significant decrease in profitability in FY23 due to compliance remediation costs and regulatory provisions.
- Outlook: NPAT is expected to continue to improve as NIM improves and legacy compliance spend normalises.



Equity / total assets

- Commercial lending is more capital intensive and focus on growing this area slows growth in the leverage ratio.
- Outlook: the new RBNZ settings mean more capital can be deployed in loan growth or capital can be released.



ROE

- ROE has improved as NIM lifted and CTI has improved from a combination of a reduction in legacy compliance costs and cost management.
- Outlook: ROE expected to improve off the back of NIM and CTI expectations. In addition, new RBNZ rules mean capital position could be optimised.

[9] Dec-25 metrics references the 9 months to December.

6. The proposed consideration

Approach

The proposed consideration to Toi for the acquisition of TSB is $620 million.

To assess whether this consideration is reasonable, we calculate the valuation multiples and other financial metrics implied by the proposed price. We benchmark these metrics against equivalent metrics for other equivalent institutions.

We focus on the implied 'Price to Book Value' (**P/BV**) multiple for the following reasons:

- P/BV is commonly used to value banks and financial services providers.
- P/BV is particularly relevant for businesses where earnings are derived and linked to assets.

Analysis date

Our analysis is based on the balance sheet of TSB as at 31 December 2025, as reported to the RBNZ.

Our analysis was finalised on 22 June 2026. We considered and factored in events that occurred up to this date. However, our analysis does not take into account unforeseen events that occur after 22 June 2026. Therefore, when deciding on whether to accept or reject the Proposed Transaction, shareholders may want to also consider events that occur after 22 June 2026, such as movements in the prices of other listed companies, changes to interest rates, and changes to foreign exchange rates.

6.1 Summary

Table 6: Implied valuation multiple

	$ million
Proposed consideration to Toi	620.0
Book value of equity (31 December 2025)	814.6
Implied P / BV	**0.76x**

The proposed consideration implies a P/BV of 0.76x.

We consider the discount relative to book value reflects the relatively low return on equity generated by TSB, due to TSB lacking scale. Banks have inherently high fixed operating costs, including regulatory compliance, technology platforms, and risk management. These costs need to be spread over a sufficiently large balance sheet to be efficient. A small bank (such as TSB) may hold high quality, performing loans that are valued appropriately on its balance sheet, yet struggle to generate sufficient returns because the cost base consumes a disproportionate share of income. As a result, it is not uncommon for a small bank to trade at a multiple below 1.0x, reflecting sub-scale, rather than poor asset quality.

We have considered the trading P/BV multiples observed for listed comparator companies and comparable transactions. We have also considered what a reasonable multiple would be considering TSB's return on equity relative to its peers. On this basis we consider 0.76x is within a reasonable range.

6.2 Price to book value analysis

We have benchmarked TSB against a selection of listed New Zealand and Australian banks.

Figure 16: P / BV multiples of comparable listed companies

	CBA	NAB	Westpac	ANZ	Judo	Bendigo	BOQ	HGH	TSB
Geographic	NZ & Aus	NZ & Aus	NZ & Aus	NZ & Aus	Aus	Aus	Aus	NZ & Aus	NZ
Total assets ($bn)	1,461	1,265	1,284	1,480	16	111	112	8.8	9.5
Total loan book ($bn)	1,094	893	977	951	14	93	86	7.2	7.8
Net interest margin (%)	2.5%	2.3%	2.3%	2.2%	3.5%	2.0%	1.9%	3.9%	2.2%
CTI (%)	45.0%	49.5%	53.1%	57.7%	52.4%	62.1%	64.7%	55.9%	67.1%
Underlying NPAT margin (%)	14.7%	11.3%	11.9%	8.7%	8.0%	9.8%	7.6%	12.5%	10.3%
Return on equity (%) est [(1)].	13.9%	11.4%	10.0%	10.3%	7.5%	7.4%	6.4%	~6.7%	~6.5%

Source: Capital IQ, companies' annual and interim reports and the RBNZ.

Note (1): Apart from HGH and TSB, ROE is based on FY26 estimates or guidance. HGH and TSB are based on LTM to December 2025

There are differences between TSB and the comparable companies which would result in differences in P/BV. The key drivers of different P/BV multiple are the cost of equity, return on equity and growth prospects of an entity. Other factors include size, efficiency, asset composition, geographic diversification, and the associated risks.

We consider the P/BV of the larger banks is not directly comparable to TSB – given their multiples are related to factors such as higher returns on equity, and greater geographic diversification.

Judo and HGH offer different propositions, Judo is primarily a business bank and HGH focuses on reverse mortgages. Both of these propositions deliver superior NIMs. However, limited scale keeps return on equity below the four large banks.

Although no listed comparators are directly comparable to TSB, we consider Bendigo and Adelaide Bank (**Bendigo**) and Bank of Queensland (**BOQ**) are most comparable in terms of product offering, albeit both provide a wider range of services, are more geographically diverse, and have exposure to a larger market.

Bendigo and Adelaide Bank

Similar to TSB, Bendigo is a retail-focused, community-oriented bank. Bendigo is, however, substantially larger than TSB with assets in excess of $100 billion.

Like TSB it is heavily weighted towards residential lending, but it has greater diversification through its business and agribusiness segments. It operates a network of community and corporate branches and half of its portfolio is located in Victoria and New South Wales.

Its geographic footprint is expanding with its recent announcement to acquire RACQ Bank's retail lending and deposit business in December 2025. It is not an acquisition of a business, rather an acquisition of a loan book and deposits which it will integrate into its existing business. Bendigo has noted that the acquisition will drive improved shareholder returns through cost efficiencies and geographic diversification. Directionally we would expect this to have a positive effect on the P/BV multiple. This reiterates the relevance and importance of scale to a bank's returns and ultimately valuation.

Bendigo is roughly ten times the size of TSB and has superior profitability. It also has immediate growth and earnings accretion prospects if it successfully acquires and integrates the RACQ loan book and deposits.

On balance, we would expect TSB to transact at a discount to Bendigo.

The Bank of Queensland

BOQ is also substantially larger than TSB.

BOQ's loan book is heavily weighted to residential mortgages, with its business lending targeting small and medium enterprises. Approximately half of its customers are located in Queensland and around 30% in New South Wales and Western Australia.

It has recently undergone a major structural change, converting its franchised owner managed branches to corporate ownership. Historically, it has not delivered returns on equity comparable to its peers. It has a strong regional identity / presence and could be a challenger in the regions but it has struggled with its profitability and returns, particularly with the recent period of restructuring. Its recent ROE is marginally higher than TSB.

On balance, we would expect TSB to transact at a small discount to BOQ.

Judo Bank

Although not too dissimilar in size, Judo is structurally quite different to TSB, it is a SME specialist bank. It does not have a retail mortgage offering and no traditional branch network. Rather it operates through relationship bankers across Australia. It has a materially higher NIM compared to TSB which reflects its focus on the higher margin SME market. Judo is in a rapid growth phase and is targeting 50% earnings growth in FY26 and its loan book has more than doubled over the last three years. This is a different proposition to TSB which is a more mature, slower growth, residential mortgage community bank. Given the product niche is so different, we do not consider Judo to be a good direct comparator.

On balance, we would expect TSB to trade at a substantial discount to Judo.

Heartland

Heartland (the Group) is comparable in terms of size; however, its loan book composition is fundamentally different as has been described earlier in this Report and it has a Trans-Tasman presence. As with Judo, Heartland and TSB occupy very different product niches, with Heartland being a specialist lender.

Comparable transactions

We have also considered comparable transactions. It should be noted however, that there have been very few sales of banks, as going concerns, in New Zealand over the past decade. In 2023 Pepper Money acquired HSBC's New Zealand residential mortgages loan book (not the business); however, the price paid for the book has not been disclosed.

We have searched for sales of regional banks in Australia over the last five years.

MyState acquired Auswide Bank Limited (as a merger) in 2024, at a P/BV multiple of 0.83x. This transaction is comparable to the Proposed Transaction in that it created a larger, more diversified regional banking group. At the date of the transaction, Auswide Bank reported an ROE of approximately 4%; however, this was lower than its historical returns of between 7.8% and 9.8%. On balance we would expect TSB to trade at a similar level to Auswide.

Bendigo Bank recently announced its intention to acquire RACQ Bank's retail loan and deposit book; it is reported that the transaction will be completed at book value (i.e. 1.0x). We consider that it is reasonable for a loan book to transact at close to 1.0x as it does not have the structural overhead burden attached that a business would. The loan book and deposits can be integrated into Bendigo's existing business, adding incremental scale advantages.

Other recent transactions in financial institutions included the acquisition of Mortgage Choice and Mortgage Lenders; however, we do not consider these to be directly comparable as these entities are more akin to mortgage broking.

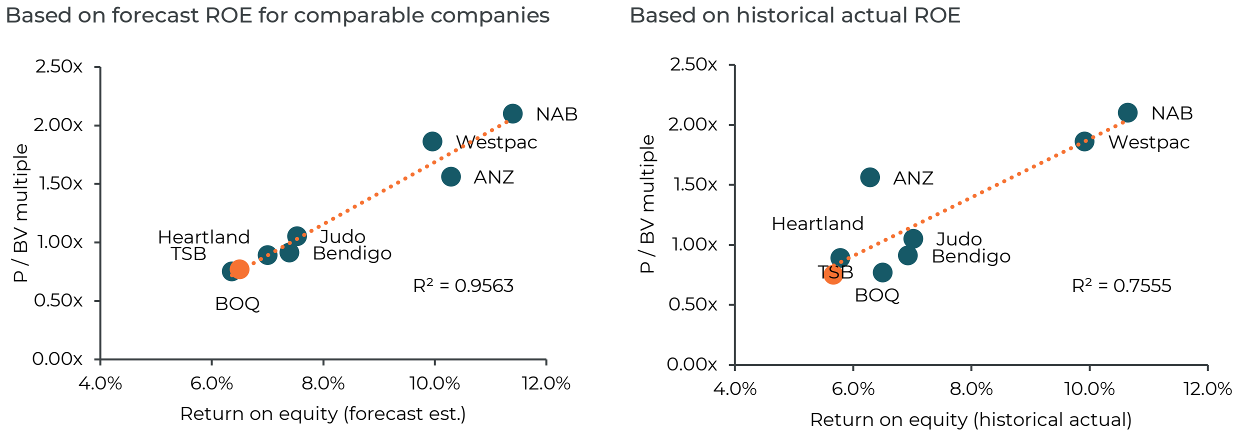
Relationship between P/BV and return on equity

We consider the relationship between P/BV and return on equity is of key importance when considering the proposed consideration. In general terms, companies which consistently report high ROEs demonstrate the ability to generate returns in excess of costs. All else being equal, investors are willing to pay a higher book value multiple for these companies. Conversely, companies with low or volatile ROEs tend to trade at lower P/BV multiples.

The following graph represents the correlation between the P/BV multiple and ROE based on the multiples observed for the sample of listed comparable companies. The ROE is calculated based on the most recent full year financial results.

Considering TSB's historical ROE, the multiple implied by the proposed consideration is reasonable relative to the listed comparable companies considering the relationship shown on the following graph.

Figure 17: P/BV and return on equity



The preceding figures show a regression analysis between the ROE and P/BV for the comparable companies. In a regression analysis the R^2 (coefficient of determination) measures the variation of one variable (P/BV) explained by the variation in another variable (ROE). It provides a measure of the explanatory power of the relationship between the variables. The R^2 is bounded by 1 and 0. An R^2 closer to 1.0 indicates a strong relationship between the variables, whereas a R^2 closer to zero implies a weak explanatory relationship between the variables. In this case a R^2 suggests that a very high proportion of the P/BV can be explained by the ROE, and for this reason we consider it is useful and informative analysis for the current purposes.

Considering the preceding analysis, we consider a reasonable P/BV multiple for TSB to transact at would be in the region of:

- 0.70x, being a small discount to BOQ; and
- 0.80x, being broadly equivalent to the Auswide transaction.

7. Pro-forma financial statements following the Proposed Transaction

The following table shows the indicative pro-forma financial statements for HGH following the Proposed Transaction. This is included to show the expected impact of the Proposed Transaction on key financial metrics. The purpose is to illustrate the change from HGH 'as-is' to HGH with the Merged Bank.

The financial information is based on the reported historical results for HGH and TSB, being 12 months ending December 2025.

The pro-forma accounts include merger adjustments. These are intended to reflect the run-rate, rather than one-off adjustments. For example, the adjustments include a full year of realised cost saving synergies (as that is what is expected to persist), but it does not include the one-off integration costs nor the transaction costs. This is done to make the comparison to HGH 'as-is', on a like-for-like basis. The one-off integration and transaction costs are included on the balance sheet as a liability – this is done to show these costs will need to be incurred to deliver the expected benefits.

The adjustments include the following:

- Tier 2 interest expense
- Vendor financing interest expense
- Cost synergies ($34 million)
- Tax effect related to the above.

TSB is a less profitable bank. It has lower NIM and higher CTI. Consequently, the Merged Bank (and HGH following the Proposed Transaction) will have a lower NPAT margin. However, given the structure of the Proposed Transaction, it will be EPS and DPS (assuming a consistent payout ratio) accretive to the existing HGH shareholders.

Although new equity will be issued, the price at which it is issued is not dilutive. HGH will issue shares to Toi at a price which is at a premium to the current market price of HGH.

HGH will acquire TSB at a discount to its book value, without an impairment to the assets and the Merged Bank will have substantially improved balance sheet leverage which delivers improved returns on equity.

We consider these are all fundamentally supportive of increasing shareholder returns and value.

Table 7: Pro-forma statements ($ millions)

	HGH as-is	TSB	Adjustments	HGH (with Merged Bank)
Summarised pro-forma income statement				
Interest income	674.2	499.2		1,173.4
Interest expense	(350.1)	(291.8)		(641.9)
Net interest income	324.1	207.4		531.5
Other operating income	14.1	14.4		28.5
Net operating income	338.2	221.8		560.0
Operating expenses	(188.9)	(148.9)	12.8	(325.0)
Profit before credit impairment and tax	149.4	72.9	12.8	235.0
Credit impairment losses / reversal of impairment loss and other	(29.4)	(1.2)		(30.6)
Profit before tax	120.0	71.7	12.8	204.4
Tax expense	(35.9)	(20.4)	(3.6)	(59.9)
Net profit after tax	84.0	51.3	9.2	144.5
Summarised pro-forma balance sheet				
Cash and cash equivalents	395.4	401.6	(50.0)[10]	747.0
Loan book	7,240.2	7,788.1		15,028.3
Investment securities	782.1	1,280.1		2,062.2
Other assets	390.9	68.1		459.0
Total assets	8,808.6	9,537.9	(50.0)	18,296.5
Deposits	(6,895.2)	(8,625.7)		(15,520.9)
Vendor financing			(264.0)[11]	(264.0)
Tier 2 capital			(56.0)[12]	(56.0)
One-off integration costs			(24.5)[13]	(24.5)
Other liabilities	(624.9)	(97.6)		(722.5)
Total liabilities	(7,520.1)	(8,723.3)	(344.5)	(16,587.9)
Total equity	1,288.6	814.6	(394.5)	1,708.6
Financial metrics				
Number of shares on issue	945.2			1,145.2
Earnings per share (cps)	*8.9*			*12.6*
NPAT Margin	*12.5%*	*10.3%*		*12.3%*
Return on equity (based on avg equity)	*6.7%*	*6.5%*		*8.6%*

[10] Transaction funding: Dividend paid by TSB to Toi immediately prior to completion of the Proposed Transaction

[11] Transaction funding: Vendor financing

[12] Transaction funding: Tier 2 capital

[13] One-off integration costs, net of tax.

Appendix 1: Sources of information

Documents relied upon

Key information sources we have used and relied on, without independent verification, in preparing this Report include the following:

- The Reserve Bank of New Zealand
- KPMG Financial Institutions Performance Survey 2024
- The Commerce Commission report on personal banking services, August 2024
- Retail banking in New Zealand: Customer satisfaction, use and perception compared with the rest of the world, November 2022 Boston Consulting Group
- New Zealand Treasury
- International Monetary Fund
- HGH annual reports, interim reports and investor presentations
- TSB annual reports
- CapitalIQ
- NZX announcements
- Listed company annual reports and financial statements

We have also had discussions with HGH's management team in relation to the nature of its operations and the known risks and opportunities for HGH in the foreseeable future.

Reliance upon information

In forming our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by HGH and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion, but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of HGH. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

Calibre Partners is an independent New Zealand Chartered Accounting practice. The firm has established its reputation nationally through the provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because we have no audit or tax divisions, we avoid potential conflicts of interest that may otherwise arise. This allows Calibre Partners to regularly act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this Report are Shaun Hayward, Grant Graham and Gillian Andrews. All have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

This Report should not be used or relied upon for any purpose other than as an expression of Calibre Partners' opinion as to merits of the proposed transaction. Calibre Partners expressly disclaims any liability to any Heartland shareholder that relies, or purports to rely, on this Report for any other purpose and to any other party who relies, or purports to rely, on the Report for any purpose.

This Report has been prepared by Calibre Partners with care and diligence, and the statements and opinions given by Calibre Partners in this Report are given in good faith and in the belief, on reasonable grounds, that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Calibre Partners or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of the Report, provided that this shall not absolve Calibre Partners from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Heartland has agreed that, to the extent permitted by law, it will indemnify Calibre Partners and its partners, employees and officers in respect of any liability suffered or incurred as a result of, or in connection with, the preparation of the Report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Heartland has also agreed to indemnify Calibre Partners and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person, except where Calibre Partners or its partners, employees and officers are guilty of negligence, misconduct or breach of law, in which case Calibre Partners shall reimburse such costs.

Independence

Calibre Partners and the persons responsible for the preparation of this Report do not have at the date of this Report, and have not had, any shareholding in, or other relationship, or conflict of interest with Heartland that could affect their ability to provide an unbiased opinion in relation to this transaction. Calibre Partners will receive a fee for the preparation of this Report. This fee is not contingent on the success or implementation of the proposed transaction or any transaction complementary to it. Calibre Partners and the persons responsible for the preparation of this Report have no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this Report was provided to Heartland and its advisers, solely for the purpose of verifying the factual matters contained in this Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this Report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

Calibre Partners consents to the issuing of the Report, in the form and context in which it is included, in the information to be sent to Heartland's shareholders. Neither the whole nor any part of the Report, nor any reference thereto, may be included in any other document without the prior written consent of Calibre Partners as to the form and context in which it appears.

Appendix 3: Glossary of key terms

Term	Definition
ADI	Authorised Deposit Taking Institution
CAGR	Compound Annual Growth Rate
CCCFA	The Credit Contracts and Consumer Finance Act 2003
CET1	Common Equity Tier 1
CoFI	Conduct of Financial Institutions Amendment Act 2022
CTI	Cost to income ratio
DCS	Depositor Compensation Scheme
DTI	Debt to Income ratio
HBAL	Heartland Bank Australia Limited
HBL	Heartland Bank Limited
HGH or Heartland	Heartland Group Holdings Limited
HYEFU	Half Year Economic and Fiscal Update
IMF	International Monetary Fund
LVR	Loan to Value Ratio
Merged Bank	Amalgamation of HBL and TSB
NIM	Net Interest Margin
NPAT	Net Profit After Tax
NPL	Non-Performing Loan
NSA	Non-Strategic Asset programme
OCR	Official Cash Rate
P/BV	Price to book value multiple
RBNZ	Reserve Bank of New Zealand
Report	This independent expert's report
ROE	Return on Equity
Toi	The Toi Foundation
TSB	TSB Bank Limited

Heartland Group Holdings Ltd

Independent Expert's Report (short form)

August 2026

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1. Introduction

1.1 The Proposed Transaction

Heartland Group Holdings Limited (**HGH or Heartland**), the parent company of Heartland Bank Ltd (**Heartland Bank** or **HBL**), is considering the acquisition of TSB Bank Ltd (**TSB**) from Toi Foundation (**Toi**). Immediately following the acquisition, HBL and TSB would undertake a legal amalgamation to form a single New Zealand bank of significantly enhanced scale and diversification (the **Merged Bank**). Together, this two-step process is referred to as the **Proposed Transaction**.

The Merged Bank would be wholly owned by HGH.

The proposed consideration to Toi for the acquisition of TSB is $620 million.

If the Proposed Transaction proceeds, the consideration to Toi would be a combination of cash, debt instruments and shares in HGH, as follows:

Instrument	$ million	Description
Pre-completion cash dividend	50.0	Dividend paid by TSB to Toi immediately prior to completion of the Proposed Transaction.
Equity	250.0	200 million HGH shares issued to Toi at a fixed price of $1.25, resulting in Toi owning 17.5% of HGH.
Vendor financing	264.0	Vendor finance loan facility provided by Toi. 2-year term, margin over NZ 1-month BKBM. Repayable at any point within loan term with no break fee.
Tier 2 capital	56.0	Capital issued by HBL to Toi. 10-year term, callable after 5 years with an initial fixed margin over the NZ 5-year swap, and a floating margin thereafter.
Total	**620.0**	

Following the Proposed Transaction, Toi would become a 17.5% shareholder in HGH.

1.2 Industry context

The New Zealand banking sector is highly concentrated with the four major Australian owned banks accounting for approximately 84% of all bank lending and holding a similar proportion of total banking assets. Smaller banks face structural disadvantages, including higher funding costs, weaker brand recognition, smaller balance sheets and less capacity to absorb technology and compliance costs.

New Zealand's banking sector is heavily concentrated in residential mortgage lending. As a result, bank earnings and asset quality are strongly influenced by housing market conditions, interest rates, and household finances. This also increases the impact of macroprudential controls, such as loan-to-value (**LVR**) and debt-to-income (**DTI**) limits, on lending growth and revenue. While the major banks offer a full suite of financial services, smaller banks tend to focus on retail customers and often specialise in niche areas such as rural lending, asset finance, or regional markets.

Bank funding is predominantly short-term, with most liabilities maturing within a year. Although assets are longer-term, they are typically either floating or short-term fixed rates, allowing monetary policy changes to flow through quickly to borrowers. In the past, loan growth was supported by rising house prices. More recently, higher interest rates have reduced demand for new mortgages, although they have also supported stronger revenue from existing lending despite lower overall volumes.

The conflict in the Middle East added economic uncertainty and weakened both global and domestic conditions. This has worsened New Zealand's near-term inflation outlook and delayed what was already a fragile recovery. While GDP growth was recorded in the December quarter, it fell short of expectations due to weak household spending and business investment, leading economists to revise down growth forecasts. Inflation is expected to remain elevated, with higher oil prices putting pressure on household budgets and business margins. In response, the Reserve Bank of New Zealand (**RBNZ**) has paused its easing cycle and shifted to a tightening bias, signalling that interest rates are now more likely to rise than fall, depending on how persistent inflation proves to be. Wholesale interest rates have already increased, and some mortgage rates have followed, although pricing remains mixed and the path of the official cash rate remains uncertain.

Against this backdrop, the outlook for New Zealand banks is becoming more challenging. Slower economic growth and rising unemployment are likely to dampen credit demand and increase pressure on asset quality, particularly as borrowers refinance at higher interest rates and face ongoing cost-of-living pressures. At the same time, rising funding costs may compress margins, depending on how quickly banks reprice their loans. These challenges are likely to be more pronounced for smaller banks, given their more limited diversification, tighter margins, and reduced capacity to absorb shocks or implement cost reductions.

1.3 Transaction rationale

The rationale for the Proposed Transaction is both strategic and financial. The transaction would result in the creation of a New Zealand bank with significantly enhanced scale and diversification. Scale is fundamental to the banking model, as it enables the generation of returns in excess of operating and funding costs, supporting shareholder value creation.

HGH and TSB offer distinct yet complementary product suites and differ in their regional concentrations of depositors. Combining these capabilities would broaden the product offering and diversify the loan portfolio, mitigating concentration and systemic risks.

A larger and more diversified Merged Bank is expected to benefit from a lower cost of funding as the funding mix will be widened to include more non-interest-bearing deposits via transaction accounts. It may also achieve an improvement in HBL's (and the HGH Group's) credit rating, which would further reduce funding costs. Collectively, these factors are anticipated to enhance shareholder returns.

1.4 Heartland shareholder approval

The Proposed Transaction requires the approval of HGH shareholders.

Relevant to this Report, there are two resolutions (**the Resolutions**) to be voted on:

> **Resolution 1: Merger of Heartland Bank and TSB**
>
> That the acquisition by Heartland of all of the shares in TSB and the subsequent amalgamation of Heartland Bank and TSB (with Heartland Bank being the amalgamated company) under the merger implementation agreement dated 1 June 2026 between Heartland, Toi Foundation and Toi Foundation Holdings Limited be approved, confirmed and ratified for all purposes, including section 129 of the Companies Act 1993 and NZX Listing Rule 5.1.1.
>
> **Resolution 2: Consideration shares**
>
> That the issue of 200,000,000 fully paid ordinary shares in Heartland to Toi Foundation at an issue price of NZ$1.25 per share on completion of, and as partial consideration for, the acquisition by Heartland of all of the shares in TSB be approved, confirmed and ratified for all purposes, including NZX Listing Rule 4.1.1.

Under the Agreement, completion is conditional on shareholder approval for both above resolutions. If one were voted down, the transaction would not proceed.

The Shareholder Meeting to consider the Proposed Transaction is proposed to be held on 30 September 2026.

The Board of HGH fully supports the Proposed Transaction and unanimously recommends that HGH shareholders vote in favour of the Resolutions.

Each Director of the Board of HGH has indicated that he or she will be voting the HGH shares that they control in favour of the Resolutions.

1.5 Scope of this Report

There is no specific requirement for an independent report on the Proposed Transaction under the Takeovers Code or the NZX Listing Rules. However, the NZX Listing Rules require that a notice of meeting include, or be accompanied by, sufficient information to enable a reasonable shareholder to understand the effect of each proposed resolution.

HGH has obtained this independent expert's report (**Report**) to assist shareholders in voting on the Proposed Transaction. This is a short form of the Report which we have prepared to accompany the notice of meeting. The full Report will be made available on Heartland's website.

1.6 Key issues to be considered by shareholders

Key issues for shareholders to consider:

- We consider the proposed consideration for TSB is reasonable, considering TSB's scale and return on equity relative to listed peers.
- HGH would acquire TSB at a discount to book value. The discount reflects the lack of economies of scale characteristic of a small bank, rather than a concern with the quality of the underlying assets that would require an impairment.
- The Proposed Transaction creates a bank of substantially greater scale, with a larger capital base and a more diversified loan book.
- The Proposed Transaction is expected to yield significant cost synergies in the Merged Bank; however, synergies do carry risk in terms of timing, cost to extract and the final value that is realised on a continuing basis.
- The Proposed Transaction is expected to be meaningfully Earnings Per Share (**EPS**) and Dividend Per Share (**DPS**) accretive. Together with the expected higher Return on Equity (**ROE**) and growth opportunities from the enhanced ability to serve customers throughout their financial lifecycle across respective customer bases, this is supportive of a directional increase in the Price to Book Value (**P/BV**) multiple for HGH over time.
- HGH would acquire regulatory capital at a discount to its book value; it would effectively be acquiring capital more cheaply than it could generate organically or could raise externally.
- A larger, more diversified entity is likely to be less sensitive to systemic risks and provide greater financial stability to the HGH shareholders.
- The Proposed Transaction increases HGH's exposure to residential lending which is a competitive market with lower net interest margins than Heartland's other product lines. Residential lending would be the largest component of the loan portfolio in the merged group. Whilst Heartland has historically offered residential mortgages, it has not previously been able to achieve meaningful scale in this product line. The acquisition of TSB however provides immediate scale with $6.5 billion of residential mortgage loans as at 31 December 2025.
- As with all mergers, there are integration risks (especially technology transformation) associated with the merger of HBL and TSB.

In our opinion, the proposed consideration for TSB is reasonable. On balance we consider the positives of the Proposed Transaction outweigh the negatives for HGH shareholders.

The above should be read in conjunction with the full Report, available on the Heartland website.

Voting on the Proposed Transaction is a matter for individual shareholders based on their own views as to the value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

1.7 Other

The key sources of information we have relied upon are set out in Appendix 1.

This Report should be read in conjunction with the statements and declarations set out in Appendix 2 regarding our independence, qualifications, general disclaimer and indemnity, as well as restrictions on the use of this Report.

Unless specified otherwise:

- References to '$' and 'NZD' are to New Zealand Dollars.
- References to 'A$' and 'AUD' are to Australian Dollars.

All amounts are in NZD unless stated otherwise.

When referring to TSB, references to financial years or 'FY' mean TSB's financial years ended 31 March. References to interim period, half years or 'HY' mean TSB's interim reporting periods ended 30 September. References to 31 December 2025 mean TSB's data drawn from the Reserve Bank of New Zealand (**RBNZ**).

When referring to HGH or the Merged Bank, references to financial years or 'FY' mean financial years ended 30 June. References to interim period, half year or 'HY' mean HGH's interim reporting periods ended 31 December.

Tables may not add due to rounding.

2. Merits of the Proposed Transaction

We have considered the merits of the Proposed Transaction in the manner typically undertaken by an independent adviser preparing a report under the Takeovers Code.

The Takeovers Code requires an independent adviser to form an opinion on the merits of a proposed transaction and, in doing so, to consider matters broader than valuation alone.

The term 'merits' has no definition in either the Takeovers Code or in any statute dealing with securities or commercial law in New Zealand. Although the Takeovers Code does not prescribe a meaning of the term 'merits', the Takeovers Panel has interpreted the word to include both positives and negatives in respect of a transaction. Although we are not preparing this Report under the provisions of the Takeovers Code, we have adopted this approach in preparing this Report.

2.1 The consideration payable to Toi

We have carried out analysis to assess whether the proposed consideration to Toi for TSB, at $620 million, is reasonable. As part of the consideration, Toi will receive a pre-completion cash dividend of $50 million, with the remaining $570 million payable by HGH.

To assess whether this consideration is reasonable, we calculate the valuation multiples and other financial metrics implied by the proposed price. We benchmark these metrics against equivalent metrics for other comparable institutions.

The proposed consideration to Toi of $620 million implies a P/BV in the region of 0.76x. This is based on TSB's book value of equity as reported to the Reserve Bank of New Zealand as at 31 December 2025.

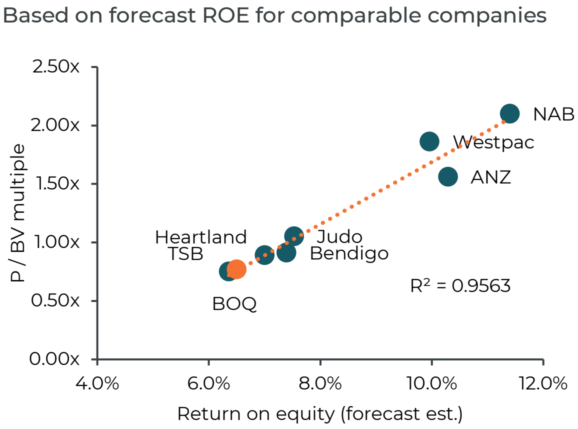
Table 1: Implied valuation multiple

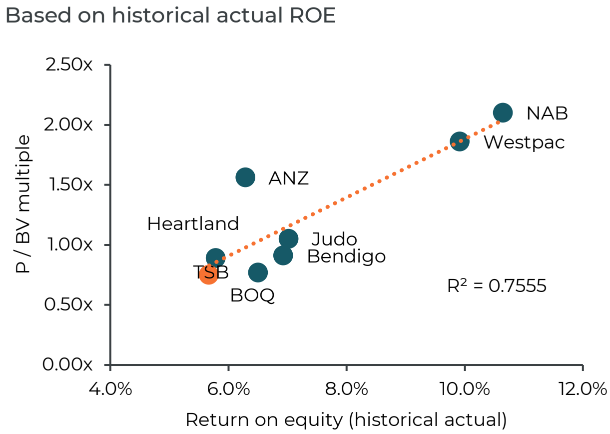
	$ million
Proposed consideration to Toi	620.0
Book value of equity (31 December 2025)	814.6
Implied P / BV	**0.76x**

The implied P/BV multiple is comparable to the multiples observed for transactions and listed companies we consider most comparable to TSB with reference to or taking into account the ROE generated.

We consider the relationship between P/BV and return on equity is of key importance when considering the proposed consideration. In general terms, companies which consistently report high ROEs demonstrate the ability to generate returns in excess of costs. All else being equal, investors are willing to pay a higher book value multiple for these companies. Conversely, companies with low or volatile ROEs tend to trade at lower P/BV multiples.

Figure 1: P/BV and return on equity





We consider a P/BV multiple of less than 1.0x is appropriate in the circumstances and is not unusual for sub-scale banks. This reflects the overhead burden in the business model rather than the quality of the underlying assets. In this scenario, the discount to book value reflects the lack of economies of scale rather than an impairment of the assets.

We have also considered comparable transactions, noting there have been few sales of banks in New Zealand as going concerns over the last decade. The most relevant recent transaction in Australia is MyState's acquisition of Auswide Bank in 2024, at a P/BV multiple of 0.83x.

Considering the comparable companies and transactions and the relative performance and size of TSB, we consider a reasonable P/BV multiple for TSB to transact at would be in the region of 0.70x to 0.80x.

2.2 The rationale and strategic benefits of the Proposed Transaction

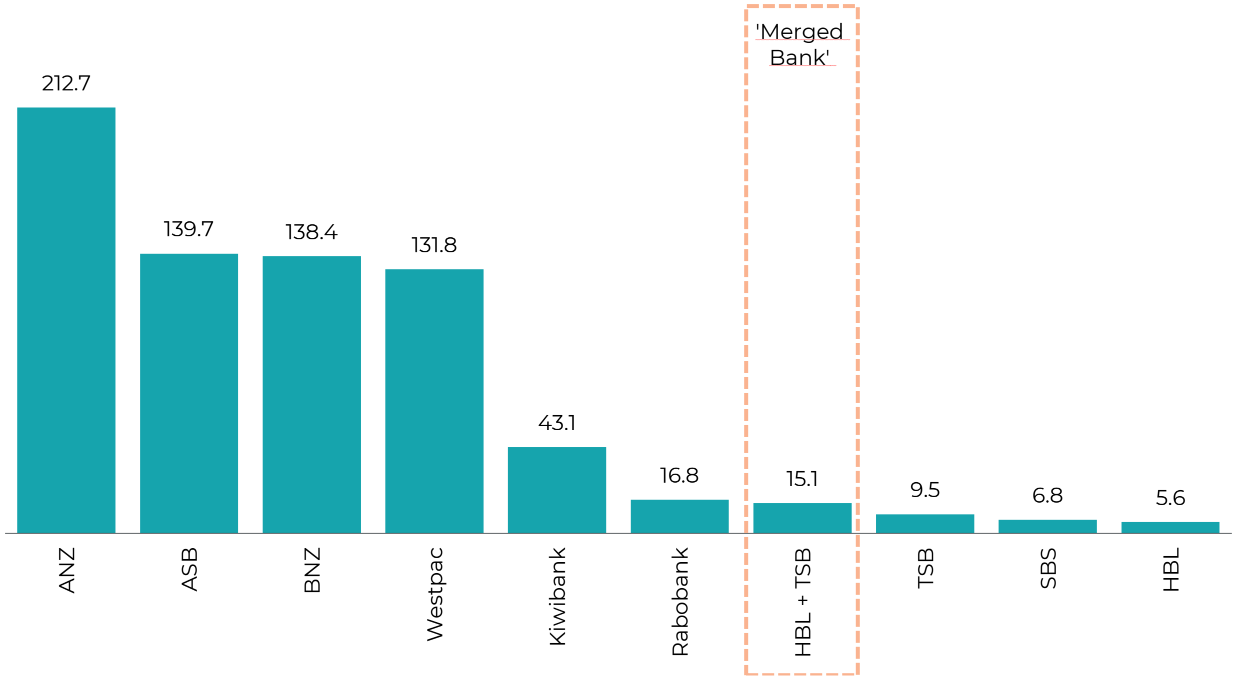
The Proposed Transaction is expected to deliver significant synergistic value. In this instance, synergistic value is broader than cost savings or growth opportunities from the enhanced ability to serve customers throughout their financial lifecycle across respective customer bases. It extends to extracting value from the benefits of economies of scale and diversification in a banking environment.

Scale benefits

Due to the inherent operating cost structure of banks, scale is critical to delivering operating leverage benefits. This is evident in larger banks typically reporting substantially lower Cost-To-Income (**CTI**) ratios.

The Proposed Transaction will create a merged bank of substantially greater scale. The total assets in New Zealand would almost triple, increasing from $5.6 billion for HBL on a stand-alone basis to $15.1 billion for the Merged Bank. The Merged Bank would be the seventh largest bank, by assets, in New Zealand. While the Merged Bank would be substantially larger than HBL, it would remain small relative to the major Australian owned banks.

Figure 1: Total assets as at 31 December 2025 ($ billions)



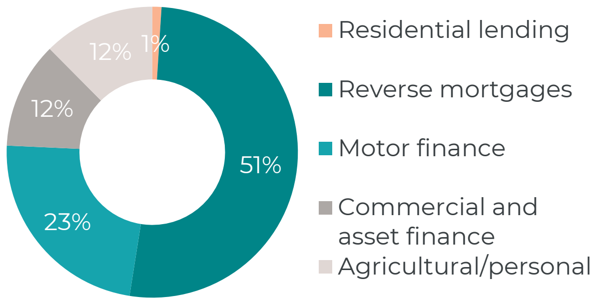
Source: Reserve Bank of New Zealand

Portfolio diversification

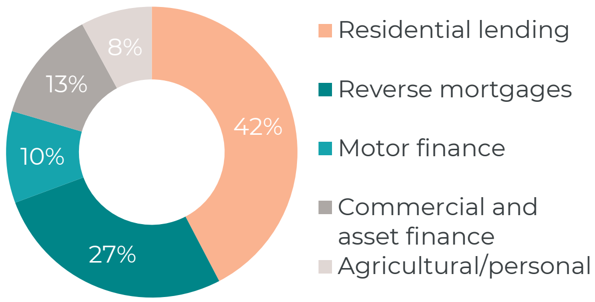
The Proposed Transaction will create a bank with a substantially more diversified loan book and an enhanced product offering for existing and prospective customers.

Figure 2: Portfolio diversification (shown for the HGH Group)

HGH Group loan portfolio before merger



HGH Group loan portfolio after merger



HGH has historically not succeeded in organically growing its residential mortgage loan portfolio in a meaningful way. Following the Proposed Transaction, HGH will have a more diverse loan portfolio with substantial exposure to residential mortgages.

HBL is currently the largest market participant in reverse mortgages in New Zealand, with a market share in excess of 90%. Following the merger, HGH's exposure to reverse mortgages is expected to decrease from about half the portfolio to around a quarter, reducing concentration risk associated with this product specifically, particularly in light of potential increased competition in New Zealand in the future (the Australian market is substantially more competitive which has resulted in lower margins compared to New Zealand).

Overall, HGH's loan portfolio will be more diversified and stable, while continuing to present attractive growth opportunities, supported by relatively low market shares in residential mortgages, motor finance and commercial lending.

The Merged Bank's (and HGH's) product offering will be more extensive, and this is expected to present opportunities to serve customers throughout their financial lifecycle. TSB customers can be offered motor vehicle loans, asset finance loans and reverse mortgages. Similarly, HBL customers can be offered residential mortgages and transaction accounts.

A larger, more diversified bank will be less susceptible to systemic risks and should provide greater financial stability.

The Proposed Transaction is expected to improve HBL's cost of funding.

HBL currently has a Fitch credit rating of BBB with a stable outlook, while TSB has a Fitch credit rating of BBB+ with a stable outlook. The merger of HBL and TSB will result in a significantly larger asset base, with scale improvement opportunities and a more diversified loan book. The strengthened asset quality and risk profile of the Merged Bank may result in an uplift in the assessed long-term credit rating, which could provide further opportunities to lower the cost of funding.

The funding mix of HBL will also be widened to include more non-interest-bearing deposits via transaction accounts.

Cost saving and revenue synergies

The Proposed Transaction is expected to deliver cost saving synergies. Ongoing cost synergies of approximately $34 million per annum have been assessed by an internal working group (supported by external advisers) to be progressively realised over a 3-year period post-completion. The largest component of the expected cost savings is through leadership and back-office staff cost savings.

Conservatively, cost savings from future technology synergies have not been factored into the analysis, as no final decision has been made on technology strategy as at the date of preparing this Report.

The transaction will also result in one-off transaction costs of $15 million. Estimated non-recurring integration costs of $34 million are expected to be incurred over a 3-year period, post completion.

Revenue synergies are also expected to be material but have not been factored into this synergy analysis given inherent uncertainty and greater execution risk.

Access to regulatory capital at a discount

The discount to book value for the acquisition of TSB is due to a lack of economies of scale, rather than a discount due to hidden credit losses or asset impairments. As such, HGH will acquire regulatory capital at a discount – it would be acquiring capital more cheaply than it could generate capital organically or externally via an equity capital raise.

In a constrained regulatory environment, growing lending typically requires incremental capital. Acquiring capital at below book value lowers the cost of growth. It also provides a buffer to downside risk, as purchasing assets at a discount can provide a margin of safety.

Improved financial metrics

HGH shareholders will remain invested in a listed company, but one which will benefit from improved economies of scale and diversification benefits which will decrease risk and improve returns to shareholders.

Heartland would acquire TSB at a discount to its book value; however, the underlying assets are not impaired beyond the existing credit impairment provisions. Merging TSB with HBL to realise operating and funding efficiencies and removing duplicate overheads means that the acquired assets can quickly become value accretive.

The expected financial metrics, based on the pro-forma financial statements prepared for the Merged Bank, are shown below. The purpose of this analysis is to illustrate the change from HGH 'as-is' to HGH with the Merged Bank.

The financial information is based on the reported historical results for HGH and TSB, being 12 months ending December 2025 for HGH and 12 months ending December 2025 for TSB. This aligns with the most recent data provided to the RBNZ.

The pro-forma accounts include merger adjustments. These are intended to reflect the run-rate, rather than one-off adjustments. For example, the profit and loss adjustments include a full year of realised cost saving synergies (as that is what is expected to persist), but it does not include the one-off integration costs nor the transaction costs. This is done to make the comparison to HGH 'as-is', on a like-for-like basis. The one-off integration and transaction costs are included on the balance sheet as a liability – this is done to show these costs will need to be incurred to deliver the expected benefits.

Table 2: Pro-forma statements ($ millions)

	HGH as-is	TSB	Adjustments	HGH (with Merged Bank)
Summarised pro-forma income statement				
Interest income	674.2	499.2		1,173.4
Interest expense	(350.1)	(291.8)		(641.9)
Net interest income	324.1	207.4		531.5
Other operating income	14.1	14.4		28.5
Net operating income	**338.2**	**221.8**		**560.0**
Operating expenses	(188.9)	(148.9)	12.8	(325.0)
Profit before credit impairment and tax	**149.4**	**72.9**	**12.8**	**235.0**
Credit impairment losses / reversal of impairment loss and other	(29.4)	(1.2)		(30.6)
Profit before tax	**120.0**	**71.7**	**12.8**	**204.4**
Tax expense	(35.9)	(20.4)	(3.6)	(59.9)
Net profit after tax	**84.0**	**51.3**	**9.2**	**144.5**
Summarised pro-forma balance sheet				
Cash and cash equivalents	395.4	401.6	(50.0)[1]	747.0
Loan book	7,240.2	7,788.1		15,028.3
Investment securities	782.1	1,280.1		2,062.2
Other assets	390.9	68.1		459.0
Total assets	8,808.6	9,537.9	(50.0)	18,296.5
Deposits	(6,895.2)	(8,625.7)		(15,520.9)
Vendor financing			(264.0)[2]	(264.0)
Tier 2 capital			(56.0)[3]	(56.0)
One-off integration costs			(24.5)[4]	(24.5)
Other liabilities	(624.9)	(97.6)		(722.5)
Total liabilities	(7,520.1)	(8,723.3)	(344.5)	(16,587.9)
Total equity	1,288.6	814.6	(394.5)	1,708.6
Financial metrics				
Number of shares on issue	945.2			1,145.2
Earnings per share (cps)	*8.9*			*12.6*
NPAT Margin	*12.5%*	*10.3%*		*12.3%*
Return on equity (based on avg equity)	*6.7%*	*6.5%*		*8.6%*

[1] Transaction funding: Dividend paid by TSB to Toi immediately prior to completion of the Proposed Transaction

[2] Transaction funding: Vendor financing

[3] Transaction funding: Tier 2 capital

[4] One-off integration costs, net of tax.

2.3 The potential impact of the Proposed Transaction on HGH's share price

Likely to have positive impact on HGH's share price

All else being equal, we consider the benefits of the Proposed Transaction are likely to be supportive of a higher share price. The financial metrics that underpin a bank valuation are expected to improve and we consider a higher P/BV multiple will likely result.

The new shares in HGH will be issued at $1.25 per share, which is a 14.6% premium to the 10-day volume weighted average share price on the NZX (being $1.09) immediately prior to the announcement of the Proposed Transaction. This is not expected to be value dilutive to existing shareholders.

May increase share liquidity

The Proposed Transaction is unlikely to reduce share liquidity and may increase share liquidity due to being a larger company with 21% more shares on issue. There is no lock up agreement for the HGH shares that will be issued to Toi, however Toi has indicated it plans to be a long-term supportive holder of HGH shares.

Toi would have influence but could not block resolutions on its own

The Proposed Transaction would result in Toi owning a large interest in HGH. In addition, HGH shareholders will be asked to approve the appointment of one Toi representative to the Heartland Board.

However, Toi would not be able to block ordinary or special resolutions. It is a proportional interest that another party could acquire on-market or off-market, without making a formal Takeover Offer or seeking HGH shareholder consent (given it does not pass the 20% threshold).

The next largest shareholder, after the Proposed Transaction, will be Tomlinson Group HGH Limited with a 7.3% shareholding.

2.4 The likely consequences of the Proposed Transaction being rejected

The alternative to the Proposed Transaction is that the status quo persists and HGH continues in its current form.

While HGH shareholders will remain invested in a listed bank, HGH will remain significantly concentrated to the reverse mortgage market segment. Competition within this segment is expected to increase as the product suite and market participants mature in the New Zealand and Australian markets, likely resulting in declines to net interest margins.

In the Australian market, new fintech and non-deposit-taking competitors have captured significant market share in the reverse mortgage segment. As a result, Heartland Bank Australia's share of new originations has declined from around 90% five years ago to around 40% currently. The increased competition has been driven by the attractive Net Interest Margin (**NIM**) associated with reverse mortgages, relative to actual impairment levels.

Heartland Bank has a greater than 90% market share in the New Zealand reverse mortgage market. High NIM combined with low impairments will attract new entrants, and potentially the large banks to re-enter this market if it is viewed as a growth market with attractive returns and limited reputational risk.

2.5 Risks and other considerations

The Proposed Transaction increases HGH's exposure to residential lending which is a highly competitive market with lower net interest margins than HGH's existing product lines. Residential lending would be the largest component (close to 45%) of the loan portfolio in the merged HGH group (including the Australian operations).

TSB is highly reliant on third party mortgage originators (compared to other banks) to generate business. Accordingly, TSB has less direct control over its mortgage product distribution.

The Proposed Transaction would result in a high deposit exposure to the Taranaki region (around 26%). Many of these depositors have been long standing customers of TSB.

The merger has integration risks, such as:

- timing and amount of integration costs
- timing and amount of expected cost synergies
- challenges with moving to consistent technology platforms, and
- cultural integration and retention of key staff and customer relationships.

While the Merged Bank will be a larger entity, with the potential for improved shareholder returns, it will still remain a relatively small bank in comparison to Kiwibank and the four large Australian-owned banks.

2.6 Conditions of the Proposed Transaction

The Proposed Transaction is subject to conditions that are outside the control of HGH shareholders (such as RBNZ approval, any necessary Australian regulatory approvals, confirmatory due diligence and HGH and Toi entering into a separate warranty and indemnity deed (together with an associated warranty insurance policy)). There is no certainty that the Proposed Transaction will proceed, even if supported by HGH shareholders, until such time as those conditions have been satisfied.

HGH's one substantial shareholder, Tomlinson Group HGH Limited, currently owns approximately 8.8% of the HGH shares on issue and has committed to vote in favour of the Proposed Transaction.

If the Proposed Transaction is rejected by HGH shareholders, or the other conditions are not satisfied, the parties to the Proposed Transaction could elect to renegotiate the transaction terms. In that circumstance a new set of resolutions could be put to HGH shareholders.

A consequence of the issuance of a significant number of new shares in HGH is that the proportional ownership of existing HGH shareholders in the merged group will reduce by around 17.5%. For example, a shareholder owning say 5.0% of the issued shares will own approximately 4.1% of the issued shares in the larger Merged Group. While this dilution to a shareholder's proportional ownership interest is not expected to be value dilutive to the shareholder, it will reduce a shareholder's ability to affect shareholder resolutions. The relevance of this dilution may be minimal to many shareholders, in circumstances where HGH shares are widely held and the new shares will be held by a party without overall control of the company.

Appendix 1: Sources of information

Documents relied upon

Key information sources we have used and relied on, without independent verification, in preparing this Report include the following:

- The Reserve Bank of New Zealand
- KPMG Financial Institutions Performance Survey 2024
- The Commerce Commission report on personal banking services, August 2024
- Retail banking in New Zealand: Customer satisfaction, use and perception compared with the rest of the world, November 2022. Boston Consulting Group.
- New Zealand Treasury
- International Monetary Fund
- HGH annual reports, interim reports and investor presentations
- TSB annual reports
- CapitalIQ
- NZX announcements
- Listed company annual reports and financial statements

We have also had discussions with HGH's management team in relation to the nature of its operations and the known risks and opportunities for HGH in the foreseeable future.

Reliance upon information

In forming our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by HGH and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion, but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of HGH. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

Calibre Partners is an independent New Zealand Chartered Accounting practice. The firm has established its reputation nationally through the provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because we have no audit or tax divisions, we avoid potential conflicts of interest that may otherwise arise. This allows Calibre Partners to regularly act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this Report are Shaun Hayward, Grant Graham and Gillian Andrews. All have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

This Report should not be used or relied upon for any purpose other than as an expression of Calibre Partners' opinion as to merits of the proposed transaction. Calibre Partners expressly disclaims any liability to any Heartland shareholder that relies, or purports to rely, on this Report for any other purpose and to any other party who relies, or purports to rely, on the Report for any purpose.

This Report has been prepared by Calibre Partners with care and diligence, and the statements and opinions given by Calibre Partners in this Report are given in good faith and in the belief, on reasonable grounds, that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Calibre Partners or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of the Report, provided that this shall not absolve Calibre Partners from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Heartland has agreed that, to the extent permitted by law, it will indemnify Calibre Partners and its partners, employees and officers in respect of any liability suffered or incurred as a result of, or in connection with, the preparation of the Report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Heartland has also agreed to indemnify Calibre Partners and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person, except where Calibre Partners or its partners, employees and officers are guilty of negligence, misconduct or breach of law, in which case Calibre Partners shall reimburse such costs.

Independence

Calibre Partners and the persons responsible for the preparation of this Report do not have at the date of this Report, and have not had, any shareholding in, or other relationship, or conflict of interest with Heartland that could affect their ability to provide an unbiased opinion in relation to this transaction. Calibre Partners will receive a fee for the preparation of this Report. This fee is not contingent on the success or implementation of the proposed transaction or any transaction complementary to it. Calibre Partners and the persons responsible for the preparation of this Report have no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this Report was provided to Heartland and its advisers, solely for the purpose of verifying the factual matters contained in this Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this Report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

Calibre Partners consents to the issuing of the Report, in the form and context in which it is included, in the information to be sent to Heartland's shareholders. Neither the whole nor any part of the Report, nor any reference thereto, may be included in any other document without the prior written consent of Calibre Partners as to the form and context in which it appears.

Appendix 3: Glossary of key terms

Term	Definition
ADI	Authorised Deposit Taking Institution
CAGR	Compound Annual Growth Rate
CCCFA	The Credit Contracts and Consumer Finance Act 2003
CET1	Common Equity Tier 1
CoFI	Conduct of Financial Institutions Amendment Act 2022
CTI	Cost to income ratio
DCS	Depositor Compensation Scheme
DTI	Debt to Income ratio
HBAL	Heartland Bank Australia Limited
HBL	Heartland Bank Limited
HGH or Heartland	Heartland Group Holdings Limited
HYEFU	Half Year Economic and Fiscal Update
IMF	International Monetary Fund
LVR	Loan to Value Ratio
Merged Bank	Amalgamation of HBL and TSB
NIM	Net Interest Margin
NPAT	Net Profit After Tax
NPL	Non-Performing Loan
NSA	Non-Strategic Asset programme
OCR	Official Cash Rate
P/BV	Price to book value multiple
RBNZ	Reserve Bank of New Zealand
Report	The Independent expert's report
ROE	Return on Equity
Toi	The Toi Foundation
TSB	TSB Bank Limited

PROPERO

INSIGHTS TRUST PARTNERSHIP

BOARD REMUNERATION BENCHMARKING SUMMARY REPORT 2026

HEARTLAND GROUP

HEARTLAND BANK New Zealand

HEARTLAND BANK Australia

> REPORT OVERVIEW

FEE DATA

APPENDIX

\\ BACKGROUND AND METHODOLOGY

- Propero Consulting was engaged by the Board of directors of Heartland Group Holdings Limited to provide an independent review of board remuneration (Chair, director and committee fees) across:
    - **Heartland Group Holdings Limited**, referred to as '**HGH**' in this report.
    - **Heartland Bank Limited** (referred to as **'HBL'** or '**Heartland Bank**' in this report. Our review is based on the proposed merger of Heartland Bank and **TSB Bank Limited** ('**TSB**') taking place, resulting in the newly formed **TSB Heartland Bank Limited**, referred to as '**TSB Heartland Bank**' in this report.
    - **Heartland Bank Australia Limited**, referred to as '**HBAL**' in this report.

- Best practice is to conduct fee reviews and make adjustments regularly to maintain positioning, ensure the ability to attract / retain and fairly compensate high quality directors, and avoid large irregular increases. The setting of director fees should have a focus on:

Ensuring appropriate market alignment in order to attract and retain quality directors.	**The organisation's performance and ability to pay for fees.**	**The size and complexity of the entity.**	**Director workload (including committees).**	**The market movement of director fees.**

- The report is prepared as a guide to setting the relevant Board's remuneration. It is by nature an independent opinion based on our research of publicly available market remuneration data.

ATTESTATION OF INDEPENDENCE

Propero Consulting Limited is satisfied that we are independent for the purposes of this engagement.
This report is not subject to any influence from any member of management or Board member from HGH, its subsidiaries, or any third party.

\\ PROCESS OVERVIEW AND REPORT INSIGHTS

A number of key considerations have informed our review of Board remuneration in Heartland Group Holdings Limited's ('HGH') current context:

- The proposed merger of Heartland Bank Limited ('Heartland Bank') and TSB Bank Limited ('TSB') to create TSB Heartland Bank Limited ('TSB Heartland Bank'). Our review and final recommendations are based on the merger taking place, noting this remains subject to the completion of a number of conditions.
- HBL is unique as the only NZ-based parent bank with an Australian ADI subsidiary, Heartland Bank Australia Limited ('Heartland Bank Australia' or 'HBAL').
- The merger would significantly increase HBL's size and scale in the NZ banking sector as a 'challenger bank'.
- The majority of the Group's operating banking business occurs at the subsidiary level (currently Heartland Bank and HBAL) rather than the 'HGH level'.
- HGH currently sits within the largest 40 of NZX entities (by market capitalisation), potentially lifting to sit within the top 30 post-merger (data as at 17th August 2026).

A critical element in reviewing fees is establishing the most appropriate comparator group:

- As there are 3 separate entities (HGH, TSB Heartland Bank and HBAL), we have considered different groups for each. This draws from a wide range of NZX, ASX and unlisted entities across both the NZ and Australian financial services sectors.
- A number of likely comparators (based on sector and organisational scale) cannot be used as they do not publicly disclose board remuneration data. The comparator groups used in this report were confirmed with HGH.

Key insights:

- HGH's current Board Chair fee and Chair premium sit in the lower quartile of comparators.
- Despite the merger significantly increasing the scale of HBL, current remuneration for the post-merger entity is well-positioned against respective comparator groups.
- There are significant differences between NZ and Australian board remuneration practices. Careful consideration will need to be given to HBAL Board fees in particular given its subsidiary status.
- There is a level of 'cross over' between the Group, where an individual may sit on more than 1 board. As per the 2025 annual report, these individuals are only entitled to receive one full fee but receive an additional part fee.
- Across the Group, while committee Chairs receive additional remuneration, committee members do not. This is atypical versus comparators.

Recommendations:

- We have modelled potential fees on pages 8, 10 and 12. We have included a 'count' of Board members who will receive remuneration for each role following the merger.
- As is the Heartland Group's current practice, a CEO of any of the three entities should not receive additional remuneration for any 'board role' they also have across the other entities. We note this would currently apply only to Andrew Dixson, HGH CEO, as he is a Non-Independent Non-Executive Director on both the Heartland Bank and HBAL Boards.

A note on the data:

- All data used in this report is drawn from the latest annual reports, public information, notice of meetings and / or annual meeting results (at the time of collection and analysis).
- All fee data may be rounded slightly for ease of use and comparison.
- Unless otherwise stated, all fee data for HGH and TSB Heartland Bank is provided in NZ$, and all fee data for HBAL is provided in AU$.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\\ REVIEWING THE 'ADDITIONAL FEE'

Individuals may sit on multiple boards across the Heartland Group.

Rather than receiving 'full sets of director fees for both boards', these individuals instead receive a smaller 'additional fee'. Currently, this applies to:

- Board Member of the Heartland Bank Board, where also a member of the Heartland Board: applied to John Harvey, Kate Mitchell (paid in NZ$).
- Board member of the Heartland Bank Australia Board, where also Chair of the Heartland Bank Board: applied to Bruce Irvine (paid in AU$).
- Board member of the Heartland Bank Australia Board, where also a member of the Heartland Board: applied to Simon Beckett (paid in NZ$).

We note this does not apply to Andrew Dixson as he does not receive board remuneration in addition to his HGH CEO remuneration.

There is insufficient direct comparator data to fully inform a recommendation here.

While some comparators report 'director fees for subsidiaries', these subsidiaries may be smaller scale or more niche than Heartland Bank and / or HBAL. Therefore, the following options can be considered.

- Option 1 (recommended): maintain this additional fee (likely at the current ratio against the base director fee).
- Option 2: rather than the smaller additional fee, individuals could be fully remunerated for their multiple roles. This would be a significant increase in the total fees paid to the individuals noted above.
- Option 3: remove the additional fee entirely, individuals could receive the highest single available remuneration option only. This would not account for the extra workload and responsibility of multiple board roles.

\\ HGH COMPARATORS – QUARTILE VIEW

The table below displays quartile and median data of the comparator group across a range of organisational metrics.

We have highlighted HGH's approximate post-merger position relative to this dataset. We note:

- HGH will have a significantly larger asset base than most comparators. This is expected given the banking / financial services sector.
- We have not included an estimate on revenue.
- HGH's current Board Chair fee and Chair premium sit in the lower quartile of comparators. The current director fee sits in the upper quartile.
- HGH's total board fee pool is based on the 2025 annual report. It is significantly larger than comparators given it encompasses three separate boards.

All fee data below is provided in NZ$.

	Lower quartile	Median	Upper quartile	HGH (post-merger)
Market capitalisation ($ billion)	$1.0	$1.3	$1.9	$1.7
Total assets ($ million)	$900	$2,200	$3,700	$18,300
Revenue ($ million)	$250	$800	$1,300	-
Headcount	130	800	3,200	20
Chair fee	$181,000	$200,000	$240,000	$175,000
Director fee	$99,000	$100,000	$104,500	$120,000
Chair premium	1.9x	2.0x	2.2x	1.5x
Total board fee pool	$851,000	$927,000	$1,188,000	$2,400,000* *(current)*

**This value represents the whole Heartland Group. For the current HGH Board specifically, this value is $430,000.*

Comparators: Freightways Group Limited, Ryman Healthcare Limited, Summerset Group Holdings Limited, Precinct Properties NZ & Precinct Properties Investments Ltd, Kiwi Property Group Limited, Air New Zealand Limited (NS), Channel Infrastructure NZ Limited, Skellerup Holdings Limited, Property for Industry Limited, Briscoe Group Limited, Argosy Property Limited, Scales Corporation Limited, Vulcan Steel Limited

\\ HGH RECOMMENDATIONS AND POSSIBLE UPLIFTS

Current remuneration data is based on the Heartland Group 2025 annual report. We understand Heartland's preference is for HGH and Heartland Bank Board fees to be equal.

The 'count' column indicates the number of Board members who will receive remuneration for each role following the merger. We have noted where this differs from the current count.

We believe setting fees for TSB Heartland Bank should be the priority, and then equivalency can be applied to HGH. Please see page 10.

- While HGH post-merger will have a significant asset base, there is less 'operational responsibility' at the Group level.
- While HGH is atypical in not having additional committee member fees, the current base director fee is positioned very strongly against comparators. We have modelled the introduction of member fees, but HGH may conclude this uplift is not required. Given HGH's larger comparator group, we have considered these committee fees to inform potential uplifts. We have maintained the Heartland Group's current practice of the Board Chair receiving additional remuneration for any committee Chair roles they hold (noting that the Board Chair does not receive additional remuneration for any committee memberships they hold).
- Separately, we have also accounted for an 'unallocated pool' of NZ$100,000 to be distributed across all 3 entities as HGH sees fit (page 14). As it is not specific to HGH, we have not included this figure below.

All fee data below is provided in NZ$.

		Current remuneration		Potential changes				
Role	Count	Fee	Total (count x fee)	Revised fee	% increase	Increase	Revised total (count x fee)	Explanation
Chair	1	$175,000	$175,000	$200,000	14%	$25,000	$200,000	**Uplift of circa 14%** to maintain relative market positioning and align the Chair premium closer to comparators at circa 1.7x the base director fee.
Director	1*	$120,000	$120,000	$120,000	0%	$0	$120,000	**No uplift recommended**. Current HGH director fees are well-positioned against the majority of comparators. **The low 'count' of remunerated directors is due to a majority of HGH directors receiving the 'additional fee' rather than a full director fee (as noted below).*
Additional fee: Board Member of TSB Heartland Bank Board or HBAL Board, where also a member of Heartland Group Board	4*	$25,000	$75,000*	$25,000	0%	$0	$100,000	**No uplift recommended**. This maintains the circa 21% of base director fees. **Currently, 3 directors receive the additional fee. Post-merger, this is expected to increase to 4.*
Audit & Risk Committee Chair	1	$20,000	$20,000	$23,000	15%	$3,000	$23,000	**Uplift of circa 15%** to align with the HGH comparator Audit and Risk Committee Chair median.
Audit & Risk Committee member	1*	$0	$0	$11,500	-	$11,500	$11,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HGH Chair does not receive additional remuneration.*
Sustainability Committee Chair	1	$20,000	$20,000	$20,000	0%	$0	$20,000	**No uplift recommended.** Current Chair fee is well-positioned against comparators.
Sustainability Committee member	2	$0	$0	$10,000	-	$10,000	$20,000	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility.
Corporate Governance, People, Remuneration and Nominations Committee Chair*	1	$20,000	$20,000	$20,000	0%	$0	$20,000	**Recently established, we recommend **fees be aligned to the Sustainability Committee**. If applied, this Chair fee will be well-positioned against comparators.*
Corporate Governance, People, Remuneration and Nominations Committee member*	1^	$0	$0	$10,000	-	$10,000	$10,000	**Recently established, we recommend **fees be aligned to the Sustainability Committee**. Introduce this fee at 50% of the committee Chair fee, in recognition of the increased workload and responsibility.* *^As a member of this committee, the HGH Chair does not receive additional remuneration.*
Total			**$430,000**				**$524,500**	

\\ TSB HEARTLAND BANK COMPARATORS – QUARTILE VIEW

The table below displays quartile and median data of the comparator group across a range of organisational metrics.

We have highlighted TSB Heartland Bank's approximate post-merger position (and shown TSB and Heartland Bank's current positions) relative to this dataset. We note:

- TSB Heartland Bank's total assets sit between the median and upper quartile of comparators.
- TSB Heartland Bank's gross receivables sit between the lower quartile and median of comparators.
- Both TSB and Heartland Bank's net operating income sit around the median of comparators.
- Both TSB and Heartland Bank's interest income sit around the lower quartile of comparators.
- TSB's Chair premium is high relative to comparators, and Heartland Bank's is low.

All fee data below is provided in NZ$.

	Lower quartile	Median	Upper quartile	TSB Heartland	TSB^	Heartland Bank NZ
Total assets ($ million)	$850	$3,700	$23,700	$15,100	$9,501	$5,600
Net operating income ($ million)*	$135	$185	$410	-	$227	$227
Interest income / insurance revenue ($ million)	$495	$675	$1,530	-	$479	$212
Gross receivables ($ million)	$5,100	$20,800	$36,400	$12,300	$7,814	$4,710
Headcount	375	695	1,350	1,071	593	478
Chair	$168,000	$180,000	$182,500	-	$220,000	$175,000
Director	$83,000	$87,500	$96,500	-	$99,667	$120,000
Chair premium	1.9x	2.0x	2.0x	-	2.2x	1.5x

** We have excluded Southern Cross Medical Care Society net operating income from the median analysis.*

^ TSB data drawn from the 2026 annual report.

Comparators: Kiwibank, Kiwi Group Capital Limited, SBS Bank, The Co-operative Bank, FMG, Southern Cross Medical Care Society, Tower

\\ TSB HEARTLAND BANK RECOMMENDATIONS AND POSSIBLE UPLIFTS

Current remuneration data is based on the Heartland Group 2025 annual report. We understand Heartland's preference is for HGH and Heartland Bank Board fees to be equal.

The 'count' column indicates the number of Board members who will receive remuneration for each role following the merger. We have noted where this differs from the current count.

We believe setting fees for TSB Heartland Bank should be the priority, and then equivalency can be applied to the Heartland Group Board (see page 8).

We have not included Andrew Dixson in any of the remuneration counts given the expectation that any CEO across the Group does not receive additional remuneration for a board role they also hold across the Group.

- While Heartland Bank is atypical in not having additional committee member fees, the current base director fee is positioned very strongly against comparators. We have modelled the introduction of member fees, but Heartland Bank may conclude this uplift is not required. Given HGH's larger comparator group, we have considered these committee fees to inform potential uplifts. We have maintained Heartland Group's current practice of the Board Chair receiving additional remuneration for any committee Chair roles they hold (noting that the Board Chair does not receive additional remuneration for any committee memberships they hold).
- Separately, we have also accounted for an 'unallocated pool' of NZ$100,000 to be distributed across all 3 entities as HGH sees fit (page 14). As it is not specific to TSB Heartland Bank, we have not included this figure below.

All fee data below is provided in NZ$.

		Current remuneration		Potential changes				
Role	Count	Fee	Total (count x fee)	Revised fee	% increase	Increase	Revised total (count x fee)	Explanation
Chair	1	$175,000	$175,000	$200,000	14%	$25,000	$200,000	**Uplift of circa 14%** to maintain relative market positioning as a large challenger bank in the NZ sector and align the Chair premium closer to comparators at circa 1.7x the base director fee.
Director	6*	$120,000	$480,000*	$120,000	0%	$0	$720,000	**No uplift recommended.** Current Heartland Bank director fees are well-positioned against comparators. **Currently, 4 directors receive remuneration. Post-merger, this is expected to increase to 6. As noted, the HGH CEO does not receive a director fee for the role as a director on this Board.*
Audit Committee Chair	1	$20,000	$20,000	$23,000	15%	$3,000	$23,000	**Uplift of circa 15%** to align with the HGH comparator Audit and Risk Committee Chair median (the HGH comparator group was larger than HBL's so providing more data points to consider). As that comparator dataset combines 'audit' and 'risk' functions, the same new fee would be applied to TSB Heartland's separate Audit Committee and Risk Committee).
Audit Committee member	3*	$0	$0	$11,500	-	$11,500	$34,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HBL Chair does not receive additional remuneration.*
Risk Committee Chair	1	$20,000	$20,000	$23,000	15%	$3,000	$23,000	**Uplift of circa 15%** to align with the HGH comparator Audit and Risk Committee Chair median (the HGH comparator group was larger than HBL's so providing more data points to consider). As that comparator dataset combines 'audit' and 'risk' functions, the same new fee would be applied to TSB Heartland's separate Audit Committee and Risk Committee).
Risk Committee member	4	$0	$0	$11,500	-	$11,500	$46,000	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility.
People & Culture and Remuneration Committee Chair	1*	$20,000	$20,000	$20,000	0%	$0	$20,000	**No uplift recommended**. Current Chair fee is well-positioned against comparators. **As Chair of this committee, the current HBL Chair does receive additional remuneration.*
People & Culture and Remuneration Committee member	2	$0	$0	$10,000	-	$10,000	$20,000	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility.
Total			**$715,000**				**$1,086,500**	

\\ HBAL COMPARATORS – QUARTILE VIEW

The table below displays quartile and median data of the comparator group across a range of organisational metrics.

We have highlighted HBAL's approximate position relative to this dataset. We note:

- Total assets are aligned to comparator median.
- Across other organisational metrics, HBAL is aligned to the lower quartile of comparators.
- However, HBAL Chair and director fees are aligned to the upper quartiles of comparators.

All fee data below is provided in AU$.

We would expect HBAL Board fees to be commensurate to wider organisational metrics and aligned towards the lower quartile of comparators.

A less aggressive reduction would see fees reset to median of the comparator group. However, we note the significantly larger scale of a number of the comparator group.

	Lower quartile	Median	Upper quartile	HBAL
Total assets ($ million)	$2,200	$3,100	$7,450	$3,100
Net operating income ($ million)	$220	$545	$1,020	$80
Interest income ($ million)	$330	$710	$1,010	$78
Gross receivable ($ million)	$2,300	$3,900	$8,500	$2,500
Headcount	280	545	1100	114
Chair	$238,500	$265,000	$351,000	$320,000
Director	$110,000	$135,000	$158,000	$155,000
Chair premium	2.0x	2.0x	2.1x	2.1x

Comparators: MyState Bank Limited, Judo Bank, Latitude Financial, humm group limited, Zip Co Limited, Plenti Pty Limited, Hume Bank Limited, nib Group, HBF Health Limited, MoneyMe Financial Group Pty Ltd

\\ HBAL RECOMMENDATIONS AND POSSIBLE CHANGES

Current remuneration data is based on the Heartland Group 2025 annual report.

HBAL Chair and director remuneration is very strongly positioned against comparators. We have modelled reductions to the base Chair and director fees to reflect the scale of HBAL's organisational metrics.

We have not included Andrew Dixson in any of the remuneration counts given the expectation that any CEO across the Group does not receive additional remuneration for a board role they also hold across the Group.

- While HBAL is atypical in not having additional committee member fees, the current base director fee is positioned very strongly against comparators. Following the recommended reduction to the base director fee, we have modelled the introduction of member fees, but HBAL may conclude this uplift is not required. We have maintained Heartland Group's current practice of the Board Chair receiving additional remuneration for any committee Chair roles they hold (noting that the Board Chair does not receive additional remuneration for any committee memberships they hold).
- Separately, we have also accounted for an 'unallocated pool' of NZ$100,000 to be distributed across all 3 entities as HGH sees fit (page 14). As it is not specific to HBAL, we have not included this figure below.

All fee data below is provided in AU$.

		Current remuneration		Potential changes				
Role	**Count**	**Fee**	**Total** (count x fee)	**Revised fee**	**% change**	**$ change**	**Revised total** (count x fee)	**Explanation**
Chair	1	$320,000	$320,000	$238,500	-25%	-$81,500	$238,500*	**Reduction recommended** to align Chair fee against the lower quartile of comparators given the scale of HBAL's organisational metrics. This maintains HBAL's Chair premium at the upper quartile of comparators. **Consideration may also be paid to reducing this fee to $265,000, equivalent to the median of comparator data (page 11). This option has not been modelled.*
Director	3*	$155,000	$465,000	$110,000	-29%	-$45,000	$330,000	**Reduction recommended** to align director fee against the lower quartile of comparators given the scale of HBAL's organisational metrics. **The low 'count' of remunerated directors is due to the HGH CEO who sits on the HBAL Board not receiving a director fee, and the HBL Board Chair receiving the 'additional fee' rather than a full director fee (as noted below).*
Additional fee: Heartland Bank Australia Board member, where also Heartland Bank Board Chair	1	$35,000	$35,000	$25,500	-27%	-$9,500	$25,500	**Reduction recommended** to maintain this fee at circa 23% of the new base director fees.
Audit Committee Chair	1	$25,000	$25,000	$25,000	0%	$0	$25,000	**No uplift recommended**. Current Chair fee is well-positioned against comparators.
Audit Committee member	3*	$0	$0	$12,500	-	$12,500	$37,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HBAL Chair does not receive additional remuneration.*
Risk Committee Chair	1	$25,000	$25,000	$25,000	0%	$0	$25,000	**No uplift recommended**. Current Chair fee is well-positioned against comparators.
Risk Committee member	3*	$0	$0	$12,500	-	$12,500	$37,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HBAL Chair does not receive additional remuneration.*
People, Remuneration and Nominations Committee Chair	1	$25,000	$25,000	$25,000	0%	$0	$25,000	**No uplift recommended**. Current Chair fee is well-positioned against comparators.
People, Remuneration and Nominations Committee member	3*	$0	$0	$12,500	-	$12,500	$37,500	**Introduce this fee at 50% of the committee Chair fee**, in recognition of the increased workload and responsibility. **As a member of this committee, the HBAL Chair does not receive additional remuneration.*
Total			**$895,000**				**$781,500**	

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\\ SETTING THE UNALLOCATED POOL

It is common that a board will not require their maximum total fee pool. The remaining unallocated pool provides useful 'headroom' to account for ad-hoc responsibilities if needed (for example, a new committee appointment).

As per the 2025 annual report, the Group's unallocated pool sat at circa NZ$152,000.

If the wider recommendations of this report are accepted, we recommend an updated unallocated pool of NZ$100,000 for the Group.

The distribution of this pool (if required) would be overseen by HGH.

As this single pool would be shared across the Group's 3 entities, we have not included this figure in any of the recommendation pages (8, 10, 12).