HEARTLAND
BANK

# CPS 511 Annual Remuneration Disclosures at 31 December 2025

Heartland Bank Australia Limited (**HBAL**) is an authorised deposit-taking institution regulated by the Australian Prudential Regulation Authority (**APRA**). Prudential Standard CPS 511 Remuneration (**CPS 511**) contains remuneration disclosure requirements that are designed to provide transparency on remuneration practices across APRA-regulated entities, by requiring entities to publicly disclose information on their remuneration frameworks, design, governance and outcomes.

HBAL is a non-significant financial institution (**non-SFI**) for the purposes of CPS 511. This document has been prepared by HBAL in accordance with the remuneration disclosure requirements under CPS 511. The information reported in this disclosure is for the period 1 July 2024 to 30 June 2025.

## Governance structure

**Heartland Group Holdings (HGH)**

The HGH board sets the Group Remuneration Policy and frameworks within which all Heartland entities are required to operate with deviations allowed to ensure local regulatory requirements are met. The Group Remuneration Policy is reviewed on an annual basis with the changes approved by the HGH, Heartland Bank Limited (**HBL**) and HBAL Boards.

**HBAL**

The HBAL Board has overall accountability for the effective application of the Group Remuneration Policy and framework, performance measures and the remuneration outcomes for employees in regulated roles, including the discretion to make adjustments on remuneration and conduct outcomes. The HBAL Board has seven directors including representation from HGH and HBL. The HBAL Board had 13 meetings in the year ending 30 June 2025.

HBAL has a Board People, Remuneration and Nominations Committee (**PRNCo**) with a written charter that sets out its roles, responsibilities and terms of operation. It has five members and met X times in the year ended 30 June 2025. The Chair of the PRNCo is an independent non-executive director. All members of the PRNCo are also members of the Board Audit Committee and Board Risk Committee which promotes consistent information sharing and strong governance across the three committee and Board. The PRNCo has free and unfettered access to the Board Audit Committee, Board Risk Committee and relevant parties such as the Chief Risk Officer.

The purpose of PRNCo is to advise and provide assurance to the HBAL Board to enable it to fulfil its corporate governance responsibilities in relation to the integrity and adequacy of HBAL's remuneration management systems. In performing this role, the Committee reviews and makes recommendations to the HBAL Board on a number of matters including individual remuneration arrangements, performance and outcomes for HBAL Chief Executive Officer (**CEO**), HBAL senior executives and any other persons covered by the Remuneration Policy or CPS 511. Further, it makes recommendations to the HBAL Board in relation to the design, operation and monitoring of the remuneration framework including the Remuneration Policy (including assessing its effectiveness and compliance with the requirements of CPS 510 and CPS 511). This is done in compliance with all applicable legal and regulatory requirements. P

## Remuneration Framework and Structure of Remuneration

The Remuneration Framework (**Framework**) serves to align remuneration arrangements with HBAL's business plan and strategic objectives and support sustainable business performance, while also mitigating the internal and external sources of risk related to remuneration. The main components of the Remuneration Framework are shown in the below diagram: The primary vehicle for implementing the Framework is the Remuneration Policy (**Policy**).

The way the Policy underpins the Framework can be summarised as follows:

| Remuneration Framework Objective | How the Remuneration Policy achieves this: |
|---|---|
| Alignment with Business Plan and Strategic Objectives | • Inclusion of non-financial customer orientated KPIs to determine overall performance for all employees<br>• Applying external remuneration benchmarking data to attract and retain talent<br>• Clearly defined variable remuneration plans<br>• Relevant regulatory requirements embedded within Policy |
| Alignment with Risk Management Framework | • HBAL Board approval of remuneration for Specified Roles<br>• Inclusion of relevant risk KPIs to determine overall performance for all employees as a remuneration package<br>• Cascading Risk Appetite Statement requirements to all relevant employees through individual KPIs |
| Management of financial and non-financial risks | • Inclusion of financial (where relevant) and non-financial measures in performance assessment for all employees<br>• Using financial and non-financial risk criteria in identifying Material Risk Takers as Specified Roles<br>• Assessing potential conflicts of interest in variable remuneration plan design<br>• Board review of risk outcomes in determining remuneration for Specified Roles |
| Management of sustainable performance and long term-soundness | • Regular Board review of Remuneration Framework<br>• Adjustment of variable remuneration outcomes consistent with overall performance and risk outcomes<br>• Deferral of variable remuneration consistent with risk horizons with appropriate monitoring during deferral period |
| Prevention and mitigation of conduct risk | • Applying minimum performance and risk outcome criteria to regulate access to variable remuneration<br>• Downward adjustment of variable remuneration for misconduct proportional with severity |

## Specified Roles

The Board assesses and approves annually the variable remuneration outcomes for the following categories of persons in Specified Roles:

| | |
|---|---|
| Senior Managers | Examples include direct reports of the HBAL CEO, accountable persons as defined by the Financial Accountability Regime (FAR) Act 2023 and responsible persons as defined by Prudential Standard CPS 520 Fit and Proper |
| Material Risk Takers | Employees whose activities may affect the financial soundness of HBAL or who have senior roles with direct responsibility for decisions. |
| APRA determined | Any employees, or class of employees determined by APRA and advised in writing |

These Specified Roles are assessed annually and approved by the Board.

## Performance Measurement

All employees of HBAL undergo regular formal assessment of their individual performance. Performance management operates as follows:

(a) Performance is measured at a number of levels (individual, team, business unit and company) and includes both financial and non-financial measures as appropriate.
(b) The ADI's performance management approach considers both current and potential future risk, including but not exclusively, reputational, market, credit, liquidity and operational risks.
(c) Non-financial performance measures play a key role in the assessment of performance. However, the measures used vary based on an employee's role and responsibilities. Employees are required to comply with their regulatory

and risk management responsibilities as they apply to their role and business area. Any breaches of regulatory, risk management and compliance responsibilities are considered in the review of non-financial performance.

(d) HBAL's policy is to analyse business performance against a range of financial, risk and capital allocation performance measures. Formal capital allocation processes are also used to measure the usage of regulatory capital

## Remuneration Components

Total remuneration includes a mix of fixed and (in certain cases) variable components. The two primary components as set out in the Group Remuneration Policy are outlined below.

**Fixed Annual Remuneration**

Fixed remuneration includes base salary and employer superannuation contributions, and is intended to compensate for performance of the core requirements of the particular role.

**Variable Remuneration**

HBAL considers that it is essential to construct a balanced set of performance measures, and considers business performance against a range of financial, risk and non-financial indicators of performance. Non-financial performance measures play a key role in the assessment of performance. Payment of variable remuneration is not guaranteed, even if the individual's key performance indicators have been exceeded.

There are two key forms of variable remuneration – short-term incentive (**STI**) and long-term incentive (**LTI**) awards. The STI variable remuneration pool is determined by the HBAL Board. All STI variable remuneration is discretionary and the HBAL Board retains flexibility to approve the pool size (if any) following the end of each financial year. The factors that may be considered by the HBAL Board include overall company result, result against plan (financial and non-financial performance measures), external pay market movements, capacity to pay, the cost and amount of capital employed, factors beyond management's control, the quality of financial results and the management of risk. STI take the form of cash awards.

HGH (as NZX/ASX listed issuer and ultimate parent company of the Heartland group) is the provider of the Heartland Group Holdings Limited Performance Rights Plan (**Plan**) which is a LTI scheme. Under the Plan, participants receive performance share rights (**PSRs**) which, subject to the achievement of certain performance hurdles, become eligible PSRs, which if exercised, entitle the participants to receive ordinary shares in HGH.

Selected executives, and a limited number of other selected senior employees, across the Heartland group may be eligible for participation under the Plan. The Plan is designed to align the interests of the people best placed to influence the longer term outcomes of the Heartland group, with the longer term interests of shareholders (amongst other things).

The HGH Board retains discretion over the participation in the Plan and its vesting outcomes, to allow appropriate adjustments where circumstances may impact metrics, positively or negatively, over the measurement period. The HGH Board sets the performance hurdles for each grant under the LTI scheme. Following engagement with the Remuneration Committees, participants are invited to participate (noting that participation is optional).

## Remuneration Adjustments

HBAL Board has an overriding discretion in the case of all variable remuneration payments to allow for appropriate adjustments where unanticipated circumstances may impact performance, positively or negatively such as:

(a) a need to protect the financial soundness of the HBAL;
(b) a need to respond to significant unexpected or unintended consequences that were not previously foreseen;
(c) a failure to comply with accountability obligations under FAR;
(d) misconduct leading to significant adverse outcomes;
(e) a significant failure of financial or non-financial risk management;
(f) a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
(g) a significant error or a significant misstatement of criteria on which the variable remuneration determination was based;
(h) a significant adverse outcome for customers, beneficiaries or counterparties.

If any of the criteria specified above is satisfied, HBAL will take reasonable steps to appropriately adjust variable remuneration downwards. The total adjustment will be proportionate to the severity of the risk and conduct outcome. If a person is under investigation for the criteria specified above, no variable remuneration will vest until the investigation is completed.

## Remuneration Deferral

The Variable Remuneration of employees defined as Accountable Persons under FAR and highly paid material risk taker will be subject to deferral. Variable remuneration will be deferred as follows:

(a) 40% of the variable remuneration for the CEO of the HBAL will be deferred for four years.
(b) 40% of the variable remuneration for Accountable Persons and executive directors of HBAL will be deferred for four years.
(c) 40% of the variable remuneration for a Highly Paid Material Risk Takers (who is not a senior manager) of HBAL will be deferred for four years and will vest on a prorate basis after two years.

This will only apply to persons with deferred variable remuneration of over A$50,000 in a financial year.

## Compensation and Risk Management

HBAL maintains mechanisms to ensure alignment of compensation outcomes with performance and risk outcomes including risk and compliance related 'gate openers' as part of a balanced scorecard approach to performance. Performance based remuneration is designed to encourage behaviour consistent with desired conduct outcomes. An employee with a 'expectations consistently not met' performance rating or any conduct and culture gateways is not eligible for an incentive or salary package review during the annual performance remuneration process.



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