# Heartland Bank Limited

## Full Rating Report

### Ratings

**Foreign Currency**

| | |
|---|---|
| Long-Term IDR | BBB |
| Short-Term IDR | F2 |
| Viability Rating | bbb |
| Support Rating | 5 |
| Support Rating Floor | NF |

**Sovereign Risk**

| | |
|---|---|
| Long-Term Foreign-Currency IDR | AA |
| Short-Term Foreign-Currency IDR | F1+ |
| Long-Term Local-Currency IDR | AA+ |
| Short-Term Local-Currency IDR | F1+ |

### Outlooks

| | |
|---|---|
| Long-Term Foreign-Currency IDR | Stable |
| Sovereign Long-Term Foreign-Currency IDR | Stable |
| Sovereign Long-Term Local-Currency IDR | Stable |

### Financial Data

**Heartland Bank Limited**

| | 30 Jun 16 | 30 Jun 15 |
|---|---|---|
| Total assets (USDm) | 2,518.4 | 2,291.6 |
| Total assets (NZDm) | 3,547.2 | 3,359.3 |
| Total equity (NZDm) | 498.3 | 480.1 |
| Operating profit (NZDm) | 73.4 | 64.3 |
| Published net income (NZDm) | 54.2 | 48.1 |
| Comprehensive income (NZDm) | 49.1 | 48.4 |
| Operating ROAA (%) | 2.13 | 2.02 |
| Operating ROAE (%) | 15.06 | 13.83 |
| Internal capital generation (%) | 4.78 | 2.75 |
| Fitch core capital/ weighted risks (%) | 13.68 | 15.85 |
| Tier 1 ratio (%) | 13.79 | 12.79 |

### Related Research

Heartland Bank Limited – Ratings Navigator (October 2016)

### Analysts

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## Key Rating Drivers

**Stable Credit Profile:** The affirmation of Heartland Bank Limited's (HBL) Issuer Default Ratings (IDRs) and Viability Rating (VR) reflects its enhanced underwriting and risk-control practices, which support HBL's higher risk appetite relative to peers. This allows the bank to have a leading franchise in niche markets. The Stable Outlook reflects our view that HBL is likely to continue its solid performance over the next 12 to 24 months.

**Continuing Strengthened Risk Practices:** Fitch Ratings expects HBL's risk appetite to be managed through improved underwriting practices and strict risk controls. These settings should help support future asset quality, given HBL's strong growth aspirations.

**Change in Group Structure:** HBL has become the holding company after merging with its parent at end-December 2015. The new structure removed administrative inefficiencies and provided additional income streams while increasing regulatory capital deductions as it assumed ownership of its previous parent's subsidiaries.

**Focus on Capitalisation:** Fitch forecasts HBL's Fitch Core Capital (FCC) to weaken due to the bank's consistently stronger asset growth versus internal capital generation, although a decrease in dividend payout could strengthen regulatory capital ratios. Fitch expects HBL to maintain high capital ratios due to its risk profile and acquisitive nature. HBL is the only listed bank in New Zealand and has a proven track record of raising capital when needed.

**Niche Player:** HBL's simple and transparent business model focuses on domestic niche markets, such as vehicle finance, home-equity-release (HER) mortgages, and equipment and livestock finance for businesses. HBL is one of the main players in each of these markets, which provides it with price-setting powers. The short-term nature of a large portion of its loan portfolio also reduces HBL's asset-liability maturity mismatch which is more favorable than those of its domestic peers.

**Strong Profitability Offsets Risks:** HBL is likely to continue to generate strong earnings, supported by its strong franchise in niche markets. HBL's price-setting powers result in a stronger net interest margin (NIM) than peers, partly offsetting the potential higher risk associated with its lending products. Good cost-management and maintaining its adequate asset quality should support profit generation in the financial year ending 30 June 2017 (FY17).

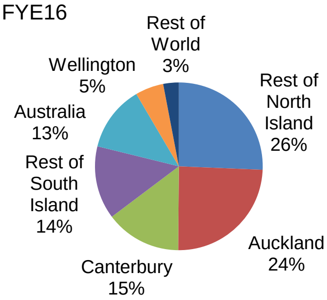
**Stable Funding:** Fitch expects HBL's funding profile to remain stable. HBL is likely to fund its asset growth through deposits and some additional wholesale funding. HBL's strong NIM provides it with buffer to increase deposit rates to attract deposit growth if needed.

## Rating Sensitivities

**Weaker Risk Appetite:** HBL's IDRs and VR are sensitive to changes in its risk appetite and funding and liquidity positions, especially if HBL compromises its improved risk-management practices to expand its franchise in new or existing market segments. Sustaining a more aggressive growth strategy over a long period could weaken HBL's financial profile and pressure its IDRs and VR.

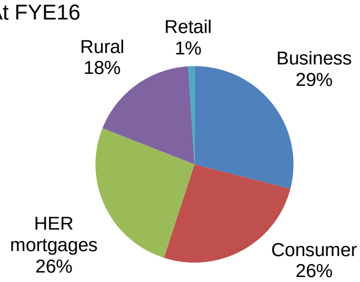
**Limited Upside:** HBL's IDRs and VR are high for a bank of its size and risk profile, making positive rating action less probable in the short to medium term.

**HBL: Credit Exposure Split by Geography**
At FYE16




Source: Heartland Bank Limited Disclosure Statements

**HBL: Loan Book Split by Customer Segments**
At FYE16




Source: Heartland Bank Limited Disclosure Statement

**Related Criteria**

Global Bank Rating Criteria (July 2016)

## Operating Environment

Fitch expects New Zealand's operating environment to remain stable in the absence of a significant external shock. However, macroeconomic risks are rising due to mounting household debt, which is increasing households' susceptibility to unemployment and interest-rate increases. Two seasons of weak dairy prices have also affected dairy farmers' serviceability. Recent dairy auctions suggest early signs of dairy price recovery, leading Fonterra Co-operative Group Limited (A/Stable) to increase its dairy payout, although Fitch expects the recovery to be slow but steady. Low dairy prices continue to hamper GDP growth, although this could be offset by strong non-dairy outputs and increased tourism and construction, particularly in Auckland.

## Company Profile

### Niche Player

HBL has a simple and transparent business model. It focuses on niche markets where it can achieve a market-leading position and therefore benefits from price-setting powers. Shorter-term lending products form a larger portion of its loan book relative to its domestic peers. HBL offers equipment and asset finance (including motor vehicle finance) to small- and medium-sized businesses and households. HBL has also expanded into HER mortgages through the acquisition of New Zealand's largest HER player, Sentinel Limited, in late-2013. The HER mortgage business is higher-yielding and provides stronger collateral and longer asset duration relative to its other lending products. HBL's loans are funded through customer deposits and the securitisation of car loans.

### Change in Organisational Structure

HBL became the operating holding company of the group when it merged with its previous sole owner Heartland New Zealand Limited (HNZ) at end-December 2015. The change in the group's organisational structure has led to the removal of administrative inefficiencies. At the same time, HBL became the owner of HNZ's other subsidiaries, which made it more complex. However, HBL benefits from more diversified income streams, which partly offset the larger capital deduction. The non-banking operations accounted for a manageable 3.6% of the group's net assets at FYE16. Fitch will continue to monitor the impact these non-banking operations have on the bank. HBL is listed on the New Zealand Stock Exchange and its largest 20 shareholders hold nearly 50% of the total equity at end-September 2016.

## Management and Strategy

HBL's management is of good quality and has had a solid track record since the amalgamation of predecessor companies in 2011. The bank has executed well on its long-term strategic goals, such as the run-off of non-core businesses and exploration of new distribution channels and customer segments, while focusing on strengthening risk management processes and lifting operating performance. The bank continues to attract good-quality managers. We expect HBL to continue its solid track record despite heightened macroeconomic risks and disruptive technology – HBL appears to be an early adopter of new technology.

## Risk Appetite

HBL has a greater risk appetite than its peers, which reflects its business model and focus on niche segments that appear to carry more risk through the economic cycle. However, HBL's focus on strict underwriting processes and strengthened risk controls should help to mitigate asset-quality pressures over a full credit cycle. In addition, HBL's strong pre-impairment operating profitability and adequate capitalisation act as a cushion to absorb losses.

### Improvements in Underwriting and Risk Controls

HBL assesses both the financial serviceability of each borrower and the value of the financed asset that acts as collateral for the loan. The bank uses behavioural scoring or internal rating classes depending on the type of borrower. Technology has become an important factor in assessing the customers' credit quality. All debt service obligations and living costs are considered when assessing a borrower's ability to service the loan. Almost the entire loan book is secured on some form of collateral, although most of the assets' values are depreciating.

## Dominance of Asset and Equipment Finance

HBL's business model is skewed towards shorter-term lending products that are secured on depreciating assets, in particular motor vehicle finance. However, loss rates have historically been low for these loans, reflecting households' need for vehicles given the lack of alternative public transport in New Zealand. Other asset and equipment finance products include equipment, and livestock finance. HBL's organic growth prospects are linked to that of the economy. HBL has an acquisitive nature and growth could be supported by either purchasing existing loan portfolios or acquiring other businesses.

## HER Mortgages Provide Balance-Sheet Stability

HBL's residential mortgage book differs from those of its peers as HBL's main residential mortgage product is HER mortgages, which accounted for 26% of the total loan book and for about half of the bank's household exposure at FYE16. HBL's HER exposure has increased significantly as a result of the HBL's group restructuring and around half of these mortgages refer to HBL's Australian subsidiary. Underwriting standards and risk control are similar in both Australia and New Zealand. We expect growth rates to remain fairly stable as this product is attractive to retirees because it offers them an option to liquidate part of their assets.

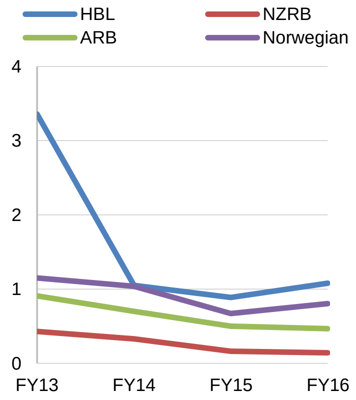
Operational risks have been addressed by involving family members of the borrowers and requiring borrowers to seek independent legal advice during the application process. The loans are only repaid in the event of the borrower's death or move to another property. Regular interest payments do not take place but are capitalised into the final repayment amount. HBL says the average maturity of a HER mortgage is around 7-10 years, although loans have been repaid considerably faster recently.

## Market Risk Remains Moderate

HBL's market risk remains manageable, mainly arising from the interest-rate maturity mismatch of assets and liabilities. This risk is regularly monitored and measured. However, as a result of the group restructure, HBL is also exposed to foreign-exchange risk – mainly from the income of the Australian subsidiaries. The Australian business accounted for 13% of total loans at FYE16 and is fully funded through a three-year facility provided by Commonwealth Bank of Australia (CBA, AA-/Stable), which removes foreign-exchange risk.

**HBL: Asset Quality Comparison**

Impaired loan ratio (%)




NZRB includes TSB Bank, SBS Bank, Co-operative Bank; ARB includes Suncorp-Metway, Bendigo and Adelaide Bank, Bank of Queensland; Norwegian includes SpareBank 1 SMN, SpareBank 1 Nord-Norge, SpareBank 1 SR Bank
Source: HBL, Fitch

# Financial Profile

## Asset Quality

### *Dairy Exposures Hurt Improved Asset Quality*

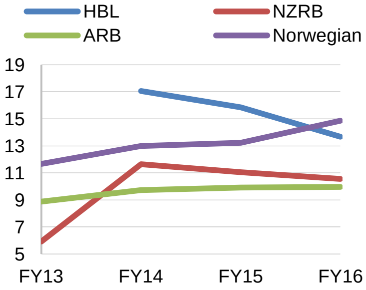
We expect HBL's asset quality to be mildly weaker in FY17 relative to FY16, reflecting the weaknesses in the dairy industry. Impaired dairy exposures increased during FY16 and unless we see a sustainable turnaround in dairy prices, the sector is likely to remain under pressure. However, sound labour market conditions and low interest rates should protect the quality of HBL's household and smaller business exposures. The quality of the HER mortgage portfolio is most reliant on the performance of asset prices, but given the conservative loan-to-value limits set by HBL, property prices would have to fall by more than 50% before there would be a significant impact on this portfolio. The most likely trigger for asset-quality deterioration remains a sharper-than currently anticipated China slowdown which is not Fitch's base case.

### *Industry Concentrations Continue*

HBL's concentration risk has remained moderate but stable. Its largest industry exposure is agriculture, which accounted for 18% of total credit exposure at FYE16 (FYE15: 17%). However, there is some diversification within the agriculture portfolio, which helps to mitigate some of the industry risks. Single-name concentration has remained fairly stable as the top 20

**HBL: Capitalisation in Comparison**

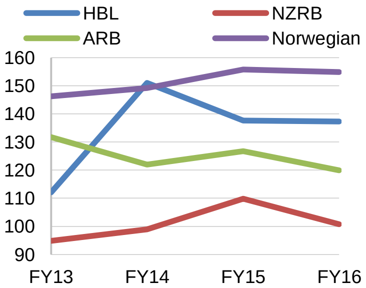
Fitch core capital ratio (%)




Source: HBL, Fitch

**HBL: Funding Position in Comparison**

Loan/deposit ratio (%)




Source: HBL, Fitch

exposures accounted for a reasonable 66% of FCC at FYE16 (FYE15: 68%). Nevertheless, HBL's loan book is well diversified by regions within New Zealand (Auckland only accounting for 21%) and by lending products and customer type.

## Earnings and Profitability

Fitch expects HBL's profitability to be adequate over the economic cycle, especially given its significantly stronger NIM relative to local banks and its improved cost efficiency. Risks to HBL's profitability include a severe shock to the New Zealand economy, as well as prolonged low dairy prices.

HBL benefits from wider asset spreads relative to its peers, which reflects its different lending mix and business model. These wider margins allow the bank to absorb a higher level of impairment charges and an increase in funding costs, which Fitch expects to occur due to rising competition for customer deposits. Further improvements in HBL's cost/income ratio are likely to depend on revenue generation as higher costs reflect investments in technology, compliance, risk management and staff. Profit growth could be dampened if asset quality – especially in the dairy book – continues to be under pressure and therefore loan-impairment charges increase. However, concentration risks have significantly declined, and therefore any charges should be manageable.

## Capitalisation and Leverage

We expect HBL's capital ratios to remain well above its regulatory and internal minimum ratios, but the buffer is likely to narrow as a result of consistently stronger asset growth relative to internal capital generation and higher risk-weighted assets as a result of the group restructuring. Fitch expects changes in the capital treatment of HER mortgages to be manageable. Overall, HBL's FCC ratio remains adequate at 13.7% at FYE16. HBL's un-risk-weighted capital ratios are strong relative to its peers, as can be seen in a high ratio of tangible common equity to tangible assets at 12.45% at FYE16.

In contrast to its domestic peers, HBL has direct access to fresh common equity due to its listing on the stock exchange. In the past, its shareholders have been supportive in allowing the bank to increase common equity – mainly for growth purposes – when needed.

## Funding and Liquidity

HBL's funding and liquidity profile is adequate for its rating level. Fitch expects the bank to remain reliant on wholesale funding markets, which is evident from its loan/deposit ratio of 137.3% at FYE16. We do not foresee a significant change in HBL's funding structure absent a larger acquisition and in light of the bank's growth aspirations. HBL's focus is likely to increase its stable deposit base and add new wholesale funding instruments to diversify funding and investor sources.

Customer deposits accounted for 76% of HBL's funding sources at FYE16. This portion could be expanded through increased pricing, given the wider spreads on HBL's assets. HBL's strong re-pricing ability – while potentially hurting profitability – could protect the bank's funding position in intensifying deposit competition. HBL's wholesale funding mainly consists of short-term asset-backed securitisations through a warehouse facility provided by one of New Zealand's major banks. This facility is collateralised by motor vehicle loans.

## Peer Analysis

### Selected Peer Data: Domestic and International

| (%) | HBL[a] | SBS Bank[b] | Co-Op[b] | TSB[b] |
|---|---|---|---|---|
| Growth of gross loans | 8.58 | 19.20 | 13.00 | 16.99 |
| Impaired loans/gross loans | 1.08 | 0.32 | 0.09 | 0.27 |
| Reserves for impaired loans/impaired loans | 62.72 | 209.89 | 226.67 | 186.54 |
| Impaired loans less reserves for impaired loans/Fitch core capital | 2.91 | -4.56 | -1.57 | -1.64 |
| Loan impairment charges/average gross loans | 0.45 | 0.49 | 0.08 | 0.14 |
| | | | | |
| Net interest income/average earning assets | 4.46 | 2.72 | 2.75 | 2.13 |
| Non-interest expense/gross revenues | 44.58 | 62.76 | 75.80 | 46.56 |
| Loans and securities impairment charges/pre-impairment operating profit | 15.54 | 31.81 | 7.89 | -11.31 |
| Operating profit/average total assets | 2.13 | 0.89 | 0.82 | 1.39 |
| Operating profit/risk-weighted assets | 2.32 | 1.44 | 1.65 | 2.25 |
| Net income/average equity | 11.08 | 8.20 | 6.70 | 11.53 |
| | | | | |
| Fitch core capital/risk-weighted risk | 13.68 | 11.25 | 13.99 | 14.41 |
| Tangible common equity/tangible assets | 12.45 | 6.61 | 7.08 | 8.55 |
| Core Tier 1 regulatory capital ratio | 13.79 | 12.41 | 15.70 | 14.52 |
| Internal capital generation | 4.78 | 8.32 | 6.54 | 7.52 |
| | | | | |
| Loans/customer deposits | 137.33 | 106.85 | 101.08 | 66.50 |
| Interbank assets/interbank liabilities | n.a. | n.a. | n.a. | n.a. |
| Customer deposits/total funding (excluding derivatives) | 76.10 | 87.44 | 96.47 | 99.57 |

[a] Full-year numbers at 30 June 2016 for HBL
[b] Full-year numbers at 31 March 2016 for TSB (TSB Bank Limited, rated A-/Stable), SBS Bank (Southland Building Society, BBB/Stable), Co-Op (The Co-operative Bank Limited, BBB/Stable)
Source: Bank financials, Fitch

**Heartland Bank Limited**

**Income Statement**

| | 30 Jun 2016 | | | 30 Jun 2015 | | 30 Jun 2014 | | 30 Jun 2013 | |
|---|---|---|---|---|---|---|---|---|---|
| | Year End | Year End | As % of | Year End | As % of | Year End | As % of | Year End | As % of |
| | USDm | NZDm | | NZDm | | NZDm | | NZDm | |
| | Audited - Unqualified | Audited - Unqualified | Earning Assets | Audited - Unqualified | Earning Assets | Audited - Unqualified | Earning Assets | Audited - Unqualified | Earning Assets |
| 1. Interest Income on Loans | 180.7 | 254.5 | 7.58 | 248.1 | 7.70 | 197.5 | 6.86 | 198.0 | 8.72 |
| 2. Other Interest Income | 7.8 | 11.0 | 0.33 | 12.4 | 0.39 | 12.8 | 0.44 | 8.3 | 0.37 |
| 3. Dividend Income | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **4. Gross Interest and Dividend Income** | **188.5** | **265.5** | **7.90** | **260.5** | **8.09** | **210.3** | **7.31** | **206.3** | **9.08** |
| 5. Interest Expense on Customer Deposits | 61.1 | 86.0 | 2.56 | 82.5 | 2.56 | 79.4 | 2.76 | 94.2 | 4.15 |
| 6. Other Interest Expense | 23.3 | 32.8 | 0.98 | 43.6 | 1.35 | 21.8 | 0.76 | 16.6 | 0.73 |
| **7. Total Interest Expense** | **84.3** | **118.8** | **3.54** | **126.1** | **3.92** | **101.2** | **3.52** | **110.8** | **4.88** |
| **8. Net Interest Income** | **104.2** | **146.7** | **4.37** | **134.4** | **4.17** | **109.1** | **3.79** | **95.5** | **4.20** |
| 9. Net Gains (Losses) on Trading and Derivatives | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 10. Net Gains (Losses) on Other Securities | 0.8 | 1.1 | 0.03 | 0.6 | 0.02 | n.a. | - | n.a. | - |
| 11. Net Gains (Losses) on Assets at FV through Income Statement | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 12. Net Insurance Income | 1.1 | 1.5 | 0.04 | 0.0 | 0.00 | n.a. | - | n.a. | - |
| 13. Net Fees and Commissions | 2.3 | 3.3 | 0.10 | 3.6 | 0.11 | 2.5 | 0.09 | 1.8 | 0.08 |
| 14. Other Operating Income | 3.0 | 4.2 | 0.13 | 6.1 | 0.19 | 16.2 | 0.56 | 7.6 | 0.33 |
| **15. Total Non-Interest Operating Income** | **7.2** | **10.1** | **0.30** | **10.3** | **0.32** | **18.7** | **0.65** | **9.4** | **0.41** |
| 16. Personnel Expenses | 28.8 | 40.5 | 1.21 | 41.3 | 1.28 | 36.6 | 1.27 | 34.2 | 1.51 |
| 17. Other Operating Expenses | 20.9 | 29.4 | 0.88 | 27.1 | 0.84 | 37.1 | 1.29 | 41.3 | 1.82 |
| **18. Total Non-Interest Expenses** | **49.6** | **69.9** | **2.08** | **68.4** | **2.12** | **73.7** | **2.56** | **75.5** | **3.32** |
| 19. Equity-accounted Profit/ Loss - Operating | 0.0 | 0.0 | 0.00 | 0.1 | 0.00 | 0.5 | 0.02 | n.a. | - |
| **20. Pre-Impairment Operating Profit** | **61.7** | **86.9** | **2.59** | **76.4** | **2.37** | **54.6** | **1.90** | **29.4** | **1.29** |
| 21. Loan Impairment Charge | 9.6 | 13.5 | 0.40 | 12.1 | 0.38 | 5.9 | 0.21 | 22.5 | 0.99 |
| 22. Securities and Other Credit Impairment Charges | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **23. Operating Profit** | **52.1** | **73.4** | **2.19** | **64.3** | **2.00** | **48.7** | **1.69** | **6.9** | **0.30** |
| 24. Equity-accounted Profit/ Loss - Non-operating | n.a. | n.a. | - | 0.0 | 0.00 | 0.0 | 0.00 | 0.5 | 0.02 |
| 25. Non-recurring Income | 0.6 | 0.8 | 0.02 | 0.0 | 0.00 | 2.1 | 0.07 | 2.0 | 0.09 |
| 26. Non-recurring Expense | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 27. Change in Fair Value of Own Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 28. Other Non-operating Income and Expenses | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **29. Pre-tax Profit** | **52.7** | **74.2** | **2.21** | **64.3** | **2.00** | **50.8** | **1.77** | **9.4** | **0.41** |
| 30. Tax expense | 14.2 | 20.0 | 0.60 | 16.2 | 0.50 | 14.8 | 0.51 | 2.5 | 0.11 |
| 31. Profit/Loss from Discontinued Operations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **32. Net Income** | **38.5** | **54.2** | **1.61** | **48.1** | **1.49** | **36.0** | **1.25** | **6.9** | **0.30** |
| 33. Change in Value of AFS Investments | (0.1) | (0.2) | (0.01) | 0.9 | 0.03 | 0.0 | 0.00 | 0.3 | 0.01 |
| 34. Revaluation of Fixed Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 35. Currency Translation Differences | (2.8) | (4.0) | (0.12) | 2.1 | 0.07 | 0.1 | 0.00 | n.a. | - |
| 36. Remaining OCI Gains/(losses) | (0.6) | (0.9) | (0.03) | (2.7) | (0.08) | 1.1 | 0.04 | 1.5 | 0.07 |
| **37. Fitch Comprehensive Income** | **34.9** | **49.1** | **1.46** | **48.4** | **1.50** | **37.2** | **1.29** | **8.7** | **0.38** |
| 38. Memo: Profit Allocation to Non-controlling Interests | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 39. Memo: Net Income after Allocation to Non-controlling Interests | 38.5 | 54.2 | 1.61 | 48.1 | 1.49 | 36.0 | 1.25 | 6.9 | 0.30 |
| 40. Memo: Common Dividends Relating to the Period | 21.6 | 30.4 | 0.91 | 34.9 | 1.08 | n.a. | - | 13.6 | 0.60 |
| 41. Memo: Preferred Dividends Related to the Period | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |

| Exchange rate | USD1 = NZD1.4085 | USD1 = NZD1.4659 | USD1 = NZD1.1395 | USD1 = NZD1.2846 |
|---|---|---|---|---|

**Heartland Bank Limited**
**Balance Sheet**

| | 30 Jun 2016 | | | 30 Jun 2015 | | 30 Jun 2014 | | 30 Jun 2013 | |
|---|---|---|---|---|---|---|---|---|---|
| | Year End USDm | Year End NZDm | As % of Assets | Year End NZDm | As % of Assets | Year End NZDm | As % of Assets | Year End NZDm | As % of Assets |
| **Assets** | | | | | | | | | |
| **A. Loans** | | | | | | | | | |
| 1. Residential Mortgage Loans | 603.3 | 849.8 | 23.96 | 831.7 | 24.76 | 862.2 | 28.58 | n.a. | - |
| 2. Other Mortgage Loans | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Other Consumer/ Retail Loans | 456.8 | 643.4 | 18.14 | 559.1 | 16.64 | 443.7 | 14.71 | n.a. | - |
| 4. Corporate & Commercial Loans | 1,165.8 | 1,642.0 | 46.29 | 1,496.7 | 44.55 | 1,317.9 | 43.68 | n.a. | - |
| 5. Other Loans | n.a. | n.a. | - | 0.0 | 0.00 | 0.0 | 0.00 | 2,060.9 | 82.28 |
| 6. Less: Reserves for Impaired Loans | 15.1 | 21.2 | 0.60 | 25.4 | 0.76 | 16.4 | 0.54 | 50.5 | 2.02 |
| **7. Net Loans** | **2,210.9** | **3,114.0** | **87.79** | **2,862.1** | **85.20** | **2,607.4** | **86.43** | **2,010.4** | **80.27** |
| **8. Gross Loans** | **2,225.9** | **3,135.2** | **88.39** | **2,887.5** | **85.96** | **2,623.8** | **86.97** | **2,060.9** | **82.28** |
| 9. Memo: Impaired Loans included above | 24.0 | 33.8 | 0.95 | 25.6 | 0.76 | 27.6 | 0.91 | 69.3 | 2.77 |
| 10. Memo: Loans at Fair Value included above | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **B. Other Earning Assets** | | | | | | | | | |
| 1. Loans and Advances to Banks | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Reverse Repos and Cash Collateral | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Trading Securities and at FV through Income | 5.2 | 7.3 | 0.21 | 6.7 | 0.20 | 0.0 | 0.00 | n.a. | - |
| 4. Derivatives | 0.1 | 0.1 | 0.00 | 0.1 | 0.00 | 1.9 | 0.06 | 0.6 | 0.02 |
| 5. Available for Sale Securities | 162.7 | 229.1 | 6.46 | 322.6 | 9.60 | 238.9 | 7.92 | 165.2 | 6.60 |
| 6. Held to Maturity Securities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 7. Equity Investments in Associates | n.a. | n.a. | - | 4.4 | 0.13 | 4.2 | 0.14 | 4.3 | 0.17 |
| 8. Other Securities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **9. Total Securities** | **167.9** | **236.5** | **6.67** | **333.8** | **9.94** | **245.0** | **8.12** | **170.1** | **6.79** |
| 10. Memo: Government Securities included Above | n.a. | n.a. | - | n.a. | - | 37.0 | 1.23 | n.a. | - |
| 11. Memo: Total Securities Pledged | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 12. Investments in Property | 6.0 | 8.4 | 0.24 | 24.5 | 0.73 | 24.9 | 0.83 | 58.3 | 2.33 |
| 13. Insurance Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 14. Other Earning Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | 32.4 | 1.29 |
| **15. Total Earning Assets** | **2,384.7** | **3,358.9** | **94.69** | **3,220.4** | **95.87** | **2,877.3** | **95.37** | **2,271.2** | **90.68** |
| **C. Non-Earning Assets** | | | | | | | | | |
| 1. Cash and Due From Banks | 59.8 | 84.2 | 2.37 | 37.0 | 1.10 | 37.3 | 1.24 | 174.3 | 6.96 |
| 2. Memo: Mandatory Reserves included above | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Foreclosed Real Estate | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 4. Fixed Assets | 23.6 | 33.2 | 0.94 | 35.4 | 1.05 | 40.9 | 1.36 | 10.3 | 0.41 |
| 5. Goodwill | 32.0 | 45.1 | 1.27 | 45.1 | 1.34 | 45.1 | 1.49 | 20.2 | 0.81 |
| 6. Other Intangibles | 8.9 | 12.6 | 0.36 | 6.0 | 0.18 | 2.3 | 0.08 | 2.8 | 0.11 |
| 7. Current Tax Assets | n.a. | n.a. | - | n.a. | - | 1.6 | 0.05 | n.a. | - |
| 8. Deferred Tax Assets | 5.0 | 7.1 | 0.20 | 8.7 | 0.26 | 5.3 | 0.18 | 16.4 | 0.65 |
| 9. Discontinued Operations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 10. Other Assets | 4.3 | 6.1 | 0.17 | 6.7 | 0.20 | 7.1 | 0.24 | 9.4 | 0.38 |
| **11. Total Assets** | **2,518.4** | **3,547.2** | **100.00** | **3,359.3** | **100.00** | **3,016.9** | **100.00** | **2,504.6** | **100.00** |
| **Liabilities and Equity** | | | | | | | | | |
| **D. Interest-Bearing Liabilities** | | | | | | | | | |
| 1. Customer Deposits - Current | 1,620.8 | 2,282.9 | 64.36 | 2,097.5 | 62.44 | 1,736.8 | 57.57 | n.a. | - |
| 2. Customer Deposits - Savings | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Customer Deposits - Term | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **4. Total Customer Deposits** | **1,620.8** | **2,282.9** | **64.36** | **2,097.5** | **62.44** | **1,736.8** | **57.57** | **n.a.** | **-** |
| 5. Deposits from Banks | 304.8 | 429.3 | 12.10 | 465.8 | 13.87 | 555.7 | 18.42 | n.a. | - |
| 6. Repos and Cash Collateral | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 7. Commercial Paper and Short-term Borrowings | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 1,838.6 | 73.41 |
| **8. Total Money Market and Short-term Funding** | **1,925.6** | **2,712.2** | **76.46** | **2,563.3** | **76.30** | **2,292.5** | **75.99** | **1,838.6** | **73.41** |
| 9. Senior Unsecured Debt (original maturity > 1 year) | 0.0 | 0.0 | 0.00 | 2.4 | 0.07 | 0.5 | 0.02 | 258.9 | 10.34 |
| 10. Subordinated Borrowing | 2.4 | 3.4 | 0.10 | 3.4 | 0.10 | 3.4 | 0.11 | n.a. | - |
| 11. Covered Bonds | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 12. Other Long-term Funding | 201.9 | 284.4 | 8.02 | 258.6 | 7.70 | 228.6 | 7.58 | n.a. | - |
| **13. Total LT Funding (original maturity > 1 year)** | **204.3** | **287.8** | **8.11** | **264.4** | **7.87** | **232.5** | **7.71** | **258.9** | **10.34** |
| 14. Derivatives | 4.2 | 5.9 | 0.17 | 6.4 | 0.19 | 4.2 | 0.14 | 0.0 | 0.00 |
| 15. Trading Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **16. Total Funding** | **2,134.1** | **3,005.9** | **84.74** | **2,834.1** | **84.37** | **2,529.2** | **83.83** | **2,097.5** | **83.75** |
| **E. Non-Interest Bearing Liabilities** | | | | | | | | | |
| 1. Fair Value Portion of Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Credit impairment reserves | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Reserves for Pensions and Other | 2.7 | 3.8 | 0.11 | 5.8 | 0.17 | 6.1 | 0.20 | n.a. | - |
| 4. Current Tax Liabilities | 4.8 | 6.8 | 0.19 | 7.9 | 0.24 | 16.2 | 0.54 | 2.9 | 0.12 |
| 5. Deferred Tax Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 6. Other Deferred Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 7. Discontinued Operations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 8. Insurance Liabilities | 3.7 | 5.2 | 0.15 | 0.0 | 0.00 | 0.0 | 0.00 | n.a. | - |
| 9. Other Liabilities | 19.3 | 27.2 | 0.77 | 31.4 | 0.93 | 12.8 | 0.42 | 33.7 | 1.35 |
| **10. Total Liabilities** | **2,164.6** | **3,048.9** | **85.95** | **2,879.2** | **85.71** | **2,564.3** | **85.00** | **2,134.1** | **85.21** |
| **F. Hybrid Capital** | | | | | | | | | |
| 1. Pref. Shares and Hybrid Capital accounted for as Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Pref. Shares and Hybrid Capital accounted for as Equity | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **G. Equity** | | | | | | | | | |
| 1. Common Equity | 356.0 | 501.4 | 14.14 | 478.2 | 14.24 | 451.0 | 14.95 | 370.1 | 14.78 |
| 2. Non-controlling Interest | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Securities Revaluation Reserves | 0.7 | 1.0 | 0.03 | 1.2 | 0.04 | 0.3 | 0.01 | 0.3 | 0.01 |
| 4. Foreign Exchange Revaluation Reserves | (1.3) | (1.8) | (0.05) | 2.2 | 0.07 | 0.1 | 0.00 | n.a. | - |
| 5. Fixed Asset Revaluations and Other Accumulated OCI | (1.6) | (2.3) | (0.06) | (1.5) | (0.04) | 1.2 | 0.04 | 0.1 | 0.00 |
| **6. Total Equity** | **353.8** | **498.3** | **14.05** | **480.1** | **14.29** | **452.6** | **15.00** | **370.5** | **14.79** |
| **7. Total Liabilities and Equity** | **2,518.4** | **3,547.2** | **100.00** | **3,359.3** | **100.00** | **3,016.9** | **100.00** | **2,504.6** | **100.00** |
| 8. Memo: Fitch Core Capital | 307.8 | 433.5 | 12.22 | 420.3 | 12.51 | 399.9 | 13.26 | 331.1 | 13.22 |

| Exchange rate | USD1 = NZD1.4085 | USD1 = NZD1.4659 | USD1 = NZD1.1395 | USD1 = NZD1.2846 |
|---|---|---|---|---|

## Heartland Bank Limited

### Summary Analytics

| | 30 Jun 2016 Year End | 30 Jun 2015 Year End | 30 Jun 2014 Year End | 30 Jun 2013 Year End |
|---|---|---|---|---|
| **A. Interest Ratios** | | | | |
| 1. Interest Income on Loans/ Average Gross Loans | 8.48 | 9.02 | 8.94 | 9.47 |
| 2. Interest Expense on Customer Deposits/ Average Customer Deposits | 3.94 | 4.40 | 4.48 | n.a. |
| 3. Interest Income/ Average Earning Assets | 8.14 | 8.63 | 8.55 | 9.33 |
| 4. Interest Expense/ Average Interest-bearing Liabilities | 4.13 | 4.72 | 4.53 | 5.56 |
| 5. Net Interest Income/ Average Earning Assets | 4.50 | 4.45 | 4.44 | 4.32 |
| 6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets | 4.08 | 4.05 | 4.20 | 3.30 |
| 7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets | 4.50 | 4.45 | 4.44 | 4.32 |
| **B. Other Operating Profitability Ratios** | | | | |
| 1. Non-Interest Income/ Gross Revenues | 6.44 | 7.12 | 14.63 | 8.96 |
| 2. Non-Interest Expense/ Gross Revenues | 44.58 | 47.27 | 57.67 | 71.97 |
| 3. Non-Interest Expense/ Average Assets | 2.05 | 2.15 | 2.76 | 3.14 |
| 4. Pre-impairment Op. Profit/ Average Equity | 17.83 | 16.43 | 13.59 | 7.83 |
| 5. Pre-impairment Op. Profit/ Average Total Assets | 2.55 | 2.40 | 2.04 | 1.22 |
| 6. Loans and securities impairment charges/ Pre-impairment Op. Profit | 15.54 | 15.84 | 10.81 | 76.53 |
| 7. Operating Profit/ Average Equity | 15.06 | 13.83 | 12.12 | 1.84 |
| 8. Operating Profit/ Average Total Assets | 2.15 | 2.02 | 1.82 | 0.29 |
| 9. Operating Profit / Risk Weighted Assets | 2.32 | 2.42 | 2.08 | n.a. |
| **C. Other Profitability Ratios** | | | | |
| 1. Net Income/ Average Total Equity | 11.12 | 10.34 | 8.96 | 1.84 |
| 2. Net Income/ Average Total Assets | 1.59 | 1.51 | 1.35 | 0.29 |
| 3. Fitch Comprehensive Income/ Average Total Equity | 10.07 | 10.41 | 9.26 | 2.32 |
| 4. Fitch Comprehensive Income/ Average Total Assets | 1.44 | 1.52 | 1.39 | 0.36 |
| 5. Taxes/ Pre-tax Profit | 26.95 | 25.19 | 29.13 | 26.60 |
| 6. Net Income/ Risk Weighted Assets | 1.71 | 1.81 | 1.54 | n.a. |
| **D. Capitalization** | | | | |
| 1. FCC/FCC-Adjusted Risk Weighted Assets | 13.68 | 15.85 | 17.05 | n.a. |
| 2. Tangible Common Equity/ Tangible Assets | 12.45 | 12.74 | 13.49 | 13.43 |
| 3. Tier 1 Regulatory Capital Ratio | 13.79 | 12.79 | 14.29 | n.a. |
| 4. Total Regulatory Capital Ratio | 13.78 | 12.86 | 14.29 | n.a. |
| 5. Common Equity Tier 1 Capital Ratio | 13.79 | 12.79 | 14.29 | n.a. |
| 6. Equity/ Total Assets | 14.05 | 14.29 | 15.00 | 14.79 |
| 7. Cash Dividends Paid & Declared/ Net Income | 56.09 | 72.56 | n.a. | 197.10 |
| 8. Internal Capital Generation | 4.78 | 2.75 | 7.95 | (1.81) |
| **E. Loan Quality** | | | | |
| 1. Growth of Total Assets | 5.59 | 11.35 | 20.45 | 6.66 |
| 2. Growth of Gross Loans | 8.58 | 10.05 | 27.31 | (2.13) |
| 3. Impaired Loans/ Gross Loans | 1.08 | 0.89 | 1.05 | 3.36 |
| 4. Reserves for Impaired Loans/ Gross Loans | 0.68 | 0.88 | 0.63 | 2.45 |
| 5. Reserves for Impaired Loans/ Impaired Loans | 62.72 | 99.22 | 59.42 | 72.87 |
| 6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital | 2.91 | 0.05 | 2.80 | 5.68 |
| 7. Impaired Loans less Reserves for Impaired Loans/ Equity | 2.53 | 0.04 | 2.47 | 5.07 |
| 8. Loan Impairment Charges/ Average Gross Loans | 0.45 | 0.44 | 0.27 | 1.08 |
| 9. Net Charge-offs/ Average Gross Loans | 0.59 | 0.09 | 1.73 | 0.40 |
| 10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets | 1.08 | 0.89 | 1.05 | 3.36 |
| **F. Funding and Liquidity** | | | | |
| 1. Loans/ Customer Deposits | 137.33 | 137.66 | 151.07 | n.a. |
| 2. Interbank Assets/ Interbank Liabilities | n.a. | n.a. | n.a. | n.a. |
| 3. Customer Deposits/ Total Funding (excluding derivatives) | 76.10 | 74.18 | 68.78 | n.a. |
| 4. Liquidity Coverage Ratio | n.a. | n.a. | n.a. | n.a. |
| 5. Net Stable Funding Ratio | n.a. | n.a. | n.a. | n.a. |

**Heartland Bank Limited**
**Reference Data**

| | 30 Jun 2016 | | | 30 Jun 2015 | | 30 Jun 2014 | | 30 Jun 2013 | |
|---|---|---|---|---|---|---|---|---|---|
| | Year End USDm | Year End NZDm | As % of Assets | Year End NZDm | As % of Assets | Year End NZDm | As % of Assets | Year End NZDm | As % of Assets |
| **A. Off-Balance Sheet Items** | | | | | | | | | |
| 1. Managed Securitized Assets Reported Off-Balance Sheet | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Other off-balance sheet exposure to securitizations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Guarantees | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 4. Acceptances and documentary credits reported off-balance sheet | n.a. | n.a. | - | n.a. | - | 6.3 | 0.21 | 5.0 | 0.20 |
| 5. Committed Credit Lines | 186.6 | 262.8 | 7.41 | 224.3 | 6.68 | 209.8 | 6.95 | n.a. | - |
| 6. Other Contingent Liabilities | 9.2 | 12.9 | 0.36 | 14.8 | 0.44 | n.a. | - | n.a. | - |
| 7. Total Assets under Management | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **B. Average Balance Sheet** | | | | | | | | | |
| Average Loans | 2,130.5 | 3,000.8 | 84.60 | 2,751.2 | 81.90 | 2,208.3 | 73.20 | 2,091.1 | 83.49 |
| Average Earning Assets | 2,316.1 | 3,262.2 | 91.97 | 3,020.0 | 89.90 | 2,458.5 | 81.49 | 2,210.7 | 88.27 |
| Average Assets | 2,421.0 | 3,410.0 | 96.13 | 3,179.5 | 94.65 | 2,671.2 | 88.54 | 2,400.9 | 95.86 |
| Average Managed Securitized Assets (OBS) | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Average Interest-Bearing Liabilities | 2,040.1 | 2,873.5 | 81.01 | 2,673.5 | 79.59 | 2,234.6 | 74.07 | 1,991.2 | 79.50 |
| Average Common equity | 346.6 | 488.2 | 13.76 | 464.1 | 13.82 | 400.7 | 13.28 | 375.3 | 14.98 |
| Average Equity | 346.1 | 487.5 | 13.74 | 465.0 | 13.84 | 401.9 | 13.32 | 375.5 | 14.99 |
| Average Customer Deposits | 1,550.0 | 2,183.2 | 61.55 | 1,873.0 | 55.76 | 1,771.4 | 58.72 | n.a. | - |
| **C. Maturities** | | | | | | | | | |
| **Asset Maturities:** | | | | | | | | | |
| Loans & Advances < 3 months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Loans & Advances 3 - 12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Loans and Advances 1 - 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Loans & Advances > 5 years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Debt Securities < 3 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Debt Securities 3 - 12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Debt Securities 1 - 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Debt Securities > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Loans & Advances to Banks < 3 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Loans & Advances to Banks 3 - 12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Loans & Advances to Banks 1 - 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Loans & Advances to Banks > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **Liability Maturities:** | | | | | | | | | |
| Retail Deposits < 3 months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Retail Deposits 3 - 12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Retail Deposits 1 - 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Retail Deposits > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Other Deposits < 3 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Other Deposits 3 - 12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Other Deposits 1 - 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Other Deposits > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Deposits from Banks < 3 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Deposits from Banks 3 - 12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Deposits from Banks 1 - 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Deposits from Banks > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Senior Debt Maturing < 3 months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Senior Debt Maturing 3-12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Senior Debt Maturing 1- 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Senior Debt Maturing > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Total Senior Debt on Balance Sheet | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Fair Value Portion of Senior Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Subordinated Debt Maturing < 3 months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Subordinated Debt Maturing 3-12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Subordinated Debt Maturing 1- 5 Year | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Subordinated Debt Maturing > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Total Subordinated Debt on Balance Sheet | 2.4 | 3.4 | 0.10 | 3.4 | 0.10 | 3.4 | 0.11 | n.a. | - |
| Fair Value Portion of Subordinated Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **D. Risk Weighted Assets** | | | | | | | | | |
| 1. Risk Weighted Assets | 2,250.3 | 3,169.5 | 89.35 | 2,651.6 | 78.93 | 2,344.8 | 77.72 | n.a. | - |
| 2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Fitch Core Capital Adjusted Risk Weighted Assets | 2,250.3 | 3,169.5 | 89.35 | 2,651.6 | 78.93 | 2,344.8 | 77.72 | n.a. | - |
| 4. Other Fitch Adjustments to Risk Weighted Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 5. Fitch Adjusted Risk Weighted Assets | 2,250.3 | 3,169.5 | 89.35 | 2,651.6 | 78.93 | 2,344.8 | 77.72 | n.a. | - |
| **E. Equity Reconciliation** | | | | | | | | | |
| 1. Equity | 353.8 | 498.3 | 14.05 | 480.1 | 14.29 | 452.6 | 15.00 | 370.5 | 14.79 |
| 2. Add: Pref. Shares and Hybrid Capital accounted for as Equity | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Add: Other Adjustments | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 4. Published Equity | 353.8 | 498.3 | 14.05 | 480.1 | 14.29 | 452.6 | 15.00 | 370.5 | 14.79 |
| **F. Fitch Core Capital Reconciliation** | | | | | | | | | |
| 1. Total Equity as reported (including non-controlling interests) | 353.8 | 498.3 | 14.05 | 480.1 | 14.29 | 452.6 | 15.00 | 370.5 | 14.79 |
| 2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 |
| 3. Non-loss-absorbing non-controlling interests | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 |
| 4. Goodwill | 32.0 | 45.1 | 1.27 | 45.1 | 1.34 | 45.1 | 1.49 | 20.2 | 0.81 |
| 5. Other intangibles | 8.9 | 12.6 | 0.36 | 6.0 | 0.18 | 2.3 | 0.08 | 2.8 | 0.11 |
| 6. Deferred tax assets deduction | 5.0 | 7.1 | 0.20 | 8.7 | 0.26 | 5.3 | 0.18 | 16.4 | 0.65 |
| 7. Net asset value of insurance subsidiaries | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 |
| 8. First loss tranches of off-balance sheet securitizations | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 |
| **9. Fitch Core Capital** | **307.8** | **433.5** | **12.22** | **420.3** | **12.51** | **399.9** | **13.26** | **331.1** | **13.22** |
| | | | | | | | | | |
| Exchange Rate | | USD1 = NZD1.4085 | | USD1 = NZD1.4659 | | USD1 = NZD1.1395 | | USD1 = NZD1.2846 | |

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.