HEARTLAND
BANK

Disclosure Statement

For the three months ended 30 September 2015

CONTENTS

GENERAL INFORMATION

This Disclosure Statement has been issued by Heartland Bank Limited (the bank) for the three months ended 30 September 2015 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order).

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

GUARANTEE ARRANGEMENTS

As at 30 September 2015 no material obligations of the bank are guaranteed.

DIRECTORS

Michael Jonas resigned as a Director with effect from 5 August 2015.

There have been no other changes to the Directors since 30 June 2015, the balance date of the last full year disclosure statement.

CONDITIONS OF REGISTRATION

These conditions apply on and after 31 January 2015.

The registration of Heartland Bank Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

   (a) the Total capital ratio of the banking group is not less than 8%;

   (b) the Tier 1 capital ratio of the banking group is not less than 6%;

   (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;

   (d) the Total capital of the banking group is not less than $30 million; and

   (e) the process in Subpart 2H of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated July 2014 is followed for the recognition and repayment of capital.

   For the purposes of this condition of registration, capital, the Total capital ratio, the Tier 1 capital ratio, and the Common Equity Tier 1 capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document: “Capital Adequacy Framework (Standardised Approach)” (BS2A) dated July 2014.

1A. That—

   (a) the bank has an internal capital adequacy assessment process (“ICAAP”) that accords with the requirements set out in the document “Guidelines on a bank’s internal capital adequacy assessment process ('ICAAP')” (BS12) dated December 2007;

   (b) under its ICAAP, the bank identifies and measures its “other material risks” defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document “Capital Adequacy Framework (Standardised Approach)” (BS2A) dated July 2014; and

   (c) the bank determines an internal capital allocation for each identified and measured “other material risk”.

CONDITIONS OF REGISTRATION (CONTINUED)

1B. That, if the buffer ratio of the banking group is 2.5% or less, the bank must:

(a) according to the following table, limit the aggregate distributions of the bank's earnings to the percentage limit to distributions that corresponds to the banking groups buffer ratio:

Banking group's buffer ratio	Percentage limit to distributions of the banks' earnings
0% - 0.625%	0%
>0.625% -1.25%	20%
>1.25% - 1.875%	40%
>1.875% - 2.5%	60%

(b) prepare a capital plan to restore the banking groups buffer ratio to above 2.5% within any timeframe determined by the Reserve Bank for restoring the buffer ratio; and

(c) have the capital plan approved by the Reserve Bank.

For the purposes of this condition of registration, -

“buffer ratio”, “distributions”, and “earnings” have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: “Capital Adequacy Framework (Standardised Approach)” (BS2A) dated July 2014.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities. In this condition of registration, the meaning of “material” is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

“insurer” and “contract of insurance” have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating of the bank [1]	Connected exposure limit (% of the banking group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the banking group's Tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled “Connected Exposures Policy” (BS8) dated October 2014.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

1 This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investor Service (Fitch Ratings' scale is identical to Standard & Poor's).

CONDITIONS OF REGISTRATION (CONTINUED)

6. That the bank complies with the following corporate governance requirements:

   (a) the board of the bank must have at least five directors;

   (b) the majority of the board members must be non-executive directors;

   (c) at least half of the board members must be independent directors;

   (d) an alternate director,—
      (i) for a non-executive director must be non-executive; and
      (ii) for an independent director must be independent;

   (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;

   (f) the chairperson of the board of the bank must be independent; and

   (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

   For the purposes of this condition of registration,—

   "independent,"—

   (a) in relation to a person other than a person to whom paragraph (b) applies, has the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014; and

   (b) in relation to a person who is the chairperson of the board of the bank, means a person who—
      (i) meets the criteria for independence set out in section 10 except for those in paragraph 10(1)(a) in BS14; and
      (ii) does not raise any grounds for concern in relation to the person's independence that are communicated in writing to the bank by the Reserve Bank of New Zealand:

   "non-executive" has the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;

   (b) the committee must have at least three members;

   (c) every member of the committee must be a non-executive director of the bank;

   (d) the majority of the members of the committee must be independent; and

   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "independent" and "non-executive" have the same meaning as in condition of registration 6.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the banking group complies with the following quantitative requirements for liquidity-risk management:

   (a) the one-week mismatch ratio of the banking group is not less than zero percent at the end of each business day;

   (b) the one-month mismatch ratio of the banking group is not less than zero percent at the end of each business day; and

   (c) the one-year core funding ratio of the banking group is not less than 75 percent at the end of each business day.

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2014 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

CONDITIONS OF REGISTRATION (CONTINUED)

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:

    (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

    (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

    (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and

    (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

13. That no more than 10% of total assets may be beneficially owned by a SPV.

    For the purposes of this condition,—

    "total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

    "SPV" means a person—

    (a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;

    (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

    (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

    "covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

14. That—

    (a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

        (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

        (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

    (b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

        (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

        (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

        (iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

    For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

15. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—

    (a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—

        (i) all liabilities are frozen in full; and

        (ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

    (b) apply a *de minimis* to relevant customer liability accounts;

    (c) apply a partial freeze to the customer liability account balances;

    (d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

    (e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

    (f) reinstate customers' access to some or all of their residual frozen funds.

    For the purposes of this condition of registration, "*de minimis*", "partial freeze", "customer liability account", and " frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

CONDITIONS OF REGISTRATION (CONTINUED)

16. That the bank has an Implementation Plan that—

    (a) is up-to-date; and

    (b) demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS 17).

    For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

17. That the bank has a compendium of liabilities that—

    (a) at the product-class level lists all liabilities, indicating which are—

        (i) pre-positioned for Open Bank Resolution; and

        (ii) not pre-positioned for Open Bank Resolution;

    (b) is agreed to by the Reserve Bank; and

    (c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

    For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

18. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

    For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated September 2013.

19. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amounts must not for residential properties with a loan-to-valuation ratio of more than 80%, exceed 10% of the total of the qualifying new mortgage lending amounts arising in the loan-to-valuation measurement period.

20. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

21. That the bank must not permit a borrower to grant a charge in favour of another person over a residential property used as security for a residential mortgage loan unless the sum of the lending secured by the charge and the loan value for the residential mortgage loan would not exceed 80% of the property value of the residential property when the lending secured by the charge is drawn down.

22. That the bank must not provide a residential mortgage loan if the residential property to be mortgaged to the bank as security for the residential mortgage loan is subject to a charge in favour of another person unless the total amount of credit secured by the residential property would not exceed 80% of the property value when the residential mortgage loan is drawn down.

23. That the bank must not act as broker or arrange for a member of its banking group to provide a residential mortgage loan.

In these conditions of registration,—

"banking group"—

(a) means Heartland Bank Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act (unless paragraph (b) applies); or

(b) means Heartland Bank Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993) if the Financial Reporting Act 1993 applies to the bank:

"generally accepted accounting practice"—

(a) has the same meaning as in section 8 of the Financial Reporting Act 2013 (unless paragraph (b) applies); or

(b) means generally accepted accounting practice within the meaning of section 3 of the Financial Reporting Act 1993 if the bank is required to prepare financial statements in accordance with that practice.

In conditions of registration 19 to 23,—

"loan-to-valuation ratio", "loan value", "property value", "qualifying new mortgage lending amount" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2014:

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of March 2014.

PENDING PROCEEDINGS OR ARBITRATION

There are no pending legal proceedings or arbitrations concerning any member of the banking group at the date of this Disclosure Statement that may have a material adverse effect on the bank or the banking group.

CREDIT RATINGS

As at the date of signing this Disclosure Statement, the bank's credit rating issued by Fitch Australia Pty Ltd (Fitch Ratings) was BBB stable. This BBB credit rating was issued on 28 October 2014, following an upgrade from BBB- stable and is applicable to long term unsecured obligations payable in New Zealand, in New Zealand dollars.

The following is a summary of the descriptions of the ratings categories for rating agencies for the rating of long-term senior unsecured obligations:

Fitch Ratings	Standard & Poor's	Moody's Investors Service	Description of Grade
AAA	AAA	Aaa	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	AA	Aa	Very strong ability to repay principal and interest in a timely manner.
A	A	A	Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.
BBB	BBB	Baa	Adequate ability to repay principal and interest. More vulnerable to adverse changes.
BB	BB	Ba	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and therefore greater likelihood of default.
CCC	CCC	Caa	Likelihood of default considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.
CC - C	CC - C	Ca - C	Highest risk of default.
RD to D	D	-	Obligations currently in default.

Credit ratings from Fitch Ratings and Standard & Poor’s may be modified by the addition of a plus or minus sign to show relative status within the major rating categories. Moody’s Investors Service apply numerical modifiers 1, 2, and 3 to show relative standing within the major rating categories, with 1 indicating the higher end and 3 the lower end of the rating category.

OTHER MATERIAL MATTERS

There are no material matters relating to the business or affairs of the bank or the banking group that are not contained elsewhere in this Disclosure Statement which would, if disclosed in this Disclosure Statement, materially affect the decision of a person to subscribe for debt securities of which the bank or any member of the banking group is the issuer.

DIRECTORS' STATEMENTS

Each Director of the bank states that he or she believes, after due enquiry, that:

1. As at the date on which the Disclosure Statement is signed:

   (a) the Disclosure Statement contains all the information that is required by the Order; and
   (b) the Disclosure Statement is not false or misleading.

2. During the three months ended 30 September 2015:

   (a) the bank complied with all conditions of the registration;

   (b) credit exposures to connected persons were not contrary to the interests of the banking group; and

   (c) the bank had systems in place to monitor and control adequately the banking group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 30 November 2015 and has been signed by all the Directors.

B. R. Irvine (Chair - Board of Directors)

J. K. Greenslade

N. J. Greer

E. J. Harvey

G. R. Kennedy

G. T. Ricketts

R. A. Wilks

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 September 2015

	NOTE	Unaudited 3 mths to Sep 2015 $000	Unaudited 3 mths to Sep 2014 $000	Audited 12 mths to Jun 2015 $000
Interest income	2	59,755	52,037	220,607
Interest expense	2	26,992	23,100	98,705
Net interest income		**32,763**	**28,937**	**121,902**
Operating lease income		2,436	2,721	10,350
Operating lease expenses		1,673	1,812	7,087
Net operating lease income		**763**	**909**	**3,263**
Lending and credit fee income		826	743	2,942
Other income		1,143	351	3,410
Net operating income		**35,495**	**30,940**	**131,517**
Selling and administration expenses	3	17,726	15,207	63,392
Profit before impaired asset expense and income tax		**17,769**	**15,733**	**68,125**
Impaired asset expense	4	3,306	1,838	11,226
Profit before income tax		**14,463**	**13,895**	**56,899**
Income tax expense		4,193	4,088	15,944
Profit for the period		**10,270**	**9,807**	**40,955**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges, net of income tax		(685)	(438)	(2,709)
Net change in available for sale reserve, net of income tax		208	172	898
Items that will not be reclassified to profit or loss:				
Net change in defined benefit reserve, net of income tax		-	-	50
Other comprehensive (loss) for the period, net of income tax		**(477)**	**(266)**	**(1,761)**
Total comprehensive income for the period		**9,793**	**9,541**	**39,194**

All comprehensive income for the period is attributable to owners of the Bank.

The notes on pages 14 to 24 are an integral part of these interim financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2015

	NOTE	Share Capital $000	Available for Sale Reserve $000	Defined Benefit Reserve $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
Unaudited - Sep 2015							
Balance at 1 July 2015		**341,244**	**1,170**	**94**	**(1,552)**	**31,851**	**372,807**
Total comprehensive income / (loss) for the period							
Profit for the period		-	-	-	-	10,270	10,270
Total other comprehensive income / (loss)		-	208	-	(685)	-	(477)
Total comprehensive income / (loss) for the period		**-**	**208**	**-**	**(685)**	**10,270**	**9,793**
Contributions by and distributions to owners							
Staff share ownership expense		176	-	-	-	-	176
Dividends paid	7	-	-	-	-	(4,300)	(4,300)
Total transactions with owners		**176**	**-**	**-**	**-**	**(4,300)**	**(4,124)**
Balance at 30 September 2015		**341,420**	**1,378**	**94**	**(2,237)**	**37,821**	**378,476**
Unaudited - Sep 2014							
Balance at 1 July 2014		**339,757**	**272**	**44**	**1,157**	**23,096**	**364,326**
Total comprehensive income / (loss) for the period							
Profit for the period		-	-	-	-	9,807	9,807
Total other comprehensive income / (loss)		-	172	-	(438)	-	(266)
Total comprehensive income / (loss) for the period		**-**	**172**	**-**	**(438)**	**9,807**	**9,541**
Contributions by and distributions to owners							
Staff share ownership expense		821	**-**	**-**	**-**	-	821
Dividends to paid	7	-	-	-	-	(9,800)	(9,800)
Total transactions with owners		**821**	**-**	**-**	**-**	**(9,800)**	**(8,979)**
Balance at 30 September 2014		**340,578**	**444**	**44**	**719**	**23,103**	**364,888**
Audited - Jun 2015							
Balance at 1 July 2014		**339,757**	**272**	**44**	**1,157**	**23,096**	**364,326**
Total comprehensive income / (loss) for the period							
Profit for the year		-	-	-	-	40,955	40,955
Total other comprehensive income / (loss)		-	898	50	(2,709)	-	(1,761)
Total comprehensive income / (loss) for the year		**-**	**898**	**50**	**(2,709)**	**40,955**	**39,194**
Contributions by and distributions to owners							
Staff share ownership expense		1,487	-	-	-	-	1,487
Dividends paid	7	-	-	-	-	(32,200)	(32,200)
Total transactions with owners		**1,487**	**-**	**-**	**-**	**(32,200)**	**(30,713)**
Balance at 30 June 2015		**341,244**	**1,170**	**94**	**(1,552)**	**31,851**	**372,807**

The notes on pages 14 to 24 are an integral part of these interim financial statements.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	NOTE	Unaudited Sep 2015 $000	Unaudited Sep 2014 $000	Audited Jun 2015 $000
Assets				
Cash and cash equivalents		12,480	37,805	31,732
Investments		316,880	241,289	322,619
Due from related parties	8	28,336	29,391	28,915
Investment properties		23,376	23,150	24,513
Finance receivables	5	2,396,027	2,047,011	2,313,658
Operating lease vehicles		28,136	30,772	29,998
Other assets		12,125	16,000	12,427
Intangible assets		27,391	22,236	26,135
Deferred tax asset		7,291	5,375	8,559
Total assets		**2,852,042**	**2,453,029**	**2,798,556**
Liabilities				
Borrowings	6	2,401,538	2,010,943	2,346,977
Current tax liabilities		3,170	3,022	7,574
Due to related parties	8	32,328	41,615	32,178
Trade and other payables		36,530	32,561	39,020
Total liabilities		**2,473,566**	**2,088,141**	**2,425,749**
Equity				
Share capital		341,420	340,578	341,244
Retained earnings and reserves		37,056	24,310	31,563
Total equity		**378,476**	**364,888**	**372,807**
Total equity and liabilities		**2,852,042**	**2,453,029**	**2,798,556**

Total interest earning and discount bearing assets		2,753,241	2,354,821	2,696,469
Total interest and discount bearing liabilities		2,436,854	2,052,816	2,381,954

The notes on pages 14 to 24 are an integral part of these interim financial statements.

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 30 September 2015

	Unaudited 3 mths to Sep 2015 $000	Unaudited 3 mths to Sep 2014 $000	Audited 12 mths to Jun 2015 $000
Cash flows from operating activities			
Interest received	58,635	50,611	203,403
Operating lease income received	2,571	2,396	8,951
Lending, credit fees and other income received	1,969	1,094	6,352
Operating inflows	**63,175**	**54,101**	**218,706**
Payments to suppliers and employees	20,431	14,062	58,632
Interest paid	26,200	23,982	96,319
Taxation paid	7,143	-	9,641
Operating outflows	**53,774**	**38,044**	**164,592**
Net cash flows from operating activities before changes in operating assets and liabilities	**9,401**	**16,057**	**54,114**
Proceeds from sale of operating lease vehicles	2,500	1,936	7,386
Purchase of operating lease vehicles	(1,888)	(2,753)	(11,544)
Net movement in finance receivables	(83,978)	(62,003)	(332,691)
Net movement in deposits	26,462	12,358	353,061
Total cash provided (applied to) / from operating activities	**(47,503)**	**(34,405)**	**70,326**
Cash flows from investing activities			
Sale of investment properties	1,137	1,738	9,375
Net decrease in investments	5,262	-	-
Proceeds from sale of office fit-out, equipment and intangibles	353	-	4,885
Total cash provided from investing activities	**6,752**	**1,738**	**14,260**
Purchase of office fit-out, equipment and intangible assets	2,163	188	6,344
Net increase in investments	-	2,430	82,862
Total cash applied to investing activities	**2,163**	**2,618**	**89,206**
Net cash flows from / (applied to) investing activities	**4,589**	**(880)**	**(74,946)**
Cash flows from financing activities			
Net increase in wholesale funding	27,962	48,302	33,964
Total cash provided from financing activities	**27,962**	**48,302**	**33,964**
Dividends paid	4,300	9,800	32,200
Total cash applied to financing activities	**4,300**	**9,800**	**32,200**
Net cash flows from financing activities	**23,662**	**38,502**	**1,764**
Net (decrease) / increase in cash held	**(19,252)**	**3,217**	**(2,856)**
Opening cash and cash equivalents	31,732	34,588	34,588
Closing cash and cash equivalents	**12,480**	**37,805**	**31,732**

The notes on pages 14 to 24 are an integral part of these interim financial statements.

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 30 September 2015

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

	Unaudited 3 mths to Sep 2015 $000	Unaudited 3 mths to Sep 2014 $000	Audited 12 mths to Jun 2015 $000
Profit for the period	**10,270**	**9,807**	**40,955**
Add / (less) non-cash items:			
Depreciation and amortisation expense	514	490	2,010
Depreciation on lease vehicles	1,519	1,629	6,375
Impaired asset expense	3,306	1,838	11,226
Total non-cash items	**5,339**	**3,957**	**19,611**
Add / (less) movements in operating assets and liabilities:			
Finance receivables	(85,643)	(64,033)	(348,240)
Operating lease vehicles	343	(1,106)	(5,078)
Other assets	(562)	1,126	(73)
Loss / (profit) on disposal of property, plant and equipment and intangibles	142	-	(98)
Current tax	(4,404)	4,073	8,625
Derivative financial instruments revaluation	928	601	1,794
Deferred tax expense / (benefit)	1,268	(88)	(3,272)
Deposits	26,462	12,358	353,061
Accruals	951	267	(458)
Other liabilities	(2,597)	(1,367)	3,499
Total movements in operating assets and liabilities	**(63,112)**	**(48,169)**	**9,760**
Net cash flows (applied to) / from operating activities	**(47,503)**	**(34,405)**	**70,326**

The notes on pages 14 to 24 are an integral part of these interim financial statements.

Basis of reporting

Reporting entity

These interim financial statements are for the banking group for the three months ended 30 September 2015. The banking group includes Heartland Bank Limited, VPS Properties Limited, Heartland Cash and Term PIE Fund, a portfolio investment entity and Heartland ABCP Trust 1 (ABCP Trust), a special purpose vehicle holding securitised loans purchased from the bank. Refer to Note 16 - Structured entities for further details.

Basis of preparation

The interim financial statements presented here are for the following periods:
- 3 month period ended 30 September 2015 - Unaudited
- 3 month period ended 30 September 2014 - Unaudited
- 12 month period ended 30 June 2015 - Audited

The condensed interim financial statements of the banking group incorporated in this Disclosure Statement have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), NZ IAS 34 Interim Financial Reporting and also comply with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Disclosure Statement for the year ended 30 June 2015.

The bank and all the entities within the banking group are profit-oriented entities. The bank is an FMC reporting entity under section 451 of the Financial Markets Conduct Act 2013 (the Act) which has financial reporting requirements under Part 7 of that Act.

The interim financial statements have been prepared on a going concern basis in accordance with historical cost unless stated otherwise. The accounting policies applied by the banking group in these consolidated interim financial statements are the same as those applied by the banking group in its consolidated financial statements as at and for the year ended 30 June 2015.

Certain comparatives have been restated to comply with current period presentation.

Performance

1 Segmental analysis

Segment information is presented in respect of the banking group's operating segments which are those used for the banking group's management and internal reporting structure.

All income received is from external sources, except those transactions with related parties, refer to Note 8 - Related party transactions and balances. Certain selling and administration expenses, such as premises, IT and support centre costs are not allocated to operating segments and are included in Other.

Operating segments
The banking group operates predominantly within New Zealand and comprises the following operating segments:

Household — Providing a comprehensive range of financial services to New Zealand families and businesses, including term, transactional and savings based deposit accounts together with mortgage lending (residential and home equity release), motor vehicle finance, asset finance and consumer finance.

Business — Providing term debt, plant and equipment finance, commercial mortgage lending and working capital solutions for small-to-medium sized New Zealand businesses.

Rural — Providing specialist financial services to the farming sector offering livestock finance, rural mortgage lending, seasonal and working capital financing, as well as leasing solutions to farmers.

Non-core Property — Funding assets of the non-core property division.

During the period ended 30 September 2015, one business unit previously reported in the Household segment was moved to the Business segment and another business unit previously reported in the Business segment was moved to the Household segment. This better aligned the business unit activities with the new operating segment. Comparative segment information has been restated to be consistent with the current reporting period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
For the three months ended 30 September 2015

1 Segmental analysis (continued)

The banking group's operating segments are different than the industry categories detailed in Note 12 - Asset quality. The operating segments are primarily categorised by sales channel, whereas Note 12 - Asset quality is based on credit risk concentrations.

	Household	Business	Rural	Non-core Property	Other	Total
	$000	$000	$000	$000	$000	$000
Unaudited - 3 months ended 30 September 2015						
Net interest income / (expense)	15,611	11,330	6,657	(240)	(595)	32,763
Net operating lease income	763	-	-	-	-	763
Net other income	613	173	30	366	787	1,969
Net operating income	**16,987**	**11,503**	**6,687**	**126**	**192**	**35,495**
Selling and administration expenses	4,780	1,863	1,195	234	9,654	17,726
Profit / (loss) before impaired asset expense and income tax	**12,207**	**9,640**	**5,492**	**(108)**	**(9,462)**	**17,769**
Impaired asset expense	1,385	1,513	399	9	-	3,306
Profit / (loss) before income tax	**10,822**	**8,127**	**5,093**	**(117)**	**(9,462)**	**14,463**
Income tax expense	-	-	-	-	4,193	4,193
Profit / (loss) for the period	**10,822**	**8,127**	**5,093**	**(117)**	**(13,655)**	**10,270**
Total assets	1,112,523	836,130	501,257	25,965	376,167	**2,852,042**
Total liabilities	-	-	-	-	2,473,566	**2,473,566**
Unaudited - 3 months ended 30 September 2014						
Net interest income / (expense)	13,223	10,098	5,750	(154)	20	28,937
Net operating lease income	909	-	-	-	-	909
Net other income	563	129	48	191	163	1,094
Net operating income	**14,695**	**10,227**	**5,798**	**37**	**183**	**30,940**
Selling and administration expenses	3,847	1,575	1,371	264	8,150	15,207
Profit / (loss) before impaired asset expense and income tax	**10,848**	**8,652**	**4,427**	**(227)**	**(7,967)**	**15,733**
Impaired asset expense / (benefit)	558	1,292	10	(22)	-	1,838
Profit / (loss) before income tax	**10,290**	**7,360**	**4,417**	**(205)**	**(7,967)**	**13,895**
Income tax expense	-	-	-	-	4,088	4,088
Profit / (loss) for the period	**10,290**	**7,360**	**4,417**	**(205)**	**(12,055)**	**9,807**
Total assets	896,378	758,977	436,718	37,196	323,760	**2,453,029**
Total liabilities	-	-	-	-	2,088,141	**2,088,141**
Audited - 12 months ended 30 June 2015						
Net interest income / (expense)	57,593	41,909	23,884	(790)	(694)	121,902
Net operating lease income	3,263	-	-	-	-	3,263
Net other income	2,167	494	135	1,478	2,078	6,352
Net operating income	**63,023**	**42,403**	**24,019**	**688**	**1,384**	**131,517**
Selling and administration expenses	16,478	6,207	4,878	1,273	34,556	63,392
Profit / (loss) before impaired asset expense and income tax	**46,545**	**36,196**	**19,141**	**(585)**	**(33,172)**	**68,125**
Impaired asset expense / (benefit)	5,000	6,053	510	(337)	-	11,226
Profit / (loss) before income tax	**41,545**	**30,143**	**18,631**	**(248)**	**(33,172)**	**56,899**
Income tax expense	-	-	-	-	15,944	15,944
Profit / (loss) for the year	**41,545**	**30,143**	**18,631**	**(248)**	**(49,116)**	**40,955**
Total assets	1,052,134	830,239	487,673	27,038	401,472	**2,798,556**
Total liabilities	-	-	-	-	2,425,749	**2,425,749**

2 Net interest income

	Unaudited 3 mths to Sep 2015 $000	Unaudited 3 mths to Sep 2014 $000	Audited 12 mths to Jun 2015 $000
Interest income			
Cash and cash equivalents	301	859	2,318
Investments	3,143	2,170	9,919
Finance receivables	56,311	48,977	208,370
Net interest income on derivative financial instruments	-	31	-
Total interest income	**59,755**	**52,037**	**220,607**
Interest expense			
Retail deposits	23,252	19,501	83,232
Bank and securitised borrowings	3,485	3,599	15,250
Net interest expense on derivative financial instruments	255	-	223
Total interest expense	**26,992**	**23,100**	**98,705**
Net interest income	**32,763**	**28,937**	**121,902**

3 Selling and administration expenses

	Unaudited 3 mths to Sep 2015 $000	Unaudited 3 mths to Sep 2014 $000	Audited 12 mths to Jun 2015 $000
Personnel expenses	10,393	9,309	38,483
Directors' fees	129	129	518
Superannuation	148	200	703
Audit and review of financial statements	70	71	283
Other assurance services paid to auditor[1]	5	5	18
Other fees paid to auditor[2]	42	8	125
Depreciation - property, plant and equipment	203	175	777
Amortisation - intangible assets	311	315	1,233
Operating lease expense as a lessee	489	368	1,675
Legal and professional fees	726	217	1,567
Other operating expenses	5,210	4,410	18,010
Total selling and administration expenses	**17,726**	**15,207**	**63,392**

[1] Other assurance services paid to auditor comprise of reporting on trust deed requirements.

[2] Other fees paid to auditor include professional fees in connection with RBNZ reporting and other regulatory compliance, accounting advice internal audit and review work completed.

4 Impaired asset expense

	NOTE	Unaudited 3 mths to Sep 2015 $000	Unaudited 3 mths to Sep 2014 $000	Audited 12 mths to Jun 2015 $000
Non-securitised				
Individually impaired expense		163	1,312	7,153
Collectively impaired expense		2,821	308	3,172
Total non-securitised impaired asset expense		**2,984**	**1,620**	**10,325**
Securitised				
Individually impaired (recovery) / expense		(10)	-	53
Collectively impaired expense		332	218	848
Total securitised impaired asset expense		**322**	**218**	**901**
Total				
Individually impaired expense		153	1,312	7,206
Collectively impaired expense		3,153	526	4,020
Total impaired asset expense	12(b)	**3,306**	**1,838**	**11,226**

Financial Position

5 Finance receivables

	Unaudited Sep 2015 $000	Unaudited Sep 2014 $000	Audited Jun 2015 $000
Non-securitised			
Neither at least 90 days past due nor impaired	2,088,602	1,744,437	1,998,702
At least 90 days past due	27,748	42,453	33,459
Individually impaired	18,962	19,532	25,567
Restructured assets	3,567	4,088	3,881
Gross finance receivables	**2,138,879**	**1,810,510**	**2,061,609**
Less provision for impairment	18,132	16,642	23,632
Less fair value adjustment for present value of future losses	2,541	1,833	1,933
Total non-securitised finance receivables	**2,118,206**	**1,792,035**	**2,036,044**
Securitised			
Neither at least 90 days past due nor impaired	277,215	254,587	276,944
At least 90 days past due	1,643	1,100	1,516
Individually impaired	55	-	55
Gross finance receivables	**278,913**	**255,687**	**278,515**
Less provision for impairment	1,092	711	901
Total securitised finance receivables	**277,821**	**254,976**	**277,614**
Total			
Neither at least 90 days past due nor impaired	2,365,817	1,999,024	2,275,646
At least 90 days past due	29,391	43,553	34,975
Individually impaired	19,017	19,532	25,622
Restructured assets	3,567	4,088	3,881
Gross finance receivables	**2,417,792**	**2,066,197**	**2,340,124**
Less provision for impairment	19,224	17,353	24,533
Less fair value adjustment for present value of future losses	2,541	1,833	1,933
Total finance receivables	**2,396,027**	**2,047,011**	**2,313,658**

Refer to Note 12 - Asset quality for further analysis of finance receivables by credit risk concentration.

6 Borrowings

	Unaudited Sep 2015 $000	Unaudited Sep 2014 $000	Audited Jun 2015 $000
Deposits	2,111,718	1,744,034	2,084,969
Securitised borrowings	258,831	238,507	258,630
2018 Subordinated bond	3,378	3,378	3,378
Bank borrowings	27,611	25,024	-
Total borrowings	**2,401,538**	**2,010,943**	**2,346,977**

Deposits rank equally and are unsecured. The Subordinated Bonds rank below all other general liabilities of the banking group. Investors in ABCP Trust rank equally with each other and are secured over the securitised assets of that trust.

7 Dividends paid

During the 3 months to September 2015, the bank paid total dividends of $4.30 million to Heartland NZ Holdings Limited (Sep 2014: $9.80 million, Jun 2015: $32.20 million).

8 Related party transactions and balances

The bank's immediate parent is Heartland NZ Holdings Limited, which is a wholly owned subsidiary of the bank's ultimate parent Heartland New Zealand Limited (Heartland).

(a) Balances with related parties

The bank provided a commercial loan of $28.33 million to Heartland HER Holdings Limited (HHHL), a wholly owned subsidiary of Heartland (Sep 2014: 28.34 million, Jun 2015: $28.90 million). During the period ended 30 September 2015, the bank acquired loans at fair value of $53.24 million from New Sentinel Limited, a wholly owned subsidiary of HHHL (Sep 2014: 9.10 million, Jun 2015: $77.20 million).

Heartland, MARAC Insurance Limited (a wholly owned subsidiary of Heartland) and key management personnel of Heartland invested in the bank's deposits.

The banking group controls the operations of Heartland Cash and Term PIE Fund, a portfolio investment entity that invests in the bank's deposits. The investments of Heartland Cash and Term PIE Fund are detailed in Note 16 - Structured entities.

	Unaudited Sep 2015 $000	Unaudited Sep 2014 $000	Audited Jun 2015 $000
Due from related parties			
Heartland HER Holdings Limited	28,336	29,195	28,915
Heartland New Zealand Limited	-	102	-
Other related parties	-	94	-
Total due from related parties	**28,336**	**29,391**	**28,915**
Due to related parties			
Heartland New Zealand Limited	18,230	27,600	16,914
Other related parties	3,445	500	2,775
Key management personnel of the ultimate parent	10,653	13,515	12,489
Total due to related parties	**32,328**	**41,615**	**32,178**

(b) Transactions with related parties

The banking group recognised interest income on the loan to HHHL and interest expense on the deposits held by Heartland, MARAC Insurance Limited and key management personnel of the ultimate parent.

The banking group received insurance commission from MARAC Insurance Limited.

The bank provided administrative assistance and support to MARAC Insurance Limited, New Sentinel Limited and Australian Seniors Finance Pty Limited (a wholly owned subsidiary of HHHL).

	Unaudited 3 mths to Sep 2015 $000	Unaudited 3 mths to Sep 2014 $000	Audited 12 mths to Jun 2015 $000
Heartland New Zealand Limited			
Interest expense	(149)	(244)	(706)
Other related parties			
Interest income	585	575	2,312
Interest expense	(25)	(5)	(31)
Lending and credit fee income	148	137	625
Other income	184	64	975
Key management personnel of the ultimate parent			
Interest expense	(115)	(95)	(519)
Total transactions with related parties	**628**	**432**	**2,656**

(c) Key management personnel transactions and balances

Key management personnel, being directors of the bank and those staff reporting directly to the Chief Executive Officer and their immediate relatives, have transacted with the banking group during the period as follows:

	Unaudited 3 mths to Sep 2015 $000	Unaudited 3 mths to Sep 2014 $000	Audited 12 mths to Jun 2015 $000
Finance receivables	1,807	1,303	1,391
Borrowings - deposits	(1,375)	(1,639)	(1,897)
Interest income	26	23	68
Interest expense	(19)	(9)	(54)

9 Fair value

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

The banking group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

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

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

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

(a) Financial instruments measured at fair value

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

Investments

Investments in public sector securities and corporate bonds are classified as being available for sale and are stated at fair value less impairment, with the fair value being based on quoted market prices or modelled using observable market inputs.

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

Derivative items

Interest rate swaps are classified as held for trading and are recognised in the financial statements at fair value. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are determined on the basis of discounted cash flow analysis using observable market prices and adjustments for counterparty credit spreads.

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

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Unaudited - Sep 15				
Assets				
Investments	305,973	10,907	-	316,880
Derivative assets held for risk management	-	-	-	-
Total Assets	**305,973**	**10,907**	**-**	**316,880**
Liabilities				
Derivative liabilities held for risk management	-	3,668	-	3,668
Total Liabilities	**-**	**3,668**	**-**	**3,668**
Unaudited - Sep 14				
Assets				
Investments	200,658	40,631	-	241,289
Derivative assets held for risk management	-	1,172	-	1,172
Total Assets	**200,658**	**41,803**	**-**	**242,461**
Liabilities				
Derivative liabilities held for risk management	-	276	-	276
Total Liabilities	**-**	**276**	**-**	**276**

9 Fair value (continued)

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

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Audited - June 15				
Assets				
Investments	311,815	10,804	-	322,619
Derivative assets held for risk management	-	59	-	59
Total Assets	**311,815**	**10,863**	**-**	**322,678**
Liabilities				
Derivative liabilities held for risk management	-	2,799	-	2,799
Total Liabilities	**-**	**2,799**	**-**	**2,799**

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy.

(b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Unaudited Total Fair Value Sep 2015 $000	Unaudited Total Carrying Value Sep 2015 $000	Unaudited Total Fair Value Sep 2014 $000	Unaudited Total Carrying Value Sep 2014 $000	Audited Total Fair Value Jun 2015 $000	Audited Total Carrying Value Jun 2015 $000
Financial Assets						
Cash and cash equivalents	12,480	12,480	37,805	37,805	31,732	31,732
Due from related parties	28,288	28,336	29,425	29,391	28,995	28,915
Finance receivables	2,115,307	2,118,206	1,789,934	1,792,035	2,034,863	2,036,044
Finance receivables - securitised	278,792	277,821	257,067	254,976	279,491	277,614
Other financial assets	5,234	5,234	3,470	3,470	5,863	5,863
Total financial assets	**2,440,101**	**2,442,077**	**2,117,701**	**2,117,677**	**2,380,944**	**2,380,168**
Financial Liabilities						
Borrowings	2,152,954	2,142,707	1,776,453	1,772,436	2,098,157	2,088,347
Borrowings - securitised	258,831	258,831	238,507	238,507	258,630	258,630
Due to related parties	32,328	32,328	41,615	41,615	32,178	32,178
Other financial liabilities	17,801	17,801	15,077	15,077	19,630	19,630
Total financial liabilities	**2,461,914**	**2,451,667**	**2,071,652**	**2,067,635**	**2,408,595**	**2,398,785**

Further information on valuation techniques and assumptions used for determining fair value is included in Note 15 of the bank's Disclosure Statement for the year ended 30 June 2015.

Risk Management

10 Risk management policies

There have been no material changes in the banking group's policies for managing risk, or material exposures to any new types of risk since the reporting date of the previous disclosure statement.

11 Concentrations of credit risk to individual counterparties

The following table details the period end and peak end-of-day credit exposures over 10% of equity to individual counterparties (not being members of groups of closely related counterparties) or groups of closely related counterparties (excluding central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or any bank with a long-term credit rating of A- or A3 or above, or its equivalent, and connected persons).

	30 September 2015 - Unaudited Number of non-bank counterparties			
Percentage of Shareholders equity	"A" rated	"B" rated	Unrated	Total
As at balance date				
10-15%	-	-	1	1
Peak exposure				
10-15%	-	-	1	1

Peak aggregate end-of-day credit exposures are determined by taking the maximum end-of-day aggregate amount of credit exposure over the period. The amount is then divided by the banking group's equity as at the end of the period. Credit exposures disclosed are based on actual exposures. The credit rating is applicable to an entity's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

12 Asset quality

Asset quality of finance receivables

The disclosures below are categorised by the following credit risk concentrations:

Corporate

Rural	Lending to the farming sector primarily livestock, rural mortgage lending, seasonal and working capital financing, as well as leasing solutions to farmers. Includes lending to individuals and small to medium enterprises.
Property	Property asset lending including non-core property.
Other	All other lending that does not fall into another category.
Residential	Lending secured by a first ranking mortgage over a residential property used primarily for residential purposes either by the mortgagor or a tenant of the mortgagor.
All Other	Consumer lending to individuals.

	Corporate			Residential	All Other	Total
	Rural $000	Property $000	Other $000	$000	$000	$000
(a) End of period balances						
Unaudited - Sep 2015						
Gross impaired assets						
Individually impaired	476	6,964	11,354	223	-	19,017
Restructured	41	-	988	-	2,538	3,567
Total impaired assets	**517**	**6,964**	**12,342**	**223**	**2,538**	**22,584**
Provision for individually impaired assets	429	3,309	4,690	-	-	8,428
Net impaired assets	**88**	**3,655**	**7,652**	**223**	**2,538**	**14,156**
Provision for collectively impaired assets	**1,559**	**1,356**	**3,837**	**1,047**	**2,997**	**10,796**
At least 90 days past due but not impaired	**11,704**	**290**	**13,134**	**1,154**	**3,109**	**29,391**
(b) Charges to Interim Statement of Comprehensive Income						
Unaudited - 3 months ended 30 Sep 2015						
Individually impaired assets expense / (benefit)	255	10	(112)	-	-	153
Collectively impaired assets expense / (benefit)	225	(1)	1,970	163	796	3,153
Total impaired asset expense	**480**	**9**	**1,858**	**163**	**796**	**3,306**

13 Liquidity risk

The banking group holds the following financial assets for the purpose of managing liquidity risk:

	Unaudited Sep 2015 $000
Cash and cash equivalents	12,480
Investments	316,880
Undrawn committed bank facilities	90,000
Total liquidity	**419,360**

The banking group has securitised bank facilities totalling $350 million in relation to the ABCP Trust maturing on 3 August 2016.

Other Disclosures

14 Capital adequacy

(a) Capital Ratios

	Unaudited Sep 2015 %
Capital ratios compared to minimum ratio requirements	
Common Equity Tier 1 Capital expressed as a percentage of total risk weighted exposures	12.78%
Minimum Common Equity Tier 1 Capital as per Conditions of Registration	4.50%
Tier 1 Capital expressed as a percentage of total risk weighted exposures	12.78%
Minimum Tier 1 Capital as per Conditions of Registration	6.00%
Total Capital expressed as a percentage of total risk weighted exposures	12.85%
Minimum Total Capital as per Conditions of Registration	8.00%
Buffer ratio	4.85%
Buffer ratio requirement	2.50%

(b) Capital

	Unaudited Sep 2015 $000
Tier 1 Capital	
Common Equity Tier 1 Capital	378,476
Less deductions from Common Equity Tier 1 Capital	(32,977)
Total Common Equity Tier 1 Capital	**345,499**
Additional Tier 1 Capital	-
Total Tier 1 Capital[1]	**345,499**
Tier 2 Capital	
Subordinated Bond	1,941
Less deductions from Tier 2 Capital	-
Total Capital	**347,440**

[1] Total Tier 1 Capital includes available for sale reserve of $1.38 million, defined benefit reserve of $0.09 million.

14 Capital adequacy (continued)

(c) Pillar 1 capital requirements

	Pillar 1 capital requirement $000
Unaudited - Sep 2015	
On balance sheet exposures	
Residential mortgages (including past due)	9,689
Corporate	808
Public sector entities	972
Multilateral development banks and other international organisations	686
Claims on banks	3,968
Other	173,720
Total on balance sheet exposures	**189,843**
Other capital requirements	
Off balance sheet credit exposures	7,204
Operational risk	12,719
Market risk	6,558
Total other capital requirements	**26,481**
Total Pillar 1 capital requirement	**216,324**

(d) Additional mortgage information

	On balance sheet exposures $000	Off balance sheet exposures $000	Total exposures $000
Unaudited - Sep 2015			
Loan to value ratio (LVR) range:			
Does not exceed 80%	320,722	2,892	323,614
Exceeds 80% and not 90%	5,905	-	5,905
Exceeds 90% [1]	7,945	3,040	10,985
Total exposures	**334,572**	**5,932**	**340,504**

[1] Of the balance of "Exceeds 90%" above, $4.3 million relates to Welcome Home loans, whose credit risk is mitigated by the Crown.

(e) Capital for other material risks

The banking group's internal capital adequacy assessment process identifies, reviews and measures additional material risks that must be captured within the banking group's capital adequacy assessment process. These other material risks considered are those not captured by Pillar 1 regulatory capital requirements and include concentration risk, strategic/business risk, reputational risk, regulatory risk and model risk.

The banking group's internal capital allocation for "other material risks" is $64.03m as at 30 September 2015.

15 Insurance business, securitisation, funds management, other fiduciary activities

Insurance business

The banking group does not conduct any insurance business.

Marketing and distribution of insurance products

There have been no material changes in the banking group's marketing and distribution of insurance products since the reporting date of the previous disclosure statement.

Securitisation, funds management and other fiduciary activities

There have been no material changes to the bank's involvement in securitisation, funds management and other fiduciary activities since the reporting date of the previous disclosure statement.

Any assets purchased from such entities have been purchased on arm's length terms and conditions and at fair value.

16 Structured entities

Heartland Cash and Term PIE Fund

Heartland Cash and Term PIE Fund is a portfolio investment entity that invests in the bank's deposits. Investments of Heartland Cash and Term PIE Fund are represented as follows:

	Unaudited Sep 2015 $000	Unaudited Sep 2014 $000	Audited Jun 2015 $000
Deposits	43,348	38,993	45,110

Heartland ABCP Trust 1

The banking group has securitised a pool of receivables comprising commercial and motor vehicle loans to the ABCP Trust.

The banking group continues to recognise the securitised assets and associated borrowings in the Interim Statement of Financial Position as it is the residual beneficiary and subordinated debt holder of the Trust. Despite the bank being the residual beneficiary, the loans sold to ABCP Trust are set aside for the benefit of investors in ABCP Trust and bank depositors will have no recourse to these assets. ABCP Trust's material assets and liabilities are represented as follows:

	Unaudited Sep 2015 $000	Unaudited Sep 2014 $000	Audited Jun 2015 $000
Cash and cash equivalents - securitised	6,916	7,277	5,553
Finance receivables - securitised	277,821	254,976	277,614
Borrowings - securitised	(258,831)	(238,507)	(258,630)
Derivative financial assets - securitised	-	1,171	59
Derivative financial liabilities - securitised	(2,790)	(18)	(1,995)

17 Contingent liabilities and commitments

	Unaudited Sep 2015 $000	Unaudited Sep 2014 $000	Audited Jun 2015 $000
Letters of credit, guarantee commitments and performance bonds	13,859	10,944	14,844
Total contingent liabilities	**13,859**	**10,944**	**14,844**
Undrawn facilities available to customers	116,957	99,483	107,982
Conditional commitments to fund at future dates	119,319	101,044	108,037
Total commitments	**236,276**	**200,527**	**216,019**

As at 30 September 2015 there are no undrawn lending commitments to counterparties for whom drawn balances are classified as individually impaired (Sep 2014: nil, Jun 2015: nil).

18 Events after the reporting date

On 6 November 2015, Heartland announced its intention to amalgamate with the bank by way of a short form amalgamation. On amalgamation, Heartland will continue as the amalgamated company but will change its name from "Heartland New Zealand Limited" to "Heartland Bank Limited". As a result of the amalgamation, all of Heartland's subsidiaries currently sitting outside the bank will be brought into the banking group. The amalgamation will take effect on 31 December 2015. As at 30 June 2015, Heartland New Zealand had total assets of $3,359 million and total equity was $480 million.

There have been no other material events after the reporting date that would affect the interpretation of the financial statements or the performance of the banking group.