HEARTLAND
New Zealand Limited

NZX Release

Heartland Bank Releases Disclosure Statement for First Quarter

27 November 2013

Heartland Bank Limited, the banking subsidiary of Heartland New Zealand Limited (NZX : HNZ), today released its disclosure statement for the three months ended 30 September 2013 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2013.

For more detailed analysis and explanation please refer to the attached disclosure statement.

- Ends -

For further information, please contact:

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Disclosure Statement

For the three months ended 30 September 2013

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GENERAL INFORMATION

This Disclosure Statement has been issued by Heartland Bank Limited for the three months ended 30 September 2013 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 2) 2013 (Order).

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

Name and address for service

The name of the Registered Bank is Heartland Bank Limited (the Bank). The Bank was incorporated under the Companies Act 1993 on 31 January 2013. The Banking Group consists of the Bank and all of its controlled entities. All controlled entities are incorporated in New Zealand.

The Bank's address for service is 75 Riccarton Road, Riccarton, Christchurch.

GUARANTEE ARRANGEMENTS

As at 30 September 2013 no material obligations of the Bank are guaranteed.

DIRECTORS

Nicola Jean Greer was appointed as a Director with effect from 26 July 2013.

Michael Danton Jonas was appointed as an Executive Director with effect from 27 August 2013.

Christopher Robert Mace and Gary Richard Leech resigned as Directors with effect from 27 August 2013.

There have been no other changes to the Directors since the 30 June 2013 Disclosure Statement was signed.

AMENDMENTS TO CONDITIONS OF REGISTRATION

Condition 6A was removed and the definition of "independent" in condition 6 was amended with effect from 30 September 2013.

With effect from 1 October 2013:

- Conditions 1, 1A and 4 were amended to refer to the updated versions of Reserve Bank of New Zealand (RBNZ) documents.
- Conditions 15, 16, 17 and 18 were amended to provide definitions to each condition and to refer to updated versions of RBNZ documents.
- Conditions 19 to 23 were added to introduce restrictions on new residential mortgage lending.

CONDITIONS OF REGISTRATION

These conditions apply on and after 1 October 2013, except as provided otherwise.

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 12%;

(b) the Tier 1 capital ratio of the banking group is not less than 12%;

(c) the Common Equity Tier 1 capital ratio of the banking group is not less than 10%;

(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 September 2013 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 September 2013.

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 September 2013; and

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

CONDITIONS OF REGISTRATION (CONTINUED)

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 September 2013.

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.

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).

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)

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 March 2011; 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 March 2011.

This condition of registration applies on and after 30 September 2013.

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 per cent at the end of each business day;

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

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

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

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.

CONDITIONS OF REGISTRATION (CONTINUED)

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 frozen 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.

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.

CONDITIONS OF REGISTRATION (CONTINUED)

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” means Heartland Bank Limited’s financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993):

“generally accepted accounting practice” has the same meaning as in section 2 of the Financial Reporting Act 1993.

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 September 2013:

“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 ARBITRATIONS

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 Banking Group or the Bank.

CREDIT RATINGS

As at the date of signing this Disclosure Statement, the Bank's credit rating issued by Standard & Poor's (Australia) Pty Limited (S&P) was BBB- developing. This BBB- credit rating was issued on 6 December 2011 and is applicable to long term unsecured obligations payable in New Zealand, in New Zealand dollars. On 29 October 2013 S&P affirmed the BBB- credit rating but amended the outlook from "negative" to "developing".

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 4 November 2013 and is applicable to long term unsecured obligations payable in New Zealand, in New Zealand dollars.

OTHER MATERIAL MATTERS

There are no other material matters relating to the business or affairs of the Bank or the Banking Group 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 2013:

   (a) the Bank complied with all conditions of 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 27 November 2013 and has been signed by all of the Directors.

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

J. K. Greenslade

N. J. Greer

E. J. Harvey

M. D. Jonas

G. R. Kennedy

G. T. Ricketts

R. A. Wilks

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 September 2013

	NOTE	Unaudited 3 mths to Sep 2013 $000	Unaudited 3 mths to Sep 2012 $000	Audited 12 mths to Jun 2013 $000
Interest income	5	50,555	51,114	206,313
Interest expense	5	24,579	28,648	110,895
Net interest income		**25,976**	**22,466**	**95,418**
Operating lease income		3,520	3,931	14,861
Operating lease expenses		2,018	2,539	9,687
Net operating lease income		**1,502**	**1,392**	**5,174**
Lending and credit fee income		606	402	1,760
Other income		1,323	1,280	4,499
Net operating income		**29,407**	**25,540**	**106,851**
Selling and administration expenses	6	15,606	15,630	69,062
Profit before impaired asset expense and income tax		**13,801**	**9,910**	**37,789**
Impaired asset expense	7	1,691	2,477	22,527
Decrease in fair value of investment properties		-	-	5,101
Profit before income tax		**12,110**	**7,433**	**10,161**
Income tax expense		3,442	2,129	2,718
Profit for the period		**8,668**	**5,304**	**7,443**
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		289	35	1,056
Net change in Available For Sale Reserve, net of income tax		154	67	276
Items that will not be reclassified to profit or loss:				
Net change in Defined Benefit Reserve, net of income tax		-	-	462
Other comprehensive income for the period, net of income tax		**443**	**102**	**1,794**
Total comprehensive income for the period		**9,111**	**5,406**	**9,237**

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

The notes on pages 12 to 21 are an integral part of these interim financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2013

	Share Capital $000	Available for Sale Reserve $000	Defined Benefit Reserve $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
Unaudited - Sep 2013						
Balance at 1 July 2013	**189,774**	**284**	**41**	**46**	**174,780**	**364,925**
Total comprehensive income for the period						
Profit for the period	-	-	-	-	8,668	8,668
Total other comprehensive income, net of income tax	-	154	-	289	-	443
Total comprehensive income for the period	**-**	**154**	**-**	**289**	**8,668**	**9,111**
Balance at 30 September 2013	**189,774**	**438**	**41**	**335**	**183,448**	**374,036**

	Share Capital $000	Available for Sale Reserve $000	Defined Benefit Reserve $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
Unaudited - Sep 2012						
Balance at 1 July 2012	**189,774**	**8**	**(421)**	**(1,010)**	**182,942**	**371,293**
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,304	5,304
Total other comprehensive income, net of income tax	-	67	-	35	-	102
Total comprehensive income for the period	**-**	**67**	**-**	**35**	**5,304**	**5,406**
Balance at 30 September 2012	**189,774**	**75**	**(421)**	**(975)**	**188,246**	**376,699**

	Share Capital $000	Available for Sale Reserve $000	Defined Benefit Reserve $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
Audited - Jun 2013						
Balance at 1 July 2012	**189,774**	**8**	**(421)**	**(1,010)**	**182,942**	**371,293**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	7,443	7,443
Total other comprehensive income, net of income tax	-	276	462	1,056	-	1,794
Total comprehensive income for the year	**-**	**276**	**462**	**1,056**	**7,443**	**9,237**
Contributions by and distributions to owners						
Dividends to equity holders	-	-	-	-	(15,605)	(15,605)
Total transactions with owners	**-**	**-**	**-**	**-**	**(15,605)**	**(15,605)**
Balance at 30 June 2013	**189,774**	**284**	**41**	**46**	**174,780**	**364,925**

The notes on pages 12 to 21 are an integral part of these interim financial statements.

INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

	NOTE	Unaudited Sep 2013 $000	Unaudited Sep 2012 $000	Audited Jun 2013 $000
Assets				
Cash and cash equivalents		90,450	77,689	172,777
Investments		209,436	24,395	165,223
Due from related parties	8	210	377	200
Investment properties		61,552	55,239	58,287
Finance receivables	9	1,957,905	2,067,992	2,010,376
Operating lease vehicles		32,261	34,469	32,395
Current tax asset		-	4,095	-
Other assets		10,824	18,278	11,257
Intangible assets		22,949	22,988	22,963
Property, plant and equipment		10,099	9,842	10,281
Deferred tax asset		13,493	7,118	16,373
Total assets		**2,409,179**	**2,322,482**	**2,500,132**
Liabilities				
Borrowings	10	2,000,504	1,911,743	2,097,553
Current tax liabilities		2,142	-	3,565
Due to related parties	8	500	-	500
Trade and other payables		31,997	34,040	33,589
Total liabilities		**2,035,143**	**1,945,783**	**2,135,207**
Equity				
Share capital		189,774	189,774	189,774
Retained earnings and reserves		184,262	186,925	175,151
Total equity		**374,036**	**376,699**	**364,925**
Total equity and liabilities		**2,409,179**	**2,322,482**	**2,500,132**

Total interest earning and discount bearing assets		2,239,146	2,152,895	2,329,005
Total interest and discount bearing liabilities		2,001,093	1,913,066	2,098,083

The notes on pages 12 to 21 are an integral part of these interim financial statements.

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 30 September 2013

	NOTE	Unaudited 3 mths to Sep 2013 $000	Unaudited 3 mths to Sep 2012 $000	Audited 12 mths to Jun 2013 $000
Cash flows from operating activities				
Interest received		48,779	49,849	199,243
Operating lease income received		3,737	4,054	11,958
Proceeds from sale of operating lease vehicles		2,337	1,922	10,710
Lending, credit fees and other income received		1,929	1,682	6,259
Net decrease in finance receivables		46,907	9,546	32,908
Total cash provided from operating activities		**103,689**	**67,053**	**261,078**
Payments to suppliers and employees		16,554	17,705	60,819
Interest paid		24,853	26,259	112,820
Purchase of operating lease vehicles		3,483	4,201	15,611
Taxation paid		2,114	-	2,802
Total cash applied to operating activities		**47,004**	**48,165**	**192,052**
Net cash flows from operating activities	11	**56,685**	**18,888**	**69,026**
Cash flows from investing activities				
Sale of investment properties		2,507	265	3,194
Proceeds from sale of property, plant and equipment		19	-	-
Total cash provided from investing activities		**2,526**	**265**	**3,194**
Purchase of property, plant and equipment		387	430	2,256
Purchase of investments		44,213	68	130,687
Capital expenditure on investment properties		156	-	-
Total cash applied to investing activities		**44,756**	**498**	**132,943**
Net cash flows applied to investing activities		**(42,230)**	**(233)**	**(129,749)**
Cash flows from financing activities				
Net increase in borrowings		-	-	159,885
Total cash provided from financing activities		**-**	**-**	**159,885**
Dividends paid		-	-	15,605
Net decrease in borrowings		96,782	30,186	-
Total cash applied to financing activities		**96,782**	**30,186**	**15,605**
Net cash flows (applied to) / from financing activities		**(96,782)**	**(30,186)**	**144,280**
Net (decrease) / increase in cash held		**(82,327)**	**(11,531)**	**83,557**
Opening cash and cash equivalents		172,777	89,220	89,220
Closing cash and cash equivalents		**90,450**	**77,689**	**172,777**

The notes on pages 12 to 21 are an integral part of these interim financial statements.

1 Reporting entity

The interim financial statements presented are the consolidated interim financial statements of the Bank and its subsidiaries (the Banking Group).

The significant subsidiaries of the Bank included in the Banking Group are MARAC Finance Limited (MARAC), PGG Wrightson Finance Limited (PWF), VPS Parnell Limited and VPS Properties Limited. The Banking Group also includes Heartland ABCP Trust 1 and CBS Warehouse A Trust (collectively the Trusts), which are special purpose vehicles holding securitised loans purchased from MARAC and the Bank, refer to Note 12 - Special purpose entities.

2 Basis of preparation

The interim financial statements presented here are for the following periods:
- 3 month period ended 30 September 2013 - Unaudited
- 3 month period ended 30 September 2012 - Unaudited
- 12 month period ended 30 June 2013 - Audited

(a) Statement of compliance

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) and NZ 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 2013. The Banking Group also complies with IAS 34 Interim Financial Statements.

The Bank and all of the entities within the Banking Group are profit-oriented entities. The Bank is a reporting entity and an issuer for the purposes of the Financial Reporting Act 1993 and its interim financial statements comply with that Act.

(b) Basis of measurement

The interim financial statements have been prepared on a going concern basis in accordance with historical cost, unless stated otherwise.

(c) Comparative information

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

3 Significant accounting policies

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 2013.

4 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 main operating segments:

Retail and Consumer	Providing a comprehensive range of financial services to New Zealand businesses and families, including term, transactional and savings based deposit accounts together with residential mortgage lending, motor vehicle finance and asset 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	Specialist financial services to the farming sector primarily offering livestock finance, rural mortgage lending, seasonal and working capital financing, as well as leasing solutions to farmers.
Non-core Property	Funding assets of the non-core property division.

The Banking Group's operating segments are different than the industry categories detailed in Note 15 - Asset quality. The operating segments are primarily categorised by sales channel, whereas Note 15 - Asset quality is based on credit risk concentrations.

4 Segmental analysis (continued)

	Retail & Consumer $000	Business $000	Rural $000	Non-core Property $000	Other $000	Total $000
Unaudited - 3 months ended 30 September 2013						
Net interest income / (expense)	12,892	7,233	5,683	(362)	530	25,976
Net operating lease income	1,502	-	-	-	-	1,502
Net other income	285	103	15	1,205	321	1,929
Net operating income	**14,679**	**7,336**	**5,698**	**843**	**851**	**29,407**
Selling and administration expenses	2,895	1,201	1,341	1,254	8,915	15,606
Profit / (loss) before impaired asset expense and income tax	**11,784**	**6,135**	**4,357**	**(411)**	**(8,064)**	**13,801**
Impaired asset expense / (benefit)	54	1,381	310	(54)	-	1,691
Profit / (loss) before income tax	**11,730**	**4,754**	**4,047**	**(357)**	**(8,064)**	**12,110**
Income tax expense	-	-	-	-	3,442	3,442
Profit / (loss) for the period	**11,730**	**4,754**	**4,047**	**(357)**	**(11,506)**	**8,668**
Total assets	968,767	540,346	449,173	93,432	357,461	**2,409,179**
Total liabilities	-	-	-	-	2,035,143	**2,035,143**
Total equity	-	-	-	-	374,036	**374,036**

	Retail & Consumer $000	Business $000	Rural $000	Non-core Property $000	Other $000	Total $000
Unaudited - 3 months ended 30 September 2012						
Net interest income	10,393	6,106	5,646	223	98	22,466
Net operating lease income	1,373	19	-	-	-	1,392
Net other income	167	31	11	667	806	1,682
Net operating income	**11,933**	**6,156**	**5,657**	**890**	**904**	**25,540**
Selling and administration expenses	3,112	1,451	1,496	1,480	8,091	15,630
Profit / (loss) before impaired asset expense and income tax	**8,821**	**4,705**	**4,161**	**(590)**	**(7,187)**	**9,910**
Impaired asset expense	277	476	194	1,530	-	2,477
Profit / (loss) before income tax	**8,544**	**4,229**	**3,967**	**(2,120)**	**(7,187)**	**7,433**
Income tax expense	-	-	-	-	2,129	2,129
Profit / (loss) for the period	**8,544**	**4,229**	**3,967**	**(2,120)**	**(9,316)**	**5,304**
Total assets	966,653	560,872	479,270	150,905	164,782	**2,322,482**
Total liabilities	-	-	-	-	1,945,783	**1,945,783**
Total equity	-	-	-	-	376,699	**376,699**

	Retail & Consumer $000	Business $000	Rural $000	Non-core Property $000	Other $000	Total $000
Audited - 12 months ended 30 June 2013						
Net interest income	44,380	25,418	22,810	967	1,843	95,418
Net operating lease income	5,151	23	-	-	-	5,174
Net other income	622	285	49	3,860	1,443	6,259
Net operating income	**50,153**	**25,726**	**22,859**	**4,827**	**3,286**	**106,851**
Selling and administration expenses	11,696	5,864	6,152	12,438	32,912	69,062
Profit / (loss) before impaired asset expense and income tax	**38,457**	**19,862**	**16,707**	**(7,611)**	**(29,626)**	**37,789**
Impaired asset expense / (benefit)	2,770	3,360	(195)	16,592	-	22,527
Decrease in fair value of investment properties	-	-	-	5,101	-	5,101
Profit / (loss) before income tax	**35,687**	**16,502**	**16,902**	**(29,304)**	**(29,626)**	**10,161**
Income tax expense	-	-	-	-	2,718	2,718
Profit / (loss) for the year	**35,687**	**16,502**	**16,902**	**(29,304)**	**(32,344)**	**7,443**
Total assets	987,796	549,177	456,647	107,438	399,074	**2,500,132**
Total liabilities	-	-	-	-	2,135,207	**2,135,207**
Total equity	-	-	-	-	364,925	**364,925**

5 Net interest income

	Unaudited 3 mths to Sep 2013 $000	Unaudited 3 mths to Sep 2012 $000	Audited 12 mths to Jun 2013 $000
Interest income			
Cash and cash equivalents	2,549	707	5,700
Finance receivables	48,006	50,335	197,999
Net interest income on cash flow hedges	-	72	2,614
Total interest income	**50,555**	**51,114**	**206,313**
Interest expense			
Retail deposits	21,185	23,994	94,198
Bank and securitised borrowings	3,379	4,654	16,697
Net interest expense on cash flow hedges	15	-	-
Total interest expense	**24,579**	**28,648**	**110,895**
Net interest income	**25,976**	**22,466**	**95,418**

6 Selling and administration expenses

	Unaudited 3 mths to Sep 2013 $000	Unaudited 3 mths to Sep 2012 $000	Audited 12 mths to Jun 2013 $000
Personnel expenses	8,866	8,421	33,448
Directors' fees	75	48	177
Superannuation	164	106	413
Audit fees	105	110	359
Audit related fees	42	-	104
Amortisation - intangible assets	368	237	1,226
Depreciation - property, plant and equipment	196	176	714
Operating lease expense as a lessee	433	411	1,651
Legal and professional fees	690	750	7,700
RECL Agreement fees	-	550	3,385
Other operating expenses	4,667	4,821	19,885
Total selling and administration expenses	**15,606**	**15,630**	**69,062**

Audit related fees include professional fees in connection with RBNZ reporting, accounting advice and review work completed.

Heartland New Zealand Limited has paid some Directors' fees on behalf of the Banking Group.

7 Impaired asset expense

	NOTE	Unaudited 3 mths to Sep 2013 $000	Unaudited 3 mths to Sep 2012 $000	Audited 12 mths to Jun 2013 $000
Non-securitised				
Individually impaired expense		1,691	1,319	13,098
Collectively impaired expense		(184)	1,072	9,108
Total non-securitised impaired asset expense		**1,507**	**2,391**	**22,206**
Securitised				
Individually impaired expense		-	(3)	3
Collectively impaired expense		184	89	318
Total securitised impaired asset expense		**184**	**86**	**321**
Total				
Individually impaired expense		1,691	1,316	13,101
Collectively impaired expense		-	1,161	9,426
Total impaired asset expense	15	**1,691**	**2,477**	**22,527**

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 (HNZ).

The Banking Group provided administrative assistance to MARAC Insurance Limited (a wholly owned subsidiary of MARAC JV Holdings Limited of which HNZ holds a 50% joint venture interest with the New Zealand Automobile Association) and received insurance commission from MARAC Insurance Limited. MARAC Insurance Limited also 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 12 - Special purpose entities.

No interest was charged on intragroup balances.

	Unaudited 3 mths to Sep 2013 $000	Unaudited 3 mths to Sep 2012 $000	Audited 12 mths to Jun 2013 $000
Transactions with related parties			
Interest expense	(5)	-	(4)
Lending and credit fee income	63	94	312
Other income	97	88	335
Total transactions with other related parties	**155**	**182**	**643**
Due from related parties			
Heartland NZ Holdings Limited	200	200	200
Heartland New Zealand Limited	10	177	-
Total due from related parties	**210**	**377**	**200**
Due to related parties			
MARAC Insurance Limited	500	-	500
Total due to related parties	**500**	**-**	**500**

9 Finance receivables

	Unaudited Sep 2013 $000	Unaudited Sep 2012 $000	Audited Jun 2013 $000
Non-securitised			
Neither at least 90 days past due nor impaired	1,651,852	1,703,736	1,687,480
At least 90 days past due	16,939	47,967	24,837
Individually impaired	64,830	46,259	69,301
Restructured assets	3,900	9,105	3,566
Gross finance receivables	**1,737,521**	**1,807,067**	**1,785,184**
Less provision for impairment	40,721	23,983	49,786
Total non-securitised finance receivables	**1,696,800**	**1,807,067**	**1,735,398**
Securitised			
Neither at least 90 days past due nor impaired	260,385	284,270	273,922
At least 90 days past due	1,404	1,424	1,761
Individually impaired	-	6	-
Gross finance receivables	**261,789**	**285,700**	**275,683**
Less provision for impairment	684	792	705
Total securitised finance receivables	**261,105**	**284,908**	**274,978**
Total			
Neither at least 90 days past due nor impaired	1,912,237	1,988,006	1,961,402
At least 90 days past due	18,343	49,391	26,598
Individually impaired	64,830	46,265	69,301
Restructured assets	3,900	9,105	3,566
Gross finance receivables	**1,999,310**	**2,092,767**	**2,060,867**
Less provision for impairment	41,405	24,775	50,491
Total finance receivables	**1,957,905**	**2,067,992**	**2,010,376**

Refer to Note 15 - Asset quality for further analysis of finance receivables by credit risk concentration.

10 Borrowings

	Unaudited Sep 2013 $000	Unaudited Sep 2012 $000	Audited Jun 2013 $000
Deposits	1,758,716	1,622,383	1,838,619
Securitised borrowings	238,807	264,352	258,934
2018 Subordinated bond	2,981	-	-
Bank borrowings	-	25,008	-
Total borrowings	**2,000,504**	**1,911,743**	**2,097,553**

Bank borrowings and deposits (which include NZDX bonds) rank equally and are unsecured. Investors in Heartland ABCP Trust (ABCP Trust) rank equally with each other and are secured over the securitised assets of that trust.

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

	Unaudited 3 mths to Sep 2013 $000	Unaudited 3 mths to Sep 2012 $000	Audited 12 mths to Jun 2013 $000
Profit for the period	**8,668**	**5,304**	**7,443**
Add / (less) non-cash items:			
Depreciation and amortisation expense	564	413	1,940
Change in fair value of investment properties	-	-	5,101
Impaired asset expense	1,691	2,477	22,527
Deferred tax benefit / (expense)	2,880	1,025	(8,230)
Derivative financial instruments revaluation	280	394	1,100
Accruals	858	619	(836)
Total non-cash items	**6,273**	**4,928**	**21,602**
(Less) / add movements in working capital items:			
Other assets	(138)	(1,143)	6,459
Current tax	(1,423)	1,177	8,837
Other liabilities	(1,918)	(156)	(3,364)
Total movements in working capital items	**(3,479)**	**(122)**	**11,932**
Net cash flows from operating activities before movements in finance receivables and operating lease vehicles	**11,462**	**10,110**	**40,977**
Movements in operating lease vehicles	134	81	2,155
Movements in finance receivables	45,089	8,697	25,894
Net cash flows from operating activities	**56,685**	**18,888**	**69,026**

12 Special purpose entities

Heartland Cash and Term PIE Fund

Investments of Heartland Cash and Term PIE Fund are represented as follows:

	Unaudited Sep 2013 $000	Unaudited Sep 2012 $000	Audited Jun 2013 $000
Deposits	36,192	14,801	33,226

12 Special purpose entities (continued)

CBS Warehouse A Trust (CBS Trust)

Prior to 15 August 2013, the Banking Group had securitised a pool of receivables comprising residential mortgages to the CBS Trust. On 31 July 2013, the Banking Group cancelled $50 million of the CBS Trust's $100 million securitisation facility. On 15 August 2013, the remaining $50 million CBS Trust facility was cancelled and all of the receivables in CBS Trust were sold back to the Bank. CBS Trust will remain dormant for the foreseeable future.

Heartland ABCP Trust 1 (ABCP Trust)

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

The Banking Group substantially retains the credit risks and rewards associated with the securitised assets, and continues to recognise these assets and associated borrowings on the Statement of Financial Position. Despite this presentation in the interim financial statements, the loans sold to Trusts are set aside for the benefit of investors in the Trusts and are represented as follows:

	Unaudited Sep 2013 $000	Unaudited Sep 2012 $000	Audited Jun 2013 $000
Cash and cash equivalents - Securitised	4,745	10,437	11,586
Finance receivables - Securitised	261,105	284,908	274,978
Borrowings - Securitised	(238,807)	(264,352)	(258,934)
Derivative financial asset - securitised	871	1,029	567
Derivative financial liabilities - securitised	(49)	(89)	(30)

13 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.

14 Concentrations of credit risk to individual counterparties

At 30 September 2013 the Banking Group did not have any period end or 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).

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 quarter. 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.

15 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 offering livestock financing, 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.

15 Asset quality (continued)

	Rural $000	Corporate Property $000	Other $000	Residential $000	All Other $000	Total $000
(a) End of period balances						
Unaudited - Sep 2013						
Gross impaired assets						
Individually impaired	3,044	54,780	7,006	-	-	64,830
Restructured	6	-	1,261	-	2,633	3,900
Total impaired assets	**3,050**	**54,780**	**8,267**	**-**	**2,633**	**68,730**
Provision for individually impaired assets	1,446	22,084	2,723	-	-	26,253
Net impaired assets	**1,604**	**32,696**	**5,544**	**-**	**2,633**	**42,477**
Provision for collectively impaired assets	**557**	**9,689**	**3,372**	**90**	**1,444**	**15,152**
At least 90 days past due but not impaired	**5,994**	**4,532**	**4,477**	**938**	**2,402**	**18,343**

(b) Charges to Interim Statement of Comprehensive Income

	Rural $000	Corporate Property $000	Other $000	Residential $000	All Other $000	Total $000
Unaudited - 3 months ended 30 Sep 2013						
Individually impaired assets expense	298	500	791	-	102	1,691
Collectively impaired assets (benefit) / expense	(2)	(554)	350	(44)	250	-
Total impaired asset expense / (benefit)	**296**	**(54)**	**1,141**	**(44)**	**352**	**1,691**

16 Liquidity risk

The Banking Group holds the following financial assets for the purpose of managing liquidity risk:

	Unaudited Sep 2013 $000
Unaudited - Sep 2013	
Cash and cash equivalents	90,450
Investments	209,436
Undrawn committed bank facilities	160,000
Total liquidity	**459,886**

The Banking Group has securitised bank facilities totalling $400 million in relation to the ABCP Trust maturing 6 August 2014.

17 Capital adequacy

(a) Capital Ratios

	Unaudited Sep 2013 %
Capital ratios compared to minimum ratio requirements	
Common Equity Tier 1 Capital expressed as a percentage of total risk weighted exposures	14.45%
Minimum Common Equity Tier 1 Capital as per Conditions of Registration	10.00%
Tier 1 Capital expressed as a percentage of total risk weighted exposures	14.45%
Minimum Tier 1 Capital as per Conditions of Registration	10.00%
Total Capital expressed as a percentage of total risk weighted exposures	14.54%
Minimum Total Capital as per Conditions of Registration	12.00%
Buffer ratio	2.45%
Buffer ratio requirement[1]	N/A

[1] The Banking Group does not have a minimum buffer ratio requirement.

(b) Capital

	Unaudited Sep 2013 $000
Unaudited - Sep 2013	
Tier 1 Capital which consists of:	
Common Equity Tier 1 capital	336,682
Additional Tier 1 Capital	-
Tier 2 Capital	
Subordinated Bond	2,146
Total Capital	**338,828**
Deductions included in calculation of capital:	
Deductions from Common Equity Tier 1 Capital	37,353
Deductions from Additional Tier 1 Capital	-
Deductions from Tier 2 Capital	-
Total deductions included in the calculation of capital	**37,353**

(c) Capital Structure

Retained earnings

The accumulated profit or loss that has been retained in the Banking Group.

Reserves

Available-for-sale reserve
The available-for-sale reserve comprises the changes in the fair value of available-for-sale securities, net of tax. These changes are recognised in profit or loss as other income when the asset is either derecognised or impaired.

Hedging reserve
The hedging reserve comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

Defined benefit reserve
The defined benefit plan reserve represents the excess of the fair value of the assets of the defined benefit superannuation plan over the net present value of the defined benefit obligations.

17 Capital adequacy (continued)

2018 Subordinated bond

During the quarter ended 30 September 2013 the Bank issued Heartland 2018 Subordinated bonds (the Bonds), which constitute Tier Two Capital of the Banking Group. The Bonds have an issue period from 12 July 2013 to 15 December 2013 and a maturity date of 15 December 2018. The Bonds pay quarterly interest in arrears at a rate of 6.5% per annum, provided the Bank will be solvent immediately after the payment is made. The Bank may elect to repay the Bonds prior to 15 December 2018 if a regulatory event or tax event occurs and provided it will be solvent immediately after the repayment and the Reserve Bank has consented to the repayment. The Bonds are subordinated to all other general liabilities of the Banking Group and are denominated in New Zealand dollars.

If the Reserve Bank or a Statutory Manager requires the Bank to write down the Principal Amount and/or the interest on the Subordinated Bonds, the Bonds will be written down and could be reduced to zero to comply with the Reserve Bank's loss absorbency requirements. The Bank has not had any defaults of principal, interest or other breaches with respect to these Bonds.

(d) Pillar 1 capital requirements

	Pillar 1 capital requirement under BS2A $000	Pillar 1 capital requirement under Conditions of Registration $000
Unaudited - Sep 2013		
On balance sheet exposures		
Residential mortgages (including past due)	10,254	10,254
Corporate	1,251	1,251
Public sector entities	1,282	1,282
Claims on banks	5,479	5,479
Other	225,902	225,902
Total on balance sheet exposures	**244,168**	**244,168**
Other capital requirements		
Off balance sheet credit exposures	9,341	9,341
Operational risk [2]	12,245	18,368
Market risk [2]	5,124	7,686
Total other capital requirements	**26,710**	**35,395**
Total Pillar 1 capital requirement	**270,878**	**279,563**

[2] The capital requirement for Operational and Market risk under BS2A assumes a capital requirement of 8% however the Bank's Conditions of Registration require it to hold capital against these risks at 12%.

(e) Additional mortgage information

	On balance sheet exposures $000	Off balance sheet exposures $000	Total exposures $000
Unaudited - Sep 2013			
Loan to value ratio (LVR) range:			
Does not exceed 80%	145,281	3,864	149,145
Exceeds 80% and not 90%	21,568	-	21,568
Exceeds 90% [3]	41,062	67	41,129
Total exposures	**207,911**	**3,931**	**211,842**

[3] Of the balance of "Exceeds 90%" above, $30.2 million relates to Welcome Home loans, whose credit risk is mitigated by the Crown.

(f) Capital for other material risks

The ICAAP has identified the capital required to be held against other material risks (being concentration risk, strategic/business risk, regulatory risk and model risk). The Board has determined that the regulatory minimum capital of 12% as per the Banks Conditions of Registration is sufficient to cover this risk. As a result there is no additional internal capital allocation for other material risks.

18 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

The Banking Group markets and distributes term life insurance and general insurance covering risks such as redundancy, bankruptcy or suspension of employment. The insurance products are underwritten by MARAC Insurance Limited. 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

On 15 August 2013, all of the receivables in the CBS Trust were sold back to the Bank (See Note 12 - Special Purpose entities).

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

19 Contingent liabilities and commitments

	Unaudited Sep 2013 $000	Unaudited Sep 2012 $000	Audited Jun 2013 $000
Letters of credit, guarantee commitments and performance bonds	6,216	10,515	5,033
Total contingent liabilities	**6,216**	**10,515**	**5,033**
Undrawn facilities available to customers	109,283	106,250	106,702
Conditional commitments to fund at future dates	53,880	54,750	48,428
Total commitments	**163,163**	**161,000**	**155,130**

20 Events after the reporting date

On 1 October 2013 the Bank paid a dividend of $9.8 million to Heartland NZ Holdings Limited.

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