

# Interim Financial Statements

For the six months ended 31 December 2022



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## General Information

Heartland Group Holdings Limited (**HGH**) is incorporated in New Zealand and registered under the Companies Act 1993. The shares in HGH are listed on the New Zealand Exchange (**NZX**) main board and the Australian Securities Exchange (**ASX**) under a foreign exempt listing.

HGH's address for service is Level 3, 35 Teed Street, Newmarket, Auckland 1023.

## Directors

All Directors of HGH reside in New Zealand with the exception of Ellen Frances Comerford and Geoffrey Edward Summerhayes who reside in Australia. Communications to the Directors can be sent to Heartland Group Holdings Limited, Level 3, 35 Teed Street, Newmarket, Auckland 1023.

On 20 February 2023 Geoff Ricketts has stepped down as Chairperson of HGH and remains as a director of HGH. The Board has resolved on 23 February 2023 for Greg Tomlinson to assume the role of Chairperson.

There have been no other changes in the composition of the Board of Directors of HGH since 30 June 2022 to the six months ended 31 December 2022.

## Auditor

PricewaterhouseCoopers  
PwC Tower, Level 27  
15 Customs Street West  
Auckland 1010

# Directors' Statements

The consolidated interim financial statements for HGH and its subsidiaries (together the **Group**) are dated 27 February 2023 and have been signed by a majority of the Directors.



G R Tomlinson (Chair)



E F Comerford



J K Greenslade



K Mitchell



G E Summerhayes

## Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 December 2022

\$000's	Note	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
Interest income	3	240,716	163,586	342,101
Interest expense	3	101,813	39,683	91,959
<b>Net interest income</b>		<b>138,903</b>	<b>123,903</b>	<b>250,142</b>
Operating lease income		2,696	2,588	5,284
Operating lease expense		1,862	1,545	3,383
<b>Net operating lease income</b>		<b>834</b>	<b>1,043</b>	<b>1,901</b>
Lending and credit fee income		6,397	4,565	9,639
Other (expense)/income		(1,966)	1,295	18,933
<b>Net operating income</b>		<b>144,168</b>	<b>130,806</b>	<b>280,615</b>
Operating expenses	4	63,450	57,292	116,753
<b>Profit before impaired asset expense and income tax</b>		<b>80,718</b>	<b>73,514</b>	<b>163,862</b>
Fair value (loss) on investments		(2,449)	(93)	(12,998)
Impaired asset expense	6	9,240	8,535	13,823
<b>Profit before income tax</b>		<b>69,029</b>	<b>64,886</b>	<b>137,041</b>
Income tax expense		20,367	17,370	41,916
<b>Profit for the period</b>		<b>48,662</b>	<b>47,516</b>	<b>95,125</b>
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit or loss, net of income tax:</b>				
Effective portion of change in fair value of derivative financial instruments for cash flow hedging instruments		8,536	6,739	7,041
Movement in fair value reserve		(752)	(6,356)	(712)
Movement in foreign currency translation reserve		(9,736)	(25)	2,340
<b>Items that will not be reclassified to profit or loss, net of income tax:</b>				
Movement in defined benefit reserve		-	-	(171)
Net loss due to wind-up of superannuation scheme		-	-	(473)
<b>Other comprehensive income for the period, net of income tax</b>		<b>(1,952)</b>	<b>358</b>	<b>8,025</b>
<b>Total comprehensive income for the period</b>		<b>46,710</b>	<b>47,874</b>	<b>103,150</b>
<b>Earnings per share</b>				
Basic earnings per share	7	7.30c	8.08c	16.13c
Diluted earnings per share	7	7.30c	8.08c	16.13c

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

The notes to the interim financial statements form an integral part of, and should be read in conjunction with, these consolidated interim financial statements.

## Consolidated Interim Statement of Changes in Equity

For the six months ended 31 December 2022

\$000's	Note	Share Capital	Employee Benefit Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Defined Benefit Reserve	Cash Flow Hedge Reserve	Retained Earnings	Total Equity
<b>Unaudited - December 2022</b>									
Balance as at 1 July 2022		599,185	4,646	(1,635)	(1,034)	-	7,959	199,586	808,707
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	48,662	48,662
Other comprehensive (loss)/gain, net of income tax		-	-	(9,736)	(752)	-	8,536	-	(1,952)
<b>Total comprehensive (loss)/income for the period</b>		-	-	<b>(9,736)</b>	<b>(752)</b>	-	<b>8,536</b>	<b>48,662</b>	<b>46,710</b>
<b>Contributions by and distributions to owners</b>									
Dividends paid	10	-	-	-	-	-	-	(32,610)	(32,610)
Share based payments		-	(263)	-	-	-	-	-	(263)
Vesting of share based payments		1,170	(1,170)	-	-	-	-	-	-
Share issuance		197,006	-	-	-	-	-	-	197,006
Transaction costs associated with share issuance		(3,695)	-	-	-	-	-	-	(3,695)
<b>Total transactions with owners</b>		<b>194,481</b>	<b>(1,433)</b>	-	-	-	-	<b>(32,610)</b>	<b>160,438</b>
<b>Balance as at 31 December 2022</b>		<b>793,666</b>	<b>3,213</b>	<b>(11,371)</b>	<b>(1,786)</b>	-	<b>16,495</b>	<b>215,638</b>	<b>1,015,855</b>
<b>Unaudited - December 2021</b>									
Balance as at 1 July 2021		583,781	2,731	(3,975)	(322)	171	918	178,388	761,692
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	47,516	47,516
Other comprehensive (loss)/gain, net of income tax		-	-	(25)	(6,356)	-	6,739	-	358
<b>Total comprehensive (loss)/income for the period</b>		-	-	<b>(25)</b>	<b>(6,356)</b>	-	<b>6,739</b>	<b>47,516</b>	<b>47,874</b>
<b>Contributions by and distributions to owners</b>									
Dividends paid	10	-	-	-	-	-	-	(41,013)	(41,013)
Dividend reinvestment plan	10	8,926	-	-	-	-	-	-	8,926
Share based payments		-	698	-	-	-	-	-	698
<b>Total transactions with owners</b>		<b>8,926</b>	<b>698</b>	-	-	-	-	<b>(41,013)</b>	<b>(31,389)</b>
<b>Balance as at 31 December 2021</b>		<b>592,707</b>	<b>3,429</b>	<b>(4,000)</b>	<b>(6,678)</b>	<b>171</b>	<b>7,657</b>	<b>184,891</b>	<b>778,177</b>

The notes to the interim financial statements form an integral part of, and should be read in conjunction with, these consolidated interim financial statements.

## Consolidated Interim Statement of Changes in Equity (Continued)

For the six months ended 31 December 2022

\$000's	Note	Share Capital	Employee Benefit Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Defined Benefit Reserve	Cash Flow Hedge Reserve	Retained Earnings	Total Equity
<b>Audited - June 2022</b>									
<b>Balance as at 1 July 2021</b>		<b>583,781</b>	<b>2,731</b>	<b>(3,975)</b>	<b>(322)</b>	<b>171</b>	<b>918</b>	<b>178,388</b>	<b>761,692</b>
<b>Total comprehensive income for the year</b>									
Profit for the year		-	-	-	-	-	-	95,125	95,125
Other comprehensive gain/ (loss), net of income tax		-	-	2,340	(712)	(171)	7,041	(473)	8,025
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>2,340</b>	<b>(712)</b>	<b>(171)</b>	<b>7,041</b>	<b>94,652</b>	<b>103,150</b>
<b>Contributions by and distributions to owners</b>									
Dividends paid	10	-	-	-	-	-	-	(73,454)	(73,454)
Dividend reinvestment plan	10	15,404	-	-	-	-	-	-	15,404
Share based payments		-	1,915	-	-	-	-	-	1,915
<b>Total transactions with owners</b>		<b>15,404</b>	<b>1,915</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,454)</b>	<b>(56,135)</b>
<b>Balance as at 30 June 2022</b>		<b>599,185</b>	<b>4,646</b>	<b>(1,635)</b>	<b>(1,034)</b>	<b>-</b>	<b>7,959</b>	<b>199,586</b>	<b>808,707</b>

The notes to the interim financial statements form an integral part of, and should be read in conjunction with, these consolidated interim financial statements.

## Consolidated Interim Statement of Financial Position

As at 31 December 2022

\$000's	Note	Unaudited December 2022	Unaudited December 2021	Audited June 2022
<b>Assets</b>				
Cash and cash equivalents		385,277	207,666	310,758
Investments	12	287,258	318,273	289,294
Derivative financial instruments	12	51,374	21,714	45,221
Finance receivables	8	4,234,966	3,526,234	4,146,821
Finance receivables - reverse mortgages	8	2,171,516	1,778,066	1,996,854
Investment properties	12	11,903	11,832	11,832
Operating lease vehicles		15,546	13,009	15,161
Right of use assets		12,775	14,843	14,145
Other assets		23,694	16,444	18,229
Intangible assets		223,061	74,531	218,874
Deferred tax asset		20,504	16,288	23,074
<b>Total assets</b>		<b>7,437,874</b>	<b>5,998,900</b>	<b>7,090,263</b>
<b>Liabilities</b>				
Deposits	9	4,070,558	3,332,409	3,592,508
Other borrowings	9	2,258,511	1,822,465	2,578,213
Lease liabilities		14,798	16,980	16,240
Tax liabilities		3,308	5,619	22,044
Derivative financial instruments	12	10,406	3,548	6,341
Trade and other payables		64,438	39,702	66,210
<b>Total liabilities</b>		<b>6,422,019</b>	<b>5,220,723</b>	<b>6,281,556</b>
<b>Equity</b>				
Share capital	10	793,666	592,707	599,185
Retained earnings and other reserves		222,189	185,470	209,522
<b>Total equity</b>		<b>1,015,855</b>	<b>778,177</b>	<b>808,707</b>
<b>Total equity and liabilities</b>		<b>7,437,874</b>	<b>5,998,900</b>	<b>7,090,263</b>
<b>Total interest earning and discount bearing assets</b>				
		6,982,869	5,735,324	6,667,260
<b>Total interest and discount bearing liabilities</b>				
		6,283,731	5,138,333	6,131,593

The notes to the interim financial statements form an integral part of, and should be read in conjunction with, these consolidated interim financial statements.



## Consolidated Interim Statement of Cash Flows

For the six months ended 31 December 2022

\$000's	Note	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
<b>Cash flows from operating activities</b>				
Interest received		155,508	116,664	222,894
Operating lease income received		2,197	1,807	3,913
Lending, credit fees and other income received		1,516	2,920	6,101
<b>Operating inflows</b>		<b>159,221</b>	<b>121,391</b>	<b>232,908</b>
Interest paid		(88,759)	(51,000)	(100,467)
Payments to suppliers and employees		(58,118)	(38,641)	(69,463)
Taxation paid		(38,505)	(20,988)	(32,987)
<b>Operating outflows</b>		<b>(185,382)</b>	<b>(110,629)</b>	<b>(202,917)</b>
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(26,161)</b>	<b>10,762</b>	<b>29,991</b>
Proceeds from sale of operating lease vehicles		1,643	3,023	4,481
Purchase of operating lease vehicles		(3,245)	(6,016)	(10,758)
Net movement in finance receivables		(182,656)	(299,163)	(693,512)
Net movement in deposits		472,606	149,107	407,484
<b>Net cash flows from/(applied to) operating activities<sup>1</sup></b>		<b>262,187</b>	<b>(142,287)</b>	<b>(262,314)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment and intangible assets		(7,744)	(8,578)	(9,809)
Decrease in investments		4,919	53,101	75,531
Deposit paid for the conditional acquisition of Challenger Bank Limited		(3,936)	-	-
Purchase of equity investment		(5,667)	-	-
Net movement of investment property		(71)	-	-
Purchase of subsidiary, net of cash acquired		(3,047)	-	(159,919)
<b>Total cash (applied to)/from investing activities</b>		<b>(15,546)</b>	<b>44,523</b>	<b>(94,197)</b>
<b>Net cash flows (applied to)/from investing activities</b>		<b>(15,546)</b>	<b>44,523</b>	<b>(94,197)</b>
<b>Cash flows from financing activities</b>				
Net movement in wholesale funding		-	111,117	468,139
Net movement from issue of unsubordinated notes		-	45,265	77,243
Net issue of share capital		197,006	-	-
<b>Total cash provided from financing activities</b>		<b>197,006</b>	<b>156,382</b>	<b>545,382</b>
Net decrease in wholesale funding		(205,556)	-	-
Repayment of unsubordinated notes		(125,577)	-	-
Dividends paid	10	(32,610)	(32,087)	(58,050)
Payment of lease liabilities		(1,692)	(1,198)	(2,396)
Transaction costs associated with capital raising		(3,693)	-	-
<b>Total cash (applied to) financing activities</b>		<b>(369,128)</b>	<b>(33,285)</b>	<b>(60,446)</b>
<b>Net cash flows (applied to)/from financing activities</b>		<b>(172,122)</b>	<b>123,097</b>	<b>484,936</b>
<b>Net increase in cash held</b>		<b>74,519</b>	<b>25,333</b>	<b>128,425</b>
Opening cash and cash equivalents		310,758	182,333	182,333
<b>Closing cash and cash equivalents</b>		<b>385,277</b>	<b>207,666</b>	<b>310,758</b>

<sup>1</sup> Cash flows from operating activities do not include cash flows from wholesale funding which are included as part of financing activities.

## Consolidated Interim Statement of Cash Flows (Continued)

For the six months ended 31 December 2022

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

\$000's	Note	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
<b>Profit for the period</b>		<b>48,662</b>	<b>47,516</b>	<b>95,125</b>
<b>Add/(less) non-cash items:</b>				
Depreciation and amortisation expense		5,177	5,624	10,691
Depreciation on lease vehicles		1,692	1,429	3,104
Capitalised net interest income and fee income		(81,311)	(53,178)	(95,271)
Impaired asset expense	6	9,240	8,535	13,823
Investment fair value unrealised movement		2,449	93	12,998
Other non-cash items		1,325	(6,662)	(30,408)
<b>Total non-cash items</b>		<b>(61,428)</b>	<b>(44,159)</b>	<b>(85,063)</b>
<b>Add/(less) movements in operating assets and liabilities:</b>				
Finance receivables		(182,656)	(299,163)	(693,512)
Operating lease vehicles		(1,602)	(2,993)	(6,277)
Other assets		(3,440)	(191)	(207)
Current tax		(18,736)	(1,821)	14,604
Derivative financial instruments		5,696	(2,090)	(23,214)
Deferred tax		2,570	(2,171)	(8,957)
Deposits		472,606	149,107	407,484
Other liabilities		515	13,678	37,703
<b>Total movements in operating assets and liabilities</b>		<b>274,953</b>	<b>(145,644)</b>	<b>(272,376)</b>
<b>Net cash flows from/(applied to) operating activities<sup>1</sup></b>		<b>262,187</b>	<b>(142,287)</b>	<b>(262,314)</b>

<sup>1</sup> Cash flows from operating activities do not include cash flows from wholesale funding which are included as part of financing activities.

The notes to the interim financial statements form an integral part of, and should be read in conjunction with, these consolidated interim financial statements.

# Notes to the Interim Financial Statements

For the six months ended 31 December 2022

## 1 Interim financial statements preparation

### Basis of preparation

The interim financial statements presented are the consolidated interim financial statements comprising Heartland Group Holdings Limited (**HGH**) and its subsidiaries (the **Group**). They have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**) as defined in the Financial Reporting Act 2013. These consolidated interim financial statements comply with NZ IAS 34 Interim Financial Reporting as appropriate for publicly accountable for-profit entities and IAS 34 Interim Financial Reporting.

The consolidated interim financial statements do not include all notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the consolidated financial statements for the year ended 30 June 2022.

The consolidated interim financial statements presented here are for the following periods:

- 6 month period ended 31 December 2022 – Unaudited
- 6 month period ended 31 December 2021 – Unaudited
- 12 month period ended 30 June 2022 – Audited

The consolidated interim financial statements have been prepared on a going concern and historical cost basis, unless stated otherwise. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Certain comparative balances have been reclassified to align with the presentation used in the current period. These reclassifications have no impact on the overall financial performance or net assets for the comparative year/period.

### Estimates and judgements

There have been no material changes to the use of estimates and judgements for the preparation of the interim financial statements since the reporting date of the previous financial statements. The Group's financial statements for the year ended 30 June 2022 contain detail on the estimates and judgements used.

In respect of the provision for expected credit loss on finance receivables, the Group has previously created an economic overlay of \$8.0 million as at 30 June 2022 to address economic uncertainty. The economic overlay of \$8.0 million remains appropriate at 31 December 2022.

### Significant events and transactions

On 20 October 2022 Heartland Group Holdings Limited entered into a conditional share purchase agreement for the purchase of Challenger Bank Limited (**Challenger Bank**) from Challenger Limited for a consideration of approximately AU \$36 million, subject to adjustments for net assets delivered at completion. The share purchase agreement is subject to obtaining the requisite regulatory approvals. A 10% deposit was paid to Challenger Limited on execution of the conditional share purchase agreement.

During the period Heartland Group Holdings Limited settled deferred consideration and payments relating to adjustments for net assets delivered at completion in relation to the acquisition of StockCo Holdings 2 Pty Ltd (**StockCo Australia**) which amounted to AU \$2.85 million. A revised provisional goodwill of AU \$126.94 million (NZ \$136.08 million) was recognised (2022: AU \$124.91 million (NZ \$137.58 million)).

# Performance

## 2 Segmental analysis

Segment information is presented in respect of the Group's operating segments consistent with those used for the Group's management and internal reporting structure.

### Operating segments

The Group operates within New Zealand and Australia and comprises the following main operating segments:

<b>Motor</b>	Motor vehicle finance.
<b>Reverse mortgages</b>	Reverse mortgage lending in New Zealand.
<b>Personal lending</b>	Transactional, home loans and personal loans to individuals.
<b>Business</b>	Term debt, plant and equipment finance, commercial mortgage lending and working capital solutions for small-to-medium sized businesses.
<b>Rural</b>	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 in New Zealand.
<b>StockCo Australia</b>	Specialise in livestock finance within Australia. This segment was acquired through the acquisition of StockCo Holdings 2 Pty Ltd and StockCo Australia Management Pty Ltd on 31 May 2022.
<b>Australia</b>	Reverse mortgage lending and other financial services within Australia, excluding StockCo Australia.

Certain operating expenses, such as premises, IT, support centre costs and tax expense are not allocated to operating segments and are included in Other. Liabilities are managed centrally and therefore are not allocated across the operating segments.

The Group's operating segments are different from the industry categories detailed in Note 14 Credit risk exposure. The operating segments are primarily categorised by sales channel, whereas Note 14 Credit risk exposure categorises exposures are based on credit risk concentrations.

## 2 Segmental analysis (continued)

\$000's	Reverse Personal			Business	StockCo			Other	Total
	Motor	Mortgages	Lending		Rural	Australia	Australia		
<b>Unaudited - December 2022</b>									
Net interest income	30,936	19,058	5,284	35,843	16,612	13,413	20,526	(2,769)	138,903
Net other income/(expense)	1,734	1,444	594	1,542	336	2	2,594	(2,981)	5,265
<b>Net operating income/(expense)</b>	<b>32,670</b>	<b>20,502</b>	<b>5,878</b>	<b>37,385</b>	<b>16,948</b>	<b>13,415</b>	<b>23,120</b>	<b>(5,750)</b>	<b>144,168</b>
Operating expenses	2,055	2,585	3,344	4,867	1,628	4,566	6,473	37,932	63,450
<b>Profit/(loss) before impaired asset expense and income tax</b>	<b>30,615</b>	<b>17,917</b>	<b>2,534</b>	<b>32,518</b>	<b>15,320</b>	<b>8,849</b>	<b>16,647</b>	<b>(43,682)</b>	<b>80,718</b>
Fair value (loss) on investments	-	-	-	-	-	-	-	(2,449)	(2,449)
Impaired asset expense	3,341	-	1,580	4,092	162	39	26	-	9,240
<b>Profit/(loss) before income tax</b>	<b>27,274</b>	<b>17,917</b>	<b>954</b>	<b>28,426</b>	<b>15,158</b>	<b>8,810</b>	<b>16,621</b>	<b>(46,131)</b>	<b>69,029</b>
Income tax (benefit)/expense	-	-	-	-	-	(11)	-	20,378	20,367
<b>Profit/(loss) for the period</b>	<b>27,274</b>	<b>17,917</b>	<b>954</b>	<b>28,426</b>	<b>15,158</b>	<b>8,821</b>	<b>16,621</b>	<b>(66,509)</b>	<b>48,662</b>
<b>Total assets</b>	<b>1,457,970</b>	<b>808,701</b>	<b>361,870</b>	<b>1,386,602</b>	<b>674,009</b>	<b>374,484</b>	<b>1,370,816</b>	<b>1,003,422</b>	<b>7,437,874</b>
<b>Total liabilities</b>									<b>6,422,019</b>

## 2 Segmental analysis (continued)

§000's	Reverse Personal			Business	StockCo			Other	Total
	Motor	Mortgages	Lending		Rural	Australia	Australia		
<b>Unaudited - December 2021</b>									
Net interest income	34,687	14,000	4,529	35,888	15,138	-	19,881	(220)	123,903
Net other income	1,703	1,289	726	1,408	365	-	1,143	269	6,903
<b>Net operating income</b>	<b>36,390</b>	<b>15,289</b>	<b>5,255</b>	<b>37,296</b>	<b>15,503</b>	-	<b>21,024</b>	<b>49</b>	<b>130,806</b>
Operating expenses	1,975	2,354	3,268	4,756	1,531	-	5,507	37,901	57,292
<b>Profit/(loss) before impaired asset expense and income tax</b>	<b>34,415</b>	<b>12,935</b>	<b>1,987</b>	<b>32,540</b>	<b>13,972</b>	-	<b>15,517</b>	<b>(37,852)</b>	<b>73,514</b>
Fair value (loss) on investments	-	-	-	-	-	-	-	(93)	(93)
Impaired asset expense/(benefit)	2,518	-	902	4,210	909	-	(5)	1	8,535
<b>Profit/(loss) before income tax</b>	<b>31,897</b>	<b>12,935</b>	<b>1,085</b>	<b>28,330</b>	<b>13,063</b>	-	<b>15,522</b>	<b>(37,946)</b>	<b>64,886</b>
Income tax expense	-	-	-	-	-	-	-	17,370	17,370
<b>Profit/(loss) for the period</b>	<b>31,897</b>	<b>12,935</b>	<b>1,085</b>	<b>28,330</b>	<b>13,063</b>	-	<b>15,522</b>	<b>(55,316)</b>	<b>47,516</b>
<b>Total assets</b>	<b>1,344,866</b>	<b>648,865</b>	<b>272,803</b>	<b>1,294,601</b>	<b>583,026</b>	-	<b>1,185,598</b>	<b>669,141</b>	<b>5,998,900</b>
<b>Total liabilities</b>									<b>5,220,723</b>
<b>Audited - June 2022</b>									
Net interest income	69,730	29,957	10,287	70,602	29,460	1,889	38,662	(445)	250,142
Net other income	3,326	2,583	1,562	2,679	741	3	2,690	16,889	30,473
<b>Net operating income</b>	<b>73,056</b>	<b>32,540</b>	<b>11,849</b>	<b>73,281</b>	<b>30,201</b>	<b>1,892</b>	<b>41,352</b>	<b>16,444</b>	<b>280,615</b>
Operating expenses	3,792	4,485	6,419	9,358	3,038	1,692	11,286	76,683	116,753
<b>Profit/(loss) before impaired asset expense and income tax</b>	<b>69,264</b>	<b>28,055</b>	<b>5,430</b>	<b>63,923</b>	<b>27,163</b>	<b>200</b>	<b>30,066</b>	<b>(60,239)</b>	<b>163,862</b>
Fair value (loss) on investments	-	-	-	-	-	-	-	(12,998)	(12,998)
Impaired asset expense/(benefit)	1,481	-	(877)	11,831	2,256	(291)	(577)	-	13,823
<b>Profit/(loss) before income tax</b>	<b>67,783</b>	<b>28,055</b>	<b>6,307</b>	<b>52,092</b>	<b>24,907</b>	<b>491</b>	<b>30,643</b>	<b>(73,237)</b>	<b>137,041</b>
Income tax expense	-	-	-	-	-	-	-	41,916	41,916
<b>Profit/(loss) for the period</b>	<b>67,783</b>	<b>28,055</b>	<b>6,307</b>	<b>52,092</b>	<b>24,907</b>	<b>491</b>	<b>30,643</b>	<b>(115,153)</b>	<b>95,125</b>
<b>Total assets</b>	<b>1,382,367</b>	<b>721,264</b>	<b>332,783</b>	<b>1,387,352</b>	<b>687,232</b>	<b>372,172</b>	<b>1,288,494</b>	<b>918,599</b>	<b>7,090,263</b>
<b>Total liabilities</b>									<b>6,281,556</b>

### 3 Net interest income

\$000's	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
<b>Interest income</b>			
Cash and cash equivalents	3,525	149	811
Investments	2,399	2,782	5,156
Finance receivables	156,707	113,863	236,916
Finance receivables - reverse mortgages	78,085	46,792	99,218
<b>Total interest income</b>	<b>240,716</b>	<b>163,586</b>	<b>342,101</b>
<b>Interest expense</b>			
Deposits	58,667	18,708	45,717
Other borrowings	50,374	20,524	46,110
Net interest (income)/expense on derivative financial instruments	(7,228)	451	132
<b>Total interest expense</b>	<b>101,813</b>	<b>39,683</b>	<b>91,959</b>
<b>Net interest income</b>	<b>138,903</b>	<b>123,903</b>	<b>250,142</b>

### 4 Operating expenses

\$000's	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
Personnel expenses	33,682	30,884	61,152
Directors' fees	574	563	1,149
Superannuation	952	768	1,530
Depreciation - property, plant and equipment	948	1,388	2,459
Legal and professional fees	1,876	903	3,112
Advertising and public relations	1,785	2,185	4,510
Depreciation - right of use asset	1,278	1,154	2,310
Technology services	4,940	4,785	9,374
Telecommunications, stationery and postage	1,011	842	1,723
Customer acquisition costs	3,693	2,888	5,974
Amortisation of intangible assets	2,951	3,082	5,922
Other operating expenses <sup>1</sup>	9,760	7,850	17,538
<b>Total operating expenses</b>	<b>63,450</b>	<b>57,292</b>	<b>116,753</b>

<sup>1</sup> Other operating expenses include compensation of auditor which is disclosed in Note 5 - Compensation of auditor.

### 5 Compensation of auditor

\$000's	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
<b>Fees paid to current auditor - PricewaterhouseCoopers</b>			
Audit and review of financial statements <sup>1</sup>	275	-	-
Other non-assurance services paid to auditor <sup>2</sup>	111	-	-
<b>Total compensation paid to PricewaterhouseCoopers</b>	<b>386</b>	<b>-</b>	<b>-</b>

<sup>1</sup> These relates to fees paid for both the audit of the annual financial statements and review of the interim financial statements.

<sup>2</sup> Other non-assurance services paid to PricewaterhouseCoopers relates to actuarial services for reverse mortgages for the Group and tax compliance services for a subsidiary of the Group.

## 5 Compensation of auditor (continued)

\$000's	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
<b>Fees paid to predecessor auditor - KPMG</b>			
Audit and review of financial statements <sup>1</sup>	40	386	879
Other assurance services paid to auditor <sup>2</sup>	-	51	103
<b>Total compensation paid to KPMG</b>	<b>40</b>	<b>437</b>	<b>982</b>

<sup>1</sup>These relates to fees paid for both the audit of the annual financial statements and review of the interim financial statements for the comparative periods.

<sup>2</sup>Other assurance related services paid to KPMG comprise regulatory assurance services, trust deed reporting and registry audits.

## 6 Impaired asset expense

At each reporting date, the Group applies a three stage approach to measuring expected credit loss to finance receivables carried at amortised cost. The following table details impairment charges of those finance receivables for the six months ended 31 December 2022.

\$000's	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
<b>Non-securitised</b>			
Individually impaired asset expense	5,292	6,266	10,783
Collectively impaired asset expense	5,421	3,300	6,466
<b>Total non-securitised impaired asset expense</b>	<b>10,713</b>	<b>9,566</b>	<b>17,249</b>
<b>Securitised</b>			
Individually impaired asset expense	155	-	-
Collectively impaired asset expense	(311)	392	(70)
<b>Total securitised impaired asset expense</b>	<b>(156)</b>	<b>392</b>	<b>(70)</b>
<b>Total</b>			
Individually impaired asset expense	5,447	6,266	10,783
Collectively impaired asset expense	5,110	3,692	6,396
<b>Total impaired asset expense excluding recovery amounts previously written off to the income statement</b>	<b>10,557</b>	<b>9,958</b>	<b>17,179</b>
Recovery of amounts previously written off to the income statement	(1,317)	(1,423)	(3,356)
<b>Total impaired asset expense</b>	<b>9,240</b>	<b>8,535</b>	<b>13,823</b>

## 7 Earnings per share

	Earnings Per Share Cents	Net Profit After Tax \$000's	Weighted Average No. of Shares 000's
<b>Unaudited - December 2022</b>			
Basic earnings	7.30	48,662	666,186
Diluted earnings	7.30	48,662	666,186
<b>Unaudited - December 2021</b>			
Basic earnings	8.08	47,516	588,190
Diluted earnings	8.08	47,516	588,190
<b>Audited - June 2022</b>			
Basic earnings	16.13	95,125	589,771
Diluted earnings	16.13	95,125	589,771



## Financial Position

### 8 Finance receivables

#### (a) Finance receivables held at amortised cost

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
<b>Non-securitised</b>			
Neither at least 90 days past due nor impaired	3,570,689	3,203,046	3,404,451
At least 90 days past due	59,274	38,593	41,768
Individually impaired	69,000	63,965	66,183
<b>Gross finance receivables</b>	<b>3,698,963</b>	<b>3,305,604</b>	<b>3,512,402</b>
Less provision for impairment	(52,440)	(52,651)	(50,629)
<b>Total non-securitised finance receivables</b>	<b>3,646,523</b>	<b>3,252,953</b>	<b>3,461,773</b>
<b>Securitised</b>			
Neither at least 90 days past due nor impaired	589,320	273,650	686,236
At least 90 days past due	-	263	-
Individually impaired	343	-	188
<b>Gross finance receivables</b>	<b>589,663</b>	<b>273,913</b>	<b>686,424</b>
Less provision for impairment	(1,220)	(632)	(1,376)
<b>Total securitised finance receivables</b>	<b>588,443</b>	<b>273,281</b>	<b>685,048</b>
<b>Total</b>			
Neither at least 90 days past due nor impaired	4,160,009	3,476,696	4,090,687
At least 90 days past due	59,274	38,856	41,768
Individually impaired	69,343	63,965	66,371
<b>Gross finance receivables</b>	<b>4,288,626</b>	<b>3,579,517</b>	<b>4,198,826</b>
Less provision for impairment	(53,660)	(53,283)	(52,005)
<b>Total finance receivables</b>	<b>4,234,966</b>	<b>3,526,234</b>	<b>4,146,821</b>

## 8 Finance receivables (continued)

### (a) Finance receivables held at amortised cost (continued)

#### Movement in provision for impairment losses

The following table details the movement from the opening balance to the closing balance of the provision for impairment losses by class.

\$000's	12 - Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Specific Provision	Total
<b>Unaudited - December 2022</b>					
<b>Non-securitised</b>					
<b>Impairment allowance as at 30 June 2022</b>	<b>19,068</b>	<b>1,959</b>	<b>14,601</b>	<b>15,001</b>	<b>50,629</b>
Changes in loss allowance					
Transfer between stages	(3,946)	(1,976)	1,964	3,958	-
New and increased provision (net of provision releases)	2,828	2,314	4,237	1,334	10,713
<b>Credit impairment charge</b>	<b>(1,118)</b>	<b>338</b>	<b>6,201</b>	<b>5,292</b>	<b>10,713</b>
Write-offs	-	-	(6,782)	(2,071)	(8,853)
Effect of changes in foreign exchange rate	(33)	-	(16)	-	(49)
<b>Impairment allowance as at 31 December 2022</b>	<b>17,917</b>	<b>2,297</b>	<b>14,004</b>	<b>18,222</b>	<b>52,440</b>
<b>Securitised</b>					
<b>Impairment allowance as at 30 June 2022</b>	<b>1,188</b>	<b>(1)</b>	<b>1</b>	<b>188</b>	<b>1,376</b>
Changes in loss allowance					
Transfer between stages	(156)	1	-	155	-
New and increased provision (net of provision releases)	(169)	13	-	-	(156)
<b>Credit impairment charge</b>	<b>(325)</b>	<b>14</b>	<b>-</b>	<b>155</b>	<b>(156)</b>
Write-offs	-	-	-	-	-
Effect of changes in foreign exchange rate	-	-	-	-	-
<b>Impairment allowance as at 31 December 2022</b>	<b>863</b>	<b>13</b>	<b>1</b>	<b>343</b>	<b>1,220</b>
<b>Total</b>					
<b>Impairment allowance as at 30 June 2022</b>	<b>20,256</b>	<b>1,958</b>	<b>14,602</b>	<b>15,189</b>	<b>52,005</b>
Changes in loss allowance					
Transfer between stages	(4,102)	(1,975)	1,964	4,113	-
New and increased provision (net of provision releases)	2,659	2,327	4,237	1,334	10,557
<b>Credit impairment charge</b>	<b>(1,443)</b>	<b>352</b>	<b>6,201</b>	<b>5,447</b>	<b>10,557</b>
Write-offs	-	-	(6,782)	(2,071)	(8,853)
Effect of changes in foreign exchange rate	(33)	-	(16)	-	(49)
<b>Impairment allowance as at 31 December 2022</b>	<b>18,780</b>	<b>2,310</b>	<b>14,005</b>	<b>18,565</b>	<b>53,660</b>

## 8 Finance receivables (continued)

### (a) Finance receivables held at amortised cost (continued)

#### Movement in provision for impairment losses (continued)

\$000's	12 - Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Specific Provision	Total
<b>Unaudited - December 2021</b>					
<b>Non-securitised</b>					
<b>Impairment allowance as at 30 June 2021</b>	<b>26,591</b>	<b>2,405</b>	<b>16,823</b>	<b>7,629</b>	<b>53,448</b>
Changes in loss allowance					
Transfer between stages	(2,323)	(1,102)	714	2,711	-
New and increased provision (net of provision releases)	(1,149)	391	6,769	3,555	9,566
<b>Credit impairment charge</b>	<b>(3,472)</b>	<b>(711)</b>	<b>7,483</b>	<b>6,266</b>	<b>9,566</b>
Write-offs	-	-	(9,109)	(1,219)	(10,328)
Effect of changes in foreign exchange rate	(35)	-	-	-	(35)
<b>Impairment allowance as at 31 December 2021</b>	<b>23,084</b>	<b>1,694</b>	<b>15,197</b>	<b>12,676</b>	<b>52,651</b>
<b>Securitised</b>					
<b>Impairment allowance as at 30 June 2021</b>	<b>216</b>	<b>22</b>	<b>1</b>	<b>-</b>	<b>239</b>
Changes in loss allowance					
Transfer between stages	(2)	(27)	29	-	-
New and increased provision (net of provision releases)	231	77	84	-	392
<b>Credit impairment charge</b>	<b>229</b>	<b>50</b>	<b>113</b>	<b>-</b>	<b>392</b>
Write-offs	-	-	-	-	-
Effect of changes in foreign exchange rate	-	1	-	-	1
<b>Impairment allowance as at 31 December 2021</b>	<b>445</b>	<b>73</b>	<b>114</b>	<b>-</b>	<b>632</b>
<b>Total</b>					
<b>Impairment allowance as at 30 June 2021</b>	<b>26,807</b>	<b>2,427</b>	<b>16,824</b>	<b>7,629</b>	<b>53,687</b>
Changes in loss allowance					
Transfer between stages	(2,325)	(1,129)	743	2,711	-
New and increased provision (net of provision releases)	(918)	468	6,853	3,555	9,958
<b>Credit impairment charge</b>	<b>(3,243)</b>	<b>(661)</b>	<b>7,596</b>	<b>6,266</b>	<b>9,958</b>
Write-offs	-	-	(9,109)	(1,219)	(10,328)
Effect of changes in foreign exchange rate	(35)	1	-	-	(34)
<b>Impairment allowance as at 31 December 2021</b>	<b>23,529</b>	<b>1,767</b>	<b>15,311</b>	<b>12,676</b>	<b>53,283</b>

## 8 Finance receivables (continued)

### (a) Finance receivables held at amortised cost (continued)

#### Movement in provision for impairment losses (continued)

\$000's	12 - Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Specific Provision	Total
<b>Audited - 30 June 2022</b>					
<b>Non-securitised</b>					
<b>Impairment allowance as at 30 June 2021</b>	<b>26,591</b>	<b>2,405</b>	<b>16,823</b>	<b>7,629</b>	<b>53,448</b>
Changes in loss allowance					
Transfer between stages	(3,903)	(2,447)	1,074	5,276	-
New and increased provision (net of provision releases)	(3,652)	1,998	13,396	5,507	17,249
<b>Credit impairment charge</b>	<b>(7,555)</b>	<b>(449)</b>	<b>14,470</b>	<b>10,783</b>	<b>17,249</b>
Write-offs	-	-	(16,692)	(3,411)	(20,103)
Effect of changes in foreign exchange rate	32	3	-	-	35
Acquisition of portfolio	-	-	-	-	-
<b>Impairment allowance as at 30 June 2022</b>	<b>19,068</b>	<b>1,959</b>	<b>14,601</b>	<b>15,001</b>	<b>50,629</b>
<b>Securitised</b>					
<b>Impairment allowance as at 30 June 2021</b>	<b>216</b>	<b>22</b>	<b>1</b>	<b>-</b>	<b>239</b>
Changes in loss allowance					
Transfer between stages	(6)	(109)	115	-	-
New and increased provision (net of provision releases)	(14)	85	(141)	-	(70)
<b>Credit impairment charge</b>	<b>(20)</b>	<b>(24)</b>	<b>(26)</b>	<b>-</b>	<b>(70)</b>
Write-offs	-	-	26	-	26
Effect of changes in foreign exchange rate	-	1	-	-	1
Acquisition of portfolio	992	-	-	188	1,180
<b>Impairment allowance as at 30 June 2022</b>	<b>1,188</b>	<b>(1)</b>	<b>1</b>	<b>188</b>	<b>1,376</b>
<b>Total</b>					
<b>Impairment allowance as at 30 June 2021</b>	<b>26,807</b>	<b>2,427</b>	<b>16,824</b>	<b>7,629</b>	<b>53,687</b>
Changes in loss allowance					
Transfer between stages	(3,909)	(2,556)	1,189	5,276	-
New and increased provision (net of provision releases)	(3,666)	2,083	13,255	5,507	17,179
<b>Credit impairment charge</b>	<b>(7,575)</b>	<b>(473)</b>	<b>14,444</b>	<b>10,783</b>	<b>17,179</b>
Write-offs	-	-	(16,666)	(3,411)	(20,077)
Effect of changes in foreign exchange rate	32	4	-	-	36
Acquisition of portfolio	992	-	-	188	1,180
<b>Impairment allowance as at 30 June 2022</b>	<b>20,256</b>	<b>1,958</b>	<b>14,602</b>	<b>15,189</b>	<b>52,005</b>

## 8 Finance receivables (continued)

### (a) Finance receivables held at amortised cost (continued)

#### Impact of changes in gross finance receivables held at amortised cost on allowance for ECL

\$000's	12 - Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Specific Provision	Total
<b>Unaudited - December 2022</b>					
Gross finance receivables as at 30 June 2022	3,967,917	118,424	46,114	66,371	4,198,826
Transfer between stages	(106,785)	63,057	34,341	9,387	-
Additions	718,239	-	-	7,928	726,167
Deletions	(556,132)	(47,720)	(11,235)	(12,427)	(627,514)
Write-offs	-	-	(6,782)	(2,071)	(8,853)
<b>Gross finance receivables as at 31 December 2022</b>	<b>4,023,239</b>	<b>133,761</b>	<b>62,438</b>	<b>69,188</b>	<b>4,288,626</b>
<b>Unaudited - December 2021</b>					
Gross finance receivables as at 30 June 2021	3,092,653	165,793	45,564	38,143	3,342,153
Transfer between stages	(48,097)	(11,584)	20,313	39,368	-
Additions	897,124	-	-	906	898,030
Deletions	(594,443)	(34,662)	(8,000)	(13,233)	(650,338)
Write-offs	-	-	(9,109)	(1,219)	(10,328)
<b>Gross finance receivables as at 31 December 2021</b>	<b>3,347,237</b>	<b>119,547</b>	<b>48,768</b>	<b>63,965</b>	<b>3,579,517</b>
<b>Audited - June 2022</b>					
Gross finance receivables as at 30 June 2021	3,092,653	165,793	45,564	38,143	3,342,153
Transfer between stages	(112,179)	25,532	31,253	55,394	-
Additions	2,433,553	-	-	3,190	2,436,743
Deletions	(1,446,110)	(72,901)	(14,037)	(26,945)	(1,559,993)
Write-offs	-	-	(16,666)	(3,411)	(20,077)
<b>Gross finance receivables as at 30 June 2022</b>	<b>3,967,917</b>	<b>118,424</b>	<b>46,114</b>	<b>66,371</b>	<b>4,198,826</b>

### (b) Finance receivables held at fair value

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
Finance receivables - reverse mortgages	2,171,516	1,778,066	1,996,854
<b>Total finance receivables - reverse mortgages</b>	<b>2,171,516</b>	<b>1,778,066</b>	<b>1,996,854</b>

## 9 Borrowings

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
Deposits	4,070,558	3,332,409	3,592,508
<b>Total deposits</b>	<b>4,070,558</b>	<b>3,332,409</b>	<b>3,592,508</b>
Unsubordinated notes	510,169	560,307	636,407
Securitised borrowings	1,541,163	1,152,521	1,559,108
Certificate of deposit	207,179	109,637	198,715
Bank borrowings	-	-	173,982
Money market borrowings	-	-	10,001
<b>Total other borrowings</b>	<b>2,258,511</b>	<b>1,822,465</b>	<b>2,578,213</b>

## 9 Borrowings (continued)

Deposits and unsubordinated notes rank equally and are unsecured.

### Unsubordinated notes

The Group has the following unsubordinated notes on issue at 31 December 2022. Australian (AU) borrowings are stated in AU dollars.

Principal	Valuation	Issue Date	Maturity Date	Frequency of Interest Repayment
AU \$75 million	Amortised cost	21 January 2021	21 April 2023	Quarterly
AU \$45 million	Amortised cost	8 March 2021	21 April 2023	Quarterly
NZ \$125 million	Amortised cost	12 April 2019	12 April 2024	Semi-annually
AU \$45 million	Amortised cost	9 July 2021	9 July 2024	Quarterly
AU \$30 million	Amortised cost	16 August 2022	9 July 2024	Quarterly
AU \$115 million	Amortised cost	12 May 2022	13 May 2025	Quarterly
AU \$50 million	Amortised cost	5 October 2022	5 October 2027	Quarterly

### Securitised borrowings

At 31 December 2022 the Group had the following securitised borrowings outstanding:

- Heartland Auto Receivables Warehouse Trust 2018 - 1 securitisation facility \$400 million, drawn \$191 million (December 2021: \$400 million, drawn \$235 million; June 2022: \$400 million, drawn \$268 million). Securitised borrowings held by investors are secured over the assets of the Heartland Auto Receivables Warehouse Trust 2018-1 (predominantly motor loans). The facility has a maturity date of 26 August 2024.
- Seniors Warehouse Trust securitisation facility AU \$600 million, drawn AU \$563 million (December 2021: AU \$600 million, drawn AU \$552 million; June 2022: AU \$600 million, drawn AU \$585 million). Notes issued to investors are secured over the assets of Seniors Warehouse Trust (predominantly reverse mortgage loans). The facility has a maturity date of 30 September 2025.
- Seniors Warehouse Trust No.2 securitisation facility AU \$400 million, drawn AU \$313 million (December 2021: AU \$250 million, drawn AU \$180 million; June 2022: AU \$350 million, drawn AU \$210 million). Notes issued to investors are secured over the assets of Seniors Warehouse Trust No.2 (predominantly reverse mortgage loans). The facility has a maturity date of 1 July 2024.
- Atlas 2020-1 Trust securitisation facility AU \$127 million, drawn AU \$127 million (December 2021: AU \$136 million, drawn AU \$136 million; June 2022: AU \$127 million, drawn AU \$127 million). Loans issued to investors are secured over the assets of Atlas 2020-1 Trust (predominantly reverse mortgage loans) and has a maturity date of 24 September 2050.
- StockCo Securitisation Trust 2022-1 securitisation facility AU \$300 million, drawn AU \$253 million (December 2021: n/a; June 2022: AU \$300 million, drawn AU \$249 million). Loans issued to investors are secured over the assets of StockCo Securitisation Trust 2022-1 (predominantly livestock loans). The facility has a maturity date of 27 May 2024.

## 10 Share capital and dividends

000's	Unaudited December 2022 Number of Shares	Unaudited December 2021 Number of Shares	Audited June 2022 Number of Shares
<b>Issued shares</b>			
Opening balance	592,904	585,904	585,904
Net shares issued during the period	112,417	-	-
Dividend reinvestment plan	-	3,930	7,000
<b>Closing balance</b>	<b>705,321</b>	<b>589,834</b>	<b>592,904</b>

HGH completed a capital raise during the six months to 31 December 2022, which comprised a share placement (**Placement**) and a Share Purchase Plan (**SPP**). HGH issued 72,222,222 shares on 26 August 2022 under the Placement and 38,822,458 new shares on 9 September 2022 under the SPP.

On 19 September 2022, HGH issued a further 2,250,625 shares under the Long Term Incentive Scheme of HGH (**LTI Scheme**), of which 877,777 shares were acquired by HGH pursuant to a buyback offer to the participants to fund the tax liability arising for those participants upon receipt of shares under the LTI Scheme.

The dividend reinvestment plan (**DRP**) was suspended during the period of the capital raise, consequently no new shares were issued in relation to the DRP (2022: 3,930,116 new shares on 15 September 2021 and 3,069,339 new shares on 16 March 2022).

### Dividends paid

	6 Months to December 2022			12 Months to June 2022		
	Date Declared	Cents Per Share	\$000's	Date Declared	Cents Per Share	\$000's
Final dividend	26 August 2022	5.5	32,610	24 August 2021	7.0	41,013
Interim dividend	-	-	-	22 February 2022	5.5	32,441
<b>Total dividends paid</b>			<b>32,610</b>			<b>73,454</b>

## 11 Related party transactions and balances

### (a) Transactions with key management personnel

Key management personnel (**KMP**), are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Group. This includes all executive staff, Directors and their close family members.

KMP receive personal banking and financial investment services from the Group in the ordinary course of business. The terms and conditions such as interest rates and collateral along with the risks to the Group are comparable to transactions with other employees and customers, and did not involve more than the normal risk of repayment or present other unfavourable features.

All other transactions with KMPs and their related entities are made on terms equivalent to those that prevail in arm's length transactions.

\$000's	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
<b>Transactions with key management personnel</b>			
Interest income	11	15	26
Interest expense	(15)	(24)	(24)
<b>Net transactions with key management personnel</b>	<b>(4)</b>	<b>(9)</b>	<b>2</b>
<b>Due from/(to) key management personnel</b>			
Lending	831	296	229
Deposits	(1,325)	(1,425)	(508)
<b>Net due (to) key management personnel</b>	<b>(494)</b>	<b>(1,129)</b>	<b>(279)</b>

## 11 Related party transactions and balances (continued)

### (b) Transactions with related parties

HGH is the ultimate parent company of the Group.

Entities within the Group have regular transactions with each other on agreed terms. The transactions include the provision of tax and administrative services and customer operations. Banking facilities are provided by HBL to other Group entities on normal commercial terms as with other customers. There is no lending from subsidiaries within the Group to HGH.

Related party transactions between the Group eliminate on consolidation. Related party transactions outside of the Group are as follows:

\$000's	Unaudited 6 Months to December 2022	Unaudited 6 Months to December 2021	Audited 12 Months to June 2022
<b>Southern Cross Building Society Staff Superannuation (SCBS)</b>			
Interest expense payable to SCBS	1	4	6
Management fees receivable from SCBS	-	5	10
Cash received from SCBS	-	-	350
<b>ASF Custodians Pty Limited</b>			
Audit fees	4	4	7
<b>Heartland Trust (HT)</b>			
Dividend paid to HT	356	453	809

### (c) Other balances with related parties

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
<b>Southern Cross Building Society Staff Superannuation</b>			
Deposits owing to SCBS	1	1,704	35



## 12 Fair value

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

The following methods and assumptions were used to estimate the fair value of each class of financial asset and liability measured at fair value on a recurring basis in the consolidated interim statement of financial position.

The Group has an established framework in performing valuations required for financial reporting purposes including Level 3 fair values. The Group regularly reviews and calibrates significant unobservable inputs and valuation adjustments in accordance with market participants' views. If external valuation specialists are engaged to measure fair values, the Group assesses the evidence obtained from these specialists to support the conclusion of these valuations. All significant valuations are reported to the Group's Board Audit and Risk Committee for approval prior to its adoption in the financial statements.

#### Investments in debt securities

Investments in public sector securities and corporate bonds are classified as fair value through other comprehensive income (**FVOCI**), with the fair value being based on quoted market prices (Level 1 under the fair value hierarchy) or modelled using observable market inputs (Level 2 under the fair value hierarchy).

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

#### Investments in equity securities

Investments in equity securities are classified as fair value through profit or loss (**FVTPL**) unless an irrevocable election is made by the Group to measure at FVOCI. Investment in equity securities traded in liquid, active markets where prices are readily observable are measured under Level 1 of the fair value hierarchy with no modelling or assumptions used in the valuation. Investments in unlisted equity securities are measured under Level 3 of the fair value hierarchy with the fair value being based on unobservable inputs using market accepted valuation techniques. Where appropriate, the Group may apply adjustments to the above mentioned techniques to determine fair value of an equity security to reflect the underlying characteristics. These adjustments are reflective of market participant considerations in valuing the said security.

#### Investment properties

Investment properties are initially recorded at their fair value, with subsequent changes in fair value recognised in profit or loss. Fair value is determined by qualified independent valuers or other similar external evidence, adjusted for changes in market conditions.

Investment properties are typically acquired through the enforcement of security over finance receivables and are held to earn rental income or for capital appreciation (or both).

## 12 Fair value (continued)

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

#### Finance receivables - reverse mortgages

Reverse mortgage loans are classified as FVTPL. On initial recognition the Group considers the transaction price to represent the fair value of the loan.

For subsequent measurement the Group has considered if the fair value can be determined by reference to a relevant active market or observable inputs, but has concluded relevant support is not currently available. In the absence of such market evidence the Group has used valuation techniques (income approach) including actuarial assessments to consider the fair value.

When the Group enters into reverse mortgage loans the Group has set expectations regarding the loan's current and future risk profile and expectation of performance. This expectation references a wide range of assumptions including:

- Mortality and potential move into care;
- Voluntary exits;
- House price changes;
- No negative equity guarantee; and
- Interest rate margin.

At 31 December 2022, the Group does not consider any of the above expectations to have moved outside of the original expectation range. Therefore, the Group has continued to estimate the fair value of the portfolio at transaction price. There has been no fair value movement recognised in profit or loss during the period. Fair value is not highly sensitive to the above assumptions in the longer term due to the nature of the reverse mortgage loans. In particular, given conservative origination loan-to-value ratio criteria, a material deterioration in house prices combined with a material increase in interest rates over a sustained period of time would likely need to occur before any potential impact to fair value.

The Group continues to assess the existence of a relevant active market and movements in expectations on an on-going basis.

#### Derivative financial instruments

Interest rate and foreign currency related contracts are recognised in the financial statements at fair value. Fair values are determined from observable market prices as at the reporting date (Level 1 under the fair value hierarchy), discounted cash flow models or option pricing models as appropriate (Level 2 under the fair value hierarchy).

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which each fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim statement of financial position.

## 12 Fair value (continued)

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

\$000's	Level 1	Level 2	Level 3	Total
<b>Unaudited - December 2022</b>				
<b>Assets</b>				
Investments	269,293	5,602	12,363	287,258
Investment properties	-	-	11,903	11,903
Derivative financial instruments	-	51,374	-	51,374
Finance receivables - reverse mortgages	-	-	2,171,516	2,171,516
<b>Total financial assets measured at fair value</b>	<b>269,293</b>	<b>56,976</b>	<b>2,195,782</b>	<b>2,522,051</b>
<b>Liabilities</b>				
Derivative financial instruments	-	10,406	-	10,406
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>10,406</b>	<b>-</b>	<b>10,406</b>
<b>Unaudited - December 2021</b>				
<b>Assets</b>				
Investments	229,453	61,745	22,459	313,657
Investment properties	-	-	11,832	11,832
Derivative financial instruments	-	21,714	-	21,714
Finance receivables - reverse mortgages	-	-	1,778,066	1,778,066
<b>Total financial assets measured at fair value</b>	<b>229,453</b>	<b>83,459</b>	<b>1,812,357</b>	<b>2,125,269</b>
<b>Liabilities</b>				
Derivative financial instruments	-	3,548	-	3,548
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>3,548</b>	<b>-</b>	<b>3,548</b>
<b>Audited - June 2022</b>				
<b>Assets</b>				
Investments	279,841	-	7,032	286,873
Investment properties	-	-	11,832	11,832
Derivative financial instruments	-	45,221	-	45,221
Finance receivables - reverse mortgages	-	-	1,996,854	1,996,854
<b>Total financial assets measured at fair value</b>	<b>279,841</b>	<b>45,221</b>	<b>2,015,718</b>	<b>2,340,780</b>
<b>Liabilities</b>				
Derivative financial instruments	-	6,341	-	6,341
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>6,341</b>	<b>-</b>	<b>6,341</b>

There were no executed trades on Harmony Corp Limited (ASX:HMY) on the last business day of the financial period. In the absence of a traded closing price a mid-point of the bid-ask spread was used to fair value the Group's equity investment in HMY.

Equity investment in HMY amounting to \$5.6 million was transferred out from Level 1 into Level 2 during the six months ended 31 December 2022. There were no other transfers between levels in the fair value hierarchy for the period (December 2021: nil; June 2022: \$8.1 million of equity investments transferred out of Level 3 to Level 1).

## 12 Fair value (continued)

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

The movement in Level 3 assets measured at fair value are below:

\$000's	Finance Receivables - Reverse Mortgages	Investments	Investment Properties	Total
<b>Unaudited - December 2022</b>				
As at 30 June 2022	1,996,854	7,032	11,832	2,015,718
New loans	285,356	-	-	285,356
Repayments	(154,651)	-	-	(154,651)
Capitalised Interest and fees	81,311	-	-	81,311
Purchase of investments	-	5,494	-	5,494
Other <sup>1</sup>	(37,354)	(163)	71	(37,446)
<b>As at 31 December 2022</b>	<b>2,171,516</b>	<b>12,363</b>	<b>11,903</b>	<b>2,195,782</b>
<b>Unaudited - December 2021</b>				
As at 30 June 2021	1,676,073	20,667	11,832	1,708,572
New loans	190,734	-	-	190,734
Repayments	(127,057)	-	-	(127,057)
Capitalised Interest and fees	49,718	-	-	49,718
Purchase of investments	-	1,885	-	1,885
Fair value (loss) on investment	-	(93)	-	(93)
Other <sup>1</sup>	(11,402)	-	-	(11,402)
<b>As at 31 December 2021</b>	<b>1,778,066</b>	<b>22,459</b>	<b>11,832</b>	<b>1,812,357</b>
<b>Audited - June 2022</b>				
As at 30 June 2021	1,676,073	20,667	11,832	1,708,572
New loans	439,110	-	-	439,110
Repayments	(257,319)	-	-	(257,319)
Capitalised Interest and fees	106,966	-	-	106,966
Purchase of investments	-	7,414	-	7,414
Fair value (loss) on investment	-	(12,998)	-	(12,998)
Other <sup>1</sup>	32,024	-	-	32,024
Transfer out of Level 3	-	(8,051)	-	(8,051)
<b>As at 30 June 2022</b>	<b>1,996,854</b>	<b>7,032</b>	<b>11,832</b>	<b>2,015,718</b>

<sup>1</sup> This relates to foreign currency translation differences for the assets.

## 12 Fair value (continued)

### (b) Financial instruments not measured at fair value

The following table sets out financial instruments not measured at fair value, compares their carrying value against their fair value and analyses them by level in the fair value hierarchy.

\$000's	Fair Value Hierarchy	Unaudited December 2022		Unaudited December 2021		Audited June 2022	
		Total Fair Value	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value	Total Carrying Value
<b>Assets</b>							
Cash and cash equivalents	Level 1	385,277	385,277	207,666	207,666	310,758	310,758
Investments <sup>1</sup>	Level 2	-	-	4,615	4,616	2,418	2,421
Finance receivables	Level 3	4,166,431	4,234,966	3,563,778	3,526,234	4,073,977	4,146,821
Other financial assets	Level 3	2,261	2,261	2,322	2,322	273	273
<b>Total financial assets</b>		<b>4,553,969</b>	<b>4,622,504</b>	<b>3,778,381</b>	<b>3,740,838</b>	<b>4,387,426</b>	<b>4,460,273</b>
<b>Liabilities</b>							
Deposits	Level 2	4,068,973	4,070,558	3,334,667	3,332,409	3,590,918	3,592,508
Other borrowings	Level 2	2,258,511	2,258,511	1,822,465	1,822,465	2,578,213	2,578,213
Other financial liabilities <sup>2</sup>	Level 3	53,016	53,016	30,690	30,690	55,538	55,538
<b>Total financial liabilities</b>		<b>6,380,500</b>	<b>6,382,085</b>	<b>5,187,822</b>	<b>5,185,564</b>	<b>6,224,669</b>	<b>6,226,259</b>

<sup>1</sup> Included within Investments at 31 December 2021 and 30 June 2022 are bank deposits which are held to support the Group's contractual cash flows. Such Investments are measured at amortised cost. There were no bank deposits within Investments at 31 December 2022.

<sup>2</sup> Included within Other financial liabilities are \$36.76 million of cash collateral received (December 2021: \$16.32 million; June 2022: \$32.34 million) against derivative assets as per credit support annexes (CSAs) agreements.

## Risk Management

### 13 Enterprise risk management program

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

### 14 Credit risk exposure

#### (a) Maximum exposure to credit risk at the relevant reporting dates

The following table represents the maximum credit risk exposure, without taking account of any collateral held. The exposures set out below are based on net carrying amounts as reported in the consolidated interim statement of financial position.

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
<b>On balance sheet:</b>			
Cash and cash equivalents	385,277	207,666	310,758
Investments	269,293	295,814	274,212
Finance receivables	4,234,966	3,526,234	4,146,821
Finance receivables - reverse mortgages	2,171,516	1,778,066	1,996,854
Derivative financial assets	51,374	21,714	45,221
Other financial assets	2,261	2,322	273
<b>Total on balance sheet credit exposures</b>	<b>7,114,687</b>	<b>5,831,816</b>	<b>6,774,139</b>
<b>Off balance sheet:</b>			
Letters of credit, guarantee commitments and performance bonds	5,931	7,217	8,969
Undrawn facilities available to customers	457,195	365,623	416,561
Conditional commitments to fund at future dates	25,007	21,646	34,791
<b>Total off balance sheet credit exposures</b>	<b>488,133</b>	<b>394,486</b>	<b>460,321</b>
<b>Total credit exposures</b>	<b>7,602,820</b>	<b>6,226,302</b>	<b>7,234,460</b>

As at 31 December 2022 there were no undrawn lending commitments available to counterparties for whom drawn balances are classified as individually impaired (December 2021: nil, June 2022: \$0.003 million).

#### (b) Concentration of credit risk by geographic region

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
New Zealand	5,470,334	4,749,474	5,264,609
Australia	1,977,798	1,299,626	1,809,104
Rest of the world <sup>1</sup>	208,348	230,485	212,752
	<b>7,656,480</b>	<b>6,279,585</b>	<b>7,286,465</b>
Provision for impairment	(53,660)	(53,283)	(52,005)
<b>Total credit exposures</b>	<b>7,602,820</b>	<b>6,226,302</b>	<b>7,234,460</b>

<sup>1</sup> These overseas assets are primarily NZD-denominated investments in AA+ (Standard & Poor's) and higher rated securities issued by offshore supranational agencies e.g. Kauri Bonds.

## 14 Credit risk exposure (continued)

### (c) Concentration of credit risk by industry sector

The Australian and New Zealand Standard Industrial Classification (**ANZSIC**) codes have been used as the basis for categorising customer and investee industry sectors.

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
Agriculture	1,130,473	667,835	1,120,678
Forestry and fishing	143,883	149,561	148,797
Mining	10,200	14,217	12,524
Manufacturing	80,501	85,737	78,432
Finance and insurance	875,385	701,269	784,948
Wholesale trade	42,665	35,543	41,986
Retail trade and accommodation	415,300	338,163	423,975
Households	3,786,246	3,233,026	3,555,566
Other business services	202,182	172,647	189,860
Construction	320,431	304,593	291,971
Rental, hiring and real estate services	211,581	180,689	199,388
Transport and storage	339,182	311,068	323,732
Other	98,451	85,237	114,608
	<b>7,656,480</b>	<b>6,279,585</b>	<b>7,286,465</b>
Provision for impairment	(53,660)	(53,283)	(52,005)
<b>Total credit exposures</b>	<b>7,602,820</b>	<b>6,226,302</b>	<b>7,234,460</b>

## 15 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due. The timing mismatch of cash flows and the related liquidity risk in all banking operations is closely monitored by the Group.

Measurement of liquidity risk is designed to ensure that the Group has the ability to generate or obtain sufficient cash in a timely manner and at a reasonable price to meet its financial commitments on a daily basis.

The Group holds the following liquid assets and committed funding sources for the purpose of managing liquidity risk:

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
Cash and cash equivalents	385,277	207,666	310,758
Investments	269,293	295,814	274,212
Undrawn committed bank facilities	380,319	290,774	360,859
<b>Total liquid assets and committed undrawn funding</b>	<b>1,034,889</b>	<b>794,254</b>	<b>945,829</b>

### Contractual liquidity profile of financial liabilities

The following tables present the Group's financial liabilities by relevant maturity groupings based upon contractual maturity date. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows. As a result, the amounts in the tables below may differ to the amounts reported on the consolidated interim statement of financial position.

The contractual cash flows presented below may differ significantly from actual cash flows. This occurs as a result of future actions by the Group and its counterparties, such as early repayments or refinancing of term loans and borrowings. Deposits and other public borrowings include customer savings deposits and transactional accounts, which are at call. These accounts provide a stable source of long term funding for the Group.

## 15 Liquidity risk (continued)

### Contractual liquidity profile of financial liabilities (continued)

\$000's	On Demand	0-6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years	Total
<b>Unaudited - December 2022</b>							
<b>Non-derivative financial liabilities</b>							
Deposits	800,321	2,369,117	837,546	86,351	35,931	-	4,129,266
Other borrowings	-	374,628	34,242	1,046,738	911,570	150,405	2,517,583
Lease liabilities	-	1,550	1,357	2,669	6,862	3,827	16,265
Other financial liabilities	-	53,016	-	-	-	-	53,016
<b>Total non-derivative financial liabilities</b>	<b>800,321</b>	<b>2,798,311</b>	<b>873,145</b>	<b>1,135,758</b>	<b>954,363</b>	<b>154,232</b>	<b>6,716,130</b>
<b>Derivative financial liabilities</b>							
Inflows from derivatives	-	2,121	2,268	3,221	1,965	-	9,575
Outflows from derivatives	-	3,751	4,687	5,509	2,577	-	16,524
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>1,630</b>	<b>2,419</b>	<b>2,288</b>	<b>612</b>	<b>-</b>	<b>6,949</b>
Undrawn facilities available to customers	457,195	-	-	-	-	-	457,195
<b>Unaudited - December 2021</b>							
<b>Non-derivative financial liabilities</b>							
Deposits	847,180	1,776,648	568,895	105,741	54,417	-	3,352,881
Other borrowings	-	231,215	938,328	384,597	158,088	172,881	1,885,109
Lease liabilities	-	1,432	1,441	2,742	7,320	5,990	18,925
Other financial liabilities	-	30,690	-	-	-	-	30,690
<b>Total non-derivative financial liabilities</b>	<b>847,180</b>	<b>2,039,985</b>	<b>1,508,664</b>	<b>493,080</b>	<b>219,825</b>	<b>178,871</b>	<b>5,287,605</b>
<b>Derivative financial liabilities</b>							
Inflows from derivatives	-	13,951	4,065	6,936	5,303	-	30,255
Outflows from derivatives	-	16,113	4,222	7,396	5,107	-	32,838
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>2,162</b>	<b>157</b>	<b>460</b>	<b>(196)</b>	<b>-</b>	<b>2,583</b>
Undrawn facilities available to customers	365,623	-	-	-	-	-	365,623
<b>Audited - June 2022</b>							
<b>Non-derivative financial liabilities</b>							
Deposits	887,976	2,028,225	561,468	103,192	41,655	-	3,622,516
Other borrowings	-	505,191	268,653	702,349	1,160,157	210,428	2,846,778
Lease liabilities	-	1,575	1,525	2,616	6,985	4,911	17,612
Other financial liabilities	-	55,538	-	-	-	-	55,538
<b>Total non-derivative financial liabilities</b>	<b>887,976</b>	<b>2,590,529</b>	<b>831,646</b>	<b>808,157</b>	<b>1,208,797</b>	<b>215,339</b>	<b>6,542,444</b>
<b>Derivative financial liabilities</b>							
Inflows from derivatives	-	15,681	1,759	3,505	813	-	21,758
Outflows from derivatives	-	14,800	3,227	6,621	839	-	25,487
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>(881)</b>	<b>1,468</b>	<b>3,116</b>	<b>26</b>	<b>-</b>	<b>3,729</b>
Undrawn facilities available to customers	416,561	-	-	-	-	-	416,561



## 16 Interest rate risk

### Contractual repricing analysis

The interest rate risk profile of financial assets and liabilities that follows has been prepared on the basis of maturity or next repricing date, whichever is earlier.

\$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non- Interest Bearing	Total
<b>Unaudited - December 2022</b>							
<b>Financial assets</b>							
Cash and cash equivalents	380,787	-	-	-	-	4,490	385,277
Investments	30,308	20,862	53,883	56,209	108,031	17,965	287,258
Finance receivables	1,850,327	283,962	452,114	682,875	891,995	73,693	4,234,966
Finance receivables - reverse mortgages	2,171,516	-	-	-	-	-	2,171,516
Derivative financial assets	-	-	-	-	-	51,374	51,374
Other financial assets	-	-	-	-	-	2,261	2,261
<b>Total financial assets</b>	<b>4,432,938</b>	<b>304,824</b>	<b>505,997</b>	<b>739,084</b>	<b>1,000,026</b>	<b>149,783</b>	<b>7,132,652</b>
<b>Financial liabilities</b>							
Deposits	2,374,631	743,604	805,089	81,738	31,887	33,609	4,070,558
Other borrowings	1,982,576	107,343	-	120,374	36,489	11,729	2,258,511
Derivative financial liabilities	-	-	-	-	-	10,406	10,406
Lease liabilities	-	-	-	-	-	14,798	14,798
Other financial liabilities	-	-	-	-	-	53,016	53,016
<b>Total financial liabilities</b>	<b>4,357,207</b>	<b>850,947</b>	<b>805,089</b>	<b>202,112</b>	<b>68,376</b>	<b>123,558</b>	<b>6,407,289</b>
Effect of derivatives held for risk management	1,027,804	(49,932)	(176,843)	(354,844)	(446,185)	-	-
<b>Net financial assets/(liabilities)</b>	<b>1,103,535</b>	<b>(596,055)</b>	<b>(475,935)</b>	<b>182,128</b>	<b>485,465</b>	<b>26,225</b>	<b>725,363</b>
<b>Unaudited - December 2021</b>							
<b>Financial assets</b>							
Cash and cash equivalents	207,665	-	-	-	-	1	207,666
Investments	22,884	1,101	-	120,826	151,003	22,459	318,273
Finance receivables	1,623,877	166,312	312,265	503,151	848,174	72,455	3,526,234
Finance receivables - reverse mortgages	1,778,066	-	-	-	-	-	1,778,066
Derivative financial assets	-	-	-	-	-	21,714	21,714
Other financial assets	-	-	-	-	-	2,322	2,322
<b>Total financial assets</b>	<b>3,632,492</b>	<b>167,413</b>	<b>312,265</b>	<b>623,977</b>	<b>999,177</b>	<b>118,951</b>	<b>5,854,275</b>
<b>Financial liabilities</b>							
Deposits	1,870,753	730,076	561,848	102,537	50,654	16,541	3,332,409
Other borrowings	1,486,681	60,714	151,260	-	123,810	-	1,822,465
Derivative financial liabilities	-	-	-	-	-	3,548	3,548
Lease liabilities	-	-	-	-	-	16,980	16,980
Other financial liabilities	-	-	-	-	-	30,690	30,690
<b>Total financial liabilities</b>	<b>3,357,434</b>	<b>790,790</b>	<b>713,108</b>	<b>102,537</b>	<b>174,464</b>	<b>67,759</b>	<b>5,206,092</b>
Effect of derivatives held for risk management	669,798	(67,794)	(8,974)	(295,757)	(297,273)	-	-
<b>Net financial assets/(liabilities)</b>	<b>944,856</b>	<b>(691,171)</b>	<b>(409,817)</b>	<b>225,683</b>	<b>527,440</b>	<b>51,192</b>	<b>648,183</b>

## 16 Interest rate risk (continued)

### Contractual repricing analysis (continued)

\$000's	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2+ Years	Non- Interest Bearing	Total
<b>Audited - June 2022</b>							
<b>Financial assets</b>							
Cash and cash equivalents	310,749	-	-	-	-	9	310,758
Investments	1,568	854	51,144	91,974	128,672	15,082	289,294
Finance receivables	1,906,457	277,891	426,251	561,636	913,210	61,376	4,146,821
Finance receivables - reverse mortgages	1,996,854	-	-	-	-	-	1,996,854
Derivative financial assets	-	-	-	-	-	45,221	45,221
Other financial assets	-	-	-	-	-	273	273
<b>Total financial assets</b>	<b>4,215,628</b>	<b>278,745</b>	<b>477,395</b>	<b>653,610</b>	<b>1,041,882</b>	<b>121,961</b>	<b>6,789,221</b>
<b>Financial liabilities</b>							
Deposits	2,190,337	684,378	546,718	99,196	38,325	33,554	3,592,508
Other borrowings	2,320,575	130,873	-	121,191	-	5,574	2,578,213
Derivative financial liabilities	-	-	-	-	-	6,341	6,341
Lease liabilities	-	-	-	-	-	16,240	16,240
Other financial liabilities	-	-	-	-	-	55,538	55,538
<b>Total financial liabilities</b>	<b>4,510,912</b>	<b>815,251</b>	<b>546,718</b>	<b>220,387</b>	<b>38,325</b>	<b>117,247</b>	<b>6,248,840</b>
Effect of derivatives held for risk management	986,194	(76,349)	(127,004)	(309,781)	(473,060)	-	-
<b>Net financial assets/(liabilities)</b>	<b>690,910</b>	<b>(612,855)</b>	<b>(196,327)</b>	<b>123,442</b>	<b>530,497</b>	<b>4,714</b>	<b>540,381</b>

## Other Disclosures

### 17 Structured entities

A structured entity is one which has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are created to accomplish a narrow and well-defined objective such as the securitisation or holding of particular assets or the execution of a specific borrowing or lending transaction. Structured entities are consolidated where the substance of the relationship is that the Group controls the structured entity.

#### (a) Heartland Cash and Term PIE Fund (Heartland PIE Fund)

The Group controls the operations of the Heartland PIE Fund which is a portfolio investment entity that invests in the Group's deposits. Investments of Heartland PIE Fund are represented as follows:

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
Deposits	188,421	151,830	149,824

#### (b) Heartland Auto Receivable Warehouse Trust 2018-1 (Auto Warehouse)

The Auto Warehouse securitises motor vehicle loan receivables as a source of funding.

The Group continues to recognise the securitised assets and associated borrowings in the consolidated interim statement of financial position as the Group remains exposed to and has the ability to affect variable returns from those assets and liabilities. Although the Group recognises those interests in Auto Warehouse, the loans sold to the Trust are set aside for the benefit of investors in Auto Warehouse and other depositors and lenders to the Group have no recourse to those assets.

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
Cash and cash equivalents	14,229	19,840	20,197
Finance receivables	213,958	273,289	312,239
Other borrowings	(217,634)	(275,787)	(315,308)

#### (c) Seniors Warehouse Trust, Seniors Warehouse Trust No.2 (together the SW Trusts) and ASF Settlement Trust (ASF Trust)

SW Trusts and ASF Trust (collectively the Trusts) form part of ASF's reverse mortgage business and were set up by Australian Seniors Finance Limited (ASF) as asset holding entities. The Trustee for the Trusts is ASF Custodians Pty Limited and the Trust Manager is ASF. The reverse mortgage loans held by the Trusts are set aside for the benefit of the investors in the Trusts. The balances of SW Trusts and ASF Trust are represented as follows:

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
Cash and cash equivalents	27,120	29,509	26,003
Finance receivables - reverse mortgages	1,226,343	992,664	1,136,644
Other borrowings	(979,331)	(798,735)	(902,155)

#### (d) Atlas 2020-1 Trust (Atlas Trust)

Atlas Trust was set up on 11 September 2020 as part of ASF's reverse mortgage business similar to the existing SW Trusts and ASF Trust. The Trustee for the Trust is BNY Trust Company of Australia Limited and the Trust Manager is ASF. The balances of Atlas Trust are represented as follows:

\$000's	Unaudited December 2022	Unaudited December 2021	Audited June 2022
Cash and cash equivalents	16,142	18,118	15,774
Finance receivables - reverse mortgages	136,535	136,537	138,950
Other borrowings	(141,561)	(148,453)	(145,219)

## 17 Structured entities (continued)

### (e) StockCo Securitisation Trust 2022-1

The StockCo Securitisation Trust 2022-1 was set up on 31 May 2022 as part of StockCo Australia's livestock business. The Trustee for the Trust is AMAL Trustees Pty Limited and the Trust Manager is AMAL Management Services Pty Limited. The balances of StockCo Securitisation Trust 2022-1 are represented as follows:

<b>\$000's</b>	<b>Unaudited December 2022</b>	<b>Unaudited December 2021</b>	<b>Audited June 2022</b>
Cash and cash equivalents	20,620	-	15,007
Finance receivables	353,708	-	354,901
Other borrowings	(305,994)	-	(311,415)

## 18 Insurance business, securitisation, funds management, other fiduciary activities

### Insurance business

Marac Insurance Limited (**MIL**), a subsidiary of Heartland Bank Limited (**HBL**), ceased writing insurance policies in 2020 with the periodic policies expected to expire in 2025.

The Group's aggregate amount of insurance business comprises the total consolidated assets of MIL of \$7.3 million (December 2021: \$8.3 million; June 2022: \$7.4 million), which represents 0.10% of the total consolidated assets of the Group (December 2021: 0.14%; June 2022: 0.11%).

### Securitisation, funds management and other fiduciary activities

There have been no material changes to the Group's involvement in securitisation activities. There have been no material changes to the Group's involvement in funds management and other fiduciary activities, in either case since the reporting date of the previous financial statements.

### Risk management

The Group has in place policies and procedures to ensure that the fiduciary activities identified above are conducted in an appropriate manner. It is considered that these policies and procedures will ensure that any difficulties arising from these activities will not impact adversely on the Group. There has been no material changes to those policies and procedures since the reporting date of the previous financial statements.

### Provision of financial services and asset purchases

Over the accounting period, financial services provided by the Group to entities which were involved in the activities above (including trust, custodial, funds management and other fiduciary activities) were provided on arm's length terms and conditions and at fair value.

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

## 19 Contingent liabilities and commitments

The Group, in the ordinary course of business, will be subject to claims and proceedings against it whereby the validity of the claim will only be confirmed by uncertain future events. In such circumstances, the contingent liabilities would become possible obligations, or present obligations if known, where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent Liabilities are not recognised, but are disclosed, unless they are deemed remote. Where some loss is considered probable, provisions have been made on a case by case basis.

Contingent liabilities and credit related commitments arising in respect of the Group's operations were:

<b>\$000's</b>	<b>Unaudited December 2022</b>	<b>Unaudited December 2021</b>	<b>Audited June 2022</b>
Letters of credit, guarantee commitments and performance bonds	5,931	7,217	8,969
<b>Total contingent liabilities</b>	<b>5,931</b>	<b>7,217</b>	<b>8,969</b>
Undrawn facilities available to customers	457,195	365,623	416,561
Conditional commitments to fund at future dates	25,007	21,646	34,791
<b>Total commitments</b>	<b>482,202</b>	<b>387,269</b>	<b>451,352</b>

## 20 Events after reporting date

### Severe weather events across the North Island of New Zealand

Subsequent to the reporting period, severe weather events, including flooding in Auckland and Cyclone Gabrielle, have impacted regions across the North Island of New Zealand. These events have had a devastating effect on individuals and businesses, particularly in Northland, Auckland, Hawke's Bay and Tairāwhiti regions.

In both events, HBL implemented a targeted call programme to customers in affected areas, or areas of high risk. This is an ongoing process as the situation evolves and the nature and extent of the damage is understood by customers. HBL has been working with customers to provide support as they need it. Support has included deferred loan repayments, interest only payments, additional funding or other solutions determined on a case-by-case basis.

Fortunately, HBL's exposure to flooded properties in Auckland, and to the areas most heavily impacted by Cyclone Gabrielle is limited. HBL will continue to support its Auckland-based customers, as well as its rural, livestock, forestry and transportation customers on the East Coast, and in the months ahead. However, at the date the consolidated financial statements were signed, the Group does not consider there to be a material risk to the business from either event.

### Proposed unsecured notes issuance

HBL is considering making an offer of up to \$75 million (with the right to accept oversubscriptions of up to an additional \$50 million at the HBL's discretion) of unsecured notes to New Zealand investors and certain overseas institutional investors. The unsecured notes are expected to constitute Tier 2 Capital for HBL's regulatory capital requirements.

### Dividends

The Group approved a fully imputed final dividend of 5.5 cents per share on 27 February 2023.

There were no other events subsequent to the reporting period which would materially affect the consolidated financial statements.

